CITY TREASURER
KAREN AVILLA, CCMT

CITY OF CARSON

Date: 10-26-10
Submitted in JBD Committee
Council File No: 09-0234
Item No.: 3
Deputy: Public

Support Statement
CF 09-0234, "Responsible Banking"
by
Karen Avilla
Treasurer of Carson, California
October 26, 2010

Members of the Committee, I am pleased to submit testimony to you today regarding Council File 09-0234 on the topic of Responsible Banking. My name is Karen Avilla and I have served as the elected Treasurer of the City of Carson for 10 years. I have a total of 20 years treasury management experience having served as Chief Deputy City Treasurer before assuming the post of City Treasurer. I am an active member of the California Municipal Treasurer's Association and hold the distinction of Certified California Municipal Treasurer.

I am writing in support of the proposal that Cities request information from financial institutions about their local community re-investment practices. As the full-time elected City Treasurer of Carson, charged with securing and overseeing all banking relationships for the city, I submit that Cities are not only entitled to but ought to consider institutions' local community reinvestment practices as a factor in awarding City business.

As you may be aware, under State code those of us who serve as financial guardians are charged with ensuring that financial institutions are fiscally sound first, meet given liquidity requirements second, and finally judge banks by rate structure as we make selections of who to do business with. It is not the normal course of business for those of us in the "finance arm" of local governments to look further into a financial institution's commitment to our communities. Yet, it is completely possible that by NOT doing so we as local governments are banking with institutions that fail our communities.

The ordinance under your consideration today would enhance the ability of Los Angeles to better serve its taxpayers by providing incentives to financial institutions to offer increased lending and investment services to your constituents. The ordinance would simply add a set of criteria that urges your City to consider as an additional factor when considering banking relationships. Though it may not be part of the Code, doing so could provide significant positive benefits to your taxpayers.

I believe that the institutions that are actively investing in your City will welcome the opportunity to make public how they serve Los Angeles. Banks keep track of the locations and dollar value of their lending, and providing that information to you will let you know if they are lending to small businesses in your City; responding to the credit needs of your constituency;

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and participating in the community based organizations of Los Angeles. Those institutions doing good work in your City should be proud to highlight their work.

Perhaps you are familiar with the Community Reinvestment Act (CRA), the landmark federal legislation passed in 1977 that effectively ended the practice of redlining by mandating that institutions insured by the Federal Deposit Insurance Corporation (FDIC) must lend throughout the communities served by their branches. Although extraordinarily effective at first, CRA has been weakened over time as the financial landscape has changed. Today, many of us may have business with an institution that does not have a branch in our zip code, let alone State. This means that today, CRA scores no longer reflect lending throughout the communities served by an institution—in some cases, an institution's CRA score is judged based on reinvestment performance in just a handful of areas or States.

This ordinance would correct this problem, placing in effect a "local CRA" by ensuring that you have timely and accurate information specific to the City of Los Angeles. Information asked of financial institutions in the ordinance will give you a clear idea of how the institution is serving your taxpayers based on metrics such as: the amount of small business loans awarded to businesses in the City; the number of non-adjustable rate mortgages offered to homeowners in the City, and in which zip codes; and the amount of money invested in community development projects. Taken together, this information will allow the City to judge which institutions are actively promoting re-investment in Los Angeles communities.

As City Treasurer of Carson I am asking these very questions of the financial institutions that our City does business with. From a practical standpoint it is as simple as "We're investing in you—are you investing in us?" As a result of my inquiries, I have found that institutions are willing to (or moved our relationships to financial institutions that will) offer our schools Financial Literacy courses that previously were not available; made lending opportunities for small businesses that may not previously have qualified through the normal channels in partnership with the City's economic Development Department; and are willing to sit on Boards of our local community-based organizations and otherwise contribute to our civic and community life.

Los Angeles can and should award business to institutions that have a demonstrated, positive track record of investment and lending in the City. Frankly, there are some institutions that compete for your City's dollars that may have little or no intention of investing a cent back into Los Angeles. You owe it to your taxpayers to figure out which institutions do, and award them business accordingly.

Dated this 26th day of October, 2010

Karen Avilla

Karen Avilla, City Treasurer
City of Carson

Testimony Statement

L.A. City Ordinance on Responsible Banking, CF 09-0234

October 26, 2010

Dennis Santiago, CEO
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Thank you for allowing me to testify today.

My name is Dennis Santiago and I am the Chief Executive Officer of Institutional Risk Analytics, a Southern California based company that specializes in analyzing the banking industry since 2003. I am here today though as a concerned citizen. One who has taken an active interest in this community ever since I helped a project called "Rebuild LA".

I think everyone here realizes that we are living through the consequences of risk taking gone wrong. Last Friday the FDIC closed seven banks and yesterday it was announced that the Federal Home Loan Bank (FHLB) of Seattle had submitted to a consent order with the Federal Housing Finance Agency (FHFA) due to being "undercapitalized". Large banks are under stress because of foreclosures and potentially even under greater threat because they may be forced to buy back billions of faulty loans from the GSE's Fannie Mae and Freddie Mac. Smaller banks are just trying to survive the storm but it's causing many of them to maintain quality standards so high that access to credit has all but evaporated. Even credit unions are not immune. The "corporate credit unions" that stand behind the consumer credit unions have experienced their own catastrophic troubles as evidenced by the regulatory actions of the National Credit Union Administration (NCUA). What it means is that no community, no business, no individual can afford to remain passive when it comes to understanding where banking and finance is headed for the remainder of the decade.

These are tough times. But they are not insurmountable times. That is why I applaud the City of Los Angeles to taking the initiative to consider an ordinance that takes the measure of the finance system affecting the region and the people it serves. The City is asking the kinds of questions that must be asked if government is to play its proper part to create the kinds of public-private partnerships that will rebuild financial infrastructure. It took everyone to make the mess we are in. It will take everyone working together to regain a quality of life that has slipped away from us.

I do want to point something out regarding the data. It's not that banks don't know or cannot determine the answers to the data requests being asked by the language of the ordinance. They can. Most of what the City is asking for has been part of the Community Reinvestment Act's agenda for decades. What's different here is a community asking the simple question of "How are you doing for us where we live?" This is an issue of everyone becoming comfortable with transparency. The emotional charge we all feel in this room is because the questions the City is asking will reveal who really has their act together and who doesn't. But I submit that the worst thing for us all would be if we remained ignorant of the answers.

Indeed, I would say that a bank that isn't assessing its position quantitatively and making plans about how it will navigate and prosper worries me more. We are on the verge of a period where change will create so much industry opportunity to win new ground. There are banks out there right now who are looking at the competitive landscape and asking the question "How do I gain from this?" This process will happen whether L.A. passes this ordinance or not.

What the City of Los Angeles is doing with this ordinance is making that as this next cycle of consolidation plays out, it's interests will not be forgotten or dismissed as billions of wealth inevitably shift with the tides of fortune. I encourage the City to make sure it has the legal means and the operational agenda to protect those interests.

Thank you again for the opportunity to speak.

Dennis Santiago

Pan American Bank

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Written Statement

Jobs and Business Development Committee
Hearing on Council File Number CF 09-0234

Jesse Torres
President and Chief Executive Officer
Pan American Bank
October 26, 2010

Chairman Alarcon and members of the Committee, I am pleased to submit testimony to the Los Angeles Committee on Jobs and Business Development on the topic of the Responsible Banking Investment Monitoring Program.

My name is Jesse Torres and I am the President and Chief Executive Officer of Pan American Bank. We are a 45 year-old Latino-owned community bank headquartered in East Los Angeles. We are California's oldest Latino-owned bank and the second oldest Latino-owned bank in the United States. Pan American Bank was established in 1964 by Romana Acosta Banuelos, the first Latina Treasurer of the United States. Pan American Bank was founded for the express purpose of serving the unbanked and underbanked Latino communities of Los Angeles and Orange counties.

As of September 30, 2010, $26 million of Pan American Bank's $37 million loan portfolio was comprised of residential mortgages. Most of Pan American Bank's residential loans are made to low- or moderate-income borrowers and/or within low- or moderate-income communities. Pan American Bank's mission is to transform and empower Latino communities through banking relationships built on trust, service, respect, communication, and guidance. Consistent with that mission, Pan American Bank has foreclosed on only one borrower since January 2009. During the same period Pan American Bank modified 100% of borrower modification requests and every modified borrower is performing as agreed under the modification terms. Despite the failing economy, Pan American Bank grew 15% from June 2009 to June 2010 by staying focused on its mission of serving the needs of its community.

My testimony today is going to focus on the role community banks play in stabilizing communities during difficult times - a role that is largely ignored by larger regional and national organizations that do not have a close tie to specific communities and as such, do not feel compelled or are unable to assist communities that need help the most.

During the mid part of the last decade, money was cheap. Large regional and national banking organizations utilized cadres of local loan brokers and the Internet to make use of the vast amount of cheap dollars and to grow their organizations to unseen levels. As the supply of traditional borrowers dried up, alternative borrowers were cultivated - many of whom were ill-prepared for the challenges of homeownership but were intoxicated by the dream of owning their own home. Unfortunately, when the party was over, many of these financial institutions and their armies of brokers were nowhere to be found and borrowers were left to deal with the hangover effect all on their own.

As a seasoned banker I understand the economic and financial rationale for seeking economies of scale and market share. As a community banker, however, I also know the long-term damage that is inflicted on a community when financial institutions focus solely on short-term profit and ignore the long-term financial and economic health of the community.

For the past two years our communities in Los Angeles – particularly the low- and moderate-income communities, have been decimated by foreclosures. Initially lured by the dream of homeownership, many in our communities have been living a nightmare that began when they were offered financial products that made no sense for the borrower or the banks. For the too-big-to-fail banks, relief came in the form of federal bailouts. Unfortunately for the borrowers, the too-big-to-fail banks were unable or unwilling to do the same. During this same period, most community banks, without the support of a federal bailout funds, sustained local economies and household with continued prudent lending.

I understand that too-large-to-fail organizations maintain highly complex financial arrangements with mortgage investors and other parties that may make modifications difficult. However, based upon these organizations' influence, their history of financial innovation and inventory of immensely talented human capital as well as the modest cost of mortgage modifications relative to the high cost of foreclosures, I do not understand the hesitation to provide relief – particularly in light of the billions of dollars of public bailout funds that these large, too-big-to-fail firms received.

Pan American Bank is only a $43 million community bank and has very limited human and financial resources when compared to the too-big-to-fail banks. However, Pan American Bank has a perfect record when it comes to mortgage modification requests. Most of us can agree that the economic downturn is temporary and that jobs will return and income will increase in the future. Pan American Bank believes strongly that its 45 year existence is directly tied to the community's support of the Bank. As such, now is the time for bankers to return the favor by treating customers with dignity and respect and by finding ways to assist customers in need. The Responsible Banking program is a way for the City of Los Angeles to encourage its banks to do this.

Unlike too-big-to-fail banks, community banks are vested in the local communities they serve. Community banks survive and thrive only if the local community thrives. Community banks such as Pan American Bank owe their success to the community. Without local community support, community banks would cease to exist. As such, community banks are the first to assist the community and the last to say "no." Community banks cannot ignore the needs of its local community, as opposed to large regional and national banks that can shift focus from one region to another. Community banks are woven into the fabric of the local community. Through good times and bad, community banks serve the needs and are the first to do what can be done to stabilize and improve the local communities.

Pan American Bank

City councils are also vested in the communities they govern. Cities thrive only if their communities thrive. As such, city councils and community banks share common goals and serve common constituents. Large regional, national and multinational banks with headquarters outside the community have no vested interest in the local community other than to generate income and export deposits to the most financially attractive region.

Given the mission of city councils, consideration must be given to how to best deploy deposits to enhance the standard of living of the residents served. Based on the similarities between city councils and community banks, city councils must include local community banks when determining how to allocate public funds. City council and community bank survival is dependent upon successfully meeting the needs of the community served. This is not the case for large regional and national banks that are able to change geographic focus based upon factors such as return on investment. As such, social responsibility is an inherent characteristic of community banks. A characteristic that may or may not exist within large regional and national too-big-to-fail banks.

If there is one lesson that should be taken away from this troubled economic period it is the effect that banks can have on stabilizing communities during severe economic downturns. Over the course of the past two years entire neighborhoods have been evicted by banks unwilling to make the effort to provide relief. The result is the further collapse of neighborhoods and the financial and psychological ruin of families whose dreams were quickly turned into nightmares.

City councils must consider the record of all financial institutions holding public funds. City councils must divest such funds from institutions with poor or superficial community reinvestment performance. City councils should use the power of their deposits to reward those institutions that act in a manner consistent with the council's social responsibility objectives and that address the most urgent community needs.

