

Franklin County Deep Dive into Homeownership Disparities & Access to Credit

June 2023

Housekeeping

1. Please stay muted
2. Questions in the chat box
3. Answers at the end of each section
4. We'll share the recording & slides



Meet The Speakers



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About CONVERGENCE Columbus

Our Mission

CONVERGENCE is a multi-year, cross-sector initiative to promote Black and minority homeownership through a series of place-based pilot programs.

Leveraging the strengths of our partners, we are hoping to achieve sustainable results to reduce the racial wealth gap and create a stronger foundation for community stability and economic prosperity.

Our Vision

- ✓ Gross AND net increase in Black homeownership
- ✓ Community is more financially knowledgeable
- ✓ Long-term financial relationships are formed
- ✓ Community knows who their trusted advisors are
- ✓ Community is better poised for generational wealth-building through homeownership

More info: www.ahaco.org/convergence

HMDA Data

- Applications and origination data is publicly available through Home Mortgage Disclosure Act (HMDA) disclosures.
 - HMDA data provides comprehensive loan-level records, provided by many financial institutions, on loan applications, approvals and denials, and originations by race/ethnicity.
 - A drawback of the HMDA data is the lag to publication—the final 2021 data was made available by the Consumer Financial Protection Bureau (CFPB) in the summer of 2022.
 - An early look at the 2022 data is available through the HMDA Modified Loan Application Register (LAR) 2022 data, published in March 2023.
 - The full HMDA datasets – LAR, Transmittal Sheet (TS), and Panel are available in the summer.

Other Data

- American Community Survey (ACS) – annual survey administered by the U.S. Census Bureau.
 - Helps us understand the changes taking place in our communities. “It is the premier source for detailed population and housing information about our nation.”
- American Housing Survey (AHS) – sponsored by the Department of Housing and Urban Development (HUD) and conducted by the U.S. Census Bureau.
 - “The survey is the most comprehensive national housing survey in the United States.”

Agenda

Part 1: Quantifying the Homeownership Gap: Racial and Ethnic Inequity in Franklin County

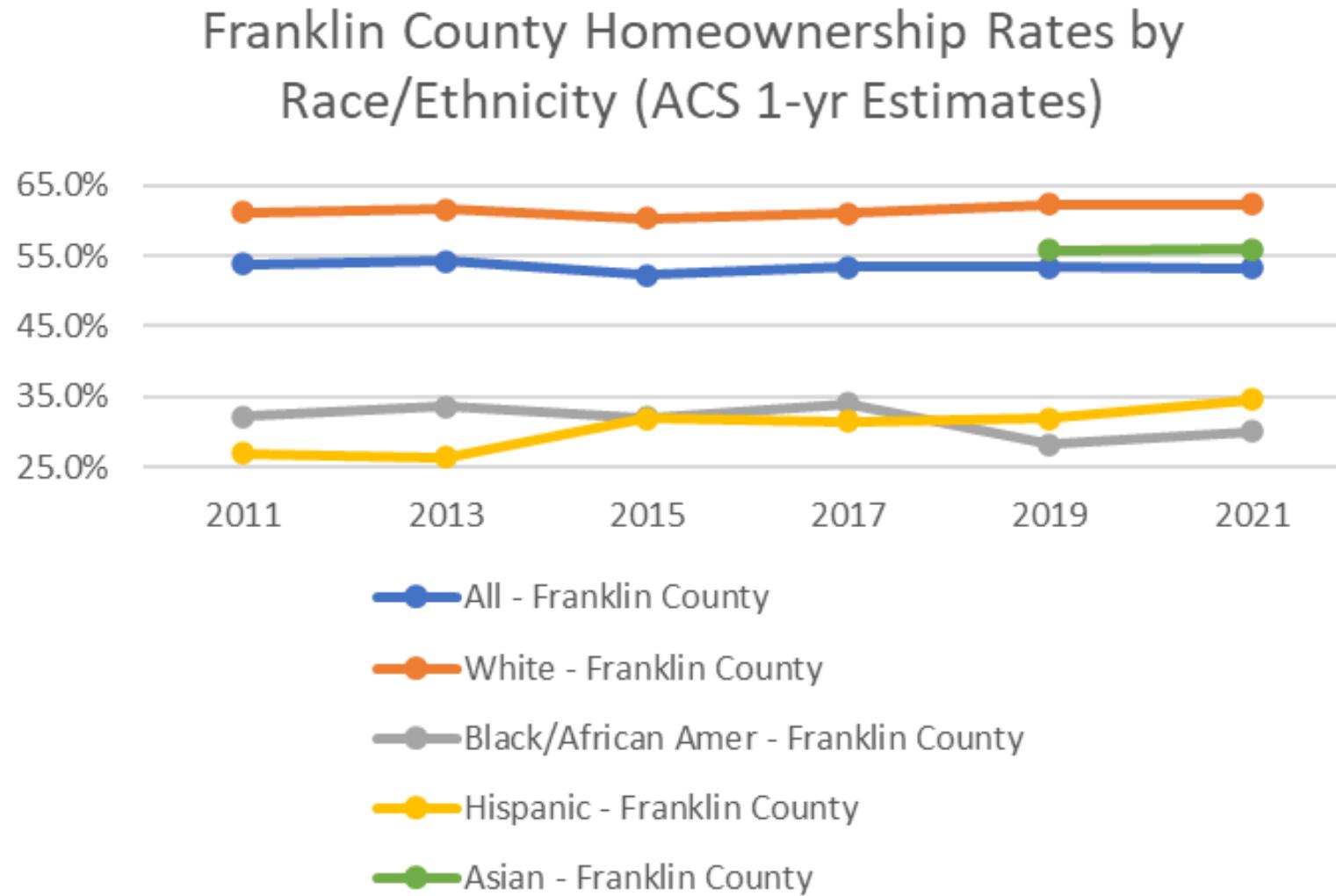
Part 2: Disparities in Applications and Originations: What the Data Show

Part 3: The Lender Landscape: Who is Serving Borrowers in Franklin County?



