



Barriers to
Building Generational Wealth:
MORTGAGE LENDING

Disparities
in Gloucester County
September 2021



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DVRPC is funded through a variety of funding sources including federal grants from the U.S. Department of Transportation's Federal Highway Administration (FHWA) and Federal Transit Administration (FTA), the Pennsylvania and New Jersey departments of transportation, as well as by DVRPC's state and local member governments. The authors, however, are solely responsible for the findings and conclusions herein, which may not represent the official views or policies of the funding agencies.

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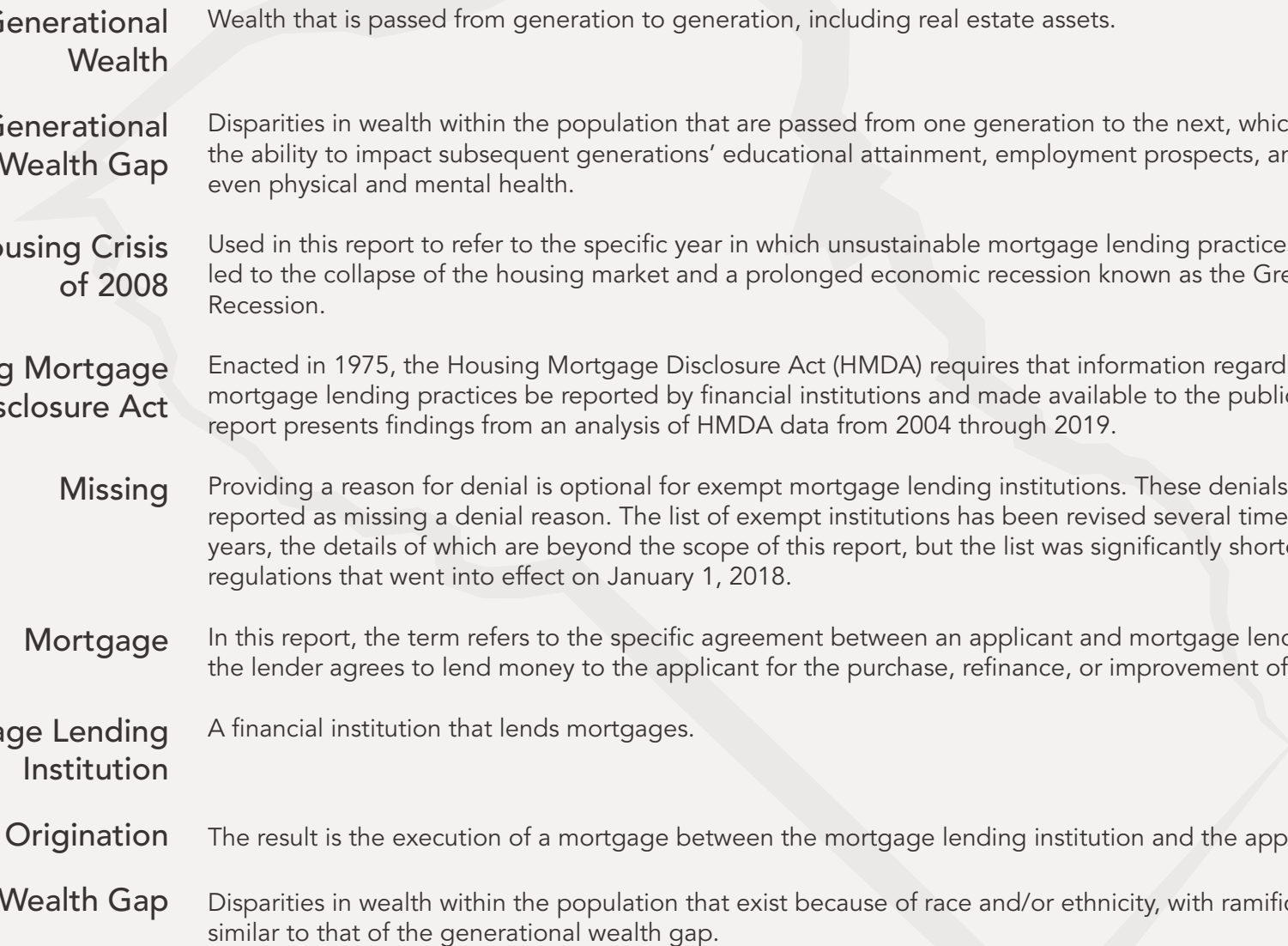
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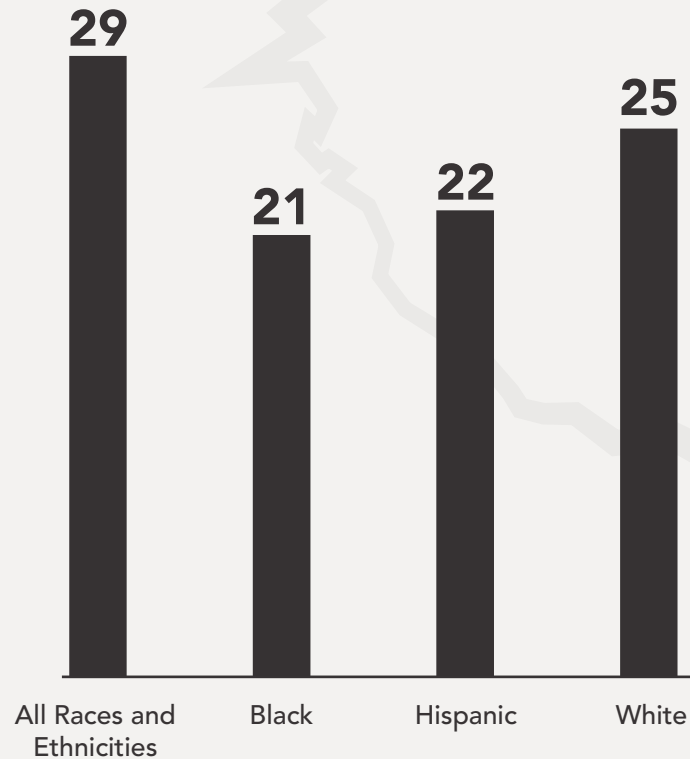
Definitions of Key Terms

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 61.0 percent in Gloucester County, and by 24.5 percent for Hispanic applicants and 59.2 percent for White applicants. However, applications from Black applicants did not peak until 2006, and applications are down by 58.6 percent for Black applicants since that time. Applications peaked in 2005 regionwide, and are down by 55.2 percent.¹

As shown in Table 1, in Gloucester County there were 29 originations per 1,000 people in 2019, compared to 26 for the region as a whole. That number is 21 within the Black population, compared to 11 at the regional level, and 22 within the Hispanic population, compared to 13 for the region. Originations per capita in Gloucester County for Black and Hispanic applicants are the highest in the region. Conversely, in Gloucester County there are 25 originations per 1,000 people within the White population, which is equal to the regional level.

On average since 2004, 21.1 percent of applications were denied in Gloucester County, compared to denial rates of 30.0 percent, 24.4 percent, and 19.3 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 Gloucester County, Black applicants are denied at higher rates on average compared to their White counterparts, and Hispanic applicants are denied at slightly higher rates. However, the disparity for both is the lowest in the region.

30.0%

of Black applicants were denied on average between 2004 and 2019, which accounted for 9.6 percent of all denials. However, Black applicants only accounted for 6.7 percent of all mortgage applications during this same period.

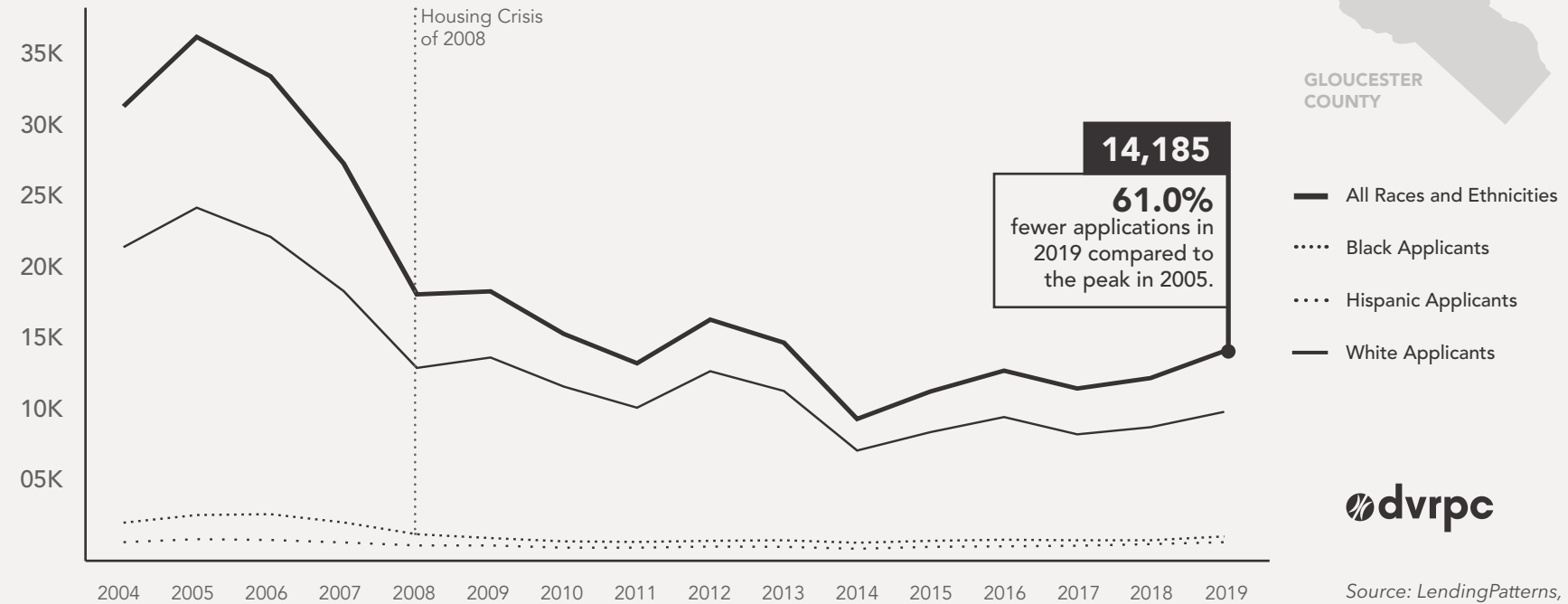
24.1%

of Hispanic applicants were denied on average during that same period of time. This represented 3.2 percent of all denials, while Hispanic applicants only represented 2.8 percent of all applications.