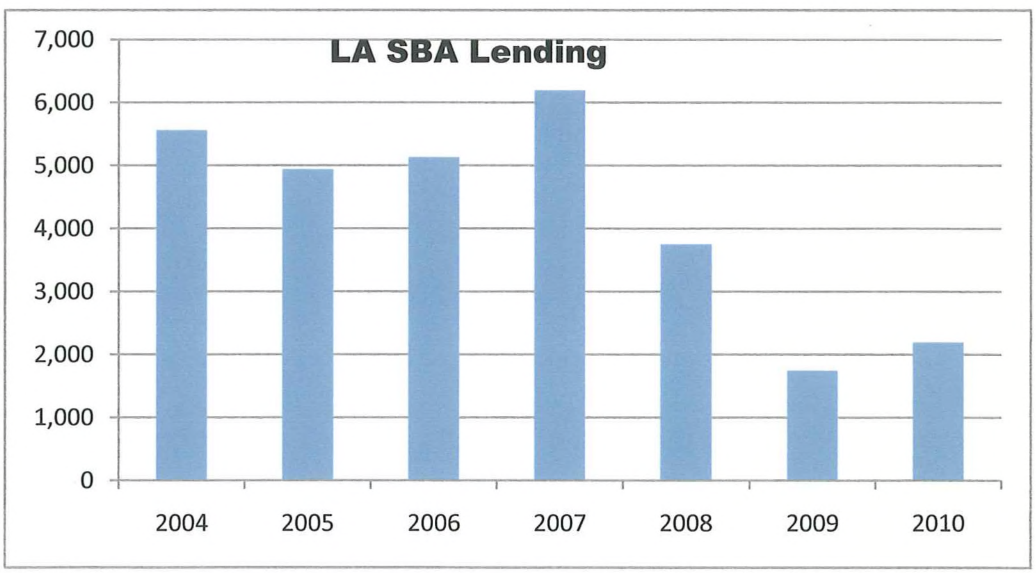
Cities will benefit by rewarding banks that take social responsibility seriously. While certain large regional and national banks may provide benefit to certain areas within their footprint, the community bank model is specifically tailored to meeting the needs of the local community served and to provide financial and economic stability to the community. As such, community banks must be rewarded for their effort and noncompliant banks must be penalized for their lack of support. Within the banking industry, deposits provide a powerful incentive for compliance. A policy that rewards socially responsible banks will create substantive benefit for the city and its constituents. Thank you.

Item 3

Los Angeles SBA Lending

	Numbers of Loans						
	2004	2005	2006	2007	2008	2009	2010
Total	*5,559*	*4,942*	*5,134*	*6,194*	*3,751*	*1,747*	*2,201*
Bank of America	2,036	1,351	1,168	1,010	258	24	10
California Bk & Trust	220	238	169	48	35	29	12
JP Morgan Chase			288	403	176	24	199
Citi	64	81	180	360	97	4	9
City National Bank	15	16	8	10	13	12	19
Comerica Bank	44	45	32	39	22	1	1
East West Bank	20	18	12	25	17	19	24
Hanmi Bank	241	115	82	54	22	5	20
Nara Bank	81	68	36	54	17	5	18
Union Bank	10	52	80	65	17	10	3
US Bank	172	170	207	227	152	70	73
Wells Fargo Bank	320	262	410	362	210	179	212

(California Reinvestment Coalition)



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California Reinvestment Coalition

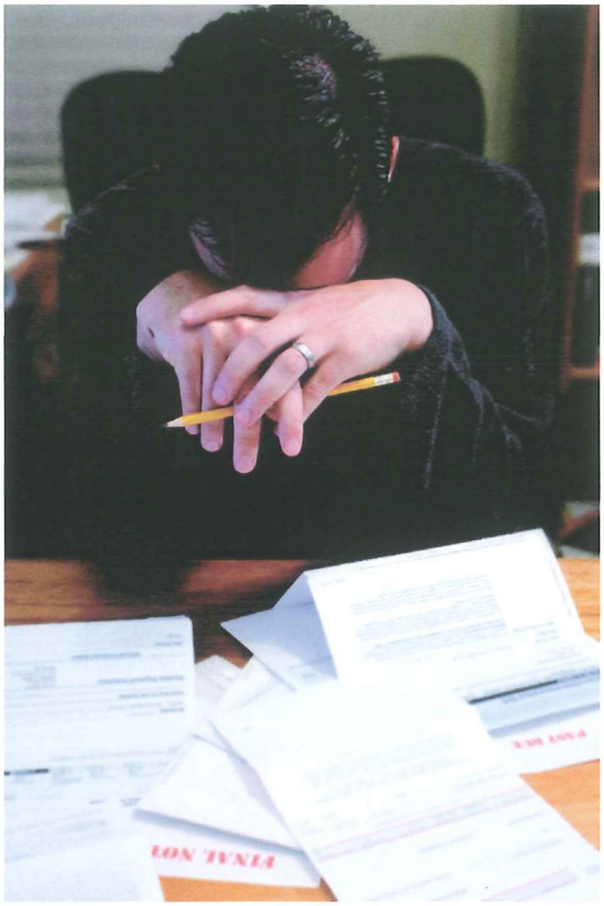
Los Angeles County

Small Business Lending to Businesses in Low/Mod Census Tracts

(CRA qualified loans to businesses with revenue <$1 million)

	2007 Loans	2007 LMI Loans	% LMI	2009 Loans	2009 LMI Loans	% LMI	2007-2009 LMI Comparison
Businesses in Low/Mod							
Bank of America	41,808	12,981	*31.0%*	6,336	1,461	*23.1%*	11.25%
JP Morgan Chase	1	0	*0.0%*	104	19	*18.3%*	#DIV/0!
Citibank	54,699	12,350	*22.6%*	9,531	2,170	*23.1%*	17.57%
City National Bank	573	79	*13.8%*	496	79	*15.9%*	100.00%
US Bank	2,772	889	*32.1%*	3,763	997	*26.5%*	112.15%
Union Bank	2,519	629	*25.0%*	2,969	599	*20.2%*	95.23%
Wells Fargo Bank	66,618	13,327	*20.0%*	6,609	1,684	*25.5%*	12.64%
All Banks	262,595	62,397	*23.8%*	*66,721*	*13,299*	*19.9%*	21.31%

CALIFORNIA
REINVESTMENT
COALITION



Chasm Between Words and Deeds VI: HAMP Is Not Working

July 2010

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Chasm between Words and Deeds VI: HAMP is Not Working

California continues to be hard hit by foreclosure and its impacts on working families and neighborhoods. Six of the top ten riskiest cities for homeowners, defined as those cities with the most borrowers 30 days late or more on their mortgage payments, are located in the state: Riverside, Stockton, Modesto, Bakersfield, Vallejo, and Fresno.[1]

In February of 2009, the Treasury Department first announced the Home Affordable Modification Program ("HAMP") and issued implementing guidelines in March 2009. Since that time, HAMP has been the nation's primary foreclosure prevention program. HAMP's unveiling came with lofty goals – 3 to 4 million borrowers would avoid foreclosure by modifying their loans under HAMP. But over a year into the HAMP program, the results are far short of early ambitious goals, and millions of families remain at risk of foreclosure and displacement.

The California Reinvestment Coalition (CRC) has been critical of government and industry efforts to stop foreclosure, dating back to the Bush Administration, when the HOPE NOW collaborative and early voluntary industry initiatives developed to deal with a wave of borrowers who were unable to make payments on problematic and unsustainable subprime and option ARM loans. The day after HAMP was announced in February2009, CRC identified concerns and challenges to the program's success, including the voluntary nature of the program, the failure to promote principal reductions, and the need for Treasury to require public reporting of loan modification data that include the race and ethnicity and location of borrowers receiving assistance under the program.

Since 2007, CRC has conducted five previous surveys of housing counseling agencies throughout California that are working hard to keep families in their homes and communities. These surveys began as an attempt to provide a reality check to industry press releases touting high success rates in modifying home loans. The press statements ran counter to reports by homeowners and housing counselors on the front lines in the fight to stop foreclosures of the frustrations and challenges they faced on a daily basis.

This report is the first of three that will look at data from housing counseling agencies in California collected in May and June of 2010. This report looks at the performance of HAMP and foreclosure prevention efforts in general, the second will look at individual servicer performance and provide more detail on loan modification terms, and the final report will look at the fair housing implications for borrowers receiving different loan modification outcomes.

Over 50 housing counselors from more than 40 housing counseling agencies responded to this latest survey. Counselors responding represent a cross section of those working with struggling borrowers throughout California. There are over 80 HUD approved housing counseling agencies in the state.

[1] Francesca Levy, "Riskiest Cities for Homeowners," Forbes.com, on Yahoo Real Estate, July 12, 2010.

Counseling agencies responding report having caseloads totaling more than 14,000 borrowers in May and June of 2010.

HAMP is not working

Housing counseling agencies working to help families avoid foreclosure confirm significant challenges to HAMP and our collective efforts to preserve neighborhoods. Most of the counselors surveyed state that HAMP is not working.

While some counseling agencies report incremental progress in terms of servicer compliance with HAMP, this sixth survey reflects a growing frustration with the pace of servicer performance and the lack of accountability in the system.

The Congressional Oversight Panel of the Troubled Asset Relief Program (TARP) has criticized HAMP, noting that while only 350,000 homeowners received a permanent loan modification, 430,000 homeowners were kicked out of the program.[2] Updated information from the Treasury Department reveals that through June, 398,021 homeowners received a permanent loan modification, while 520,814 trial modifications were canceled.[3]

Counselor complaints fall into three broad categories: 1) HAMP is too limited in what it set out to do, and doesn't cover enough borrowers; 2) HAMP is not being followed by the servicers; and 3) The Treasury Department is not enforcing HAMP and there are no consequences for servicer failures.

Mortgage Counselor Comments:

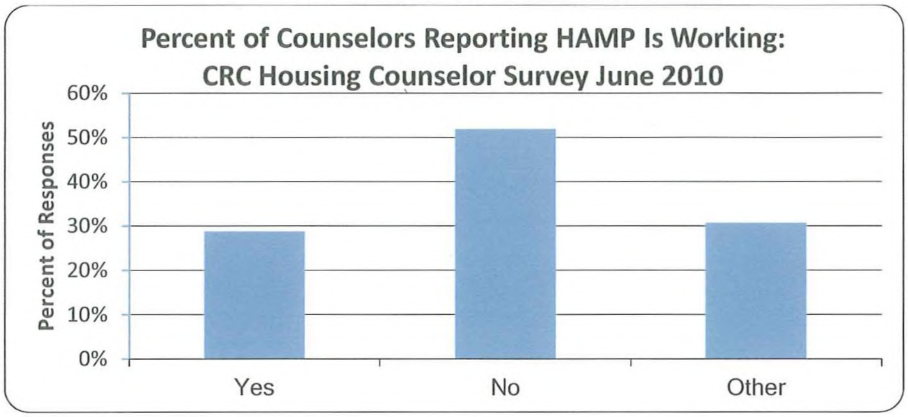
"Servicers have not done a good job of complying with the rules, meaning that borrower outcomes are often a matter of accident rather than objective analysis under the guidelines.

There are no consequences for violations no matter how extreme the harm. Failure to include principal reductions saddles borrowers who get HAMP modifications with even more debt, placing them in a difficult situation and setting everyone up for more defaults down the road." **-- Counselor from Oakland**

"Very few servicers seem to be following the guidelines correctly. We see many clients either stuck in trial modifications, or stuck in MHA review for far longer than the time allowed under Making Home Affordable guidelines." **– Counselor from a large statewide housing counseling organization.**

"HAMP guidelines are too strict and most homeowners do not qualify." **– Counselor from Los Angeles**

[2] Cheyenne Hopkins, "Panel Knocks Program for Loan Mods," American Banker, June 23, 2010.
[3]Department of the Treasury, "Making Home Affordable Program: Servicer Performance Report Through June 2010," July 20, 2010, p. 2.



Banks continue to foreclose, even during loan modification negotiations

Given the complexity of both the foreclosure process and HAMP, there is ample opportunity for errors to occur. But HAMP appears to be failing at the most basic level, as servicers are unable or unwilling to prevent foreclosures from occurring while borrowers are in the midst of trying to secure a loan modification with them.

But as with all aspects of current foreclosure prevention policy, 100 percent of the consequences for servicer error fall on struggling homeowners. Borrowers who have done everything right in reaching out to their servicer, providing all requested documents and negotiating in good faith have still lost their homes.

At times, housing counseling agencies have been effective in stopping or rescinding wrongful foreclosures completed while the borrower was still negotiating a loan modification. But the majority of struggling homeowners who are not lucky enough to have found a counselor to help them navigate the process simply lose their homes in these situations. A surprising number of housing counseling agencies report that they have witnessed this problem.

The California Legislature is currently seeking to address aspects of this problem through SB1275 (Leno/Steinberg), a bill that clarifies servicer obligations and creates a limited private right of action in certain circumstances when a servicer wrongfully sells a borrower's home.[4]

Survey responses are very clear on the lack of responsiveness from loan servicers. Over 60% of housing counselors responded that they have had clients who suffered foreclosure while negotiating with their loan servicer. Nearly 40% of responding counselors noted they were able to help stop a scheduled sale of a home for a borrower who was already working with the loan servicer. A number of counselors replied both that clients had lost their homes AND that they were able to stop such sales. Only 20% of respondents said they had not seen this problem of foreclosure while negotiating.

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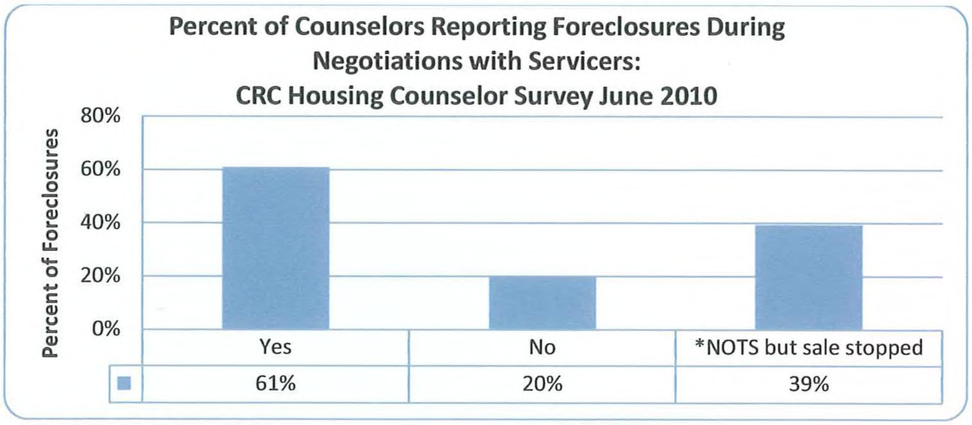
[4] SB1275 (Leno, Steinberg) bill language and history can be found at: http://www.leginfo.ca.gov/cgi-bin/postquery?bill_number=sb_1275&sess=CUR&house=B&author=leno



NOTS: Notice of Trustee Sale

HAMP continues to face challenges

Stories of servicers losing faxed documents, dropping phone calls, experiencing high staff turnover and the like are rampant. Perhaps most Americans now have directly experienced, or know someone who has experienced, the nightmare of trying to secure a loan modification in the midst of all of the hurdles that have been put before struggling families.

