

Barriers to
Building Generational Wealth:

MORTGAGE LENDING

Disparities

in Philadelphia
September 2021



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DVRPC's mission is to achieve this vision by convening the widest array of partners to inform and facilitate data-driven decision-making. We are engaged across the region, and strive to be leaders and innovators, exploring new ideas and creating best practices.

The Delaware Valley Regional Planning Commission

is the federally designated Metropolitan Planning Organization for the Greater Philadelphia region, established by an Interstate Compact between the Commonwealth of Pennsylvania and the State of New Jersey. Members include Bucks, Chester, Delaware, Montgomery, and Philadelphia counties, plus the City of Chester, in Pennsylvania; and Burlington, Camden, Gloucester, and Mercer counties, plus the cities of Camden and Trenton, in New Jersey.

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Sections

Definitions of Key Terms.....	1
Summary of Findings.....	3
Applications.....	5
Originations.....	10
Denials.....	15
Degrees of Disparity.....	23
Conclusion.....	24
Sources and Sites Accessed.....	25

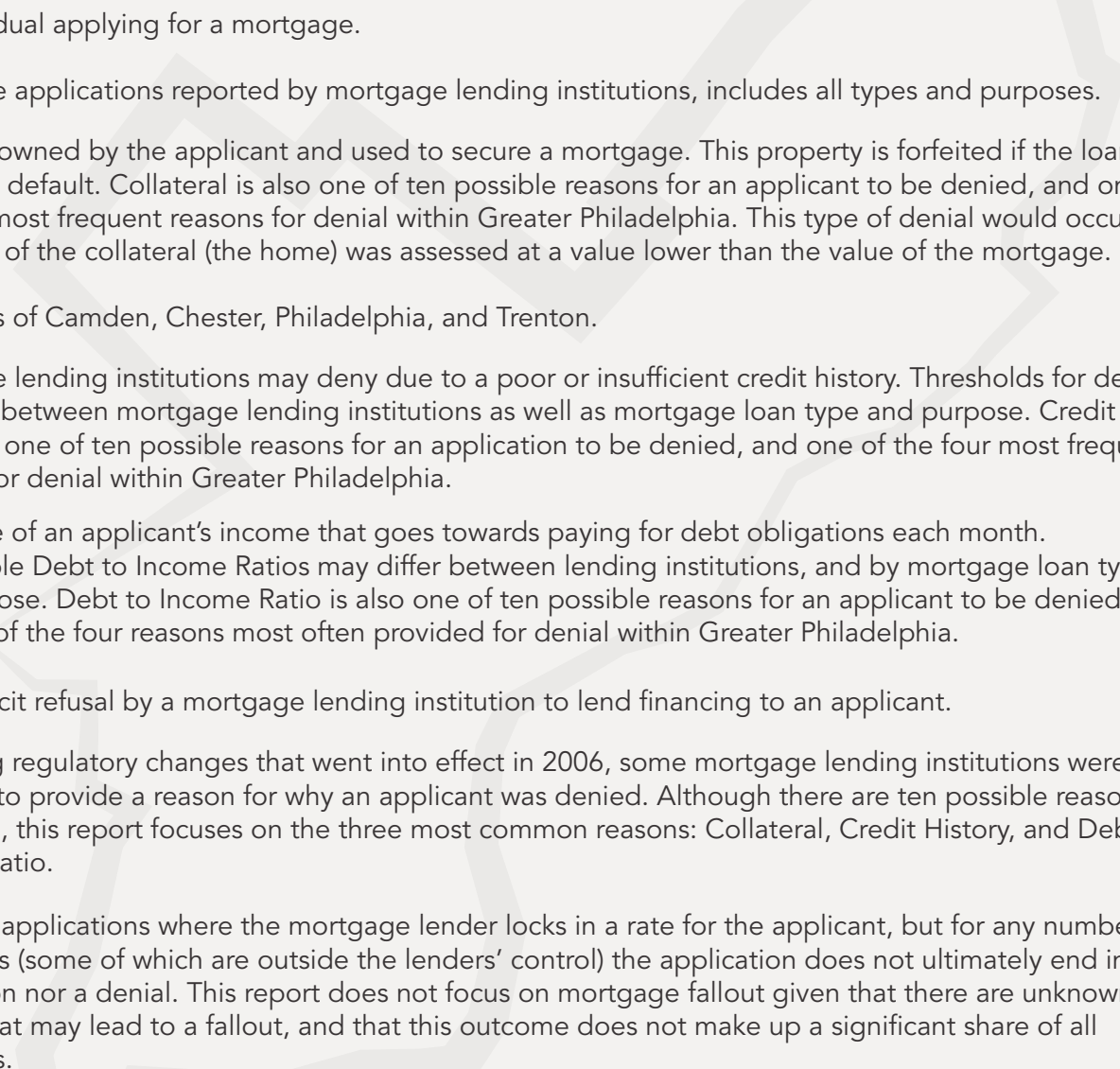
Tables

Table 01: Originations per 1,000 People (2019).....	3
Table 02: Total Applications (2004–2019).....	5
Table 03: Originations as Share of Total Applications (2004–2019).....	10
Table 04: Denials as Share of Total Applications (2004–2019).....	15
Table 05: Collateral as Share of All Denials (2006–2019).....	20
Table 06: Credit History as Share of All Denials (2006–2019).....	21
Table 07: Debt to Income Ratio as Share of All Denials (2006–2019).....	22
Table 08: Degrees of Disparity by County.....	23
Table 09: Average Denial Rates (2004–2019).....	24

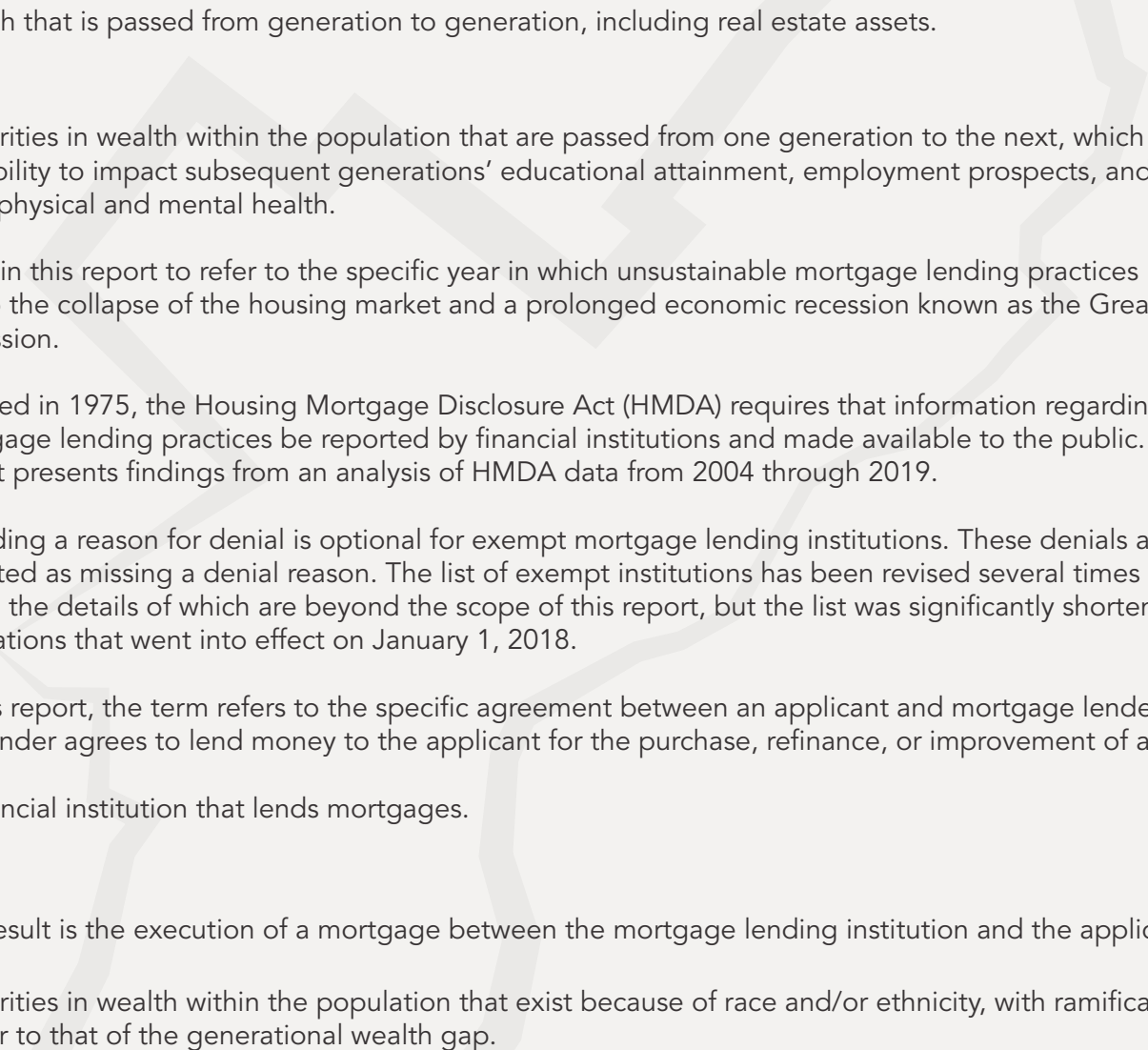
Figures

Figure 01: Total Applications, by Census Tract (All Races and Ethnicities, 2019).....	6
Figure 02: Total Applications, by Census Tract (Black Applicants, 2019).....	7
Figure 03: Total Applications, by Census Tract (Hispanic Applicants, 2019).....	8
Figure 04: Total Applications, by Census Tract (White Applicants, 2019).....	9
Figure 05: Originations as Share of Applications, by Census Tract (All Races and Ethnicities, 2019).....	11
Figure 06: Originations as Share of Applications, by Census Tract (Black Applicants, 2019).....	12
Figure 07: Originations as Share of Applications, by Census Tract (Hispanic Applicants, 2019).....	13
Figure 08: Originations as Share of Applications, by Census Tract (White Applicants, 2019).....	14
Figure 09: Denials as Share of Applications, by Census Tract (All Races and Ethnicities, 2019).....	16
Figure 10: Denials as Share of Applications, by Census Tract (Black Applicants, 2019).....	17
Figure 11: Denials as Share of Applications, by Census Tract (Hispanic Applicants, 2019).....	18
Figure 12: Denials as Share of Applications, by Census Tract (White Applicants, 2019).....	19

Definitions of Key Terms

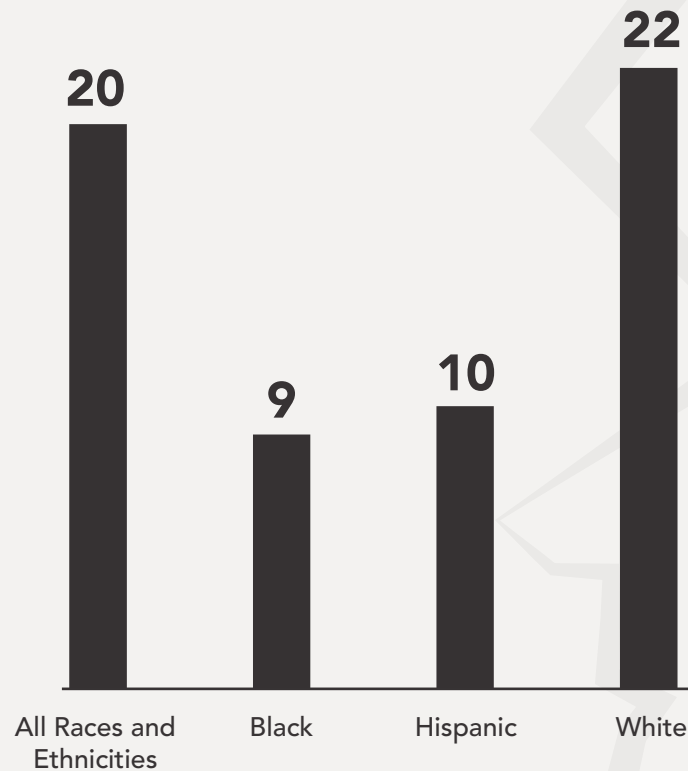


Applicant	An individual applying for a mortgage.
Application	Mortgage applications reported by mortgage lending institutions, includes all types and purposes.
Collateral	Property owned by the applicant and used to secure a mortgage. This property is forfeited if the loan goes into default. Collateral is also one of ten possible reasons for an applicant to be denied, and one of the four most frequent reasons for denial within Greater Philadelphia. This type of denial would occur if the value of the collateral (the home) was assessed at a value lower than the value of the mortgage.
Core Cities	The cities of Camden, Chester, Philadelphia, and Trenton.
Credit History	Mortgage lending institutions may deny due to a poor or insufficient credit history. Thresholds for denial may vary between mortgage lending institutions as well as mortgage loan type and purpose. Credit History is one of ten possible reasons for an application to be denied, and one of the four most frequent reasons for denial within Greater Philadelphia.
Debt to Income Ratio	The share of an applicant's income that goes towards paying for debt obligations each month. Acceptable Debt to Income Ratios may differ between lending institutions, and by mortgage loan type and purpose. Debt to Income Ratio is also one of ten possible reasons for an applicant to be denied, and one of the four reasons most often provided for denial within Greater Philadelphia.
Denial	The explicit refusal by a mortgage lending institution to lend financing to an applicant.
Denial Reason	Following regulatory changes that went into effect in 2006, some mortgage lending institutions were required to provide a reason for why an applicant was denied. Although there are ten possible reasons for denial, this report focuses on the three most common reasons: Collateral, Credit History, and Debt to Income Ratio.
Fallout	Refers to applications where the mortgage lender locks in a rate for the applicant, but for any number of reasons (some of which are outside the lenders' control) the application does not ultimately end in an origination nor a denial. This report does not focus on mortgage fallout given that there are unknown factors that may lead to a fallout, and that this outcome does not make up a significant share of all outcomes.



