District of Columbia Housing Monitor

Fall 2006

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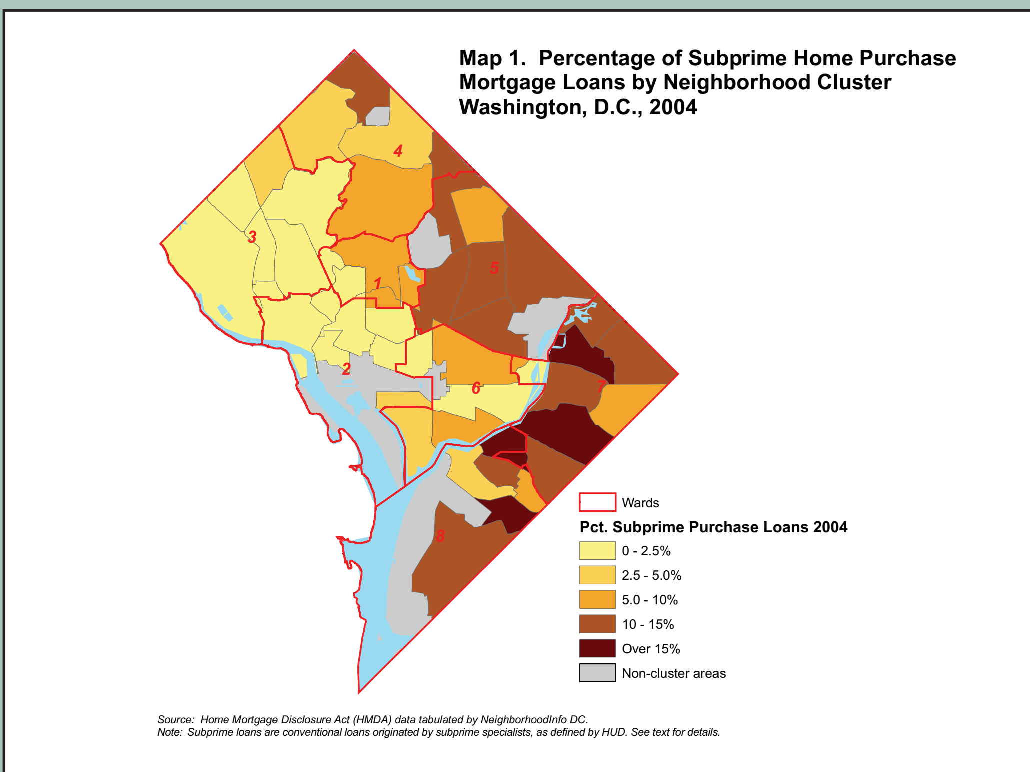
In the Spotlight

Subprime Lending Highest in Wards 5, 7, and 8



Map 1. Percentage of Subprime Home Purchase Mortgage Loans by Neighborhood Cluster Washington, D.C., 2004

Source: Home Mortgage Disclosure Act (HMDA) data tabulated by NeighborhoodInfo DC.
Note: Subprime loans are conventional loans originated by subprime specialists, as defined by HUD. See text for details.

About the author of this issue of the *District of Columbia Housing Monitor*

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NeighborhoodInfo DC is a partnership between the Urban Institute and the Washington, D.C., Local Initiatives Support Corporation to provide community-based organizations and citizens in the District of Columbia with local data and analysis they can use to improve the quality of life in their neighborhoods. The Fannie Mae Foundation funds NeighborhoodInfo DC to produce the *District of Columbia Housing Monitor*.

The quarterly *District of Columbia Housing Monitor* uses the most recent available data to illuminate housing market and affordable housing trends in the city. In addition, each report includes a *special focus* section that analyzes, in greater depth, developments that are shaping the Washington, D.C., housing landscape. In this issue, the special section examines trends in home purchase mortgage loans through 2004.

The information presented in this report is supplemented by data provided on the NeighborhoodInfo DC Web site (www.NeighborhoodInfoDC.org/housing).

Key findings from this report:

- *Evidence mounts that the District of Columbia home sales market is slowing.* In the first quarter of 2006, sales of single-family homes dropped to 826, down from 1,212 sales in the fourth quarter of 2005 and from 1,270 in the first quarter of 2005. Condominium sales experienced a similar decline. Data on real estate listings confirm a slowing market. Furthermore, while prices of single-family homes and condominiums are still higher than one year earlier, the rate of price growth has slowed.

- *Except for Wards 1 and 7, all Wards experienced price declines at the start of 2006, but several Wards still recorded strong year-over-year price increases.* The largest price decreases occurred in Ward 2, where real prices of single-family homes dropped 11.6 percent between the fourth quarter 2005 and the first quarter 2006; in Ward 8, where prices dropped 4.8 percent; and Ward 3, where prices dropped 4.4 percent. Despite the recent price declines, Ward 8 still recorded the highest price growth, 26.0 percent, between the first quarters of 2005 and 2006.

- *Home building continues on a record-breaking pace, particularly for multifamily housing.* In the first six months of 2006, permits for 1,539 new housing units have been issued, up 4.3 percent over the first half of 2005. Almost all of these 2006 permits are for multifamily housing (1,494 units).

- *Thousands of federally assisted housing units remain at risk.* The District of Columbia currently has 10,959 units subsidized under project-based Section 8 and other federal multifamily programs. Contracts for 4,505 units are set to expire between April 2006 and March 2007.

- *The number of new home purchase loans has increased steadily over the past 10 years, while denial rates for loan applications are once again rising.* Between 1995 and 2004, the number of new home purchase mortgage loans increased from 3.6 to 11.0 loans per 100 existing housing units, reflecting the increased market activity. In 2004, the denial rate for conventional home purchase loans increased to 13.4 percent of all applications, up from 10.3 percent in 2003.

- *Levels of subprime mortgage lending, which increased slightly between 2003 and 2004, were much higher in Wards 5, 7, and 8 than in the rest of the city.* In 2003, loans from subprime lenders accounted for 5.3 percent of all conventional home purchase loans, up from 3.6 percent in 2003. Rates of subprime lending are more than 10 times higher in Ward 7 (13.9 percent of home purchase loans) than in Ward 3. Wards 5 (11.2 percent) and 8 (10.8 percent) also recorded disproportionate shares of subprime loans.

- *The median income of mortgage borrowers has increased 38 percent in real terms since the mid- to late-1990 and reached $100,000 for the first time in Wards 1 and 6.* The median income of borrowers in 2004 was $92,800 (in 2006 dollars), up 7.7 percent from 2003. Median borrower income increased to $105,100 in Ward 1 and to $100,900 in Ward 6.

- *The share of home purchase loans to African-American borrowers rebounded slightly from past declines, while those to Hispanic and Asian borrowers continued to increase.* The percentage of black borrowers declined from 34.5 percent between 1995 and 1998 to 27.0 percent in 2004. This low total nonetheless represented a bounce back from 2003's level of 24.3 percent. Over the same period, the share of loans to Hispanic borrowers increased from 4.1 to 5.6 percent, and the share to Asian borrowers increased from 1.7 to 4.4 percent.

