The Community Reinvestment Act

What Do We Know, and What Do We Need to Know?

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ABSTRACT

The Community Reinvestment Act (CRA) was enacted in 1977 to encourage depository institutions to meet the credit needs of their communities. In 2018, the Office of the Comptroller of the Currency put out an advance notice of proposed rulemaking to gather feedback on how the CRA could be modernized. The 1,485 comment letters make clear there is no consensus on what modernization means. We argue that any revision of the regulations would be more effective if it had strong grounding in facts about current CRA lending. Using 2016 Home Mortgage Disclosure Act data and 2016 Federal Financial Institutions Examination Council loan files, we assess what we know about CRA lending from existing data sources and what we could analyze if we had more data and increased transparency on the data that are already collected.

INTRODUCTION

The Community Reinvestment Act (CRA) was enacted in 1977 to encourage depository institutions to meet the credit needs of the communities in which they do business, especially in low- and moderate-income (LMI) neighborhoods within those communities. There has been a recent chorus of support for modernizing the CRA. In August 2018, the Office of the Comptroller of the Current (OCC) issued an advanced notice of proposed rulemaking (ANPR) seeking stakeholder comments on how CRA regulations should be modernized to more effectively serve community needs, encourage more lending and investment where it is needed most, evaluate activities more consistently, and provide greater clarity about CRA-qualifying activities (OCC 2018). Evidence of the importance of this act showed in the responses: the office received 1,485 comment letters. Almost all had positive things to say about the CRA, but few had a comprehensive plan on how to modernize it.

To help ground any new regulations in evidence, this article analyzes CRA lending data.[1] This analysis assesses what we know now, what we can analyze with existing data and reporting methods, and what we could understand (and more effectively analyze) with additional data and improved transparency in reporting. We recognize that looking solely at lending is an oversimplification, as institutions over a threshold size are evaluated on lending, investments, and service. Lending is generally regarded as the most important of the three criteria for CRA purposes, awarding more CRA credits than the other criteria (Getter 2016), but we restricted this article to lending because it is the only category for which we have data. To understand how the CRA operates, a helpful prerequisite for modernizing it, would require data on investments and service in addition to lending.

Our analysis of CRA lending was broken down into four parts:

- What is the composition of different types of CRA lending in dollar and volume terms?
- For the mortgage lending area (on which we have the most data), what can we learn from currently available data?
  - *Can we compare banks (banks and savings banks), which are subject to the CRA, with nonbanks (mortgage originators and credit unions), which are not? This would give us some measure of the effectiveness of the CRA.*
  - *What does this comparison tell us about single-family versus multifamily mortgage lending?*
  - *Can we compare the mortgage lending behavior of banks inside and outside assessment areas to assess the CRA's impact? That is, if there is not much difference in bank lending inside and outside assessment areas, but banks receive credit only for lending inside assessment areas, how effective is the CRA?*
- In the single-family space, banks get "credit" for loans to LMI borrowers and LMI census tracts. What is the income distribution of borrowers in the LMI tracts?
- Banks are expected to have at least as large a share of LMI lending as they do of the overall market, but this is less of a concern for an institution with a less than 1 percent market share than it is for an institution with a 20 percent market share. Are there areas where mortgage lending is so concentrated that we need to make sure banks do their fair share of LMI loans? Or is this not an issue?

DATA AND METHODOLOGY

2016 Home Mortgage Disclosure Act (HMDA) data and 2016 loan files from the Federal Financial Institutions Examination Council (FFIEC) are our main data sources. We used HMDA data to analyze mortgage lending and used the FFIEC files for data on small businesses, small farms, and community development lending for lenders.

