

Barriers to Building
Generational Wealth:
**MORTGAGE
LENDING**



Disparities

in Chester County

September 2021



DVRPC's vision for the Greater Philadelphia Region is a prosperous, innovative, equitable, resilient, and sustainable region that increases mobility choices by investing in a safe and modern transportation system; that protects and preserves our natural resources while creating healthy communities; and that fosters greater opportunities for all.

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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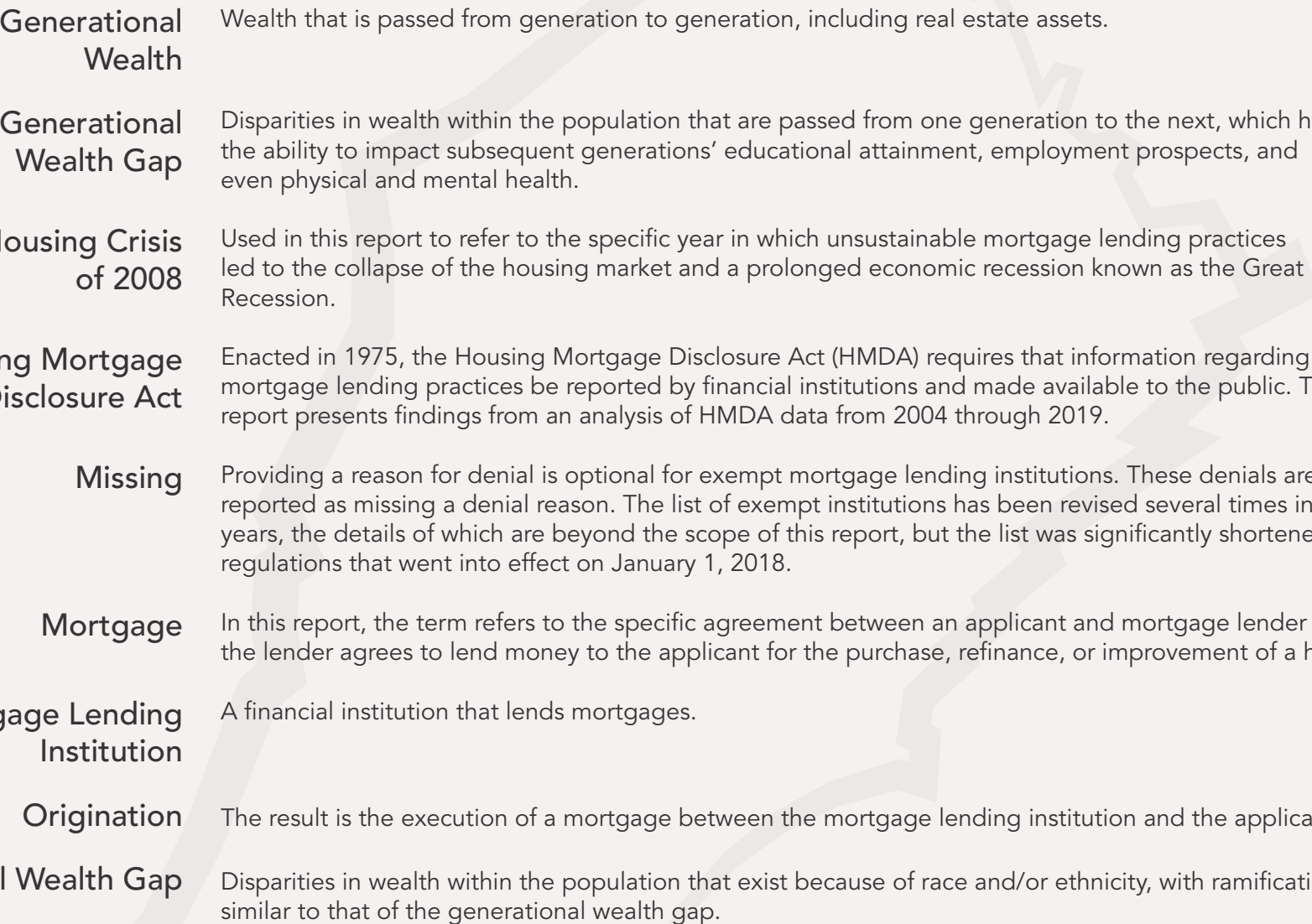
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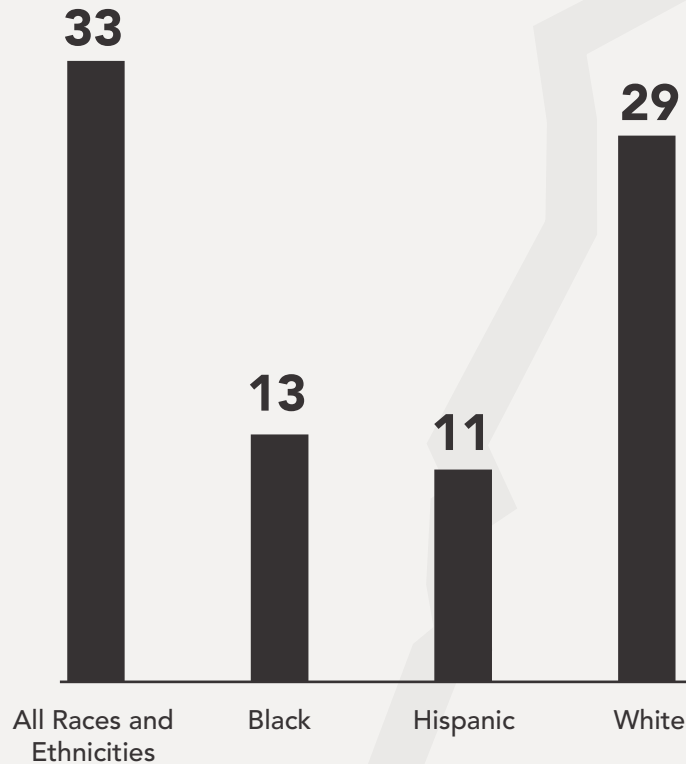
Definitions of Key Terms

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

Although mortgage applications have been declining in Chester County since at least 2004, the decline has been the lowest in the region at 39.9 percent. Applications from White applicants have also been declining since that time, and are down by 38.3 percent. However, applications did not peak for Black applicants until 2006, and they have declined by 57.7 percent since that time. Applications from Hispanic applicants are down by 29.1 percent since peaking in 2005. Regionwide, applications are down by 55.2 percent since the regional peak in 2005.¹

As shown in Table 1, in Chester County there were 33 originations per 1,000 people in 2019, compared to 26 for the region as a whole. That number is 13 within the Black population, compared to 11 at the regional level, and 11 within the Hispanic population, compared to 13 for the region. Conversely, in Chester County there are 29 originations per 1,000 people within the White population, compared to 25 for at the regional level.

On average since 2004, 16.3 percent of applications were denied in Chester County, the lowest rate in the region, compared to denial rates of 31.1 percent, 24.2 percent, and 15.1 percent for Black, Hispanic, and White applicants, respectively.

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 Chester County, Black applicants are denied at significantly higher rates on average compared to their White counterparts, whereas Hispanic applicants are denied at moderately higher rates.

31.1%

of Black applicants in Chester County were denied on average between 2004 and 2019, which accounted for 6.2 percent of all denials. However, Black applicants only accounted for 3.2 percent of all mortgage applications during this same period.

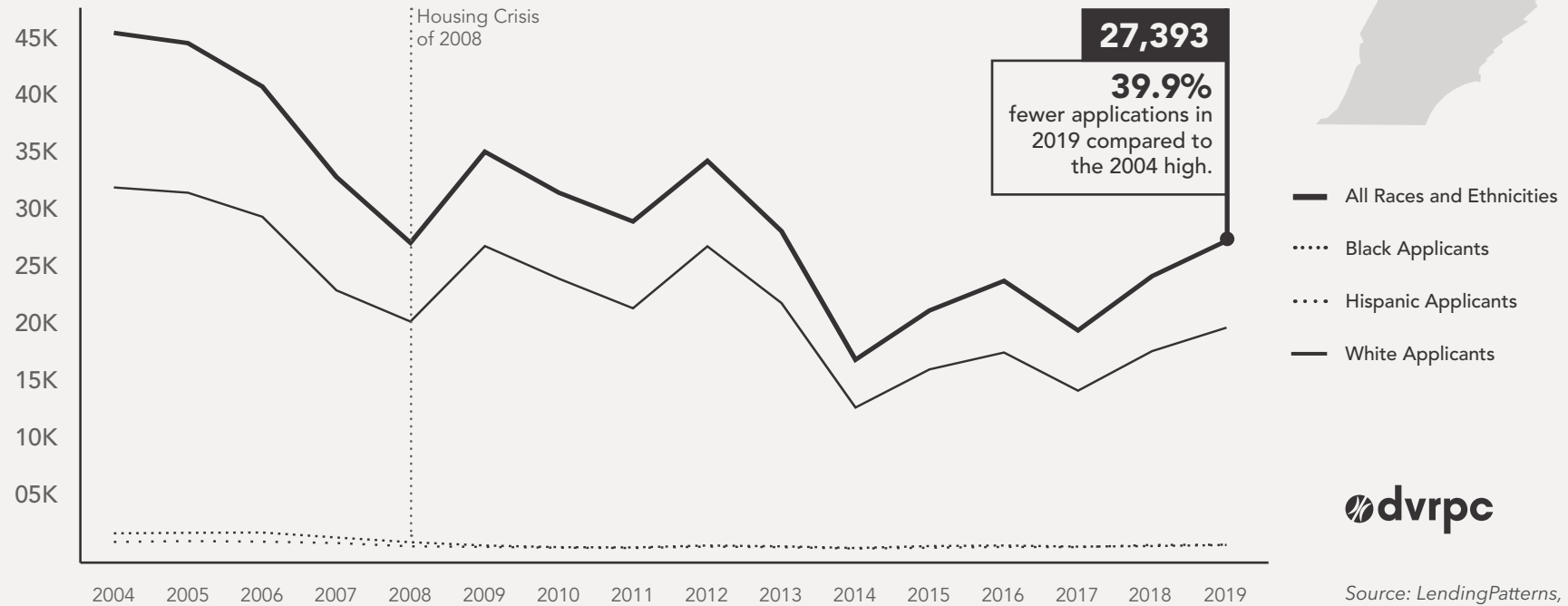
24.2%

of Hispanic applicants were denied on average during that same period of time. This represented 3.6 percent of all denials, while Hispanic applicants only represented 2.4 percent of all applications.

15.1%

of White applicants were denied on average between 2004 and 2019. Although White applicants accounted for 73.7 percent of all applications, they only accounted for 67.8 percent of denials.

