

RESEARCH REPORT

# An Assessment of Lending to LMI and Minority Neighborhoods and Borrowers

## Performance of Independent Mortgage Banks in the Context of CRA Reform

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April 2023



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# Acknowledgments

This report was prepared in collaboration with and funded by the Mortgage Bankers Association. We are grateful to them and to all our funders, who make it possible for Urban to advance its mission.

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The genesis and methodology behind this report derives from research Urban released in February 2022 entitled “[Who Serves People of Color in Mortgage Lending: Banks or Nonbanks?](#)” The Mortgage Bankers Association asked Urban to use the same methodology with updated 2021 Home Mortgage Disclosure Act data to extend the analysis to key states and to cover lending to low- and moderate-income borrowers and communities.

# Lending to LMI and Minority Neighborhoods and Borrowers

The Community Reinvestment Act (CRA) was enacted in 1977 to encourage banks to meet the credit needs of the communities where they do business, especially in low- and moderate-income (LMI) areas within those communities. The act was also conceived of as a piece of civil rights legislation designed to overcome the effects of America's history of redlining, under which lenders refused to lend, especially for home mortgages, to Black, Latino, and ethnic white households.

The CRA requires banking regulators to “assess the institution's record of meeting the credit needs of the entire community, including low- and moderate-income neighborhoods, consistent with the safe and sound operations of such institutions.”<sup>1</sup> The CRA applies only to banks and thrifts—that is, entities regulated by the Federal Reserve, the Office of the Comptroller of the Currency, or the Federal Deposit Insurance Corporation. In particular, the CRA does not apply to credit unions or independent mortgage banks (IMBs). This reflects the state of financial services in 1977, when most mortgage credit was provided by banks and thrifts, all of which operated out of branches, many with limited geographic reach.

In 2022, though, IMBs accounted for approximately 60 percent of all mortgage originations, including 75 percent of originations backed by Fannie Mae, Freddie Mac, the Federal Housing Administration, and other government agencies. And that share has been rising; our early-2023 numbers put the share of total agency originations by nonbanks at over 80 percent. Moreover, unlike the vast majority of banks and thrifts, which have a narrow geographic footprint and thus a defined community, most IMBs largely operate across a broad geographic footprint.<sup>2</sup>

Three states—New York, Massachusetts, and Illinois—have adopted versions of the CRA that now cover nonbank mortgage lenders, including IMBs, in addition to banks, though only Massachusetts has implemented that part of the statute. Connecticut has a CRA statute that applies to credit unions, and other states—notably, California, Pennsylvania, and Maryland—are considering adopting versions of the CRA for nonbank lenders. In addition, federal bank regulators are in the process of a major update of the CRA regulations.

In this period of state and federal attention toward both the CRA and the effectiveness with which the financial services system serves LMI people and communities and people and communities of color, it is useful to explore the impact the CRA has had on this lending. One facet of this analysis is to

compare the lending patterns of entities subject to the federal CRA, namely banks and thrifts, with those of lenders not subject to the statute, namely IMBs and credit unions. To do so, we looked at the data concerning bank, IMB, and credit union lending to LMI borrowers and neighborhoods and to minority borrowers and neighborhoods, both at the national level and for several states. We provide data and analysis to inform the policy discussion but do not make any recommendations.

The outline of this report is as follows. Section 1 contains our definitions, methodology, and data sources. Section 2 shows our results at the national level. We focus on how well all mortgage originators—as well as banks, credit unions, and IMBs taken separately—are meeting the needs of LMI borrowers and neighborhoods, as well as minority borrowers and neighborhoods. Section 3 shows our results at the state level for California, Maryland, New York, Illinois, and Massachusetts, states that have implemented or have considered implementing the CRA for nonbank financial institutions. The final section contains our conclusions.

## Definitions, Methodology, and Data Sources

We used three data sources for this analysis.

1. 2015–19 (five-year) American Community Survey (ACS) data, which give us detailed information about the composition of each census tract, including its racial composition, income, and share of homeowners by income or by race.
2. 2019 ACS data provide the share of homeowners at the Public Use Microdata Area level by income and race or ethnicity. Note that five-year ACS data do not provide data about the share of homeowners by both income and race for individual census tracts.
3. 2021 Home Mortgage Disclosure Act (HMDA) data, which give us information about the borrower, including race or ethnicity and income, loan amount, loan purpose (purchase or refinance), loan type (owner occupied, second home, or investor loan), and the census tract of the property securing the loans.

We matched the five-year ACS data and the HMDA data at the census tract level.<sup>3</sup> To focus on the most important type of mortgage credit need, we limited the analysis to owner-occupied single-family (one-to-four-unit) purchase loans. That is, we eliminated all refinance loans and loans made for investments or second homes.

We began our analysis by classifying borrowers and neighborhoods by income level. An LMI borrower is someone who earns less than 80 percent of the area median income (AMI). An LMI neighborhood is a census tract that has a median income less than 80 percent of the AMI. We divided the census tracts with median incomes greater than or equal to 80 percent of the AMI into two groups: middle income (80 to 120 percent of the AMI) and upper income (at least 120 percent of the AMI).

To categorize a borrower's race or ethnicity, we looked only at the first borrower (i.e., we did not consider coborrowers). When categorizing race, we looked at ethnicity first; a Latino borrower may be of any race. A minority borrower is any borrower who is Latino or nonwhite. This includes borrowers classified as Black, Latino, Asian, two or more races, American Indian, Alaska Native, Native Hawaiian, and other Pacific Islander. Following the convention of the federal bank regulators, for the balance of this report, we refer to non-Latino white borrowers as “white” and all others as “minority.”

We also classified neighborhoods by race or ethnicity. We defined a predominantly minority neighborhood as a census tract in which the nonwhite share of households is greater than 70 percent, a mixed neighborhood as one in which the nonwhite share is 30 to 70 percent, and a predominantly white neighborhood as one in which the nonwhite share is less than or equal to 30 percent.

## National Results

### Benchmarks

In 2022, we did a similar analysis at the national level, using a similar methodology and 2018–19 HMDA data (Goodman et al. 2022). That report showed that lending to LMI borrowers and LMI neighborhoods is not the same as lending to minority borrowers and minority neighborhoods.

We found that even compared with the persistently low minority homeownership rate, minority neighborhoods do not receive their proportionate share of purchase loans from institutions either covered or not covered by the CRA, though the IMBs showed the smallest shortfall. We also found that mortgage lending to minority borrowers by all types of institutions was higher than the existing minority homeownership rate; this reflected overperformance by nonbank lenders balancing in-line performance by bank lenders.

For this analysis, we focus on lending to LMI and minority neighborhoods and borrowers by institutions subject to the CRA and institutions outside the statute's reach. To examine how current

mortgage lending meets the credit needs of LMI and minority neighborhoods and people, we compare mortgage lending by institutions with the share of homeowners.<sup>4</sup>

At the neighborhood level, we use the following three benchmarks to compare bank, IMB, and credit union lending in LMI and predominantly minority neighborhoods:

- Benchmark 1 (percentage of homeowners in LMI neighborhoods) = number of homeowners in LMI neighborhoods / total number of homeowners in the relevant geography. Nationally, this equals 18.6 percent.
- Benchmark 2 (percentage of homeowners in predominantly minority neighborhoods) = number of homeowners in predominantly minority neighborhoods / total number of homeowners in the relevant geography. Nationally, this equals 10.8 percent.
- Benchmark 3 (percentage of homeowners in LMI predominantly minority neighborhoods) = number of homeowners in LMI predominantly minority neighborhoods / total number of homeowners in the relevant geography. Nationally, this equals 6.0 percent.

At the borrower level, we use the following three benchmarks to compare bank lending and IMB lending with LMI and minority borrowers.

- Benchmark 4 (percentage of LMI borrowers) = number of LMI homeowners / total number of homeowners. Nationally, this equals 38.1 percent.
- Benchmark 5 (percentage of minority borrowers) = number of minority homeowners / total number of homeowners. Nationally, this equals 24.4 percent.
- Benchmark 6 (percentage of LMI minority borrowers) = number of LMI minority homeowners / total number of homeowners. Nationally, this equals 10.4 percent.

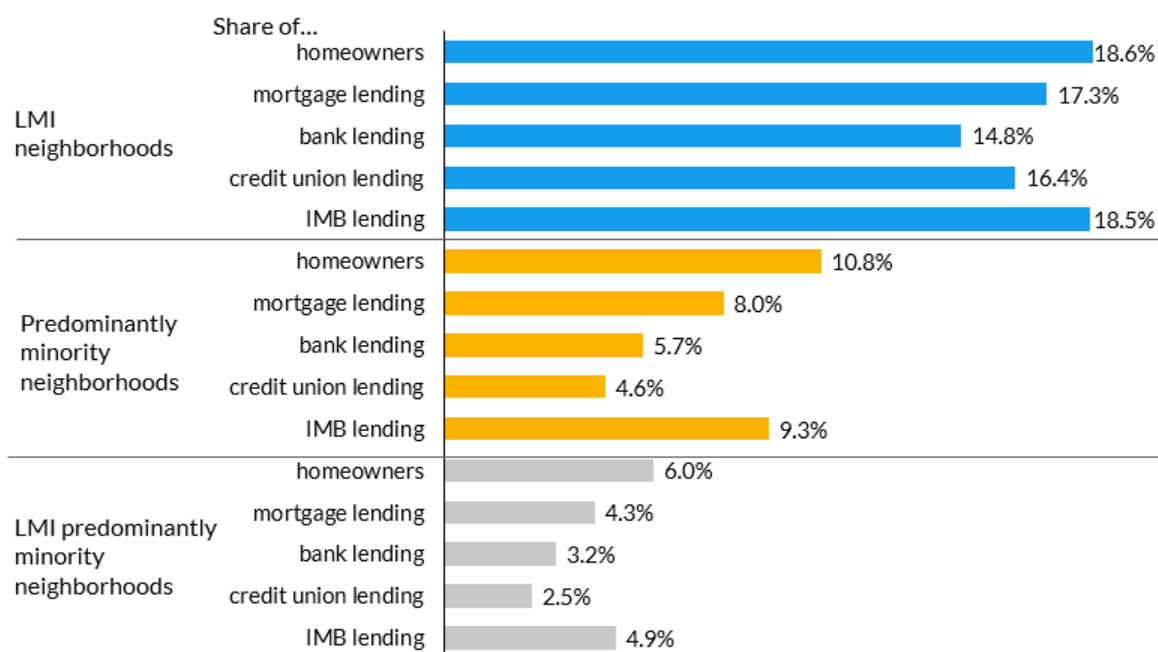
## Lending to LMI and Predominantly Minority Neighborhoods

Figure 1 shows—at the neighborhood level—the share of bank, IMB, and credit union lending to LMI neighborhoods and predominantly minority neighborhoods compared with our benchmarks.



FIGURE 1

Lending to LMI and Predominantly Minority Neighborhoods, by Institution Type



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Source: Authors’ calculations based on 2015–19 American Community Survey data and 2021 Home Mortgage Disclosure Act data.

Notes: IMB = independent mortgage bank; LMI = low- and moderate-income. Data are for closed-end one-to-four-unit single-family owner-occupied purchase loans.

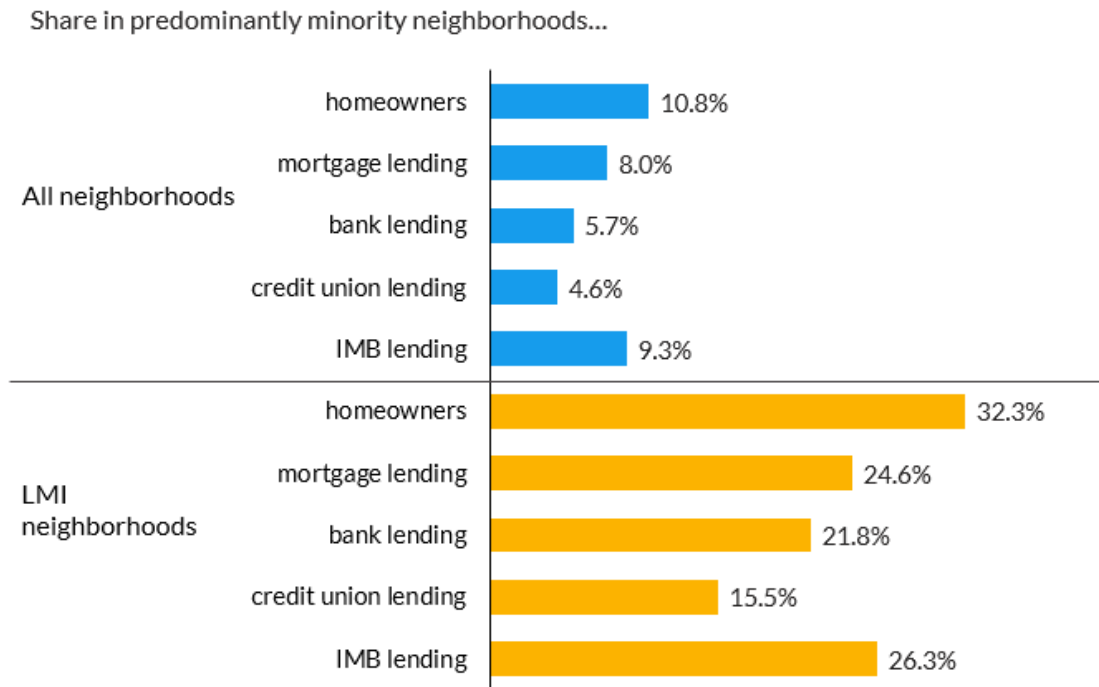
Compared with the 18.6 percent share of homeowners living in LMI neighborhoods, IMBs did a roughly comparable amount of lending (18.5 percent). Banks made 14.8 percent of their loans in LMI neighborhoods, and the share for credit unions was 16.4 percent. Thus, in terms of lending to LMI neighborhoods, IMBs are lending in an amount approximately proportional to existing homeownership in those neighborhoods, while banks and, to a lesser extent, credit unions are underperforming the benchmark.

In contrast, we find that predominantly minority neighborhoods are not receiving their proportionate share of loans from any lender group, though the IMB shortfall is modest. We found that 10.8 percent of homeowners live in predominantly minority neighborhoods. But these predominantly minority neighborhoods receive 9.3 percent of IMB lending, 5.7 percent of bank lending, and 4.6 percent of credit union lending.

If we restrict the analysis to LMI predominantly minority neighborhoods, containing 6.0 percent of all homeowners, the shortfall is even more pronounced. These neighborhoods receive 4.9 percent of IMB lending, 3.2 percent of bank lending, and 2.5 percent of credit union lending.

Another way to view the shortfall to LMI predominantly minority neighborhoods is to look at what proportion of the loans to LMI neighborhoods are going to LMI predominantly minority neighborhoods (figure 2). The top section of figure is the same as the middle section of figure 1: 10.8 percent of homeowners live in predominantly minority neighborhoods, and 8.0 percent of total lending is made to those areas. But whereas 32.3 percent of homeowners in LMI neighborhoods are in LMI predominantly minority neighborhoods, only 24.6 percent of overall mortgage lending to LMI neighborhoods goes to these LMI predominantly minority neighborhoods; this breaks down into 21.8 percent of bank lending, 15.5 percent of credit union lending, and 26.3 percent of IMB lending. Although all mortgage lenders fall short of the homeowner benchmark, the IMBs significantly outperform both the banks (covered by the CRA) and credit unions.

**FIGURE 2**  
**Lending in Predominantly Minority Neighborhoods**



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**Source:** Authors' calculations based on 2015–19 American Community Survey data and 2021 Home Mortgage Disclosure Act data.

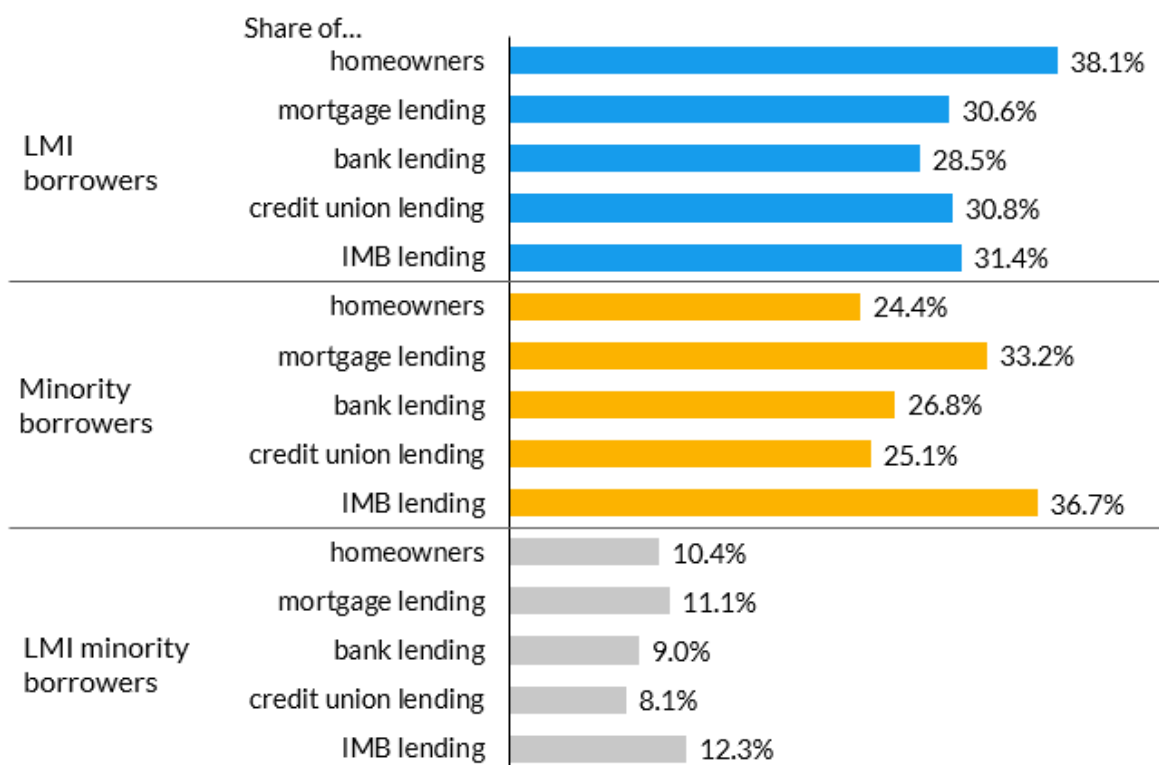
**Notes:** IMB = independent mortgage bank. Data are for closed-end one-to-four-unit single-family owner-occupied purchase loans.