To determine lending inside and outside of banks' assessment areas, we match the HMDA loan files by institution and by tract to the FFIEC loan files, which were created to evaluate CRA lending. The FFIEC files represent required reporting for all CRA respondents. CRA respondents consist of banks and savings associations with more than $1.216 billion in assets. Small banks and savings associations that do not meet the threshold can submit data voluntarily to undergo the large institutional review process. HMDA data represent near universal reporting on mortgage origination. In 2016, all depository institutions with more than $44 million in assets that made more than one closed-end loan were required to report, and nondepository institutions that originated 100 or more closed-end loans were required to report. Although individual respondents look at how they stack up to their competitors, there has been little academic analysis at the national level for research purposes. Laderman and Reid (2009) looked at the HMDA and FFIEC loan files for institutions in California, and Ding and Nakamura (2017) looked at HMDA and FFIEC loan files for institutions in the Philadelphia area.

One of the reasons few people have analyzed these data is because matching the two datasets is difficult. We view the matching in this article as the beginning of the effort, and we hope others can improve upon our methodology. The public data do not have a common respondent identifier that allows us to tie the two datasets together. We first match HMDA mortgage files to the FFIEC CRA lending rating files by exact name match, which means we cannot capture some of the CRA files.[2] We then use the CRA ID provided in the rating file to match to the FFIEC loan files. Where necessary (and clearly identified in this article), we generalized from the data we had.

Indeed, analysis of mortgage data for CRA purposes depends on linking HMDA data to FFIEC data, but this is not easy. To promote transparency, both datasets could use a common respondent ID, which would allow for easier matching between the two. The government version of the data does this, but the public version does not.[3]

For small business, small farm, and community development lending, we rely exclusively on FFIEC loan files. For each CRA reporter, the FFIEC loan files contain the number and dollar amount of small business and small farm lending, cross-tabulated by census tract, and information about whether the loan is in the reporter's assessment areas. For community development loans, the FFIEC files contain only the number and dollar volume of the loans. We captured all available information in these categories.

CRA examinations are, by design, subjective. But for this paper, we needed to come up with rules as to what "counts" toward the CRA, in order to use available data to estimate the importance of different categories. These rules are taken from CRA regulations, from related Q&As, and from discussions with market participants. In this article, we highlight the additional data that would be necessary to make the CRA more effective and less subjective. We made the following assumptions.

After discussions with market participants, we created a broad definition and a narrow definition for small business loans. Under our broad definition, small business loans count if the loans do not exceed $1 million and are in a bank's assessment area. According to Black (2014), loans to small businesses are defined as those with original amounts not exceeding $1 million that are reported as "loans secured by nonfarm or nonresidential real estate" or "commercial and industrial loans" in the first part of the call report.[4] A literal read of the CRA rules leads to this broad definition.

Under our narrow definition, small business loans count if the loans do not exceed $1 million in an LMI census tract within a bank's assessment area or if the loan does not exceed $1 million and is extended to a small business (an entity with revenues up to $1 million) within a bank's assessment area. Under the narrow definition, we need to consider both where the loan is made (in an LMI area or not) and whether the borrower is a small business (the firm's revenues do not exceed $1 million). This is the definition Avery, Bostic, and Canner (2005) and Ding and Nakamura (2017) use.

Small farm loans count if they do not exceed $500,000 and are in a bank's assessment area.

Single-family mortgage loans count if they are in the bank's assessment area and are extended either to an LMI borrower (whose income is less than 80 percent of the area median income, or AMI) or in a low-income tract (tract income is less than 50 percent of the AMI).

Multifamily mortgages count if they are in an LMI tract within the bank's assessment area. This was a necessary oversimplification, as we had no data on rent or renter incomes. Not all multifamily loans in assessment areas will be given CRA credit. The designation is up to examiners. For example, examiners might not give CRA credit to loans on high-end properties with no affordable units in gentrifying areas. Moreover, multifamily loans within a bank's assessment area, but not in an LMI tract, can qualify (at the examiner's discretion) if they likely serve LMI renters.

All community development loans count.

