

Barriers to
Building Generational Wealth:

MORTGAGE LENDING

Disparities

in Bucks County
September 2021



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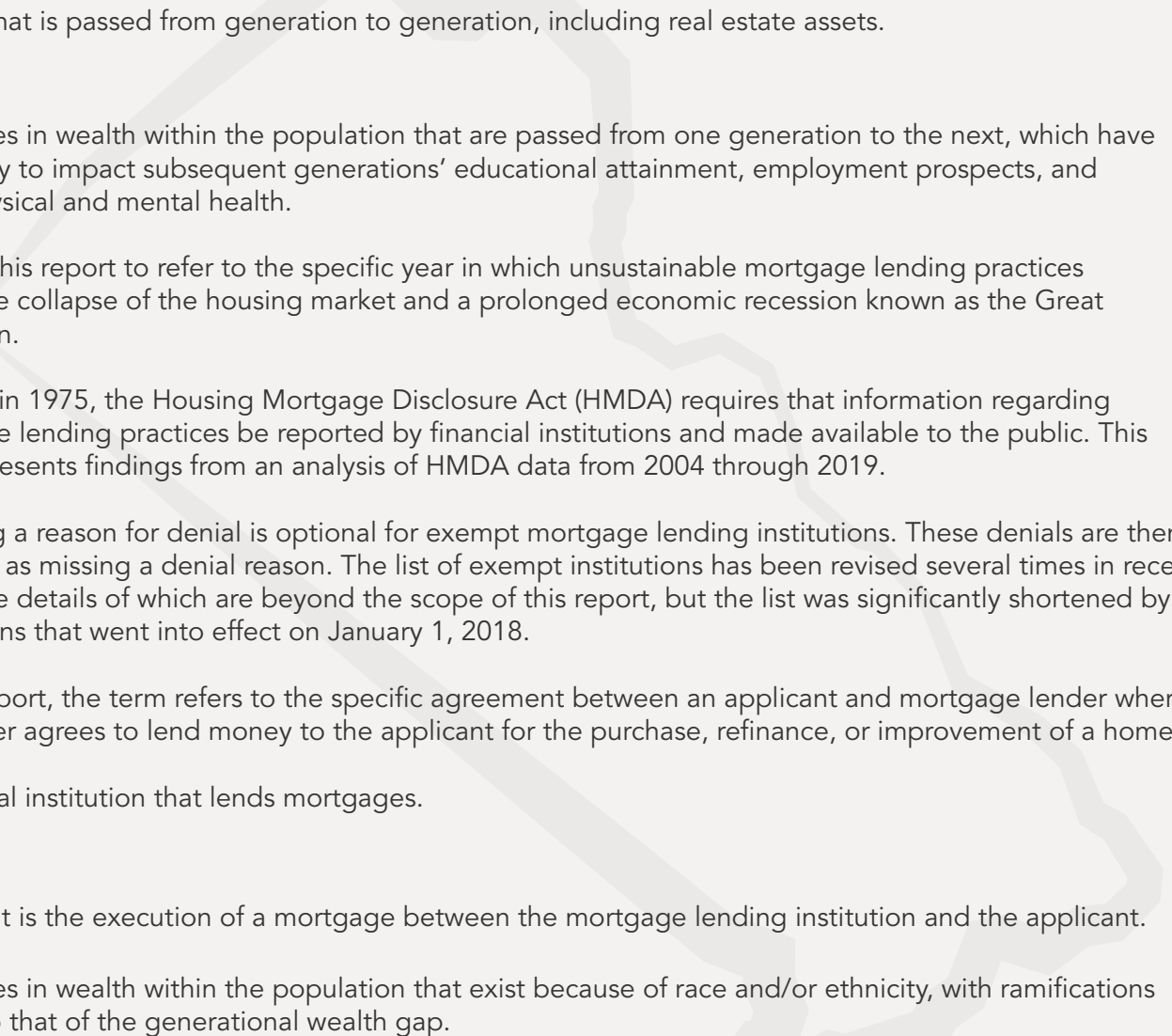
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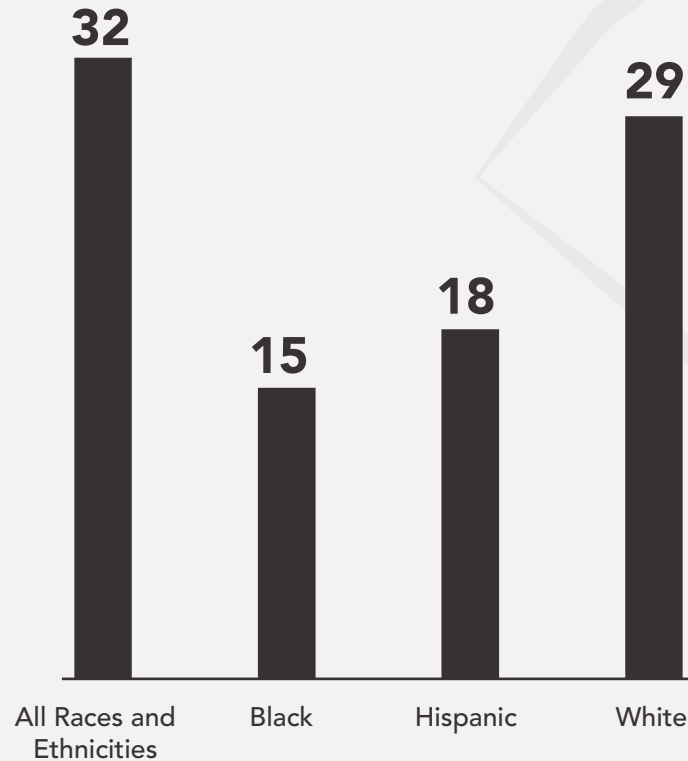
Definitions of Key Terms

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 48.0 percent in Bucks County. That decline was 48.5 percent and 47.9 percent for Black and White applicants, respectively, but only 20.9 percent for Hispanic applicants. Regionwide, applications are down by 55.2 percent.¹

As shown in Table 1, in Bucks County there were 32 originations per 1,000 people in 2019, compared to 15 within the Black population, 18 within the Hispanic population, and 29 within the White population. There were more originations per capita in Bucks County 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, 18.0 percent of applications were denied in Bucks County, compared to denial rates of 28.5 percent for Black applicants, 23.8 percent for Hispanic applicants, and 17.0 percent for White applicants. The average rate of denial in Bucks County is 4.0 percent lower than Greater Philadelphia as a whole. However, the denial rate for Black applicants is 8.8 percent lower, for Hispanic applicants it is 7.6 percent lower, and for White applicants it is 0.8 percent lower.

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 Bucks County, Black and Hispanic applicants are denied at higher rates on average compared to their White counterparts.

28.5%

of Black applicants in Bucks County were denied on average between 2004 and 2019, which accounted for 3.0 percent of all denials. However, Black applicants only accounted for 1.9 percent of all mortgage applications during this same period.

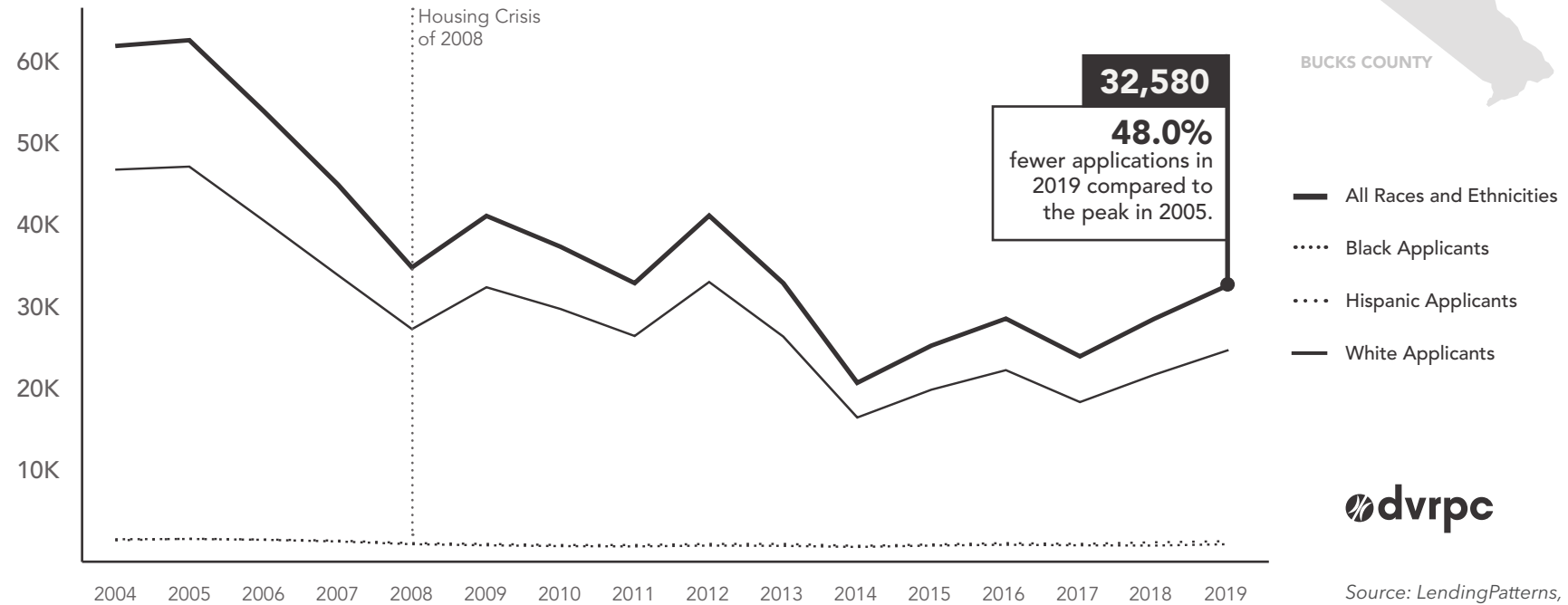
23.8%

of Hispanic applicants were denied on average during that same period of time. This represented 3.0 percent of all denials, while Hispanic applicants only represented 2.3 percent of all applications.

17.0%

of White applicants were denied on average between 2004 and 2019. Although White applicants accounted for 77.2 percent of all applications, they only accounted for 72.7 percent of denials.