## Lending to LMI and Minority Borrowers

We now turn to the borrower analysis (figure 3) and compare bank, IMB, and credit union lending with our three benchmarks. First, 38.1 percent of all homeowners are LMI homeowners. We find that LMI borrowers receive less than their proportionate share of mortgage lending, regardless of whether the lender is a bank, an IMB, or a credit union. 31.4 percent of IMB lending is to LMI borrowers, followed by 30.8 percent of credit union lending and 28.5 percent of bank lending. Some of this disparity could be because of the large number of senior citizens living on retirement incomes—who often have paid off their mortgages—included in the LMI homeowner group.

FIGURE 3

Lending to LMI and Minority Borrowers



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**Source:** Authors' calculations based on 2019 American Community Survey data and 2021 Home Mortgage Disclosure Act data.

**Notes:** IMB = independent mortgage bank; LMI = low- and moderate-income. Data are for closed-end one-to-four-unit single-family owner-occupied purchase loans.

Second, we turn to minority borrowers. Our benchmark shows that 24.4 percent of homeowners are minority homeowners. In contrast, minority borrowers receive a greater share of total lending (33.2 percent). This is likely a result of demographic trends. The largest amount of mortgage purchase activity

is done by households in their prime homebuying years, households headed by those ages 25 to 44. This group has a much higher nonwhite component than the population as a whole. That is, Latino and Asian households are much younger than white households, and Black households are somewhat younger. White homeowners constitute 75.6 percent of the total but make up only 69.7 percent of homeowners ages 25 to 44 and 48.0 percent of renters ages 25 to 44, many of whom are looking to buy. Thus, although the overperformance against this benchmark is positive, exactly how positive it is compared with actual credit needs is unclear.

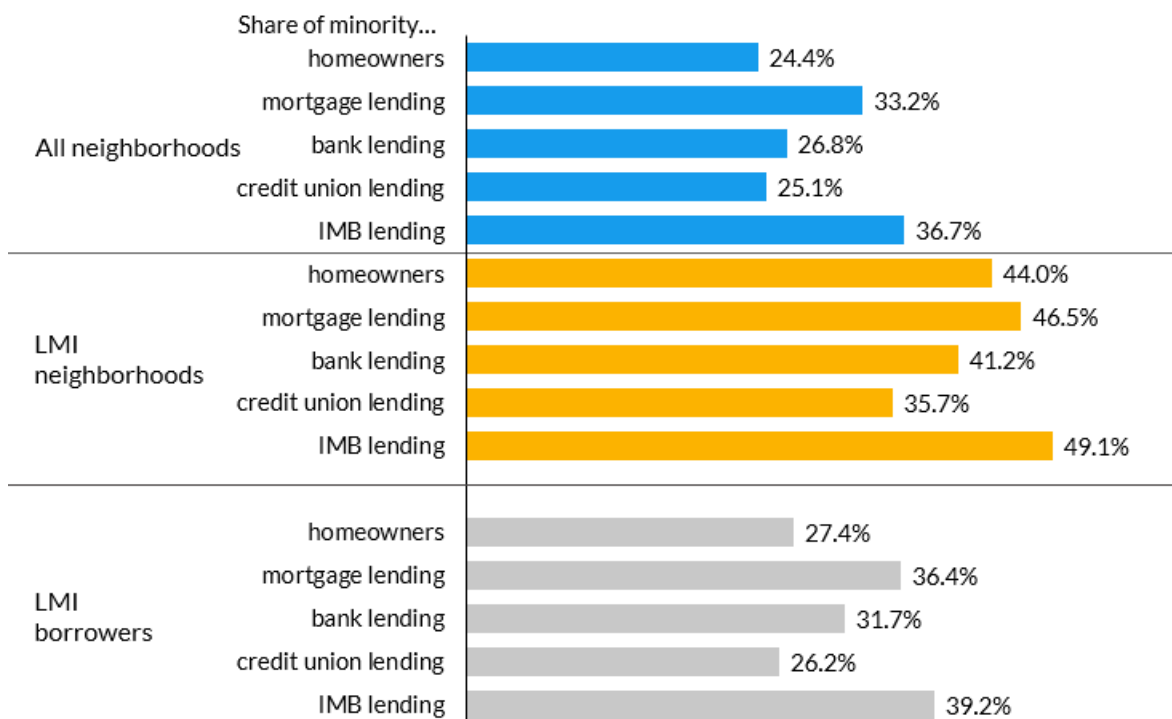
With respect to performance by lender type, 36.7 percent of IMB lending is to minority borrowers, compared with 26.8 percent of bank lending and 25.1 percent of credit union lending. IMBs are significantly more active than banks and credit unions in lending to minority borrowers and in predominantly minority neighborhoods.

In terms of our third benchmark, LMI minority homeowners constitute 10.4 percent of total homeowners. IMBs do 12.3 percent of their total lending to LMI minority borrowers, while banks and credit unions do 9.0 percent and 8.1 percent, respectively.

In figure 4, we focus on minority borrowers. The top section repeats the middle section of figure 3, showing the share of minority homeowners and the share of lending to minority homeowners. The middle section of figure 3 focuses on minority borrowers in LMI neighborhoods. We observe that 44.0 percent of all homeowners in LMI neighborhoods are minority homeowners, and minority borrowers received 46.5 percent of the mortgage lending in LMI neighborhoods. This includes a 49.1 percent share for IMB lenders, 41.2 percent for banks, and 35.7 percent for credit unions. The IMB share is both above-benchmark and significantly leads the other lender types.

FIGURE 4

**Lending to Minority Borrowers**



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**Source:** Authors’ calculations based on 2015–19 American Community Survey data and 2021 Home Mortgage Disclosure Act data.

**Notes:** IMB = independent mortgage bank; LMI = low- and moderate-income. Data are for closed-end one-to-four-unit single-family owner-occupied purchase loans.

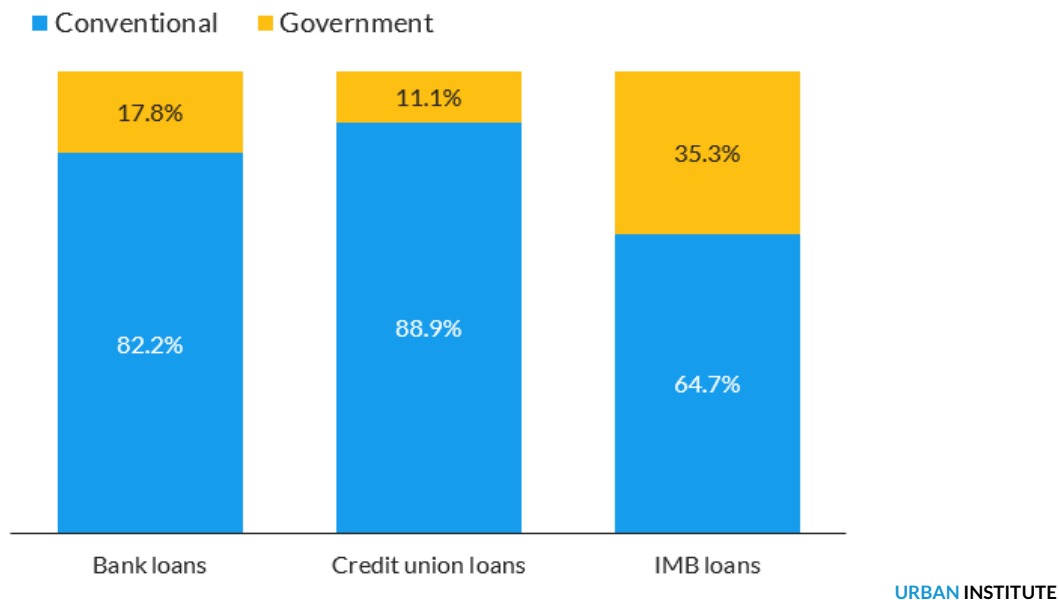
The bottom section of the figure shows that 27.4 percent of all LMI homeowners are LMI minority homeowners. In contrast, 36.4 percent of mortgage lending to LMI borrowers is to minority LMI borrowers. Again, this reflects a much larger share for the IMBs than for banks or credit unions.

**Lending by Loan Type**

We have seen that IMBs do much more lending than banks or credit unions to LMI neighborhoods and borrowers, and to predominantly minority neighborhoods and minority borrowers. It is useful to examine how much this reflects that banks and credit unions do less lending through government channels: the Federal Housing Administration, the Veterans Administration, and the US Department of Agriculture. We find that this explains only part of the discrepancy between IMBs and other actors.

Figure 5 shows that for IMBs, 35.3 percent of lending is through government channels, versus 17.8 percent for banks and 11.1 percent for credit unions. But even when we look at only the government channel or only the conventional channel, we find that IMBs do more lending to LMI neighborhoods and borrowers and to minority neighborhoods and borrowers.

**FIGURE 5**  
**Loan Type, by Lending Institution**



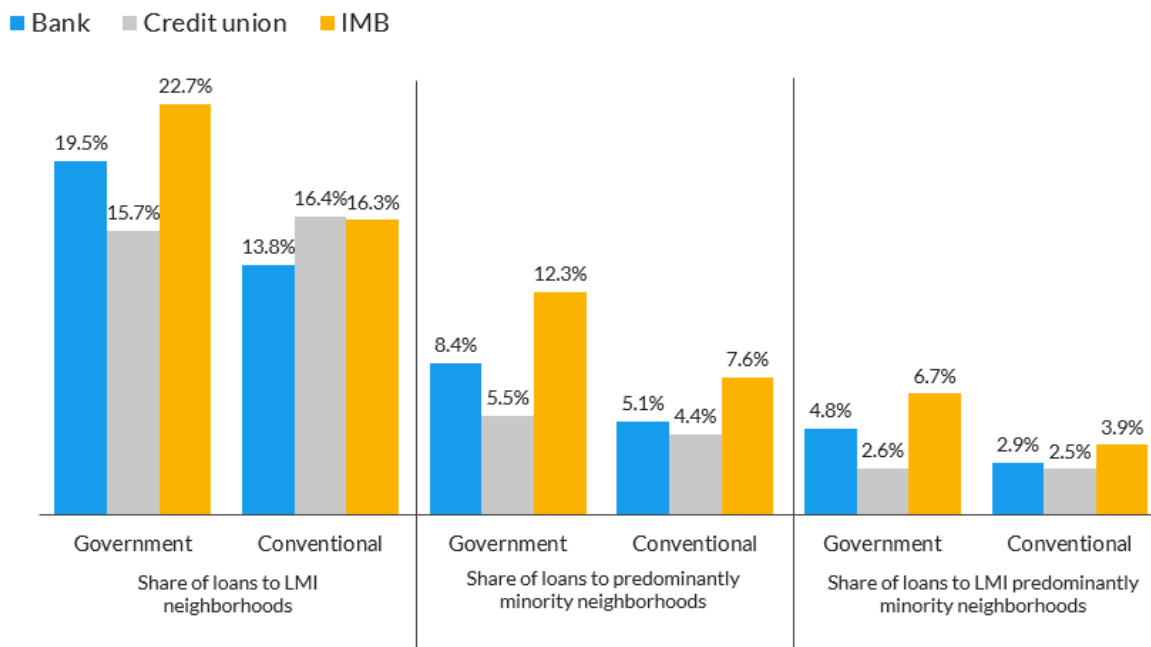
**Source:** Authors' calculations based on 2015–19 American Community Survey data and 2021 Home Mortgage Disclosure Act data.

**Notes:** IMB = independent mortgage bank. Data are for closed-end one-to-four-unit single-family owner-occupied purchase loans.

Figure 6 shows that for IMBs, 22.7 percent of government loans are made to LMI neighborhoods, compared with 19.5 percent for banks and 15.7 percent for credit unions. If we look at the share of government loans to predominantly minority neighborhoods, it is 12.3 percent for the IMBs, 8.4 percent for banks, and 5.5 percent for credit unions.

FIGURE 6

Lending in LMI and Predominantly Minority Neighborhoods, by Loan Type



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Source: Authors' calculations based on 2015–19 American Community Survey data and 2021 Home Mortgage Disclosure Act data.

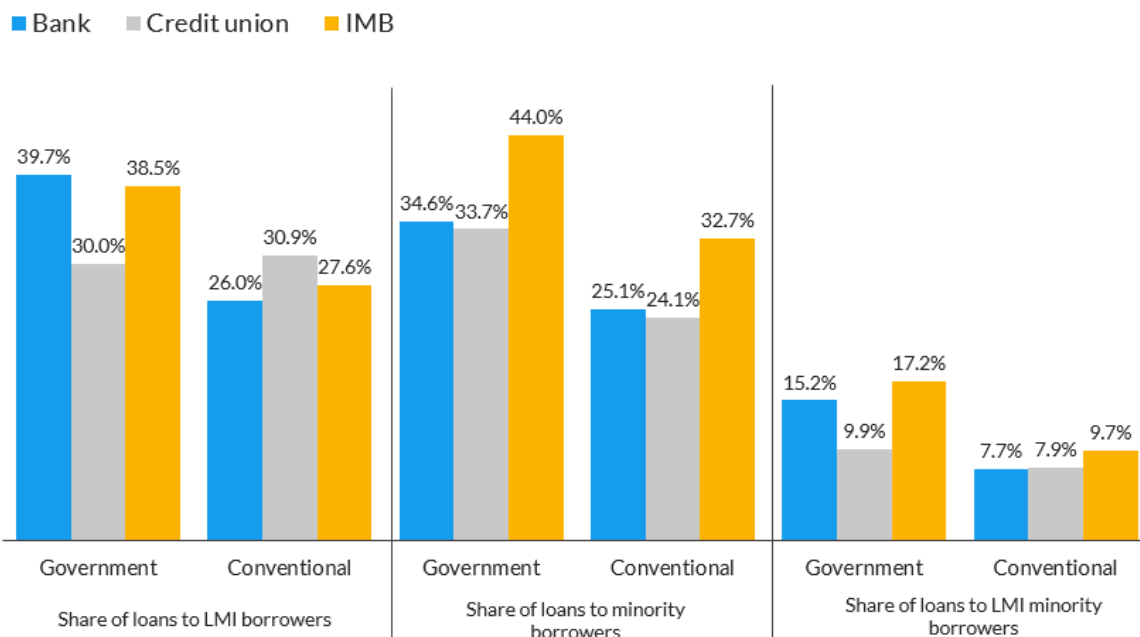
Notes: IMB = independent mortgage bank; LMI = low- and moderate-income. Data are closed-end one-to-four-unit single-family owner-occupied purchase loans.

The same pattern holds for conventional loans, with IMBs leading banks and credit unions in lending to LMI and predominantly minority neighborhoods. For example, 16.3 percent of conventional IMB loans were made to LMI neighborhoods, compared with 13.8 percent for banks and 16.4 percent for credit unions. There is an even larger proportional difference in conventional loans to predominantly minority neighborhoods: 7.6 percent of conventional IMB lending is in predominantly minority neighborhoods, compared with 5.1 percent of bank lending and 4.4 percent of credit union lending. A similar pattern holds with respect to lending to LMI predominantly minority neighborhoods.

On the borrower side, IMBs and banks made a roughly similar share of loans to LMI borrowers through each of government and conventional channels. Figure 7 shows that IMBs made 38.5 percent of their government loans to LMI borrowers versus 39.7 percent for banks. IMBs made 27.6 percent of their conventional loans to LMI borrowers versus 26.0 percent for banks.

FIGURE 7

Lending to LMI and Minority Borrowers, by Loan Type



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Source: Authors' calculations based on 2015–19 American Community Survey data and 2021 Home Mortgage Disclosure Act data.

Notes: IMB = independent mortgage bank; LMI = low- and moderate-income. Data are for closed-end one-to-four-unit single-family owner-occupied purchase loans.

But when we look at minority (rather than LMI) borrowers, in both the government and conventional channels, banks made proportionately fewer loans to minority borrowers and to LMI minority borrowers. IMBs made 44.0 percent of their government loans to minority borrowers, compared with 34.6 percent for banks. Similarly, IMBs made 32.7 percent of their conventional loans to minority borrowers, compared with 25.1 percent for banks.

Although lending type preference is a factor in the different levels of bank and IMB performance, IMBs do more lending than banks across all types in LMI and minority neighborhoods and to minority borrowers. This reflects the reality that the IMBs have a wider credit box. They do relatively more lending to borrowers with lower credit scores and higher debt-to-income ratios (Goodman et al. 2023), and borrowers with these characteristics are more likely to be LMI or minority borrowers (Liu et al. 2020).