Mortgage Counselor Comments:

***"The banks seem to be processing applications a little faster but they are foreclosing faster too. Many homes that were just sitting in foreclosure are now going to auction."*– Counselor in Riverside**

***"We have seen a good amount of our clients attain a Step 1 trial modification, but these hardly result in finalized modifications, even when the client has been making the trial payment on time and sending in updated documents every time they are requested."* – Counselor from Los Angeles**

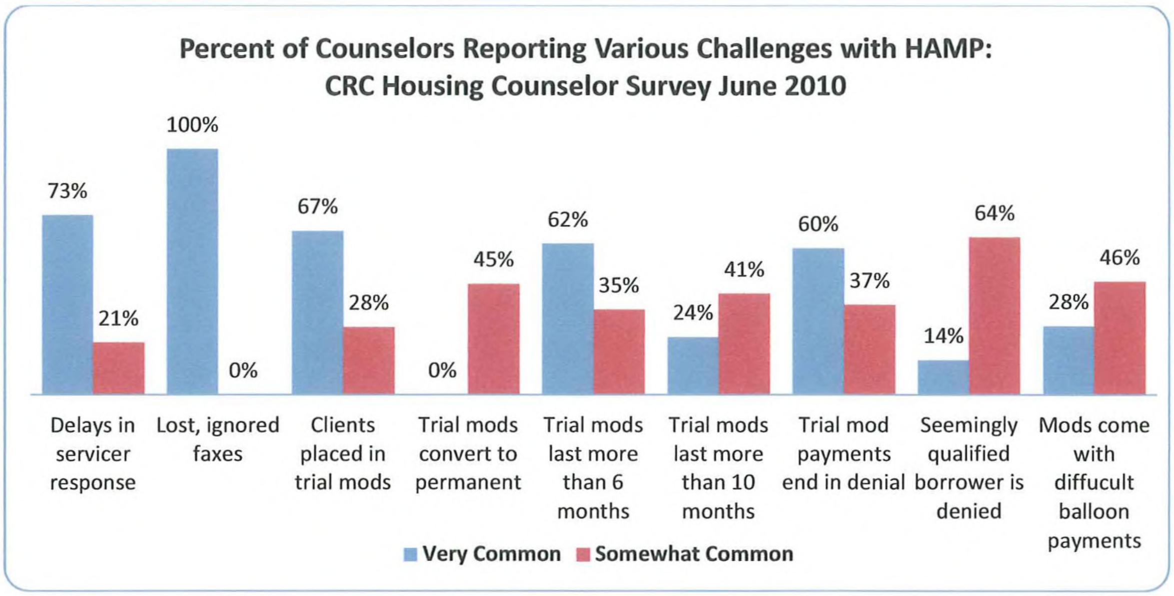
Counselors responded unanimously to only one question in this survey: 100% said that it is very common for servicers to request documents that the counselors had already submitted. On its own, this is extremely frustrating, is indicative of the systemic problems with servicer operations, and it results in a huge drain on the limited resources of housing counseling agencies and borrowers alike. But combined with the fact that 78% of counselors said it is also very common for servicers to deny loan modifications because they claim not to have received all borrower documents and we have to question the validity of servicer modification denials. Treasury's most recent report on HAMP progress also cites incomplete documentation as a major cause of trial modifications.[5]

[5]"The most common causes of cancellations include incomplete documentation, missed trial payments, or mortgage payments already less than 31% of homeowner's income." Department of the Treasury, "Making Home Affordable Program: Servicer Performance Report Through June 2010," July 20, 2010, p. 1.

HAMP was meant to put qualified borrowers quickly into trial modifications, with permanent modifications ensuing after three months of successful modified payments. This has not occurred. In fact, less than a third of loans in trial modifications for three months or more have been approved for conversion.[6]

Borrowers are stuck in extended periods of suspense, either in a trial modification or awaiting a decision on a trial modification. Worse still, many borrowers make several months of trial modification payments as instructed by the servicer, only to be told later they don't qualify for a loan modification.

Counselors report that several HAMP challenges are very common. While 100% of responding counselors had to re-fax documents already sent, nearly three-quarters (73%) also found servicer delay a very common problem. Approximately 60% reported it was very common for borrowers to be placed in trial modifications (67%), for trial modifications to last more than six months (62%), and disturbingly, for borrowers making trial mod payments to ultimately be denied a loan modification (60%).



Borrowers continue to receive bad outcomes

Ultimately, we need servicers to actually modify loans when it makes sense to do so. The first five CRC surveys of housing counselors were all sadly consistent in finding that the most common outcome reported for borrowers seeking to stay in their homes was foreclosure. A consistent note was sounded by a

[6] Gene L. Dordaro, Acting Comptroller General of the United States, "Troubled Asset Modification Program Continues to Face Implementation Challenges," testimony before the Committee on Oversight and Government Reform, House of Representatives, March 25, 2010.

recent National Community Reinvestment Coalition survey of borrowers which found that less than half of HAMP-eligible applicants in the survey received a modification.[7]

This is the first survey in which foreclosure is not identified as the most common outcome. Instead, borrowers stuck in trial modifications is the most common status reported. Borrowers are placed into trial modifications when it appears to their loan servicers that they may qualify for a loan modification, and borrowers are then given a chance to make modified payments while servicers confirm borrowers actually qualify for permanent modifications. Borrowers are supposed to be in trial modifications no longer than three months before they are either denied or their trial modifications are converted to permanent loan modifications. For many borrowers, the trial modification period has lasted six months, nine months, or longer.

Mortgage Counselor Comments:

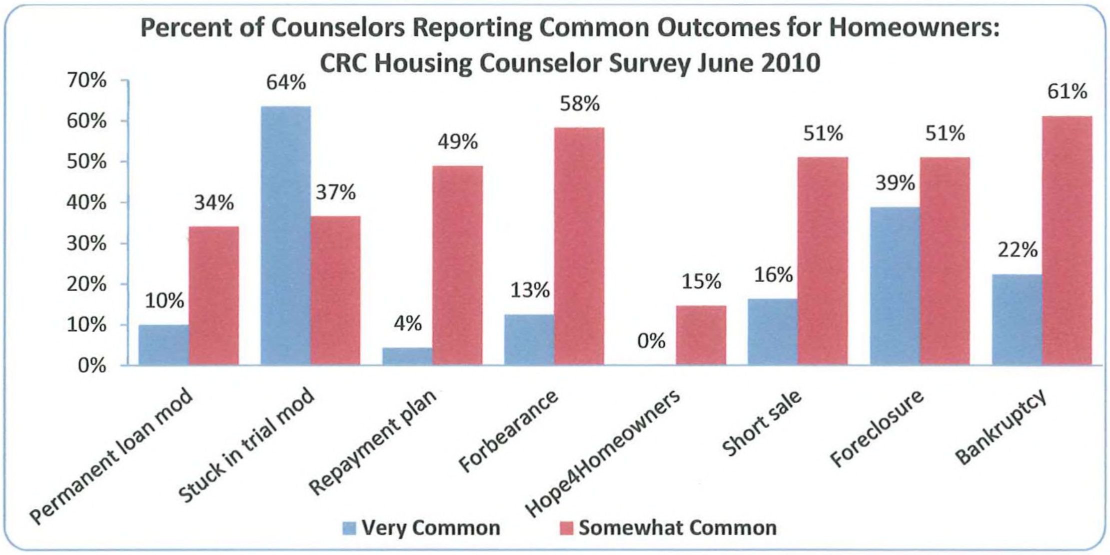
***"It would appear, more and more, folks are turning to bankruptcy as the solution to the stagnation resulting from being unable to attain a permanent modification as they watch their reserves and resources being drained and depleted as the only choice left to them to protect their family from ruin. In the end, needing to do what they can to stay viable as a family unit, the only alternative is their last choice."*– Counselor in Fresno**

And the low conversion rate of trial modifications to permanent ones suggests that many of these borrowers currently in trial modifications will eventually fall into foreclosure. As of the end of May 2010, servicers had converted only 347,000 temporary modifications (31% of the total eligible) to permanent status, while 430,000 trial modifications had been cancelled.[8] In addition, as servicers focused on conversions, the number of new trial modifications declined.

After trial modifications, the second most common outcome for borrowers cited by responding counselors was foreclosure. Only 10% of counselors reported permanent loan modifications to be very common, and a whopping 56% said permanent loan modifications were not common. The chart below reflects the percentage of responding counselors who reported one or more outcomes as very common, somewhat common, or not common. Unfortunately, it is likely that the experience of the majority of borrowers who are unable to secure the assistance of a nonprofit housing counselor is worse than the results reported here.

[7] National Community Reinvestment Coalition, "HAMP Mortgage Modification Survey 2010," Washington, D.C., 2010, p. 3.

[8] United States Government Accountability Office, "Troubled Asset Relief Program: Further Actions Needed to Fully and Equitably Implement Foreclosure Mitigation Programs," June 2010, p. 10.



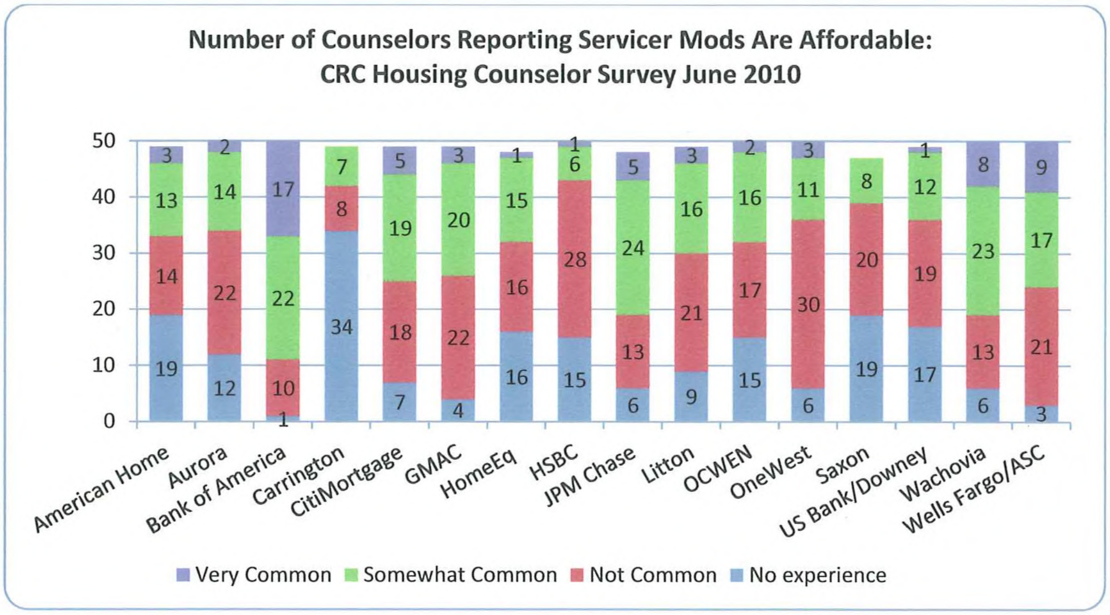
Alternatives to HAMP are not working

CRC and others have prioritized loan modifications as the best solution for borrowers as it allows them to remain in their homes. Most servicers are offering their own loan modification programs to borrowers who do not qualify for HAMP.

In fact, the Treasury Department recently touted these alternative modifications as a "highlight" in its Servicer Performance Report. Treasury noted that 45% of homeowners in canceled trial modifications entered an alternative modification, based on survey data from the eight largest HAMP participants. [9]

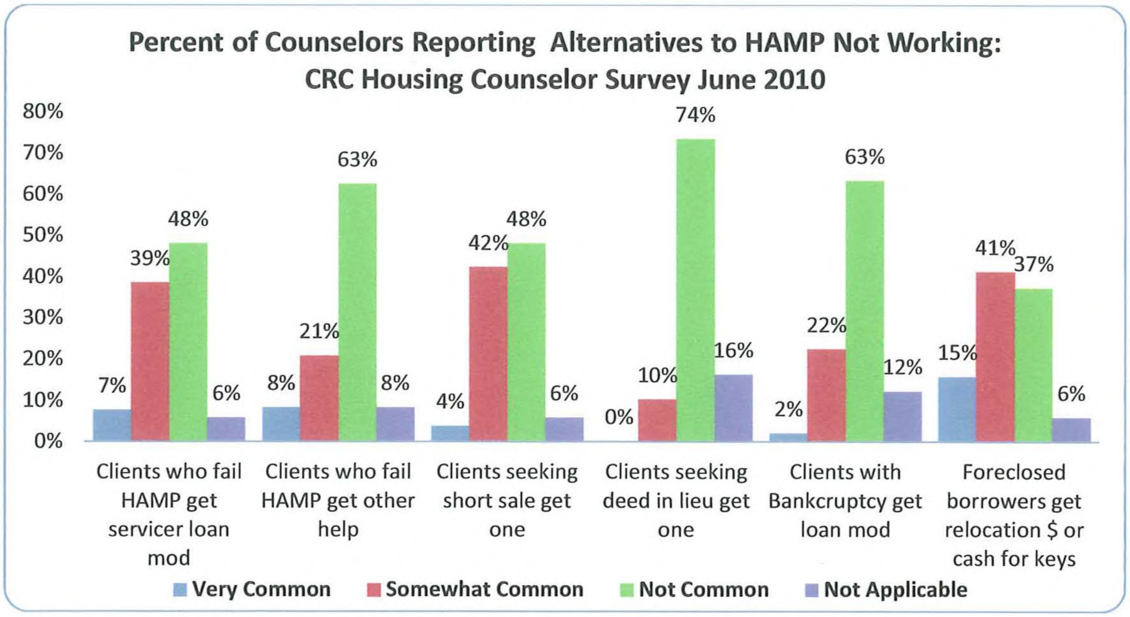
But housing counselors report that these alternative modifications remain elusive. And even when borrowers are able to secure alternative modifications, counselors report these modifications are not often affordable and sustainable for borrowers. While the terms of HAMP modifications are fairly uniform and tied to borrower income, servicer alternative modifications can have any of various terms. The following chart shows that for 15 out of 16 servicers, more counselors reported affordable and sustainable servicer loan modifications were "not common" than "very common."