EMPIRICAL RESULTS

THE IMPORTANCE OF DIFFERENT LENDING TYPES FULFILLING CRA OBLIGATIONS

Before the CRA can be evaluated for changes, we must understand how it operates now. In particular, we look at how important each of the five lending types were in fulfilling CRA obligations. Our analysis revealed two insights:

1. Single-family mortgage lending is the largest category of lending by banks, but small business lending, at less than one-third of the dollar amount by volume, is the largest category of loans that count for CRA purposes under the broad definition.[5]

2. Community development lending is almost as significant, given our criteria outlined above, as single-family mortgage lending for CRA purposes.

SMALL BUSINESS LENDING IS A LARGE CONTRIBUTOR TOWARD CRA COMPLIANCE, BUT THE COMPOSITION OF THESE LOANS IS DIVERSE

Table 1 shows that small business loans (by both the broad and narrow definitions) go a long way toward helping banks meet their CRA requirements. Using the broad definition, including all small business loans within assessment areas, small business loans compose the largest category of CRA lending credit at $172 billion. Using the narrow definition (loans in LMI census tracts within assessment areas or loans to small businesses within assessment areas), small business loans compose $90 billion of CRA credit. These numbers should be compared with $108 billion for single-family lending for CRA purposes. The latter is defined as loans within a bank's assessment area made to LMI borrowers or borrowers in LMI tracts. The relative importance of small business loans reflects the fact that they are a higher share of the dollar volume of the loans counting toward the CRA, even though, by total dollar volume, it is a smaller category than single-family lending. Using our broad definition of CRA-eligible small business loans, a little more than 67 percent of small business loans, by dollar volume, qualify for the CRA. Using our narrow definition, 35 percent of small business loans, by dollar volume, qualify for the CRA. These numbers should be compared with just under 12 percent, by dollar volume, of single-family lending (table 1). The single-family CRA contribution is so low because even though 75 percent of single-family lending is within assessment areas, only 16 percent is made to LMI borrowers or in LMI areas.

CRA Lending by Banks

Lending type	Loan count	Dollar volume of loans (billions)	Share that is credited toward CRA, by loan count	Loan count that is credited toward CRA	Share that is credited toward CRA, by dollar volume	Amount that is credited toward CRA, by dollar volume (billions)	Average loan size
Single-family	3,490,000	$914	20.7%	723,822	11.9%	$108	$261,891
Multifamily	34,656	$114	37.4%	12,971	29.3%	$33	$3,289,474
Small business (broad definition)	7,476,495	$256	37.0%	2,762,600	67.1%	$172	$34,303
Small business (narrow definition)	7,476,495	$256	23.8%	1,777,655	35.0%	$90	$34,303
Small farm	177,949	$13	60.8%	108,255	77.7%	$10	$75,375
Community development	26,397	$96	~100.0%	26,397	~100.0%	$96	$3,649,258

Source: Urban Institute calculations from 2016 Home Mortgage Disclosure Act data and Federal Financial Institutions Examination Council loan files.

Note: CRA = Community Reinvestment Act.

Table 2 provides additional information on small business lending. We first look at the data using the broad definition. Table 1 shows that 67.1 percent of the loans, by dollar volume, qualify for the broad definition, and depository institutions make larger loans within assessment areas, as only 37 percent of the loan count is within assessment areas. The share of loans to small businesses is larger than the share to LMI census tracts, both by loan count and by dollar volume.

Next, we look at small business loans under the narrow definition. Looking at the same data, we find for those 67 percent of loans made within assessment areas, many are made in high-income tracts within those areas. A low share—24.8 percent by dollar volume and 22.1 percent by loan count—are made to LMI census tracts (table 2). On the other hand, a high share of small business loans within assessment areas are actually made to small businesses—54.2 percent of small business loans, by loan count (table 2). Under the narrow definition, 35 percent of the loans receive CRA credit (table 1).

The bottom section of table 2 also shows that the share of small business lending to LMI tracts is only marginally higher within assessment areas than outside assessment areas while the lending share to small businesses is considerably higher within assessment areas than outside assessment areas.

The 7.5 million small business loans are not homogenous (table 3): 5.8 million were made by the top 10 banks in 2016, representing 78 percent of total loan count and 45 percent of dollar volume.