## State-Level Results

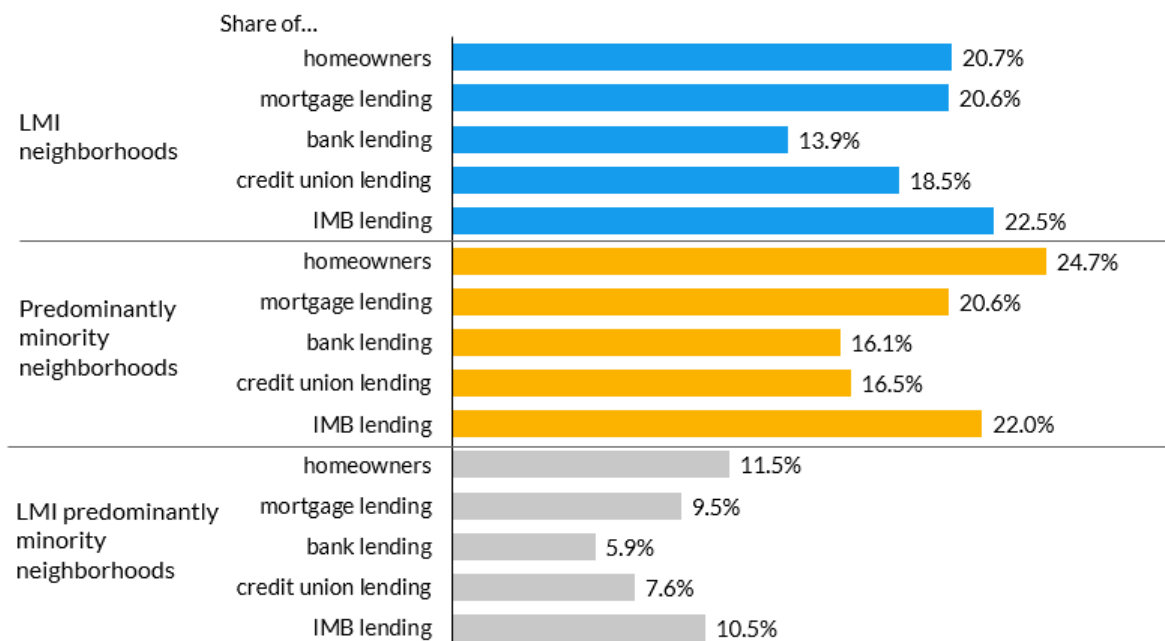
We now turn our discussion to the states, where we see patterns similar to the national-level patterns, with a few notable exceptions. The five states we analyzed either have CRA laws that cover IMBs (i.e., Massachusetts, New York, and Illinois) or are considering adopting such laws (i.e., California and Maryland). Of the five states, Massachusetts has long had CRA rules, and they were extended to nonbanks in 2007. Illinois and New York both approved CRA requirements for nonbanks in 2021, but the rules have not yet been implemented. California and Maryland are considering a state-level CRA requirement for both banks and nonbanks.

### California

SB1176 was introduced in the California legislature in 2022 to apply community reinvestments to IMBs. The bill was passed by the California Senate in mid-2022 and was referred to the state assembly's Banking and Finance Committee. The bill was then amended to remove the community reinvestment mandate, and language was added to explore the desirability of a state-level CRA law for IMBs. This revised bill would require the Department of Financial Protection and Innovation to analyze whether nonbank lenders licensed by the department are meeting the credit needs of underserved communities, as compared with depository institutions currently subject to the federal CRA. The bill would also require the department to seek information from regulators in other states that have enacted laws modeled after the CRA and see whether these laws have resulted in an increase in lending to underserved communities, as compared with states that have not enacted similar state laws. Finally, the bill would require the department to review its statutory authority, regulations, and processes related to the examination of a licensee and determine whether the department has adequate authority to examine a licensee for how well the licensee meets underserved communities' financial services needs. The results of the first two exercises would be summarized and made public; results on the third would be delivered to the state legislature. The revised bill did not pass the legislature during the 2022 legislative session, and thus far, no CRA-related bill has been introduced during the 2023 legislative session.

FIGURE 8

Lending in LMI and Predominantly Minority Neighborhoods in California



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Source: Authors’ calculations based on 2015–19 American Community Survey data and 2021 Home Mortgage Disclosure Act data.

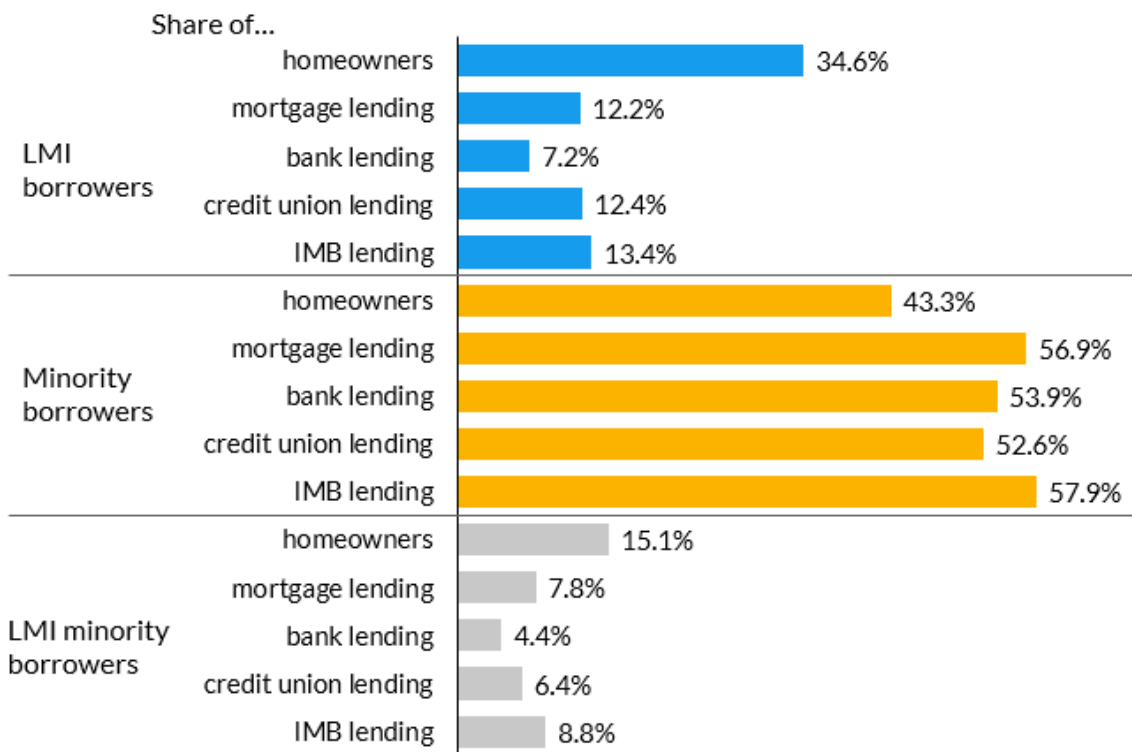
Notes: IMB = independent mortgage bank; LMI = low- and moderate-income. Data are for closed-end one-to-four-unit single-family owner-occupied purchase loans.

Figure 8 looks at lending in California to LMI neighborhoods and predominantly minority neighborhoods. The figure shows that unlike at the national level, the share of total lending to LMI neighborhoods is virtually identical to the homeowner share in these neighborhoods (20.6 percent versus 20.7 percent). This reflects IMBs’ active participation in lending to LMI neighborhoods: 22.5 percent of their California lending is in LMI neighborhoods, significantly outperforming the 13.9 percent of bank lending in these areas.

Lending to predominantly minority neighborhoods in California is lower than the share of homeowners in those neighborhoods (24.7 percent versus 20.6 percent). IMBs do 22.0 percent of their California lending to predominantly minority areas, versus 16.1 percent for banks. Lending to LMI predominantly minority neighborhoods shows similar patterns, both mirroring the national patterns.

FIGURE 9

Lending to LMI and Minority Borrowers in California



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Source: Authors' calculations based on 2019 American Community Survey data and 2021 Home Mortgage Disclosure Act data.  
 Notes: IMB = independent mortgage bank; LMI = low- and moderate-income. Data are for closed-end one-to-four-unit single-family owner-occupied purchase loans.

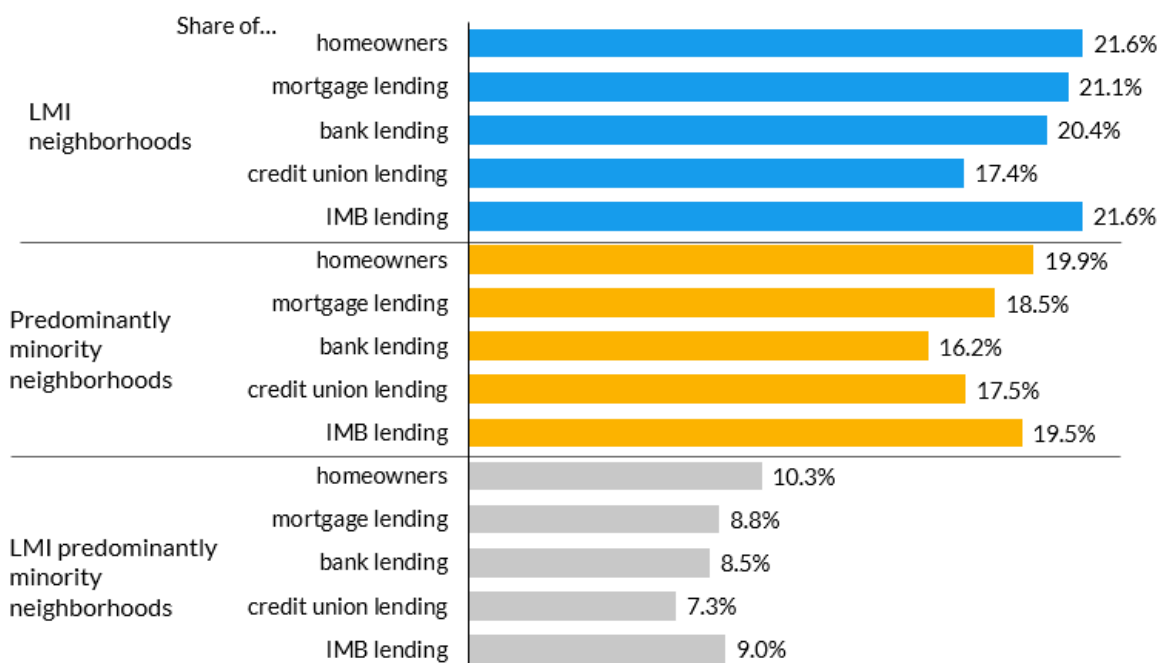
Figure 9 looks at lending in California to LMI borrowers, minority borrowers, and LMI minority borrowers. With California experiencing the most acute affordability problems in the continental US,<sup>5</sup> it is not surprising that the share of LMI borrowers and LMI minority borrowers falls well short of the homeowner benchmark. Close to 35.0 percent of existing homeowners are LMI homeowners. But LMI borrowers represent only 13.4 percent of IMB lending and 7.2 percent of bank lending. As is the case at the national level, however, the share of minority lending far exceeds the share of minority homeowners (56.9 percent versus 43.3 percent). This reflects the fact that the portion of the California population in their prime homebuying years is racially and ethnically diverse. As in the national numbers, IMBs are significantly more active than their bank counterparts, particularly in lending to LMI minority borrowers.

## Maryland

On January 26, 2023, the Maryland House of Delegates proposed HB0392 to apply the CRA-type requirements to IMBs, credit unions, and banks operating in the state. But before a hearing on the bill before the House Economic Matters Committee, the bill sponsor removed the legislation from consideration, and it is unlikely to be revisited during the 2023 state legislative session.

FIGURE 10

### Lending in LMI and Predominantly Minority Neighborhoods in Maryland



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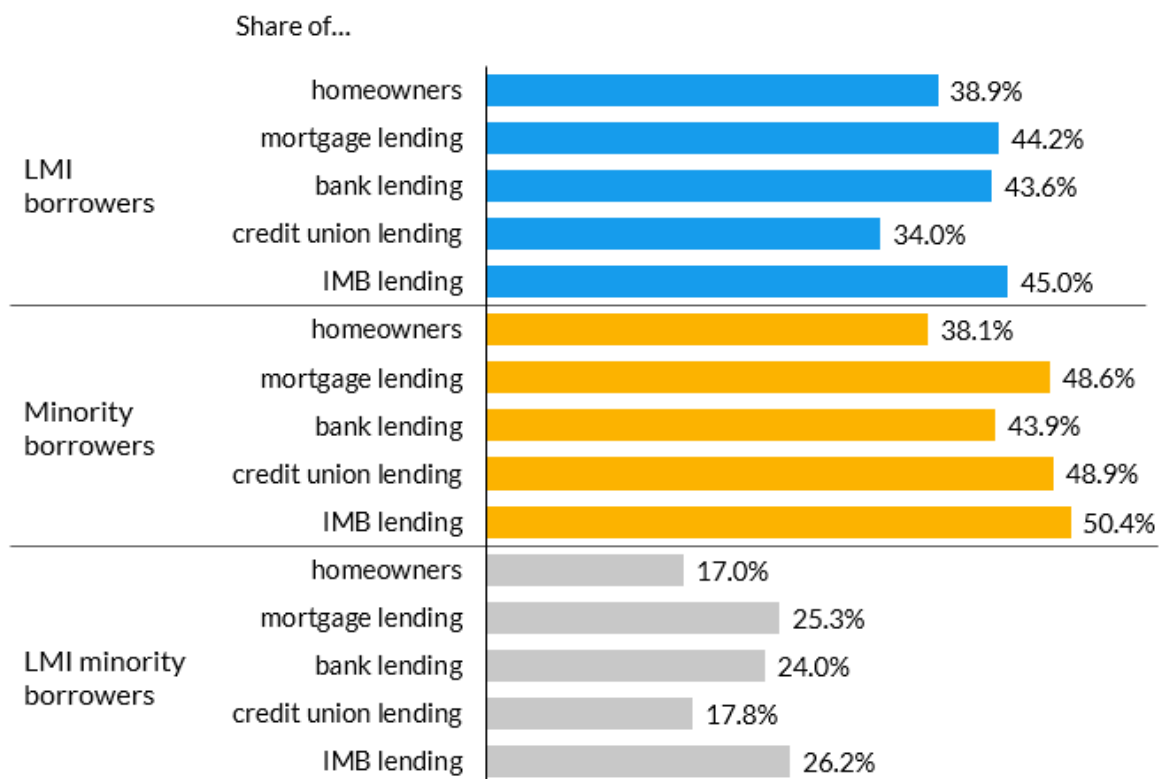
**Source:** Authors' calculations based on 2015–19 American Community Survey data and 2021 Home Mortgage Disclosure Act data.

**Notes:** IMB = independent mortgage bank; LMI = low- and moderate-income. Data are for closed-end one-to-four-unit single-family owner-occupied purchase loans.

Figure 10 shows lending in Maryland to LMI neighborhoods, predominantly minority neighborhoods, and LMI predominantly minority neighborhoods. Mortgage lending to LMI neighborhoods falls slightly short of the homeowner benchmark (21.1 percent versus 21.6 percent). The IMB lender share is exactly on the benchmark, while banks and credit unions fall short. Similarly, in predominately minority neighborhoods, total mortgage lending falls slightly short of the homeowning benchmark (18.5 percent versus 19.9 percent), but IMBs are much closer to the homeowning benchmark than banks are (19.5 percent versus 16.2 percent).

FIGURE 11

Lending to LMI and Minority Borrowers in Maryland



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Source: Authors' calculations based on 2019 American Community Survey data and 2021 Home Mortgage Disclosure Act data.

Notes: IMB = independent mortgage bank; LMI = low- and moderate-income. Data are for closed-end one-to-four-unit single-family owner-occupied purchase loans.

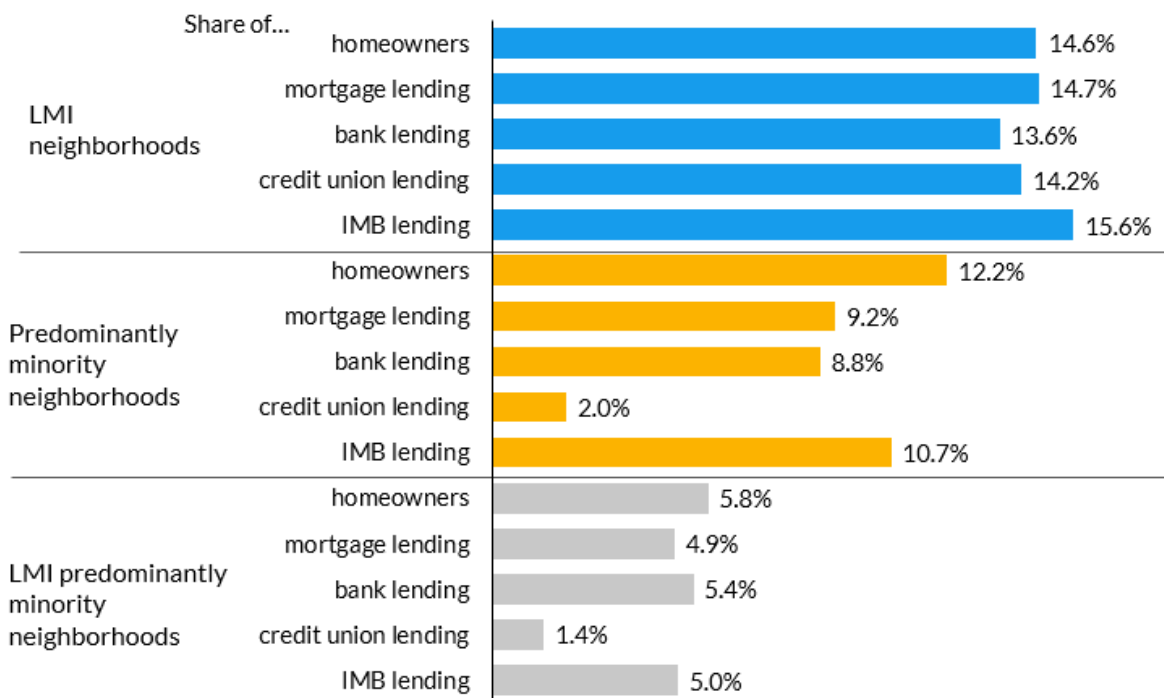
Figure 11 shows lending in Maryland to LMI borrowers, minority borrowers, and LMI minority borrowers. In contrast to national trends, in which the share of LMI borrowers is lower than the share of LMI homeowners, 44.2 percent of lending in Maryland is to LMI borrowers, versus 38.9 percent of homeowners. IMBs are slightly more active than banks (45.0 percent versus 43.6 percent). Consistent with national numbers, the share of mortgage lending to minority borrowers, and to LMI minority borrowers, far exceeds the homeownership benchmark. Minority borrowers constitute 48.6 percent of mortgage lending versus 38.1 percent of homeowners. Again, the IMB share of lending to minority borrowers (50.4 percent) is larger than the bank share (43.9 percent).

