URBAN INSTITUTE

Modernizing the Community Reinvestment Act: Ensuring Banks Meet the Credit Needs of Their Communities

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Modernizing the Community Reinvestment Act

An Analysis of Low and Moderate Income Mortgage Lending

Linna Zhu, Laurie Goodman, Ellen Seidman

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Low-income neighborhoods and borrowers receive a small amount of total mortgage lending

	Number of Loans	Share of loans out of total mortgage lending	Share of non-owner-occupied loans in each income category
Neighborhood Level			
Low-income neighborhoods	**263,099**	**2.2%**	**18.2%**
Moderate-income neighborhoods	1,698,903	14.3%	11.3%
LMI neighborhoods	1,962,002	**16.5%**	12.2%
All neighborhoods	11,873,237	100.0%	8.5%
Borrower Level			
Low-income borrowers	943,980	**8.0%**	4.8%
Moderate-income borrowers	2,347,479	19.8%	3.1%
LMI borrowers	3,291,459	**27.7%**	3.6%
All borrowers	11,873,237	100.0%	8.5%

Mortgage loans are particularly scarce in low-income predominantly minority neighborhoods

At National Level, Share of Loans by Neighborhood Classification

	Low-income neighborhoods	Moderate-income neighborhoods	LMI neighborhoods	All neighborhoods
Predominantly Minority Neighborhoods	1.1%	3.2%	4.3%	8.1%
Mixed Neighborhoods	0.9%	5.7%	6.5%	25.6%
Predominantly White Neighborhoods	0.2%	5.4%	5.7%	66.3%
All neighborhoods	2.2%	14.3%	16.5%	100.0%

At National Level, Share of Tracts by Neighborhood Classification

	Low-income neighborhoods	Moderate-income neighborhoods	LMI neighborhoods	All neighborhoods
Predominantly Minority Neighborhoods	4.9%	7.3%	12.1%	16.5%
Mixed Neighborhoods	2.3%	8.1%	10.4%	26.5%
Predominantly White Neighborhoods	0.7%	7.0%	7.7%	57.0%
All neighborhoods	7.9%	22.4%	30.3%	100.0%

Source: Authors' calculations based on 2015-19 American Community Survey, and 2018-19 Home Mortgage Disclosure Act data.
Note: LMI = low- and moderate-income; Closed-end 1-4 units single-family loans.

Mortgage loans are particularly scarce in low-income predominantly minority neighborhoods
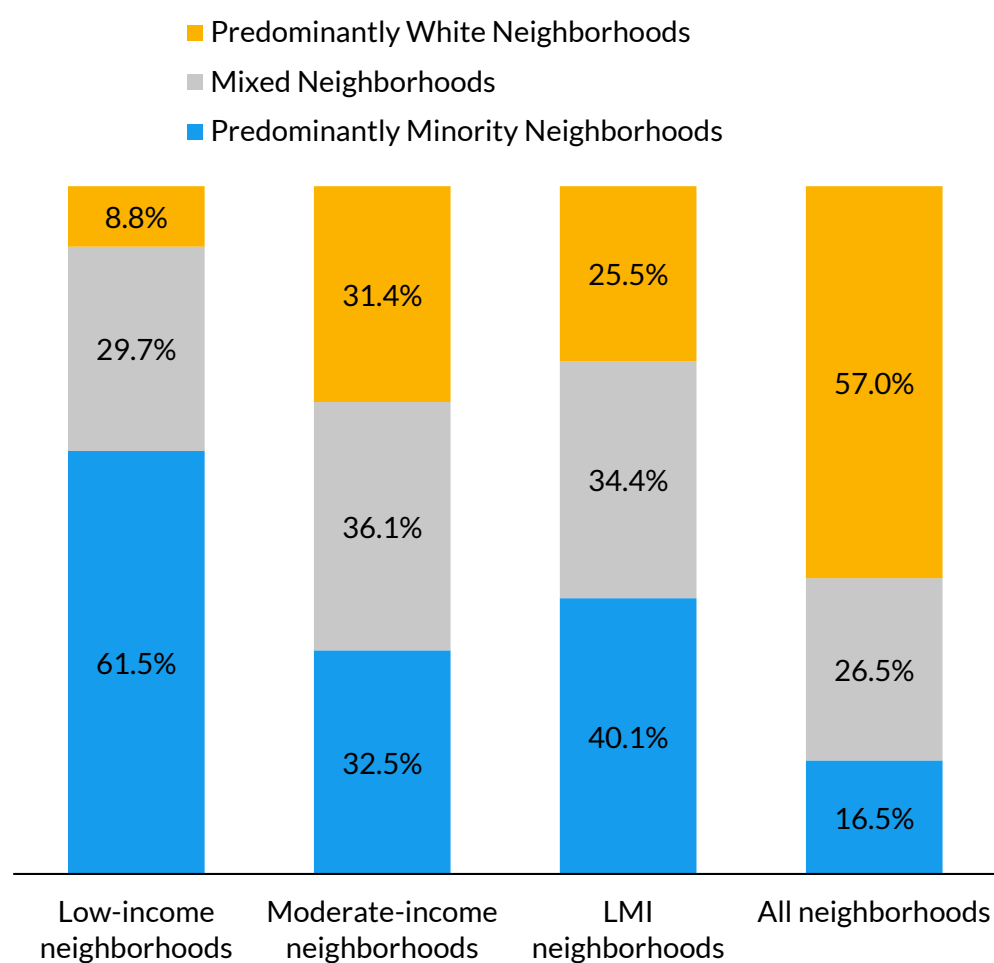
At National Level, Share of Loans by Neighborhood Classification

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At National Level, Share of Tracts by Neighborhood Classification

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Predominantly White Neighborhoods	0.7%	7.0%	7.7%	**57.0%**
All neighborhoods	7.9%	22.4%	30.3%	100.0%

Share of Loans by Neighborhood Race

Legend:
- Predominantly White Neighborhoods
- Mixed Neighborhoods
- Predominantly Minority Neighborhoods

	Low-income neighborhoods	Moderate-income neighborhoods	LMI neighborhoods	All neighborhoods
Predominantly White Neighborhoods	8.8%	31.4%	25.5%	57.0%
Mixed Neighborhoods	29.7%	36.1%	34.4%	26.5%
Predominantly Minority Neighborhoods	61.5%	32.5%	40.1%	16.5%

Source: Authors' calculations based on 2015-19 American Community Survey, and 2018-19 Home Mortgage Disclosure Act data.
Note: LMI = low- and moderate-income; Closed-end 1-4 units single-family loans.

Low-income borrowers receive a less than proportionate share of loans to LMI borrowers

At National Level, Share of Loans by Borrower Classification

	Low-income borrowers	Moderate-income borrowers	LMI borrowers	All borrowers
Minority Borrowers	**2.5%**	5.8%	8.2%	26.1%
White Borrowers	5.5%	14.0%	19.5%	73.9%
All Borrowers	**8.0%**	19.8%	27.7%	100.0%

At National Level, Share of Homeowners by Income and Race

	Low-income homeowners	Moderate-income homeowners	LMI homeowners	All homeowners
Minority Homeowners	**5.4%**	4.2%	9.6%	25.0%
White Homeowners	13.6%	11.7%	25.3%	75.0%
All Homeowners	**19.0%**	15.9%	34.9%	100.0%

Source: Authors' calculations based on 2015-19 American Community Survey, and 2018-19 Home Mortgage Disclosure Act data.
Note: LMI = low- and moderate-income; Closed-end 1-4 units single-family loans.