Part 1:
Quantifying the
Homeownership Gap:
*Racial and Ethnic Inequity in
Franklin County*

The Racial Homeownership Gap in Franklin County

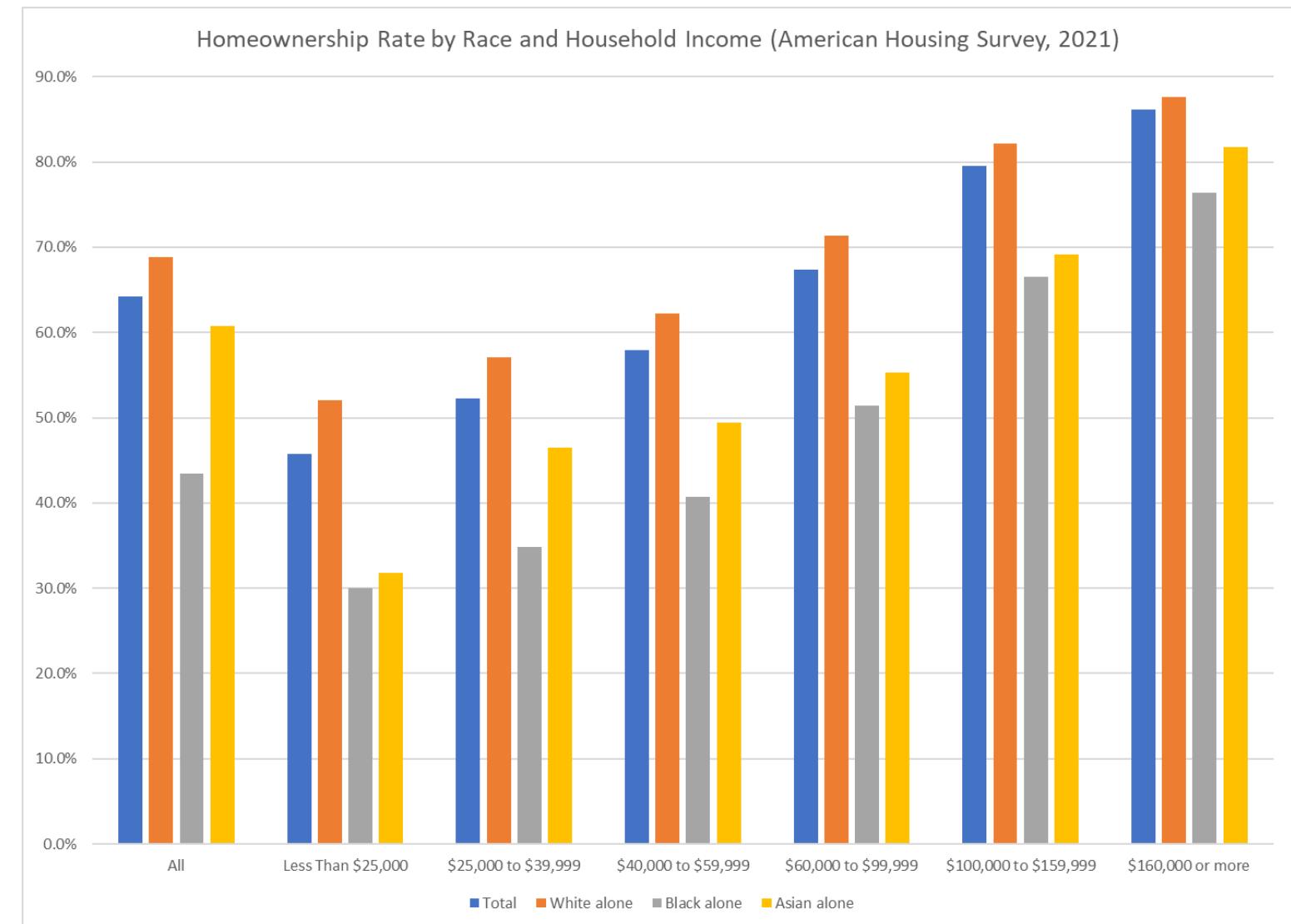


- Black and Hispanic households have had a homeownership gap of more than 20 percentage points for the last 10 years.
- The homeownership rate for Hispanic households rose above the homeownership rate for Black households in 2019, making Black households the only demographic group to see a decrease in the homeownership rate from 2011 to 2021.

Intersection of Race and Income in Homeownership

Both race and income play a major role in homeownership status across household groups:

- Non-Hispanic White households making less than \$25,000 per year are still more likely to be homeowners than Black households making \$60,000-\$99,000 per year.
- In every income category, Black households have a significant gap in homeownership – although that gap widens as incomes decrease.

