

A LONG ROAD HOME:

A Racial Equity Analysis of
Homeownership Support
Programs in Massachusetts

Wednesday, September 13th, 2023
9:30 – 11:00 a.m.

**The event will start momentarily. The Q&A
portion will be after the panel discussion.**

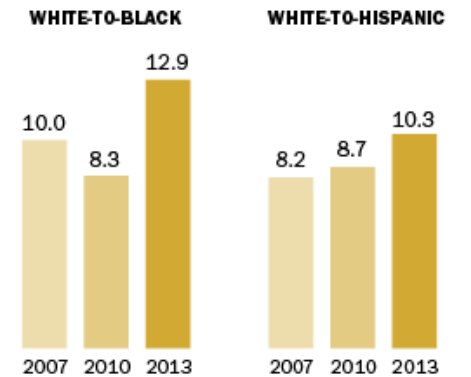
Overview of Racial Discrimination in Homeownership



be erected on said lot; that no house shall be erected for occupancy by more than two families; that all out buildings must be clap-boarded and painted or shall be constructed of concrete; that no building previously used shall be moved on to said lot without the written permission of the grantor herein having been first obtained; that said lot shall not be resold to a colored person, a Polander or an Italian.

Wealth Inequality by Race and Ethnicity Has Grown Since 2007

Median wealth ratios



Note: Blacks and whites include only non-Hispanics. Hispanics are of any race.
Source: Pew Research Center tabulations of Survey of Consumer Finances public-use data

PEW RESEARCH CENTER

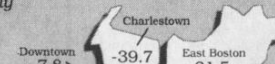


Inequities are cited in Hub mortgages

Preliminary Fed finding is 'racial bias'

Boston mortgage projections by neighborhood

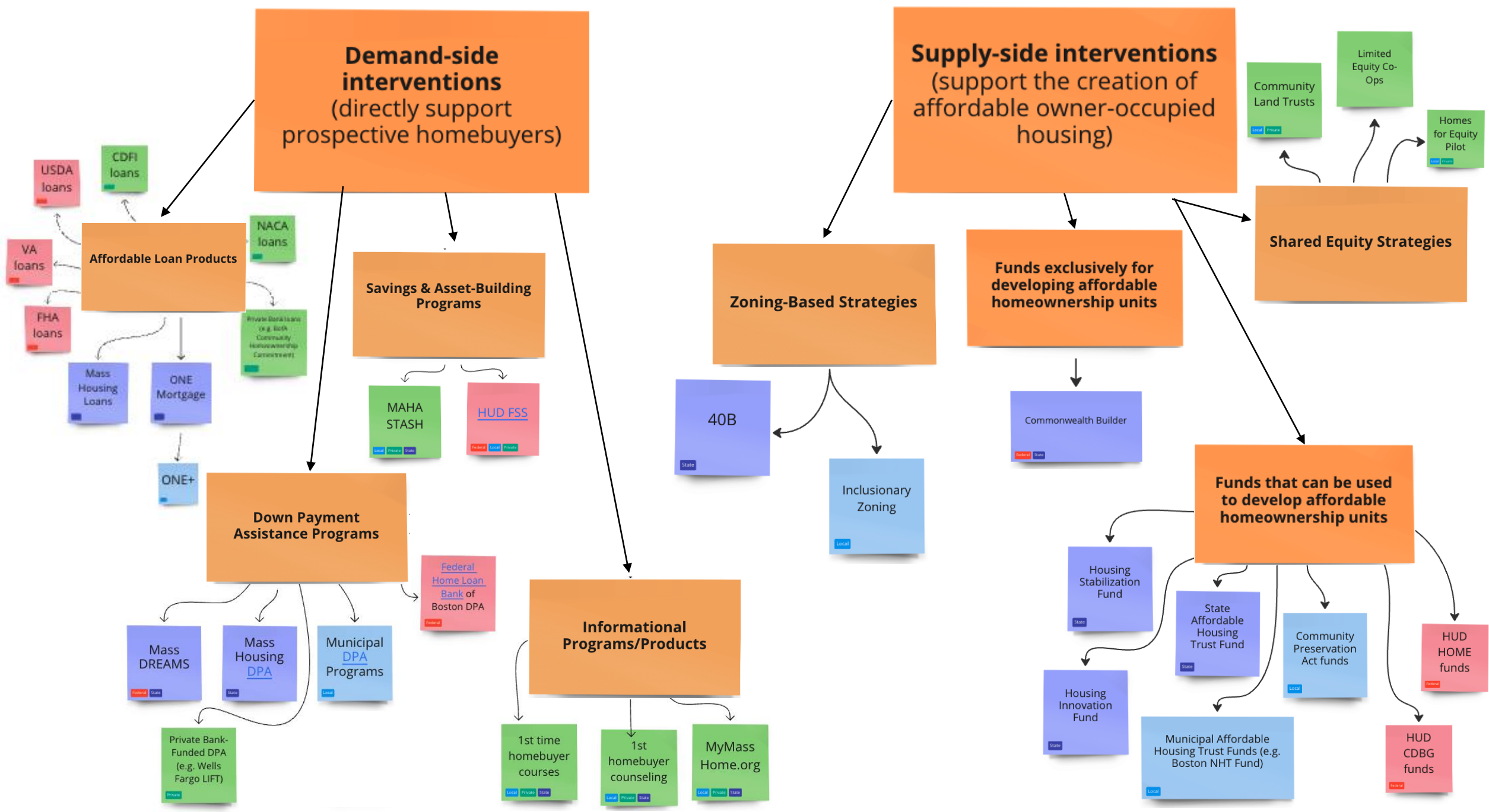
Percent increase or decrease in current 1-4 family mortgages if race was not a factor



