



About this Paper

TRF created a data warehouse and mapping tool for the Pennsylvania Housing Finance Agency (PHFA). In follow-up to this work, PHFA commissioned TRF to analyze and present particular attributes of the data TRF had collected to highlight how this tool could be used. Other papers in this series address housing issues associated with homeownership, rental affordability, the needs of the elderly, and the needs of persons with disabilities.



Race and Housing in Pennsylvania

Summary

Pennsylvania's minority populations have enviable homeownership rates. The African American (47.2%) and Hispanic (44.2%) rates compare quite favorably to other Mid-Atlantic states; only the Asian homeownership rate (57.1%) lags; the Asian homeownership rate in Pennsylvania, does however exceed the Asian rate nationally.

Pennsylvania can take pride in the fact that its level of residential integration between African Americans and Whites has increased.

Recent minority home purchasers who are African American or Hispanic do find it more difficult to obtain mortgage financing. In general, African Americans and Hispanics are more likely to be denied credit (even holding income constant) and to pay more for credit if it is granted.

Owner and renter cost burdens are more of an issue for minority households, and that is increasingly the case in recent years. To own a home, in all but the

southeastern part of Pennsylvania, African Americans and Hispanics are borrowing more against annual income than their White counterparts. That said, reports in the popular press suggest that American households are, in general, borrowing more than they used to for the purchase of a home. This increased debt burden is a growing concern to the lending, industry and financial regulators.

The implication of increasing debt burdens on the ability to sustain homeownership through periods of financial difficulty is that more Pennsylvania homeowners are seeking assistance through PHFA's HEMAP program. HEMAP program data show that there are significant numbers of African American and Hispanic homeowners who are in trouble with their mortgages and seek help from the state.

Finally, race-based complaints to the Pennsylvania Human Relations Commission have risen over the last few years. While these complaints do not necessarily illustrate a rise in demonstrated housing

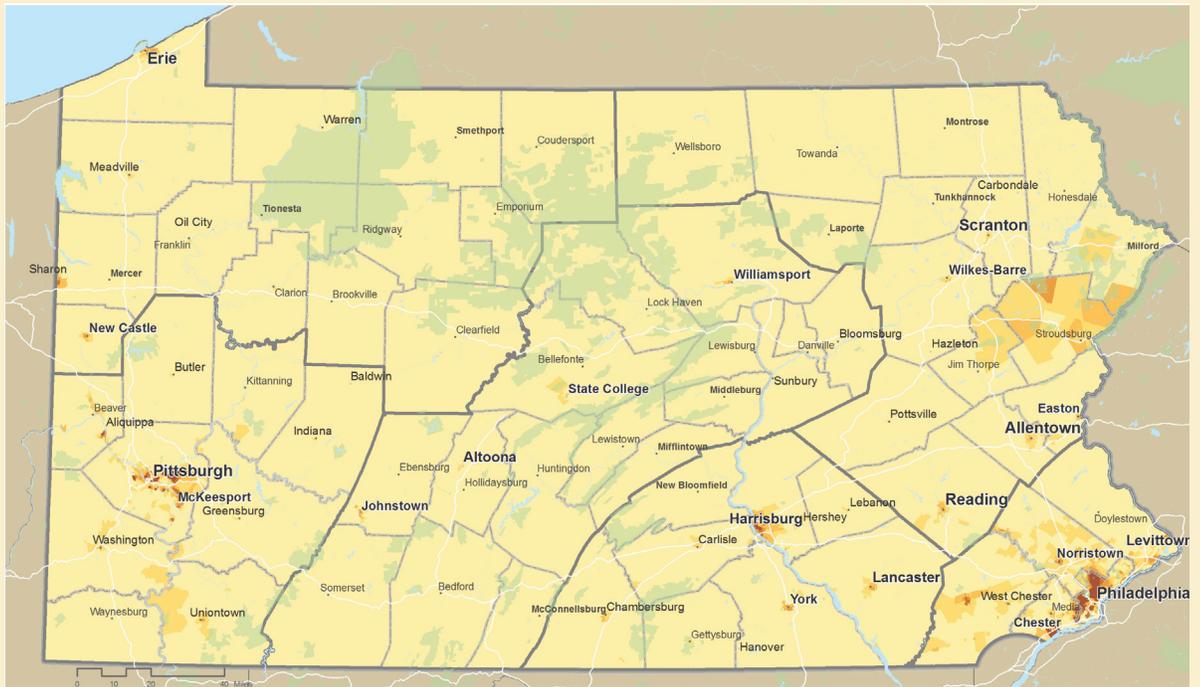
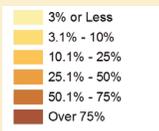
discrimination based on race, they do point to an increase in the number of Pennsylvanians who feel they have received unfair treatment based on their race.

