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Mortgage Lending in Philadelphia: Key Take-Aways from the 2022 Home Mortgage Disclosure Act Data Release

Prepared by **REINVESTMENT FUND**

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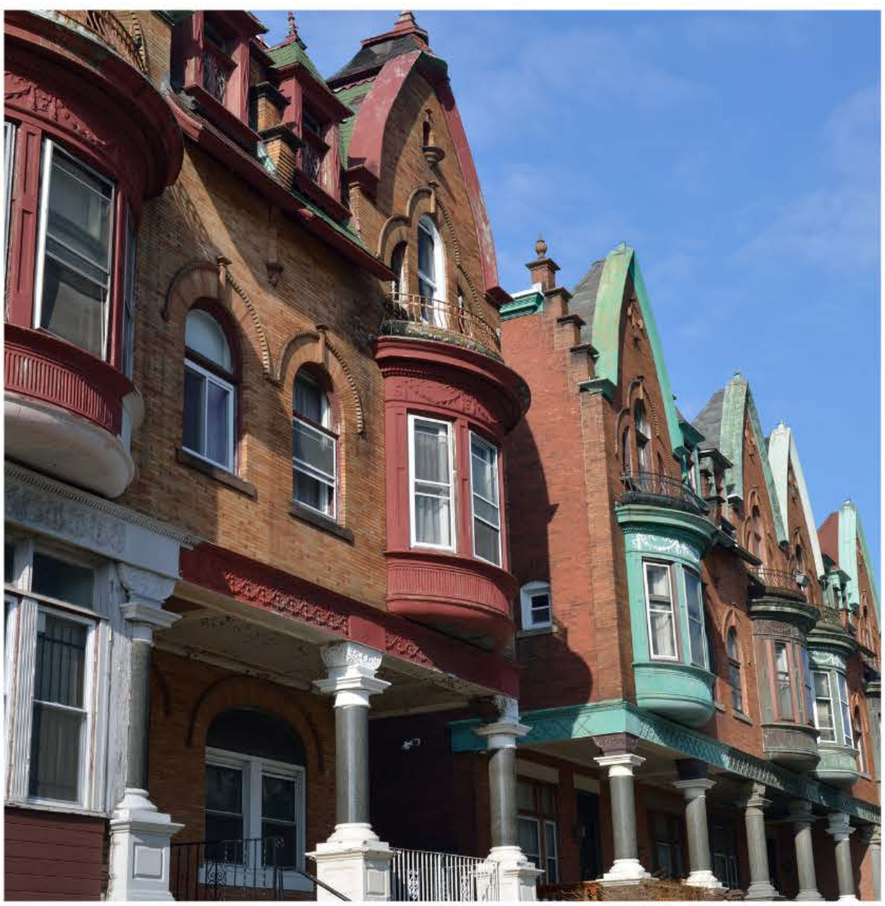

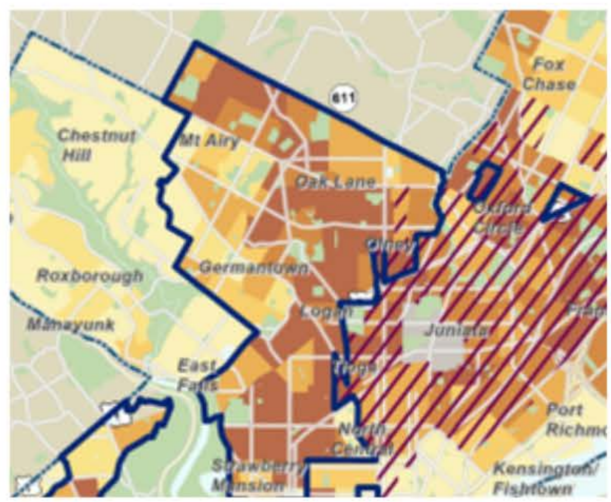

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Introduction

The 2022 housing market represents a critical inflection point for homebuyers and sellers across the country. Throughout 2022, the Federal Reserve steadily increased the Federal Funds Rate to combat persistent inflationary pressures across the broader US economy, from 0.25 in January 2022 to 4.50 in December.[1] Moving almost in lock step with Fed rate increases, the annual percentage rate to purchase a 30-year fixed rate mortgage steadily increased throughout the year. By the end of 2022, the average cost of a conventional 30-year fixed rate mortgage was higher than any year since 2008 – at the height of the previous mortgage market collapse.[2] As designed, increasing borrowing costs for potential home buyers, and for homeowners looking to refinance existing mortgages, made it more expensive to buy or refinance a home at a time when housing prices had reached historic heights in many markets across the country.

In Philadelphia, 2022 marks the first year since 2011 that the number of home purchase mortgage applications and the number of refinance mortgage applications both declined. After a decade of steady growth coming out of the previous housing recession, 2022 potentially signals a new phase in the local housing market – one that will be defined fiscally by higher borrowing costs and higher home prices. Understanding how these changes in the mortgage market were experienced by different types of borrowers living in different parts of the city is critically important for understanding the trajectory of different neighborhoods and the people who call them home.

Each year, lending institutions across the country report their mortgage lending activity under the Home Mortgage Disclosure Act (HMDA). Enacted by Congress in 1975 and amended several times since, HMDA data are a critical resource to understand how dollars flow into communities to support home purchasing, mortgage refinancing, or making home improvements. Regulators, researchers, housing advocates, and community development practitioners regularly use HMDA for various purposes, which include assessments of lenders' community reinvestment obligations, adherence to civil rights laws, and documenting ongoing racial and ethnic disparities in mortgage markets across the country.

Since 2016, Reinvestment Fund has published annual analyses of Philadelphia's mortgage market activity available in the HMDA data.[3] And each year, these briefs continue to document ongoing inequities in access to mortgages in terms of prospective borrowers' income, credit worthiness, and racial/ethnic identity. The 2022 HMDA data provide an opportunity to look back at the decade of historically low interest rates that prevailed in the wake of 2008-09 housing market collapse.

The aftermath of the last recession saw home values decline between 2006 and 2010, concomitant with the disappearance of the entire subprime channel of the mortgages. Lenders tightened their underwriting standards, and in the following years, owing to declines in interest rates, mortgages became much cheaper for borrowers who could get them. As documented previously, this period also saw persistent disparities in access to mortgage credit – inequities that can be observed in the historical trends in loan volume, the types of loans being made, and the geographic distribution of where

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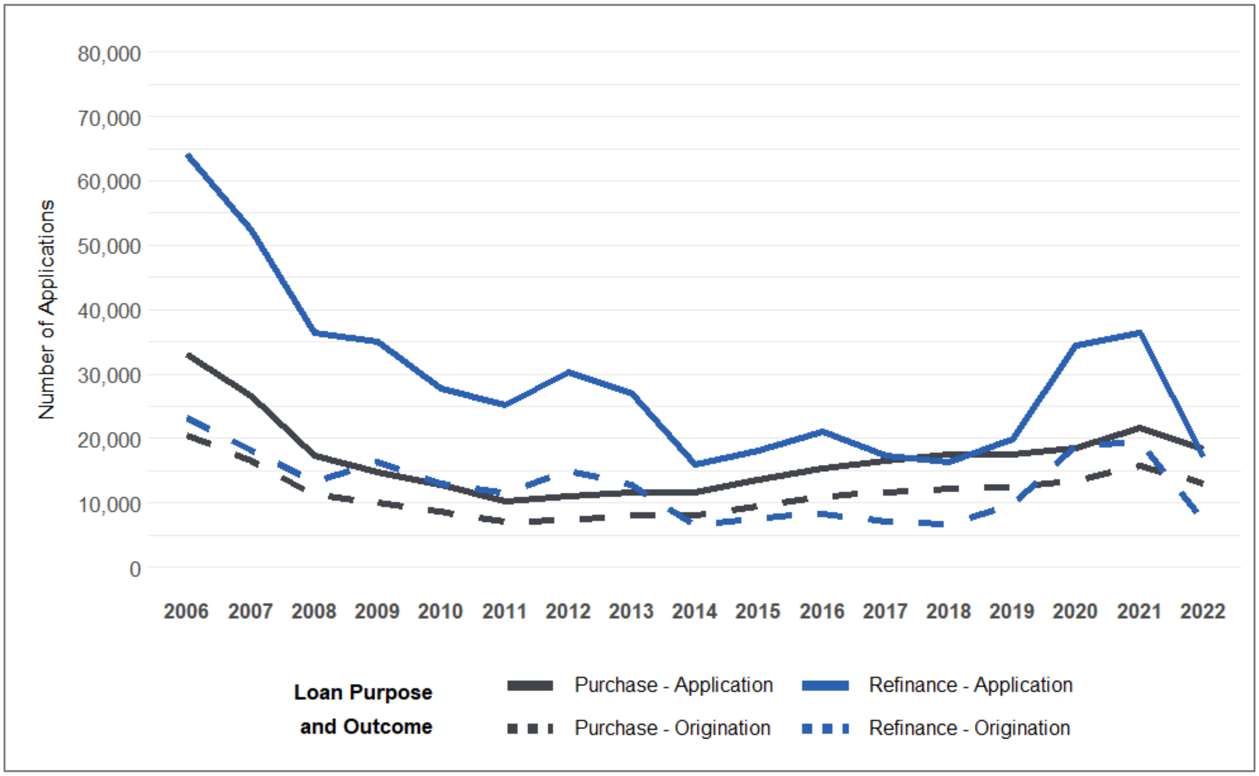
[1] https://www.federalreserve.gov/monetarypolicy/openmarket.htm
[2] https://fred.stlouisfed.org/series/MORTGAGE30US
[3] Reinvestment Fund's annual HMDA analyses can be found here: https://www.reinvestment.com/insights/?type=research-publications&topic=policy-solutions

borrowers from different racial groups purchased homes in Philadelphia over the past decade.[4] Looking back on this historic period of low interest rates that ended in 2022 provides a window into how the observable inequities in access to mortgage credit for different racial and ethnic groups have impacted racial and ethnic settlement patterns across the city.