By Steven Marentz

Landscape Scan
of Affordable
Homeownership
Programs and
Policies





Demand-side interventions (directly support prospective homebuyers)

Supply-side interventions (support the creation of affordable owner-occupied housing)

- USDA loans
- VA loans
- FHA loans
- CDFI loans
- NACA loans
- Private Bank Loans (e.g. Bank Community Reinvestment Commitment)

Affordable Loan Products

Savings & Asset-Building Programs

Down Payment Assistance Programs

Informational Programs/Products

Zoning-Based Strategies

Funds exclusively for developing affordable homeownership units

Shared Equity Strategies

Funds that can be used to develop affordable homeownership units

- Mass DREAMS
- Mass Housing DPA
- Municipal DPA Programs
- Private Bank-Funded DPA (e.g. Wells Fargo LIFT)

- 1st time homebuyer courses
- 1st homebuyer counseling
- MyMass Home.org

- 40B
- Inclusionary Zoning

- Commonwealth Builder

- Community Land Trusts
- Limited Equity Co-Ops
- Homes for Equity Pilot

- Housing Stabilization Fund
- State Affordable Housing Trust Fund
- Community Preservation Act funds
- Housing Innovation Fund
- Municipal Affordable Housing Trust Funds (e.g. Boston NHT Fund)
- HUD HOME funds
- HUD CDBG funds

Analysis
of Select
Homeownership
Support
Programs



Analysis of Select Homeownership Programs

- **Affordable Mortgages**

- MassHousing Loans (MassHousing)
- ONE Mortgage (Massachusetts Housing Partnership)

The Commonwealth of Massachusetts

REPORT

OF THE

SPECIAL COMMISSION ESTABLISHED TO MAKE
AN INVESTIGATION AND STUDY RELATIVE
TO HOUSING FOR FAMILIES AND
INDIVIDUALS OF LOW INCOME.

ESTABLISHED BY CHAPTER 107 OF THE RESOLVES OF 1964

JANUARY, 1965

BOSTON
WRIGHT & POTTER PRINTING CO., LEGISLATIVE PRINTERS
32 DERNE STREET
1965

Inequities are cited in Hub mortgages

Preliminary Fed finding is 'racial bias'

By Steven Marantz
Globe Staff

Local banks and thrifts are awarding fewer home mortgage loans in Boston's minority neighborhoods than in white neighborhoods, in part because of a racial lending bias, according to an unpublished study by the Federal Reserve Bank of Boston.

"This racial bias is both statistically and economically significant," the April study by two Federal Reserve officers said. Housing mix, relative purchase and rental prices, turnover rates and the physical condition of neighborhoods are also factors in lending patterns, the study said.

Officials at the Federal Reserve Bank of Boston yesterday described the study as inconclusive while saying that they are studying home mortgage lending patterns by local banks and thrifts. One of the study's authors, Constance R. Dunham, said in an interview that the study is unpublished because it is a preliminary draft and the conclusions are premature.

The study, a copy of which was obtained by The Boston Globe, concludes from statistical analysis that if banks and thrifts competed with equal aggressiveness in white and minority neighborhoods, they would make "far fewer loans in predominantly white neighborhoods . . . and would have more than doubled their actual number of mortgage loans in the predominantly black areas of Mattapan/Franklin Park and Roxbury."

Disclosure of the study comes as the Boston Redevelopment Authority is set to approve the hiring of University of Minnesota economist Charles Finn to investigate the lending patterns of the city's financial institutions.

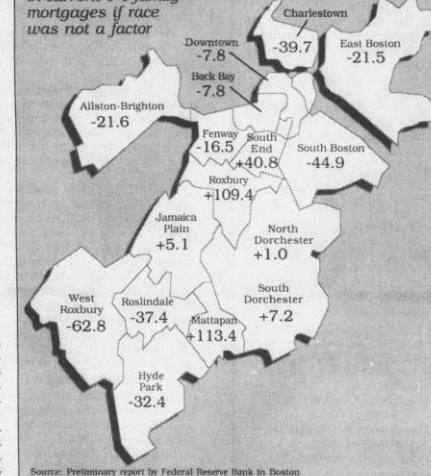
Dunham said that she is continuing to study local lending patterns but declined to say why the study was initiated.