- *About one-third of all home purchase loans were to lone female borrowers; such borrowers accounted for roughly half of all loans in Wards 7 and 8.*

Housing Market Update

Home Sales

Both sales volume and prices declined at the start of 2006, and although prices are higher than one year earlier, the rate of price growth is slowing.

Figure 1 compares quarter-to-quarter trends in sales volumes and prices of single-family homes and condominiums in Washington, D.C. Single-family home sales increased steadily from 1996 through 2005 but have begun to level off and decline. As reported in the previous *Housing Monitor*, this suggests a cooling of the very hot housing market. In the first quarter of 2006, single-family home sales dropped to 826, down from 1,212 in the fourth quarter of 2005 and from 1,270 sales one year earlier, in the first quarter 2005. Sales volume in the first quarter of 2006 was comparable to levels five to 10 years earlier.

Similarly, the demand for condominium units, which increased strongly in the early part of the decade, has begun to drop off. Only 716 sales of condominium units were recorded in the first quarter of 2006, down from 1,045 units in the fourth quarter of 2005 and 1,230 units in the first quarter of 2005.

This sharp decline in sales volumes coincided with a drop in median sales prices of both single-family homes and condominiums (Figure 1). The median price in 2006 dollars of a single-family home dropped from $448,000 in the fourth quarter of 2005 to $420,000 in the first quarter of 2006. This is still a higher price than one year earlier — $384,000 in the first quarter of 2005 — and much higher than prices five to 10 years ago.

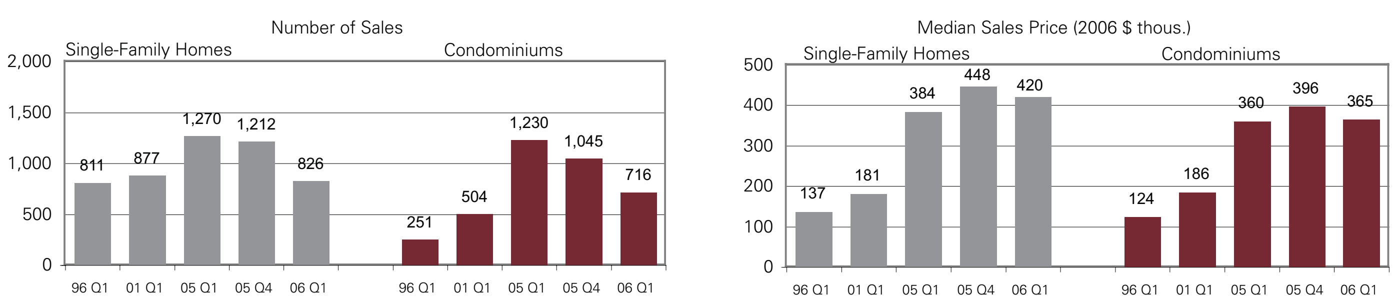
Condominium prices have experienced similar declines. The median price in 2006 dollars of a condominium unit slipped from $396,000 in the fourth quarter of 2005 to $365,000 in the first quarter of 2006. As with single-family homes, the most recent price is still higher than one year earlier — $360,000 in the first quarter of 2005 — and more than twice the levels of five to 10 years ago.

Nonetheless, although prices increased over the past year, the rate of price growth slowed. The previous *Housing Monitor* reported an annual increase of 16.9 percent in real prices of single-family homes between the fourth quarters of 2004 and 2005.[1] One quarter later, the annual price increase for single-family homes decreased to 9.4 percent (Table 1). A more dramatic slowdown has occurred in the condominium market. The previous *Housing Monitor* reported an annual increase of 10.4 percent in the prices of condominiums, while the current annual increase is 1.3 percent.

Real estate listing data confirm that the housing market is slowing.

The sales data support the perception that the Washington, D.C., housing market is beginning to slow after the recent years of frenetic activity. Additional data on

Figure 1. Single-Family Home and Condominium Quarter-to-Quarter Sales Trends, 1996 Q1 – 2006 Q1, Washington, D.C.



Source: NeighborhoodInfo DC tabulations of District of Columbia real property file, maintained by the D.C. Office of Tax and Revenue and provided through agreement with the D.C. Office of the Chief Technology Officer.

Notes: Data for 2005 Q4 revised from previous Housing Monitor *report.*

[1] *D.C. Housing Monitor*, Summer 2006, Table 1 (p. 7).

Table 1. Home Sales and Project-Based Section 8 Housing by Ward, Washington, D.C., 1996-2006 Q1

	D.C. Total	Ward 1	Ward 2	Ward 3	Ward 4	Ward 5	Ward 6	Ward 7	Ward 8
Single-Family Home Sales									
Number of Sales									
2006 Q1	826	72	48	93	167	148	131	111	56
2005[r]	5,415	527	372	664	1,000	893	901	702	356
2000-2004 (annual average)	5,067	548	408	714	904	770	895	535	293
1996-1999 (annual average)	4,873	524	420	785	896	710	803	499	237
Median sales price (2006 $ thousands)									
2006 Q1	420	523	863	835	444	368	500	240	220
2005[r]	429	501	873	894	426	354	494	211	203
2000-2004 (annual average)	280	308	665	711	278	192	312	133	135
1996-1999 (annual average)	162	153	422	443	166	126	155	105	100
Percent change, median sales price									
2005 Q4 - 2006 Q1	-6.2	4.1	-11.6	-4.4	-3.2	-0.6	-2.6	3.8	-4.8
2005 Q1 - 2006 Q1	9.4	13.2	7.3	-3.2	12.6	19.3	12.4	24.3	26.0
2000 Q1 - 2006 Q1 (annualized)	14.5	19.1	10.9	7.6	16.8	17.0	17.3	15.9	12.5
1996 Q1 - 2006 Q1 (annualized)	11.9	15.5	8.2	6.0	11.6	12.3	14.1	8.4	7.8
Percent units sold, owner occupants									
2006 Q1	78.6	84.7	75.0	91.4	83.2	69.6	80.9	70.3	73.2
2005[r]	77.5	77.8	83.1	91.3	81.5	71.7	79.4	66.2	66.3
Condominium Sales									
Number of Sales									
2006 Q1	716	174	226	108	17	43	84	31	33
2005[r]	5,397	960	1,788	763	156	162	1,270	168	130
2000-2004 (annual average)	2,837	519	1,110	574	41	85	362	69	78
1996-1999 (annual average)	1,784	256	740	482	10	50	191	30	26
Median sales price (2006 $ thousands)									
2006 Q1	365	428	421	356	200	235	340	175	213
2005[r]	380	411	416	390	256	271	359	156	123
2000-2004 (annual average)	251	264	293	245	148	165	254	93	88
1996-1999 (annual average)	141	154	150	145	148	119	129	54	56
Percent change, median sales price									
2005 Q4 - 2006 Q1	-7.9	4.4	-4.6	-13.3	-9.3	-8.5	-6.6	4.2	59.8
2005 Q1 - 2006 Q1	1.3	9.7	7.0	-1.0	44.4	-11.0	-1.9	26.1	90.1
2000 Q1 - 2006 Q1 (annualized)	16.6	18.7	18.6	13.9	15.6	9.4	20.2	23.0	29.3
1996 Q1 - 2006 Q1 (annualized)	11.4	12.5	11.2	11.4	11.0	8.0	9.9	12.8	18.1
Percent units sold, owner occupants									
2006 Q1	67.6	67.2	64.2	92.6	76.5	58.1	67.9	38.7	45.5
2005[r]	68.1	75.4	70.0	79.2	55.1	75.9	59.1	48.8	41.5
Housing Units in Section 8 Multifamily Projects									
Current active units (as of 4/1/06)	10,959	2,141	1,111	58	54	1,799	1,447	1,183	3,166
Upcoming expiring (Apr 2006 - Mar 2007)	4,505	931	225	40	0	600	1,123	849	737
Renewals (Apr 2005 - Mar 2006)	4,461	748	744	58	0	551	467	536	1,357
Expirations (Apr 2005 - Mar 2006)	429	0	102	0	0	0	184	61	82