Generational Wealth	Wealth that is passed from generation to generation, including real estate assets.
Generational Wealth Gap	Disparities in wealth within the population that are passed from one generation to the next, which have the ability to impact subsequent generations' educational attainment, employment prospects, and even physical and mental health.
Housing Crisis of 2008	Used in this report to refer to the specific year in which unsustainable mortgage lending practices led to the collapse of the housing market and a prolonged economic recession known as the Great Recession.
Housing Mortgage Disclosure Act	Enacted in 1975, the Housing Mortgage Disclosure Act (HMDA) requires that information regarding mortgage lending practices be reported by financial institutions and made available to the public. This report presents findings from an analysis of HMDA data from 2004 through 2019.
Missing	Providing a reason for denial is optional for exempt mortgage lending institutions. These denials are then reported as missing a denial reason. The list of exempt institutions has been revised several times in recent years, the details of which are beyond the scope of this report, but the list was significantly shortened by regulations that went into effect on January 1, 2018.
Mortgage	In this report, the term refers to the specific agreement between an applicant and mortgage lender where the lender agrees to lend money to the applicant for the purchase, refinance, or improvement of a home.
Mortgage Lending Institution	A financial institution that lends mortgages.
Origination	The result is the execution of a mortgage between the mortgage lending institution and the applicant.
Racial Wealth Gap	Disparities in wealth within the population that exist because of race and/or ethnicity, with ramifications similar to that of the generational wealth gap.

Table 01: Originations per 1,000 People (2019)



Sources: U.S. Census Bureau American Community Survey, Five-Year Estimates 2015–2019; LendingPatterns, 2019; and DVRPC.



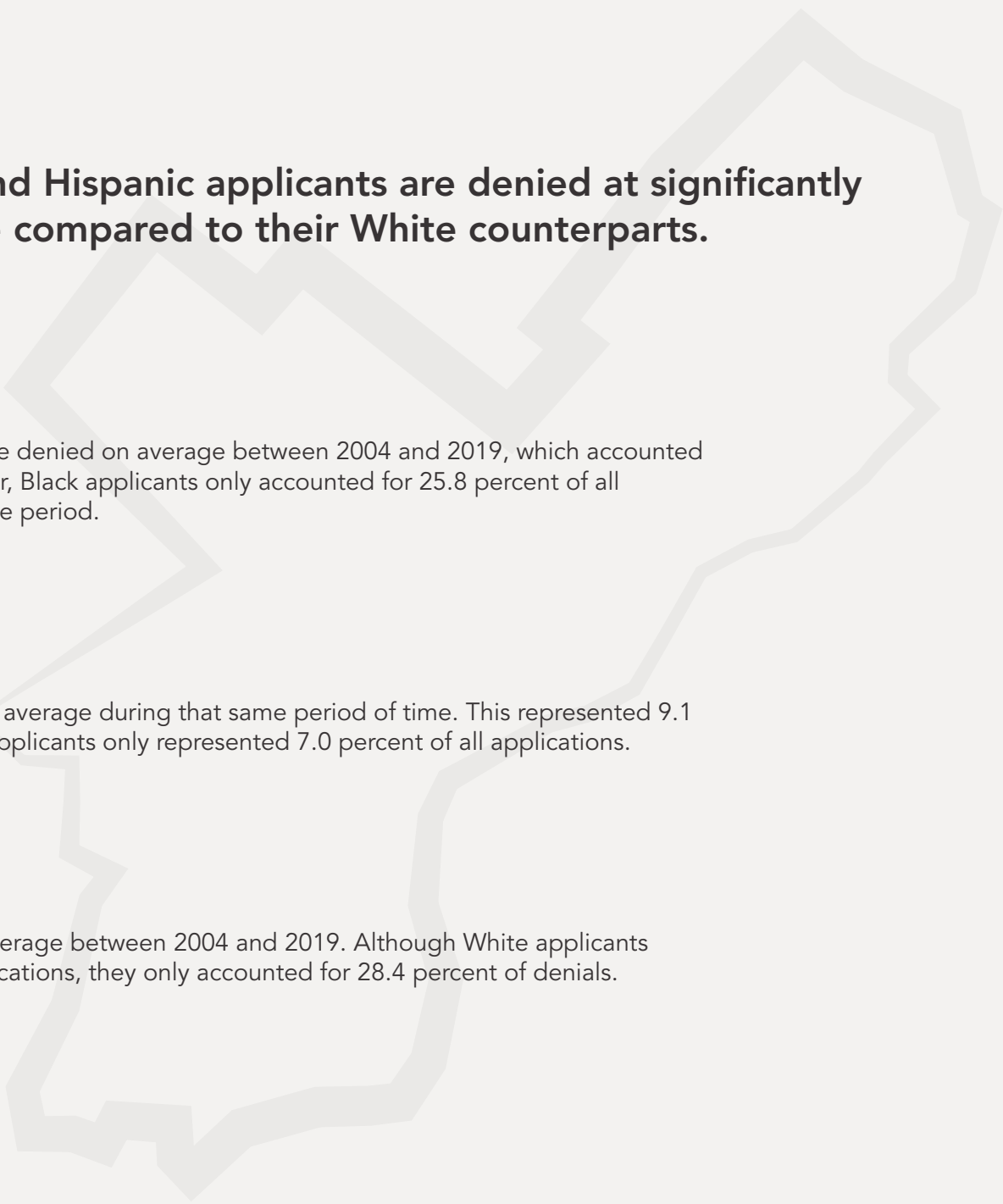
Summary of Findings

Since peaking in 2005, mortgage applications have declined by 59.6 percent in Philadelphia. That decline was 64.1 percent for Black applicants, but only 56.6 percent and 49.5 percent for White and Hispanic applicants, respectively. Regionwide, applications are down by 55.2 percent.¹

As shown in Table 1, in Philadelphia there were 20 originations per 1,000 people in 2019, compared to nine within the Black population, 10 within the Hispanic population, and 22 within the White population. There were fewer originations per capita in Philadelphia compared to the region as a whole (26 per 1,000 people), and this was true for the Black, Hispanic, and White populations as well.

On average since 2004, 29.9 percent of applications were denied in Philadelphia, compared to denial rates of 42.7 percent for Black applicants, 38.3 percent for Hispanic applicants, and 21.1 percent for White applicants. The average rate of denial in Philadelphia is 7.9 percent higher than Greater Philadelphia as a whole. However, the denial rate for Black applicants is 5.4 percent higher, for Hispanic applicants it is 6.9 percent higher, and for White applicants it is 3.3 percent higher.

1. A report on mortgage lending disparities across Greater Philadelphia was published in April 2021, and presents findings from a similar analysis at the regional level.



In Philadelphia, Black and Hispanic applicants are denied at significantly higher rates on average compared to their White counterparts.

42.7%

of Black applicants in Philadelphia were denied on average between 2004 and 2019, which accounted for 35.7 percent of all denials. However, Black applicants only accounted for 25.8 percent of all mortgage applications during this same period.

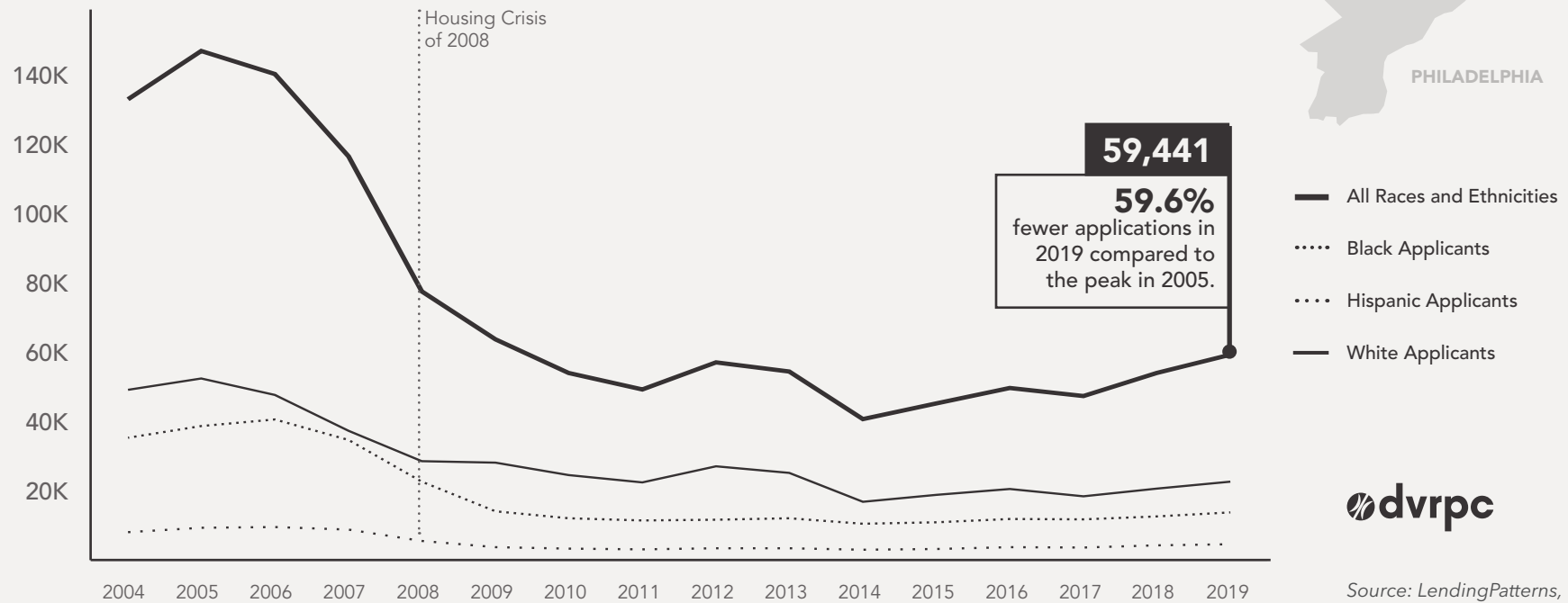
38.3%

of Hispanic applicants were denied on average during that same period of time. This represented 9.1 percent of all denials, while Hispanic applicants only represented 7.0 percent of all applications.

21.1%

of White applicants were denied on average between 2004 and 2019. Although White applicants accounted for 38.8 percent of all applications, they only accounted for 28.4 percent of denials.

Table 02: Total Applications (2004–2019)

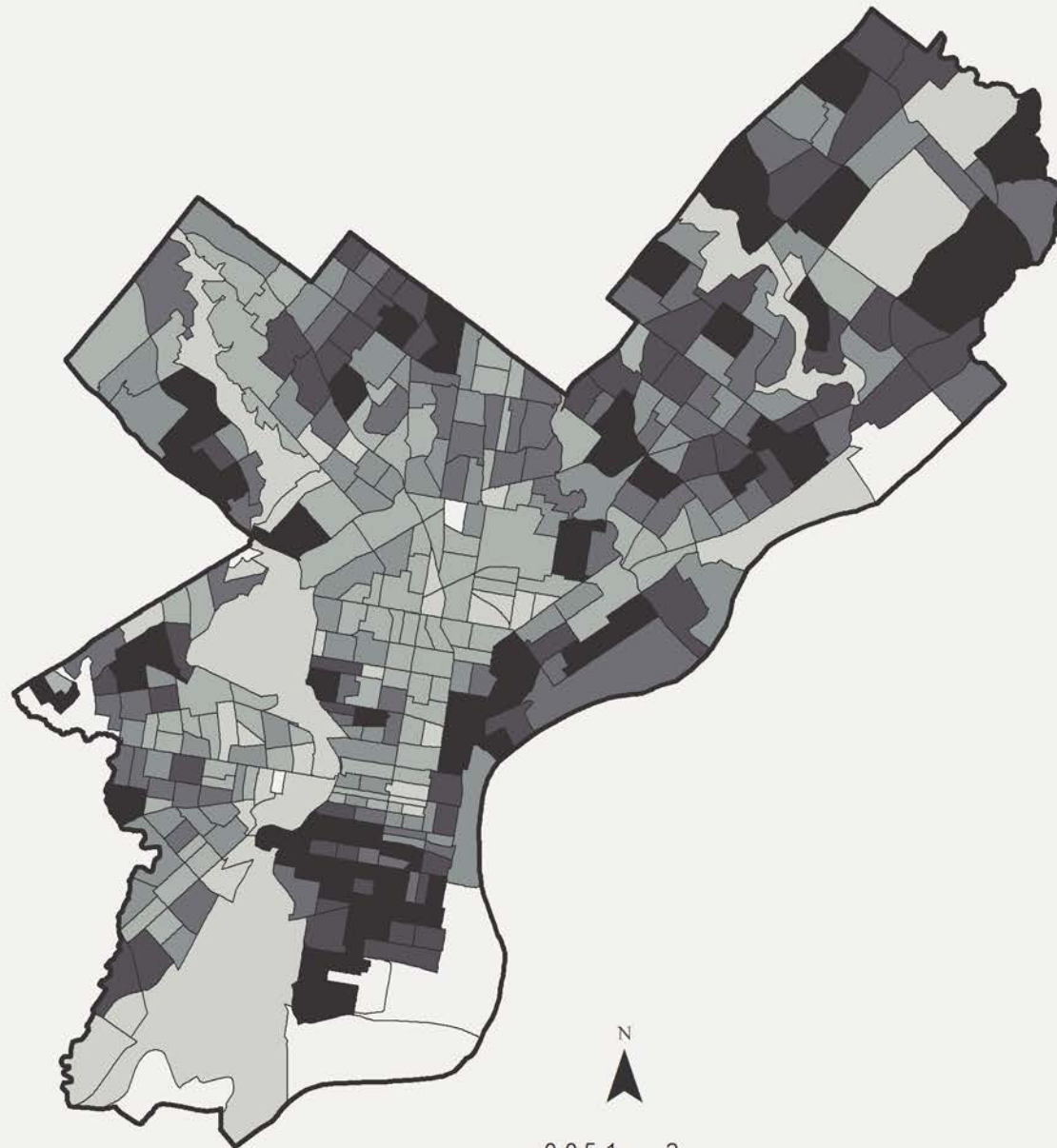
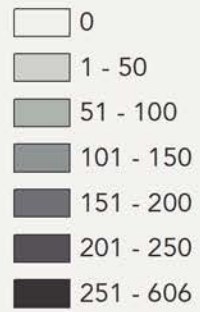