"I want to make it very clear that the reason the draft wasn't published is that I wanted to do

MORTGAGES, Page 12

Boston mortgage projections by neighborhood

Percent increase or decrease
in current 1-4 family
mortgages if race
was not a factor



Source: Preliminary report by Federal Reserve Bank in Boston

Globe staff map

Lending law is faulted as largely ineffective

By Teresa M. Hanafin
Globe Staff

When Congress passed the Community Reinvestment Act in 1977, it was with a lofty goal in mind: stop banks from discriminating against minorities and people of low and moderate income.

It hoped to accomplish this by encouraging banks to meet the credit needs of their communities by soliciting government subsidies and developing loan programs tailored to people of lower means.

In theory, the result would be the redevelopment and revitalization of inner-city neighborhoods in decline.

Congress even established a method to check on the banks'

compliance: Inspectors from regulatory agencies such as the Federal Reserve System would, every year or two, review the banks' lending practices.

It has not worked.

The act, while eliminating some of the more blatant examples of racial discrimination in lending and allowing communities to become more involved in checking the banks' practices, has, in fact, been largely ineffective in preventing racial bias in lending practices, according to researchers who have studied lending practices at banks around the country.

There are several problems with the act, but the biggest stumbling block is the lack of enforcement. There are several problems with the act, but the biggest stumbling block is the lack of enforcement.

BANKS, Page 13

Estimated Monthly Cost Scenarios

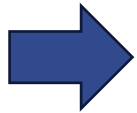
Estimated costs for common homebuying scenarios for a Boston-based family of four earning 80% of the AMI (approx. \$122,900 in 2023). Only incorporates down payment assistance programs that are unique to a given loan product.

FHA

Workforce
Advantage

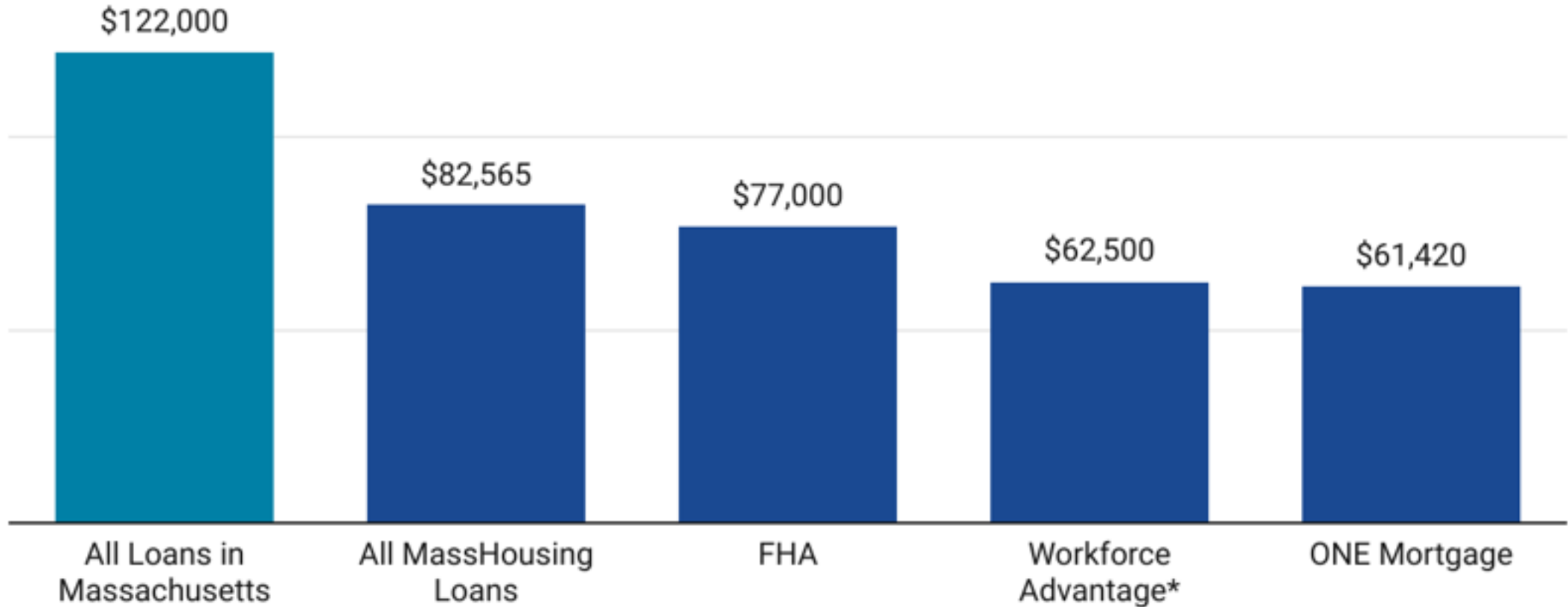
ONE

ONE+



WFA and ONE reach lower income households than FHA and other loans.