The loan count and the dollar volume are so different for the top 10 institutions because many of these loans are actually credit cards given to small businesses. Three of the largest credit card issuers (Citi, American Express, and Capital One) have smaller average loans than do many of the other large lenders that are less dominant in the credit card business (PNC and BB&T). Adding a further wrinkle, the CRA data include the entire line of credit on a credit card, not only the drawn amount.

We know small business lending plays a vital role in economic development (Ding, Lee, and Bostic 2018; Kobeissi 2009). The CRA's contribution toward increasing bank lending to small businesses has been debated.

TABLE 2:

Small Business Lending by Banks

	By loan count	By dollar volume of loans
Total lending	7,476,495	$256 billion
Total share in AAs	37.0%	67.1%
Share in LMI tracts[a]	8.2%	16.6%
Share to small businesses[a]	20.0%	23.6%
Small business share in LMI tracts[a]	4.4%	5.3%
Share in narrow definition[a]	23.8%	35.0%
Lending share to LMI tracts within AA	22.1%	24.8%
Lending share to LMI tracts outside AA	20.1%	21.0%
Lending share to small businesses within AA	54.2%	35.2%
Lending share to small businesses outside AA	37.2%	28.7%

Source: Urban Institute calculations from 2016 Home Mortgage Disclosure Act data and Federal Financial Institutions Examination Council loan files.

Note: AA = assessment area; LMI = low- and moderate-income.

[a] Measurement inside assessment area.

TABLE 3:

Top 10 Banks for Small Business Lending

Bank	Loan count	Dollar volume of loans (billions)	Share in AA, by loan count	Share in AA, by dollar volume	Share, by narrow CRA definition (loan count)	Share, by narrow CRA definition (dollar volume)	Average loan size
Wells Fargo	437,000	$21.17	93.8%	93.0%	70.59%	54.73%	$48,407
Citi	1.54 million	$19.84	40.5%	41.2%	19.81%	15.81%	$12,878
American Express	1.39 million	$17.14	0.6%	0.7%	0.43%	0.48%	$12,310
JPMorgan Chase	654,000	$14.03	5.8%	48.4%	2.56%	18.52%	$21,447
Bank of America	490,000	$12.71	90.9%	93.3%	60.86%	44.75%	$25,920
PNC	127,000	$8.46	97.3%	96.7%	69.41%	46.20%	$66,592
U.S. Bank	360,000	$7.23	64.6%	79.8%	46.46%	46.66%	$20,040
BB&T	96,000	$6.12	79.6%	93.9%	61.39%	49.18%	$63,677
Capital One	500,000	$5.36	2.6%	24.3%	1.35%	9.01%	$10,709
Lake Forest Bank and Trust	201,000	$3.99	0.5%	1.7%	0.18%	0.35%	$19,820
Total	5.80 million	$116.06	-	-	-	-	$20,007
Share of national total	77.6%	45.3%	-	-	-	-	-
National total	7.48 million	$256.47	37.0%	67.1%	23.78%	35.01%	$34,303

Source: Urban Institute calculations from 2016 Federal Financial Institutions Examination Council Community Reinvestment Act disclosure reports.

Note: AA = assessment area; CRA = Community Reinvestment Act.

Bostic and Lee (2017) find a positive relationship between small business lending and the number of tracts covered by the CRA during two periods: 1996 to 2002 and 2012 to 2015. But they find a negative relationship from 2003 to 2011.

As noted, small business lending includes a mix of activities, including traditional loans and credit cards. The question of how CRA credit should be given to small business lending is important and is a topic raised by the OCC's ANPR. We have provided information using two alternative measures, as it is not clear what is counted or how various types of small business lending are weighted. Moreover, current small business data do not separate the different lending types (traditional versus credit card). In addition, the data could be more useful if they decomposed the credit card amount into the drawn and undrawn amounts. We might also seek more information on the revenues of the businesses these loans serve. Information is available only on the number and dollar volume of loans to businesses with up to $1 million in revenue.