Table 02: Total Applications (2004–2019)

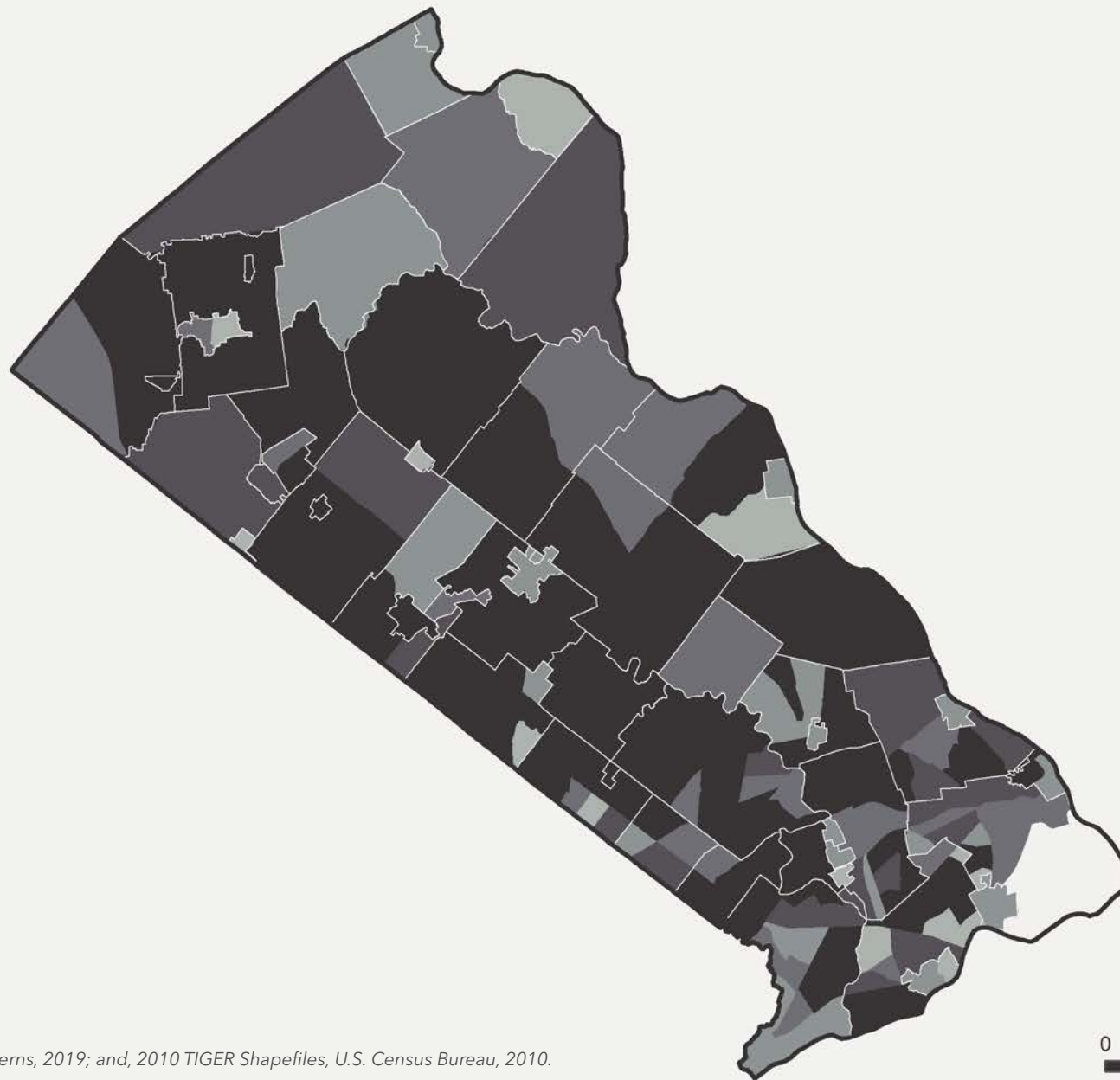


Applications

As shown in Table 2, applications peaked in 2005, with 62,694 mortgage applications submitted that year, which represented 11.0 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 at 20,537 applications (12.5 percent of the regional total). In 2019, there were 32,580 applications, which was 48.0 percent fewer than the 2005 peak. This represented 12.8 percent of all applications in Greater Philadelphia in 2019.

Total applications are down by 48.5 percent for Black applicants, 20.9 percent for Hispanic applicants, and 47.9 percent for White applicants since 2005. In 2019, Black applicants in Bucks County accounted for 2.4 percent of all Black applicants in the region, and Hispanic applicants accounted for 7.7 percent of Greater Philadelphia’s Hispanic applicants. White applicants in Bucks County accounted for 16.2 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.

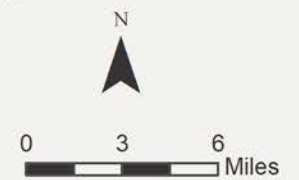
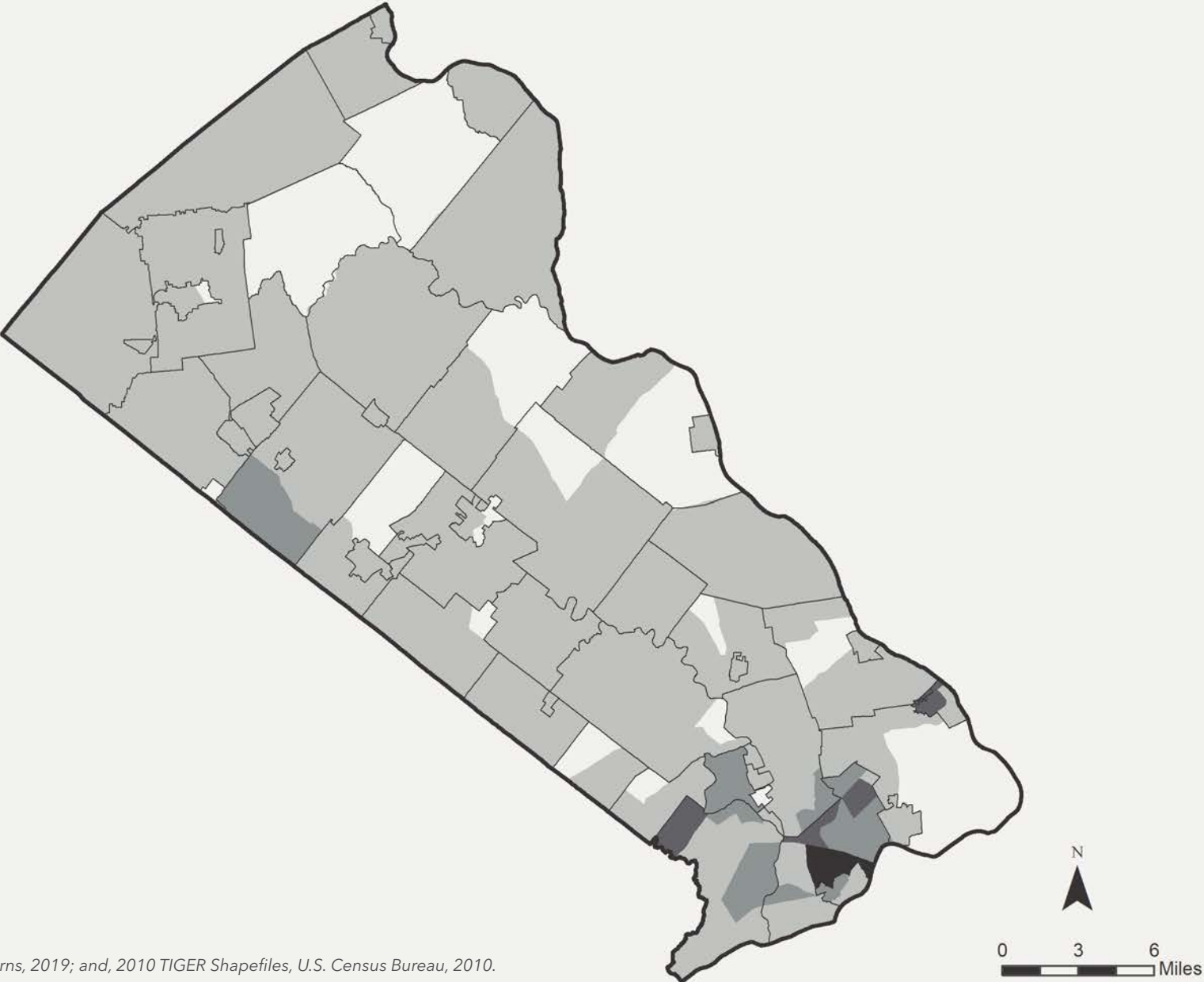
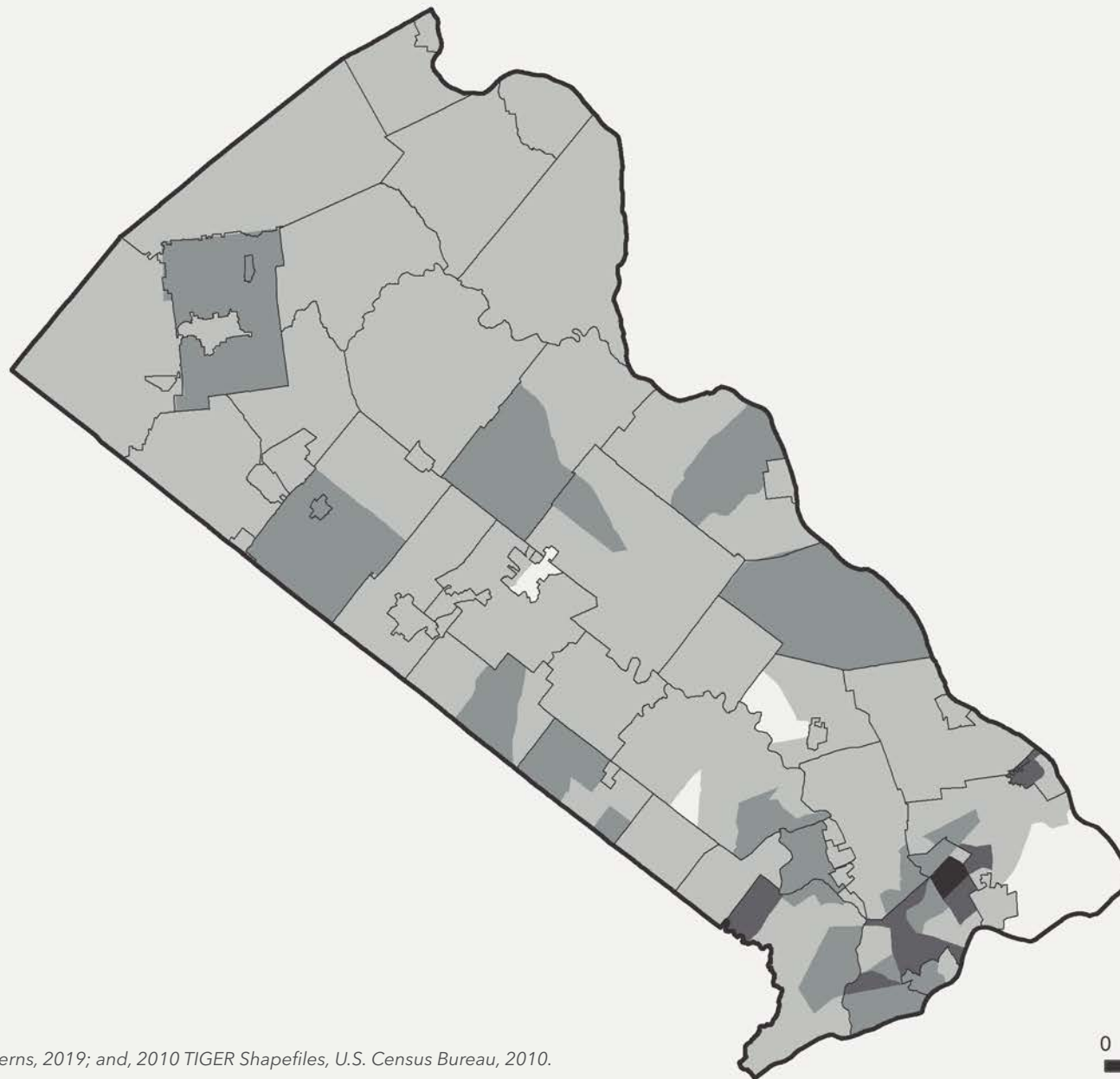
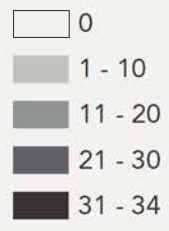