Racial Composition Across the Commonwealth of Pennsylvania

The population of Pennsylvania is predominantly White and non-Hispanic. Projections to 2010 show small percentage increases in the African American, Asian, and Hispanic populations. African Americans totaled less than 1,000 in 26 of Pennsylvania's 67 counties. Hispanics, the second largest minority group in Pennsylvania, number less than 1,000 in 37 counties.

Map 1 displays the percentage of households across the state that is African American; significant concentrations of African Americans are in southeastern Pennsylvania (notably Philadelphia and Delaware Counties), northeastern Pennsylvania (primarily Monroe County), the Harrisburg area, and southwestern

Percent of Householders who are African American, 2005



map 1

Pennsylvania (Pittsburgh). Map 2 displays the percentage of householders who are Hispanic, and this population manifests concentrations in the cities of Philadelphia, Allentown, Reading, as well as parts of Lancaster, York, Monroe, Pike, Juniata, Chester and Adams counties.

Pennsylvania's African American and Hispanic populations, compared to the US average, are more likely to reside in its cities. 69% of African Americans and 63% of Hispanics reside in the cities of Pennsylvania; comparable figures for the US African American and Hispanic populations are 53% and 47% respectively. Asians, however, in Pennsylvania are substantially more likely to reside in suburban communities; 54% of Pennsylvania's Asians live in suburban areas compared to 23% nationally.

Distribution Of Households By Race/Ethnicity Of Householder In MidAtlantic States, 2005

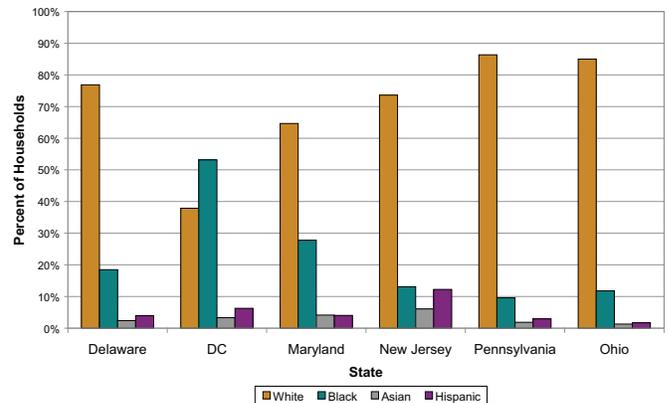


figure 1

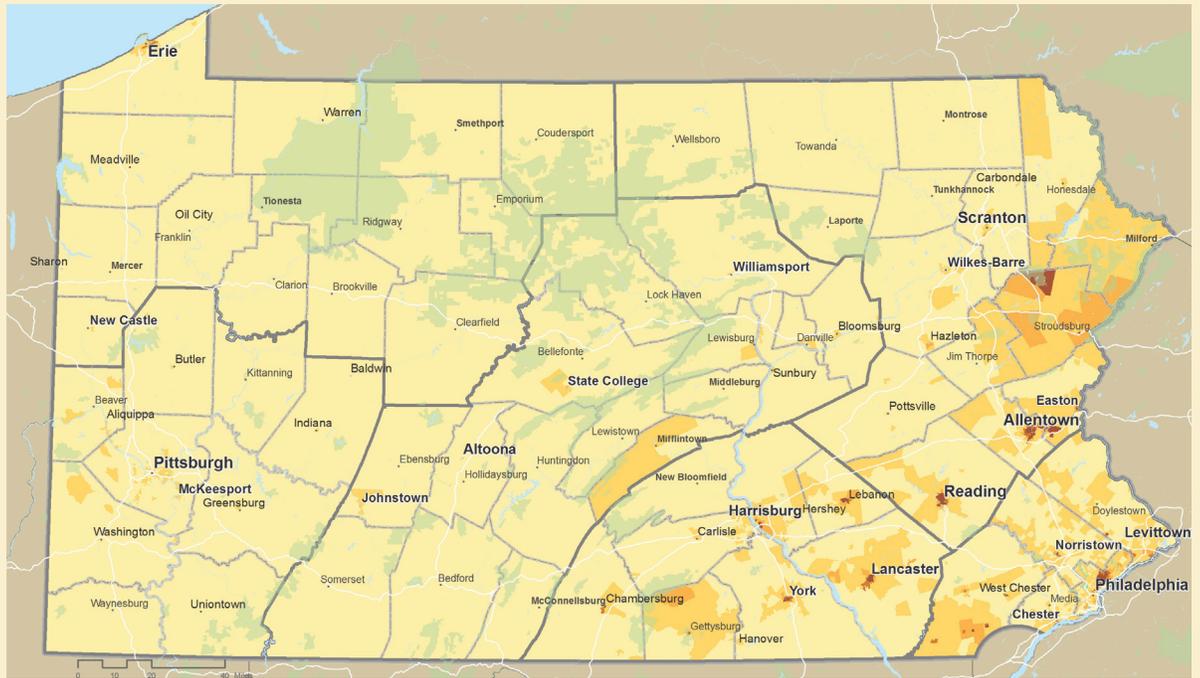
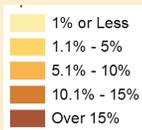
Residential Integration