Sources: D.C. Real Property and HUD Section 8 databases tabulated by NeighborhoodInfo DC.
Notes: [r]Data revised from previous Housing Monitor *report.*

real estate listings corroborate this trend. Beginning with this edition of the *Housing Monitor*, we include data from Metropolitan Regional Information Systems, Inc. (MRIS) on listings and sales of existing single-family and multifamily (condominium and cooperative) homes in Washington, D.C.[2] These data will be updated in future *Housing Monitor* reports.

The real estate listing data confirm that the housing market is slowing (Table 2). The average number of housing units listed for sale per month had been at relatively low levels between 2001 and 2005, with only 684 single-family homes and 504 condominium and cooperative units listed for sale per month in 2004. Recently, however, the number of listings has increased. In the first two quarters of 2006, an average of 1,283 single-family homes and 1,551 condominium and cooperative units were listed per month. For single-family homes, the number of listings is on par with levels at the start of the decade, while for multifamily units we are seeing the highest number of listings since at least 1997.

The data also show that the number of listings per sale has increased and that homes are spending more time on the market. In the first two quarters of 2006, the ratio of listings per sale for single-family homes was 3.9, more than twice the 2005 ratio of 1.8. Similarly, there were 5.4 units listed per sale for condominiums and cooperatives in the first half of 2006, more than two and a half times the 2005 ratio of 2.1. Furthermore, in the first two quarters of 2006, almost one-third (31 percent) of all housing units sold were on the market for 60 days or more, up from only 16 percent in 2005. Ten percent of housing units sold in the first half of 2006 were on the market 120 days or more, almost twice as many as in 2004 and 2005.

Except for Wards 1 and 7, all Wards experienced price declines at the start of 2006, but several Wards still have strong year-over-year price growth.

In the first quarter of 2006, single-family home prices remained highest in Wards 2 and 3, with the median price in Ward 2 ($863,000) surpassing that of Ward 3 ($835,000) for the first time since 2001 (Figure 2 and Table 1). The next highest median prices were in Ward 1 ($523,000), Ward 6 ($500,000), and Ward 4 ($444,000). The lowest-priced homes were found in Ward 8, which had a median price of $220,000, followed by Ward 7 ($240,000), and Ward 5 ($368,000).

Consistent with the overall market, almost all Wards saw price declines at the start of 2006. The largest decreases were in Ward 2, where real prices of single-family homes dropped 11.6 percent between the fourth quarter of 2005 and the first quarter of 2006 (Table 1); in Ward 8, where prices dropped 4.8 percent; and in Ward 3, where prices dropped 4.4 percent. Ward 3 was the only Ward to have price declines for the year, with a 3.2 percent decrease in the median price of single-family homes between the first quarters of 2005 and 2006.

Despite the recent price declines, Ward 8 still recorded the highest real price growth, 26.0 percent, between the first quarters of 2005 and 2006, continuing the price growth leadership noted in the previous *Housing Monitor*. Ward 7 had the second highest price growth at 24.3 percent. Wards 7 and 8 also had the highest condominium price growth over the past year, 26.1 percent and 90.1 percent respectively.[3]

[2] Data were obtained from the MRIS Web site, http://www.mris.com/reports/stats/, and are used with permission. MRIS may include the limited number of new homes that are sold by real estate agents, but it excludes the majority of new home sales that are handled directly by builders.

[3] It should be noted, however, that condominium sales volume in these Wards was relatively light.

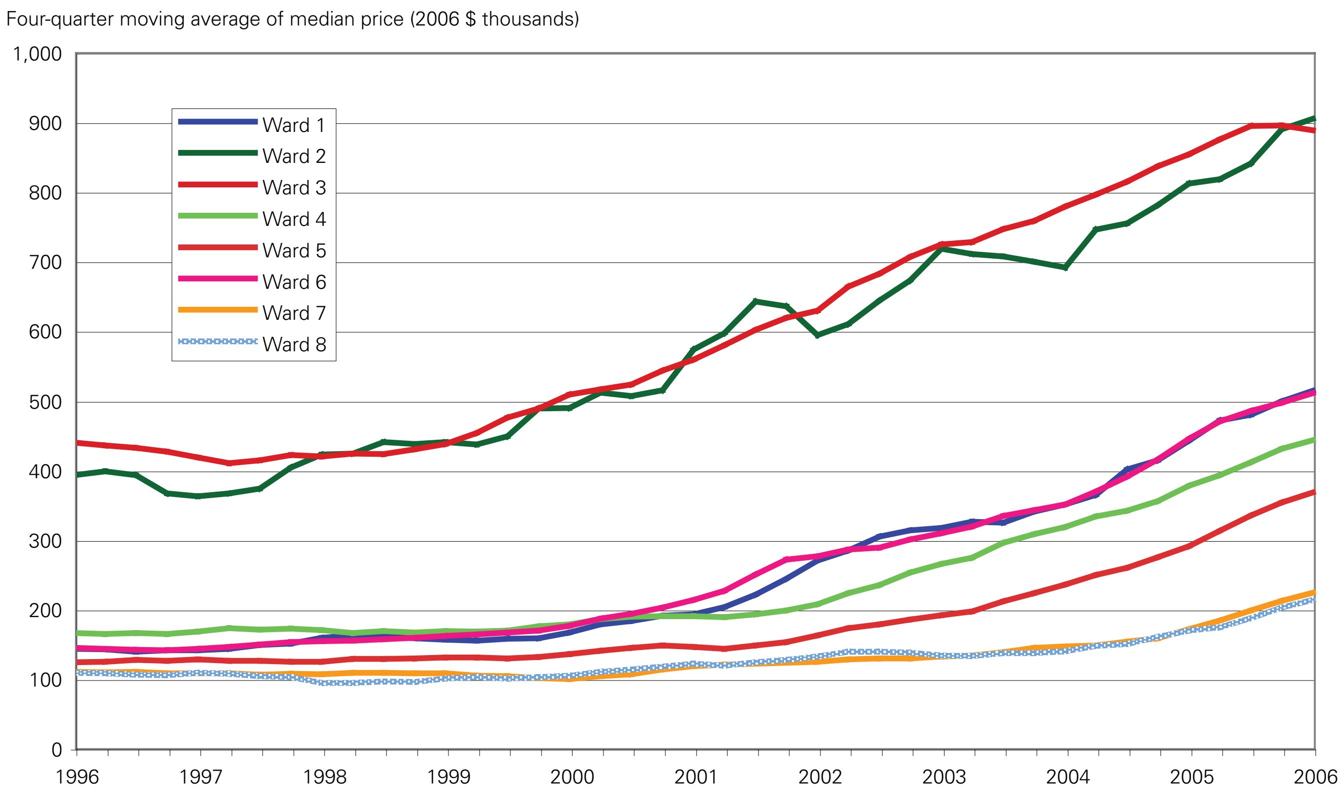
Table 2: Real Estate Listing Trends by Housing Type, Washington, D.C., 1997 - 2006 Q1-Q2