[9] Department of the Treasury, "Making Home Affordable Program: Servicer Performance Report Through June 2010," July 20, 2010, p. 1.



Given the reality that many homeowners will not be able to keep their homes, housing counselors and public policy have more recently focused on securing a "soft landing" for these households, providing alternatives to foreclosure that might lessen the otherwise harmful financial, emotional and credit consequences of foreclosure. To that end, Treasury has created the Home Affordable Foreclosures Alternatives Program (HAFA), which provides incentives to servicers, investors and borrowers to complete one of a few designated foreclosure alternatives, such as short sale or deed in lieu of foreclosure. Yet, counselors report these foreclosure alternatives are not common either.

Counselors were most likely to report the following foreclosure alternatives were "not common": non HAMP servicer loan modifications; other assistance from servicer; short sale, deed in lieu, and clients in Bankruptcy attaining a loan mod. Servicers offering foreclosed homeowners cash for keys or other relocation assistance rated higher, though only 16% of responding counselors found this very common, with another 41% reporting this as somewhat common.



There is no meaningful appeals process and no consequences for servicer noncompliance

"Treasury does not have clear consequences for servicers that do not comply with program requirements."– United States General Accountability Office, June 2010[10]

Loan servicers effectively have all of the decision-making power and control in loan modification negotiations. This puts borrowers in an extremely tenuous position as servicers may make mistakes or act in their own perceived best interests,[11] providing no recourse for homeowners who deserve a loan modification and have played by the rules of HAMP but are nonetheless denied. The Treasury Department has begun to create an appeals process for housing counselors and homeowners who feel aggrieved. But anecdotal reports suggest that this process, while it may result in communication between Treasury and the servicer, does not often result in a better outcome for the borrower.

These results should not be surprising, because the appeals process does not provide for an independent review of whether the loan modification denial was appropriate or not. According to the GAO, "neither the MHA Escalation Team counselor nor HAMP Solution Center staff review the borrower's application

[10] United States Government Accountability Office, "Troubled Asset Relief Program: Further Actions Needed to Fully and Equitably Implement Foreclosure Mitigation Programs," June 2010.
[11] For more on servicer incentives to foreclose, see Diane E. Thompson, "Why Servicers Foreclose When They Should Modify and Other Puzzles of Servicer Behavior," National Consumer Law Center, October 2009.

or loan file; rather, further reviews of borrowers are to be conducted by the servicers."[12] In essence, the appeals process consists of asking the servicer to decide if it made a mistake the first time around.

In its recent HAMP report card, Treasury highlights servicer complaint rates to Homeowner's HOPE Hotline, with a program to date average of only 3.9% of calls to the hotline relating to a complaint about a servicer. This sounds encouraging, but the GAO has noted that homeowners are not even made aware that they can complain to the hotline. In fact, neither the Treasury website nor the denial letters homeowners receive informing them of assistance available to them "fully informs borrowers they can call the HOPE Hotline to voice concerns about their servicer's performance or decisions" and this may therefore limit the number of borrowers who use the hotline for these purposes.[13]

Mortgage Counselor Comments:

***"There is no meaningful appeal process."*- Counselor from Oakland**

***"Voluntary participation with little oversight and accountability allows servicers to do whatever they want. We see a lot of HAMP violations."*- Counselor from Los Angeles**

Government regulators have already identified evidence of significant noncompliance with various HAMP requirements by servicers. Freddie Mac, as part of its compliance audits, found that 15 of the largest 20 participating servicers did not comply with various aspects of the program guidelines in their implementation of the Net Present Value model, which is the formula used to determine whether a borrower will get a loan modification or not. According to the Treasury Department, the number of borrowers who were denied because of a servicer's NPV errors could range from a handful to thousands.[14]

Amazingly, there have been no public penalties or other consequences assessed servicers,[15] despite nearly daily reports of servicer mistakes and harm inflicted. Does the United States really have a foreclosure prevention program if, when it comes down to it, servicers don't really have to follow the program and modify loans?

Only 6% of respondents said that it was very common for servicers to properly evaluate loan files, though 69% of respondents found this somewhat common. When counselors tried to escalate or appeal cases to the servicing company, 20% of respondents report it was very common to receive a good outcome for the client, 43% reported it as somewhat common, and 37% found this to be not common. When escalating

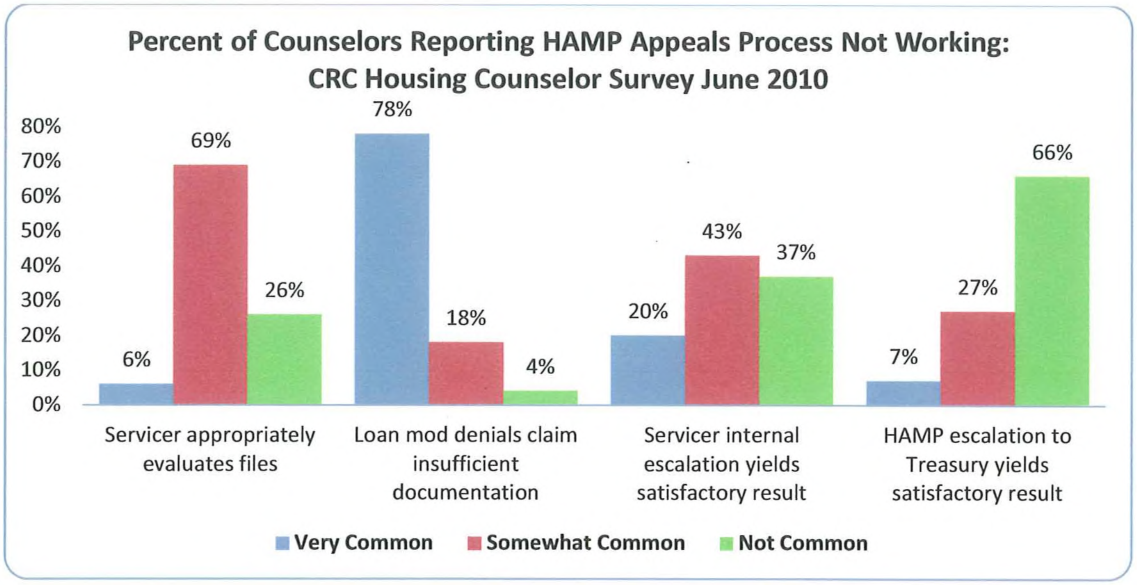
[12] United States Government Accountability Office, "Troubled Asset Relief Program: Further Actions Needed to Fully and Equitably Implement Foreclosure Mitigation Programs," June 2010, 26.

[13] United States Government Accountability Office, "Troubled Asset Relief Program: Further Actions Needed to Fully and Equitably Implement Foreclosure Mitigation Programs," June 2010, p. 26.

[14] United States Government Accountability Office, "Troubled Asset Relief Program: Further Actions Needed to Fully and Equitably Implement Foreclosure Mitigation Programs," June 2010, p. 20.

[15] "According to Treasury, no financial remedies have been issued to date," from United States Government Accountability Office, "Troubled Asset Relief Program: Further Actions Needed to Fully and Equitably Implement Foreclosure Mitigation Programs," June 2010.

cases to Treasury, only 7% of responding counselors found it very common to get a positive result for their clients, 27% found it somewhat common, and fully 66% reported it was not common to get a good result for the client when escalating cases to Treasury.



Recommendations

1. **HAMP needs to be enforced**. Counselors complain that HAMP guidelines are not always followed by loan servicers. Yet there have been no consequences imposed by Treasury on loan servicers for their failures and mistakes. Instead, 100 percent of the consequences for servicer mistakes are borne by innocent homeowners and their neighborhoods. This must stop. To that end, CRC recommends:

    a. **Designate a new oversight body**. HAMP should be removed from Department of Treasury control and placed under the Department of Housing and Urban Development or the soon to be created Consumer Financial Protection Bureau. We hope these agencies will be less inclined to accept industry excuses and self-assessments of their own performance.

    b. **Impose penalties for servicer failings**. Servicers will not do a better job until they see there are consequences for an unacceptable status quo. Penalties should include fines, claw back of HAMP payments already made, loss of the company's ability to sell FHA loans or sell loans to Fannie Mae or Freddie Mac, imposing a moratorium on mergers with other financial institutions, etc.

c. **Create a stronger appeals process**. The decision making power must be taken away from the servicers, at least in cases where an appeal is made. Borrowers and their advocates should be able to obtain all information that went into the servicer's denial decision, including the actual formula and inputs used in calculating the net present value. If investor refusal is the reason cited by the servicer for the denial, all relevant contracts, such as the pooling and servicing agreements, and contact information for the investor and trustee should be made known to the borrower. And borrowers must be clearly informed of their right to appeal and how to begin this process. All appeals must trigger an independent review of the case file to determine if the servicer acted appropriately.

d. **Create an express private right of action and an opportunity to be heard**. HAMP should create an express right of action for borrowers whose rights are denied by HAMP servicers. SB1275, a California bill, is attempting to do this in limited and egregious circumstances. No one should lose her home while making good faith efforts to negotiate a loan modification. If a bank wrongfully permits a sale of the home, the bank should be required to buy the home back for the injured borrower.

e. **Create transparency and disclose data**. Treasury is collecting detailed data about which servicers are modifying loans, where, and for which borrowers, broken out by race, ethnicity and gender. This data should be made part of Home Mortgage Disclosure Act data, be put under the purview of the new Consumer Financial Protection Bureau, and the data should be made publicly available.

2. **We need to get beyond HAMP**. To really make a difference for families and neighborhoods, we must admit that it's time to get beyond HAMP and develop other policy solutions to the crisis facing our neighborhoods. CRC recommends:

    a. **Impose principal reduction**. More and more families are struggling with underwater mortgages. A report by CoreLogic notes that negative equity and unemployment are the two most important triggers of default, and that in California, over one-third of all mortgages is underwater.[16] According to Fannie Mae, through mid-April 2010, many borrowers continued to be underwater after a HAMP modification, with an average loan to value ratio of 150%.[17] Servicers are now concerned about underwater borrowers walking away from their homes. Similarly, a high percentage of loan modifications are beginning to re-default because the terms of the modifications were not sustainable. Principal reductions provide a way for families to stay in their homes for the long term,

[16] Additionally, Stockton, Modesto, and Vallejo-Fairfield all have 60% or more of mortgages underwater. CoreLogic, "New CoreLogic Data Shows Decline in Negative Equity," CoreLogic Real Estate News and Trends Media Alert, May 10, 2010.

[17] United States Government Accountability Office, "Troubled Asset Relief Program: Further Actions Needed to Fully and Equitably Implement Foreclosure Mitigation Programs," June 2010, p. 10.

and this can in turn slow the increase in vacant homes and shadow inventory in communities.[18]

But servicers remain slow to modify loans and reduce principal. Congress should pass legislation requiring principal reduction in certain circumstances. Such a mandate should, at a minimum, apply to those financial institutions that have been recipients of federal Troubled Asset Relief Program (TARP) funds. Congress must revisit prior cramdown proposals which would reform the Bankruptcy Code's nonsensical and unfair treatment of homeowners who live in their homes yet are currently precluded from having a bankruptcy judge restructure their home loans in the way that makes the most sense, as can be done with virtually all other types of loans.

b. **Promote creative strategies to minimize displacement and property vacancy for people who may not qualify for HAMP.** Too many families simply do not qualify for HAMP in its current form. We need solutions that minimize the impact of foreclosure on them and their neighborhoods. For example, policymakers should give a foreclosed upon homeowner the right to remain in the home as a renter, with an option to repurchase the property later.

A similar anti-displacement strategy should be employed for tenants living in foreclosed properties who can continue renting and maintaining the property, as opposed to current industry practice which is to evict tenants and allow vacant homes to bring down neighborhoods.