Home Purchases and Refinances Declined for the First Time in a Decade

Figure 1 displays mortgage applications and originations by purpose (i.e., a "purchase" loan to buy a home or a "refinance" of an existing mortgage(s)). Solid lines represent all applications for home purchase and refinance mortgages, and dashed lines represent originations.

Figure 1: Home Purchase and Refinance Mortgage Application and Origination Volume, 2006 to 2022



After more than a decade of steady growth, home purchase mortgage originations declined in 2022 to 13,069, a decrease of 17% from 2021. However, this level of home purchase mortgage lending still represents a long-run increase of 85% from the lowest level observed in 2011 (7,084). Refinancing activity is generally driven by changes in the interest rate environment, and as interest rates steadily climbed throughout 2022 (see Figure 2), refinance activity declined sharply.

[4] For a comprehensive national review of 2022 HMDA data, see: https://ffiec.cfpb.gov/data-publication/

Figure 2. Annual Average 30 Year Fixed Rate Mortgage Interest Rates, 2006 to 2022[5]

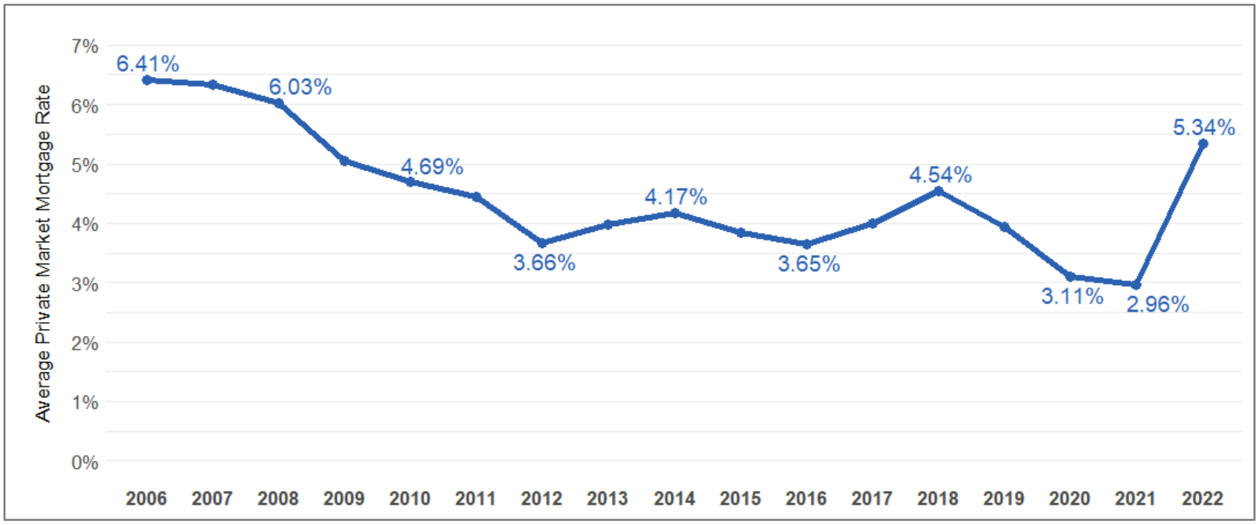
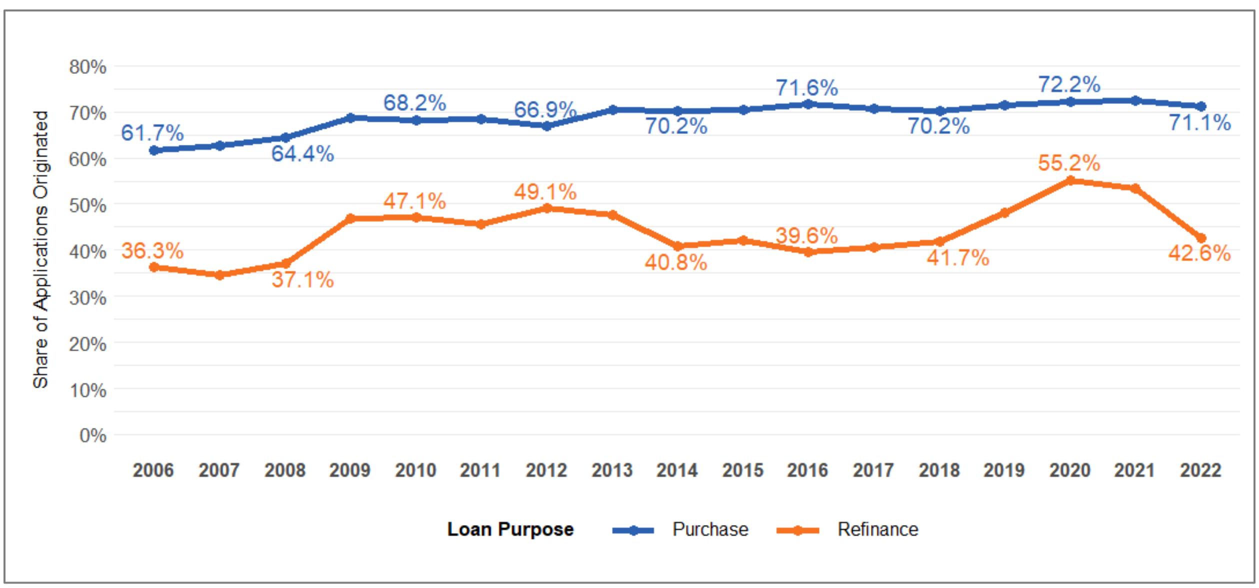


Figure 3 presents the origination rate for home purchase and refinance mortgages in Philadelphia from 2006 to 2022. The origination rate for home purchase mortgages in Philadelphia has been just over 70% for the past decade. In 2022, 71.1% of Philadelphia applicants obtained a mortgage loan to purchase their home, representing steady, long-run, improvements for borrowers seeking loans to purchase owner-occupied, single-family homes. About 8% of home purchase applications were denied, and 17% of applicants withdrew their applications (or failed to complete those applications) before a decision was rendered by the lending institution. On the other hand, origination rates for refinance applications have historically been much lower than origination rates for home purchases and have fluctuated much more over the past decade-plus. Origination rates for refinance mortgages fell sharply in 2022 to 43% as interest rates rose throughout the year.

Figure 3: Percent of Home Purchase and Refinance Mortgage Applications Originated, 2006 to 2022

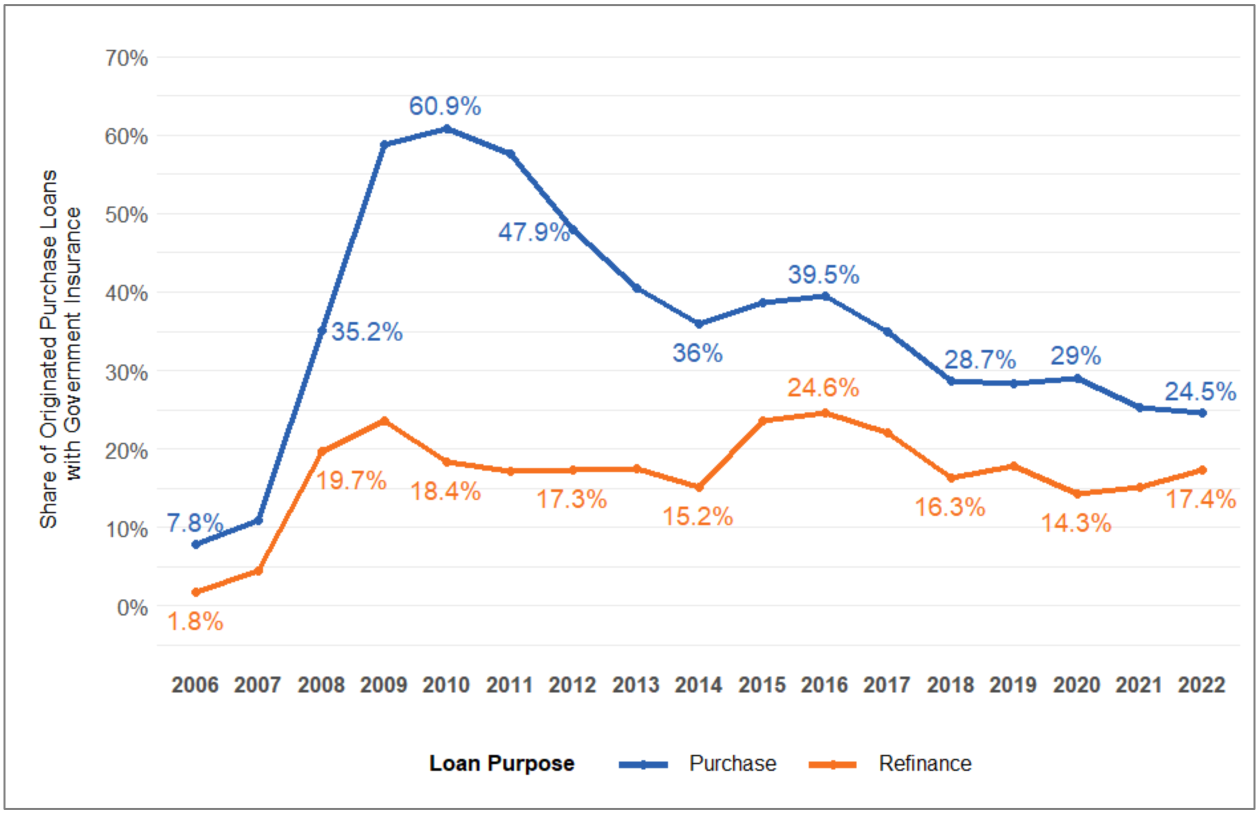


[5] See Freddie Mac; http://www.freddiemac.com/pmms/pmms_archives.html

FHA/VA Market Share Continues Long Run Decline

As noted in prior reports, a shift in the mortgage market after the 2008-09 recession[6] was characterized by a surge in the volume of Federal Housing Administration (FHA) mortgage products combined with a steep decline in conventional (prime and subprime) mortgage activity. Over the past decade, the use of FHA/VA products has since receded from a dominant source of capital to about a quarter of lending activity for home purchases and about one in six refinance mortgages. Figure 4 shows the percentage of all home purchase and refinance loans originated that were insured by FHA or VA (US Department of Veterans Affairs) in Philadelphia from 2006 to 2022.[7]

Figure 4: Percent of Home Mortgages with FHA/VA Insurance, 2006 to 2022



The FHA/VA sector of the home purchase market in Philadelphia was roughly comparable to the national market share in 2022 (24.3% v. 25.7 (See Table 1)).[8] Compared to a small sample of reference cities, the FHA/VA channel is substantially less prevalent in Philadelphia than Baltimore, but a much bigger part of the market than in places like Denver or Atlanta.

