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## Study Notes Fewer Loans to Hispanics and Blacks

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The number of new mortgages to blacks and Hispanics fell sharply in New York City in 2007, while staying flat for white borrowers and — surprisingly — rising for Asian-Americans, according to an [analysis of federal mortgage data](#) released on Monday by the [Furman Center for Real Estate and Urban Policy](#) at [New York University](#).

As a result, the racial breakdown of home buyers in New York City changed significantly during the period studied, which predated the financial turmoil in the markets this year.

The city as a whole saw a 14 percent decline in new mortgages from 2006 to 2007, compared with 25 percent for the country as a whole. And almost all of the decline in New York was due to a shutdown in subprime mortgages, which can come with higher interest rates, fees and penalties and which accounted for nearly a quarter of all new mortgages in the city in 2006. Prime mortgage borrowing rates barely dropped.

The reduction in new home loans was due largely to a drop in the number of applications, as the rate of denial both in New York City, 27 percent, and across the country, 19 percent, stayed more or less the same.

An [analysis last year](#) found that predominantly black and Hispanic neighborhoods in New York City were more likely to get their mortgages in 2006 from a subprime lender than home buyers in white neighborhoods with similar income levels.

As a result, they have been disproportionately hit by tightening subprime credit markets. Mortgages given to black borrowers in New York City saw a 44 percent drop, while those to Hispanics saw a 34 percent drop. In contrast, the number of white borrowers barely decreased in 2007, and the number of Asian-American borrowers increased by 6 percent.

But even excluding subprime mortgages, the divergent race trends are reflected among prime loans. The number of prime home loans awarded to black and Hispanic borrowers fell by 23 percent and 15 percent, respectively, in 2007, while the number of prime loans issued to white borrowers rose by 4 percent and to Asians by 18 percent.

“Traditionally, homeownership has been the way to build wealth and to give the next generation a leg up,” said [Vicki L. Been](#), director of the Furman Center. “The issue of the disparity in the racial and ethnic groups in homeownership has always been an issue of great concern. We had seen improvement and now are seeing reversals of those improvements.”

Black and Hispanic homeownership in the city had increased sharply in the last decade. In 1996, only about

one in four of all New York City home purchase loans were issued to black and Hispanic borrowers; by 2006, those loans accounted for nearly 40 percent, largely due to a [disproportionate reliance on risky borrowing](#).

As a result, the racial makeup of purchasers has changed. In 2007, whites accounted for half of all home purchases in New York City while Asians accounted for nearly a quarter. In contrast, blacks dropped to 12.9 percent of home purchases in 2007 from 19.7 percent in 2006. Hispanics dropped to 12.5 percent from 16.4 percent.

“We don’t know what else is coming,” Professor Been said. “These were 2006, 2007 numbers. We could be in for a serious falls here, a serious backsliding.”

Rates of [subprime mortgage borrowing](#) have varied nationwide, but they are also unusually [concentrated in black and Hispanic neighborhoods](#). In 2006, blacks were 2.3 times more likely, and Hispanics twice as likely, to get high-cost loans as whites, after adjusting for loan amounts and the income of the borrowers, according to an analysis of loans reported under the federal Home Mortgage Disclosure Act.

The popularity of subprime mortgages has [varied among different city neighborhoods](#). Among the boroughs, the Bronx saw the steepest drop in the number of new loans, at 24.9, percent, followed by Queens at 21.5 percent; Brooklyn, 18.3 percent; Staten Island 11.3 percent; and Manhattan, 11.6 percent.

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