Median income for borrowers by type of mortgage. Massachusetts. 2021.



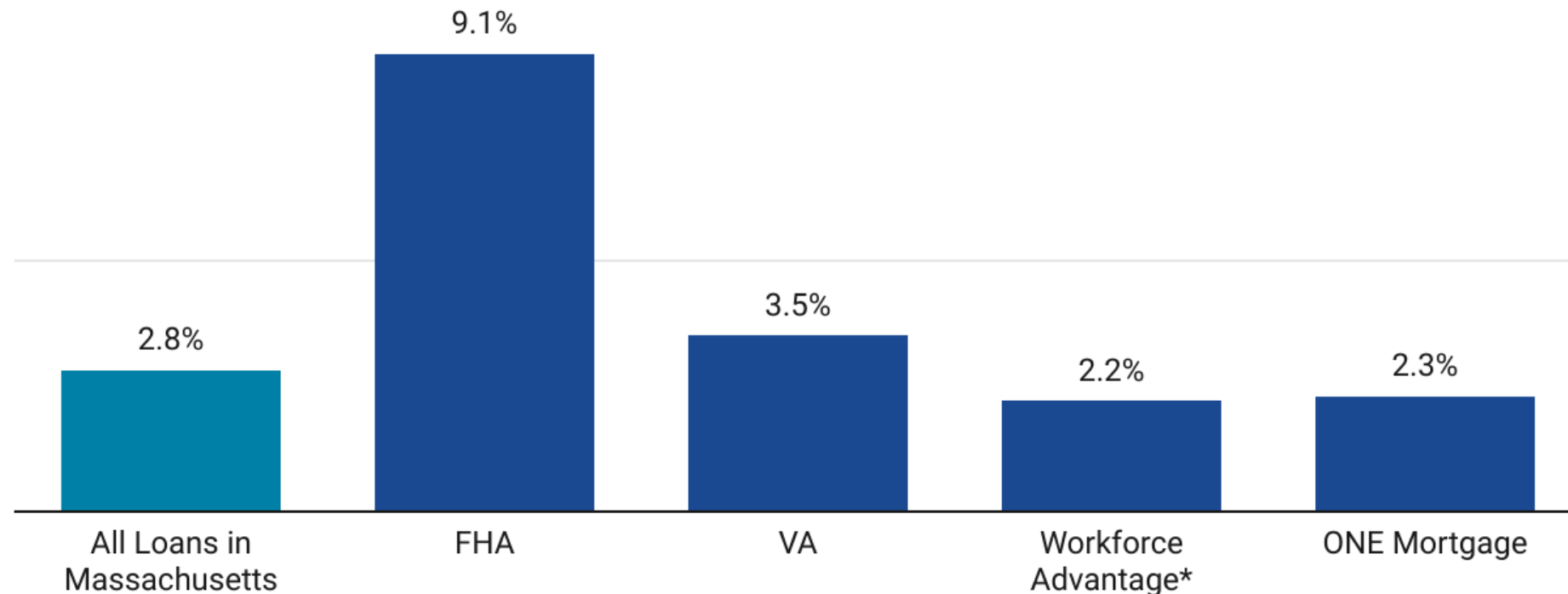
*Workforce Advantage data includes loans originated between April 2020 and May 2023; MassHousing, ONE, FHA, & total data include only borrowers who originated their loan in 2021

**Workforce Advantage median income estimated from categorical data.

Source: Massachusetts Housing Partnership, MassHousing

ONE Mortgage and Workforce Advantage have lower delinquency rates than FHA loans.

Share of loans with a borrower at least 30 days overdue on making at least one mortgage payment. Massachusetts. First quarter 2023, ending on March 31. Workforce Advantage data is for April 2023.