19.3%

of White applicants were denied on average between 2004 and 2019. Although White applicants accounted for 71.2 percent of all applications, they only accounted for 64.9 percent of denials.

Table 02: Total Applications (2004–2019)

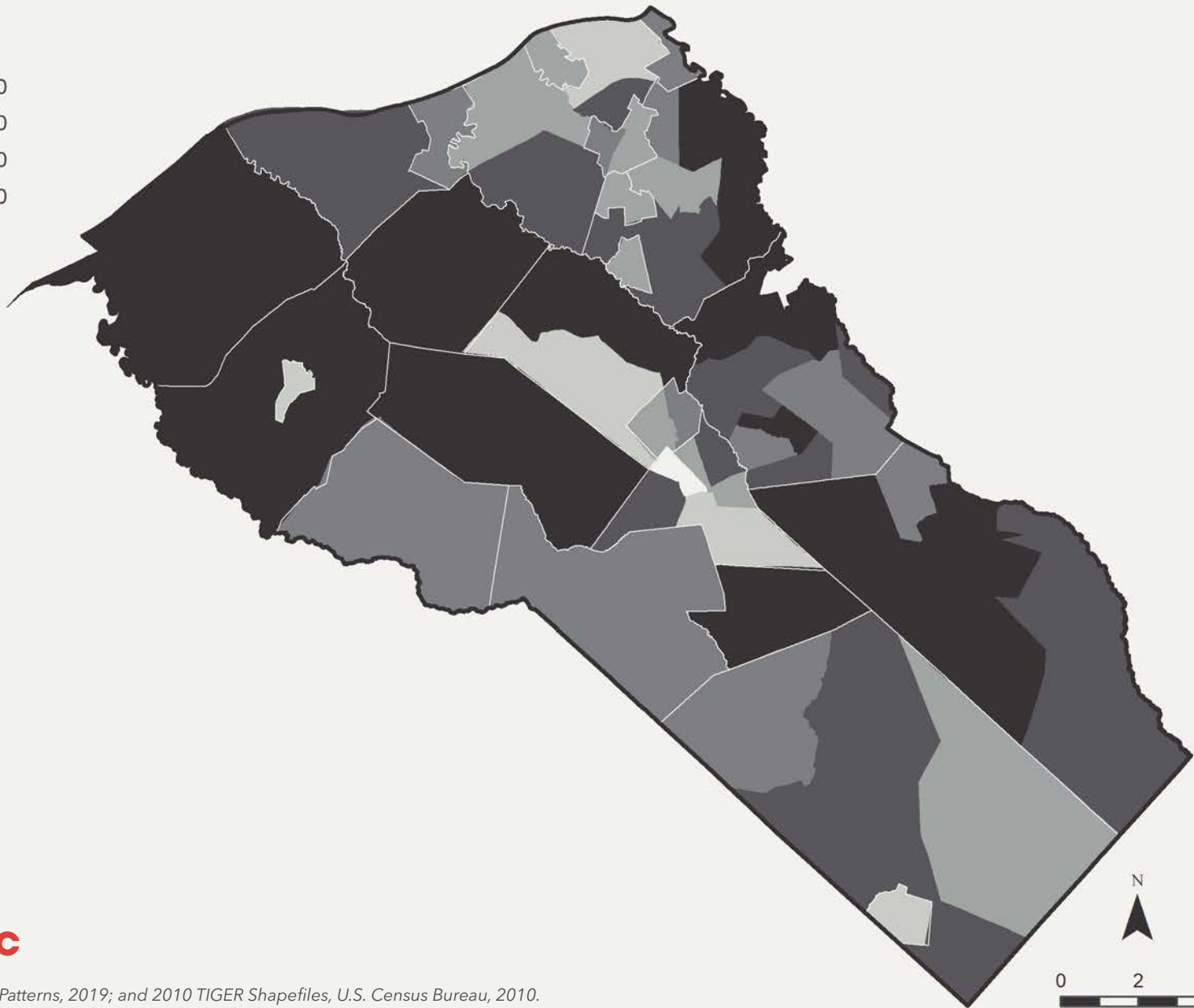
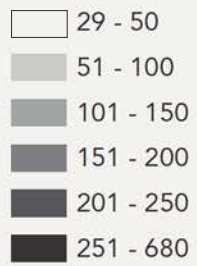


Source: LendingPatterns, 2004-2019.

Applications

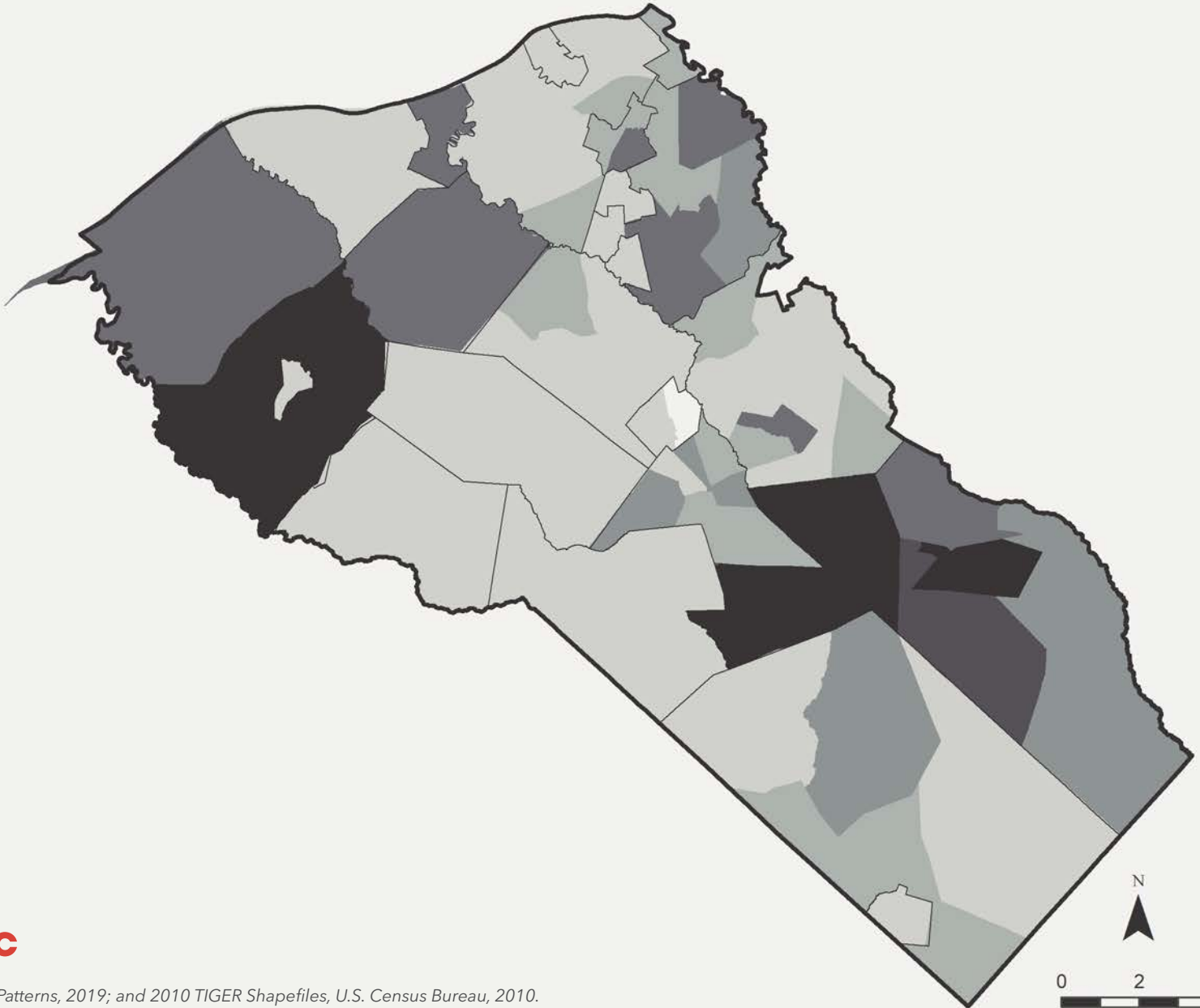
As shown in Table 2, applications peaked in 2005, with 36,337 mortgage applications submitted that year, which represented 6.4 percent of all applications in Greater Philadelphia. Heading into the Housing Crisis of 2008, applications fell significantly, before falling to an all-time low in 2014 at 9,392 applications (5.7 percent of the regional total). In 2019, there were 14,185 applications, which was 61.0 percent fewer than the 2005 peak. This represented 5.6 percent of all applications in Greater Philadelphia in 2019, and the fourth-greatest decline for the region’s nine counties. Since 2005, applications are down by 57.5 percent, 24.5 percent, and 59.2 percent for Black, Hispanic, and White applicants, respectively. However, applications from Black applicants peaked in 2006, and are down by 58.6 percent since that time. In 2019, Black applicants accounted for 3.9 percent of all Black applicants in the region, Hispanic applicants accounted for 5.0 percent of the region’s Hispanic applicants, and White applicants accounted for 6.5 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)