Table 02: Total Applications (2004–2019)

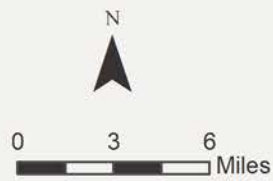
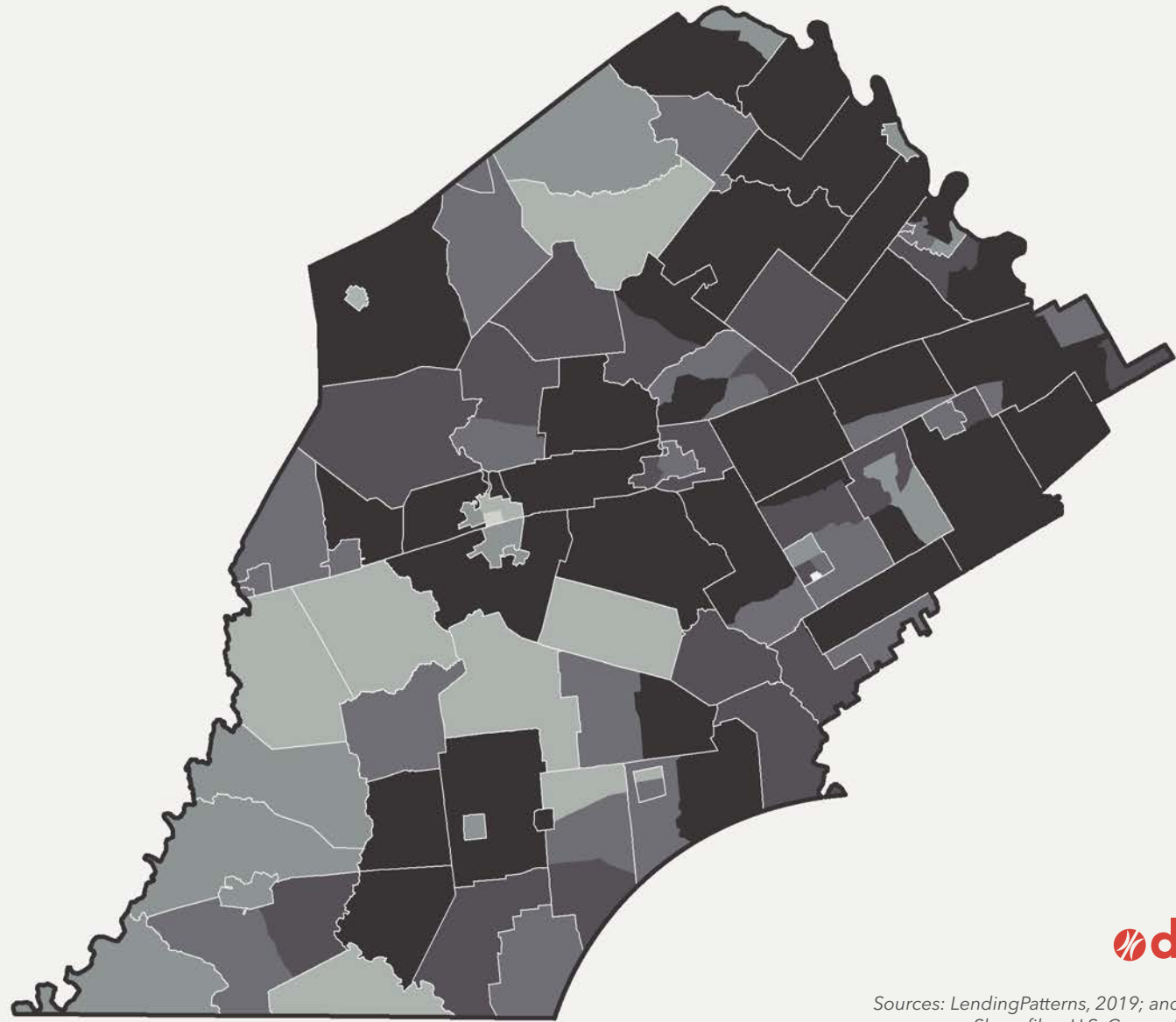
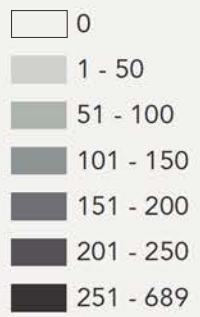


Applications

As shown in Table 2, applications have declined since at least 2004, when 45,587 mortgage applications were submitted, which represented 8.6 percent of all applications in Greater Philadelphia that year. Heading into the Housing Crisis of 2008, applications fell significantly, before falling to an all-time low in 2014 at 17,003 applications (10.3 percent of the regional total). In 2019, there were 27,393 applications, which was 39.9 percent fewer than in 2004. This represented 10.8 percent of all applications in Greater Philadelphia in 2019, and the smallest decline for the region’s nine counties. Since 2004, applications are down by 55.9 percent, 23.7 percent, and 38.3 percent for Black, Hispanic, and White applicants, respectively.

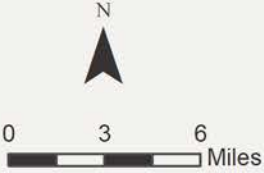
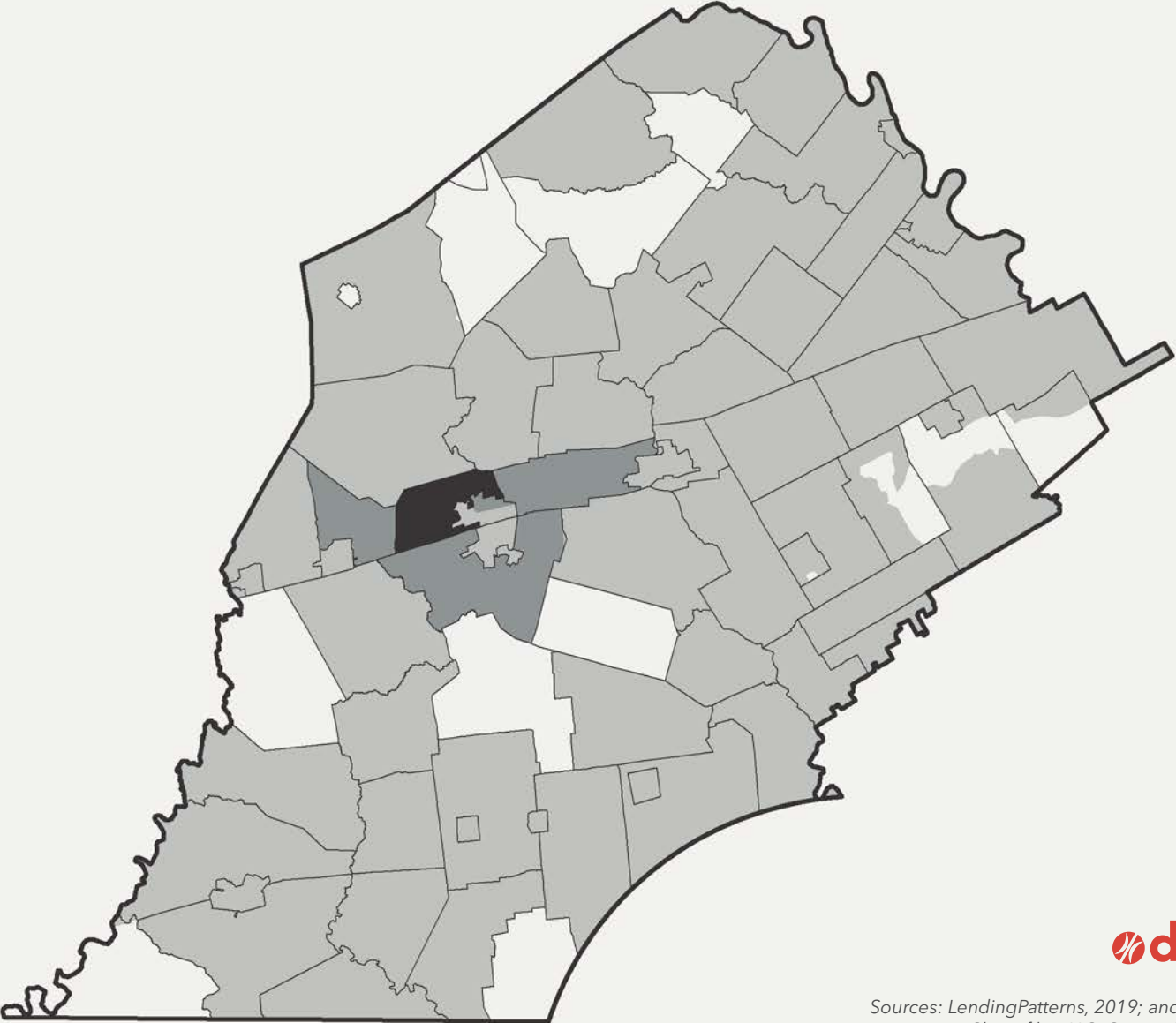
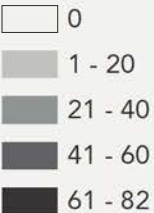
In 2019, Black applicants in Chester County accounted for 2.8 percent of all Black applicants in the region, Hispanic applicants accounted for 5.7 percent of the region’s Hispanic applicants, and White applicants accounted for 13.1 percent of the region’s White applicants. Totals by race and ethnicity 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)



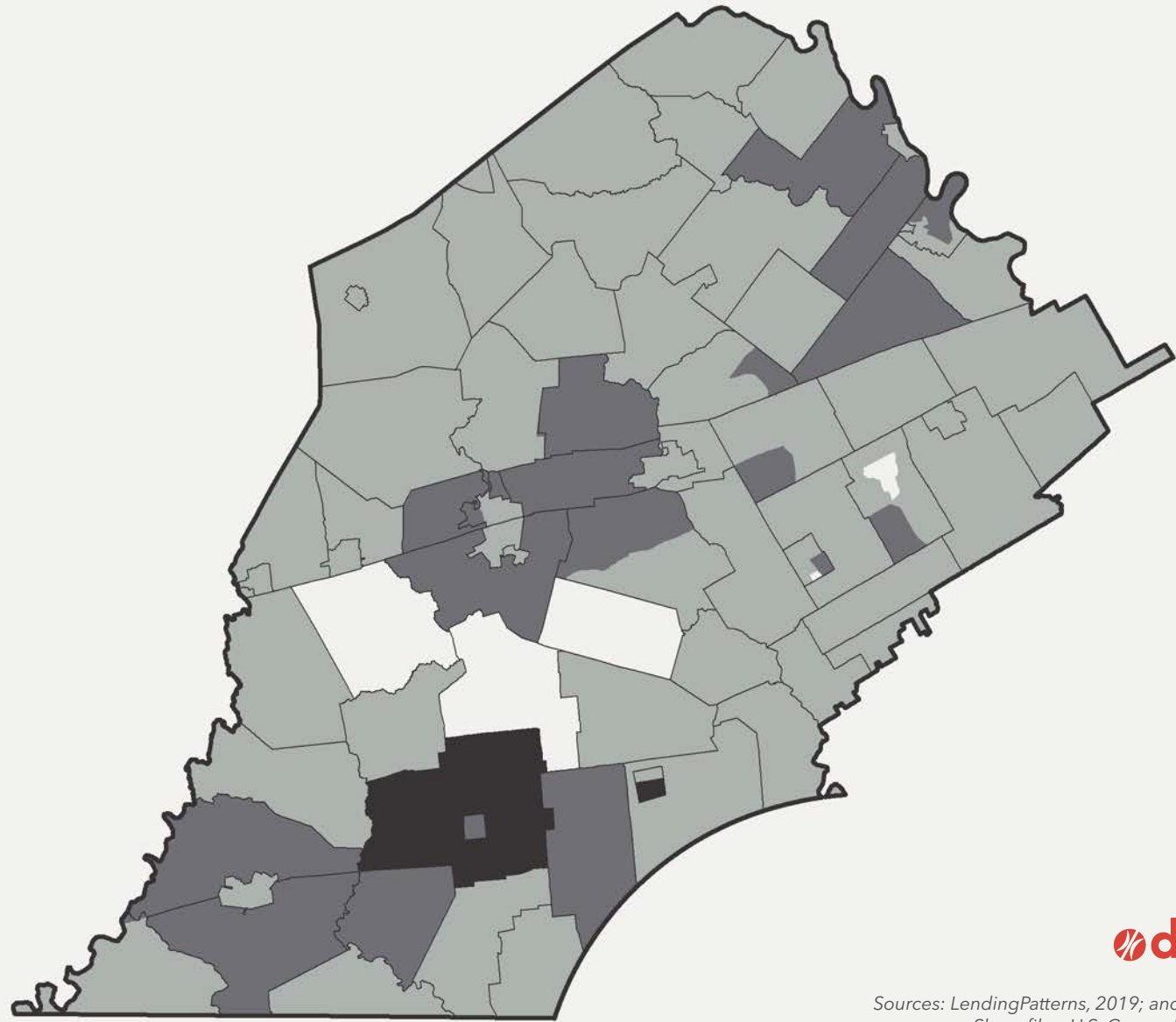
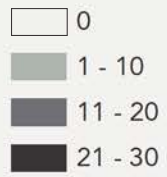
Sources: LendingPatterns, 2019; and, 2010 TIGER Shapefiles, U.S. Census Bureau, 2010.