Most counties in Pennsylvania (52 of 67) experienced an increase in residential integration between 1990 and 2000.¹ Counties experiencing the greatest increases in integration were Perry, Potter, Warren, Elk, and Susquehanna. The counties with the largest African American populations – Philadelphia, Allegheny, Delaware, Montgomery, and Dauphin – all experienced increased residential integration. Very few counties in Pennsylvania manifested decreases in integration that were more than trivial. Those counties were: Greene, Sullivan, Clearfield, and Somerset.

Race of Householder	Estimated Percent of Householders in 2005	Projected Percent of Householders in 2010
White	87.4%	86.8%
African American	9.3%	9.4%
Asian	1.8%	2.1%
Other	2.3%	2.5%
Hispanic	2.5%	2.7%

figure 2

Percent of Householders who are Hispanic, 2005



map 2

Homeownership

Homeownership opportunities for minority residents of Pennsylvania are substantial and increasing. From 2000 to 2005 the Hispanic and Asian homeownership numbers increased dramatically, with the number of Hispanic homeowners increasing by a robust 35% from 46,800 to 63,035. The number of Asian homeowners increased by 59%, rising from 32,325 in 2000 to 51,380 in 2005. Over that same time period, the number of African American homeowners, already substantially larger than the number of Asian or Hispanic homeowners, increased by 3% from 213,989 to 220,189. The number of White homeowners, the largest group of Pennsylvania homeowners, increased by 1% over this same time period. Compared to other Mid-Atlantic states, the African American homeownership rate is slightly lower than Delaware and Maryland, but exceeds the District of Columbia and New Jersey. The Asian homeownership rate lags all other Mid-Atlantic states, but the Hispanic rate exceeds all but Maryland. Overall, close to 50% of Pennsylvania minorities own their home. Figure 5 lists the 17 Pennsylvania counties with more than 1000 African-American households in 2005 along with the 2000 and 2005 African American homeownership count and the percent change in homeownership from 2000 to 2005. All but 2 counties (Beaver and Erie) had increases in the number of African American homeowners over this time period. Monroe County had the most substantial increase of over 70%.²

As high as the minority homeownership rate is in Pennsylvania, there are places within the state where that rate is lower than one might expect based on other economic and demographic factors;

County	Index of Dissimilarity, 1990	Index of Dissimilarity, 2000	Absolute Change, 1990-2000
Greatest Increase in Integration			
Perry	76.1	42.0	-34.1
Potter	68.0	37.5	-30.5
Warren	72.5	52.1	-20.4
Elk	63.6	43.5	-20.1
Susquehanna	57.8	39.7	-18.1
Largest African American Population			
Philadelphia	86.6	79.6	-7.0
Allegheny	76.0	71.9	-4.1
Delaware	79.2	74.4	-4.8
Montgomery	60.4	56.4	-4.0
Dauphin	70.1	66.4	-3.7
Greatest Decrease in Integration			
Somerset	72.4	89.4	17.0
Clearfield	66.6	83.7	17.1
Sullivan	58.8	76.8	18.0
Greene	60.6	80.9	20.3

figure 3

factors associated with a higher African American homeownership rate in a city include, but are not limited to: higher median income of African Americans, higher home prices in African American communities, increasing home prices between 1990 and 2000, job growth, population loss, and low levels of integration. One such place is the city of Pittsburgh. TRF completed a study in 2004 and found that the African American homeownership rate in Pittsburgh is likely about 4 percentage points lower than the city's profile would suggest; raising the rate to the expected level means creating approximately 1,500 new African American homeowners.³

