



FURMAN CENTER  
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# The High Cost of Segregation

*Exploring Racial Disparities in High Cost Lending*

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# Racial/Ethnic Composition of SBAs with Highest Shares of Subprime Lending (2006)

<b>Borough</b>	<b>SBA Name</b>	<b>Rate of Subprime HP Loans</b>	<b>%White</b>	<b>%Black</b>	<b>%Hispanic</b>	<b>%Asian</b>
Bronx	University Heights/Fordham	47.2%	1.2%	31.4%	64.2%	1.8%
Queens	Jamaica	46.0%	1.9%	67.9%	16.0%	9.4%
Brooklyn	East Flatbush	44.0%	1.7%	88.0%	7.5%	0.7%
Brooklyn	Brownsville/Ocean Hill	43.8%	0.6%	73.9%	22.9%	1.2%
Bronx	Williamsbridge/Baychester	41.6%	8.4%	66.1%	19.5%	2.5%
Brooklyn	East New York/Starrett City	39.5%	5.4%	48.0%	38.9%	4.8%
Brooklyn	Bushwick	38.6%	8.0%	20.3%	67.2%	3.7%
Bronx	Morrisania/Belmont	37.2%	4.3%	34.4%	58.8%	1.8%
Queens	Queens Village	34.6%	12.8%	57.9%	10.5%	15.4%
Brooklyn	Bedford Stuyvesant	34.2%	13.5%	68.8%	14.8%	1.6%

\*Data from HMDA 2006 and ACS 2006.

# CDs with the Highest Rates of LPs (per 1000 1- 4

Family Buildings)

Rank	CD Name	LP Rate per 1000 1 - 4 Family Bldgs (2008)	% Subprime Home Purchase Loans (2006)	Demographics of the Community District			
				% White	% Black	% Hispanic	% Asian
1	<b>Bedford Stuyvesant</b>	55.2	38.30%	10.50%	68.30%	18.90%	2.30%
2	<b>Brownsville</b>	53.4	43.50%	0.60%	77.20%	20.30%	1.90%
3	<b>East New York/Starrett City</b>	52.9	39.30%	5.40%	47.80%	40.40%	6.50%
4	<b>Bushwick</b>	52.6	39.30%	4.20%	21.00%	71.50%	3.30%
5	<b>Jamaica/Hollis</b>	49.5	45.70%	1.90%	72.80%	14.40%	11.0%
6	Highbridge/Concourse	48.3	26.00%	1.00%	35.00%	62.20%	1.80%
7	<b>Belmont/East Tremont</b>	38.9	36.80%	4.20%	32.60%	62.60%	0.60%
8	<b>Fordham/University Heights</b>	38.2	46.40%	0.80%	29.30%	67.90%	2.00%
9	Crown Heights	36.7	26.00%	12.80%	75.10%	10.00%	2.10%
10	Rockaway/Broad Channel	36.4	27.70%	40.90%	39.10%	18.40%	1.60%
11	Jackson Heights	33.7	18.80%	14.6%	7.6%	62.0%	15.8%
12	Kingsbridge Hghts/Bedford	33.4	20.10%	7.70%	20.90%	64.60%	6.80%
13	Kew Gardens/Woodhaven	32.4	30.70%	27.70%	9.70%	41.10%	21.5%
14	<b>Morrisania/Crotona</b>	32.1	36.80%	4.20%	32.60%	62.60%	0.60%

Note: Bold indicates that these CDs were also in the fifteen CDs with the highest rate of subprime home purchase loans in 2006.

# Share of Subprime & High Cost Loans by Minority Composition of Census Tracts

(National 2006)

Quartile of % Minority in Census Tract	Subprime Loan Rate	High Cost Loan Rate	Total Loans
<b>Q1: Low % Minority</b> (<6%)	7.7%	21.7%	979,559
<b>Q2: Low/Mod % Minority</b> (btwn 6% & 18%)	9.3%	22.8%	1,568,592
<b>Q3: Mod/High % Minority</b> (btwn 18% & 48%)	14.3%	31.5%	1,554,386
<b>Q4: High % Minority</b> (>48%)	26.5%	49.9%	984,252

\*Data from HMDA 2006 and Census 2000.

# Why do we see Such Stark Racial Disparities?

- Race: Differences Among Individual Borrowers
  - ❑ Income difference
  - ❑ Differences in wealth and credit scores
  - ❑ Discrimination
  - ❑ Social networks
- Space: Geography Matters
  - ❑ Minority borrowers are disadvantaged by living in segregated metropolitan areas and in predominantly minority neighborhoods