## New York

In 1978, one year after the adoption of the federal CRA rules, New York adopted state CRA rules for state-chartered banks; these rules largely mirror the federal CRA rules. In November 2021, Governor Kathy Hochul signed legislation to expand the New York Community Reinvestment Act to New York licensed mortgage bankers. The legislation’s enactment clause states that the law became effective one year after enactment, or November 2022.<sup>6</sup> But the New York Department of Financial Services has not, as of this writing, proposed implementation rules. New York was the third state to expand state-level CRA rules to IMBs; Massachusetts and Illinois had previously done so.

FIGURE 12

### Lending to LMI and Predominantly Minority Neighborhoods in New York



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**Source:** Authors’ calculations based on 2015–19 American Community Survey data and 2021 Home Mortgage Disclosure Act data.

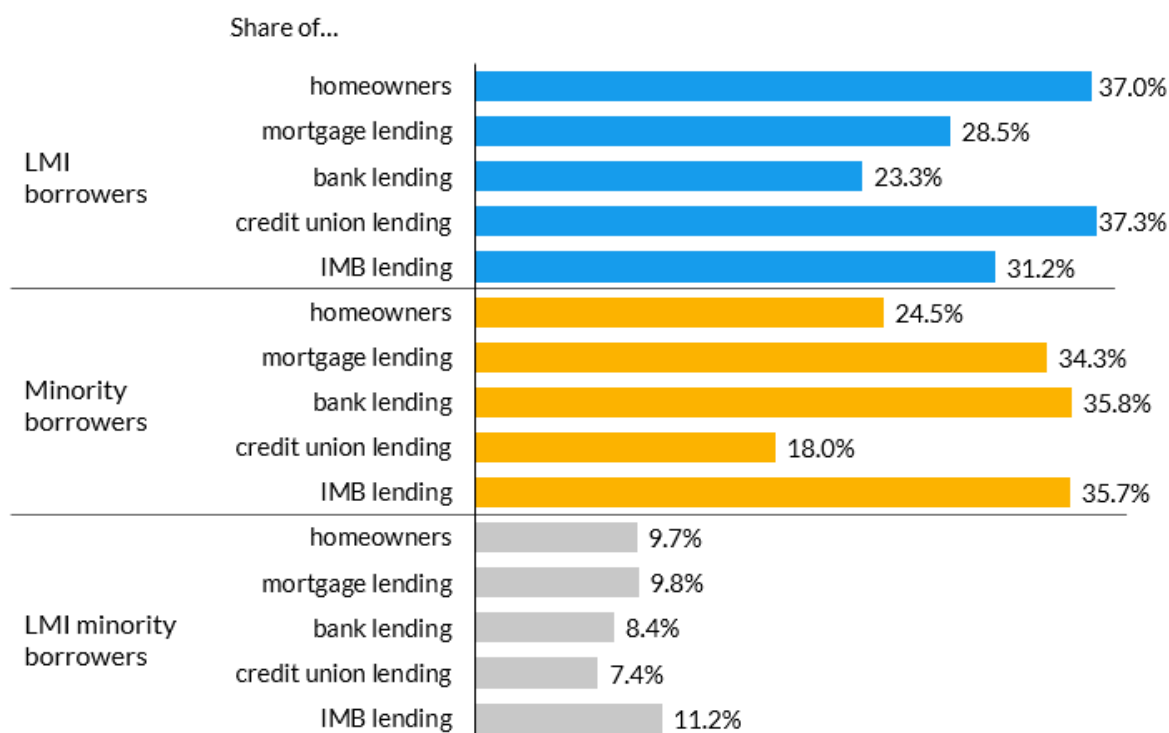
**Notes:** IMB = independent mortgage bank; LMI = low- and moderate-income. Data are for closed-end one-to-four-unit single-family owner-occupied purchase loans.

Figure 12 shows the state of lending to LMI neighborhoods and predominantly minority neighborhoods in New York. Note that 14.6 percent of homeowners live in LMI neighborhoods, roughly equal to the total share of mortgage lending to LMI neighborhoods. But IMBs lend in these neighborhoods at a slightly a higher rate (15.6 percent) than banks do (13.6 percent). The figure also

shows that predominantly minority neighborhoods and LMI predominantly minority neighborhoods have higher shares of homeowners than their shares of mortgage lending. Again, IMBs do relatively more lending in these neighborhoods than their bank counterparts. Both these results are consistent with the national-level results.

Moving to the borrower side, figure 13 shows that the share of LMI homeowning households is higher than their share of mortgage lending (37.0 percent versus 28.5 percent). These results are close to the national numbers. And, as in the national results, IMBs do considerably more lending than banks (31.2 percent versus 23.3 percent).

**FIGURE 13**  
**Lending to LMI and Minority Borrowers in New York**



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**Source:** Authors' calculations based on 2019 American Community Survey data and 2021 Home Mortgage Disclosure Act data.  
**Notes:** IMB = independent mortgage bank; LMI = low- and moderate-income. Data are for closed-end one-to-four-unit single-family owner-occupied purchase loans.

Consistent with national trends, minority borrowers in New York receive a higher share of mortgage loans than their homeownership share (34.3 percent versus 24.5 percent). The bank and IMB lending shares are basically the same (35.8 percent for banks and 35.7 percent for IMBs). This reflects a

much higher bank share in New York City, where minority borrowers are concentrated, and a much lower bank share in the rest of the state. LMI minority borrowers also receive a comparable share of mortgage loans as their homeownership share (9.7 percent versus 9.8 percent). IMBs are more active in this sector than banks (11.2 percent versus 8.4 percent).

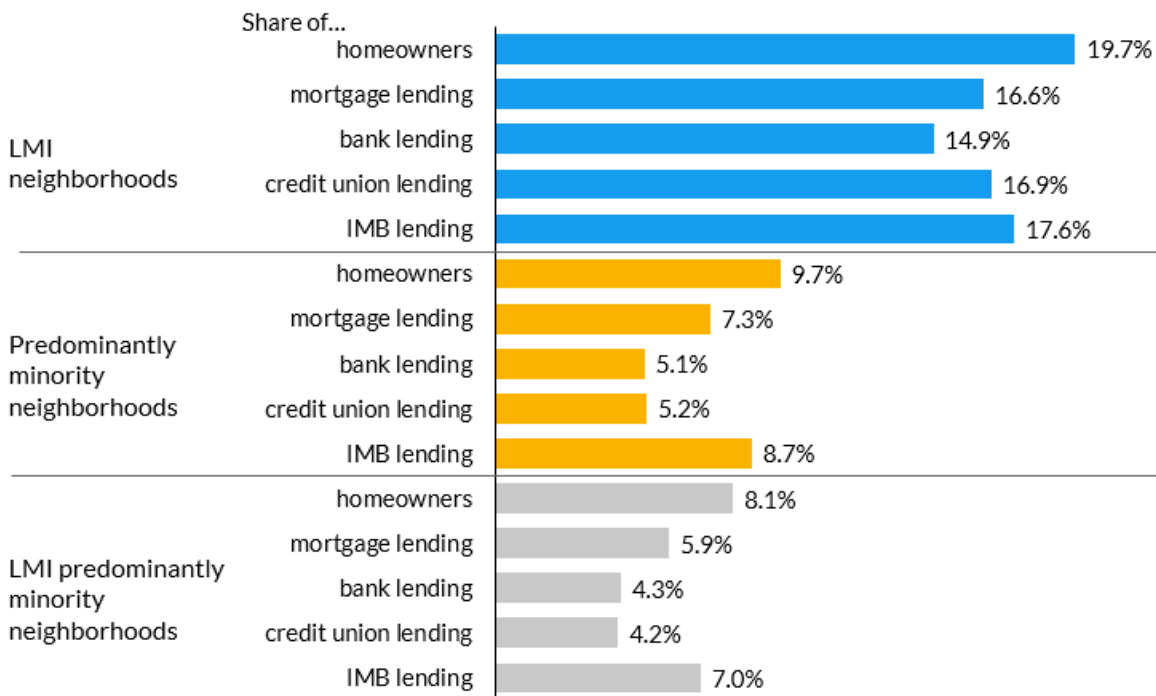
## **Illinois**

In March 2021, Illinois enacted a state-level CRA. Illinois was the first Midwest state to do so and only the second state in the nation to include nondepository mortgage lenders.<sup>7</sup> The Illinois CRA sets standards for the Illinois Department of Financial and Professional Regulation (IDFPR) to examine LMI lending by state-chartered banks, credit unions, and nondepository mortgage lenders. In December 2022, the IDFPR published proposed rules to implement the Illinois Community Reinvestment Act, with comments due by the end of January 2023. In January 2023, the IDFPR extended the comment period for the new CRA rules until March 16, 2023, and announced public hearings. The proposed rules for IMBs track closely with Massachusetts requirements.



FIGURE 14

Lending to LMI and Predominantly Minority Neighborhoods in Illinois



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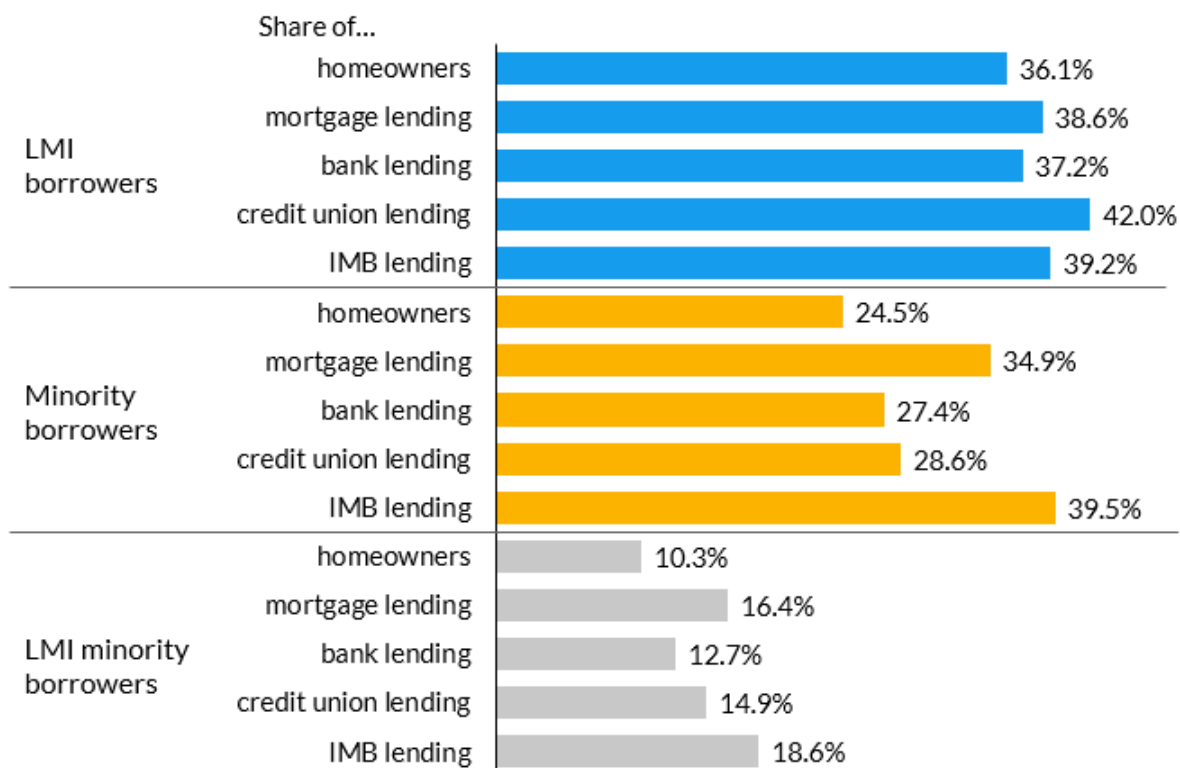
Source: Authors' calculations based on 2015–19 American Community Survey data and 2021 Home Mortgage Disclosure Act data.

Notes: IMB = independent mortgage bank; LMI = low- and moderate-income. Data are for closed-end one-to-four-unit single-family owner-occupied purchase loans.

Figure 14 shows lending to LMI and predominantly minority neighborhoods in Illinois. As in the national numbers, the share of lending to these neighborhoods falls short of the homeowner benchmark. For example, 19.7 percent of Illinois homeowners live in LMI neighborhoods, but only 16.6 percent of mortgage lending is done in these neighborhoods. And, as in the national numbers, IMBs do relatively more LMI lending than banks (17.6 percent versus 14.9 percent). We see the same pattern with lending in predominantly minority neighborhoods and LMI predominantly minority neighborhoods.

FIGURE 15

Lending to LMI and Minority Borrowers in Illinois



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**Source:** Authors’ calculations based on 2019 American Community Survey data and 2021 Home Mortgage Disclosure Act data. **Notes:** IMB = independent mortgage bank; LMI = low- and moderate-income. Data are for closed-end one-to-four-unit single-family owner-occupied purchase loans.

Figure 15 shows lending to LMI borrowers, minority borrowers, and LMI minority borrowers in Illinois. The share of lending to LMI borrowers is slightly higher than the share of existing homeowners (38.6 percent versus 36.1 percent). IMBs do a larger share of this lending than banks do (39.2 percent versus 37.2 percent). Mirroring the national numbers, mortgage lending to minority borrowers far exceeds the homeownership benchmark (34.9 percent versus 24.5 percent). And IMBs are much more active in lending to minorities than the banks (39.5 percent versus 27.4 percent).

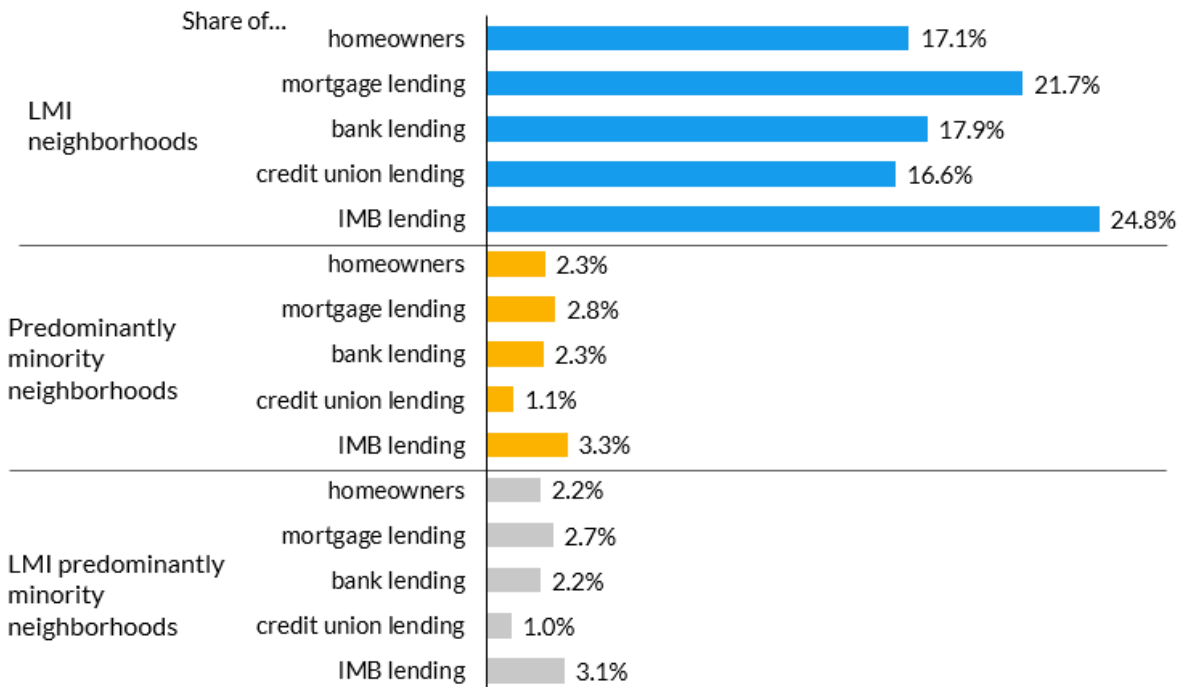
### Massachusetts

Massachusetts was one of the first states to have a state-level CRA effort. NCRC (2021) notes that as Congress was considering the CRA in 1977, the banking commissioners of Massachusetts and Connecticut testified before Congress on the effectiveness of their early CRA efforts. Massachusetts

was also the first state to extend its CRA rules to reach beyond the banking community; in 2007, the CRA was extended to cover both credit unions and independent mortgage banks. Lenders making 50 or more home mortgage loans in the previous two calendar years are subject to state CRA tests.