Percent Owner-Occupied In Mid-Atlantic States, 2005

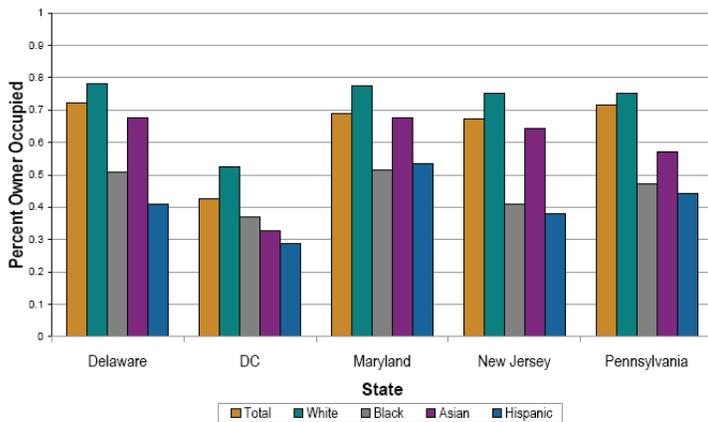


figure 4

Figure 6 lists the 17 Pennsylvania counties with more than 500 Hispanic households in 2005. Only one county, Allegheny, experienced a decline in Hispanic homeowners from 2000 to 2005. Monroe, Luzerne and Lehigh counties experienced the greatest percentage increase.

County	# African American Homeowners, 2000	# African American Homeowners, 2005	% Change
Monroe	1,956	3,474	77.6
Lehigh	1,397	1,658	18.68
Delaware	14,293	16,939	18.51
Northampton	1,150	1,335	16.09
Berks	2,215	2,471	11.56
Lancaster	1,627	1,791	10.09
York	2,010	2,199	9.39
Montgomery	10,648	11,364	6.73
Bucks	2,785	2,880	3.41
Dauphin	7,067	7,295	3.23
Washington	1,226	1,251	2.07
Westmoreland	1,222	1,240	1.44
Chester	4,523	4,571	1.06
Allegheny	25,883	26,065	0.7
Philadelphia	134,783	135,717	0.69
Erie	1,836	1,819	-0.93
Beaver	1,839	1,804	-1.94

figure 5

It is important to note that the county experiencing the most substantial growth in the number of African American and Hispanic homeowners, Monroe County, was the focus of an investigation into a set of real estate practices that drew in large numbers of minority group members from New York and northern New Jersey. Many of those new residents, predominantly African American and Hispanic, ended up with mortgages in foreclosure; some lost their homes in sheriff sales.⁴

Mortgages to Purchase Homes in Pennsylvania

African Americans received a marginally smaller percentage of home purchase loans across Pennsylvania than one might expect based on the number of African American homeowners. Analyzing data from the 2005 Home Mortgage Disclosure Act (HMDA) database shows that African Americans received 5.8% of all loans; while the percent of all homeowners that is African American is 6.3%. Whites received 90.5% of all loans to purchase homes in 2005 while comprising 90.7% of the state's owners. The proportion of loans to Hispanics exceeded the expectation; in 2005 Hispanics received 6% of all loans while comprising 1.9% of the state's total owners.⁵

Acceptance/Denial Rates

The vast majority of applications for mortgage credit are approved – regardless of the race/ethnicity of the applicant. That said, African Americans had home purchase loans rejected at a higher rate than White, Asian and Hispanic applicants. This disparity holds across all income categories. Figure 7 shows the ratio of accepted purchase loans to denied loans. At the lowest income level African Americans had 2 loans accepted for every 1 denied; Whites had almost 4 acceptances for every

County	# Hispanic Homeowners, 2000	# Hispanic Homeowners, 2005	% Change
Monroe	1,689	2,426	43.62
Luzerne	377	539	42.80
Lehigh	3,211	3,988	24.19
York	1,064	1,258	18.26
Berks	3,897	4,599	18.01
Montgomery	1,848	2,169	17.36
Pike	478	544	13.74
Lebanon	526	598	13.73
Northampton	2,044	2,319	13.43
Lancaster	2,819	3,129	11.00
Dauphin	1,007	1,072	6.44
Philadelphia	20,464	21,759	6.33
Chester	1,446	1,490	3.03
Bucks	1,993	2,048	2.74
Delaware	1,176	1,202	2.23
Erie	567	568	0.24
Allegheny	1,738	1,671	-3.85

figure 6

1 denied. At the highest income level, African Americans had 4 acceptances to every denial while Whites had 10 acceptances for every denial. Hispanics fared better than African Americans, but still lagged Whites. Hispanic ratios ranged from approximately 3 to 1 in the lowest income range to approximately 5 to 1 for the highest income applicants.

Disparities such as these can arise from a number of factors including, but not limited to, racial/ethnic differences in: (1) wealth; (2) personal credit scores; (3) savings; (4) income and down-payment verifications; (5) how equally applicants for credit are treated.