# Racial Disparities in High Cost Lending

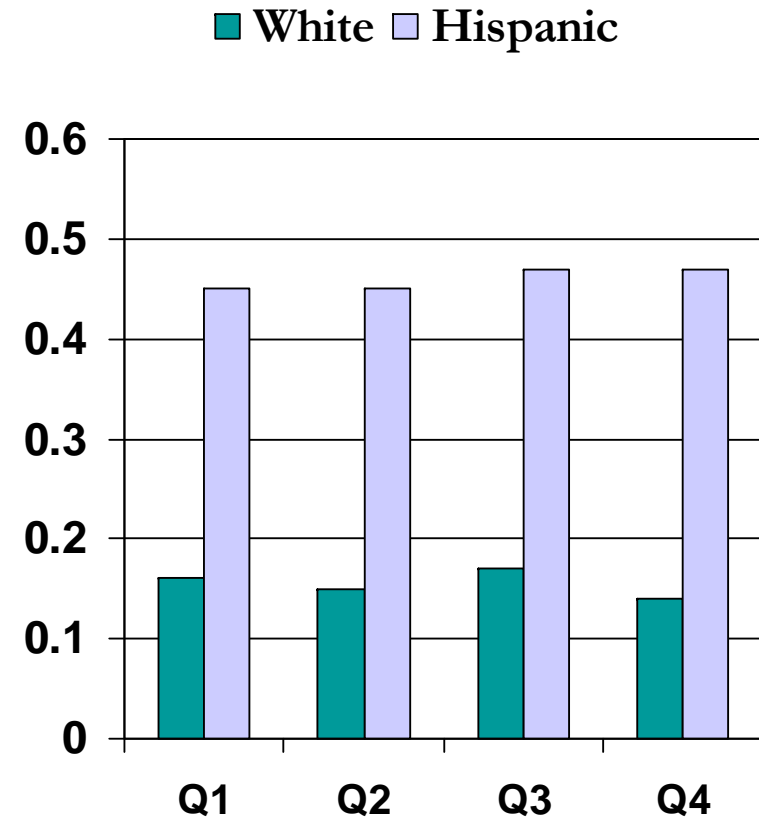
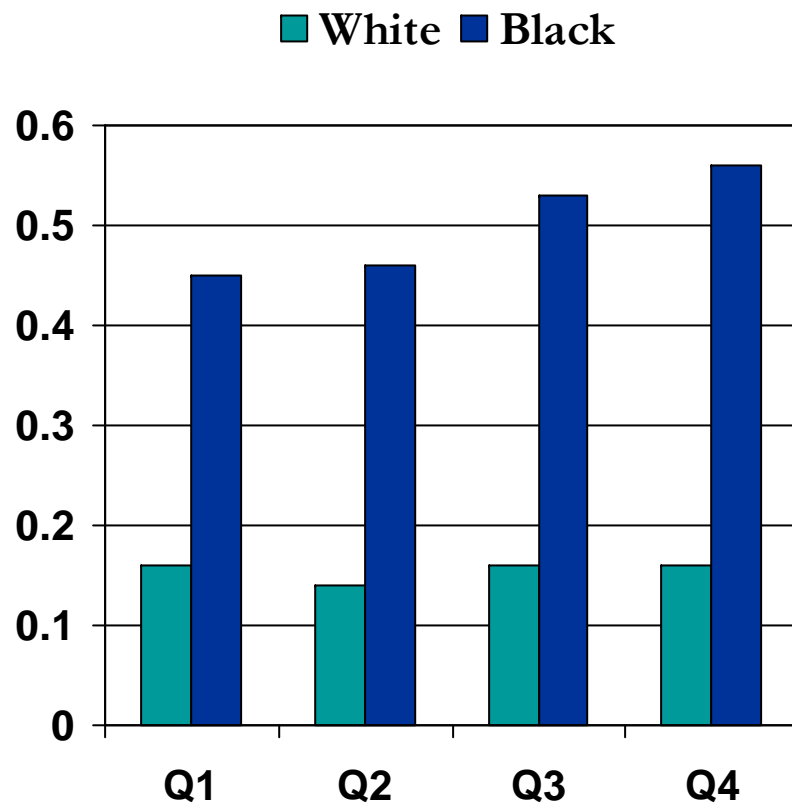
## Characteristics of HMDA Borrowers

<b>National (2006)</b>	<b>White Borrowers</b>	<b>Black Borrowers</b>	<b>Hispanic Borrowers</b>
% 1 <sup>st</sup> Lien Home Purchase loans that are High Cost	17.7%	53.3%	46.2%
% Refinance loans that are High Cost	25.5%	51.7%	38.6%
Number of Loans	5,726,468	780,654	1,133,720
<b>New York City (2004-2007)</b>	<b>White Borrowers</b>	<b>Black Borrowers</b>	<b>Hispanic Borrowers</b>
% 1 <sup>st</sup> Lien Home Purchase loans that are High Cost	7.8%	40.8%	30.1%
% Refinance loans that are High Cost	17.5%	37.3%	29.5%
Number of Loans	127,974	70,308	44,051

# Key Methodological Approach

- Q: Is racial segregation associated with larger racial disparities in high-cost lending?
  - Are racial disparities larger in more racially segregated metropolitan areas in the U.S., even after controlling for individual borrower and other metropolitan area characteristics?

