The Community Reinvestment Act After Financial Modernization: A Baseline Report

By

Robert E. Litan

Nicolas P. Retsinas

Eric S. Belsky

Susan White Haag

The United States Department of the Treasury

April 2000

The Community Reinvestment Act After Financial Modernization: A Baseline Report

By

Robert E. Litan
Vice President and Director
Economic Studies Program,
The Brookings Institute

Nicolas P. Retsinas
Director,
Joint Center for Housing Studies
Harvard University

Eric S. Belsky
Executive Director,
Joint Center for Housing Studies,
Harvard University

Susan White Haag
Financial Services Attorney

ABOUT THE AUTHORS

Robert E. Litan is the Vice President and Director of the Economic Studies Program at the Brookings Institution, where he also holds the Cabot Family Chair in Economics. He previously served as Associate Director of the Office of Management and Budget, and as Deputy Assistant Attorney General in the Antitrust Division of the Justice Department. He was a consultant to the Treasury Department on financial modernization issues from 1995 through 1996, and co-author of the Treasury report to Congress, *American Finance for the 21st Century*. At Brookings, Dr. Litan is co-editor of the Brookings-Wharton Papers on Financial Services and an annual series on Emerging Markets Finance, published jointly with the World Bank and the IMF. During the course of his career, Dr. Litan has authored or edited over 20 books and over 100 articles in professional journals on a wide range of economic policy and legal issues, especially those dealing with the financial services industry and government policy toward it.

Nicolas P. Retsinas is Director of Harvard University's Joint Center for Housing Studies and Lecturer on Housing at the Harvard Design School and Kennedy School of Government. Prior to his Harvard appointment, Retsinas served for almost five years as Assistant Secretary for Housing and Federal Housing Commissioner at the United States Department of Housing and Urban Development. He also served as director at the Office of Thrift Supervision and on the boards of the Federal Deposit Insurance Corporation, the Federal Housing Finance Board, and the Neighborhood Reinvestment Corporation. He has also served as the executive director of Rhode Island Housing and Mortgage Finance Company. He currently chairs the Federal Home Loan Bank of Boston and serves on the Board of Directors of several organizations, including Habitat for Humanity, the National Community Capital Association, Shorebank, The Community Development Trust, the Low Income Housing Fund, and the National Low Income Housing Coalition.

Eric S. Belsky is Executive Director of Harvard University's Joint Center for Housing Studies and Adjunct Lecturer of Public Policy at the Kennedy School of Government. Prior to his Harvard appointment, Dr. Belsky led the Housing Finance and Credit Analysis Group at Price Waterhouse. Prior to his work at Price Waterhouse, he directed housing finance research at Fannie Mae and policy research for the National Association of Home Builders. Belsky currently serves on the editorial board of the Journal of Housing Research.

Susan White Haag is an attorney who has practiced law in the Washington, D.C. office of Sidley & Austin in their Financial Institutions Practice Group, and in the Washington, D.C. office of Fried, Frank, Harris, Shriver and Jacobson in the corporate and securities law areas. She was update author of the treatise *The Law of Financial Services*, by Harvey Pitt, David Miles, and Anthony Ain.

ACKNOWLEDGEMENTS

Without the support of a number of individuals, this report would not have been possible. The authors would like to thank Leah Brooks, Alicia Dorsey, Mark Duda, Gary Fauth, and Matthew Lambert, for their valuable research and assistance. The authors would especially like to thank the Division of Research and Statistics of the Federal Reserve Board for providing information, data, and advice.

In addition, Treasury staff, including Under Secretary for Domestic Finance Gary Gensler, Deputy Assistant Secretary Michael Barr, Alan Berube, Clifton Kellogg, Melissa Schroder, Joan Affleck-Smith, and Valerie Personick made important contributions to the report. We are also grateful to staff of each of the federal banking regulators for their input and review of the report.

TABLE OF CONTENTS

LIST OF TABLES

LIST OF CHARTS

EXECUTIVE SUMMARY

In November 1999, President Clinton signed into law financial modernization legislation (referred to herein as the Financial Modernization Act (FMA)), perhaps the most sweeping revision to this nation's financial laws of the post-War era. Among other things, the FMA directed the Treasury Department to prepare within two years of the law's passage a report on the Act's impact on the provision of adequate services as intended by the Community Reinvestment Act of 1977 (CRA). As part of this requirement, the FMA also directed the Department to prepare a "baseline" report on the impact of the CRA against which to measure any subsequent changes resulting from the FMA. This report fulfills the "baseline" requirement.

The CRA established an obligation on the part of federally insured depository institutions to help meet the credit needs of their entire communities, including low- and moderate-income neighborhoods and individuals, consistent with safe and sound banking practices. An inadequate record under CRA may be grounds for denying or conditioning an application, for example, to merge with or acquire another depository institution, or to open or close a branch. Public release of CRA examinations and ratings since 1990 also gives CRA-covered lenders additional incentives to provide credit to credit-worthy individuals and businesses. The FMA further provides that financial holding companies and depositories are prohibited from commencing newly authorized activities if the depository, or any depository affiliates or subsidiaries, fails to maintain a satisfactory record under the CRA.

Under the CRA regulations promulgated in 1995, most banks and savings institutions with assets of $250 million or more, and those of any asset size that are part of a holding company with combined banking assets of $1 billion or more (collectively referred to in this report as “large institutions”), are graded on how well they meet their CRA obligation according to a three-part test. This test evaluates actual performance in lending, investing, and providing banking services to the entire community including, for the purposes of this report, low- and moderate-income (“LMI”) borrowers, and borrowers (individuals or businesses) located in LMI areas (collectively referred to here as “LMI borrowers and areas”). Smaller institutions have a streamlined examination that focuses on lending. Limited purpose and wholesale institutions are subject to examinations based on their community development activities. Institutions may also elect to be examined based on a strategic plan that they develop.

To establish the baseline, this report reviews the legislative and regulatory history of the CRA, describes its purposes, and discusses the economic rationales for the Act. The report then evaluates baseline information on lending levels in 1998. Although the CRA looks to an institution’s record in helping to meet the credit needs of its entire community, this baseline focuses on CRA performance in LMI areas and to LMI borrowers – those most often considered underserved. By that measure, CRA-regulated depository institutions and their affiliates made $184 billion in home mortgage, small business and community development loans to LMI borrowers and areas in 1998. The report provides quantitative measures of recent trends in the provision of credit and banking services to LMI communities and borrowers. The purpose of reviewing these trends – and past efforts to account for them – is to help provide context for the next phase of this study, which will focus on the impact that financial modernization may have on the provision of financial services as intended by the CRA. The report closes with recommendations for the design of the broader study of the FMA’s impact on meeting the purposes of the CRA.

Table ES-1 provides a current baseline against which future changes in CRA-related financial services may be assessed. The years leading up to 1998 reflect an unusual period. These years saw a vigorous economic expansion fueled by low mortgage interest rates, an unusually rapid pace of mortgage-finance innovation, new CRA regulations, enhanced home mortgage disclosure, enactment of affordable housing goals for the government-sponsored enterprises (GSEs), and increased enforcement of fair housing and equal credit laws. Comparisons to future trends should thus include appropriate controls for these factors.

Table ES-1: Key CRA Facts For 1998

Mortgage Lending	
Residential mortgage lending (originations and refinances) by CRA-covered lenders to LMI borrowers and areas	$135 billion
Home purchase loans to LMI borrowers and areas, as a share of all mortgage originations for home purchases by CRA-covered Lenders	32%
Home refinance originations to LMI borrowers and areas, as a share of all home refinance originations by CRA-covered lenders	25%
Numbers of mortgages (originations and refinances) extended to LMI borrowers and areas by CRA-covered lenders	1.7 million
Small Business Lending	
Volume of small business lending to LMI areas by reporting CRA-covered lenders*	$33 billion
Number of small business loans to LMI areas by reporting CRA-covered lenders	507,000
Share of small business lending by reporting CRA-covered lenders going to LMI borrowers and areas	20%
Community Development Lending and Investments	
Volume of community development lending by CRA-covered lenders	$16 billion
Number of community development loans by CRA-covered lenders	21,700
Volume of community development investments by CRA-covered lenders	N/A
Depository Services	
Percentage of American families with some type of transaction account at a financial institution	90.5%

* Reporting institutions for small business loans are those with $250 million or more in assets and those of any asset size owned by a holding company with $1 billion or more in bank and thrift assets.

The balance of this Executive Summary reviews some of the key findings of the report.

CRA Lending Activity

In assessing a large financial institution's performance under the CRA, regulators currently assign a 50 percent weighting to lending performance, compared to a 25 percent weighting each for investment and services performance. Eligible lending generally includes home mortgage, small business, small farm, and community development lending. Single-family mortgage originations constitute by far the largest portion of credit provided by financial institutions to LMI borrowers and areas that is evaluated under the CRA. Regulators consider overall lending volumes, geographic distribution, borrower characteristics and the innovation and flexibility shown in meeting underserved community lending needs. In addition, evidence of discriminatory or other illegal credit practices adversely affects the regulators' evaluation of a bank's performance.

Principal Findings About CRA-Related Home Mortgage Lending

The findings about mortgage lending reported here are based on the data that lenders disclose under the Home Mortgage Disclosure Act (HMDA). As important as these data are, they have a number of well-recognized limitations that are discussed in the text and appendices of the report. We focus on trends in the period from 1993 to 1998, as discussed more fully in the report, because the data in these two particular years are most comparable. The following facts and trends in mortgage lending to "LMI borrowers and areas" are noteworthy.

Mortgage Lending to LMI borrowers and areas has increased sharply. Mortgage originations – both for home purchase and refinance of single family properties – to LMI borrowers and areas rose dramatically over the 1990s. Between 1993 and 1998, depository institutions covered by CRA and their affiliates made $467 billion in mortgage loans to LMI borrowers and areas. Of this total amount, $187 billion flowed to borrowers in LMI areas, $277 billion to LMI borrowers purchasing or refinancing homes outside these areas, and $3 billion to LMI borrowers in neighborhoods of unspecified income levels. In 1998, the latest year for which data are available, the total amount of mortgage lending by CRA-regulated institutions and their affiliates to LMI borrowers and areas stood at $135 billion, up from $75 billion in 1993 – an 80 percent increase.

The increase in the dollar volume of mortgage credit to LMI borrowers and areas has been matched by a substantial increase in the number of loans extended (Chart ES-1). In 1993, CRA-covered depository institutions and their affiliates made 1.2 million loans to LMI borrowers and areas. By 1998, the number of such loans had risen to over 1.7 million – a gain of 45 percent. In contrast, the home mortgage market as a whole for CRA-covered institutions and their affiliates grew more slowly – by 57 percent in dollar volume and by 27 percent in number of loans.

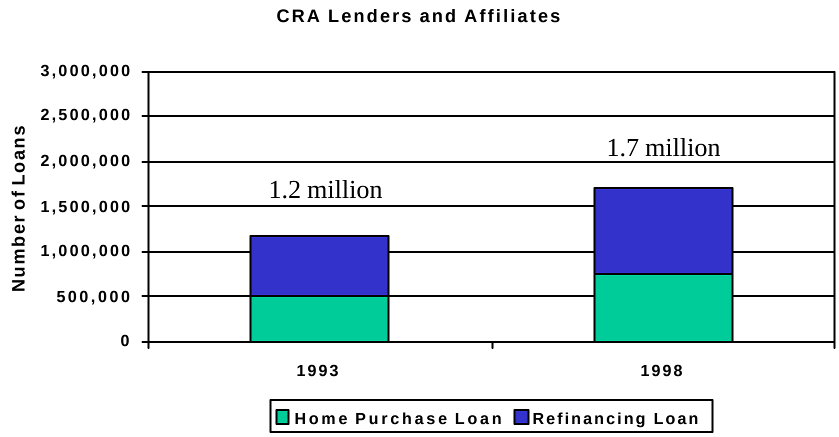


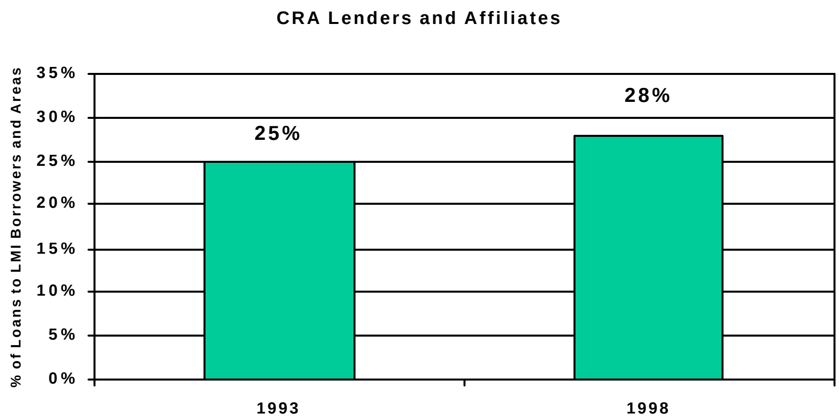
Chart ES-1: Lending to LMI Borrowers and Areas Increased Significantly Between 1993 and 1998[1]

Loan originations to LMI borrowers and areas by CRA-covered institutions and their affiliates have grown more rapidly than originations by these institutions to middle and high-income (MHI) borrowers in MHI areas. Loans to LMI borrowers and areas by CRA-covered institutions and their affiliates increased by 39 percent, more than twice the 17 percent rate of growth for loans to MHI borrowers in MHI areas by these institutions. Strikingly, moreover, these lenders increased their loans to LMI borrowers residing in LMI areas by 50 percent. As a result of the large increase in mortgage lending to LMI borrowers and areas as compared to the market as a whole, the share of total mortgage originations by depository institutions and their

[1]Source: Joint Center for Housing Studies of Harvard University, Tabulations of Borrower Database. The analysis of loan originations described in the body and appendices of the report is based on a restricted set of HMDA records that had complete information for borrower race and income, MSA code, on loans of at least $15,000 (where the loan amount is not more than five times borrower income). We drop these restrictions when compiling aggregate CRA lending, whether counts of loans or loan amounts, in order to provide a complete account of lending that has taken place (and because the missing information on loan characteristics is not essential to aggregate analysis).

affiliates reported under the Home Mortgage Disclosure Act (HMDA) going to LMI borrowers and areas rose from 25 percent in 1993 to 28 percent in 1998 (Chart ES-2).

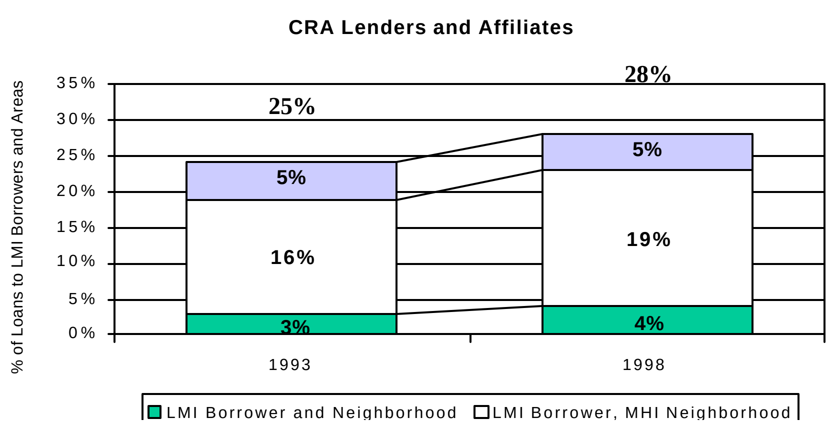
Chart ES-2: Loans to LMI Borrowers and Areas as a Share of All Lending Grew 1993 to 1998



Source: Joint Center for Housing Studies of Harvard University, Tabulations of Borrower Database

The share of loans to LMI borrowers and areas increased most for LMI borrowers purchasing or refinancing homes in MHI areas, jumping from 16 percent of mortgage originations in 1993 to 19 percent in 1998 among institutions covered by the CRA and their affiliates (Chart ES-3). Lending to all borrowers regardless of income in LMI areas grew from 8 to 9 percent of originations over the same period for these institutions.

Chart ES-3: Loans to LMI Borrowers in MHI Neighborhoods Drove Growth in



Lending to LMI Borrowers and Areas

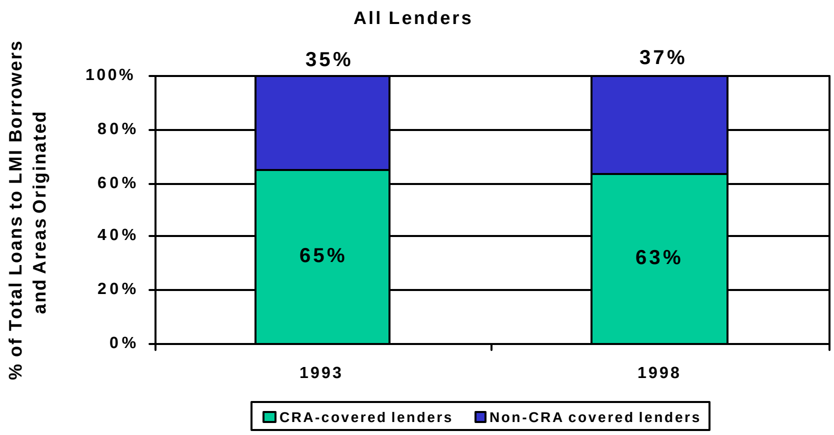
Source: Joint Center for Housing Studies of Harvard University, Tabulations of Borrower Database

Mortgage lending to LMI borrowers and areas grew faster than other categories of lending for refinances, as well as home purchase. In fact, CRA-covered institutions' refinances of mortgages held by LMI owners in LMI communities were up substantially in 1998 over 1993 (60 percent), while their refinances of mortgages owned by MHI borrowers in MHI areas was up only 4 percent.

Although the CRA does not focus on race, the statute had its origins in concerns about redlining, and evidence of discrimination adversely affects the regulators' evaluation of a depository institution's CRA performance. Thus, it is interesting to note that mortgage lending has increased even more rapidly for LMI minority borrowers, whose share of total lending by CRA-covered institutions and their affiliates to LMI borrowers and areas increased from 18 percent in 1993 to 22 percent in 1998. FHA-insured lending has contributed to this trend. Between 1993 and 1998, the share of loans to LMI minority borrowers made by CRA-covered lenders without government insurance or guarantees rose from 17 percent to 20 percent, while the share of FHA-insured loans to LMI minority borrowers grew even faster, from 23 percent to 35 percent.

Primarily due to the growth in "subprime" lending, lending to LMI borrowers and areas increased even among institutions not covered by the CRA, but CRA-covered lenders remain the dominant originators of loans to LMI borrowers and areas. Institutions covered by CRA and their affiliates lost some market share of originations to LMI borrowers and areas to institutions that are not covered by CRA, such as independent mortgage and finance companies (Chart ES-4), but remained responsible for 63 percent of lending to such borrowers.

Chart ES-4: CRA-covered Lender and Affiliate Market Share of Lending to LMI borrowers and Areas, 1993-98

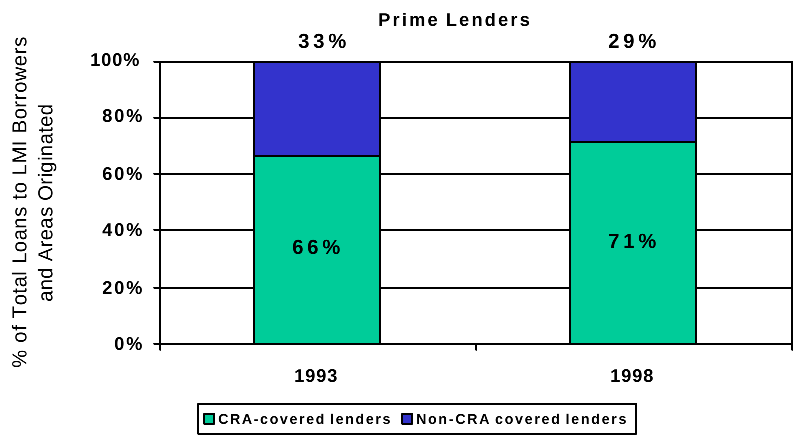


Source: Joint Center for Housing Studies of Harvard University, Tabulations of Borrower Database

Most of the growth in lending to LMI borrowers and areas among lenders not covered by the Act has been due to the expanding activities of lenders specializing in "subprime loans" – those to borrowers with impaired credit histories – and in loans collateralized by manufactured homes. Indeed, independent mortgage companies, as discussed below, lost market share in other types of loans to LMI borrowers and areas. Subprime lenders accounted for two-thirds of the growth in loans to LMI borrowers and areas by institutions not covered by CRA, but only 15 percent of the growth in loans to LMI borrowers and areas by CRA-covered institutions and their affiliates may be attributed to subprime lending. Moreover, 77 percent of the growth in subprime lending to LMI borrowers and areas is attributable to refinancings, rather than home purchase loans. Banks and thrifts have traditionally shied away from specializing in subprime and manufactured home lending because such loans may be riskier and demand larger set-asides for reserves against credit losses. Instead, banks and thrifts have focused on "prime lending" to borrowers without impaired credit histories. Prime lending still accounts for nine out of ten home purchase and refinance loans originated in the United States, even after several years of explosive growth of subprime lending.

Depository institutions covered by the CRA and their affiliates gained market share of prime lending to LMI borrowers and areas from lenders not covered by the Act that also specialize in prime lending (Chart ES-5). In 1993, institutions covered by the CRA and their affiliates accounted for 66 percent of the loans to LMI borrowers and areas originated by prime lending specialists. By 1998 they had increased that share to 71 percent.

Chart ES-5: Between 1993 and 1998, CRA Lenders and Affiliates Gained Market Share in Prime Lending to LMI Borrowers and Areas



Source: Joint Center for Housing Studies of Harvard University, Tabulations of Borrower Database

Although some of this gain is due to acquisitions of non-depository lenders, this trend nonetheless suggests that CRA probably helped to increase prime lending to LMI borrowers and areas. Furthermore, by helping banks and thrifts discover that lending to LMI borrowers and areas can be profitable, the CRA may have had a positive "demonstration effect" on lenders not covered by the Act, and thus indirectly increased lending by these institutions as well.

The fact that both lenders covered and not covered by the CRA recorded gains in mortgage lending to LMI borrowers and areas from 1993 to 1998 suggests that CRA and a variety of other factors have helped to expand mortgage credit to LMI borrowers and areas over the 1990s. These other factors may include:

- The strong economy and relatively modest interest rates of the 1990s (which have stimulated mortgage demand across the board and especially for marginal mortgage loan applicants, such as LMI families);

- Faster growth in incomes of African-American families relative to white families during the 1993-98 period, which has enabled proportionally more African-American families to qualify for mortgage credit;

- Advances in risk management and more rapid mortgage product innovation by lenders, in part spurred by the CRA, that have improved the capacity of the industry to reach out to LMI borrowers and areas in a way that is consistent with safe and sound lending;

- Enactment of affordable and underserved area goals for the GSEs and reforms in the Federal Housing Administration (FHA) loan guarantee program that have enabled it to reach more CRA-eligible borrowers;

- Stepped up enforcement of fair housing and equal credit laws;

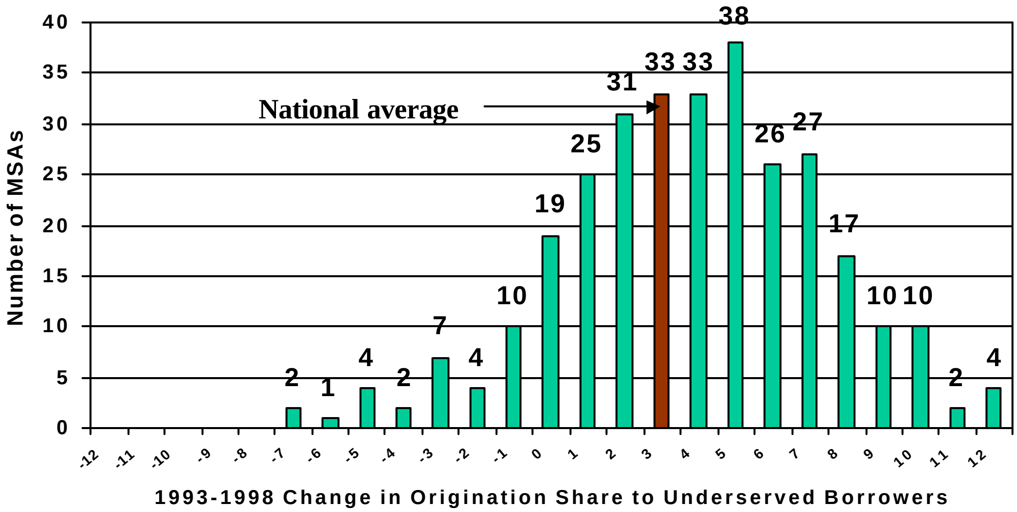
- Disclosure under HMDA of mortgage rejection rate information by race and income, which has drawn public, regulatory and judicial attention to the provision of mortgage credit to LMI borrowers and areas, and to minority areas and borrowers; and

- Intensified merger activity among depositories, which has increased incentives for these lenders to take CRA performance seriously.

Mortgage lending by CRA-covered institutions and their affiliates to LMI borrowers and areas increased in most metropolitan areas – 84 percent of those studied. The absolute levels of – and recent changes in – mortgage lending to LMI borrowers and areas vary widely among metropolitan areas throughout the United States, however, underscoring the importance of examining the CRA in the context of other factors that influence mortgage credit flows. For example, although on average, the number of mortgage originations by all lenders to LMI borrowers and areas in metropolitan areas across the country was up by 43 percent between 1993 and 1998 for all lenders, there were 54 metropolitan areas where it expanded by 90 percent or more. At the other extreme, in 22 metropolitan areas, the number of originations to LMI borrowers and areas contracted. These variations also appear when one focuses on the share of all originations made by CRA lenders and their affiliates to LMI borrowers and areas between 1993 and 1998 (Chart ES-6). For instance, although the share of CRA lenders' originations to LMI borrowers and areas was up about 3 percentage points nationally, the share declined in 30 metropolitan areas, and increased by more than 7 percentage points in 43 metropolitan areas.

Among metropolitan areas with at least 10,000 loan originations to LMI borrowers and areas in 1998, Nashville (9 percentage points), Houston (8 percentage points) and Memphis (8 percentage points) had the largest gains in origination share. Phoenix (-4 percentage points), Orange County (-4 percentage points) and San Diego (-5 percentage points) had the largest drops. The difference in lending patterns across MSAs is undoubtedly related, in part, to a series of factors other than, or in addition to, the CRA, such as variations in economic conditions, home ownership levels, housing stock supply, household income levels, and other demographic factors. As a result, statistical analysis that attempts to sort out the significance of each of these factors, along with the CRA, would further the understanding of the effects of the CRA on lending, investment, and services to LMI borrowers and areas (see Appendix Table C-14 for data on the 39 largest MSAs).

Chart ES-6: CRA Lender and Affiliate Loan Origination Shares to LMI borrowers and Areas Varied Across Individual MSAs



Source: Joint Center for Housing Studies of Harvard University, Tabulations of Borrower Database

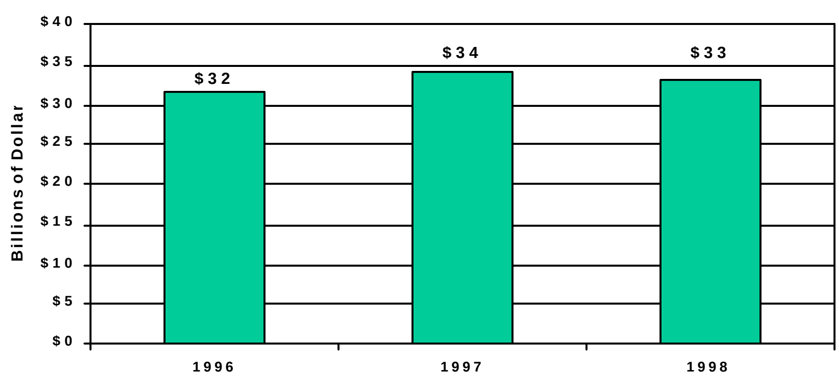
In summary, the rapid growth in lending to LMI borrowers and areas by CRA-covered lenders and their affiliates, coupled with their increasing share of the market for prime loans to LMI borrowers and areas, suggests that the CRA has contributed to the recent increase in mortgage lending to such borrowers. This and other evidence reviewed in this report, on balance, is consistent with the view that CRA has encouraged lending to LMI borrowers and areas. Prior studies have not quantified this link, nor does this report.

Principal Findings About CRA-Related Small Business Lending

Large depository institutions were not required to collect small business lending data until 1996, and even now only about two-thirds of the aggregate volume of small business lending provided by banks and thrifts is reported, since smaller institutions are exempt from this reporting requirement. In addition, other financial institutions – such as finance companies – that provide loans for small business are not required to report such activities at all. Because of these factors, the available small business lending data cover less than half the total volume of loan originations. Furthermore, because financial institutions currently cannot, in general, collect information on the race of owners of small businesses, it is difficult to know the extent to which business credit needs of credit-worthy minorities are being adequately met by CRA-covered depositories (or other financial institutions), a broader question than the CRA raises.

With these data limitations in mind, this report finds that lending by CRA-covered institutions to small businesses in LMI areas was relatively stable between 1996 and 1998 – in excess of $32 billion annually (Chart ES-7). Because overall lending to small businesses rose modestly over this period, the proportion of those loans extended to businesses in LMI areas declined slightly, from under 21 percent in 1996 to 20 percent in 1998.

Chart ES-7: Small Business Lending in LMI Areas by Reporting CRA-Covered Lenders was Stable, 1996- 1998



Source: FFIEC, 1999

In evaluating CRA small business lending performance, the regulators also consider loans to businesses with revenues of less than $1 million that are located in MHI areas. In 1998, this type of lending by CRA-reporting institutions totaled $61 billion, or almost double the total for all small business lending in LMI areas. Combining lending in both LMI and MHI areas, CRA-reporting institutions increased their small business lending considered under CRA from $81 billion in 1996 to $94 billion in 1998. Total small business lending considered under CRA accounted for 58 percent of the dollar volume, and 67 percent of the number of loans, of CRA-reporting lenders' total small business lending in 1998 (up from 55 percent of the dollar volume and 61 percent of the number of loans in 1997). As additional information about small business lending becomes available, it may be possible to draw conclusions about the impact of the CRA on small business lending during this or earlier periods.

Community Development Lending

Community development lending is considered in CRA examinations and defined by current regulations to include loans that have community development as a primary purpose and that benefit the institution's assessment area. Loans for affordable housing rehabilitation and construction, loans to community development financial institutions (CDFIs) or local lending consortia, and loans to local nonprofit organizations that serve low-to-moderate income housing or other community development needs may all be included if they have not otherwise been reported under HMDA or CRA small business loan data. As with small business loans, only large depository institutions are required to report, and even then the only obligation is to report the aggregate volume of such lending and not its destination, by type of borrower or location.

Based on the current definitions, community development lending by CRA-covered institutions totaled nearly $16 billion in 1998, down somewhat from the high of $19 billion in 1997, and from $18 billion in 1996. Average loan sizes ranged from $542,000 to $744,000. As with small business lending, this reporting requirement became effective in 1996, so there is insufficient data to draw conclusions about trends over time. Anecdotal evidence suggests increased activity in this area, and further research is warranted.

CRA-Eligible Investment Activity

In assessing CRA performance, regulators assign 25 percent weighting to a financial institution’s qualified investment activity. Qualified investments have a primary purpose of community development. Eligible investments, grants or deposits may be in a variety of community development intermediaries such as CDFIs, community development corporations (“CDCs”), low-income or community development credit unions, Neighborhood Housing Service organizations, and a wide variety of other community programs. Such investments are valuable in their own right, and also facilitate the provision of credit by depository institutions by bolstering these local institutions, which have critical market knowledge and expertise. These institutions can partner with banks and thrifts to originate loans, share risk, or provide essential services such as pre- and post-purchase homebuyer counseling, thus enhancing the performance of bank and thrift loans. More importantly, these investments also enhance the stability of the neighborhoods in which banks and thrifts lend, further bolstering loan performance. Other eligible investing activities include amounts invested in Small Business Investment Companies (presumed to serve a community development purpose), purchases of syndications in Low-Income Housing Tax Credits, or other investments that promote community development for LMI populations or neighborhoods.

Currently, no data reporting is required under CRA in connection with these activities, although regulators discuss an institution's qualified investments in the Performance Evaluation of each bank charter and each state of a multi-state charter. To date, no compilation is available to serve as a "baseline." Nonetheless, there is some evidence that the CRA has been an important vehicle for facilitating the growth of these institutions – together with support from the federal government, foundations and state governments for CDFIs and other community-based organizations. As one indication of investment activity, according to data collected by the Comptroller of the Currency, during the 1993-98 period, national banks invested in one type of community development – investments permitted under "Part 24" authority – seven times as much in real dollars as they had in the previous 28 years.

CRA-Eligible Services Activity

The extent to which depository institutions provide retail and community development banking services to their entire communities also receives a 25 percent weighting in the regulators' evaluation of compliance with regulations under the Act. This includes consideration of both the distribution of banking offices and the range of retail products and services available at these locations. These services are important in their own right in meeting the "convenience and needs" of the community. Furthermore, access to depository and other financial services may be a critical link to credit access by facilitating the ability to manage household finances, accumulate savings, and enhance creditworthiness. Research suggests that the provision of depository services helps to reinforce access to credit. Holding economic and demographic factors constant, low-income families with deposit accounts have been found to be significantly more likely to own financial products such as credit cards, home mortgages and auto loans.

Of the few studies that have been done on depository services, several contain findings that are relevant for purposes of this report. During the 1975-95 period, for example, banking offices became more evenly distributed on a per-capita basis across neighborhoods of different income levels, suggesting that LMI communities were not being significantly disadvantaged. In addition, the fraction of the population with some form of transaction (or "banking") account has been rising, from 84 percent in 1992 to over 90 percent in 1998. The share of the "unbanked" may decline in future years, as more financial institutions begin to offer electronically-based account products and other alternative delivery systems for LMI individuals and neighborhoods, which are encouraged by the CRA regulations.

The CRA Services test also considers community development services, such as those that promote credit availability or affordable housing or the provision of technical assistance to other organizations working to meet the credit needs of LMI communities and borrowers. To our knowledge, no compilations of these activities exist; attempting to establish a "baseline" of these activities would require additional field research, at a minimum.

Remaining Credit Market Imperfections

The evidence suggests that CRA has contributed to increased lending to LMI borrowers and areas. There are indications, however, of continuing imperfections in credit markets for LMI borrowers, especially minorities, as well as for some small businesses in LMI neighborhoods. Although the CRA is addressed to a range of market failures in LMI communities, research to date has tended to focus on one type of potential barrier: racial discrimination. For example, a recent "matched pair study," which attempted to control for economic and demographic factors in actual tests of the behavior of loan officers, revealed instances of discrimination against minorities when applying for mortgages and searching for homes in some markets, although the national incidence of the problem is unknown. Findings of racial discrimination derived from statistical studies of mortgage denials remain contested, but raise important concerns.

As for small business, there is suggestive evidence that the credit needs of firms in LMI areas are not being met as fully as those businesses located in MHI areas. CRA-reporting lenders have devoted a larger share of their loans to small businesses with annual revenues below $1 million in MHI than in LMI areas. Other studies suggest that minority borrowers are less successful than whites at obtaining small business loans after controlling for the amount of personal equity invested and the borrower's education level. Market imperfections such as these can also generate a reduction in overall credit demand by feeding a perception among borrowers that they are unlikely to obtain a loan even though they are creditworthy. More research needs to be done to determine whether, and to what extent, the differences in the supply of credit to businesses in different areas are due to differences in demand, the effects of imperfections in credit markets, or both.

Recommendations for Studying the Impact of Financial Modernization on CRA Goals

It will be difficult even two years from now to isolate the impact of the FMA on CRA-related financial services from the many other forces that also affect these patterns. Nonetheless, several possible research approaches may help shed some light on the issue.

One approach is to conduct case studies of financial institutions most likely to take advantage of the new financial holding company structures authorized by the FMA. These case studies could be used to improve understanding of how the companies most likely to use these new structures would view their obligations, organizational capacities, and organizational constraints in reaching out to LMI borrowers and areas after taking advantage of the new powers authorized by the FMA. Another indicator may be the extent to which CRA-covered insured depositories elect to have the lending, investment and services of their non-bank financial holding company affiliates considered during a CRA evaluation. This information could be supplemented by interviews with community groups, business leaders, and regulators to obtain their views of how the FMA will influence lending, services and investments under the CRA.

Existing diversified financial holding companies include unitary thrift holding companies (which have long had activity powers even more extensive than those authorized by the FMA). It is therefore also worth examining whether their mortgage lending patterns in 1993 and 1998 differed from those of other financial institutions.

Further research is also warranted into the metropolitan area variations in mortgage lending to LMI borrowers and areas. One approach would be to explore, through formal statistical methods, the causes of census-tract variation in mortgage lending to these borrowers, with strong controls for metropolitan area characteristics and a view toward isolating the potential impact of the CRA from other possible factors contributing to this variation. These factors include differences in local economic conditions, demographic compositions of local populations, and the structure of local housing and mortgage markets. Access to financial services in rural areas, and on Indian reservations, also needs to be better researched and understood.

At least four other important trends in the banking industry – indeed, the financial services industry more broadly defined – appear to be influencing flows of credit to individuals and small businesses in LMI and minority areas and to minority-owned businesses: the use of credit scoring technologies, credit card lending, increased use of on-line and other electronic delivery media, and consolidation of the banking industry. The closing section of the report briefly discusses these forces, but suggests that more research will be required to provide more precise estimates of the direction and magnitude of the impacts of each of these developments. Additional information not now reported under the HMDA or the CRA – in particular, data relating to fees and interest rates – also would allow for a better understanding of the access of LMI borrowers and areas to credit and how lending to them affects their communities.

Finally, the FMA requires the Federal Reserve Board to study the profitability, delinquency and default rates of CRA lending. Therefore, we touch on that subject only briefly here. In this area, it is noteworthy that through 1998, the charge-off rates for mortgage loans were low and generally stable, despite the dramatic increase in mortgage lending to LMI borrowers and areas during the 1993-98 period documented in this report. The survey that the Federal Reserve is conducting to meet the FMA requirement is expected to provide financial institutions' views of the relative profitability of CRA-related lending. This survey information will need to be compared with other evidence about the costs and benefits of the CRA. Any costs associated with the CRA must be weighed against the benefits of the Act in addressing failures in the credit markets for underserved populations and prompting institutions to discover and exploit profitable opportunities they might have otherwise overlooked.

The Community Reinvestment Act: A Baseline Report

After decades of controversy over whether and how to modernize the laws governing the banking and other financial services industries in the United States, President Clinton signed into law the Financial Modernization Act (FMA) on November 12, 1999. In light of the broad potential of the FMA to affect the delivery of financial services, Congress directed the Secretary of the Treasury to prepare a study, within two years, on the impact of the new law on the provision of financial services in low and moderate income neighborhoods and to persons of modest means. The FMA also directed the Secretary to submit a preliminary "baseline report" against which the post-FMA changes could be measured. This report provides that baseline.

The FMA repealed the Glass-Steagall Act of 1933 and modified the Bank Holding Company Acts of 1956 and 1970, in the process authorizing the creation of new financial holding companies that can engage in a full range of financial activities, including banking, securities underwriting, insurance, and merchant banking. The FMA also included provisions relating to the Community Reinvestment Act (CRA), which was enacted in 1977 in order to address problems of redlining and disinvestment in inner-city neighborhoods and rural areas. The CRA recognizes an affirmative obligation on the part of each financial institution to help meet the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound banking practices. Federal banking regulators are required to assess the institution's performance, and to take such performance into account in evaluating an application by the financial institution to open or close a branch, to merge with or acquire another institution, or to take certain other steps. In assessing such performance, banking regulators look to the institution's record in serving low- and moderate-income ("LMI") borrowers, and residents within LMI neighborhoods (collectively "LMI borrowers and areas" throughout this report).

LMI borrowers are defined here, following the regulations issued by the Federal Financial Institutions Examination Council for CRA examinations, as those borrowers with household incomes that are less than 80 percent of the local median family income of their metropolitan area.[2] Income cutoffs for LMI borrowers are adjusted to reflect annual changes in metropolitan-wide median family incomes as estimated by HUD. LMI areas are defined as census tracts that, as of the latest decennial census, have median family incomes of less than 80 percent of the median family income of the metropolitan area in which they are located.

Section I of this report describes the CRA's regulatory and statutory framework as it has evolved through the course of various amendments. (Appendix A provides additional information on the procedures that regulators currently follow to assess compliance with the CRA.) Section II contains a discussion of the Congressional purposes and economic rationales advanced for the CRA. It also reviews the literature that questions these rationales.

Section III presents a quantitative analysis of the provision of financial services and credit to LMI borrowers and areas. This analysis draws on the existing academic literature, but also includes new findings based on a study of residential lending patterns during the 1993-98 period. The findings about mortgage lending focus on single-family (one-to-four unit properties) originations for the purchase or refinance of a home. In addition, Section III also illustrates and discusses recent trends in small business and community development lending, as well as the provision of depository services, aimed at LMI individuals and areas. The Section closes with a "snapshot" of activity in these areas as of 1998, the latest year for which such data are available, which encapsulates important "baseline" measures that the FMA requested Treasury to report.

Section IV critically reviews the available literature and evidence on the extent to which changes in the provision of financial services to LMI individuals and areas may be attributable to the CRA. New information is presented that helps weigh the strength of the findings on the CRA's impact based on recent changes in the absolute levels, origination shares, and market shares of mortgage loans originated by CRA-regulated financial institutions.

Section V briefly discusses costs associated with the CRA. This section presents evidence indicating that, for the 1993-98 period, the loss rate on mortgages remained low and relatively stable despite a significant increase during this period in lending to LMI borrowers and areas. In any complete analysis of the CRA, the costs of the Act must be balanced against its benefits in correcting the market failures the Act was designed to address.

Section VI reviews evidence suggesting that, notwithstanding the benefits that may have been realized so far as a result of the Act, credit markets remain imperfect. As a result, unmet credit needs may still exist in LMI areas and among LMI borrowers.

Section VII concludes with recommendations for how further research may be able to measure the effects of the FMA on the adequacy of services provided under the CRA. The

---

[2] The CRA regulations separately define: Low-income individuals as those with less than 50 percent of area median income; and moderate-income individuals, as those with incomes of at least 50 percent and less than 80 percent of the area median income.

section also discusses ways in which future research might clarify with greater precision the impact of the CRA in facilitating the flow of credit to LMI borrowers and communities.

This report does not focus on issues relating to the performance or profitability of CRA lending, which are being covered in a separate study, also mandated by the FMA, being conducted by the Board of Governors of the Federal Reserve System. In addition, it is important to underscore that due to the limits of data available, the empirical findings presented in this report specifically relate to the *number and dollar volumes* of mortgage lending rather than interest rates, other fees and terms. Policy makers may want to consider ways in which to generate these data so that they, analysts and the public may better understand in the future how credit markets function, especially for LMI borrowers and areas.

I. The Community Reinvestment Act and Related Legislation: Evolution and Background

The CRA was enacted into law in October 1977. The law recognizes a continuing obligation on the part of federally insured depository institutions to help meet the credit needs of their entire communities, including LMI areas and individuals, consistent with safe and sound banking practices. In assessing the impact and role of the Community Reinvestment Act in capital markets, the law should not be viewed in isolation. When the CRA was enacted in 1977, it provided a third component of a legal framework that – with relatively minor modifications – is still in effect today. The Equal Credit Opportunity Act forbids discrimination in lending. The Home Mortgage Disclosure Act provides for disclosure of key information about home mortgage applicants and borrowers. Finally, CRA makes clear that commercial banks and savings institutions have an obligation to help serve the credit needs of their entire community, including low- and moderate-income persons, consistent with safe and sound banking practices.[3] The Federal Government also has created other mechanisms to facilitate capital flows, most notably to encourage home ownership. For example, the FHA guarantees certain home mortgages, government-sponsored enterprises purchase conventional home mortgage loans from mortgage originators, and interest paid on a home mortgage is deductible from income for purposes of the federal individual income tax.