Mortgage Interest Rate Spread

Changes to the HMDA regulations effective in 2004 required lenders to report a loan's interest rate spread if that spread exceeds the threshold set by the Federal Reserve Board in Regulation C.⁶ For first-lien loans, the threshold is three percentage points above the Treasury security of comparable maturity; for second-lien loans, the threshold is five percentage points above the Treasury. Statewide, and in all regions of the Commonwealth, African American and Hispanic borrowers are less likely to have a loan that is below the rate spread threshold. Figure 8 shows, by region, the percentage of borrowers for whom no rate spread is reported. Approximately 81% of White borrowers obtained loans below the rate spread threshold; that percentage is lower than it is for Asians (88%), but substantially higher than the percentages for African Americans (56%) and Hispanics (66%). Differences between racial groupings are smallest in the northcentral region and greatest in the southeast, southwest and northwest.

Ratio of the Number of Purchase Loans Originated to Denied, HMDA 2005

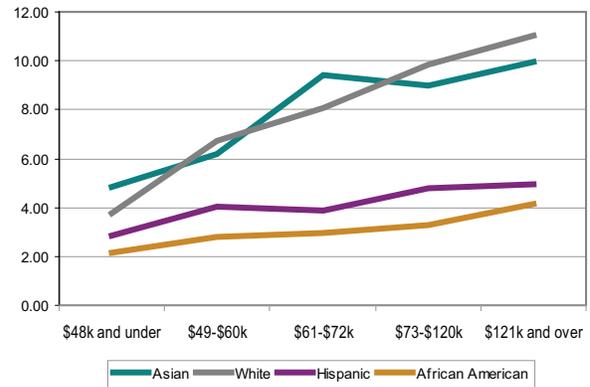


figure 7

For Hispanic borrowers, three regions had double-digit differences in Hispanic versus non-Hispanic percentages with no interest rate spread: northeast (18%), southeast (15%), southcentral (12%); other regions were much closer.

Figure 9 shows loans with a rate spread by race of borrower and by income levels. This data shows that at all income levels, African American borrowers are almost twice as likely to have mortgages with greater than a 3% spread than are White applicants. Asian applicants at all income levels have the lowest percentage of applicants with an interest rate spread.

Figure 10 shows that when compared to non-Hispanic borrowers, Hispanic borrowers at all income levels are more likely to have an interest rate spread higher than 3%.

Percent of Borrowers for Whom a Rate Spread is Reported

Income	State	Southeast (SE)	Northeast (NE)	South Central (SC)	North Central (NC)	Southwest (SW)	Northwest (NW)
African American							
\$48k and under	50.6	49.6	52.1	52.7	51.7	52.1	61.7
\$49-\$60k	45.2	44.5	47.2	43.4	32.1	49.7	50.0
\$61-\$72k	43.1	41.7	46.6	41.6	44.4	48.9	41.4
\$73-\$120k	38.9	35.8	44.7	41.8	18.9	42.0	53.5
\$121k and over	24.4	23.5	30.1	28.1	13.0	17.1	16.7
White							
\$48k and under	26.5	22.3	27.6	21.6	30.4	29.7	31.2
\$49-\$60k	21.4	17.8	23.3	20.7	22.7	23.8	24.9
\$61-\$72k	18.9	17.3	20.7	18.1	20.3	19.9	20.1
\$73-\$120k	13.8	12.1	16.0	14.5	12.5	14.5	14.5
\$121k and over	7.8	6.6	9.8	9.0	7.0	9.0	8.7
Hispanic							
\$48k and under	38.4	38.2	40.5	32.5	39.7	35.4	38.1
\$49-\$60k	37.3	34.8	39.9	38.6	37.9	25.7	31.0
\$61-\$72k	35.9	35.6	40.4	30.5	5.6	17.6	33.3
\$73-\$120k	27.7	23.7	36.6	21.5	12.9	12.0	3.1
\$121k and over	17.4	16.1	24.4	11.1	9.5	12.0	0.0

figure 8

Taking a closer look at African American mortgages by income and region reveals that the northwest region has the highest percentage of lowest income applicants with an interest rate spread. In virtually every region and at every income level, African Americans are more likely than Whites to have loans with a rate spread.

Not only are African Americans and Hispanics more likely to have loans with rate spreads, but given that they have rate spreads, the African American rate spreads are typically larger than those for Whites. There does not appear to be a remarkable rate spread difference between Hispanic (5.12%) and non-Hispanic (5.08%) borrowers statewide. Statewide, the African American median spread is 5.29% compared to the median White rate spread (5.05%). Racial differences in rate spreads vary across regions; large differences are found in the southcentral, northcentral and northwest.