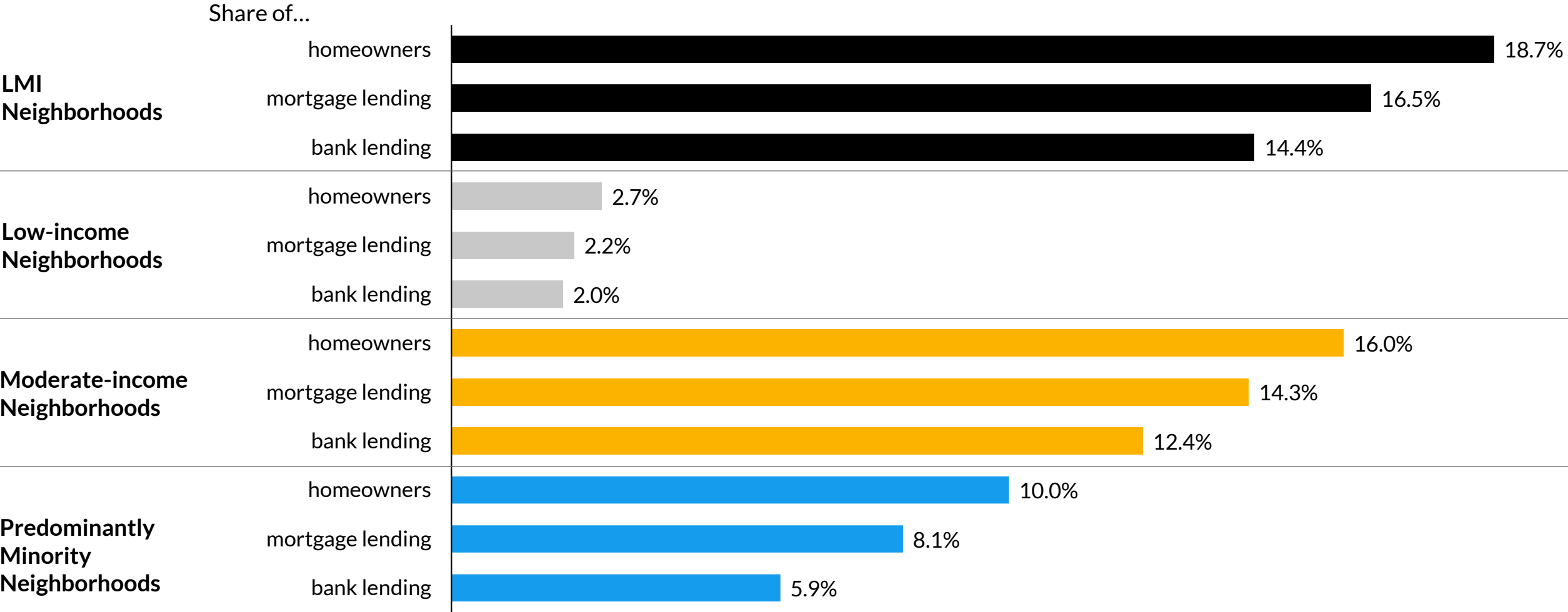# Low-income borrowers receive a less than proportionate share of loans to LMI borrowers

At National Level, Share of Loans by Borrower Classification

	Low-income borrowers	Moderate-income borrowers	LMI borrowers	All borrowers
Minority Borrowers	2.5%	5.8%	8.2%	26.1%
White Borrowers	5.5%	14.0%	19.5%	73.9%
All Borrowers	8.0%	19.8%	27.7%	100.0%

At National Level, Share of Homeowners by Income and Race

	Low-income homeowners	Moderate-income homeowners	LMI homeowners	All homeowners
Minority Homeowners	5.4%	4.2%	9.6%	25.0%
White Homeowners	13.6%	11.7%	25.3%	75.0%
All Homeowners	19.0%	15.9%	34.9%	100.0%

Share of Loans by Borrower Race
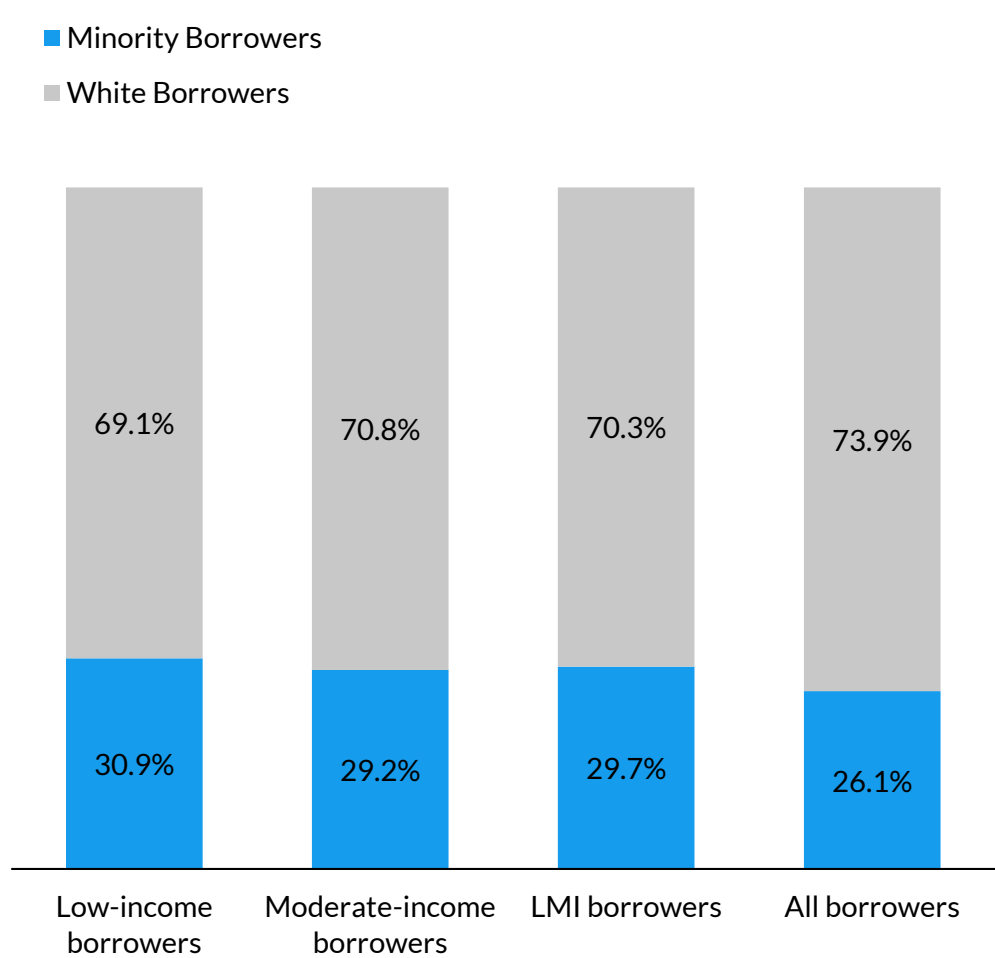
- ■ Minority Borrowers
- ■ White Borrowers