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[6] The National Bureau of Economic Research (NBER) defines that recession as beginning in December of 2007 (trough) and ending in June of 2009 (peak).

[7] The FHA/VA market share in Figure 4 represents all federally insured mortgage products, including USDA 502 mortgages. In Philadelphia, USDA 502 loans make up a very small share (less than ½ of 1 percent) of the overall government insured market.

[8] The FHA and VA market shares reported for Philadelphia reported in Table 1 does not include a very small number of USDA 502 mortgages, which are included in Figures 4, 5, and 6; as well as Maps 1 and 2.

Despite the ongoing decline of FHA/VA market share, government-backed lending remains an important source of mortgage credit in Philadelphia, in large part because of the relaxed borrower credit standards (e.g., credit score, required amount of savings) and the security it offers to lenders. However, FHA/VA loans include various fees that may make borrowing more expensive. Therefore, it is important to understand to whom and where these mortgages are made and whether the additional cost, and security of the FHA/VA product is necessary.[9]

Table 1 presents 2022 FHA and VA market share for originated home purchase and refinance loans in Philadelphia and a set of reference cities to highlight some of the diversity in the market share of these products across the nation. Note that Philadelphia is well above the national average for both purchase and refinance loans, but well below on VA.

Table 1. FHA & VA Market Share for Home Purchase and Refinance Mortgages, 2022

	% FHA Loans		% VA Loans	
	Purchase	*Refinance*	*Purchase*	*Refinance*
Philadelphia	21.7%	13.5%	2.6%	3.9%
Atlanta	9.8%	8.9%	3.4%	4.4%
Baltimore	30.5%	19.5%	7.2%	6.9%
Chicago	16.3%	11.6%	2.4%	3.2%
Dallas	11.3%	6.2%	3.4%	0.8%
Denver	7.9%	10.5%	3.1%	4.0%
Jacksonville	20.4%	12.1%	22.1%	17.4%
Kansas City	15.4%	13.0%	7.0%	8.0%
National	15.8%	10.2%	9.9%	7.9%

Figure 5: Percent of Home Purchase Mortgages with FHA/VA Insurance, 2006 to 2022 by Census Tract Median Family Income

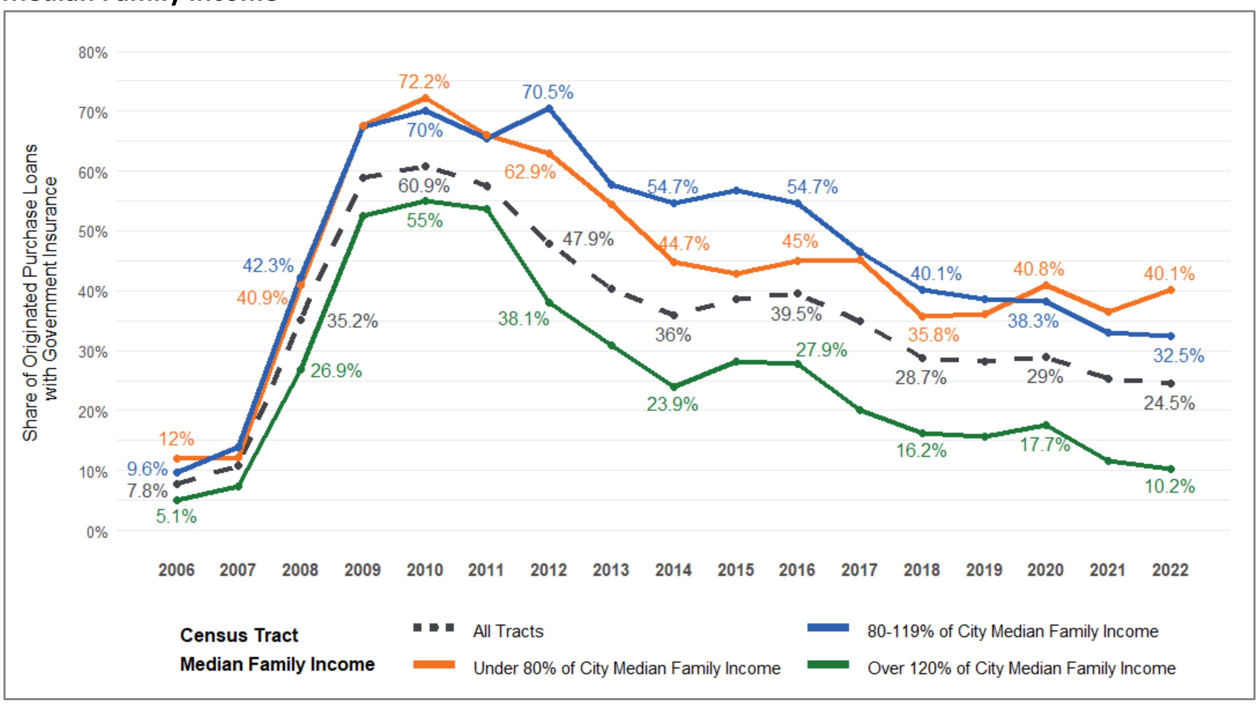


Figure 5 displays the market share of FHA/VA mortgages by the median family income of Philadelphia census tracts (compared to the city median income) from 2006 to 2022. Two observations stand out:

[9] FHA up front insurance premium and annual mortgage insurance premiums currently stand at 175 and 55 basis points, respectively. For a history of these fee levels, see: https://www.urban.org/sites/default/files/2023-06/Housing%20Finance-%20At%20A%20Glance%20Monthly%20Chartbook%20June%202023.pdf

1. It remains the case that FHA/VA is more prevalent in the city's lower and moderate-income areas than in the highest income areas.
2. While the two higher income tract groups have seen FHA/VA share decline, FHA/VA market share for tracts with incomes below 80% of the city median family income increased to 40.1% in 2022.

Figure 6: Percent of Home Purchase Mortgages with FHA/VA Insurance, 2006 to 2022 by Applicant Race and Ethnicity

