

OKLAHOMA MORTGAGE LENDING PATTERNS

An analysis of subprime lending patterns,
homeownership and foreclosures among
people of color in Oklahoma City and Tulsa
MSAs

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Introduction

- ▣ Since the housing market peaked in 2006 more than 6.5 million homeowners have lost their homes due to foreclosure;
- ▣ Another 4.3 million Americans are delinquent by as much as three months on mortgage payments;
- ▣ An estimated 10 million foreclosures will have occurred before the housing crisis abates.

Background

- ▣ Some likely contributors to the housing mortgage meltdown:
 - A proliferation in subprime lending
 - Unscrupulous lenders and brokers
 - Inadequate regulation
 - Improperly structured loan products
 - Improperly advised/unadvised consumers

Purpose of the Study

- ▣ To examine the impact of subprime lending on homeownership and foreclosures in communities of color in Tulsa and Oklahoma City

Why Homeownership?

- ▣ *Homeownership is more than merely shelter, but a whole complex of results, and outputs which include comfort, social satisfaction, economic well-being, security and perhaps political stability (Marcuse, 1972).*
- ▣ *Children in families who own their homes tend to reach higher education levels and are less likely to face teen pregnancy as homeownership increases residential stability (Lerman & McKernan, 2008).*

Data Sources

- ▣ Home Mortgage Disclosure Act (HMDA) data were used to assess home mortgage lending activity in the units of analysis for this study (Tulsa and Oklahoma City MSAs);
- ▣ Oklahoma City Planning Department;
- ▣ U.S. Census of Population, Housing and Economic data profiles 2000 & 2010; and,
- ▣ Government & industry data compiled by the Center for Responsible Lending and Realtytrac

Methods

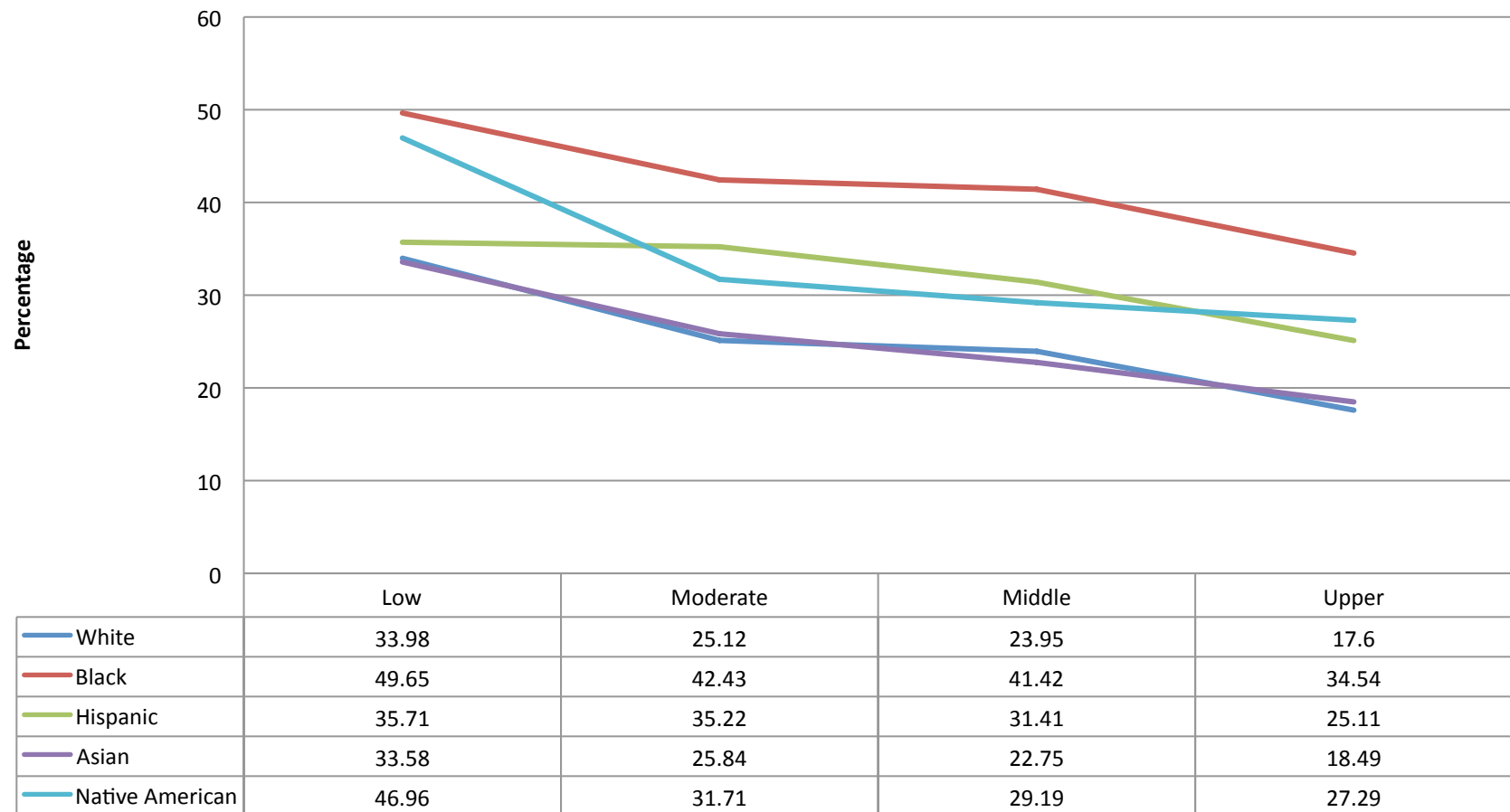
- ▣ A HMDA data analysis tool developed by Compliance Tech was utilized to assist in the navigation and analysis of the HMDA data sets;
- ▣ Telephone Interviews;
- ▣ Review of the literature.

