

FURMAN CENTER FOR REAL ESTATE & URBAN POLICY

NEW YORK UNIVERSITY SCHOOL OF LAW • WAGNER SCHOOL OF PUBLIC SERVICE

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**NEW STUDY BY NYU'S FURMAN CENTER FINDS MORTGAGE LENDING DOWN
CITYWIDE IN 2009; UP FOR LOW INCOME HOMEBUYERS**

Data Brief by NYU's Furman Center Finds Decline in Home Purchase Mortgage Lending in New York City in 2009; Increase for low and moderate income homebuyers; FHA and VA-backed loans now a significant share of the New York City mortgage market.

While home purchase mortgage lending declined throughout the recession, new research finds that lending to low and moderate income homebuyers increased in 2009, as did the number of new mortgages backed by the Federal Housing Administration (FHA) and Veteran's Administration (VA). NYU's Furman Center for Real Estate and Urban Policy released a new data brief today, *Mortgage Lending During the Great Recession: HMDA 2009*, which finds that 16 percent of the 2009 New York City home purchase mortgages were FHA/VA-backed loans. These loans accounted for less than one percent of home mortgage loans issued from 2005 to 2007. The brief also found that "higher-cost" and "piggyback" mortgages were virtually absent from the market.

"We were pretty surprised to see an increase in lending to low and moderate income homebuyers amidst the overall decline," noted Vicki Been, faculty director of the Furman Center for Real Estate and Urban Policy. "Part of that shift may be a result of federal policy changes that have made FHA-backed loans more widely available, as well as the first-time homebuyer tax credit."

Furman Center researchers also found that, in contrast to home purchase lending, mortgage refinancing increased substantially in 2009. The increase in refinancing activity, however, was not uniform across New York City's different racial and ethnic communities.

"While we expected to see a jump in refinancing given the low interest rates in 2009, we were troubled to find that black and Hispanic borrowers weren't refinancing at the same rates as other borrowers," said Ingrid Gould Ellen, faculty co-director of the Furman Center. "These racial disparities suggest that not all New York homeowners were equally able to take advantage of lower interest rates and reduce their monthly payments."

The data brief is the Furman Center's fourth annual analysis of Home Mortgage Disclosure Act (HMDA) data. Released by the Federal Financial Institutions Examination Council (FFIEC) in September 2010, the HMDA data are the best available information on mortgage trends. The Furman Center's analysis of the HMDA data revealed several key findings:

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- ***Home purchase lending continued to decline in New York City, consistent with national trends.*** The number of home purchase loans in New York City decreased by 26 percent between 2008 and 2009. By the end of 2009, home purchase lending in New York City had declined nearly 60 percent from the 2004 peak. Loan originations nationally declined just five percent from 2008 to 2009, but were down roughly 50 percent from their peak in 2005.
- ***FHA/VA assumed a more prominent role nationally and in New York City.*** FHA/VA-backed loans increased from less than one percent of New York City home purchase loans originated in 2007 to 16 percent in 2009. Nationally, 55 percent of all home purchase loans were FHA/VA-backed in 2009.
- ***Lending to low and moderate income homebuyers increased.*** Nationally, the number of home purchase borrowers with incomes less than 80 percent of area median income increased by 24 percent, and those borrowers accounted for 37 percent of total borrowers. In New York, the number of loans to low and moderate income buyers increased by six percent, and these borrowers accounted for one in ten home purchase mortgages.
- ***Home purchase lending to Hispanic New Yorkers declined more steeply than for other racial and ethnic groups.*** In New York, the number of home purchase loans issued to Hispanic homebuyers decreased by 32 percent, compared to 27 percent among white borrowers and 22 percent among black home-purchasers. Nationally, the decline in home purchase lending to black borrowers was more severe (14%) than to white or Hispanic borrowers (5%).
- ***The refinancing boom predominantly benefitted white and Asian New Yorkers.*** The number of refinance loans issued to New Yorkers increased by more than 70 percent from 2008 to 2009, driven mostly by increases in refinancing activity among white and Asian homeowners.

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About the Furman Center for Real Estate and Urban Policy

The Furman Center for Real Estate and Urban Policy is a joint center of the New York University School of Law and the Robert F. Wagner Graduate School of Public Service at NYU. Since its founding in 1995, the Furman Center has become the leading academic research center in New York City devoted to the public policy aspects of land use, real estate, and housing development. The Furman Center is dedicated to providing objective academic and empirical research on the legal and public policy issues involving land use, real estate, housing and urban affairs in the United States, with a particular focus on New York City. More information on the Furman Center can be found at: <http://furmancenter.org>