Figure 02: Total Applications, by Census Tract (Black Applicants, 2019)



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.

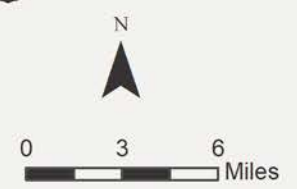
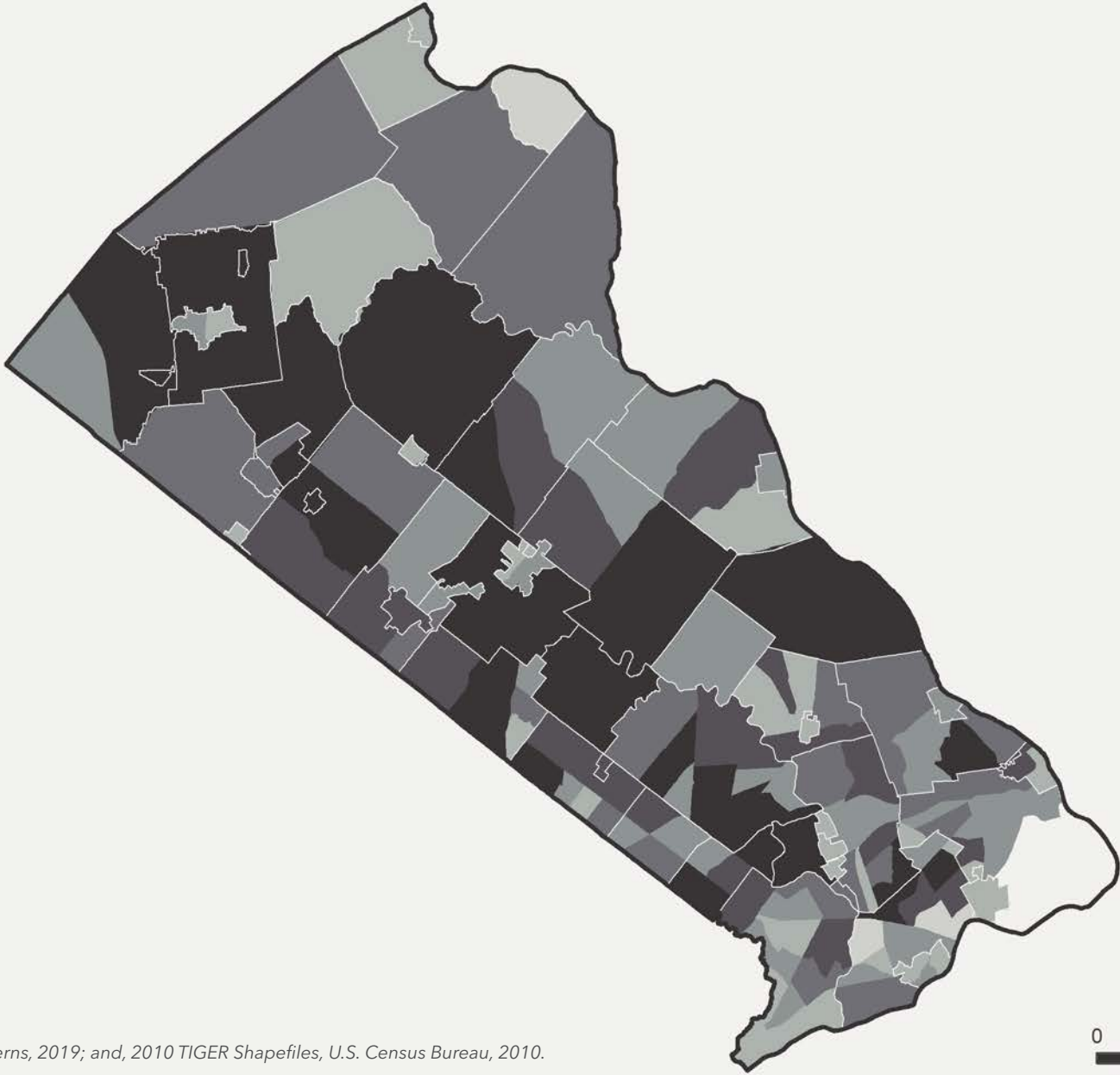


Figure 04: Total Applications, by Census Tract (White Applicants, 2019)



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

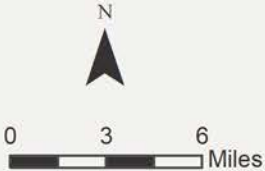
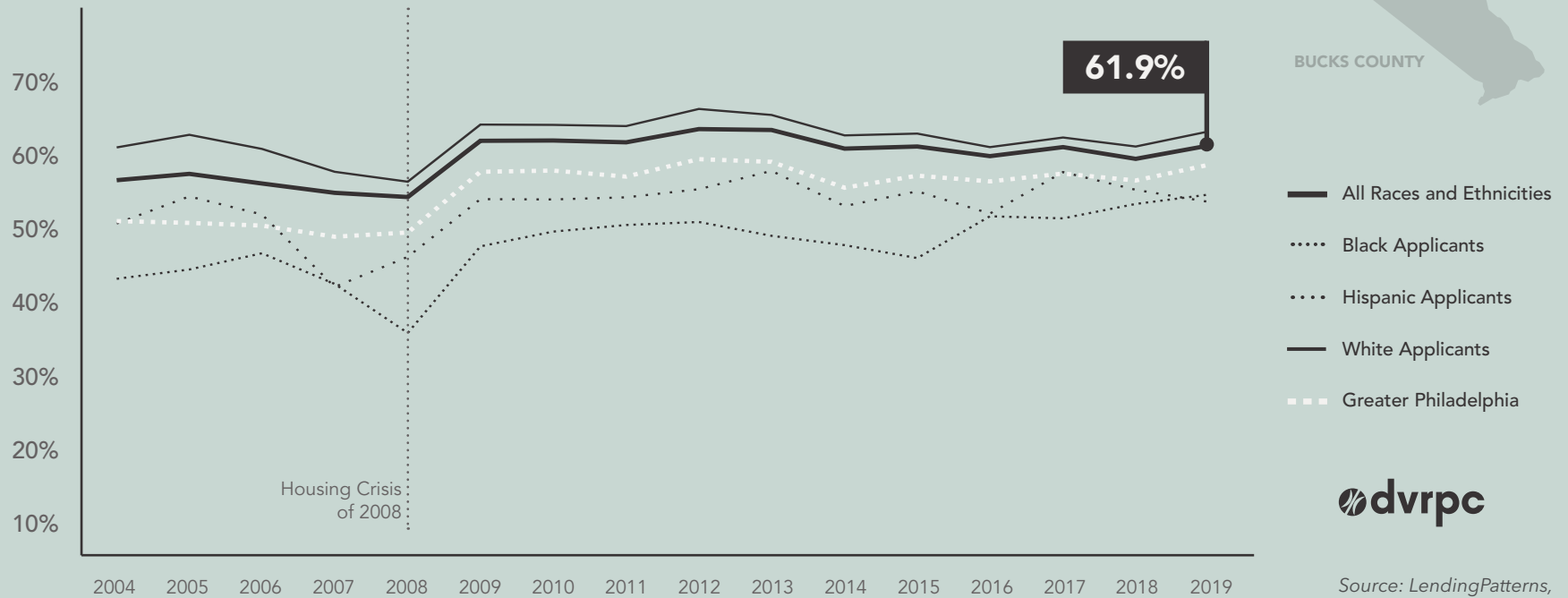


Table 03: Originations as Share of Total Applications (2004–2019)