Key Findings

- ▣ Mortgage denial rates among minority borrowers increased significantly after 2006 compared to denial rates for white borrowers;
- ▣ Loan denials among minority groups showed that African Americans had the highest rates of denial and Native Americans with comparable incomes to Asians were denied at a higher rate;

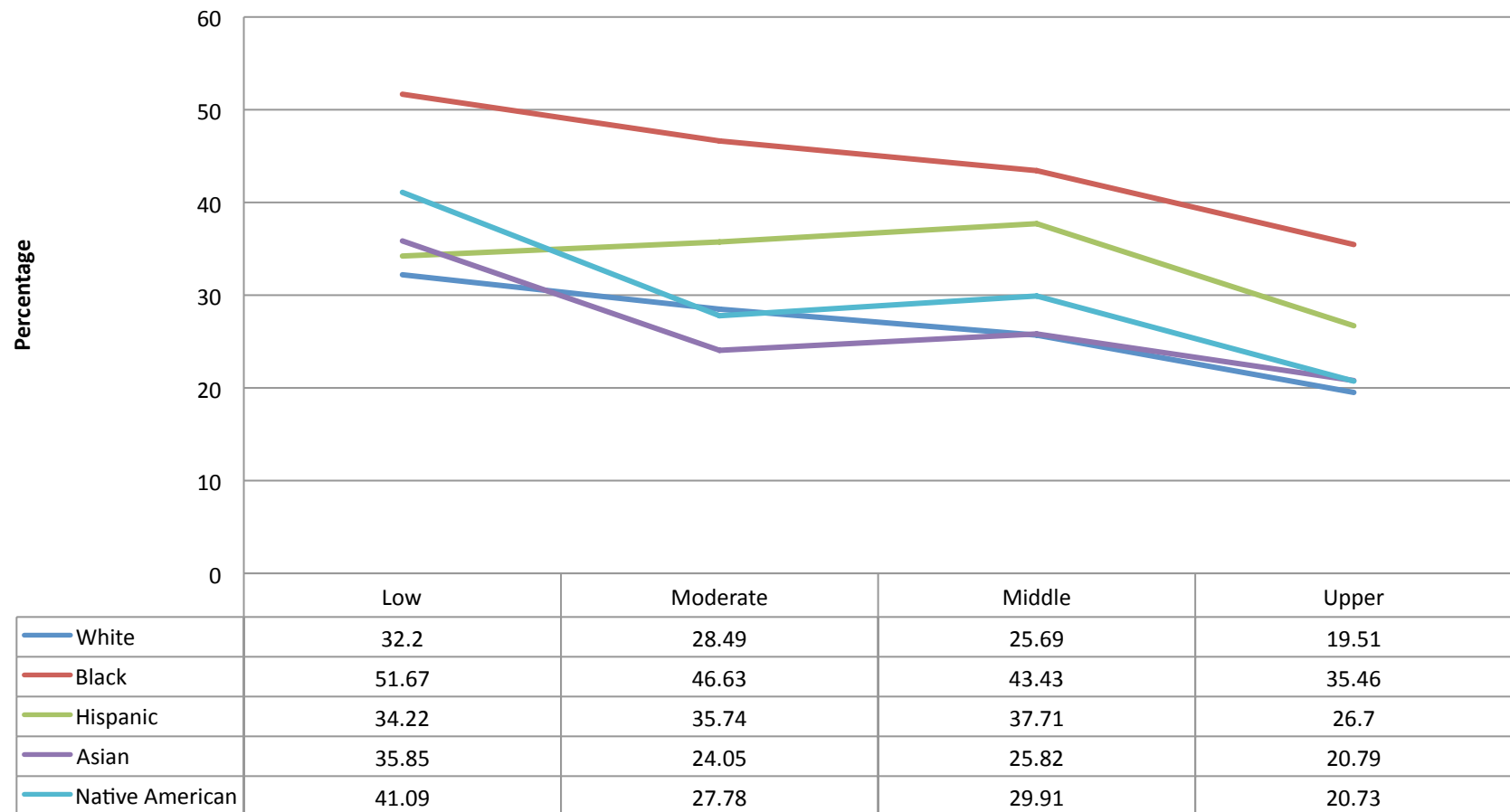
Denial Rates

2007 Denial Rates for Oklahoma City



Denial Rates

2007 Denial Rates for Tulsa



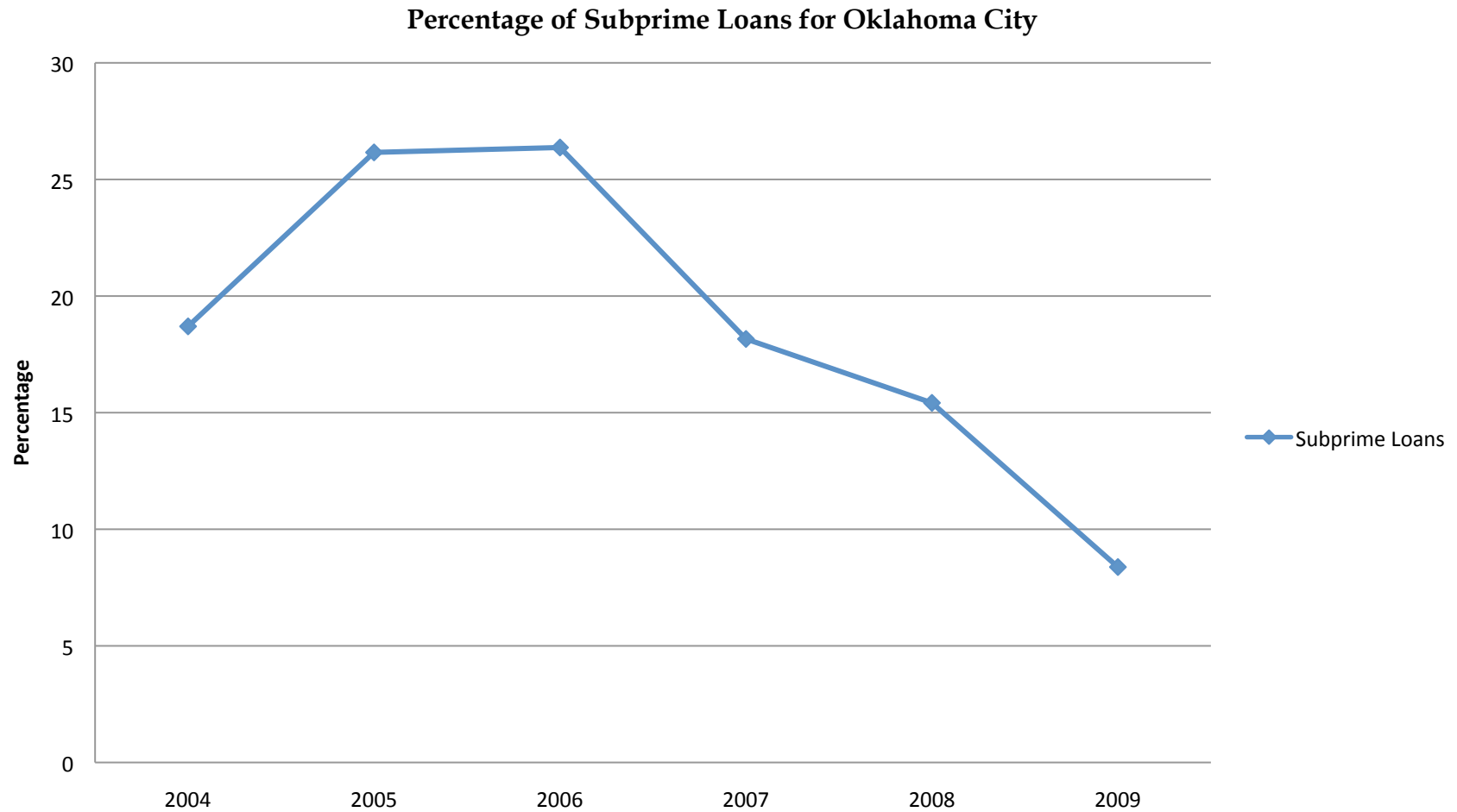
