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

Inequities are cited in Hub mortgages

Wealth Inequality by Race and Ethnicity Has Grown Since 2007

Median wealth ratios

10.0 12.9
10.3

8.3 8.2 8.7

2007 2010 2013

Note: Blacks and whites include only non-Hispanics. Hispanics are of any race.
Sources: Pew Research Center tabulations of Survey of Consumer Finances public-use data
PEW RESEARCH CENTER
Landscape Scan of Affordable Homeownership Programs and Policies
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

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1965

Inequities are cited in Hub mortgages

Preliminary
Fed finding is ‘racial bias’

By Steven Massey
Globe Staff

Great banks and thrifts are airing lower home mortgage bias in Boston’s minority neighborhoods, a special commission found, in part because of a racial tracking bias, according to an unpublished study by the Federal Reserve Bank of Boston.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 officials said. Housing and discrimination factors, such as race, income, and neighborhood quality, were more important determinants of mortgage prices, turnover rates, and the physical conditions of neighborhoods than other factors, the study said.

Officials at the Federal Reserve Bank of Boston yesterday defended the study as accurate, while saying that they are studying new mortgage lending patterns by local banks and thrifts. One of the study’s authors, Christopher R. Sugden, said in an interview that the study is subject to error, but that the draft and the conclusions are presented.

The study, a copy of which was obtained by The Boston Globe, concludes from statistical analysis that if blacks and whites are equally qualified for a mortgage, and live in the same neighborhood, they would make $1,200 to $1,500 more for a lower home in predominantly white neighborhoods, said a white neighborhood, $1,000 more for a lower home in predominantly black neighborhoods.

The study found that the proportion of homeownership among blacks and whites in the city was 39% and 69%, respectively, pointing to a large disparity in housing wealth.

Lending law is faulted as largely ineffective

By Thomas M. Shapiro
Globe Staff

When Congress passed the Community Reinvestment Act in 1977, it was with a heavy heart in many cases of banks that had been accused of having discriminatory lending practices.

The act, while emphasizing some of the most serious 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 problems, according to the study.

In the study, the index would be the improvements and eliminating any discriminatory practices. Congress was established in 1977, to help banks in this area where the law states that banks must comply with regulations from regulatory agencies and can’t discriminate in lending.

BOSTON INDICATORS
### 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.

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


*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 forebearance.*

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.*

*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)
Analysis of Select Homeownership Programs

• Affordable Mortgages
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  • ONE Mortgage (Massachusetts Housing Partnership)

• Downpayment Assistance
  • MassDREAMS (MassHousing/MHP)
  • STASH (Massachusetts Affordable Housing Alliance)

• Development Incentives
  • Commonwealth Builder (MassHousing)
  • Chapter 40B (Executive Office of Housing and Livable Communities)
Development Incentives

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.
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.
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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PANEL DISCUSSION

Q&A to follow