The CRA responded, in significant part, to the perception that savings and loan associations and banks were "redlining" low-income and minority areas, in effect denying credit to areas based on their perceived characteristics rather than the actual creditworthiness of individual loan applications. Redlining can produce an undesirable self-fulfilling result. If potential new residents cannot obtain access to credit, they will not buy, and existing homeowners cannot sell. Property values then either stagnate, or more often, decline, seemingly validating the refusal of depository institutions to lend in the first instance.

The claims of redlining that eventually led to federal legislation grew out of complaints in the early 1970s by local residents in the Austin neighborhood in Chicago. Local residents there organized and obtained agreements with individual lenders to expand lending in their neighborhoods (Pogge, 1992). In 1973, the Federal Home Loan Bank of Chicago went further, asking local financial institutions to volunteer information regarding the number and dollar amount of residential loans for each zip code in the city. Although not all questionnaires were

---

[3] Insured depository institutions include any bank or savings association, the deposits of which are insured by the Federal Deposit Insurance Corporation (FDIC). 12 U.S.C. 1813. The CRA does not cover credit unions and independent mortgage companies.

completed, and lender identity was kept confidential, the data that were provided demonstrated that declines in mortgage lending were especially strong in those neighborhoods that had argued that they were subject to redlining. The following year, the Chicago City Council passed a city ordinance mandating disclosure of loans by zip code and census tract for any savings and loan association or bank applying to hold deposits from the city (Schwartz, 1998).

Federal action came soon thereafter. Under the leadership of Senator William Proxmire, Congress enacted in 1975 the Home Mortgage Disclosure Act (HMDA), which required all federally regulated depository institutions with assets over $10 million to report annually on mortgage lending by census tract for all metropolitan areas. The stated goal of HMDA was "to provide the citizens and public officials of the United States with sufficient information to enable them to determine whether depository institutions are filling their obligations to serve the housing needs of the communities and neighborhoods in which they are located . . ." (12 U.S.C. 2801(b)). The initial data reported by institutions following the enactment of HMDA indeed found that less credit was being supplied to LMI and minority census tracts. However, early studies reached differing conclusions as to whether these findings resulted from lower demand for mortgage credit in these tracts, or from redlining and thus a shortage of supply of credit.

Congress clearly was dissatisfied that disclosure of lending patterns alone would address redlining because two years after enacting HMDA, again under the leadership of Senator Proxmire, it passed the CRA to buttress the federal response. The CRA, broadly defined to include the regulations promulgated from time to time by the banking agencies to implement it, has had the following key elements:

- The law requires federal banking regulators,[4] as part of their examinations, to assess the record of depository institutions in meeting the credit needs of the communities in which they are located, including the needs of LMI borrowers and neighborhoods, consistent with safe and sound banking operations.

- The CRA regulations require depository institutions to post in their offices a prescribed CRA notice, and to maintain and make available upon request a public file that must include certain specified information about the institution's CRA performance.

- Under the regulations, the public may submit written comments on the institution's community lending record, which must be included in the institution's public file and considered by the regulator in evaluating CRA performance. These requirements are intended to promote a dialogue between institutions and their communities regarding credit needs.

- The CRA requires federal banking regulators to take an institution's CRA record into account, along with safety and soundness and other factors, in determining whether to approve its application for a federal bank or thrift charter or FDIC deposit insurance; to relocate a main office or to establish or relocate a branch; and to merge, consolidate, or acquire the assets or assume the liabilities of another regulated depository institution.

The dynamics of CRA examinations began to change significantly in 1989. Banking regulators formulated a new CRA policy statement stating that lenders would be evaluated on the

[4] The federal banking regulators responsible for administering the statute are the Office of the Comptroller of the Currency (OCC) with respect to national banks; the Board of Governors of the Federal Reserve System with respect to State-chartered banks that are members of the Federal Reserve System; the Federal Deposit Insurance Corporation (FDIC) with respect to state-chartered banks and savings banks that are not members of the Federal Reserve System; and the Office of Thrift Supervision (OTS) with respect to savings associations.

basis of their actual performance record at the time of examination, and not merely on promises for improvements or their existing record in reaching out to the community. Moreover, in that same year, the Federal Reserve for the first time denied a merger application on CRA grounds, ruling that the commitments and plans to improve CRA performance by Continental Bank could not serve as a substitute for the established record of CRA performance required by the statute.

Congress took action in the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA) to strengthen the disclosure requirements under HMDA by mandating that depository institution lenders disclose the race, ethnicity, gender, and income level of all mortgage loan applicants, along with the disposition of each mortgage loan application (approved, denied or withdrawn). The 1989 HMDA amendments also required covered institutions to disclose sales of certain loans in the secondary market. This additional data, particularly when combined with census data on the racial composition, median family income, and central city, suburb, or rural location of the loan property census tract, provided a greatly enhanced statistical basis for analyzing the geographic and demographic distribution of home mortgage loans. The HMDA data have been a key tool for community groups, researchers, and regulators in assessing the CRA records of depository institutions and the lending records of other reporting institutions not covered by the CRA.

Congress took one further, important step in FIRREA. Whereas prior to 1989, the banking regulators' ratings of a financial institution's CRA record had been confidential, the new provisions required regulators to disclose publicly an institution's CRA rating as well as a written performance evaluation. The amendments established a four-tiered descriptive rating system (outstanding, satisfactory, needs to improve, and substantial noncompliance) to replace the prior numeric scale, and required the banking regulators to prepare a public, written evaluation of the institution's CRA examination record.[5] This new evaluation system has better enabled both the public and regulators to monitor the performance of depository institutions in meeting CRA's statutory requirements.

At the urging of President Clinton, federal banking regulators refined CRA evaluation standards yet again, issuing final regulations in 1995, after a two-year intensive review. Responding to widespread complaints from both industry and advocacy groups that, despite the 1989 revisions, CRA evaluations still relied too heavily on the processes by which depository institutions attempted to meet their CRA obligations, the 1995 revisions focused explicitly on an institution's actual performance. The new rules also attempted to reduce paperwork and uncertainty, and have the following key features:[6]

- The new regulations establish separate compliance tests for three categories of institutions (large retail, small retail, and wholesale or limited purpose institutions) and provide an alternative option for any institution to be examined under a "strategic plan" of measurable goals

[5] The written evaluation must include the regulator's conclusions for each assessment factor identified in the regulations, discussion of the facts supporting the regulator's conclusions, the institution's composite CRA rating and a statement describing the basis for the rating.

[6] Although the previous regulations had set forth 12 factors that regulators used to assess an institution's performance, there was a perception that examiners gave most emphasis to *process* issues: how institutions documented their efforts to reach out to the local community, the extent to which the board of directors actively participated in formulating the bank's CRA policies and performance, and the extent to which the institution marketed special credit-related programs to potential borrowers with low or moderate incomes. Examiners also were supposed to examine such other factors as the geographic distribution of the institution's loans, the type and extent of its lending within its lending area, and the institution's participation in government-insured and community development lending programs and projects.

and objectives to be established by the bank or thrift, with input from its community and approved by the institution's banking regulator.[7]

- For large retail depository institutions – those with $250 million or more in assets or those of any asset size belonging to a parent holding company with $1 billion or more in bank and thrift assets – the examination ratings are based on the sum of scores relating to the institution’s lending, investment, and financial services provided to their entire communities. Small banks and thrifts are evaluated under a streamlined approach that focuses on lending-related criteria. Investment and service activities may be considered at the small institution’s option in order to improve a rating from satisfactory to outstanding. Wholesale banks (which are not in the business of making home mortgage, small business, small farm, or consumer loans to retail customers) and for which a wholesale bank designation is in effect, and limited purpose institutions (such as credit card banks) are evaluated under a community development test, which evaluates community development lending, investments, and services.

- The revised regulations grant CRA consideration in the evaluation process for community development activities as part of all three large retail institution performance tests – lending, investments, and services. Community development lending may include loans to support activities such as affordable housing, or loans to financial intermediaries such as community

---

[7] The new examination criteria were fully implemented as of July 1, 1997, although large institutions could opt to be examined under the new criteria beginning January 1, 1996. Based on FFIEC data, during the January 1997 to November 1999 period, approximately 20 percent of all banks received an “outstanding” CRA rating, 79 percent received a “satisfactory” rating, and about 1 percent received either a “needs to improve” or “unsatisfactory” rating.

development financial institutions (CDFIs) that have as their primary purpose community development. Eligible community development investments include investments in or grants to CDFIs, Neighborhood Housing Service organizations, and Small Business Investment Companies (SBICs) that support community development purposes, and purchases of syndications in low-income housing tax credits. Community development services include activities that increase access to financial services for LMI individuals.

- The new regulations require large institutions to maintain and report annual data on the number and dollar amount of small business and small farm loans by census tract, and the aggregate number of loans and dollar volume of community development lending, with data collection requirements effective January 1, 1996, and reporting requirements effective one year later.

- The 1995 regulations also enhance the opportunity for the public to comment on an institution's CRA performance by requiring that each banking regulator publish a list of banks that are scheduled for CRA examinations in the upcoming quarter.[8]

The FMA contains several provisions that amend or otherwise relate to the CRA. A depository institution must now have a "satisfactory" CRA rating before the institution, or its holding company, affiliate or subsidiary, can engage in any of the expanded financial activities permitted under the law. Certain agreements entered into between depository institutions and

[8] The latest regulations are more detailed than this summary indicates. Appendix A provides a roadmap to the interested reader, spelling out in particular what performance-based services the regulators now examine in assessing whether institutions are complying with the CRA.

other entities in fulfillment of the CRA must be publicly disclosed.[9] Small banks (those with assets of $250 million or less) now will be regularly examined for CRA purposes on a less frequent schedule: once every five years for institutions with an outstanding rating; every four years for those with a satisfactory rating; and as deemed necessary for institutions whose last rating was less than satisfactory. These small banks, however, also remain subject to CRA review at the time of any application, for example, to merge or to open or close a branch, and also at the discretion of the regulators for reasonable cause at any time.

II. Rationales for the CRA

Congress had specific objectives in mind in enacting the CRA. In addition, economic theory and empirical data undergird the CRA. We review these subjects, as well as criticisms of the Act, in this section.

A. Congressional Objectives

The main author of the CRA, Senator Proxmire, made clear that a principal purpose of the CRA was to "eliminate the practice of redlining by lending institutions."[10] The Senator described redlining as the practice whereby depository institutions would literally or figuratively

---

[9] The law requires that a copy of certain CRA agreements between depository institutions and non-governmental entities be provided to the depository institutions' federal banking regulator(s). Depository institutions are required to report annually any payments, fees or loans made to any party or received from any parties to the agreements; and aggregate data on loans, investments, and services provided by each party in the institutions' communities under the agreements. In addition, any non-governmental party to a covered CRA agreement is also required to report annually on its use of any funds received under the agreement during the preceding 12-month period.

draw a red line on a map around certain geographic areas – based on the racial or ethnic composition of neighborhoods or the age of the housing stock, and often encompassing a large segment of the institution's local area – and then systematically deny credit in those areas, without regard for the creditworthiness of individual credit applicants.[11] In hearings preceding passage of the CRA, statistically-based studies were presented that were intended to demonstrate the existence of redlining, and the failure of the Equal Credit Opportunity Act of 1974 (ECOA) or HMDA to remedy the problem. Proponents of the CRA cited the absence of credit on account of redlining, particularly in inner cities, as an important cause of neighborhood deterioration.

The CRA's remedy was to recognize in a federal statute the continuing obligation on the part of depository institutions to serve the credit needs of their entire communities. This obligation grew out of the depository charter, which requires banks (and thrifts) to serve the "convenience and needs" of the local communities in which they are allowed to do business. Senator Proxmire argued that this public obligation was the *quid pro quo* for the substantial economic benefits conveyed on chartered depositories: a franchise to do business in a geographic area, federal deposit insurance, access to the payments system, and access to low-cost credit through the Federal Reserve Banks or the Federal Home Loan Banks. Prior to the enactment of the CRA, Proxmire argued that regulators considered in their "convenience and needs" analysis only the capital adequacy of the applicant, his or her character and reputation, and whether the proposed service area contained sufficient deposit potential to support another new bank or branch. The Senator pointed out that "the other side of the coin – the credit needs of the locality and the

---

[10] 123 Cong. Rec. 17,604 (1977) (statement of Sen. Proxmire).

[11] Id. at Cong. Rec. 17,630.

applicant's capacity to service these needs – ha[d] been almost ignored by the regulatory agencies" (U.S. Congress, 1977a, p. 1, 9). Accordingly, he noted, the main goal of the CRA was to make it clear that the convenience and needs test already contained in existing law specifically included the credit needs of the entire community in which the institution conducted business.

A main premise of the CRA's approach was that depository institutions were overlooking profitable lending opportunities in their own backyards, in favor of investment in distant money centers or ventures, to the detriment of local housing, small business, and farm credit needs. By giving institutions an incentive to look for lending opportunities in their local market areas, Congress intended the CRA to increase credit access and revitalize inner-city communities that were deteriorating with the movement of investment and development elsewhere. In addition, Congress recognized that the success of federal community development, housing assistance and mortgage insurance programs enacted at the same time as the CRA, as part of the Housing and Community Development Act of 1977, would depend in large part upon the availability of private capital, particularly as made available through local financial institutions. The CRA was designed to strengthen these public economic development efforts by facilitating "efforts between private investments and federal grants and insurance in order to increase the viability of our urban communities" (U.S. Congress, 1977b, p. 92).

The Act does not create quotas or set-asides for LMI borrowers or communities. Instead, it was designed as a way to encourage depository institutions to serve these credit-worthy borrowers, consistent with operating in a safe and sound manner. In fact, as demonstrated in Section III, mortgage lending to LMI borrowers and areas has expanded significantly in recent years while at the same time banking and thrift industries have enjoyed record profitability.

According to the Federal Deposit Insurance Corporation, bank profits hit almost $72 billion in 1999, the eighth consecutive year in which profits have risen. Savings institutions earned almost $11 billion in 1999, the third consecutive year in which that industry's profits have increased.

B. Economic Rationales

In economic terms, the CRA can be understood as a response to what are known as "market failures." Specifically, credit markets can fail to deliver optimal amounts of credit to communities with LMI residents because of externalities associated with such lending and the related problems of arranging entry by competitive lenders (Canner and Passmore 1995). These problems may cause banks and thrift institutions to overlook financially sound lending opportunities. When credit markets fail, banks may act in ways that suggest that they are redlining *even though they may have no discriminatory intent*. Legal intervention, whether in the form of mandates or incentives, can help correct these failures.

Externalities exist when decision-makers do not bear the full costs, nor reap the full benefits, of their actions. There are significant positive externalities, for example, associated with lending in areas where there are frequent numbers of transactions, such as middle-class or relatively affluent neighborhoods. These transactions produce a steady stream of information about market values for other lenders (and appraisers) to consider when making their credit decisions. A larger number of transactions increases confidence in the appraised value of individual properties, and increases the liquidity of other investments in the neighborhood, thus improving the values of properties that serve as collateral for mortgages. This process lowers lenders' transactions costs, thereby lowering the cost of credit for all borrowers in the area.

The reverse is true for neighborhoods where there are relatively few transactions. In particular, to the extent that lenders do conduct appraisals in LMI neighborhoods, these appraisals can be more costly and less accurate because "comparable" transactions and appraisers familiar with such neighborhoods are not available. Loans in these areas are therefore riskier, and lenders will compensate by charging higher rates of interest or requiring larger down payments. The stiffer terms on such loans can cause some borrowers either to borrow less or to drop out of the market altogether. For LMI neighborhoods, the end result can be a downward spiral – less lending, fewer appraisals, even less lending, and so forth – producing an effect that resembles redlining (Lang and Nakamura,1993; Calomiris, Kahn and Longhofer, 1994).

Accordingly, information about profitable lending opportunities to borrowers in LMI areas may not materialize without correcting for market failures. In the absence of the CRA, rather than acquire this information, lenders might make the rational economic choice to overlook potentially profitable transactions in LMI areas – because information about those transactions is what economists term a *public good* (Gruben et al. 1990). The public nature of the information necessary to assess the credit-worthiness of borrowers in LMI areas means that lenders will not be fully compensated for discovering the information on their own. As a result, they will under-invest in acquiring it and thus lend too little, from society's point of view.

A related impediment to lending in LMI neighborhoods arises from informational externalities borne by each individual lender when that lender considers entering a new or previously underserved market. If any one bank believes that other banks are unwilling to lend in a particular area, that bank may be unwilling to be the first institution to act. Market values in the area are likely to be perceived as more volatile than market values in areas that lenders habitually serve. In more volatile markets, in the absence of entry by a rival lender, a bank may choose to delay lending until market values increase by an amount sufficient to compensate for the perceived risk. Lender expectations of this sort can cause a potentially viable market to suffocate from lack of credit. In the process, borrowers who may otherwise be credit-worthy will be denied credit because of the absence of entry by competitive lenders (Hylton and Rougeau, 1996; Litan and Rauch, 1997).

Banks may not delay their entry into these markets, however, if each knows that the others are also committed to finding profitable transactions in the affected area. In this instance, deserving borrowers who might otherwise be denied credit will be able to obtain it. Therefore, the CRA can be understood as a vehicle for facilitating coordination and for assuring banks that they will not be the lone participants in thinly-traded markets. Furthermore, to the extent that lending institutions respond to the Act and its regulations by increasing their lending to areas and borrowers that they would otherwise overlook¸ the Act can produce positive information externalities and allow all lenders – both those covered by the CRA and those not covered by the CRA – to better assess and price for risk.

Developments since the CRA was enacted have proven consistent with these theoretical propositions. Depository institutions have entered into loan pooling arrangements and cooperated with community groups, both to expand lending and to reduce informational costs that once may have inhibited lending to particular neighborhoods. For example, by partnering with neighborhood groups or community development corporations, lending institutions can gain access to private information about borrowers in the area, as well as learn techniques for interpreting that information. A local community group, for example, may be able to provide more detailed information about specific blocks and changing neighborhood boundaries, or may be able to assist in the screening of applicants. Lenders' experiences with these entities have often been positive and allowed them to share the costs of low-income lending.[12] Lending consortiums, through which lenders share information about neighborhoods, also can reduce the high start-up costs of lending in new markets. In some cases, lenders make equity investments in other lenders, such as CDFIs, that are familiar with the unique characteristics of low-income neighborhoods.

The accessibility of banks and thrifts to their local communities is also affected by pragmatic factors that can unintentionally become "process barriers" that impede efficient capital flows into those communities. The specialized knowledge often needed to operate in LMI and minority environments may pose barriers to entry, and thus reduce competition, in these markets. For example, many larger banks expect small business loan applicants to present sophisticated financial projections to accompany their loan requests, and to have existing relationships with accountants, lawyers, and relevant business advisors who are known to the bank. The formality of many bank offices, the different cultural background of the lending staff, and the "downtown" location of many banks' lending decision-makers, especially in former unit-banking states, all

[12] For example, the Delaware Valley Mortgage Plan (DVMP) offers loans to qualified low-income borrowers through a consortium of depository institutions in Philadelphia that has led to relatively strong lending in many diverse neighborhoods. The fact that all participating lenders must commit to acquiring more information about specific blocks on which properties are located and to look thoroughly for mitigating factors when a borrower's credit records are not spotless, among other factors, helps explain the plan's success. However, since the additional information and committee work involved in the DVMP are not without cost, competitive pressures might erode lenders' willingness to participate in such plans independently. By requiring mortgage lenders to take positive steps to support community borrowing, statutory

raise hurdles for borrowers from LMI and minority backgrounds and bank lending officers alike. The CRA motivates financial institutions to examine, and overcome, these barriers that create unintended, but real, impediments to the flow of capital to LMI borrowers and areas.

Similarly, when an institution's lending staff is less familiar with the types of loans sought by certain local borrowers, capital may not flow to them, even if they are credit worthy. For example, effective small business lenders develop experience in evaluating applications from different industries and administering different loan structures. Skilled lenders to local non-profit organizations learn the conventions of non-profit accounting and the mechanics of non-profit funding and contract sources. A bank's lack of such experience and its unfamiliarity with available credit enhancement programs, such as those sponsored by the Small Business Administration, HUD, USDA and the three major housing GSEs (Fannie Mae, Freddie Mac, and the Federal Home Loan Bank System), can limit its ability to serve creditworthy LMI and minority borrowers. . In the absence of the CRA, it is possible that depository institutions would not be as aggressive in learning about and taking advantage of these programs that can benefit the borrowers for whom the CRA was designed. The Act may indirectly encourage depository institutions to hire and train lending officers who have experience in, and can relate to and understand, the economic circumstances of LMI borrowers wherever they live, as well as to offer retail facilities that encourage rather than deter such borrowers from dealing with the institutions, and such lending officers may improve lending delivery (see, e.g., Kim and Squires, 1995).

---

requirements like those under the CRA can facilitate the creation and continuation of coordinated efforts like the DVMP (Nakamura, 1993).

In short, the CRA can jump-start healthy market forces to help ensure an efficient flow of funds to LMI borrowers and areas. Without the CRA, a bank or thrift may miss profitable lending opportunities. Or, put differently, the CRA can be understood as an action-forcing device, much like some environmental regulations, that can stimulate private actors to act in ways that benefit themselves and society as a whole at the same time.

When CRA was enacted in 1977, depository institutions conducted their business in relatively confined local areas, both because statutes and regulations severely restricted their ability to do otherwise, and because capital markets and technology constrained all but the largest of institutions from accessing global sources of capital or lending to far-flung markets. Over time, most of these legal restrictions on bank and thrift activity have been eliminated or eased, and charters that are truly national in scope have become commonplace. In today's global marketplace, financial institutions have a wide variety of funding sources, including raising deposits far from their main offices. With advances in technology and financial innovation, institutions also have a wide range of options for lending and investing their funds, from global loan syndications to credit-scored small business and home mortgage loans on a national basis. In this context, a financial institution's efforts to help meet the credit needs of its "entire community" will require increased flexibility and innovation.

C. Critiques of the CRA

Critics have challenged the CRA on three broad grounds. First, it is claimed that credit markets are too competitive to allow discrimination to flourish enough to choke off credit to inner-city minority communities (Hylton and Rougeau, 1996). Second, some have argued that the CRA is an improper remedy for discrimination and not the most efficient policy to achieve its intended goals (Bentson, 1997; Gruben et al., 1990; Lacker, 1995). Third, it has been asserted that whatever credit market failures may have existed in the past have since been corrected (Gunther et al., 1999).[13]

The most important response to these critiques is that CRA is not primarily aimed at racial discrimination. Rather, CRA is designed to encourage financial institutions to help meet the credit needs of their entire communities, including LMI borrowers and areas, consistent with safe and sound banking practices. As discussed more fully above, there are a variety of market failures that may affect LMI areas and borrowers in addition to the potential for intentional or "statistical" discrimination. Nonetheless, we address each criticism in turn.

1. Discrimination in Mortgage Lending

The first challenge to the CRA rests on the claim that credit markets are too competitive to allow for market failures based on prejudice, or so-called "taste-based" discrimination. On this view, if some actors engage in such behavior**,** others will be able to profit by exploiting market opportunities that discriminators create. Therefore, lenders who deny access to credit-worthy borrowers because of their race or ethnicity will lose out to others whose business practices are not based on prejudice. This line of argument thus rules out the possibility that discrimination can materially alter credit flows to low-income areas (Hylton and Rougeau, 1996).

Among other problems, the claim that competitive markets will wash away any taste-based discrimination ignores the fact that discrimination against minority loan applicants instead may

[13] Lacker (1995) has also challenged CRA on the grounds that failures caused by information externalities and collective action problems in LMI areas have not been proven and there is no

be “statistical” in nature, and thus fully consistent with profit-maximizing behavior of individual lenders. Statistical discrimination occurs when a lender finds it less costly to use the characteristics of an applicant’s *group* to estimate the individual applicant’s creditworthiness rather than the *applicant’s own past history* (Ladd, 1998). For example, if a lender finds (or believes) that race is a reliable proxy for factors that it cannot easily observe to assess credit risk, the lender may find it cheaper to discriminate against individuals of certain races than to determine creditworthiness on an individual basis. Engaging in this practice – that is, differentiating among applicants on the basis of their membership in a racial or ethnic group – is illegal. In essence, the law requires that lenders make decisions about mortgage loans as if they had no information about the applicant’s race, regardless of whether race is or is not a good proxy for risk factors not easily observed by the lender (Ladd, 1998).

Findings of the presence or absence of discrimination remain contested and controversial. Becker (1993) asserted that it is possible to test for the presence of taste-based discrimination by examining the profitability of an individual lender’s loans by race. According to Becker, lenders practicing this form of discrimination should have higher rates of profit on minority loans because they will not accept marginal minority applicants but will accept marginal whites. Consequently, higher default rates on white loans should make these loans less profitable as a whole than loans to minorities, assuming that white borrowers are not charged a higher interest rate to offset their greater marginal risk. Studies have not been able to apply Becker's test directly, however, because the information on the many factors that affect the profitability of a subset of loans is proprietary and difficult to collect (Lacour-Little 1999).

---

theoretical reason why these problems should affect affluent areas any less than LMI areas.

There is evidence, however, that banks that make loans to African-American applicants and in distressed areas are as profitable as other banks that do little or no such lending (Board of Governers of the Federal Reserve System, 1993; Canner and Passmore, 1995; Canner and Passmore, 1997). These studies do not constitute adequate tests of Becker's hypothesis, however, because they examine the *profitability of banks* that focus on lending to LMI borrowers and areas rather than on the *profitability of such lending*. Studies at the bank level thus do not allow one to determine whether loans to LMI borrowers and areas are more or less profitable than other loans. Moreover, these studies may simply reflect the effectiveness of the CRA in encouraging depositories to lend to LMI borrowers and areas. They do not disprove the possibility that other institutions that are not so heavily engaged in lending to minorities or to distressed areas are either intentionally discriminating or practicing statistical discrimination.

Discrimination may also show up in higher rejection rates for minorities than for whites. In a market where mortgage credit is mostly offered at a single price to qualifying borrowers with solid credit histories, the primary credit allocating mechanism is underwriting rather than loan pricing for most applicants. As a result, discrimination may take the form of the rejection of "borderline applicants," or those whose credit files require lending officers to exercise considerable discretion in whether to grant the loan. There is evidence suggesting that borderline applicants make up a large percentage of the mortgage lending market, leaving much potential room for discrimination of a statistical or taste-based kind to flourish (Ladd, 1998; Hylton and Rougeau, 1996; Munnell, et al.,1996).

Although mortgage rejection rates were being studied as early as the late 1970s, by far the most influential studies were those conducted by the Federal Reserve Bank of Boston in the early

1990s (Munnell et al., 1992; Munnell, et al., 1996). These studies ushered in a series of mortgage rejection rate analyses, and also sparked a debate over the appropriateness of using mortgage rejection models to detect discrimination that continues to this day. The Boston Fed's researchers examined thousands of loan application files in the Boston area in 1990 and concluded that race did indeed play an important, independent role in causing rejection rates for African-American applicants to be higher than for white applicants, even after including controls aimed at assessing the risk of the individual applicant. The researchers further concluded that white applicants may enjoy a general presumption of creditworthiness that African-American and Hispanic applicants do not, and that this discrepancy may surface especially in the case of borderline loan applications.

The initial Boston Fed study was subsequently criticized for containing data errors that, when corrected, purportedly reversed its findings (see Horne, 1997). The study has also been faulted on methodological grounds and for failing to take into account variations in the treatment of credit histories of applicants by different institutions at the time that the Boston lenders were surveyed (prior to the widespread use of credit scoring).[14] Other analysts strongly disagree and maintain that the results stand up to further scrutiny.[15] Lacker (1995) perhaps summed up the state of affairs best when he wrote: "A skeptic with a strong prior belief in the ability of market forces to restrain unprofitable discrimination could easily remain unconvinced by the Boston Fed study. On the other hand, critics with a strong prior belief in the prevalence of discrimination

---

[14] See, for example, Yezer (1995) and reviews of critiques in LaCour-Little (1999) and Ross and Yinger (1999).

[15] See Carr and Megbolugbe (1993); Ladd (1998); Tootel (1996); Yinger (1998); Ross and Yinger (1999).

will find striking confirmation in the Boston Fed study. Between these extremes lies a range of reasonable assessments."

A recent Urban Institute study that is based on more direct tests of lenders using matched pairs of mortgage applicants – with common characteristics except for their race – has found the continuing presence of discrimination among some lenders in some cities. As the authors conclude: "Minorities were less likely to receive information about loan products, they received less time and information from loan officers, and they were quoted higher interest rates in most of the cities where tests were conducted" (Smith and Delair, 1999).[16]

In sum, while the statistical evidence regarding the presence of mortgage lending discrimination remains contested, the most recent matched-pair evidence suggests that such discrimination exists and remains a problem that markets alone (even with the help of the CRA) have failed to correct fully (see also the discussion in Section VI). In any event, the claim that competitive markets will eliminate taste-based discrimination does not directly address either of the two economic rationales for the CRA, namely that the Act is a way of addressing the informational externalities associated with the infrequency and small numbers of transactions in low income neighborhoods, as well as the rational reluctance of competitive lenders to enter such markets in the absence of some type of coordination. Lenders therefore may be taking full advantage of any void left in the marketplace due to the presence of prejudiced lenders and still not provide, in the aggregate, an optimal amount of credit to LMI areas and borrowers.

2. CRA as a Remedy

A second argument made against the CRA asserts that even if some lenders are improperly discriminating, the proper solution is to apply and enforce existing laws prohibiting this sort of behavior. For example, Bentson (1999) has argued that the laws prohibiting both taste-based and statistical discrimination, and their enforcement by the banking regulators and the Department of Justice, are sufficient to address any discrimination that may be occurring. Moreover, he notes that, based on the disposition of lending discrimination complaints, evidence of widespread discrimination is lacking.[17]

The relatively low number of fair lending complaints that are litigated does not mean that discrimination is absent. Victims of statistical discrimination, in particular, may not know of their predicament or believe that legal redress would help them. In addition, even if the fair lending laws were effectively deterring discrimination, it is important to recognize that discrimination is not the only problem that the CRA helps to address. As just explained, lenders may not be engaging in such practices but still behave in a fashion that provides too little credit to low income neighborhoods because of failures in the way credit markets operate.

Lacker (1995) advances a different criticism of the Act: that it is an inefficient means for redistributing wealth, if that is seen as its purpose. He argues that it is more efficient to provide direct subsidies of loans to low-income borrowers and to deliver this subsidy through specialized institutions (such as non-profit community groups) rather than through all banks. Those who

---

[16] See also Smith and Cloud, 1996.
[17] Benston noted that of the more than 2,000 fair lending complaints received by HUD under the Fair Housing Act and other civil rights laws from 1989 through 1995, in only one percent of the

claim that the CRA represents a distortionary burden on financial institutions have reached the same conclusions, namely that it is better to pursue redistributionist goals with direct subsidies.

It is important to keep in mind, however, that the CRA was not intended to be a device for redistributing income or wealth. Instead, the Act was aimed at ensuring that the credit needs of the entire community were met, in a manner consistent with safe and sound lending practices. In particular, to the extent that the CRA addresses the informational externalities and entry delay by competitive lenders inherent in lending to LMI neighborhoods and residents, it represents a method for helping the market to become more *efficient*.

Finally, the claim that direct subsidies delivered through specialized lenders would be more effective in addressing the market failures the CRA is intended to correct does not undermine the case for the CRA. To be sure, there is a role for specialized lenders, which the federal government, states and the private sector have recognized in supporting CDFIs and similar institutions. However, there is no evidence that CDFIs alone could correct all of the market failures in all locations throughout the United States. The CRA correctly assumes that the existing delivery structure for financial services – banks and savings and loans whose deposits are federally insured – are in a strong position to address credit market imperfections. These institutions are in place throughout the country and well equipped to correct market failures, once prompted to do so. Many banks and thrifts have developed specialized expertise in increasing access to financial services for LMI individuals and neighborhoods.

---

cases (23) did HUD find that lenders discriminated, and HUD referred less than half of those cases (9) to the Justice Department to file suit.

3. Market Forces

A final criticism of the CRA is premised on the belief that changes in the industry since the Act was passed have eliminated the need for its continuation. For example, Gunther and his colleagues contend that competition for LMI business has increased as federal restrictions on the geographic scope of banks' activities have been relaxed, while mortgage companies have increased their lending to LMI borrowers and areas (Gunther, et al., 1999). Others have argued that information technology makes it easier for out-of-market lenders to reduce the uncertainties inherent in assessing borrower creditworthiness and property values, which again leads to greater competition in all markets. In turn, the positive effects of increased competition and lower information costs arguably have reduced coordination problems in the markets that the CRA was designed to address.

These claims, however, are not supported by careful econometric modeling of the full set of factors, including the CRA, that may have led to increased mortgage lending to LMI borrowers and areas. As discussed more fully below, there are many reasons why lending to these areas may be on the rise, including the effect that the CRA has had on lending in LMI areas. While it is probable that the factors cited by Gunther and his colleague, indeed, have helped reduce market failures, it does not necessarily follow that these imperfections have been eliminated, or that with changes in the marketplace such failures could not recur in the absence of the CRA.

III. The Baseline and Trends in Lending to LMI Borrowers and Areas

As described in Section I, over time banking regulators have increasingly focused on performance-based measures in CRA examinations. With changes in data reporting requirements under CRA and HMDA, it is now possible to develop both trends for 1993-98 and a baseline of lending performance for 1998 (the most recent year available) that covers residential, small business, small farm, and community development lending.[18] In addition, studies on the provision of banking services conducted by the Federal Reserve allow review of the trends in branching between 1985 to 1995, and the Survey of Consumer Finance provides information on the proportion of "unbanked" families in 1992, 1995 and 1998, rounding out available data on financial services provided by depository institutions.

The following discussion tracks trends in lending to LMI borrowers and to residents and borrowers in LMI areas – the underserved borrowers that the CRA is primarily aimed at assuring have access to credit. In some cases, loan volume is expressed in number of loans rather than dollar amount for reasons of comparability to the rest of the mortgage market, since loans to LMI areas and borrowers tend to be smaller than loans to the rest of the credit market. This section serves two purposes: identifying trends to assess the impact of the CRA on lending patterns; and presenting information on lending in 1998 as a baseline for future studies of the impact of the FMA on lending to LMI borrowers and areas as intended by the CRA.

A. Residential Mortgage Lending to LMI Borrowers and Areas

The mortgage lending trends for number of loans presented here cover loan originations of $15,000 or greater for the purchase or refinance of single-family (one-to-four-unit) properties, as reported under HMDA. When loan volumes are used, an expanded set of loans are reported on,

[18] Although small farm lending data have been available since 1996, they are not included under the discussion of trends or included in the 1998 baseline. The Federal Reserve estimates that

including loans of less than $15,000, loans where an MSA code is not reported, and loans missing race or income of the borrowers but made in an LMI area. In addition, the data include information only on the 683 counties that were part of the 305 largest MSAs in both 1993 and 1998. These areas, however, account for roughly 97 percent of the U.S. metropolitan area population and 77 percent of the total U.S. population.[19]

There are two principal reasons to focus on single-family originations. First, single-family mortgage loans are the dominant form of credit flowing into LMI areas and to LMI borrowers that is examined under the CRA. Second, of the three tests that comprise the CRA examination for large banks and thrifts since 1995, the lending test accounts for 50 percent of the composite score, compared to 25 percent each for the investment and services tests. Because mortgages account for most of the lending to LMI areas, they are highly relevant in evaluating the CRA performance of the vast majority of banks and thrifts. Under the lending test, the regulations explicitly mention the proportion, dispersion, and number of loans made to various income groups as central to the grade earned on the lending test. It is for this reason, as well as the fact that the quantitative studies of CRA lending impacts in the 1990s rest on such numbers and proportions, that they are the focus of this baseline.

The trends presented here cover the period beginning in 1993 and ending in 1998, the latest year for which detailed mortgage data were available. Importantly, the refinances of mortgage loans were unusually high in both 1993 and 1998, accounting for 66 percent and 59 percent of all mortgage loan originations in these two years, respectively, according to Freddie Mac's *Primary*

---

only about one-fifth of all small-farm lending is covered; thus, the data are too limited to use.

[19] See Appendix B for a detailed discussion of the data used in this report.

Mortgage Market Survey. In none of the intervening years did refinances account for more than 31 percent of mortgage loan originations. As a result, comparing total mortgage originations (for refinances *and* home purchase) in 1993 and 1998 is more appropriate than comparing 1993 to either 1997 or 1999, years in which refinancing volumes were low.

Moreover, it is noteworthy that although the refinance boom was smaller in 1998 than 1993, the share of refinancing also shifted towards LMI borrowers and areas. Lending to LMI borrowers and areas for both home purchase and refinance was up in 1998 over 1993. Comparing the two years therefore shows the trends in both home purchase and refinance loans in the years leading up to the passage of the FMA.

In sum, the 1993 to 1998 period is highly appropriate for examining the CRA's influence on mortgage lending behavior. These years span a period in which HMDA expanded its coverage of institutions originating mortgages and, as will be shown in this section, gains in lending to LMI borrowers and areas were substantial. The influence of the CRA on bank behavior arguably was important during this period because of increased merger activity, public release of CRA grades, and heightened attention from regulators.

There are several other reasons that 1993 was selected as the base year and that the 1993-98 period as a whole is highlighted:

- 1993 was the first year that independent mortgage and finance companies originating 100 or more loans were required to report under HMDA. Analyzing lending patterns before 1993, therefore, would not allow the share of loans to LMI borrowers and areas originated by CRA-regulated institutions to be compared to loans originated by institutions not covered by the CRA, including independent mortgage and finance companies.

- The 1993-98 period represents one stage of the economic cycle, in which the US economy was in the midst of a full recovery and mortgage interest rates fell and stabilized.

- The pace of interstate merger and acquisition activity accelerated after the Riegle-Neal Interstate Branching and Efficiency Act of 1994. Other factors being equal, because poor CRA performance can be grounds for rejecting applications to acquire banks and thrifts, the teeth inherent in the law arguably had much greater potential bite during the 1993-1998 period than during other times in the CRA's history.

- It was not until 1990 that the income of loan applicants and borrowers was disclosed under HMDA. Thus, it was not possible until the 1990s to decompose lending to LMI areas into loans to borrowers with different incomes or to identify lending to LMI borrowers in MHI census tracts.

- Changes in census tract definitions, changes in classifications of tracts by income between the 1980 and 1990 censuses, and limited reporting of information on borrower characteristics in the 1980s, render it difficult to compare more recent with earlier data and restrict the topics that can be examined.

- Affordable and underserved areas goals for Fannie Mae and Freddie Mac were mandated by Congress, FHA instituted reforms to increase access for LMI borrowers, and private mortgage insurance companies, primary lenders and the secondary market developed new products.

The same factors that make 1993 to 1998 such an unusually rich period for examining the potential impact of the CRA on mortgage lending, however, also make it a difficult period to use for extrapolating trends out into the future. These years span a period of economic expansion only, and so do not represent average conditions in mortgage markets across the business cycle.

Additionally, to the extent that economic, industry, and legal changes over the period did lead to unusually rapid gains in lending to LMI borrowers and areas, such rapid gains may not be sustainable indefinitely.

1. The National Trends In Mortgage Lending to LMI Borrowers and Areas

Banks and thrifts are evaluated in part on the number and share of mortgage loans made within their assessment area to LMI borrowers, wherever they may reside, and to all borrowers residing in LMI areas. For the purposes of evaluating the influence of the CRA on mortgage lending, it is useful to distinguish among four different types of borrowers:

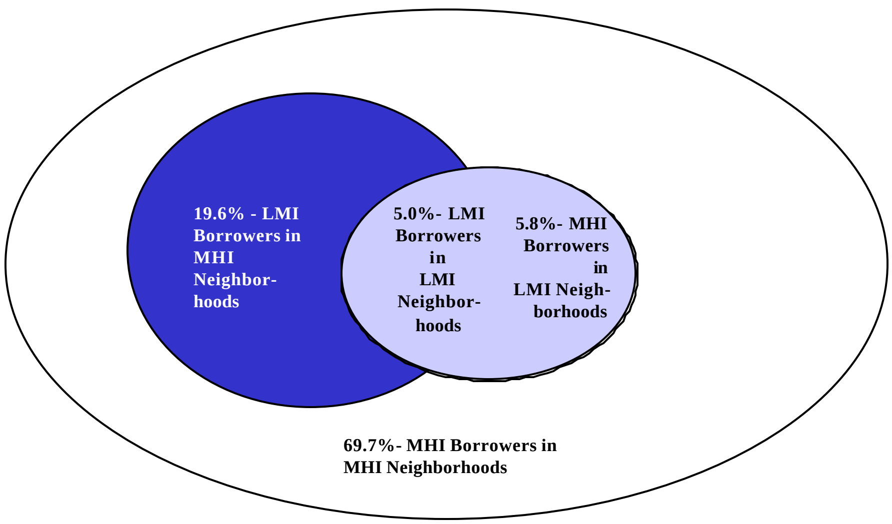
- LMI borrowers in LMI neighborhoods;
- LMI borrowers in middle and upper-income neighborhoods;
- Middle and higher-income (MHI) borrowers in LMI neighborhoods; and
- MHI borrowers in MHI neighborhoods.

Loans to the first two categories of borrowers comprise loans to LMI borrowers and loans to the first and third categories comprise loans to LMI areas. Loans to any of the first three categories of borrowers are referred to in this report as “loans to LMI borrowers and areas.” Loans to the fourth category are referred to instead as “other” loans.

Close examination of home mortgage data reveals that only one quarter of LMI borrowers purchase or refinance homes in LMI areas (Chart 1). Fully three-quarters of LMI borrowers purchase or refinance loans in MHI areas. Moreover, more than half of the originations in LMI areas go to MHI borrowers. Consequently, any analysis focusing exclusively on LMI neighborhoods would miss most loans to LMI borrowers. By the same token, any analysis restricted to LMI borrowers would miss over half of the borrowers in LMI neighborhoods.

Our findings in this sub-section and in subsequent sub-sections on mortgage lending patterns are based on the HMDA, which have a number of well-known limitations that are described in detail in Appendix B. Nonetheless, the HMDA reports provide the most exhaustive data available for determining what is taking place in the mortgage market, especially with respect to LMI borrowers and areas. In addition, the HMDA reporting system accurately counts the number and dollar volume of loans originated by the financial institutions covered by the CRA and their affiliates.

Chart 1: Loans to LMI Borrowers and Loans for Properties in LMI Neighborhoods



Source: Joint Center for Housing Studies of Harvard University, Tabulations of Housing Borrower Database

Lending to LMI borrowers grew substantially between 1993 and 1998 (Table 1). Lending to LMI borrowers in LMI areas in particular doubled from nearly $14 billion to $28 billion, and to LMI borrowers in MHI areas, grew from $77 billion to $133 billion. Over the entire 1993-98 period, a total of $557 billion in mortgage credit flowed to LMI borrowers. Meanwhile, mortgage lending to MHI borrowers residing in LMI neighborhoods grew from $36 billion in 1993 to $50 billion in 1998, and totaled $189 billion over the 1993-98 period. Total mortgage lending to LMI borrowers and areas grew from $134 billion in 1993 to $223 billion in 1998 and totaled $784 billion over the entire period.