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



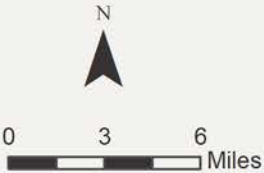
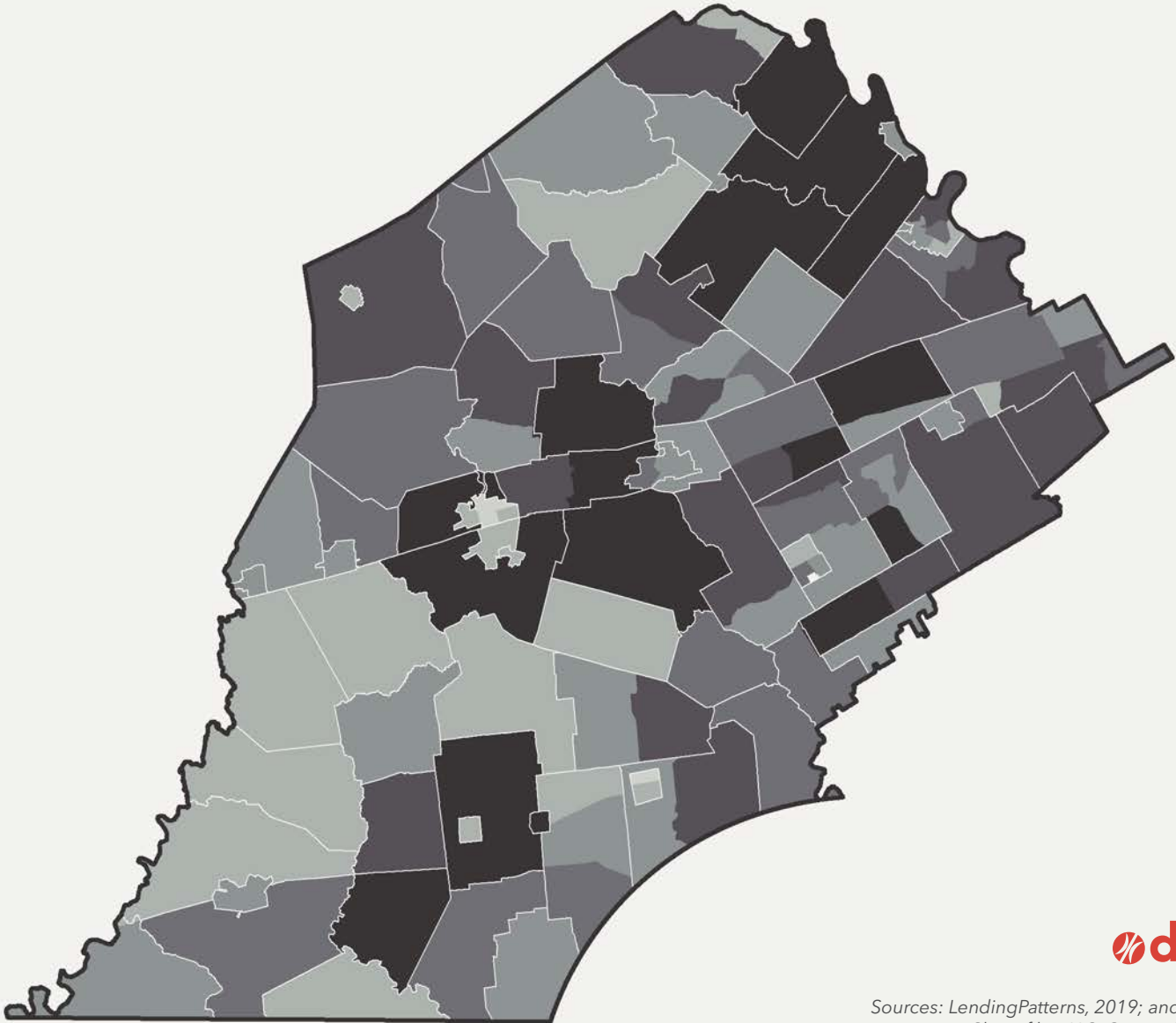
Sources: LendingPatterns, 2019; and, 2010 TIGER Shapefiles, U.S. Census Bureau, 2010.

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



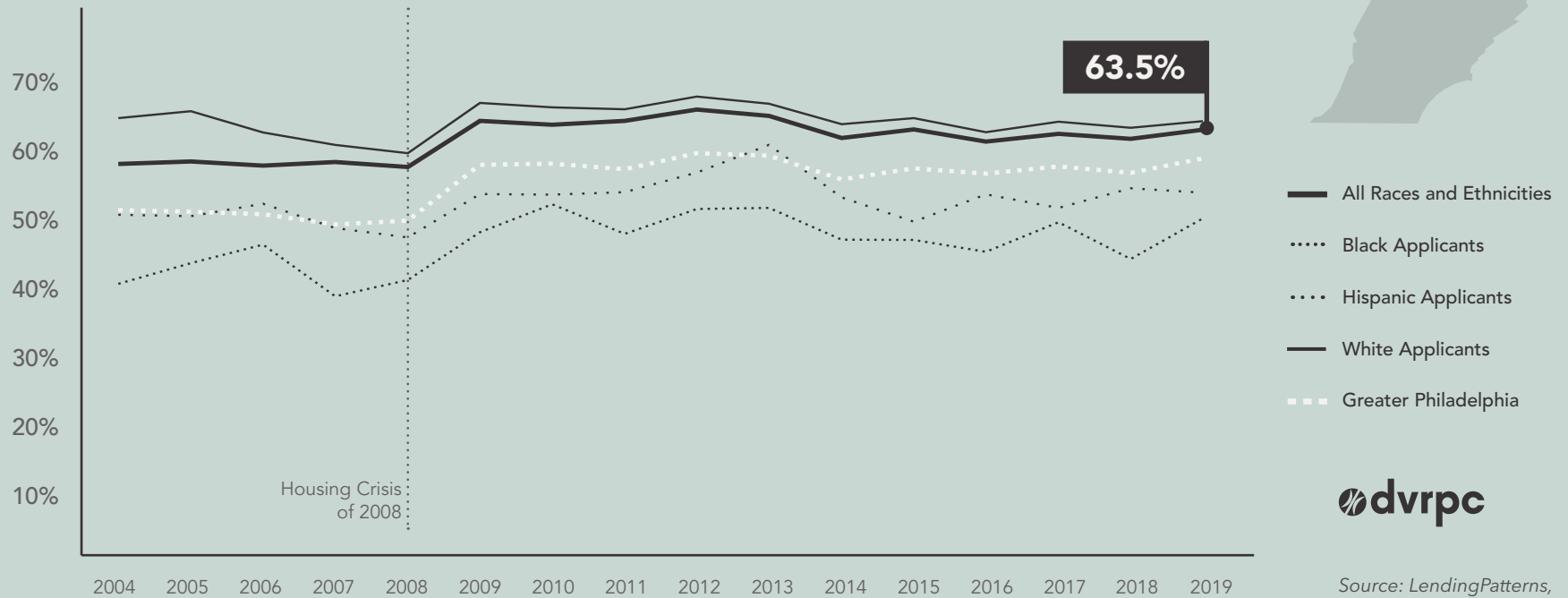
Sources: LendingPatterns, 2019; and, 2010 TIGER Shapefiles, U.S. Census Bureau, 2010.

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.