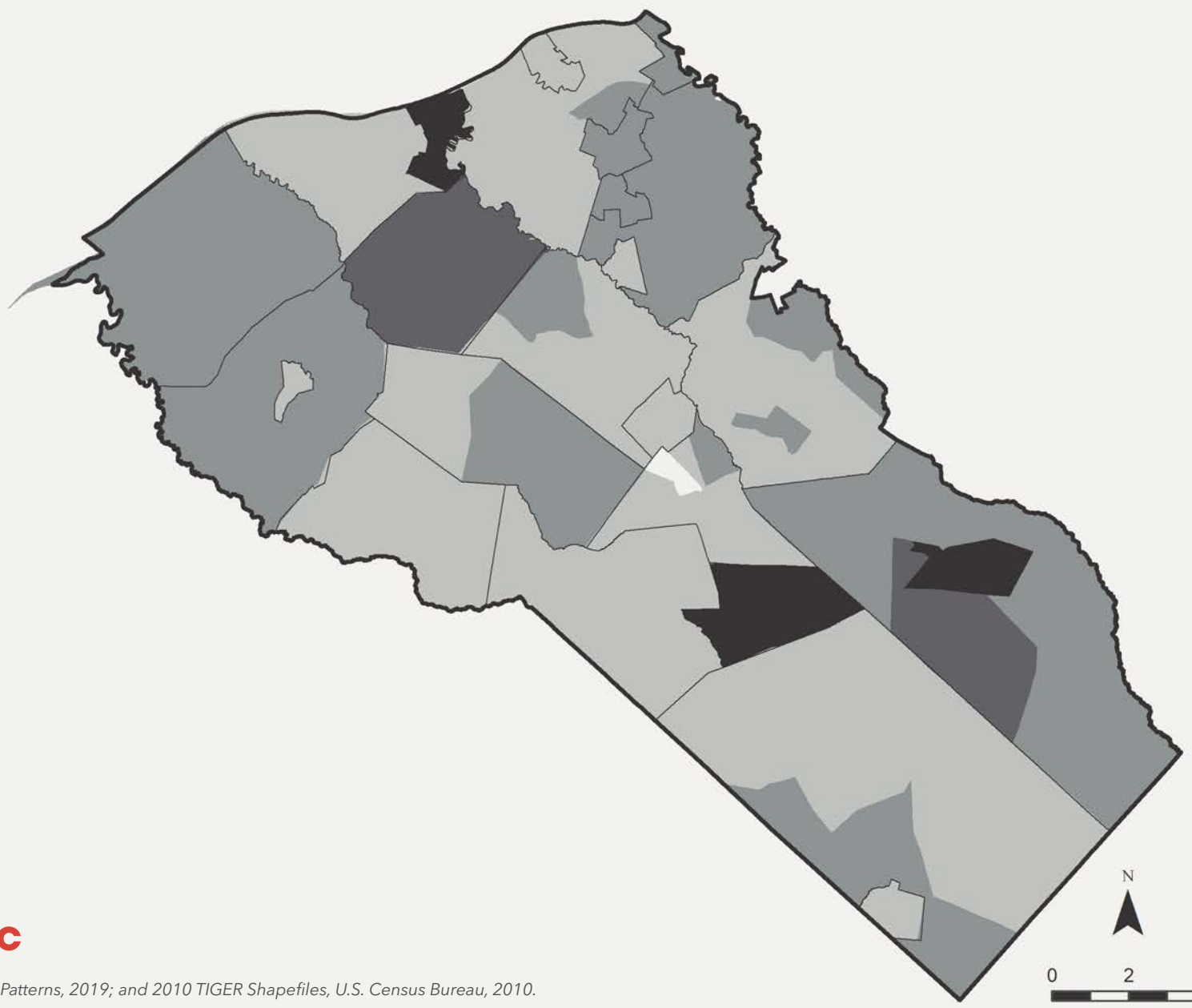
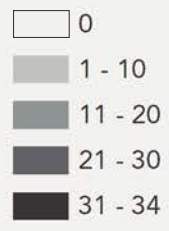
Sources: LendingPatterns, 2019; and 2010 TIGER Shapefiles, U.S. Census Bureau, 2010.

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.

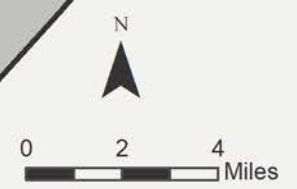
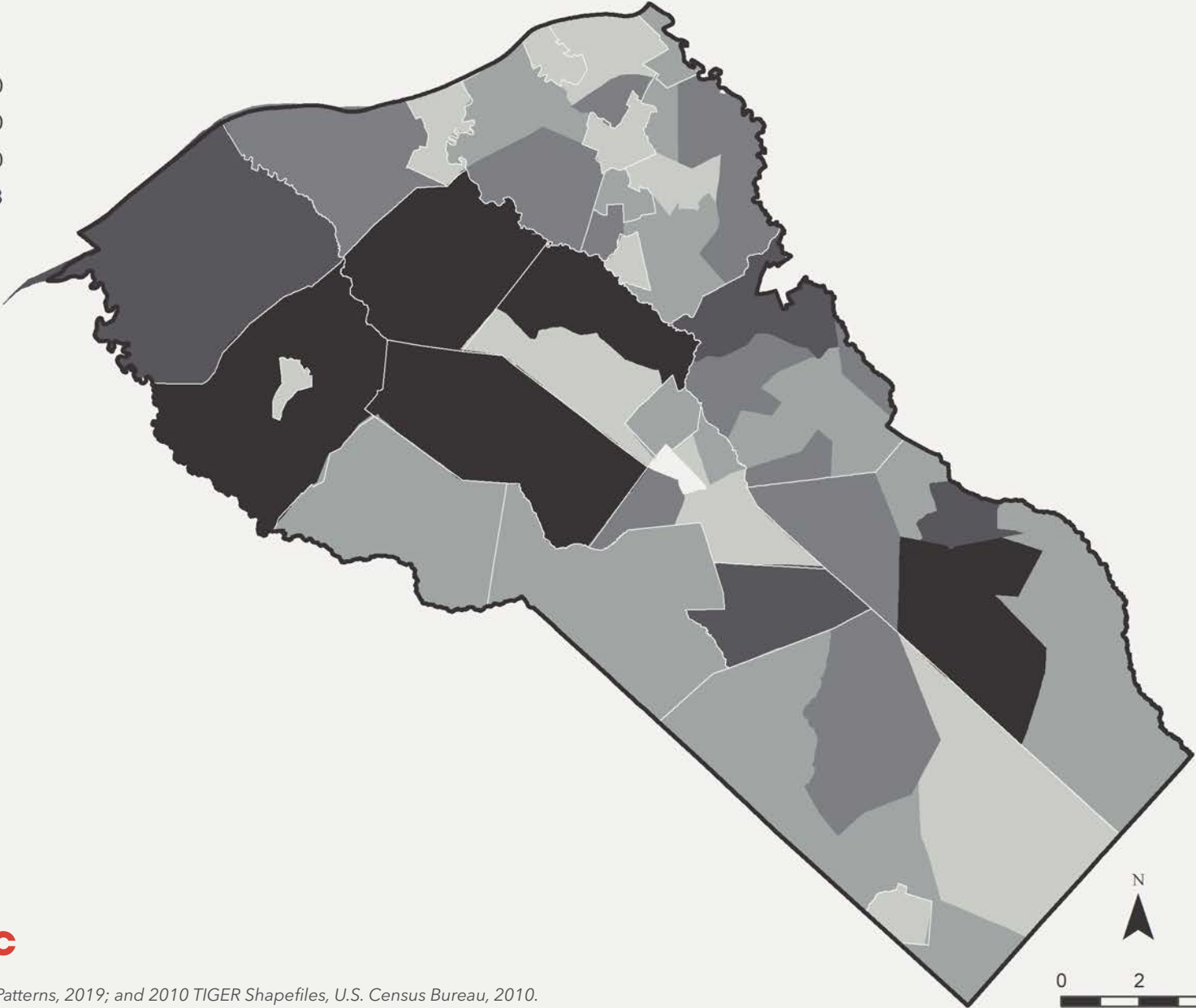
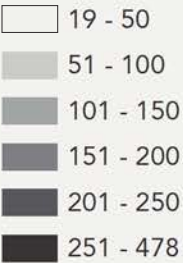
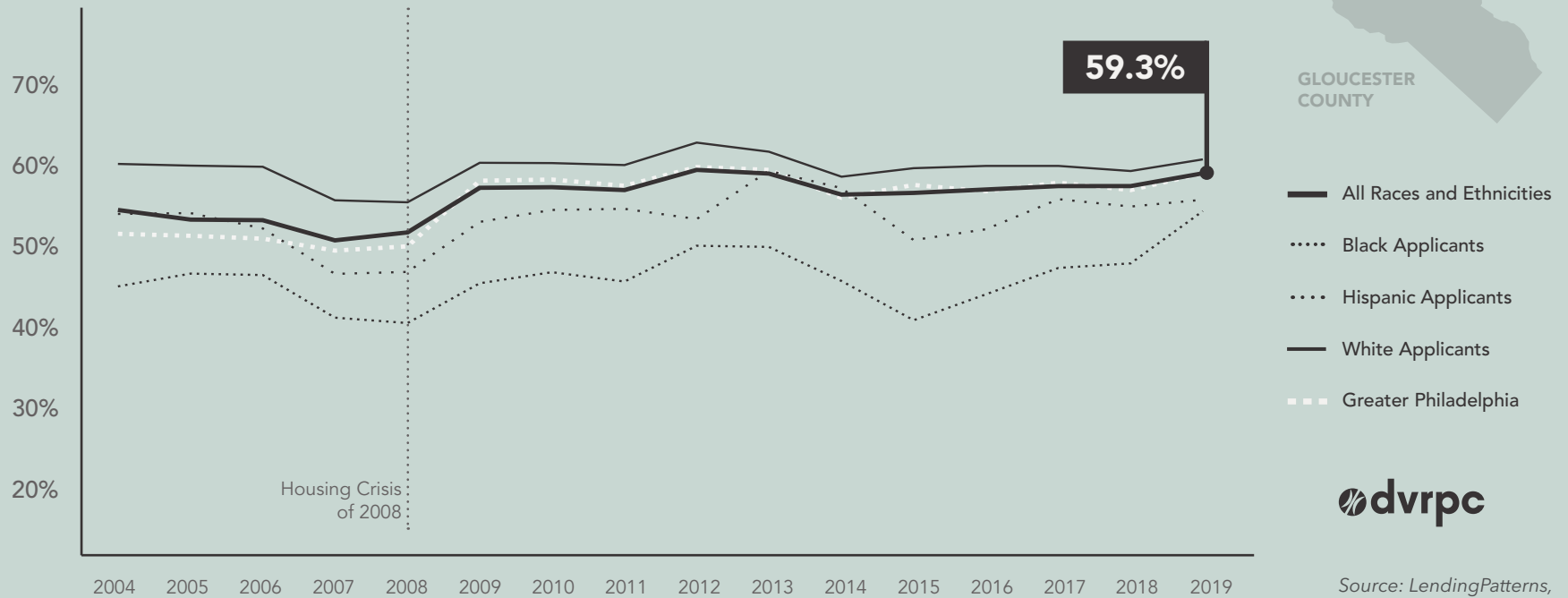