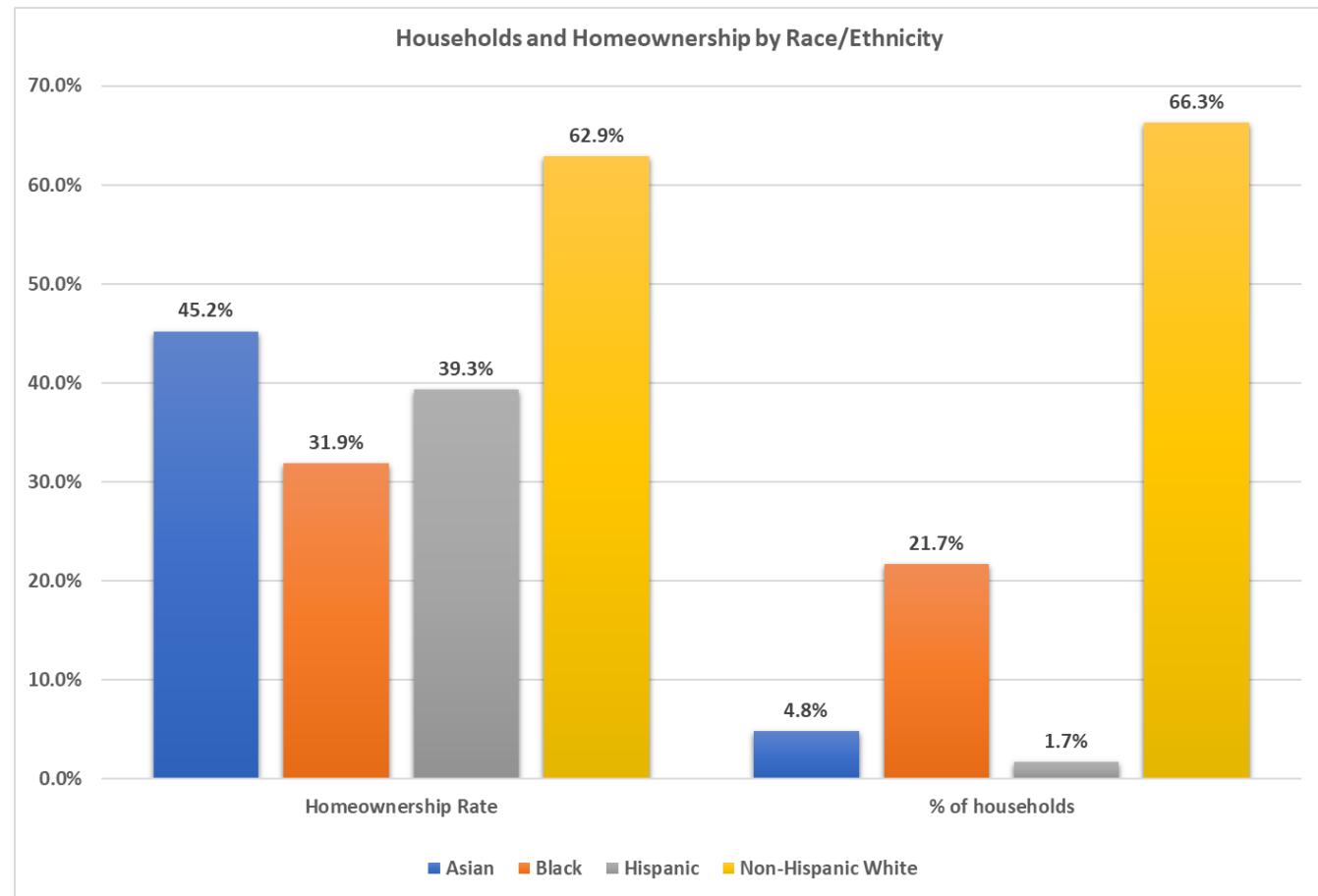


Household and Housing Demographics in Franklin County

- Black households represent the greatest % of minority households in Franklin County – nearly 22% of all households.
- The homeownership rate for Black households in Franklin County is only 32% - far below the rate of 63% for non-Hispanic White households.

Basic Demographics	Franklin County	%
Households	537,109	
Homeowners	287,957	
Homeownership Rate	53.6%	
Median/Average Income	\$70,564	
Median/Average Home Value	\$208,875	
Home Value to Income Ratio	2.96	
Median/Average Rent	\$1,089	
Households with Income > \$75,000	236,822	44.1%
Millennial Households (25-44)	221,433	41.2%

Source: 2021 American Community Survey (ACS)



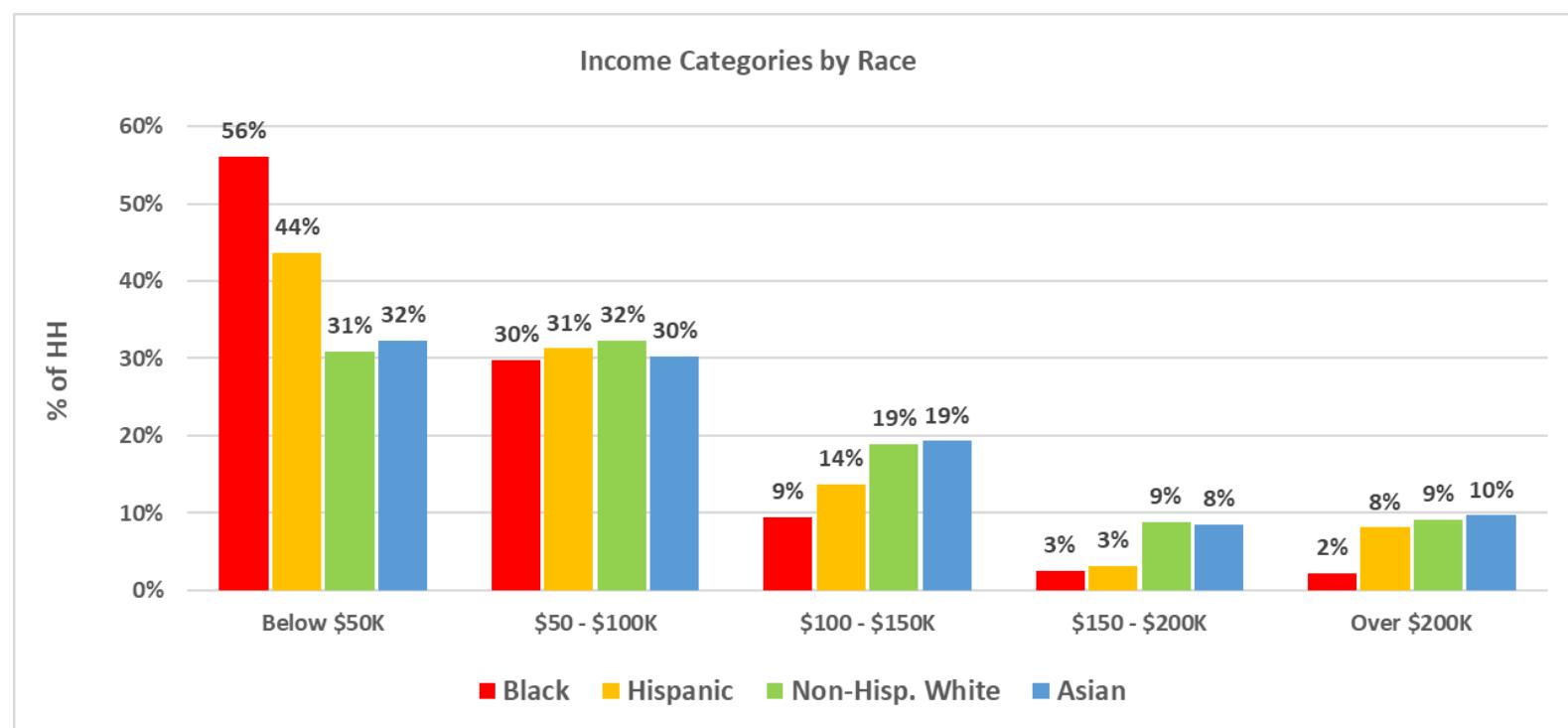
Franklin County has a homeownership gap of 31 percentage points between Black households and non-Hispanic White households

Median Income by Race

Differences in the distribution of income between race and ethnic groups in Franklin County are stark:

- The median income for Black households is only 72% of the median income for White households.
- More than half of Black households have a median income of less than \$50,000, compared to only 31% of Non-Hispanic White households.
- Only 5% of Black households have an income over \$150,000 – far below even that of the 11% of Hispanic households.