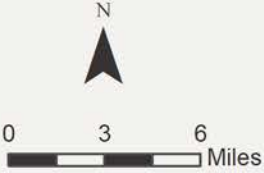
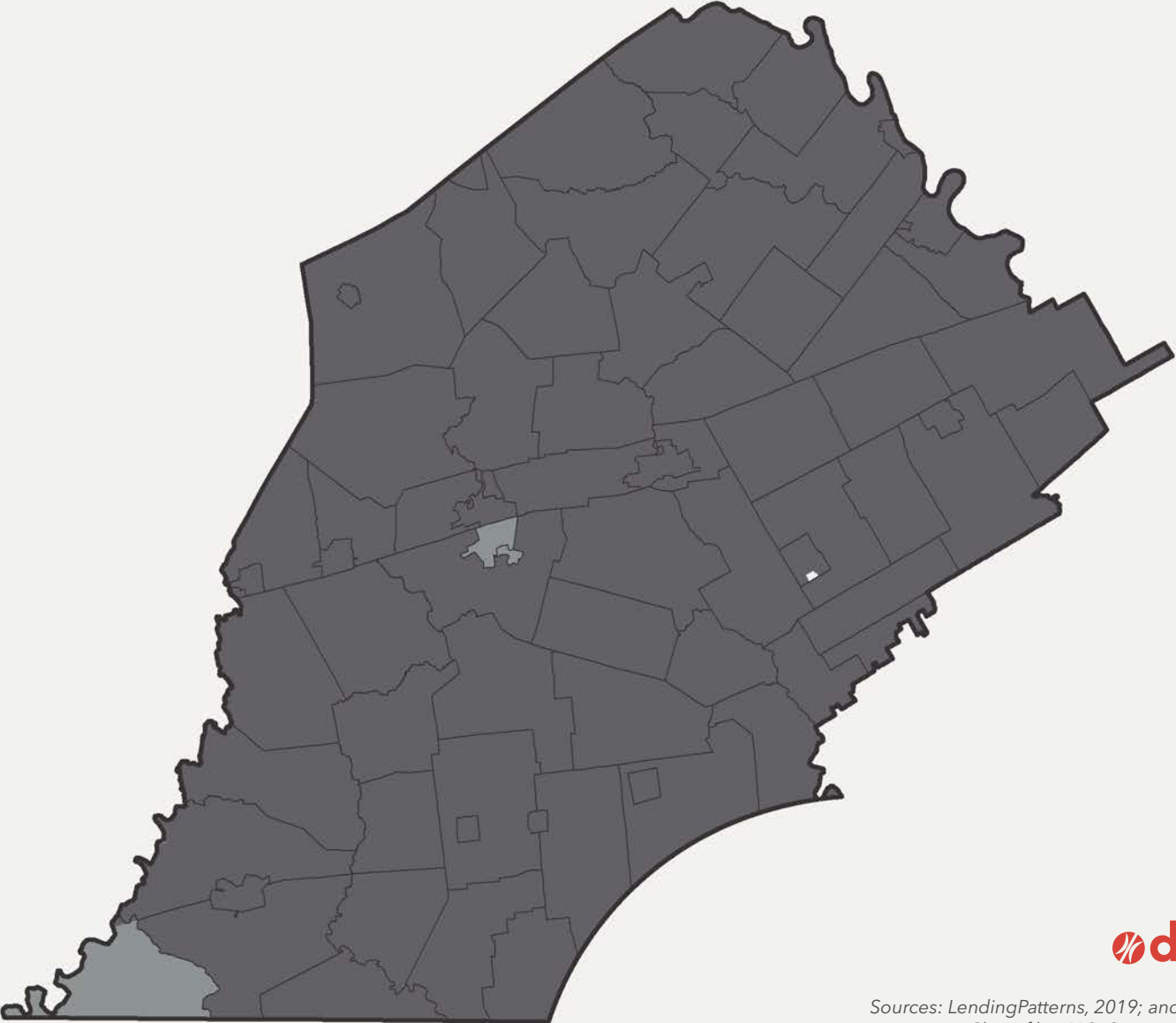
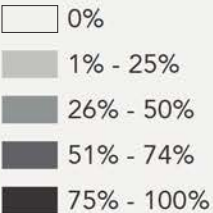
Originations

The average origination rate is 62.2 percent in Chester County, the highest rate in the region, and although applications are down since 2004, originations as a share of total applications has been relatively steady since 2009. In 2019, 63.5 percent of applications ended in an origination, as shown in Table 3, which was 4.2 percent more than the region as a whole.

However, applications are originated at average rates of 64.9 percent for White applicants (61.8 percent regionwide), 53.3 percent for Hispanic applicants (47.5 percent regionwide), and 47.1 percent for Black applicants (40.7 percent regionwide).

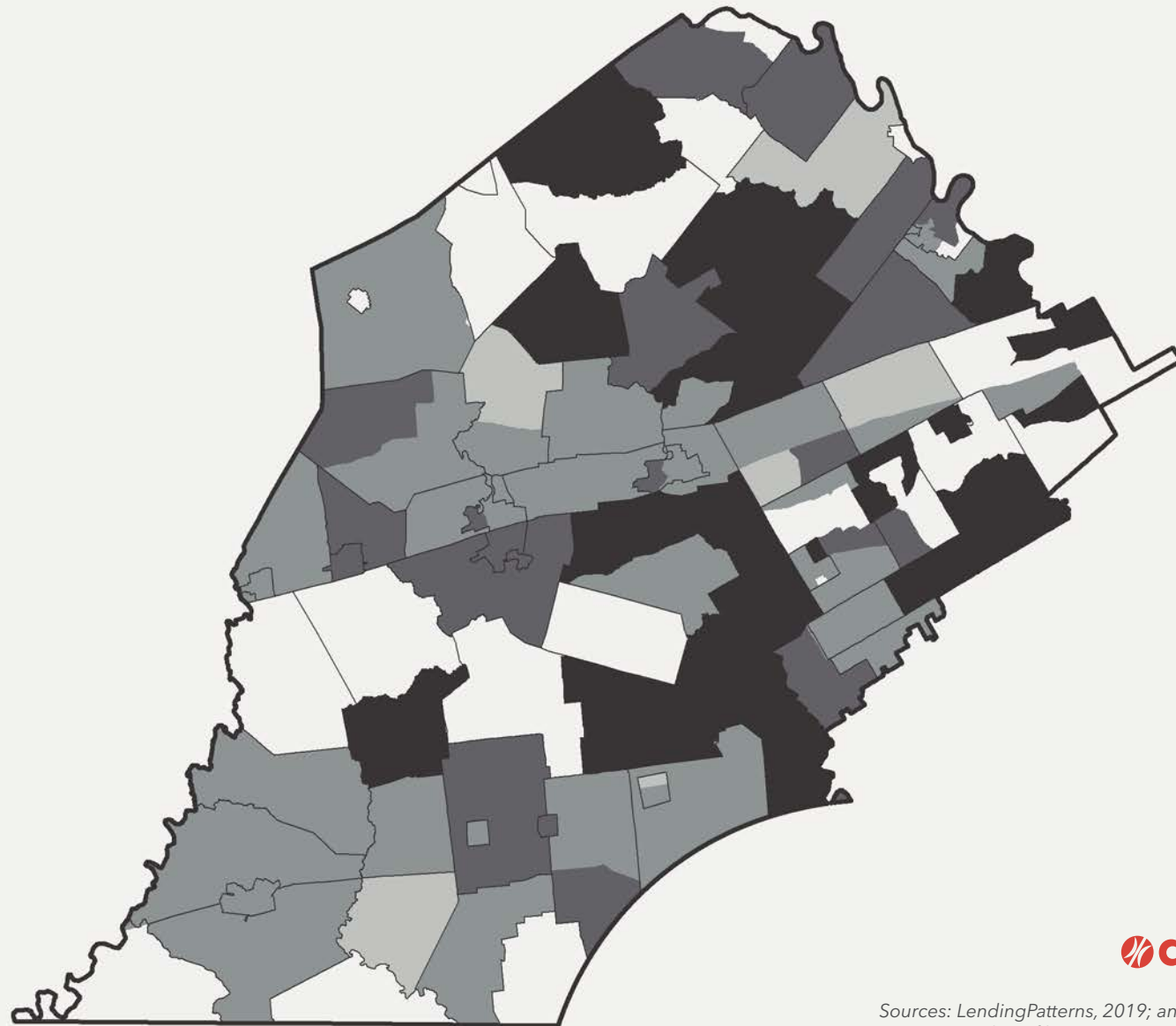
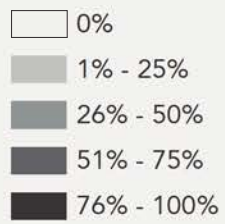
The share of applications for all races and ethnicities, as well as from Black, Hispanic, and White applicants, that resulted in an origination in 2019 can be seen at the census tract level in Figures 5, 6, 7 and 8 on the following pages.

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



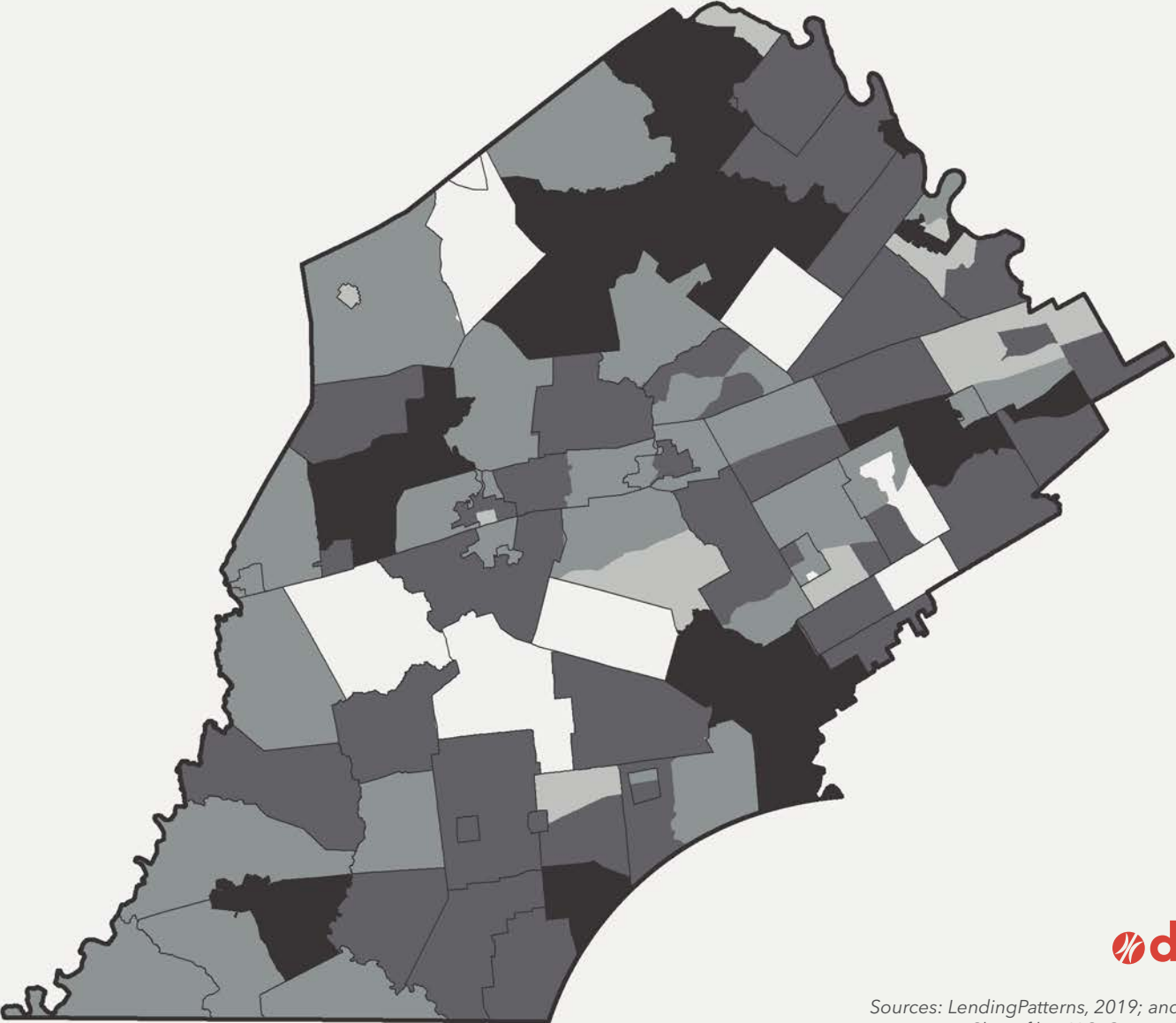
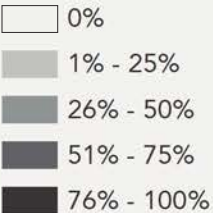
Sources: LendingPatterns, 2019; and, 2010 TIGER Shapefiles, U.S. Census Bureau, 2010.