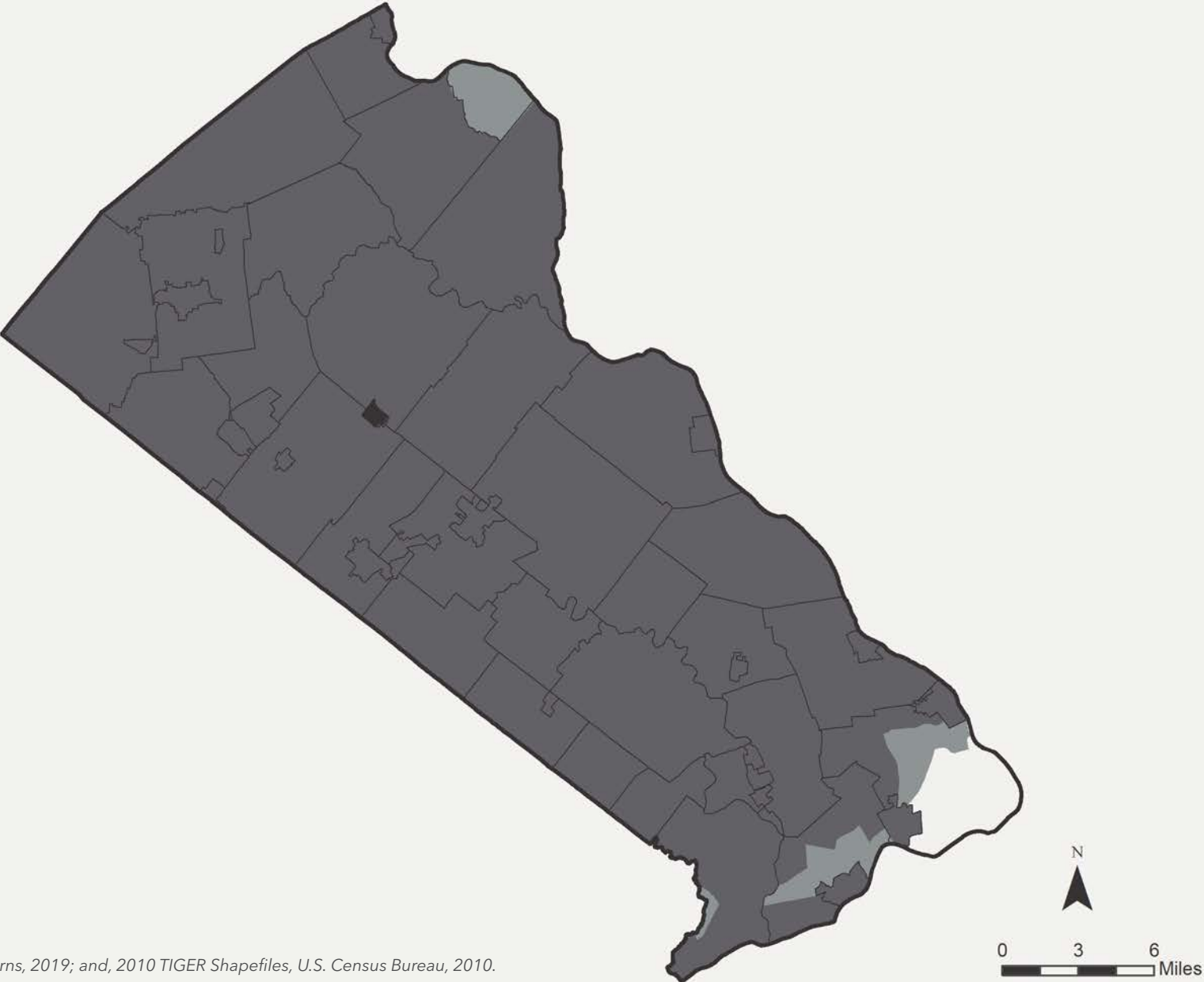
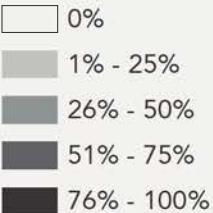
Source: LendingPatterns, 2004–2019.

Originations

Although applications in Bucks County are significantly down since the Housing Crisis of 2008, originations as a share of total applications have been relatively steady in recent years after peaking at 64.1 percent in 2012. However, origination rates for Black applicants have increased by 18.5 percent since an all-time low of 36.9 percent in 2008. In Bucks County, applications are originated at average rates of 60.4 percent for all applicants (56.0 percent regionwide), 62.9 percent for White applicants (61.8 percent regionwide), 53.8 percent for Hispanic applicants (47.5 percent regionwide), and 48.7 percent for Black applicants (40.7 percent regionwide).

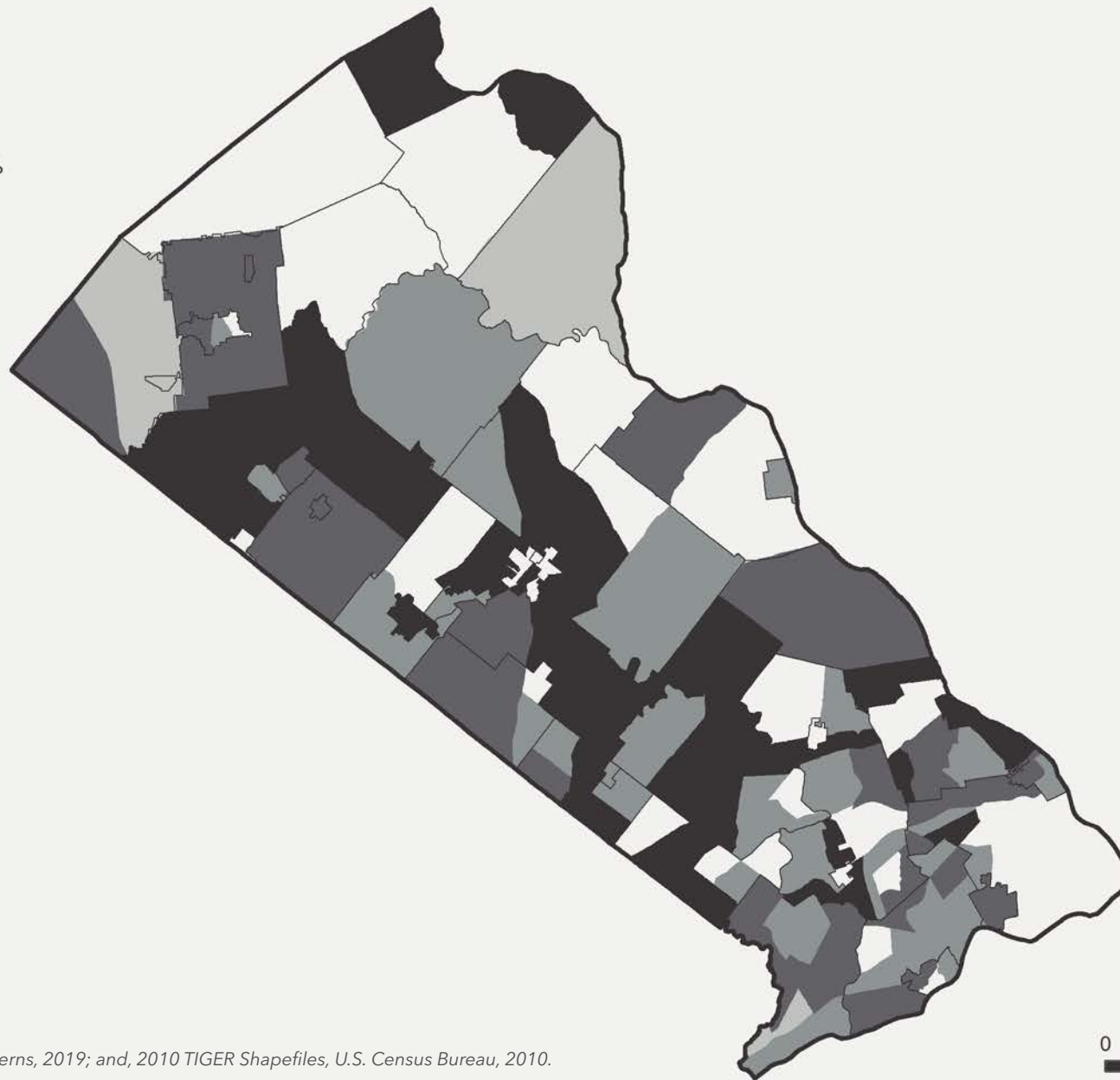
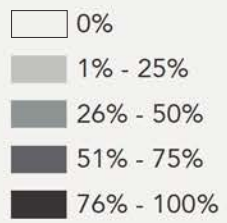
In 2019, 61.9 percent of applications ended in an origination, as shown in Table 3, which was 2.6 percent higher than Greater Philadelphia as a whole. The share of applications for all races and ethnicities, as well as from Black, Hispanic, and White applicants, that resulted in an origination in 2019 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.

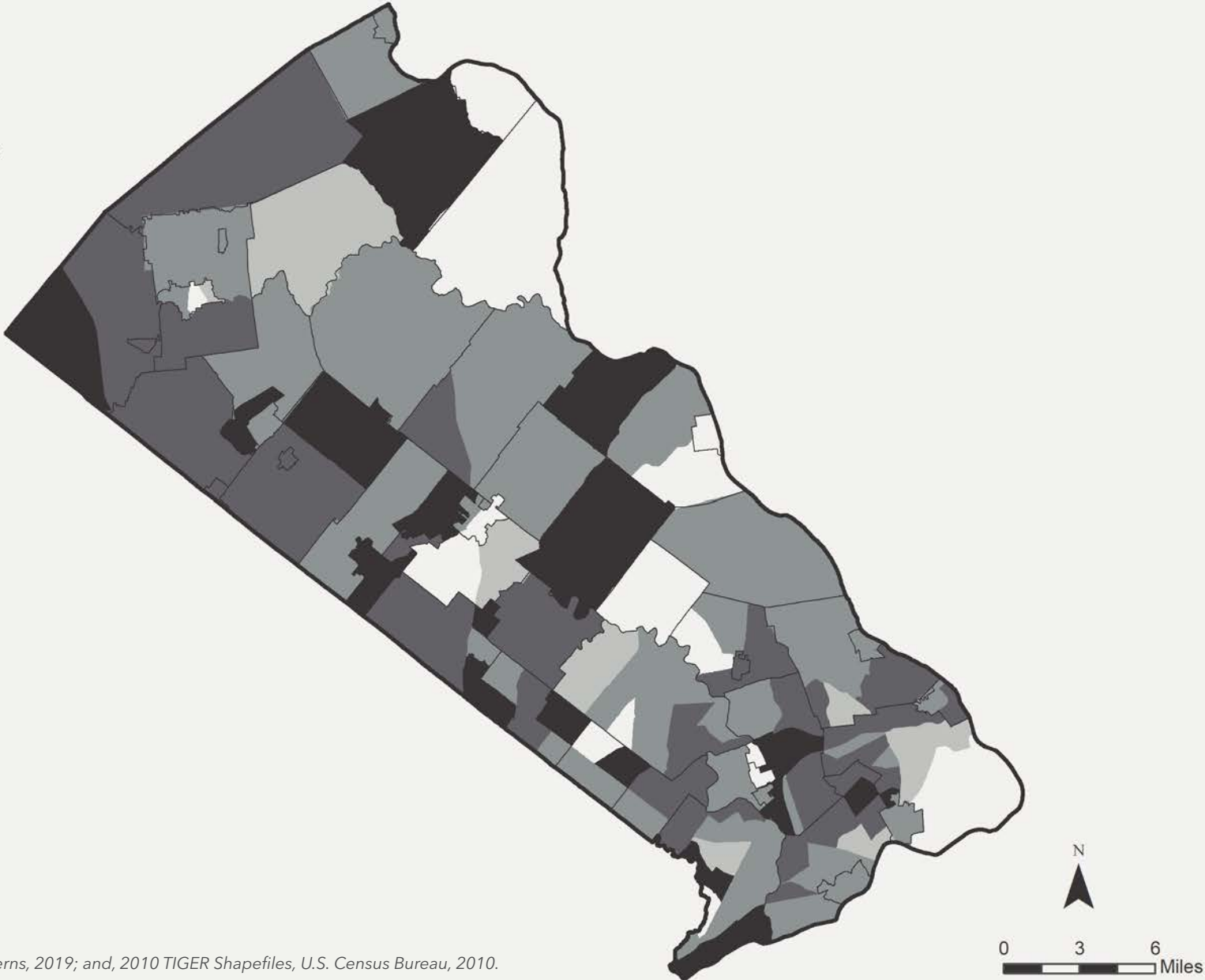
Figure 06: Originations as Share of Applications, by Census Tract (Black Applicants, 2019)