Findings

- ▣ The highest levels of subprime lending occurred in 2006 in Oklahoma City and Tulsa. This was consistent with the national trend.

Prime/Subprime Loans

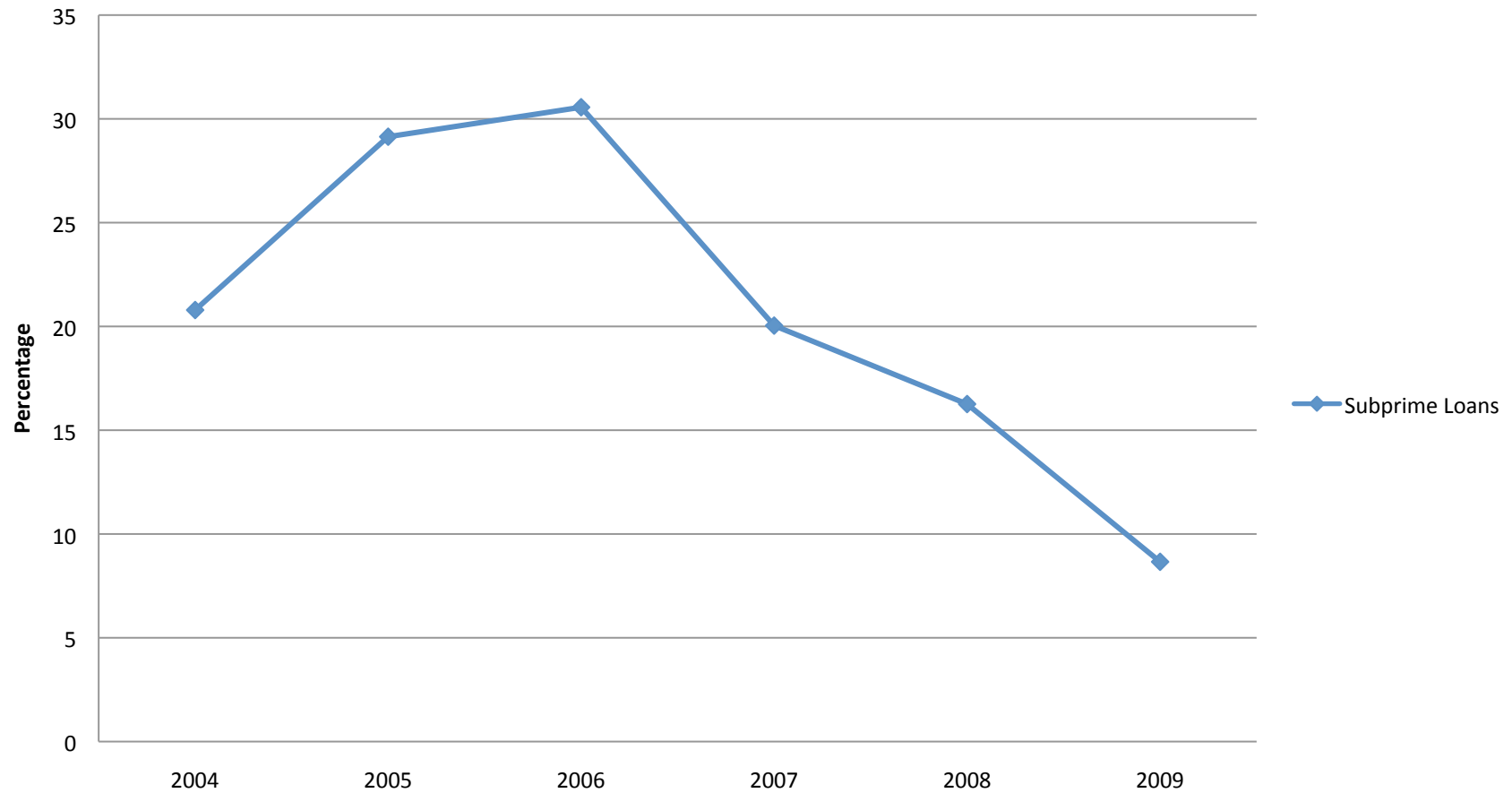


Oklahoma City Subprime Loans (2004-2009)