	Single-Family Homes		Condo/Coop Units		Pct. All Housing Sales by Days on the Market		
	Listings/Month	Listings/Sale	Listings/Month	Listings/Sale	60+ Days	90+ Days	120+ Days
Year							
1997	2,224	7.8	1,227	9.1	n/a	n/a	n/a
1998	1,816	4.4	979	4.9	n/a	n/a	n/a
1999	1,480	3.5	571	2.5	n/a	n/a	n/a
2000	1,195	2.9	355	1.6	24.6	18.0	13.8
2001	955	2.4	337	1.5	20.4	14.7	10.9
2002	836	2.0	403	1.6	18.5	12.0	8.2
2003	898	2.0	507	1.7	19.6	12.6	8.6
2004	684	1.4	504	1.6	15.5	9.4	5.9
2005	774	1.8	736	2.1	15.6	9.4	6.2
2006 Q1-Q2	1,283	3.9	1,551	5.4	30.5	18.7	10.4

Source: Metropolitan Regional Information Systems, Inc., data tabulated by NeighborhoodInfo DC. (Data used with permission.)

Notes: Listings are current active listings from monthly reports. n/a = Data not available for these years.

Figure 2. Single-Family Home Price Trends by Ward, 1996 - 2006 Q1 (Quarterly), Washington, D.C.



Source: D.C. real property sales data tabulated by NeighborhoodInfo DC.

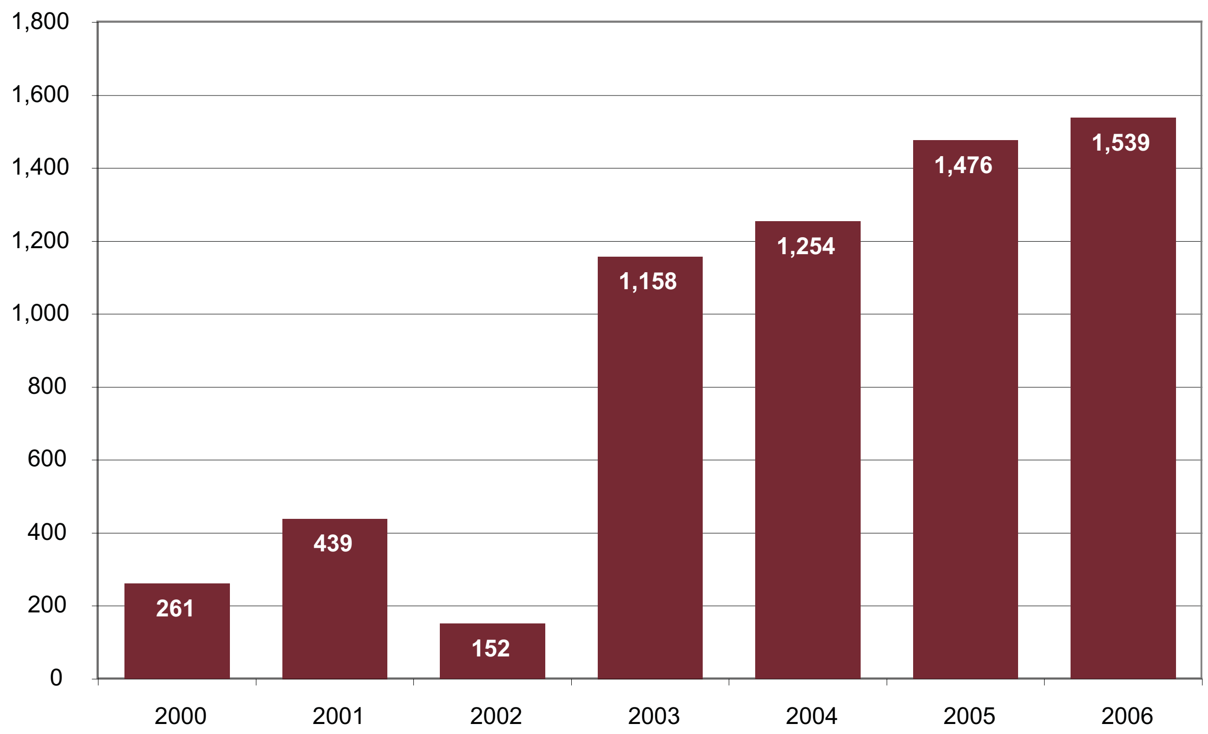
Housing Stock

Home building — especially of multifamily housing — continues on a record-breaking pace.

Housing producers have responded to the increase in demand with an exceptional level of home building activity. Figure 3 shows the number of new, privately-owned housing units authorized by building permits in the District of Columbia for single-family homes and multifamily housing units (rental, condominium, and cooperative apartments) for the first two quarters of 2000 through 2006. As noted in the previous *Housing Monitor*, construction of new multifamily housing accelerated greatly between the late 1990s and 2005, and the 2,860 total housing units authorized in 2005 represent the greatest volume of housing construction in the city since 1966.

Early data for 2006 indicate that the construction boom is continuing and is on a pace to surpass the 2005 total. In the first six months of this year, permits for 1,539 new units have been issued, up 4.3 percent over the first half of 2005. Almost all of these 2006 permits are for multifamily housing (1,494 units). However, the total units authorized in the second quarter of 2006 (212 units) is lower than that of the second quarter of 2005 (911 units), which may indicate that the pace of building is beginning to slow. The *Housing Monitor* will continue to monitor these trends.