Table 1: Mortgage Lending by all Lenders, by Borrower Group, 1993-98 in Billions of Current Dollars							
Current Dollars	*1993*	*1994*	*1995*	*1996*	*1997*	*1998*	***1993-1998***
LMI borrowers in LMI neighborhoods	13.8	12.9	11.6	15.7	18.5	28.1	**100.7**
LMI borrowers in MHI neighborhoods	76.9	60.2	46.1	65.4	74.1	133.3	**456.1**
MHI borrowers in LMI neighborhoods	36.2	24.3	21.3	26.7	30.6	49.5	**188.7**
LMI loans (borrower or neighborhood income known, but not both)	7.3	4.6	3.7	5.0	6.0	12.2	**38.9**
All Lending to LMI borrowers and areas	**134.2**	**102.0**	**82.8**	**112.9**	**129.3**	**223.2**	**784.3**
MHI borrowers in MHI neighborhoods	638.2	382.8	320.0	409.5	461.9	829.3	**3041.9**
MHI or other loans (unknown borrower and/or neighborhood income)	178.8	120.0	103.2	110.5	123.8	242.5	**878.8**
All Lending	**951.2**	**604.7**	**506.1**	**632.9**	**715**	**1,295.1**	**4,705.0**

Source: Joint Center for Housing Studies of Harvard University, Tabulations of Housing Borrower Database

Mortgage lending to LMI borrowers and areas by financial institutions covered by the CRA and their affiliates grew significantly over the 1993-98 period (Table 2). Total mortgage lending to LMI borrowers and areas by these institutions increased from $75 billion in 1993 to $135 billion in 1998, and totaled $467 billion over the period – 60 percent of all mortgage lending to these borrowers and areas. The majority of the increase of $60 billion in lending to LMI borrowers and areas between 1993 and 1998 was from lending to LMI borrowers in MHI areas, which grew $37 billion over this period. Lending to LMI borrowers in LMI areas was up $7.5 billion, and lending to MHI borrowers in LMI areas was up $11.4 billion. All told, over the entire 1993-98 period, financial institutions covered by the CRA and their affiliates loaned $57 billion to LMI borrowers in LMI areas, $278 billion to LMI borrowers in other areas, and $114 billion to MHI borrowers in LMI areas.

Table 2: Mortgage Lending by CRA Lenders and Their Affiliates, by Borrower Group, 1993-98

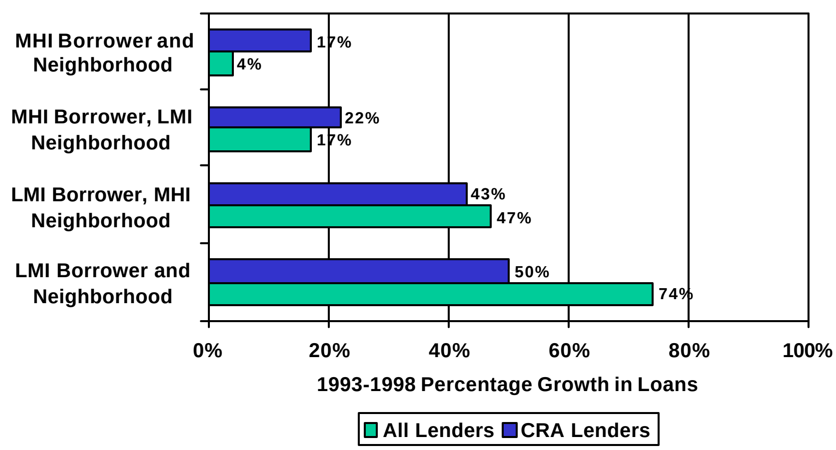
(In Billions of Current Dollars)

Current Dollars	*1993*	*1994*	*1995*	*1996*	*1997*	*1998*	***1993-1998***
LMI borrowers in LMI neighborhoods	8.1	7.6	6.9	9.0	9.9	15.6	**57.2**
LMI borrowers in MHI neighborhoods	44.9	35.0	29.2	41.4	45.4	81.6	**277.5**
MHI borrowers in LMI neighborhoods	19.8	14.5	13.0	16.7	18.7	31.2	**113.8**
LMI loans (borrower or neighborhood income known, but not both)	2.5	1.9	1.8	2.6	3.2	6.6	**18.6**
All Lending to LMI borrowers and areas	**75.2**	**59.0**	**50.9**	**69.7**	**77.2**	**135.0**	**467.1**
MHI borrowers in MHI neighborhoods	369.8	242.0	220.4	291.1	327.0	587.5	**2,037.8**
MHI or other loans (unknown borrower and/or neighborhood income)	115.1	83.5	75.4	72.7	79.7	157.0	**583.4**
All Loans	**560.1**	**384.4**	**346.8**	**433.5**	**483.9**	**879.5**	**3,088.2**

Source: Joint Center for Housing Studies of Harvard University, Tabulations of Housing Borrower Database

Gains in the number of originations to LMI borrowers and areas in 1998 compared with 1993 were dramatic and much greater than for other originations (Chart 2). Strikingly, mortgage lending by all institutions to LMI borrowers residing in LMI census tracts increased almost *19* *times faster* than loans to MHI borrowers in MHI neighborhoods: 74 percent versus just 4 percent. CRA-covered lenders and their affiliates increased their lending to LMI borrowers in LMI areas by 50 percent, and to LMI borrowers and areas overall by 39 percent. In comparison, these lenders increased their lending to MHI borrowers in MHI areas by only 17 percent over this period. Moreover, it is noteworthy that although the 1993 and 1998 data shown in Table 2 reflect unusually high levels of refinances in these years, mortgage lending to LMI borrowers and areas still grew in all three borrower categories between 1994 and 1997.

Chart 2: Loans to LMI Borrowers and Areas Grew Faster Than Loans to MHI Borrowers and Areas



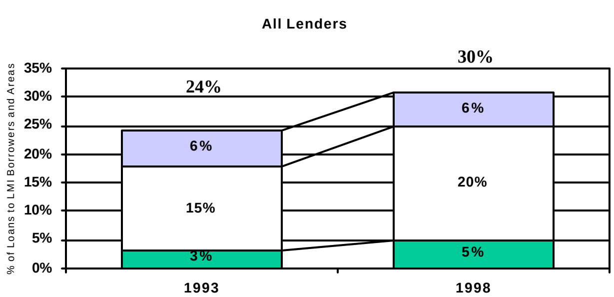
Source: Joint Center for Housing Studies of Harvard University, Tabulations of Housing Borrower Database

Because lending to LMI borrowers in LMI areas started from a much smaller base in 1993 than lending to other borrowers, rapid growth in these loans during the period produced less dramatic, though still significant, shifts in the overall composition of loan originations (Chart 3). For example, although originations to LMI borrowers in LMI neighborhoods grew by an astonishing 74 percent, these originations increased their share of all originations from just 3 percent in 1993 to 5 percent in 1998. Among CRA-covered lenders and affiliates, 50 percent growth in such loans led to an increase in share of originations from 3 percent to 4 percent.

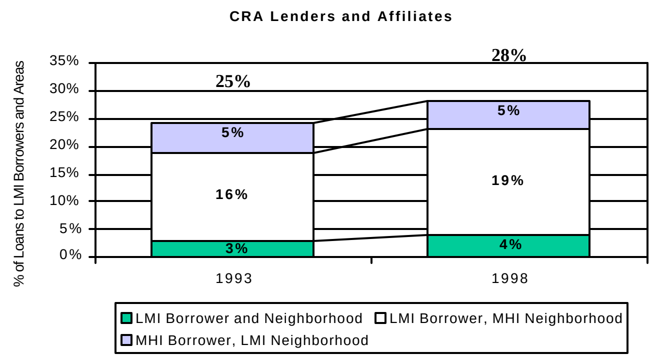
By 1998, mortgage originations to LMI borrowers and areas as a share of all originations had reached 30 percent, up from 24 percent in 1993. While the share of originations to LMI borrowers in both LMI neighborhoods and MHI neighborhoods grew, the share to MHI borrowers in LMI areas remained flat.

Among CRA lenders and their affiliates, originations to LMI borrowers and areas grew as a share of total originations from 25 percent in 1993 to 28 percent in 1998. As with lending to LMI borrowers and areas among all lenders, such lending by CRA-covered lenders and their affiliates, on an origination share basis, was up more strongly for LMI borrowers residing anywhere than for MHI borrowers in LMI areas (Chart 3). Some of these gains may be attributable to depository institution acquisitions of independent mortgage and finance companies over the period, to increased activity by affiliates, and to increased activity by the primary institution, or a combination of these factors.

Chart 3: Loans to LMI Borrowers in MHI Neighborhoods Drove Most of the Growth in Overall



Lending to LMI Borrowers and Areas, 1993-98

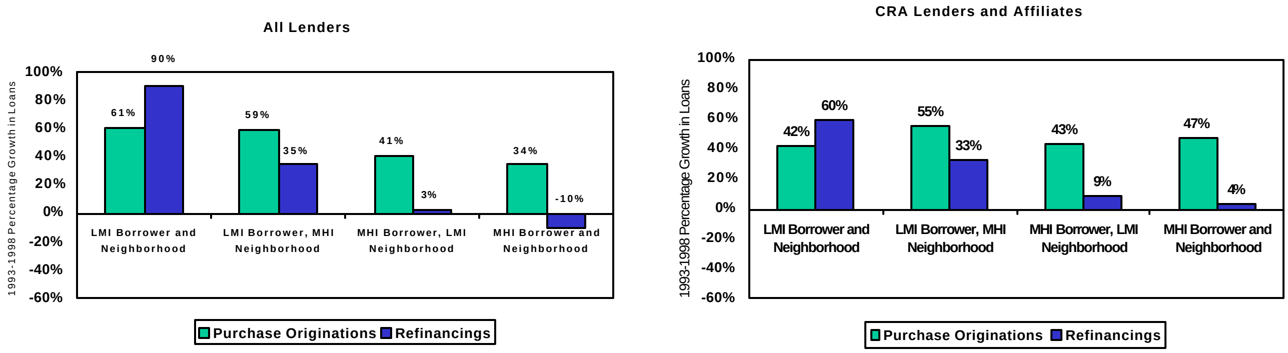


Source: Joint Center for Housing Studies of Harvard University, Tabulations of Housing Borrower Database

While the growth in the share of originations to LMI borrowers and areas among CRA-covered institutions between 1993 and 1998 was accompanied by growth in such lending by non-covered institutions, this development is driven by the evolution of two very different product markets over the same time period. As discussed below in Section IV, fully 85 percent of the growth in lending to LMI borrowers and areas among lenders not covered by the Act has been due to the expanding activities of lenders specializing in "subprime loans" – those to borrowers with impaired or limited credit histories – and in loans collateralized by manufactured homes. Institutions covered by the CRA, on the other hand, have continued to focus on prime lending. As Section IV documents, comparing "apples to apples" – prime lending among CRA-covered institutions and prime lending among non-covered institutions – suggests that CRA-covered lenders have been the market leaders in originating prime mortgage loans to LMI borrowers and areas. Moreover, CRA-covered institutions – most of whom are prime lenders – remain the dominant market players overall in serving LMI borrowers and areas.

Focusing on loan purposes, the pattern of growth rates for both home purchase and refinance loans are similar across loans grouped by income of the area and borrower (Chart 4). Growth rates are consistently highest for LMI borrowers in LMI areas, next highest for LMI borrowers in MHI areas, and lowest for MHI borrowers in MHI areas. This holds both for all lenders, and for CRA lenders and their affiliates. One noteworthy difference is that, although the number of refinance loans by all lenders to the core MHI market was down 10 percent over the 1993-98 period, refinances to LMI borrowers in LMI areas were up by 90 percent. Among CRA lenders and their affiliates, refinances were up among all types of borrowers, but up most strongly for LMI borrowers (especially in LMI areas, at 60 percent). Notably, for institutions not covered by the CRA, 63 percent of their growth in home mortgage lending to LMI borrowers and areas from 1993 to 1998 was attributable to refinances.

Chart 4: Loans to LMI Borrowers and Areas Increased for All Neighborhood Types And Loan Purposes, 1993-98



Source: Joint Center for Housing Studies of Harvard University, Tabulations of Housing Borrower Database

The drivers of the demand for loans to refinance a home are different from the drivers of demand for home purchases. Refinances are mostly driven by changes in interest rates or the desire to cash out on home equity, while home purchase originations reflect first time and repeat homebuyer demand. Therefore, it is likely that different factors drove the increases in each type of borrowing over the period, and detailed studies of these increases would demand treating these two forms of borrowing separately. Still, the patterns are similar for these two forms of lending across the trends discussed in this report.

2. National Trends in CRA Lending to Minorities[20]

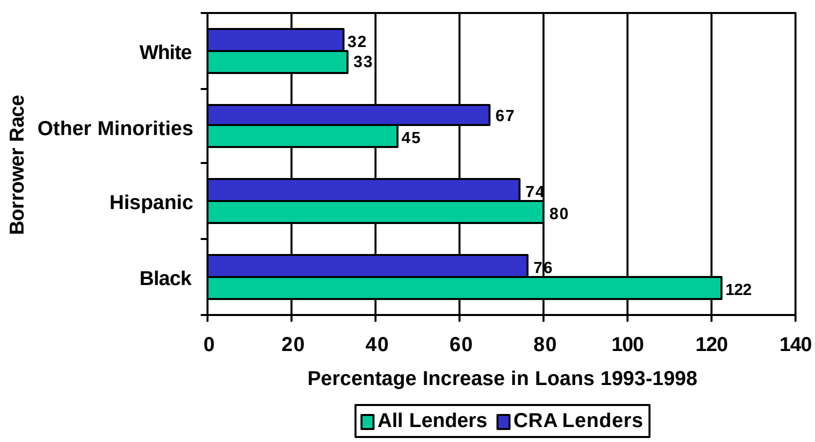
---

[20] Among the minority groups discussed here is "Hispanic." Though Hispanics can be of any race, in recording borrower data under HMDA, mortgage lenders check a box under a combined race/ethnicity question. Under this question, Hispanic ethnicity and race are mutually exclusive; for instance, a respondent classifying herself as African-American-Hispanic could be recorded as either African-American or Hispanic, but not both.

Although the CRA does not focus on race, one rationale for the passage of the CRA was the concern that race may have underpinned decisions to redline. Evidence of discriminatory or other illegal credit practices adversely affects the regulators' evaluation of a bank's performance.[21] Moreover, research in this area to date has largely focused on discrimination. Accordingly, it is of interest to know how minorities have fared recently in their attempts to obtain mortgage credit.

From 1993 to 1998, loans to minority LMI borrowers or located in an LMI area grew much faster than such loans to white borrowers (Chart 5). In fact, the percentage increase during this period for these African-American borrowers was four times greater than for similar white borrowers, and more than twice as great, considering only CRA lenders and their affiliates.

Chart 5: LMI Borrower/Area Lending to Minorities Grew Much Faster than LMI Borrower/Area Lending to Whites, 1993-98



Source: Joint Center for Housing Studies of Harvard University, Tabulations of Housing Borrower Database

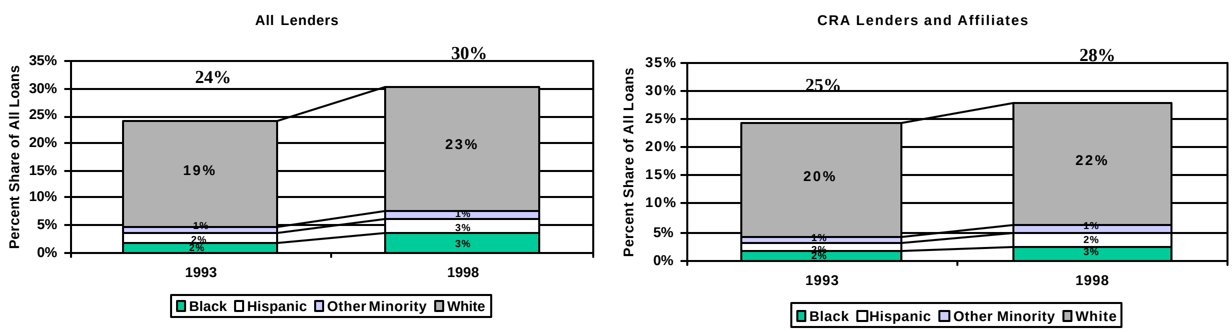
While the growth rates are substantial in relative terms, lending to LMI minorities or minorities living in LMI areas started from such a low base in 1993 that these gains generated

---

[21] 12 CFR § 228.28(c).

only modest growth in the share of all mortgage originations flowing to minorities. Loans to LMI minorities or minorities in LMI areas accounted for a scant 5 percent of all loans in 1993. (Chart 6). By 1998, the share of such originations to these minorities had risen to 7 percent. Among CRA lenders and their affiliates, the share of originations to LMI minorities and minorities in LMI areas increased from under 5 percent in 1993 to 6 percent in 1998.

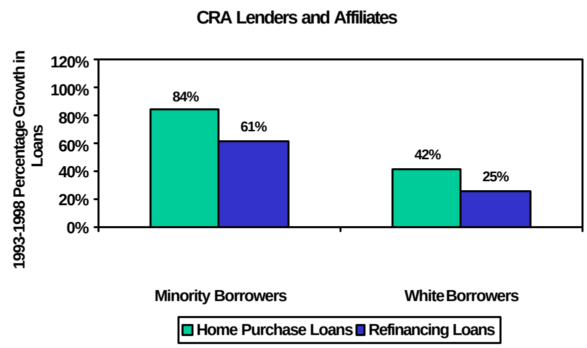
Chart 6: Increases in Lending to White Borrowers Drove Much of the Increase in Overall Lending to LMI Borrowers and Areas

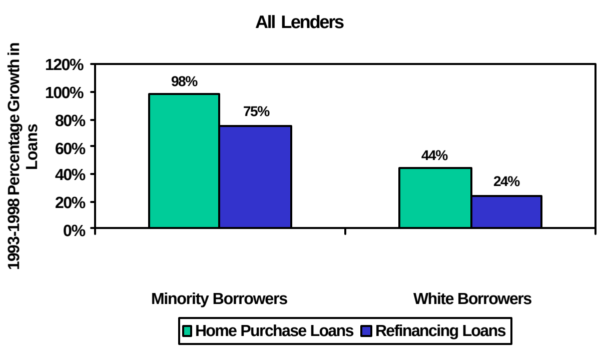


Source: Joint Center for Housing Studies of Harvard University, Tabulations of Housing Borrower Database

Lending to minority and white borrowers exhibited similar patterns across home purchase loans and refinances (Chart 7). Both for home purchase and refinance originations, growth rates were greater for minority than white borrowers. The same pattern held both for all originations and for loans extended only by CRA lenders and their affiliates.

Chart 7: Growth in Loans to LMI Borrower/Area Minorities Exceeded Growth in Loans to LMI Borrower/Area Whites





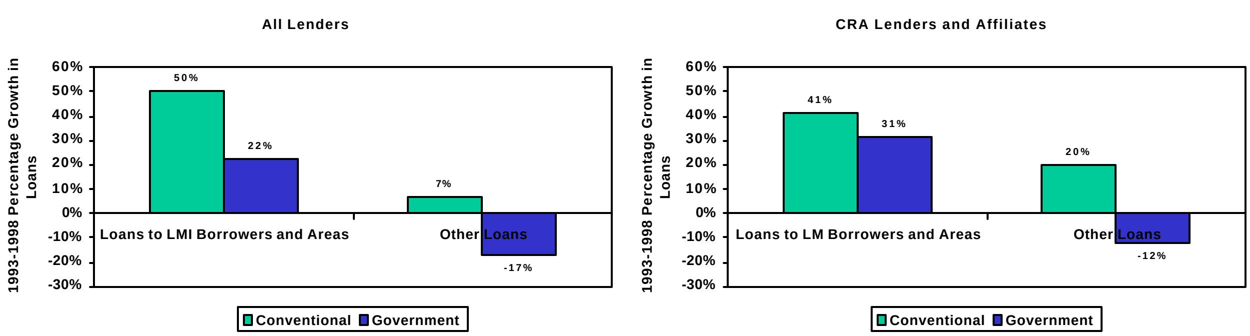
Source: Joint Center for Housing Studies of Harvard University, Tabulations of Housing Borrower Database

3. Trends in Government-Supported and Conventional Lending

Federal government mortgage programs such as FHA and VA insurance have also played a role in the mortgage market for LMI borrowers and areas during this period. Between 1993 and 1998, the share of all mortgage loans insured or guaranteed by the government slipped from 14 percent to 12 percent, reflecting an actual decline in the total volume of government-insured or guaranteed loans of 2 percent. In contrast, the volume of lending not insured or guaranteed by the government increased by 16 percent over the period. Subprime lenders accounted for 56 percent of this 16 percent increase.

Overall, the growth in lending to LMI borrowers and areas was stronger than growth in lending to MHI borrowers in MHI neighborhoods for both conventional and government loans (Chart 8). Conventional lending to LMI borrowers and areas grew over seven times faster from 1993 to 1998 than conventional lending to MHI borrowers in MHI neighborhoods – 50 percent growth for LMI borrowers and areas as compared to 7 percent growth for MHI borrowers in MHI neighborhoods. Among CRA-covered lenders, growth in conventional lending to LMI borrowers and areas was over twice as large as growth in conventional lending to MHI borrowers in MHI neighborhoods – 41 percent as compared to 20 percent. For government-insured or guaranteed loans, loans to MHI borrowers actually declined over the period, irrespective of the type of neighborhood in which the property was located. Meanwhile, government-backed lending increased for LMI borrowers and areas, especially strongly among CRA-covered institutions. Part of the decline among MHI borrowers in MHI neighborhoods may reflect increased competition from mortgage bankers working with private mortgage insurance companies for loans to MHI borrowers. Such competition may have contributed to the increased share of LMI borrowers with mortgages backed by FHA and VA.

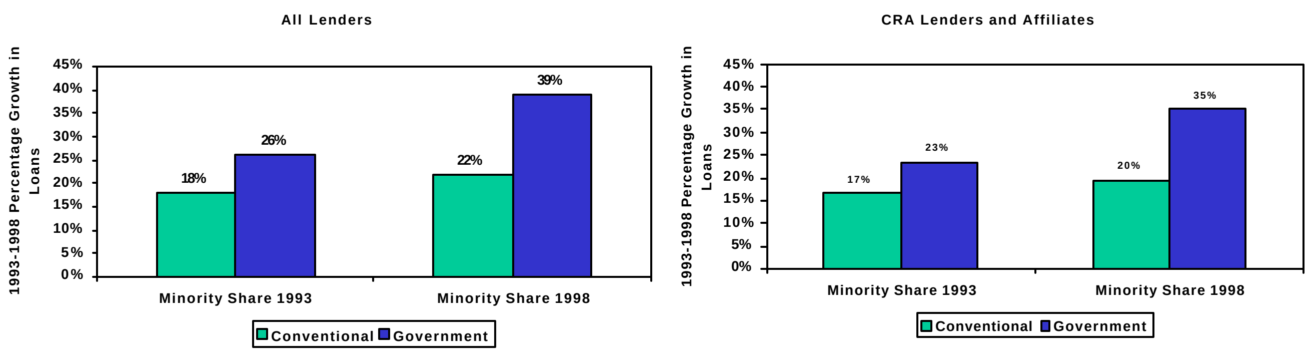
Chart 8: Growth in Lending to LMI Borrowers and Areas Exceeded Growth in Other Loans for Both Conventional and Government Loans



Source: Joint Center for Housing Studies of Harvard University, Tabulations of Housing Borrower Database

Lending patterns by race also have been different for conventional and government loans. The share of all conventional lending to LMI minorities and minorities living in LMI areas increased from 18 percent in 1993 to 22 percent in 1998 (Chart 9). However, for government loans, the share to such minorities jumped dramatically from 26 percent to 39 percent over the same period. Increases in FHA-insured loans accounted for 28 percent of the gain in lending to these groups.

Chart 9: Shares of Lending to LMI Borrower/Area Minorities Have Grown Faster for Government Loans than for Conventional Loans



Source: Joint Center for Housing Studies of Harvard University, Tabulations of Housing Borrower Database

B. Small Business Lending

Since the CRA was enacted, regulators have also taken into account the extent to which large covered depository institutions have provided loans to small businesses within their assessment areas.[22] The focus on small business lending is appropriate since some of the same market impediments affecting lower-income and minority access to residential credit also can interfere with the ability of small firms to access credit. Among these are the greater risk of lending to small firms, the relatively higher cost of evaluating and monitoring credit risk, and market inefficiencies that hinder information flows and pricing of risk, or that impede effective pooling of risks (Board of Governors, 1997). Also, as in the residential lending arena, the CRA operates in conjunction with public subsidy programs – for example, by providing CRA consideration for some loans made under SBA loan guarantee programs.

The extent of small business lending in lower-income and minority communities nonetheless has received scant attention in the literature because banks and thrifts did not gather or disclose information about such lending until 1996. This is likely to change over time now that revisions to the CRA regulations by bank and thrift regulators mandate that large depository institutions report certain data on small business (and small farm) lending, including the geographic distribution (by census tract) of such loans. The limited time period for which geographic data are available, however, limits the extent to which the small business lending data may be assessed through correlation with changes in CRA policies. Nonetheless, these data can establish a baseline assessment of the geographic distribution of lending to small businesses in lower-income and minority communities, as well as to farms.

[22] The FMA also directs the Secretary of the Treasury to conduct a separate study and submit to Congress a report, before November 12, 2004, on the extent to which credit is being provided to

The small business lending trends we report in this section are drawn only from large depository institutions having assets of $250 million or more, or institutions of any asset size owned by a bank holding company having at least $1 billion in banking assets, since these are the institutions that are subject to the CRA reporting requirements. While depositories in this size category represented about 17 percent of all commercial and savings banks, these institutions accounted for approximately two-thirds of both the number (68 percent) and aggregate dollar amount (66 percent) of total small business lending by commercial banks and savings associations during the three years for which data were collected (Canner, 1999).[23]

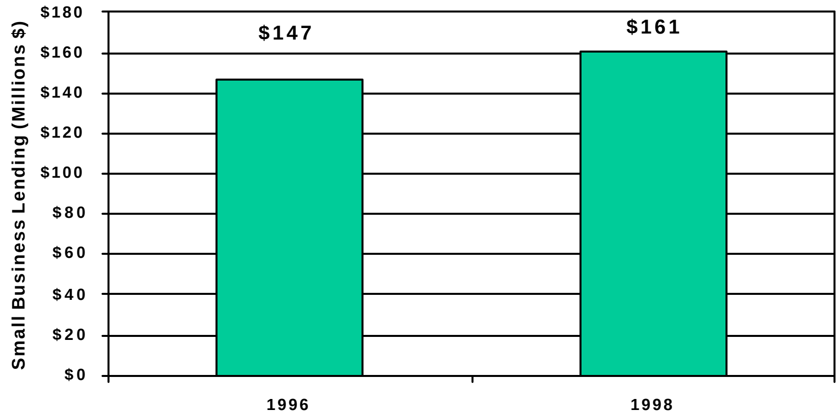
Banks and thrifts receive consideration on CRA examinations for: (1) all loans of less than $1 million made in LMI areas and (2) all loans of less than $1 million made to firms with annual revenues of less than $1 million in all areas, including MHI areas. The total number of small business loans by CRA-reporting institutions fluctuated between 1996 and 1998 – in the 2.4-2.6 million range – while the total dollar amount of all small business lending, according to the data reported under the revised CRA regulations, steadily increased during the period: from $147 billion in 1996 to $161 billion in 1998 (Chart 10).

---

and for small businesses and farms.

[23] For further details about the small business lending data used in preparing this report, see Appendix B.

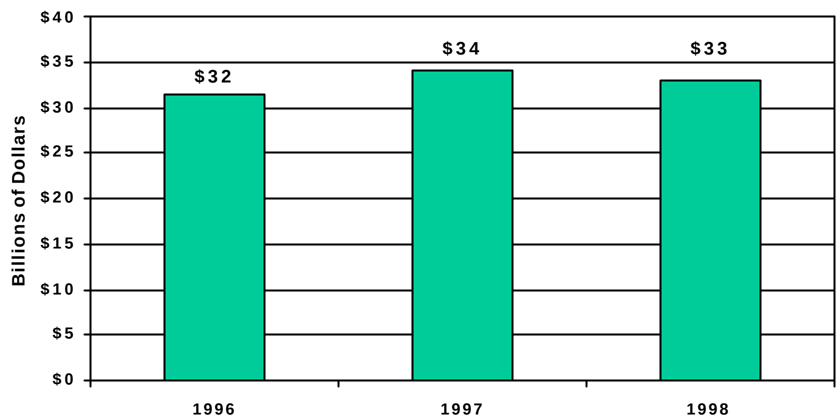
Chart 10: Small Business Lending by CRA-Reporting Institutions Rose Slightly over the 1996-1998 Time Period



Source: FFIEC, 1999.

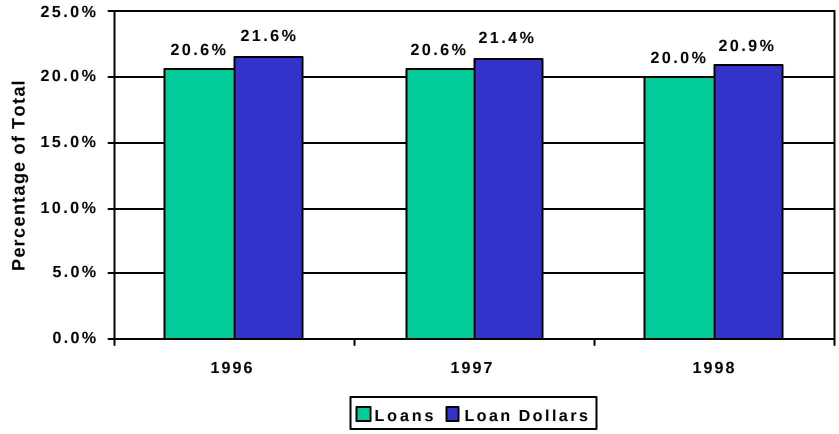
The amount of small business lending by CRA-reporting lending institutions that went to businesses located in LMI areas was approximately $33 billion annually over the 1996-98 period (Chart 11). Because total small business lending was increasing during this period, however, the share of all such lending going to small businesses in LMI areas declined slightly during this period (Chart 12).

Chart 11: From 1996 to 1998, Small Business Lending in LMI Areas by CRA-Reporting Institutions Remained Level



Source: FFIEC, 1999

Chart 12: Small Business Lending in LMI Areas As a Share of Total Small-Business Lending by CRA-Reporting Lenders Edged Down Between 1996 and 1998



Source: FFIEC, 1999

Focusing on lending to small businesses with less than $1 million in revenues in MHI areas only, in 1998, CRA-reporting institutions originated $61 billion of these types of loans, or almost double the total for all small business lending in LMI areas. Combining lending in both LMI and MHI areas, CRA-reporting institutions increased their small business lending considered under CRA from $81 billion in 1996 to $94 billion in 1998. This lending accounted for 58 percent of the dollar volume, and 67 percent of the number of loans, of CRA-reporting lenders' total small business lending in 1998 (up from 55 percent of the dollar volume and 61 percent of the number of loans in 1997).

CRA-reporting lenders devoted a larger share of their loans to businesses with annual revenues below $1 million in MHI than in LMI areas. CRA-reporting institutions' lending to these businesses accounted for just under half (49 percent) of the total dollar volume of small business loans in MHI areas, and 60 percent of the total number of loans, by CRA-reporting institutions in 1998. In contrast, in LMI areas, lending to businesses with revenues less than $1 million accounted for only 42 percent of the total dollar volume of small business lending, and 53 percent of the number of small business loans, by CRA-reporting lenders.

CRA performance evaluations also include an analysis of the distribution of small business lending across census tracts, grouped into four neighborhood income categories: low-income (census tracts in which the median family income is less than 50 percent of the median family income of the MSA), moderate-income (50 percent to 79 percent), middle-income (80 percent to 120 percent), and upper-income (over 120 percent). During the 1996-98 period, there were marked differences in the distribution of the number and dollar amount of small business loans across census tracts grouped by these neighborhood income categories, as shown in Table 3. Most notably, the proportion of the number and dollar volume of loans in upper-income areas substantially exceeded the distribution of population and businesses in those areas.

Table 3: Percent of Population, Small Businesses and Small Business Lending by Area Income, 1996-98

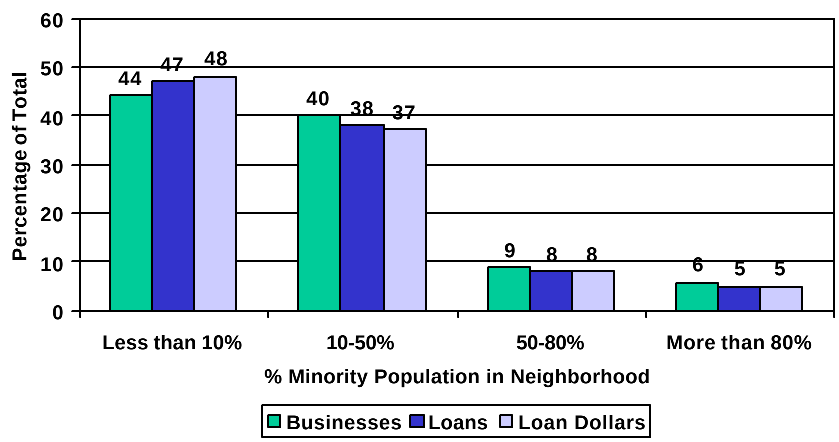
Area Income	Population	Small Businesses	Number of Small Business Loans	Dollar Volume of Small Business Loans
Low Income	4.9%	5.3%	4.4%	5.2%
Moderate Income	18.5%	18.2%	15.6%	15.7%
Middle Income	53.2%	49.9%	49.5%	46.8%
Upper Income	23.3%	26.1%	30.0%	31.6%

Source: FFIEC, 1999

Although the CRA data do not include information on the racial or ethnic characteristics of business owners, the data can be supplemented with demographic information from the 1990

Census to permit analysis of the distribution of small business lending by the racial and ethnic composition of the census tracts receiving credit (Canner, 1999). These data indicate that, in 1996, predominantly minority neighborhoods received a somewhat smaller share of the business loans and loan dollars than might be expected based solely on the distribution of the number of businesses and population across areas (Chart 13).

Chart 13: In 1996, Predominantly Minority Areas Received a Slightly Smaller Share of Small Business Loans than the Proportion of Small Businesses in These Areas



Source: Canner (1999)

C. Community Development Lending and Investment

Activities to promote community development have also been an aspect of the CRA from the outset, although the subject was given increased emphasis in the revised regulations issued in 1995. As defined in the current regulations, “community development” refers to affordable housing, including multifamily rental housing, for LMI individuals; community services targeted to LMI individuals; activities that promote economic development by financing small businesses or small farms; and activities that revitalize or stabilize LMI neighborhoods.[24] Each of the three CRA tests for large institutions – lending, investment and services – includes consideration of an institution's community development activities in that area. This section explores baseline data for community development activities in the lending and investment areas; community development services are covered in Subsection D of this section.

With respect to the lending test, large institutions covered by CRA reporting requirements are required to report data on the aggregate number and dollar volume of community development loans they originate or purchase during the year, although no information about the census tract or other geographic identification of community development lending is required. Consequently, CRA data on community development lending contains only aggregate dollar amounts.

For 1998, community development lending totaled $16 billion, down somewhat from the high of $19 billion in 1997, and from $18 billion in 1996. Average loan sizes ranged from $542,000 in 1996, to $745,000 in 1997, to $744,000 in 1998. These loan sizes are relatively large compared to the average small business and small farm loans (Bostic and Canner, 1998).

Community development activities are also considered as part of the investment test. The revised CRA regulations include a discrete evaluation category for qualified investments, which are investments whose primary purpose is community development, such as those made in CDFIs, community development corporations (CDCs), Neighborhood Housing Service organizations or low-income or community development credit unions. No data reporting is required in connection with these activities, although the banking regulators compile some descriptive detail about investments that these institutions have made (Board of Governors,

[24] 12 C.F.R. § 25.12(i).

1998; Federal Reserve Bank of San Francisco, 1998; Office of the Comptroller of the Currency, 1999). These materials, and anecdotal evidence, suggest that bank participation in community development investment during the 1993-98 period as a whole was quite strong. In addition, according to data collected by the Comptroller of the Currency, national banks invested seven times as much in real dollars in one type of community development – investments permitted under "Part 24" authority[25] – during these years as they had in the prior 28 years combined.

As a small but interesting aspect of this activity, community development lending and investments may have helped to bolster CDFIs (Immergluck, 1998b; Parzen and Kieschnick, 1992).[26] CDFIs consist of a broad variety of locally based financial intermediary organizations, including community development loan funds, community development credit unions, community development banks, and microenterprise loan funds, that are primarily devoted to developing the community in which they operate (Santiago, Holyoke, and Levi, 1998). A CDFI may make loans and investments that are considered to be outside conventional risk or cost guidelines; serve borrowers and customers not served by mainstream financial institutions; or link financing to other development activities. In particular, by locating in the community it seeks to develop and undertaking coordinated, comprehensive action, a CDFI can develop specialized market expertise and the critical mass of investment and activity necessary to shift residents' and investors' perceptions (Lento, 1994). CDFIs, in turn, can be an important source

---

[25] 12 C.F.R. § 24.3

[26] CDFIs received federal recognition and support with passage of the Community Development Banking and Financial Institutions Act of 1994, which created a CDFI Fund, administered by the Department of the Treasury, to provide financial support to CDFIs in the form of loans, investments, grants, and deposits that must be matched dollar for dollar with non-governmental sources, as well as technical assistance to bolster the capacity of CDFIs.

of expertise for traditional financial institutions in discovering and reaching underserved segments of the community. Over time, these relationships may help transform portions of the specialized LMI market into mainstream business opportunities for depositories.

D. Depository and Other Financial Services

Both credit and deposit services also are components of a depository institution's obligation to serve the convenience and needs of the communities in which they are chartered to do business. These services are important in their own right in meeting the "convenience and needs" of communities. Furthermore, access to depository services may be an important link to credit access by facilitating the ability of LMI individuals to manage household finances, accumulate savings and become creditworthy (Stegman, 1999). Account ownership also provides financial institutions with access to a customer base to which they can cross-sell other financial products, including mortgages and credit cards.

The extent to which an institution serves the depository needs of LMI communities is assessed in the services component of the three-part CRA compliance test, and considers both retail banking services and community development services. A principal focus of the retail services test is the distribution of an institution's branches among LMI areas, including its record of opening and closing offices that are located in or serve LMI areas. The banking regulators will also consider alternative systems for delivering retail banking services, to the extent that they are "effective alternatives in providing needed services to LMI areas and individuals."[27]

---

[27] *Federal Register* 60:22,156, 22,166 (May 4, 1995) (CRA final rule).

These alternative systems may include ATMs, as well as banking by telephone or computer, loan production offices, or bank-at-work or bank-by-mail programs.

One way to assess changes in the availability of banking services in LMI and minority communities is to examine changes in the per capita distribution of banking offices. While some commentators assert that this may not be a reasonable measure of the availability of banking services (Osterberg and Sterk, 1997), others have found evidence that the proximity of an institution's branches to LMI neighborhoods is related to the proportion of the institution's loans and other services provided in those neighborhoods (Goldwater and Bush, 1996; Immergluck and Mullen, 1998; Squires and O'Connor, 1998).

One study by economists at the Federal Reserve documented that the number of banking offices in LMI areas declined by 21 percent between 1975 and 1995 – during a period when the total number of banking offices in all areas increased by 29 percent (Avery, et al., 1997). However, the same study also found that population declined in low-income neighborhoods during the same period, and that the number of banking offices per capita were unevenly distributed across neighborhoods of different income levels in 1975. By 1995, the per capita distribution of banking offices had become fairly even across neighborhoods. As a result, at least when viewed from the national aggregate level, the study indicates that LMI neighborhoods in 1995 did not have proportionately fewer depository institution offices than MHI neighborhoods.

A more recent study by Avery and his colleagues (Avery et al., 1999) examined the impact of bank consolidations on branching patterns. This study found, not unexpectedly, that between 1985 and 1995, bank branches per capita declined following mergers of institutions that had offices in the same local markets prior to their combinations. No pattern of decline was found, however, following mergers between out-of-market institutions and those with local offices.

Another metric that researchers have used to assess changes in the availability of deposit services is the percentage of families that have some type of transaction account – checking, savings, or money market. The Federal Reserve's Survey of Consumer Finances, which is administered every three years, asks this question of families. In 1992, the proportion of families with a transaction account stood at 84 percent; by 1998, the latest year for which data are available, the proportion had increased to 90.5 percent, indicating that now less than one in ten families in this country is "unbanked" (Kennickell et al., 1995, 2000). When the focus is narrowed to lower-income families, however, the percentage of unbanked families is notably higher. In 1998, about 22 percent of families with incomes less than $25,000 did not have a transaction account.

One policy that, in combination with the CRA, may contribute to further declines in the proportion of low-income families that are unbanked is Treasury's Electronic Funds Transfer (EFT) '99 initiative. The Debt Collection Improvement Act of 1996 (DCIA) required Treasury to make all federal payments (other than tax refunds) by electronic means, and to ensure that recipients of federal wage, salary and retirement payments had access to a reasonably priced account at a financial institution.[28] To meet this requirement, Treasury designed the Electronic Transfer Account (ETA), a low-cost electronic bank account that is now being made available to federal benefits recipients at participating federally-insured depository institutions nationwide. The ETA, which features no minimum balance requirement, a maximum price of $3 per month, and a minimum of four monthly withdrawals included in the price, is designed to appeal to federal benefits recipients who do not have a bank account. In addition to Treasury's efforts to increase participation in EFT, the banking regulators issued guidance in 1999 that offering the ETA is an eligible community development service under the CRA services test.

In light of the substantial benefits of potentially enhanced access to financial services, it has been suggested that examiners pay increased attention to innovation under the CRA services test, and that depository institutions get favorable CRA consideration for offering and marketing the ETA and other low cost or no-cost depository and payment services, as well as for participation in Individual Development Account (IDA) programs (Stegman, 1999).[29] Recent research has demonstrated an important link between access to deposit services and credit. Hogarth and O'Donnell (1999) investigated the relationship between bank account ownership and ownership of other financial products using data from the 1995 Survey of Consumer Finances. They found that, controlling for the economic and demographic characteristics of LMI families, those families who owned a transaction account were significantly more likely to own credit products such as a home mortgage, a credit card and an auto loan. While their research does not establish a causal link between access to depository services and access to credit, the correlation suggests that the two types of access may be mutually reinforcing.

---

[28] The Act allowed the Secretary of the Treasury to grant waivers from mandatory EFT for individuals requesting such a waiver. In implementing the Act, Treasury granted liberal, self-executing waivers, so that EFT is essentially voluntary for federal benefit recipients.

[29] IDAs are a savings incentive program that are offered in a number of states. A key feature of these programs is that every dollar saved by an individual is matched by a financial institution, community group, foundation, church or government. IDA programs also generally condition participation upon the saver's completion of a financial education program, and withdrawals are limited to specific purposes (Stegman, 1999, p.130).

Community development services, which are considered as part of the services test, may include activities such as providing technical expertise for not-for-profit, tribal, or governmental organizations that serve LMI housing needs or economic revitalization and development; lending of executives to organizations that facilitate affordable housing construction and rehabilitation or development of affordable housing; providing credit counseling, home buyers counseling, home maintenance counseling, and financial planning to promote community development and affordable housing; school savings programs; and low cost or free government check cashing that increases access to financial services for LMI individuals. To our knowledge, although anecdotal evidence suggests growing activity in this area, no comprehensive compilations of these activities exist; attempting to establish a "baseline" of these activities would require additional field research, at a minimum.

E. Summary: The 1998 Baseline

The above-described changes establish the trends in lending leading up to the base year before the passage of the FMA in 1999. It is important to note that the years immediately preceding 1998 reflect an unusual period, one covering a vigorous economic expansion fueled by low mortgage interest rates, an unusually rapid pace of mortgage-finance innovation, new CRA regulations and examination procedures, enhanced home mortgage, small business, and community development lending disclosures, affordable housing goals for the GSEs, and increased enforcement of fair housing and equal credit laws.

The FMA calls for this report to establish a baseline for measuring the subsequent impact of that Act on services covered by the CRA. Any comparisons of future trends to recent trends must include appropriate controls for economic, industry, and regulatory changes, and should examine changes in home purchase lending and home refinancing separately.

Table 4 summarizes some of the key findings for 1998, the latest year for which CRA-related data are available.