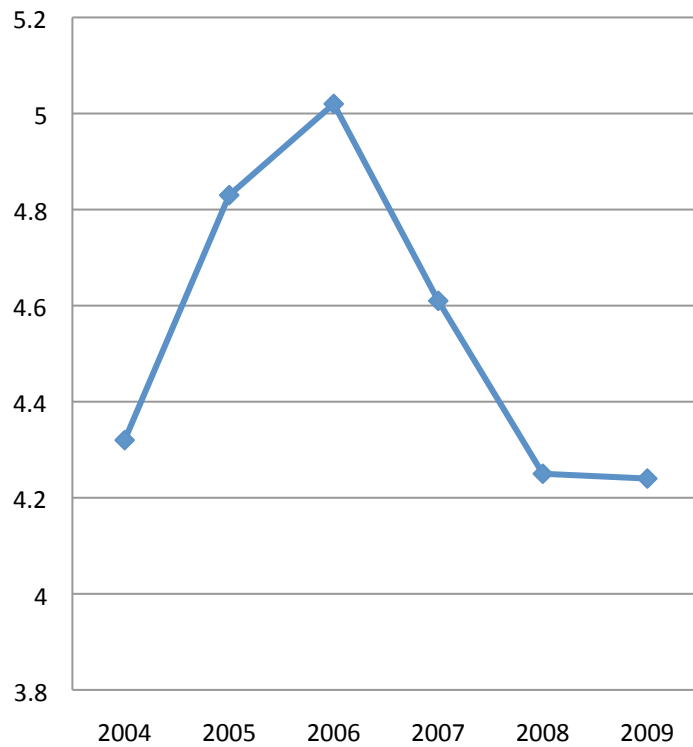
Tulsa Subprime Loans (2004-2009)