**FIGURE 16**

**Lending to LMI and Predominantly Minority Neighborhoods in Massachusetts**



URBAN INSTITUTE

**Source:** Authors' calculations based on 2015–19 American Community Survey data and 2021 Home Mortgage Disclosure Act data.

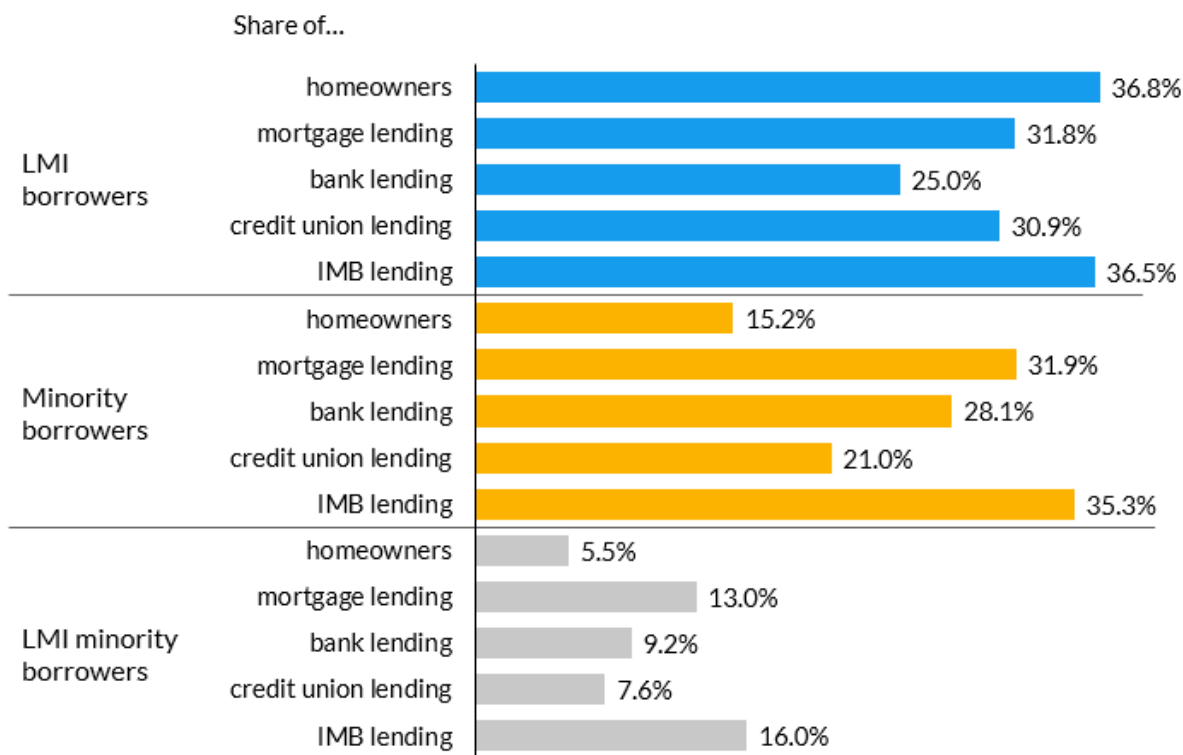
**Notes:** IMB = independent mortgage bank; LMI = low- and moderate-income. Data are for closed-end one-to-four-unit single-family owner-occupied purchase loans.

Figure 16 shows that in Massachusetts, 17.1 percent of all homeowners live in LMI neighborhoods, but 21.7 percent of mortgage lending takes place in these neighborhoods. Thus, unlike at the national level, the share of lending to LMI neighborhoods is higher than the share of homeowners. IMBs lead the market in lending to LMI neighborhoods (24.8 percent), compared with 17.9 percent of bank lending.

Massachusetts has few predominantly minority neighborhoods: only 2.3 percent of homeowners live in predominately minority neighborhoods; 2.8 percent of total lending and 3.3 percent of IMB lending takes place in these neighborhoods. Banks account for 2.3 percent and credit unions account for 1.1 percent of lending to predominantly minority neighborhoods.

FIGURE 17

Lending to LMI and Minority Borrowers in Massachusetts



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**Source:** Authors’ calculations based on 2019 American Community Survey data and 2021 Home Mortgage Disclosure Act data.  
**Notes:** IMB = independent mortgage bank; LMI = low- and moderate-income. Data are for closed-end one-to-four-unit single-family owner-occupied purchase loans.

On the borrower side, figure 17 shows that 36.8 percent of Massachusetts homeowners are LMI homeowners, but they receive only 31.8 percent of total mortgage lending, which is consistent with what we see at the national level. The share of IMB lending roughly matches the share of homeowners (36.5 percent), but bank lending to LMI borrowers is sharply lower (25.0 percent of total bank lending in Massachusetts).

Minority homeowners represent only 15.2 percent of Massachusetts homeowners but represent 31.9 percent of total mortgage lending. This reflects the large gap between the household composition of borrowers ages 25 to 44 (35.5 percent minority) versus those 65 and older (13.1 percent minority). Similarly, LMI minority borrowers constitute only 5.5 percent of homeowners but 13.0 percent of total mortgage lending. IMBs significantly outperform banks and credit unions in lending to minority borrowers (35.3 percent) and LMI minority borrowers (16.0 percent).

## Conclusion

We have looked at the state of lending to LMI borrowers and neighborhoods and minority borrowers and neighborhoods at the national level and for five states that have implemented or are considering extending CRA requirements to IMBs. The appendix contains information for another seven states (Pennsylvania, Washington, Oregon, Connecticut, Rhode Island, New Mexico, and New Jersey) plus Washington, DC, that have had some discussions on broader CRA adoption; legislation was introduced in Pennsylvania in March 2023.

At the national level, LMI neighborhoods receive less mortgage lending than their share of current homeowners, as do predominantly minority neighborhoods and LMI predominantly minority neighborhoods. This is true across most states we looked at.

Comparing lending by banks (who are subject to the CRA) with lending by IMBs (who are not subject to the CRA, except in Massachusetts), we find that IMB lending to LMI neighborhoods, predominantly minority neighborhoods, and LMI predominantly minority neighborhoods is much higher than bank lending in those neighborhoods. This analysis is robust at both the national level and across most of the states we looked at.

At the national level, LMI borrowers receive less than their proportionate share of mortgage lending, as measured by existing homeowners, while minority borrowers receive more mortgage lending than their share of current homeowners. We believe the latter reflects demographics, as households in their prime homebuying years (i.e., ages 25 to 44) are more apt to be nonwhite, while existing homeowners skew older. These trends are true across most of the states we looked at. Much of this positive discrepancy between the share of loans to minority borrowers and the share of existing minority homeowners is attributable to the very high share of IMB lending to LMI borrowers and minority borrowers, significantly higher than the bank share. Again, this analysis is robust at both the national level and across most of the states we looked at.

Racial and economic discrepancies in mortgage lending were at the heart of the decision to adopt the federal CRA. The continued—and in some cases widening—racial homeownership and wealth gaps demonstrate the continued salience of that decision. But the structure of home mortgage lending has changed significantly since 1977; in particular, IMBs now originate more mortgages each year than do banks subject to the CRA. Some states have responded by including IMBs in state CRA regimes, while other states that are considering adoption of state-level CRA laws are looking at whether to include IMBs. Meanwhile, despite the fact that IMBs are currently examined under CRA rules only in Massachusetts, IMBs are significantly more active in LMI and minority lending than their bank

counterparts. The data and analysis in this report may prove useful to the states as they continue their deliberations.

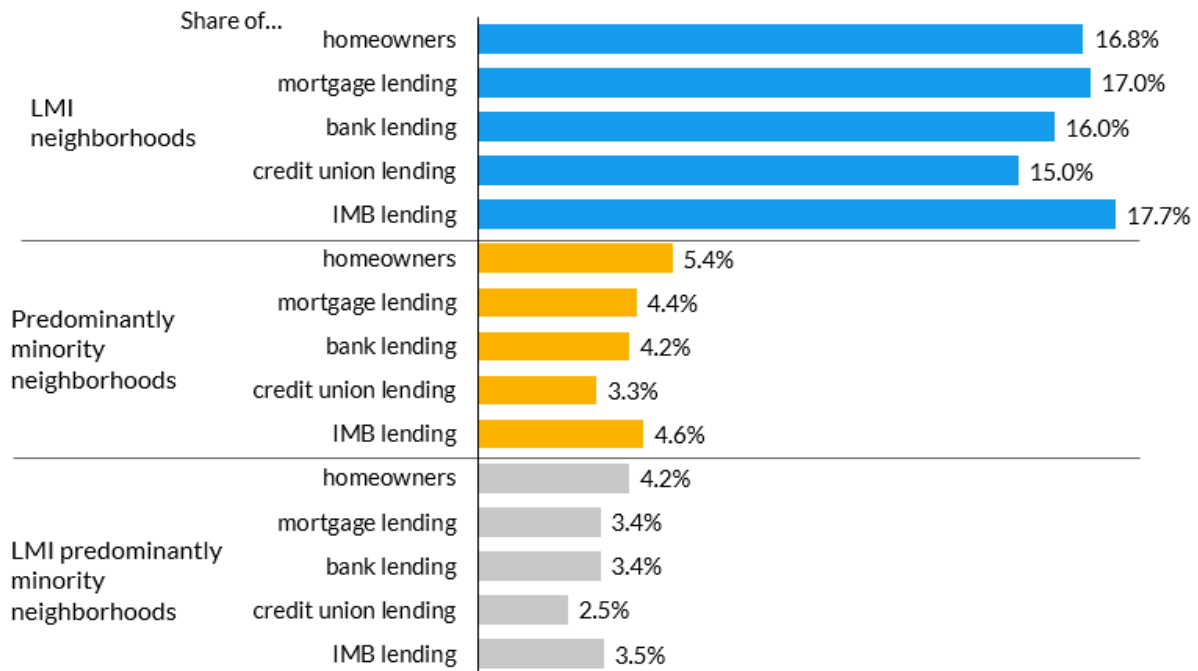
# Appendix

## Pennsylvania

- Of all homeowners in Pennsylvania, 16.8 percent live in LMI neighborhoods, 5.4 percent live in predominantly minority neighborhoods, and 4.2 percent live in LMI predominantly minority neighborhoods (figure A.1).
- 17.7 percent of IMB lending was made to borrowers in LMI neighborhoods, compared with 17.0 percent of total mortgage lending and 16.0 percent of bank lending.
- 4.6 percent of IMB lending was made to borrowers in predominantly minority neighborhoods, compared with 4.4 percent of total mortgage lending and 4.2 percent of bank lending.
- 3.5 percent of IMB lending was made to borrowers in LMI predominantly minority neighborhoods, compared with 3.4 percent of total mortgage lending and 3.4 percent of bank lending.

FIGURE A.1

Lending to LMI and Predominantly Minority Neighborhoods in Pennsylvania



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Source: Authors' calculations based on 2015–19 American Community Survey data and 2021 Home Mortgage Disclosure Act data.

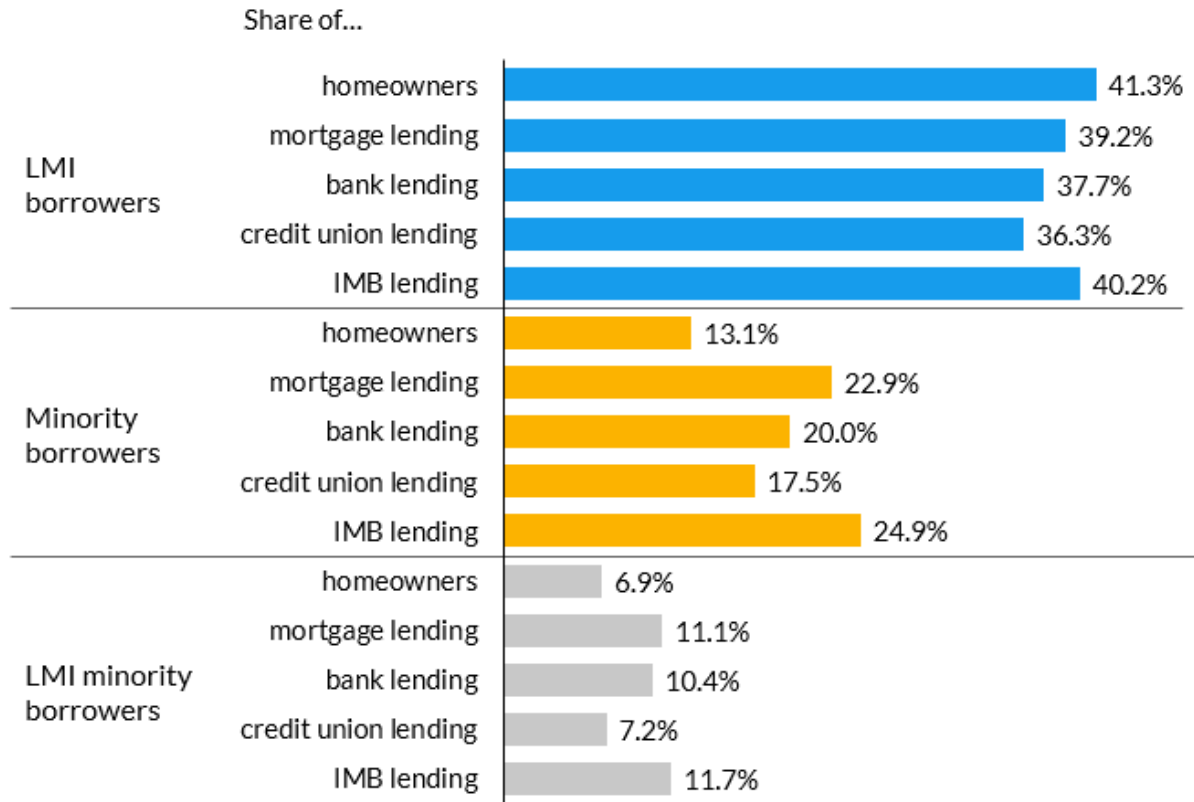
Notes: IMB = independent mortgage bank; LMI = low- and moderate-income. Data are for closed-end one-to-four-unit single-family owner-occupied purchase loans.

- Of all homeowners in Pennsylvania, 41.3 percent are LMI homeowners, 13.1 percent are minority homeowners, and 6.9 percent are LMI minority homeowners (figure A.2).
- 40.2 percent of IMB lending was made to LMI borrowers, compared with 39.2 percent of total mortgage lending and 37.7 percent of bank lending.
- 24.9 percent of IMB lending was made to minority borrowers, compared with 22.9 percent of mortgage lending and 20.0 percent of bank lending.
- 11.7 percent of IMB lending was made to LMI minority borrowers, compared with 11.1 percent of mortgage lending and 10.4 percent of bank lending.



FIGURE A.2

Lending to LMI and Minority Borrowers in Pennsylvania



URBAN INSTITUTE

Source: Authors' calculations based on 2015–19 American Community Survey data and 2021 Home Mortgage Disclosure Act data.

Notes: IMB = independent mortgage bank; LMI = low- and moderate-income. Data are for closed-end one-to-four-unit single-family owner-occupied purchase loans.

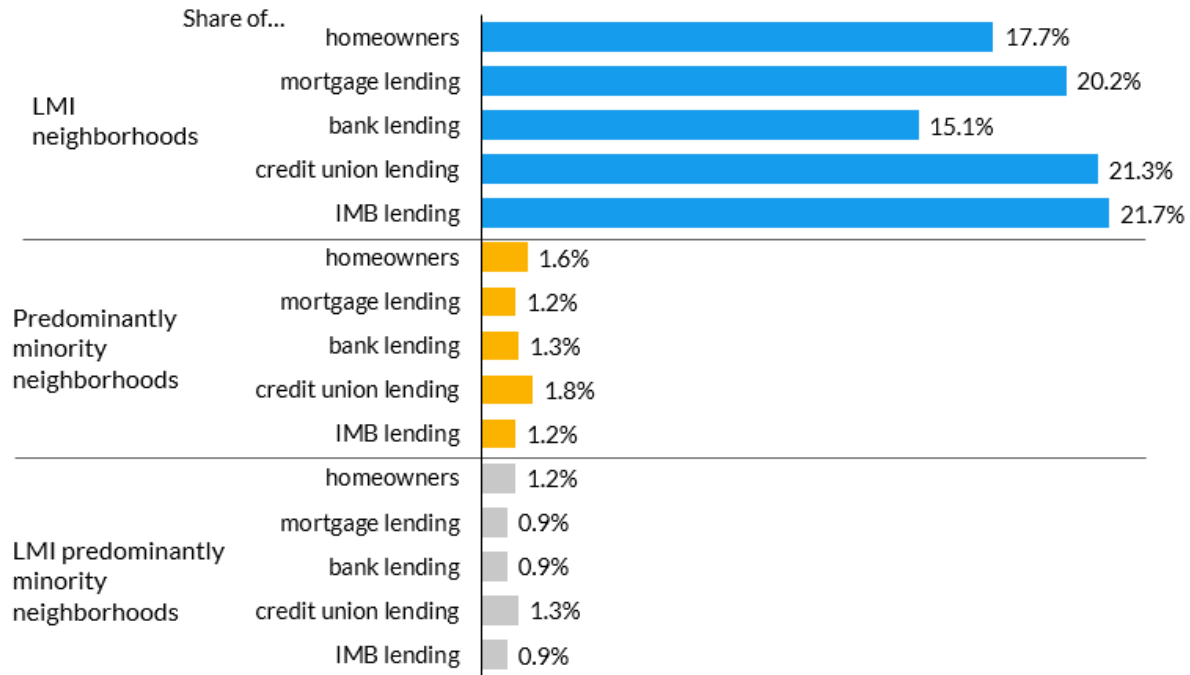
## Washington

- Of all homeowners in Washington, 17.7 percent live in LMI neighborhoods, 1.6 percent live in predominantly minority neighborhoods, and 1.2 percent live in LMI predominantly minority neighborhoods (figure A.3).
- 21.7 percent of IMB lending was made to borrowers in LMI neighborhoods, compared with 20.2 percent of total mortgage lending and 15.1 percent of bank lending.
- 1.2 percent of IMB lending was made to borrowers in predominantly minority neighborhoods, compared with 1.2 percent of total mortgage lending and 1.3 percent of bank lending.