Source: Authors' calculations based on 2015-19 American Community Survey, and 2018-19 Home Mortgage Disclosure Act data.
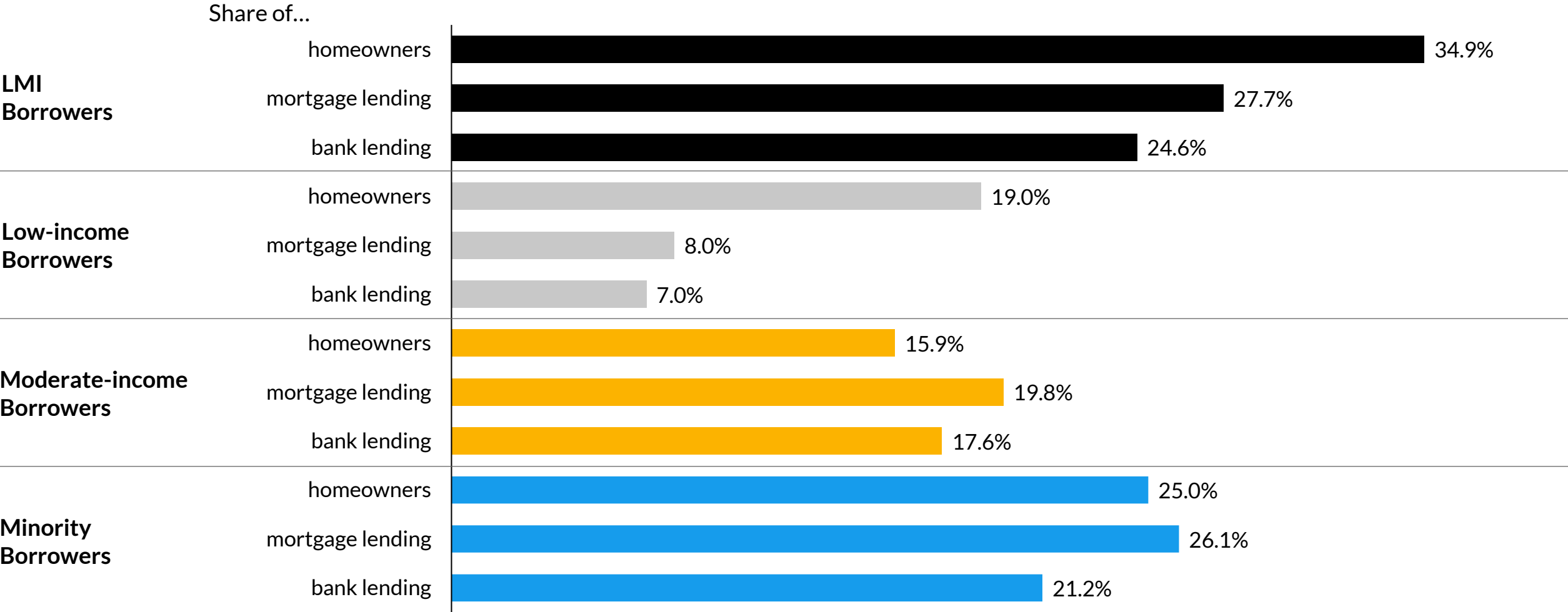**Note:** LMI = low- and moderate-income; Closed-end 1-4 units single-family loans.

LMI and predominantly minority neighborhoods receive less than their proportionate share of mortgages, especially bank mortgages

Share of...

LMI Neighborhoods
- homeowners: 18.7%
- mortgage lending: 16.5%
- bank lending: 14.4%

Low-income Neighborhoods
- homeowners: 2.7%
- mortgage lending: 2.2%
- bank lending: 2.0%

Moderate-income Neighborhoods
- homeowners: 16.0%
- mortgage lending: 14.3%
- bank lending: 12.4%

Predominantly Minority Neighborhoods
- homeowners: 10.0%
- mortgage lending: 8.1%
- bank lending: 5.9%

Source: Authors' calculations based on 2015–19 American Community Survey data and 2018–19 Home Mortgage Disclosure Act data.
Note: LMI = low- and moderate-income; Close-end 1-4 units single family loans

Lending to low-income borrowers falls well short of their homeownership benchmark

Share of…

LMI Borrowers
- homeowners: 34.9%
- mortgage lending: 27.7%
- bank lending: 24.6%

Low-income Borrowers
- homeowners: 19.0%
- mortgage lending: 8.0%
- bank lending: 7.0%

Moderate-income Borrowers
- homeowners: 15.9%
- mortgage lending: 19.8%
- bank lending: 17.6%

Minority Borrowers
- homeowners: 25.0%
- mortgage lending: 26.1%
- bank lending: 21.2%

Source: Authors' calculations based on 2019 American Community Survey data and 2018–19 Home Mortgage Disclosure Act data.
**Note**: LMI = low- and moderate-income.

Black borrowers are under-represented compared to current homeownership, especially in bank lending

	Homeowners	All mortgage lending	Bank only mortgage lending
Low-income neighborhoods			
Black households	**32.6%**	**17.9%**	**17.4%**
Hispanic households	23.4%	25.0%	19.8%
Asian households	4.2%	8.2%	10.0%
Moderate-income neighborhoods			
Black households	**15.6%**	**11.3%**	**9.8%**
Hispanic households	18.3%	20.3%	15.4%
Asian households	3.9%	5.8%	6.8%
All neighborhoods			
Black households	**7.9%**	**6.6%**	**4.9%**
Hispanic households	9.8%	11.8%	8.1%
Asian households	4.4%	6.2%	6.9%

Modernizing the Community Reinvestment Act

An Analysis of Small Business Capital Flows

Brett Theodos, Noah McDaniel, and Tanay Nunna

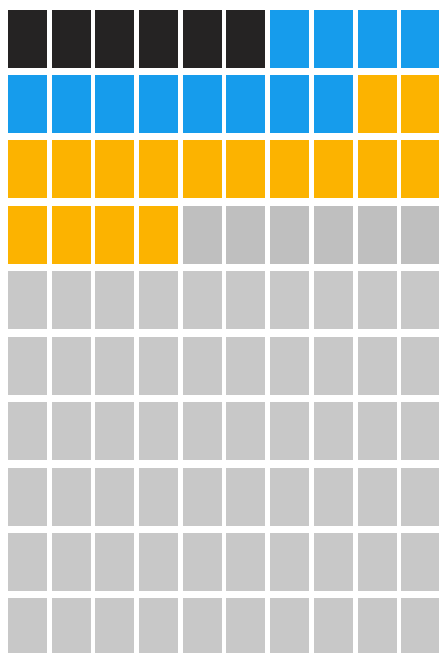# Business ownership is not equally distributed in US
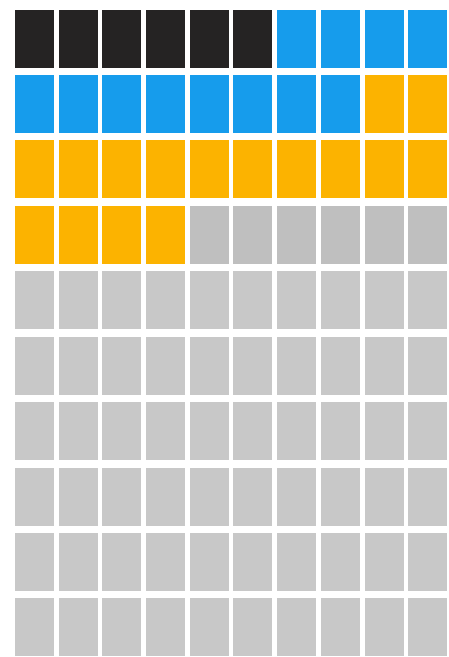
Adults