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



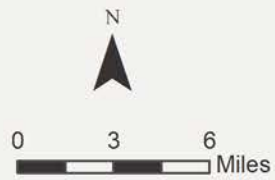
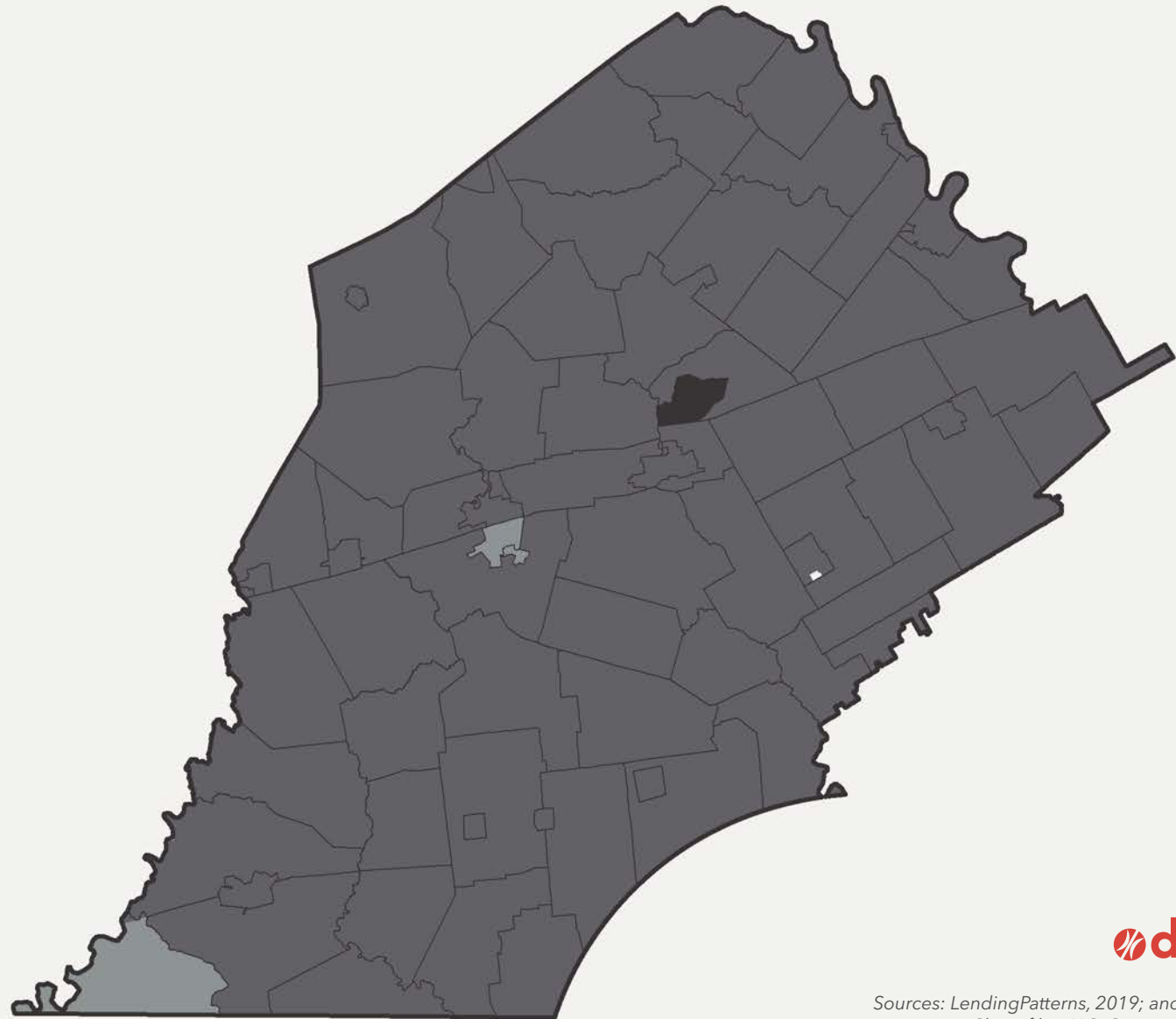
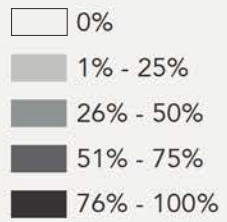
Sources: LendingPatterns, 2019; and, 2010 TIGER Shapefiles, U.S. Census Bureau, 2010.

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



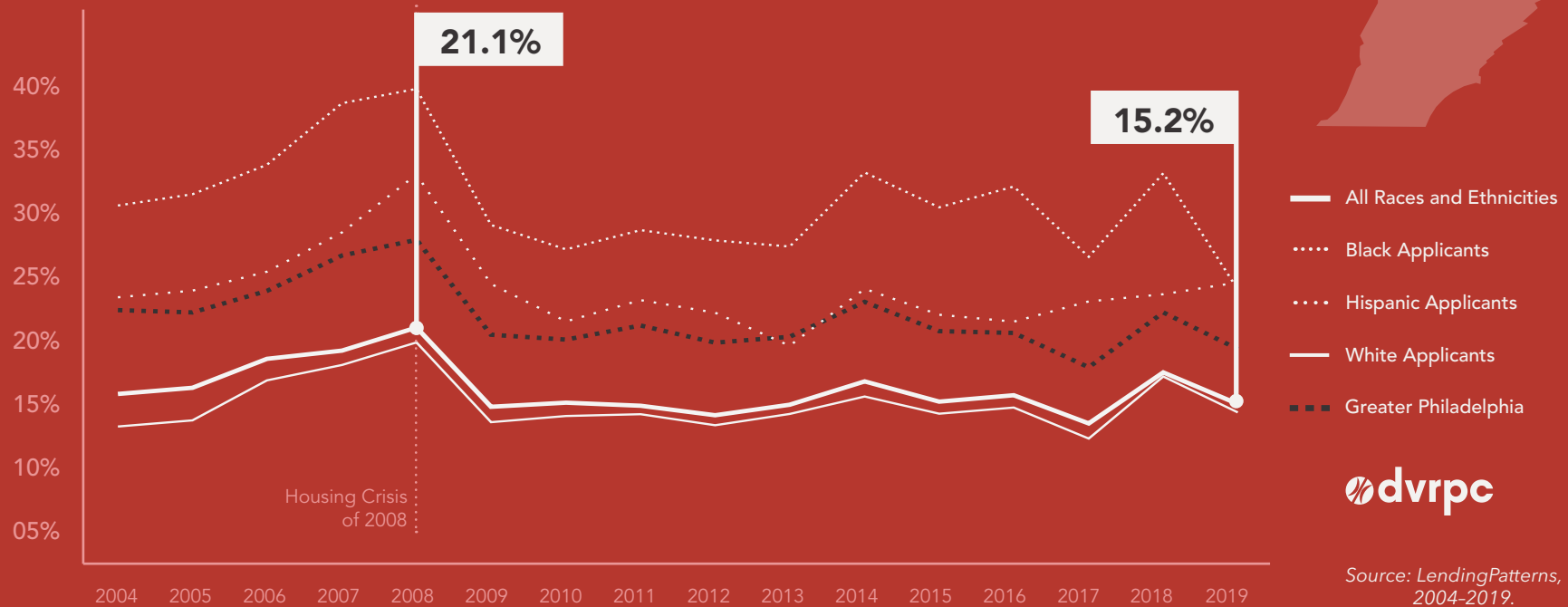
Sources: LendingPatterns, 2019; and, 2010 TIGER Shapefiles, U.S. Census Bureau, 2010.

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)



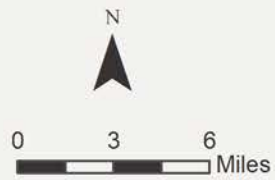
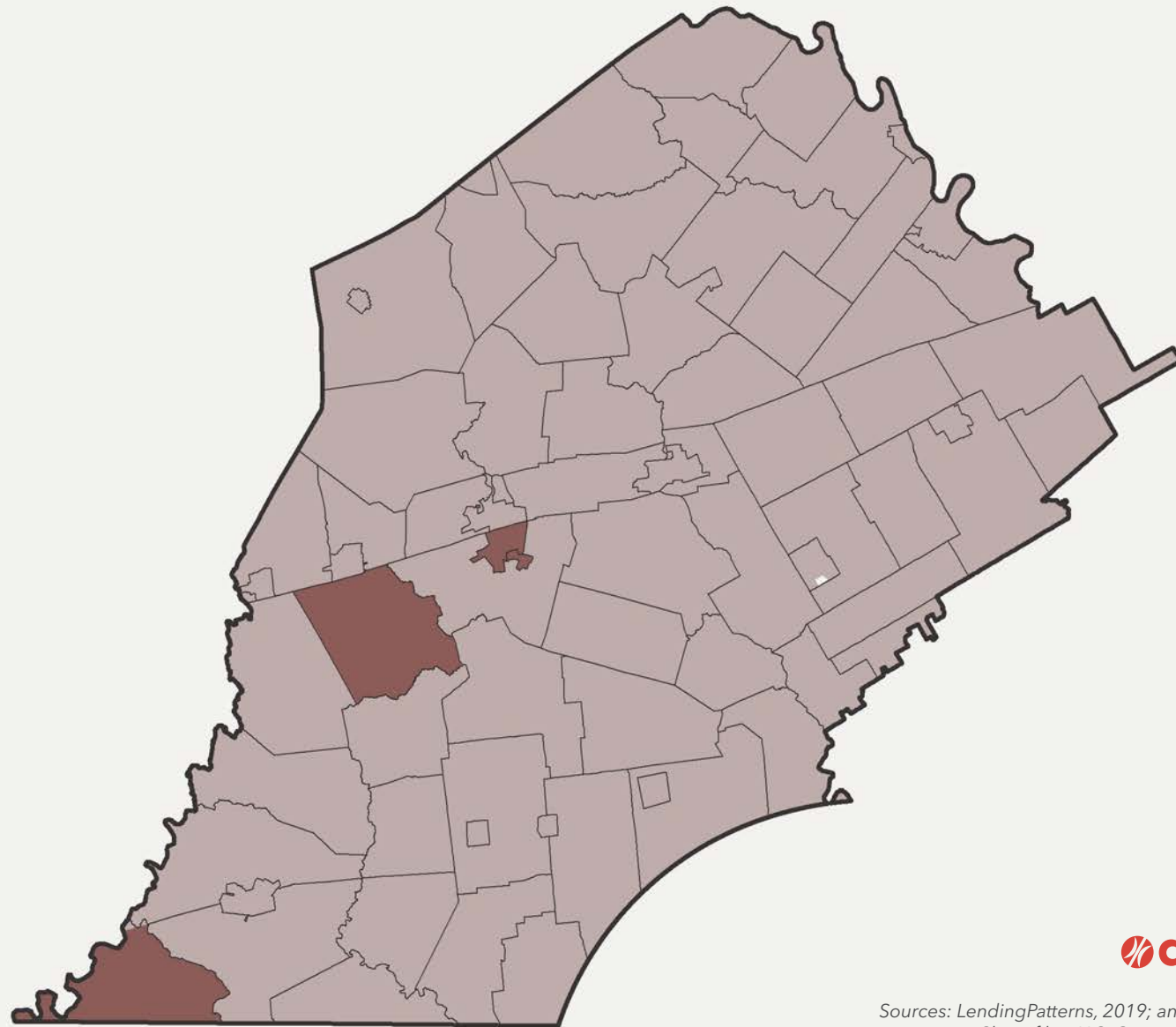
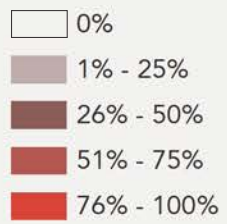
Source: LendingPatterns, 2004-2019.