- 0.9 percent of IMB lending was made to borrowers in LMI predominantly minority neighborhoods, compared with 0.9 percent of total mortgage lending and 0.9 percent of bank lending.

FIGURE A.3

Lending to LMI and Predominantly Minority Neighborhoods in Washington



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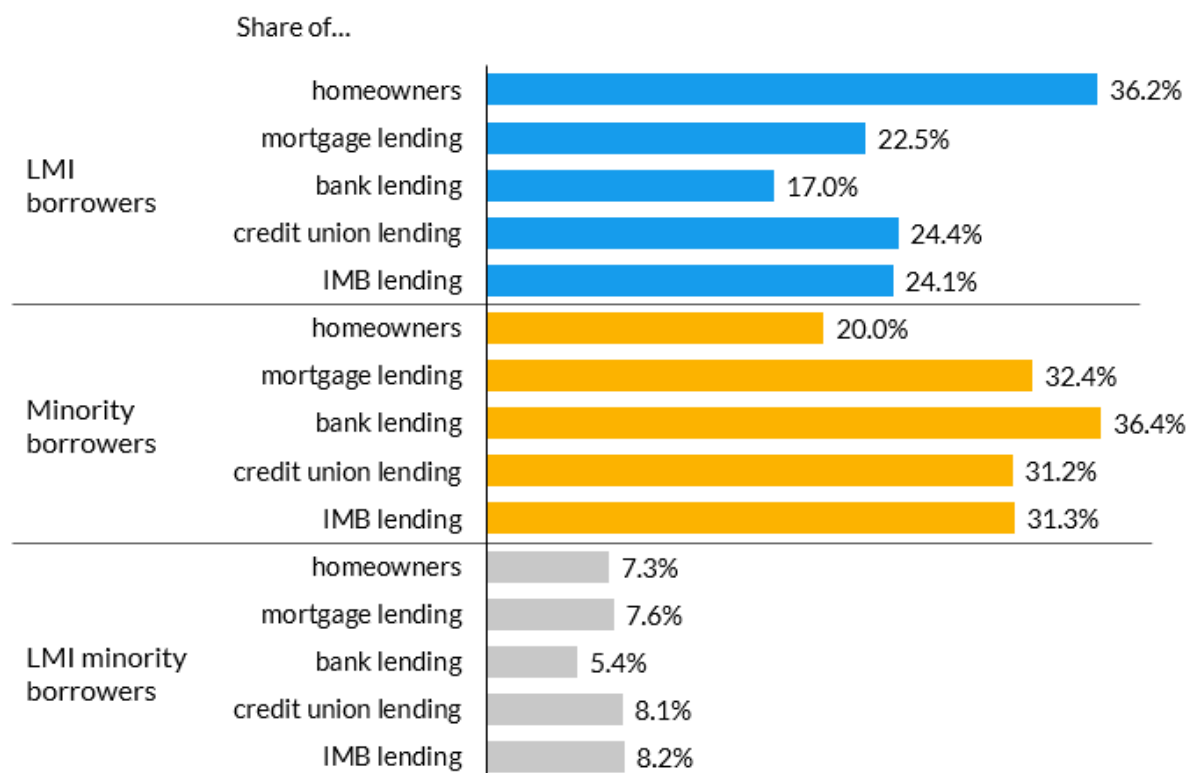
Source: Authors' calculations based on 2015–19 American Community Survey data and 2021 Home Mortgage Disclosure Act data.

Notes: IMB = independent mortgage bank; LMI = low- and moderate-income. Data are for closed-end one-to-four-unit single-family owner-occupied purchase loans.

- Of all homeowners in Washington, 36.2 percent are LMI homeowners, 20.0 percent are minority homeowners, and 7.3 percent are LMI minority homeowners (figure A.4).
- 24.1 percent of IMB lending was made to LMI borrowers, compared with 22.5 percent of total mortgage lending and 17.0 percent of bank lending.
- 31.3 percent of IMB lending was made to minority borrowers, compared with 32.4 percent of mortgage lending and 36.4 percent of bank lending.
- 8.2 percent of IMB lending was made to LMI minority borrowers, compared with 7.6 percent of mortgage lending and 5.4 percent of bank lending.

FIGURE A.4

Lending to LMI and Minority Borrowers in Washington



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Source: Authors' calculations based on 2015-19 American Community Survey data and 2021 Home Mortgage Disclosure Act data.

Notes: IMB = independent mortgage bank; LMI = low- and moderate-income. Data are for closed-end one-to-four-unit single-family owner-occupied purchase loans.

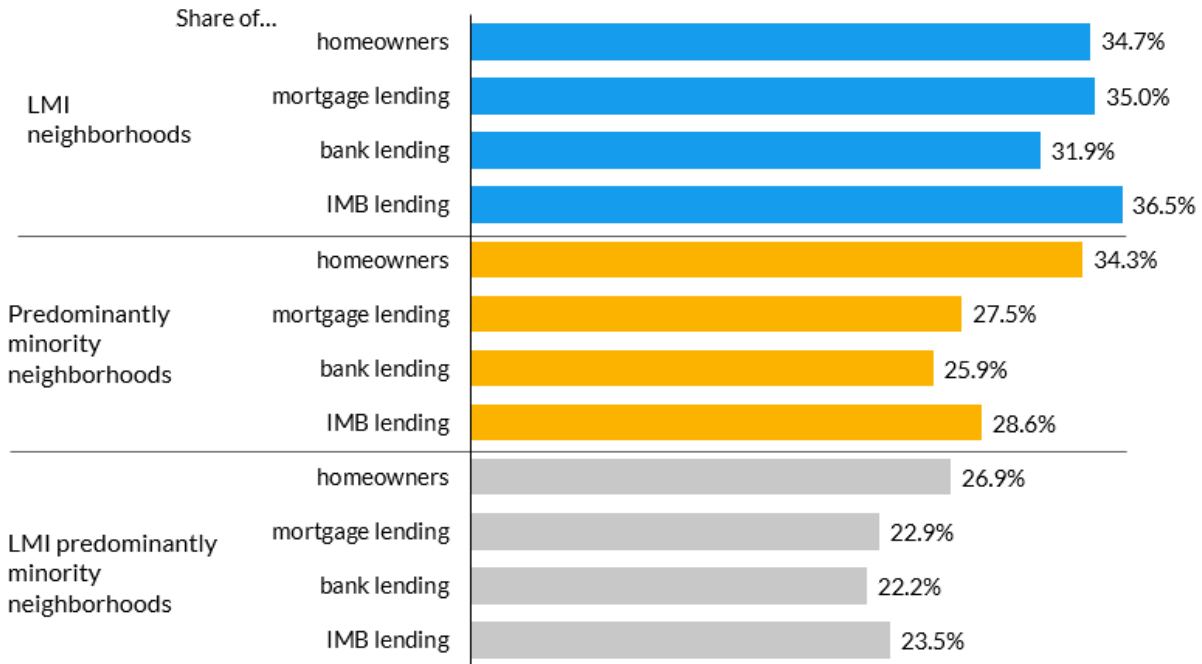
## Washington, DC

- Of all homeowners in DC, 34.7 percent live in LMI neighborhoods, 34.3 percent live in predominantly minority neighborhoods, and 26.9 percent live in LMI predominantly minority neighborhoods (figure A.5).
- 36.5 percent of IMB lending was made to borrowers in LMI neighborhoods, compared with 35.0 percent of total mortgage lending and 31.9 percent of bank lending.
- 28.6 percent of IMB lending was made to borrowers in predominantly minority neighborhoods, compared with 27.5 percent of total mortgage lending and 25.9 percent of bank lending.

- 23.5 percent of IMB lending was made to borrowers in LMI predominantly minority neighborhoods, compared with 22.9 percent of total mortgage lending and 22.2 percent of bank lending.

FIGURE A.5

**Lending to LMI and Predominantly Minority Neighborhoods in the District of Columbia**



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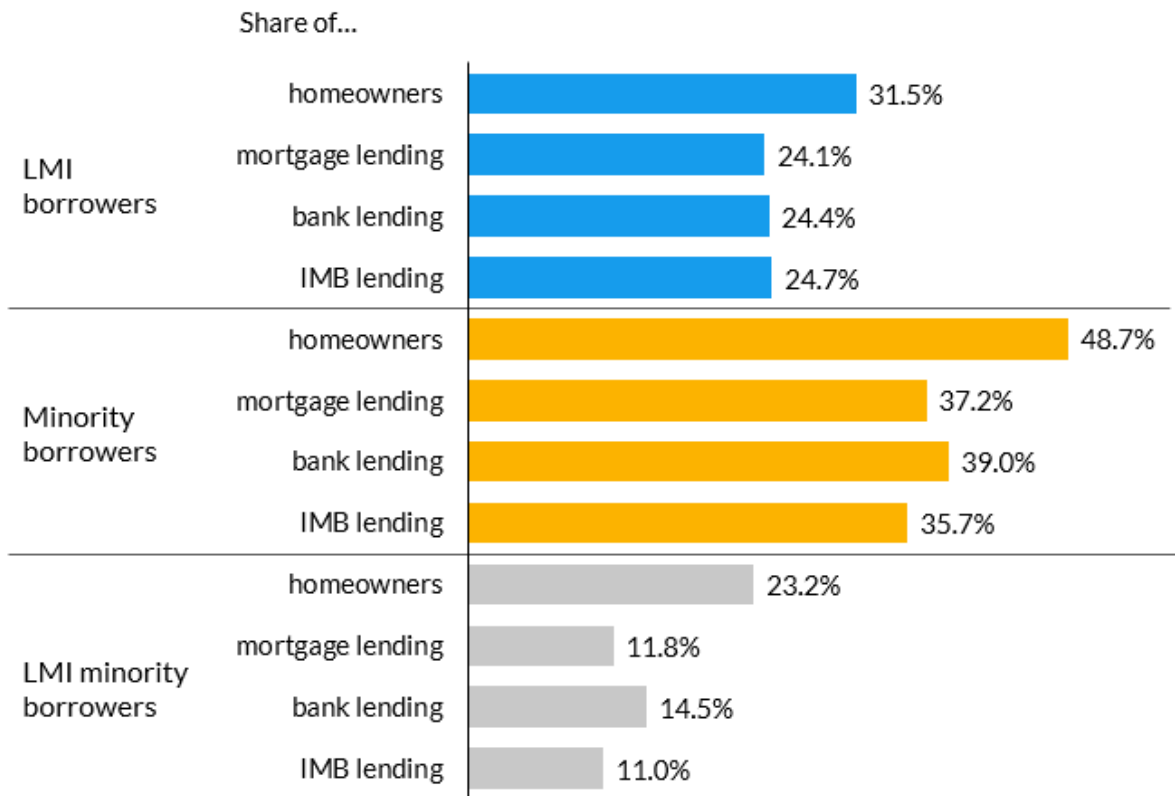
**Source:** Authors' calculations based on 2015–19 American Community Survey data and 2021 Home Mortgage Disclosure Act data.

**Notes:** IMB = independent mortgage bank; LMI = low- and moderate-income. Data are for closed-end one-to-four-unit single-family owner-occupied purchase loans.

- Of all homeowners in DC, 31.5 percent are LMI homeowners, 48.7 percent are minority homeowners, and 23.2 percent are LMI minority homeowners (figure A.6).
- 24.7 percent of IMB lending was made to LMI borrowers, compared with 24.1 percent of total mortgage lending and 24.4 percent of bank lending.
- 35.7 percent of IMB lending was made to minority borrowers, compared with 37.2 percent of mortgage lending and 39.0 percent of bank lending.
- 11.0 percent of IMB lending was made to LMI minority borrowers, compared with 11.8 percent of mortgage lending and 14.5 percent of bank lending.

FIGURE A.6

Lending to LMI and Minority Borrowers in the District of Columbia



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Source: Authors' calculations based on 2015–19 American Community Survey data and 2021 Home Mortgage Disclosure Act data.

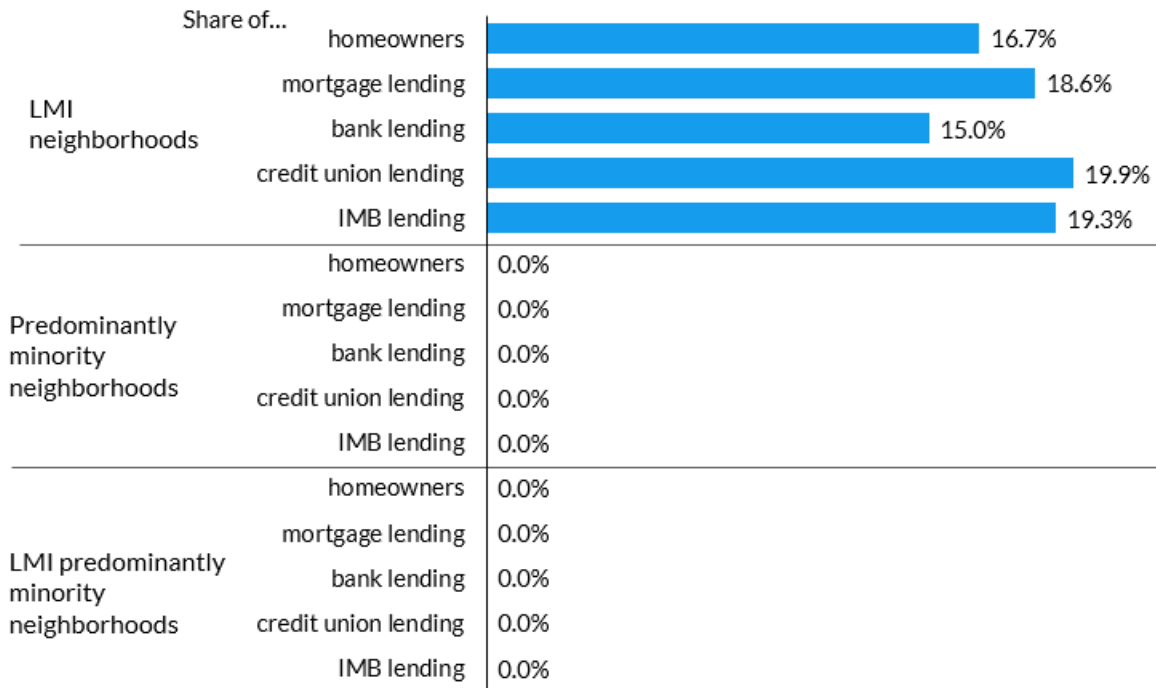
Notes: IMB = independent mortgage bank; LMI = low- and moderate-income. Data are for closed-end one-to-four-unit single-family owner-occupied purchase loans.

## Oregon

- Of all homeowners in Oregon, 16.7 percent live in LMI neighborhoods (figure A.7).
- 19.3 percent of IMB lending was made to borrowers in LMI neighborhoods, compared with 18.6 percent of total mortgage lending and 15.0 percent of bank lending.
- There are no predominantly minority neighborhoods in Oregon in 2019–21.