Figure 04: Total Applications, by Census Tract (White Applicants, 2019)



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 56.4 percent in Gloucester County, the fourth-highest rate in the region. Although applications are down since 2004, originations as a share of total applications have been relatively steady since 2009, but the rate has increased since that time for Black applicants. In 2019, 59.3 percent of applications ended in an origination, as shown in Table 3, which was equal to the region as a whole. However, applications are originated at average rates of 60.0 percent for White applicants (61.8 percent regionwide), 53.8 percent for Hispanic applicants (47.5 percent regionwide), and 46.4 percent for Black applicants (40.7 percent regionwide). The disparities between origination rates for Black and White applicants, as well as Hispanic and White applicants, are the region’s lowest.

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.

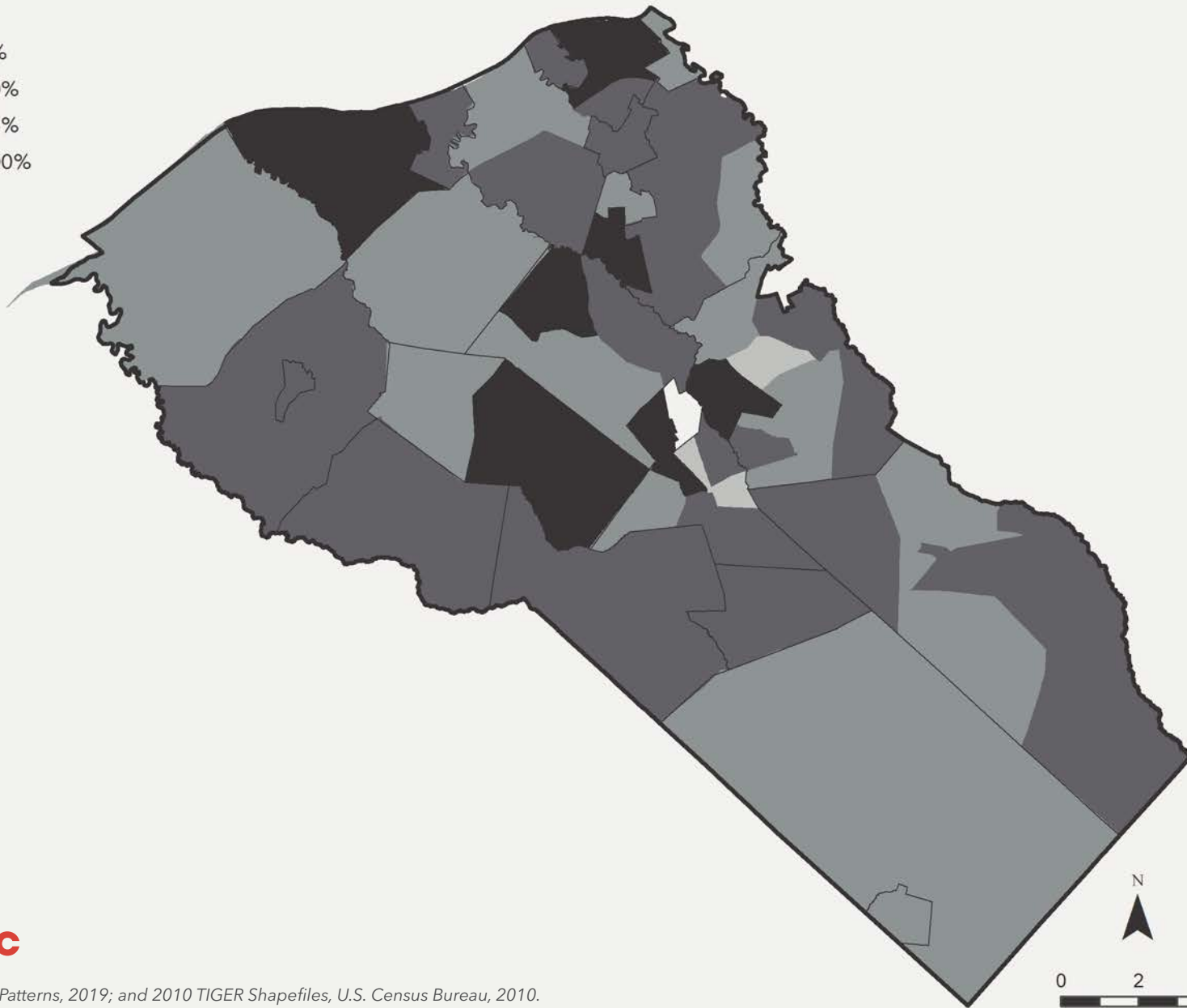
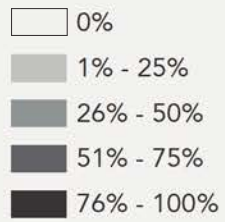
Figure 05: Originations as Share of Applications, by Census Tract (All Races and Ethnicities, 2019)

- 48% - 50%
- 51% - 75%



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

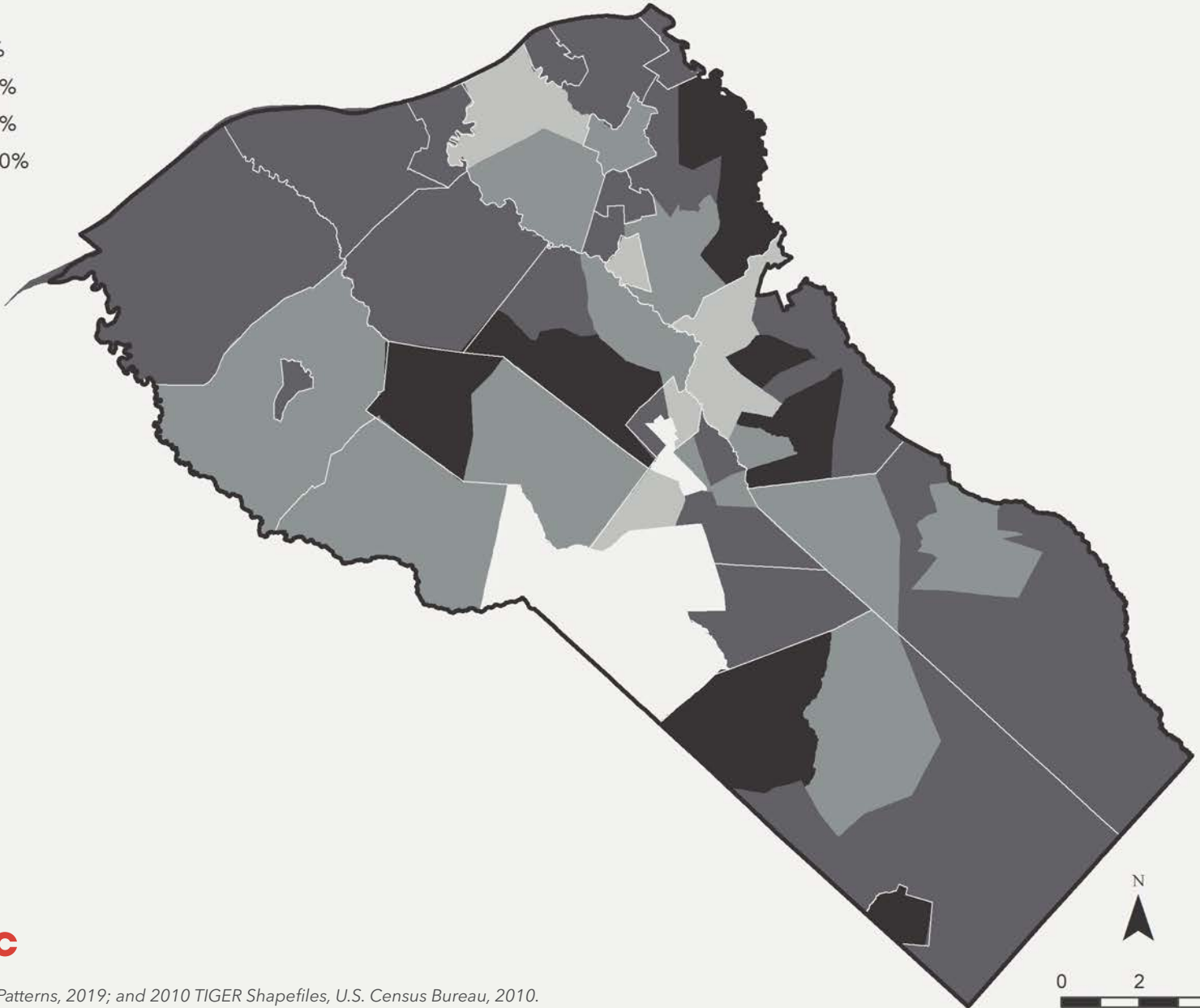
Figure 06: Originations as Share of Applications, by Census Tract (Black Applicants, 2019)



