



# ARE WE SERVING THE UNDERSERVED?

*A LOOK AT CHALLENGES, OPPORTUNITIES, AND  
EXPECTATIONS OF GSE DUTY TO SERVE PLANS*

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CoreLogic®

# Are We Serving the Underserved?

**Urban Institute**  
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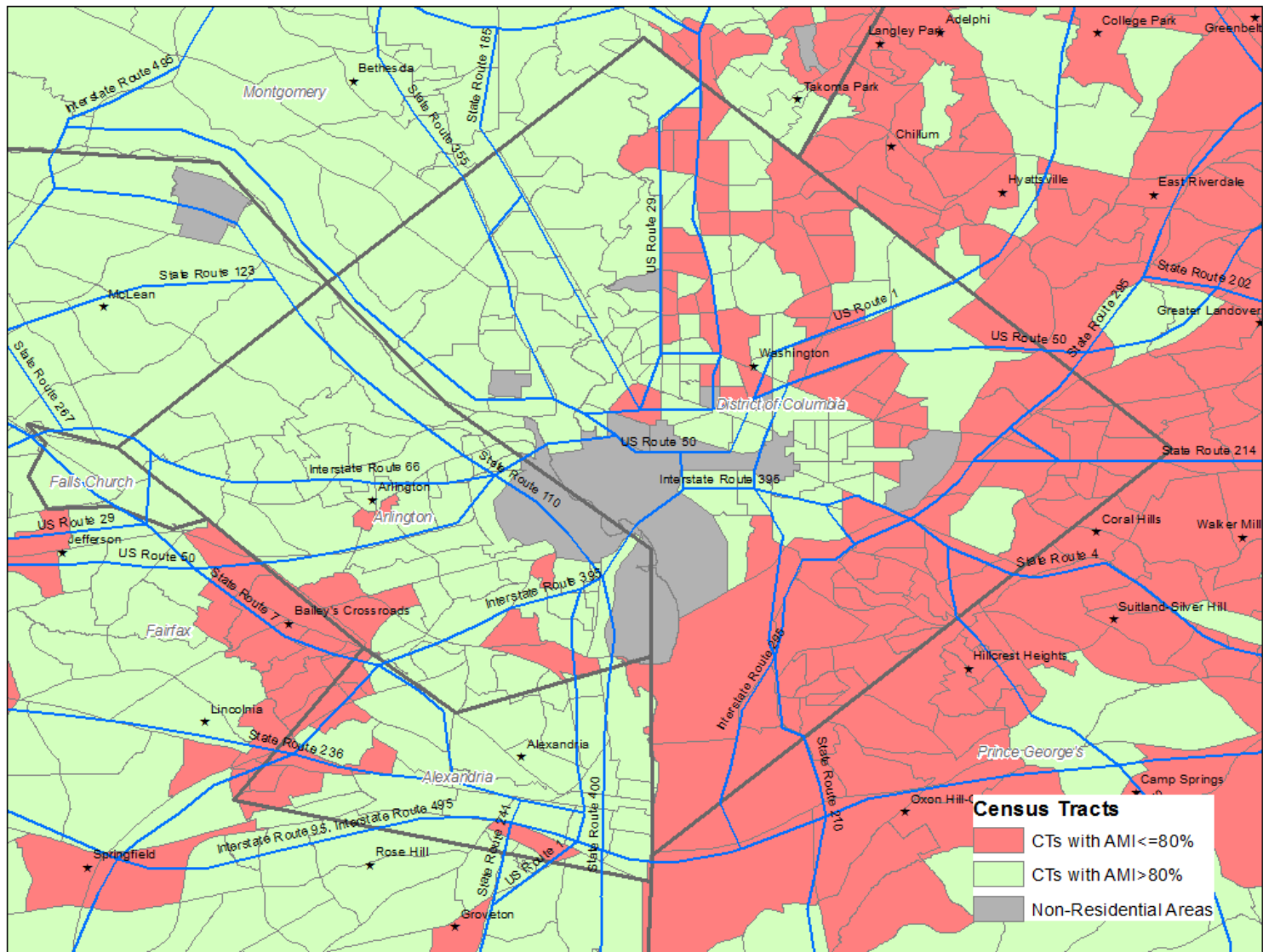
# GSE Housing Goals

- Low-Income Home Purchase Goal: Loans made to families with incomes no greater than 80% of Area Median Income or AMI
- Very Low-Income Home Purchase Goal: Loans made to families with incomes no greater than 50% of AMI
- Low-Income Areas Home Purchase Subgoal:
  1. Loans where median tract income is no greater than 80% of AMI
  2. Loans to families with incomes no greater than 100% of AMI in census tracts with a minority population of 30% or more and median census tract income of less than 100% of AMI.
- Low-Income Refinance Goal: Loans made to families with incomes no greater than 80 percent of AMI
- FHFA issued rule in to implement Duty to Serve to provide financing for Manufactured Housing, Affordable Housing Preservation and Rural Housing.

## What is the 'Low Income Areas' Home Purchase GSE Goal?

- FHFA created a 'Low-Income Areas' designation for every census tract in metropolitan and non-metropolitan areas in the US
- FHFA's determination of low-income areas for 2016 is based on 2010 Census data for minority percentages for census tracts and area median incomes for census tracts and the 5-year American Community Survey (ACS)
- Goal is a percentage of eligible business. The Low Income Areas Home Purchase Goal for 2017 is 14%
- Eligibility means a loan must be a purchase, conventional conforming, owner occupied loan in a 'Low-Income Area'