FIGURE A.7

Lending to LMI Neighborhoods in Oregon



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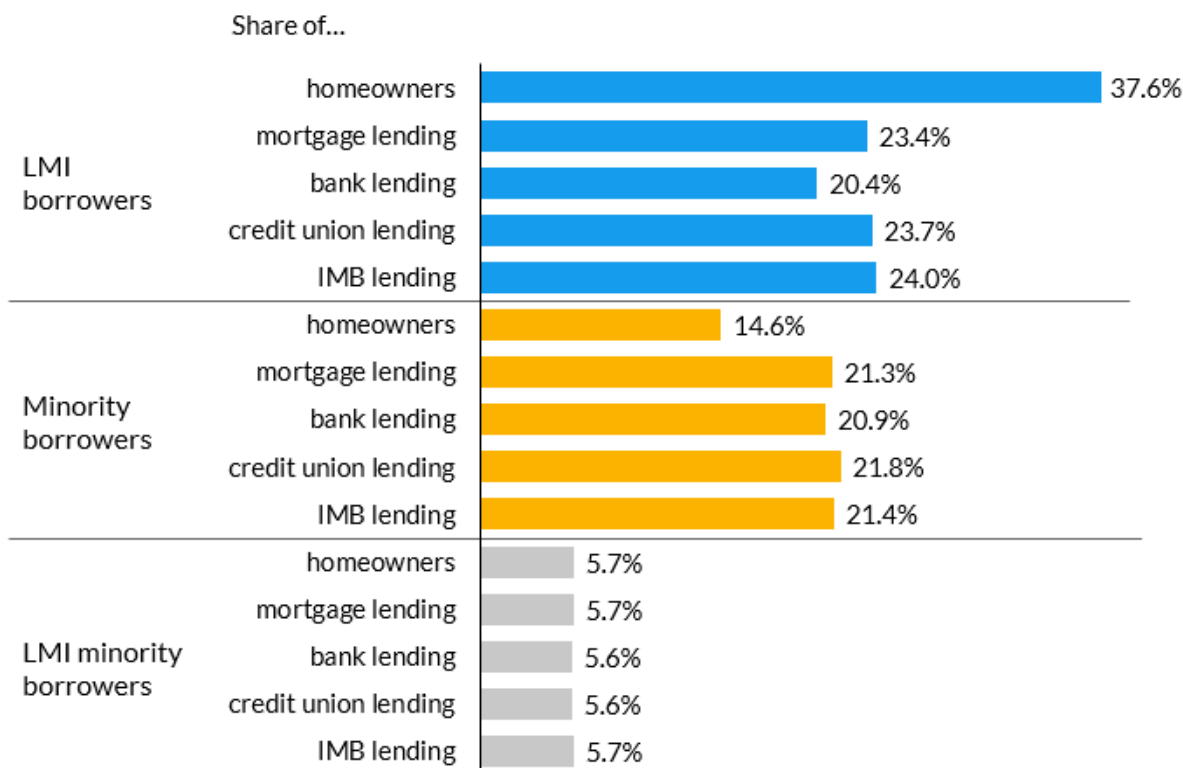
**Source:** Authors' calculations based on 2015–19 American Community Survey data and 2021 Home Mortgage Disclosure Act data.

**Notes:** IMB = independent mortgage bank; LMI = low- and moderate-income. Data are for closed-end one-to-four-unit single-family owner-occupied purchase loans.

- Of all homeowners in Oregon, 37.6 percent are LMI homeowners, 14.6 percent are minority homeowners, and 5.7 percent are LMI minority homeowners (figure A.8).
- 24.0 percent of IMB lending was made to LMI borrowers, compared with 23.4 percent of total mortgage lending and 20.4 percent of bank lending.
- 21.4 percent of IMB lending was made to minority borrowers, compared with 21.3 percent of mortgage lending and 20.9 percent of bank lending.
- 5.7 percent of IMB lending was made to LMI minority borrowers, compared with 5.7 percent of mortgage lending and 5.6 percent of bank lending.

FIGURE A.8

Lending to LMI and Minority Borrowers in Oregon



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Source: Authors' calculations based on 2015–19 American Community Survey data and 2021 Home Mortgage Disclosure Act data.

Notes: IMB = independent mortgage bank; LMI = low- and moderate-income. Data are for closed-end one-to-four-unit single-family owner-occupied purchase loans.

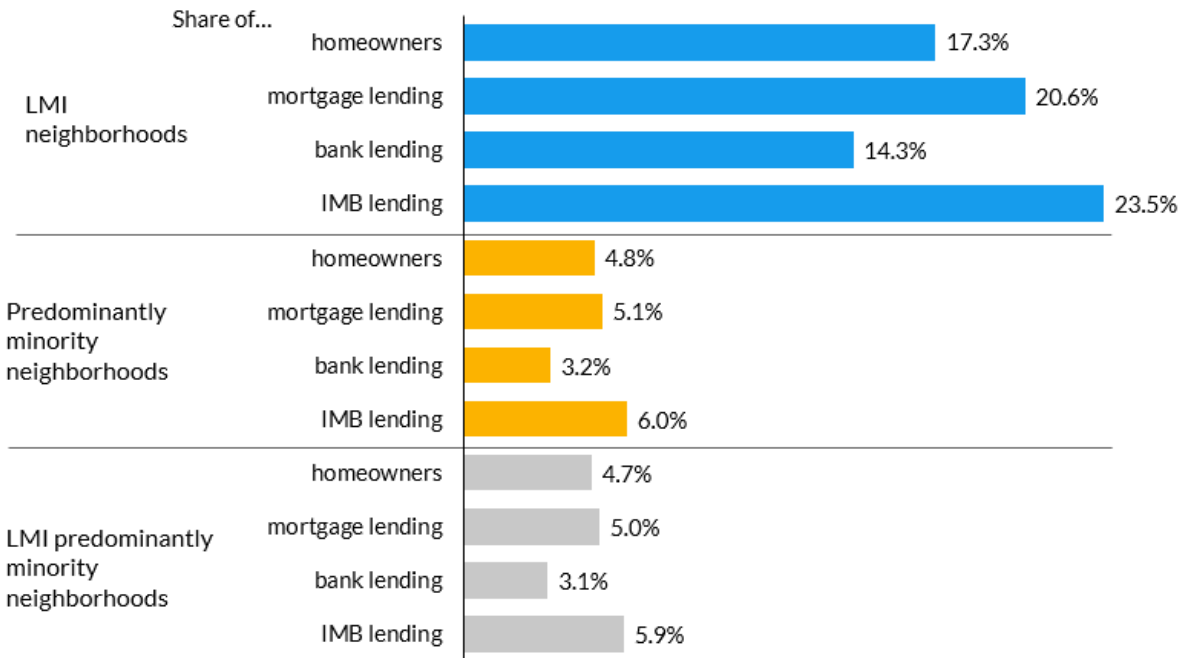
## Connecticut

- Of all homeowners in Connecticut, 17.3 percent live in LMI neighborhoods, 4.8 percent live in predominantly minority neighborhoods, and 4.7 percent live in LMI predominantly minority neighborhoods (figure A.9).
- 23.5 percent of IMB lending was made to borrowers in LMI neighborhoods, compared with 20.6 percent of total mortgage lending and 14.3 percent of bank lending.
- 6.0 percent of IMB lending was made to borrowers in predominantly minority neighborhoods, compared with 5.1 percent of total mortgage lending and 3.2 percent of bank lending.

- 5.9 percent of IMB lending was made to borrowers in LMI predominantly minority neighborhoods, compared with 5.0 percent of total mortgage lending and 3.1 percent of bank lending.

FIGURE A.9

Lending to LMI and Predominantly Minority Neighborhoods in Connecticut



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Source: Authors' calculations based on 2015–19 American Community Survey data and 2021 Home Mortgage Disclosure Act data.

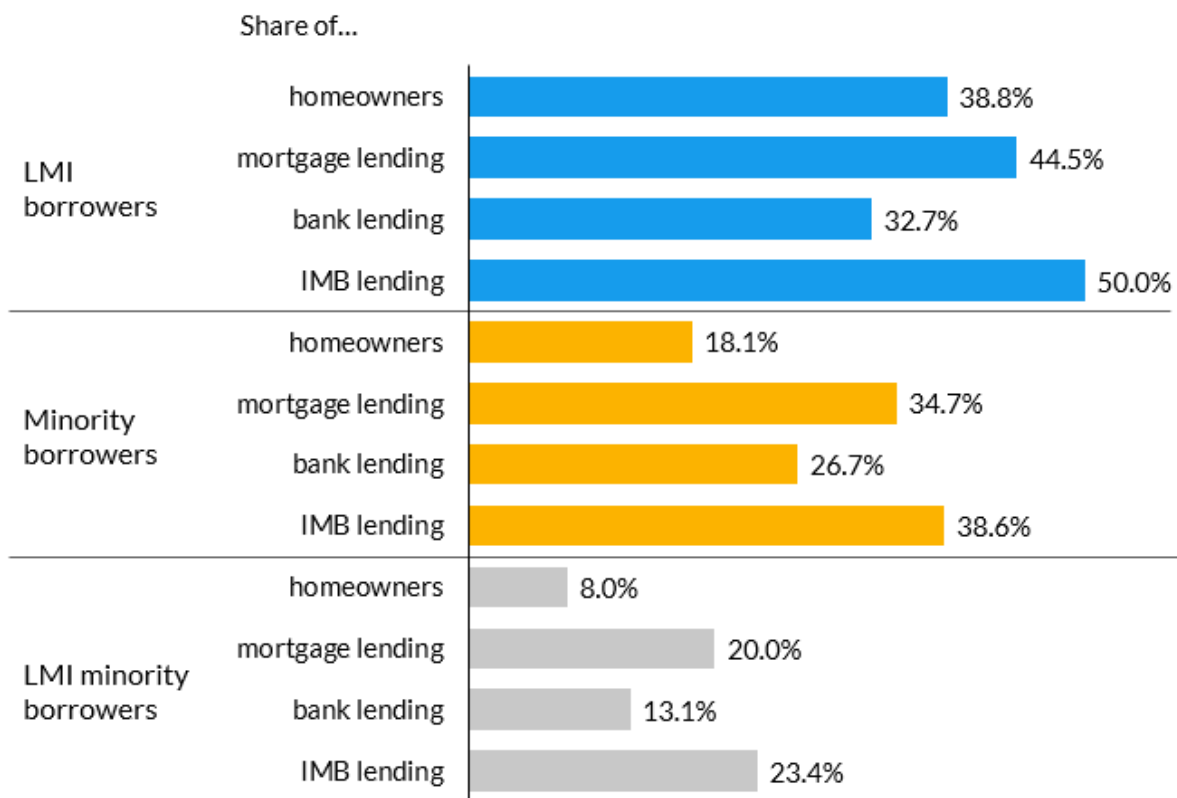
Notes: IMB = independent mortgage bank; LMI = low- and moderate-income. Data are for closed-end one-to-four-unit single-family owner-occupied purchase loans.

- Of all homeowners in Connecticut, 38.8 percent are LMI homeowners, 18.1 percent are minority homeowners, and 8.0 percent are LMI minority homeowners (figure A.10).
- 50.0 percent of IMB lending was made to LMI borrowers, compared with 44.5 percent of total mortgage lending and 32.7 percent of bank lending.
- 38.6 percent of IMB lending was made to minority borrowers, compared with 34.7 percent of mortgage lending and 26.7 percent of bank lending.
- 23.4 percent of IMB lending was made to LMI minority borrowers, compared with 20.0 percent of mortgage lending and 13.1 percent of bank lending.



FIGURE A.10

Lending to LMI and Minority Borrowers in Connecticut



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Source: Authors' calculations based on 2015-19 American Community Survey data and 2021 Home Mortgage Disclosure Act data.

Notes: IMB = independent mortgage bank; LMI = low- and moderate-income. Data are for closed-end one-to-four-unit single-family owner-occupied purchase loans.

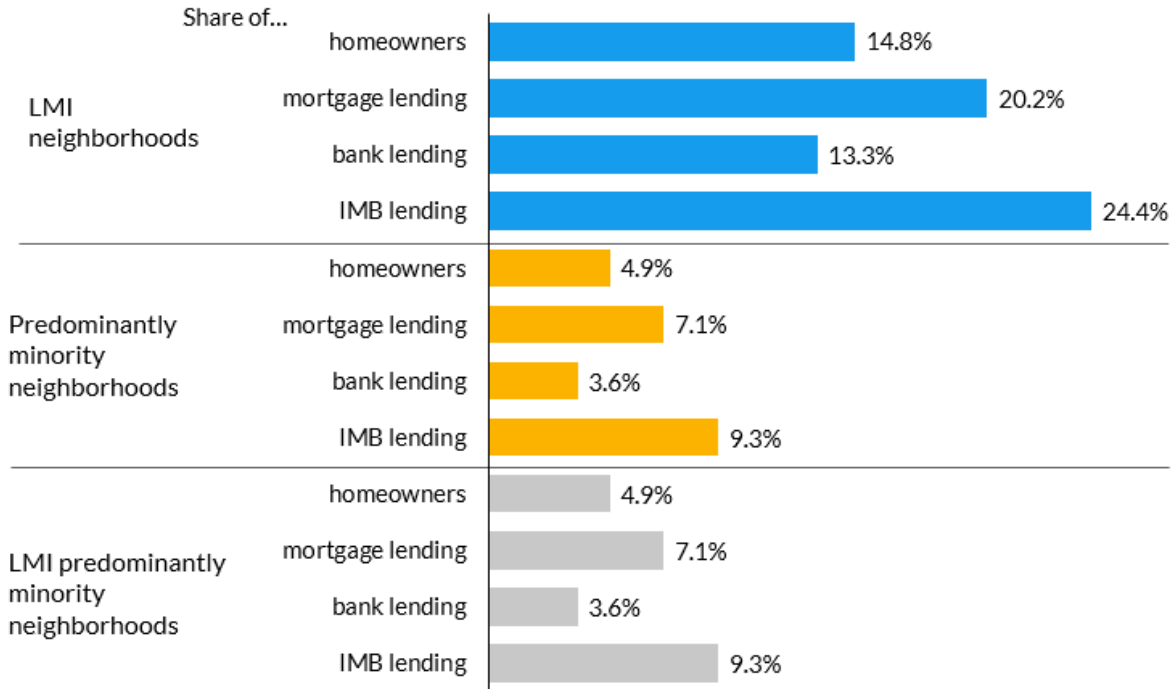
## Rhode Island

- Of all homeowners in Rhode Island, 14.8 percent live in LMI neighborhoods, 4.9 percent live in predominantly minority neighborhoods, and 4.9 percent live in LMI predominantly minority neighborhoods (figure A.11).
- 24.4 percent of IMB lending was made to borrowers in LMI neighborhoods, compared with 20.2 percent of total mortgage lending and 13.3 percent of bank lending.
- 9.3 percent of IMB lending was made to borrowers in predominantly minority neighborhoods, compared with 7.1 percent of total mortgage lending and 3.6 percent of bank lending.

- The only predominantly minority neighborhoods in Rhode Island are also LMI neighborhoods.

FIGURE A.11

Lending to LMI and Predominantly Minority Neighborhoods in Rhode Island



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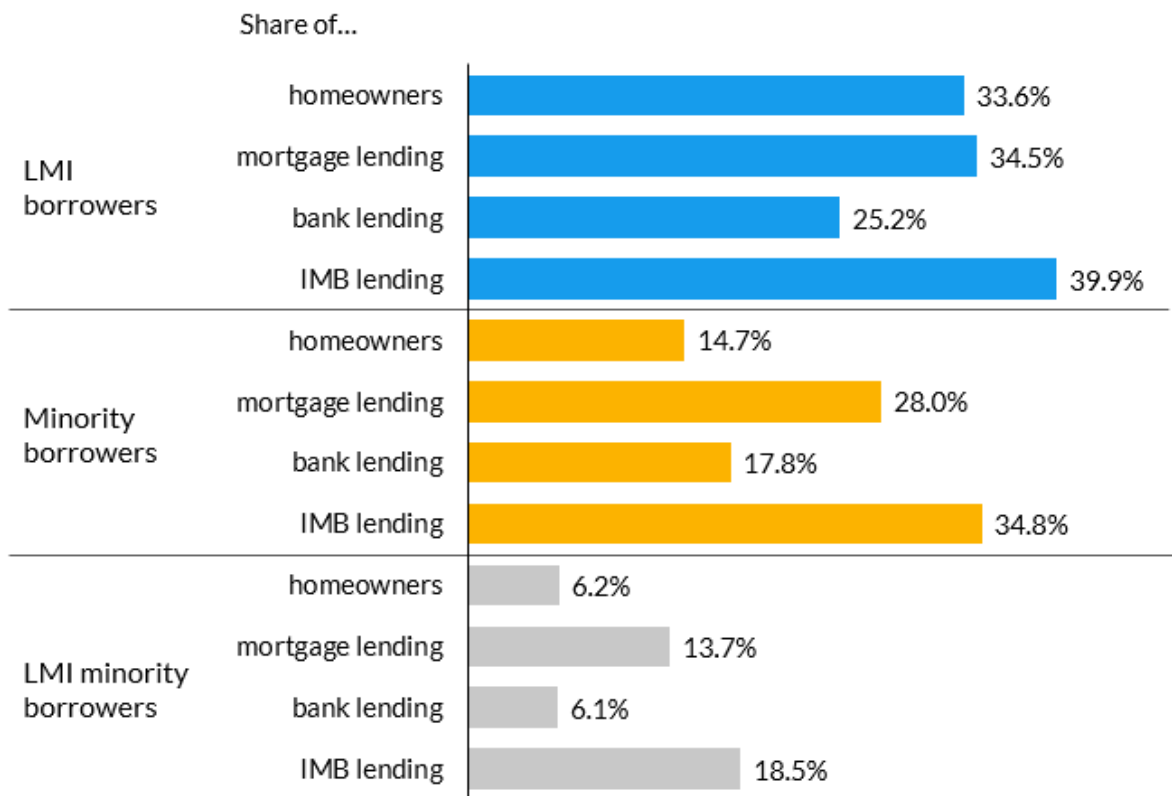
Source: Authors' calculations based on 2015–19 American Community Survey data and 2021 Home Mortgage Disclosure Act data.

Notes: IMB = independent mortgage bank; LMI = low- and moderate-income. Data are for closed-end one-to-four-unit single-family owner-occupied purchase loans.

- Of all homeowners in Rhode Island, 33.6 percent are LMI homeowners, 14.7 percent are minority homeowners, and 6.2 percent are LMI minority homeowners (figure A.12).
- 39.9 percent of IMB lending was made to LMI borrowers, compared with 34.5 percent of total mortgage lending and 25.2 percent of bank lending.
- 34.8 percent of IMB lending was made to minority borrowers, compared with 28.0 percent of mortgage lending and 17.8 percent of bank lending.
- 18.5 percent of IMB lending was made to LMI minority borrowers, compared with 13.7 percent of mortgage lending and 6.1 percent of bank lending.