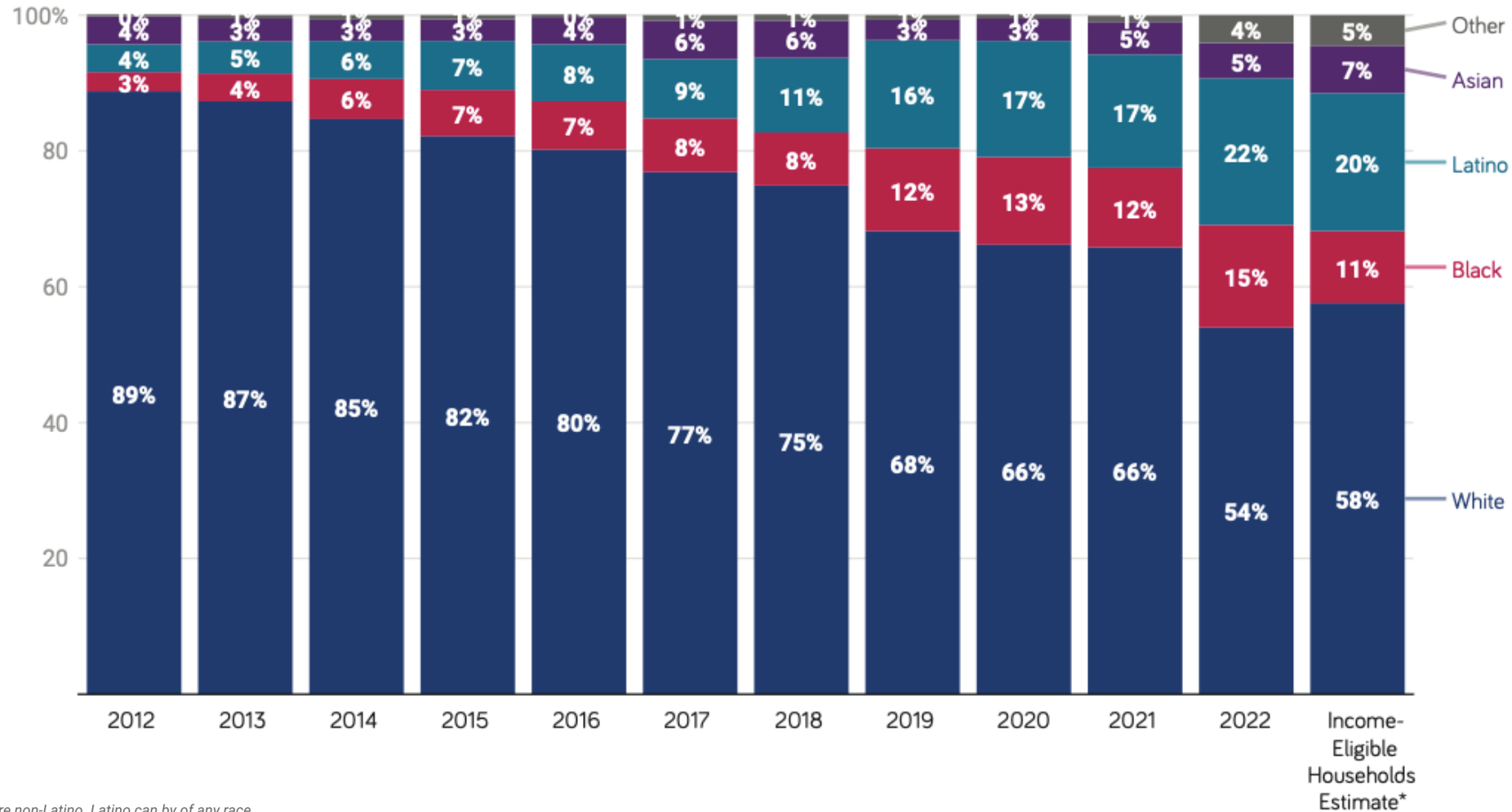


**Workforce Advantage delinquency rate includes loans in forbearance.*

Source: Massachusetts Housing Partnership; MassHousing

The share of MassHousing loans going to Black & Latino borrowers has steadily increased.

Share of MassHousing loans going to White, Black, Latino, Asian and Other borrowers by year the loan was originated, compared to renter households that earn below MassHousing's highest income cap.