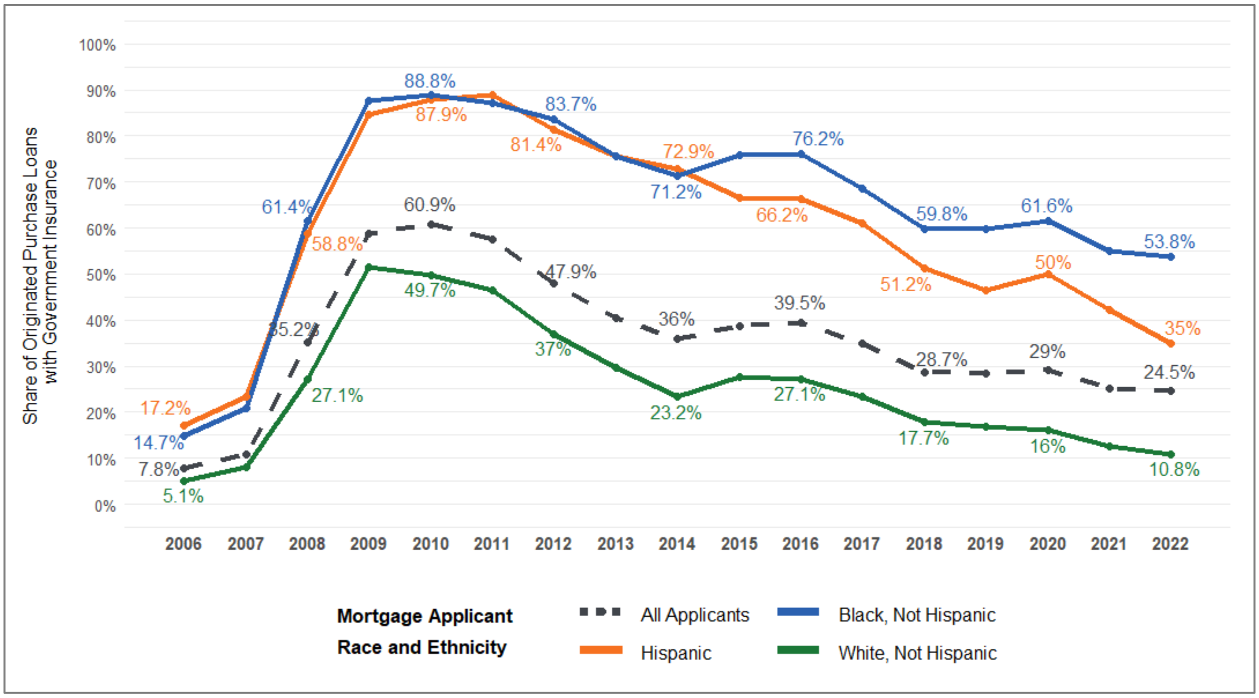


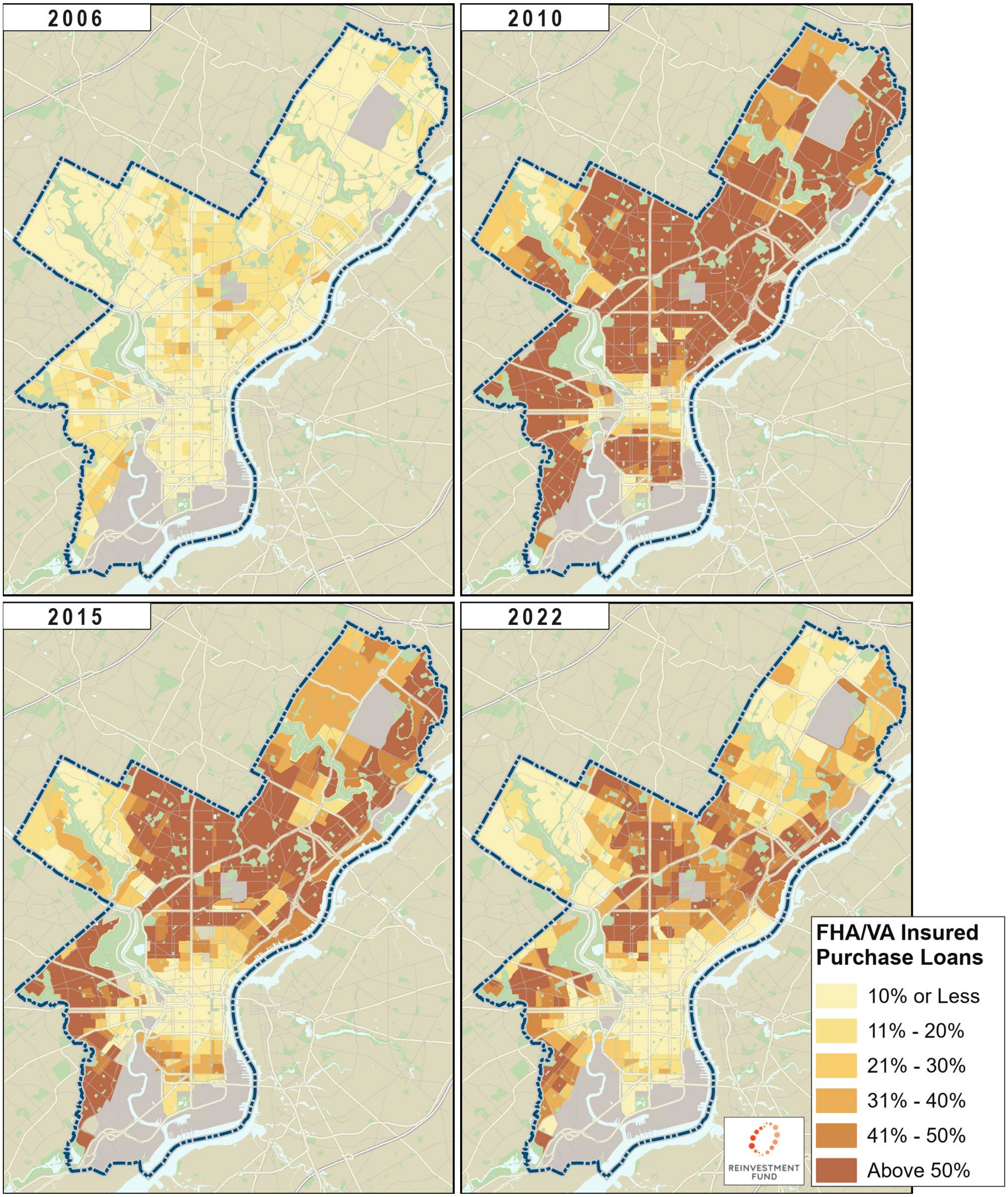
Figure 6 presents FHA/VA market share for borrowers from different racial and ethnic groups in Philadelphia from 2006 to 2022.[10] Among Black, Hispanic and White borrowers, FHA/VA market share has trended downward over the past 12 years, although substantial differences remain between these borrowers' use of FHA/VA products to purchase homes. In 2022, FHA/VA lending represented over 53% of all home purchase loans originated to Black borrowers and 35% for Hispanic borrowers, compared to 11% for White borrowers.

The disparities in the use of FHA/VA products between borrowers from different racial and ethnic groups subsequently become imprinted on places throughout Philadelphia that are home to concentrations of households from different racial and ethnic groups.

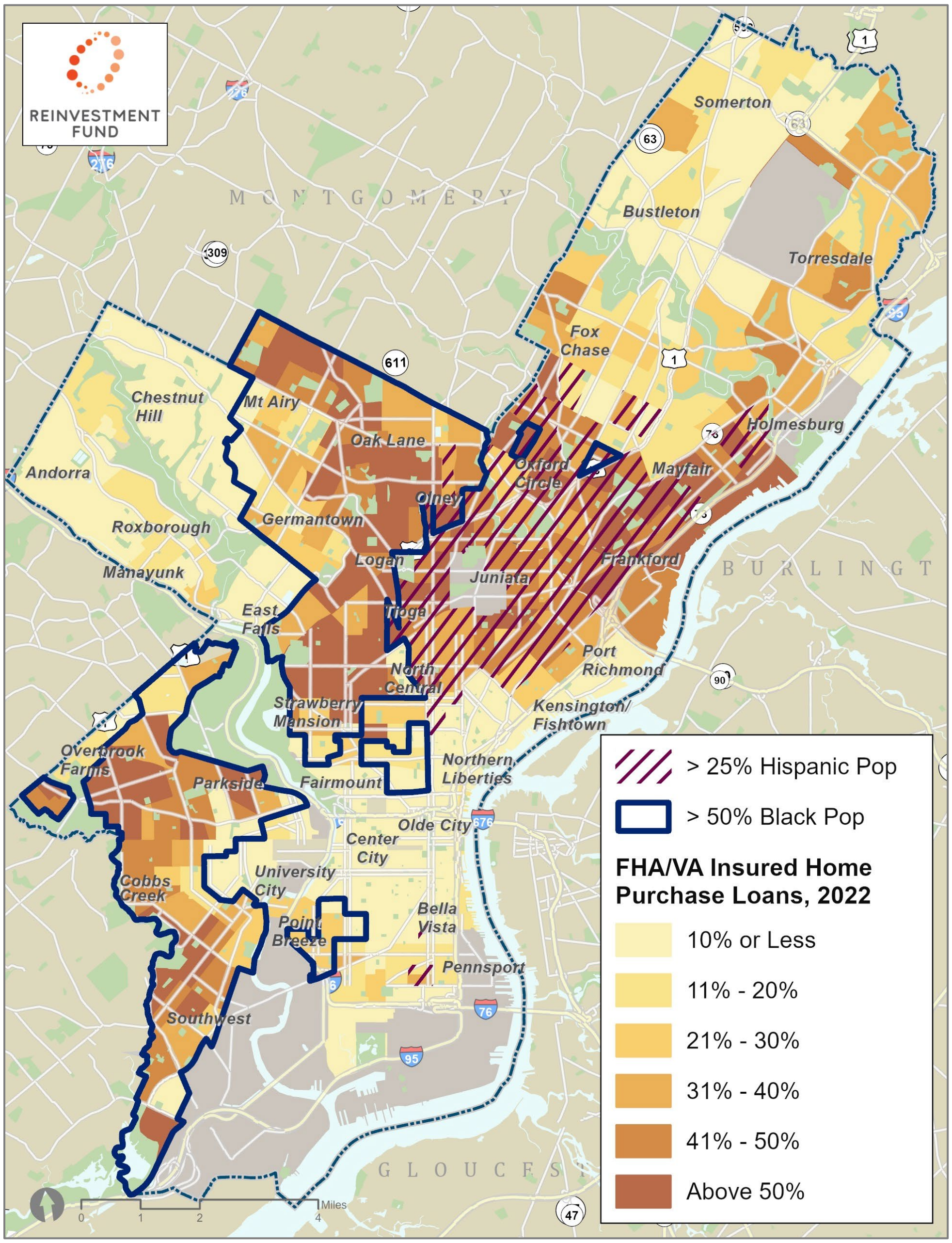
Map 1 displays where in Philadelphia the use of government insured mortgages for home purchases was most prevalent from 2006 to 2022. Map 1 shows that in 2022 government insured mortgages are now concentrated in Upper North Philadelphia, West and Southwest Philadelphia and in the Lower Northeast. Many of the areas with persistently high FHA market share are also areas with the greatest concentrations of Black and Hispanic residents (see Map 2).

[10] In Figure 6, and those to follow, Black and White borrowers represent non-Hispanic Black and White borrowers, while Hispanic borrowers represent those borrowers who identify ethnically as Hispanic, regardless of the racial group(s) with which they may also identify.

Map 1: Percent of Home Purchase Mortgage Originations with FHA/VA Insurance, 2006 to 2022



Map 2: Percent of Home Purchase Mortgage Originations with FHA/VA Insurance and Racial/Ethnic Composition of Census Tracts, 2022[11]



Exceptions to the overall pattern of government insured mortgages continue to appear in Black and Hispanic neighborhoods that are experiencing demonstrable process of gentrification (e.g., Point Breeze in South Philadelphia, Northern Liberties and the area north of Fairmount).[12]

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[11] Tract level race and ethnicity estimates were drawn from 2016-20 American Community Survey.
[12] https://www.reinvestment.com/insights/evictions-in-philadelphia-race-and-place-matters/

Denial Rates Remain Unevenly Distributed Across Borrower Race/Ethnicity, Income Levels, Neighborhood Racial/Ethnic Composition and Borrower Credit Worthiness

Figures 7 and 8 present denial rates for conventional home purchase loan applications in Philadelphia from 2006 to 2022, across different racial/ethnic groups and census tracts with residents in different income groups.