FIGURE A.12

Lending to LMI and Minority Borrowers in Rhode Island



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Source: Authors' calculations based on 2015–19 American Community Survey data and 2021 Home Mortgage Disclosure Act data.

Notes: IMB = independent mortgage bank; LMI = low- and moderate-income. Data are for closed-end one-to-four-unit single-family owner-occupied purchase loans.

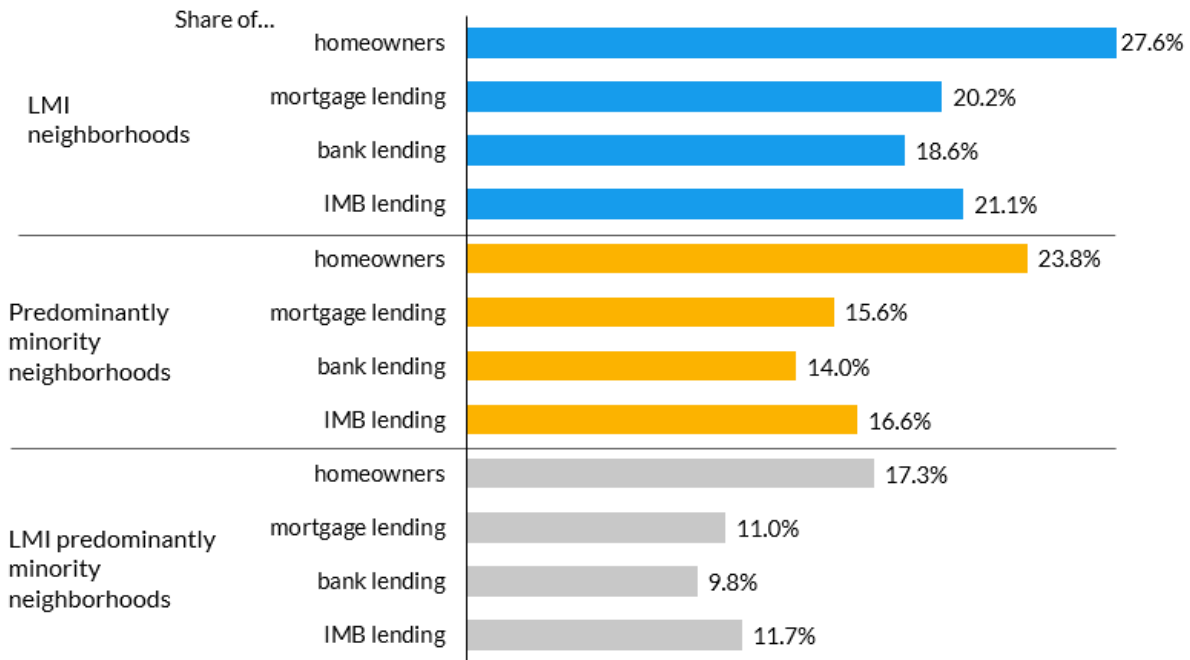
## New Mexico

- Of all homeowners in New Mexico, 27.6 percent live in LMI neighborhoods, 23.8 percent live in predominantly minority neighborhoods, and 17.3 percent live in LMI predominantly minority neighborhoods (figure A.13).
- 21.1 percent of IMB lending was made to borrowers in LMI neighborhoods, compared with 20.2 percent of total mortgage lending and 18.6 percent of bank lending.
- 16.6 percent of IMB lending was made to borrowers in predominantly minority neighborhoods, compared with 15.6 percent of total mortgage lending and 14.0 percent of bank lending.

- 11.7 percent of IMB lending was made to borrowers in LMI predominantly minority neighborhoods, compared with 11.0 percent of total mortgage lending and 9.8 percent of bank lending.

FIGURE A.13

**Lending to LMI and Predominantly Minority Neighborhoods in New Mexico**



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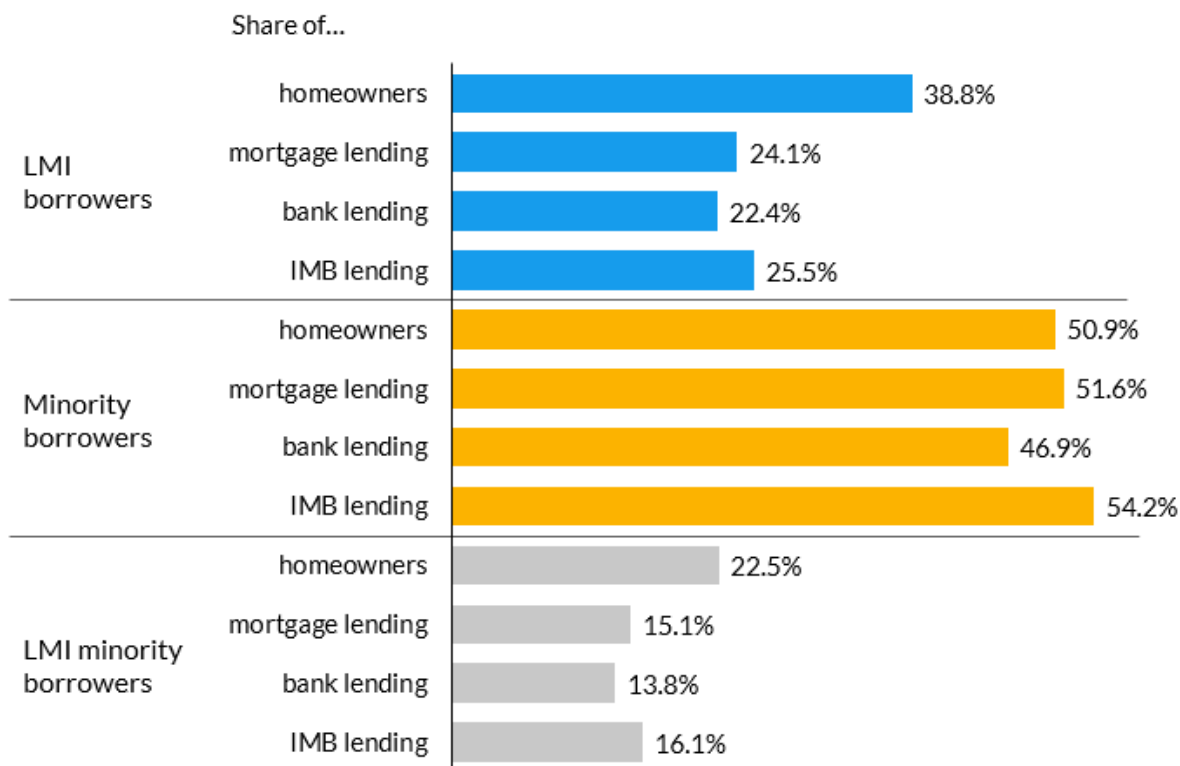
**Source:** Authors' calculations based on 2015–19 American Community Survey data and 2021 Home Mortgage Disclosure Act data.

**Notes:** IMB = independent mortgage bank; LMI = low- and moderate-income. Data are for closed-end one-to-four-unit single-family owner-occupied purchase loans.

- Of all homeowners in New Mexico, 38.8 percent are LMI homeowners, 50.9 percent are minority homeowners, and 22.5 percent are LMI minority homeowners (figure A.14).
- 25.5 percent of IMB lending was made to LMI borrowers, compared with 24.1 percent of total mortgage lending and 22.4 percent of bank lending.
- 54.2 percent of IMB lending was made to minority borrowers, compared with 51.6 percent of mortgage lending and 46.9 percent of bank lending.
- 16.1 percent of IMB lending was made to LMI minority borrowers, compared with 15.1 percent of mortgage lending and 13.8 percent of bank lending.

FIGURE A.14

Lending to LMI and Minority Borrowers in New Mexico



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Source: Authors' calculations based on 2015–19 American Community Survey data and 2021 Home Mortgage Disclosure Act data.

Notes: IMB = independent mortgage bank; LMI = low- and moderate-income. Data are for closed-end one-to-four-unit single-family owner-occupied purchase loans.

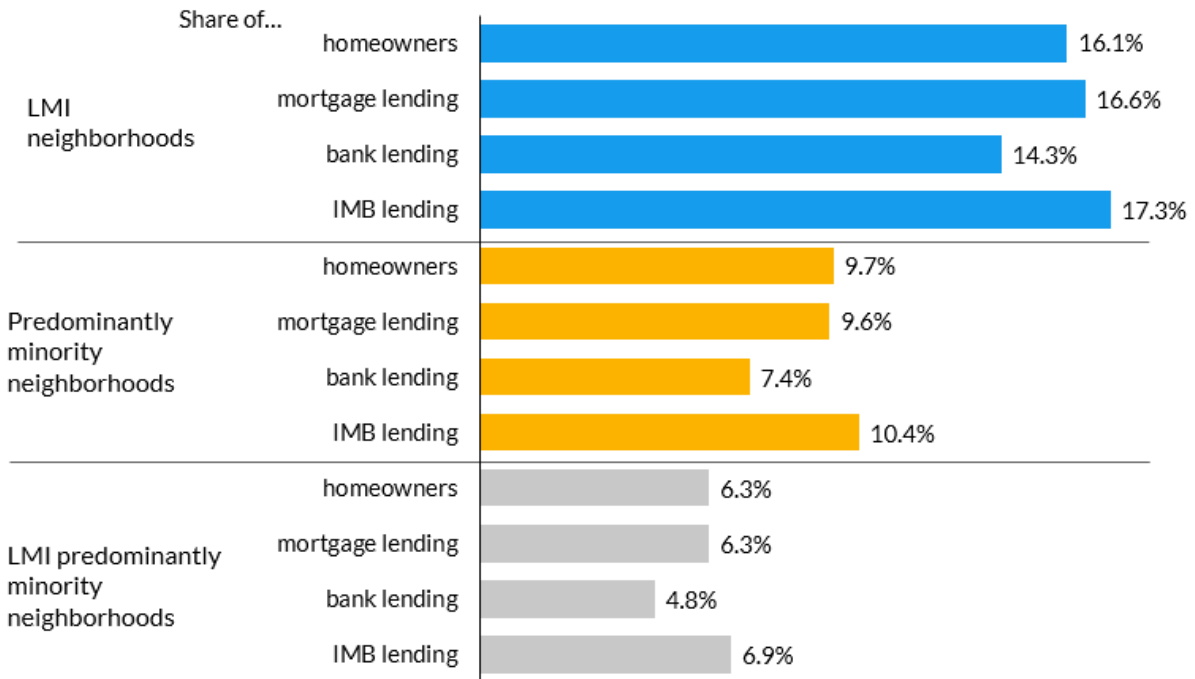
## New Jersey

- Of all homeowners in New Jersey, 16.1 percent live in LMI neighborhoods, 9.7 percent live in predominantly minority neighborhoods, and 6.3 percent live in LMI predominantly minority neighborhoods (figure A.15).
- 17.3 percent of IMB lending was made to borrowers in LMI neighborhoods, compared with 16.6 percent of total mortgage lending and 14.3 percent of bank lending.
- 10.4 percent of IMB lending was made to borrowers in predominantly minority neighborhoods, compared with 9.6 percent of total mortgage lending and 7.4 percent of bank lending.

- 6.9 percent of IMB lending was made to borrowers in LMI predominantly minority neighborhoods, compared with 6.3 percent of total mortgage lending and 4.8 percent of bank lending.

FIGURE A.15

Lending to LMI and Predominantly Minority Neighborhoods in New Jersey



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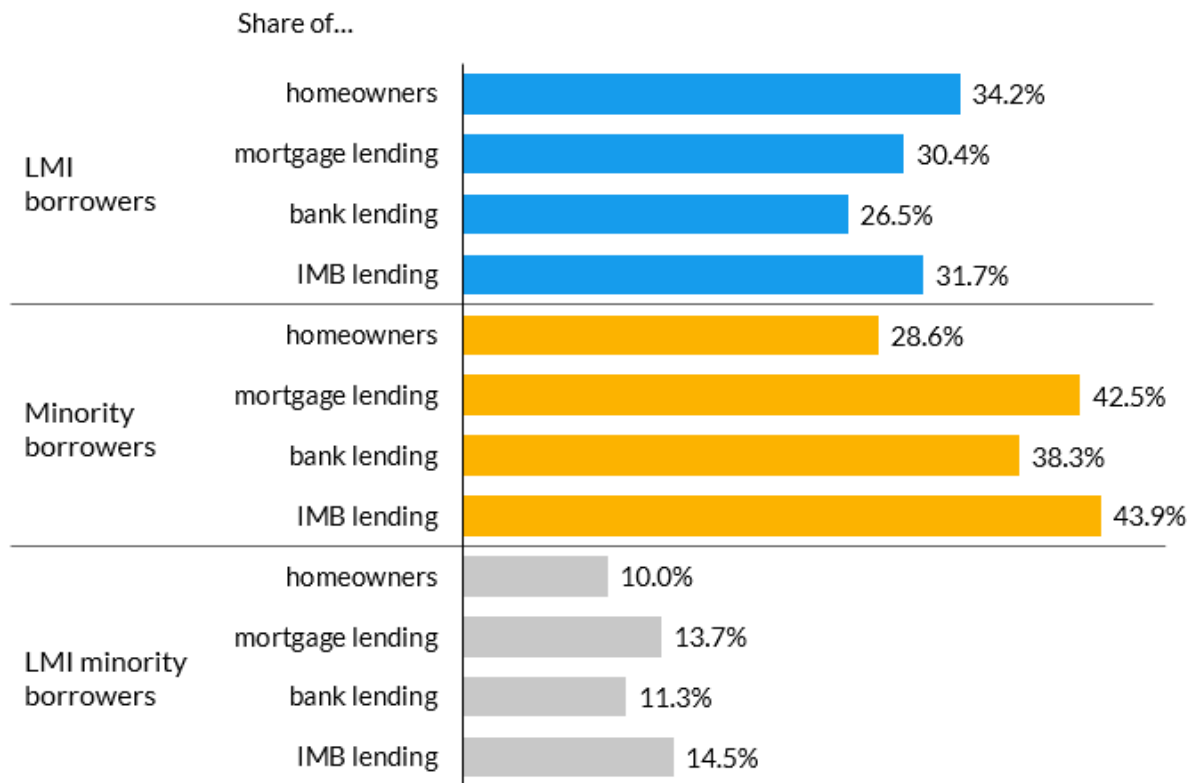
Source: Authors' calculations based on 2015–19 American Community Survey data and 2021 Home Mortgage Disclosure Act data.

Notes: IMB = independent mortgage bank; LMI = low- and moderate-income. Data are for closed-end one-to-four-unit single-family owner-occupied purchase loans.

- Of all homeowners in New Jersey, 34.2 percent are LMI homeowners, 28.6 percent are minority homeowners, and 10.0 percent are LMI minority homeowners (figure A.16).
- 31.7 percent of IMB lending was made to LMI borrowers, compared with 30.4 percent of total mortgage lending and 26.5 percent of bank lending.
- 43.9 percent of IMB lending was made to minority borrowers, compared with 42.5 percent of mortgage lending and 38.3 percent of bank lending.
- 14.5 percent of IMB lending was made to LMI minority borrowers, compared with 13.7 percent of mortgage lending and 11.3 percent of bank lending.

FIGURE A.16

Lending to LMI and Minority Borrowers in New Jersey



URBAN INSTITUTE

**Source:** Authors' calculations based on 2015–19 American Community Survey data and 2021 Home Mortgage Disclosure Act data.

**Notes:** IMB = independent mortgage bank; LMI = low- and moderate-income. Data are for closed-end one-to-four-unit single-family owner-occupied purchase loans.

# Notes

- <sup>1</sup> Housing and Community Development Act of 1977, Pub. L. No. 95-128, 91 Stat. 1111.
- <sup>2</sup> IMBs operate across various delivery channels, including traditional retail branches, wholesale lending through mortgage brokers, and consumer-direct through call centers. Only retail branches are geographically constrained.
- <sup>3</sup> We merged 2021 HMDA data with 2015–19 ACS data instead of 2016–20 ACS data because 2021 HMDA data have not incorporated the changes in 2020 to Topologically Integrated Geographic Encoding and Referencing (TIGER) census tract boundaries, which have already been reflected in the 2016–20 ACS data. Using 2015–19 HMDA data to do the merge would enable us to have a higher matching rate at the census tract level.
- <sup>4</sup> The federal banking agencies’ notice of proposed rulemaking for revising the regulations pursuant to the CRA, released in May 2022, also introduces a market benchmark—the share of total mortgage lending by all institutions (including IMBs and credit unions)—as part of the evaluation framework of the retail lending test under which banks would be evaluated. In this analysis, we do not use this proposed market benchmark because the share of total mortgage lending to LMI and minority neighborhoods and borrowers is heavily driven by nonbank lending, with more than 60 percent of all mortgage originations coming from nonbanks.
- <sup>5</sup> Manuela Tobias, Matt Levin, and Ben Christopher, “Californians: Here’s Why Your Housing Costs Are So High,” Cal Matters, August 21, 2017, <https://calmatters.org/explainers/housing-costs-high-california/>.
- <sup>6</sup> Bob Jaworski, “New York Imposes Community Reinvestment Act Requirements on Mortgage Bankers,” Holland & Knight, November 4, 2021, <https://www.hklaw.com/en/insights/publications/2021/11/new-york-imposes-community-reinvestment-act>.
- <sup>7</sup> “Illinois Community Reinvestment Act (CRA),” Illinois Department of Financial and Professional Regulation, accessed April 12, 2023, <https://idfpr.illinois.gov/admin/cra.html#>.



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