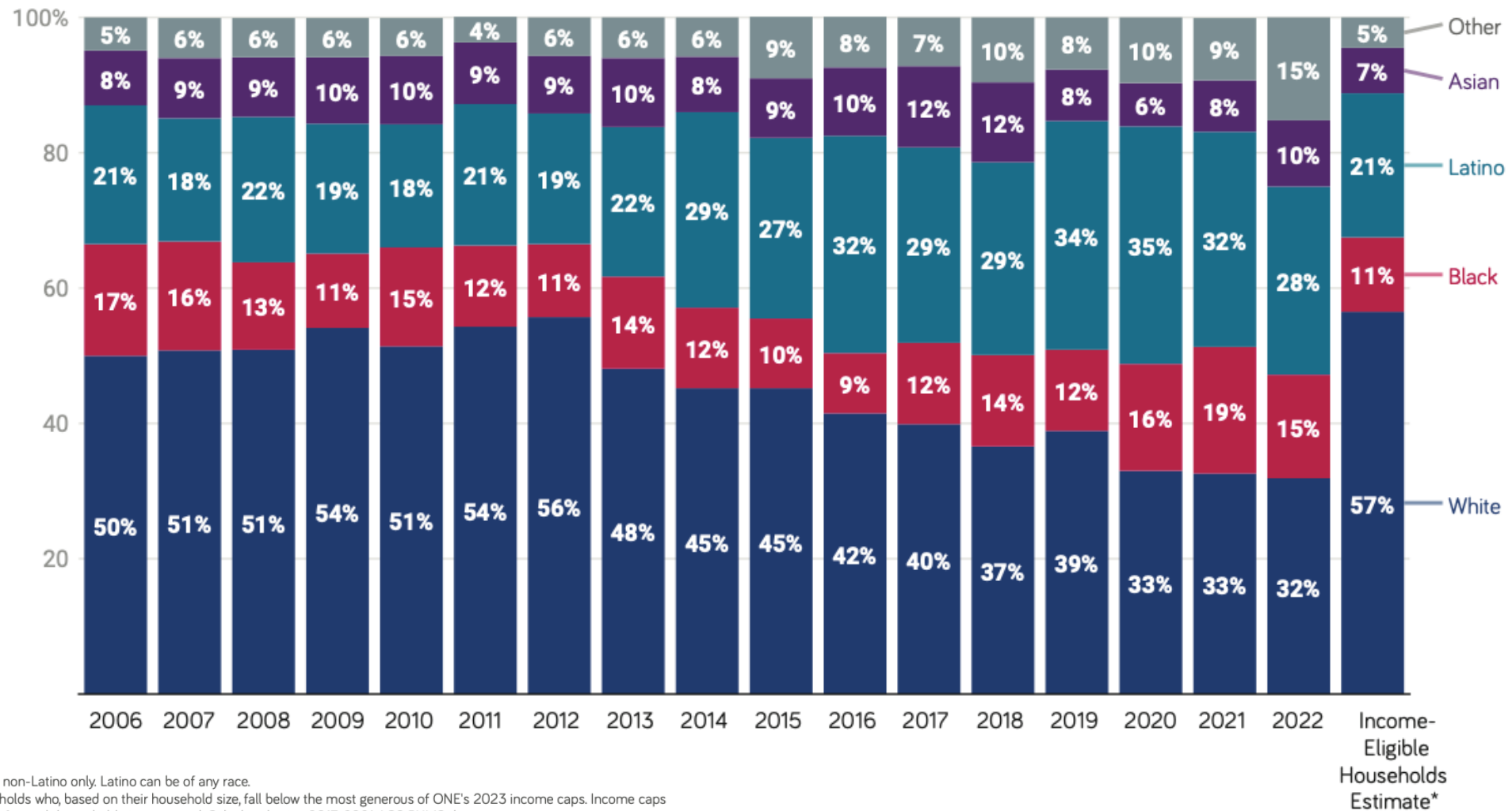
Asian, Black and White borrowers are non-Latino. Latino can be of any race.

*Estimate based on renter households whose incomes fall below MassHousing's most generous income cap (\$179,955) according to MyMassHome.org/program-requirements in June 2023. Calculated using 2017-2021 ACS PUMS data.

Source: Massachusetts Housing Partnership; 2017-2021 American Community Survey 5-year Public Use Microdata Sample

The share of ONE loans going to Black & Latino borrowers has steadily increased.

Share of ONE loans going to White, Black, Latino, Asian and Other borrowers by year the loan was originated, compared to renter households that earn below ONE's income cap.*



Asian, Black, and White are single-race, non-Latino only. Latino can be of any race.
 *Estimate based on the share of households who, based on their household size, fall below the most generous of ONE's 2023 income caps. Income caps vary by geography, so the highest value for each household size was used. Calculated using 2017-2021 ACS PUMS data.
 Source: Massachusetts Housing Partnership, 2017-2021 American Community Survey 5-year Public Use Microdata Sample

Analysis of Select Homeownership Programs

- **Affordable Mortgages**

- MassHousing Loans (MassHousing)
- ONE Mortgage (Massachusetts Housing Partnership)

- **Downpayment Assistance**

- MassDREAMS (MassHousing/MHP)
- STASH (Massachusetts Affordable Housing Alliance)