Figure 7: Denial Rates for Conventional Home Purchase Mortgages, 2006-2022 by Applicant Race/Ethnicity

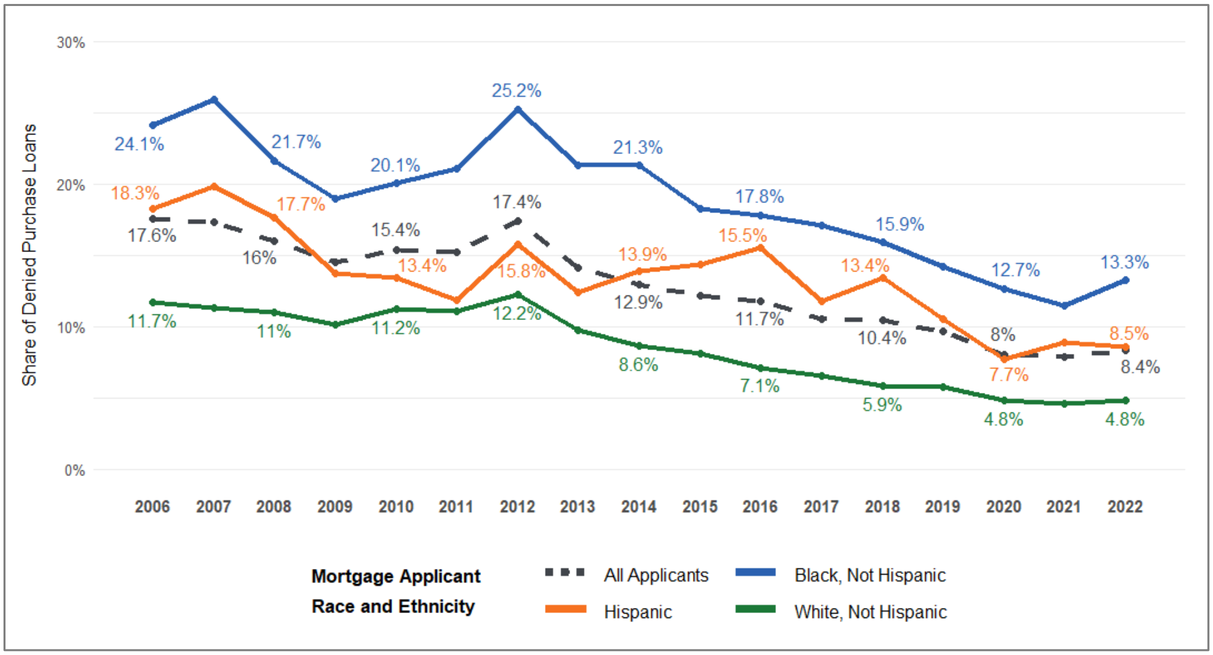
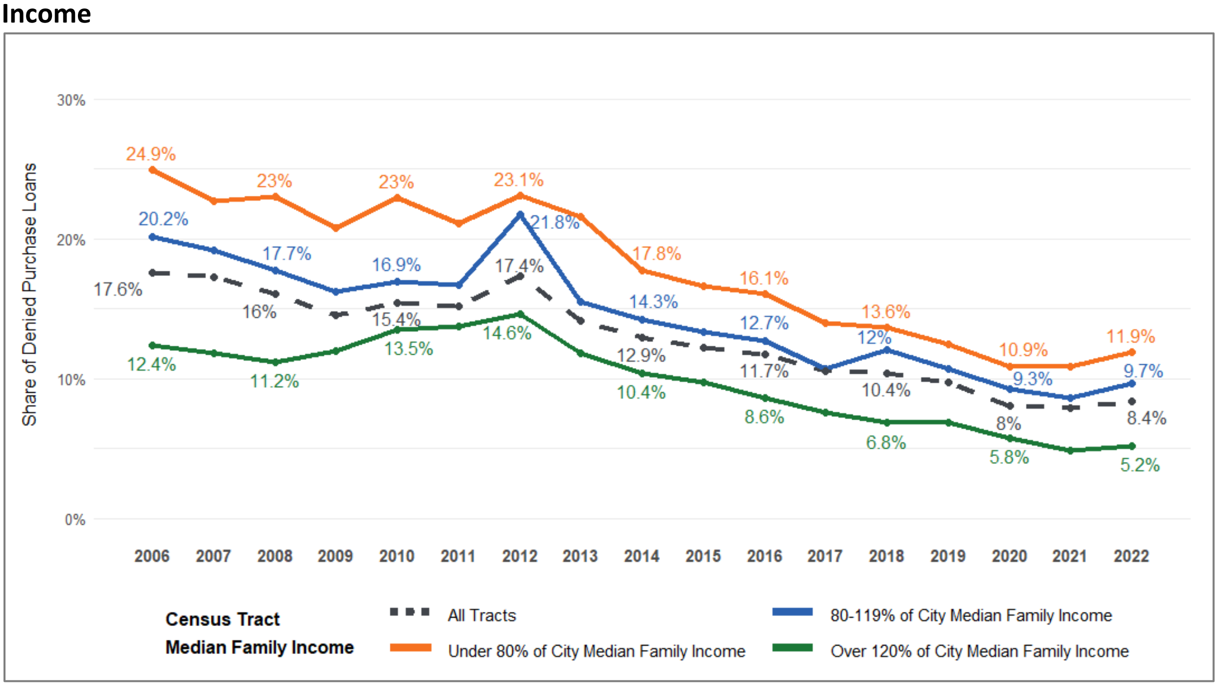


Figure 8: Denial Rates for Conventional Home Purchase Mortgages, 2006-2022 by Median Tract Income



As seen in Figure 7, in 2022 the overall denial rate for conventional home purchase mortgages stood at 8.4%, representing a slight increase from 2021, but still a substantial decade of decline from a peak of 17.4% in 2012. In 2022, denial rates for Black applicants increased to 13.3%, marking the first increase in denial rates for Black applicants since 2012. Denial rates for Hispanic (8.5%) and White (4.8%) applicants remained relatively flat in 2022 and continued to be well below denial rates for Black mortgage applicants. Figure 8 indicates that denial rates increased for borrowers living in middle and lower-income neighborhoods in Philadelphia, while they remained roughly flat for borrowers in neighborhoods with higher income residents.

The stability of denial rates in higher income neighborhoods and among White borrowers, combined with increasing denial rates for Black borrowers as well as in middle and lower-income neighborhoods expands gaps in access to mortgage credit – gaps between borrowers from different racial and ethnic backgrounds and between neighborhoods with more or fewer affluent residents.

Table 2 presents denial rates for Black, Hispanic and White borrowers with reported incomes above or below the citywide median family income to further examine differential access to mortgage credit for these borrowers.

Table 2: Denial Rates for Home Purchase Mortgages for Applicants with Incomes Below and Above the Citywide Median Family Income, 2018-2022[13]

Year (median family income**)**	**Total**		**White**		**Black**		**Hispanic**	
	Below	*Above*	*Below*	*Above*	*Below*	*Above*	*Below*	*Above*
2022 ($68,701)								
Conventional	12.3%	4.9%	6.9%	3.6%	17.4%	8.4%	10.5%	5.9%
Govt Insured	13.4%	7.6%	13.8%	5.4%	15.1%	9.4%	9.8%	4.1%
2021 ($61,775)								
Conventional	12.0%	4.8%	7.9%	3.5%	15.6%	9.0%	9.8%	7.9%
Govt Insured	11.2%	7.7%	7.0%	5.3%	11.7%	8.2%	9.2%	6.0%
2020 ($58,377)								
Conventional	12.4%	5.0%	7.4%	3.8%	17.5%	10.9%	9.9%	5.4%
Govt Insured	11.2%	8.3%	8.6%	5.3%	12.8%	9.8%	6.9%	7.2%
2019 ($54,978)								
Conventional	15.5%	6.4%	9.4%	4.2%	19.8%	13.3%	12.8%	6.0%
Govt Insured	14.3%	7.8%	12.7%	6.5%	15.2%	8.1%	11.7%	8.8%
2018 ($55,109)								
Conventional	16.2%	6.5%	9.7%	4.8%	21.1%	12.5%	15.0%	9.2%
Govt Insured	14.4%	10.2%	9.2%	5.1%	15.1%	14.6%	14.3%	10.5%

White denial rates, compared to those of Black and Hispanic applicants, are substantially lower for conventional home purchase loans regardless of income. Furthermore, Black borrowers with incomes *above* the citywide median family income still have higher denial rates for conventional mortgages than White borrowers with incomes *below* this level (8.4% v. 6.9%). While these differences have diminished over time, differences do persist.

[13] Annual median family incomes for Philadelphia County were obtained from the ACS 1-year estimates. 1-year estimates were not available for 2020, so the 2020 estimate is the average of 2019 and 2021.

The patterns observed in Table 2 are also observable among 'well qualified' borrowers.[14] Table 3 presents 2022 denial rates for borrowers applying for conventional home purchase loans with debt-to-income ratios below 44% and a combined loan-to-value ratio below 90% (i.e., "Well Qualified"), as well as borrowers who did not meet these thresholds (i.e., "Less Well Qualified"); again, controlling for borrowers' with reported incomes above or below the citywide median family income.