Owner and Rental Cost Burden

The U.S. Census American Community Survey reports the percentage of homeowners that pay more than 30 percent of their income to selected owner costs; owner costs include mortgages, taxes, etc. Those with costs greater than 30% of income are considered cost burdened. In 2005, 39% of African American homeowners were cost burdened; 41% of Hispanics were cost burdened. In contrast, 24% of Whites and 30% of Asians were cost burdened. Figure 11 shows that from 2000 to 2005 the owner cost burden increased for all groups except Asian homeowners, who experienced a slight decline.

“Rent burdened” is defined as those paying 30% or more of their income towards gross rent. In 2005, more than half of African American and Hispanic renters were burdened, 53.1% and 53.5%

Median Rate Spread by Ethnicity of Borrower, HMDA 2005

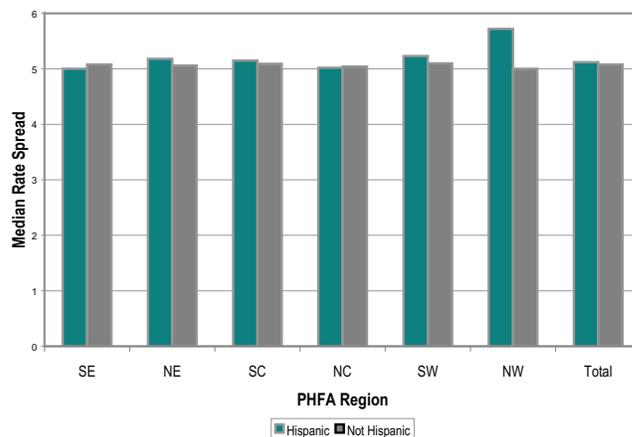


figure 10

respectively. White and Asian renters experienced lower rates of rent burden, 40.1% and 42.9% respectively. From 2000 to 2005 all groups experienced an increase in the likelihood of a rent burden, but the largest increases were for African American and Hispanic renters. Figure 12 shows the increase in rent burden.

County	% With Owner Cost Burden, 2000	% With Owner Cost Burden, 2005	Change 2000-2005
White	20%	24%	+4%
African American	28%	39%	+11%
Hispanic	26%	41%	+15%
Asian	32%	30%	-2%

figure 11

County	% With Rental Cost Burden, 2000	% With Rental Cost Burden, 2005	Change 2000-2005
White	34%	40%	+6%
African American	41%	53%	+12%
Hispanic	43%	54%	+11%
Asian	35%	43%	+8%

figure 12

Median Rate Spread by Race of Borrower; HMDA 2005

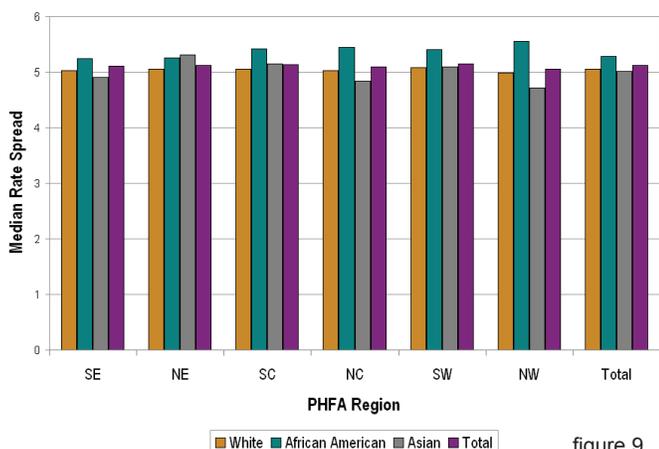


figure 9

With HMDA data, it is not possible to get directly at the individual's debt burden. One indicator may be comparing the size of a loan a borrower receives to their annual income. Although imperfect, the ratio estimates debt burden; higher ratios indicate greater burden, lower ratios indicate lower burdens.

Statewide, Asian borrowers have the highest median amount borrowed to income ratio. The Asian ratio is the highest in all regions except for the northeast and northwest where African American borrowers have a ratio that is slightly higher than Asians. Interestingly African American borrowers in the southeast region have a median ratio lower than White and Asian borrowers. The disparity between White and African American ratios is greatest in the northeast region, the same region that has seen a large 2000 to 2005 increase in African American homeownership.

Hispanic borrowers have a median loan amount to income ratio that is slightly greater than non-Hispanics, 2.1 versus 1.9. In all six regions, Hispanics have ratios higher than non-Hispanics. The disparity is greatest in the northeast region; this is the same region that has seen the largest 2000 to 2005 growth in Hispanic homeownership.