Another creative strategy would be to leverage the availability, when appropriate for the borrower, of Home Equity Conversion Mortgage (HECM) reverse mortgages. Older, longtime homeowners threatened with foreclosure, due in part to reduced income that is unlikely to rise, typically can't qualify for HAMP or other modifications. HECM proceeds, along with a small publicly funded subordinate loan, could pay off an existing lender at terms that many low-income seniors could actually afford. As they are paid off, the loans could be recycled to new elder borrowers in trouble who would employ the same solution to remain in their homes, avoiding unnecessary institutionalization and strengthening their communities.

c. **Reinvest in neighborhoods.** At the same time that large financial institutions made and lost a lot of money betting on high cost mortgages, they have retreated from investment in community development activities that build up neighborhoods and help create assets. Now, in the midst of concentrated foreclosures, failed loan modification policies and high unemployment, neighborhoods are also faced with banks that don't want to lend. Communities need a new stimulus plan that promotes small businesses, jobs and

[18] Loan modifications including principal reduction are less likely to re-default. "The difference in performance of option ARM mods is largely attributable to principal reduction," from "Option ARM Performance Improves, Mods Decline," Inside Nonconforming Markets, June 25, 2010.

infrastructure. And Community Reinvestment Act regulations must be enhanced to move financial institutions towards more sustainable lending and investment that is safe and sound but that also can help communities rebuild.

The *Chasm between Words and Deeds* reports are part of an ongoing analysis by the California Reinvestment Coalition investigating whether mortgage loan servicing companies and public policymakers are living up to their public commitments to help borrowers avoid foreclosure. These reports reflect the experiences of nonprofit home loan counseling agencies and legal services offices in California that are on the front lines of the foreclosure crisis, working hard to keep families in their homes. The first five surveys found that loan servicers were not modifying loans to any significant degree, were not conducting early outreach to borrowers facing rising mortgage payments, and that their most likely response to borrowers in distress was foreclosure.

This sixth report, *The Chasm between Words and Deeds VI*, focuses on loan counselors' experiences in May and June of 2010, more than a year after the release of the Obama administration's Making Home Affordable Plan, with HAMP as its centerpiece.

The California Reinvestment Coalition hopes these reports will inform the public dialogue around foreclosure prevention and loss mitigation, and will promote sound policies and business practices that will help preserve homeownership, wealth, tenancies and community stability in California communities.

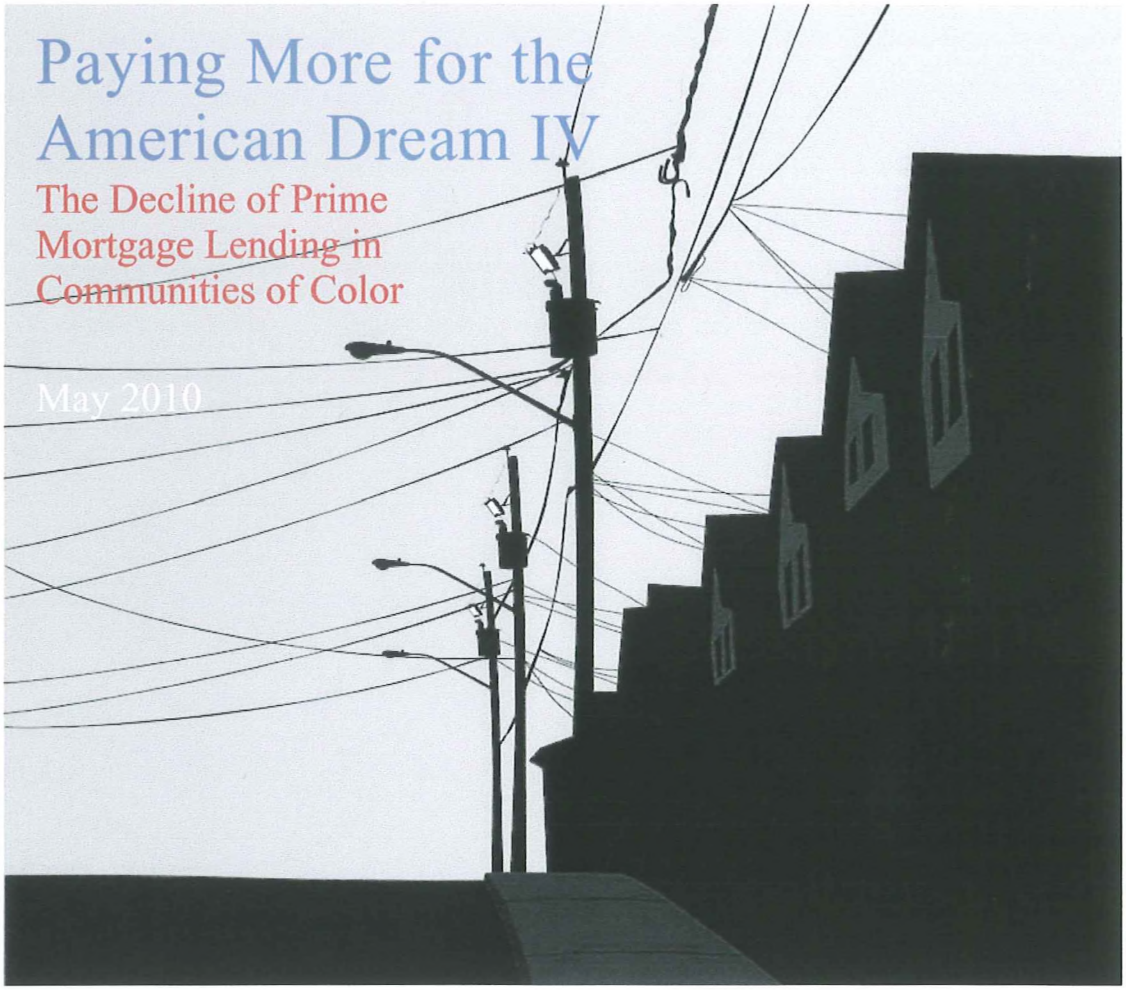
This report was prepared by Kevin Stein with assistance from Tram Nguyen, Alan Fisher and Amelia Martinez. Helpful comments on earlier drafts were provided by Maeve Elise Brown of Housing and Economic Rights Advocates, Norma Garcia of Consumers Union, Judy Hunter of Rural Community Assistance Corporation, David Mandel of California Senior Legal Hotline of Legal Services of Northern California, and Sheri Powers of the Unity Council. Any errors are strictly those of the primary author.

California Reinvestment Coalition advocates for the right of low-income communities and communities of color to have fair and equal access to banking and other financial services. CRC has a membership of more than 280 nonprofit organizations and public agencies across the state.

Paying More for the American Dream IV

The Decline of Prime Mortgage Lending in Communities of Color

May 2010



A Joint Report By:

California Reinvestment Coalition

Community Reinvestment Association of North Carolina

Empire Justice Center

Massachusetts Affordable Housing Alliance

Neighborhood Economic Development Advocacy Project

Ohio Fair Lending Coalition

Woodstock Institute

California Reinvestment Coalition advocates for the right of low-income communities and communities of color to have fair and equal access to banking and other financial services. CRC has a membership of more than 240 nonprofit organizations and public agencies across the State.

Community Reinvestment Association of North Carolina is a nonprofit, nonpartisan research and advocacy organization whose mission is to promote and protect community wealth. We advocate for change in the lending practices of financial institutions to promote wealth building for underserved communities and to end predatory lending practices that strip wealth.

Empire Justice Center is a statewide non-profit law firm that works to protect and strengthen the legal rights of people in New York State who are poor, disabled or disenfranchised through: systems change advocacy, training and support to other advocates and organizations, and high quality direct civil legal representation.

Massachusetts Affordable Housing Alliance's mission is to organize for increases in public and private sector investment in affordable housing and to break down the barriers facing minority and low to moderate income first time homebuyers as they seek affordable and sustainable homeownership opportunities. Our campaigns have resulted in more than $3.3 billion of public and private sector investment in affordable housing in Massachusetts since 1985. Our grassroots Homebuyers Union organizing, in both urban and suburban communities, has been effective in engaging banks, insurance companies, and elected officials around the issues of affordable homeownership and responsible mortgage lending.

Neighborhood Economic Development Advocacy Project (NEDAP) is a resource and advocacy center for community groups in New York City. Our mission is to promote community economic justice and to eliminate discriminatory economic practices that harm communities and perpetuate inequality and poverty.

Ohio Fair Lending Coalition is composed of The Toledo Fair Housing Center, Empowering & Strengthening Ohio's People, formerly known as East Side Organizing Project, SEIU Local 3 and fair lending advocates, Paul Bellamy and Charles Bromley. The Coalition challenged the merger of Sky and Huntington Banks in 2007 and it continues to be Ohio's Fair Lending Organization.

Woodstock Institute is a leading nonprofit research and policy organization in the areas of fair lending, wealth creation, and financial systems reform. Woodstock Institute works locally and nationally to create a financial system in which lower-wealth persons and communities of color can safely borrow, save, and build wealth so that they can achieve economic security and community prosperity. Our key tools include: applied research; policy development; coalition building; and technical assistance.

Preface

The *Paying More for the American Dream* series is a collaborative effort of the California Reinvestment Coalition, Community Reinvestment Association of North Carolina, Empire Justice Center, Massachusetts Affordable Housing Alliance, Neighborhood Economic Development Advocacy Project, Ohio Fair Lending Coalition, and Woodstock Institute. This is the collaboration's fourth annual report examining systematic inequalities in the housing finance system and their impact on lower-income neighborhoods and communities of color. The first report, released in March 2007, examined disparities in mortgage pricing by several of the country's largest mortgage lenders that offered both prime and subprime loans. The second report, released in March 2008, looked at the geographic lending patterns of a set of defunct subprime lenders whose loans largely fueled the foreclosure wave that is currently devastating communities across the country and found that these loans were highly concentrated in minority and lower-income communities. The third report, released in April 2009, analyzed and compared the lending patterns of lenders that were covered by the Community Reinvestment Act with lenders that were not covered by the CRA. The current report examines the dramatic changes in prime mortgage lending seen in communities of color in the wake of the foreclosure crisis.

The authors hope these reports inform the debate around fair lending policy and access to responsible mortgage credit for lower-income families and neighborhoods and people and communities of color.

The principal researchers and contributors to this report are: Charles Bromley (Ohio Fair Lending Coalition), Jim Campen (Massachusetts Affordable Housing Alliance), Sarah Duda (Woodstock Institute), Alexis Iwanisziw (Neighborhood Economic Development Advocacy Project), Sarah Ludwig (Neighborhood Economic Development Advocacy Project), Adam Rust (Community Reinvestment Association of North Carolina), Geoff Smith (Woodstock Institute), Kevin Stein (California Reinvestment Coalition), and Barbara van Kerkhove (Empire Justice Center).

The authors would also like to thank Beverly Berryhill, Katie Buitrago, and Patricia Woods-Hessing of Woodstock Institute for their work in the editing and production of this report.

Executive Summary

The financial crisis has led to significantly reduced access to mortgage credit for all borrowers and communities. In neighborhoods of color, however, where the foreclosure crisis has taken an especially severe toll, access to prime, conventional mortgage loans has declined precipitously – to a much greater degree than in predominantly white neighborhoods. Families living in neighborhoods of color disproportionately lack access to affordable loans needed to purchase or improve their homes or to refinance their mortgage to secure a lower monthly payment. As this lack of access and the ongoing foreclosure crisis wreak havoc on communities of color, neighborhood rehabilitation efforts, including sustainable loan modifications, are desperately needed to help families avert foreclosure and stay in their homes, and to prevent further destabilization of neighborhoods.

This report focuses on changes in lending patterns in seven key metropolitan areas: Boston, MA; Charlotte, NC; Chicago, IL; Cleveland, OH; Los Angeles, CA; New York, NY; and Rochester, NY. It examines changes in the levels of prime, conventional home purchase and refinance mortgage lending in predominantly white communities and communities of color between 2006, the beginning of the foreclosure crisis, and 2008, the most recent year for which national mortgage lending data are available. The report also examines lending patterns for the four largest bank holding companies: Bank of America, Citigroup, JPMorgan Chase, and Wells Fargo. Finally, the report includes recommendations for federal policy reforms that would require financial institutions to issue credit responsibly and protect all communities, particularly communities of color, from abusive lending practices.

Key Findings:

The report finds that, between 2006 and 2008, access to prime mortgage credit for both home purchase and refinance lending declined substantially in communities of color – more than twice as much as it did in predominantly white communities. Prime refinance lending dropped even more dramatically in communities of color – almost five times more than in predominantly white neighborhoods. The four largest bank holding companies also significantly reduced their prime refinance lending in communities of color, even though they increased their prime refinance lending in predominantly white communities, and notwithstanding their receipt of TARP funds.

Analysis of changes in prime, conventional mortgage lending between 2006 and 2008 in the seven cities reveals the following:

- Prime lending in communities of color decreased by 60.3 percent, compared to 28.4 percent in predominantly white neighborhoods.

- Prime refinance lending declined by 66.4 percent in neighborhoods of color, and by 13.9 percent in predominantly white areas.

- The overall share of prime refinance loans made to communities of color shrank by 35 percent, whereas the share made to predominantly white communities increased by 11 percent.

- Prime refinance lending by the country's four largest banks – Bank of America, Citigroup, JPMorgan Chase, and Wells Fargo – to predominantly white communities collectively increased by 32 percent, whereas prime refinance lending to communities of color declined by 33 percent.

Recommendations:

This report raises serious questions about how the economic crisis has reduced access to prime mortgage credit in communities of color and underscores the need to develop and enforce effective and strong fair lending and public policy that ensures that all communities have access to affordable, high-quality mortgage credit. To address the key findings and related issues raised by this report, the authors recommend the following:

- Create a strong, independent Consumer Financial Protection Agency.
- Expand the Community Reinvestment Act to promote responsible lending and investment.
- Expand Home Mortgage Disclosure Act data to shed light on discriminatory practices.
- Prioritize fair lending enforcement.
- Stop preventable foreclosures.
- Require banks to fund revitalization of damaged neighborhoods.