Race/Ethnicity	Median Income	As % of White
Black	\$54,050	72%
Asian	\$99,352	132%
Hispanic	\$73,694	98%



Source: 2021 American Community Survey (ACS)

Key Takeaways

- Black households represent a critical, underserved market in Franklin County
 - ✓ Black households represent the largest non-majority racial or ethnic group in Franklin County—more than 20% of households identify as Black, compared with 2% identifying as Hispanic and less than 5% identifying as Asian.
 - ✓ The gap in homeownership rates between Black and non-Hispanic white households in Franklin county is large and persistent— more than 30 percentage points for several decades.
 - ✓ This gap cannot be explained by income; Black households are less likely to own homes than any other racial or ethnic group in Franklin county across all income groups.



Equity in a home is the primary source of wealth for most households in the US, and the large and persistent gap in the homeownership rate exacerbates wealth disparities.



Part 2:
Disparities in Applications and Originations:
What the Data Show

Overview of Home Lending Activity (2019-2022)

	2019	2020	2021	2022
All Loans	34,644	52,413	53,279	28,980
Home Purchase	17,279	17,725	17,853	14,818
% of Total	50%	34%	34%	51%
Refinance	8,173	23,825	20,777	3,880
% of Total	24%	45%	39%	13%
Cash-Out Refi	6,202	8,400	11,672	6,273
% of Total	18%	16%	22%	22%
Home Improvement/Other	2,990	2,463	2,977	4,009
% of Total	9%	5%	6%	14%
All Loans to Non-White Borrowers	5,960	8,572	9,884	6,151
% of Total	17%	16%	19%	21%
All Loans to LMI Borrowers	10,943	15,510	17,279	11,191
% of Total	32%	30%	32%	39%

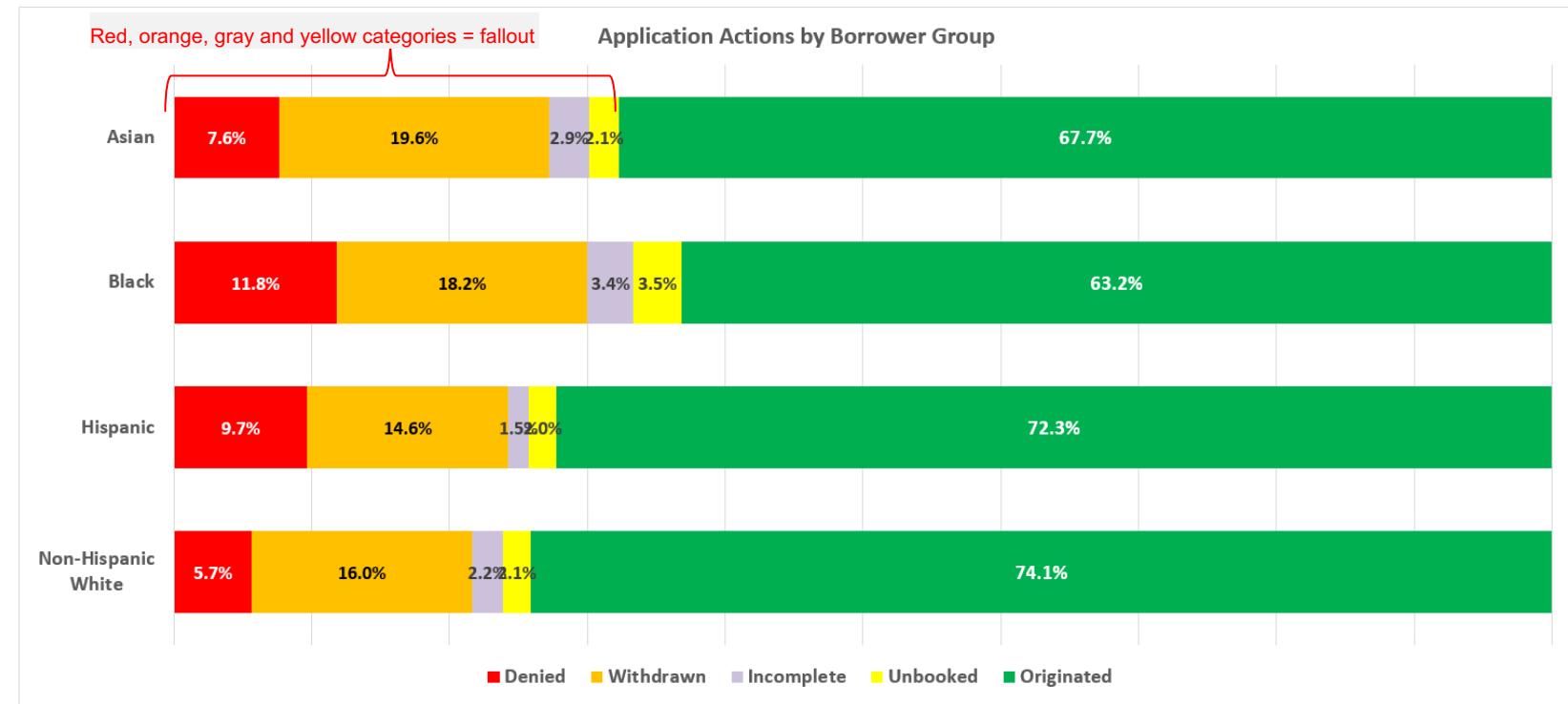
Source: 2022 HMDA Loan Application Record (LAR)

The home lending environment changed significantly from 2019-2022, due to historically low interest rates and the effects of the COVID pandemic:

- 2020 and 2021 were huge refinance years with 61% of all home loans being refinance loans
- Home purchase loans returned to 2019 levels in 2022, representing 51% of all home loans in 2022
- 2022 showed an increase in the share of home loans to non-White and LMI borrowers

Applications and Fall-out Disparities by Race/Ethnicity

	House-holds	Apps	Orig. %	Fall-out %
Asian	25,991	1,400	68%	32%
% of Total	5%	7%		
Black	116,305	3,164	63%	37%
% of Total	22%	15%		
Hispanic	9,098	1,002	72%	28%
% of Total	2%	5%		
Non-Hispanic White	355,880	14,930	74%	26%
% of Total	66%	72%		



“Fall-out” rates include applications that lenders deny, as well as loans that are withdrawn by applicants or are incomplete. While Asian applicants have higher fall-out rates than non-Hispanic White applicants, this is due to higher rates of applications *withdrawn* rather than applications *denied*. Black applicants, by contrast, are much more likely to have loans denied compared to any other racial or ethnic group.