Applications

As shown in Table 2, applications peaked in 2005, with 147,102 mortgage applications submitted that year, which represented 25.9 percent of all applications in Greater Philadelphia. Heading into the Housing Crisis of 2008, applications fell significantly, before falling to an all-time low in 2014 of 40,888 applications (24.8 percent of the regional total). In 2019, there were 59,441 applications, which was 59.6 percent fewer than the 2005 peak. This represented 23.4 percent of all applications in Greater Philadelphia in 2019.

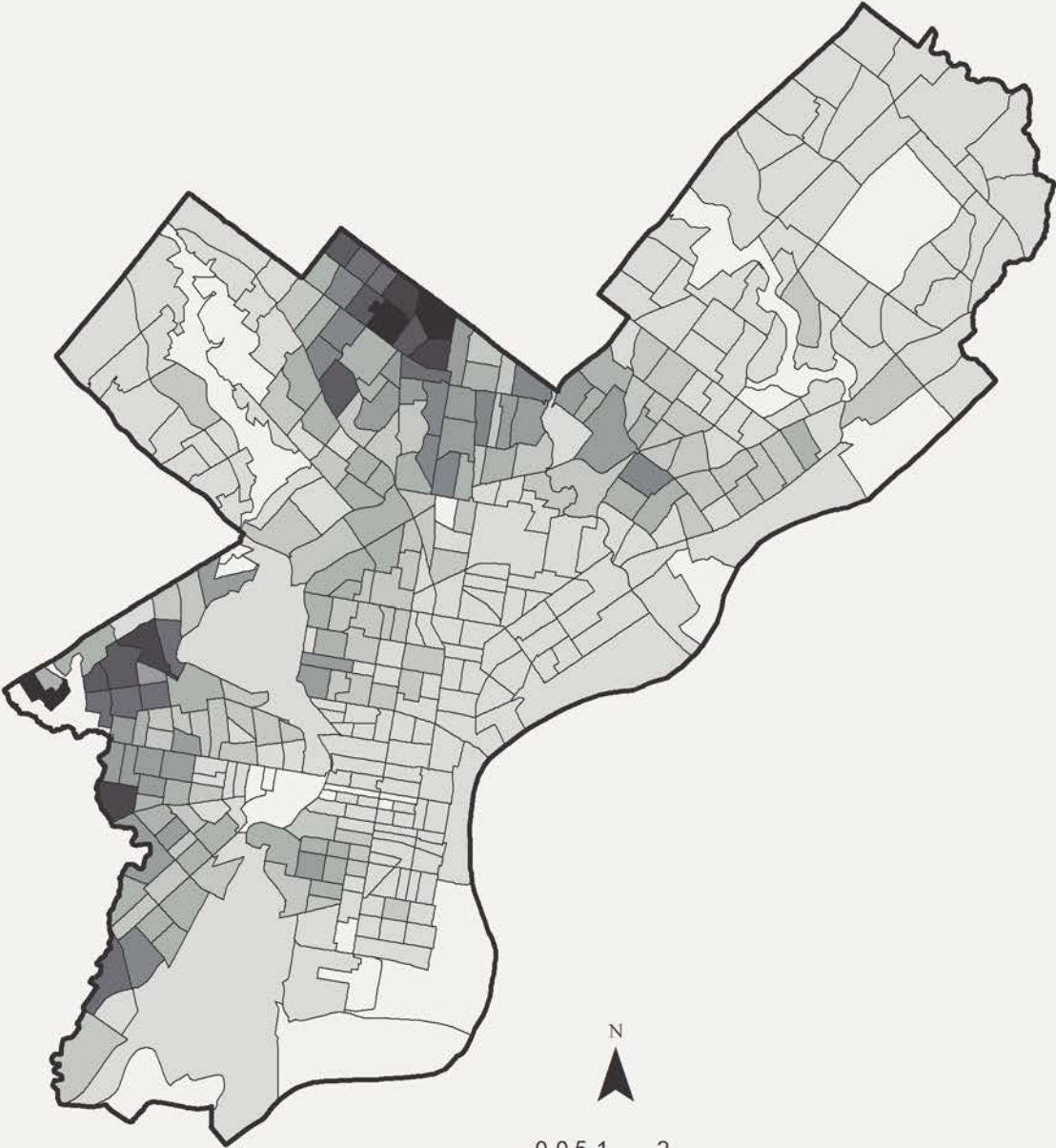
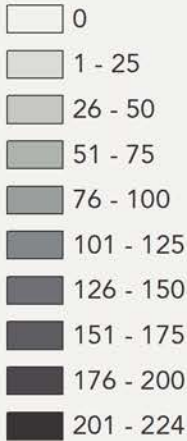
Total applications are down by 64.1 percent for Black applicants, 49.5 percent for Hispanic applicants, and 56.6 percent for White applicants since 2005. In 2019, Black applicants in Philadelphia accounted for 49.5 percent of all Black applicants in the region, and Hispanic applicants accounted for 34.3 percent of Greater Philadelphia’s Hispanic applicants. However, White applicants in Philadelphia only accounted for 15.1 percent of the region’s total White applicants. Total applications by race and ethnicity can be seen at the census tract level in Figures 1, 2, 3, and 4 on the following pages.

Figure 01: Total Applications, by Census Tract (All Races and Ethnicities, 2019)



Sources: LendingPatterns, 2019; and, 2010 TIGER Shapefiles, U.S. Census Bureau, 2010.

Figure 02: Total Applications, by Census Tract (Black Applicants, 2019)



Sources: LendingPatterns, 2019; and, 2010 TIGER Shapefiles, U.S. Census Bureau, 2010.

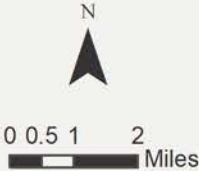
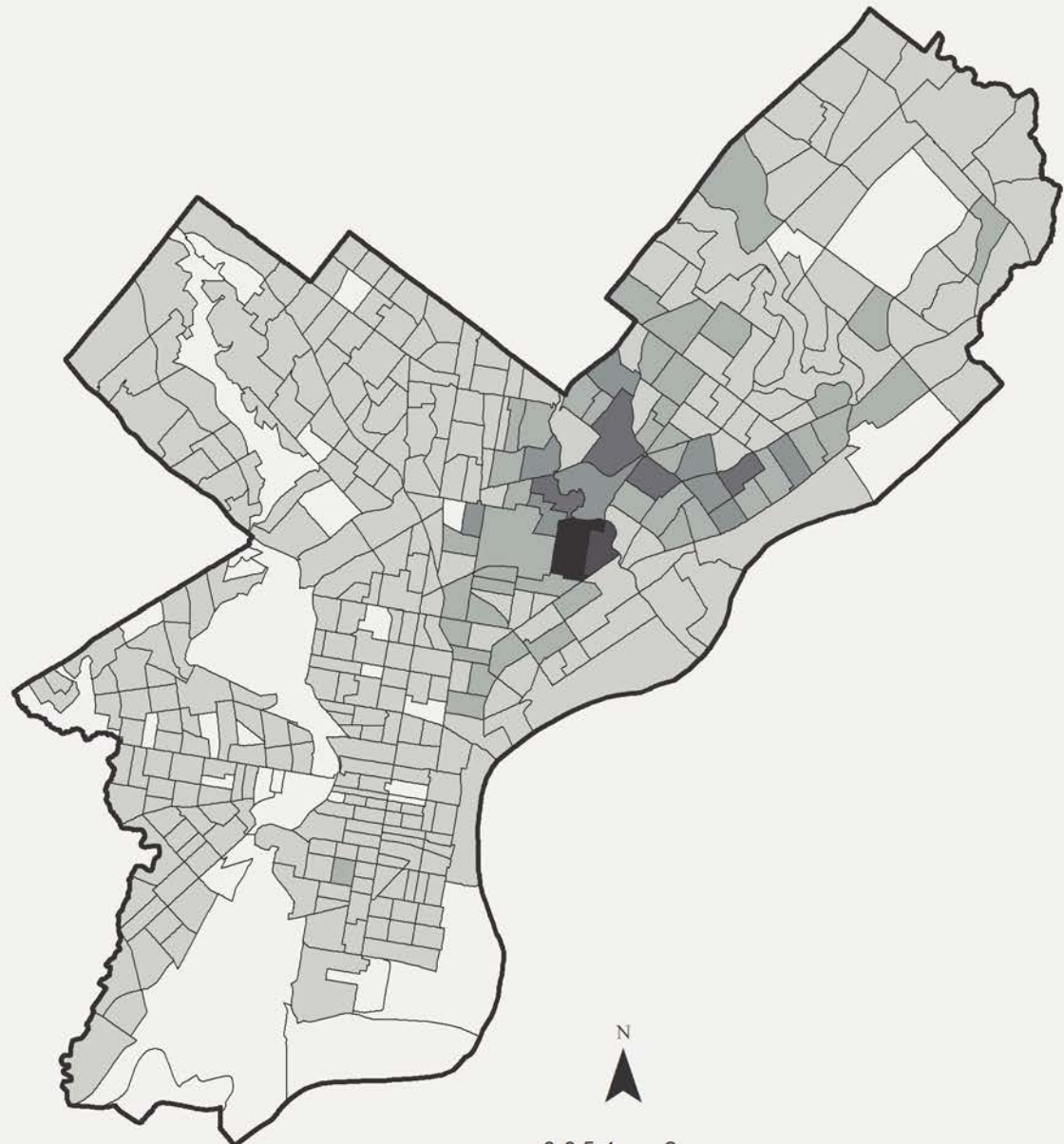
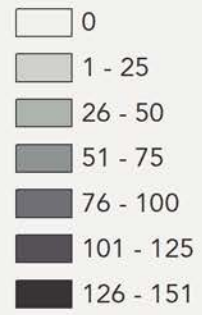
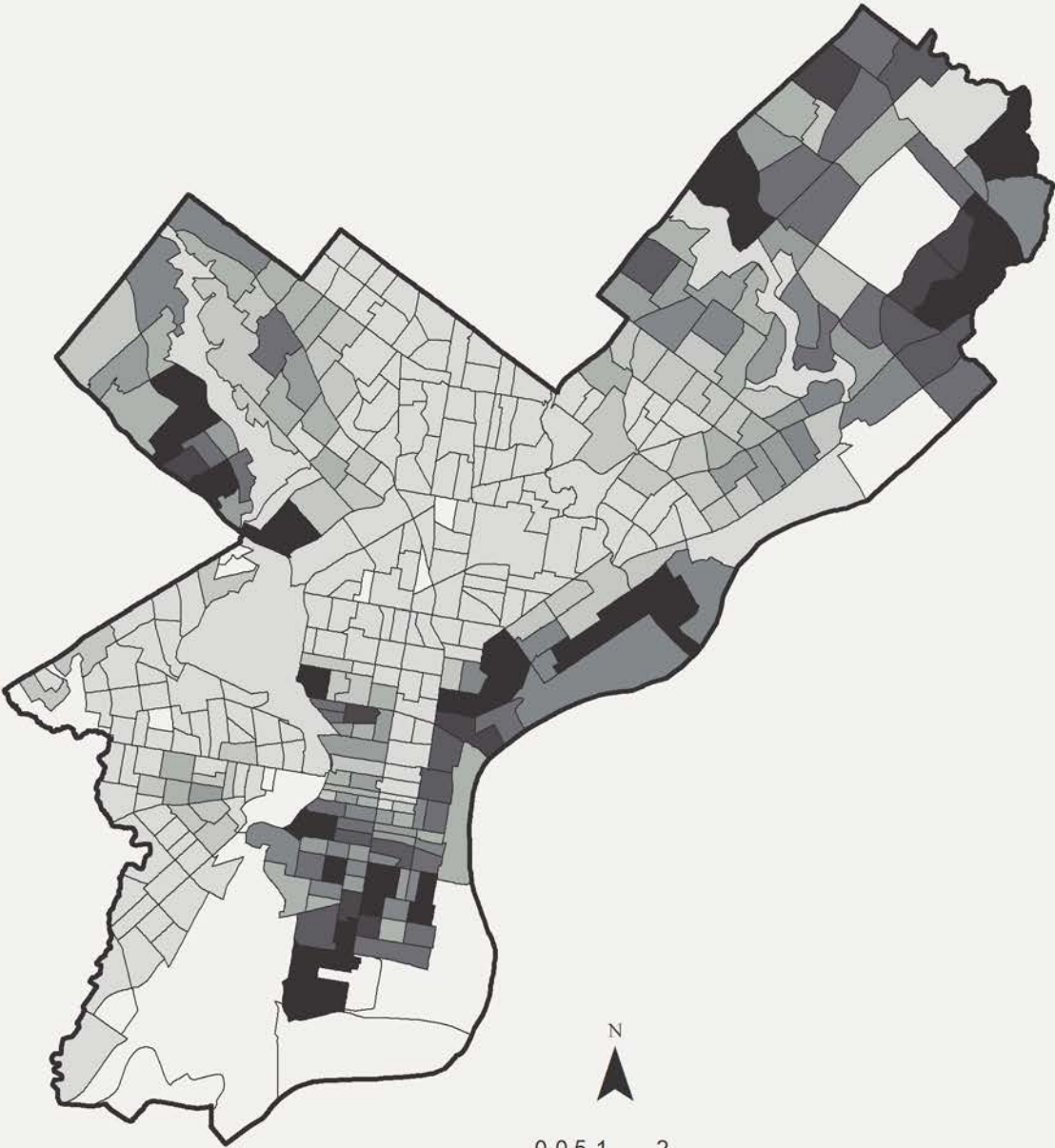
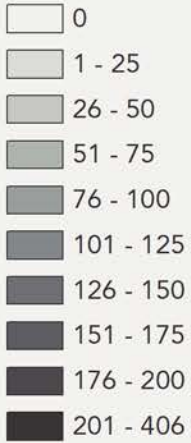