Percentage of Subprime Loans for Tulsa

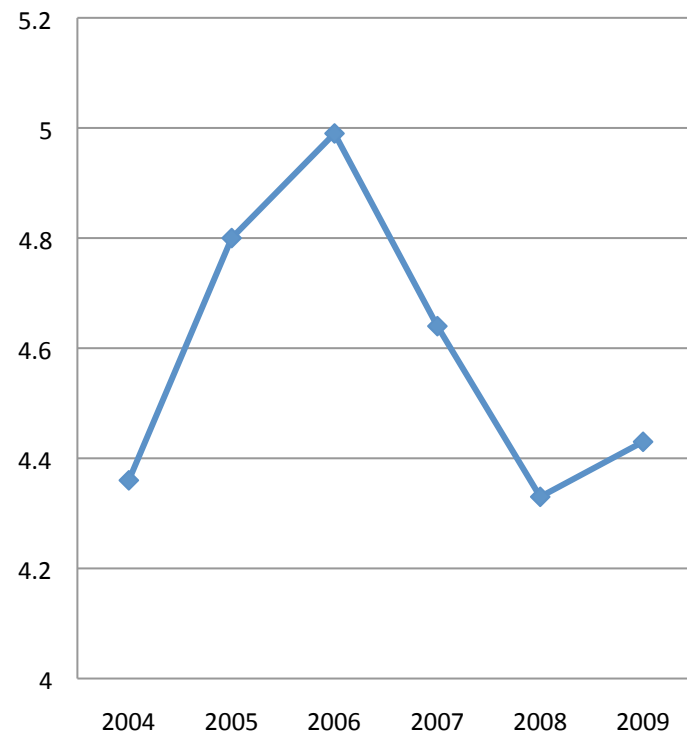


Prime vs. Subprime

Average Spread, Oklahoma



Average Spread, Tulsa



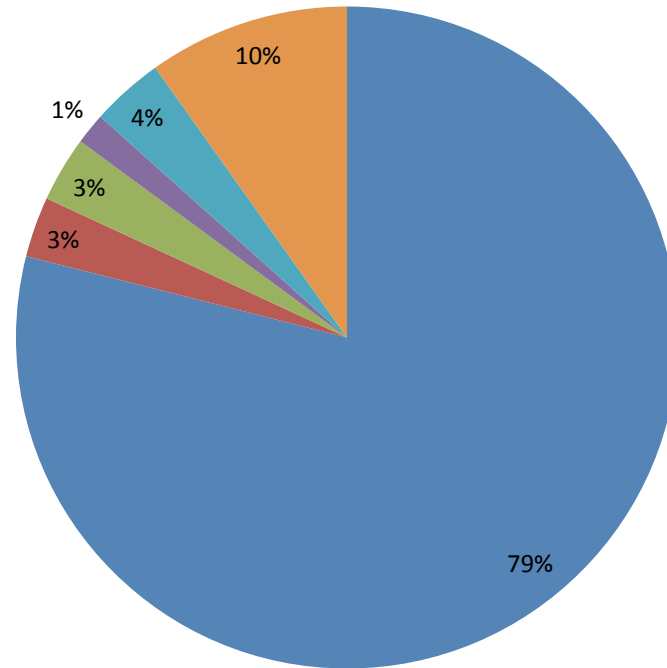
Key Findings cont.

- ▣ Since the majority of subprime loans from 2005-2006 were made to middle and upper income borrowers, these borrowers could have potentially received prime loans instead of subprime;
- ▣ While a majority of subprime loans were made to white applicants, the data suggest that subprime lending was more concentrated in census tracts representing communities of color;
- ▣ Foreclosure rates were higher in these same census tracts; therefore, minority communities were disproportionately impacted;
- ▣ While homeownership rates increased from 2000 to 2010, the current rates of foreclosure suggests that homeownership will be on the decline for the decade ahead. The dream of homeownership for many low to moderate income borrowers will continue to be a dream.