US adults are 65% white,
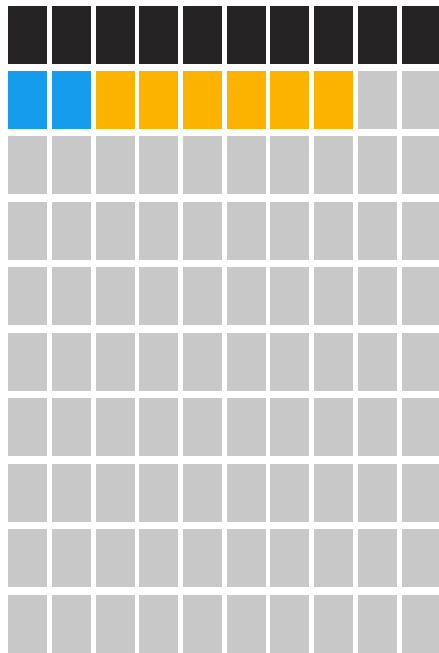16% Latine, 12% Black, and
6% Asian

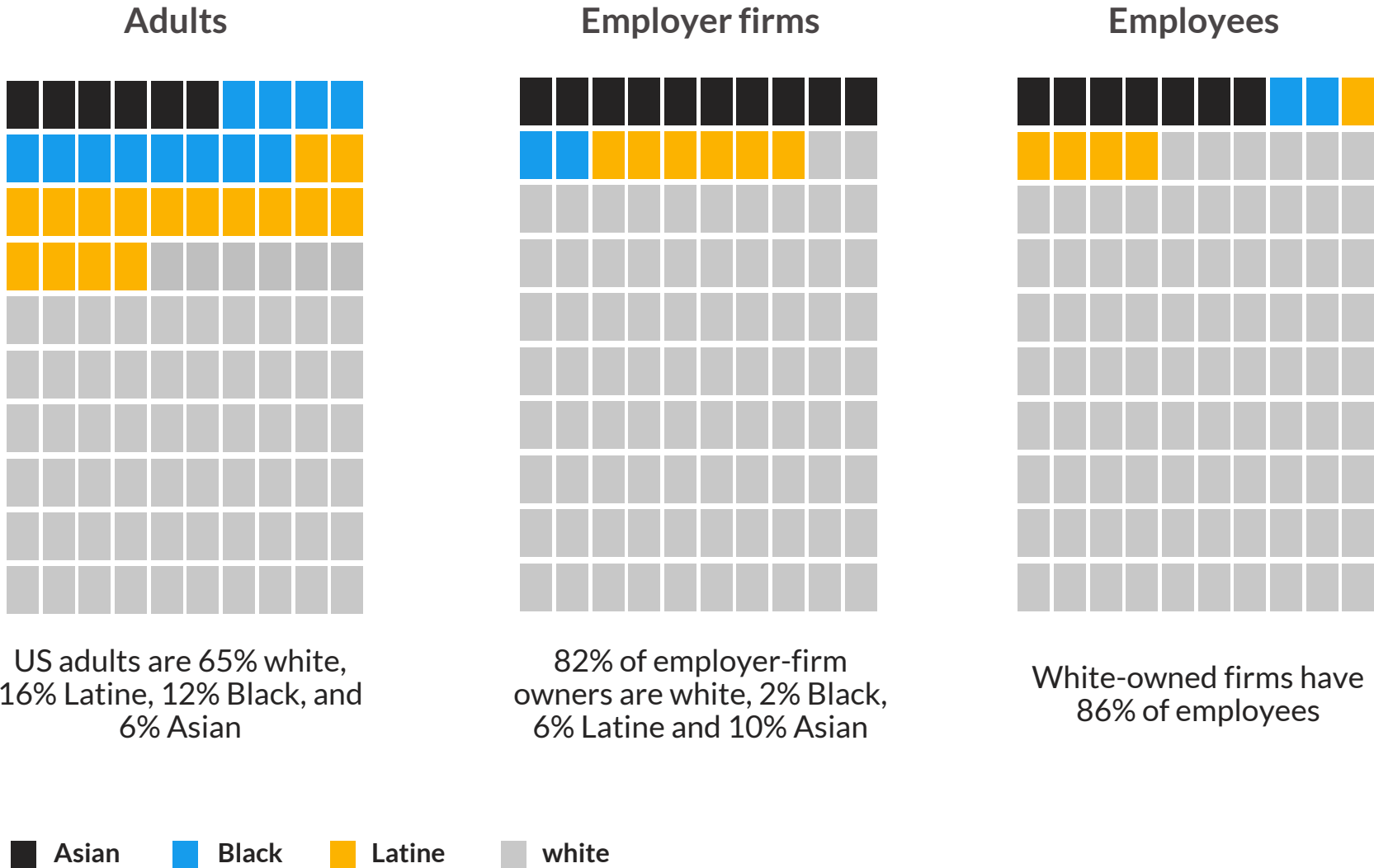■ **Asian**   ■ **Black**   ■ **Latine**   ■ **white**