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

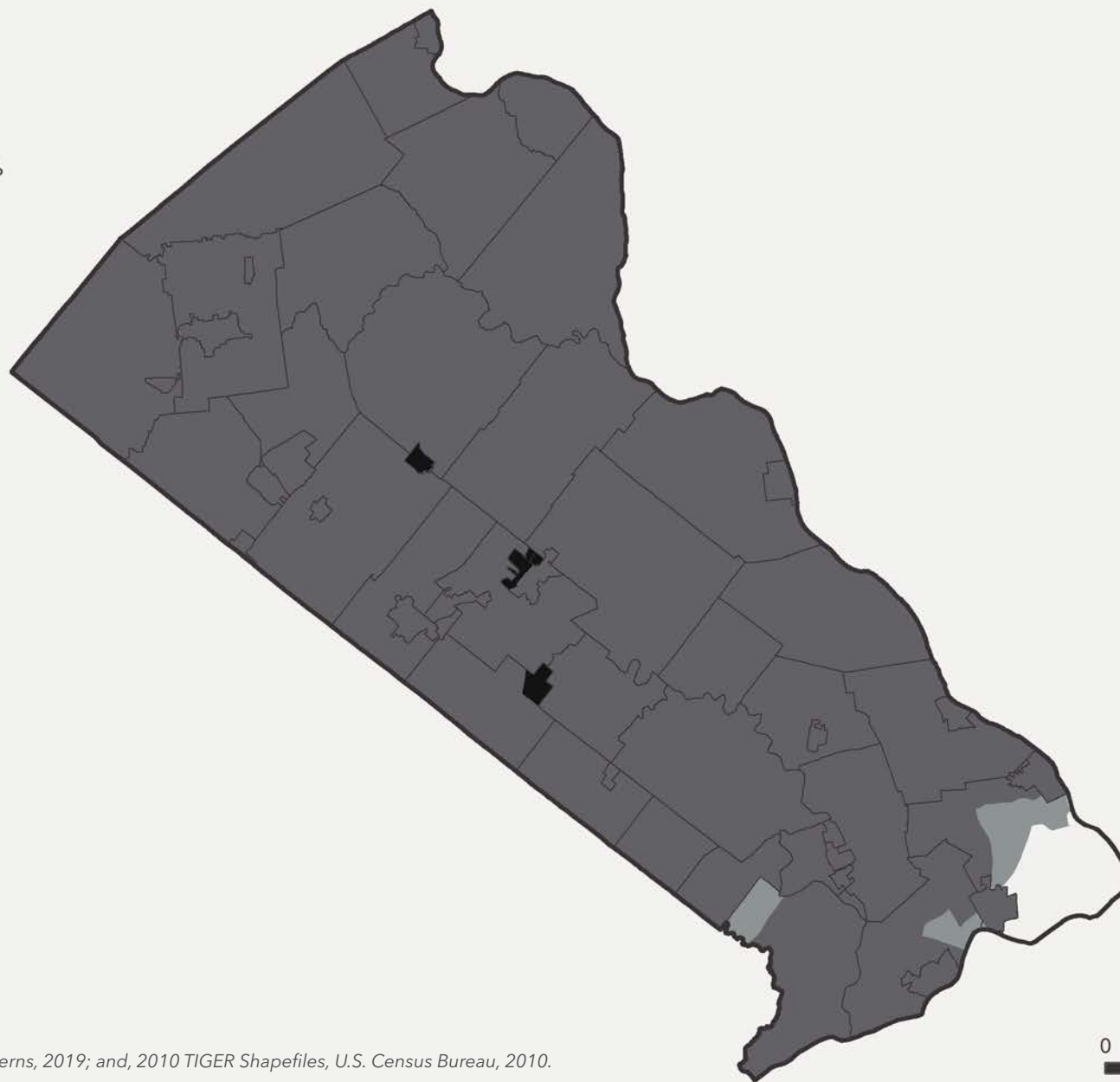
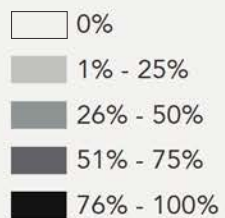
Figure 07: Originations as Share of Applications, by Census Tract (Hispanic Applicants, 2019)

- 0%
- 1% - 25%
- 26% - 50%
- 51% - 75%
- 76% - 100%



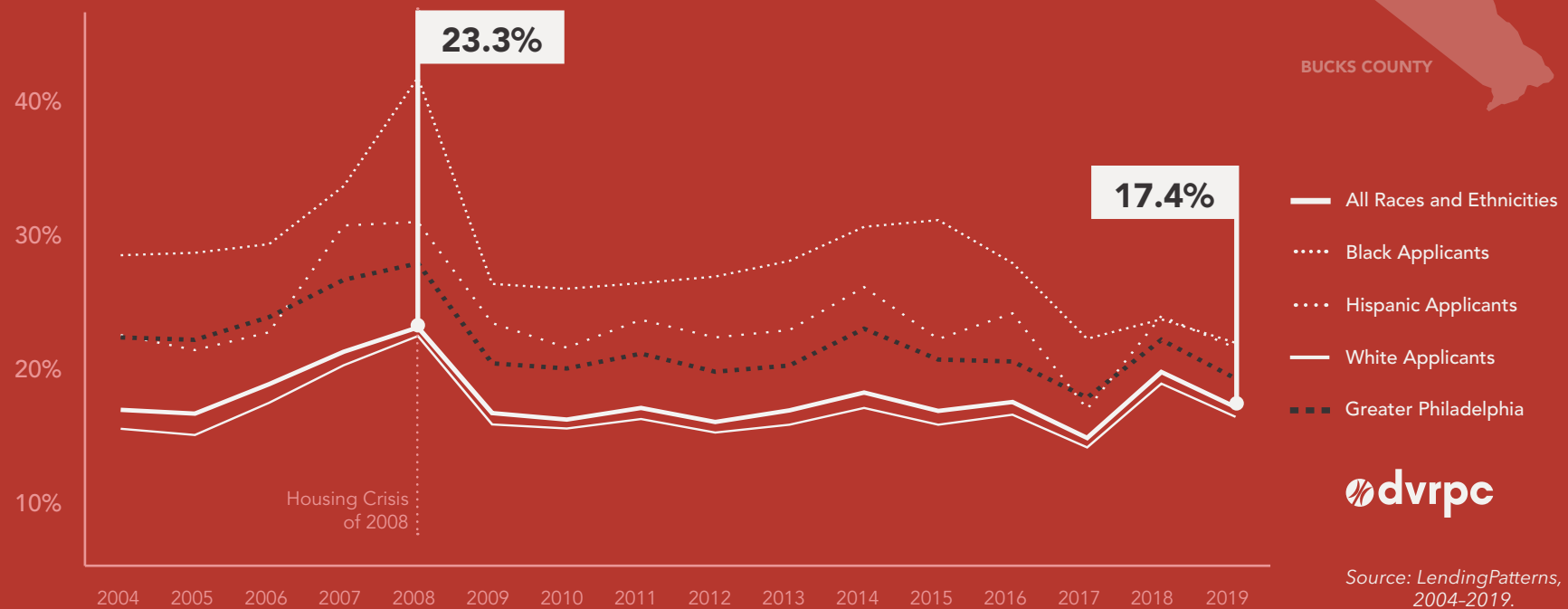
Sources: LendingPatterns, 2019; and, 2010 TIGER Shapefiles, U.S. Census Bureau, 2010.

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)



Source: LendingPatterns, 2004-2019.