Introduction

Borrowers in communities of color were disproportionately targeted for higher-cost and unaffordable subprime loans, and these communities have suffered immense damage as many long-time homeowners have lost their homes to foreclosure. As earlier reports in this series documented, African American and Latino borrowers in six large metropolitan areas were nearly four times more likely than white borrowers to receive higher-cost home purchase loans in 2005.[1] In 2006, borrowers living in neighborhoods of color in the study cities received more than four times as many high-risk loans made by subprime lenders that later went out of business than borrowers living in predominantly white communities.[2] As the subprime market collapsed and foreclosures began to increase, communities of color experienced disproportionately high levels of foreclosures. For example, the density of foreclosure filing activity in the Chicago area in 2006 was five times greater in communities of color (areas with 80 percent or more residents of color) than in predominantly white communities (areas with 90 percent or more white residents).[3]

The collapse of the subprime mortgage market in 2006 and 2007 led to a major restructuring of the mortgage finance industry. Many of the country's largest mortgage lenders went out of business, or were acquired by other institutions. Between 2006 and 2008, the number of mortgage lenders reporting data under the Home Mortgage Disclosure Act (HMDA) declined from 8,886 to 8,388.[4] Some of the largest mortgage lending banks and thrifts in the country, including Washington Mutual, Wachovia, Countrywide, Merrill Lynch/First Franklin, and National City Bank, collapsed in 2008 as their portfolios of subprime, Alt-A loans, option adjustable rate mortgages (ARMs), and hybrid ARMSs deteriorated. Ultimately, JPMorgan Chase acquired Washington Mutual, Wells Fargo acquired Wachovia, Bank of America acquired Countrywide and Merrill Lynch/First Franklin, and PNC acquired National City.

Large financial institutions critical to the mortgage finance system, including Citigroup, Bank of America, JPMorgan Chase, and Wells Fargo, were experiencing deep financial problems and were bailed out by the federal government's Troubled Asset Relief Program (TARP). Fannie Mae and Freddie Mac, government-sponsored enterprises (GSEs) that facilitate access to mortgage capital for conventional lenders, also found themselves on the verge of insolvency and effectively had to be nationalized by the federal government.

With the collapse of the private mortgage-backed securities industry that supplied much of the capital for the subprime lending boom, Fannie Mae and Freddie Mac are now among the only funding sources for conventional mortgages. The GSEs have responded to the economic crisis by tightening underwriting criteria for mortgages they purchase. In addition, the FHA's overall market share has increased

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[1] *Paying More for the American Dream: A Multi-State Analysis of Higher-Cost Home Purchase Lending*. March 2007. Available: http://www.woodstockinst.org/publications/download/paying-more-for-the-american-dream%3a--a-multi%11state-analysis-of-higher%11cost-home-purchase-lending/

[2] *Paying More for the American Dream II: The Subprime Shakeout and Its Impact on Low-Income and Minority Communities*, March 2008. Available: http://www.woodstockinst.org/publications/download/paying-more-for-the-american-dream-%11-the-subprime-shakeout-and-its-impact-on-lower%11income-and-minority-communities/

[3] Woodstock Institute. "*2006 Chicago Area Community Lending Fact Book.*" Woodstock Institute March 2008.

[4] Avery, Robert B. et al. "The 2008 HMDA Data: The Mortgage Market During a Turbulent Year." *Federal Reserve Bulletin* September 23, 2009.

significantly, from less than 2 percent in 2005 to 24 percent in 2008,[5] although this expansion has not necessarily served borrowers well, since abusive practices by FHA lenders appear rampant.[6]

The turmoil in the mortgage finance industry has reduced access to credit for all communities. People who live in communities of color, however, where the foreclosure crisis hit first and hardest, face both historical and new barriers to access to prime, conventional mortgages. At the community level, the accumulation of large numbers of foreclosed properties, as well as potential blight tied to vacant and abandoned properties, causes further declines in neighborhood real estate markets that have already experienced significant reductions in local property values, trapping homeowners who owe more on their mortgages than their properties are worth. Additionally, high levels of unemployment in communities of color will likely cause a lag in any economic recovery in these neighborhoods. The foreclosure crisis has led to lost equity and damaged credit records for millions of homeowners, not only restricting their access to future mortgages and other forms of credit, but also harming their future job prospects, as employers increasingly consider credit reports in the hiring process.[7]

While many individuals may need to repair or rebuild credit to qualify for a loan, borrowers who are good credit risks may also be unable to access mortgage credit. Communities of color, which have been the hardest hit by the mortgage crisis, will face even greater challenges to accessing new, affordable mortgage credit. The following analysis is an examination of how recent trends in the mortgage lending industry have led to reduced access to prime, conventional mortgage loans in communities of color.

Methodology

This report examines lending in seven metropolitan areas: Boston, MA; Charlotte, NC; Chicago, IL; Cleveland, OH; Los Angeles, CA; New York, NY; and Rochester, NY.[8] The authors of this report selected these areas because they represent organizations in each city. These cities represent both larger (New York, Chicago, Los Angeles, Boston) and smaller (Cleveland, Charlotte, Rochester) urban areas in a number of different geographic regions of the country.

In each metropolitan area, prime lending levels at the height of the mortgage lending boom in 2006 were compared to lending in 2008, the most recent year for which nationwide HMDA data are available. The analysis included:

- Changes both in total prime lending (home purchase and refinance loans combined) and in prime refinance lending alone.
- Changes in lending in communities of color (areas where 80 percent or more of the residents are people of color) relative to changes in lending in predominantly white communities (areas where less than 10 percent of residents are people of color).

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[5]US Department of Housing and Urban Development. "FHA-Insured Single Family Mortgage Originations and Market Share Report 2009-Q2" 2009.

[6]Dina ElBoghdady and Dan Keating " The Next Hit: Quick Defaults More FHA-Backed Mortgages Go Bad Without a Single Payment" *Washington Post*, 3/8/2009. Available: http://www.washingtonpost.com/wp-dyn/content/article/2009/03/07/AR2009030702257.html

[7]Unite Here. "Employment Credit Checks: A Catch-22 for American Workers" 2010. Available: http://www.creditcatch22.org/CreditCatch-22Report.pdf.

[8]Whereas most of the study areas are metropolitan statistical areas, "Los Angeles, CA" refers to Los Angeles County and "New York, NY" refers to the five boroughs of New York City. See individual tables in the Appendix for a description of each study area.

- Changes in prime refinance loan originations by the top four bank holding companies in the nation: Bank of America, Citigroup, JPMorgan Chase and Wells Fargo.

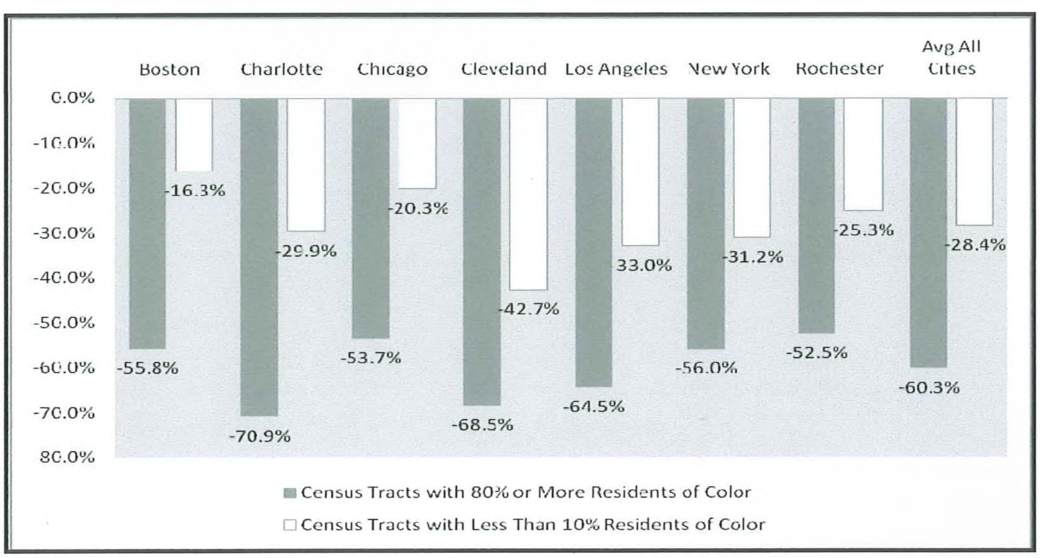
The primary data source for this analysis is the Home Mortgage Disclosure Act Loan Application Register data (HMDA LAR data) as collected, processed, and released each year by the federal government. The report considers direct originations of prime, conventional, first-lien home purchase, or refinance mortgages on owner-occupied, one-to-four unit, site-built properties. "Prime" loans on a first-lien mortgage are those for which the APR is less than three percentage points above the interest rate on a U.S. Treasury security of comparable maturity. (See Appendix I for more information on the data and methodology.)

Findings

<u>Decline in Prime Lending</u>

Prime mortgage lending declined between 2006 and 2008 in all seven metropolitan areas examined, but declines were much steeper in communities of color. Conventional prime lending (for home purchase and refinance loans combined) declined dramatically, by an average of 37 percent, in each of the seven study cities between 2006 and 2008.[9] In each of the seven cities, however, the decline in lending was much more pronounced in communities of color than in predominantly white communities. As Chart I shows, there was a 60.3 percent decrease in prime loans made in communities of color compared to a 28.4 percent decline in predominantly white communities. The lending decline in neighborhoods of color was thus two times greater than it was in predominantly white neighborhoods.

Chart I. Percentage Change in Prime Home Purchase and Refinance Lending in Neighborhoods of Color and in Predominantly White Neighborhoods, 2006 to 2008



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[9]For readability's sake, the report often refers to study areas as the "study cities."

As Chart I shows, in the cities examined:

- Neighborhoods of color in Charlotte, Cleveland, and Los Angeles experienced the largest declines in prime lending between 2006 and 2008, all over 64 percent.

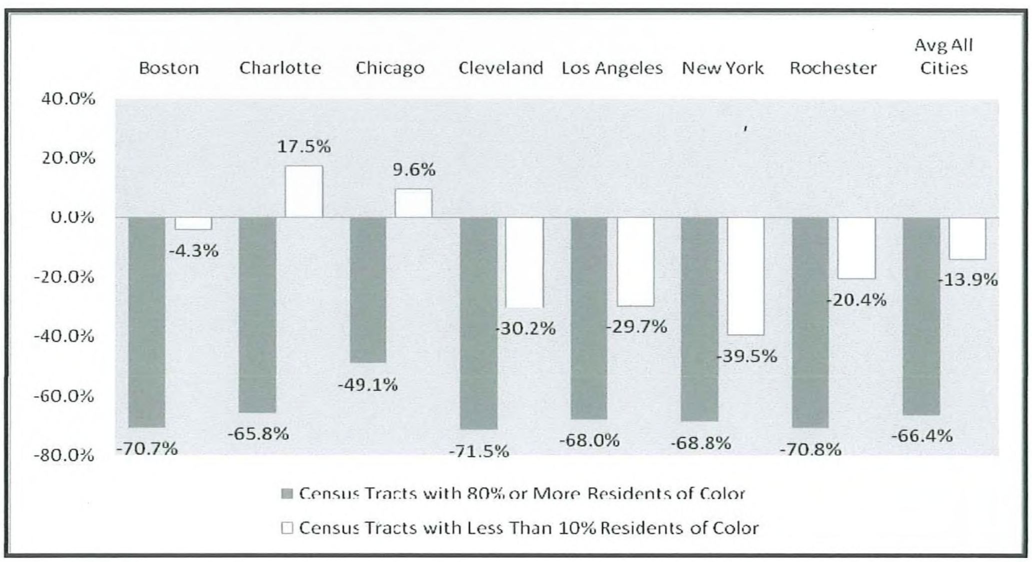
- Boston had the greatest disparity across neighborhoods. The decline in prime lending in Boston's communities of color was 3.4 times greater than it was in predominantly white communities (55.8 percent compared to 16.3 percent).

- In four of the cities examined – Boston, Charlotte, Chicago, and Rochester – the decline in prime lending in neighborhoods of color was at least twice the decline in predominantly white neighborhoods.

Changes in Refinance Lending

Access to prime refinance lending in communities of color decreased substantially between 2006 and 2008. Communities of color have been among those hardest hit by abusive lending and foreclosures. Families that already own homes in these neighborhoods need access to responsible refinance lending to take advantage of low interest rates and reduce monthly mortgage payments. The number of prime refinance loans in communities of color, however, decreased dramatically. Chart II shows that prime refinance lending decreased by 66.4 percent in neighborhoods of color – a decline 4.8 times larger than the decline in prime refinance lending in predominantly white communities.

Chart II. Percentage Change in Prime Refinance Lending in Neighborhoods of Color and in Predominantly White Neighborhoods, 2006 to 2008



As Chart II shows, in the cities examined:

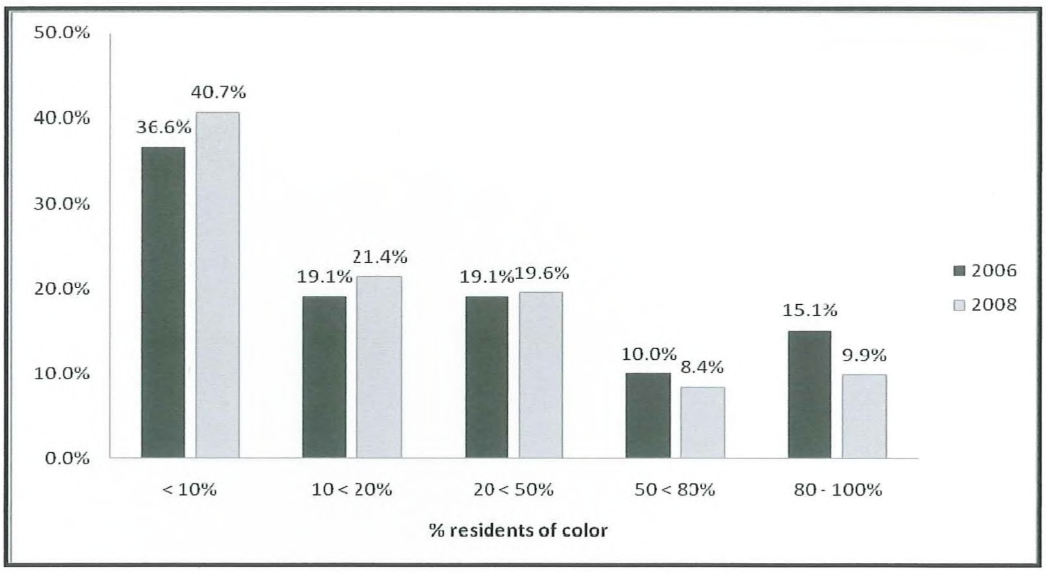
- In all but one city, refinance lending in communities of color declined by more than 65 percent between 2006 and 2008.