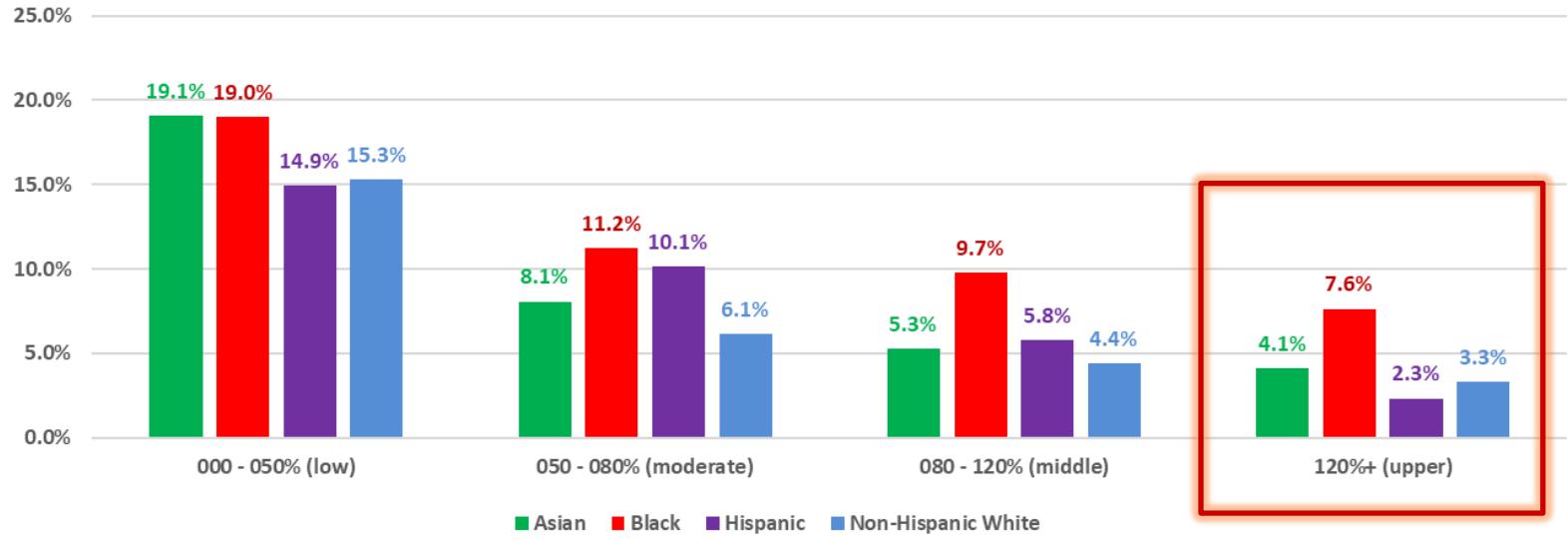
Source: 2022 HMDA Loan Application Record (LAR)

Racial Inequity Exists in ALL Income Levels

Columbus, OH

	All Apps			Asian Applicants			Black Applicants			Hispanic Applicants			Non-Hispanic White Apps		
	Apps	Denials	Denial Rate	Apps	Denials	Denial Rate	Apps	Denials	Denial Rate	Apps	Denials	Denial Rate	Apps	Denials	Denial Rate
000 - 050% (low)	2,564	422	16.5%	173	33	19.1%	626	119	19.0%	261	39	14.9%	1,478	226	15.3%
050 - 080% (moderate)	5,819	436	7.5%	471	38	8.1%	1,106	124	11.2%	356	36	10.1%	3,840	236	6.1%
080 - 120% (middle)	5,026	270	5.4%	285	15	5.3%	862	84	9.7%	190	11	5.8%	3,652	160	4.4%
120%+ (upper)	6,869	251	3.7%	439	18	4.1%	525	40	7.6%	173	4	2.3%	5,706	187	3.3%