# Low Income Areas Are Concentrated in Eastern Half of District of Columbia





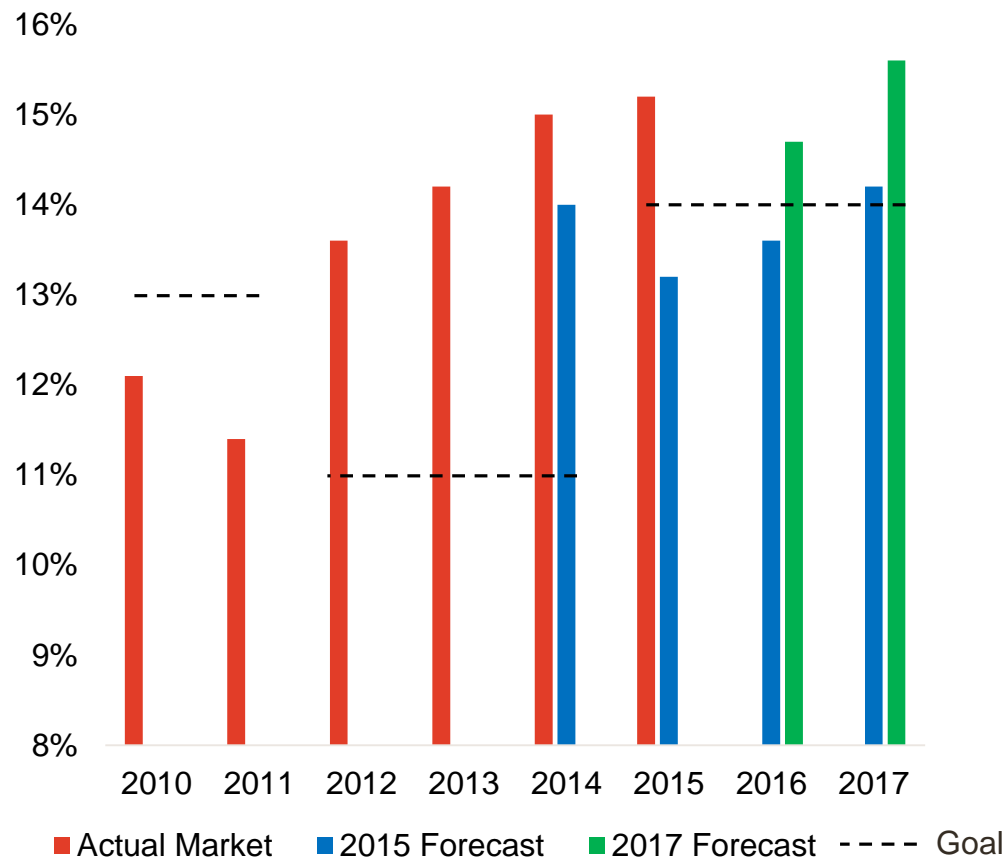
# Low Income Areas Home Purchase Goal

The Low Income Areas goal for 2017 is 14%. FHFA deems the GSE's have met the goal is they exceed the threshold OR exceed the actual market in 2017.

Problem: The most recent market data is for 2015. No one knows how much affordable loan activity has the market has produced over last two years.

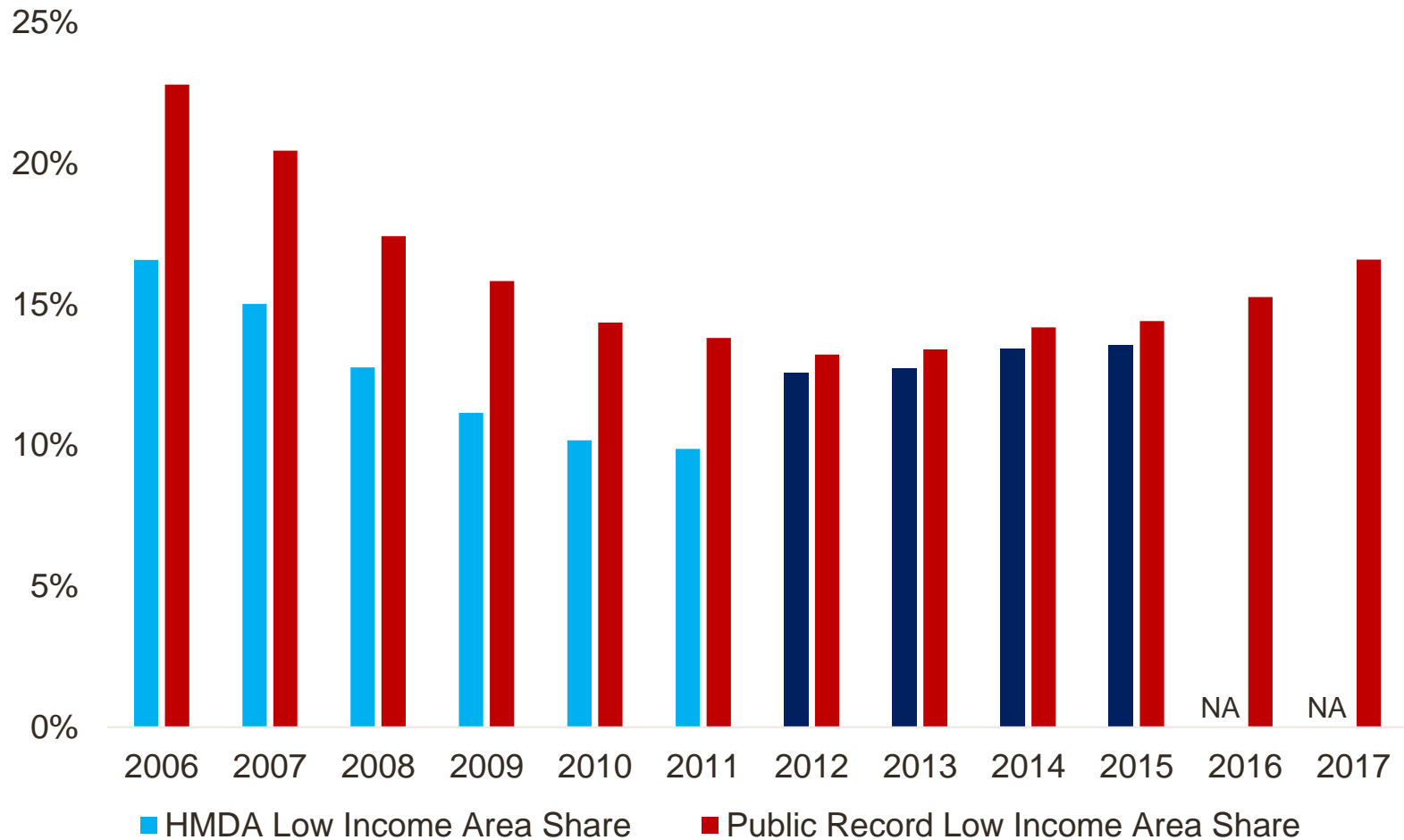
Solution: Use public records data to provide real time gauge of affordable market trends.