Figure 03: Total Applications, by Census Tract (Hispanic Applicants, 2019)



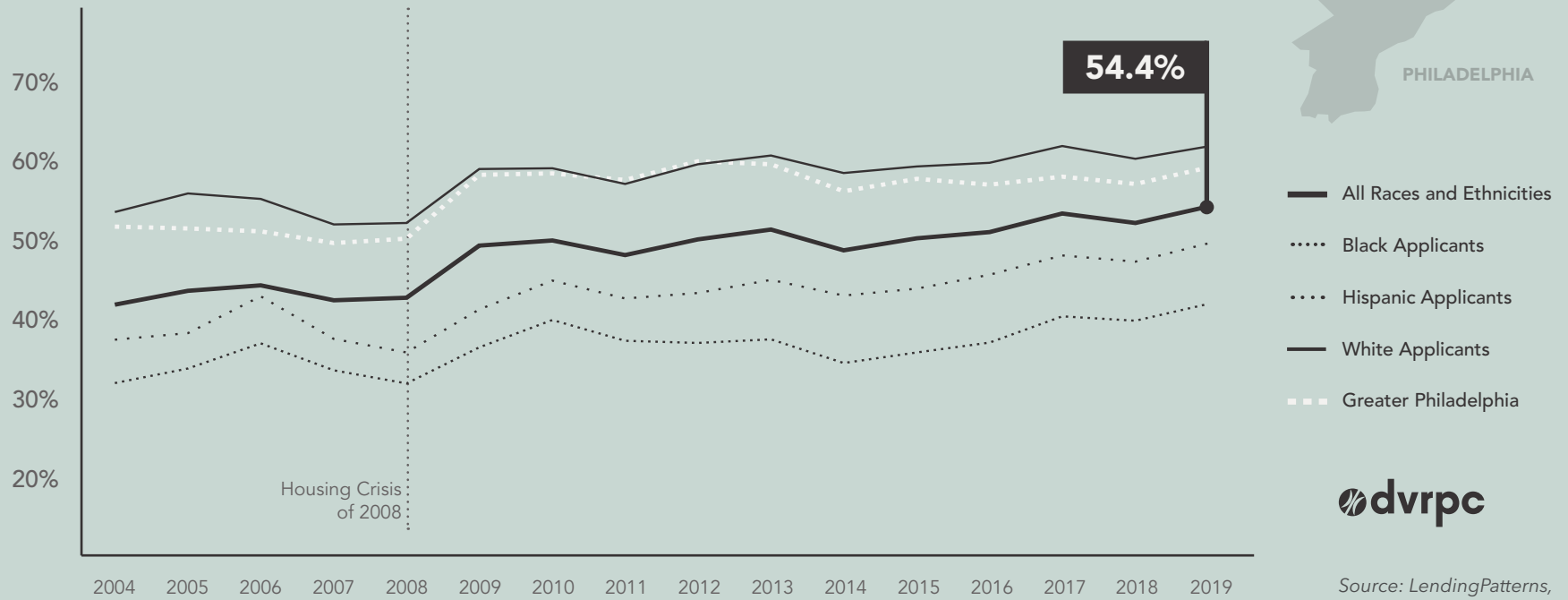
Sources: LendingPatterns, 2019; and, 2010 TIGER Shapefiles, U.S. Census Bureau, 2010.

Figure 04: Total Applications, by Census Tract (White Applicants, 2019)



Sources: LendingPatterns, 2019; and, 2010 TIGER Shapefiles, U.S. Census Bureau, 2010.

Table 03: Originations as Share of Total Applications (2004–2019)



- All Races and Ethnicities
- Black Applicants
- Hispanic Applicants
- White Applicants
- - - Greater Philadelphia



Source: LendingPatterns, 2004–2019.

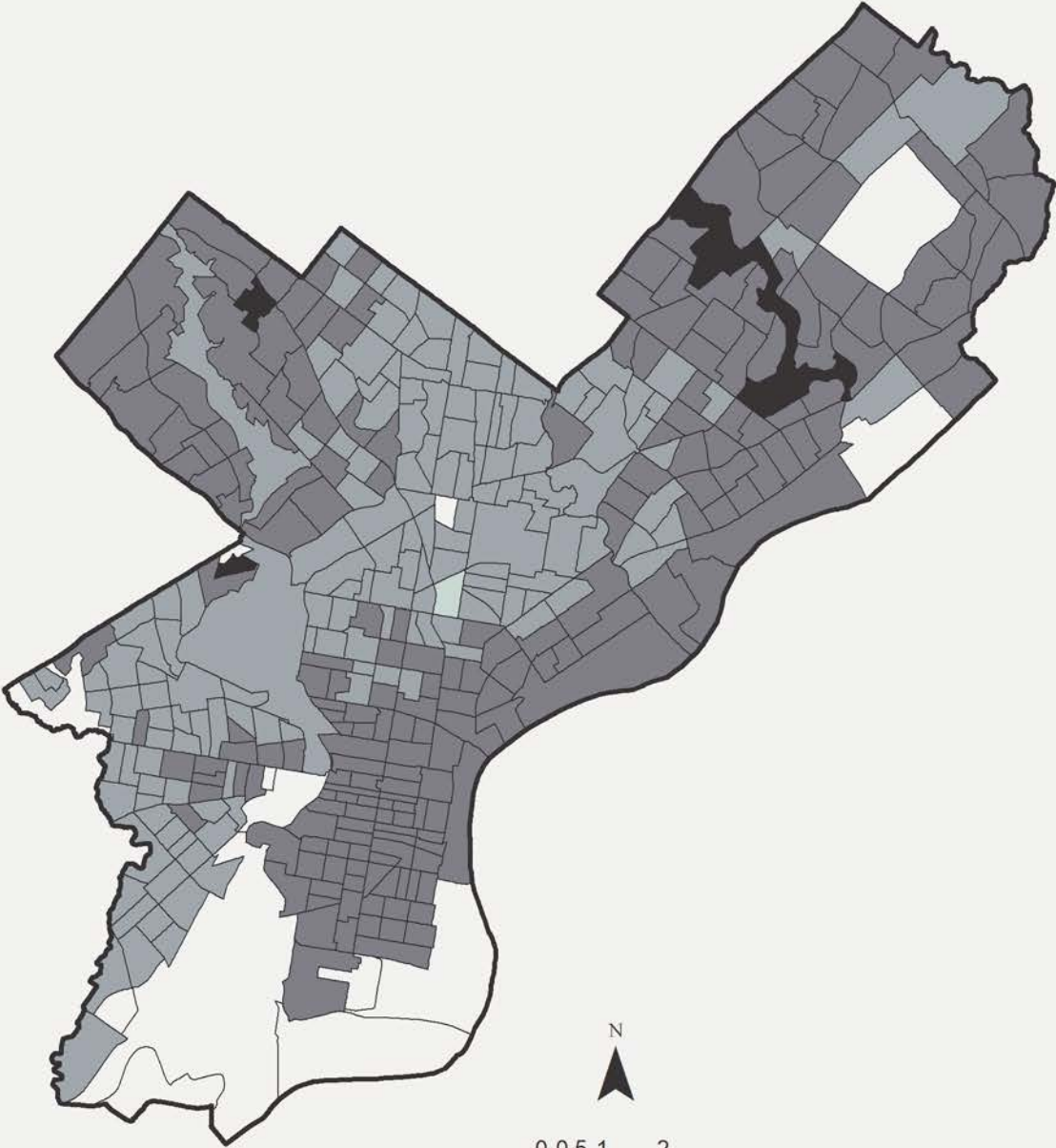
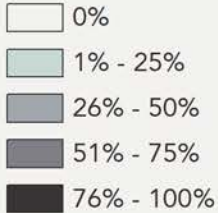
Originations

Although applications in Philadelphia are significantly down since the Housing Crisis of 2008, originations as a share of total applications has increased in recent years to an all-time high of 54.4 percent in 2019. However, this was still 4.9 percent less than Greater Philadelphia as a whole.

In Philadelphia, applications are originated at average rates of 58.0 percent for White applicants (61.8 percent regionwide), 43.0 percent for Hispanic applicants (47.5 percent regionwide), and 36.7 percent for Black applicants (40.7 percent regionwide).

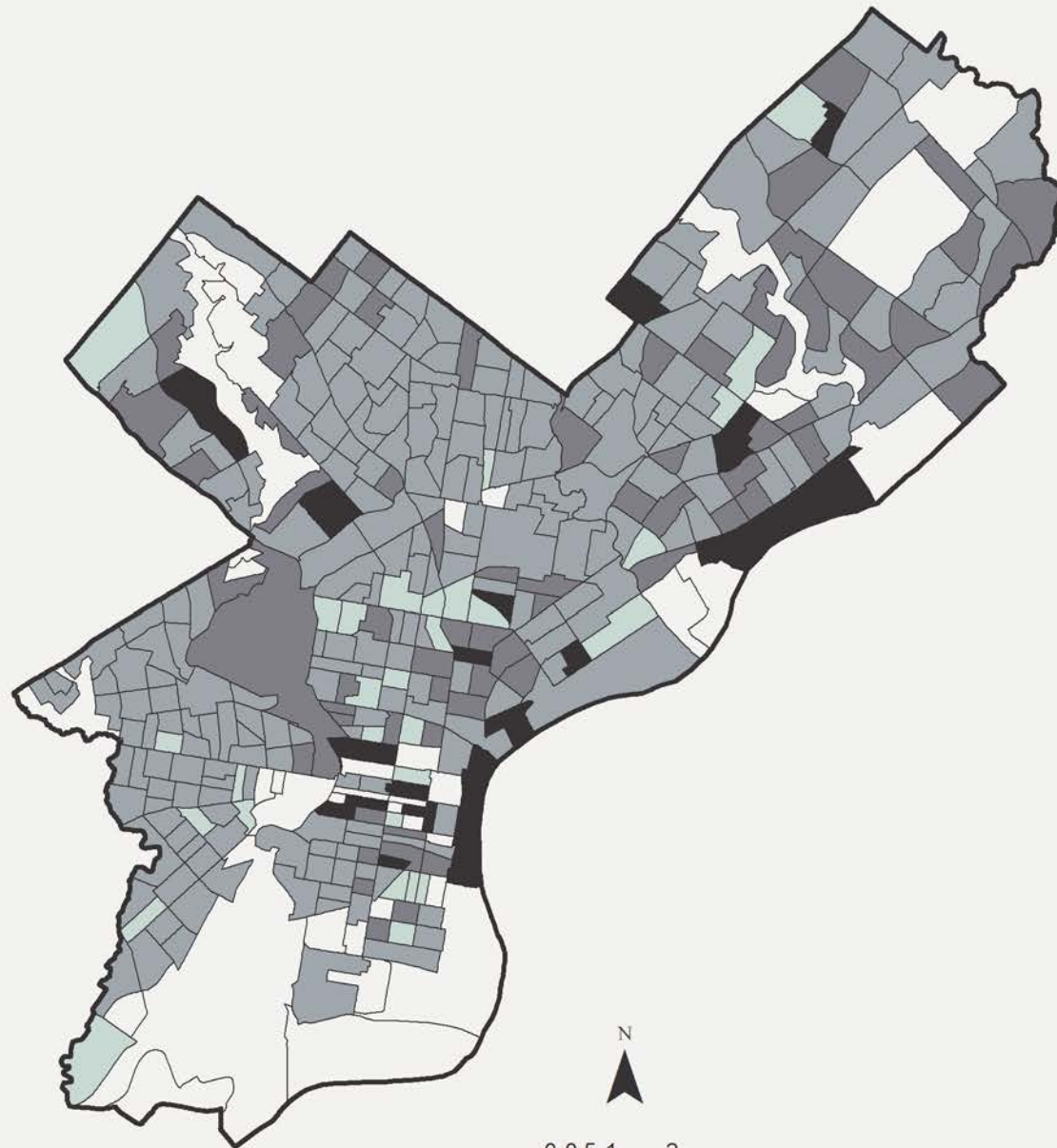
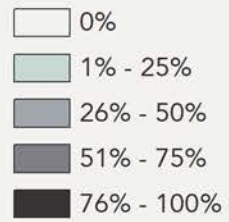
The share of applications for all races and ethnicities, as well as from Black, Hispanic, and White applicants, that resulted in an origination in 2019 can be seen at the census tract level in Figures 5, 6, 7 and 8 on the following pages.