Denial Rates by Race/Eth & Income Level of Borrower

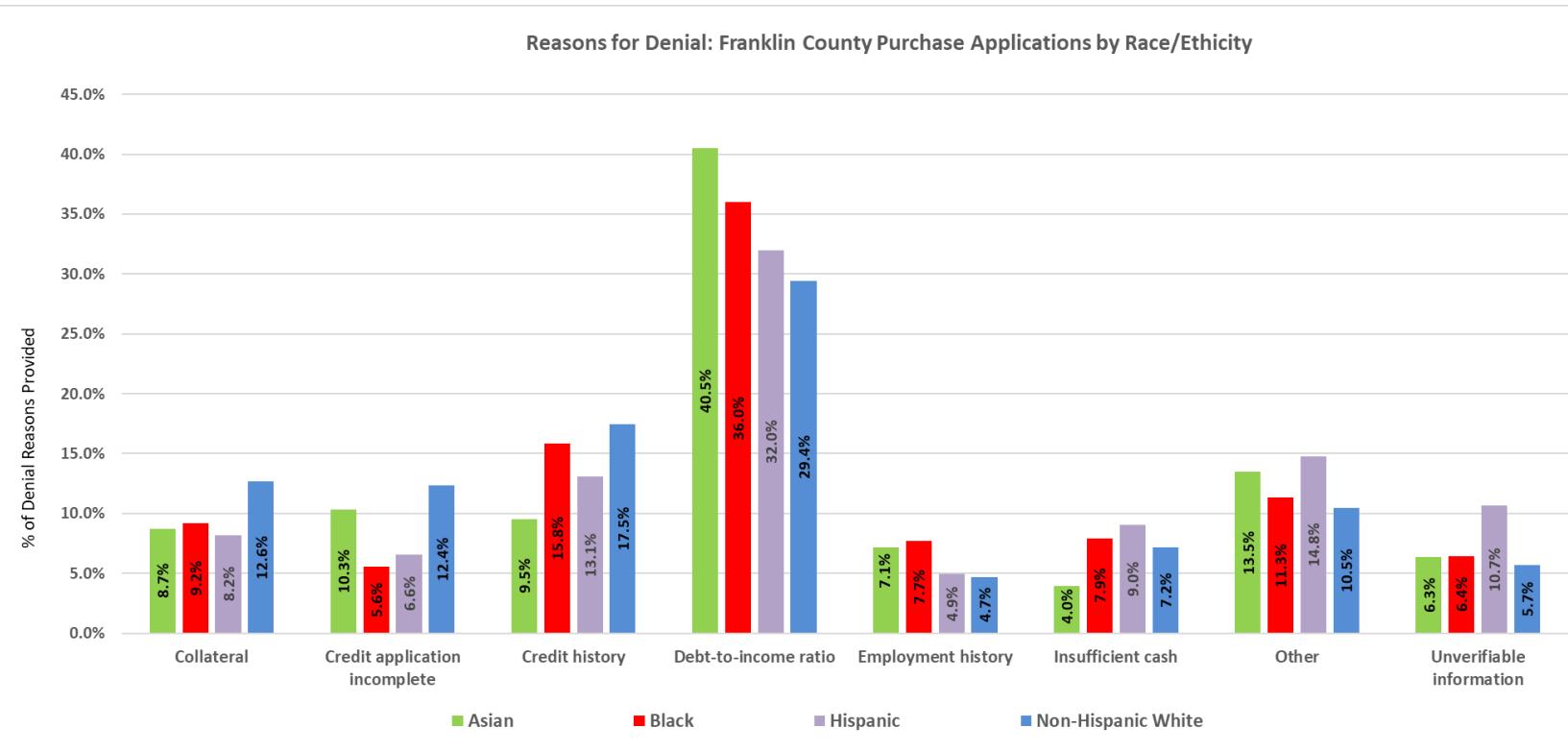


Source: 2022 HMDA Loan Application Record (LAR)

Even for upper income borrowers whose median family income is 120% of the MSA median:

- Black applicants are more than twice as likely to be denied a purchase loan than non-Hispanic White applicants
- Denial rates for Black applicants are more than 3x the denial rate of Hispanic applicants

Differences in Denial Reasons by Race/Ethnicity



Source: 2022 HMDA Loan Application Record (LAR)

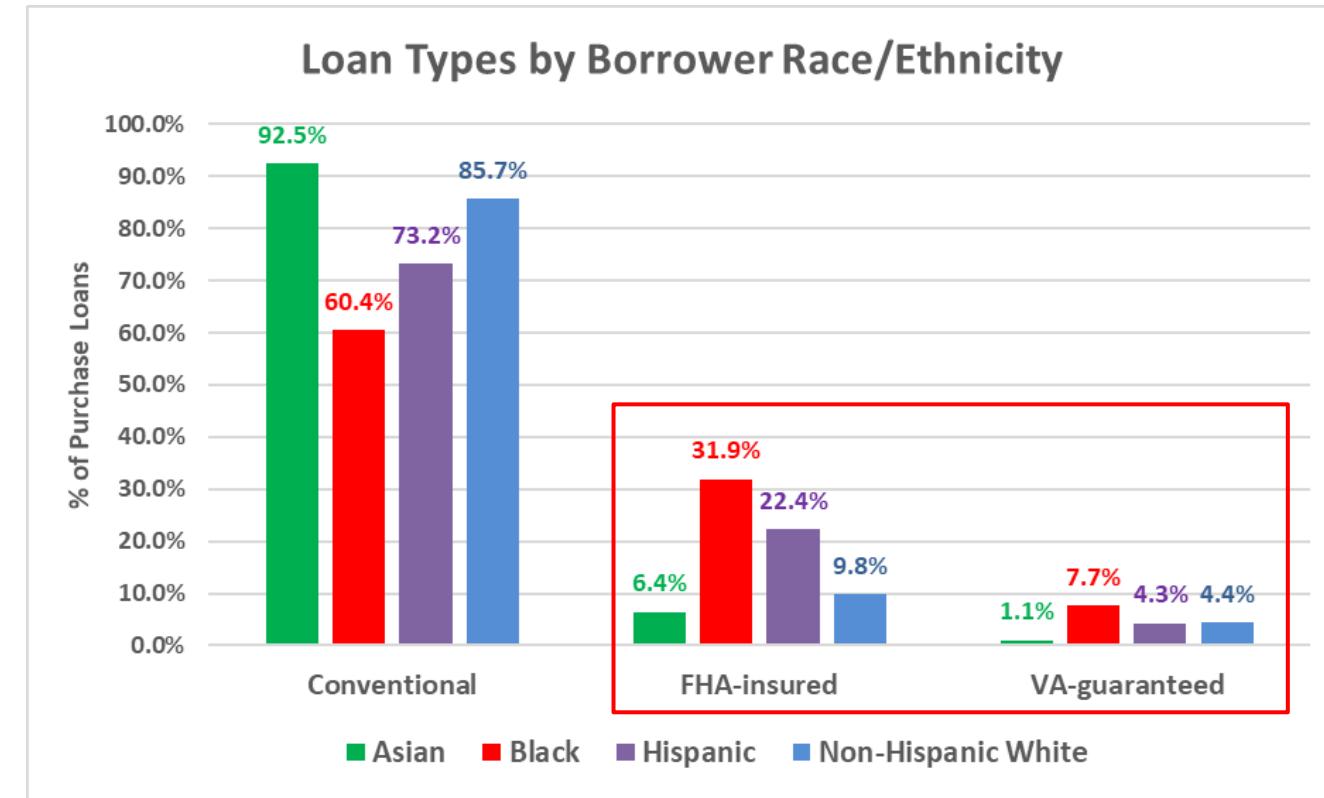
An understanding of denial reasons is important to developing intervention strategies to help more Black applicants successfully receive a loan:

- High Debt-to-income ratios (DTI) are the #1 reason for denial in Franklin County
- In addition, Black applicants report higher instances of denial as a result of employment history
- Credit history is the second most common reason for denial for Black applicants, followed by a lack of collateral and insufficient cash to close

Black and Hispanic Borrowers Receive Greater % of FHA and VA Loans

Black and Hispanic borrowers were significantly more likely to use FHA and VA financing than non-Hispanic white borrowers.

- More than 85% of all purchase loans originated to non-Hispanic white and Asian borrowers were conventional, compared to only 60% of loans to Black borrowers.
- FHA and VA loans represented 32% and 8% of purchase loans to Black borrowers, respectively.