Figure 3. New, Privately-Owned Housing Units Authorized by Permit, January through June, 2000 – 2006, Washington, D.C.



Source: U.S. Census Bureau Building Permits Survey data tabulated by NeighborhoodInfo DC.

Section 8 and Multifamily Projects

This section of the *Housing Monitor* focuses on Washington, D.C.'s, affordable housing supply. Over time, we plan to expand this section to include multiple types of affordable housing. In this issue, however, we examine only federally subsidized multifamily housing, primarily units assisted under the project-based Section 8 Housing Assistance Payments program (Section 8).[4]

Thousands of federally assisted housing units continue to be at risk of loss.

The District of Columbia currently has 10,959 housing units subsidized under Section 8 and other federal multifamily programs (Table 1).[5] Contracts for almost half of these units (4,505 units) are set to expire between April 2006 and March 2007, putting the units at risk of being lost from the city's affordable housing stock. If past experience is a guide, however, many of these units will have their rental assistance contracts renewed — although for shorter terms. During the previous twelve months (April 2005 to March 2006), 4,461 assisted units were renewed, more than half of them (2,486 units) for terms of one to two years. Only four contracts with a total of 589 units were renewed for terms of 10 years or more.

The largest number of active subsidized units are located in Ward 8 (3,166 units) and Ward 1 (2,141 units). Of the 4,505 units set to expire between April 2006 and March 2007, the largest numbers are in Ward 6 (1,123 units), Ward 1 (931 units), and Ward 7 (849 units).

Between April 2005 and March 2006, contracts for 429 units expired. These units were located in Ward 6 (184 units), Ward 2 (102 units), Ward 8 (82 units), and Ward 7 (61 units). In some cases, buildings that opt out of the Section 8 program may be kept affordable under another subsidy program, or existing tenants may be able to purchase the building to maintain affordability. In future issues, we hope to track these affordable housing preservation activities more closely.

Additional detailed reports on Section 8 and other multifamily projects are available on our Web site: www.NeighborhoodInfoDC.org/housing.

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[4] For more explanation of these data and the Section 8 housing program, please see the *D.C. Housing Monitor*, Summer 2006 (p. 9).

[5] The number of units reported in this quarter's *Housing Monitor* report are slightly higher than those reported in the Summer 2006 issue because of revisions to the HUD database.

Special Section: Mortgage Lending Trends

For the special section of this quarter's *District of Columbia Housing Monitor,* we examine trends in home purchase mortgage lending in Washington, D.C., using data provided under the Home Mortgage Disclosure Act (HMDA).[6] HMDA requires most lending institutions to report on home mortgage loan applications, including the application outcome (approved or denied), loan- and applicant-related information, and property location. Using HMDA data, we can calculate mortgage denial rates — that is, the number of denied applicants out of total applicants. By linking the HMDA data with HUD's list of subprime lenders, we can also determine the share of subprime lending in different Wards and neighborhoods.

The number of new home purchase loans has increased steadily over the past 10 years.

Between 1995 and 2004, the number of new home purchase mortgage loans in Washington, D.C., has increased from 3.6 to 11.0 loans per 100 existing housing units (Table 3 and Figure 4), reflecting the increased housing market activity. The highest volume of lending in 2004 was in Ward 2, with 16.4 loans per 100 existing housing units, and Ward 6, with 16.1 loans per 100 existing housing units. The lowest levels of mortgage lending were in Ward 4 (7.3 loans per 100 existing units), Ward 7 (8.3), Ward 3 (8.5), Ward 5 (8.8), and Ward 8 (8.9).

Denial rates for home purchase loan applications have started to rise again, after declining over the past 10 years.

Until 2004, the percentage of all home purchase mortgage applications denied by lenders had been declining steadily since 1995.[7] About 13.9 percent of all applications were denied between 1995 and 1998, while 10.3 percent were denied in 2003 (Table 3). In 2004, however the denial rate returned to earlier levels, with 13.4 percent of all applications denied. The higher denial rates may be a result of the increase in the volume of loan applications, allowing lenders to approve loans more selectively.

The lowest denial rate for home purchase loans was in Ward 3, with a rate of 5.0 percent in 2004. The second lowest denial rate was almost twice as high — 9.1 percent in Ward 2. Denial rates in Wards 5, 7, and 8 are four to five times higher than those in Ward 3, with rates of 20.5, 24.7, and 24.1 percent, respectively. Because HMDA data do not provide information, such as credit scores, that may reveal why an applicant was refused a loan, it is not possible to determine whether a loan was fairly or unfairly denied. Therefore, the much higher denial rates in these Wards could be explained by the poor credit histories of residents in certain parts of the city, but might also be a result of improper or illegal mortgage evaluation criteria, such as redlining.

Subprime mortgage lending increased slightly between 2003 and 2004 and was highest in Wards 5, 7, and 8.

Subprime loans are designed for applicants with poor credit histories, high loan-to-home value ratios, or other credit risk characteristics that would disqualify them for lower cost, prime-rate loans. Although the subprime lending market has made credit more available to households with low incomes or imperfect credit, the unregulated status of subprime lending makes it potentially — although not necessarily — predatory in nature.[8] Predatory subprime loans are those that carry unreasonable and unjustifiable loan terms, such as a monthly mortgage payment that is an extremely high share of a household's income or excessive penalties for late payment.

HMDA data from 2003 and earlier do not capture whether an individual loan is subprime, nor do they allow us to determine the extent to which subprime loans may be predatory. HMDA data do approximate, however, the number of subprime loans by calculating the number of conventional loans originated by lenders identified by

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[6] HMDA data are provided through the Federal Financial Institutions Examination Council. Because of the time involved in collecting, processing, and releasing HMDA data, the most recent data available at press time were for 2004. We used versions of the HMDA data compiled and tabulated by DataPlace™ (www.dataplace.org).

[7] HMDA data on mortgage denial rates and subprime and high interest rate loans are for conventional loans only — that is, those not insured by a government program, such as FHA or VA loans.

[8] Kathryn L.S. Pettit and Audrey Droesch, *A Guide to Home Mortgage Disclosure Act Data*, Washington, D.C.: The Fannie Mae Foundation, August 2005, p. 8. It is important to note that, because the District of Columbia does not have a law prohibiting predatory lending, loans with predatory features are not necessarily illegal. To the extent that predatory lending involves targeting to protected classes or violating truth in lending laws, however, they may be considered illegal.

HUD as subprime specialists.[9] To the extent that subprime lending is occurring, this may be a warning that predatory lending is taking place as well. Even if predatory lending is not taking place, high levels of subprime lending may indicate the need for credit counseling or credit repair assistance for certain borrowers.