Low-Income Area Home Purchase Subgoal



# Low Income Areas Share in Public Record Data Mirrors HMDA

Share of 1<sup>st</sup> Lien Conventional Purchase Loans in Low Income Areas Census Tracts\*

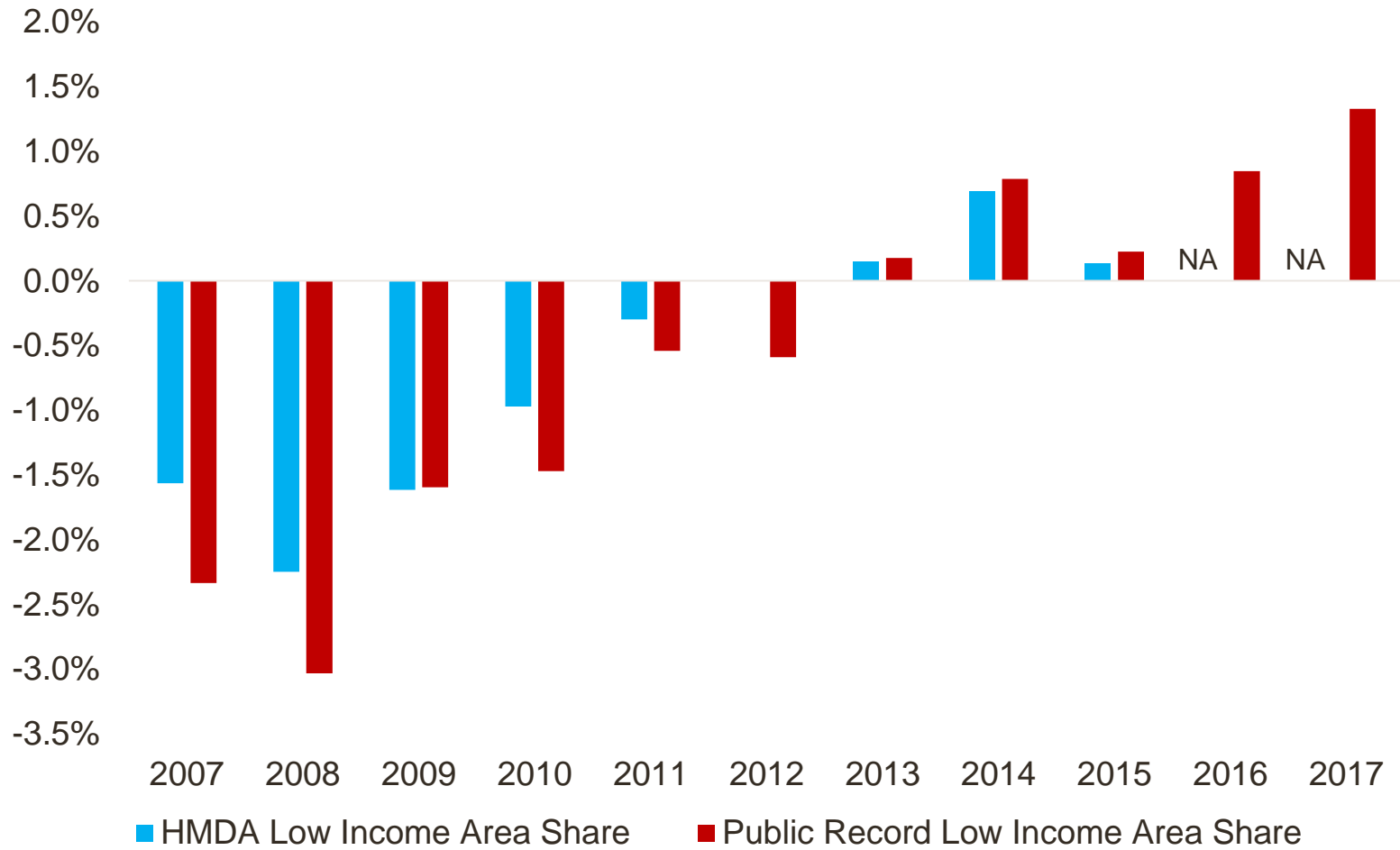


\*HMDA data is for owner occupied properties, public record is for all properties.

Note: Dark blue bars are also HMDA, but the low income area tract definitions were updated in 2012.

# Low Income Areas Share in Public Record Data Mirrors HMDA

Share of 1<sup>st</sup> Lien Conventional Purchase Loans in Low Income Areas Census Tracts

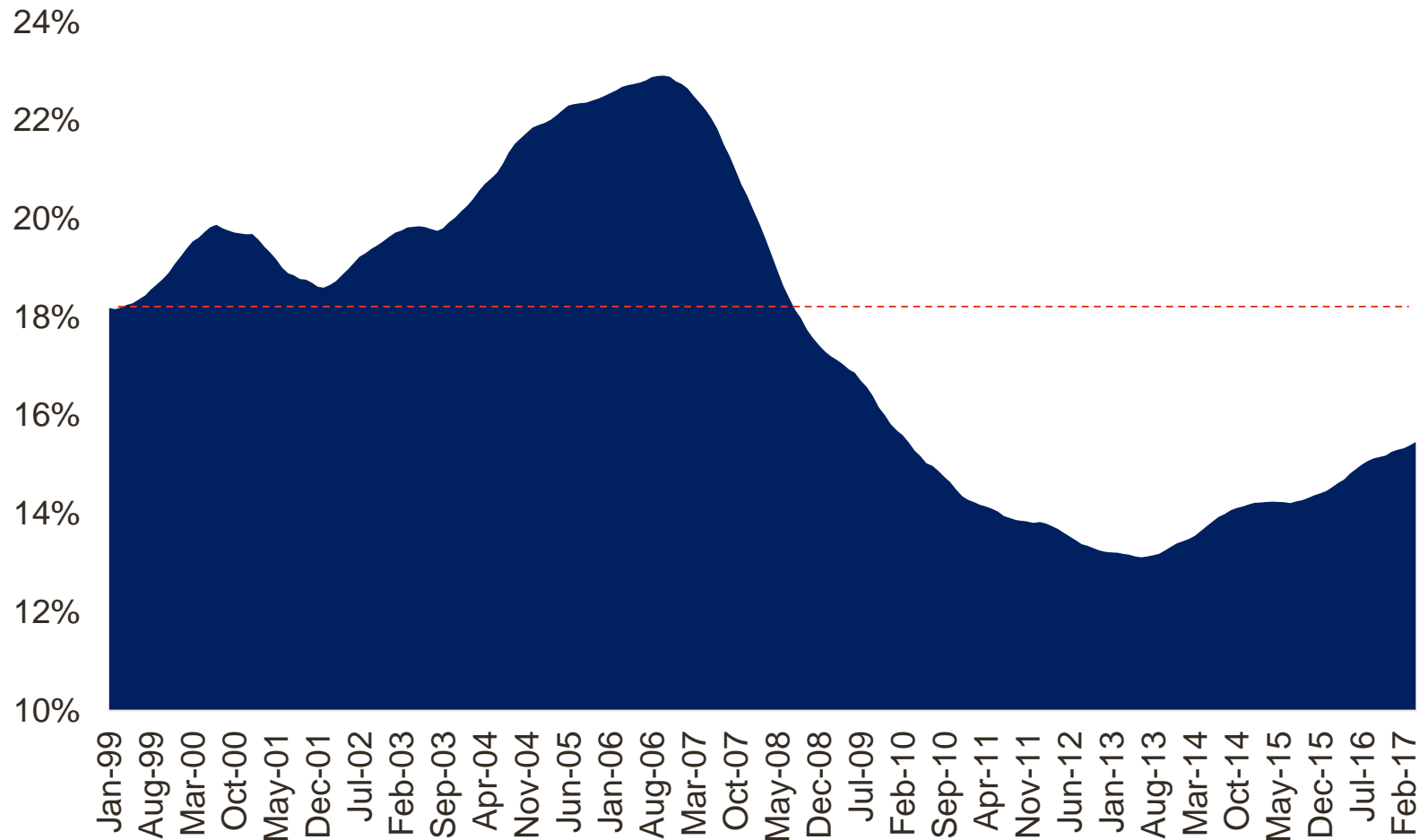


\*HMDA data is for owner occupied properties, public record is for all properties.  
Source: CoreLogic and CFPB