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, and 21.2 percent were denied in Chester County. However, the peak for denials among Black, Hispanic, and White applicants was 40.0 percent, 33.2 percent, and 20.0 percent, respectively.

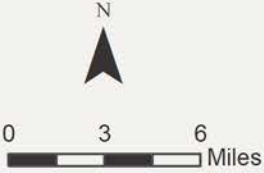
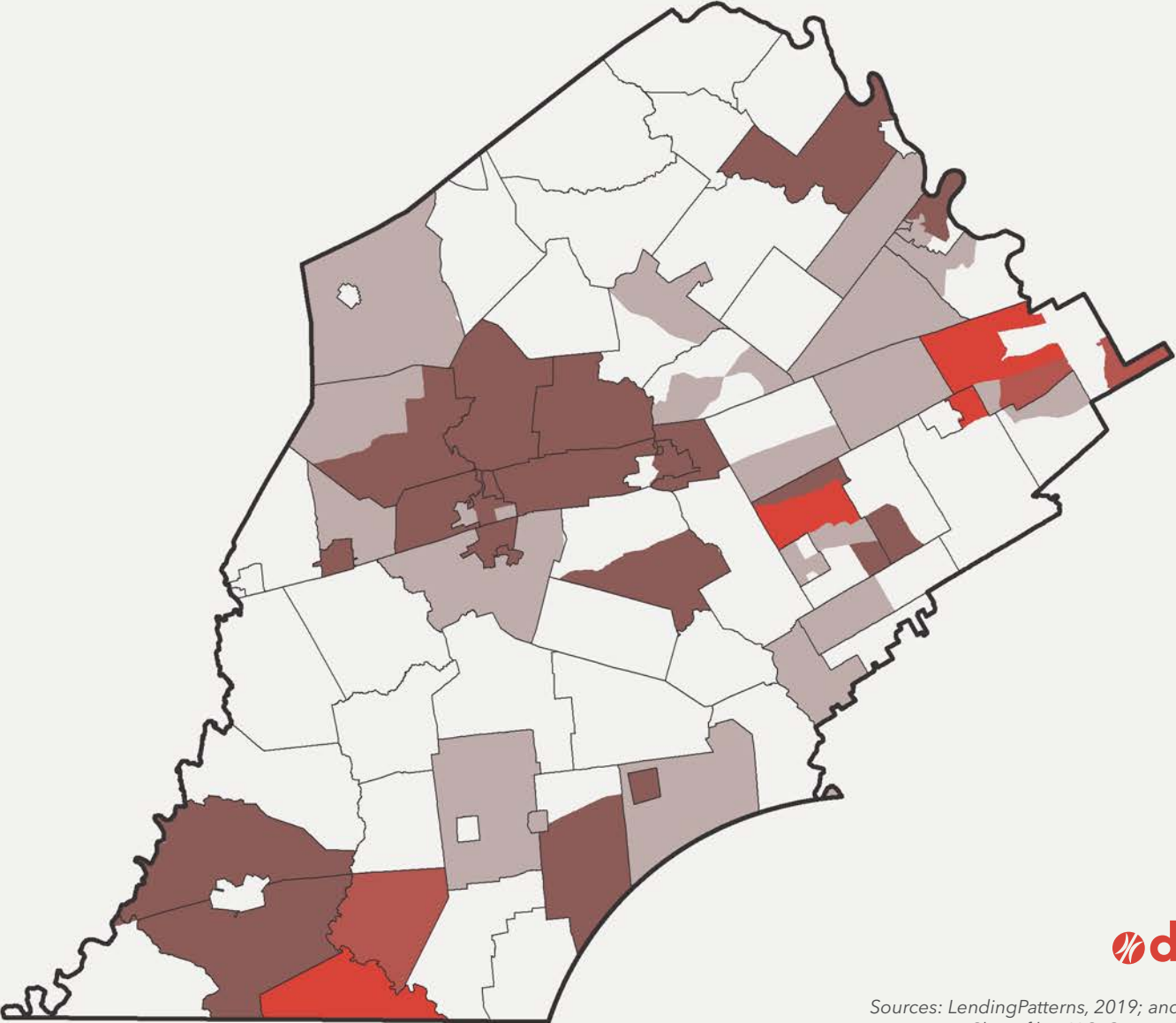
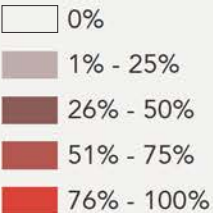
Denial rates were somewhat steady in the first few years after the Housing Crisis, but have been less consistent in recent years, as shown in Table 4. Denial rates for Black applicants have been the most inconsistent since spiking again in 2014 to 33.4 percent, and falling to 24.2 percent in 2019. Whereas denials for Hispanic applicants increased to a post-recession high of 24.8 percent in 2019, and denials for White applicants have remained relatively steady with 14.5 percent being denied in 2019. 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)



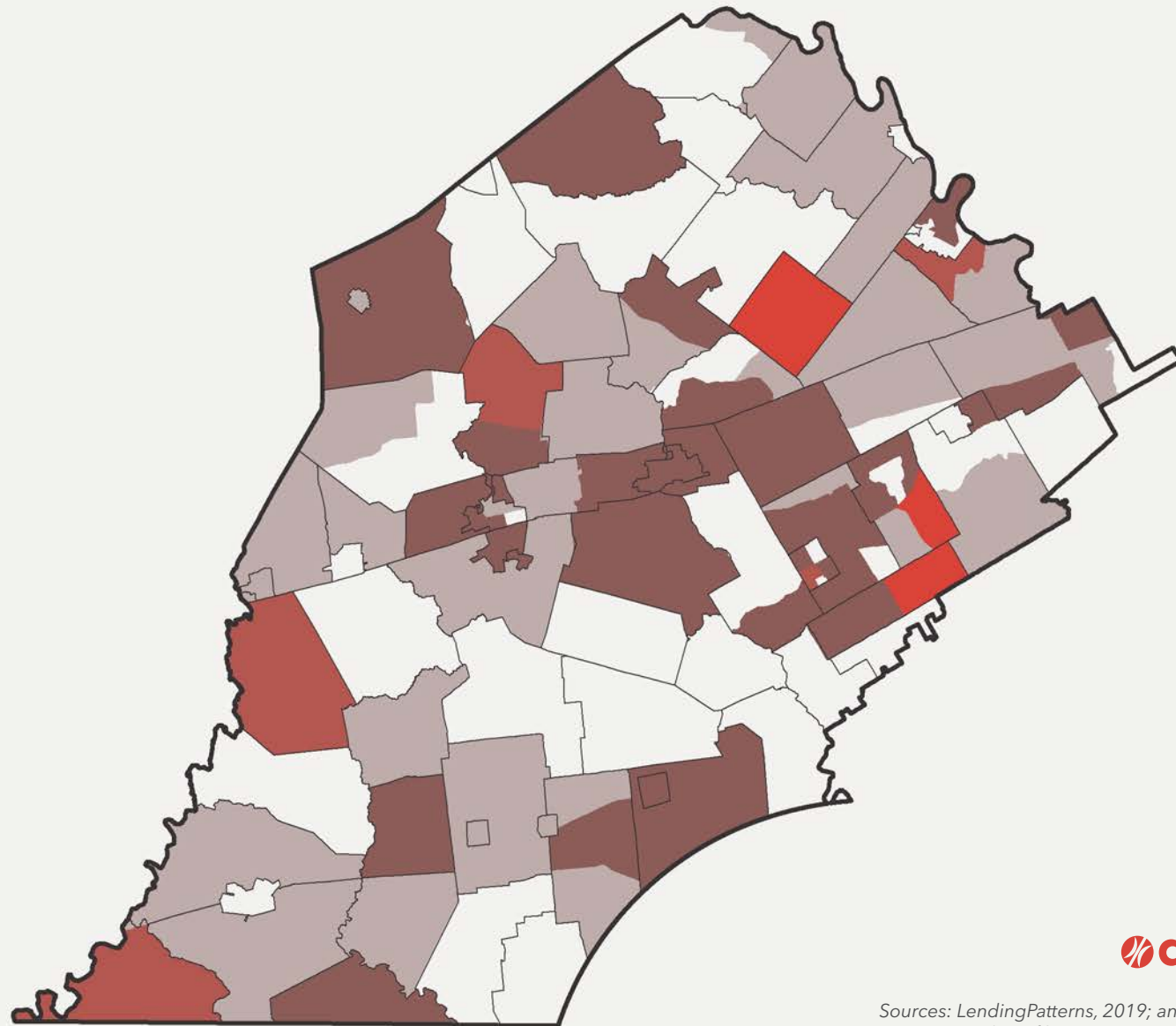
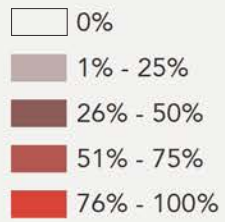
Sources: LendingPatterns, 2019; and, 2010 TIGER Shapefiles, U.S. Census Bureau, 2010.