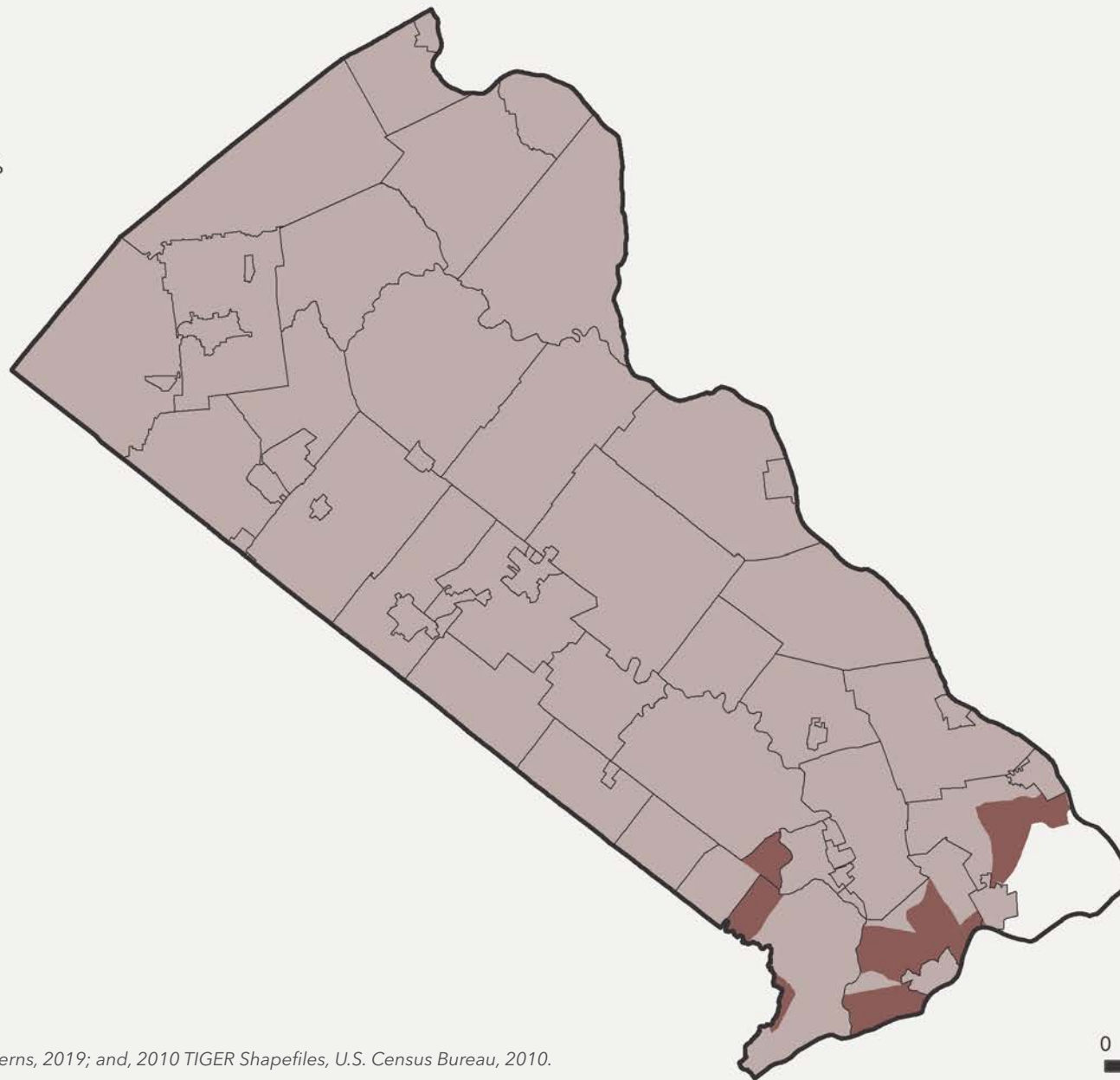
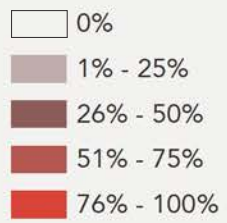
Denials

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 Bucks County 23.3 percent of applications were denied that same year, and Black, Hispanic, and White applicants were denied at rates of 42.0 percent, 31.2 percent, and 20.5 percent, respectively.

Denial rates have been relatively steady since 2009. However, denial rates for Black applicants have been trending downward following a spike in 2015, as shown in Table 4. Since 2004, White applicants in Bucks County have been denied less often than Greater Philadelphia as a whole, Hispanic applicants have been denied at slightly higher rates, and Black applicants in Bucks County have been denied at much higher rates. However, the gap has narrowed significantly since 2017.

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.

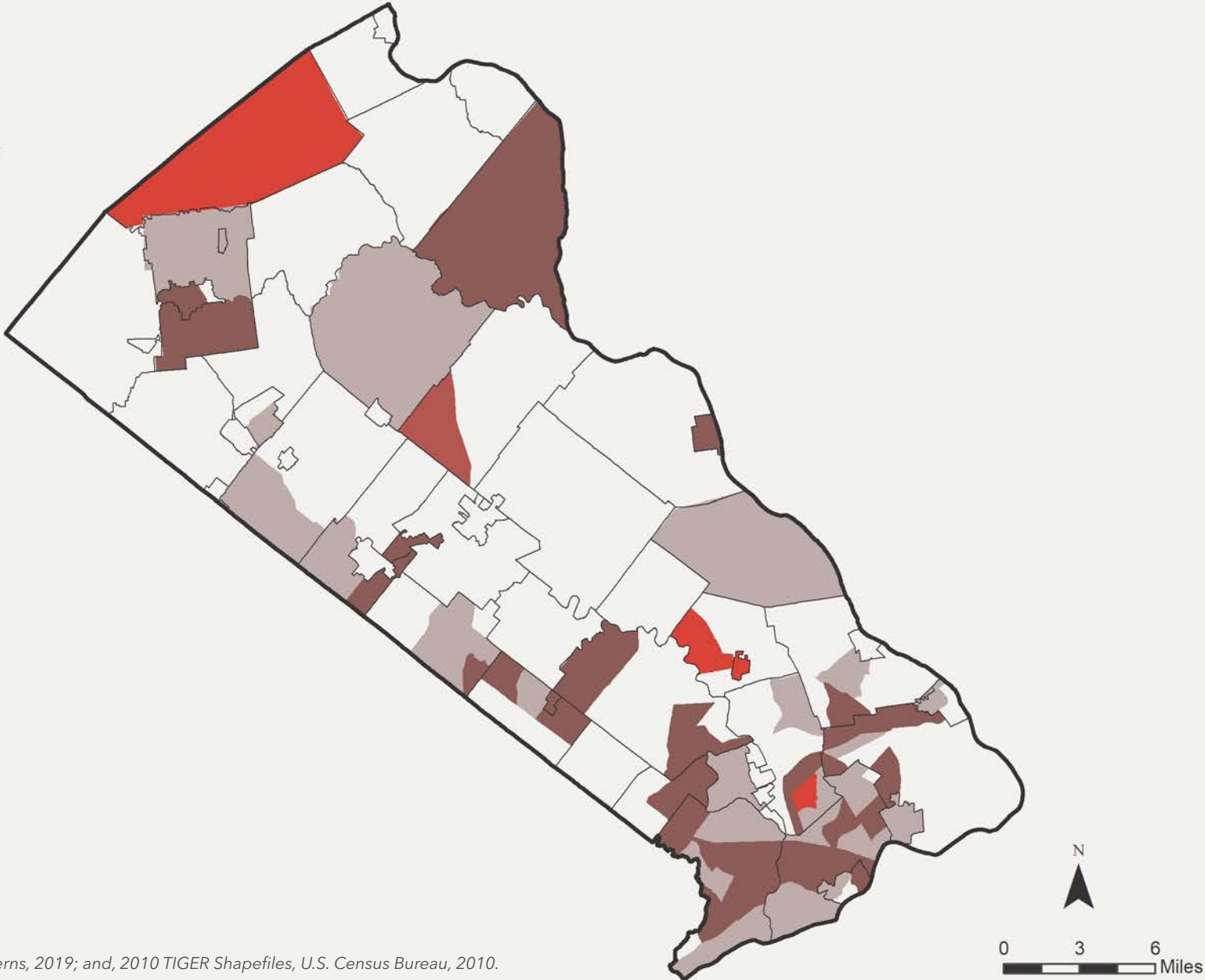
Figure 09: Denials as Share of Applications, by Census Tract (All Races and Ethnicities, 2019)



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

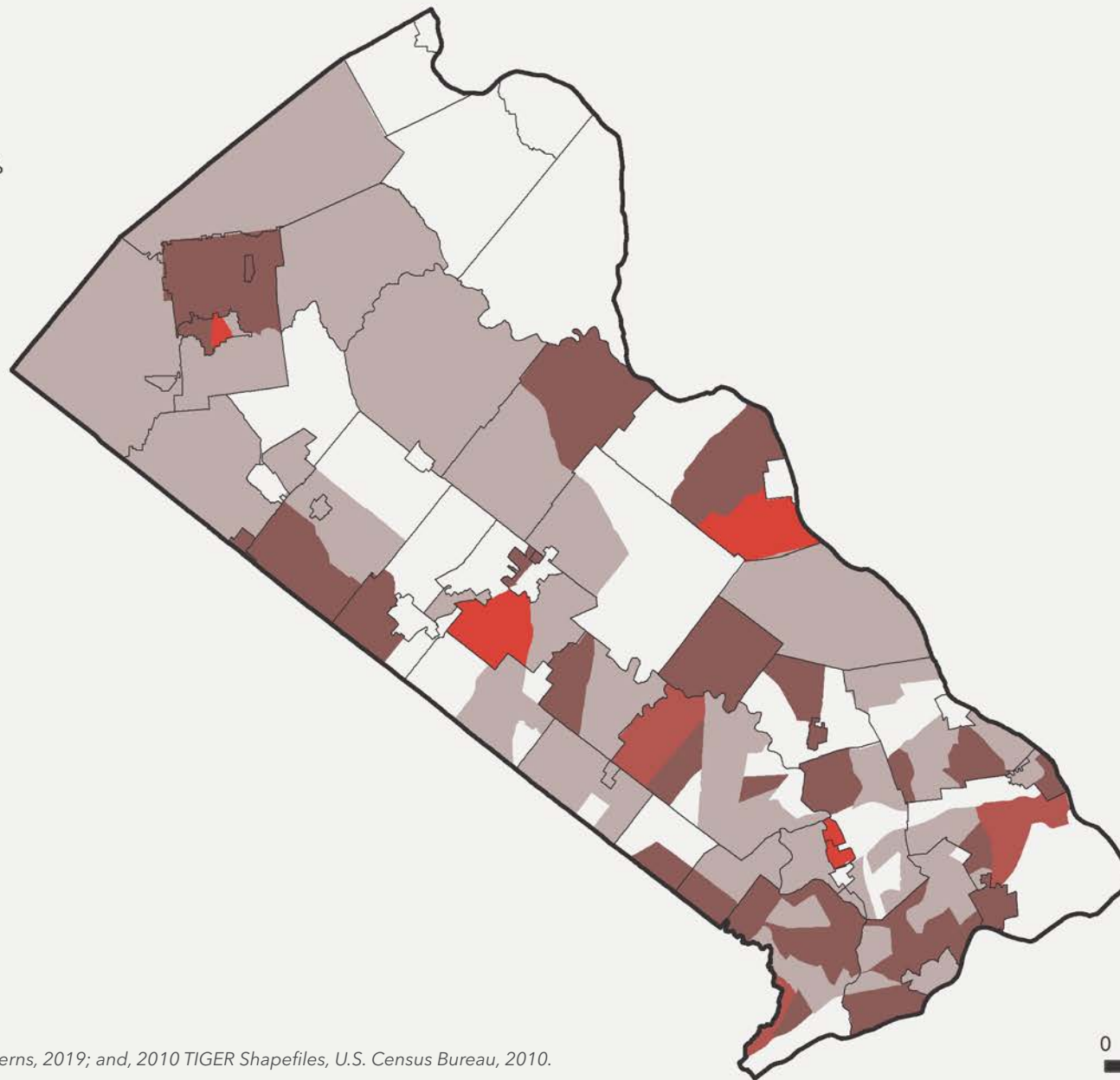
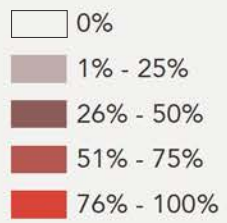
Figure 10: Denials as Share of Applications, by Census Tract (Black Applicants, 2019)