Source: 2022 HMDA Loan Application Record (LAR)

Disparities in Loan Affordability and Cost - 2022

In addition to having a lower origination rate for purchase loans, loans made to Black borrowers had the following characteristics:

- Lower average loan size than Non-Hispanic borrowers
- Higher overall loan cost \$6,813 vs. \$5,517
- A higher interest rate

	Asian All Lenders	Black All Lenders	Hispanic All Lenders	Non-Hispanic All Lenders
Origination Rate	67%	63%	72%	74%
Loan amount	\$279,908	\$246,874	\$233,414	\$295,002
Interest rate	5.0157	5.1625	5.3953	5.0865
Rate spread*	0.3894	0.6567	0.7410	0.3976
Loan costs **	\$6,610	\$6,813	\$6,134	\$5,517

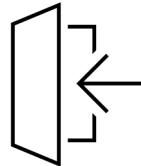
Source: 2022 HMDA Loan Application Record (LAR)

***Rate spread:** the difference between a loan's annual percentage rate (APR) and the average prime offer rate of a comparable mortgage as of the date the interest rate was set.

****Loan costs:** The total dollar amount of buyer-paid closing costs, including origination fees to the lender and third-party services, such as title searches and appraisal services. Loan costs can be tied to the size of the loan, down payment and loan type.

Key Takeaways

- Black households experience barriers to purchase at each stage of the home loan application process.



- Begin Application.** Black households represent a much smaller share of home loan applicants in Franklin County than they do of households in Franklin County.
 - Role for homebuyer education and counseling to increase the flow of applicants



- Complete Application.** Black mortgage applicants are more likely to withdraw from the application process than non-Hispanic White applicants.
 - Role for loan officers to support applicants through the process.



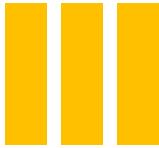
- Application Approval or Denial.** Black mortgage applicants are more likely to be denied a loan than any other racial or ethnic group, with debt-to-income and credit being the biggest barriers.
 - Role for lending executives and community partners to design new loan products.



Part 3:

The Lender Landscape:

***Who is Serving Borrowers
in Franklin County?***

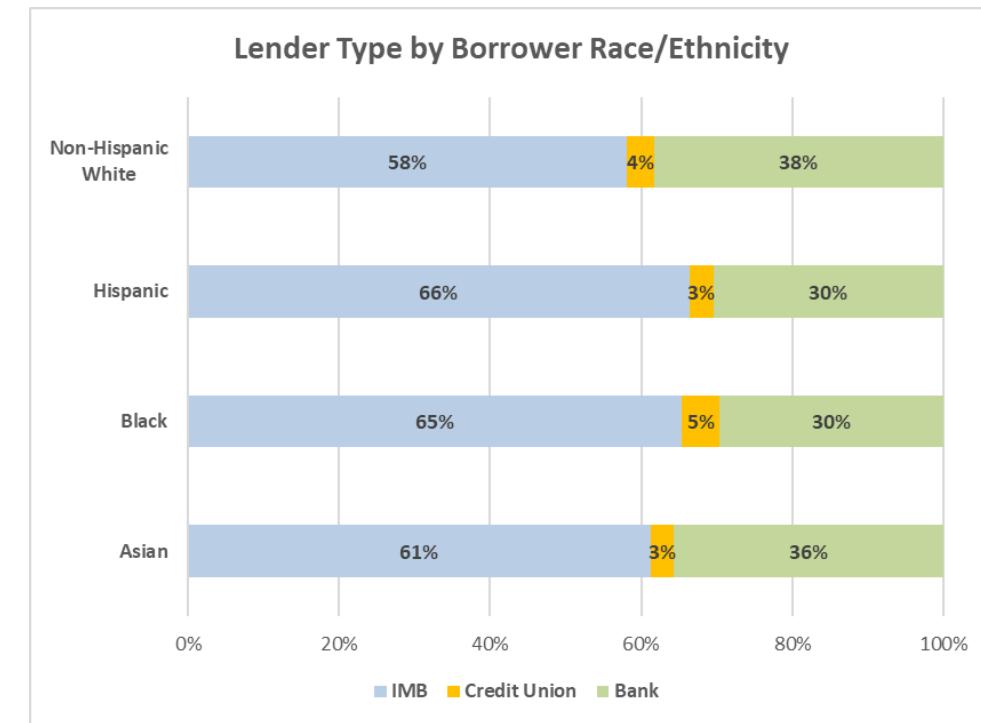


Who is lending to Black borrowers?

There were 365 lenders who originated at least 1 purchase loan in Franklin County in 2022:

- Only 174 lenders (48%) originated 1 or more loans to Black borrowers, which means that 190 (52%) lenders did NOT originate a loan to Black borrowers
- 91% of all lenders originated 1 or more loans to Non-Hispanic White borrowers
- IMBs originated 65% of the loans originated to Black borrowers, but only 58% of loans to Non-Hispanic White borrowers
- Black borrowers used credit unions more often than other borrower groups

	Asian	Black	Hispanic	Non-Hispanic White
Lenders	129	174	121	331
Loans	948	1,999	724	11,062
Loans per Lender	7.3	11.5	6.0	33.4
% of Total Lenders	35%	48%	33%	91%



Source: 2022 HMDA Loan Application Record (LAR)

Top 30 Purchase Lenders: Overall vs. Black Borrowers

Ranking by Purchase Loan Count (All Borrowers)

Rank - Overall	Lender
1	NFM, INC.
2	The Huntington National Bank*
3	UNION HOME MORTGAGE CORP.*
4	JPMorgan Chase Bank, National Association*
5	UNITED SHORE FINANCIAL SERVICES, LLC
6	T2 FINANCIAL LLC
7	GUARANTEED RATE, INC.
8	Union Savings Bank
9	Third Federal Savings and Loan Association of Cleveland
10	CROSSCOUNTRY MORTGAGE, INC.*
11	Rocket Mortgage, LLC
12	First Financial Bank
13	RUOFF MORTGAGE COMPANY, INC.
14	HOMESIDE FINANCIAL, LLC
15	Fifth Third Bank, National Association*
16	GSF Mortgage Corporation
17	Fairway Independent Mortgage Corporation
18	RAPID MORTGAGE COMPANY
19	THE EQUITABLE MORTGAGE CORPORATION
20	The State Bank and Trust Company
21	PNC Bank, National Association*
22	Caliber Home Loans, Inc.
23	AMERICAN MORTGAGE SERVICE COMPANY
24	M/I FINANCIAL, LLC
25	Mortgage Research Center, LLC
26	GUARANTEED RATE AFFINITY, LLC
27	Heartland Bank
28	TELHIO
29	U.S. Bank National Association*
30	The Union Bank Company