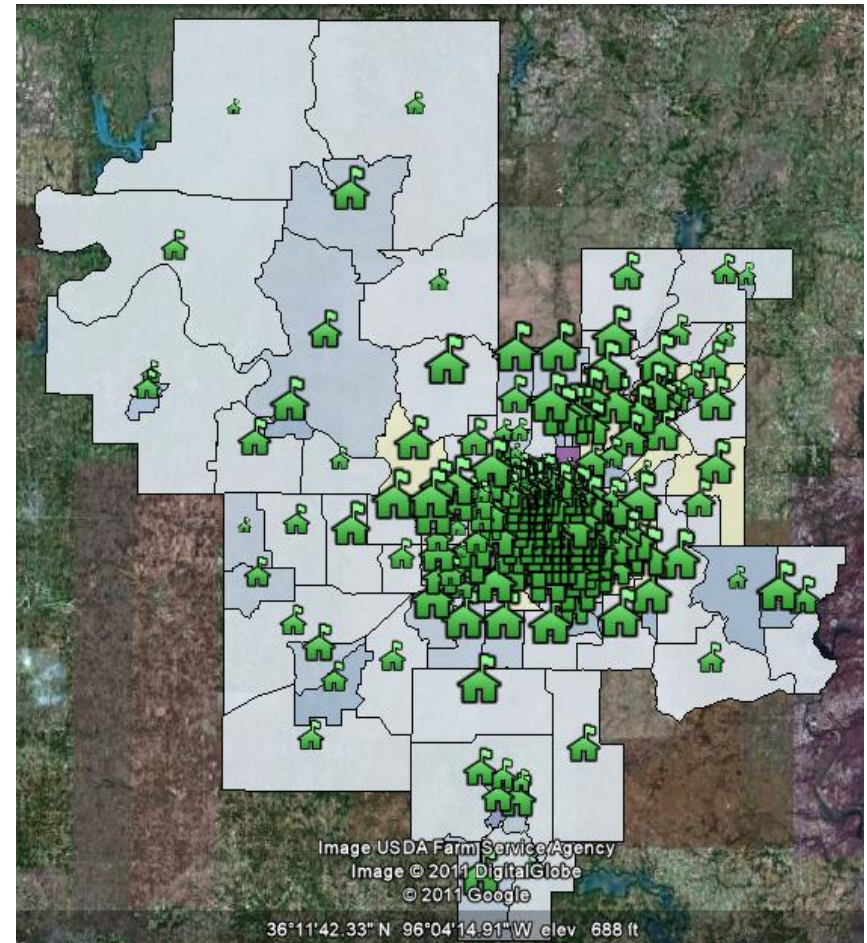
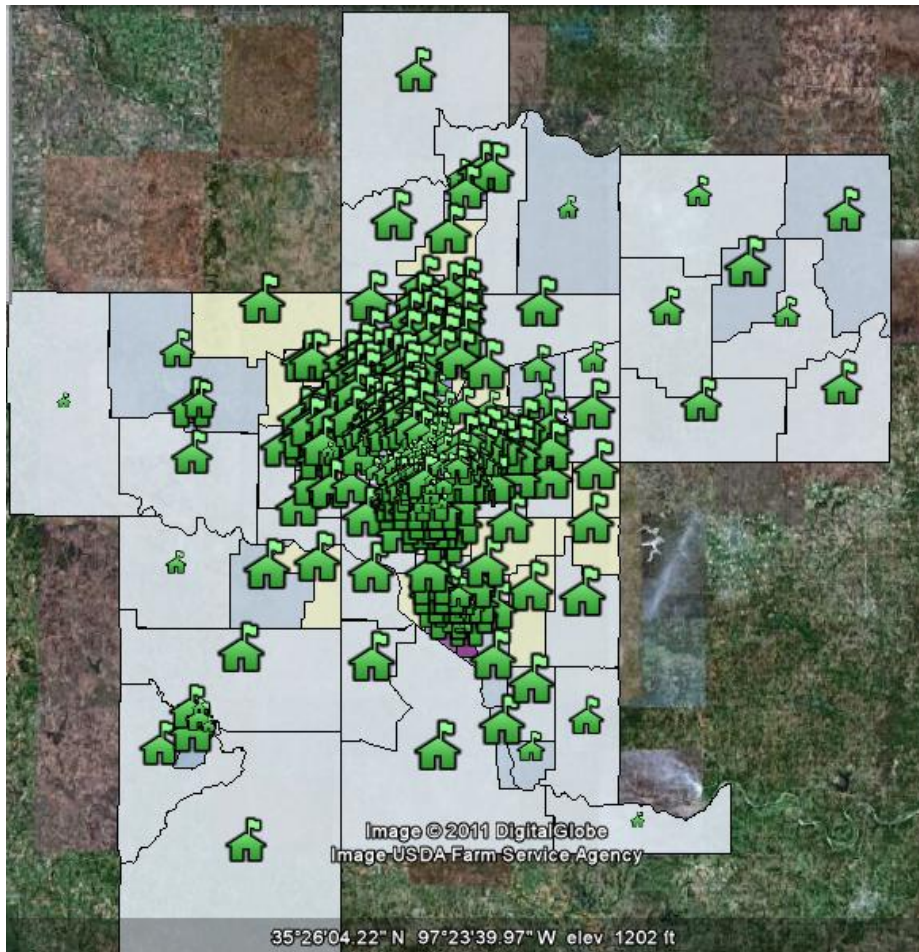
Subprime loans by Race