HEMAP

The Pennsylvania Housing Finance Agency's Homeowners' Emergency Mortgage Assistance Program (HEMAP) is designed to protect Pennsylvanians who, through no fault of their own, are financially unable to make their mortgage payments and are in danger of losing their homes to foreclosure. HEMAP funds extended to homeowners are a loan and must be repaid. Aggregate counts of applications for HEMAP assistance may provide a good barometer of financial burden of homeowners throughout the state. Figure 15 shows the trend in the number of HEMAP applications by race and ethnicity from 2000 to June, 2006. At first glance it would appear that applications from Whites and African Americans have decreased since 2004. However, the number of applicants not reporting race has risen sharply since 2004. Since the overall trend is increasing we can assume that the correct attribution of the unknown race data would result in increases in applications from all races – although we cannot know precisely by how much. As figure 16 shows, the racial composition of HEMAP applicants varies widely by region of the state. The greatest minority representation among applicants is found in the southeast region.

Median Ratio of Amount Borrowed to Annual Income by Race of Borrower, HMDA 2005

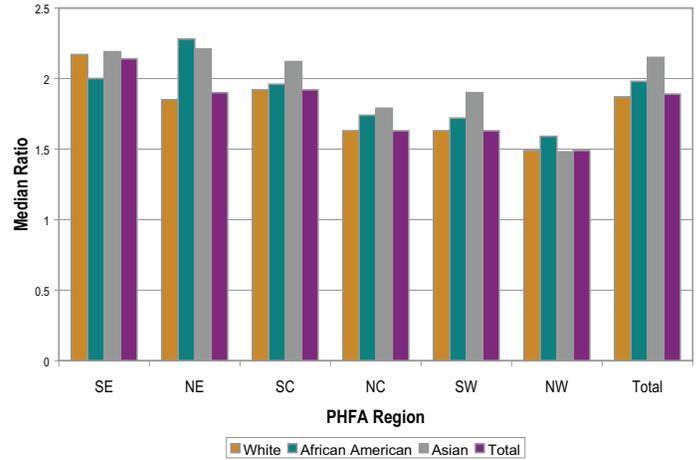


figure 13

Median Ratio Of Loan Amount To Annual Income By Ethnicity Of Borrower, HMDA 2005

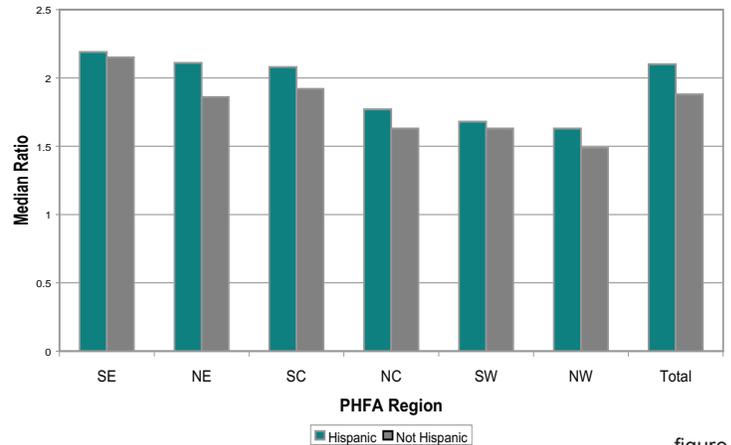


figure 14

Number of HEMAP Applications By Race of Applicant

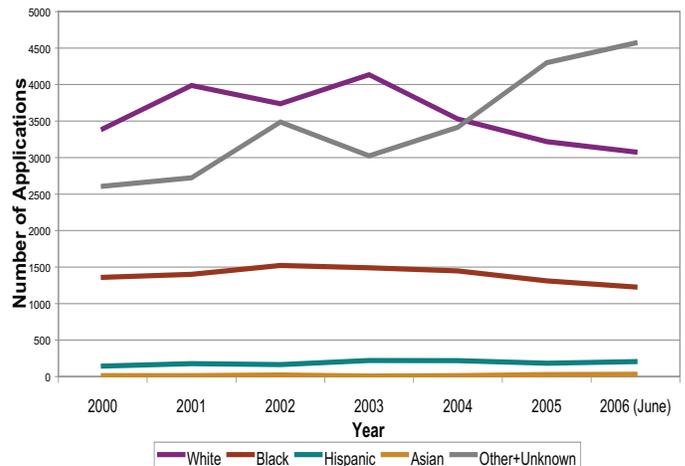


figure 15

Race-Based Housing Discrimination Complaints

Over the last five years The Pennsylvania Human Relations Commission (PHRC) has seen a steady rise in the number of housing discrimination complaints due to race. The PHRC's 2002-2003 report cites 128 complaints while the 2005-2006 report cites 238 complaints. Over that same time period, total complaint filings to PHRC rose from 360 to 448. These complaints do not necessarily mean that housing discrimination was found by the PHRC; to the contrary, in most instances discrimination is not found. However the complaints reflect the extent to which Pennsylvanians believe that they were victims of discrimination in housing based on their race.