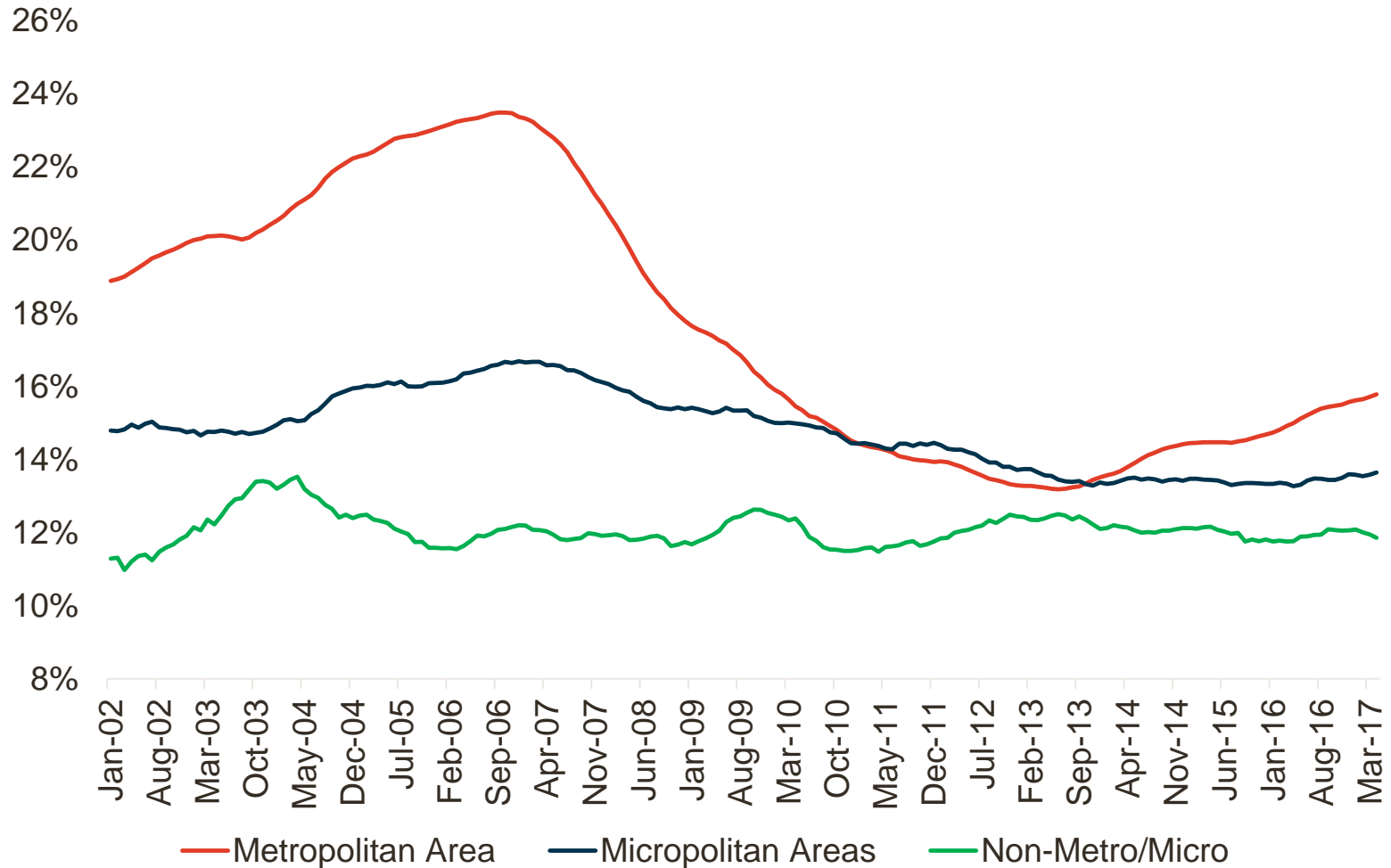
## Low Income Areas Share of Purchase Loans Remains Below 20 Years Ago

Share of 1<sup>st</sup> Lien Conventional Conforming Purchase Loans in Low Income Areas Tracts, 12 Month Moving Average



## Metropolitan Area Low Income Area Share Rising and Leaving Non-Metros Behind

Share of 1<sup>st</sup> Lien Conventional Conforming Purchase Loans in Low Income Areas Tracts, 12 Month Moving Average