Mortgages from subprime specialists as a percentage of all conventional home purchase mortgage loans increased from 3.6 percent in 2003 to 5.3 percent in 2004. After declining in recent years (Table 3), subprime lending in 2004 reached the levels observed at the end of the 1990s (5.2 percent between 1999 and 2002).

Rates of subprime lending vary greatly across Wards, which raises concerns about redlining and other improper lending practices. The rates of subprime lending are lowest in Wards 2 and 3, at 1.2 percent of all home purchase mortgage loans (Table 3 and Map 1). Rates of subprime lending are more than 10 times higher in Ward 7, at 13.9 percent, and are nearly as high in Ward 5 (11.2 percent) and Ward 8 (10.8 percent). Again, HMDA data do not provide conclusive evidence that improper or illegal lending practices are taking place, but such high levels of subprime lending might be a cause for concern.

[9] "HUD compiled the subprime lenders list using industry trade publications, HMDA data analyses, and lenders' self-identification. Lenders are identified as subprime specialists if they report that such loans account for at least half of their conventional (i.e., not government-backed or insured) business. HUD also uses feedback from lenders, policy analysts, and housing advocacy groups to update the list. Because these subprime specialists might also offer traditional prime-market loans, HMDA indicators based on loans from subprime lenders include some prime loans from subprime lenders and exclude some subprime loans from institutions not included in HUD's subprime specialist list" (Pettit and Droesch 2005: 8).

Table 3: Home Purchase Mortgage Trends by Ward, Washington, D.C., 1995 - 2004

	D.C. Total	Ward 1	Ward 2	Ward 3	Ward 4	Ward 5	Ward 6	Ward 7	Ward 8
Loan Volume and Characteristics									
New mortgages per 100 housing units									
2004	11.0	15.4	16.4	8.5	7.3	8.8	16.1	8.3	8.9
2003	9.1	15.0	13.4	8.8	5.7	7.0	12.6	4.9	7.1
1999-2002 (average per year)	8.1	13.6	11.7	8.3	5.3	5.4	11.2	3.9	6.2
1995-1998 (average per year)	4.8	6.5	7.0	5.7	3.9	3.2	6.1	2.7	2.9
Median loan amount (2006 $ thous.)									
2004	251.5	296.0	291.6	425.2	296.3	213.3	275.6	154.4	122.9
2003	218.6	251.2	256.0	354.7	270.9	189.9	231.1	138.8	108.2
1999-2002 (average)	168.9	186.5	187.5	272.0	203.0	141.2	179.8	116.0	101.1
1995-1998 (average)	142.4	156.9	148.4	231.7	175.7	126.2	134.5	111.0	89.7
Annual % change, median loan amt.									
2003-2004	15.0	17.8	13.9	19.9	9.4	12.3	19.3	11.2	13.6
2002-2003	12.9	12.9	22.5	6.8	18.3	22.7	10.5	8.4	-3.2
1999-2002	9.7	10.8	10.9	14.3	7.3	5.7	13.3	6.4	3.4
1995-1998	1.3	1.6	2.8	-1.5	-0.2	1.5	4.4	0.2	2.7
Pct. mortgage applications denied									
2004	13.4	11.6	9.1	5.0	14.9	20.5	11.0	24.7	24.1
2003	10.3	8.2	6.9	4.1	14.1	16.5	9.3	20.4	22.0
1999-2002	12.2	10.9	8.1	4.4	14.1	25.6	11.0	29.2	35.3
1995-1998	13.9	13.4	11.6	5.4	14.3	27.6	16.0	30.2	36.4
Pct. of mortgages, subprime lenders									
2004	5.3	4.9	1.2	1.2	7.8	11.2	3.8	13.9	10.8
2003	3.6	3.1	1.1	0.8	5.4	9.4	2.9	10.1	8.6
1999-2002	5.2	4.7	2.5	2.4	6.9	14.1	5.1	14.1	16.5
1995-1998	4.4	4.3	1.6	1.2	4.7	16.8	6.5	14.6	16.2
Pct. of mortgages, high interest rates									
2004	7.4	5.4	2.1	1.6	10.3	15.6	4.7	21.7	19.9

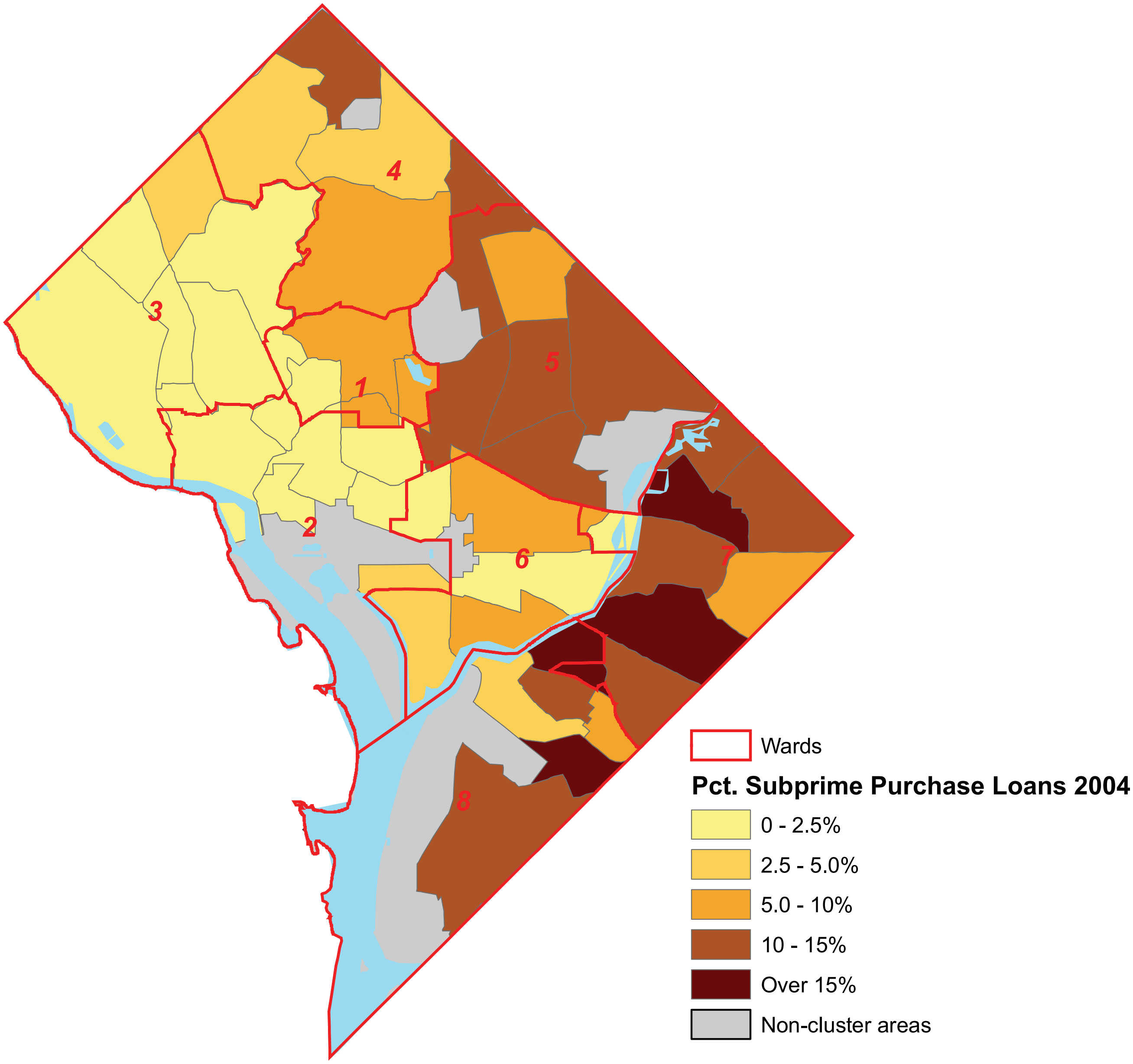
In 2004, HMDA began collecting information on the interest rate for individual mortgages, allowing the identification of high-interest-rate loans. These loans have annual percentage interest rates exceeding the comparable U.S. Treasury yield by 3 percentage points or more, for first liens, and by 5 points or more, for second liens. High interest rate loans provide another measure of subprime lending activity. In 2004, 7.4 percent of all home purchase mortgages were high interest rate loans (Table 3), slightly higher than the rate of loans from subprime specialists (5.3 percent). The pattern of high interest rate loans by Ward is similar to that for subprime lending, with the highest incidence of high interest rate loans occurring in Ward 7 (21.7 percent) and Ward 8 (19.9 percent) and the lowest in Ward 2 (2.1 percent) and Ward 3 (1.6 percent).