Figure 05: Originations as Share of Applications, by Census Tract (All Races and Ethnicities, 2019)



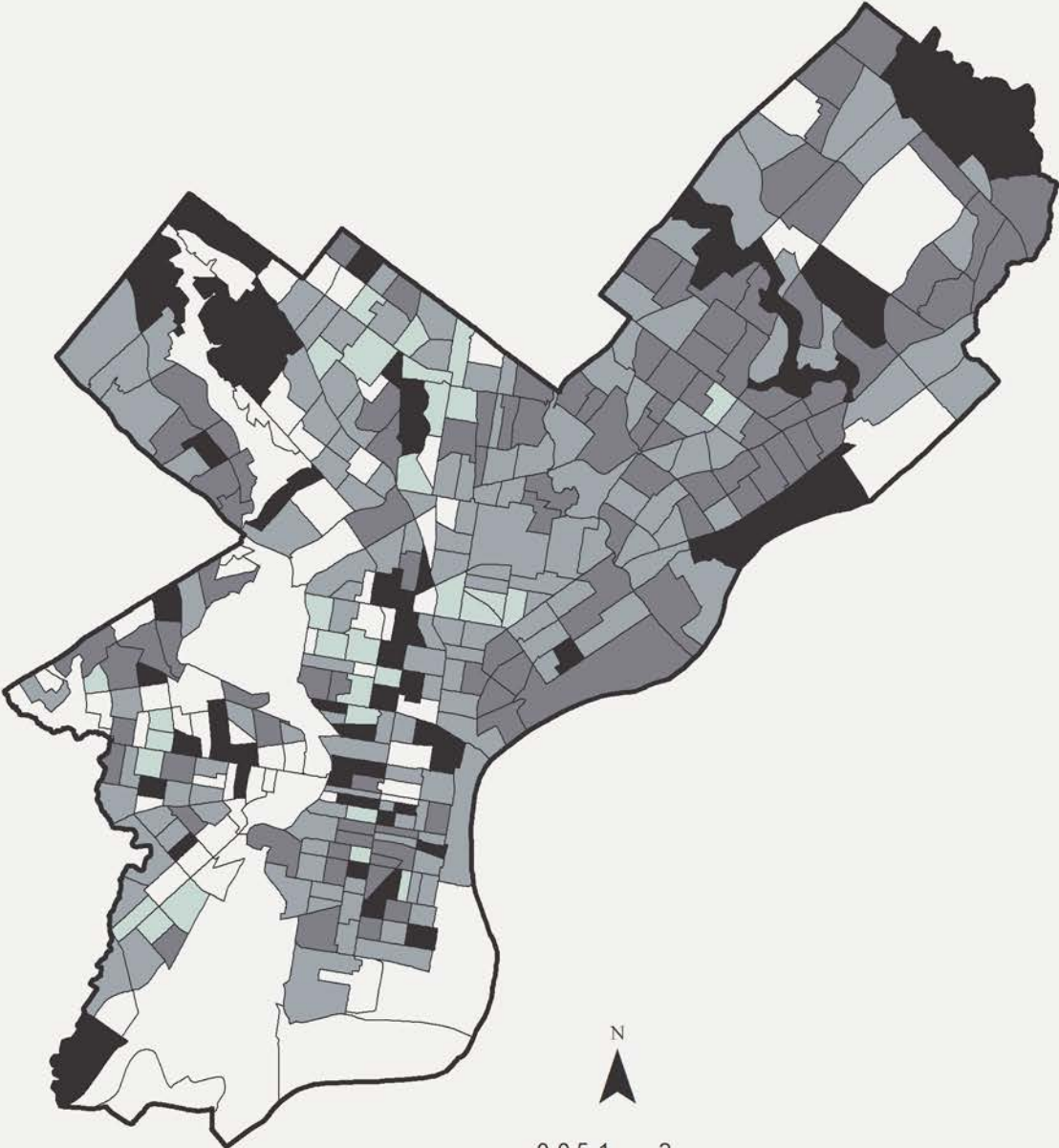
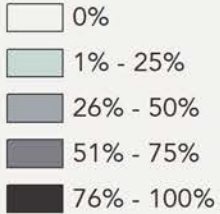
Sources: LendingPatterns, 2019; and, 2010 TIGER Shapefiles, U.S. Census Bureau, 2010.

Figure 06: Originations as Share of Applications, by Census Tract (Black Applicants, 2019)



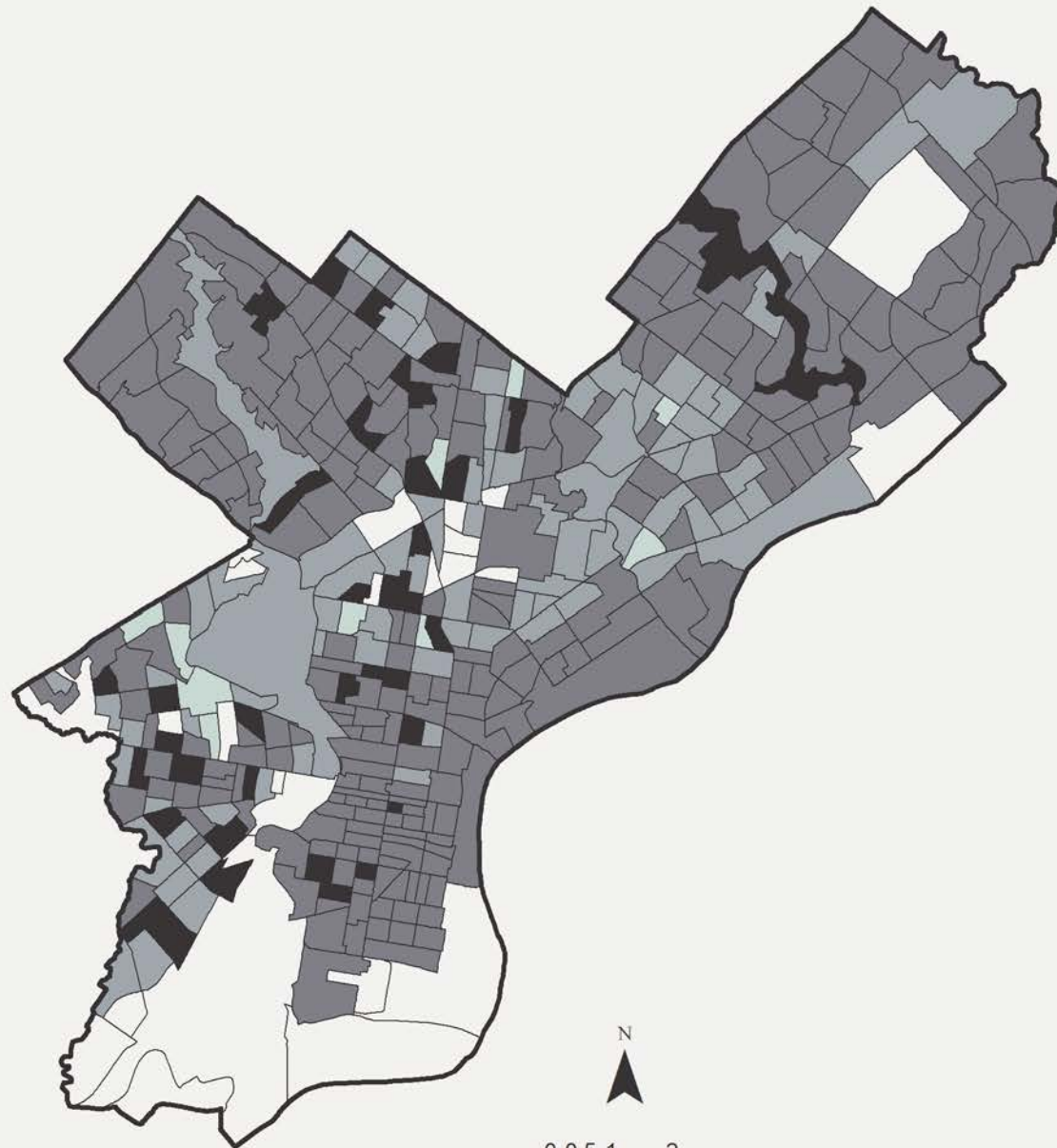
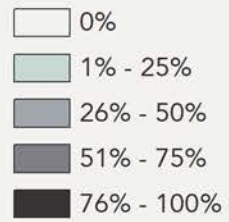
Sources: LendingPatterns, 2019; and, 2010 TIGER Shapefiles, U.S. Census Bureau, 2010.

Figure 07: Originations as Share of Applications, by Census Tract (Hispanic Applicants, 2019)



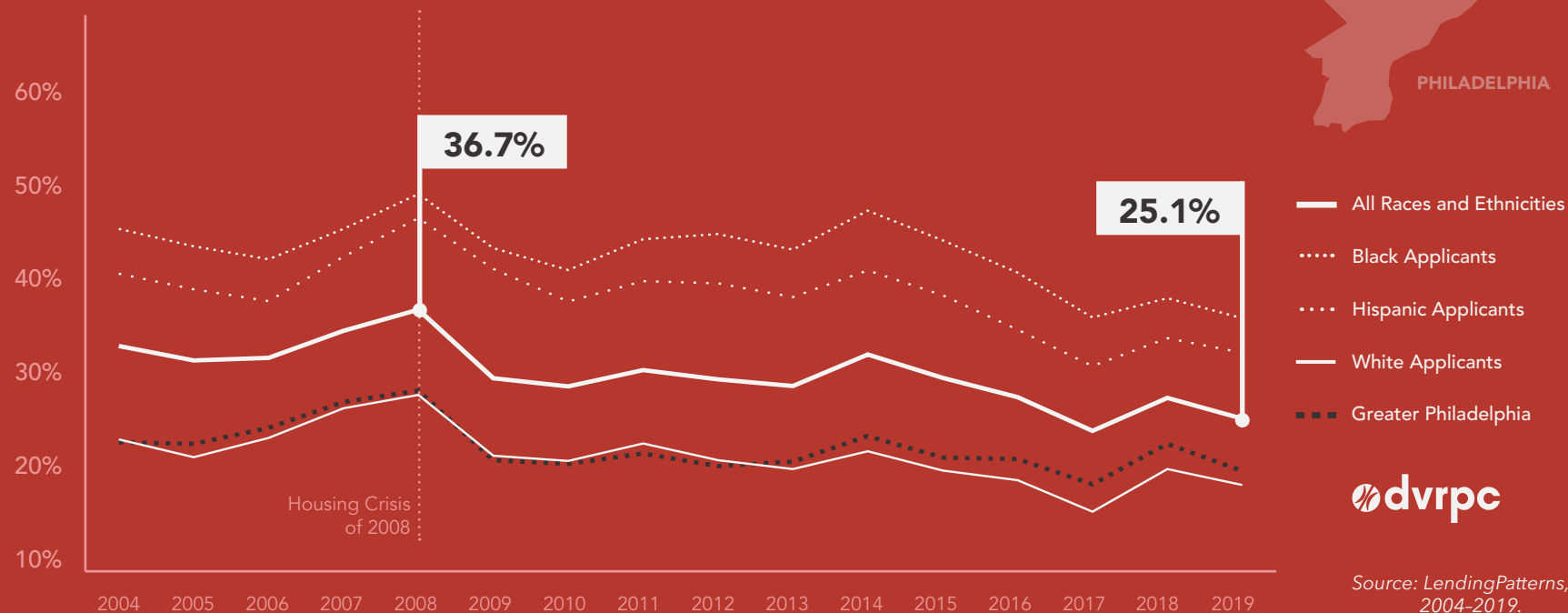
Sources: LendingPatterns, 2019; and, 2010 TIGER Shapefiles, U.S. Census Bureau, 2010.