Table 4: Key CRA Facts for 1998

Mortgage Lending	
Residential mortgage lending (originations and refinances) by CRA-covered lenders to LMI borrowers and areas	$135 billion
Home purchase loans to LMI borrowers and areas, as a share of all mortgage originations for home purchases by CRA-covered Lenders	32%
Home refinance originations to LMI borrowers and areas, as a share of all home refinance originations by CRA-covered lenders	25%
Numbers of mortgages (originations and refinances) extended to LMI borrowers and areas by CRA-covered lenders	1.7 million
Small Business Lending	
Volume of small business lending to LMI areas by reporting CRA-covered lenders*	$33 billion
Number of small business loans to LMI areas by reporting CRA-covered lenders	507,000
Share of small business lending by reporting CRA-covered lenders going to LMI borrowers and areas	20%
Community Development Lending and Investments	
Volume of community development lending by CRA-covered lenders	$16 billion
Number of community development loans by CRA-covered lenders	21,700
Volume of community development investments by CRA-covered lenders	N/A
Depository Services	
Percentage of American families with some type of transaction account at a financial institution	90.5%

* Reporting institutions for small business loans are those with $250 million or more in assets and those of any asset size owned by a holding company with $1 billion or more in banking assets.

IV. The Contribution of the CRA in Promoting Delivery of Financial Services

Despite the more than twenty-year history of the CRA, only a small number of studies have attempted to evaluate the impact of the Act on lending and financial services for LMI individuals and areas. Nonetheless, it is important to review past attempts to examine the CRA's impact in order to assess both what has been found, and what more can be done to measure its impact. Further analysis on the continued need for the CRA may be found in Section VI.

A. CRA and Mortgage Lending: Previous Studies

Although there have been several efforts to analyze the effect of the CRA on lending to LMI and minority borrowers and neighborhoods, almost all of them have had to rely on publicly available HMDA data. In addition, studies must contend with the fact that it is difficult to disentangle the CRA's effects from a myriad of other market and regulatory forces acting on capital flows and the provision of financial services.

Expansions in the institutions and information covered by HMDA data over time make comparisons prior to 1993 difficult. It was not until 1990 that lenders were required to report information on the income and race of mortgage applicants and it was not until 1993 that independent mortgage companies originating 100 or more loans in a year were required to report. Exemptions for smaller banks have also changed over time. The imperfections in the HMDA data also reflect incomplete coverage of lending institutions and underreporting. Thus, HMDA data may present a somewhat imperfect picture of overall mortgage lending patterns, but still present a relatively accurate picture of lending by institutions covered by the CRA and their affiliates (for an extensive discussion of the limitations of the HMDA data, see Appendix B).

Lack of information on borrower race and income handicapped work on mortgage-lending patterns in the 1970s and 1980s. Confined to information on the volume of loan originations to low income and minority areas for banks and thrifts, a number of studies examined mortgage lending patterns for evidence that financial institutions were redlining neighborhoods.[30] The early studies made efforts to control for variations in mortgage demand when assessing variations in supply of mortgage credit across areas defined by race and income. Some studies found that disparities in credit flows to areas with higher minority concentrations and lower median incomes remained even after including controls, while others maintained that there was insufficient evidence that race or income influenced lending patterns (Evanoff and Segal 1996).[31]

These studies did not set out to test whether the CRA had an effect on mortgage credit flows. Prior to 1990, such an effect may have been even more difficult to discern because prior to that time, CRA examinations were not made public. Indeed, it was not until 1989 that guidance on the actions expected to earn satisfactory or higher CRA grades was forthcoming from regulators, and it was not until 1995 that performance measures were emphasized. Furthermore, 1989 was the first year in which regulators rejected a bank merger on CRA grounds. Moreover, as Evanoff and Segal (1996) found, the composition of loans made by CRA-covered institutions and their affiliates did not shift in favor of loans to LMI borrowers and areas until the first half of the 1990s (relative to the 1980s). This is consistent with the finding by Canner and Smith (1991) that

[30] See Avery and Buynak, 1981; Benston and Horsky, 1992; Bradbury, Case and Dunham, 1989; Canner and Smith, 1991; Dedman, 1988; Perle et al., 1994; Shlay, 1988, 1989; and Hula, 1991.
[31] Compare also Hula, 1991 with Shlay, 1992, and Galster, 1992.

a disproportionate amount of mortgage lending by banks and thrifts in the 1985 to 1990 period went to properties in upper-income neighborhoods.[32]

Beginning with the release of HMDA data on mortgage applications and information on applicant race and income in 1990, attention shifted to studies of mortgage rejection rates. Especially important was the report on mortgage rejection rates released by the Federal Reserve Bank of Boston (Munnell et al. 1992). As discussed earlier, this study spawned a debate over racial discrimination in mortgage lending and a proliferation of studies on the subject.

A small number of studies published in the 1990s have attempted to detect the influence of the CRA, in particular, on mortgage lending. Several basic approaches have been pursued. Their results are summarized below.

1. Impacts of CRA Agreements

One way to detect the impact of the CRA is to compare mortgage lending in areas and by lenders that have made CRA agreements with those that have not. For example, Shlay (1999) tested the hypothesis that metropolitan areas where CRA organizing activity is highest should have better records of lending to under-served areas and borrowers. She examined six cities, three of which had higher levels of CRA organizing activity (three or more CRA agreements) and three that were carefully matched with these based on market and housing stock characteristics. Shlay found that lending increased to low-income and minority borrowers and

[32] Loans for properties in LMI neighborhoods accounted for between 10 and 12 percent of all the home purchase loans made in MSAs, while these areas comprised approximately 16 percent of the owner-occupied housing units in MSAs. By comparison, roughly one-third of the home purchase loans made during the 1985-90 period were for properties in upper-income neighborhoods, which contained approximately 23 percent of the owner-occupied housing units (Canner and Smith, 1991).

neighborhoods in all cities, suggesting that the extent of CRA organizing in a particular city is not necessarily predictive of the increases in lending to under-served markets. She concluded, however, that CRA organizing created the impetus for strengthened CRA enforcement at the federal level, and that the combined efforts of community reinvestment groups and federal regulators are partially responsible for the increases in lending to LMI and minority borrowers and neighborhoods in the 1990s.

Schwartz (1998) also looked at the effect of CRA agreements on lender behavior by comparing mortgage and home improvement lending by banks with and without CRA agreements in 1994 for states and metropolitan areas with at least one local or regional CRA agreement. He found that the presence of an agreement appeared to make a positive difference in bank lending to low-income and minority households and neighborhoods, with the most dramatic difference in lending to African-American households. In particular, when independent mortgage banks and small banks were excluded from consideration, banks without agreements posted significantly lower scores for minority households, LMI households, MHI minority census tracts, and LMI tracts. Schwartz also found that those institutions with agreements had higher approval rates for LMI and minority borrowers than institutions that had not entered into such agreements. On the whole, therefore, the findings in this study suggest that the agreements have increased the amounts of lending to LMI borrowers and areas. However, it is important to note that Schwartz did not look at lending behavior before and after signing agreements, and he did not control for other factors that may have generated the patterns he observed.[33]

---

[33] Also, it is possible that the decision to sign an agreement is endogenous – that is, lenders with better CRA records that are intent on lending to LMI borrowers and areas are more likely to sign

2. Mortgage Performance of Institutions Active in Mergers and Acquisitions

Another way to assess the impact of the CRA is to analyze the mortgage activity of institutions that have been especially active in acquisitions and mergers. The reason for doing this is that regulators include a review of a financial institution's record under the CRA in the context of merger and acquisition applications, and so in principle, one would expect that such institutions would be especially attentive to LMI borrowers and areas.

Using a relatively robust database on the characteristics of HMDA reporters and the affiliated status of mortgage companies, Avery and his colleagues (1999) analyzed the behavior of "consolidating" organizations.[34] They found that the proportion of CRA home purchase originations made by consolidating organizations and their affiliates typically increased in the counties in which they had branch offices. Moreover, CRA home purchase loans as a share of their total originations increased more among consolidating banking organizations than among organizations that did not engage in merger activity in the same counties. The authors concluded that these findings were consistent "with the view that the CRA has been effective in encouraging bank organizations, particularly those involved in consolidation, to serve LMI and minority borrowers and neighborhoods." At the same time, Avery and his colleagues also found

---

CRA agreements and operate in areas where community organizing is stronger. In this sense, lenders may self-select into signing agreements.

[34] CRA-covered institutions generally have the option of reporting their affiliate activities under HMDA under a single filing. In some cases they do so and other cases they do not. Avery and his colleagues managed to create a data file linking mortgage company affiliates to their bank or thrift parent, as well as information about geographic lending patterns by obtaining data on branch office locations. The new analysis presented here benefits from the Federal Reserve's file linking affiliates to their parent companies, but not the branch office information assembled by the Federal Reserve.

that consolidating banking organizations lost market share over the period to independent mortgage and finance companies and credit unions.

3. Comparing Portfolio/Market Shares of CRA-Covered Lenders with Other Lenders

A third approach for detecting the influence of the CRA is to compare the mortgage lending performance of institutions that are covered by the CRA with those that are not. The logic is that if the CRA is having an effect, mortgage originators covered by CRA should outperform mortgage originators not covered by the CRA. This logic only holds, however, if other factors that influence lending to LMI areas and borrowers are also taken into account. These other factors include the types of lending that have the most success in penetrating these markets, pre-existing differences in mortgage products that different types of originators offer, pre-existing differences in the market areas that different types of lenders have historically served, and the regulatory structure under which different types of lenders operate. Several studies have drawn at least tentative conclusions, without controlling for these factors, about the impact of the CRA.

Evanoff and Segal (1996) obtained mixed results when they conducted this comparison with mortgage lending data over the 1990-95 period. On the one hand, the researchers found that white-black differences in denial rates and applications narrowed for both lenders covered and not covered by the CRA.[35] On the other hand, they also found that loans to LMI borrowers and areas were an increasing share of the originations made by CRA-covered institutions and their affiliates in the first half of the 1990s. This increase may in part have reflected acquisitions of independent mortgage companies by banks and thrifts, which can result in shifting lending to

LMI borrowers and areas into the portfolios of covered institutions and boosting the share of loans to LMI borrowers and areas in the covered institutions' portfolios. The authors also found that the CRA-regulated institutions and their affiliates had much greater shares of their originations in loans to LMI borrowers and areas in the 1990s compared with the 1980s. However, the authors did not control for the fact that during the 1990s banks and thrifts were required to report under HMDA on the activities of affiliates even in areas where they did not have branch offices, whereas they were permitted to not report on these activities during the 1980s. The authors also did not control for other possible influences on the changing mix of loans made by CRA-regulated lenders, though they did use a time-series regression to try to control for the effects of the economic cycle.

Gunther and his colleagues (1999), examining loans for the purchase of 1-4 family homes, found that financial institutions not covered by the CRA increased their portfolio share of low-income neighborhood originations from 11 percent in 1993 to 14 percent in 1997. Meanwhile, CRA lenders' portfolio share of such loans opened and closed the period at about 11.5 percent. In a comparison of the two lender types of loans to low-income borrowers, these researchers found that non-CRA lenders' portfolio share of loans to these borrowers rose from 25 percent in 1993 to 32 percent in 1997. Over the same period, CRA lenders' portfolio share of loans to low-income borrowers fell from 26 to 25 percent. The authors argue that these findings suggest that deregulation and technological advances in the financial services industry were more likely than

---

[35] Independent mortgage companies tend to sell off their loans to banks and thrifts, and to Fannie Mae, Freddie Mac, and Wall Street conduits. Fannie Mae and Freddie Mac were under new obligations during this period to purchase loans extended to LMI borrowers and areas as well.

the CRA to have been responsible for the increased access to credit that low-income borrowers and neighborhoods now enjoy (Gunther et al. 1999).

Immergluck (1999) raises several methodological objections to this study and its findings. He suggests that it is not necessarily appropriate to include mortgage company affiliates with CRA-regulated lenders, that affiliated mortgage companies are less likely to be FHA and sub-prime lenders than independent mortgage companies, and that banks and mortgage companies are involved in substantially different businesses. Immergluck argues that without the Act, CRA-covered lenders' performance might have been lower, since industry pressures would otherwise dictate that banks and thrifts focus even greater attention on the lucrative fee for service opportunities in affluent areas, a type of service not open to mortgage-focused independent companies. Finally, Immergluck notes, as we do below, that other regulatory pressures complementing the CRA that operated over the period considered by Gunther et al. may have disproportionately affected mortgage companies. Among these are fair lending laws, Justice Department investigations of mortgage company practices, GSE’s affordable housing goals, and Congressional consideration of extending the CRA to mortgage companies.

B. Interpreting the New Evidence on Mortgage Origination and Market Share Changes

Three facts about changes in national mortgage lending patterns over the 1990s emerge from our new analysis of trends presented here, and the review of previous studies. These facts are widely accepted, even though their implications are not.

First, mortgage originations to LMI borrowers and areas have risen dramatically over the 1990s.

Second, both institutions covered and not covered by the CRA have increased their originations to LMI borrowers and areas at a much faster rate than to other borrowers.

Third, because of the rapid growth in subprime market, institutions covered by the CRA and their affiliates have been losing market share of LMI borrower/area originations to institutions not covered by the CRA that specialize in subprime lending.

Fourth, CRA-covered depositories and their affiliates have gained market share in prime lending to LMI borrowers and areas, and remain the dominant players in originating all home mortgage loans to LMI borrowers and areas.

The evidence on increasing volumes and origination shares of loans to LMI borrowers and areas among CRA-regulated institutions and their affiliates tends to support a finding that the CRA has had a significant impact in enhancing the volume of this lending. Such loans increased as a share of all loans from 24 percent in 1993 to 30 percent in 1998, and among CRA lenders and their affiliates, from 25 percent to 28 percent. While these trends point toward a causal link between the CRA and the recent, substantial increase in mortgage lending to LMI borrowers and areas, many other factors also contributed to the significant increase in these mortgage loans. Studies to date have not controlled for these other influences:

- Perhaps most important is the fact that the booming economy has helped more LMI borrowers to afford to buy homes and increased the willingness of lenders to extend credit to them. Real family income grew by a larger margin between 1993 and 1998 – 12 percent – than the 8 percent real increase in the price of existing single family homes. These two trends occurred against a background of flat, and slightly declining interest rates (in 1998 the effective rate on conventional mortgages was 7.1 percent, compared to the 7.2 percent rate prevailing in 1993).[36]

- African-American families, in particular, have benefited from the economic expansion, enjoying 21 percent growth in median family income, almost double the 11 percent growth in white family income over the period. This trend no doubt also accounts in part for the more rapid growth in mortgage lending to African-American families than to white families over the 1993-98 period.

- Lending to LMI borrowers and areas likely was stimulated by the restoration of real house price appreciation in most metropolitan areas following a period of declines in many areas. Rising prices reduce collateral risk, thus encouraging lenders to provide funds for home purchases and refinance.

- Relative to the 1980s, mortgage interest rates and down payment requirements were lower (the latter development most likely driven by the CRA). All else being equal, these developments should have benefited renters on the margins of qualifying to buy a home. Since these marginal would-be mortgage borrowers are, for wealth and income reasons, concentrated among LMI people, one would expect them to have fared better in the 1990s than the 1980s.

- Immigration may have played a role in the rise in mortgages to LMI borrowers and areas. A little more than 8 million people immigrated to the United States in the 1980s and almost 10 million did so in the 1990s, adding to the ranks of the LMI population more rapidly than the MHI population. Even after only five to ten years after arrival, research shows, the homeownership rates of immigrants increase sharply (Joint Center for Housing Studies 1999).

---

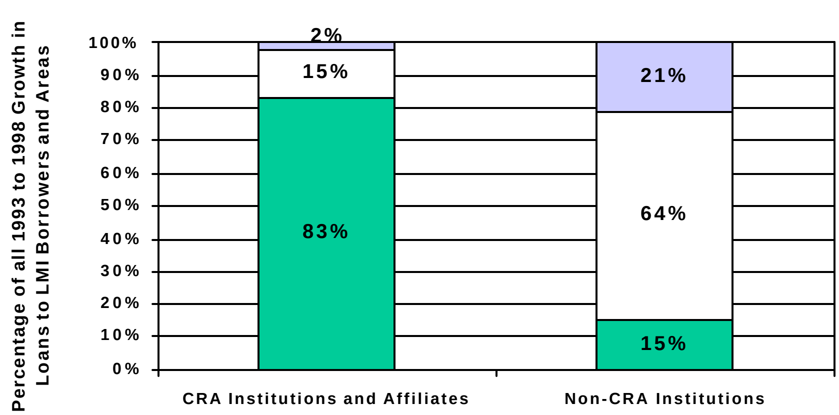
[36] Economic Report of the President, 2000.

- The federal government stepped up enforcement of fair housing and equal credit laws. Some highly visible lawsuits brought by the Department of Justice and large settlements caused lenders to be more concerned about even the appearance of discriminatory patterns or practices. Meanwhile, the controversy over mortgage discrimination created by the release of HMDA information on the race of applicants may have led lenders to step up lending to minorities, more of whom have low- to moderate-incomes than do whites. In addition, Fannie Mae and Freddie Mac, the capital suppliers for many mortgages originated by institutions both covered and not covered by the CRA, were required to meet affordable and under-served area goals enacted by Congress in 1992.

- At the same time, primary market lenders introduced a range of new mortgage products featuring lower downpayment requirements and higher debt-to-income thresholds. In part, this may have been fueled by the CRA, and in part may have been driven by improvements in information technology and access to automated data on house prices and credit scores that enabled more lenders and mortgage insurers to identify manageable risks among LMI borrowers. FHA reforms and market forces also focused government insurance on LMI borrowers and areas.

One would need to control for the factors listed above to conclude with greater certainty that the growth in CRA loan share proves that the CRA played a major role in helping financial institutions to reach targeted markets. Conversely, it would be inappropriate to conclude,

Chart 14: CRA Lenders and Affiliates Depended on Prime Lending to Drive Growth in Lending to LMI Borrowers and Areas, while Non-CRA Lenders Relied on Subprime Lending and Manufactured



Home Lending

Source: Joint Center for Housing Studies of Harvard University, Tabulations of Housing Borrower Database

however, that the CRA has not played a major role simply because of the growth in subprime lending by non-CRA covered institutions (Chart 14). As discussed below, the weight of the evidence suggests that CRA is helping to expand access to credit for LMI borrowers and areas.

It is especially important to control for differences in the markets served by institutions covered and not covered by the CRA because lenders serving the fastest growing market – the subprime market for credit-impaired borrowers – are heavily concentrated among financial institutions not covered by the CRA. Although there is no uniform definition of "subprime" loans, Comptroller of the Currency John D. Hawke, Jr. has recently observed that: "Borrowers within these categories represent a broad range of risk, but typically include those with blemished or unproven credit performance, repayment problems resulting from an adverse event such as job loss or medical emergency, or a history of mismanaging their finances and debt obligations."[37]

Lenders specializing in the subprime market increased their lending so much faster than lenders specializing in the prime market that their share of loan originations to LMI borrowers and areas increased from 1 percent in 1992 to 11 percent in 1998. Because they are so heavily concentrated among institutions not covered by the CRA, these institutions gained market share overall. *Indeed, subprime lenders accounted for fully two-thirds of the rapid growth in loans to LMI borrowers and areas among institutions not covered by the CRA, but a mere 15 percent of* *the growth in such loans among institutions covered by the CRA* (Chart 14).[38] In contrast, prime lenders – those extending credit mostly to borrowers with "A" quality credit histories – accounted for fully 83 percent of growth in loans to LMI borrowers and areas among CRA-covered institutions.[39]

Because specialists in subprime lending also play a much more active role in refinancing loans than in making loans for home purchase, it is also important to examine growth rates and market share changes for home purchase loans separately from refinances (Chart 15). Growth in lending to LMI borrowers and areas for lenders not covered by the CRA was nearly four times higher in home refinance than in home purchase between 1993 and 1998. In 1998, subprime specialists accounted for 18 percent of refinance loans to LMI borrowers and areas, but only 5 percent of home purchase loans to LMI borrowers and areas. In addition, while subprime lenders' share of the LMI borrower/area home purchase origination market grew fivefold, their share of the LMI borrower/areas refinance market increased fully ninefold. *Accordingly, fully 77*

---

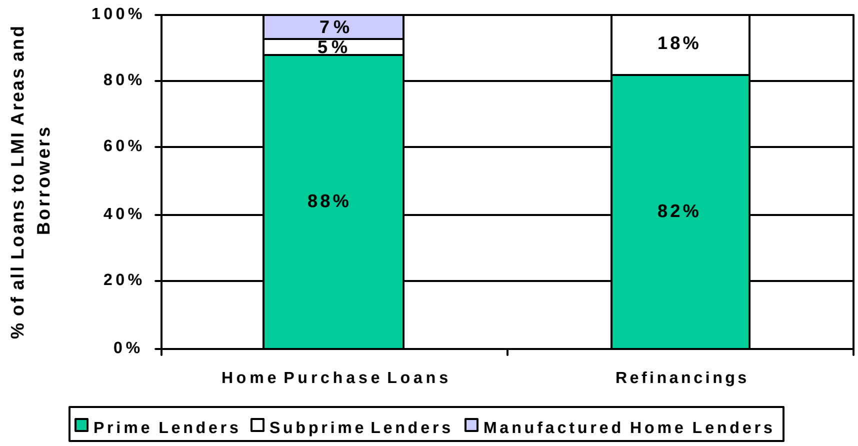
[37] Testimony of John D. Hawke, Jr., Comptroller of the Currency, before the House Committee on Banking and Financial Services, 8 February 2000.

[38] Other researchers also have documented the rising importance of subprime and manufactured home lenders in serving LMI populations and areas. Nationally, Scheessele (1999) found that the gains in minority and LMI lending made between 1995 and 1997 were largely due to the growth in loans made by these lenders. Similarly, Canner and Passmore (1999) found that the share of the conventional home purchase mortgage market attributable to prime lenders fell from 95 percent in 1993 to 86 percent in 1998, while the share of LMI and minority area and borrower loans captured by subprime and manufactured lenders ranged from 40 to 60 percent over the same period.

[39] Prime lenders specialize in lending to borrowers with "A" quality credit. Subprime lenders specialize in lending to credit-impaired borrowers. Based on statistical credit scores and other factors, the industry divides loans into A quality and other loans. All other loans are considered subprime loans. Recently, the prime market has begun to serve an "A-" market, consisting of borrowers who have only minor infractions on their credit histories. Manufactured housing lenders specialize in lending to purchasers of manufactured homes.

percent of the growth in subprime mortgage lending to LMI borrowers and areas from 1993 to 1998 was attributable to refinancings.

Chart 15: Subprime Lenders Captured a Greater Share of the LMI Borrower/Area Refinance Market than Home Purchase Market in 1998



Source: Joint Center for Housing Studies of Harvard University, Tabulations of Housing Borrower Database

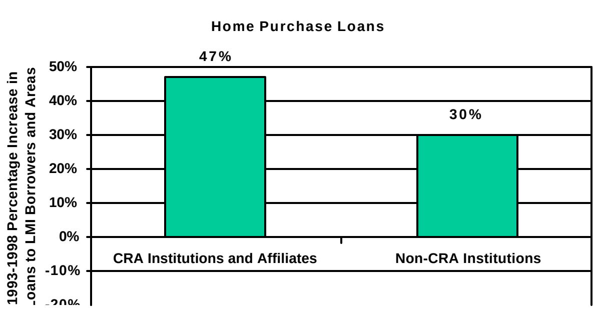
Like subprime lending specialists, manufactured home lending specialists also have been important in expanding lending to LMI borrowers and areas. And, like subprime lending specialists, few manufactured-home lending specialists are CRA-covered lenders or their affiliates. Only 15 percent of loans made by manufactured home lending specialists in 1998 came from CRA-covered lenders and their affiliates.

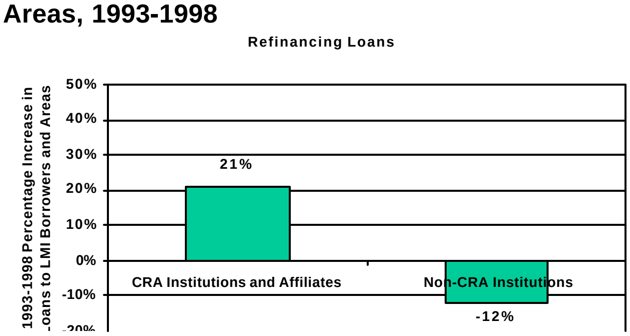
Between 1993 and 1998, manufactured-home lending to LMI borrowers and areas grew by 371 percent, compared to 43 percent growth overall in such lending. In 1993, manufactured home lending accounted for 1 percent of all lending to LMI borrowers and areas, but by 1998 manufactured home lending had expanded to 4 percent of all such lending. Manufactured home lending, while not as significant as subprime lending in explaining lending growth to LMI borrowers and areas, nevertheless played an increasing role for this population.

Differences in the markets focused on by institutions covered and not covered by the CRA are so pronounced that it suggests that the two types of lenders have developed distinctly different products for the LMI marketplace. Lenders not covered by CRA have focused to a much greater degree on subprime lending, manufactured home, and refinance loans than lenders covered by it. Accordingly, it is questionable whether valid conclusions can be drawn about the influence of the CRA on the institutions it covers simply by comparing the lending performance of both types of lenders, without analyzing the different loan markets that they serve.

A more appropriate comparison of market shares therefore, is to compare *prime lenders* covered by the CRA – the majority of such lenders – with prime lenders not covered by CRA. When this is done, a different picture emerges. CRA-covered prime lenders and their affiliates increased their home purchase loan originations to LMI borrowers and areas by 47 percent, compared with 30 percent for prime lenders not covered by CRA (Chart 16). Refinance loans to LMI borrowers and areas were 21 percent higher for CRA-covered prime lenders and their prime affiliates, but down 12 percent for prime lenders not covered by CRA. Although some of the

Chart 16: CRA-covered Lenders and their Affiliates Drove Growth in Prime Lending to LMI Borrowers and Areas, 1993-1998





Source: Joint Center for Housing Studies of Harvard University, Tabulations of Housing Borrower Database

growth of prime CRA lenders and their affiliates is undoubtedly due to purchases of independent mortgage and finance companies over the period, it nonetheless suggests that those covered by the Act have generated faster growth in prime lending to LMI borrowers and areas.

Interpreting market share changes, therefore, hinges on understanding why so few CRA-covered financial institutions and their affiliates specialize in subprime or manufactured home lending. Several factors appear to be in play. First, subprime loans are generally riskier than prime loans. In March 1999, the banking regulators issued interagency guidance on subprime lending, stating: “Due to their higher risk, subprime loans command higher interest rates and loan fees than those offered to standard risk borrowers. These loans can be profitable, provided the price charged by the lender is sufficient to cover higher loan loss rates and overhead costs related to underwriting, servicing, and collecting the loans.”[40] Because the subprime market has become increasingly competitive, it is more difficult to offset these risks through wide margins. Indeed, for these reasons several recent bank failures have been at least partly attributed to problems in subprime lending and securitization programs.

Second, in light of these risks and some recent bank failures, regulators have increased their scrutiny of subprime lending. In March 1999, the federal banking agencies issued joint guidance on the risks of subprime lending. The regulators generally require depositories with significant proportions of subprime mortgages to set aside relatively more capital for possible credit losses on these loans.

Third, banks may run reputational risks in the subprime market. Because subprime loans are generally riskier, lenders charge a relatively higher price, either through higher interest rates or fees. To the extent that subprime loans may be disproportionately made to minority borrowers, this may increase the risk of charges of price discrimination in lending. Furthermore, the subprime markets include some lenders who may engage in abusive lending practices, often referred to as "predatory" lending, which may become associated in the public's view with the activities of others in the subprime market.

Perhaps for these reasons, many banks and thrifts have shied away from entering this market, or have entered only through affiliates or subsidiaries that do not carry the same name as the bank or thrift. Operating through such affiliates or subsidiaries may reduce banks' and thrifts' reputational risk, while allowing such firms to benefit from subprime lending.

The reasons that banks and thrifts have stepped up their acquisitions of independent mortgage and finance companies in the 1990s, whether those making prime or subprime loans, have not been studied. However, the conventional wisdom is that most of the acquisitions have occurred to take advantage of the lucrative fee-based business of originating mortgage loans and selling them into the secondary market. Although this report does not distinguish between loans made by affiliates of CRA covered institutions in and outside parent organizations' CRA assessment areas, Avery et al. (1999), were able to do so. They found that more of the growth in affiliate lending activity was outside of CRA assessment areas than inside, suggesting that

---

[40] Board of Governors of the Federal Reserve System, Federal Deposit Insurance Corporation, Office of the Comptroller of the Currency, Office of Thrift Supervision. *Interagency Guidance on Subprime Lending*, March 1, 1999.

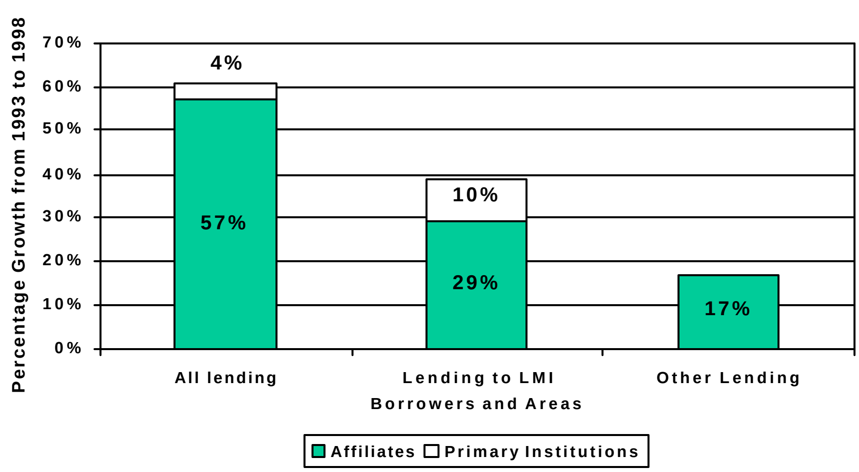
reasons other than improving CRA performance have been the dominant forces behind depository institution acquisitions of affiliates.

In assessing why so few federally regulated banks and thrifts and their affiliates specialize in subprime lending, the picture is equally variable from one lender to the next. Some banks have made significant movements into the subprime market, often acquiring existing subprime lenders. At the same time, thrift and bank regulators have voiced concerns over the risks associated with subprime lending. As the subprime market continues to develop, we may expect to see more depository institutions enter this market as the techniques for evaluating credit risk improve and become more broadly understood. Moreover, such improvements may lead to borrowers currently considered to be subprime to be reclassified as prime, in effect shrinking the subprime share of the market and opening up the possibility of increased lending to such borrowers by banks and thrifts.

It could also be argued that product specialization among financial institutions is common, and subprime lending has been viewed cautiously by banks and thrifts in part because federal banking regulators have displayed a similar attitude toward such lending. In fact, regulators generally require depositories with significant proportions of subprime mortgages to set aside relatively more capital for possible credit losses on these loans. In addition, heavy use of subprime loans by minority borrowers adds to the risk of charges of price discrimination in lending. For all these reasons, banks and thrifts may be reluctant to enter this market. Nonetheless, the opportunities for profit are generally thought to be greater in subprime than in prime mortgage lending, leading more banks and thrift holding companies to acquire subprime affiliates since about 1995, with considerable activity in 1997-99 period. Still, given the caution with which federal regulators view safety and soundness issues regarding subprime lending it is not surprising that subprime lending has been pioneered by lenders not regulated by the federal government, and only recently has been undertaken by banks and thrifts.

In any event, a larger percentage of the growth in mortgage lending to LMI borrowers and areas from 1993 to 1998 came from affiliates of banks and thrifts, as compared to the banks and thrifts themselves (Chart 17). Banks and thrifts are permitted to include their affiliates for purposes of a CRA evaluation. It is probable that part of the bank and thrift growth in lending to LMI areas and borrowers is the result of depository organizations having purchased affiliates more focused on LMI borrowers and areas. In these cases, the reported growth represents a reclassification of institutions from those not affiliated with CRA-covered institutions to those affiliated with them. It is impossible to know from the available data, however, how significant an effect this reclassification might have had.[41]

Chart 17: CRA Affiliates Drove Most of the Growth in Lending to LMI Borrowers, But Primary



Institutions Devoted All Increased Lending Activity to LMI Borrowers and Areas

---

[41] The acquisition of affiliates also might have been driven by a business need to learn more about LMI borrowers and neighborhoods, so that lending in those areas could be expanded.

Source: Joint Center for Housing Studies of Harvard University, Tabulations of Housing Borrower Database

Nonetheless, two aspects of primary institution/affiliate growth in lending from 1993-98 are notable (Chart 17). First, the growth in mortgage lending to LMI borrowers and areas among affiliates (29 percent) was lower than overall lending growth (57 percent) for affiliates. Second, *primary institutions – banks and thrifts themselves – increased their lending to LMI borrowers and areas by 10 percent between 1993 and 1998, while their other lending activity remained the same.* Thus, while affiliates accounted for most of the growth in lending to LMI borrowers and areas from 1993 to 1998, compared to overall mortgage market activity, primary institutions devoted a greater proportion of their increase in activity to lending to LMI borrowers and areas.

It is difficult to draw final conclusions from the available evidence, which shows overall increases in loans to LMI borrowers and areas, growing shares of originations to LMI borrowers and areas as a share of total originations made by CRA-covered institutions, growing dominance of CRA-covered institutions in making prime loans to LMI areas and borrowers, but declining market shares of CRA-covered institutions in loans extended to LMI borrowers and areas due to the explosion in subprime lending among non-covered institutions. Financial institutions not covered by the CRA also were under regulatory pressures to expand lending to LMI and minority areas and borrowers (see, e.g., Immergluck 1999).[42] This would have had the effect of encouraging lending by these companies to LMI borrowers and areas at the same time that the

[42] These pressures include enforcement activity under the fair lending laws, Justice Department investigations of mortgage company practices, and Congressional consideration of possible extension of CRA to mortgage companies, as well as increased demand from Fannie Mae and Freddie Mac, in order to meet their affordable housing goals.

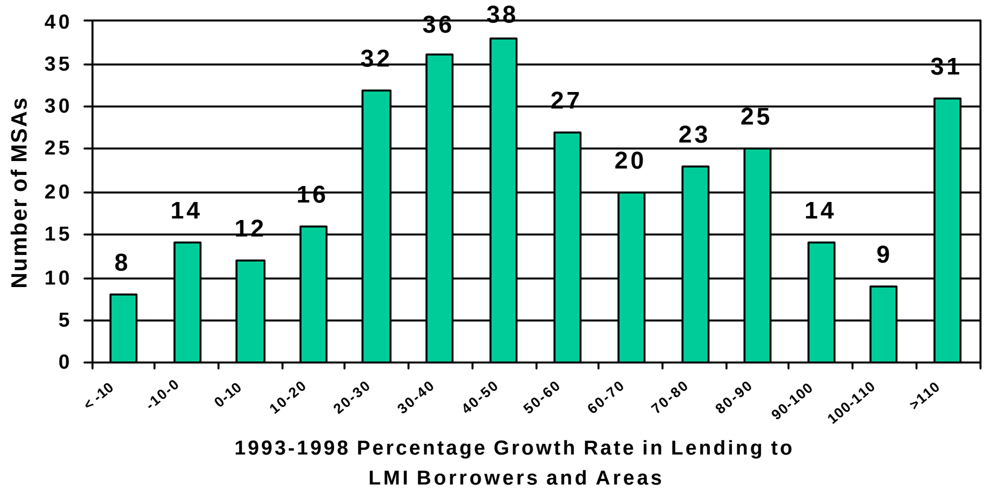
CRA was influencing bank and thrift behavior and leading them to reach out to these markets. These difficulties also derive from limitations of HMDA data and the difficulty in including appropriate controls for the various factors that many have contributed to these outcomes. Conclusions about market share and origination share changes are especially difficult to make. Information on acquisitions of affiliates is so imperfectly captured and underreporting among independent mortgage companies is worse than for mortgage company affiliates of banks and thrifts, clouding information on market share changes. Only one study by the Federal Reserve has examined lending inside and outside of CRA assessment areas by banks and thrifts, making it difficult to assess how much of the increase in their CRA origination share comes from activities in CRA assessment areas. Finally, the reasons that subprime lending and manufactured home lending have grown so much and are so heavily concentrated among institutions not covered by the CRA still are not well understood, but fundamental to interpreting market share changes. Nonetheless, the weight of the evidence suggests that the CRA is helping to expand access to credit for LMI borrowers and areas.

C. Mortgage Lending: Metropolitan Area Differences

Perhaps the most significant drawback of studies of the influence of the CRA on mortgage credit flows in the 1990s, as well as the additional evidence presented above, is that they do not control for the host of factors that generate those flows. More sophisticated modeling approaches and methodological designs are needed to appropriately take account of the many factors that could drive increases in lending to LMI borrowers and areas, changes in origination shares of such lending among regulated institutions, and changes in market shares between CRA-regulated and other financial institutions originating mortgage loans.

The importance of controlling for other factors that shape mortgage credit flows and moving beyond national averages is underscored by strong, but still unstudied, variations in all these variables across metropolitan areas. For example, although total loans to LMI borrowers and areas grew by 43 percent over the 1993 to 1998 time period for all lenders, there were 50 Metropolitan Statistical Areas (MSAs) where these loans grew by less than 20 percent, while in 54 MSAs these loans expanded by 90 percent or more over the period (Chart 18). In addition, in 22 MSAs total lending to LMI borrowers and areas either did not grow or actually contracted, though in all of these MSA groups, middle- and upper-income loan activity declined as well.

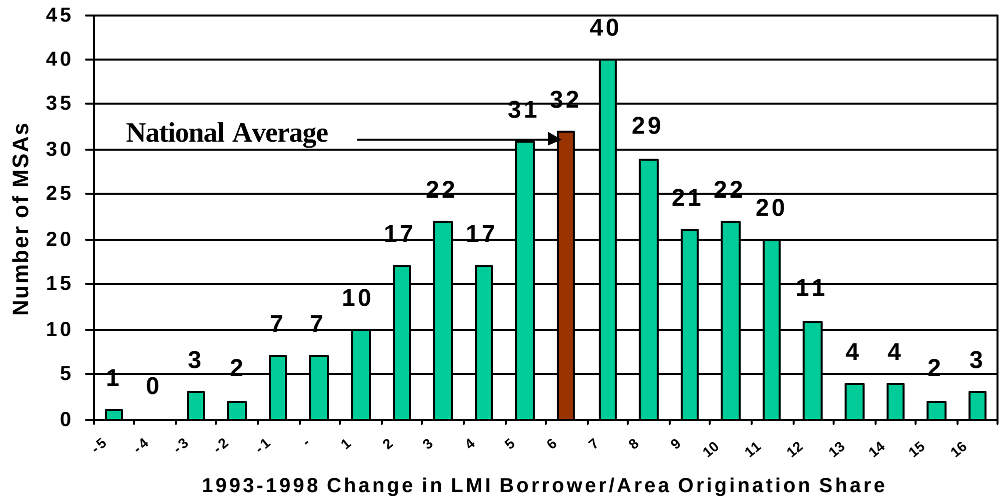
Chart 18: Growth In Lending to LMI Borrowers and Areas Varied Across Individual MSAs



Source: Joint Center for Housing Studies of Harvard University, Tabulations of Housing Borrower Database

Similarly, there were wide variations across MSAs in changes in the share of total originations made to LMI borrowers and areas. In 1998, 30 percent of all mortgage loans nationwide were made to LMI borrowers and areas, 6 percentage points higher than in 1993 (Chart 19). In contrast, the change in 30 metropolitan areas in the LMI borrower/area origination share was less than 2 percentage points, while at the other extreme, in 44 MSAs, the change in share exceeded 10 percent.

Chart 19: Increases in LMI Borrower/Area Origination Share Varied Across Individual MSAs

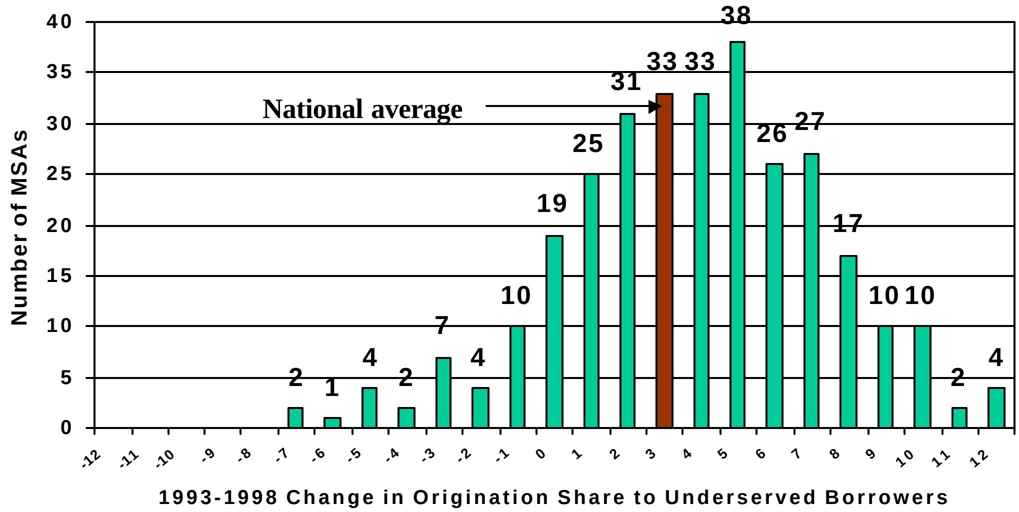


Source: Joint Center for Housing Studies of Harvard University, Tabulations of Housing Borrower Database

Interestingly, it appears that the MSA markets with the largest gains in LMI borrower/area originations tend also to be the ones where the CRA-regulated institutions and their affiliates had the lowest market shares in 1998. In metropolitan areas where loans to LMI borrowers and areas increased by more than 60 percent between 1993 and 1998 (123 areas), the market share of CRA-regulated institutions in 1998 averaged 62 percent. By contrast, in the metropolitan areas where loans to LMI borrowers and areas increased by 60 percent or less, covered institutions' share of such originations in 1998 averaged 68 percent.

There also has been substantial metropolitan variation in the share of mortgage originations to LMI borrowers and areas among CRA lenders and their affiliates. While, on average, loans to LMI borrowers and areas as a share of total loan originations by CRA-regulated institutions increased by 3 percentage points, in 26 metropolitan areas that share increased 9 percentage points or more and in 30 metropolitan areas it declined by one or more percentage points (Chart 20).

Chart 20: Changes in CRA Lender and Affiliate Loan Origination Shares to LMI Borrowers an Areas Varied Across MSAs



Source: Joint Center for Housing Studies of Harvard University, Tabulations of Housing Borrower Database

Among metropolitan areas with at least 10,000 loan originations to LMI borrowers and areas in 1998, Nashville (9 percentage points), Houston (8 percentage points) and Memphis (8 percentage points) had the largest gains and Phoenix (-4 percentage points), Orange County (-4 percentage points), and San Diego (-5 percentage points) had the largest declines.

The differences in lending patterns across MSAs are undoubtedly related, in part, to a series of factors other than or in addition to the CRA, such as differences in economic conditions, home ownership levels, housing stock supply, household income levels, and age and racial mix. As a result, statistical analysis that attempts to sort out the significance of each of these factors, along with the CRA, would be highly desirable. Indeed, analyses that do not take account of these, and possibly other variations across metropolitan areas, are likely to lead to incorrect assessments of the role that any one of them has played.

D. The CRA in Rural Communities

Although, due to significant data constraints, the analysis in this report focuses on lending patterns in metropolitan areas, the importance of lending to LMI borrowers and communities in rural areas should not be ignored. Responding to the credit needs of rural America – especially more remote, low-income communities – presents real challenges to the nation's financial services industry. A sparse and highly dispersed population may generate substantial diseconomies of scale for service-based firms such as banks and savings institutions. Uncushioned by a diversified mix of industries, economic downturns can adversely impact virtually every resident of rural communities. These factors, combined with often stagnant or declining housing values resulting from long-term population losses, may raise the general level of risk for all rural lenders. Consequently, meeting the credit needs of rural residents takes imagination and flexibility by both large and community-based lenders.