- Communities of color in Charlotte experienced the most dramatic disparity in prime refinance lending. In Charlotte's neighborhoods of color lending declined by 65.8 percent, while it increased by 17.5 percent in predominantly white neighborhoods.

- Prime refinance lending also increased in the predominantly white communities in Chicago and Charlotte, and declined only slightly in Boston's predominantly white communities.

The share of prime refinance loans made in communities of color shrank dramatically between 2006 and 2008. As Chart III shows, majority white neighborhoods (areas with less than 50 percent residents of color) received larger proportions of prime refinance loans in both 2006 and 2008 than neighborhoods with 50 percent or more residents of color.

Chart III. Distribution of Prime Refinance Loans by Neighborhood Racial/Ethnic Composition in the Seven Study Cities, 2006 and 2008



Additional findings show:

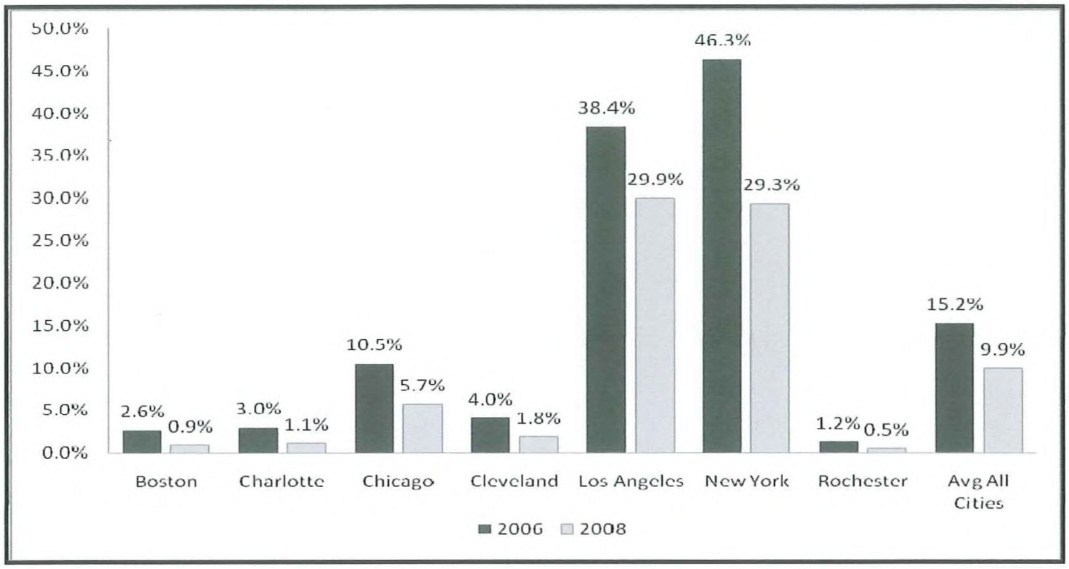
- The share of prime conventional refinance loans made in neighborhoods of color declined 35 percent between 2006 and 2008, whereas the share going to predominantly white communities increased by 11 percent over the same time period.

- In 2006, the share of refinance loans made in predominantly white communities was 2.4 times greater than in neighborhoods of color.

- By 2008, the share of refinance loans made in predominantly white communities was 4.1 times greater than in neighborhoods of color.

The share of prime refinance loans made in communities of color declined in all seven cities. Chart IV illustrates this decline. In four of the cities – Boston, Charlotte, Cleveland and Rochester – the decline was greater than 50 percent.

Chart IV. Share of Prime Refinance Loans Going to Neighborhoods of Color, 2006 and 2008



Prime Lending by the Top Four Bank Holding Companies

This report examines the change in prime refinance mortgage lending by the nation's largest banks – Bank of America, Citigroup, JPMorgan Chase, and Wells Fargo – all of which are TARP recipients and were active mortgage lenders in the seven cities.[10] The recent consolidation of the banking industry highlights the need for large bank holding companies to make low-cost, affordable loans in communities of color. This leadership role is vital to both the financial well-being of communities and to the success of the banks, and was one of the justifications for these banks' receipt of TARP money.

<u>Comparing Changes in Refinance Lending</u>

The top four bank holding companies shifted their mortgage lending focus to predominantly white communities and away from communities of color. Although the top four bank holding companies were able to maintain their levels of refinance lending between 2006 and 2008, Chart V suggests that they targeted predominantly white communities for new loans while making fewer loans in communities of color. On average, the top four bank holding companies increased prime refinance lending in predominantly white communities by 32 percent and decreased such lending by 33 percent in communities of color.

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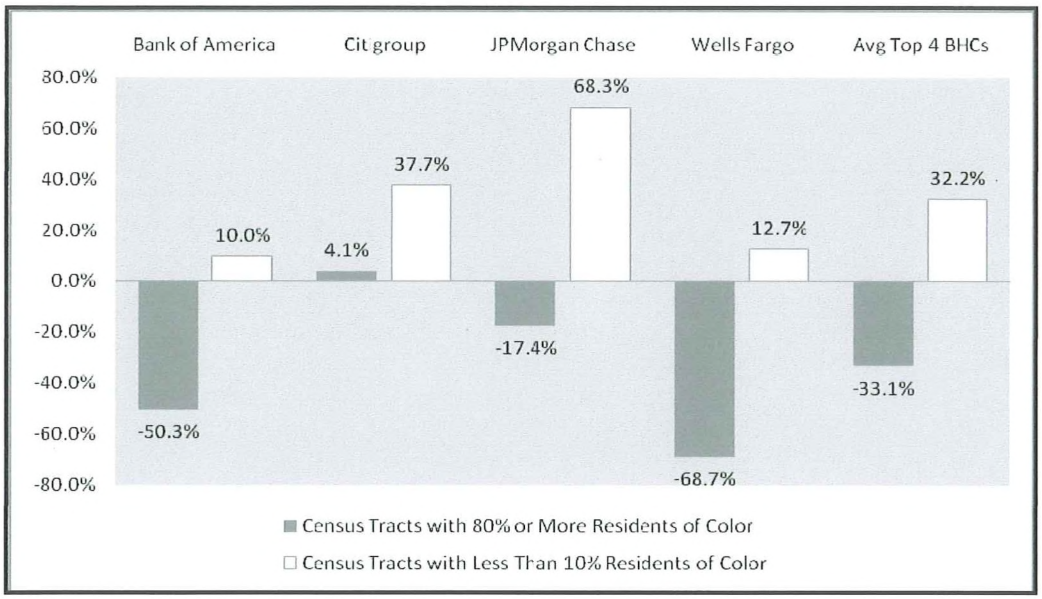
[10] See Appendix I for the methodology on how affiliates were chosen.

Among the top four bank holding companies:

- All four increased their levels of prime refinance lending in predominantly white communities, while three reduced prime refinance lending in neighborhoods of color.
- Wells Fargo showed the largest decline in prime refinance lending in communities of color (68.7 percent).
- JPMorgan Chase showed the largest disparity between change in lending in predominantly white communities and in communities of color.
- Citigroup's prime refinance lending increased in both communities of color and predominantly white communities, but the increase was substantially smaller in communities of color.

Chart V. Percentage Change in Prime Refinance Lending by the Top Four Bank Holding Companies in Neighborhoods of Color and in Predominantly White Neighborhoods, 2006 to 2008



Conclusion and Recommendations

The findings set forth in this report suggest that redlining persists, as mainstream financial institutions continue disproportionately to deny credit to people living in communities of color. The explosion of unaffordable, destabilizing credit in more recent times and the ensuing foreclosure crisis have served to magnify existing obstacles to fair credit access for millions of homeowners who now find their credit ruined. Systemic change is needed to address the major discrepancies that pervade the prime, conventional mortgage market, and to ensure that families and communities can recover from the foreclosure crisis and have equal access going forward.

This report raises serious questions about how the economic crisis has affected access to prime mortgage credit in communities of color and underscores a need for the development and enforcement of effective and strong fair lending and public policy that ensures that all communities have access to affordable, high-quality mortgage credit. To address the key findings and related issues raised by this report, the authors recommend the following:

- **Create a strong, independent Consumer Financial Protection Agency (CFPA).** Consumers and communities need an independent federal agency whose sole mission is to protect the public from unfair, deceptive, and predatory financial products and services. Without meaningful regulation and oversight of industry practices, we can be assured of another financial crisis that wreaks havoc on consumers and their neighborhoods. The CFPA must include rule-making authority; broad enforcement powers; jurisdiction over all abusive financial products and practices (without any special interest exemptions); oversight of the CRA; and flexibility to allow states to enforce federal and state consumer protection and fair housing laws.

- **Expand the Community Reinvestment Act (CRA) to promote responsible lending and investment.** The CRA has been effective in encouraging banks to provide good loans, investments and services in low- and moderate-income communities, consistent with safety and soundness. Changes in the financial services landscape, however, have limited the CRA's scope and effectiveness. The CRA must be modernized to keep pace with industry practices by:

  - Extending the CRA to mortgage companies, insurance companies, Wall Street investment houses, and credit unions.

  - Extending banks' CRA assessment areas beyond brick and mortar branches to all areas in which financial institutions are profiting and conducting financial business.

  - Explicitly considering the race and ethnicity of borrowers and neighborhoods, not just income, when determining whether institutions are meeting community credit needs under the CRA.

  - Requiring that public input plays a meaningful role in decisions over mergers and other financial expansion activities.

- **Expand Home Mortgage Disclosure Act (HMDA) data to shed light on discriminatory practices.** Congress passed the HMDA to provide data to help identify discrimination in mortgage lending. Industry practices, however, have outpaced the data, and the HMDA should be modernized to include all fields necessary to achieve its stated goals. At a minimum, HMDA data should be expanded to include data relating to loan fees and APRs charged, loan-to-value ratios, debt-to-income ratios, credit scores, borrowers' primary languages, and age of borrowers. The data should also include information on risky loan features, such as reduced documentation and stated income underwriting, option ARM loans, prepayment penalties, and yield spread premiums. An expanded HMDA should also be connected to data on loan performance to better measure where loans are becoming delinquent, going into foreclosure, or receiving some type of loan modification.

- **Prioritize fair lending enforcement.** To ensure a level playing field, the Department of Justice (DOJ), banking regulators, and Treasury officials must vigorously investigate and enforce fair lending violations in lending and loan modification programs. Recent DOJ initiatives to investigate reverse redlining practices are positive, to be encouraged, and consistent with the authors' prior analyses. At the same time, enforcement agencies should also investigate more timely concerns relating to borrower challenges in accessing new loans and loan modifications so that historically redlined neighborhoods are not subjected to continued redlining practices.

- **Prevent foreclosures.** Congress should enact bankruptcy reform to allow bankruptcy judges to modify mortgages and reduce principal on homeowners' primary residences. Financial institutions must offer long-term, sustainable loan modifications with principal reduction on a broad scale to stop all preventable foreclosures.

- **Require banks to keep people in their homes and fund neighborhood revitalization.** The impact of years of abusive lending and foreclosures on communities of color has been severe. Financial institutions, whose practices triggered the foreclosure crisis, should now help rebuild neighborhoods by working to keep families in their homes, mitigating the harmful effects of foreclosure, and significantly increasing loans and investments in neighborhoods so that residents, small businesses and community institutions can thrive. Financial institutions must:

    - Prevent vacancy, blight and community destabilization by allowing homeowners whose homes have gone into foreclosure, as well as tenants living in foreclosed properties, to stay in their homes.

        - Allow homeowners the option to repurchase their homes at fair market value after a long-term tenancy.

        - Tenants who have been paying rent in homes that have gone into foreclosure should be offered long-term leases, building off of the current policies of the government-sponsored enterprises Fannie Mae and Freddie Mac.

    - Invest in hard-hit neighborhoods. Financial institutions that facilitated the current crisis in their roles as loan brokers, originators, funders, securitizers, trustees and servicers of abusive loans must now help rehabilitate neighborhoods hardest hit by foreclosure. Loans and investments are needed to help families rebuild credit histories, promote financial literacy, improve the housing stock, transfer foreclosed properties to local nonprofit groups and first-time homebuyers, finance quality affordable housing, infuse equity into community institutions that sustain neighborhoods, and spur small business development and job creation.

    - Reverse a decline in access to credit by developing safe and sound, yet creative methods of underwriting new loans. Borrowers in neighborhoods that have been targeted by predatory lending should not be denied credit for failing to satisfy traditional underwriting criteria or because they are deemed to live in "declining markets," provided that they can demonstrate a clear ability to repay a new loan. Sound, affordable loans are needed to help borrowers improve their homes, start new businesses, finance children's education, and build or rebuild wealth.