Business ownership is not equally distributed in US

Adults

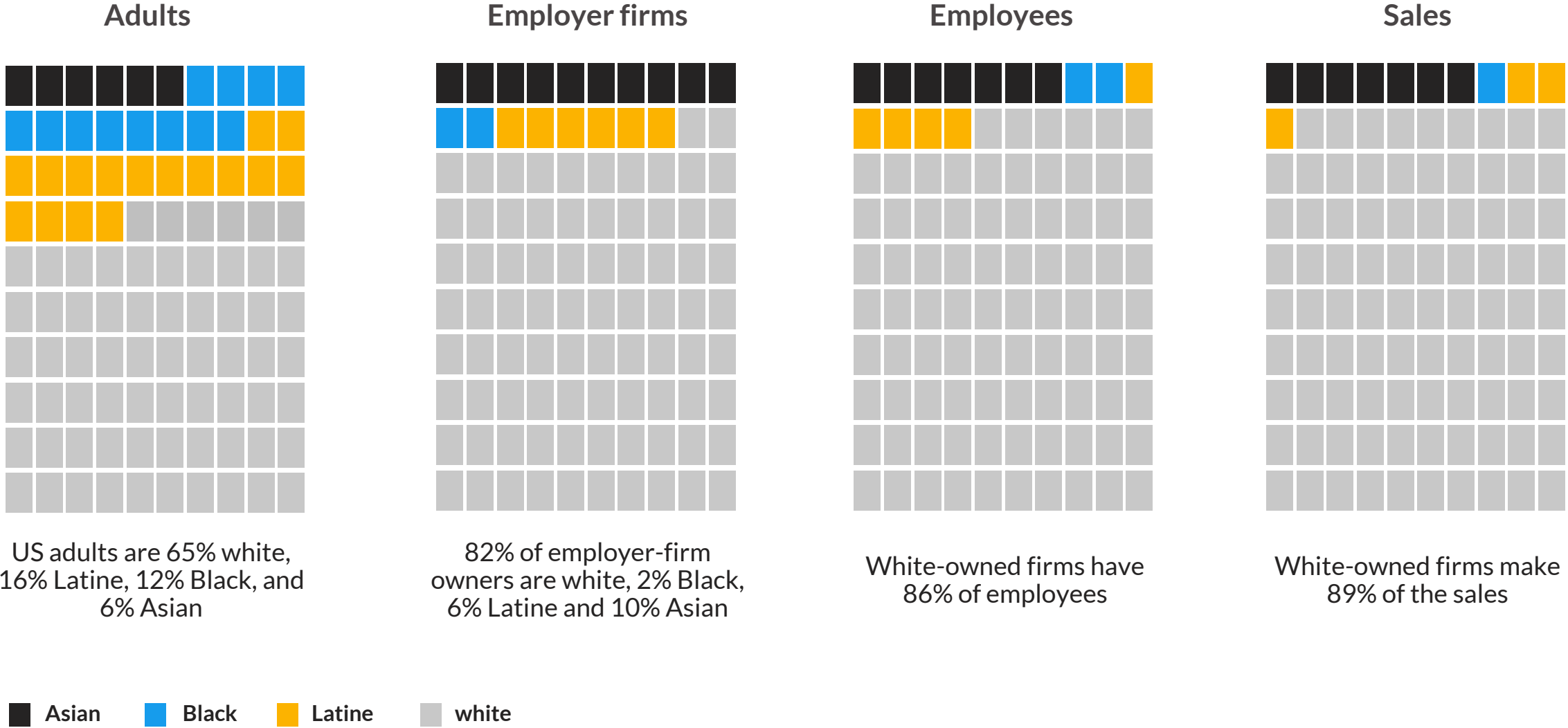**Employer firms**

US adults are 65% white,
16% Latine, 12% Black, and
6% Asian

82% of employer-firm
owners are white, 2% Black,
6% Latine and 10% Asian

Asian   Black   Latine   white

# Business ownership is not equally distributed in US

Adults

Employer firms

Employees

US adults are 65% white,
16% Latine, 12% Black, and
6% Asian

82% of employer-firm
owners are white, 2% Black,
6% Latine and 10% Asian

White-owned firms have
86% of employees

■ **Asian**   ■ **Black**   ■ **Latine**   ■ **white**

Business ownership is not equally distributed in US

Adults

US adults are 65% white, 16% Latine, 12% Black, and 6% Asian

Employer firms

