



State of Banking in the City of Boston - 2021

The COVID-19 pandemic, officially recognized by the World Health Organization on March 11, 2020, was followed by a number of federal, state and local programs that were designed to manage intense social, economic and public health challenges. Those programs included the Federal Paycheck Protection Program (PPP) and certain residential foreclosure moratoriums in Massachusetts and the City of Boston. While the favorable impact of these programs can be seen in this year's report, this year's edition shows that the region's most difficult long-term housing challenges are still with us, and bold federal, state and local changes are as badly needed as ever.

2021 Boston Home Ownership

Home ownership remains out of reach for many Boston residents.

In 2021, you needed to make approximately \$133,295 to afford a typical Boston area home, which had a median price of \$570,742. If you do the math, this means the median home price increased by \$89,000 over the course of one single year. Census data shows the median household income in the area is \$93,537, so basically, this jump in home prices represents almost an entire household's yearly income.

Even more sobering is looking at how this data has evolved over the last few years. In 2019, the median home price was \$489,340, requiring a household income of \$125,402. When, in 2020, the median home price increased to \$507,597, thanks to lower interest rates, the average income needed went down to \$121,096.¹

In Boston proper the income versus housing price disparity is even greater. Accordingly, a family would need to earn around \$135,000 per year to qualify for the median home in Suffolk County, well over the household income of the average two-person household of \$71,115 in the Boston area.²

Lending to Minorities and Low- and Moderate-Income Borrowers

According to the June 2022 Mortgage Lending Trends Report, by University of Massachusetts Donahue Institute: Blacks and Latinos have consistently received shares of total loans far below their population shares; the loans they do obtain have been much more likely to be higher interest Federal Housing Administration loans (FHA)*; and their applications for mortgage loans have been much more likely to be denied at higher rates.³

Historically, denial rates for conventional mortgage loans have been higher for Blacks and Latinos yet this discrepancy is not based solely on income. In Greater Boston, the denial rate for upper-income borrowers was 4.7% for Blacks and 2.7% for whites.⁴

*FHA loans are loans insured by the Federal Housing Administration. While a reasonable option for those unable to obtain a conventional loan, FHA loans are typically costlier and can indicate a lack of availability of conventional loans.

Foreclosure Update

During the pandemic, foreclosure moratoriums paused foreclosure for some time.⁵ As a result, only 19 properties had foreclosure petitions.

By way of context, at the height of the foreclosure crisis in 2008, the foreclosure executions in Boston numbered 1,215.⁶

Mortgage Lending Trends 2021

Banks covered in this report originated 5804 HMDA Mortgage Loans in 2021. Of those originations, 23% went to applicants who identified as a minority applicant. Another 16% went to applicants where no race was specified.

The proportion of applications that resulted in originations was 71% overall, 77% for white applicants and 60% for minorities (excluding race N/A).⁷

Mortgage applications by minority applicants as a percentage of total applications was 25% in 2021 (excluding race N/A).

The total number of low-income HMDA mortgage applications received by the banks covered in this report was 561 resulting in 204 originations or an

origination rate of 36% compared against an origination rate of 71% for all reportable HMDA loans by banks covered in this report.

The 14 banks profiled in this report received 24% of the mortgage applications submitted in Boston in 2021 and made 21% of the originations by number.

2021 Branch Bank Closures⁸

The banks, in this report, have closed at least 39 branches in Boston since the start of COVID, including those in low- and moderate-income areas. Branch closures have an outsized impact on some customers: small businesses that deal in cash; city dwellers reliant on public transit; older customers who have long done business in person; as well as people with low or moderate incomes and/or those for whom English is a second language.⁹

About this Report

Since 1999, BankIQ has prepared the Linked Deposit Banking Report to the Mayor, which reports annually on the residential lending, small business lending, and community development practices of the group of banks eligible to provide banking services to the City of Boston.

The report was created in accordance with section 6-8.2 of chapter VI of the City of Boston Municipal Code.¹⁰

¹ www.bostonmagazine.com

² Boston at a Glance -2021. Boston Planning and Development Agency.

³ UMass Donahue Institute (James Campen)

⁴ Ibid.

⁵ City of Boston Distressed Property Report 2021.

⁶ www.boston.gov/news

⁷ Metrics exclude applications where ID by race is not available.

⁸ <https://www.wbur.org/news/2022/09/21/massachusetts-banks-covid-branches-closed-banking>

⁹ Ibid.

¹⁰ *City of Boston Municipal Code*, Chapter VI, section 6-8.2.

BankIQ

120 Coolidge Street
Brookline, MA 02446-5808
jnoble@bankiq.com

BankIQ prepared this document for the City of Boston.

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For the complete 2021 Linked Deposit Banking Report, contact the City of Boston Treasurer's office or the City of Boston website.

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2021 Linked Deposit Banking Report to the Mayor

EXECUTIVE SUMMARY



CITY OF BOSTON