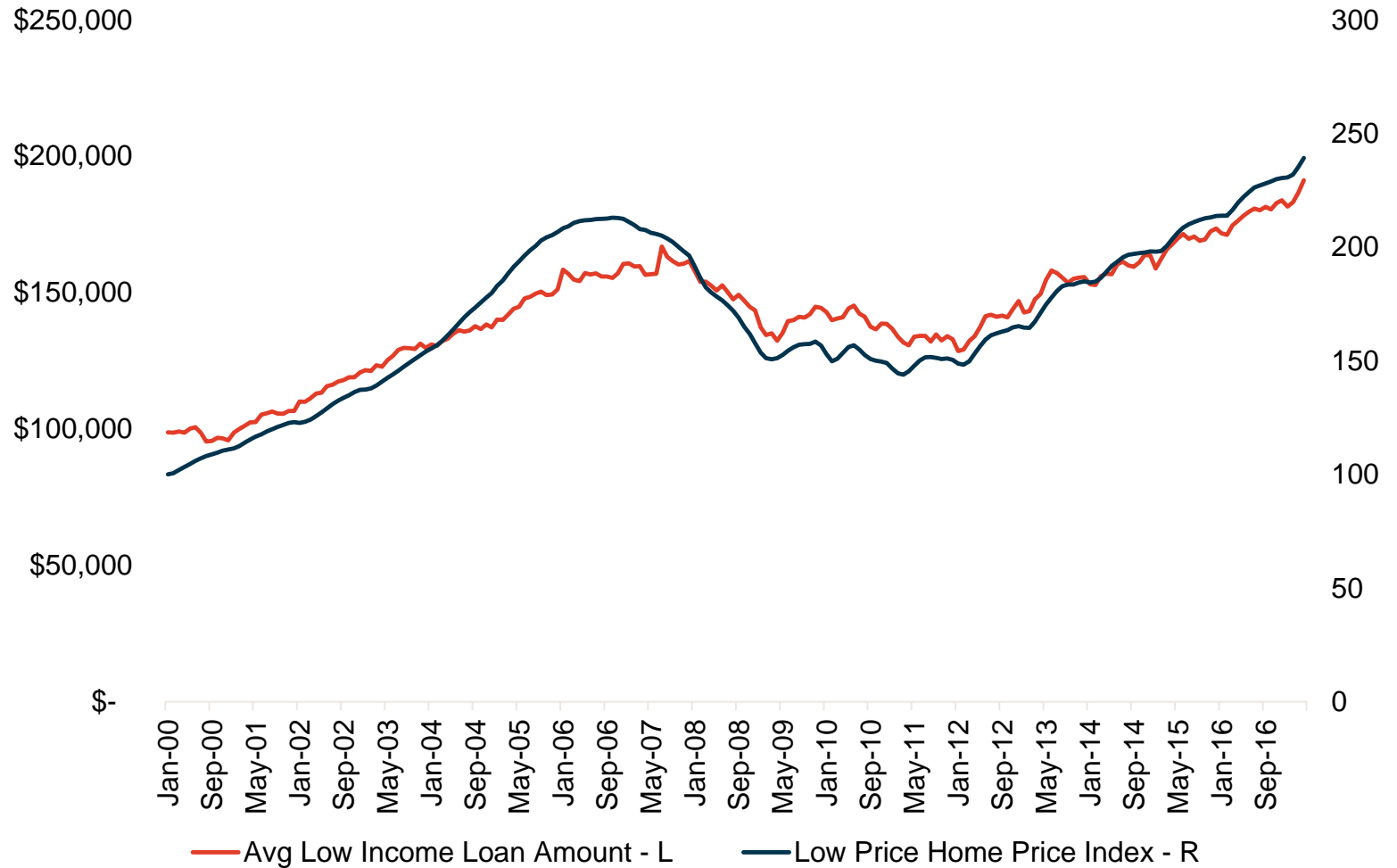
## Low Income Areas Purchase Activity is Half the Level of Mid-2000s

### Number of 1<sup>st</sup> Lien Conventional Conforming Purchase Loans in Low Income Areas Tracts



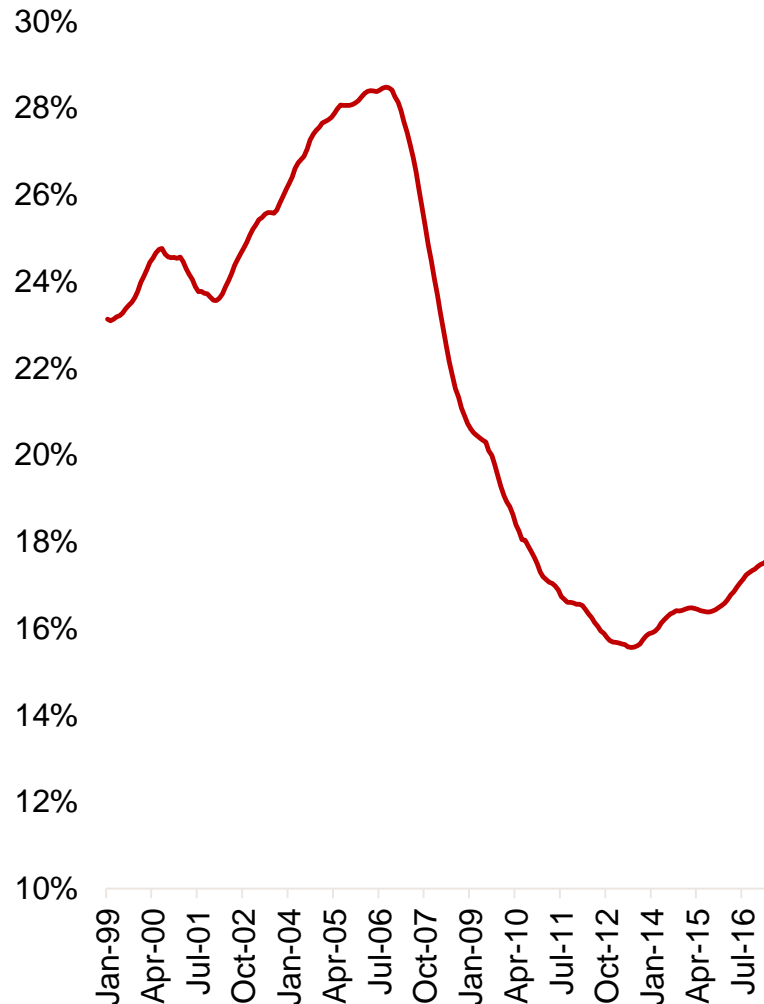
# Affordability is a Major Concern in Low Income Area Neighborhoods

Average Conventional Conforming Purchase Loan Amount in Low Income Areas Tracts



### Minority Lending Collapsed and Remains Low

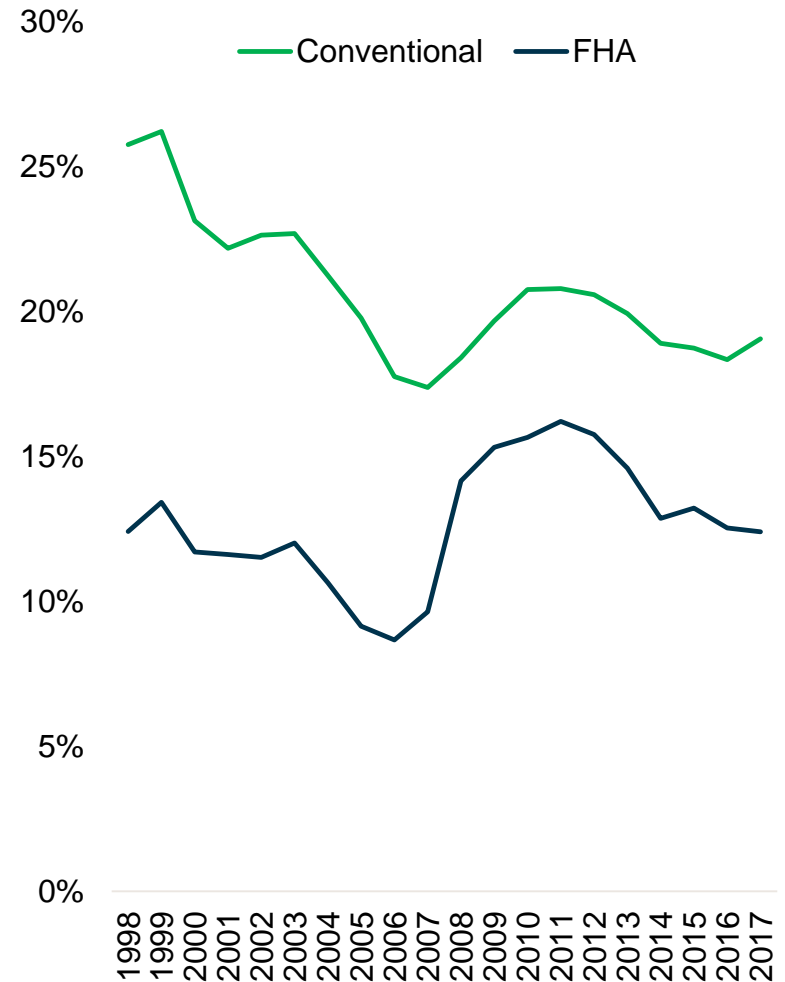
*Minority Areas Share of Conventional Conforming Purchase Loans*