Figure 08: Originations as Share of Applications, by Census Tract (White Applicants, 2019)



Sources: LendingPatterns, 2019; and, 2010 TIGER Shapefiles, U.S. Census Bureau, 2010.

Table 04: Denials as Share of Total Applications (2004–2019)



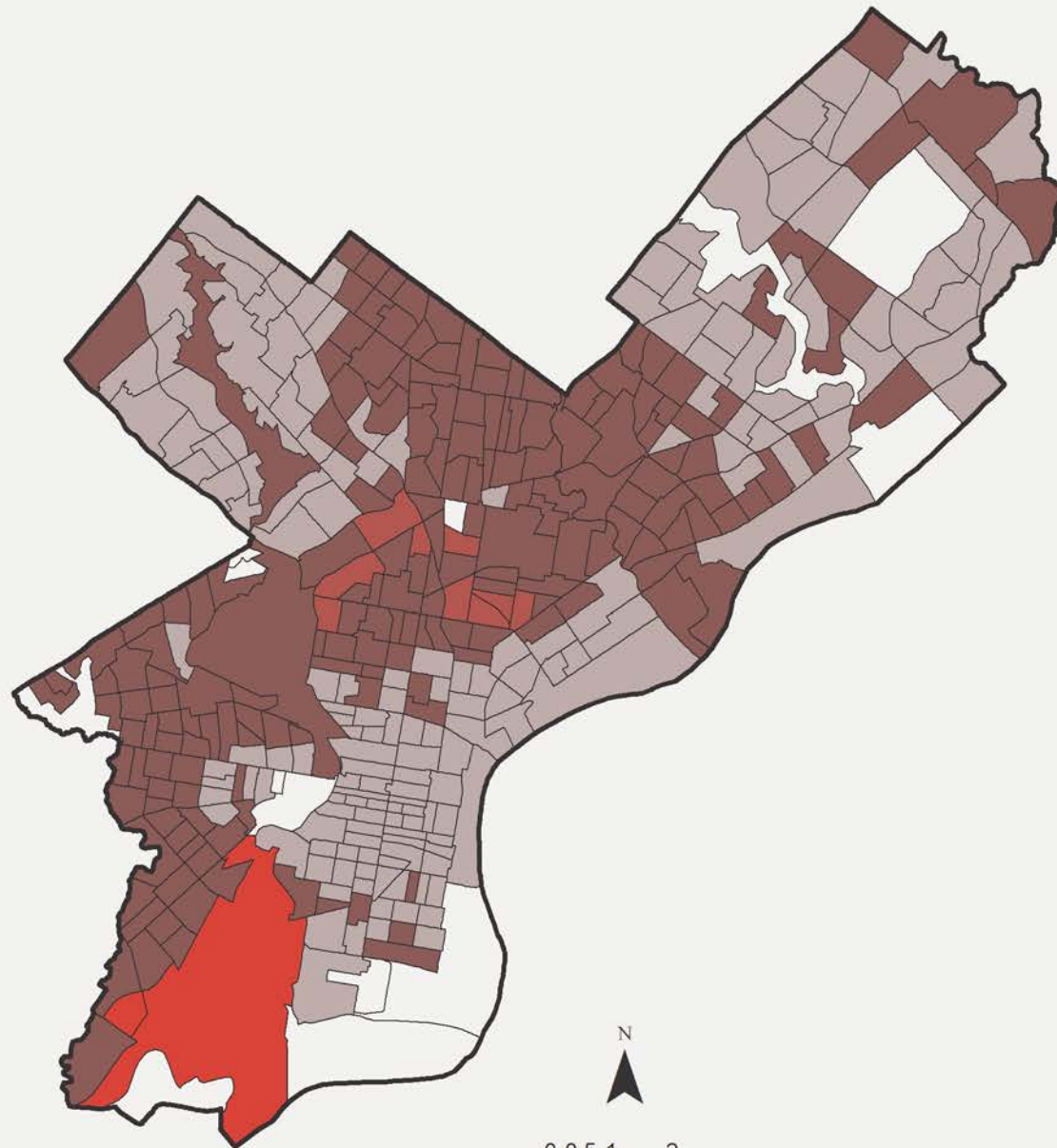
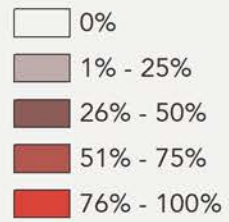
Denials

Denials as a share of applications reached an all-time high at the peak of the Housing Crisis in 2008, when 28.1 percent of the region’s applications were denied. However, in Philadelphia 36.7 percent of applications were denied that same year, and Black, Hispanic, and White applicants were denied at rates of 49.1 percent, 46.5 percent, and 27.6 percent, respectively.

Denial rates are trending downward regardless of race or ethnicity following a spike in denials for Black and Hispanic applicants in 2014, as shown in Table 4. However, since 2013, White applicants in Philadelphia are denied less often than Greater Philadelphia as a whole, and Black and Hispanic applicants in Philadelphia continue to be denied at significantly higher rates.

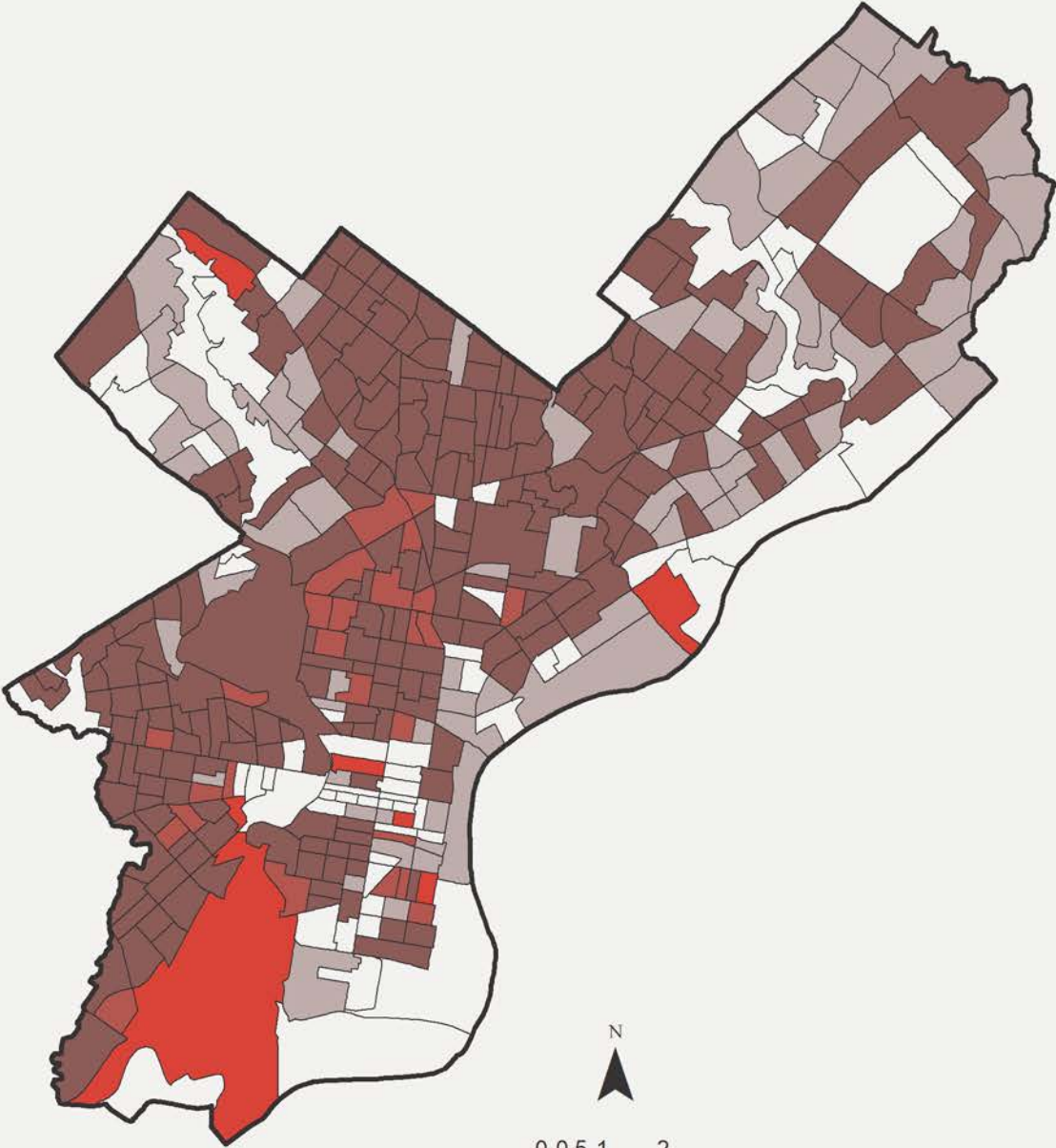
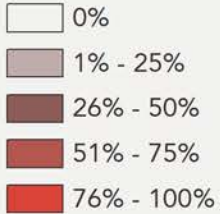
The share of applications that were denied in 2019 can be seen at the census tract level for all races and ethnicities, as well as for Black, Hispanic, and White applicants, in Figures 9, 10, 11, and 12 on the following pages.

Figure 09: Denials as Share of Applications, by Census Tract (All Races and Ethnicities, 2019)



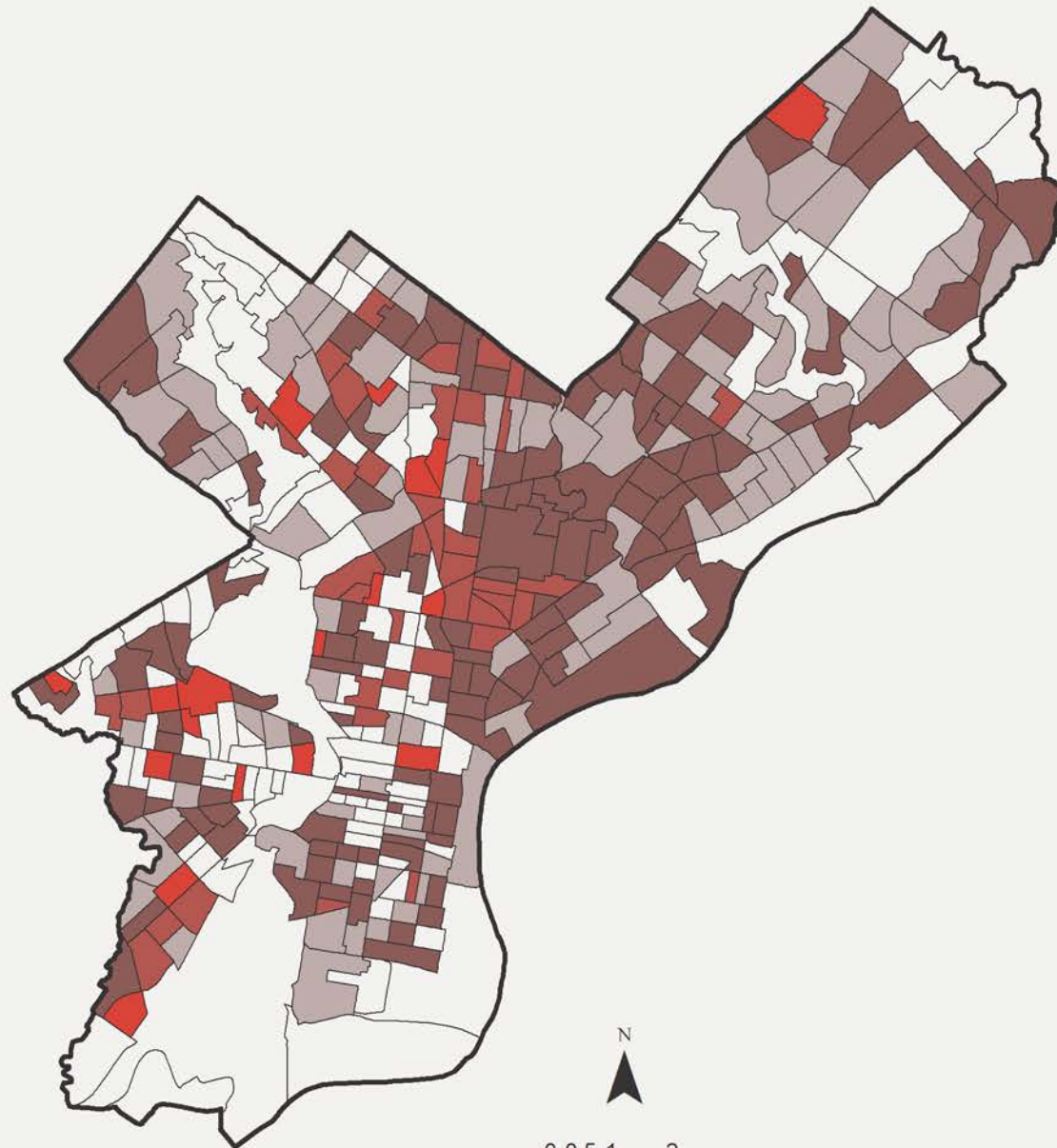
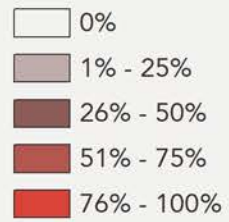
Sources: LendingPatterns, 2019; and, 2010 TIGER Shapefiles, U.S. Census Bureau, 2010.