- 0%
- 1% - 25%
- 26% - 50%
- 51% - 75%
- 76% - 100%



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

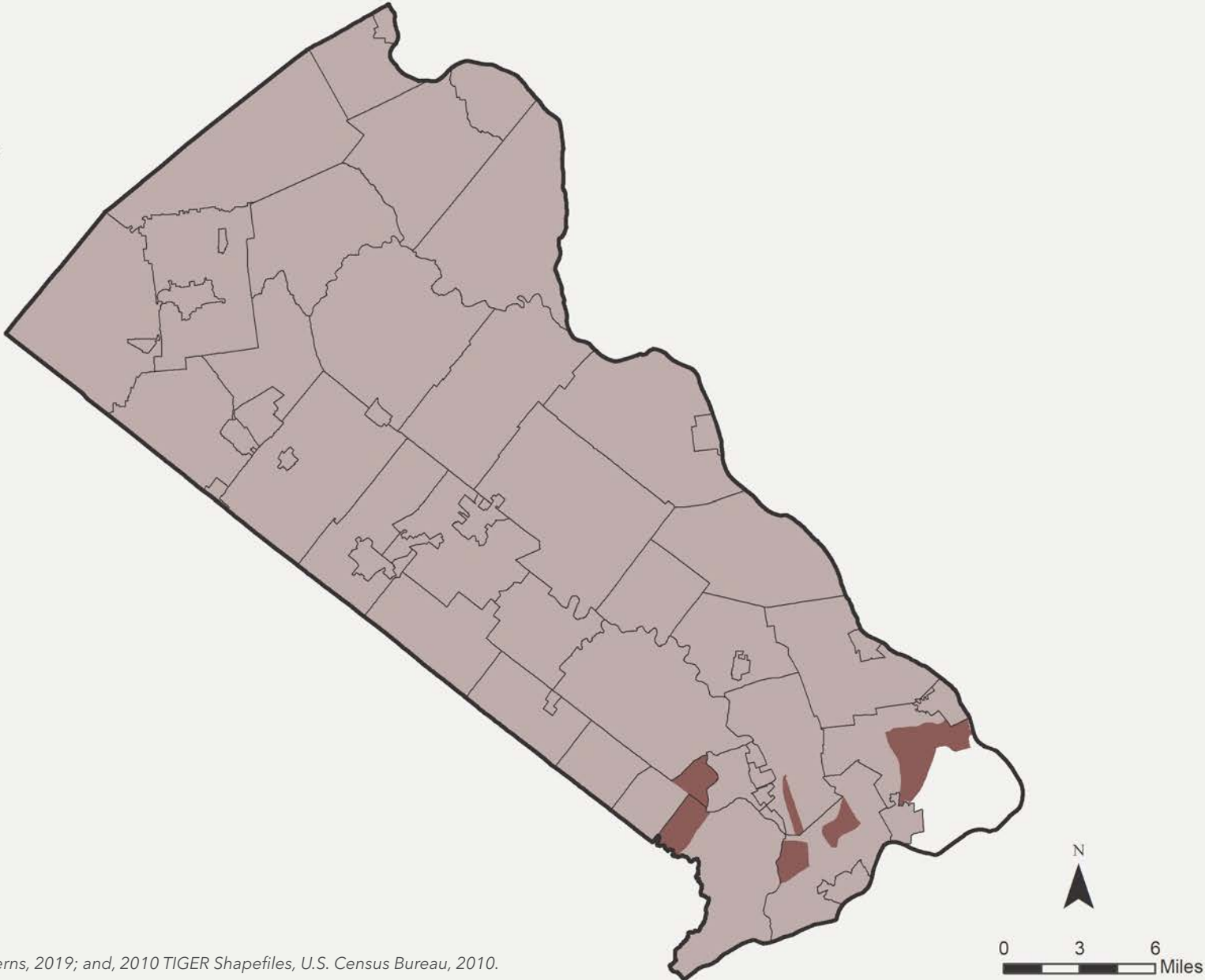
Figure 11: Denials as Share of Applications, by Census Tract (Hispanic Applicants, 2019)



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

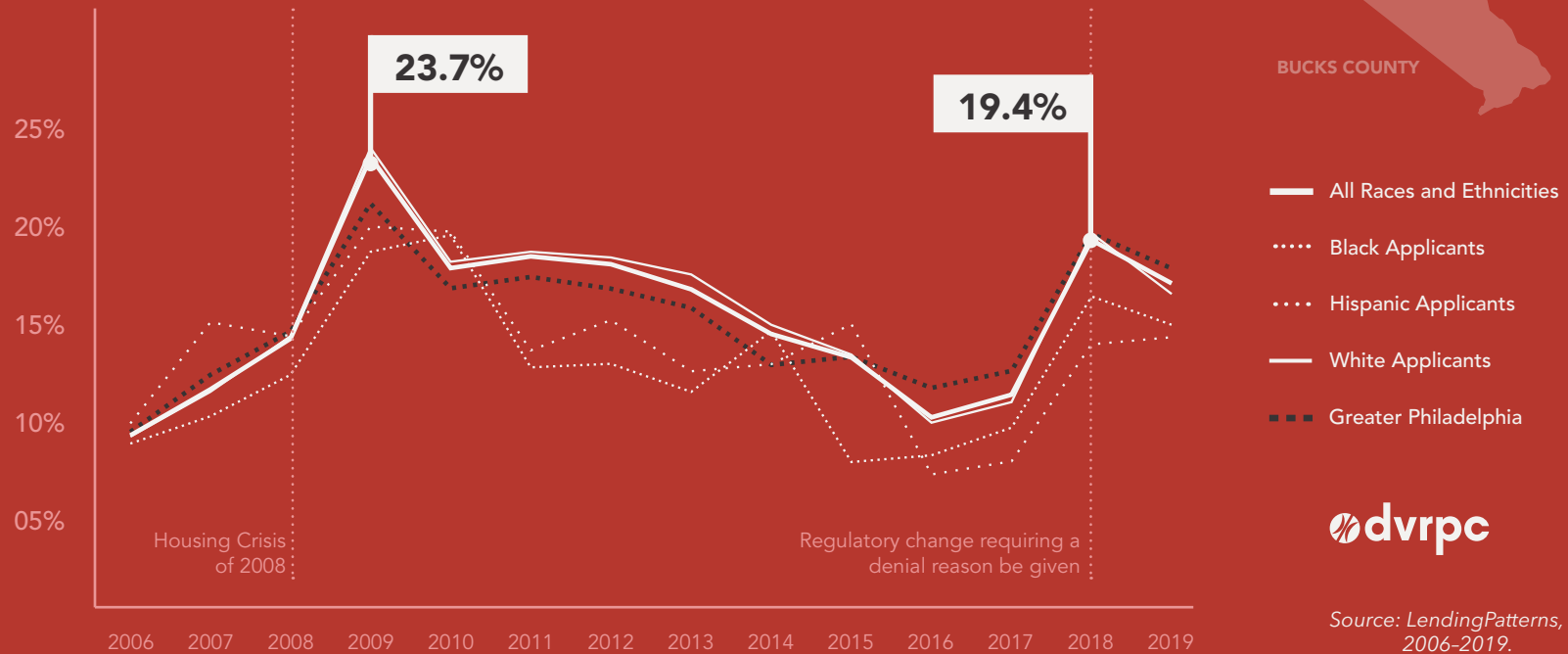
Figure 12: Denials as Share of Applications, by Census Tract (White Applicants, 2019)

- 0%
- 1% - 25%
- 26% - 50%
- 51% - 75%
- 76% - 100%



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

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



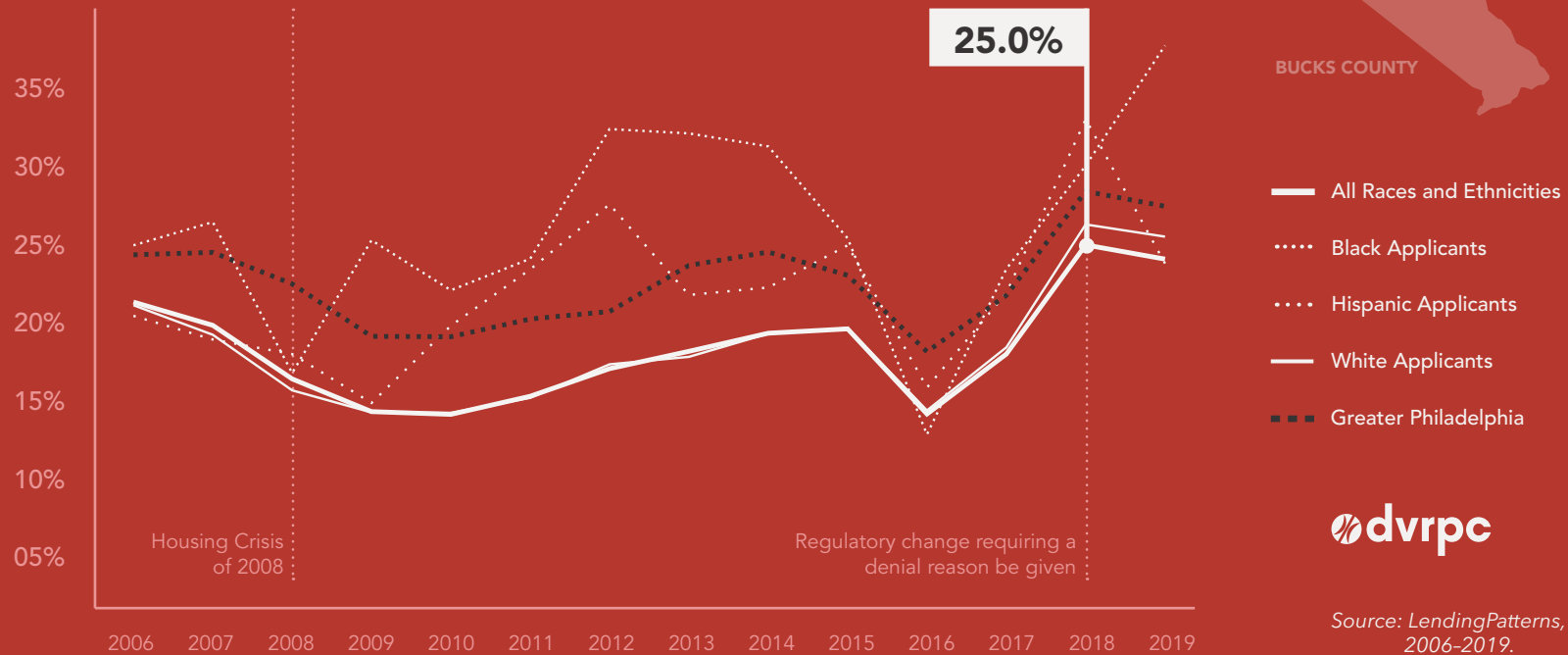
Source: LendingPatterns, 2006-2019.