Source: CoreLogic

### Conventional 'High Opportunity' Lending Down

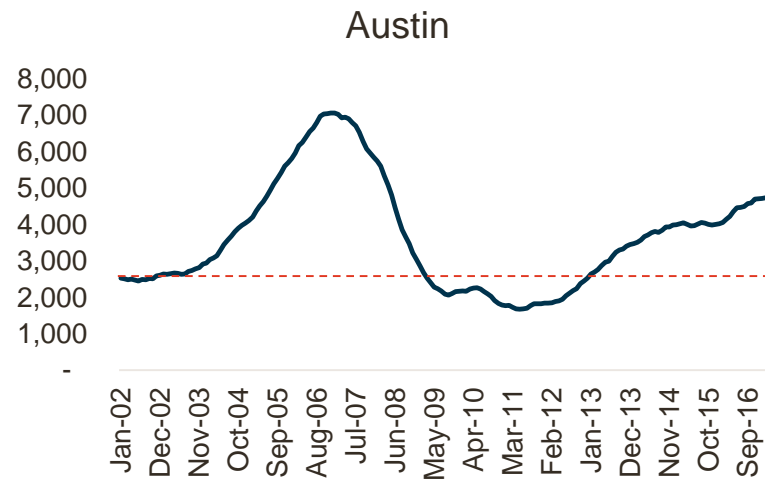
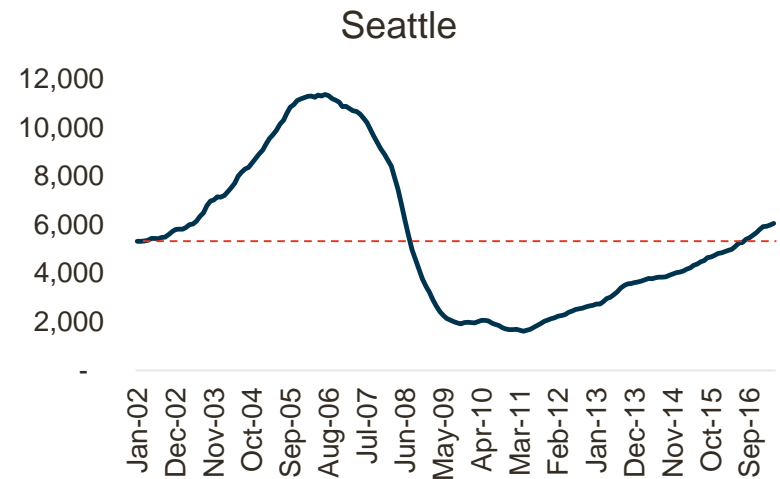
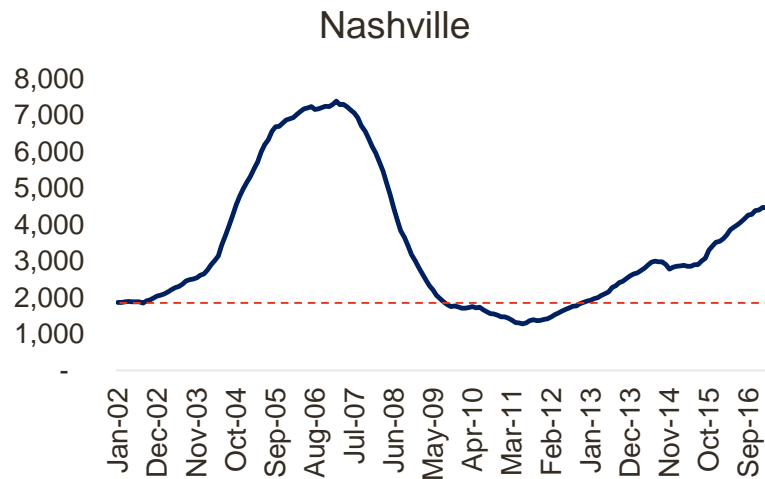
*Share of Purchase Loans in High Opportunity Areas*



# 'The Good'

## Fast Growing Markets with Rapidly Growing and Above Pre-Boom Levels

*1<sup>st</sup> Lien Conventional Conforming Purchase Loans in Low Income Area Neighborhoods*