Oklahoma City Percentages of Subprime Loans by Race

■ White ■ Black ■ Hispanic ■ Asian ■ Native American ■ Unknown

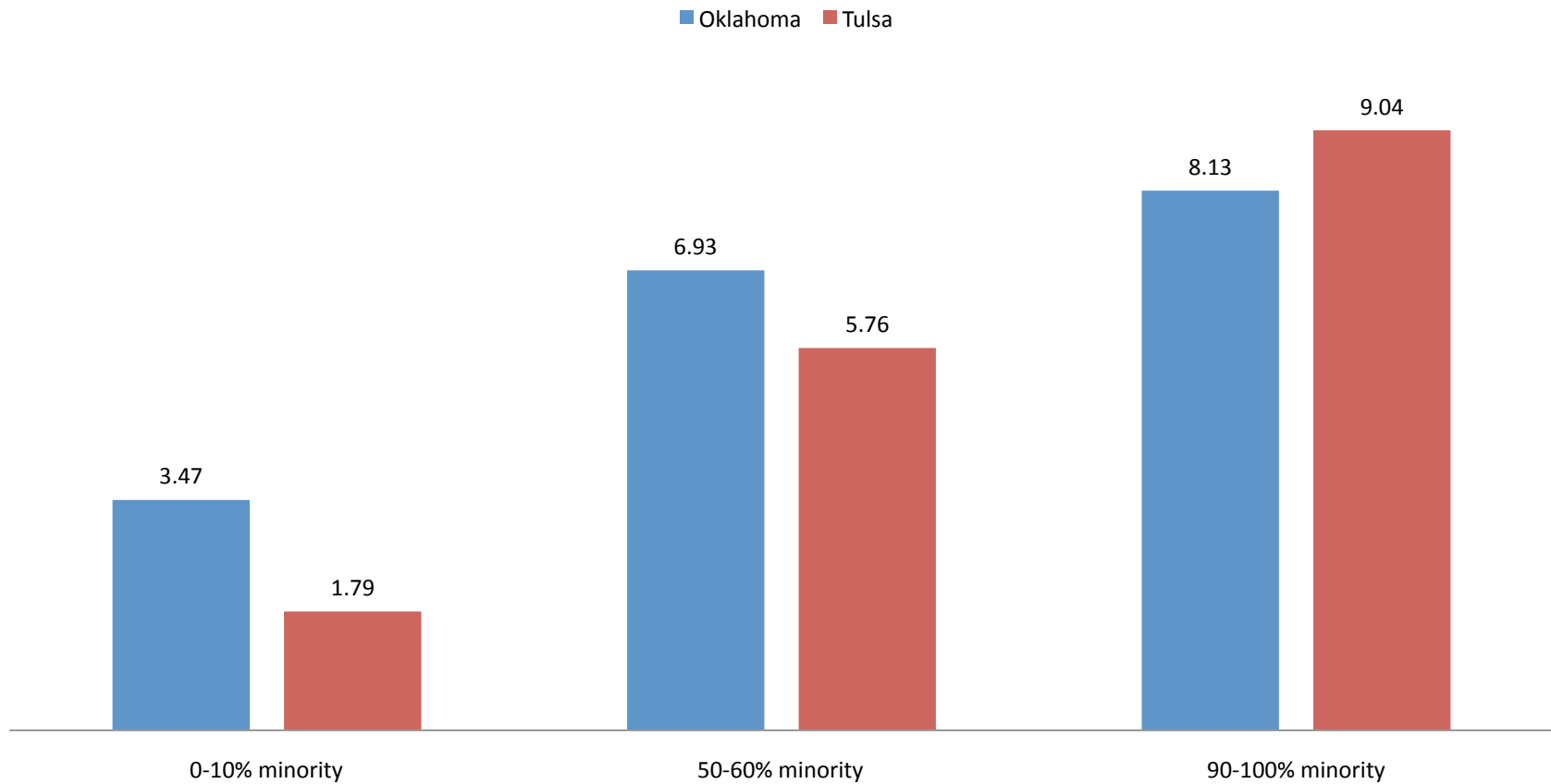


Oklahoma City/Tulsa Mortgages



Foreclosures in communities of color

Foreclosure Rates by Minority Census Tracts, Realtytrac 2010-2011



Limitations of the Study

- ▣ HMDA data;
- ▣ Missing data i.e., credit scores, denial reasons;
- ▣ Homeownership rates (annually)

Conclusion

- ▣ While there is a disproportionate amount of subprime lending in communities of color, the current housing crisis is a wider problem than just with minority and low-income home mortgage borrowers (Schoen, 2011).
- ▣ The housing market recovery will continue to present difficulties for many low-moderate income people and people of color with middle incomes despite falling mortgage interest rates.

Conclusion

- ▣ Job growth will be a major factor in the housing recovery
- ▣ Oklahoma ranks as one of the nation's stronger economies
- ▣ Unemployment rates are lowest among whites and Asians in Oklahoma. The highest unemployment rates are among African Americans, Native Americans and Hispanics, respectively.
- ▣ The housing crisis may contribute to already existent health disparities as minority and low income homeowners are at greater risk of mortgage default.

Some Recommendations

- ▣ Advocate for the inclusion of denial reasons in HMDA reporting;
- ▣ Advocate at the federal level for increased enforcement of programs like the Home Affordable Modification Program.
- ▣ Foreclosure mitigation counselors;
- ▣ Educate consumers about subprime lending via existing information networks and programs like the Individual Development Account program;
- ▣ OABPPI should collaborate with the Oklahoma Association of Realtors around the protection of property rights.

Further Research

- ▣ Mortgage lending and foreclosure patterns specific to Native Americans and in Indian country
- ▣ Impact of mortgage default on homeowner's health and physical well-being

Q & A