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

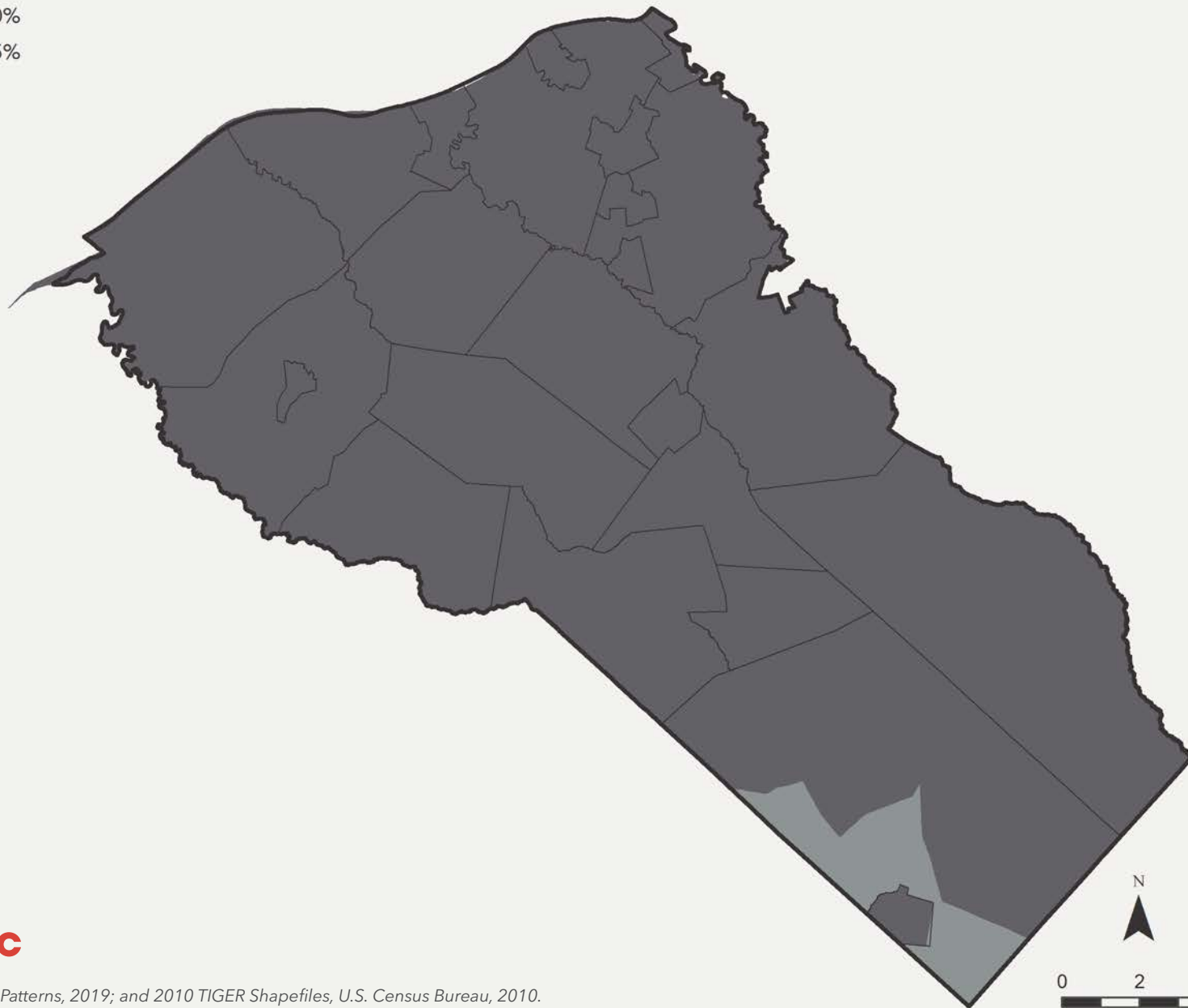
Figure 07: Originations as Share of Applications, by Census Tract (Hispanic Applicants, 2019)

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



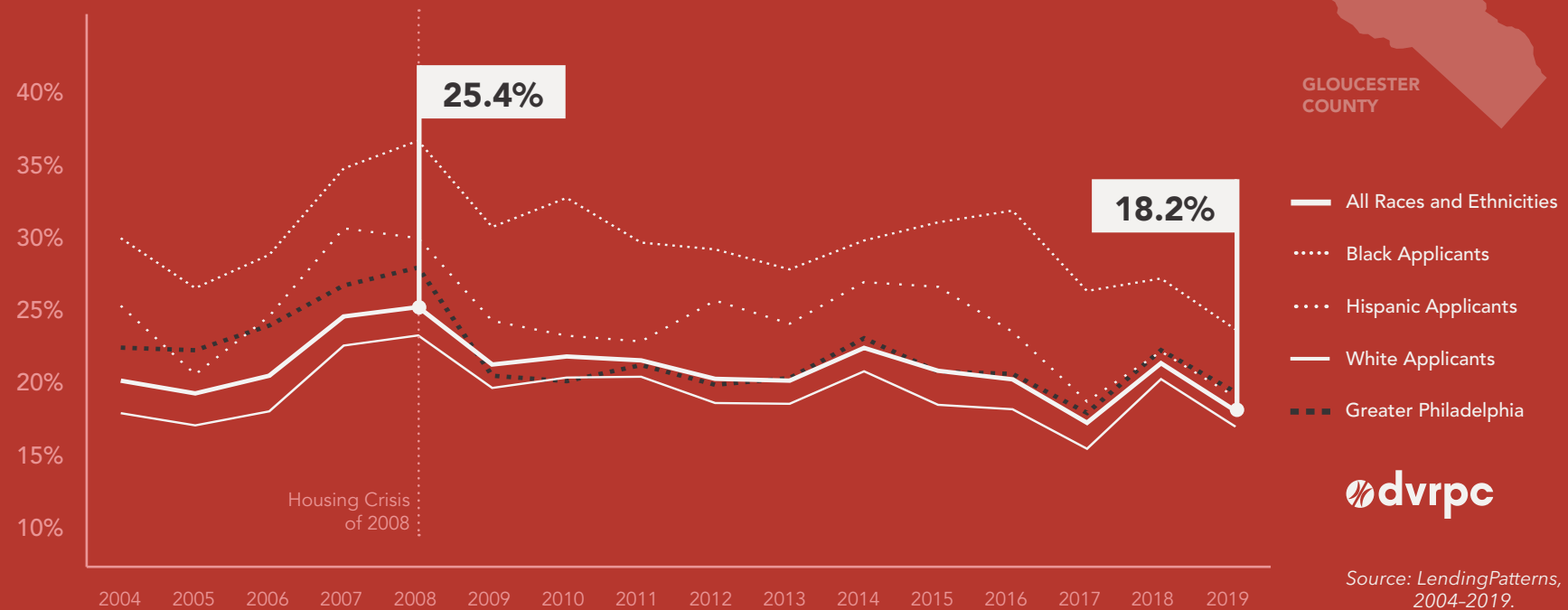
Sources: LendingPatterns, 2019; and 2010 TIGER Shapefiles, U.S. Census Bureau, 2010.

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.

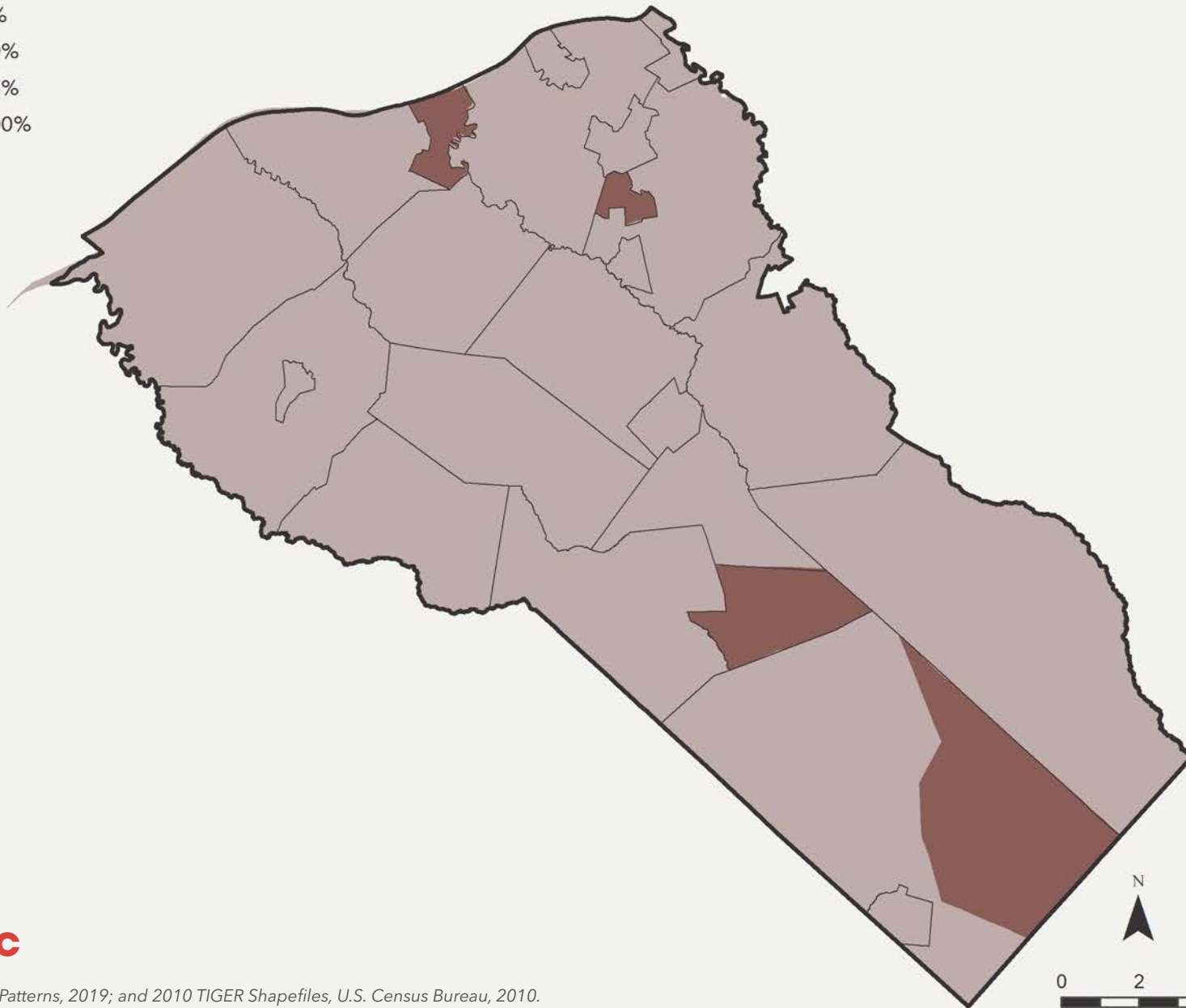
Denials

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 and 25.4 percent were denied in Gloucester County. However, the peak for denials among Black, Hispanic, and White applicants was 36.8 percent, 30.8 percent, and 22.7 percent, respectively. Although a disparity exists in Gloucester County with regards to denial rates by race and ethnicity, the disparity is the lowest in the region.