THE IMPORTANCE OF COMMUNITY DEVELOPMENT LOANS TO CRA COMPLIANCE

We found that the less than 27,000 community development loans, valued at $96 billion, receive almost as much credit as the 3.5 million single-family loans for CRA compliance purposes. This reflects the fact that nearly all of the $96 billion of community development loans count toward the CRA versus only 11.9 percent (or $108 billion) of single-family lending. This finding is consistent with the literature, which shows that community development loans play an important role in economic development in LMI neighborhoods. Mallach (2009) pointed out that community development corporations usually address community needs in distressed areas and areas where housing prices are declining. Bull (2017) shows that these community development organizations are diverse and include affordable housing development, small business entrepreneurship, vocational training, youth programming, community greening, and local food system improvements, as well as environmental cleanups.

Despite the relative importance of community development loans for the CRA, the quality of the CRA information is poor. The CRA files contain only a single aggregate number for each lending institution.

All the banks (large and small) for which we had data offer community development lending, though reporting is voluntary for institutions whose assets do not exceed $1.216 billion in 2016, limiting our data for this group. One interesting finding from table 4 is that the 10 largest banks make up only a little more than 21 percent of the

TABLE 4:

Top 10 Banks for Community Development Lending

Bank	Loans	Dollar volume of loans	Average loan size
Capital One	613	$7.18 billion	$11.72 million
Citi	405	$5.99 billion	$14.79 million
Wells Fargo	957	$5.42 billion	$5.67 million
JPMorgan Chase	1,416	$5.29 billion	$3.74 million
Bank of America	317	$2.91 billion	$9.19 million
New York Community Bank	333	$2.40 billion	$7.22 million
Fifth Third Bank	424	$2.37 billion	$5.59 million
SunTrust Banks	247	$2.36 billion	$9.57 million
BB&T	496	$2.00 billion	$4.04 million
Signature Bank	381	$1.84 billion	$4.83 million
Total	5,589	$37.78 billion	$6.76 million
Share of national total	21.2%	39.2%	-
National total	26,397	$96.33 billion	$3.65 million

Source: Urban Institute calculations from 2016 Federal Financial Institutions Examination Council Community Reinvestment Act disclosure reports.

complying loans by loan count and 39 percent by dollar volume. Thus, the average community development loan is almost twice as large for large banks than for small banks.

Nonetheless, the data on community development lending lack key variables. Data on geography (similar to what is available for small business and small farm loans) would make it possible to determine what an individual bank is doing in a given community. Bull (2017) also points out that it would be useful for community development corporations to see which banks are lending in their area.

Data on loan types (e.g., housing, community facilities, commercial, mixed use, and infrastructure) would also be useful. Finally, CRA experts have made the point that more credit should be given for complex transactions.[6] Banks should be encouraged to do more difficult and time-consuming transactions that could be more beneficial to the community, and the CRA can encourage such behavior. Though imperfect, measures of complexity include the number of parties involved and the deal's gestation time.

RECOMMENDATIONS

Any reassessment of the CRA should start with a close examination of the data. Our analysis reveals that the current definition of which small business loans "count" toward the CRA raises many questions. We need a more robust discussion about how small business loans should be counted and measured. Currently, banks receive a large amount of CRA credit for credit card and other small business lending in high-income tracts using current lending tests. Certainly, more data on different lending types as well as borrower size would be helpful as well. We would want to know the amount of the unused line of credit on corporate credit cards that counts toward the CRA. We would also want to know how much of the small business loans and corporate credit cards are small loans to large companies. And any reassessment of community development lending should include more detailed data on the geography and types of community development loans and perhaps data on the complexity of the loans.

