Home loans rose in 2009 for borrowers with low to moderate income

by KERRI PANCHUK

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Wednesday, August 10th, 2011, 12:04 pm

Lending to borrowers with low to moderate incomes increased sharply in 2009 as more families took advantage of low interest rates and falling housing prices to move into better neighborhoods, according to a new study from **New York University**'s Furman Center for Real Estate and Urban Policy.

"These findings suggest that low- and moderate-income potential homebuyers may have been especially likely to take advantage of the first-time homebuyer tax credit in effect throughout 2009," authors of the study concluded.

The number of mortgages issued to low-to-moderate borrowers in U.S. metro areas increased 26% in 2009 while overall lending fell by 4%, according to data available through the Home Mortgage Disclosure Act.

"The rebound in lending to low- and moderate-income households in 2009 is striking, particularly in light of the overall tightening of underwriting standards since the onset of the foreclosure crisis, and the decline in lending in low- and moderate-income neighborhoods," said Vicki Been, faculty director of the Furman Center. "We are eager to learn whether this pattern continued through 2010 when the data is released later this year."

Many of the borrowers who accessed loans to buy in newer, more expensive neighborhoods live in Arizona, California, Florida and Nevada, where home prices fell significantly during the recession after experiencing dramatic gains as the housing bubble expanded.

In the Rust Belt, only 11% of home loan purchases were extended in low- to-moderate income communities.

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