Aside from a spike in 2018, denial rates for White applicants have been declining in recent years. However, denial rates for Black and Hispanic applicants have been inconsistent since the Housing Crisis, as shown in Table 4. In 2019, Black, Hispanic, and White applicants were denied at rates of 23.8 percent, 19.2 percent, and 17.1 percent, respectively. 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.

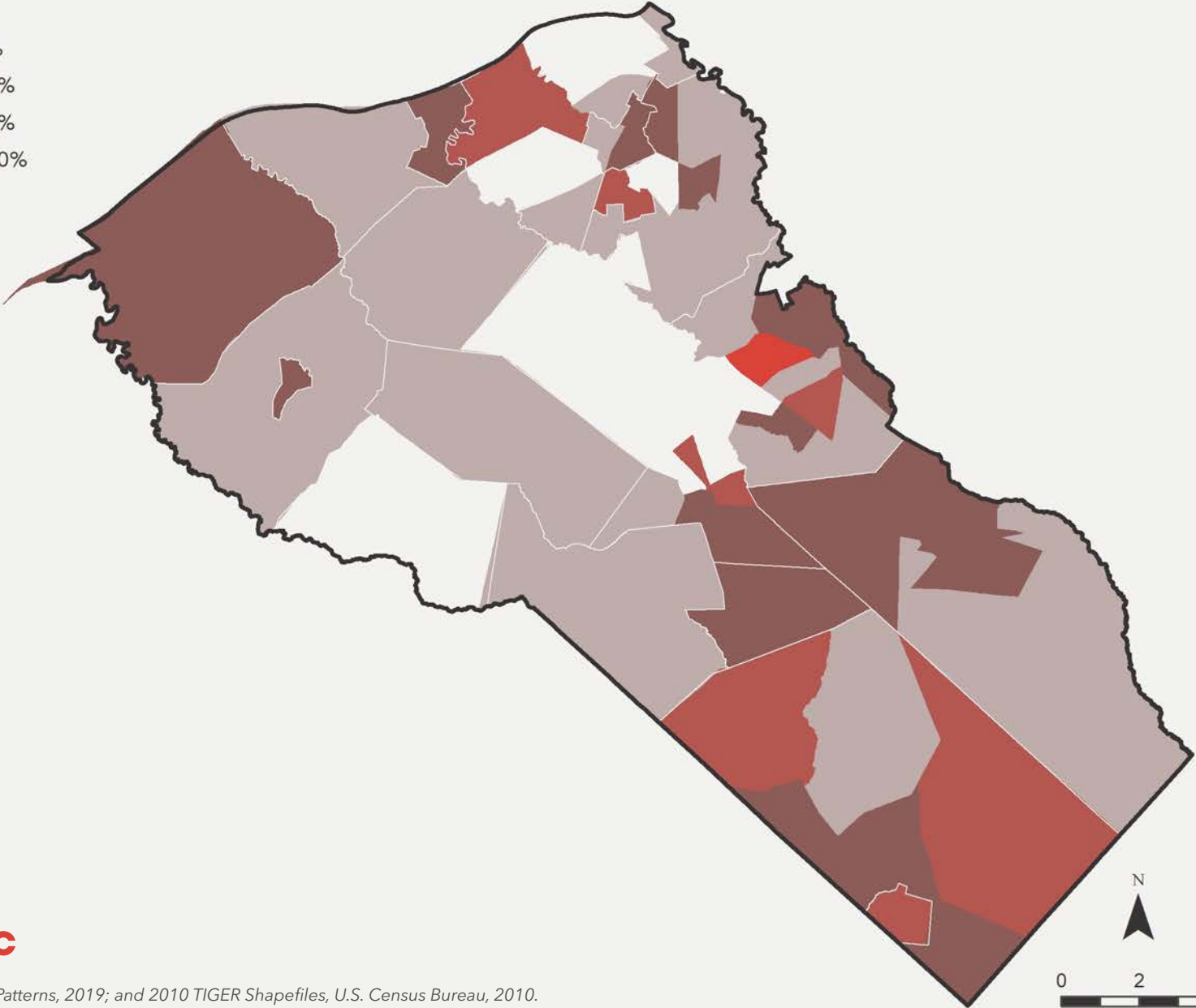
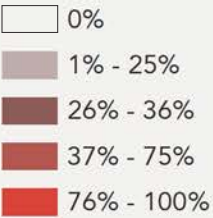
Figure 09: Denials as Share of Applications, by Census Tract (All Races and Ethnicities, 2019)

- 9% - 25%
- 26% - 50%
- 51% - 75%
- 76% - 100%



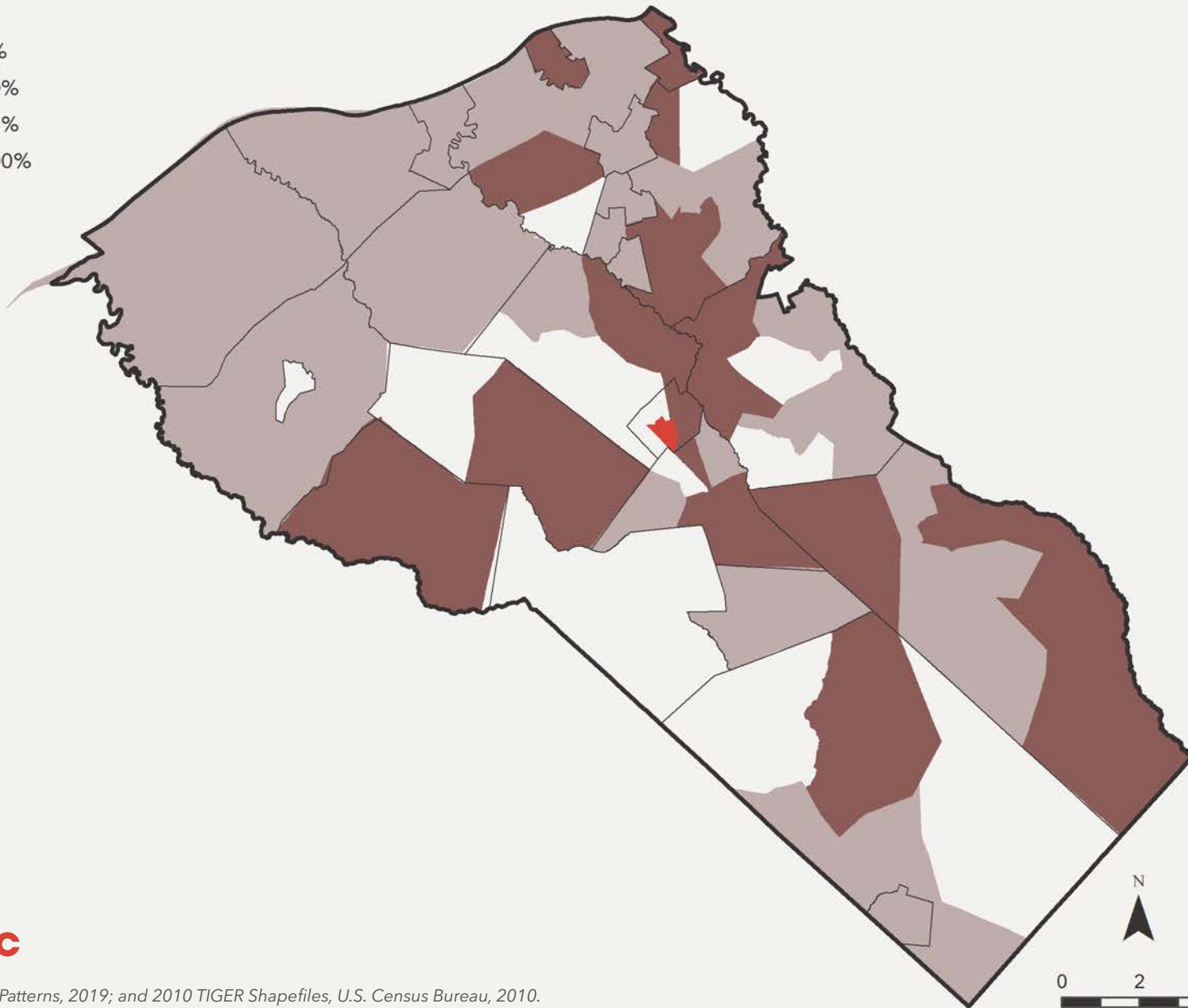
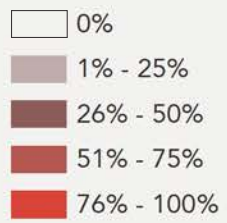
Sources: LendingPatterns, 2019; and 2010 TIGER Shapefiles, U.S. Census Bureau, 2010.

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.

