

For Immediate Release

New York, NY

October 27, 2008

Newly Released Federal Lending Data Show Precipitous Drop in the Number of Home Purchase Loans Originated: A 14% Drop in New York City and 25% Drop Nationally.

Furman Center report shows that black and Hispanic borrowers have been the hardest hit by declining credit, but points to positive decreases in high cost lending.

A new report by the Furman Center for Real Estate and Urban Policy provides important context for the current credit crisis. The report, which uses Federal Home Mortgage Disclosure Act (HMDA) data released last month, shows that home purchase originations fell dramatically between 2006 and 2007. The analysis outlines changes in home purchase and refinance lending, as well as shifts in the high cost and prime markets, and illustrates how declining credit has affected borrowers of different races. It looks at these trends for New York City, other large competitor cities and the country as a whole.

In New York City, 14% fewer borrowers secured home purchase loans in 2007 than secured such loans in 2006. For the nation as a whole, 25% fewer borrowers secured home purchase loans. In New York City, much of the decline in home purchase originations can be attributed to dramatic decreases in high cost loans, and the City now has a much lower rate of high cost lending than the nation as a whole. The number of prime loans issued for home purchase stayed about the same in New York City during this time period, while the rest of the country saw a decline of 14% in prime home purchase originations. The refinance market was hit much harder in New York City than the market for home purchase loans: refinance loans fell by 31% in the City between 2006 and 2007; nationally, refinance loans fell by 24% during this time.

"The findings help put the current crisis in context, and should help shape policymakers' responses," commented Vicki Been, director of the Furman Center. "As the Administration continues to try to bring liquidity to the market, our analysis reveals that tightening credit in mortgage lending already has had a profound impact on the housing markets for well over a year. One potential silver lining in all of this is that, in New York City, most of the drop in lending is attributable to a reduction in high cost lending, suggesting that the number of new risky loans that may become "toxic assets" is now diminishing sharply."

The tightening of credit has had a more severe impact on black and Hispanic borrowers than it has for white and Asian borrowers. Specifically, in New York City, black borrowers saw a 44% drop in home purchase originations and Hispanics saw a 34% drop. In contrast, the number of white borrowers obtaining home purchase financing in New York City barely decreased in 2007 and the number of Asian borrowers actually increased by 6%.

"These findings are troubling for the City," said Furman Center co-director Ingrid Gould Ellen. "The fact that the tightening of credit has had a much more devastating impact on black and Hispanic borrowers, while white and Asian borrowers appear to be immune to the downturn so far, may indicate a reversal of the gains in homeownership that black and Hispanic communities have seen over the past few years."

These trends do not appear to simply be the result of the subprime market drying up; the number of prime loans awarded to black and Hispanic borrowers fell by 23% and 15% respectively between 2006 and 2007. By contrast, the number of prime loans issued to white borrowers rose by 4% while the number issued to Asians increased by 18%. Nationally, the disparity in the change in lending among racial and ethnic groups was smaller and borrowers of all races saw a

significant decline in the number of home purchase loan originations (both prime and subprime): black borrowers took out 38% fewer loans; Hispanics took out 44% fewer loans; white borrowers took out 19% fewer loans; and Asians took out 23% fewer loans.

“These findings take on new importance in light of increasing attacks that blame the current economic meltdown on efforts to bring credit to previously underserved communities,” continued Professor Been. “The implication of those arguments is that credit was wrongly extended to racial and ethnic minorities. Many loans certainly were made (to people of all racial and ethnic groups) that were unaffordable, too risky, or otherwise inappropriate for the borrower. But our analysis shows that current reductions in the availability of credit are not just restricting inappropriate loans; prime borrowers in New York City’s communities of color saw a drastic decline in credit while the City as a whole saw little decrease in prime lending activity. This disparity is a warning sign that responses to the credit crisis must be careful not to undo the progress that has been made in bringing responsible homeownership and wealth building opportunities to racial and ethnic minorities”

The report compares New York City to other large American cities and finds that New York fared relatively well. The decline in home purchase originations was less severe than in cities such as Los Angeles or Cleveland, which saw declines of 31% and 35% respectively. In New York City, less than 10% of new home purchase loans were high cost, compared to Cleveland where a third of loans originated in 2007 were still high cost, or Houston where one fifth of new loans in 2007 were still high cost. San Francisco is the only city that has fared even better than New York in the downturn; San Francisco saw a mere 3% drop in home purchase originations from 2006 to 2007, and actually saw a 2% increase in prime home purchase lending. New York City did, however, see significant decline in refinance lending, compared to competitor cities.

The full report is available at: <http://furmancenter.nyu.edu/>. For more information, contact Amy Armstrong at 212-998-6697, or armstrong@exchange.law.nyu.edu.

About the Furman Center for Real Estate and Urban Policy

The Furman Center for Real Estate and Urban Policy is a joint initiative of the New York University School of Law and the Robert F. Wagner Graduate School of Public Service at NYU. Since its founding in 1995, the Furman Center has become the leading academic research center in New York City devoted to the public policy aspects of land use, real estate, and housing development. The Furman Center is dedicated to providing objective academic and empirical research on the legal and public policy issues involving land use, real estate, housing and urban affairs in the United States, with a particular focus on New York City.