Figure 10: Denials as Share of Applications, by Census Tract (Black Applicants, 2019)



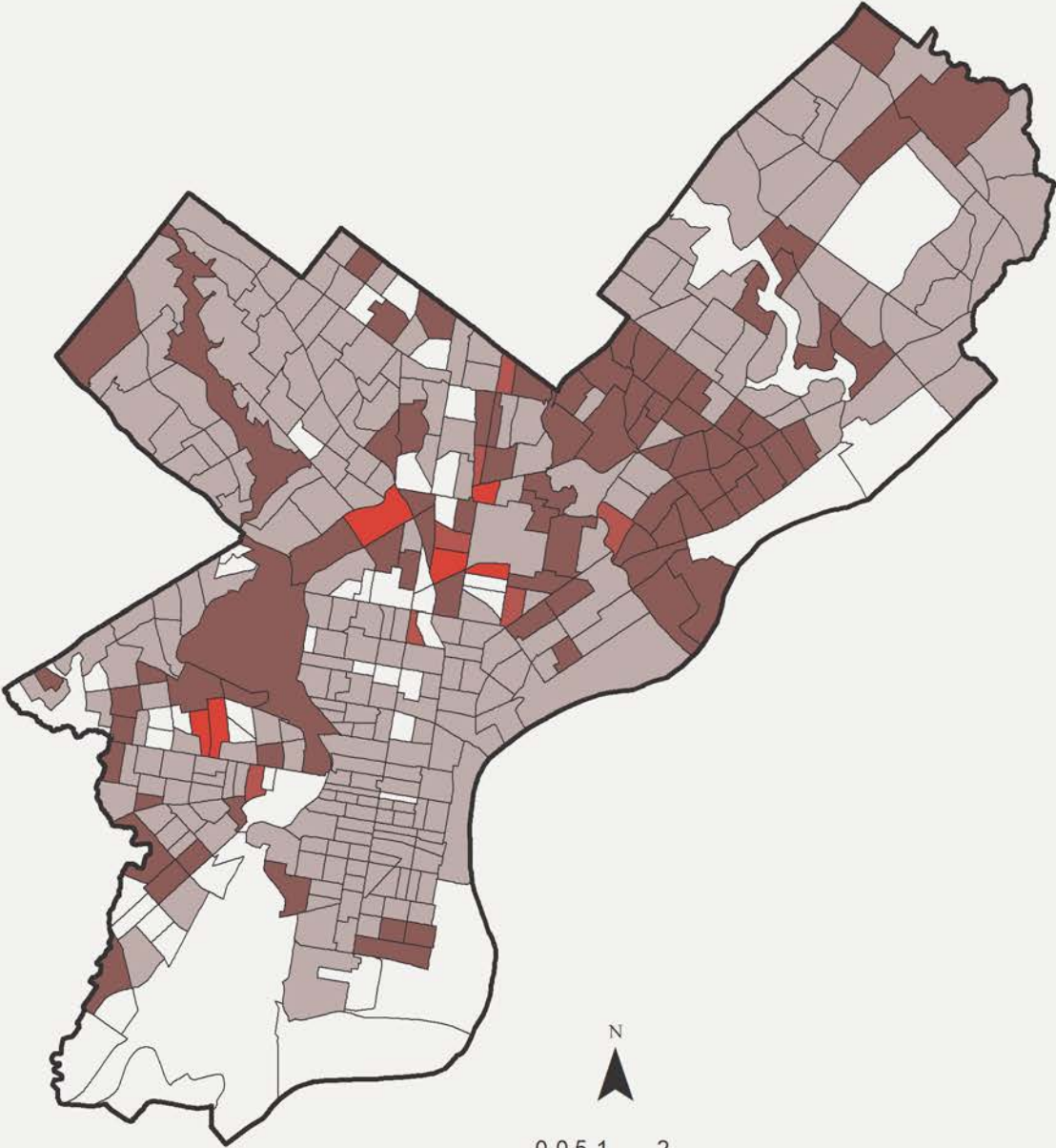
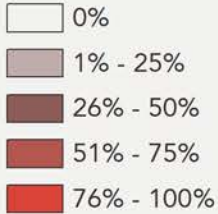
Sources: LendingPatterns, 2019; and, 2010 TIGER Shapefiles, U.S. Census Bureau, 2010.

Figure 11: Denials as Share of Applications, by Census Tract (Hispanic Applicants, 2019)



Sources: LendingPatterns, 2019; and, 2010 TIGER Shapefiles, U.S. Census Bureau, 2010.

Figure 12: Denials as Share of Applications, by Census Tract (White Applicants, 2019)



Sources: LendingPatterns, 2019; and, 2010 TIGER Shapefiles, U.S. Census Bureau, 2010.

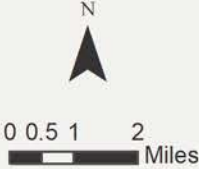
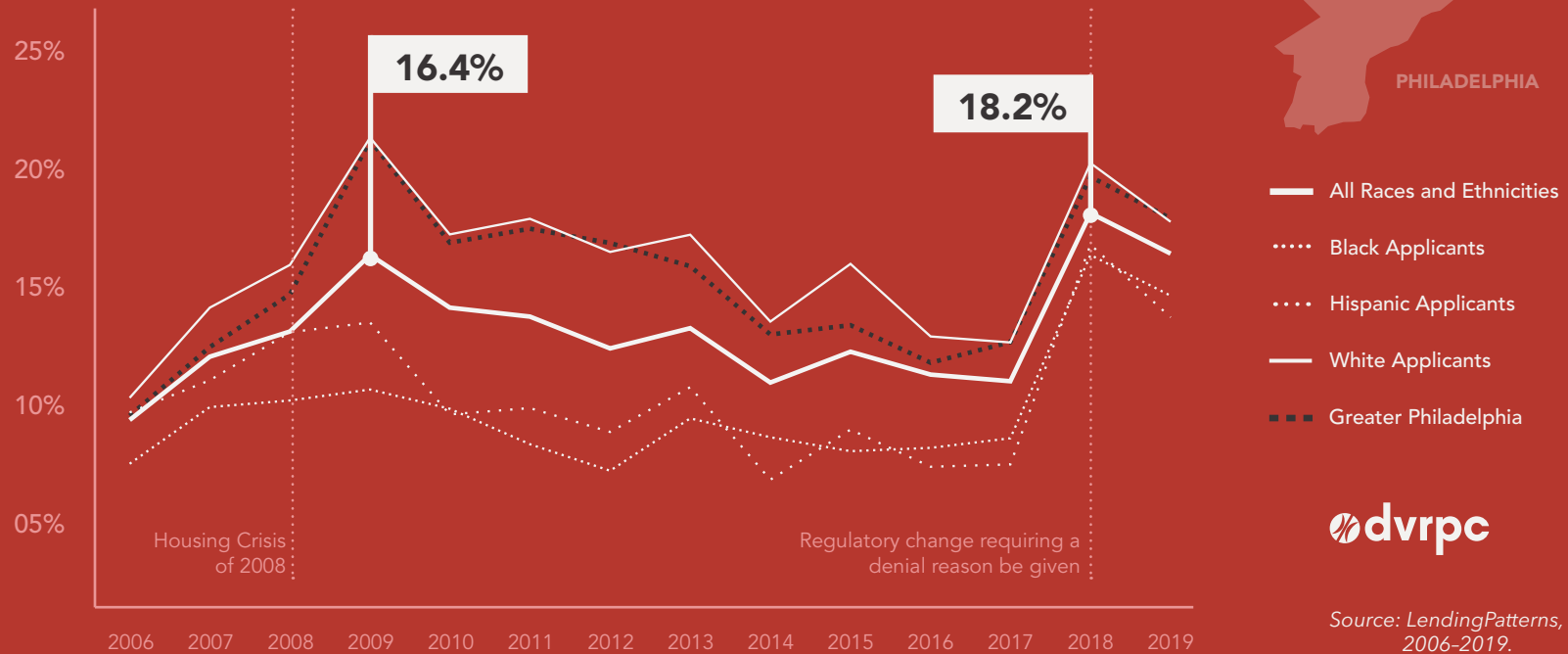


Table 05: Collateral as Share of All Denials (2006–2019)

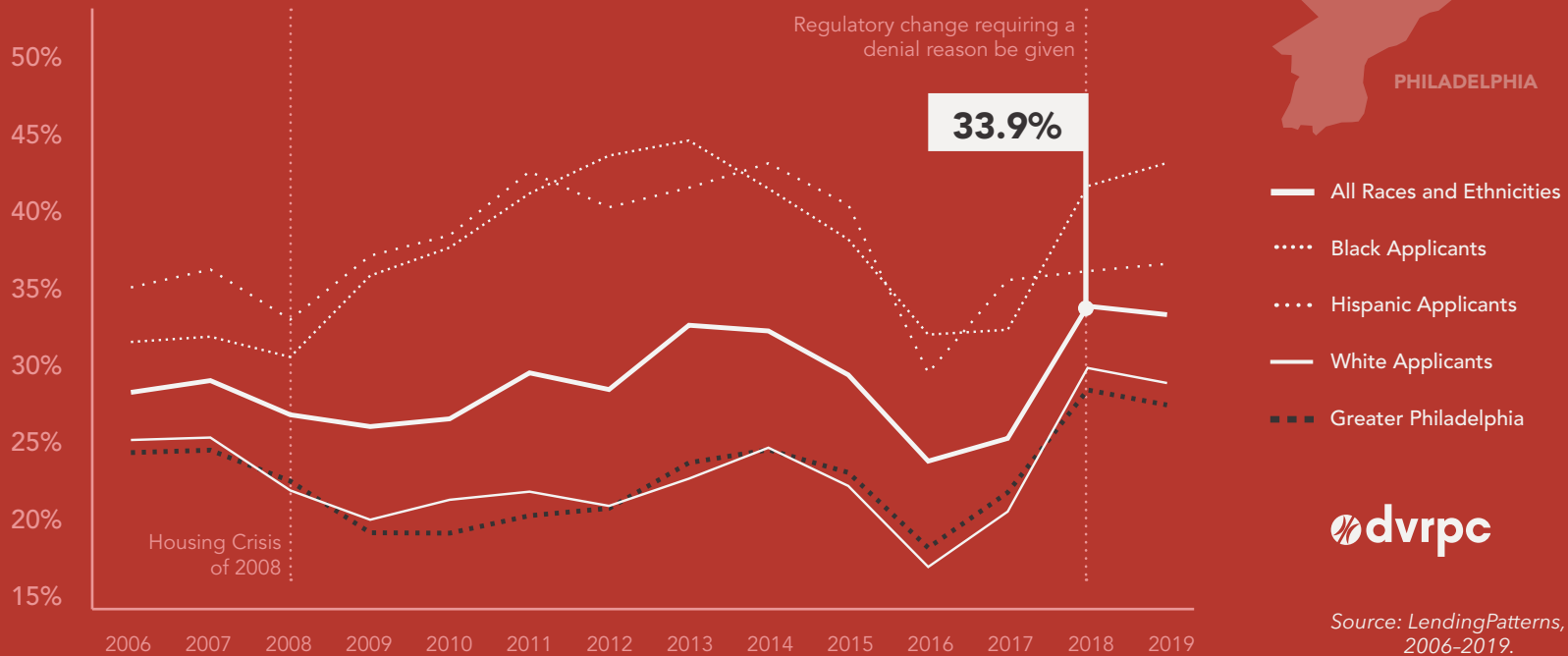


Collateral Denials

On average, applications in Philadelphia are denied due to Collateral at a slightly lower rate (13.3 percent) than Greater Philadelphia as a whole (15.3 percent). However, White applicants in Philadelphia are denied due to Collateral at an average rate of 16.1 percent, which is slightly higher than the region as a whole, but Black and Hispanic applicants are denied at significantly lower rates of 9.9 percent and 10.6 percent, respectively.

Since 2009, Collateral as a denial reason had been declining for the region as a whole, as well as for White and Hispanic applicants in Philadelphia. However, denials due to Collateral have been relatively consistent for Black applicants over that same period. Following the regulatory changes that went into effect in 2018, Collateral peaked as a reason for denial for all races and ethnicities at 14.7 percent for Black applicants, 13.8 percent for Hispanic applicants, and 17.8 percent for White applicants.