Appendix I: Notes on Data and Definitions

HMDA Data: The primary data source for this report is the Home Mortgage Disclosure Act Loan Application Register data (HMDA data), as collected, processed, and released each year by the federal government. (For more information, visit: www.ffiec.gov/hmda). Among the HMDA data provided for each loan are: the identity of the lending institution; whether the loan is government-backed (by the VA or FHA) or "conventional" (not government-backed); whether or not the home is owner-occupied; whether the home is a site-built home or a manufactured home; the census tract, county, and metropolitan area in which the property is located; the race and ethnicity of the borrower; the purpose of the loan (home-purchase, refinancing of existing mortgage, or home improvement); the lien status of the loan (first lien or junior lien); and pricing information for loans with annual percentage rates above threshold levels (see below). The FFIEC makes raw HMDA Loan Application Register data available on CD-ROM; the data may also be downloaded from www.ffiec.gov.

Loans Included: This report examines only a particular portion of all loans included in HMDA data – those that are: 1) for a home purchase or refinance; 2) prime (rather than higher cost as in the previous reports); 3) conventional (rather than government-backed); 4) first-lien; 5) for a home that will be occupied by the borrower; and 6) for a site-built one- to four-family home. "Prime" first-lien mortgages are those for which the APR is less than three percentage points above the interest rate on a U.S. Treasury security of comparable maturity.

Neighborhood Composition: HMDA data makes it possible to classify loans by neighborhoods along racial/ethnic and income categories. For this report, census tracts are divided into those where people of color comprise 80-100 percent; 50-79 percent; 20-49 percent; 10-19 percent; or less than 10 percent of the total number of residents in the tract. In this report, census tracts where people of color comprise 80-100 percent of the residents are called "communities of color" or "neighborhoods of color," and census tracts where people of color comprise less than 10 percent of the residents are called "predominantly white" neighborhoods, communities or areas.

Selection of Top Four Bank Holding Company Lending Affiliates in 2006 and 2008: This report analyzes the mortgage lending of the top four bank holding companies (BHCs) and their lending affiliates. To determine the affiliates of these companies, we used the HMDA Lender File created by Robert Avery of the Board of Governors of the Federal Reserve System for the Federal Reserve's 2008 and 2006 HMDA reports, as well as the file in the annual HMDA data listing all of the reporting institutions. We first determined all of the affiliates of each BHC for 2008, and included affiliates of recently acquired institutions—Wachovia acquired by Wells Fargo and Countrywide and Merrill Lynch acquired by Bank of America. (JPMorgan Chase did not report the mortgage lending of its recent acquisition, Washington Mutual.) We then examined the 2006 HMDA reporters and included all of the affiliates using a variable in the Federal Reserve HMDA Lender File that categorizes lenders into their larger organizations (ORG06). We also included the recent acquisitions of these BHCs, even though they did not own them in 2006, to see how lending for the organization as whole changed between 2006 and 2008.

Cities: Metropolitan areas can be, and are, defined in many different ways for many different purposes. Each of the seven groups that participated in preparing this report defined its own metropolitan area in the way that it has found to be most useful for its own work. The notes to the individual metropolitan area tables in Appendix II provide information on the precise definitions of each city or metropolitan area included in this report.

Appendix II (cont'd)

Los Angeles - All Lenders

Table 1) Change in loan origination volume for conventional, prime first lien loans on 1-4 family owner-occupied site built units, 2006 and 2008

Census Tract % Residents of Color	Home Purchase 2006	Home Purchase 2008	Home Purchase Change 2006 to 2008	Refinance 2006	Refinance 2008	Refinance Change 2006 to 2008
Less Than 10%	261	161	-38.3%	414	291	-29.7%
10% - 19.9%	6,281	3,342	-46.8%	10,196	6,106	-40.1%
20% - 49.9%	22,357	12,275	-45.1%	37,652	18,876	-49.9%
50% - 79.9%	15,784	8,706	-44.8%	35,716	13,960	-60.9%
80% or greater	14,897	7,117	-52.2%	52,351	16,748	-68.0%
NA	80	134	67.5%	158	53	-66.5%
Total	59,660	31,735	-46.8%	136,487	56,034	-58.9%

Table 2) Change in market composition for conventional, prime first lien loans on 1-4 family owner-occupied site built units, 2006 and 2008

Census Tract % Residents of Color	Home Purchase 2006	Home Purchase 2008	Refinance 2006	Refinance 2008
Less Than 10%	0.4%	0.5%	0.3%	0.5%
10% - 19.9%	10.5%	10.5%	7.5%	10.9%
20% - 49.9%	37.5%	38.7%	27.6%	33.7%
50% - 79.9%	26.5%	27.4%	26.2%	24.9%
80% or greater	25.0%	22.4%	38.4%	29.9%
NA	0.1%	0.4%	0.1%	0.1%
Total	100.0%	100.0%	100%	100%

Note: "Los Angeles" is defined as the metro area consisting of Los Angeles County

New York - All Lenders

Table 1) Change in loan origination volume for conventional, prime first lien loans on 1-4 family owner-occupied site built units, 2006 and 2008

Census Tract % Residents of Color	Home Purchase 2006	Home Purchase 2008	Home Purchase Change 2006 to 2008	Refinance 2006	Refinance 2008	Refinance Change 2006 to 2008
Less Than 10%	2,255	1,717	-23.9%	2,001	1,211	-39.5%
10% - 19.9%	6,611	4,726	-28.5%	3,548	2,748	-22.5%
20% - 49.9%	14,677	11,925	-18.8%	6,885	4,726	-31.4%
50% - 79.9%	6,579	4,686	-28.8%	3,990	1,986	-50.2%
80% or greater	11,977	7,081	-40.9%	14,178	4,430	-68.8%
NA	3	5	66.7%	2		0.0%
Total	42,102	30,140	-28.4%	30,604	15,101	-50.7%

Table 2) Change in market composition for conventional, prime first lien loans on 1-4 family owner-occupied site built units, 2006 and 2008

Census Tract % Residents of Color	Home Purchase 2006	Home Purchase 2008	Refinance 2006	Refinance 2008
Less Than 10%	5.4%	5.7%	6.5%	8.0%
10% - 19.9%	15.7%	15.7%	11.6%	18.2%
20% - 49.9%	34.9%	39.6%	22.5%	31.3%
50% - 79.9%	15.6%	15.5%	13.0%	13.2%
80% or greater	28.4%	23.5%	46.3%	29.3%
NA	0.0%	0.0%	0.0%	0.0%
Total	100.0%	100%	100%	100.0%

Note: "New York City" consists of the following counties: Bronx, Kings (Brooklyn), New York (Manhattan), Queens and Richmond (Staten Island).

Appendix III (cont'd)

Los Angeles - Top Four Bank Holding Companies

Table 1) Change in loan origination volume for conventional, prime first lien loans on 1-4 family owner-occupied site built units, 2006 and 2008

Top Four Total	Home Purchase			Refinance		
% Residents of Color	2006	2008	Change 2006 to 2008	2006	2008	Change 2006 to 2008
Less Than 10%	129	78	-39.5%	144	162	12.5%
10% - 19.9%	3,097	1,791	-42.2%	3,513	3,399	-3.2%
20% - 49.9%	9,930	6,647	-33.1%	12,442	9,482	-23.8%
50% - 79.9%	6,529	4,916	-24.7%	11,933	7,045	-41.0%
80% or greater	5,858	4,218	-28.0%	17,855	8,832	-50.5%
NA	34	42	23.5%	65	28	-56.9%
Total	25,577	17,692	-30.8%	45,952	28,948	-37.0%

Citigroup	Home Purchase			Refinance		
Census Tract % Residents of Color	2006	2008	Change 2006 to 2008	2006	2008	Change 2006 to 2008
Less Than 10%	8	7	-12.5%	19	25	31.6%
10% - 19.9%	278	146	-47.5%	284	471	65.8%
20% - 49.9%	661	590	-10.7%	908	1,290	42.1%
50% - 79.9%	546	648	18.7%	849	1,080	27.2%
80% or greater	599	663	10.7%	1,324	1,376	3.9%
NA	1	3	200.0%	4	5	25.0%
Total	2,093	2,057	-1.7%	3,388	4,247	25.4%

Wells Fargo	Home Purchase			Refinance		
Census Tract % Residents of Color	2006	2008	Change 2006 to 2008	2006	2008	Change 2006 to 2008
Less Than 10%	37	25	-32.4%	54	45	-16.7%
10% - 19.9%	1,044	583	-44.2%	1,273	834	-34.5%
20% - 49.9%	3,114	1,819	-41.6%	4,544	2,335	-48.6%
50% - 79.9%	1,613	1,176	-27.1%	4,449	1,617	-63.7%
80% or greater	1,181	892	-24.5%	6,988	2,075	-70.3%
NA	18	16	-11.1%	28	8	-71.4%
Total	7,007	4,511	-35.6%	17,336	6,914	-60.1%

Bank of America	Home Purchase			Refinance		
Census Tract % Residents of Color	2006	2008	Change 2006 to 2008	2006	2008	Change 2006 to 2008
Less Than 10%	65	41	-36.9%	53	71	34.0%
10% - 19.9%	1,487	823	-44.7%	1,652	1,584	-4.1%
20% - 49.9%	5,212	3,524	-32.4%	6,137	4,623	-24.7%
50% - 79.9%	3,649	2,596	-28.9%	5,883	3,495	-40.6%
80% or greater	3,372	2,239	-33.6%	8,659	4,442	-48.7%
NA	14	18	28.6%	29	12	-58.6%
Total	13,799	9,241	-33.0%	22,413	14,227	-36.5%

JPMorgan Chase	Home Purchase			Refinance		
Census Tract % Residents of Color	2006	2008	Change 2006 to 2008	2006	2008	Change 2006 to 2008
Less Than 10%	19	5	-73.7%	18	21	16.7%
10% - 19.9%	288	239	-17.0%	304	510	67.8%
20% - 49.9%	943	714	-24.3%	853	1,234	44.7%
50% - 79.9%	721	496	-31.2%	752	853	13.4%
80% or greater	706	424	-39.9%	884	939	6.2%
NA	1	5	400.0%	4	3	-25.0%
Total	2,678	1,883	-29.7%	2,815	3,560	26.5%

New York - Top Four Bank Holding Companies

Table 1) Change in loan origination volume for conventional, prime first lien loans on 1-4 family owner-occupied site built units, 2006-2008

Top Four - Total	Home Purchase			Refinance		
% Residents of Color	2006	2008	Change 2006 to 2008	2006	2008	Change 2006 to 2008
Less Than 10%	1,506	1,046	-30.5%	1,253	593	-52.7%
10% - 19.9%	4,675	3,042	-34.9%	2,623	1,599	-39.0%
20% - 49.9%	9,847	7,893	-19.8%	4,181	2,767	-33.8%
50% - 79.9%	3,699	2,802	-24.2%	1,952	1,079	-44.7%
80% or greater	5,840	4,497	-23.0%	5,871	2,248	-61.7%
NA	2	3	50.0%	0	0	n/a
Total	25,569	19,283	-24.6%	15,880	8,286	-47.8%

Citigroup	Home Purchase			Refinance		
% Residents of Color	2006	2008	Change 2006 to 2008	2006	2008	Change 2006 to 2008
Less Than 10%	215	172	-20.0%	129	79	-38.8%
10% - 19.9%	1,083	542	-50.0%	330	319	-3.3%
20% - 49.9%	2,106	1,326	-37.0%	492	505	2.6%
50% - 79.9%	774	505	-34.8%	179	193	7.8%
80% or greater	1,379	960	-30.4%	397	311	-21.7%
NA	2	0	-100.0%	0	0	n/a
Total	5,559	3,505	-36.9%	1527	1407	-7.9%

Wells Fargo	Home Purchase			Refinance		
% Residents of Color	2006	2008	Change 2006 to 2008	2006	2008	Change 2006 to 2008
Less Than 10%	512	374	-27.0%	478	219	-54.2%
10% - 19.9%	1,268	962	-24.1%	716	420	-41.3%
20% - 49.9%	2,545	2,463	-3.2%	1217	781	-35.8%
50% - 79.9%	1,013	830	-18.1%	803	324	-59.7%
80% or greater	1,417	1,158	-18.3%	2673	721	-73.0%
NA	0	1	n/a	0	0	n/a
Total	6,755	5,788	-14.3%	5887	2465	-58.1%

Bank of America	Home Purchase			Refinance		
% Residents of Color	2006	2008	Change 2006 to 2008	2006	2008	Change 2006 to 2008
Less Than 10%	416	129	-69.0%	480	87	-81.9%
10% - 19.9%	1,153	320	-72.2%	1151	134	-88.4%
20% - 49.9%	2,604	979	-62.4%	1597	312	-80.5%
50% - 79.9%	859	369	-57.0%	575	178	-69.0%
80% or greater	1,690	818	-51.6%	1847	474	-74.3%
NA	0	0	n/a	0	0	n/a
Total	6,722	2,615	-61.1%	5650	1185	-79.0%

JPMorgan Chase	Home Purchase			Refinance		
% Residents of Color	2006	2008	Change 2006 to 2008	2006	2008	Change 2006 to 2008
Less Than 10%	363	371	2.2%	166	208	25.3%
10% - 19.9%	1,171	1,218	4.0%	426	726	70.4%
20% - 49.9%	2,592	3,125	20.6%	875	1169	33.6%
50% - 79.9%	1,053	1,098	4.3%	395	384	-2.8%
80% or greater	1,354	1,561	15.3%	954	742	-22.2%
NA	0	2	n/a	0	0	n/a
Total	6,533	7,375	12.9%	2816	3229	14.7%