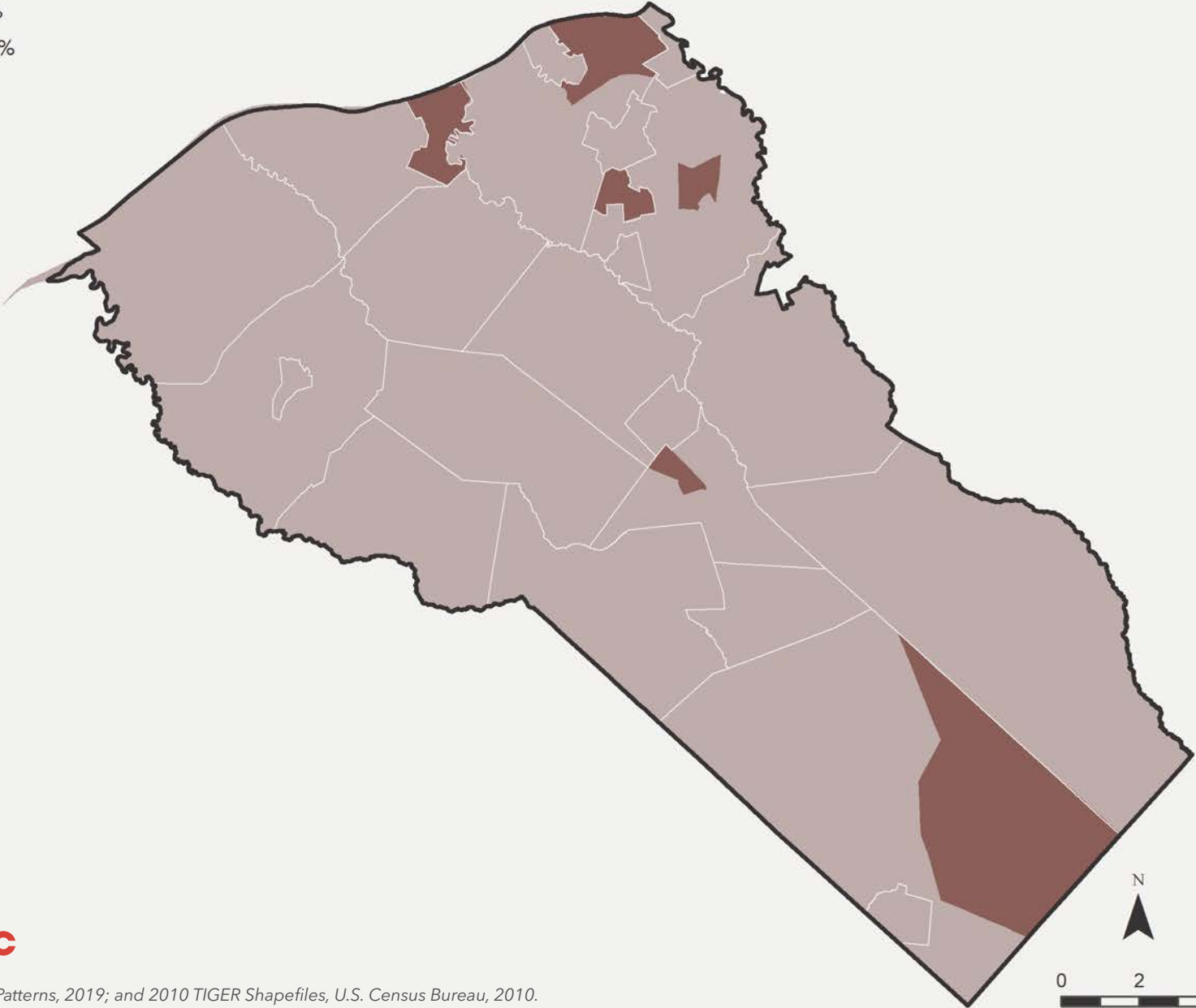
Figure 11: Denials as Share of Applications, by Census Tract (Hispanic Applicants, 2019)



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

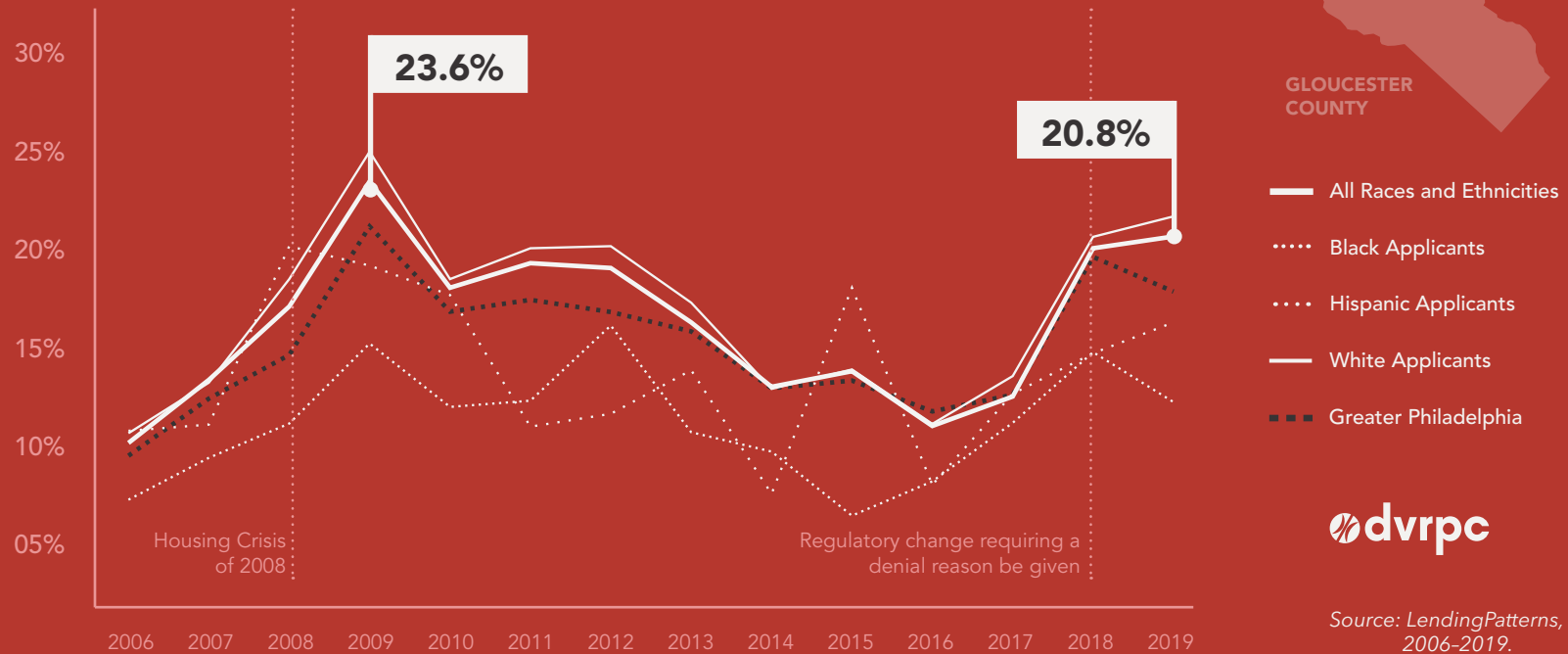
Figure 12: Denials as Share of Applications, by Census Tract (White Applicants, 2019)

- 9% - 25%
- 26% - 50%



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

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



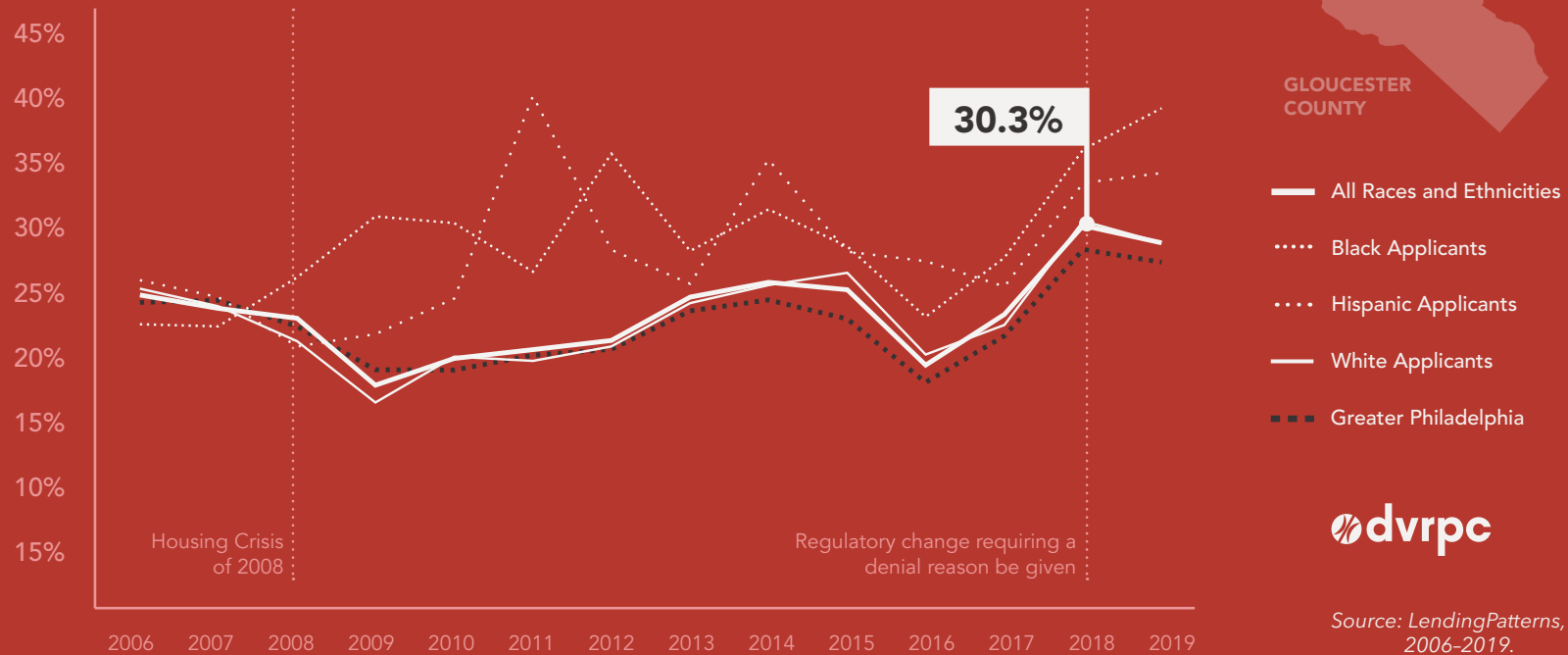
Source: LendingPatterns, 2006-2019.