Table 3: Home Purchase Mortgage Trends by Ward, Washington, D.C., 1995 - 2004 (continued)

	D.C. Total	Ward 1	Ward 2	Ward 3	Ward 4	Ward 5	Ward 6	Ward 7	Ward 8
Borrower Characteristics									
Median borrower income (2006 $ thous.)									
2004	92.8	105.1	110.9	160.6	101.2	75.1	100.9	59.5	52.5
2003	86.1	93.8	117.2	139.2	101.3	68.6	89.2	55.1	44.8
1999-2002 (average)	78.9	85.0	100.4	144.7	85.4	58.6	88.1	46.2	43.8
1995-1998 (average)	67.2	70.7	86.7	128.1	75.6	53.2	61.5	44.8	39.4
Pct. of mortgages, not principal dwelling									
2004	14.4	10.0	15.0	7.6	9.2	21.1	13.3	22.3	29.9
2003	11.1	8.3	11.1	6.2	8.5	16.6	10.8	21.8	20.4
1999-2002	7.7	7.1	10.4	4.8	4.8	11.4	6.6	9.8	11.6
1995-1998	5.2	4.7	6.7	3.6	3.8	5.9	5.5	6.6	7.2
Pct. of mortgages, black borrowers									
2004	27.0	12.5	4.4	3.0	39.4	53.5	16.1	83.5	85.2
2003	24.3	13.2	3.6	2.7	35.9	54.7	16.8	84.7	90.1
1999-2002	30.8	17.8	5.8	3.6	46.7	77.2	26.3	88.9	92.4
1995-1998	34.5	20.3	8.8	3.8	50.8	87.3	37.4	92.3	88.8
Pct. of mortgages, white borrowers									
2004	59.6	71.1	80.8	83.8	42.8	35.8	69.6	10.7	8.6
2003	63.0	73.2	82.7	82.5	47.4	33.8	73.0	7.1	4.5
1999-2002	58.3	67.6	81.6	85.3	36.8	15.2	66.0	6.8	4.3
1995-1998	55.2	62.1	80.4	84.4	36.0	7.5	56.7	3.5	7.5
Pct. of mortgages, Hispanic borrowers									
2004	5.6	5.1	4.8	4.7	12.2	6.4	4.1	4.0	3.7
2003	4.3	5.4	3.5	4.7	9.6	4.0	1.7	2.4	1.7
1999-2002	4.1	6.8	3.5	2.7	10.0	3.2	1.9	1.2	1.3
1995-1998	4.1	11.4	3.3	2.8	7.6	1.6	1.7	0.4	0.7
Pct. of mortgages, Asian/P.I. borrowers									
2004	4.4	6.2	6.5	4.6	1.7	2.2	6.3	0.6	2.0
2003	3.3	4.1	5.5	4.2	1.6	2.0	2.7	0.6	0.8
1999-2002	2.3	2.9	4.5	2.9	1.5	0.9	1.5	0.2	0.3
1995-1998	1.7	1.8	3.1	2.5	1.0	0.6	0.9	0.3	0.3
Pct. of mortgages, lone female borrower									
2004	33.1	29.7	29.5	29.5	31.0	35.7	30.1	52.7	47.2
2003	33.0	31.0	29.4	32.1	30.2	37.9	28.9	48.1	52.1

Source: Home Mortgage Disclosure Act (HMDA) data tabulated by NeighborhoodInfo DC.
Notes: Subprime, high interest rate, and mortgage denial data are for conventional loans only. Subprime loans are conventional loans originated by subprime specialists, as defined by HUD. See text for details.

Map 1: Percentage of Subprime Home Purchase Mortgage Loans by Neighborhood Cluster, Washington, D.C., 2004



Source: Home Mortgage Disclosure Act (HMDA) data tabulated by NeighborhoodInfo DC.
Notes: Subprime loans are conventional loans originated by subprime specialists, as defined by HUD. See text for details.

The median income of borrowers of home purchase loans has increased 38 percent in real terms since the mid- to late-1990s, with the median exceeding $100,000 for the first time in Wards 1 and 6.