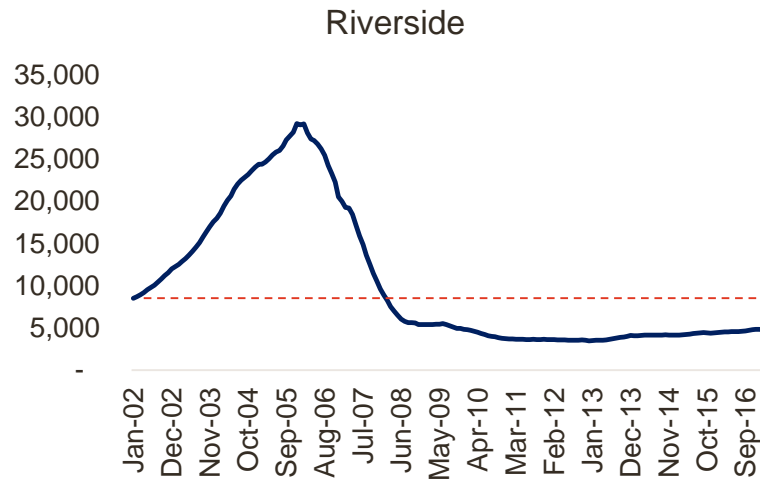
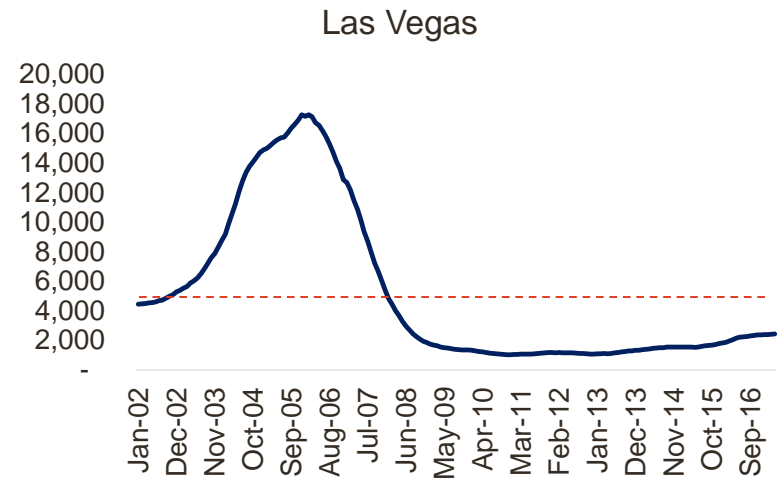
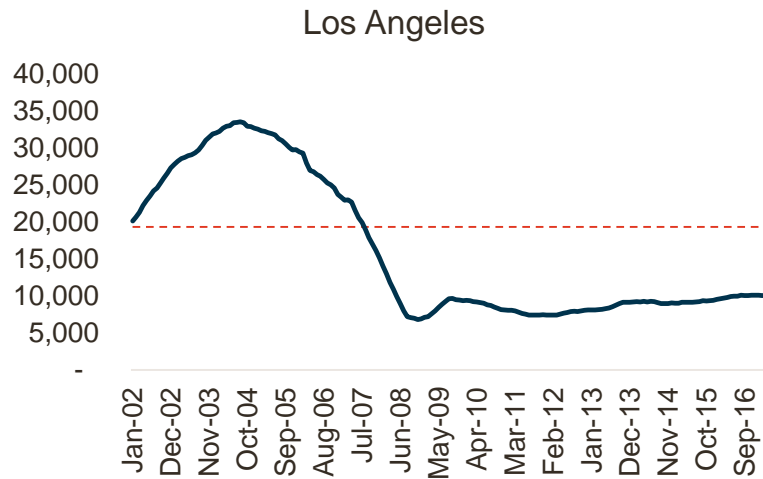


Minneapolis/Charlotte

# 'The Boom/Bust'

Markets Have Recovered from Trough but Remain Modestly Below Pre-Boom Levels

*1<sup>st</sup> Lien Conventional Conforming Purchase Loans in Low Income Area Neighborhoods*

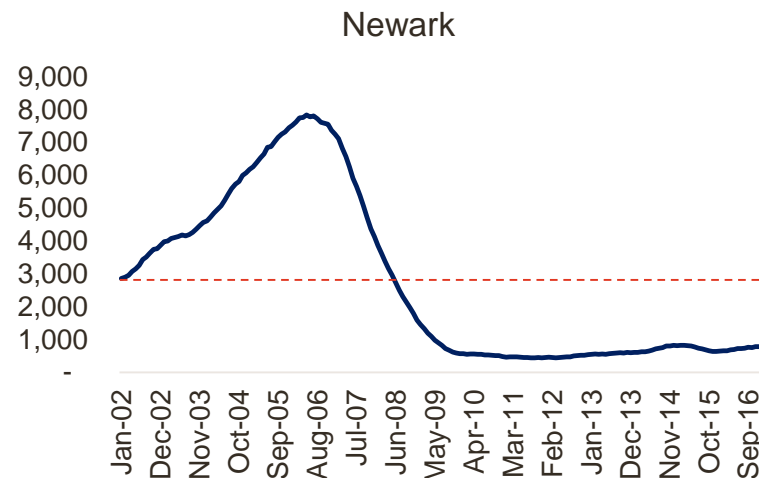
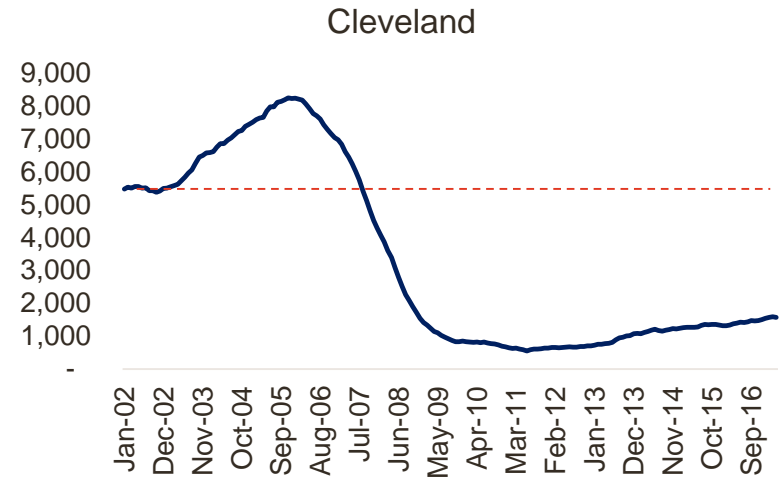
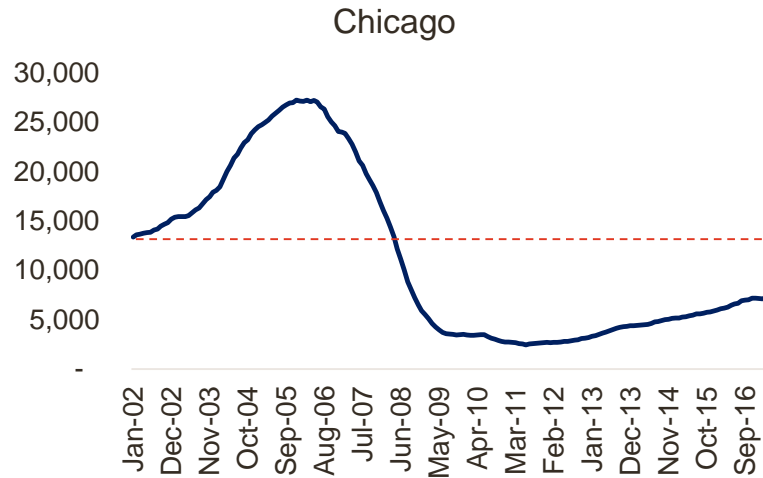