Reports compiled by the USDA's Economic Research Service indicates that credit markets in rural America today work reasonably well in serving the financial needs of most rural borrowers (USDA, 1997). As compared to credit markets in urban areas, USDA concludes that there is often less competition among rural lenders, given the small size of the communities in which they operate; however, the USDA reports that, based on survey results and administrative records, rural borrowers on average pay interest rates and face loan terms close to those on similar urban loans. Data from individual rural communities – much like that from the metropolitan areas analyzed above – suggest that problems do exist in some sub-markets. Recent changes in the financial services industry present both challenges and opportunities for rural markets. Bank consolidation is raising concerns that credit-scoring and decisions made by distant management could reduce access to capital for many rural residents. There is also the prospect, however, that Internet banking services will expand the range of services to rural areas and reduce their cost. There is insufficient information on these developments to guide the industry, the public or regulators. As these changes in financial markets take place, policy makers and regulators must continue to evaluate how rural communities' access to financial services is affected. There is also an urgent need for better research and understanding about access to financial services on Indian reservations, which have long been underserved.

V. Costs of the CRA

Although the FMA does not call for this report to discuss the costs of the CRA, nor to weigh those costs in relation to any benefits of the CRA, any appropriate baseline report would be incomplete without at least some discussion of this issue.

There are two basic types of costs potentially associated with the CRA. One category of costs relates to the expenditures that CRA-covered depositories must incur in order to comply with the Act and its regulations. These are largely paperwork costs, as distinct from the costs of qualifying borrowers and extending them credit (which we discuss immediately below). The costs institutions incur to comply with related statutes, such as the anti-discrimination and home mortgage disclosure laws, are not part of CRA compliance costs. The federal banking regulators have estimated the annual paperwork burden of the CRA at approximately 600 hours for large institutions and 10 hours for small institutions.[43]

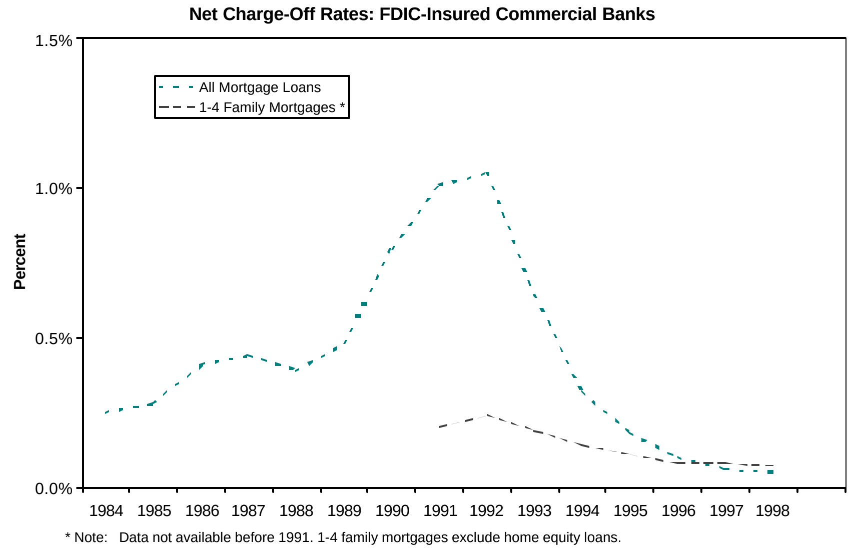
One example of CRA costs is related to applications that received adverse public comment on CRA grounds. Based on data provided by the four banking regulators for 1995 through 1998, however, less than one percent of total bank and thrift institution applications (600 of roughly 86,000 applications) covered by the CRA received adverse comments. Furthermore, only one percent of the applications that received adverse comment were denied by the regulators – 94 percent were approved, and the other 5 percent were withdrawn or returned for additional information.

In principle, another type of cost associated with the CRA occurs when lenders are unfamiliar with how to find and develop creditworthy LMI borrowers, and instead offer these borrowers prices below a risk-adjusted rate. This should be a short-term issue, if it occurs at all. Over the long-term, lenders have an economic self-interest – a self-interest that is fully consistent with their CRA obligations – to seek out the strongest and highest-returning loans to LMI borrowers and areas, investments and services. Nonetheless, as discussed in the next section, the evidence suggests that the CRA responded to real imperfections in credit markets and, while further research is appropriate, the available evidence also suggests that these imperfections remain, to some extent, today, underscoring the need to evaluate these costs, if any, in the context of the imperfect credit markets in which such lending occurs.

---

[43] *Federal Register* 64: 29,083 (May 28, 1999).

Chart 21: Mortgage Charge-off Rates Declined During a Period that Saw Large Increases in Mortgage Lending to LMI Borrowers and Areas



Source: Federal Deposit Insurance Corporation

In this context, it is noteworthy that over a period that saw an 80 percent growth in the dollar volume of home mortgage lending by insured institutions to LMI borrowers and areas (see Table 2), the industry's overall charge-off rate for mortgages generally has declined (Chart 21): from 0.24 percent for 1-4 family mortgages in 1992 to just 0.07 percent in 1998. No publicly available compilations exist of charge-off rates for loans (though the soon-to-be released Federal Reserve Board study should provide at least partial information in this area).

The juxtaposition of rising mortgage lending volume to LMI borrowers and areas with declining charge-offs on all mortgage loans during the 1990s should be interpreted with care. As Table 2 indicates, over the entire 1993 to 1998 period, mortgage loans to LMI borrowers and areas accounted for 18 percent of all CRA lenders' mortgage originations by dollar volume. Given their small share of the entire mortgage portfolio, such loans would need to have significantly higher loss rates than other loans to affect the overall charge-off rate. At the same time, however, the data indicate that, to date, the increase in lending to LMI borrowers and areas has not increased banks and thrifts' charge-off rates above their prior levels.

VI. Remaining Imperfections in Credit Markets Affecting LMI Borrowers and Areas

Whatever one may conclude about the role in the past of the CRA in affecting credit flows toward LMI borrowers and areas, a key question is whether the market failures that justified the Act in the first place are still present. That is, even though much progress has been made in our financial system in expanding access to credit for low-income borrowers and residents of low-income neighborhoods, are credit-worthy borrowers still failing to gain access to credit on commercially appropriate terms? There is enough evidence suggesting the possibility that imperfections may remain in some places that continued government intervention aimed at correcting, or at least preventing a reoccurrence of those failures, is warranted. Nonetheless, further research on this topic is also needed.

A. Mortgage Lending

The CRA is intended to respond to market failures that may limit access to credit for LMI borrowers and areas. Further research is needed to quantify these barriers. An aspect of potential remaining credit market barriers is racial or ethnic discrimination. Whether or not "statistical" or "taste-based" discrimination is taking place on a wide scale in mortgage markets remains hotly debated. On the one hand, the arguments continue to rage over whether mortgage denial studies, like the one Boston Fed conducted, are sufficient to demonstrate the presence of racial discrimination. On the other hand, more direct evidence recently gathered suggests that there is discrimination in mortgage lending. As discussed earlier in Section II, a recent study by the Urban Institute analyzing the experience of “matched pairs” of mortgage applicants found that similarly situated minorities were treated differently than their white counterparts in some cities and by some lenders. In several cases, minorities were given less attention and information by lenders, and were quoted higher interest rates than whites (Smith and DeLair 1999). This evidence, while suggestive that at least some discrimination is occurring, does not measure its incidence or magnitude nationwide.

In an effort to increase efficiencies as well as to leave as little room as possible for an individual loan underwriter’s discretion to lead to discrimination, mortgage (and small business) lenders have been using apparently more objective methods for deciding whether to extend credit. Known as “credit scoring,” these methods assign numerical weights to various indicators of credit risk (such as prior credit history) to come up with a credit “score” for a borrower that, in principle, more objectively measures that borrower’s willingness and capacity to pay off a loan.

Credit scoring broadly facilitates access to and reduces the price of credit to the extent it helps promote standardization and automatic underwriting of mortgages. Standardization is key to the process of securitization, whereby individual mortgages are assembled in pools, which are used as collateral for issues of mortgage-backed securities. The process of securitization, in turn, has opened up Wall Street to Main Street, allowing an increasingly global credit market to provide funds for mortgages. It is widely acknowledged that, in the process, securitization has helped to lower the cost not only of mortgages but also of other types of credit.

At the same time, however, there is growing concern that credit scoring for mortgages may adversely affect minority and low income borrowers’ access to credit (Bogdon and Bell, 1999).

This is because these borrowers more frequently have lapses in their credit histories or other unusual features of their financial backgrounds that translate into lower credit scores. Efforts are underway, however, to improve credit scoring systems so that the nontraditional credit histories of LMI borrowers are better reflected in scoring models.

Of course, as noted, many minority and LMI borrowers have obtained mortgage credit from non-depository lenders –especially subprime and manufactured home lenders. But these lenders almost certainly charge higher interest and fees on their loans than is the case for depositories covered by the CRA who extend credit to "prime" borrowers and who often sell their loans to Fannie Mae or Freddie Mac. Fannie Mae has announced that it will "more aggressively" purchase subprime loans and is developing new scoring methods to help refine the risks that under-served borrowers may present by taking into account their unique financial characteristics.

B. Small Business Lending

A number of recent studies indicate that substantial unmet credit needs remain among small businesses, particularly minority-owned small businesses. Several papers presented last year at a Federal Reserve conference on Business Access to Capital and Credit (Blanton, Williams, Rhine, eds., 1999) that compared lending to African-American- or Hispanic-owned small businesses to lending to white-owned small businesses found that African-American-owned firms are two to two-and-a-half times as likely as white-owned firms to be denied loans, and that large disparities remain even after controlling for a wide variety of firm and owner characteristics (Bostic and Lampani, 1999; Cavalluzzo, et al., 1999). Some of the studies also showed disparities in lending to Hispanic-owned firms. While the researchers differ in the extent to which they attribute the observed lending patterns to discrimination in the lending process, a Federal Reserve economist concluded in his conference discussion comments that “just because the NSSBF [National Survey of Small Business Finances] survey data cannot be used to prove discrimination, [they] can’t be used to dismiss it either” (Avery, 1999). Likewise, Bates (1999) concludes that it becomes difficult not to infer discrimination “when a variety of studies conducted in different years, based upon different data bases, employing various methodologies, all produce consistent empirical evidence of African-American loan applicant disadvantage.”

If anything, these studies are likely to understate the constraints on minority access to business credit for several reasons. Bates points out that the data used for the analyses – drawn from the National Survey of Small Business Finance (NSSBF) – focus disproportionately on loan accessibility for older, more established small firms, and that many of the African-American-owned businesses most vulnerable to credit access difficulties were likely to have closed “before they were sufficiently mature to be likely candidates for inclusion in the NSSBF data base” (Bates, 1999). Furthermore, the NSSBF data do not reflect disparities in the ability of minorities as compared to whites to obtain start-up financing.[44] In particular, Bates determined that African-American entrepreneurs are more likely to use other forms of consumer credit, such as credit cards or home equity loans, to finance their businesses (30 percent of African-American borrowers as compared to 18 percent of white borrowers), which also result in smaller average loan sizes ($20,776 for African-American borrowers, and $33,060 for white borrowers). As a further disadvantage, African-American-owned businesses, on average, begin operations with less than half the capitalization of white-owned firms, with even wider gaps in capital-intensive industries, such as manufacturing and wholesaling. Bates finds that low startup capitalization results in "stunted firms in fields like manufacturing, and the predictable consequence is higher rates of business closure for African-American owners, relative to Whites" (Bates, 1999). More research is needed – in particular, research that controls for differences in the creditworthiness of applicants – to quantify the extent to which minorities may be the subjects of either intentional or "statistical" discrimination in the small business lending market.[45] Further research is also needed with respect to the unmet credit needs of businesses in LMI areas. Three trends may have an important impact on small business lending going forward:

First, while small business lending traditionally has represented a substantially greater proportion of assets for small banks than large banks, large banks began to do more small business lending during the latter half of the 1990s, particularly in the smallest loan size category (Peek and Rosengren, 1998). There is some evidence the increased small business lending by large institutions has been attributable to the use of credit-scoring technologies – previously used in consumer and mortgage lending – which are particularly adaptable to and useful in reducing the costs of smaller loans. One recent study, for example, has found that banks that credit scored small business loans generally originated more loans in low-income areas relative to other locations (Padhi et al, 1999). In addition, credit scoring appears to be making the small business

---

[44] Bates (1997) found that African-Americans are less likely than whites to receive start-up business financing from banks (17 percent as compared to 23 percent), and that those who obtain bank loans receive smaller loan amounts, on average, than white borrowers.

[45] Two recent metropolitan area studies – one for the Chicago area, the other for Milwaukee – document that despite the presence of the CRA requirements, geographic disparities remain in lending rates to small businesses located in LMI and predominantly minority neighborhoods, as compared to upper-income and predominantly white neighborhoods. See Immergluck (1999) and

lending market more accessible for larger banks that may not have a local presence (Padhi et al, 1999; Peek and Rosengren, 1998). In fact, large banks have begun to use credit scoring not only to approve loans, but also to select potential small businesses and to market to them through the mail (Immergluck and Mullen, 1998, pp.14-15). Mass marketing for small business lending may be an important way to expand access to credit for these firms.

While credit scoring may be contributing to an increase in small business lending in particular by large banks, some commentators nonetheless have expressed concerns that it may not be leading to an overall increase in credit availability for small business (Immergluck and Mullen, 1998; Board of Governors, 1997). It is difficult for researchers and policy makers to assess the impact of credit scoring, however, because most of the credit scoring models to date have been developed by private firms, which means that they are proprietary and not generally subject to public scrutiny. Nonetheless, the impact of credit scoring on credit availability for low-income and minority borrowers, for personal use or for business, is an important subject for further research.

Another important trend affecting small business lending in particular is that a growing portion of the market is accounted for by credit card borrowings, which small firms use for working capital and small equipment purchases, among other things (Immergluck and Mullen, 1998). It is noteworthy that the twelve credit card banks that reported some amount of small business lending in 1996 accounted for 30 percent of the total number of small business loans

---

Squires and O'Connor (1999). These studies do not prove, however, that credit market imperfections exist in these two cities because neither controls for credit risk of loan applicants.

reported for the year nationwide, though only 3 percent of the dollar volume of such loans (Canner, 1999; Bostic and Canner, 1998; Cyrnak, 1998).

The full extent of small business lending being done through credit cards is unknown, however, and may not be subject to CRA review. Some banks that issue business credit cards may also be issuers of large numbers of consumer credit cards, on the basis of which they have attained “limited purpose” bank status. Limited purpose banks, whose CRA performance is reviewed under the community development test, are generally not separately evaluated with respect to their small business lending, although such loans could be considered community development loans for these banks if such loans have a community development purpose.

Finally, the continuing consolidation of the banking industry has raised concerns that small businesses may find it more difficult to obtain credit when the institutions with whom they have dealt are bought by organizations with headquarters (and loan approval committees) in distant locations. Several factors appear, at least on the surface, to support this concern:

- Almost 85 percent of small businesses utilize the services of a commercial bank located within 30 miles (Berger et al., 1998);

- Large banks ($1 billion or more in consolidated assets) employ standard criteria obtained from financial statements in the loan decision process, whereas small banks (less than $1 billion in consolidated assets) do not follow these criteria as closely, relying more upon their loan officers’ impressions of the borrower’s character gathered from interactions between the bank and the borrower (Cole et al., 1999);

- Studies have consistently found that larger institutions generally devote a smaller proportion of their assets to small business lending than do smaller institutions, seeming to support the concern that as the industry becomes dominated by larger institutions, small business credit will decline (Berger et al. 1998, p.188).

In fact, the earliest studies suggested that bank mergers reduced small business lending on net, due to the fact that large banks tend to devote a smaller share of their assets to small business loans than do most small banks (Board of Governors, 1997). A subsequent, thorough analysis by Berger and his colleagues points the other way: while some lending relationships are disrupted by mergers, small businesses tend to find credit from other sources (Berger et al, 1998).

VII. Possible Directions for Future Research

Given the continuing debate over the provision of financial services to LMI borrowers and areas, there is an important role for future research. As we have discussed, simple statistical comparisons of growth rates of LMI lending fail to hold constant other important factors that affect lending patterns, and – taken alone – cannot lead one to draw firm conclusions on the impacts of the CRA. While data tabulations such as those presented earlier in this report are consistent with the proposition that the CRA has increased LMI lending, statistical analysis would further buttress this research.

In particular, there are several areas in which new research may be useful:

- The CRA performance process defines geographic assessment areas, which can be smaller than the entire market areas where the institutions originate loans. Measuring the performance of institutions within their assessment areas is conceptually a better test of the impact of the legislation. Accordingly, it might be useful to compare the CRA performance of depository institutions inside and outside of their assessment areas to gain better insight as to the effectiveness of the CRA.

- The use of CRA evaluations as a criterion for merger approval suggests that the performance of institutions actively involved in consolidation efforts might be more aggressive than the performance of CRA-covered institutions not involved in mergers. This is a hypothesis that could be tested statistically.

- Most CRA-covered institutions are scored periodically on their performance. Another hypothesis that could be tested is whether low ratings, in particular, have been detrimental to marketing and sales efforts of the relevant institutions in their service areas.

It would be especially useful in conducting each of the possible analyses suggested above to take into account differences across metropolitan areas – in terms of economic conditions, housing stock, demographics, and the mix of banking institutions. Controlling for these and other possible factors could help isolate the role played by the CRA in facilitating credit flows to LMI borrowers and areas.

Meanwhile, in pursuing the question posed by the FMA – what impact will that Act have on CRA lending in the future – there are several possible approaches.

Unitary thrift companies have long had diversified financial powers similar to (and even more extensive than) those authorized for new financial holding companies and financial subsidiaries under the FMA. It may therefore be worth examining whether the mortgage lending patterns of thrifts belonging to such conglomerate organizations have differed in the past from those of other thrift institutions.

Researchers might also find it useful to conduct case studies of the financial institutions most likely to take advantage of the new financial holding company structures authorized by the FMA. These case studies could be used to better understand how the companies most likely to use these new structures would view their obligations, organizational capacities, and organizational constraints in reaching out to LMI borrowers and areas after creating the new holding company and subsidiary structures. The studies could be supplemented with interviews with community groups and regulators to obtain their views of how the FMA will influence CRA-related lending.

Finally, several important trends in the banking industry – indeed, the depository industry more broadly defined – appear to be influencing flows of credit to individuals and especially to small businesses in LMI and minority areas and to minority-owned businesses: the intensified presence of some large banks in the small business lending market, the related use of credit scoring technologies, credit card lending, and the consolidation of the banking industry. We briefly identified these forces in the previous section, and the available evidence about their impacts, but recognize that more research will be required to provide more precise estimates of both the direction and magnitude of these effects. In particular, the impact of bank (and thrift) mergers on minority-owned small business, on small firms located in low-income areas, and on mortgage borrowers is a subject deserving further study, not just for its own sake, but also because it may be relevant to addressing the subject of the follow-up report that the FMA requests Treasury to undertake: to assess the impact of financial modernization itself on the provision of financial services as intended by the CRA.

In short, more research will be required to provide more precise estimates of the direction and magnitude of the impacts of each of these developments. Additional information not now reported under the HMDA or CRA – in particular, data relating to fees and charges for credit – also would allow for a better understanding of the access of LMI borrowers and areas to credit and how lending to them affects their communities.

Appendix A

Assessing CRA Compliance

The federal banking and thrift regulators currently assess the efforts of covered depository institutions toward meeting their obligations under the CRA by looking to their actual performance in their "assessment area." Institutions themselves define these areas so long as they generally include one or more MSAs or political subdivisions (counties, cities, towns) where the institution has its main office, branches, and its deposit-taking ATMs, as well as surrounding areas in which the institution has originated or purchased a substantial portion of its loans.[46] Institutions may not arbitrarily exclude LMI areas or borrowers.

A single institution may have one assessment area or many. With the easing of restrictions on interstate banking, many institutions have assessment areas scattered across the country. Although the regulators assign a single overall CRA rating to such banks or thrifts, they will also rate banks and thrifts by metropolitan area or state. In addition, the regulators apply different CRA tests to large financial institutions (those with $250 million or more in bank or thrift assets or those of any asset size belonging to a parent holding company with $1 billion or more in assets for two consecutive years), small financial institutions, wholesale and limited purpose banks and financial institutions evaluated under an approved strategic plan.

Examiners are directed to apply the CRA tests discussed below in the context of the particular institution and the market in which it operates. This "performance context" is defined to include information about the economic and demographic characteristics of the institution's

[46] There is a slightly different assessment area definition for banks that are designated limited purpose or wholesale.

assessment area; lending, investment, and service opportunities in that area; the institution's product offerings and business strategy; its capacity and constraints; its past performance and the performance of similarly situated lenders; information contained in the institution's public CRA file; and any other information the regulator deems relevant.

Large Depository Institutions

As mentioned briefly in the body of the report, examiners apply a three-part test – encompassing an institution's lending, investment, and services provided to its entire community, including LMI individuals and areas – for assessing the CRA efforts of large depository institutions. All three tests give consideration to relevant "community development" activities within each category, which include the financing of affordable housing (including multifamily rental housing) for LMI individuals, community services targeted to LMI individuals, activities that promote economic development by financing small businesses or small farms, and activities that revitalize or stabilize LMI areas. Examiners assign one of five component ratings (outstanding, high satisfactory, low satisfactory, needs to improve, or substantial noncompliance) and points for each of the tests, which are then summed according to a rating matrix to create one of the four possible composite ratings: outstanding, satisfactory, needs to improve, and substantial noncompliance.

The Lending Test

Lending is the most heavily weighted in the rating equation, so that an institution cannot receive a composite rating of "satisfactory" or better unless it receives a minimum rating of "low satisfactory" on the lending test. An institution that receives an "outstanding" on the lending test is assured an overall “satisfactory” rating, even if it receives “substantial noncompliance” on the other two components. The rating is substantiated in a written evaluation by a bank examiner called a performance evaluation, or PE, which is made public after it is completed and the institution has an opportunity to appeal the rating.

The lending test evaluates an institution’s record of helping to meet the credit needs of its assessment area though home mortgage, small business, small farm, and community development lending, and includes both originations and purchases. If consumer lending constitutes a substantial majority of an institution’s business, it will be evaluated. If it does not, consumer lending may still be considered if the institution so selects and maintains records as required. Lending is assessed according to the following criteria:

- The number and amount of loans in the bank’s assessment area;

- The geographic distribution of loans, including the proportion and dispersion of loans in the institution’s assessment area, and the number and amount of loans in low-, moderate-, middle-, and upper-income areas within the institution’s assessment area;

- The distribution, particularly in the institution’s assessment area, of loans by borrower characteristics, taking account of the number and amount of loans to low-, moderate-, middle-, and upper-income borrowers and small businesses and farms with less than $1 million in gross annual revenues;

- The institution’s community development lending, including the number and amount of community development loans and their complexity and innovativeness; and

- The institution’s use of innovative or flexible lending practices to address credit needs of low- and moderate-income individuals or geographies.

The Investment Test

The investment test evaluates an institution's record of helping to meet the credit needs of its assessment area through "qualified investments" that benefit the assessment area or a broader statewide or regional area that includes the assessment area. A qualified investment is one that has community development as its primary purpose, and may include an investment, deposit, membership share, or grant in or to a variety of financial intermediaries or organizations.[47] An institution's investment activity is evaluated on the basis of the dollar amount of qualified investments; the innovation or complexity reflected in its qualified investments; the responsiveness of qualified investments to credit and community development needs; and the degree to which the qualified investments are not routinely provided by private investors.

The Service Test

The service test evaluates a bank's record of helping to meet the credit needs of its assessment area by evaluating both the availability and effectiveness of an institution's systems for delivering retail banking services, and the extent and effectiveness of its community development services. The availability and effectiveness of an institution's retail banking services are evaluated according to the distribution of the institution's branches among low-, moderate-, middle- and upper-income areas; the institution's record of opening and closing branches (particularly those located in LMI areas or primarily serving LMI individuals); the availability and effectiveness of alternative systems for delivering retail banking services in LMI

[47] These include CFDIs, CDCs, organizations engaged in affordable housing rehabilitation or construction, small business investment companies, facilities that promote community development, projects eligible for low-income housing tax credits, certain state and municipal

areas and to LMI individuals; and the range of services provided to low-, moderate-, middle-, and upper-income areas and the degree to which the services are tailored to meet the needs of those areas. Alternative systems for delivering retail banking services may include ATMs, banking by telephone or by computer, loan production offices, and bank-at-work or bank-by-mail programs.

Community development services are services that have community development as their primary purpose, are related to the provision of financial services, and have not been considered in the evaluation of the institution's retail banking services. These services might include the provision of technical expertise for organizations serving LMI housing needs or economic revitalization, credit counseling to promote community development and affordable housing, school savings programs, or low-cost bank accounts or free government check cashing that increases access to financial services for LMI individuals. These services are assessed according to their extent, innovativeness, and responsiveness.

Small Depository Institutions

Small banks and thrifts – those under the size threshold applicable to large retail depositories – are evaluated under a streamlined test that focuses on the loan-to-deposit ratio and other lending-related criteria.[48] Qualified investments and services that enhance credit availability in

---

obligations, or nonprofits serving community development needs (such as homeownership counseling and other financial services education).

[48] These criteria include lending and other lending-related activities in the bank's assessment area, the geographic distribution of loans in the assessment area, the distribution of lending by borrower income and business or farm size, and the bank's record of taking action, if warranted, in response to written complaints about its CRA performance.

the assessment area may be considered at the institution's option in order to improve a rating from satisfactory to outstanding.

Wholesale Banks and Limited Purpose Banks

Wholesale banks, which are not in the business of extending home mortgage, small business, small farm, or consumer loans to retail customers, and limited purpose institutions, which offer only a narrow product line to a regional or broader market, such as credit card banks, are evaluated under a community development test. The community development test looks at an institution's record of helping to meet the credit needs of its assessment area through community development lending, qualified investments, and community development services. Performance criteria for these institutions are the number and amount of community development loans, qualified investments, or community development loans or services; the innovativeness and complexity of qualified investments, community development loans, or services; the extent to which qualified investments are not routinely provided by private investors; and the bank's responsiveness to credit and community development needs. At a bank's option, examiners will consider community development lending by affiliates, consortia and third parties in which the bank has participated or invested. Examiners also will consider activities outside the institution's assessment area if the bank has adequately addressed the needs of its assessment area.[49]

Financial institutions must be designated as limited purpose or wholesale by their primary regulator prior to being examined under the community development test.

---

[49] Activities that benefit areas within the assessment area or a broader statewide or regional area that includes the assessment area will receive positive consideration.

Strategic Plan

A financial institution may also be evaluated under a strategic plan that has been approved by its regulator, is in effect, and under which the institution has been operating for at least one year. Plans may be for a maximum of five years, and must include annual measurable goals that constitute satisfactory performance, and may also specify measurable goals that constitute outstanding performance. A financial institution must formally solicit public comment on a proposed plan before providing the final plan to its regulator for approval. The plan must include measurable goals for helping to meet the credit needs of each assessment area covered by the plan, particularly the needs of LMI areas, and LMI individuals, through lending, investments, and services. A bank that has also been designated limited purpose or wholesale may also have a strategic plan.

Appendix B

Data Used to Generate the Tables and Charts in the Report

This Appendix describes the sources and nature of the data used to generate the tables and charts in the report showing recent trends in lending.

Mortgage Data

The mortgage trends in the report focus on two kinds of originated loans, for home purchase and for refinancing. This focus, by definition, excludes originations for home improvements (second mortgages) and loan originations for multifamily dwellings.

Our data covers mortgage lending in 305 Metropolitan Statistical Areas (MSAs) for a sample of loans for 1993 and 1998, based on information submitted by financial institutions under the Home Mortgage Disclosure Act (HMDA) of 1977. As currently amended, the financial institutions subject to the HMDA requirements include: depository institutions and their affiliates, savings and loan corporations, credit unions, and non-depository mortgage lenders. The HMDA reports include information about, among other things, the following items:

- Race of applicant
- Income of applicant
- Geographic location of property included in application

The HMDA data for this analysis has been enhanced through linkage to a descriptive file on lenders from the Federal Reserve Board. This descriptive file makes it possible to classify individual lenders as being covered or not covered by the requirements of the CRA. In addition, this file permits the classification of some lenders as specialists in subprime loans or in loans related to manufactured housing.

Our analysis also uses data assembled by the Department of Housing and Urban Development that describes the median household income for individual MSAs for both 1993 and 1998. The data are critical for categorizing individual borrowers as LMI or MHI borrowers.

Exhibit B-1 illustrates graphically the borrower database assembled for this analysis, from which the analytical sample is drawn.

Exhibit B-1: Borrower Database Used in the Analysis

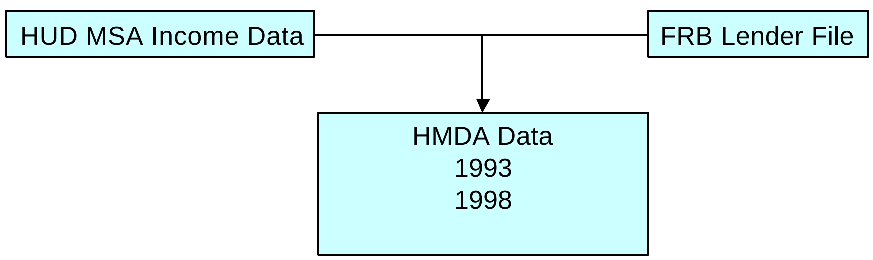


Exhibit B-2 shows how records from the HMDA analysis were filtered and processed to develop the sample of loans for this analysis. The table shows that there are just over forty million HMDA records available for the two years. However, we used the series of techniques summarized in Exhibit B-2 to exclude about half of these records. Although most of our methods should be self-explanatory from the exhibit, several require some discussion:

- In 1998, some small institutions that were required to report in earlier years were exempted from reporting requirements. To standardize the sample across the two years, the smaller-sized institutions in the earlier year, 1993, were simply dropped from the analysis, reducing the number of transactions in 1993 by about 116,000 loans.

- Some of the reported loan amounts on the HMDA data records are quite small; loans of less than $15,000 were eliminated from the sample.

We selected MSAs by focusing on counties inside MSAs that had reported home purchase and refinancing data for both 1993 and 1998. Missing data in either 1993 or 1998 were taken as an indication that for that particular year, the county was not included in an official MSA designation as set forth by the Office of Management and Budget. Thus, for some of the MSAs profiled in the study, only partial areas of the MSA are actually included. If the MSA grew over the 1993 to 1998 time period, for example, the counties added to capture the growth would be excluded from the analysis, because data were not tracked for those counties in the earlier year.

Exhibit B-2: Development of the Sample from the HMDA Public Records

	1993	1998	Both Years
Total Records Received From HMDA	15,380,827	24,661,738	40,042,565
Focus On Selected MSAs	12,309,539	19,282,825	31,592,364
Eliminate Small Institutions In 1993	12,193,710	19,282,825	31,476,535
Focus On Originated Loans	8,387,099	10,077,792	18,464,891
Focus On Home Purchase Loans And Refinancings	7,703,782	9,273,214	16,976,996
Eliminate Small Loans	7,622,098	9,133,060	16,755,158
Eliminate Records Missing Information On Both Borrower And Neighborhood Characteristics	7,606,673	9,116,810	16,723,483
Eliminate Records Missing Information On Either Borrower Or Neighborhood Characteristics	6,660,300	7,560,751	14,221,051
Eliminate Records Where Loan Amount Is Greater Than 5 Times Reported Income (Usable Records)	6,593,435	7,481,815	14,075,250

There are also a number of measurement problems inherent in the HMDA data themselves that are used to measure mortgage lending of which readers should be aware:

- The fraction of HMDA loan records that lack information on income has been relatively stable over time, with income missing on 7.2 percent of the records in 1993 and 7.6 percent of the records in 1998. The proportion of HMDA loan records that lack racial information about borrowers has increased over time, with race missing on 4.0 percent of the records in 1993 and 10.4 percent of the records in 1998.

- Income and racial characteristics of neighborhoods in the data are based on 1990 Census data. An unknown number of LMI neighborhoods since 1990 may have become MHI neighborhoods and vice versa.

- At least two studies conclude that HMDA data cover only perhaps three-quarters of all originations in metropolitan areas.[50] Underreporting is thought to be worst among independent mortgage and finance companies. Reporting among banks and thrifts (the institutions covered by CRA) and their affiliates is thought to be nearly complete among those required to report. Smaller banks and thrifts are exempt, however, and so do not report at all, nor do banks operating in rural areas. As a result, conclusions about the share of the total LMI borrower/area mortgage market captured by federally insured depository institutions covered by the CRA are especially difficult to draw with confidence.

- Improvements in the quality and scope of coverage of HMDA data on mortgage lending make certain comparisons across time difficult and less reliable. Prior to 1990, the data available on depository institution lending patterns under HMDA consisted of data on the geographic location of residential loan originations and purchases. For purposes of public disclosure, lenders reported the aggregate number and dollar volume of lending for each census tract in an

---

[50] Avery and his colleagues (1999) estimate that HMDA data from 1993 to 1997 contain about 80 to 87 percent of home purchase loans in metropolitan areas, which is broadly consistent with Bunch and Scheesle's (1996) finding that HMDA data covers about 75 to 80 percent of GSE purchases in metropolitan areas.

MSA in which they had branch offices (Canner and Smith, 1991). Beginning in 1980, the Federal Financial Institutions Examination Council (FFIEC) aggregated this data to show the overall lending activity of covered institutions in each MSA.

- The HMDA data fail to distinguish loans made by deposit-taking institutions and their affiliates in their CRA assessment areas from loans made outside them. With banks and thrifts increasingly providing mortgage credit through mortgage company affiliates operating actively outside of areas where banks and thrifts have branches, much of their increased mortgage lending may occur outside their formal CRA assessment areas. In addition, it is difficult to distinguish the activity of affiliates from that of their parents because the parent companies have the discretion whether or not to report on the activities of their affiliates separately or to merge them into the parent's HMDA report.[51]

- Individual banks and thrifts can choose to report the activities of mortgage and finance company affiliates on a single HMDA report. As a result, most studies (including this one) examine the performance of CRA-regulated institutions together with their affiliates. As discussed in the body of the report, some unknown part of the increase in bank and thrift mortgage lending may result from acquisitions of independent mortgage and finance companies rather than from direct increases in bank and thrift lending.

- The HMDA data do not include information on loan terms or the credit quality of the borrower. As a result, the best available way to examine trends in subprime lending is to

---

[51] One study has made an effort to distinguish loans made by banks and their affiliates inside their assessment areas from those made outside of them (Avery et al., 1999). The study used the counties in which banks and thrifts have at least one branch office as their proxy for assessment area.

examine the behaviors of a list of subprime lenders prepared by the Department of Housing and Urban Development (HUD). Although a great deal of effort is expended and care taken in preparing the list, there is no guarantee that it is accurate. In addition, lenders that do not specialize in subprime lending may nonetheless make a substantial number and share of subprime loans.

- The HMDA data also do not identify loans to manufactured homes. Therefore, analyzing the influence of the growth in lending to manufactured homes, as with subprime lending, is restricted to examining lending by institutions identified by HUD as manufactured home lending specialists.

- There are a number of other well-known problems with HMDA data that relate to the limitations of the data for studying mortgage supply, demand, and credit allocation decisions. In particular, the data lack information on loan terms, fees, interest rates, employment and credit history of applicants, and pre-screening of applicants. In addition, there is a problem of over-counting applicants and denials owing to the practice of submitting multiple applications.

Data Used For Report on Small Business Lending

The trends on small business lending reported in the text are based on reports filed under the CRA by large depository institutions. These data are compiled by the Federal Financial Institutions Examination Council (FFIEC), an interagency body with representatives from each of the five banking regulators. Unlike the routine FFIEC-generated data on residential lending, however, these reports do not include tables that show small business lending broken down by neighborhood racial composition, although the reporting of loans by census tracts makes it possible to determine these patterns through correlation with census data.[52]

The CRA regulations require a large reporting institution to aggregate data on small business loans for each census tract or block numbering area in which the bank originated or purchased a small business loan during the year. The reported data include the aggregate number and dollar amount of loans in each of three loan size categories ($100,000 or less, over $100,000 to $250,000, and over $250,000 and up to $1 million), and the aggregate number and dollar amount of loans made to businesses with gross annual revenues of $1 million or less. Unlike the HMDA data, the CRA small business data do not include information about applicant income, gender, or racial or ethnic background, and include data only on originations and purchases, not on applications that are turned down or withdrawn by the customer.[53] Small business lending by

[52] Several other data limitations for small business lending have been noted (see generally, Canner 1999). Like the HMDA data, the CRA data do not provide any indication of local demand for business credit or factors influencing the supply of credit in a given community. (Canner, 1999). Patterns of loans originated may underestimate problems of poor access to credit because of the omission of loan applicants who are no longer in business, or were never able to start up. On the other hand, the inability to fully measure firm demand across geographic areas may suggest an overestimate of bias in the other direction (Immergluck, 1999). Further, several issues of data quality have been identified, including the reporting of the geographic location of the small business receiving the loan, although the borrower may use the funds to support business activities in other locations; identification of firm location by post office box instead of street address (though this will be corrected in subsequent years); and the fact that the census data used in conjunction with CRA data, which include census tract boundaries and associated demographic information, are based on the 1990 decennial census, so that the income and racial composition characterization for any given census tract may no longer be accurate.

[53] Immergluck (1999) and Squires and O'Connor (1999) recommend that small business lending disclosures be augmented in order to measure and explain business lending activity in lower-income and minority neighborhoods. Such data might include the types of data provided on residential lending under HMDA, including the number and disposition of applications for small business loans, and applicant racial or ethnic and gender information, and additional details such

affiliates of a reporting depository institution is included in the reported data only if the institution has elected to have affiliate lending considered for purposes of the lending or community development test or as part of an approved strategic plan.

A threshold issue in analyzing the reported small business lending data is identifying the universe of small businesses. In general, analyses of the CRA data refer to all of the reported loans – those under $1 million – as "small business lending," which is thus defined by the size of the loan rather than the size of the borrower. Nonetheless, the CRA data on loans of this size or less are probably a reasonable proxy for loans to small businesses (Bostic and Canner, 1998; Immergluck and Mullen, 1998; Board of Governors, 1997). The CRA data also isolate loans to businesses with $1 million or less in gross annual revenues, which fall within commonly used parameters for defining small businesses.[54] Of businesses with under 500 employees, 84 percent also have $1 million or less in revenues. Analyses of business lending under the CRA thus may focus on loans under $1 million to businesses of any size, or on the subset of loans made to firms with annual gross revenues of $1 million or less.

---

as loan purpose, firm size, industry, and race of owner (which would require changes to the Federal Reserve Board's Regulation B, which implements the Equal Credit Opportunity Act). The Treasury Department, along with the Justice Department, the Office of the Comptroller of the Currency, the Office of Thrift Supervision, the Federal Trade Commission, and the Small Business Administration, commented favorably on the Board's proposal to alter Regulation B to permit such data collection. In addition, these agencies have asked the Board to amend Regulation C, implementing HMDA, to report on reasons for denying home mortgage applications.

[54]This definition encompasses more than 99 percent of all businesses in the United States, although 90 percent of these have fewer than 20 employees, and two-thirds have fewer than 5 employees. (Board of Governors, 1997).

Appendix C
Detailed Data Tables

This appendix contains a series of tables containing much of the raw data for the mortgage lending analysis in Section 3.

Tables C-1 to C-11 profile overall lending patterns to LMI borrowers and areas. The tables include statistics for each of the three LMI borrower and neighborhood combinations, for the combined category of "loans to LMI borrowers and areas," and for middle-or-upper-income loans. The tables include the LMI borrower/area origination share measures for 1993 and 1998, the growth in loans for the 1993 to 1998 period, and the overall sample sizes in 1993 and 1998.

Separate tables are provided for :

- All Loans (C-1)
- Home Purchase Loans (C-2)
- Refinancing Loans (C-3)
- Blacks (C-4)
- Hispanics (C-5)
- Other Minorities (C-6)
- Whites (C-7)
- CRA Institutions (C-8)
- Non-CRA Institutions (C-9)
- Conventional Loans (C-10)
- Government Loans (C-11)

Table C-12 profiles the differential performance of CRA and non-CRA lending institutions, broken down by subcategories. This table includes LMI borrower/area (abbreviated "LMI" in Table C-12 and subsequent tables) market share calculations as well as LMI borrower/area origination share calculations and loan growth rates for LMI borrowers and areas.

Table C-13 provides detail for the 305 MSAs that aggregate to form the national data. Table C-14 provides the same data as Table C-13, but for only 39 large MSAs. Table C-15 provides information on the dollar amount of lending in individual MSAs.

It is important to note that the dollar amount of loans does not link to the earlier tables in this appendix. To produce Table C-15, loans were included even if data on income, race, and other sorting variables were missing from the loan records. Consequently, the dollar amounts reported in Table C-15 are higher than the dollar amounts that would be associated with the counts of loans provided in tables C-1 through C-14.

All tables in this appendix are based on tabulations from the Joint Center of Housing's Borrower Database.