Endnotes: 1) Integration is measured with the Index of Dissimilarity (D). D is one of the most widely used measures of residential integration and has a range of 0 to 100. Low values of D indicate high levels of residential integration while high values indicate residential segregation. 2) Pike County also experienced a significant rise in the number of African American homeowners, approximately 71%, however it is not shown in this table as Pike did not have the requisite 1,000 African American homeowners in 2005. 3) A full version of the study can be found at: www.trfund.com. That same analysis shows that, unlike Pittsburgh, Philadelphia's African American homeownership rate (currently 52%) is substantially higher than one might expect based on its characteristics. 4) A full description of the mortgage foreclosure issue in Monroe county, and the State's response, can be viewed on the Pennsylvania Department of Banking's web site at www.banking.state.pa.us. 5) There are several possible explanations for the observed differences. One explanation is simply that it is difficult to draw comparisons across different databases. Just the differences in the way race is reported across databases may explain part of the disparity. Second, HMDA data does not cover every single lender and to the extent that African Americans obtain loans through non-HMDA covered lenders, the HMDA data may not be evenly representative. 6) The Federal Reserve Board's Regulation C implements the Home Mortgage Disclosure Act and its most recent version has an effective date of January 1, 2004.

Percent of HEMAP Applications from White Applicants by PHFA Region

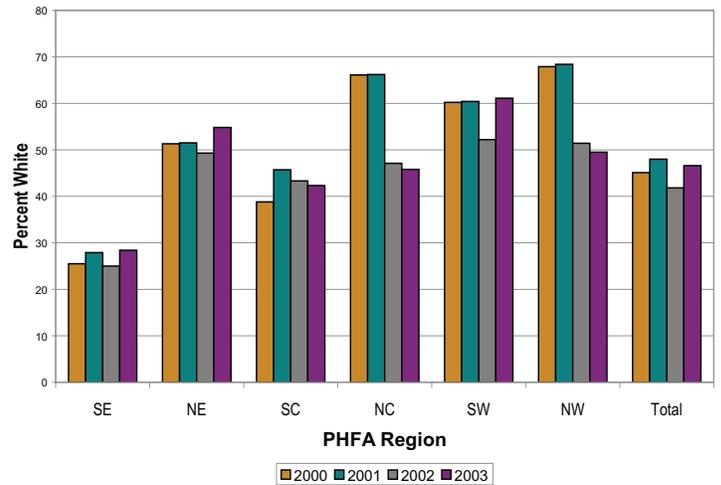


figure 16

Race Housing Discrimination Complaints PA Human Relations Commission

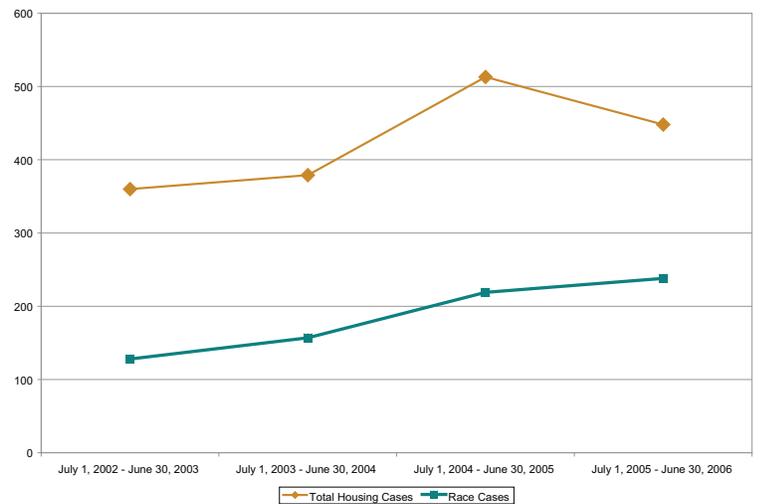


figure 17

The Reinvestment Fund

The Reinvestment Fund (TRF) is a national innovator in capitalizing distressed communities and stimulating economic growth for low- and moderate-income families. TRF identifies the point of impact where capital can deliver its greatest financial and social influence. TRF's investments in homes, schools and businesses reclaim and transform neighborhoods, driving economic growth and improving lives throughout the Mid-Atlantic region. Since its inception in 1985, TRF has made more than \$530 million in community investments. TRF's Policy and Information Services Division has emerged as a highly regarded source of unbiased information for public officials and private investors in the mid-Atlantic region. To learn more about TRF, visit www.trfund.com.