Collateral Denials

On average, applications in Bucks County are denied due to Collateral at a rate (15.5 percent) nearly equal to Greater Philadelphia as a whole (15.3 percent). However, White applicants in Bucks County are denied due to Collateral at an average rate of 15.7 percent, which is slightly higher than the region as a whole, but Black and Hispanic applicants are denied at slightly lower rates of 12.9 percent and 13.9 percent, respectively. The rate at which Black applicants are denied due to Collateral is the second highest in the region.

Since 2009, Collateral as a denial reason is down for the region as a whole, as well as for applicants in Bucks County. However, denials due to Collateral peaked again in 2018 after regulatory changes went into effect. Rates that year were 19.4 percent for all races and ethnicities, as shown in Table 5, 16.5 percent for Black applicants, 14.1 percent for Hispanic applicants, and 19.8 percent for White applicants.

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



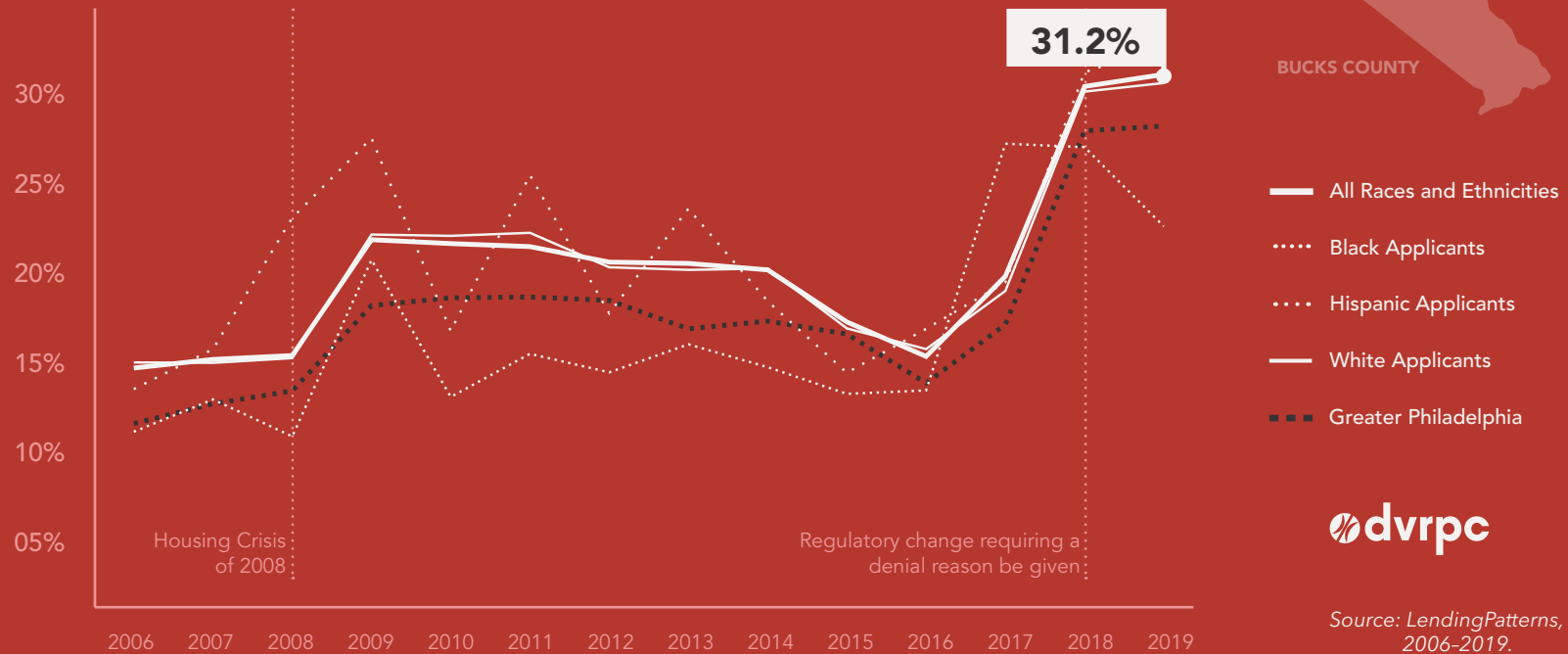
Source: LendingPatterns, 2006–2019.

Credit History Denials

Applications in Bucks County are denied due to Credit History at an average rate of 18.4 percent, which is lower than the average rate of 22.7 percent for the region as a whole. Although Bucks County has the third lowest rate of denial due to Credit History in the region, the share of applicants denied for this reason has been increasing since the Housing Crisis of 2008, and spiked following the regulatory changes that went into effect in 2018. In 2018, 25.0 percent of applications were denied due to Credit History, as shown in Table 6.

The rate at which Black applicants in Bucks County are denied due to Credit History has increased significantly in recent years, and reached an all-time high of 37.7 percent in 2019. Although Credit History denials have also increased for Hispanic and White applicants, the denial rates were still much lower in 2019 at 23.8 percent and 25.5 percent, respectively.

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



Source: LendingPatterns, 2006-2019.

Debt to Income Ratio Denials

Applicants in Bucks County are denied due to Debt to Income Ratio at an average rate of 20.4 percent, the highest average in the region, compared to an average of 17.9 percent for the region as a whole. The rate remained relatively flat over the past decade before rising to an all-time high in 2019 to a rate of 31.2 percent for all races and ethnicities, as shown in Table 7. Although this trend was seen across the region as well, the rate in 2019 was lower for the region at 28.3 percent.

On average, Debt to Income Ratio accounts for 16.7 percent of denials for Black applicants, 21.2 percent for Hispanic applicants, and 20.4 percent for White applicants. Although the share of applicants in Bucks County denied due to Debt to Income Ratio has increased among all races and ethnicities, the greatest increase was observed among Hispanic and White applicants peaking in 2019 at rates of 32.8 percent and 30.7 percent, respectively.

Table 08: Degrees of Disparity by County

Degree of Disparity	*Absolute difference between the demographic groups was used for that metric.								
	Bucks	Burlington	Camden	Chester	Delaware	Gloucester	Mercer	Montgomery	Philadelphia
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

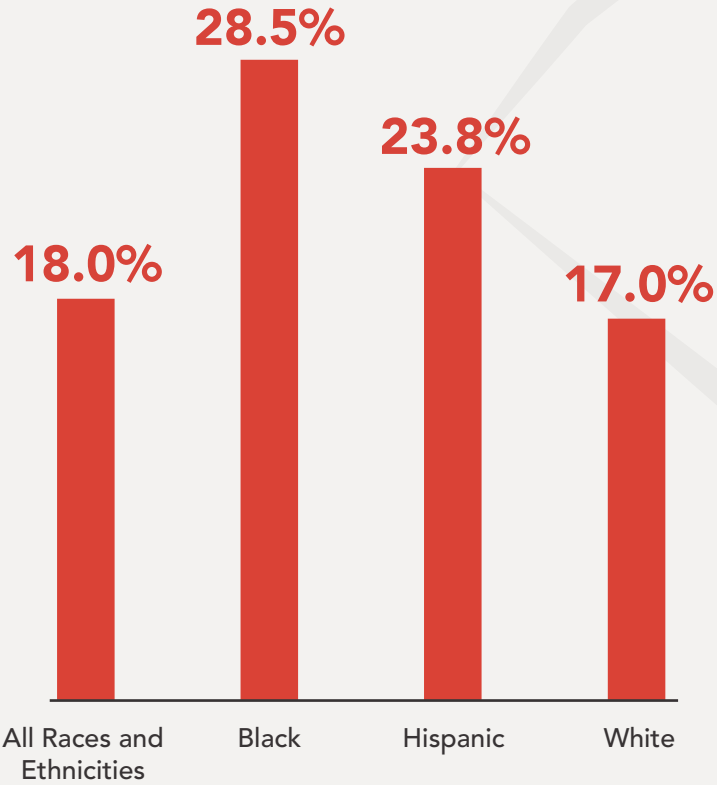
Each of the region's nine counties were scored across 35 different metrics, as shown in Table 8, based on the degree to which a mortgage lending disparity exists for that metric. Scores ranged from 9, indicating the highest degree of disparity, to 1, which indicated the lowest degree of disparity.

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, Bucks County has the lowest degree of disparity for the region, based on the data presented. This is evidenced by the following:

- Decline in applications for Black applicants is second lowest, and the third highest for Hispanic applicants.
- Origination rates are the third highest overall and the highest for Black applicants. The disparity between Black and White applicants is the second lowest.
- Originations per capita are the second lowest overall.
- Denial rates, shown in Table 9, are the lowest for Black applicants, and the second lowest for Hispanic applicants.
- The disparities in denial rates due to Collateral are the lowest for Black and White applicants, and the second lowest for Hispanic and White applicants.
- Denial rates due to Credit History are the third lowest, and the disparities between Black and White applicants, and Hispanic and White applicants are the second lowest and lowest, respectively.

Although Debt to Income Ratio is the highest in the region, and the disparity between origination rates for Black and White applicants is the second highest, the overall degree of disparity in Bucks County is the lowest.

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

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