Table 3: Denial Rates for Home Purchase Mortgages by Applicant Qualifications

	Total		White		Black		Hispanic	
	Below	*Above*	*Below*	*Above*	*Below*	*Above*	*Below*	*Above*
2022 ($68,701)								
*Well Qualified**	6.7%	4.3%	2.9%	3.1%	19.5%	14.1%	8.4%	6.7%
Less Well Qualified	16.4%	7.2%	10.0%	5.2%	20.9%	9.8%	12.5%	7.1%

**"Well Qualified" Applicants have Loan-to-Values below 90% and Combined Debt-to-Income Ratios below 44%*

As expected, denial rates for less well qualified applicants are much higher than those of well qualified applicants; this remains true for all racial/ethnic groups and income levels with one exception: ***Among Black borrowers with incomes above $68,701, well qualified borrowers (14.1%) had a higher denial rate than less well qualified borrowers (9.8%). However, denial rates for Black borrowers with incomes below $68,701 were only slightly lower for well qualified Black borrowers (19.5%) compared to Black borrowers who were less well qualified (20.9%). This is much less of a difference than we observe in a comparable group of White borrowers.***

Table 5 presents denial rates for well qualified and not well qualified White, Black and Hispanic borrowers, *not controlling for income*, in Philadelphia and other national markets. Generally, not well qualified applicants fare less well. And with the exception of Jacksonville, FL, fewer well qualified Black applicants are approved than less well qualified White applicants.

Table 5. Denial Rates for Home Purchase Mortgages by Applicant Qualifications in Select Markets

	White, Not Hispanic		Black, Not Hispanic		Hispanic	
	Well Qualified	*Less Well Qualified*	*Well Qualified*	*Less Well Qualified*	*Well Qualified*	*Less Well Qualified*
Philadelphia	3.0%	6.5%	16.2%	16.5%	7.4%	10.6%
Atlanta	3.9%	8.3%	9.4%	17.1%	3.0%	16.8%
Baltimore	1.8%	4.7%	14.3%	15.7%	6.7%	8.5%
Chicago	2.7%	6.6%	13.7%	17.7%	9.3%	11.3%
Dallas	2.9%	7.0%	12.8%	14.9%	7.6%	11.5%
Denver	3.2%	6.8%	8.2%	9.8%	4.2%	8.6%
Jacksonville	5.2%	10.9%	8.0%	19.1%	9.1%	15.2%
Kansas City	2.8%	5.4%	8.7%	11.9%	8.6%	11.6%

**"Well Qualified" Applicants have Loan-to-Values below 90% and Combined Debt-to-Income Ratios below 44%*

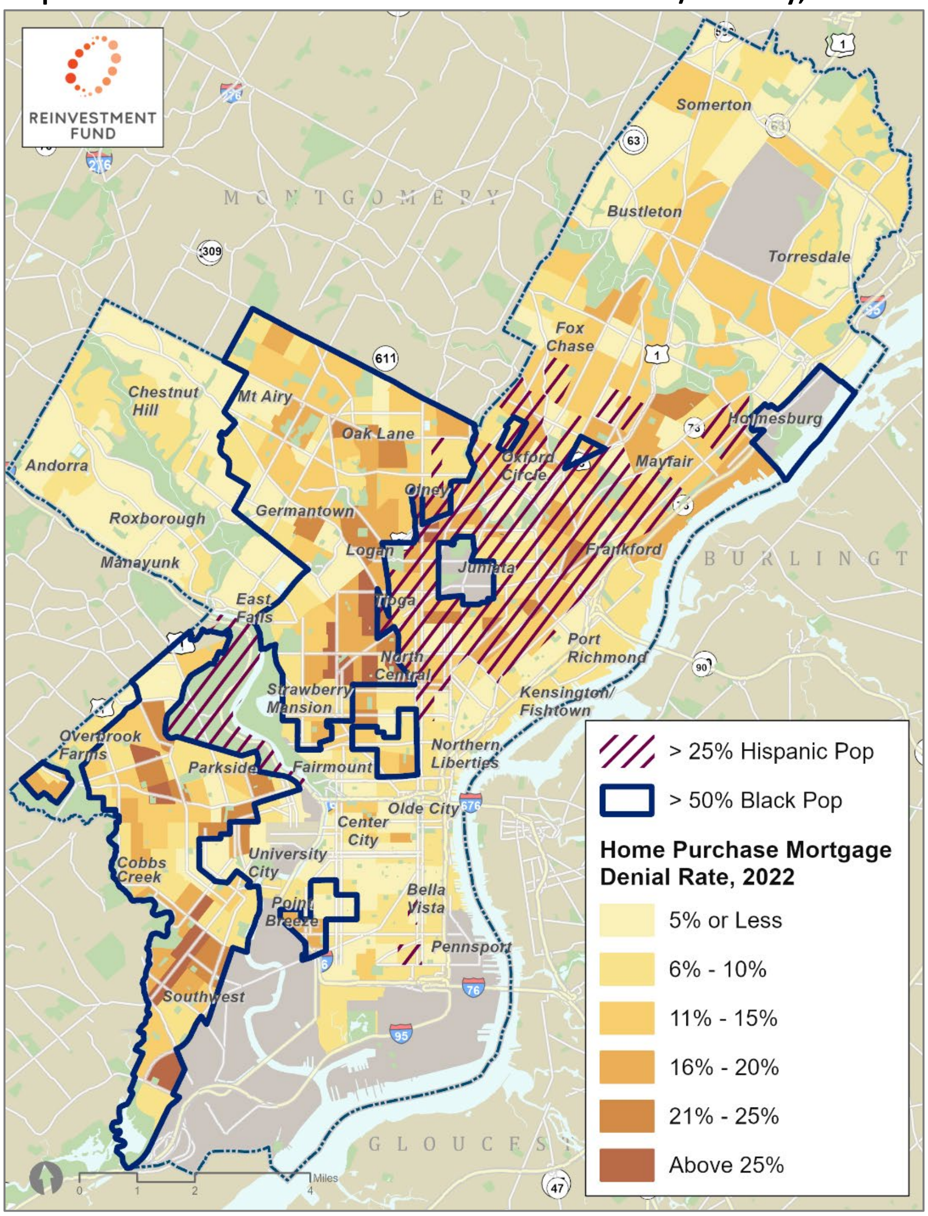
Perhaps more striking is the comparison of borrowers of different races by their financial qualifications. A substantially greater share of ***well qualified*** Black borrowers with ***incomes above $68,701*** (14.1%) were denied than White borrowers with ***incomes below $68,701*** who were ***less well qualified*** (10%).

[14] A more complete analysis of borrower qualifications would include credit scores. Borrowers' credit scores are submitted by lenders, but these data are not publicly available in the HMDA data. The public HMDA data file includes the type of credit score the lender used to qualify their borrowers (e.g., Equifax, FICO, etc.) – but that information is not useful in assessing borrowers' credit worthiness.

Regardless of the level of qualification or income level, Black borrowers' home purchase mortgage applications continue to be denied more often than White applicants.

The unevenness of denial rates among different populations of individual applicants has implications for Philadelphia neighborhoods that are home to substantial Black and Hispanic populations and lower-income residents. Map 3 presents the spatial distribution of denial rates across Philadelphia in 2022 overlayed with demarcations of the concentrations of Black and Hispanic residents. The most elevated denial rates in the city are concentrated in North Philadelphia – including several census tracts in the Lower Northeast that are home to the city's greatest concentrations of Hispanic residents, along with pockets of North, West and Southwest Philadelphia. These North, West and Southwest neighborhoods of Philadelphia include many of the city's majority Black and/or Hispanic census tracts; and many of these areas are home to households with modest incomes.

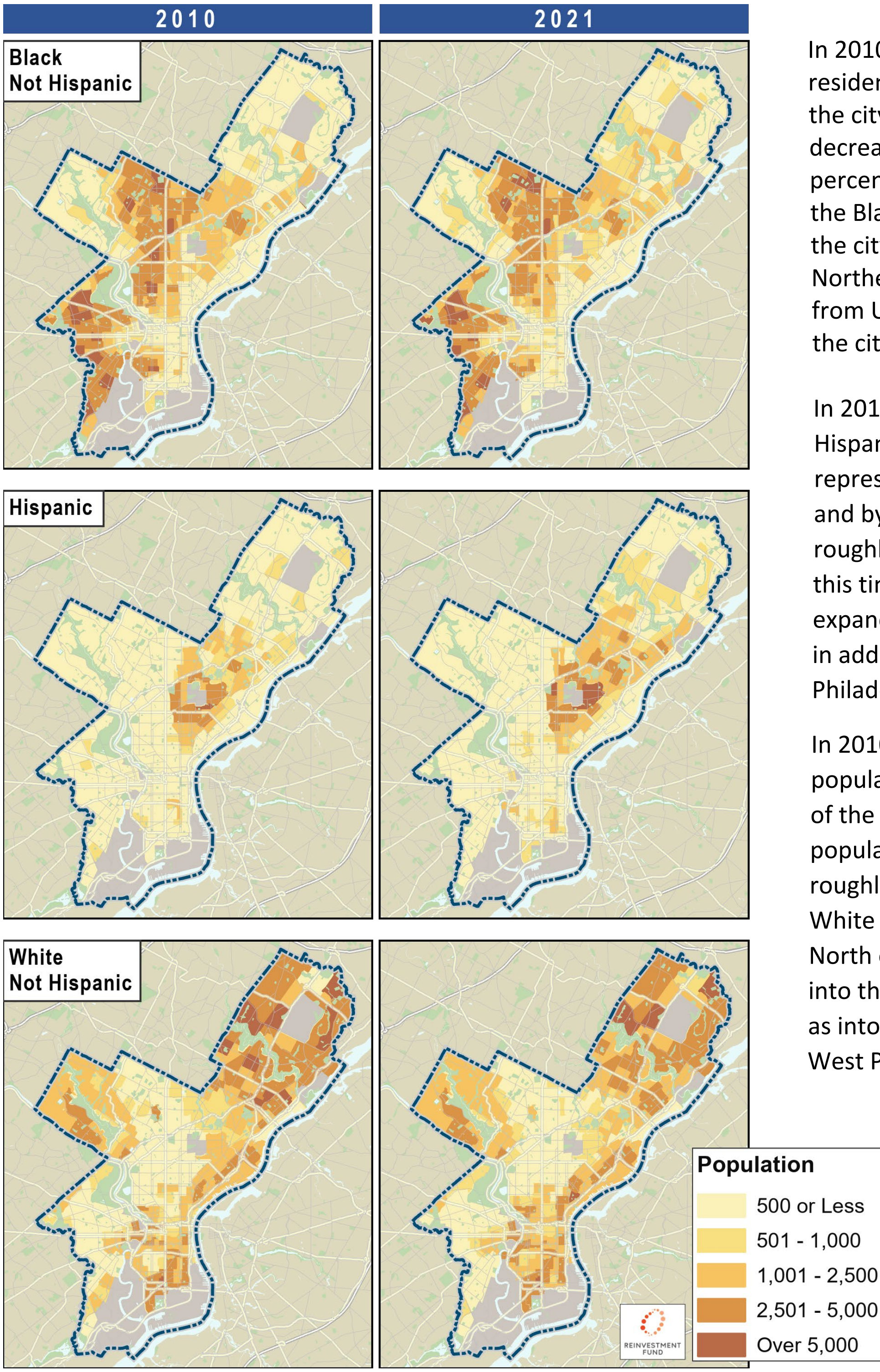
Map 3: Denial Rates for Home Purchase Loans and Race/Ethnicity, 2022



A Decade of Changes in the Demographic and Economic Geography of the City

Throughout the past decade, the geographic distribution of racial and ethnic groups across the city has shifted in observable ways. Map 4 presents how the concentration of Black, Hispanic, and White Philadelphia residents has changed from 2010 to 2021 (the most recent year available).