Ranking by Purchase Loan Count (Black Borrowers)

Rank in Loan Volume to Black Borrowers	Lender	% of Lender's Loans to Black Borrowers
1	NFM, INC.	11.4%
2	T2 FINANCIAL LLC	20.7%
3	CROSSCOUNTRY MORTGAGE, INC.*	20.0%
4	The Huntington National Bank*	11.3%
5	UNION HOME MORTGAGE CORP.*	10.4%
6	JPMorgan Chase Bank, National Association*	11.6%
7	UNITED SHORE FINANCIAL SERVICES, LLC	10.6%
8	Mortgage Research Center, LLC	29.6%
9	Rocket Mortgage, LLC	11.2%
9	AMERICAN MORTGAGE SERVICE COMPANY	26.4%
11	M/I FINANCIAL, LLC	26.3%
12	RUOFF MORTGAGE COMPANY, INC.	12.4%
13	GSF Mortgage Corporation	15.0%
14	TELHIO	28.7%
15	First Financial Bank	9.6%
15	RAPID MORTGAGE COMPANY	16.3%
17	Fifth Third Bank, National Association*	12.2%
17	First Merchants Bank*	34.3%
19	UIF CORPORATION	66.0%
20	Fairway Independent Mortgage Corporation	13.4%
21	HOMESIDE FINANCIAL, LLC	10.5%
22	RMC HOME MORTGAGE, LLC	54.2%
23	NVR Mortgage Finance, Inc.	35.7%
24	VICTORY MORTGAGE, L.L.C.	21.8%
25	Caliber Home Loans, Inc.	14.3%
26	GUILD MORTGAGE COMPANY	20.0%
26	Bank of America, National Association	32.0%
28	DHI MORTGAGE COMPANY, LTD.	37.7%
29	EVERETT FINANCIAL, INC.	52.4%
30	GUARANTEED RATE AFFINITY, LLC	14.2%

Purchase Loans to Black Borrowers (All Lenders)

1,999

% of Purchase Loans to Black Borrowers (All Lenders)

13.5%

13.5% of the purchase loans originated by all lenders in Franklin County were to Black borrowers:

- The rankings of many lenders shift when comparing all purchase loans to Black purchase loans
- 19 of the top 30 lenders to Black borrowers had a Black purchase loan penetration rate greater than the market's Black % of purchase loans

Source: 2022 HMDA Loan Application Record (LAR)

CONVERGENCE Members: Purchase Originations

CONVERGENCE Lenders – Ranked by Loan Volume to Black Borrowers

Black Purchase Loans (All Lenders)	Black % of Purchase Loans (All Lenders)
1,999	13.5%

Rank - All Purchase Loans	Rank - Loan Volume to Black Borrowers	Rank - % of Purchase Loans to Black Borrowers	Lender	% of Lender's Purchase Loans to Black Borrowers	Lender Market Share with Black Borrowers	Lender Market Share - All Purchase Loans
10	3	81	CROSSCOUNTRY MORTGAGE, INC.*	20.0%	4.2%	2.8%
2	4	125	The Huntington National Bank*	11.3%	4.1%	4.9%
3	5	140	UNION HOME MORTGAGE CORP.*	10.4%	3.4%	4.4%
4	6	123	JPMorgan Chase Bank, National Association*	11.6%	3.1%	3.6%
15	17	120	Fifth Third Bank, National Association*	12.2%	1.8%	2.0%
37	17	46	First Merchants Bank*	34.3%	1.8%	0.7%
29	31	110	U.S. Bank National Association*	14.2%	1.0%	0.9%
40	36	87	KeyBank National Association*	17.3%	0.9%	0.7%
21	38	147	PNC Bank, National Association*	9.0%	0.8%	1.2%
49	45	85	First Commonwealth Bank*	17.4%	0.6%	0.5%
59	68	133	PRIMELENDING, A PLAINSCAPITAL COMPANY*	10.9%	0.3%	0.4%
73	68	100	First Federal Bank of the Midwest*	14.6%	0.3%	0.3%
68	87	159	The Park National Bank*	6.3%	0.2%	0.3%
44	117	174	WesBanco Bank, Inc.*	1.3%	0.1%	0.5%

CONVERGENCE members range in size and cover different geographic areas:

- Huntington had the largest number of purchase loans of all CONVERGENCE members
- Cross Country had the largest number of purchase loans to Black borrowers
- Although ranked 37th in overall volume, First Merchants had the highest % of purchase loans to Black borrowers (34.3%) of all CONVERGENCE members

Source: 2022 HMDA Loan Application Record (LAR)

Key Findings

- There is considerable variation between lending institutions in their *volume* and *share* of purchase mortgages to Black borrowers in Franklin County
 - While 21.7% of households in Franklin County are Black, only 13.5% of mortgage loan originations for home purchases in Franklin County in 2022 were to Black borrowers.
 - The top 30 lenders originating the most mortgages in Franklin County vary in the share of their mortgages to Black borrowers-- from a low of 9.6% to a high of 66%.
 - Independent mortgage companies and credit unions serve a higher share of Black borrowers in Franklin County than banks– although some banks also serve a large number of Black borrowers.



Convergence Columbus partner lenders can set lender-specific goals to increase the number and share of loans they make to Black borrowers in Franklin County.

Insights on Strategies for CONVERGENCE

FACILITATE PRODUCT INNOVATION

Design Special Purpose Credit Programs and other innovative solutions to meet applicants where they are and set them up for success after purchase



PREVENT HIGH DTI FROM BEING A BARRIER

Consider strategies to reduce the DTI for applicants, including lowering interest rates and reducing mortgage balances through equity DPA programs



INVEST IN HOMEBUYER JOURNEY TOOL

Equip prospective homebuyers and real estate professionals with tools to navigate the homebuying process—including to successful application completion



EXPAND LOAN PRODUCT MATRIX

Work with Convergence partner lenders to expand and promote an easy access tool to locate affordable mortgage options and assistance



EDUCATE BUYERS AND PRACTITIONERS

Reduce information gaps for prospective homebuyers, real estate professionals, and loan originators and dispel common myths that create barriers



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