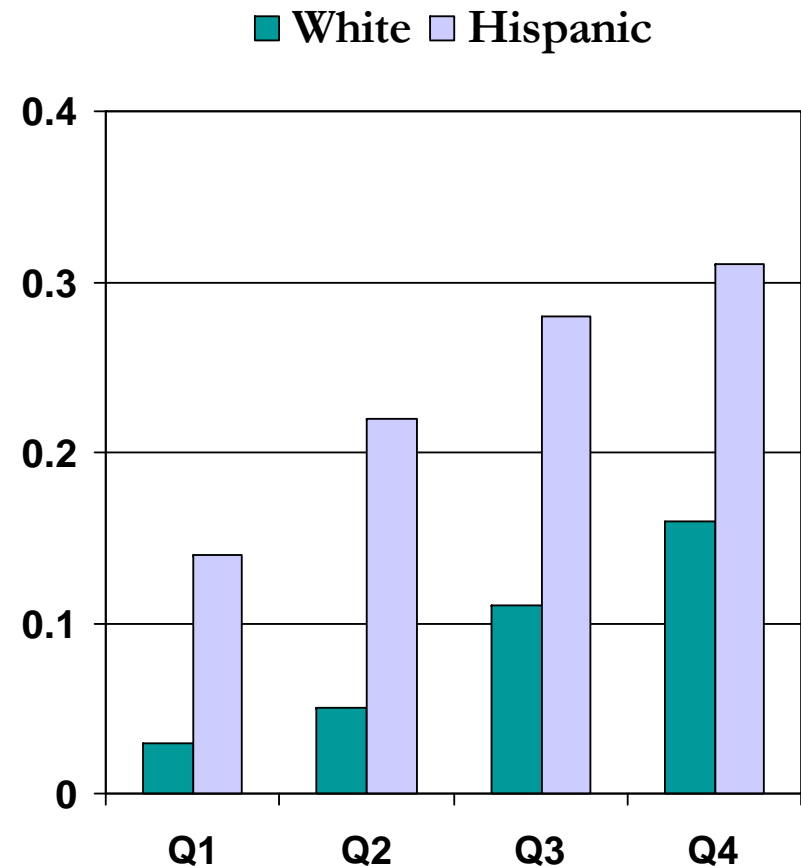
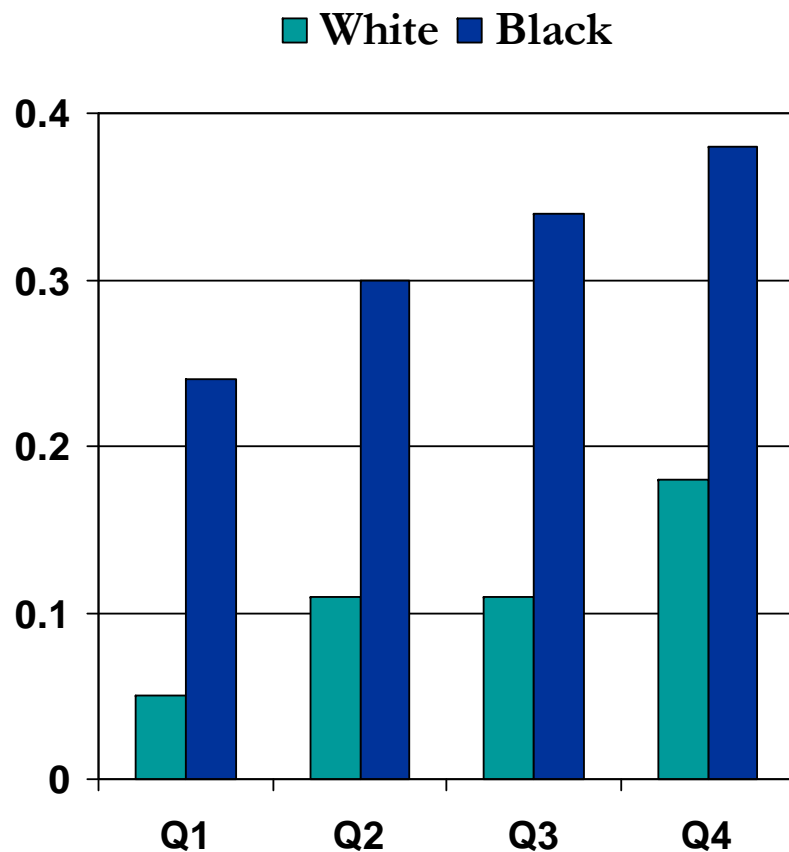
# Predicted Probabilities of Receiving High Cost Loans by Quartiles of Segregation



# Are Borrowers Disadvantaged by Living in Predominantly Minority Neighborhoods?

- Back to New York City
- Consider the probability of blacks, Hispanics, and whites getting a high cost loan in neighborhoods with differing levels of minority concentration.

# NYC: Predicted Probability of High Cost Loan Receipt by Quartiles of % Non-White



# Conclusions

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- Race of individual borrower is strongly correlated with receiving a high-cost loan
- But ... Space matters too
- Racial disparities are wider in more segregated metropolitan areas
- As the percentage of minorities in the neighborhood increases, residents are more likely to receive high-cost loans.