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



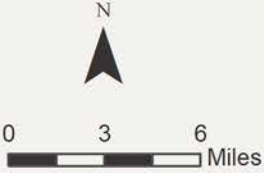
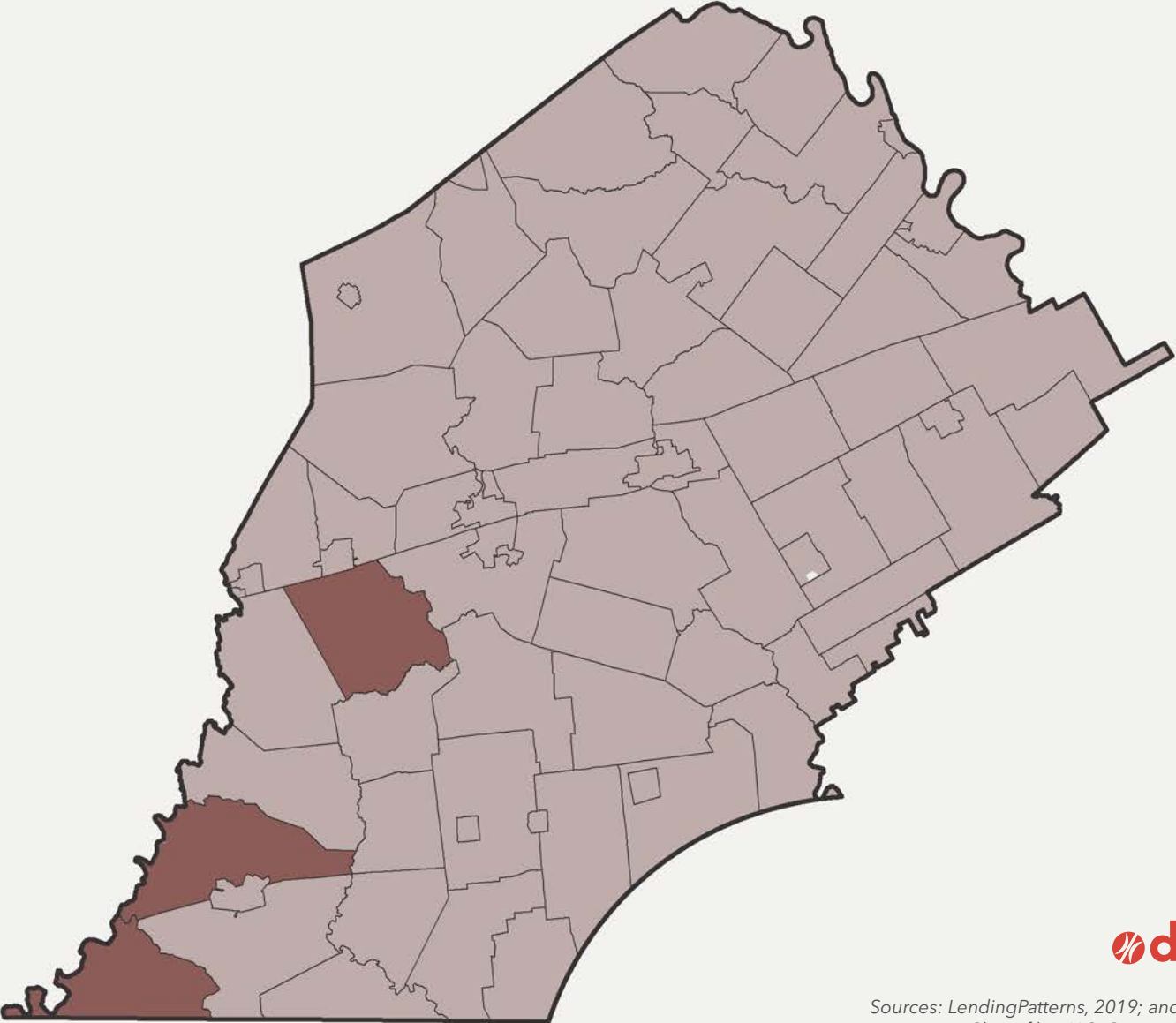
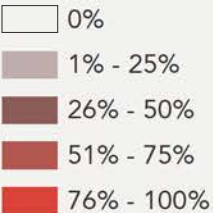
Sources: LendingPatterns, 2019; and, 2010 TIGER Shapefiles, U.S. Census Bureau, 2010.

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



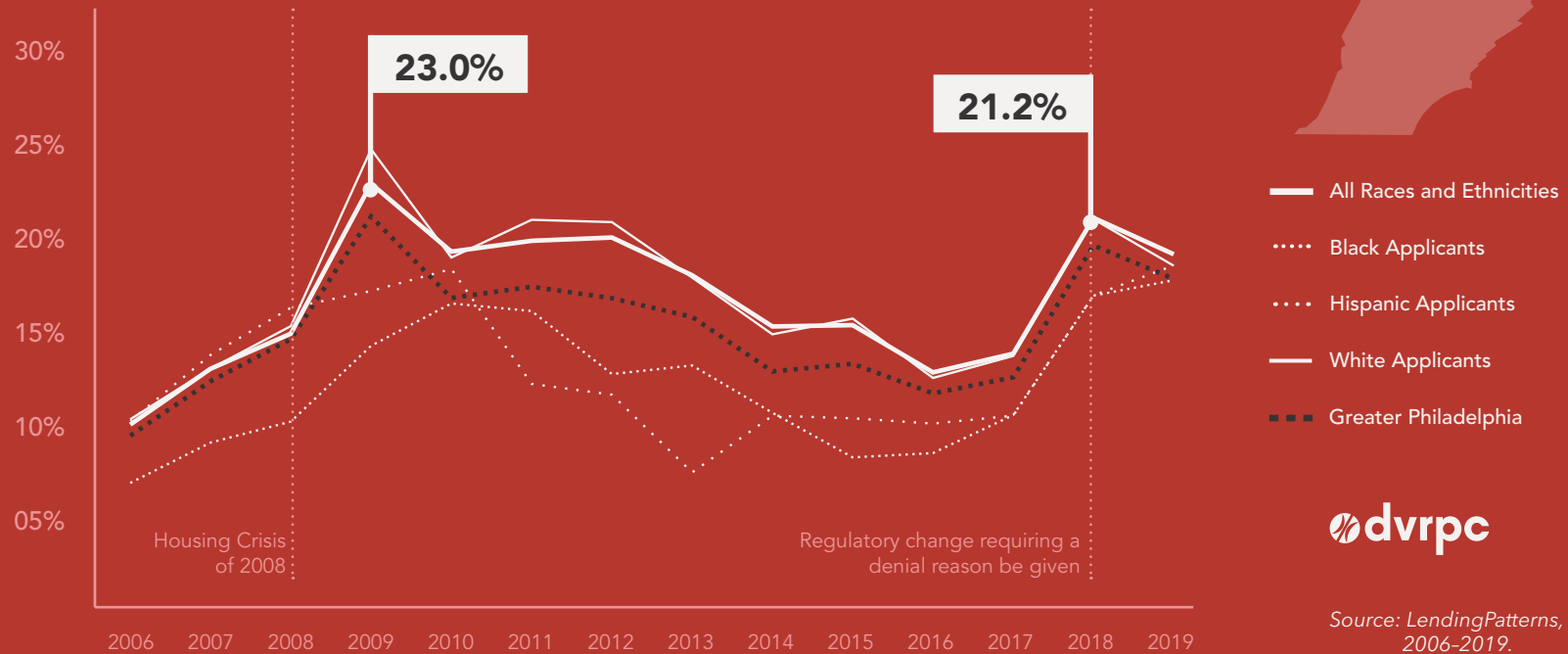
Sources: LendingPatterns, 2019; and, 2010 TIGER Shapefiles, U.S. Census Bureau, 2010.

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)

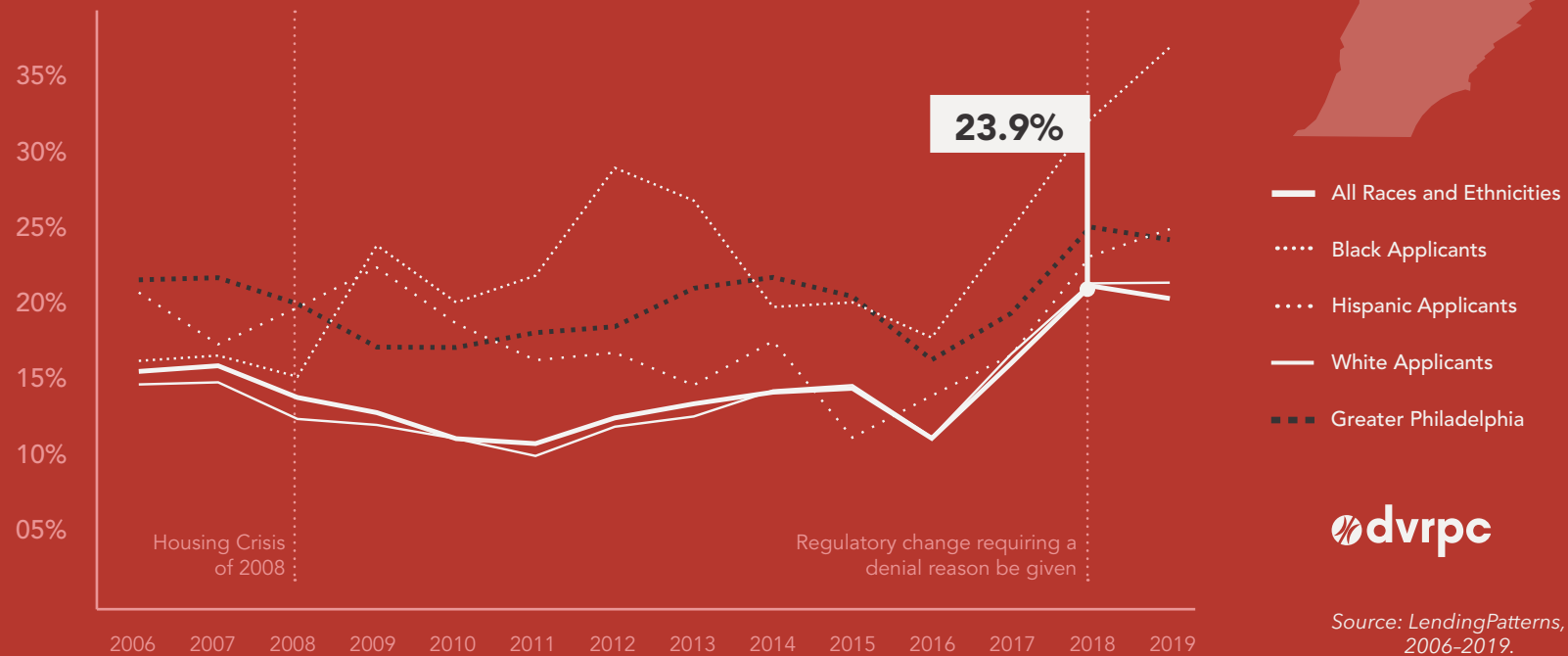


Collateral Denials

On average, applications in Chester County are denied due to Collateral at the second highest rate in the region (17.0 percent), and at a rate that is higher than Greater Philadelphia as a whole (15.3 percent). Black, Hispanic, and White applicants in Chester County are denied at rates of 12.4 percent, 13.3 percent, and 17.2 percent, respectively.

Since 2009, Collateral as a denial reason was trending downward for applicants in Greater Philadelphia and in Chester County as well until recently. Denials due to Collateral peaked again in 2018 for White applicants at a rate of 21.2 percent, as shown in Table 5, and in 2019 for Black and Hispanic applicants at rates of 17.9 percent and 18.7 percent, respectively.