Table 06: Credit History as Share of All Denials (2006–2019)



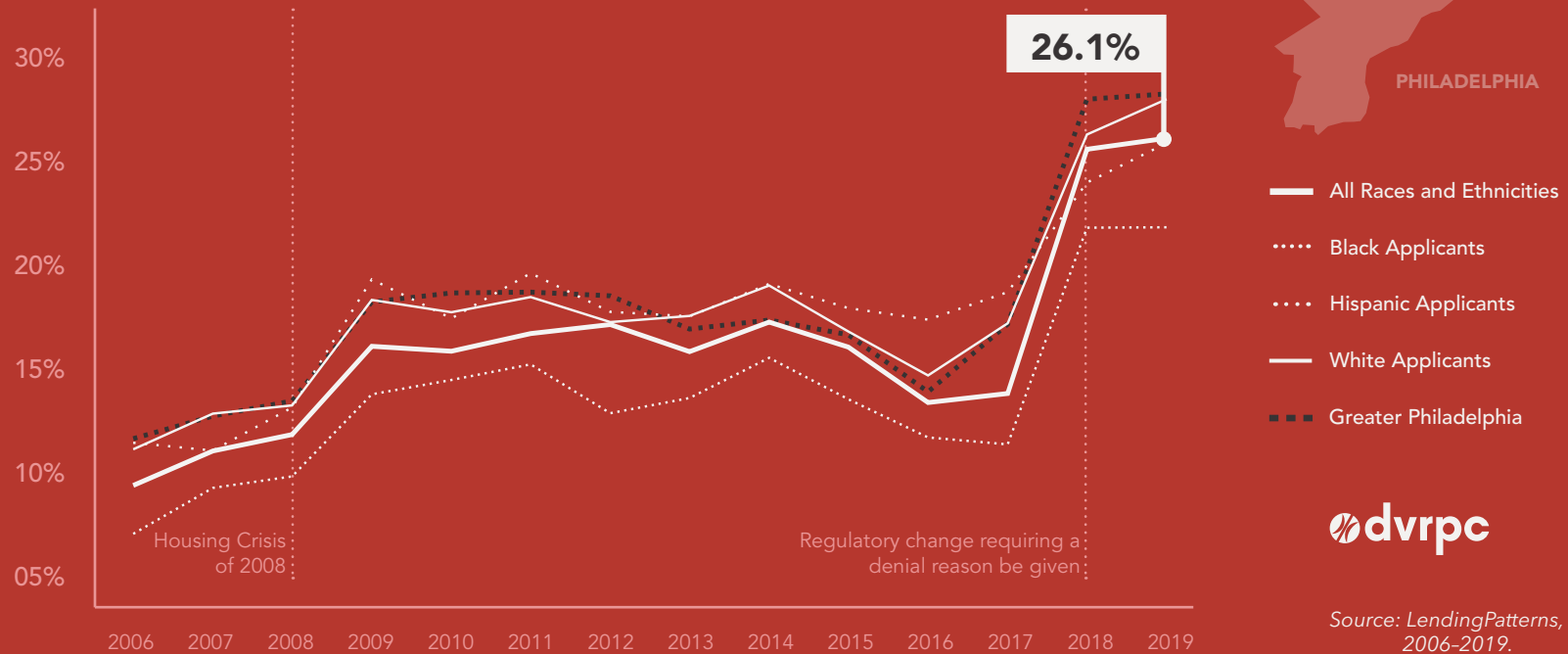
Source: LendingPatterns, 2006–2019.

Credit History Denials

Although the gap has narrowed in recent years, applications in Philadelphia are denied due to Credit History at an average rate of 29.0 percent, compared to 22.7 percent for the region as a whole. However, this does not accurately reflect the vast disparity that exists within Philadelphia between races and ethnicities. On average, Black and Hispanic applicants in Philadelphia are denied due to Credit History at an average rate of 37.6 percent, compared to a rate of 23.0 percent for White applicants in Philadelphia.

Credit History peaked as a reason for denial in 2018, at 33.9 percent for all of Philadelphia, 29.9 percent for White applicants in Philadelphia, and 28.4 percent for the region as a whole. However, for Black and Hispanic applicants in Philadelphia, Credit History denials continued to trend upwards through 2019, with denial rates of 43.2 percent and 36.6 percent, respectively.

Table 07: Debt to Income Ratio as Share of All Denials (2006–2019)



Debt to Income Ratio Denials

Of the three most often cited reasons for denial, Debt to Income Ratio has generally been the most consistent across time, and between races, ethnicities, and geographies. On average, Debt to Income Ratio accounts for 16.1 percent of denials in Philadelphia, and 13.7 percent of denials for Black applicants, 17.9 percent for Hispanic applicants, and 17.8 percent for White applicants. It is worth noting that Hispanic applicants in Philadelphia are denied due to Debt to Income Ratio at the same rate as all of Greater Philadelphia (17.9 percent).

This denial reason increased significantly following regulatory changes in 2018, and peaked at 26.1 percent in 2019 for Philadelphia as a whole, 21.8 percent for Black applicants, 25.9 percent for Hispanic applicants, and 28.0 percent for White applicants.

Table 08: Degrees of Disparity by County

Degree of Disparity	*Absolute difference between the demographic groups was used for that metric.								
	Philadelphia	Bucks	Burlington	Camden	Chester	Delaware	Gloucester	Mercer	Montgomery
Application Decline									
Black Applicants									
*Black v. White Applicants									
Hispanic Applicants									
*Hispanic v. White Applicants									
Origination Rate									
Black Applicants									
*Black v. White Applicants									
Hispanic Applicants									
*Hispanic v. White Applicants									
Originations Per Capita									
Black Applicants									
*Black v. White Applicants									
Hispanic Applicants									
*Hispanic v. White Applicants									
Denial Rate									
Black Applicants									
*Black v. White Applicants									
Hispanic Applicants									
*Hispanic v. White Applicants									
Collateral Denials									
Black Applicants									
*Black v. White Applicants									
Hispanic Applicants									
*Hispanic v. White Applicants									
Credit History Denials									
Black Applicants									
*Black v. White Applicants									
Hispanic Applicants									
*Hispanic v. White Applicants									
Debt to Income Ratio Denials									
Black Applicants									
*Black v. White Applicants									
Hispanic Applicants									
*Hispanic v. White Applicants									
Overall Degree of Disparity									



Degrees of Disparity

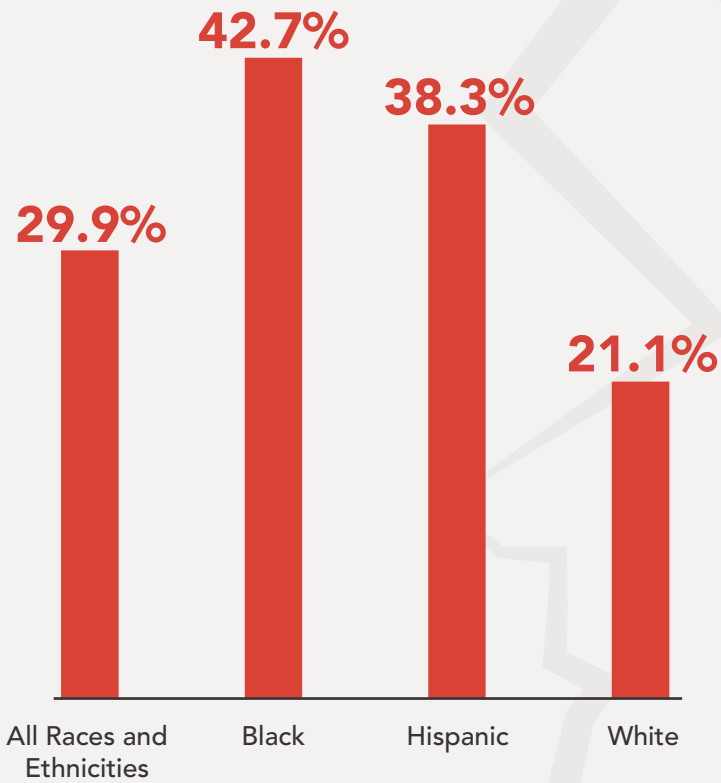
Each of the region's nine counties were scored across 35 different metrics, as shown in Table 8, based on the degree to which a mortgage lending disparity exists for that metric. Scores ranged from 9, indicating the highest degree of disparity, to 1, which indicated the lowest degree of disparity.

An average score was calculated, and the counties were then categorized as either having a high (7-9), moderate (4-6), or low (1-3) overall degree of disparity.

The purpose of these categorizations is to more clearly highlight the specific mortgage lending disparities unique to each county. This information can then be used to develop more nuanced, relevant, and effective policies geared towards addressing the specific inequities at the local and county levels.

Note: County-level reports for the region's eight other counties can be found by clicking the name of the county in the table header. Additionally, a report for Greater Philadelphia as a whole can be found at www.dvrpc.org/Products/21019.

Table 09: Average Denial Rates (2004–2019)



Source: LendingPatterns, 2004–2019.



Conclusion

Overall, Philadelphia has the highest degree of disparity for the region, based on the data presented. This is evidenced by the following:

- Decline in applications is average overall, but the third highest for Hispanic applicants.
- Origination rates are the lowest, and the disparities between Black and White applicants, and Hispanic and White applicants are both the highest.
- Originations per capita are the lowest overall, as well as for Hispanic Applicants, and the second lowest for Black applicants.
- Denial rates, shown in Table 9, are the highest.
- The disparities between Black and White applicants, and Hispanic and White applicants are also the highest.
- Denial rates due to Credit History are the highest, and the disparities between Black and White applicants, and Hispanic and White applicants are also the highest.

Not only do disparities exist between races and ethnicities within Philadelphia, but they also exist geographically between Philadelphia and the region as a whole. Applicants in Philadelphia, regardless of race or ethnicity, are denied at higher rates than their peers throughout the rest of the region.

Sources

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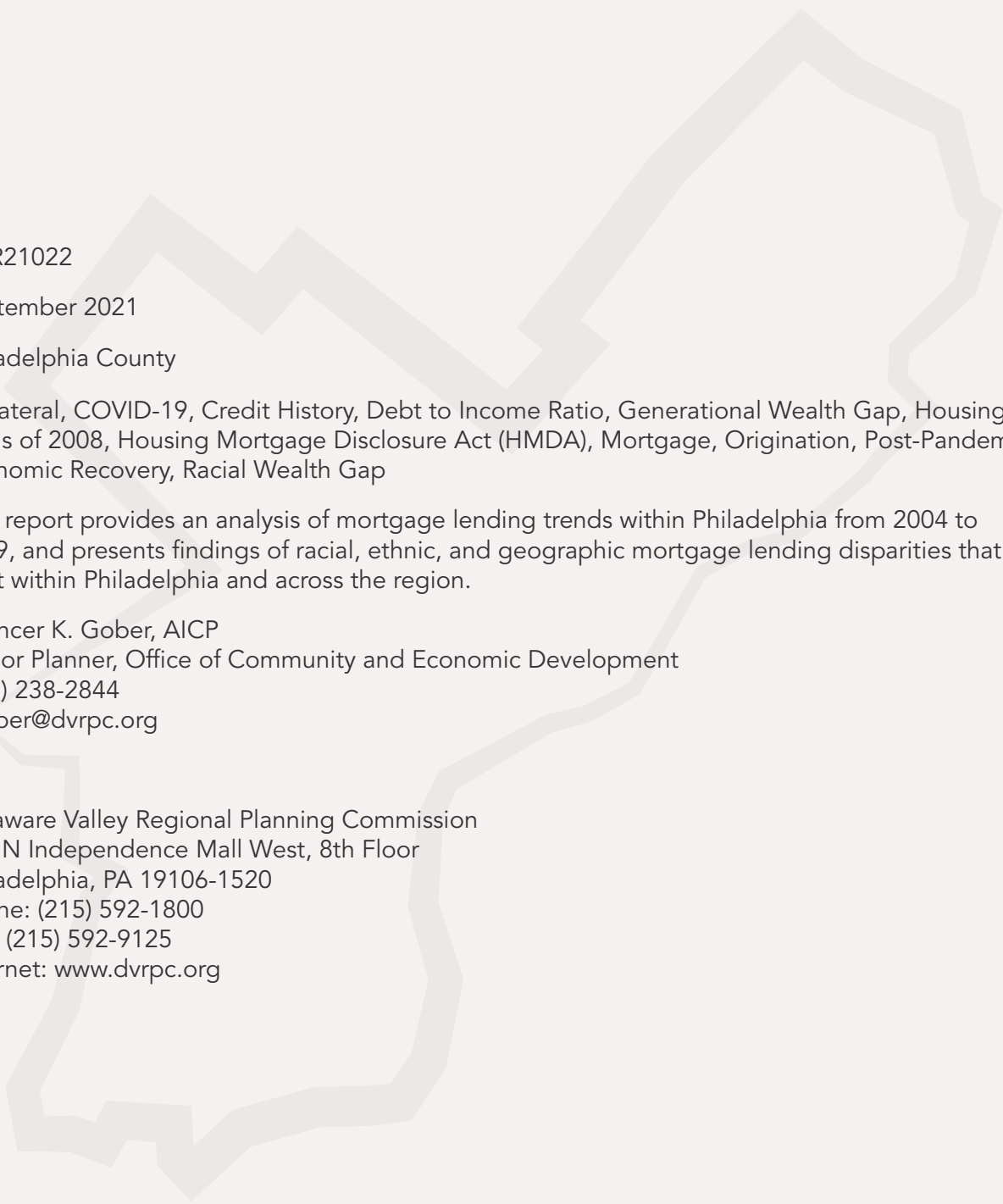
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ABSTRACT This report provides an analysis of mortgage lending trends within Philadelphia from 2004 to 2019, and presents findings of racial, ethnic, and geographic mortgage lending disparities that exist within Philadelphia and across the region.

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