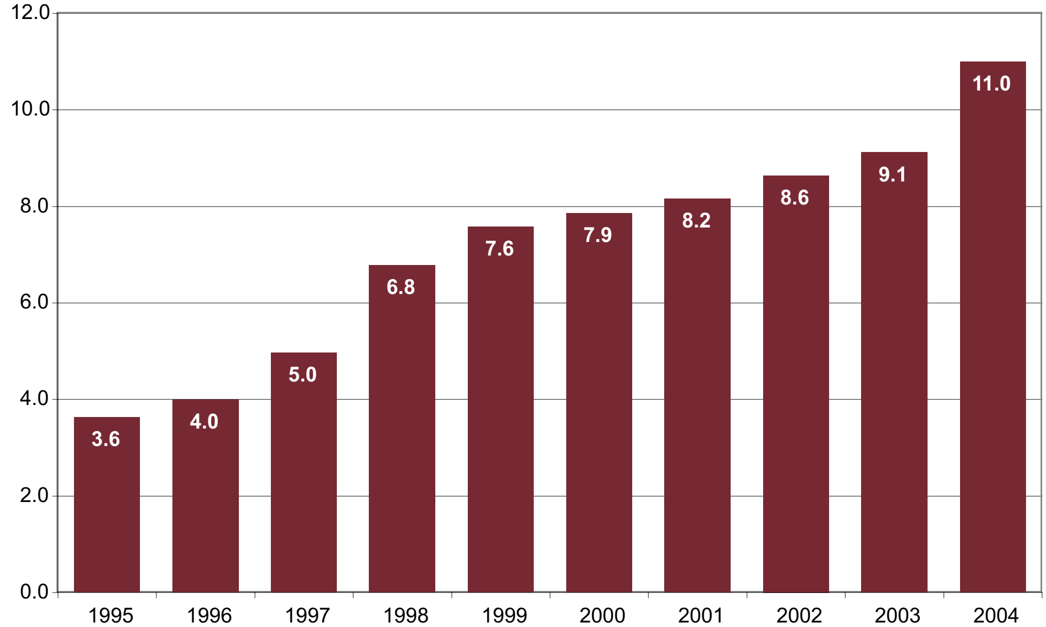
Sudden increases in the incomes of home mortgage borrowers in an area may provide one indication that that area is gentrifying. The median income for a borrower receiving a home purchase loan in 2004 was $92,800 (in 2006 dollars), up 7.7 percent from 2003 (Table 3). Ward 8 recorded the highest increase in borrower incomes, with the median income growing from $44,800 in 2003 to $52,500 in 2004, a real increase of 17.3 percent. The second highest percentage increase occurred in Ward 3, with median borrower incomes rising from $139,200 to $160,600, a real increase of 15.4 percent. The income increases in Ward 8 may signal the beginning of gentrification. In Ward 3, however, where incomes and home prices were already quite high, the increase in borrower incomes more likely reflects the lack of affordable housing rather than incipient gentrification.

Wards 1 and 6 surpassed a milestone between 2003 and 2004, with median borrower incomes exceeding $100,000 for the first time, joining Wards 2, 3, and 4 at this level. Median borrower income grew from $93,800 to $105,100 in Ward 1, an increase of 12.0 percent; median borrower income in Ward 6 went from $89,200 to $100,900, an increase of 13.1 percent.

The share of home purchase loans for second home and investment properties continues to increase.

Between 1995 and 2004, the share of home purchase mortgage loans to borrowers who do not intend to occupy the dwelling as a principal residence (second home buyers and investors) almost tripled. In 2004, 14.4 percent of all home purchase loans were made to second home buyers and investors, compared with 5.2 percent between 1995 and 1998. The highest rates of second home and investment borrowing in 2004 were in Ward 8 (29.9 percent), Ward 7 (22.3 percent), and Ward 5 (21.1 percent).

Figure 4. New Home Purchase Mortgage Loans per 100 Existing Housing Units, 1995 - 2004, Washington, D.C.



Source: Home Mortgage Disclosure Act (HMDA) data tabulated by NeighborhoodInfo DC.

The share of home purchase loans to African-American borrowers rebounded slightly from past declines, while those to Hispanic and Asian borrowers continued to increase.

The past two decades have witnessed a demographic shift in Washington, D.C., with the African-American population decreasing, the white population remaining fairly steady, and the Hispanic and Asian populations increasing.[10] The patterns of mortgage lending reflect these population shifts. The percentage of home purchase loans to black borrowers has been declining steadily, dropping from 34.5 percent of all loans between 1995 to 1998, to 24.3 percent in 2003.[11] However, the black share of all home purchase loans increased slightly to 27.0 in 2004. Between 2003 and 2004, the share of loans to African-Americans increased slightly in Wards 2, 3, and 4. Black borrowing has decreased most dramatically in Ward 5, from 87.3 percent of all home purchase loans in 1995 to 1998, to 53.5 percent in 2004, a drop of 33.8 percentage points.

Overall, the share of home purchase loans to white borrowers grew from 55.2 to 63.0 percent from 1995 to 2003, with a recent decrease to 59.6 percent in 2004. The largest shift in shares of white borrowing has been in Ward 5, increasing from 7.5 to 35.8 percent between 1995 and 2004, and Ward 6, increasing 56.7 to 69.6 percent. Whites are also increasing their shares of home purchases in the predominantly African-American areas of Wards 7 and 8.

Shares of home purchase loans to Hispanic and Asian borrowers, two population groups that are growing in the city, have been steadily increasing. The share of loans to Hispanic borrowers increased from 4.1 to 5.6 percent between 1995 and 2004, while shares to Asian borrowers increased from 1.7 to 4.4 percent. The presence of both groups as homeowners is on the rise in all Wards, with the exception of Hispanics in Ward 1. The share of Hispanic borrowers in Ward 1 has dropped from 11.4 percent between from 1995-1999 to 5.1 percent in 2004.

About one-third of all home purchase loans were to lone female borrowers, and such borrowers comprised about half of all loans in Wards 7 and 8.

For those interested in the economic development of Washington, D.C., and the well-being of families in the city, single-female households are an important population. Single-female households are more likely to be in poverty than other family types, and more than half of all children in the city live in households headed by a single woman. Efforts such as the Washington Area Women's Foundation's *Stepping Stones* initiative have focused on improving the economic well-being of female-headed families through better jobs and increased home ownership for women.

While HMDA data do not report loans to female heads-of-household per se, HMDA does identify the sex of the borrower or borrowers on individual loans. This information can be used to track home purchase loans made to a woman with no coborrower, which we refer to in Table 3 as "lone female borrowers."

About one-third (33.1 percent) of all home purchase loans made in 2004 were to lone female borrowers, a significant percentage of the market. This share is basically unchanged from 2003. Levels of lending to lone female borrowers were noticeably higher in Wards 7 and 8, however. In 2004, lone female borrowers totaled 52.7 percent of all home purchase loans in Ward 7 and 47.2 percent of all loans in Ward 8. The higher shares of lone female borrowers in these Wards is understandable: Female-headed households generally have lower incomes, and Wards 7 and 8 are the city's two lowest-priced Wards.

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[10] For more on demographic changes in Washington, D.C., see *Segregation Patterns in the District of Columbia: 1980 to 2000*, by Noah Sawyer and Peter Tatian, DC Data Warehouse Discussion Brief No. 2, October 2003.

[11] Reporting of race/ethnicity by borrowers in HMDA is voluntary. The level of reporting in the District of Columbia has been fairly consistent since 1999 – with between 82 and 83 percent of borrowers reporting their race/ethnicity. This rate, however, is lower than the rate recorded between 1995 and 1998, when 94 percent of borrowers reported this information.

For More Information:

Electronic versions of current and past editions of the *District of Columbia Housing Monitor* and more detailed data tables are available online at www.NeighborhoodInfoDC.org.

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