82% of employer-firm owners are white, 2% Black, 6% Latine and 10% Asian

Employees

White-owned firms have 86% of employees

Sales

White-owned firms make 89% of the sales

⬛ **Asian**   🟦 **Black**   🟧 **Latine**   ⬜ **white**

# Share of the workforce that is self-employed among the 50 largest metropolitan areas
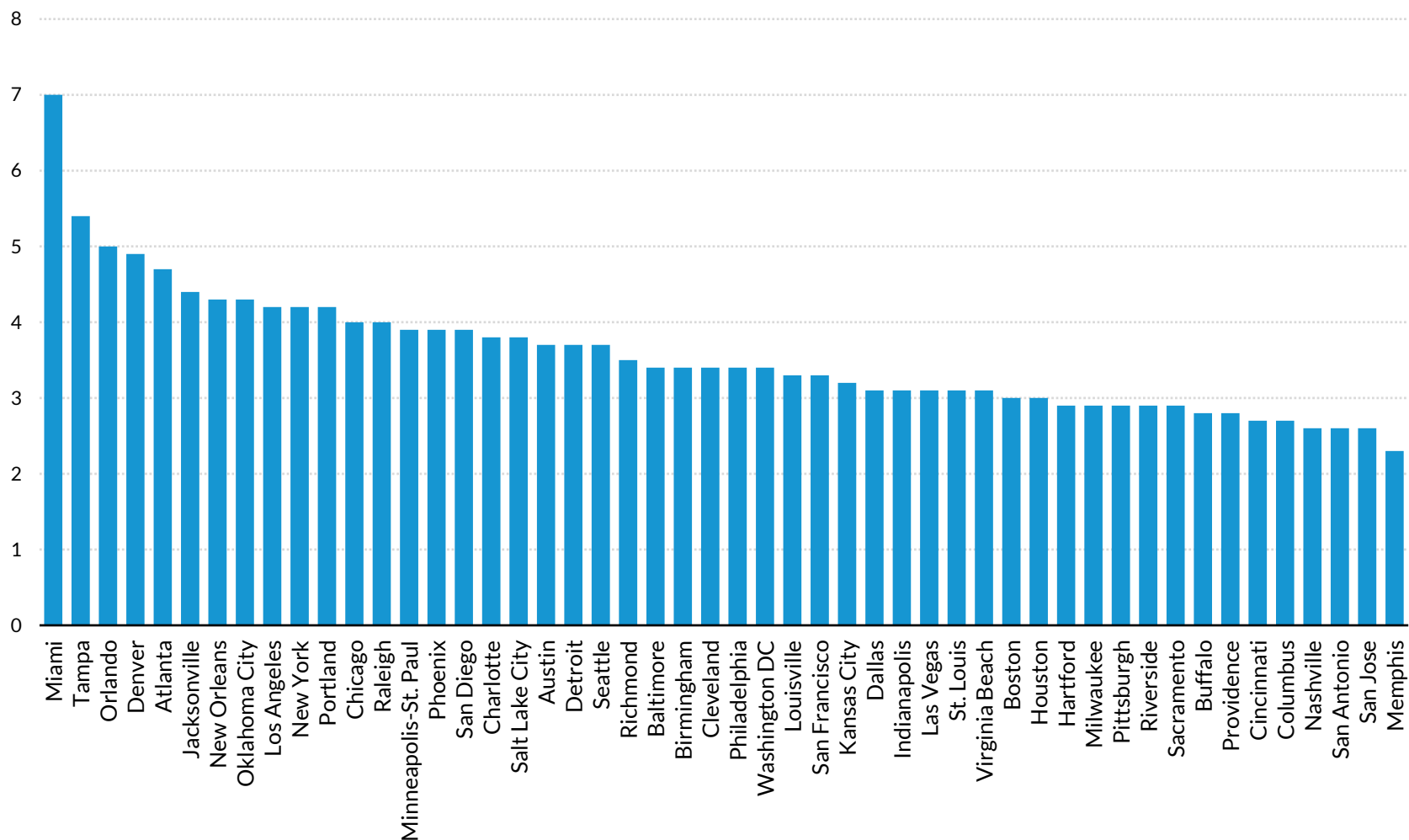
Small business lending (CRA, SBA) per small business employee, largest 50 cities
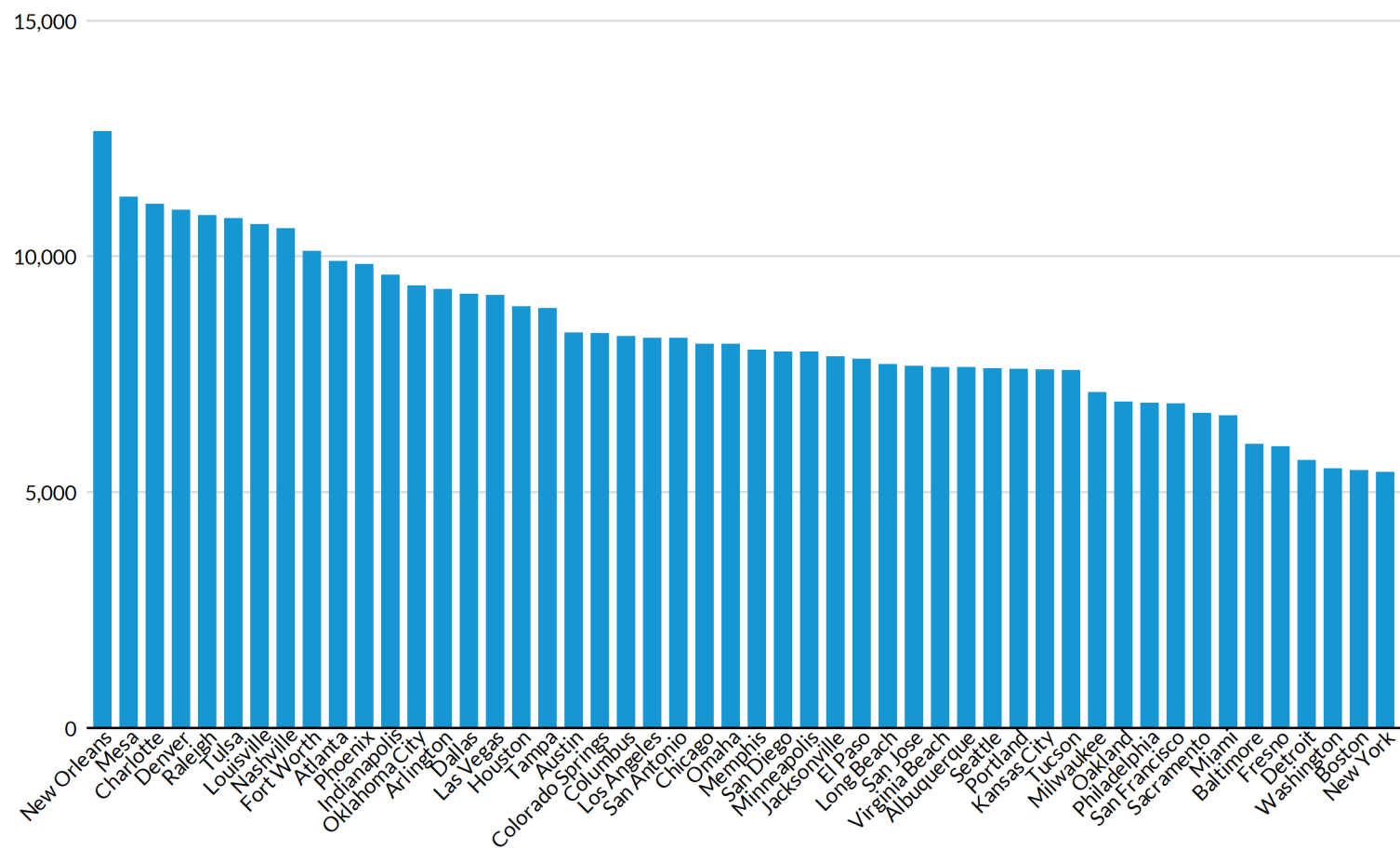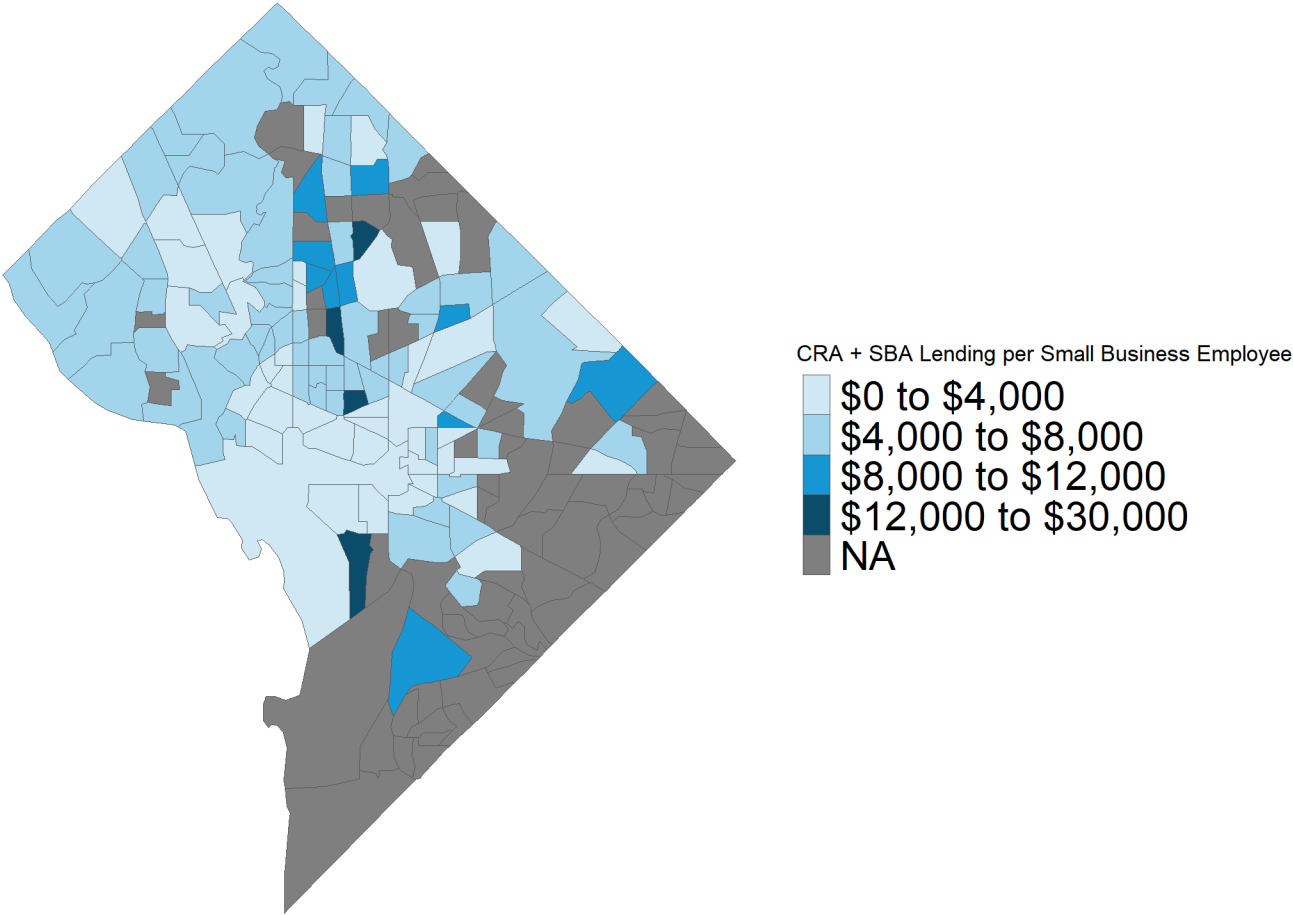
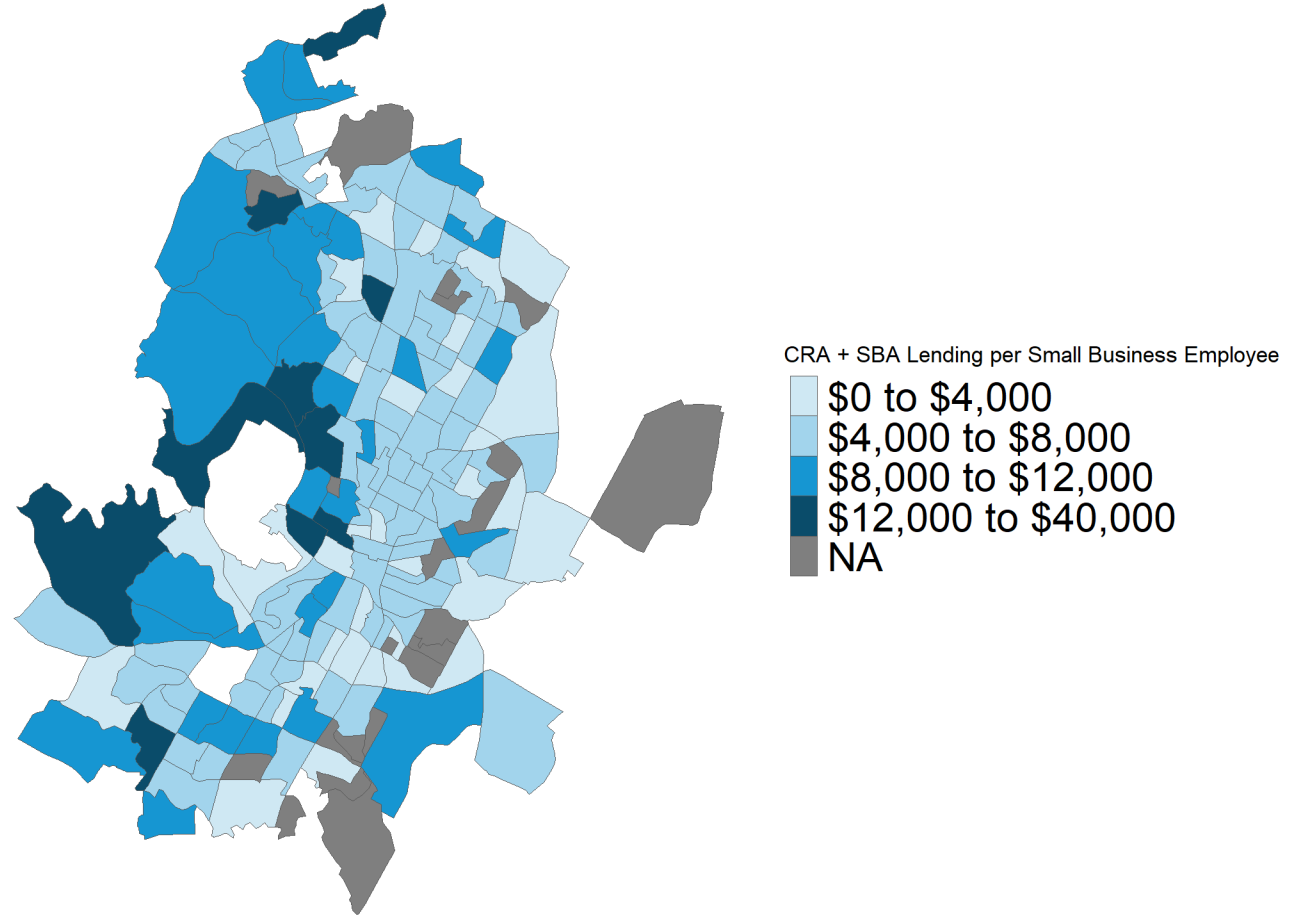# Small business lending per small business employee, by city size
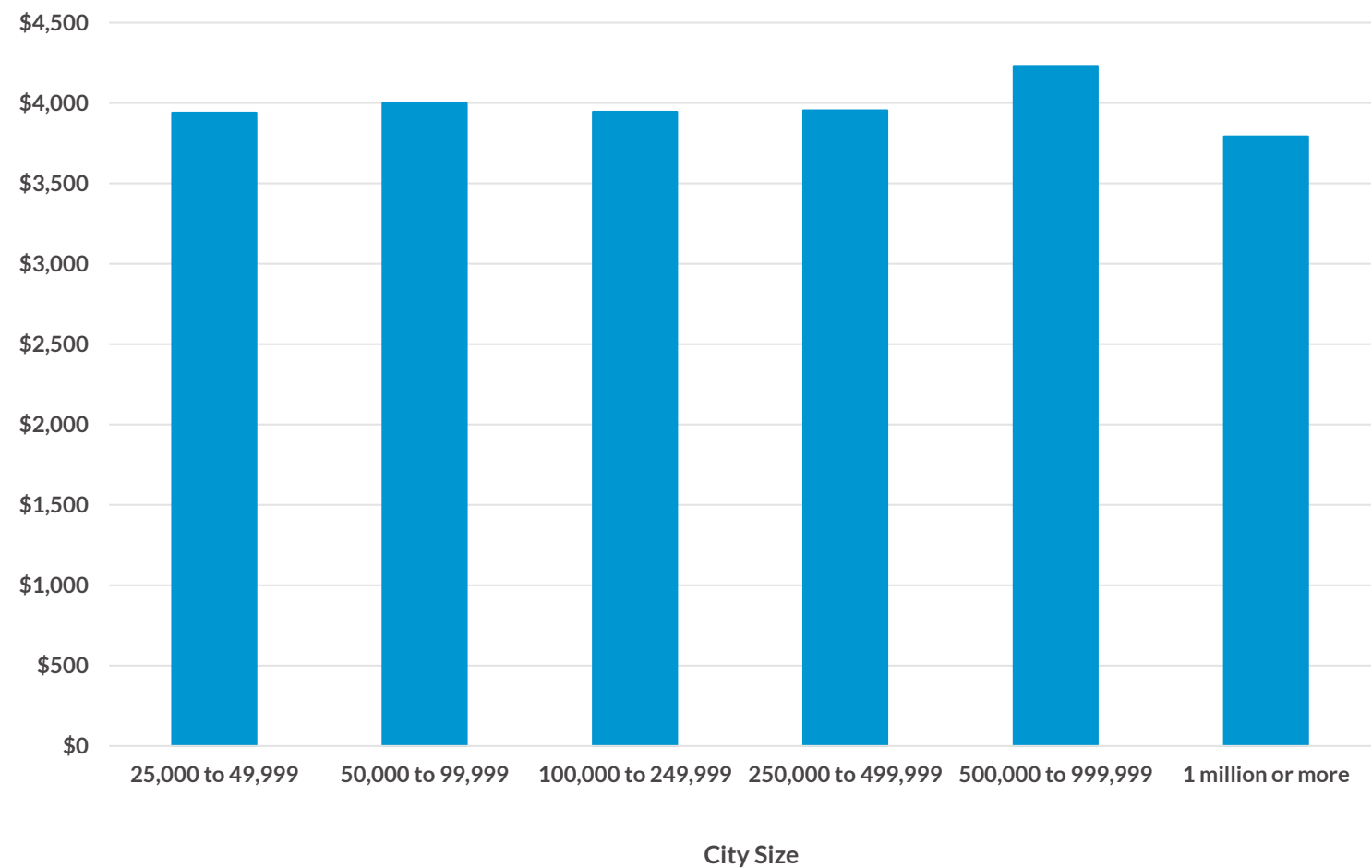
**Annual average small business lending in Chicago, IL per small business employee, 2005-2020**