Table C-1: All Races, All Lending Institutions, All Loan Purposes, All Loan Types

Borrower Income	Neighbor-hood Income	Sample Records for 1993	Sample Records for 1998	1993-1998 Growth in Loans	Share of Total Lending Portfolio in 1993	Share of Total Lending Portfolio in 1998	Points of Change in Portfolio Share 1993-1998
LMI	LMI	214,613	372,443	74%	3%	5%	2
LMI	MHI	999,141	1,464,598	47%	15%	20%	4
MHI	LMI	369,356	432,440	17%	6%	6%	0
Subtotal	Subtotal	1,583,110	2,269,481	43%	24%	30%	6
MHI	MHI	5,010,325	5,212,334	4%	76%	70%	(6)
All	All	6,593,435	7,481,815	13%	100%	100%	-

Table C-2: All Races, All Lending Institutions, Home Purchase Loans, All Loan Types

Borrower Income	Neighbor-hood Income	Sample Records for 1993	Sample Records for 1998	1993-1998 Growth in Loans	Share of Total Lending Portfolio in 1993	Share of Total Lending Portfolio in 1998	Points of Change in Portfolio Share 1993-1998
LMI	LMI	120,214	193,015	61%	5%	6%	1
LMI	MHI	469,880	748,900	59%	20%	23%	3
MHI	LMI	136,857	192,815	41%	6%	6%	(0)
Subtotal	Subtotal	726,951	1,134,730	56%	31%	34%	3
MHI	MHI	1,607,223	2,158,871	34%	69%	66%	(3)
All	All	2,334,174	3,293,601	41%	100%	100%	-

Table C-3: All Races, All Lending Institutions, Refinancing Loans, All Loan Types

Borrower Income	Neighbor-hood Income	Sample Records for 1993	Sample Records for 1998	1993-1998 Growth in Loans	Share of Total Lending Portfolio in 1993	Share of Total Lending Portfolio in 1998	Points of Change in Portfolio Share 1993-1998
LMI	LMI	94,399	179,428	90%	2%	4%	2
LMI	MHI	529,261	715,698	35%	12%	17%	5
MHI	LMI	232,499	239,625	3%	5%	6%	0
Subtotal	Subtotal	856,159	1,134,751	33%	20%	27%	7
MHI	MHI	3,403,102	3,053,463	-10%	80%	73%	(7)

All	All	4,259,261	4,188,214	-2%	100%	100%	-

Table C-4: Blacks, All Lending Institutions, All Loan Purposes, All Loan Types

Borrower Income	Neighbor-hood Income	Sample Records for 1993	Sample Records for 1998	1993-1998 Growth in Loans	Share of Total Lending Portfolio in 1993	Share of Total Lending Portfolio in 1998	Points of Change in Portfolio Share 1993-1998
LMI	LMI	34,327	87,733	156%	14%	19%	6
LMI	MHI	48,797	113,411	132%	20%	25%	6
MHI	LMI	32,631	55,416	70%	13%	12%	(1)
Subtotal	Subtotal	115,755	256,560	122%	46%	57%	11
MHI	MHI	133,297	193,436	45%	54%	43%	(11)
All	All	249,052	449,996	81%	100%	100%	-

Table C-5: Hispanics, All Lending Institutions, All Loan Purposes, All Loan Types

Borrower Income	Neighbor-hood Income	Sample Records for 1993	Sample Records for 1998	1993-1998 Growth in Loans	Share of Total Lending Portfolio in 1993	Share of Total Lending Portfolio in 1998	Points of Change in Portfolio Share 1993-1998
LMI	LMI	31,315	61,742	97%	11%	14%	3
LMI	MHI	46,477	102,198	120%	16%	24%	7
MHI	LMI	40,253	49,036	22%	14%	11%	(3)
Subtotal	Subtotal	118,045	212,976	80%	42%	49%	8
MHI	MHI	166,162	219,018	32%	58%	51%	(8)
All	All	284,207	431,994	52%	100%	100%	-

Table C-6: Other Minorities, All Lending Institutions, All Loan Purposes, All Loan Types

Borrower Income	Neighbor-hood Income	Sample Records for 1993	Sample Records for 1998	1993-1998 Growth in Loans	Share of Total Lending Portfolio in 1993	Share of Total Lending Portfolio in 1998	Points of Change in Portfolio Share 1993-1998
LMI	LMI	10,811	19,007	76%	3%	5%	2
LMI	MHI	39,743	65,919	66%	11%	16%	5
MHI	LMI	27,000	27,298	1%	7%	7%	(1)
Subtotal	Subtotal	77,554	112,224	45%	22%	28%	6
MHI	MHI	282,871	292,129	3%	78%	72%	(6)

All	All	360,425	404,353	12%	100%	100%	-

Table C-7: Whites, All Lending Institutions, All Loan Purposes, All Loan Types

Borrower Income	Neighbor-hood Income	Sample Records for 1993	Sample Records for 1998	1993-1998 Growth in Loans	Share of Total Lending Portfolio in 1993	Share of Total Lending Portfolio in 1998	Points of Change in Portfolio Share 1993-1998
LMI	LMI	138,160	203,961	48%	2%	3%	1
LMI	MHI	864,124	1,183,070	37%	15%	19%	4
MHI	LMI	269,472	300,690	12%	5%	5%	0
Subtotal	Subtotal	1,271,756	1,687,721	33%	22%	27%	5
MHI	MHI	4,427,995	4,507,751	2%	78%	73%	(5)
All	All	5,699,751	6,195,472	9%	100%	100%	-

Table C-8: All Races, CRA-covered Institutions, All Loan Purposes, All Loan Types

Borrower Income	Neighbor-hood Income	Sample Records for 1993	Sample Records for 1998	1993-1998 Growth in Loans	Share of Total Lending Portfolio in 1993	Share of Total Lending Portfolio in 1998	Points of Change in Portfolio Share 1993-1998
LMI	LMI	140,610	211,081	50%	3%	4%	1
LMI	MHI	666,314	952,332	43%	16%	19%	3
MHI	LMI	226,152	274,881	22%	5%	5%	(0)
Subtotal	Subtotal	1,033,076	1,438,294	39%	25%	28%	3
MHI	MHI	3,163,821	3,706,293	17%	75%	72%	(3)
All	All	4,196,897	5,144,587	23%	100%	100%	-

Table C-9: All Races, Non-CRA covered Institutions, All Loan Purposes, All Loan Types

Borrower Income	Neighbor-hood Income	Sample Records for 1993	Sample Records for 1998	1993-1998 Growth in Loans	Share of Total Lending Portfolio in 1993	Share of Total Lending Portfolio in 1998	Points of Change in Portfolio Share 1993-1998
LMI	LMI	74,003	161,362	118%	3%	7%	4
LMI	MHI	332,827	512,266	54%	14%	22%	8
MHI	LMI	143,204	157,559	10%	6%	7%	1
Subtotal	Subtotal	550,034	831,187	51%	23%	36%	13
MHI	MHI	1,846,504	1,506,041	-18%	77%	64%	(13)
All	All	2,396,538	2,337,228	-2%	100%	100%	-

Table C-10: All Races, All Lending Institutions, All Loan Purposes, Conventional Loans

Borrower Income	Neighbor-hood Income	Sample Records for 1993	Sample Records for 1998	1993-1998 Growth in Loans	Share of Total Lending Portfolio in 1993	Share of Total Lending Portfolio in 1998	Points of Change in Portfolio Share 1993-1998
LMI	LMI	147,443	281,892	91%	3%	4%	2
LMI	MHI	762,107	1,161,300	52%	13%	18%	4
MHI	LMI	303,849	376,939	24%	5%	6%	0
Subtotal	Subtotal	1,213,399	1,820,131	50%	21%	28%	6
MHI	MHI	4,474,145	4,769,710	7%	79%	72%	(6)
All	All	5,687,544	6,589,841	16%	100%	100%	-

Table C-11: All Races, All Lending Institutions, All Loan Purposes, Government Loans

Borrower Income	Neighbor-hood Income	Sample Records for 1993	Sample Records for 1998	1993-1998 Growth in Loans	Share of Total Lending Portfolio in 1993	Share of Total Lending Portfolio in 1998	Points of Change in Portfolio Share 1993-1998
LMI	LMI	67,170	90,551	35%	7%	10%	3
LMI	MHI	237,034	303,298	28%	26%	34%	8
MHI	LMI	65,507	55,501	-15%	7%	6%	(1)
Subtotal	Subtotal	369,711	449,350	22%	41%	50%	10
MHI	MHI	536,180	442,624	-17%	59%	50%	(10)
All	All	905,891	891,974	-2%	100%	100%	-

Table C-12: All Races, All Loan Purposes, All Loan Types

#	Lender Type	Affiliate Status	Lender Focus	Sample Records for 1993	Sample Records for 1998	1993-1998 Growth in LMI Loans	Origination Share of Total LMI Lending in 1993	Origination Share of Total LMI Lending in 1998	Points of Change in LMI Origination Share 1993-1998	Market Share of all LMI Loans 1993	Market Share of all LMI Loans 1998	Points of Change in LMI Market Share 1993-1998
1	CRA	Bank/Thrift	Prime	2,729,539	2,767,120	11%	25%	27%	2	43%	33%	(10)
2	CRA	Bank/Thrift	Subprime	9,139	76,878	551%	47%	36%	(11)	0%	1%	1
3	CRA	Bank/Thrift	Man. Housing	-	8,542			38%		0%	0%	0
4	CRA	Bank/Thrift	All	2,738,678	2,852,540	15%	25%	28%	3	43%	35%	(9)
5	CRA	Affiliate	Prime	1,455,485	2,211,500	75%	24%	27%	4	22%	27%	5
6	CRA	Affiliate	Subprime	1,041	68,922	7547%	45%	52%	7	0%	2%	2
7	CRA	Affiliate	Man. Housing	1,693	11,625	604%	65%	66%	2	0%	0%	0
8	CRA	Affiliate	All	1,458,219	2,292,047	87%	24%	28%	5	22%	29%	7
9	CRA	Both	Prime	4,185,024	4,978,620	33%	25%	27%	3	65%	60%	(5)
10	CRA	Both	Subprime	10,180	145,800	1244%	47%	44%	(3)	0%	3%	3
11	CRA	Both	Man. Housing	1,693	20,167	902%	65%	54%	(10)	0%	0%	0
12	CRA	Both	All	4,196,897	5,144,587	39%	25%	28%	3	65%	63%	(2)
13	NonCRA		Prime	2,332,732	1,801,710	8%	22%	31%	9	33%	25%	(8)
14	NonCRA		Subprime	35,200	417,786	1250%	41%	47%	6	1%	9%	8
15	NonCRA		Man. Housing	28,606	117,732	338%	61%	65%	4	1%	3%	2
16	NonCRA		All	2,396,538	2,337,228	51%	23%	36%	13	35%	37%	2
17	All	All	All	6,593,435	7,481,815	43%	24%	30%	6	100%	100%	-
18	All	All	Prime	6,517,756	6,780,330	24%	24%	28%	5	98%	85%	(13)
19	All	All	Subprime	45,380	563,586	1248%	42%	46%	4	1%	11%	10
20	All	All	Man. Housing	30,299	137,899	371%	61%	64%	2	1%	4%	3

Table C-13: MSA Specific Performance Measures

MSA	Total LMI Loans 1998	Total Loans 1998	93-98 LMI Loan Growth	93-98 Points of Change in LMI Origination Share for All Lenders	93-98 LMI Loan Growth CRA Lenders	93-98 Points of Change in LMI Origination Share for CRA Lenders	93-98 LMI Loan Growth Non-CRA Lenders	93-98 Points of Change in LMI Origination Share for Non-CRA Lenders	93-98 Points of Change in CRA Lender LMI Market Share
0040: Abilene, TX (MSA)	671	2,268	22%	12	80%	4	-19%	24	20
0080: Akron, OH (PMSA)	8,704	27,036	41%	5	25%	3	84%	9	(8)
0120: Albany, GA (MSA)	773	2,210	117%	13	43%	5	465%	29	(28)
0160: Albany-Schenectady-Troy, NY (MSA)	4,785	17,824	-22%	3	-18%	1	-28%	10	3
0200: Albuquerque, NM (MSA)	8,119	24,194	77%	9	80%	6	73%	12	1
0220: Alexandria, LA (MSA)	824	2,924	137%	11	68%	9	427%	13	(24)
0240: Allentown-Bethlehem-Easton, PA (MSA)	5,141	16,925	-4%	2	0%	1	-15%	7	3
0280: Altoona, PA (MSA)	787	3,133	54%	4	30%	1	278%	24	(14)
0320: Amarillo, TX (MSA)	1,416	4,872	70%	9	22%	3	242%	23	(22)
0380: Anchorage, AK (MSA)	3,094	10,434	17%	5	-34%	3	98%	7	(27)
0440: Ann Arbor, MI (PMSA)	8,854	30,462	48%	1	16%	(1)	191%	5	(18)
0450: Anniston, AL (MSA)	891	2,910	85%	8	46%	6	319%	14	(18)
0460: Appleton-Oshkosh-Neenah, WI (MSA)	4,828	18,290	28%	3	25%	2	40%	4	(2)
0480: Asheville, NC (MSA)	2,585	7,951	92%	7	26%	3	348%	3	(27)
0500: Athens, GA (MSA)	757	2,642	121%	9	136%	8	80%	16	5
0520: Atlanta, GA (MSA)	54,707	163,988	85%	8	93%	5	73%	14	3
0560: Atlantic-Cape May, NJ (PMSA)	2,981	12,301	25%	4	46%	3	-8%	6	10
0600: Augusta-Aiken, GA-SC (MSA)	4,027	11,755	76%	14	48%	12	227%	20	(13)
0640: Austin-San Marcos, TX (MSA)	10,395	35,924	72%	6	61%	2	83%	12	(3)
0680: Bakersfield, CA (MSA)	4,766	14,182	28%	11	4%	7	45%	14	(8)
0720: Baltimore, MD (PMSA)	28,203	86,517	43%	10	27%	6	77%	18	(7)
0730 BANGOR, ME	695	2,447	52%	7	50%	6	59%	7	(1)

MSA	Total LMI Loans 1998	Total Loans 1998	93-98 LMI Loan Growth	93-98 Points of Change in LMI Origination Share for All Lenders	93-98 LMI Loan Growth CRA Lenders	93-98 Points of Change in LMI Origination Share for CRA Lenders	93-98 LMI Loan Growth Non-CRA Lenders	93-98 Points of Change in LMI Origination Share for Non-CRA Lenders	93-98 Points of Change in CRA Lender LMI Market Share
0760: Baton Rouge, LA (MSA)	5,976	18,690	99%	12	75%	9	158%	18	(9)
0840: Beaumont-Port Arthur, TX (MSA)	1,482	5,137	122%	12	112%	8	137%	19	(3)
0860: Bellingham, WA (MSA)	2,211	7,066	28%	6	27%	5	31%	10	(0)
0870: Benton Harbor, MI (MSA)	1,944	6,887	81%	8	29%	4	401%	20	(25)
0875: Bergen-Passaic, NJ (PMSA)	7,853	32,380	29%	7	65%	6	-14%	9	15
0880: Billings, MT (MSA)	1,790	4,917	72%	9	39%	6	125%	13	(12)
0920: Biloxi-Gulfport-Pascagoula, MS (MSA)	2,691	10,575	131%	10	78%	7	403%	17	(19)
0960: Binghamton, NY (MSA)	1,246	3,898	19%	8	21%	7	15%	9	1
1000: Birmingham, AL (MSA)	8,372	28,460	86%	10	48%	7	173%	16	(14)
1010: Bismarck, ND (MSA)	642	2,747	24%	7	40%	5	-20%	11	10
1020: Bloomington, IN (MSA)	1,503	4,063	55%	7	32%	4	164%	16	(12)
1040: Bloomington-Normal, IL (MSA)	3,298	7,972	26%	11	44%	12	-47%	17	12
1080: Boise City, ID (MSA)	4,815	16,195	32%	(1)	41%	(0)	16%	(1)	4
1120 BOSTON, MA-NH	64,231	228,848	48%	5	35%	3	107%	11	(7)
1125: Boulder-Longmont, CO (PMSA)	6,494	19,058	25%	4	69%	2	-9%	9	15
1145: Brazoria, TX (PMSA)	1,546	5,325	97%	6	78%	3	113%	10	(4)
1150: Bremerton, WA (PMSA)	2,644	9,968	12%	6	31%	5	-12%	10	10
1160 BRIDGEPORT-MILFORD, CT	15,328	58,891	50%	7	46%	4	65%	21	(2)
1240: Brownsville-Harlingen-San Benito,TX (MSA)	618	3,234	124%	6	86%	4	196%	9	(11)
1260: Bryan-College Station, TX (MSA)	717	3,209	42%	5	20%	(0)	80%	18	(10)
1280: Buffalo-Niagara Falls, NY (MSA)	6,872	26,244	0%	5	2%	3	-4%	13	1
1305 BURLINGTON, VT	1,885	6,879	-17%	(3)	-30%	(3)	59%	(2)	(14)
1320: Canton-Massillon, OH (MSA)	4,130	13,503	57%	7	23%	5	220%	10	(18)
1350: Casper, WY (MSA)	807	2,333	36%	6	6%	5	109%	6	(15)

MSA	Total LMI Loans 1998	Total Loans 1998	93-98 LMI Loan Growth	93-98 Points of Change in LMI Origination Share for All Lenders	93-98 LMI Loan Growth CRA Lenders	93-98 Points of Change in LMI Origination Share for CRA Lenders	93-98 LMI Loan Growth Non-CRA Lenders	93-98 Points of Change in LMI Origination Share for Non-CRA Lenders	93-98 Points of Change in CRA Lender LMI Market Share
1360: Cedar Rapids, IA (MSA)	3,031	8,546	83%	12	77%	6	91%	23	(2)
1400: Champaign-Urbana, IL (MSA)	1,824	6,070	14%	4	5%	2	124%	21	(7)
1440: Charleston-North Charleston, SC (MSA)	5,219	18,907	87%	9	62%	5	147%	19	(9)
1480: Charleston, WV (MSA)	2,164	7,315	94%	8	77%	7	155%	13	(7)
1520: Charlotte-Gastonia-Rock Hill, NC-SC (MSA)	20,185	61,253	92%	9	57%	4	180%	17	(13)
1540: Charlottesville, VA (MSA)	1,159	4,075	34%	3	6%	(0)	148%	13	(17)
1560: Chattanooga, TN-GA (MSA)	4,198	13,403	84%	10	54%	7	147%	14	(11)
1580: Cheyenne, WY (MSA)	1,297	3,275	54%	4	31%	5	98%	3	(10)
1600: Chicago, IL (PMSA)	110,086	332,305	43%	8	45%	6	38%	16	1
1620: Chico-Paradise, CA (MSA)	1,254	5,415	35%	6	18%	2	78%	14	(9)
1640: Cincinnati, OH-KY-IN (PMSA)	24,019	74,122	45%	7	21%	3	212%	21	(15)
1660: Clarksville-Hopkinsville, TN-KY (MSA)	1,597	5,871	53%	7	42%	6	116%	12	(6)
1680: Cleveland-Lorain-Elyria, OH (PMSA)	26,036	75,154	41%	11	14%	7	125%	19	(14)
1720: Colorado Springs, CO (MSA)	8,167	26,595	47%	2	58%	0	35%	5	4
1740: Columbia, MO (MSA)	1,954	6,046	44%	7	23%	6	278%	7	(13)
1760: Columbia, SC (MSA)	6,272	16,931	57%	10	53%	7	63%	15	(2)
1800: Columbus, GA-AL (MSA)	1,481	4,993	122%	13	82%	7	216%	25	(13)
1840: Columbus, OH (MSA)	21,000	63,715	44%	7	30%	5	81%	12	(7)
1880: Corpus Christi, TX (MSA)	1,592	6,022	161%	12	25%	8	1013%	18	(45)
1900: Cumberland, MD-WV (MSA)	410	1,533	21%	3	10%	4	66%	0	(7)
1920: Dallas, TX (PMSA)	25,720	90,549	71%	6	84%	(0)	59%	13	4
1930 DANBURY, CT	2,034	4,503	60%	9	62%	7	51%	21	1
1950: Danville, VA (MSA)	899	2,613	91%	5	68%	4	159%	2	(9)

MSA	Total LMI Loans 1998	Total Loans 1998	93-98 LMI Loan Growth	93-98 Points of Change in LMI Origination Share for All Lenders	93-98 LMI Loan Growth CRA Lenders	93-98 Points of Change in LMI Origination Share for CRA Lenders	93-98 LMI Loan Growth Non-CRA Lenders	93-98 Points of Change in LMI Origination Share for Non-CRA Lenders	93-98 Points of Change in CRA Lender LMI Market Share
1960: Davenport-Moline-Rock Island, IA-IL (MSA)	4,204	13,529	22%	5	1%	3	153%	10	(15)
2000: Dayton-Springfield, OH (MSA)	14,412	40,032	37%	9	26%	6	78%	22	(6)
2020: Daytona Beach, FL (MSA)	4,806	15,247	55%	3	74%	1	16%	8	8
2030: Decatur, AL (MSA)	1,210	3,887	84%	11	32%	7	222%	15	(21)
2040: Decatur, IL (MSA)	1,082	3,605	31%	6	4%	3	553%	21	(19)
2080: Denver, CO (PMSA)	50,700	132,166	72%	6	85%	1	61%	12	3
2120: Des Moines, IA (MSA)	5,790	16,813	41%	12	78%	7	0%	18	14
2160: Detroit, MI (PMSA)	85,469	247,936	93%	10	53%	7	189%	15	(15)
2180: Dothan, AL (MSA)	1,237	3,977	104%	12	45%	7	360%	18	(24)
2200: Dubuque, IA (MSA)	1,172	3,675	25%	8	6%	8	96%	4	(12)
2240: Duluth-Superior, MN-WI (MSA)	2,990	9,038	89%	8	74%	7	213%	12	(7)
2281: Dutchess, NY (PMSA)	1,629	5,837	-6%	1	-6%	0	-5%	3	(0)
2290: Eau Claire, WI (MSA)	1,674	6,651	51%	3	29%	3	182%	1	(12)
2320: El Paso, TX (MSA)	2,537	9,552	160%	13	109%	9	217%	17	(10)
2330: Elkhart-Goshen, IN (MSA)	2,405	6,614	56%	5	23%	2	181%	9	(17)
2335: Elmira, NY (MSA)	497	1,797	51%	7	55%	8	41%	(1)	2
2340: Enid, OK (MSA)	510	1,537	76%	11	85%	9	27%	27	4
2360: Erie, PA (MSA)	2,043	7,701	32%	5	26%	4	51%	3	(3)
2400: Eugene-Springfield, OR (MSA)	3,685	14,576	54%	3	32%	1	131%	7	(11)
2440: Evansville-Henderson, IN-KY (MSA)	3,517	9,980	34%	6	-1%	2	252%	8	(23)
2520: Fargo-Moorhead, ND-MN (MSA)	2,052	6,199	17%	6	25%	5	-20%	16	6
2560: Fayetteville, NC (MSA)	2,207	7,180	22%	6	-26%	1	150%	7	(28)
2580: Fayetteville-Springdale-Rogers, AR (MSA)	1,519	5,420	109%	8	102%	5	142%	29	(3)

MSA	Total LMI Loans 1998	Total Loans 1998	93-98 LMI Loan Growth	93-98 Points of Change in LMI Origination Share for All Lenders	93-98 LMI Loan Growth CRA Lenders	93-98 Points of Change in LMI Origination Share for CRA Lenders	93-98 LMI Loan Growth Non-CRA Lenders	93-98 Points of Change in LMI Origination Share for Non-CRA Lenders	93-98 Points of Change in CRA Lender LMI Market Share
2640: Flint, MI (PMSA)	6,804	19,676	132%	10	73%	6	252%	15	(17)
2650: Florence, AL (MSA)	1,304	4,476	87%	8	63%	7	240%	14	(11)
2655: Florence, SC (MSA)	1,509	3,709	144%	16	69%	10	474%	10	(25)
2670: Fort Collins-Loveland, CO (MSA)	4,911	15,461	46%	2	62%	(1)	29%	6	6
2680: Fort Lauderdale, FL (PMSA)	19,701	60,479	86%	8	71%	5	119%	14	(6)
2700: Fort Myers-Cape Coral, FL (MSA)	5,380	19,208	54%	4	49%	3	70%	10	(3)
2710: Fort Pierce-Port St.Lucie, FL (MSA)	3,580	11,336	48%	3	48%	2	48%	7	0
2720: Fort Smith, AR-OK (MSA)	1,195	5,199	32%	2	13%	1	590%	7	(14)
2750: Fort Walton Beach, FL (MSA)	1,848	6,713	32%	1	-2%	(2)	130%	5	(19)
2760: Fort Wayne, IN (MSA)	6,133	17,151	66%	7	58%	5	95%	10	(4)
2800: Fort Worth-Arlington, TX (PMSA)	13,647	41,419	84%	11	98%	6	70%	18	4
2840: Fresno, CA (MSA)	4,502	16,151	2%	7	-16%	4	19%	10	(8)
2880: Gadsden, AL (MSA)	630	2,390	105%	6	58%	5	264%	4	(18)
2900: Gainesville, FL (MSA)	2,002	5,855	79%	6	81%	5	73%	13	1
2920: Galveston-Texas City, TX (PMSA)	1,707	5,879	78%	9	66%	7	96%	12	(4)
2960: Gary, IN (PMSA)	6,717	20,984	45%	9	42%	5	51%	18	(1)
2975: Glens Falls, NY (MSA)	513	2,610	11%	2	10%	0	13%	11	(1)
2985: Grand Forks, ND-MN (MSA)	351	1,651	-19%	1	-29%	(0)	150%	12	(12)
3000: Grand Rapids-Muskegon-Holland, MI (MSA)	16,360	49,075	45%	4	19%	1	127%	11	(14)
3040: Great Falls, MT (MSA)	737	2,582	35%	7	21%	6	105%	11	(9)
3060: Greeley, CO (PMSA)	2,589	8,089	98%	(1)	133%	(3)	64%	2	9
3080: Green Bay, WI (MSA)	4,178	13,958	35%	(1)	37%	(0)	23%	(8)	1
3120: Greensboro-Winston-Salem-High Point, NC (MSA)	15,156	44,571	65%	8	32%	4	166%	17	(15)

MSA	Total LMI Loans 1998	Total Loans 1998	93-98 LMI Loan Growth	93-98 Points of Change in LMI Origination Share for All Lenders	93-98 LMI Loan Growth CRA Lenders	93-98 Points of Change in LMI Origination Share for CRA Lenders	93-98 LMI Loan Growth Non-CRA Lenders	93-98 Points of Change in LMI Origination Share for Non-CRA Lenders	93-98 Points of Change in CRA Lender LMI Market Share
3160: Greenville-Spartanburg-Anderson, SC (MSA)	10,818	33,540	93%	9	40%	6	337%	12	(23)
3180: Hagerstown, MD (PMSA)	1,005	3,663	60%	4	63%	3	43%	6	2
3200: Hamilton-Middletown, OH (PMSA)	5,346	16,118	41%	5	19%	1	159%	19	(13)
3240: Harrisburg-Lebanon-Carlisle, PA (MSA)	5,748	18,968	17%	5	8%	2	43%	11	(6)
3280 HARTFORD, CT	13,538	42,577	33%	7	25%	5	56%	13	(5)
3290: Hickory-Morganton-Lenoir, NC (MSA)	2,179	7,751	137%	7	62%	3	622%	9	(27)
3320: Honolulu, HI (MSA)	4,082	15,188	-30%	7	-2%	5	-60%	10	21
3350: Houma, LA (MSA)	886	4,793	168%	3	100%	0	785%	18	(23)
3360: Houston, TX (PMSA)	27,606	90,115	135%	14	99%	8	176%	21	(8)
3400: Huntington-Ashland, WV-KY-OH (MSA)	2,013	7,692	53%	2	39%	2	120%	(1)	(8)
3440: Huntsville, AL (MSA)	3,735	10,794	29%	6	6%	2	100%	14	(14)
3480: Indianapolis, IN (MSA)	24,512	71,238	66%	8	37%	4	164%	19	(13)
3500: Iowa City, IA (MSA)	1,911	5,640	36%	9	16%	7	101%	14	(11)
3520: Jackson, MI (MSA)	2,037	6,896	131%	9	83%	7	349%	10	(17)
3560: Jackson, MS (MSA)	4,417	13,930	89%	11	41%	6	261%	23	(20)
3580: Jackson, TN (MSA)	828	2,992	82%	11	57%	7	215%	26	(12)
3600: Jacksonville, FL (MSA)	11,328	34,772	70%	7	50%	2	111%	15	(8)
3605: Jacksonville, NC (MSA)	850	3,847	71%	3	12%	1	233%	3	(25)
3610: Jamestown, NY (MSA)	550	2,213	38%	4	25%	2	93%	11	(8)
3620: Janesville-Beloit, WI (MSA)	2,730	8,338	70%	5	56%	4	154%	9	(7)
3640: Jersey City, NJ (PMSA)	1,377	6,621	110%	7	107%	6	115%	9	(1)
3660: Johnson City-Kingsport-Bristol, TN-VA (MSA)	3,949	13,081	80%	7	44%	7	311%	(0)	(18)

MSA	Total LMI Loans 1998	Total Loans 1998	93-98 LMI Loan Growth	93-98 Points of Change in LMI Origination Share for All Lenders	93-98 LMI Loan Growth CRA Lenders	93-98 Points of Change in LMI Origination Share for CRA Lenders	93-98 LMI Loan Growth Non-CRA Lenders	93-98 Points of Change in LMI Origination Share for Non-CRA Lenders	93-98 Points of Change in CRA Lender LMI Market Share
3680: Johnstown, PA (MSA)	801	4,844	37%	(1)	27%	(1)	92%	1	(6)
3710: Joplin, MO (MSA)	1,567	5,173	177%	8	172%	8	194%	10	(1)
3720: Kalamazoo-Battle Creek, MI (MSA)	4,700	14,854	35%	3	13%	(0)	151%	15	(14)
3740: Kankakee, IL (PMSA)	1,302	4,358	76%	7	38%	3	356%	24	(19)
3760: Kansas City, MO-KS (MSA)	23,369	68,888	81%	10	68%	5	106%	19	(5)
3800: Kenosha, WI (PMSA)	1,672	6,728	30%	0	-8%	(2)	164%	5	(23)
3810: Killeen-Temple, TX (MSA)	1,677	6,129	58%	8	90%	9	11%	7	12
3840: Knoxville, TN (MSA)	7,770	21,233	121%	16	77%	10	186%	23	(12)
3850: Kokomo, IN (MSA)	1,460	3,702	62%	11	28%	8	474%	26	(19)
3870: La Crosse, WI-MN (MSA)	1,168	4,701	18%	0	20%	(0)	6%	3	2
3880: Lafayette, LA (MSA)	1,262	6,616	39%	(3)	25%	(5)	73%	3	(7)
3920: Lafayette, IN (MSA)	1,692	5,684	25%	5	9%	2	212%	20	(12)
3960: Lake Charles, LA (MSA)	1,314	4,595	163%	10	91%	6	401%	17	(21)
3980: Lakeland-Winter Haven, FL (MSA)	3,927	12,960	74%	5	68%	4	89%	8	(3)
4000: Lancaster, PA (MSA)	3,723	14,033	-11%	0	-2%	(0)	-33%	5	7
4040: Lansing-East Lansing, MI (MSA)	5,976	19,216	39%	7	33%	6	50%	7	(3)
4080: Laredo, TX (MSA)	905	2,471	226%	16	109%	12	447%	21	(23)
4100: Las Cruces, NM (MSA)	1,482	4,204	173%	15	101%	10	406%	24	(20)
4120: Las Vegas, NV-AZ (MSA)	14,160	53,899	69%	2	185%	(3)	13%	5	22
4150: Lawrence, KS (MSA)	1,073	3,900	41%	1	42%	1	38%	(0)	0
4200: Lawton, OK (MSA)	579	1,748	43%	12	19%	10	106%	17	(12)
4240 LEWISTON-AUBURN, ME	585	2,349	0%	(2)	6%	(0)	-5%	(4)	3
4280: Lexington, KY (MSA)	3,654	12,251	35%	5	23%	4	86%	10	(7)
4320: Lima, OH (MSA)	1,859	6,353	45%	6	28%	4	207%	14	(11)
4360: Lincoln, NE (MSA)	3,686	10,536	37%	8	34%	7	49%	12	(2)

MSA	Total LMI Loans 1998	Total Loans 1998	93-98 LMI Loan Growth	93-98 Points of Change in LMI Origination Share for All Lenders	93-98 LMI Loan Growth CRA Lenders	93-98 Points of Change in LMI Origination Share for CRA Lenders	93-98 LMI Loan Growth Non-CRA Lenders	93-98 Points of Change in LMI Origination Share for Non-CRA Lenders	93-98 Points of Change in CRA Lender LMI Market Share
4400: Little Rock-North Little Rock, AR (MSA)	5,201	16,410	44%	8	19%	4	178%	24	(15)
4420: Longview-Marshall, TX (MSA)	849	3,179	73%	7	21%	3	465%	19	(26)
4480: Los Angeles-Long Beach, CA (PMSA)	52,489	237,570	0%	2	6%	(3)	-7%	8	3
4520: Louisville, KY-IN (MSA)	13,904	42,212	50%	6	43%	3	72%	16	(4)
4560 LOWELL, MA-NH	4,189	13,382	72%	6	73%	4	70%	10	0
4600: Lubbock, TX (MSA)	1,260	4,730	116%	11	73%	7	238%	21	(15)
4640: Lynchburg, VA (MSA)	1,194	3,258	148%	14	100%	10	444%	28	(17)
4680: Macon, GA (MSA)	2,451	7,979	72%	8	39%	5	280%	16	(17)
4720: Madison, WI (MSA)	8,868	27,176	29%	5	18%	5	149%	11	(8)
4760 MANCHESTER, NH	143	611	110%	7	111%	5	110%	9	0
4800: Mansfield, OH (MSA)	1,300	4,684	15%	(5)	-4%	(7)	97%	5	(13)
4880: McAllen-Edinburg-Mission, TX (MSA)	1,257	5,306	166%	9	118%	6	308%	13	(14)
4890: Medford-Ashland, OR (MSA)	1,707	7,157	41%	2	22%	2	95%	0	(10)
4900: Melbourne-Titusville-Palm Bay, FL (MSA)	6,554	17,037	36%	7	62%	4	0%	12	11
4920: Memphis, TN-AR-MS (MSA)	10,176	32,518	85%	13	54%	8	163%	22	(12)
4940: Merced, CA (MSA)	889	3,903	7%	6	-29%	2	69%	9	(21)
5000: Miami, FL (PMSA)	15,628	60,012	87%	7	76%	5	101%	10	(3)
5015: Middlesex-Somerset-Hunterdon, NJ (PMSA)	11,285	34,456	18%	6	43%	5	-10%	9	11
5080: Milwaukee-Waukesha, WI (PMSA)	16,955	63,678	37%	5	19%	2	150%	22	(12)
5120: Minneapolis-St.Paul, MN-WI (MSA)	55,358	147,767	34%	7	49%	5	9%	12	7
5160: Mobile, AL (MSA)	4,229	17,067	103%	8	64%	4	267%	23	(15)
5170: Modesto, CA (MSA)	3,128	11,008	-10%	5	-38%	3	37%	8	(19)

MSA	Total LMI Loans 1998	Total Loans 1998	93-98 LMI Loan Growth	93-98 Points of Change in LMI Origination Share for All Lenders	93-98 LMI Loan Growth CRA Lenders	93-98 Points of Change in LMI Origination Share for CRA Lenders	93-98 LMI Loan Growth Non-CRA Lenders	93-98 Points of Change in LMI Origination Share for Non-CRA Lenders	93-98 Points of Change in CRA Lender LMI Market Share
5190: Monmouth-Ocean, NJ (PMSA)	12,201	38,516	35%	5	58%	4	6%	7	10
5200: Monroe, LA (MSA)	988	3,442	38%	7	-14%	3	811%	7	(35)
5240: Montgomery, AL (MSA)	3,716	10,618	70%	11	66%	9	76%	14	(1)
5280: Muncie, IN (MSA)	1,390	3,948	66%	7	32%	2	183%	21	(16)
5345: Naples, FL (MSA)	3,446	12,288	79%	6	89%	6	46%	8	4
5360: Nashville, TN (MSA)	18,409	49,712	105%	12	72%	9	187%	18	(11)
5380: Nassau-Suffolk, NY (PMSA)	21,292	66,542	24%	7	31%	4	15%	13	3
5520 NEW LONDON-NORWICH, CT-RI	978	5,675	28%	1	19%	(0)	77%	6	(6)
5560: New Orleans, LA (MSA)	9,158	31,686	66%	10	36%	7	131%	14	(12)
5600: New York, NY (PMSA)	15,654	97,369	81%	6	53%	3	136%	14	(10)
5640: Newark, NJ (PMSA)	12,496	49,160	40%	8	73%	7	3%	11	12
5660: Newburgh, NY-PA (PMSA)	1,715	7,249	48%	5	45%	2	55%	14	(2)
5720: Norfolk-Virginia Beach-Newport News, VA-NC (MSA)	12,583	41,075	10%	5	3%	3	23%	10	(4)
5775: Oakland, CA (PMSA)	26,865	111,803	10%	3	22%	(2)	-6%	10	6
5790: Ocala, FL (MSA)	2,236	7,586	165%	5	106%	2	456%	13	(18)
5800: Odessa-Midland, TX (MSA)	1,143	3,834	186%	14	131%	8	342%	29	(14)
5880: Oklahoma City, OK (MSA)	9,905	28,997	68%	10	65%	5	74%	18	(1)
5910: Olympia, WA (PMSA)	2,304	9,124	58%	10	31%	8	183%	17	(14)
5920: Omaha, NE-IA (MSA)	8,416	25,338	58%	9	48%	5	78%	18	(4)
5945: Orange, CA (PMSA)	30,860	121,143	0%	(1)	30%	(4)	-25%	3	14
5960: Orlando, FL (MSA)	15,456	51,404	38%	3	61%	1	5%	6	10
5990: Owensboro, KY (MSA)	965	3,242	48%	6	28%	4	207%	16	(12)
6015: Panama City, FL (MSA)	1,636	5,816	99%	7	68%	6	196%	7	(12)
6020: Parkersburg-Marietta, WV-OH (MSA)	1,295	4,367	45%	2	33%	1	225%	12	(8)

MSA	Total LMI Loans 1998	Total Loans 1998	93-98 LMI Loan Growth	93-98 Points of Change in LMI Origination Share for All Lenders	93-98 LMI Loan Growth CRA Lenders	93-98 Points of Change in LMI Origination Share for CRA Lenders	93-98 LMI Loan Growth Non-CRA Lenders	93-98 Points of Change in LMI Origination Share for Non-CRA Lenders	93-98 Points of Change in CRA Lender LMI Market Share
6080: Pensacola, FL (MSA)	3,851	12,947	83%	9	42%	5	231%	19	(18)
6120: Peoria-Pekin, IL (MSA)	4,754	14,520	29%	5	7%	1	112%	16	(13)
6160: Philadelphia, PA-NJ (PMSA)	37,959	126,706	8%	6	29%	4	-17%	11	11
6200: Phoenix-Mesa, AZ (MSA)	44,179	144,191	76%	1	85%	(4)	63%	9	3
6240: Pine Bluff, AR (MSA)	376	1,219	86%	8	17%	4	894%	17	(34)
6280: Pittsburgh, PA (MSA)	15,179	50,625	58%	9	32%	5	157%	22	(13)
6320 PITTSFIELD, MA	780	2,701	-2%	4	22%	5	-31%	8	14
6400 PORTLAND, ME	3,279	12,313	87%	8	75%	7	134%	13	(5)
6440: Portland-Vancouver, OR-WA (PMSA)	29,435	102,632	69%	5	70%	3	67%	8	0
6450 PORTSMOUTH-DOVER-ROCHESTER, NH-ME	986	3,317	111%	9	60%	5	291%	18	(19)
6480 PROVIDENCE-FALL RIVER-WARWICK, RI-MA	6,564	25,467	36%	4	8%	2	153%	10	(17)
6520: Provo-Orem, UT (MSA)	3,959	18,660	44%	0	56%	1	31%	(1)	4
6560: Pueblo, CO (MSA)	2,072	5,909	157%	10	100%	10	452%	8	(19)
6600: Racine, WI (PMSA)	2,367	8,844	23%	2	-3%	(1)	159%	13	(18)
6640: Raleigh-Durham-Chapel Hill, NC (MSA)	14,427	45,831	56%	6	37%	2	107%	14	(9)
6660: Rapid City, SD (MSA)	1,123	3,133	29%	5	10%	1	145%	18	(13)
6680: Reading, PA (MSA)	2,866	10,091	-7%	4	-4%	3	-14%	14	2
6690: Redding, CA (MSA)	1,056	4,863	-7%	3	-15%	1	6%	6	(5)
6720: Reno, NV (MSA)	4,787	14,753	49%	6	94%	3	9%	12	14
6740: Richland-Kennewick-Pasco, WA (MSA)	2,189	6,438	47%	12	71%	10	6%	22	10
6760: Richmond-Petersburg, VA (MSA)	10,465	29,449	39%	10	27%	6	68%	19	(6)
6780: Riverside-San Bernardino, CA (PMSA)	26,730	87,800	19%	7	41%	3	6%	11	7

MSA	Total LMI Loans 1998	Total Loans 1998	93-98 LMI Loan Growth	93-98 Points of Change in LMI Origination Share for All Lenders	93-98 LMI Loan Growth CRA Lenders	93-98 Points of Change in LMI Origination Share for CRA Lenders	93-98 LMI Loan Growth Non-CRA Lenders	93-98 Points of Change in LMI Origination Share for Non-CRA Lenders	93-98 Points of Change in CRA Lender LMI Market Share
6800: Roanoke, VA (MSA)	2,424	6,489	42%	9	29%	7	129%	20	(8)
6820: Rochester, MN (MSA)	2,720	6,248	17%	8	31%	9	-16%	6	8
6840: Rochester, NY (MSA)	8,524	27,490	6%	3	8%	3	4%	3	1
6880: Rockford, IL (MSA)	5,322	16,697	14%	4	-12%	0	457%	14	(21)
6920: Sacramento, CA (PMSA)	16,575	60,229	4%	5	2%	1	7%	10	(1)
6960: Saginaw-Bay City-Midland, MI (MSA)	6,530	18,443	47%	10	20%	8	167%	12	(15)
6980: St. Cloud, MN (MSA)	2,078	7,731	15%	(3)	7%	(2)	70%	(9)	(6)
7000: St. Joseph, MO (MSA)	1,013	2,787	96%	11	66%	8	306%	22	(14)
7040: St. Louis, MO-IL (MSA)	37,701	112,462	64%	8	39%	4	130%	18	(11)
7080: Salem, OR (PMSA)	3,139	14,008	83%	5	83%	4	84%	5	(0)
7120: Salinas, CA (MSA)	2,152	10,736	9%	2	-6%	(5)	50%	12	(10)
7160: Salt Lake City-Ogden, UT (MSA)	24,960	77,453	60%	3	68%	2	50%	5	3
7200: San Angelo, TX (MSA)	578	1,857	71%	11	92%	11	18%	13	9
7240: San Antonio, TX (MSA)	7,878	28,972	95%	10	31%	6	191%	15	(20)
7320: San Diego, CA (MSA)	22,517	109,581	4%	(0)	23%	(5)	-14%	4	9
7360: San Francisco, CA (PMSA)	16,513	71,814	18%	3	43%	0	-18%	7	13
7400: San Jose, CA (PMSA)	24,626	91,398	33%	5	65%	(1)	-1%	12	13
7480: Santa Barbara-Santa Maria-Lompoc, CA (MSA)	3,299	13,948	10%	0	31%	(3)	-14%	7	10
7485: Santa Cruz-Watsonville, CA (PMSA)	2,599	12,128	30%	3	25%	(1)	41%	9	(3)
7490: Santa Fe, NM (MSA)	2,650	6,277	86%	10	108%	4	57%	23	7
7500: Santa Rosa, CA (PMSA)	4,287	21,647	0%	2	10%	(1)	-13%	5	6
7510: Sarasota-Bradenton, FL (MSA)	7,182	24,580	27%	(1)	14%	(5)	76%	10	(8)
7520: Savannah, GA (MSA)	1,872	6,696	89%	7	78%	5	130%	23	(4)
7560: Scranton-Wilkes-Barre-Hazleton, PA	3,904	14,000	50%	5	40%	3	96%	17	(5)

MSA	Total LMI Loans 1998	Total Loans 1998	93-98 LMI Loan Growth	93-98 Points of Change in LMI Origination Share for All Lenders	93-98 LMI Loan Growth CRA Lenders	93-98 Points of Change in LMI Origination Share for CRA Lenders	93-98 LMI Loan Growth Non-CRA Lenders	93-98 Points of Change in LMI Origination Share for Non-CRA Lenders	93-98 Points of Change in CRA Lender LMI Market Share
(MSA)									
7600: Seattle-Bellevue-Everett, WA (PMSA)	37,544	125,042	28%	4	52%	2	-5%	9	11
7610: Sharon, PA (MSA)	725	3,157	57%	(2)	34%	(3)	243%	(5)	(13)
7620: Sheboygan, WI (MSA)	1,550	5,634	74%	1	73%	1	120%	1	(1)
7640: Sherman-Denison, TX (MSA)	711	2,209	104%	8	97%	1	113%	16	(2)
7680: Shreveport-Bossier City, LA (MSA)	2,274	8,015	73%	9	36%	9	155%	8	(15)
7720: Sioux City, IA-NE (MSA)	1,247	3,537	129%	15	61%	11	481%	23	(25)
7760: Sioux Falls, SD (MSA)	2,268	6,579	32%	6	20%	5	142%	3	(8)
7800: South Bend, IN (MSA)	3,553	9,092	48%	8	13%	3	188%	19	(19)
7840: Spokane, WA (MSA)	6,202	18,333	25%	7	48%	8	3%	8	9
7880: Springfield, IL (MSA)	3,533	11,506	39%	6	28%	4	213%	32	(7)
7920: Springfield, MO (MSA)	4,686	14,233	100%	8	108%	6	77%	19	3
8000 SPRINGFIELD, MA	3,397	13,844	24%	6	0%	5	159%	9	(17)
8050: State College, PA (MSA)	781	3,649	29%	2	17%	1	200%	10	(9)
8080: Steubenville-Weirton, OH-WV (MSA)	766	2,826	66%	5	40%	3	321%	19	(14)
8120: Stockton-Lodi, CA (MSA)	3,868	14,559	-7%	2	-6%	1	-8%	4	1
8160: Syracuse, NY (MSA)	3,590	13,268	-10%	3	-20%	1	10%	4	(7)
8200: Tacoma, WA (PMSA)	7,491	29,812	55%	8	42%	5	77%	14	(5)
8240: Tallahassee, FL (MSA)	3,248	8,611	44%	11	31%	6	93%	31	(7)
8280: Tampa-St. Petersburg-Clearwater, FL (MSA)	29,937	83,421	66%	9	56%	4	90%	18	(4)
8320: Terre Haute, IN (MSA)	1,331	3,696	69%	6	55%	4	204%	22	(7)
8360: Texarkana, TX-Texarkana, AR (MSA)	625	2,373	85%	10	12%	4	813%	21	(36)
8400: Toledo, OH (MSA)	7,621	24,188	32%	6	4%	2	291%	21	(19)
8440: Topeka, KS (MSA)	1,868	4,790	24%	10	10%	8	54%	11	(8)