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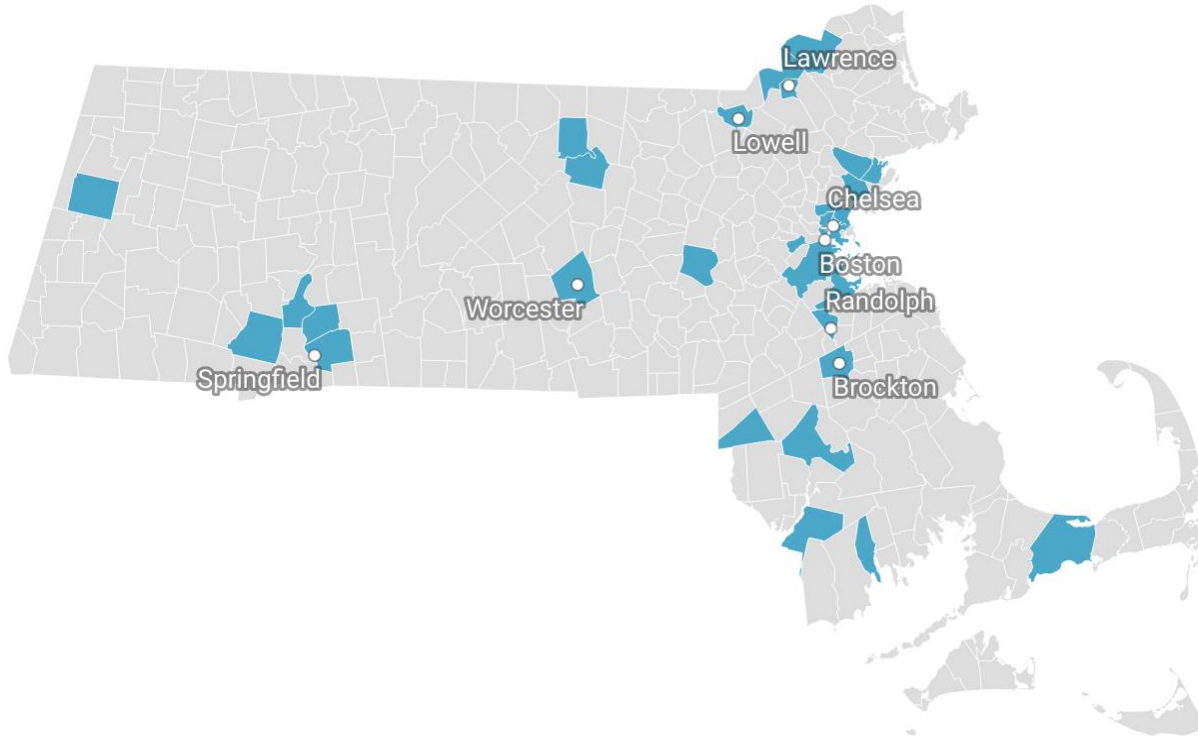
- MassDREAMS (MassHousing/MHP)
- STASH (Massachusetts Affordable Housing Alliance)

- **Development Incentives**

- Commonwealth Builder (MassHousing)
- Chapter 40B (Executive Office of Housing and Livable Communities)

Development Incentives

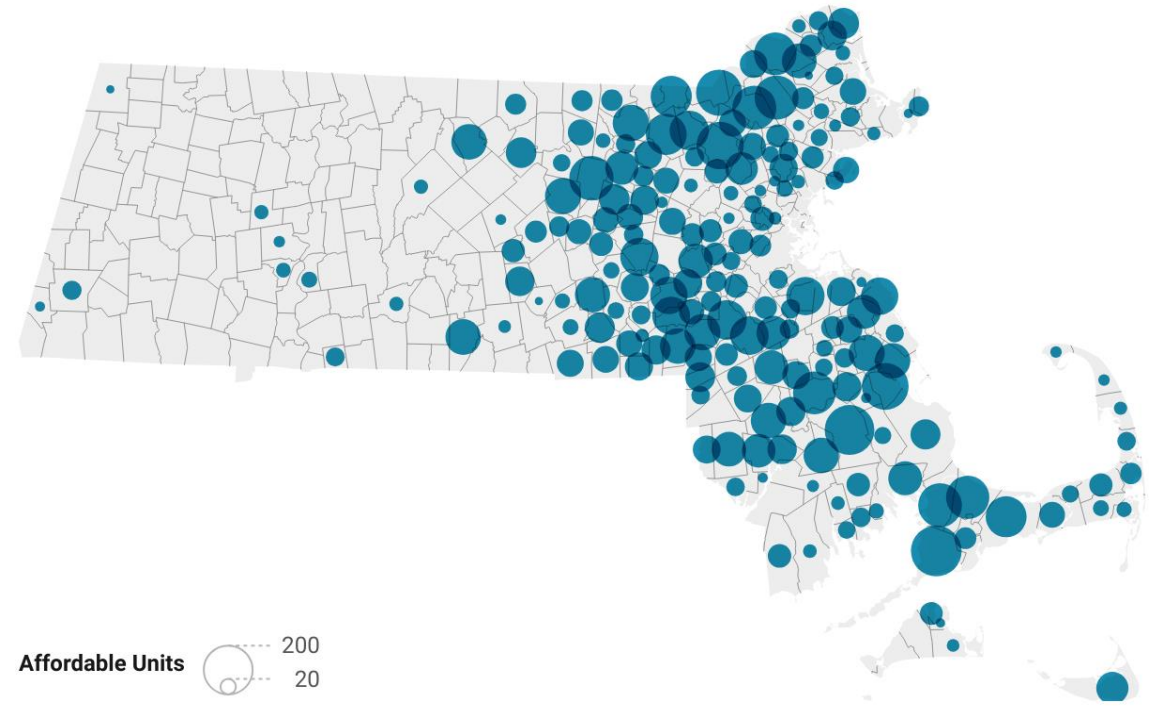
Commonwealth Builder Eligible Communities



Map data: MassGIS

Chapter 40B has resulted in at least 6,000 affordable homeownership units spread throughout Boston-area suburbs.