$0 to $2,000
$2,000 to $4,000
$4,000 to $6,000
More than $6,000
NA
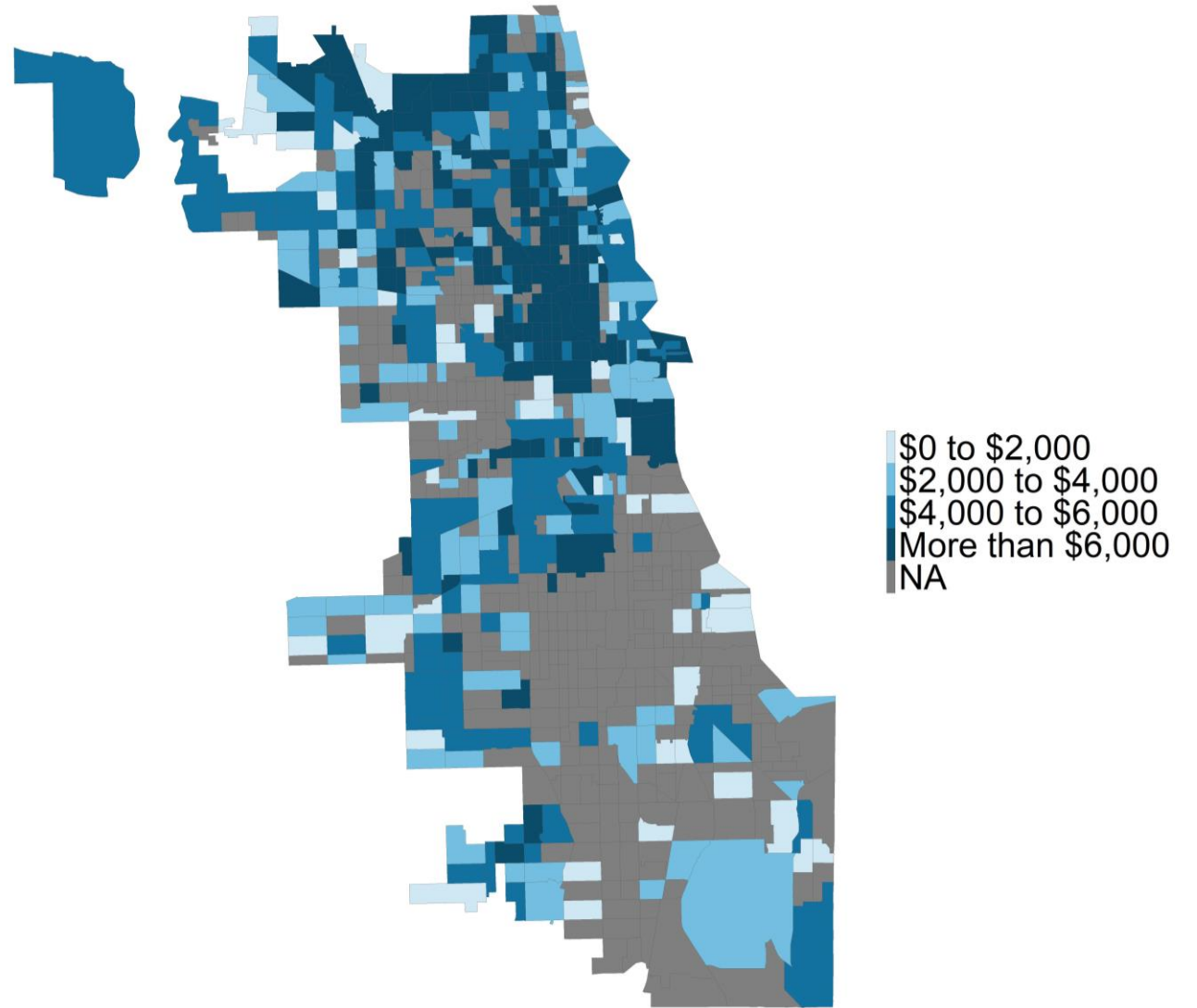
Annual average small business lending in Washington, DC per small business employee, 2005-2020