MSA	Total LMI Loans 1998	Total Loans 1998	93-98 LMI Loan Growth	93-98 Points of Change in LMI Origination Share for All Lenders	93-98 LMI Loan Growth CRA Lenders	93-98 Points of Change in LMI Origination Share for CRA Lenders	93-98 LMI Loan Growth Non-CRA Lenders	93-98 Points of Change in LMI Origination Share for Non-CRA Lenders	93-98 Points of Change in CRA Lender LMI Market Share
8480: Trenton, NJ (PMSA)	2,527	8,585	14%	7	26%	5	-3%	10	6
8520: Tucson, AZ (MSA)	9,910	32,123	68%	7	100%	2	42%	14	9
8560: Tulsa, OK (MSA)	7,877	24,067	78%	7	54%	2	116%	17	(8)
8600: Tuscaloosa, AL (MSA)	1,408	5,475	98%	7	29%	3	458%	13	(29)
8640: Tyler, TX (MSA)	1,059	3,844	112%	11	23%	5	566%	23	(35)
8680: Utica-Rome, NY (MSA)	1,148	4,483	-3%	3	-15%	2	22%	5	(8)
8720: Vallejo-Fairfield-Napa, CA (PMSA)	4,077	17,197	-10%	3	8%	(1)	-27%	6	10
8735: Ventura, CA (PMSA)	9,799	33,361	2%	(1)	21%	(6)	-17%	4	9
8750: Victoria, TX (MSA)	558	1,452	76%	11	9%	2	432%	28	(32)
8760: Vineland-Millville-Bridgeton, NJ (PMSA)	839	2,366	33%	10	62%	12	-5%	5	12
8780: Visalia-Tulare-Porterville, CA (MSA)	2,329	7,581	39%	11	-6%	10	128%	12	(21)
8800: Waco, TX (MSA)	1,054	3,561	112%	12	16%	9	1006%	18	(41)
8840: Washington, DC-MD-VA-WV (PMSA)	62,970	180,862	-1%	4	14%	2	-25%	11	9
8920: Waterloo-Cedar Falls, IA (MSA)	1,612	4,782	54%	8	3%	(1)	131%	18	(20)
8940: Wausau, WI (MSA)	1,607	5,955	25%	3	26%	3	17%	(5)	1
8960: West Palm Beach-Boca Raton, FL (MSA)	15,291	44,938	65%	7	56%	3	89%	15	(4)
9000: Wheeling, WV-OH (MSA)	768	3,662	52%	1	34%	(0)	283%	9	(11)
9040: Wichita, KS (MSA)	6,198	17,013	54%	11	49%	10	78%	15	(3)
9080: Wichita Falls, TX (MSA)	642	2,477	44%	4	18%	1	280%	19	(16)
9140: Williamsport, PA (MSA)	813	3,344	48%	2	29%	(1)	411%	28	(12)
9160: Wilmington-Newark, DE-MD (PMSA)	7,740	18,661	26%	11	44%	10	-6%	12	9
9200: Wilmington, NC (MSA)	2,072	8,562	46%	0	16%	(3)	166%	9	(16)
9260: Yakima, WA (MSA)	1,974	6,419	102%	10	56%	8	402%	18	(20)

MSA	Total LMI Loans 1998	Total Loans 1998	93-98 LMI Loan Growth	93-98 Points of Change in LMI Origination Share for All Lenders	93-98 LMI Loan Growth CRA Lenders	93-98 Points of Change in LMI Origination Share for CRA Lenders	93-98 LMI Loan Growth Non-CRA Lenders	93-98 Points of Change in LMI Origination Share for Non-CRA Lenders	93-98 Points of Change in CRA Lender LMI Market Share
9270: Yolo, CA (PMSA)	1,299	4,686	-16%	1	0%	(7)	-31%	9	9
9280: York, PA (MSA)	3,687	13,567	23%	2	28%	2	5%	4	3
9320: Youngstown-Warren, OH (MSA)	4,730	16,545	62%	5	47%	4	139%	5	(8)
9340: Yuba City, CA (MSA)	734	3,013	1%	4	0%	0	4%	12	(1)
9360: Yuma, AZ (MSA)	1,091	3,104	119%	10	118%	8	120%	13	(0)
Grand Total	2,269,481	7,481,815	43%	6	39%	3	51%	13	(2)

Table C-14: MSA Specific Performance Measures for 39 Large MSAs

MSA	Total LMI Loans 1998	Total Loans 1998	93-98 LMI Loan Growth	93-98 Points of Change in LMI Origination Share for All Lenders	93-98 LMI Loan Growth CRA Lenders	93-98 Points of Change in LMI Origination Share for CRA Lenders	93-98 LMI Loan Growth Non-CRA Lenders	93-98 Points of Change in LMI Origination Share for Non-CRA Lenders	93-98 Points of Change in CRA Lender LMI Market Share
0520: Atlanta	54,707	163,988	85%	8	93%	5	73%	14	3
0720: Baltimore	28,203	86,517	43%	10	27%	6	77%	18	(7)

MSA	Total LMI Loans 1998	Total Loans 1998	93-98 LMI Loan Growth	93-98 Points of Change in LMI Origination Share for All Lenders	93-98 LMI Loan Growth CRA Lenders	93-98 Points of Change in LMI Origination Share for CRA Lenders	93-98 LMI Loan Growth Non-CRA Lenders	93-98 Points of Change in LMI Origination Share for Non-CRA Lenders	93-98 Points of Change in CRA Lender LMI Market Share
1120 Boston	64,231	228,848	48%	5	35%	3	107%	11	(7)
1280: Buffalo-Niagara Falls,	6,872	26,244	0%	5	2%	3	-4%	13	1
1520: Charlotte-Gastonia-Rock Hill	20,185	61,253	92%	9	57%	4	180%	17	(13)
1600: Chicago	110,086	332,305	43%	8	45%	6	38%	16	1
1640: Cincinnati	24,019	74,122	45%	7	21%	3	212%	21	(15)
1680: Cleveland-Lorain-Elyria	26,036	75,154	41%	11	14%	7	125%	19	(14)
1840: Columbus, OH	21,000	63,715	44%	7	30%	5	81%	12	(7)
1920: Dallas	25,720	90,549	71%	6	84%	(0)	59%	13	4
2080: Denver	50,700	132,166	72%	6	85%	1	61%	12	3
2160: Detroit	85,469	247,936	93%	10	53%	7	189%	15	(15)
3280 Hartford	13,538	42,577	33%	7	25%	5	56%	13	(5)
3360: Houston	27,606	90,115	135%	14	99%	8	176%	21	(8)
3480: Indianapolis	24,512	71,238	66%	8	37%	4	164%	19	(13)
3760: Kansas City	23,369	68,888	81%	10	68%	5	106%	19	(5)
4480: Los Angeles-Long Beach	52,489	237,570	0%	2	6%	(3)	-7%	8	3
5000: Miami	15,628	60,012	87%	7	76%	5	101%	10	(3)
5080: Milwaukee-Waukesha	16,955	63,678	37%	5	19%	2	150%	22	(12)
5120: Minneapolis-St.Paul	55,358	147,767	34%	7	49%	5	9%	12	7
5560: New Orleans	9,158	31,686	66%	10	36%	7	131%	14	(12)
5600: New York	15,654	97,369	81%	6	53%	3	136%	14	(10)
5720: Norfolk-Virginia Beach-Newport News	12,583	41,075	10%	5	3%	3	23%	10	(4)
5960: Orlando	15,456	51,404	38%	3	61%	1	5%	6	10
6160: Philadelphia	37,959	126,706	8%	6	29%	4	-17%	11	11
6200: Phoenix-Mesa	44,179	144,191	76%	1	85%	(4)	63%	9	3
6280: Pittsburgh	15,179	50,625	58%	9	32%	5	157%	22	(13)

MSA	Total LMI Loans 1998	Total Loans 1998	93-98 LMI Loan Growth	93-98 Points of Change in LMI Origination Share for All Lenders	93-98 LMI Loan Growth CRA Lenders	93-98 Points of Change in LMI Origination Share for CRA Lenders	93-98 LMI Loan Growth Non-CRA Lenders	93-98 Points of Change in LMI Origination Share for Non-CRA Lenders	93-98 Points of Change in CRA Lender LMI Market Share
6440: Portland-Vancouver	29,435	102,632	69%	5	70%	3	67%	8	0
6480 Providence-Fall River-Warwick	6,564	25,467	36%	4	8%	2	153%	10	(17)
6840: Rochester, NY	8,524	27,490	6%	3	8%	3	4%	3	1
6920: Sacramento	16,575	60,229	4%	5	2%	1	7%	10	(1)
7040: St. Louis	37,701	112,462	64%	8	39%	4	130%	18	(11)
7160: Salt Lake City-Ogden	24,960	77,453	60%	3	68%	2	50%	5	3
7240: San Antonio	7,878	28,972	95%	10	31%	6	191%	15	(20)
7320: San Diego	22,517	109,581	4%	(0)	23%	(5)	-14%	4	9
7360: San Francisco	16,513	71,814	18%	3	43%	0	-18%	7	13
7600: Seattle-Bellevue-Everett	37,544	125,042	28%	4	52%	2	-5%	9	11
8280: Tampa-St. Petersburg-Clearwater	29,937	83,421	66%	9	56%	4	90%	18	(4)
8840: Washington, DC-	62,970	180,862	-1%	4	14%	2	-25%	11	9

Table C-15: Dollar Volumes of Lending in Individual MSAs

Year	1993	1993	1993	1993	1998	1998	1998	1998
Lending Institution	**All Lenders**	**CRA Lenders**	**All Lenders**	**CRA Lenders**	**All Lenders**	**CRA Lenders**	**All Lenders**	**CRA Lenders**
Loan Type	**All**	**All**	**LMI**	**LMI**	**LMI**	**LMI**	**LMI**	**LMI**
MSA								
0040: Abilene, TX (MSA)	$274,122	$79,949	$33,391	$10,846	$176,482	$118,402	$33,005	$18,769
0080: Akron, OH (PMSA)	$1,996,367	$1,513,448	$325,627	$222,829	$3,221,165	$2,346,286	$650,262	$402,734
0120: Albany, GA (MSA)	$117,219	$95,557	$17,952	$14,324	$183,034	$132,753	$39,804	$23,134
0160: Albany-Schenectady-Troy, NY (MSA)	$2,682,182	$1,516,772	$476,968	$239,059	$2,037,959	$1,360,896	$356,266	$209,102
0200: Albuquerque, NM (MSA)	$2,071,950	$993,207	$354,186	$161,804	$3,293,871	$1,799,522	$810,907	$380,220
0220: Alexandria, LA (MSA)	$138,098	$112,901	$16,420	$12,895	$241,259	$150,118	$43,813	$24,261
0240: Allentown-Bethlehem-Easton, PA (MSA)	$1,909,946	$1,289,380	$412,805	$253,019	$1,875,938	$1,440,359	$358,125	$260,699
0280: Altoona, PA (MSA)	$157,221	$137,171	$21,158	$17,495	$243,377	$207,652	$39,487	$29,374
0320: Amarillo, TX (MSA)	$303,038	$227,809	$36,864	$26,736	$412,066	$290,670	$72,194	$40,260
0380: Anchorage, AK (MSA)	$1,417,073	$732,384	$306,447	$161,415	$1,792,172	$552,895	$380,389	$122,497
0440: Ann Arbor, MI (PMSA)	$2,190,189	$1,737,597	$423,440	$334,921	$4,629,346	$3,128,979	$918,979	$565,601
0450: Anniston, AL (MSA)	$144,645	$125,122	$23,821	$19,073	$229,903	$181,289	$43,131	$30,375
0460: Appleton-Oshkosh-Neenah, WI (MSA)	$1,198,921	$973,539	$195,589	$155,398	$1,673,154	$1,393,194	$322,675	$255,356
0480: Asheville, NC (MSA)	$472,884	$416,792	$105,271	$88,668	$863,999	$596,406	$177,461	$99,781
0500: Athens, GA (MSA)	$165,591	$114,101	$26,488	$18,237	$273,511	$222,187	$54,098	$41,313
0520: Atlanta, GA (MSA)	$15,409,535	$8,383,253	$2,425,616	$1,365,047	$24,729,446	$16,609,861	$5,273,583	$3,214,458
0560: Atlantic-Cape May, NJ (PMSA)	$1,375,044	$797,511	$204,251	$103,191	$1,876,862	$1,399,810	$261,207	$180,336
0600: Augusta-Aiken, GA-SC (MSA)	$1,075,553	$896,084	$144,611	$115,427	$1,205,401	$938,467	$258,836	$182,232
0640: Austin-San Marcos, TX (MSA)	$3,524,099	$1,484,244	$684,266	$198,782	$4,887,637	$2,703,776	$908,228	$405,537
0680: Bakersfield, CA (MSA)	$2,021,778	$691,246	$361,231	$102,150	$1,731,576	$642,234	$385,913	$118,247
0720: Baltimore, MD (PMSA)	$12,224,425	$7,394,685	$1,733,385	$1,069,258	$14,461,869	$9,617,443	$2,691,375	$1,613,258

Year	1993	1993	1993	1993	1998	1998	1998	1998
Lending Institution	**All Lenders**	**CRA Lenders**	**All Lenders**	**CRA Lenders**	**All Lenders**	**CRA Lenders**	**All Lenders**	**CRA Lenders**
Loan Type	**All**	**All**	**LMI**	**LMI**	**LMI**	**LMI**	**LMI**	**LMI**
MSA								
0730 BANGOR, ME	$193,785	$154,625	$36,068	$25,514	$347,757	$268,628	$73,030	$50,784
0760: Baton Rouge, LA (MSA)	$1,317,370	$948,715	$173,684	$116,999	$1,879,854	$1,350,652	$402,185	$248,846
0840: Beaumont-Port Arthur, TX (MSA)	$307,369	$167,960	$45,096	$18,966	$400,058	$257,983	$73,876	$40,800
0860: Bellingham, WA (MSA)	$711,160	$551,522	$138,378	$108,099	$971,847	$768,928	$234,005	$177,218
0870: Benton Harbor, MI (MSA)	$422,327	$366,551	$50,667	$42,871	$714,875	$534,674	$119,106	$69,786
0875: Bergen-Passaic, NJ (PMSA)	$6,127,462	$3,126,542	$771,494	$364,737	$7,163,117	$5,041,757	$1,105,420	$703,816
0880: Billings, MT (MSA)	$971,801	$222,166	$239,939	$40,321	$487,055	$274,667	$126,819	$61,658
0920: Biloxi-Gulfport-Pascagoula, MS (MSA)	$474,141	$360,671	$53,134	$40,708	$903,521	$611,566	$152,105	$91,754
0960: Binghamton, NY (MSA)	$393,616	$252,207	$70,622	$38,840	$307,964	$210,856	$68,187	$43,143
1000: Birmingham, AL (MSA)	$2,385,781	$1,645,176	$243,513	$161,826	$3,589,310	$2,401,928	$587,179	$343,069
1010: Bismarck, ND (MSA)	$249,431	$157,785	$31,051	$21,193	$306,796	$262,519	$51,068	$44,205
1020: Bloomington, IN (MSA)	$254,084	$200,691	$59,680	$49,967	$422,002	$315,787	$121,331	$86,095
1040: Bloomington-Normal, IL (MSA)	$743,372	$587,764	$173,995	$127,324	$832,098	$776,221	$274,195	$251,872
1080: Boise City, ID (MSA)	$1,291,084	$825,139	$298,353	$167,629	$2,058,744	$1,449,117	$440,266	$290,044
1120 BOSTON, MA-NH	$25,080,799	$17,808,384	$4,037,509	$3,028,264	$39,649,265	$29,353,957	$7,778,363	$5,398,525
1125: Boulder-Longmont, CO (PMSA)	$2,559,051	$1,060,425	$527,829	$211,771	$3,613,526	$2,273,812	$875,098	$491,515
1145: Brazoria, TX (PMSA)	$308,405	$125,124	$48,662	$19,628	$536,478	$253,291	$100,769	$44,046
1150: Bremerton, WA (PMSA)	$1,313,830	$691,884	$196,369	$96,372	$1,536,010	$1,025,638	$275,823	$162,121
1160 BRIDGEPORT-MILFORD, CT	$9,702,335	$6,343,772	$1,225,783	$722,604	$13,809,381	$11,530,194	$1,758,534	$1,263,446
1240: Brownsville-Harlingen-San Benito,TX (MSA)	$135,969	$89,503	$12,139	$6,737	$263,647	$170,327	$30,886	$16,011
1260: Bryan-College Station,	$253,925	$142,622	$29,998	$17,833	$320,169	$226,668	$43,620	$25,244

Year	1993	1993	1993	1993	1998	1998	1998	1998
Lending Institution	All Lenders	CRA Lenders	All Lenders	CRA Lenders	All Lenders	CRA Lenders	All Lenders	CRA Lenders
Loan Type	All	All	LMI	LMI	LMI	LMI	LMI	LMI
MSA								
TX (MSA)								
1280: Buffalo-Niagara Falls, NY (MSA)	$2,653,187	$1,774,268	$399,762	$239,654	$2,458,176	$1,877,857	$416,356	$280,000
1305 BURLINGTON, VT	$812,994	$657,649	$199,459	$161,864	$1,034,247	$712,797	$195,826	$137,188
1320: Canton-Massillon, OH (MSA)	$825,879	$672,619	$119,638	$94,269	$1,331,223	$932,419	$277,072	$168,086
1350: Casper, WY (MSA)	$140,846	$103,939	$28,755	$19,548	$204,667	$118,012	$49,368	$25,216
1360: Cedar Rapids, IA (MSA)	$566,459	$300,695	$90,734	$48,980	$830,034	$548,013	$196,572	$105,480
1400: Champaign-Urbana, IL (MSA)	$492,104	$440,910	$86,326	$76,331	$574,883	$515,523	$116,880	$99,152
1440: Charleston-North Charleston, SC (MSA)	$1,718,964	$1,281,655	$193,969	$131,514	$2,573,415	$1,975,698	$402,041	$256,462
1480: Charleston, WV (MSA)	$415,432	$325,424	$61,552	$41,132	$725,411	$584,245	$124,482	$90,595
1520: Charlotte-Gastonia-Rock Hill, NC-SC (MSA)	$4,721,561	$3,291,933	$780,367	$564,918	$8,352,028	$5,843,891	$1,652,945	$991,621
1540: Charlottesville, VA (MSA)	$456,667	$367,604	$84,816	$65,175	$633,536	$474,529	$105,112	$69,374
1560: Chattanooga, TN-GA (MSA)	$840,351	$645,262	$116,413	$77,812	$1,331,628	$955,859	$267,653	$151,951
1580: Cheyenne, WY (MSA)	$261,881	$173,645	$69,399	$40,355	$360,465	$200,391	$108,995	$62,214
1600: Chicago, IL (PMSA)	$37,910,383	$25,661,812	$6,481,323	$4,085,139	$54,062,018	$41,522,294	$12,099,998	$8,340,062
1620: Chico-Paradise, CA (MSA)	$560,255	$319,869	$64,127	$40,291	$637,296	$418,065	$100,889	$61,124
1640: Cincinnati, OH-KY-IN (PMSA)	$6,055,950	$4,935,319	$1,015,700	$857,171	$9,076,387	$7,046,861	$1,956,789	$1,395,281
1660: Clarksville-Hopkinsville, TN-KY (MSA)	$359,463	$303,650	$51,908	$43,300	$559,009	$419,064	$102,495	$77,101
1680: Cleveland-Lorain-Elyria, OH (PMSA)	$7,019,909	$5,285,914	$1,078,396	$740,177	$9,230,189	$6,635,764	$2,182,285	$1,275,074
1720: Colorado Springs, CO	$2,300,581	$1,036,226	$433,991	$198,981	$4,108,092	$2,308,189	$864,288	$449,249

Year	1993	1993	1993	1993	1998	1998	1998	1998
Lending Institution	**All Lenders**	**CRA Lenders**	**All Lenders**	**CRA Lenders**	**All Lenders**	**CRA Lenders**	**All Lenders**	**CRA Lenders**
Loan Type	**All**	**All**	**LMI**	**LMI**	**LMI**	**LMI**	**LMI**	**LMI**
MSA								
(MSA)								
1740: Columbia, MO (MSA)	$443,083	$414,781	$78,990	$69,326	$609,512	$489,709	$137,534	$104,619
1760: Columbia, SC (MSA)	$1,414,094	$807,085	$252,784	$141,995	$1,972,900	$1,285,967	$469,887	$268,919
1800: Columbus, GA-AL (MSA)	$357,807	$235,728	$38,266	$25,443	$527,840	$364,690	$97,263	$57,582
1840: Columbus, OH (MSA)	$5,324,013	$3,873,900	$891,472	$620,798	$8,200,812	$5,897,078	$1,756,106	$1,119,402
1880: Corpus Christi, TX (MSA)	$386,095	$304,541	$38,269	$29,942	$591,753	$282,067	$93,885	$39,456
1900: Cumberland, MD-WV (MSA)	$108,691	$80,095	$19,268	$13,099	$150,564	$105,249	$27,206	$18,110
1920: Dallas, TX (PMSA)	$9,764,797	$3,843,196	$1,215,162	$497,343	$12,465,765	$7,118,298	$2,019,755	$1,016,951
1930 DANBURY, CT	$614,626	$455,772	$163,988	$118,854	$1,079,677	$899,459	$321,287	$246,255
1950: Danville, VA (MSA)	$113,849	$94,282	$25,523	$19,170	$198,820	$148,637	$49,515	$31,777
1960: Davenport-Moline-Rock Island, IA-IL (MSA)	$891,328	$747,821	$154,489	$128,783	$1,130,114	$840,884	$236,331	$161,079
2000: Dayton-Springfield, OH (MSA)	$3,252,437	$2,486,590	$562,443	$431,056	$4,328,018	$3,400,207	$1,047,970	$756,575
2020: Daytona Beach, FL (MSA)	$864,669	$521,359	$162,049	$102,865	$1,453,850	$1,096,839	$306,421	$222,318
2030: Decatur, AL (MSA)	$253,806	$194,278	$34,239	$24,449	$359,900	$234,192	$74,018	$40,910
2040: Decatur, IL (MSA)	$220,570	$203,600	$33,073	$29,745	$266,182	$223,777	$48,582	$36,004
2080: Denver, CO (PMSA)	$12,094,762	$4,688,279	$2,595,291	$1,053,160	$21,279,753	$11,803,467	$5,670,544	$2,752,485
2120: Des Moines, IA (MSA)	$1,544,346	$685,848	$233,257	$110,319	$1,825,325	$1,274,775	$415,875	$268,657
2160: Detroit, MI (PMSA)	$16,751,899	$11,161,505	$2,407,841	$1,607,640	$32,511,601	$19,997,531	$6,746,911	$3,757,578
2180: Dothan, AL (MSA)	$236,526	$198,402	$30,211	$23,713	$341,609	$255,669	$64,778	$38,742
2200: Dubuque, IA (MSA)	$245,541	$207,344	$41,342	$33,110	$315,706	$212,484	$70,182	$46,089
2240: Duluth-Superior, MN-WI (MSA)	$408,943	$354,323	$77,999	$67,214	$682,078	$549,932	$166,301	$132,014
2281: Dutchess, NY (PMSA)	$813,878	$459,145	$169,988	$94,341	$896,758	$556,227	$176,318	$106,893
2290: Eau Claire, WI (MSA)	$299,369	$268,627	$46,311	$38,194	$557,065	$426,979	$100,117	$73,219

Year	1993	1993	1993	1993	1998	1998	1998	1998
Lending Institution	**All Lenders**	**CRA Lenders**	**All Lenders**	**CRA Lenders**	**All Lenders**	**CRA Lenders**	**All Lenders**	**CRA Lenders**
Loan Type	**All**	**All**	**LMI**	**LMI**	**LMI**	**LMI**	**LMI**	**LMI**
MSA								
2320: El Paso, TX (MSA)	$667,773	$282,110	$56,259	$25,454	$848,308	$406,940	$135,244	$55,117
2330: Elkhart-Goshen, IN (MSA)	$340,915	$288,869	$74,824	$58,137	$575,096	$425,526	$155,465	$96,496
2335: Elmira, NY (MSA)	$105,699	$85,090	$14,887	$9,937	$137,887	$108,487	$25,074	$18,410
2340: Enid, OK (MSA)	$78,440	$64,111	$12,025	$9,890	$119,983	$104,799	$22,415	$19,431
2360: Erie, PA (MSA)	$461,955	$403,726	$68,079	$51,043	$651,711	$548,144	$111,183	$79,715
2400: Eugene-Springfield, OR (MSA)	$932,485	$647,538	$152,273	$117,960	$1,876,322	$1,226,496	$334,030	$219,122
2440: Evansville-Henderson, IN-KY (MSA)	$593,016	$543,625	$112,847	$95,464	$883,406	$683,824	$215,783	$127,691
2520: Fargo-Moorhead, ND-MN (MSA)	$550,743	$424,569	$110,993	$87,360	$568,406	$503,837	$140,453	$121,751
2560: Fayetteville, NC (MSA)	$691,163	$520,265	$128,726	$86,142	$882,729	$485,152	$188,612	$93,929
2580: Fayetteville-Springdale-Rogers, AR (MSA)	$299,173	$226,024	$45,019	$36,448	$525,397	$458,459	$103,834	$79,698
2640: Flint, MI (PMSA)	$789,278	$488,510	$130,737	$82,910	$1,887,701	$1,067,220	$420,000	$211,738
2650: Florence, AL (MSA)	$237,498	$203,771	$32,383	$27,614	$367,388	$302,786	$68,278	$53,080
2655: Florence, SC (MSA)	$186,244	$164,357	$32,502	$25,869	$339,706	$253,490	$83,173	$48,198
2670: Fort Collins-Loveland, CO (MSA)	$1,259,434	$559,251	$277,044	$120,770	$2,299,958	$1,331,235	$546,309	$288,532
2680: Fort Lauderdale, FL (PMSA)	$4,842,160	$2,867,759	$686,074	$416,260	$7,808,969	$5,066,154	$1,514,269	$865,372
2700: Fort Myers-Cape Coral, FL (MSA)	$1,455,114	$1,031,664	$210,667	$151,882	$2,439,070	$1,912,786	$401,749	$281,807
2710: Fort Pierce-Port St.Lucie, FL (MSA)	$764,049	$556,586	$132,775	$95,116	$1,325,621	$1,028,030	$236,212	$170,499
2720: Fort Smith, AR-OK (MSA)	$309,302	$288,166	$43,609	$39,844	$430,019	$358,029	$60,595	$48,815
2750: Fort Walton Beach, FL (MSA)	$528,424	$421,282	$98,093	$71,294	$922,538	$621,554	$156,795	$84,630
2760: Fort Wayne, IN (MSA)	$1,061,790	$877,025	$198,509	$152,263	$1,757,533	$1,428,555	$418,925	$307,233

Year	1993	1993	1993	1993	1998	1998	1998	1998
Lending Institution	**All Lenders**	**CRA Lenders**	**All Lenders**	**CRA Lenders**	**All Lenders**	**CRA Lenders**	**All Lenders**	**CRA Lenders**
Loan Type	**All**	**All**	**LMI**	**LMI**	**LMI**	**LMI**	**LMI**	**LMI**
MSA								
2800: Fort Worth-Arlington, TX (PMSA)	$4,147,042	$1,862,326	$546,394	$225,329	$4,906,326	$2,940,269	$945,686	$478,610
2840: Fresno, CA (MSA)	$2,434,913	$1,113,007	$346,196	$133,818	$2,355,850	$1,003,805	$433,732	$145,379
2880: Gadsden, AL (MSA)	$86,276	$72,069	$11,187	$8,183	$181,752	$120,815	$30,073	$18,800
2900: Gainesville, FL (MSA)	$350,773	$252,745	$76,573	$47,198	$580,083	$461,440	$133,159	$100,174
2920: Galveston-Texas City, TX (PMSA)	$474,442	$240,024	$56,594	$31,056	$648,920	$354,008	$120,629	$65,021
2960: Gary, IN (PMSA)	$1,573,662	$1,043,336	$251,604	$154,685	$2,121,437	$1,551,657	$456,177	$283,165
2975: Glens Falls, NY (MSA)	$244,189	$165,032	$31,071	$20,277	$265,048	$201,784	$33,087	$21,551
2985: Grand Forks, ND-MN (MSA)	$155,967	$144,565	$23,941	$22,192	$144,877	$129,818	$21,411	$18,011
3000: Grand Rapids-Muskegon-Holland, MI (MSA)	$2,925,228	$2,234,094	$593,096	$430,626	$5,319,063	$3,818,466	$1,182,447	$714,961
3040: Great Falls, MT (MSA)	$211,054	$148,616	$41,585	$23,701	$242,348	$185,586	$51,331	$37,963
3060: Greeley, CO (PMSA)	$380,422	$191,207	$91,268	$44,069	$1,049,535	$640,252	$245,998	$134,760
3080: Green Bay, WI (MSA)	$807,221	$694,661	$175,624	$136,549	$1,424,933	$1,296,228	$305,317	$262,223
3120: Greensboro-Winston-Salem-High Point, NC (MSA)	$3,254,318	$2,347,460	$563,514	$393,593	$5,146,772	$3,661,919	$1,093,100	$687,639
3160: Greenville-Spartanburg-Anderson, SC (MSA)	$2,014,366	$1,711,110	$313,542	$256,332	$3,599,917	$2,566,291	$758,153	$446,106
3180: Hagerstown, MD (PMSA)	$269,755	$195,717	$46,219	$33,899	$456,236	$369,354	$82,994	$67,364
3200: Hamilton-Middletown, OH (PMSA)	$1,180,984	$917,305	$220,590	$174,183	$1,912,762	$1,457,095	$413,681	$282,392
3240: Harrisburg-Lebanon-Carlisle, PA (MSA)	$1,690,504	$1,158,144	$331,009	$233,078	$2,049,727	$1,389,229	$422,975	$272,765
3280 HARTFORD, CT	$5,369,003	$3,730,999	$975,320	$635,995	$6,257,562	$4,602,302	$1,293,828	$852,201
3290: Hickory-Morganton-Lenoir, NC (MSA)	$331,090	$293,694	$47,671	$39,999	$754,090	$558,805	$137,268	$82,425
3320: Honolulu, HI (MSA)	$6,217,086	$2,538,260	$904,665	$418,657	$3,867,144	$2,729,089	$688,526	$467,554

Year	1993	1993	1993	1993	1998	1998	1998	1998
Lending Institution	**All Lenders**	**CRA Lenders**	**All Lenders**	**CRA Lenders**	**All Lenders**	**CRA Lenders**	**All Lenders**	**CRA Lenders**
Loan Type	**All**	**All**	**LMI**	**LMI**	**LMI**	**LMI**	**LMI**	**LMI**
MSA								
3350: Houma, LA (MSA)	$161,283	$140,278	$16,037	$13,013	$359,040	$297,495	$46,287	$30,337
3360: Houston, TX (PMSA)	$8,893,250	$4,239,585	$911,781	$373,425	$10,983,509	$6,090,123	$1,918,421	$869,753
3400: Huntington-Ashland, WV-KY-OH (MSA)	$350,725	$297,400	$61,019	$43,929	$747,967	$640,705	$118,967	$92,005
3440: Huntsville, AL (MSA)	$998,882	$758,793	$207,530	$154,252	$1,270,799	$929,534	$283,971	$184,103
3480: Indianapolis, IN (MSA)	$5,649,112	$4,109,938	$911,769	$685,317	$8,856,509	$6,397,587	$2,003,838	$1,224,465
3500: Iowa City, IA (MSA)	$558,785	$397,011	$108,494	$82,396	$649,349	$442,019	$171,980	$116,334
3520: Jackson, MI (MSA)	$305,795	$258,907	$41,647	$32,067	$638,189	$480,837	$126,937	$78,436
3560: Jackson, MS (MSA)	$962,535	$712,156	$134,875	$101,514	$1,475,288	$1,060,240	$304,216	$186,522
3580: Jackson, TN (MSA)	$223,547	$180,165	$22,262	$17,756	$281,351	$234,426	$48,931	$35,955
3600: Jacksonville, FL (MSA)	$2,562,491	$1,599,578	$436,589	$280,223	$4,258,779	$2,847,179	$826,252	$487,242
3605: Jacksonville, NC (MSA)	$227,853	$178,137	$28,495	$22,934	$377,137	$211,021	$49,093	$23,992
3610: Jamestown, NY (MSA)	$119,795	$95,874	$17,822	$12,940	$170,176	$129,646	$27,343	$17,730
3620: Janesville-Beloit, WI (MSA)	$370,568	$330,838	$74,441	$65,049	$701,680	$581,115	$170,666	$136,453
3640: Jersey City, NJ (PMSA)	$606,660	$362,882	$74,803	$42,898	$1,152,123	$736,851	$193,201	$115,026
3660: Johnson City-Kingsport-Bristol, TN-VA (MSA)	$613,070	$537,926	$102,612	$84,504	$1,095,894	$789,960	$225,372	$154,774
3680: Johnstown, PA (MSA)	$219,435	$190,470	$25,475	$20,595	$333,832	$278,686	$36,869	$27,399
3710: Joplin, MO (MSA)	$164,268	$125,337	$26,618	$19,434	$401,477	$304,157	$80,117	$55,800
3720: Kalamazoo-Battle Creek, MI (MSA)	$929,859	$771,227	$178,342	$139,635	$1,475,421	$1,206,975	$305,100	$211,228
3740: Kankakee, IL (PMSA)	$233,778	$210,179	$36,905	$31,825	$388,106	$323,883	$83,011	$58,085
3760: Kansas City, MO-KS (MSA)	$5,432,893	$3,016,691	$836,375	$471,308	$8,169,510	$5,541,365	$1,733,890	$1,033,311
3800: Kenosha, WI (PMSA)	$418,405	$314,337	$73,182	$54,157	$731,615	$440,615	$132,907	$69,143
3810: Killeen-Temple, TX (MSA)	$482,223	$281,376	$67,078	$32,596	$606,552	$391,945	$103,376	$72,799
3840: Knoxville, TN (MSA)	$1,496,079	$902,063	$203,200	$112,715	$2,192,314	$1,337,312	$509,247	$262,847

Year	1993	1993	1993	1993	1998	1998	1998	1998
Lending Institution	**All Lenders**	**CRA Lenders**	**All Lenders**	**CRA Lenders**	**All Lenders**	**CRA Lenders**	**All Lenders**	**CRA Lenders**
Loan Type	**All**	**All**	**LMI**	**LMI**	**LMI**	**LMI**	**LMI**	**LMI**
MSA								
3850: Kokomo, IN (MSA)	$196,528	$174,139	$37,306	$33,722	$329,582	$249,989	$90,947	$64,647
3870: La Crosse, WI-MN (MSA)	$288,137	$242,863	$49,703	$39,812	$410,712	$355,716	$69,890	$57,868
3880: Lafayette, LA (MSA)	$606,754	$239,298	$71,154	$43,643	$591,592	$463,393	$66,741	$41,363
3920: Lafayette, IN (MSA)	$446,683	$398,619	$81,575	$73,973	$618,846	$522,263	$132,261	$104,065
3960: Lake Charles, LA (MSA)	$203,192	$155,167	$30,891	$19,414	$378,077	$263,971	$69,652	$39,280
3980: Lakeland-Winter Haven, FL (MSA)	$673,859	$463,441	$117,749	$79,106	$1,160,525	$831,207	$235,757	$156,517
4000: Lancaster, PA (MSA)	$1,419,079	$970,897	$294,697	$184,054	$1,526,330	$1,204,847	$282,617	$211,602
4040: Lansing-East Lansing, MI (MSA)	$1,402,891	$997,389	$232,981	$147,668	$2,036,991	$1,389,710	$419,961	$257,451
4080: Laredo, TX (MSA)	$107,124	$67,266	$14,100	$9,377	$211,007	$98,843	$49,773	$18,457
4100: Las Cruces, NM (MSA)	$224,781	$158,060	$37,577	$22,639	$397,595	$267,852	$106,036	$62,199
4120: Las Vegas, NV-AZ (MSA)	$4,330,887	$1,103,185	$724,765	$202,083	$8,270,862	$4,743,600	$1,396,944	$753,416
4150: Lawrence, KS (MSA)	$253,710	$205,213	$48,325	$36,876	$470,756	$371,109	$87,025	$65,131
4200: Lawton, OK (MSA)	$150,815	$101,570	$26,155	$16,661	$152,301	$94,399	$33,038	$19,397
4240 LEWISTON-AUBURN, ME	$196,257	$96,080	$54,002	$15,667	$228,740	$130,014	$38,882	$16,943
4280: Lexington, KY (MSA)	$1,072,894	$875,183	$178,481	$139,305	$1,406,377	$1,115,408	$287,551	$213,397
4320: Lima, OH (MSA)	$344,587	$322,289	$54,882	$48,702	$527,787	$460,789	$104,298	$79,735
4360: Lincoln, NE (MSA)	$734,373	$604,118	$144,751	$112,600	$1,090,955	$896,391	$286,208	$223,677
4400: Little Rock-North Little Rock, AR (MSA)	$1,313,789	$1,016,772	$198,889	$164,370	$1,664,792	$1,283,814	$320,978	$226,086
4420: Longview-Marshall, TX (MSA)	$176,784	$151,452	$22,900	$19,554	$244,414	$184,972	$41,322	$26,213
4480: Los Angeles-Long Beach, CA (PMSA)	$53,274,421	$21,496,018	$7,223,664	$3,206,783	$58,902,664	$36,117,689	$8,266,893	$4,098,598
4520: Louisville, KY-IN (MSA)	$2,781,455	$1,957,568	$468,893	$333,892	$4,778,213	$3,448,154	$1,103,300	$660,936
4560 LOWELL, MA-NH	$1,083,689	$624,599	$213,523	$111,464	$1,904,824	$1,255,484	$442,625	$253,539

Year	1993	1993	1993	1993	1998	1998	1998	1998
Lending Institution	**All Lenders**	**CRA Lenders**	**All Lenders**	**CRA Lenders**	**All Lenders**	**CRA Lenders**	**All Lenders**	**CRA Lenders**
Loan Type	**All**	**All**	**LMI**	**LMI**	**LMI**	**LMI**	**LMI**	**LMI**
MSA								
4600: Lubbock, TX (MSA)	$321,497	$235,511	$29,503	$20,638	$409,532	$288,909	$63,406	$38,273
4640: Lynchburg, VA (MSA)	$229,365	$197,160	$41,467	$32,767	$356,915	$297,648	$86,544	$64,746
4680: Macon, GA (MSA)	$520,110	$443,380	$85,780	$71,538	$796,966	$630,337	$155,387	$108,564
4720: Madison, WI (MSA)	$2,235,419	$2,030,963	$469,123	$424,278	$3,329,827	$2,895,556	$856,909	$725,871
4760 MANCHESTER, NH	$138,827	$76,336	$10,903	$3,325	$383,196	$259,364	$63,146	$39,572
4800: Mansfield, OH (MSA)	$222,950	$179,241	$50,071	$40,375	$402,368	$300,683	$77,610	$53,266
4880: McAllen-Edinburg-Mission, TX (MSA)	$224,404	$111,750	$21,980	$14,775	$403,823	$225,158	$58,903	$35,394
4890: Medford-Ashland, OR (MSA)	$475,423	$334,703	$81,045	$52,283	$870,468	$531,332	$149,881	$90,817
4900: Melbourne-Titusville-Palm Bay, FL (MSA)	$1,440,542	$720,596	$302,000	$158,571	$1,831,012	$1,230,542	$462,837	$304,620
4920: Memphis, TN-AR-MS (MSA)	$3,071,492	$2,055,945	$352,950	$232,351	$4,193,672	$2,903,009	$756,863	$454,518
4940: Merced, CA (MSA)	$522,814	$276,382	$65,561	$34,598	$489,365	$214,732	$79,130	$28,842
5000: Miami, FL (PMSA)	$4,835,836	$2,615,834	$616,292	$304,031	$7,956,145	$4,735,417	$1,442,021	$745,130
5015: Middlesex-Somerset-Hunterdon, NJ (PMSA)	$5,623,847	$2,676,649	$1,160,411	$544,118	$6,702,885	$4,411,571	$1,380,119	$831,557
5080: Milwaukee-Waukesha, WI (PMSA)	$5,354,430	$4,289,284	$720,729	$595,264	$7,861,823	$6,481,618	$1,319,786	$968,819
5120: Minneapolis-St.Paul, MN-WI (MSA)	$17,630,216	$10,087,772	$3,334,690	$1,968,705	$19,967,311	$14,283,781	$5,167,804	$3,486,089
5160: Mobile, AL (MSA)	$1,017,514	$752,979	$107,411	$81,300	$1,739,356	$1,388,257	$243,529	$170,682
5170: Modesto, CA (MSA)	$1,792,702	$964,844	$310,360	$172,405	$1,507,200	$623,654	$295,418	$116,775
5190: Monmouth-Ocean, NJ (PMSA)	$4,713,945	$2,348,227	$964,872	$449,581	$6,668,201	$4,379,180	$1,358,585	$833,733
5200: Monroe, LA (MSA)	$254,879	$242,396	$38,049	$35,953	$298,216	$213,117	$50,596	$29,916
5240: Montgomery, AL (MSA)	$869,663	$544,210	$145,552	$82,576	$1,164,143	$796,353	$248,450	$158,836
5280: Muncie, IN (MSA)	$189,679	$150,627	$32,338	$24,275	$301,715	$224,252	$77,529	$44,320
5345: Naples, FL (MSA)	$1,075,727	$818,241	$134,526	$98,395	$2,214,172	$1,872,055	$307,214	$243,720

Year	1993	1993	1993	1993	1998	1998	1998	1998
Lending Institution	**All Lenders**	**CRA Lenders**	**All Lenders**	**CRA Lenders**	**All Lenders**	**CRA Lenders**	**All Lenders**	**CRA Lenders**
Loan Type	**All**	**All**	**LMI**	**LMI**	**LMI**	**LMI**	**LMI**	**LMI**
MSA								
5360: Nashville, TN (MSA)	$3,685,724	$2,658,616	$597,928	$387,379	$6,544,910	$4,414,788	$1,597,152	$918,317
5380: Nassau-Suffolk, NY (PMSA)	$11,167,761	$6,325,815	$2,032,005	$1,056,600	$13,850,931	$9,344,374	$3,101,615	$1,764,029
5520 NEW LONDON-NORWICH, CT-RI	$582,737	$441,819	$64,098	$50,922	$864,900	$670,421	$92,518	$68,183
5560: New Orleans, LA (MSA)	$2,852,530	$1,918,632	$351,907	$217,716	$3,749,685	$2,505,354	$749,198	$430,689
5600: New York, NY (PMSA)	$15,587,509	$10,136,237	$1,289,945	$741,928	$23,173,087	$16,175,585	$3,067,917	$1,382,537
5640: Newark, NJ (PMSA)	$8,509,008	$4,267,892	$1,141,336	$487,515	$10,357,700	$7,041,361	$1,621,572	$968,444
5660: Newburgh, NY-PA (PMSA)	$783,175	$447,922	$108,291	$59,625	$1,030,617	$727,180	$163,741	$97,995
5720: Norfolk-Virginia Beach-Newport News, VA-NC (MSA)	$5,770,825	$3,684,876	$1,009,252	$615,504	$5,970,823	$3,882,332	$1,120,847	$693,618
5775: Oakland, CA (PMSA)	$22,256,554	$9,529,763	$3,146,635	$1,528,506	$26,823,703	$17,692,305	$4,332,823	$2,378,645
5790: Ocala, FL (MSA)	$244,040	$195,142	$41,071	$33,234	$609,932	$446,484	$118,614	$75,508
5800: Odessa-Midland, TX (MSA)	$222,331	$145,631	$19,848	$12,448	$307,814	$226,564	$50,047	$28,529
5880: Oklahoma City, OK (MSA)	$2,051,877	$1,149,169	$336,584	$196,163	$2,736,878	$1,866,438	$594,561	$372,085
5910: Olympia, WA (PMSA)	$986,547	$740,038	$111,164	$85,852	$1,259,956	$883,648	$227,214	$149,247
5920: Omaha, NE-IA (MSA)	$1,941,124	$1,064,754	$284,368	$175,597	$2,846,606	$1,936,930	$615,800	$387,002
5945: Orange, CA (PMSA)	$24,376,115	$9,206,895	$4,425,389	$1,741,229	$30,618,423	$18,516,254	$5,324,996	$2,833,443
5960: Orlando, FL (MSA)	$4,345,143	$2,201,387	$771,416	$407,695	$6,457,088	$4,384,439	$1,192,472	$794,558
5990: Owensboro, KY (MSA)	$178,202	$160,973	$28,088	$23,925	$261,112	$225,063	$53,624	$40,055
6015: Panama City, FL (MSA)	$338,778	$260,284	$74,452	$33,396	$585,227	$435,533	$99,414	$67,026
6020: Parkersburg-Marietta, WV-OH (MSA)	$220,154	$199,839	$43,210	$36,951	$340,496	$304,482	$71,822	$58,709
6080: Pensacola, FL (MSA)	$825,688	$604,920	$114,100	$85,844	$1,386,963	$943,497	$255,340	$157,403
6120: Peoria-Pekin, IL (MSA)	$891,659	$606,319	$167,285	$128,263	$1,233,498	$855,613	$283,193	$187,834
6160: Philadelphia, PA-NJ (PMSA)	$18,293,612	$8,711,758	$2,961,449	$1,227,781	$18,141,229	$12,080,505	$3,066,826	$1,860,072