# 'The Ugly'

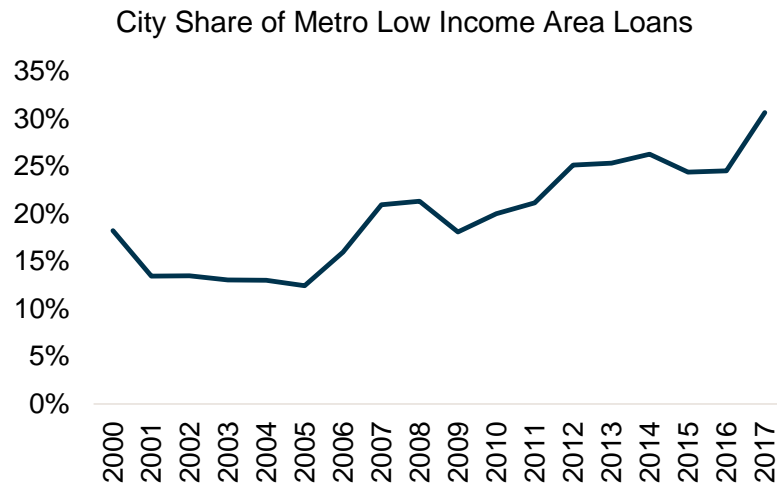
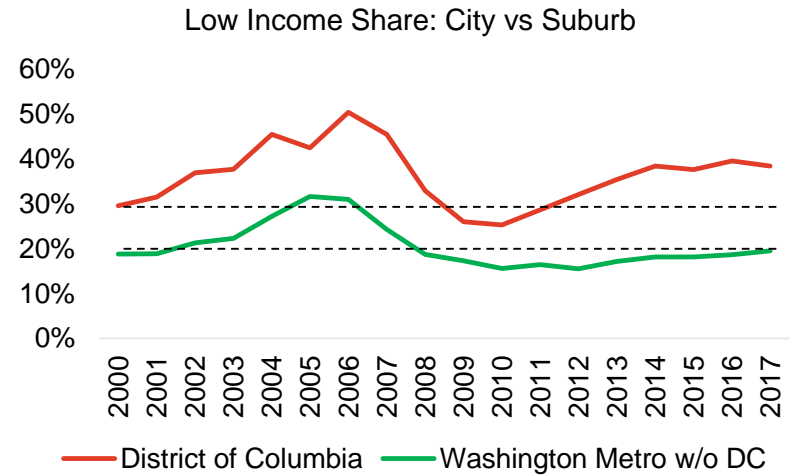
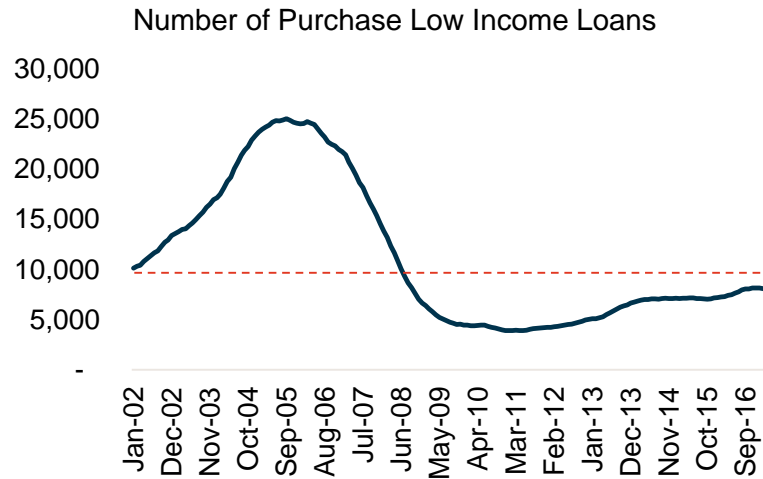
These Mostly Population Areas Exhibit Low Income Lending at a Fraction of Pre-Boom

*1<sup>st</sup> Lien Conventional Conforming Purchase Loans in Low Income Area Neighborhoods*



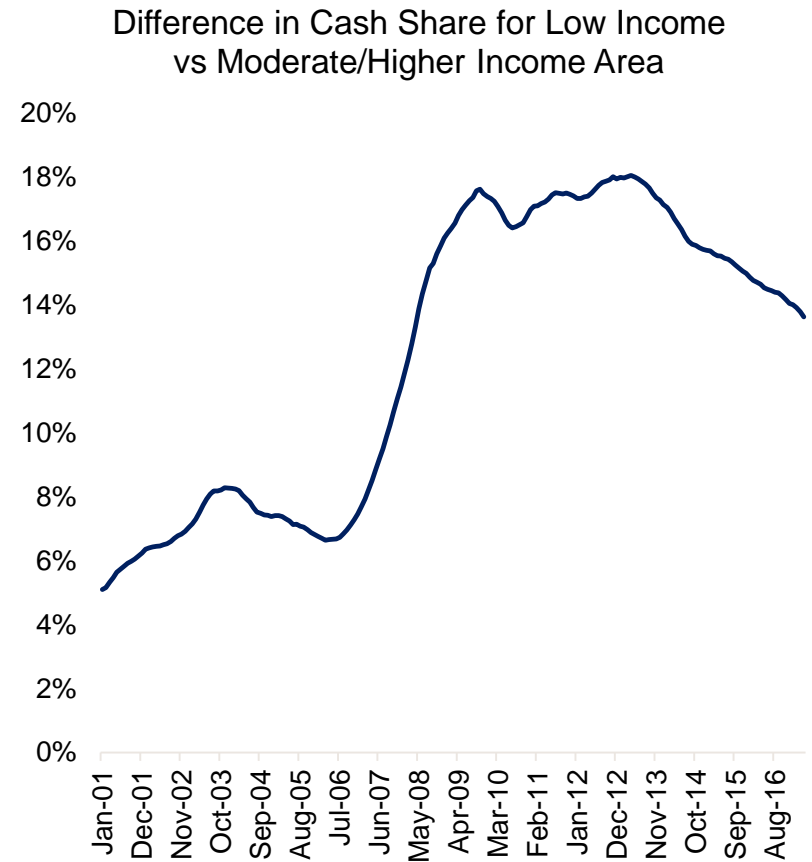
# Washington DC: City Low Income Lending Rising Above Trend, Suburb is Back to Normal

*1st Lien Conventional Conforming Purchase Loans in Low Income Area Neighborhoods*



# Equity Financing Accounts for Nearly Half of Low Income Area Transactions

Cash Share of Purchase Transactions, by Income Area Type



# Summary

- Public record data is a valuable source of information of lending trends for any geographically targeted small areas such as low income, minority and high opportunity areas that can be used to provide real time updates to HMDA data
- Low income area lending share and volumes remain well below late 1990s and very early 2000s
- Low income lending trajectories vary widely by geography. Rapidly growing economies such as Austin, Nashville and Seattle are leading the way, but low income lending in older industrial metros collapsed and has not recovered at all
- Equity or cash financing is blind spot to regulators and is crowding out lending in low income areas

## Where to Find More Information

Look for regular updates to our real estate commentary and data at:

<http://www.corelogic.com/blog>

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@TheSamKhater



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