CRA + SBA Lending per Small Business Employee
- $0 to $4,000
- $4,000 to $8,000
- $8,000 to $12,000
- $12,000 to $30,000
- NA

Annual average small business lending in Austin, TX per small business employee

CRA + SBA Lending per Small Business Employee

- $0 to $4,000
- $4,000 to $8,000
- $8,000 to $12,000
- $12,000 to $40,000
- NA

Annual average small business lending in San Francisco, CA per small business employee

CRA + SBA Lending per Small Business Employee
- $0 to $4,000
- $4,000 to $8,000
- $8,000 to $12,000
- $12,000 to $16,000
- NA
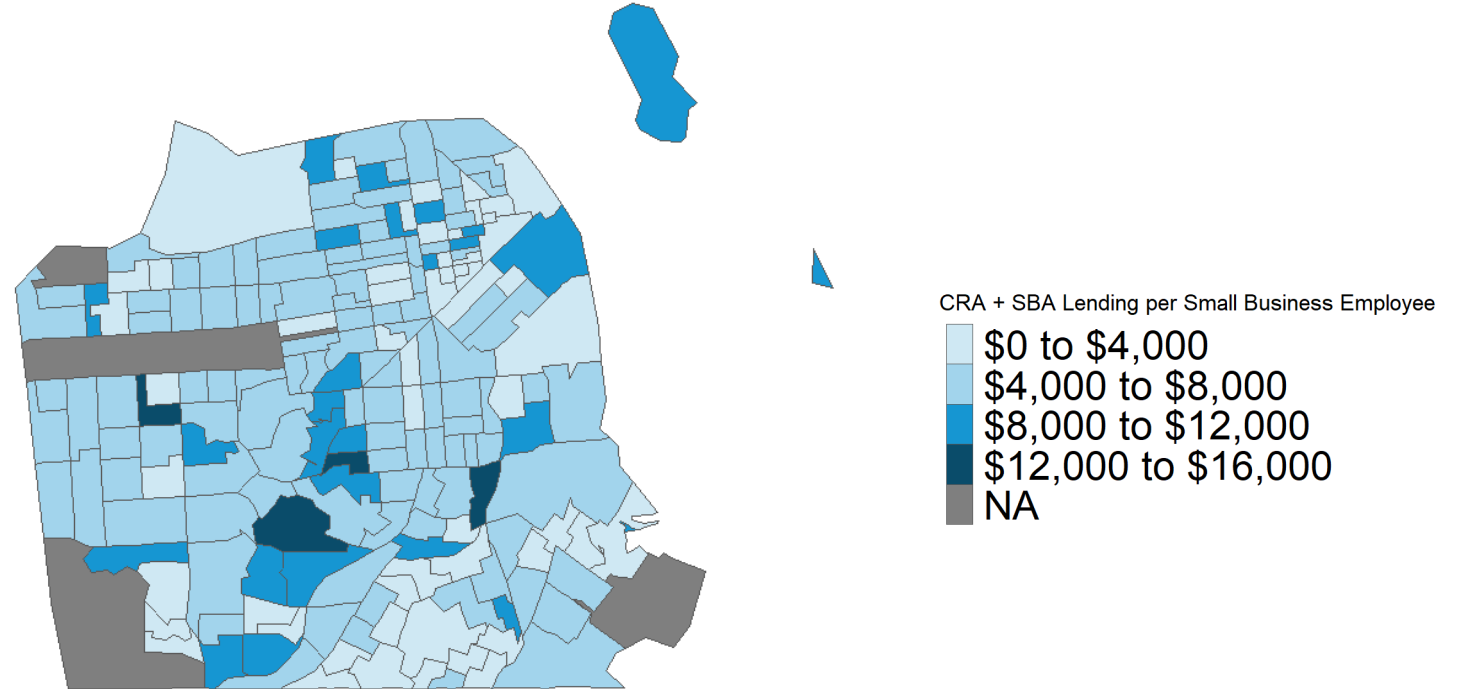
Poverty disparity, median by category for tracts in 50 largest cities

Race disparity, median by category for tracts in 50 largest cities

Median small business lending per small business employee