Year	1993	1993	1993	1993	1998	1998	1998	1998
Lending Institution	**All Lenders**	**CRA Lenders**	**All Lenders**	**CRA Lenders**	**All Lenders**	**CRA Lenders**	**All Lenders**	**CRA Lenders**
Loan Type	**All**	**All**	**LMI**	**LMI**	**LMI**	**LMI**	**LMI**	**LMI**
MSA								
6200: Phoenix-Mesa, AZ (MSA)	$11,247,428	$5,210,892	$1,974,925	$964,177	$21,005,641	$13,618,406	$3,969,313	$2,244,107
6240: Pine Bluff, AR (MSA)	$55,775	$48,684	$8,561	$7,181	$80,458	$55,648	$16,305	$9,507
6280: Pittsburgh, PA (MSA)	$4,140,424	$2,977,268	$518,215	$359,183	$5,137,021	$3,762,561	$1,004,110	$610,904
6320 PITTSFIELD, MA	$379,834	$243,080	$74,026	$31,758	$481,266	$386,706	$73,073	$49,422
6400 PORTLAND, ME	$1,105,984	$827,352	$157,579	$106,374	$2,254,753	$1,702,998	$407,087	$278,699
6440: Portland-Vancouver, OR-WA (PMSA)	$7,466,911	$4,516,547	$1,214,963	$724,854	$15,772,040	$10,722,810	$3,278,613	$2,033,803
6450 PORTSMOUTH-DOVER-ROCHESTER, NH-ME	$206,508	$148,408	$32,724	$23,802	$396,730	$260,470	$83,565	$49,530
6480 PROVIDENCE-FALL RIVER-WARWICK, RI-MA	$2,600,181	$1,864,117	$403,636	$306,510	$3,548,286	$2,331,241	$591,990	$366,541
6520: Provo-Orem, UT (MSA)	$1,186,811	$606,672	$189,922	$90,274	$2,593,387	$1,484,270	$400,219	$222,934
6560: Pueblo, CO (MSA)	$214,799	$179,368	$35,806	$29,510	$549,060	$347,189	$137,888	$85,400
6600: Racine, WI (PMSA)	$600,734	$486,058	$105,002	$85,994	$920,999	$680,982	$170,438	$110,624
6640: Raleigh-Durham-Chapel Hill, NC (MSA)	$4,251,142	$2,841,337	$731,151	$496,210	$6,970,623	$4,954,346	$1,434,053	$913,543
6660: Rapid City, SD (MSA)	$200,379	$165,395	$48,393	$40,996	$289,953	$227,211	$72,110	$53,824
6680: Reading, PA (MSA)	$1,113,527	$807,929	$189,573	$127,278	$1,058,393	$857,478	$187,112	$142,994
6690: Redding, CA (MSA)	$610,854	$360,894	$80,062	$46,322	$577,826	$350,036	$84,198	$47,926
6720: Reno, NV (MSA)	$1,765,658	$691,233	$315,554	$126,672	$2,553,998	$1,674,154	$541,606	$317,908
6740: Richland-Kennewick-Pasco, WA (MSA)	$655,822	$345,156	$124,886	$52,874	$708,675	$536,330	$168,473	$116,862
6760: Richmond-Petersburg, VA (MSA)	$3,475,312	$2,508,496	$608,880	$445,346	$3,984,891	$2,943,069	$891,347	$588,901
6780: Riverside-San Bernardino, CA (PMSA)	$14,172,089	$4,409,989	$2,350,193	$720,399	$15,145,495	$7,280,456	$2,957,647	$1,251,115
6800: Roanoke, VA (MSA)	$695,572	$592,483	$131,057	$111,701	$885,175	$733,755	$203,883	$162,711
6820: Rochester, MN (MSA)	$656,941	$474,147	$160,361	$115,122	$681,802	$515,741	$220,731	$171,661

Year	1993	1993	1993	1993	1998	1998	1998	1998
Lending Institution	**All Lenders**	**CRA Lenders**	**All Lenders**	**CRA Lenders**	**All Lenders**	**CRA Lenders**	**All Lenders**	**CRA Lenders**
Loan Type	**All**	**All**	**LMI**	**LMI**	**LMI**	**LMI**	**LMI**	**LMI**
MSA								
6840: Rochester, NY (MSA)	$2,737,882	$1,700,744	$539,983	$304,675	$2,825,575	$1,810,860	$577,188	$341,101
6880: Rockford, IL (MSA)	$1,228,622	$1,139,593	$240,868	$219,732	$1,528,411	$1,244,165	$334,067	$241,272
6920: Sacramento, CA (PMSA)	$10,238,254	$4,730,611	$1,556,432	$849,795	$10,603,202	$6,146,142	$1,855,526	$1,043,993
6960: Saginaw-Bay City-Midland, MI (MSA)	$1,128,259	$941,628	$194,504	$146,694	$1,573,348	$1,195,242	$372,501	$248,752
6980: St. Cloud, MN (MSA)	$515,935	$464,641	$117,833	$102,773	$721,186	$582,866	$147,558	$119,137
7000: St. Joseph, MO (MSA)	$135,374	$108,216	$22,382	$18,364	$223,119	$173,590	$56,534	$40,841
7040: St. Louis, MO-IL (MSA)	$9,545,849	$6,046,688	$1,411,904	$941,504	$13,444,426	$9,216,471	$2,766,707	$1,624,679
7080: Salem, OR (PMSA)	$764,331	$526,580	$99,689	$69,513	$1,693,787	$1,217,445	$269,323	$194,290
7120: Salinas, CA (MSA)	$2,036,120	$962,537	$229,137	$142,096	$2,565,025	$1,648,607	$382,895	$171,456
7160: Salt Lake City-Ogden, UT (MSA)	$5,315,540	$2,748,170	$1,049,268	$520,397	$10,847,038	$6,522,845	$2,536,493	$1,418,434
7200: San Angelo, TX (MSA)	$122,361	$87,539	$17,186	$10,844	$146,184	$117,915	$29,056	$23,292
7240: San Antonio, TX (MSA)	$2,597,678	$1,246,856	$279,066	$118,573	$3,361,097	$1,537,074	$462,374	$179,152
7320: San Diego, CA (MSA)	$18,296,911	$6,590,305	$2,666,685	$1,036,203	$24,400,920	$14,304,496	$3,327,508	$1,686,864
7360: San Francisco, CA (PMSA)	$17,180,003	$8,219,009	$2,368,771	$1,209,303	$23,253,616	$16,846,091	$3,674,706	$2,467,136
7400: San Jose, CA (PMSA)	$18,306,664	$7,176,233	$2,774,142	$1,209,038	$26,038,595	$17,503,805	$5,078,891	$2,794,038
7480: Santa Barbara-Santa Maria-Lompoc, CA (MSA)	$2,461,302	$1,181,498	$386,265	$186,388	$3,615,444	$2,603,510	$513,570	$334,664
7485: Santa Cruz-Watsonville, CA (PMSA)	$2,083,708	$1,055,846	$264,302	$167,191	$2,924,969	$1,865,402	$462,196	$270,515
7490: Santa Fe, NM (MSA)	$629,233	$310,032	$142,253	$74,911	$1,122,978	$799,677	$319,008	$203,380
7500: Santa Rosa, CA (PMSA)	$3,980,107	$1,722,425	$485,447	$238,970	$4,390,600	$2,576,923	$633,004	$351,193
7510: Sarasota-Bradenton, FL (MSA)	$1,874,915	$1,329,643	$341,015	$246,574	$3,229,442	$2,470,381	$554,283	$372,542
7520: Savannah, GA (MSA)	$465,879	$367,994	$62,938	$47,065	$769,823	$656,204	$134,864	$103,643
7560: Scranton-Wilkes-Barre-Hazleton, PA (MSA)	$839,985	$668,010	$134,312	$100,789	$1,172,420	$955,542	$236,828	$176,202

Year	1993	1993	1993	1993	1998	1998	1998	1998
Lending Institution	**All Lenders**	**CRA Lenders**	**All Lenders**	**CRA Lenders**	**All Lenders**	**CRA Lenders**	**All Lenders**	**CRA Lenders**
Loan Type	**All**	**All**	**LMI**	**LMI**	**LMI**	**LMI**	**LMI**	**LMI**
MSA								
7600: Seattle-Bellevue-Everett, WA (PMSA)	$15,639,629	$8,061,897	$2,897,813	$1,506,124	$23,340,767	$16,615,477	$5,041,761	$3,257,073
7610: Sharon, PA (MSA)	$107,635	$96,785	$18,868	$15,315	$235,421	$185,383	$38,926	$26,734
7620: Sheboygan, WI (MSA)	$221,461	$212,145	$45,132	$43,002	$502,043	$480,371	$100,431	$94,034
7640: Sherman-Denison, TX (MSA)	$105,928	$43,762	$21,226	$9,135	$182,755	$102,253	$40,159	$20,002
7680: Shreveport-Bossier City, LA (MSA)	$608,234	$407,563	$84,732	$53,479	$753,227	$430,333	$136,311	$74,521
7720: Sioux City, IA-NE (MSA)	$198,687	$151,138	$27,039	$19,906	$282,301	$185,142	$68,968	$39,889
7760: Sioux Falls, SD (MSA)	$456,587	$415,179	$101,292	$82,333	$667,725	$596,652	$161,483	$135,209
7800: South Bend, IN (MSA)	$594,472	$476,934	$115,677	$88,608	$831,746	$618,794	$212,075	$132,251
7840: Spokane, WA (MSA)	$1,591,975	$887,764	$324,450	$141,530	$2,090,601	$1,342,141	$492,164	$281,736
7880: Springfield, IL (MSA)	$809,590	$722,938	$135,096	$120,889	$1,063,362	$978,214	$204,526	$177,049
7920: Springfield, MO (MSA)	$750,010	$530,681	$119,899	$83,949	$1,360,348	$1,133,640	$290,300	$224,210
8000 SPRINGFIELD, MA	$1,539,292	$1,267,555	$197,985	$157,333	$1,705,975	$1,208,269	$288,931	$190,338
8050: State College, PA (MSA)	$299,981	$260,193	$35,705	$31,985	$416,010	$339,563	$59,110	$44,290
8080: Steubenville-Weirton, OH-WV (MSA)	$137,988	$110,106	$22,861	$18,139	$227,962	$182,105	$43,715	$31,138
8120: Stockton-Lodi, CA (MSA)	$2,149,915	$1,026,143	$381,840	$188,675	$2,279,967	$1,219,503	$411,889	$211,927
8160: Syracuse, NY (MSA)	$1,418,467	$953,917	$247,376	$147,905	$1,226,685	$799,560	$216,394	$122,811
8200: Tacoma, WA (PMSA)	$3,113,504	$1,729,308	$363,093	$208,287	$4,317,158	$2,714,117	$778,037	$417,802
8240: Tallahassee, FL (MSA)	$781,032	$577,665	$138,807	$108,815	$940,656	$754,717	$229,597	$169,528
8280: Tampa-St. Petersburg-Clearwater, FL (MSA)	$6,060,014	$3,642,624	$986,281	$642,034	$9,022,160	$6,320,947	$1,987,497	$1,281,808
8320: Terre Haute, IN (MSA)	$163,369	$149,815	$29,906	$26,186	$295,441	$267,755	$63,481	$51,188
8360: Texarkana, TX-Texarkana, AR (MSA)	$133,931	$121,760	$15,289	$12,887	$184,545	$140,293	$29,927	$16,776
8400: Toledo, OH (MSA)	$1,667,325	$1,436,389	$260,082	$229,386	$2,465,288	$1,933,867	$489,419	$333,399

Year	1993	1993	1993	1993	1998	1998	1998	1998
Lending Institution	**All Lenders**	**CRA Lenders**	**All Lenders**	**CRA Lenders**	**All Lenders**	**CRA Lenders**	**All Lenders**	**CRA Lenders**
Loan Type	**All**	**All**	**LMI**	**LMI**	**LMI**	**LMI**	**LMI**	**LMI**
MSA								
8440: Topeka, KS (MSA)	$379,070	$275,360	$73,197	$46,883	$452,912	$290,590	$124,989	$65,260
8480: Trenton, NJ (PMSA)	$1,436,882	$725,565	$239,184	$91,834	$1,527,738	$983,686	$232,249	$133,410
8520: Tucson, AZ (MSA)	$2,715,850	$1,033,013	$407,568	$150,232	$3,943,785	$2,457,469	$751,607	$403,734
8560: Tulsa, OK (MSA)	$1,746,651	$948,502	$297,060	$167,588	$2,406,942	$1,530,519	$519,502	$249,117
8600: Tuscaloosa, AL (MSA)	$326,115	$288,518	$42,656	$36,132	$567,551	$415,438	$95,262	$59,161
8640: Tyler, TX (MSA)	$263,463	$206,905	$28,492	$20,433	$344,712	$240,087	$51,334	$25,485
8680: Utica-Rome, NY (MSA)	$378,649	$271,831	$64,186	$40,804	$343,099	$237,313	$59,753	$35,056
8720: Vallejo-Fairfield-Napa, CA (PMSA)	$3,374,937	$1,290,262	$544,779	$239,635	$3,415,000	$1,999,395	$554,011	$310,492
8735: Ventura, CA (PMSA)	$5,899,512	$2,225,820	$1,245,062	$534,658	$7,416,669	$4,454,770	$1,586,128	$871,940
8750: Victoria, TX (MSA)	$83,222	$65,422	$16,558	$12,569	$116,288	$81,107	$27,951	$15,033
8760: Vineland-Millville-Bridgeton, NJ (PMSA)	$184,990	$111,617	$38,643	$19,761	$226,240	$151,365	$58,951	$37,236
8780: Visalia-Tulare-Porterville, CA (MSA)	$891,923	$548,218	$121,396	$72,507	$884,657	$389,560	$203,899	$81,870
8800: Waco, TX (MSA)	$218,662	$186,769	$24,736	$20,343	$316,647	$178,746	$57,018	$28,416
8840: Washington, DC-MD-VA-WV (PMSA)	$36,763,980	$20,381,133	$8,072,417	$4,359,847	$37,208,998	$26,705,755	$8,590,544	$5,761,158
8920: Waterloo-Cedar Falls, IA (MSA)	$273,497	$144,637	$49,125	$24,879	$355,232	$178,906	$80,171	$32,738
8940: Wausau, WI (MSA)	$985,319	$330,073	$133,273	$55,000	$492,538	$447,776	$97,129	$88,550
8960: West Palm Beach-Boca Raton, FL (MSA)	$4,114,546	$2,555,119	$632,322	$412,559	$6,570,874	$4,706,969	$1,289,108	$833,148
9000: Wheeling, WV-OH (MSA)	$147,263	$135,547	$22,195	$19,805	$270,299	$234,247	$36,778	$28,940
9040: Wichita, KS (MSA)	$1,276,878	$1,024,414	$214,359	$161,383	$1,619,213	$1,328,040	$369,962	$285,819
9080: Wichita Falls, TX (MSA)	$151,251	$122,632	$21,803	$17,879	$191,085	$152,381	$30,484	$22,215
9140: Williamsport, PA (MSA)	$166,935	$150,010	$26,978	$23,831	$263,114	$232,481	$45,401	$36,088
9160: Wilmington-Newark, DE-MD (PMSA)	$2,377,090	$1,372,392	$565,044	$313,287	$2,570,269	$1,808,918	$750,130	$533,268

Year	1993	1993	1993	1993	1998	1998	1998	1998
Lending Institution	**All Lenders**	**CRA Lenders**	**All Lenders**	**CRA Lenders**	**All Lenders**	**CRA Lenders**	**All Lenders**	**CRA Lenders**
Loan Type	**All**	**All**	**LMI**	**LMI**	**LMI**	**LMI**	**LMI**	**LMI**
MSA								
9200: Wilmington, NC (MSA)	$626,272	$465,064	$94,262	$71,001	$1,246,003	$961,934	$179,312	$117,215
9260: Yakima, WA (MSA)	$379,621	$315,072	$55,836	$47,405	$671,726	$482,747	$146,755	$95,122
9270: Yolo, CA (PMSA)	$816,596	$287,362	$165,082	$70,025	$781,079	$483,483	$163,087	$90,948
9280: York, PA (MSA)	$1,068,678	$808,680	$199,110	$139,470	$1,525,564	$1,204,493	$282,960	$217,755
9320: Youngstown-Warren, OH (MSA)	$819,067	$713,253	$124,605	$100,691	$1,384,381	$1,123,234	$263,950	$193,121
9340: Yuba City, CA (MSA)	$378,777	$197,960	$54,226	$30,298	$366,746	$238,586	$61,471	$35,783
9360: Yuma, AZ (MSA)	$165,107	$94,216	$29,654	$18,287	$294,160	$180,937	$74,498	$50,572
miss	$121,958,008	$93,269,462	$391,724	$170,633	$163,390,514	$113,386,582	$3,217,293	$2,061,125
Total	$951,199,710	$560,106,980	$134,214,208	$75,282,535	$1,295,138,240	$879,532,357	$223,217,698	$135,013,958

BIBLIOGRAPHY[55]

Ando, Faith. 1988. "Capital Issues and Minority-Owned Business." *Review of Black Political Economy* 16(4):77-109.

Avery, Robert B. 1999. "Comments on Access to Credit for Minority-Owned Businesses," in Jackson L Blanton, Alicia Williams, Sherrie L.W. Rhine, eds. *Business Access to Capital and Credit: A Federal Reserve System Research Conference.* Proceeding of Federal Reserve System Research Conference, Arlington, Virginia (March 8-9).

Avery, Robert B., Raphael W. Bostic, Paul S. Calem and Glenn B. Canner. 1999. "Consolidation and Bank Branching Patterns." *Journal of Banking and Finance* 23:497-532.

Avery, Robert B., Raphael W. Bostic, Paul S. Calem and Glenn B. Canner. 1997. "Changes in the Distribution of Banking Offices." *Federal Reserve Bulletin* 83(September):707-25.

Barr, Michael S., Lynda Y. de la Vina, Valerie A. Personick, Melissa A. Schroder. 1999. "The Community Reinvestment Act: Its Impact on Lending in Low-Income Communities in the United States." Washington, D.C. : Department of the Treasury (July).

Bates, Timothy. 1989. "Small Business Viability in the Urban Ghetto." *Journal of Regional Science* 29(4): 625-643.

Bates, Timothy. 1991. "Commercial Bank Financing of White- and Black-Owned Small Business Start-Ups." *Quarterly Review of Economics and Business* 31(1):64-80.

Bates, Timothy. 1997. "Unequal Access: Financial Institution Lending to Black- and White-Owned Small Business Start-ups." *Journal of Urban Affairs* 19(4):487-495.

Bates, Timothy. 1999. "Comments on 'Available Evidence Indicates That Black-Owned Firms Are Often Denied Equal Access to Credit,'" in Jackson L Blanton, et al.

Becker, Gary S. 1971. *The Economics of Discrimination*. Chicago: University of Chicago Press.

Becker, Gary S. 1993. "Nobel Lecture: The Economic Way of Looking at Behavior." *The Journal of Political Economy.* 101 (3): 385-409 (June).

Benston, George J. 1979. "Mortgage Redlining Reearch: A Review and Critical Analysis," Federal Reserve Bank of Boston, Conference Series No. 21, October, pp. 144-46.

Benston, George J. 1999. "The Community Reinvestment Act: Looking for Discrimination That Isn't There." *Policy Analysis*, Cato Institute (October 6, 1999).

[55] This bibliography contains references to works that are cited in the report and to other relevant publications in the field.

Benston, George J. and Dan Horsky. 1992. "The Relationship Between the Demand and Supply of Home Financing and Neighborhood Characteristics: An Empirical Study of Mortgage Redlining." *Journal of Financial Services Research* 5(3):235-60.

Berger, Allen N., Anthony Saunders, Joseph M. Scalise, and Gregory F. Udell. 1998. "The Effects of Bank Mergers and Acquisitions on Small Business Lending." *Journal of Financial Economics* 50:187-229.

Berkovec, J.A., G.B. Canner, S.A. Gabriel, & T.H. Hannan. 1996. "Mortgage Discrimination & FHA Loan Performance." *Citiscape*. 2(1):9-24.

Berkovec, Jim and Peter Zorn. 1996. "How Complete is HMDA?: HMDA Coverage of Freddie Mac Purchases." *Journal of Real Estate Economics* 11(1):39-55.

Black, Harold. 1997. "Discrimination in Financial Services," *Journal of Financial Services Research* 11 (1-2): 189-204.

Blanton, Jackson L., Alicia Williams, and Sherrie L.W. Rhine, eds. 1999. *Business Access to Capital and Credit: A Federal Reserve System Research Conference*. Proceedings from Federal Reserve System Research Conference, Arlington, Virginia (March 8-9).

Board of Governors of the Federal Reserve System. 1993. *Report to Congress on Community Development Lending by Depository Institutions* (Washington, Federal Reserve Board: October).

Board of Governors of the Federal Reserve System. 1997. *Report to the Congress on the Availability of Credit to Small Businesses* (Washington: Federal Reserve Board (October).

Board of Governors of the Federal Reserve System. 1998. *Directory: Community Development Investments – Bank Holding Companies – State Member Banks.* (Washington: Federal Reserve Board).

Bogdon, Amy and Carol A. Bell. 1999. *Making Fair Lending a Reality in the New Millenium*. Proceedings from Research Rountable Series. (Washington: Fannie Mae Foundation, Research Roundtable Series, Proceedings (June).

Bond, P. and R. Townsend. 1996. "Formal and Informal Financing in a Chicago Ethnic Neighborhood." *Economic Perspectives*. Federal Reserve Bank of Chicago (July/August):3-27.

Bostic, Raphael W., and Glenn B. Canner. 1998. "New Information on Lending to Small Businesses and Small Farms: The 1996 CRA Data." *Federal Reserve Bulletin* 84(January):1-21.

Bostic, Raphael, and Patrick Lampani. 1999. “Racial Differences in Patterns of Small Business Finance: The Importance of Local Geography.” in Blanton, et. al., eds. *Business Access to Capital and Credit: A Federal Reserve System Research Conference.*, Proceeding of Federal Reserve System Research Conference, Arlington, Virignia (March 8-9).

Bradbury, Katherine L., Karl E. Case, and Constance R. Dunham. 1989. “Geographic Patterns of Mortgage Lending in Boston, 1982-1987.” *New England Economic Review* (September/October), pp. 3-30.

Bunce, Harold L., and Randall M. Scheessele. 1996. “The GSE’s Funding of Affordable Loans.” Housing Finance Working Paper Series No. HF-001. (Washington, D.C.: Department of Housing and Urban Development) (December).

Calem, Paul S. 1993. “The Delaware Valley Mortgage Plan: Extending the Reach of Mortgage Lenders.” *Journal of Housing Research* 4(2):337-58.

Calem, Paul S., and Susan M. Wachter. 1998. "Community Reinvestment and Credit Risk: Evidence from an Affordable Home Loan Program." (unpublished paper)

Calomiris, Charles W., Charles M. Kahn and Stanley D. Longhofer. 1994. “Housing-Finance Intervention and Private Incentives: Helping Minorities and the Poor.” *Journal of Money, Credit, and Banking* 26(3):634-78.

Campen, James T. 1998. *Changing Patterns V: Mortgage Lending to Traditionally Underserved Borrowers & Neighborhoods in Greater Boston, 1990-1997.* Massachusetts Community and Banking Council.

Canner, Glenn B. 1992. “Expanded HMDA Data on Residential Lending: One Year Later.” *Federal Reserve Bulletin* Nov: 801-24.

Canner, Glenn B. 1999. “Evaluation of CRA Data on Small Business Lending,” in Blanton, et al.

Canner, Glenn B., and Stuart A. Gabriel. 1992. “Market Segmentation and Lender Specialization in the Primary and Secondary Mortgage Markets.” *Housing Policy Debate* 3(2):241-329.

Canner, Glenn B., and Wayne Passmore. 1994. "Residential Lending to Low-Income and Minority Families: Evidence from the 1992 HMDA Data." *Federal Reserve Bulletin* 80(February): 79-108.

Canner, Glenn B., and Wayne Passmore. 1995. “Home Purchase Lending to Low-Income Neighborhoods and to Low-Income Borrowers,” *Federal Reserve Bulletin*, February, pp. 71-103.

Canner, Glenn B., and Wayne Passmore. 1997. “The Community Reinvestment Act and the Profitability of Mortgage-Oriented Banks,” Federal Reserve Board of Finance and Economics Discussions Series, No. 7.

Canner, Glenn B., Wayne Passmore and Elizabeth Laderman. 1999. “The Role of Specialized Lenders in Extending Mortgages to Lower-Income and Minority Households.” *Federal Reserve Bulletin* 85(11):709-23.

Canner, Glenn B., and Dolores S. Smith. 1991. “Home Mortgage Disclosure Act: Expanded Data on Residential Lending.” *Federal Reserve Bulletin* 77: 859-81.

Canner, Glenn B., and Dolores S. Smith. 1992. "Expanded HMDA Data on Residential Lending: One Year Later." *Federal Reserve Bulletin* 78(November):801-24.

Canner, Glenn B. and Passmore, Wayne. 1995. Home purchase lending in low-income neighborhoods and to low-income borrowers. *Federal Reserve Bulletin*, February, pages 71-103.

Carr, J.H. and I.F. Megbolube. 1993. “The Federal Reserve Bank of Boston Study on Mortgage Lending Revisited.” *Journal of Housing Research*. 4(2): 277-314.

Caskey, John. 1994. *Fringe Banking; Check-Cashing Outlets, Pawnshops, and the Poor*. New York: Russell Sage Foundation.

Cavalluzzo, Ken, Linda Cavalluzzo, and John Wolken. 1999. “Competition, Small Business Financing, and Discimination: Evidence From a New Survey,” in Blanton, et al.

Cole, Rebel A., and John D. Wolken. 1995. “Financial Services Used by Small Businesses: Evidence from the 1993 National Survey of Small Business Finances.” *Federal Reserve Bulletin* 81(July):629-667.

Cole, Rebel A., John D. Wolken, and R. Louise Woodburn. 1996. “Bank and Nonbank Competition for Small Business Credit: Evidence from the 1987 and 1993 National Surveys of Small Business Finances.” *Federal Reserve Bulletin* 82(November):983-995.

Cole, Rebel A., Lawrence G. Goldberg, and Lawrence J. White. 1999. “Cookie-Cutter Versus Character: The Micro Structure of Small Business Lending by Large and Small Banks,” in Blanton, et al.

Comptroller of the Currency. 1997. *Financial Access in the 21st Century: Proceedings of a Forum Held on February 11, 1997*. Washington, D.C.

Comptroller of the Currency. 1999. *Community Development Investments Program for National Banks: 1998 Directory*. Washington, D.C.

Cyrnak, Anthony W. 1998. "Bank Merger Policy and the New CRA Data." *Federal Reserve Bulletin* 84(9): 703-15.

Dedman, Bill. 1998. “The Color of Money.” *Atlanta Journal-Constitution* (May 1-4).

Elliehausen, Gregory E. and John D. Wolken. 1992. “Banking Markets and the Use of Financial Services by Households.” *Federal Reserve Bulletin* 78(3):169-81.

Evanoff, Douglas D. and Lewis M. Segal. 1996. “CRA and Fair Lending Regulations: Resulting Trends in Mortgage Lending.” *Federal Reserve Bank of Chicago Economic Perspectives* 20(6):19-46.

Evans, R.D., B. Maris, & R. Weinstein. 1985. Expected Loss & Mortgage Default Risk. *Q. J. of Business & Econ.* 24: 75-92.

Federal Financial Institutions Examination Council (FFIEC). 1997. Press Release and Findings from Analysis of Nationwide Summary Statistics for 1996 Community Reinvestment Act Data (Sept. 30).

Federal Financial Institutions Examination Council (FFIEC). 1998. Press Release and Findings from Analysis of Nationwide Summary Statistics for 1997 Community Reinvestment Act Data (Aug. 24).

Federal Financial Institutions Examination Council (FFIEC). 1999. Press Release and Findings from Analysis of Nationwide Summary Statistics for 1998 Community Reinvestment Act Data (July 29).

Federal Reserve Bank of Chicago. 1999. *1998 CRA Small Business Lending Profile.* Chicago: Federal Reserve Bank of Chicago.

Federal Reserve Bank of San Francisco. 1998. "Qualified Investments: A Summary of Investment Test Results – Qualified Investments Under the Revised CRA." San Francisco: Federal Reserve Bank of San Francisco, Community Affairs Unit.

Fishbein, Allen J. 1992. “The Ongoing Experiment with ‘Regulation from Below’: Expanded Reporting Requirements for HMDA and CRA.” *Housing Policy Debate* 3(2):601-36.

Freddie Mac. 1996. *Automated Underwriting: Making Mortgage Lending Simpler and Fairer for America’s Families*. (Washington, D.C.).

Galster, George C. 1992. “Research on Discrimination in Housing and Mortgage Markets: Assessment and Future Direction.” *Housing Policy Debate* 3(2): 639-83.

Galster, George C. 1995. “A Response to Schill and Wachter's The Spatial Bias of Federal Housing Policy,” *University of Pennsylvania Law Review* 143: 343.

Goering, John, and Ron Wienk, eds. 1996. *Mortgage Lending, Racial Discrimination, and Federal Policy.* Washington, D.C.: The Urban Institute Press.

Goldwater, Sidra, and Malcolm Bush. 1996. “Case Study: Multifamily Housing in Chicago: A CRA Success Story.” In Kathryn Tholin, ed. *Tools for Promoting Community Reinvestment*. Chicago: Woodstock Institute.

Gruben, William C., Jonathan A. Neuberger and Ronald H. Schmidt. 1990. “Imperfect Information and the Community Reinvestment Act.” *Economic Review* 3(Summer):27-46. San Francisco Federal Reserve Bank of San Francisco.

Gruben, William C., Jonathan Neuberger, and Ronald H. Schmidt. 1990. “Imperfect Information and the Community Reinvestment Act,” Federal Reserve Bank of San Francisco, *Economic Review*, vol. 3, pp27-46.

Gunther, J.W., K. Klemme and K.J. Robinson. 1999. "Redlining or Red Herring?" *Southwest Economy* (May/June): 8-13.

Guttentag, Jack M. and Susan L. Wachter. 1980. *Redlining and Public Policy*. New York: New York University Press.

Haag, Susan White. 2000. “Community Reinvestment and Cities: A Literature Review of CRA’s Impact and Future.” Washington, D.C.: Brookings Center on Urban and Metropolitan Policy.

Healy, Jennifer, Anna Maria Ortiz, and Daniel Immergluck. 1996. “Case Study: Disparities in Refinancing Rates Adversely Affect Minorities.” In Kathryn Tholin, ed. *Tools for Promoting Community Reinvestment*. Chicago: Woodstock Institute.

Hogarth, Jeanne M. and Kevin H. O’Donnell. 1999. “Banking Relationships of Lower-Income Families and the Governmental Trend Toward Electronic Payment.” *Federal Reserve Bulletin* 85(July):459-73.

Horne, David K. 1997. “Mortgage Lending, Race and Model Specification,” *Journal of Financial Services Research* 11 (1-2): 43-68.

Hula, Richard C. 1991. “Neighborhood Development and Local Credit Markets.” *Urban Affairs Quarterly* 27(2): 249-67.

Hylton, Keith N. and Vincent D. Rougeau. 1996. “Lending Discrimination: Economic Theory, Econometric Evidence, and the Community Reinvestment Act.” *Georgetown Law Journal* 85(December):237-88.

Immergluck, Daniel, and Erin Mullen. 1998. *Getting Down to Business: Assessing Chicago Banks’ Small Business Lending in Lower-Income Neighborhoods*. Chicago: Woodstock Institute.

Immergluck, Daniel. 1998a. “Comments on Bostic and Canner’s New Information on Lending to Small Businesses and Small Farms: The 1996 CRA Data.” Chicago: Woodstock Institute (February).

Immergluck, Daniel. 1998b. *CRA & CDFIs: The Community Reinvestment Act and Community Development Financial Institutions*. Chicago: Woodstock Institute.

Immergluck, Daniel. 1999. “Unfinished Business: Increases in African-American Home Buying and Continuing Residential Segregation in the Chicago Region.” Chicago: Woodstock Institute.

Joint Center for Housing Studies of Harvard University. 1999. *The State of the Nation’s Housing*.

Kennickell, Arthur B., Martha Starr-McCluer, and Annika E. Sunden. 1997. "Family Finances in the U.S.: Recent Evidence from the Survey of Consumer Finances." *Federal Reserve Bulletin* 83 (January):1-24.

Kennickell, Arthur B., Martha Starr-McCluer, and Brian J. Surette. 2000. "Recent Changes in U.S. Family Finances: Results from the 1998 Survey of Consumer Finances" *Federal Reserve Bulletin* 86 (January):1-29.

Kim, Sunwoong, and Gregory D. Squires. 1995. "Lender Characteristics and Racial Disparities in Mortgage Lending." *Journal of Housing Research* 6(1):99-113.

Lacker, Jeffrey M. 1995. "Neighborhoods and Banking", *Economic Quarterly*, Federal Reserve Bank of Richmond, Spring: 14

LaCour-Little, Michael. 1999. "Discrimination in Mortgage Lending." *Journal of Real Estate Literature* 7(1): 15-49.

Ladd, Helen F. 1998. "Evidence on Discrimination in Mortgage Lending." *Journal of Economic Perspectives* 12(2):41-62.

Lang, Richard W. 1999. "The Conference on Business Access to Capital and Credit: An Overview," in Jackson L. Blanton, et al.

Lang, William W. and Leonard I. Nakamura. 1993. "A Model of Redlining." *Journal of Urban Economics* 33(2):223-34.

Lang, William W. and Leonard I. Nakamura. 1991. "Housing Appraisals and Redlining." Philadelphia: Federal Reserve Bank of Philadelphia, Working paper 91-3 (January).

Lento, Rochelle E. 1994. "Community Development Banking Strategy for Revitalizing Our Communities." *University of Michigan Journal of Law Reform* 27(Spring/Summer):773-812.

Ling, David C., and Susan M. Wachter. 1998. "Information Externalities and Home Mortgage Underwriting." *Journal of Urban Economics* 44 (November):317-332.

Litan, Robert E., and Jonathan Rauch. 1997. *American Finance for the 21st Century*. Washington, D.C.: Department of the Treasury.

Macey, Jonathan R., and Geoffrey P. Miller. 1993. "The Community Reinvestment Act: An Economic Analysis." *Virginia Law Review* 79(March):291-348.

Marsico, Richard D. 1999. "Shedding Some Light on Lending: The Effect of Expanded Disclosure Laws on Home Mortgage Marketing, Lending and Discrimination in the New York Metropolitan Area." *Fordham Urban Law Journal* 27(2):481-532.

McCluskey, Orin L. 1983. "CRA: Is It Doing the Job?" *The Banking Law Journal* 100(1):33-57.

Munnell, Alicia H., Geoffrey M.B. Tootel, Lynn E. Browne, and James McEneaney. 1996. “Mortgage Lending in Boston: Interpreting HMDA Data.” *The American Economic Review* 86(1):25-53.

Munnell, Alicia H., Lynn E. Browne, James McEneaney, and Geoffrey M.B. Tootel. 1992. “Mortgage Lending in Boston: Interpreting HMDA Data.” Federal Reserve Bank of Boston, Working paper 92-7.

Nakamura, Leonard I. 1993. “Information Externalities: Why Lending May Sometimes Need a Jump Start.” *Business Review* (January/February):3-14.

Osterberg, William P. and Sandy A. Stark. 1997. “Do More Banking Offices Mean More Banking Services?” *Economic Commentary*. Federal Reserve Bank of Cleveland.

Padhi, Michael, Lynn Woosley, and Aruna Srinivasan. 1999. “Credit Scoring and Small Business Lending in Low- and Moderate-Income Communities,” in Jackson L. Blanton, et al.

Parzen, Julia A., and Michael H. Kieschnick. 1992. *Credit Where It’s Due: Development Banking for Communities.* Philadelphia: Temple University Press.

Peek, Joe, and Eric S. Rosengren. 1998. "The Evolution of Bank Lending to Small Business." *New England Economic Review* (March/April):27-36.

Perle, Eugene D., Kathryn Lynch and Jeffrey Horner. 1993. “Model Specification and Local Mortgage Market Behavior.” *Journal of Housing Research* 4: 225-243.

Pogge, Jean. 1992. “Reinvestment in Chicago Neighborhoods: A Twenty-Year Struggle.” In Gregory D. Squires, ed. *From Redlining to Reinvestment: Community Responses to Urban Disinvestment.* Philadelphia: Temple University Press.

Ross, S.L. and John Yinger. 1999. “The Default Approach to Studying Mortgage Discrimination: A Rebuttal,” in M.A. Turner and F. Skidmore, eds., *Mortgage Lending Discrimination: A Review of Existing Evidence*. Washington, D.C.: Urban Institute Press (June).

Santiago, Senator Nellie R., Thomas T. Holyoke and Ross D. Levi. 1998. "Turning David and Goliath Into the Odd Couple: How the New Community Reinvestment Act Promotes Community Development Financial Institutions." *Journal of Law and Policy* 6:571.

Scheessele, Randall M. 1999. “1998 HMDA Highlights” (unpublished manuscript).

Schill, Michael H., and Susan M. Wachter. 1993. "Borrower and Neighborhood Racial and Income Characteristics and Financial Institution Mortgage Application Screening." *Journal of Real Estate Finance and Economics* 9(3):223-39.

Schill, Michael H., and Susan M. Wachter. 1993. “A Tale of Two Cities: Racial and Ethnic Geographic Disparities in Home Mortgage Lending in Boston and Philadelphia.” *Journal of Housing Research* 4(2):245-275.

Schwartz, Alex. 1998. “Bank Lending to Minority and Low-Income Households and Neighborhoods: Do Community Reinvestment Agreements Make a Difference?” *Journal of Urban Affairs* 20(3):269-301.

Sherraden, Michael, and Neil Gilbert. 1991. *Assets and the Poor: A New American Welfare Policy*. New York: M.E. Sharpe.

Shlay, Anne B. 1999. “Influencing Agents of Urban Structure: Evaluating the Effects of Community Reinvestment Organizing on Bank Residential Lending Practices.” *Urban Affairs Review* 35(2): 247-78 (November).

Shlay, Anne B. 1989. “Financing Community: Methods for Assessing Residential Credit Disparities, Market Barriers, and Institutional Reinvestment Performance in the Metropolis.” *Journal of Urban Aaffairs*. 11: 210-23.

Shlay, Anne B. 1988. “Not in That Neighborhood: The Effects of Population and Housing on the Distribution of Mortgage Finance within the Chicago SMSA.” *Social Science Research* 17:137-163.

Shlay, Anne B., I. Goldstein and D. Bartlett. 1992. "Racial Barriers to Credit: Comment on Hula." *Urban Affairs Quarterly* 28(1): 126-40.

Smith, Shanna and Cathy Cloud. 1996. “The Role of Private, Nonprofit Fair Housing Enforcement Organizations in Lending Testing,” in John Goering and Ron Wienk, eds., *Mortgage Lending, Racial Discrimination and Federal Policy* (Washington: Urban Institute), pp. 143-82.

Smith, Robin and Michelle DeLair. 1999. “New Evidence from Lender Testing: Discrimination at the Pre-Application Stage,” in Margery Austin Turner and Felicity Skidmore, eds., *Mortgage Lending Discrimination: A Review of Existing Evidence* (Washington: The Urban Institute), pp. 23-41.

Squires, Gregory D., and Sally O’Connor. 1999. “Access to Capital: Milwaukee’s Small Business Lending Gaps, “ in Jackson L. Blanton, et al.

Stegman, Michael A. 1999. *Savings for the Poor: The Hidden Benefits of Electronic Banking*. Washington, D.C.: Brookings Institution Press.

Swire, Peter P. 1995. “The Persistent Problem of Lending Discrimination: A Law and Economics Analysis.” *Texas Law Review* 73:787-869.

Thakor, Anjan V. and Jess C. Beltz, 1993. “An Empirical Analysis of the Costs of Regulatory Compliance,” in *Proceedings: The 29th Annual Conference on Bank Structure and Competition* Chicago: Federal Reserve Bank of Chicago (May 1993), pp. 549-68.

Tootel, Geoffrey M.B. 1996., “Turning a Critical Eye on the Critics”, in John Goering and Ron Weik. *Mortgage Lending, Racial Discrimination, and Federal Policy.* Washington, D.C.: Urban Institute Press, pp. 143-82.

Turner, Margery Austin, and Felicity Skidmore, eds. 1999. *Mortgage Lending Discrimination: A Review of Existing Evidence*. Washington, D.C.: The Urban Institute.

U.S. Congress. 1977a. *Community Credit Needs: Hearings on S.406 Before the Senate Committee on Banking, Housing, and Urban Affairs*, 95th Cong., 1st Sess. Washington, D.C.: U.S. Government Printing Office.

U.S. Congress, 1997b. Joint Explanatory Statement of the Managers of the Committee of Conference, Public Law 95-128, Subcommittee on Housing and Community Development of the Committee on Banking, Finance and Urban Affairs, House of Representatives, 95th Cong., 1st Sess. Washington, D.C.: U.S. Government Printing Office (October 1977).

U.S. Congress. 1988. *Provisions Aimed at Strengthening the CRA: Hearings Before the Senate Committee on Banking, Housing, and Urban Affairs*, 100th Cong., 2nd Sess. Washington, D.C.: U.S. Government Printing Office.

U.S. Congress. 1989. *Discrimination in Home Mortgage Lending: Hearings Before the Senate Committee on Banking, Housing, and Urban Affairs*, 101st Cong., *** Sess. Washington, D.C.: U.S. Government Printing Office.

United States Department of Agriculture. 1997. *Credit in Rural America*. Rural Economy Division, Economic Research Service, Agricultural Economic Report No. 749.

United States Small Business Administration, Office of Advocacy. 1999. *Small Business Lending in the United States, 1998 Edition: A Directory of Small Business Lending Reported by Commercial Banks in June 1998.* Washington, D.C.: SBA Office of Advocacy.

Wyly, Elvin K., and Steven R. Holloway. 1999. "'The Color of Money' Revisited: Racial Lending Patterns in Atlanta's Neighborhoods." *Housing Policy Debate* 10(3):555-600.

Yezer, Anthomy M., ed. 1995. *Fair Lending Analysis: A Compendium of Essays on the Use of Statistics* (Washington: American Bankers Association)

Yinger, John. 1998. "Housing Discrimination Is Still Worth Worrying About." *Housing Policy Debate* 9(4):893-92