Subprime Lending in Allegheny County, 2005-2006

Which Lenders were Responsible?
Where were Subprime Loans Targeted?
How did Lender Market Share Shift after the Subprime Crisis?

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Subprime Lending in Allegheny County, 2005-2006
Which Lenders were Responsible?

- 30% of loans by **Banks with no brick and mortar presence** (non-local banks) in Allegheny County were subprime.
- 38% of loans by **Independent Mortgage Companies** were subprime.

Source: Home Mortgage Disclosure Act (HMDA) 2005-2006 raw data, which includes all reported residential mortgage loans for Allegheny County. 
**Subprime loans** in the chart above are conventional, high-interest loans (loans with a rate-spread high enough to meet the HMDA reporting threshold). 
**Originations** are mortgage loans that are approved by the lender and accepted by the applicant.

**Lender Types:**
- **Local Banks** are banks with branches in Allegheny County, along with their affiliated and subsidiary mortgage companies.
- **Non-local Banks** are all other banks, along with their affiliated and subsidiary mortgage companies.
- **Independent Mortgage Companies** are mortgage companies not owned by or affiliated with any bank.
Subprime Lending in Allegheny County, 2005-2006
Who Received Subprime Loans?

Subprime Lending in Allegheny County was more a function of race and location than applicant income.

- Almost half of all mortgage loans to African Americans and in minority Census tracts were subprime.
- 39% of mortgage loans in LMI Census tracts were subprime.

Subprime Loans as Percentage of all Residential Mortgage Originations
by Lender Type, Purpose, Property Location, and Borrower Characteristics (Allegheny County 2005-2006)

<table>
<thead>
<tr>
<th>Lender Type</th>
<th>Total*</th>
<th>Home Purchase</th>
<th>Refinance</th>
<th>LMI Census Tracts</th>
<th>Minority Census Tracts</th>
<th>LMI Borrowers</th>
<th>African American Borrowers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local Banks</td>
<td>5%</td>
<td>7%</td>
<td>6%</td>
<td>11%</td>
<td>13%</td>
<td>7%</td>
<td>10%</td>
</tr>
<tr>
<td>Non-Local Banks</td>
<td>30%</td>
<td>22%</td>
<td>37%</td>
<td>51%</td>
<td>59%</td>
<td>37%</td>
<td>58%</td>
</tr>
<tr>
<td>Independent Mortgage Companies</td>
<td>38%</td>
<td>24%</td>
<td>58%</td>
<td>59%</td>
<td>67%</td>
<td>46%</td>
<td>64%</td>
</tr>
<tr>
<td>Credit Unions</td>
<td>14%</td>
<td>5%</td>
<td>17%</td>
<td>17%</td>
<td>10%</td>
<td>12%</td>
<td>12%</td>
</tr>
<tr>
<td>All Lending Institutions</td>
<td>23%</td>
<td>20%</td>
<td>31%</td>
<td>39%</td>
<td>46%</td>
<td>29%</td>
<td>48%</td>
</tr>
</tbody>
</table>

*Total includes home purchase, refinance, and home improvement originations.

Low-to Moderate-Income (LMI): median income below 80% of the Pittsburgh Metropolitan Statistical Area median family income.

Minority Census tracts: Census tracts with greater than 50% minority population.
Market Share of Originations by Lender Type and Loan Purpose
Allegheny County, 2005 and 2013

Home Purchase

- 2005: 37% Local banks, 45% Non-local banks, 17% Independent Mortgage Companies, 0.7% Credit Unions
- 2013: 53% Local banks, 43% Non-local banks, 18% Independent Mortgage Companies, 0.9% Credit Unions

Refinance

- 2005: 30% Local banks, 43% Non-local banks, 3% Independent Mortgage Companies, 3.1% Credit Unions
- 2013: 22% Local banks, 30% Non-local banks, 45% Independent Mortgage Companies, 3.8% Credit Unions
Subprime Lenders and Target Markets
Allegheny County, 2005-2006
Summary

• Subprime lending was highest:
  • Among African Americans
  • In minority Census Tracts
  • In low- to moderate-income Census tracts
  • NOT among low- to moderate-income borrowers

• Most Subprime lending was done by:
  • Banks with no Allegheny County branches
  • Independent mortgage companies

• Banks with branches in Allegheny County did very little subprime lending here.

• Unlike other lenders, credit unions did less subprime lending among African Americans and in minority Census tracts than among other borrowers.

• From 2005 to 2013 market share shifted:
  • Banks without branches in Allegheny County lost 40% of their market share.
  • Banks with branches in Allegheny County increased their market share by 40%.
  • Independent mortgage companies increased their share of the home purchase market to more than half of all home purchase loans.