Map 4. Change in Black, Hispanic, White Residents, 2010 to 2021



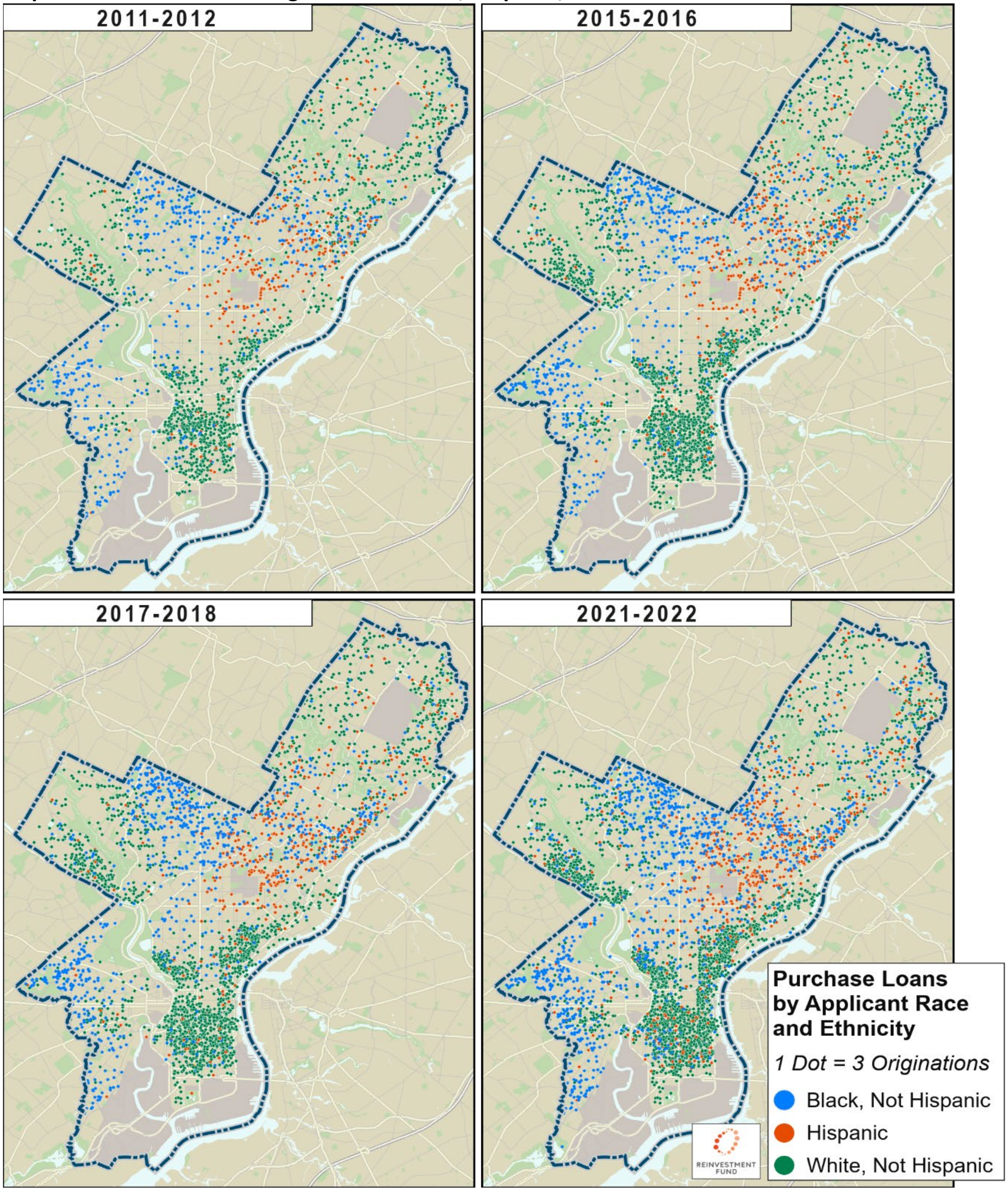
In 2010, Philadelphia's Black residents represented 43% of the city, and by 2021 that had decreased to roughly 40% percent. At the same time, the Black population within the city moved North, Northeast, and West away from University City towards the city boundary.

In 2010, Philadelphia's Hispanic population represented 12% of the city, and by 2021 that increased to roughly 16% percent. During this time Hispanic residents expanded into the Northeast in addition to parts of South Philadelphia

In 2010, Philadelphia's White population represented 37% of the city, and by 2021 that population had decreased to roughly 34%. During this time White residents expanded North out of Center City and into the River Wards as well as into parts of South and West Philadelphia.

The home purchasing activity of borrowers from different racial and ethnic backgrounds certainly played a part in the residential shifts observed in Map 4. Map 5 displays where Black (blue dots), Hispanic (orange dots), and White (green dots) borrowers have purchased homes from 2011 to 2022.

Map 5. Home Purchase Oringations for Black, Hispanic, and White Borrowers: 2011 to 2022



Home Purchase Originations	2011-12	2015-16	2017-18	2021-22
Black, Not Hispanic Borrowers	2,645	3,560	4,383	5,524
Hispanic Borrowers	1,399	1,874	2,266	2,887
White, Not Hispanic Borrowers	7,441	10,573	11,626	11,837

Map 5 documents the shift in geographic patterns of home purchasing activity from 2011 to 2022 for Black, Hispanic and White borrowers across Philadelphia.

- Black borrowers' purchasing increased from 2,645 homes in 2011-12 to 5,524 in 2021-22 even as the number of Black city residents declined. These home purchases have been increasingly concentrated in West Philadelphia, East Mt. Airy, the Oak Lane neighborhoods near the northern edge of the city, and across the Lower Northeast.
- Hispanic borrowers' home purchasing increased from 1,399 homes in 2011-12 to 2,887 in 2021-22. These home purchases have been increasing in the Lower Northeast as well as some pockets of South Philadelphia.
- White borrowers' home purchasing increased from 7,441 in 2011-12 to 11,837 in 2021-22. These home purchases have been increasingly concentrated in and surrounding Center City, expanding north along both the Delaware and Schuylkill Rivers, expanding into South Philadelphia, and into parts of West Philadelphia.

Borrower Incomes Drive Key Differences in Mortgage Features

For many home buyers their household income, credit history and debt burden are primary drivers in their ability to obtain a mortgage to purchase a home, of any price. However, for the vast majority of home buyers, their household incomes are a primary indicator of 'how much' home they can purchase, which has implications for where in the city they can buy. Table 2 presents key borrower characteristics as well as the characteristics of the home purchase loans they obtained in 2022.