Circle size indicates number of affordable homeownership units produced through Chapter 40B in a given city/town.



Estimates of affordable units produced through Chapter 40B vary by monitoring agency.

Source: Massachusetts Housing Partnership • Map data: MassGIS



Findings and Policy
Recommendations

SOLD

Policy Action Areas

1. Expand the number of race-targeted homeownership support programs.

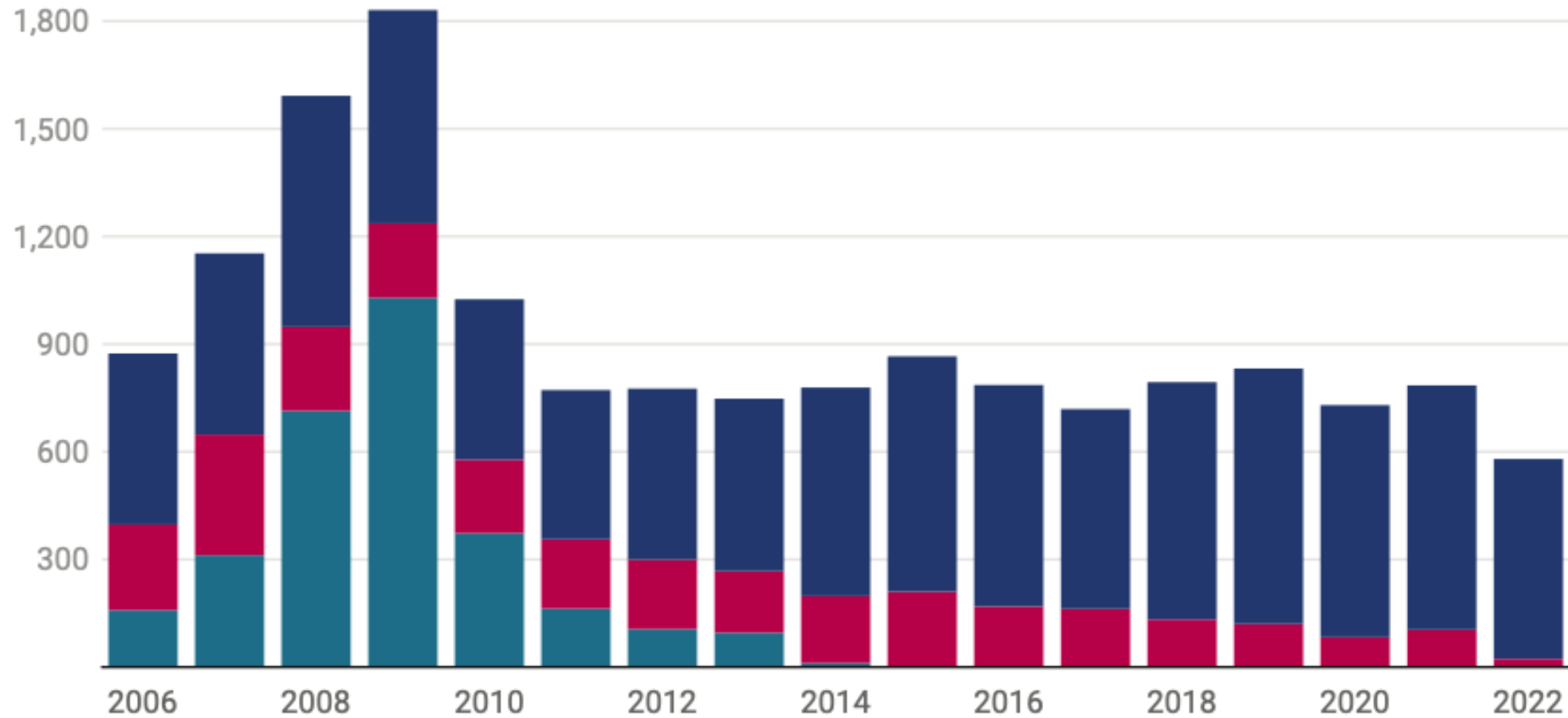
2. Increase public funding for direct financial assistance to first-time homebuyers.

3. Expand affordable mortgage programs.

ONE Mortgage loan volume fell significantly after large banks stopped participating.

ONE Mortgage loans originated by Bank of America, Santander Bank, N.A., and other financial institutions by year.

■ Bank of America ■ Santander Bank ■ Other



Policy Action Areas

1. Expand the number of race-targeted homeownership support programs.

2. Increase public funding for direct financial assistance to first-time homebuyers.

3. Expand affordable mortgage programs.

4. Better inform prospective homebuyers about existing programs.

5. Improve supports for first-time homebuyers.

6. Increase market-rate and income-restricted housing production.

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in Massachusetts

PANEL DISCUSSION

Q&A to follow