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

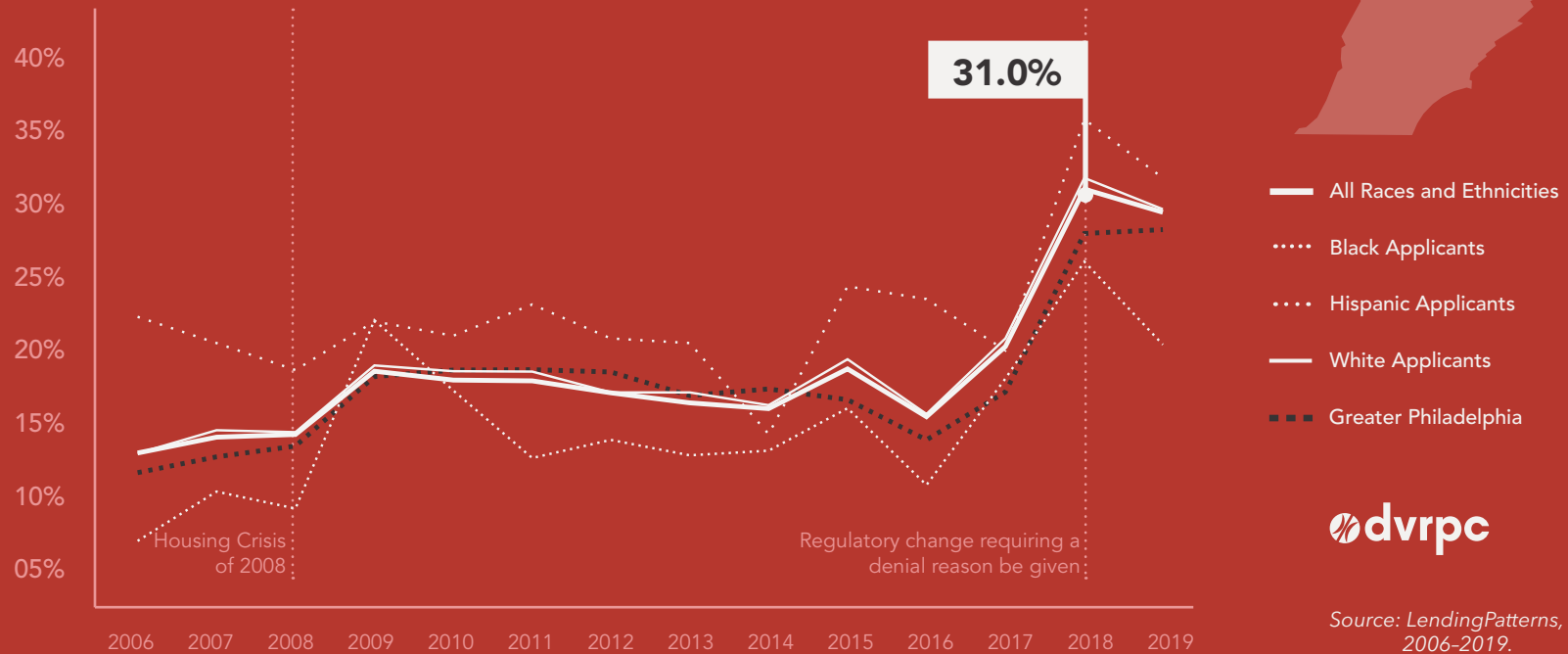


Credit History Denials

Applications in Chester County are denied due to Credit History at an average rate of 16.1 percent, which is lower than the average rate of 22.7 percent for the region as a whole. The average rate of denial due to Credit History for Black, Hispanic, and White applicants in Chester County is 26.0 percent, 20.4 percent, and 15.8 percent respectively.

The share of applicants denied for this reason has been inconsistent across applicant race and ethnicity, as seen in Table 6. The greatest inconsistency has been for Black applicants. However, denials due to Credit History spiked in 2018 and reached an all-time high of 42.3 percent for Black applicants in 2019. Conversely, Credit History denials for Hispanic applicants had been declining since the Housing Crisis, until climbing again in 2018 and reaching an all-time high of 28.3 percent in 2019. For White applicants, the rate has been rising since an all-time low of 10.8 percent in 2011, and reached an all-time high of 24.2 percent in 2019.

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



Debt to Income Ratio Denials

Applicants in Chester County are denied due to Debt to Income Ratio at an average rate of 18.6 percent, which is higher than the regional average of 17.9 percent. The rate remained relatively flat over the past decade before rising to an all-time high in 2018 to a rate of 31.0 percent for all races and ethnicities, as shown in Table 7, which was 3.0 percent higher than the regional average that year of 28.0 percent.

On average, Debt to Income Ratio accounts for 15.0 percent of denials for Black applicants, 22.8 percent for Hispanic applicants (the highest rate in the region), and 19.0 percent for White applicants. Although the share of applicants in Chester County denied due to Debt to Income Ratio has increased significantly among all races and ethnicities, the greatest increase was observed among Hispanic applicants with an all-time high in 2018 of 35.8 percent.

Table 08: Degrees of Disparity by County

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

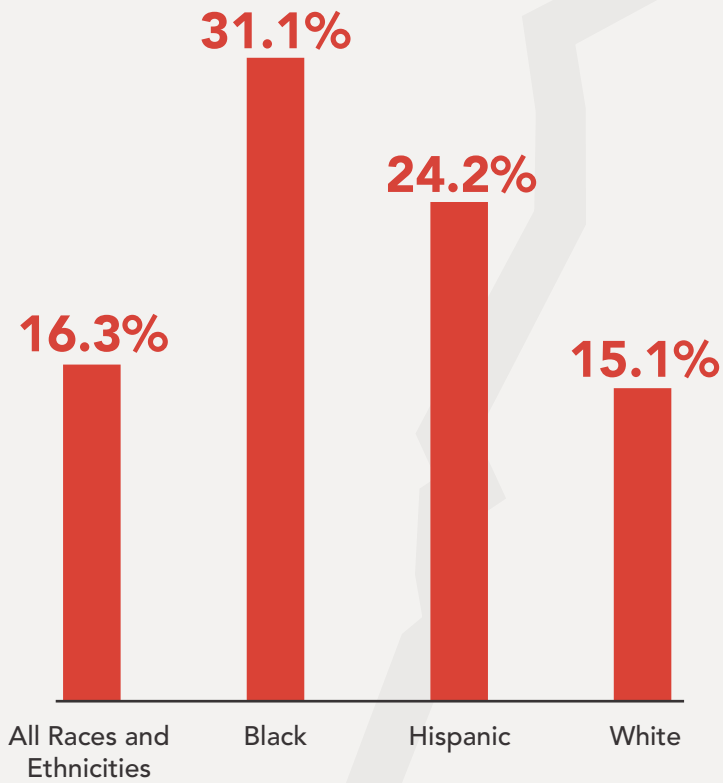
Each of the region's nine counties were scored across 35 different metrics, as shown in Table 8, based on the degree to which a mortgage lending disparity exists for that metric. Scores ranged from 9, indicating the highest degree of disparity, to 1, which indicated the lowest degree of disparity.

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

The degree of disparity present in Chester County is moderate for the region based on the data presented. This is evidenced by the following:

- Decline in applications is the lowest overall, but the difference in decline between applications from Black and White applicants is the highest.
- The origination rate is the highest, and for Black applicants it is the third highest. However, the difference between origination rates for Black applicants compared to White applicants is the fourth highest.
- Originations per capita is the highest, but the third lowest for Hispanic applicants.
- Disparities between originations per capita for Black and White applicants, and Hispanic and White applicants are the highest.
- The average rate of denial, shown in Table 9, is the lowest in the region and third lowest for Hispanic applicants. However, it is about average for Black applicants.

The greatest disparity in Chester County concerns originations per capita. There are 33 originations per 1,000 people in Chester County, compared to 13 within the Black population, 11 within the Hispanic population, and 29 within the White population.

Chester County also has the second highest rate of denial due to Collateral, at a rate of 17.0 percent, and the third highest rate due to Debt to Income Ratio, at 18.6 percent. However, at a rate of 22.8 percent, Hispanic applicants in Chester County are denied due to Debt to Income Ratio at the greatest rate in the region.

Sources

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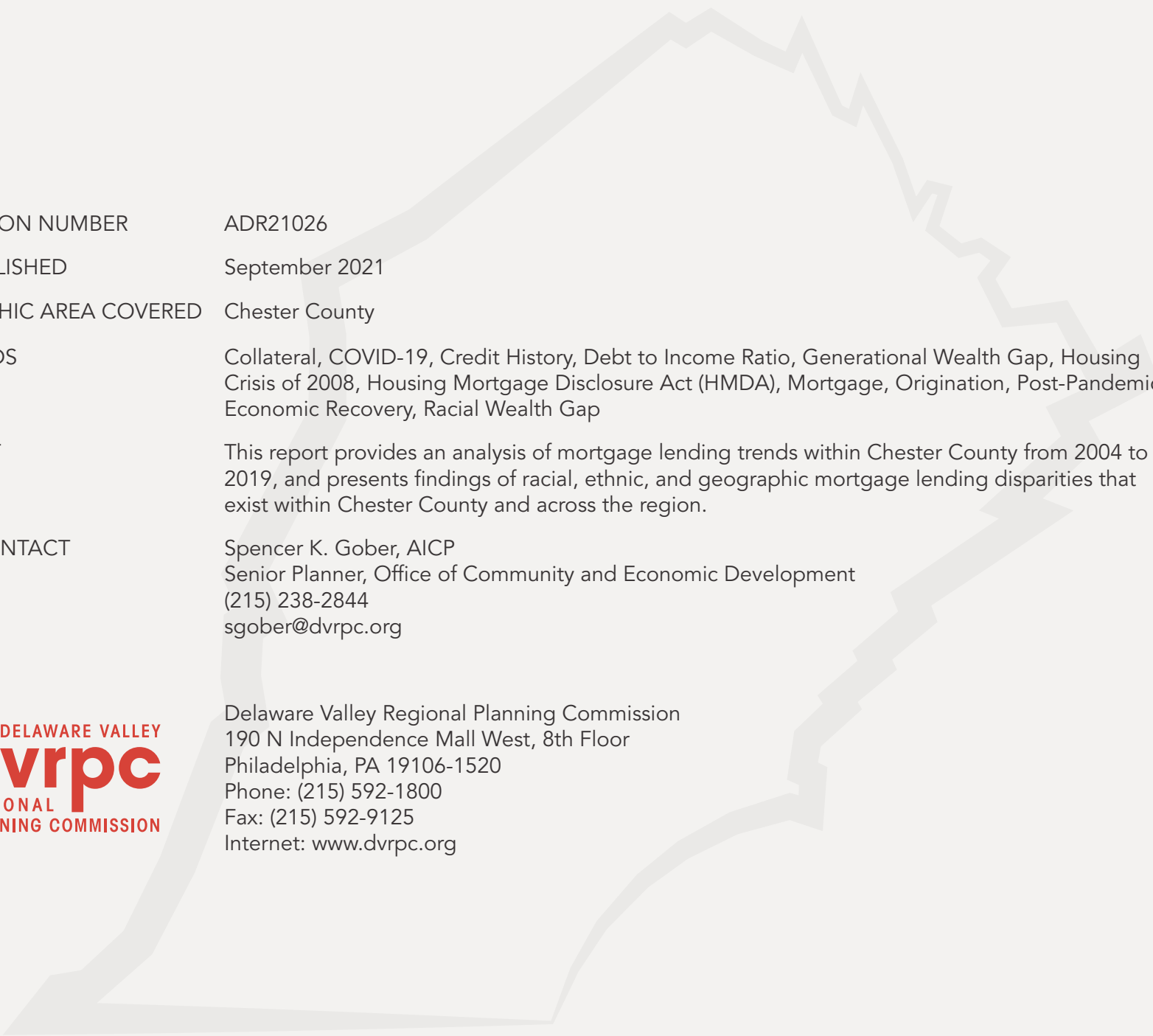
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ABSTRACT This report provides an analysis of mortgage lending trends within Chester County from 2004 to 2019, and presents findings of racial, ethnic, and geographic mortgage lending disparities that exist within Chester County and across the region.

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