Collateral Denials

On average, applications in Gloucester County are denied due to Collateral at a rate of 16.4 percent, which is slightly higher than Greater Philadelphia as a whole at a rate of 15.3 percent. The average denial rate of denial due to Collateral for Black, Hispanic, and White applicants is 11.3 percent, 13.9 percent, and 17.1 percent, respectively.

Since 2009, Collateral as a denial reason was trending downward for the region as a whole, as well as for applicants in Gloucester County. Denials due to Collateral climbed again in 2018 to 19.8 percent for the region, and in 2019 to 20.8 percent for Gloucester County, as shown in Table 5. Denials due to Collateral spiked in 2018 for Black applicants at 14.9, and in 2019 reached highs of 16.4 percent and 21.8 percent for Hispanic and White applicants, respectively.

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

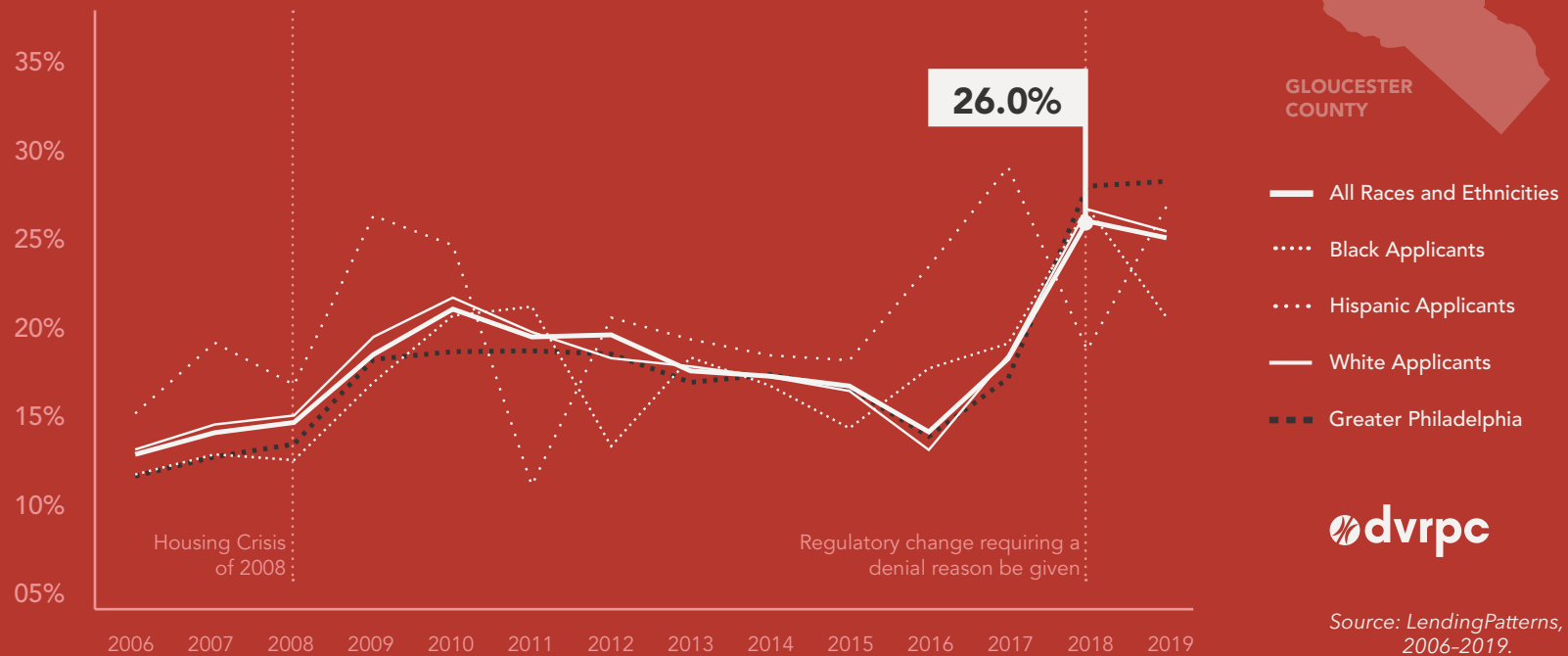


Source: LendingPatterns, 2006-2019.

Credit History Denials

Applications in Gloucester County are denied due to Credit History at an average rate of 23.6 percent, which is the third-highest rate in the region and slightly higher than the average rate of 22.7 percent for the region as a whole. In 2019, 30.3 percent of applications were denied due to Credit History, as shown in Table 6. The average rate of denial due to Credit History for Black, Hispanic, and White applicants in Gloucester County is 29.3 percent, 28.4 percent, and 23.4 percent, respectively. The Credit History denial rate for Hispanic applicants is the third highest in the region. In 2006, there was little disparity between applicant race and ethnicity with regards to denials due to Credit History, and Black applicants were denied for this reason less often than Hispanic and White applicants. Since 2006, denials due to Credit History have increased by 16.1 percent on average, but by 73.4 percent for Black applicants and 31.7 percent for Hispanic applicants, yet just 13.9 percent for White applicants. Denials due to Credit History peaked for White applicants in 2018 at 30.6 percent, and in 2019 for Black and Hispanic applicants at rates of 39.3 percent and 34.3 percent, respectively.

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



Debt to Income Ratio Denials

Applicants in Gloucester County are denied due to Debt to Income Ratio at an average rate of 18.2 percent, which is slightly higher than the regional average of 17.9 percent. The denial rate due to Debt to Income Ratio in Gloucester County declined slightly over the past decade before rising to an all-time high in 2018 to a rate of 26.0 percent for all races and ethnicities, as shown in Table 7. This was 2.0 percent less than the regional average that year of 28.0 percent.

On average, Debt to Income Ratio accounts for 17.4 percent of denials for Black applicants, which is the second-highest rate in the region, and it spiked to 26.8 percent in 2018. The average for Hispanic and White applicants in Gloucester County is 20.6 percent and 18.4 percent, respectively.

Table 08: Degrees of Disparity by County

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

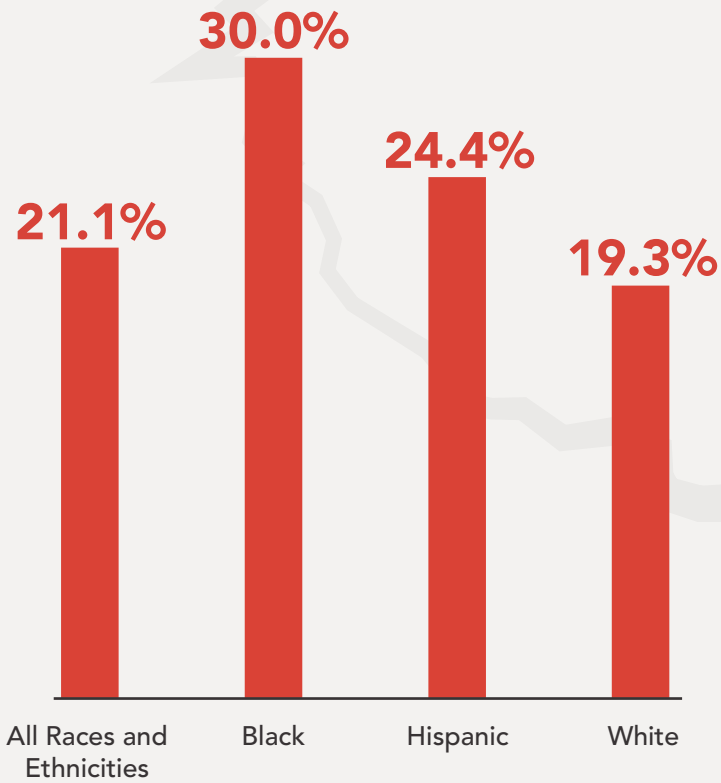
Each of the region's nine counties were scored across 35 different metrics, as shown in Table 8, based on the degree to which a mortgage lending disparity exists for that metric. Scores ranged from 9, indicating the highest degree of disparity, to 1, which indicated the lowest degree of disparity.

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

Although the denial rate, shown in Table 9, is average for the region, disparities do exist within Gloucester County. However, the overall degree of disparity is one of the lowest in the region based on the data presented. This is evidenced by the following:

- The difference in application decline between Black and White applicants is the lowest.
- Origination rates for Hispanic applicants are the second highest, and originations per capita for Black and Hispanic applicants are both the highest.
- The disparities in originations per capita between Black and White applicants, and Hispanic and White applicants, are both the lowest.
- The disparities between denials for Black and White applicants, and Hispanic and White applicants, are both the lowest.

The greatest disparities within Gloucester County are related to the rates at which applications, regardless of race and ethnicity, are denied due to Credit History, and the rate at which Black applicants are denied due to Debt to Income Ratio. The denial rate due to Credit History is the third highest in the region, regardless of race and ethnicity, at 23.6 percent, and also the third highest for Hispanic applicants at 28.4 percent. Conversely, Black applicants in Gloucester County have the second-highest rate of denial due to Debt to Income Ratio at an average rate of 17.4 percent.



Sources

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PUBLICATION NUMBER ADR22006

DATE PUBLISHED September 2021

GEOGRAPHIC AREA COVERED Gloucester County

KEY WORDS Collateral, COVID-19, Credit History, Debt to Income Ratio, Generational Wealth Gap, Housing Crisis of 2008, Housing Mortgage Disclosure Act (HMDA), Mortgage, Origination, Post-Pandemic Economic Recovery, Racial Wealth Gap

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

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