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Refinancings plummeted in minority areas

Approvals for refinanced mortgages fell by 14% in New York City neighborhoods with sizeable minority populations while soaring 110% in predominantly white areas at height of recession.

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The number of mortgage refinancings approved by lenders in New York City's neighborhoods with sizeable minority populations “plummeted” from 2008 to 2009, the last year for which figures are available, according to report released Thursday by the Neighborhood Economic Development Advocacy Project, a fair housing nonprofit. The drop occurred even as refinancings in predominately white neighborhoods soared.

The figures are drawn from a national report covering seven large urban areas, in which NEDAP partnered with six other urban justice organizations. The groups examined the most current federal Home Mortgage Disclosure Act data, focusing on conventional mortgage refinancings.

Combining the New York City figures with demographic data, the group found that lenders decreased the number of loans made in neighborhoods “of color” by 14%, while loans approved to applicants in predominately white neighborhoods soared by 110%.

“In New York, we're seeing a step in exactly the wrong direction,” said Sarah Ludwig, a co-director of NEDAP. She said the disparity points to the existence of a “dual credit market that corresponds to the racial composition of neighborhoods.”

In a separate statement, she added that “Fair access to credit is absolutely critical to New York City's communities of color, which have decidedly borne the brunt of the foreclosure crisis—on top of decades of persistent lending discrimination."

Caitlyn Brazill of New York University's Furman Center for Real Estate and Urban Policy said that the rate of housing depreciation could be a factor in lower bank approvals. She pointed to an October 2010 report by the Furman Center focusing on individual borrowers rather than geographic data.

“We did look at home price depreciation across New York City,” Ms. Brazill said, “and there have been greater rates of depreciation in predominately minority areas.”

The NEDAP report also found that loan applications from particularly African-American and Hispanic communities fell even further—by 27%—than approvals from 2008 to 2009, the depths of the recession. During the same period, applications originating from majority white neighborhoods went the other direction, soaring 78%.

Ms. Ludwig said this suggested that banks had not reached out enough to those hardest hit by the subprime mortgage crisis. “There definitely doesn't seem to be a lot of marketing to these communities,” she said.

The New York Bankers Association did not have an immediate reply.

CLARIFICATION: The report found that approvals for refinanced mortgages fell 14% in New York City neighborhoods with sizeable minority populations. NEDAP partnered with six other organizations nationwide to produce the report, of which New York City numbers were one part, and NEDAP Co-director Sarah Ludwig said banks are not doing enough marketing in minority neighborhoods. These facts were unclear in an earlier version of this article.