Table 2. Key Loan Features for Originated Home Purchase Mortgages, 2022

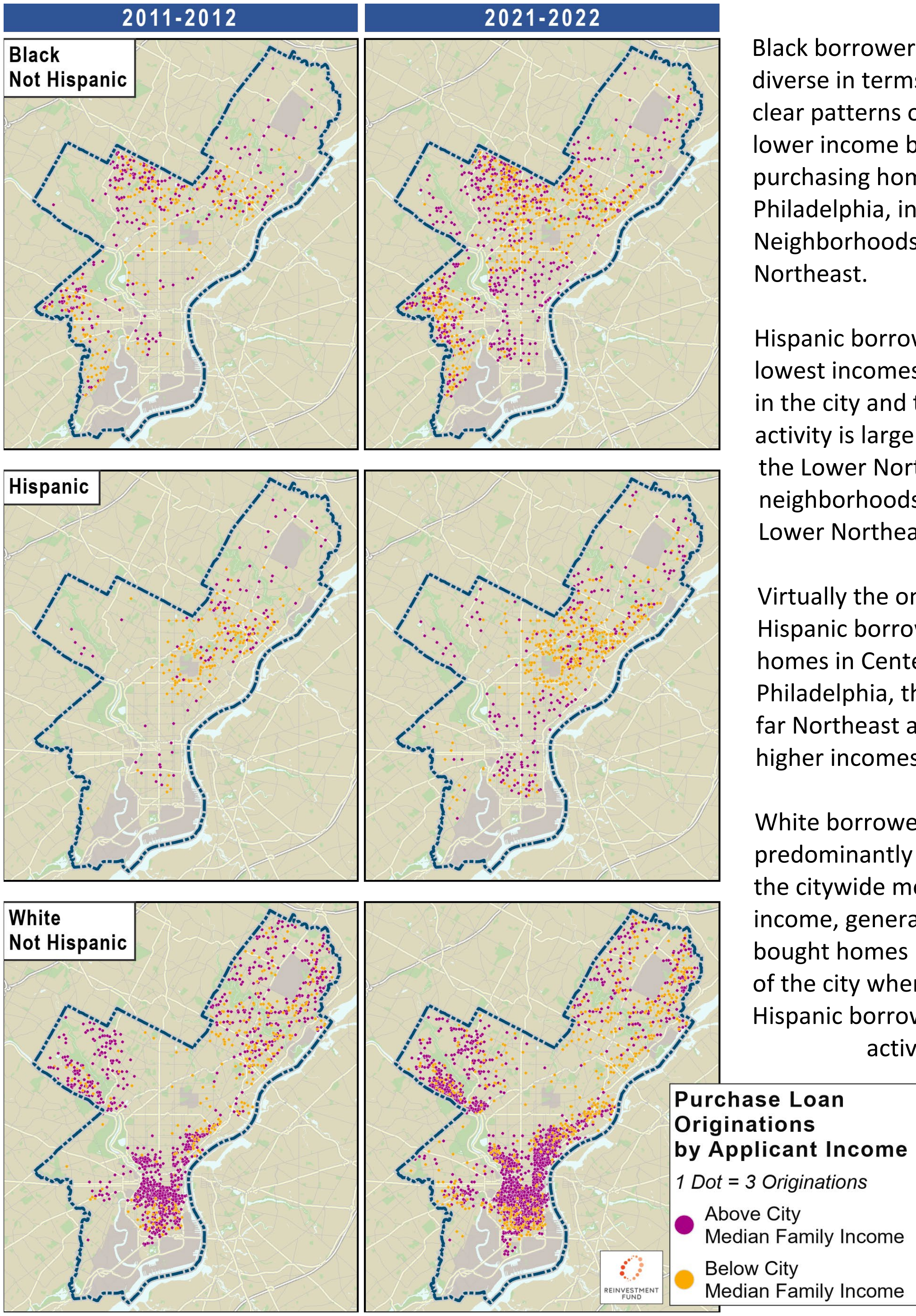
	Conventional				Gov. Insured			
Key Loan/Borrower Features	**White**	**Black**	**Hispanic**	**Total**	**White**	**Black**	**Hispanic**	**Total**
Median Reported Income	$107,000	$64,000	$54,000	$90,000	$75,000	$59,000	$52,000	$62,000
Median Property Value	$355,000	$235,000	$225,000	$325,000	$275,000	$215,000	$205,000	$225,000
Median Loan Amount	$305,000	$205,000	$185,000	$275,000	$265,000	$205,000	$195,000	$225,000
Median Loan to Value Ratio	89.99	95.00	95.00	90.00	96.50	96.50	96.75	96.50
Median Interest Rate	4.75	4.88	5.13	4.78	4.75	5.13	5.25	5.13
Debt to Income Ratio*								
% Under 20	10.5%	4.6%	5.5%	8.6%	1.7%	0.7%	0.7%	1.1%
% 20-30	26.0%	14.3%	13.2%	21.7%	9.4%	7.1%	8.6%	7.9%
% 30-40	32.1%	34.4%	32.3%	32.9%	26.0%	25.6%	27.5%	25.8%
% 40-50	29.4%	45.2%	47.6%	34.9%	37.3%	44.2%	44.5%	43.4%
% 50+	0.8%	1.4%	1.2%	0.9%	25.5%	22.3%	18.7%	21.8%
Total Originations	4,661	1,170	820	9,864	584	1,366	465	3,205

*Debt to Income Ratio Groups do not total 100% due exclusion of originated loans not reporting DTI ratios. Racial and Ethinc group originations do not equal Total originations due to the exlusion of borrowers of other races.

Across the key dimensions of originated home purchase loans presented in Table 2, Black and Hispanic borrowers with conventional loans had substantially lower incomes, which predictably leads to much lower homes sale prices, and smaller loan amounts than White borrowers. Black and Hispanic borrowers also had higher typical loan-to-value ratios (95.0 v. 90.0) than White borrowers. In addition, a greater share of Black and Hispanic borrowers received conventional mortgage loans to purchase homes with debt-to-income ratios above 40% (45% and 48% v. 29%) compared to White borrowers.

The implications of these differences can be seen spatially across the city when the home purchase activity of borrowers from different racial and ethnic groups is separated out by those buyers with incomes above or below the citywide median family income ($68,701). Map 5 displays where Black, Hispanic, and White borrowers with incomes above (pink dots) and below (orange dots) the citywide median income purchased homes from 2011 to 2022.

Map 5. Home Purchase Oringations for Black, Hispanic, and White Borrowers by Income: 2011 to 2022



Black borrowers are the most diverse in terms of incomes with clear patterns of both higher and lower income borrowers purchasing homes in West Philadelphia, in the Oak Lane Neighborhoods, and in the Lower Northeast.

Hispanic borrowers have the lowest incomes of all borrowers in the city and their purchasing activity is largely concentrated in the Lower Northeast and neighborhoods to the south of Lower Northeast.

Virtually the only Black and Hispanic borrowers purchasing homes in Center City, South Philadelphia, the Northwest, and far Northeast are borrowers with higher incomes.

White borrowers, more predominantly clustered above the citywide median family income, generally have not bought homes in the same parts of the city where Black and Hispanic borrowers are most active. White borrowers with incomes above median are most active in South and West Philadelphia, along the River Wards, Northwest Philadelphia (i.e., Roxborough, Manayunk, Mt. Airy, Chestnut Hill, and in the Far Northeast).

Conclusion

The findings presented in this brief largely illustrate persistent trends in the Philadelphia mortgage market; they also indicate some emerging trends. While home purchase originations dipped in 2022 for the first time in a dozen years, mortgage activity across the city still represented substantial improvement from the nadir of 2010-11. Origination rates for home purchases remained steady, and overall FHA/VA market share in the home purchase market continued the long-run decline from its dominant position following the 2008 housing crisis. And the end of low interest rates contributed to dramatic declines in the refinance market, which dipped back to 2018 levels.

Additionally, substantial disparities remain between different borrowers and neighborhoods throughout the city in terms of their access to mortgages. Similar to findings presented in Reinvestment Fund's previous HMDA briefs, Black and Hispanic borrowers continue to experience elevated denial rates compared to White borrowers, regardless of their financial qualifications for mortgage credit. And residents in neighborhoods of color and lower income neighborhoods continue to experience elevated denial rates.

Importantly, Black and Hispanic borrowers' usage of FHA/VA mortgages remain well above White borrowers', which leads to added lending costs for borrowers and communities that already face greater difficulty in accessing mortgage credit. While elevated FHA usage may be justified by differences in borrowers' income, savings for a downpayment and credit scores, existing evidence suggests that the FHA channel is not always justifiable solely based on borrowers' economic profiles.[15]

Most notably, the patterns of residential sorting observed in the purchasing activity of Black, Hispanic and White borrowers over the past decade point to shifting demographic and economic boundaries across the city. White borrowers, particularly those with higher incomes, increasingly concentrated their buying in neighborhoods extending north from Center City along both the Delaware and Schuylkill Rivers, in South Philadelphia, and into parts of West Philadelphia beyond University City - neighborhoods that have experienced or are experiencing observable signs of gentrification.[16] Relatively few Black and Hispanic borrowers with higher or moderate incomes are buying homes in these areas, even though several of these neighborhoods have long been home to substantial populations of residents of color. And very few White borrowers are purchasing homes in those parts of the city where Black and Hispanic home purchasing is most heavily concentrated (except for the Far Northeast).

Black borrowers in higher and lower income households are most heavily concentrated in more narrow swaths of West Philadelphia, parts of the Northwest (e.g., the Oak Lanes, Mt Airy, Cedarbrook and Germantown), Lower Northeast and to a degree, the Far Northeast as well. Importantly, throughout much of the city's history, Black residents were largely absent from the Northeast section of Philadelphia; that is changing.

Hispanic borrowers, who have the lowest incomes among Philadelphia home buyers, tend to be concentrated in the Lower Northeast and neighborhoods to the south that abut the Lower Northeast,

[15] Katharine Nelson. 2022. FHA and the Dual Mortgage Delivery System in Philadelphia. Unpublished dissertation.
[16] https://www.philadelphiafed.org/-/media/frbp/assets/working-papers/2019/wp19-30.pdf?la=en; https://www.pewtrusts.org/~/media/assets/2016/05/philadelphias_changing_neighborhoods.pdf

although smaller pockets of higher income Hispanic borrowers are also finding opportunities in South Philadelphia, and the Far Northeast.[17]

The HMDA records provides a data-based picture of mortgage activity across the city, highlighting where the experience of getting a home mortgage is a greater or lesser challenge. The results presented in this brief point to clear processes underway that will continue to shape the demographic and economic geography of the city. As we enter a new phase of higher-cost mortgage lending, elevated home prices, restricted supply and heightened competition from private investors in the single-family housing market,[18] the imperative to ensure that Philadelphia homebuyers and homeowners of modest means have access to mortgage credit remains as clear as ever.

[17] Scholars at Brown University document a decline in residential segregation in Philadelphia using an Index of Dissimilarity ("D"). D-Values range from 0 through 100 where 100 represents complete segregation and 0, complete integration. The D-Value for Philadelphia segregation between Black and White residents declined from 83.9 in 1980 to 69.5 in 2020 – a substantial drop, yet still representative of a substantial amount of racial segregation. The 2020 D-value for segregation between White and Hispanic residents was 70.7 in 1980, and that declined to 58.2 in 2020. Racial and ethnic residential segregation in Philadelphia is declining, yet it is still high. See: https://s4.ad.brown.edu/projects/diversity/segregation2020/city.aspx?cityid=4260000

[18] See: https://www.reinvestment.com/wp-content/uploads/2022/09/220923_InvestorHomePurchases_Final.pdf

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