BANK VERSUS NONBANK BEHAVIOR IN LMI MORTGAGE LENDING

OVERVIEW

One way to assess the impact of CRA lending in the mortgage market is to compare the lending patterns of banks, which are subject to the CRA, with the lending patterns of nonbanks, such as independent mortgage banks and credit unions, which are not subject to the CRA (table 5). To the extent that banks are more important in providing credit to the community, it becomes increasingly important to ensure they serve the community. This comparison reveals that banks conduct more multifamily lending than nonbanks (86 versus 14 percent by loan count and 73 versus 27 percent by dollar volume), while banks conduct less single-family lending (42 versus 58 percent by loan count and 45 versus 55 percent by dollar volume).

Moreover, within multifamily lending, banks' LMI lending is a larger share of total lending for banks (47 percent by loan count) than it is for nonbanks (39 percent), and in contrast, single-family LMI lending by banks is a slightly lower share of their total lending than their nonbank counterparts (28 versus 31 percent).

WHY DO BANKS DO LESS SINGLE-FAMILY LMI LENDING THAN NONBANKS?

At first glance, it seems counterintuitive that banks subject to the CRA would do proportionately less single-family LMI lending than their nonbank counterparts, which are not subject to CRA regulations. But this can be mostly explained by banks' lack of focus on Federal Housing Administration (FHA) loans (table 6). Banks do less FHA lending than nonbanks, and FHA lending is disproportionately LMI. Banks have pulled back from

TABLE 5:

LMI Lending for Banks versus Nonbanks

	Single-Family Lending			Multifamily Lending		
	National	**Bank**	**Nonbank**	**National**	**Bank**	**Nonbank**
Overall lending						
Loan count	8.34 million	3.49 million	4.85 million	40,106	34,656	5,450
Dollar volume of lending (billions)	$2,024	$914	$1,110	$157	$114	$42
Lending share, by loan count	-	41.9%	58.1%	-	86.4%	13.6%
Lending share, by dollar volume	-	45.2%	54.8%	-	72.9%	27.1%
LMI lending						
LMI lending, by loan count	2.50 million	984,668	1.51 million	18,306	16,207	2,099
LMI lending, by dollar volume (billions)	$396	$145	$250	$56.3	$44.0	$12.4
LMI share of total lending, by loan count	30.0%	28.2%	31.2%	45.6%	46.8%	38.5%
LMI share of total lending, by dollar volume	19.6%	15.9%	22.6%	35.9%	38.4%	29.1%
Lending share, by loan count	-	39.4%	60.6%	-	88.5%	11.5%
Lending share, by dollar volume	-	36.7%	63.3%	-	78.1%	21.9%
Loan size comparison						
Average loan size	$243,000	$262,000	$229,000	$3.92 million	$3.31 million	$7.80 million
Average LMI loan size	$159,000	$148,000	$166,000	$3.08 million	$2.72 million	$5.89 million

Source: Urban Institute calculations from 2016 Home Mortgage Disclosure Act lender files.

Note: LMI = low- and moderate-income.

the FHA market substantially. Their share of FHA loans was 60 percent in late 2013 and was 15 percent in late 2018 (Ginnie Mae 2018). The major reason for the drop is the reputational and financial risk posed by the False Claims Act, which makes government loans subject to triple damages if the loan documentation is later found to contain errors (Goodman 2017).

Table 6 shows that 7.2 percent of bank single-family lending was insured by the FHA, 6.2 percent was insured by the US Department of Veterans Affairs (VA), and 85.4 percent was conventional lending in 2016. For nonbank lending, 22.1 percent was FHA insured, 12.2 percent was VA insured, and 64.2 percent was conventional lending. The LMI share for FHA loans only is comparable between banks and nonbanks, with 46 percent of FHA lending by loan count qualifying as LMI for banks versus 42 percent for nonbanks. This is true for the other channels as well. But the FHA LMI share for both banks and nonbanks is higher than in other channels. Twenty-one to 23 percent of VA lending and 27 to 29 percent of conventional lending qualify as LMI lending. Because the LMI share of bank and nonbank loans is similar within a given channel, we can conclude that the lower share of bank LMI lending is entirely because of their lower share of FHA lending.

LMI Single-Family Mortgage Lending, Bank versus Nonbank, by Channel

	National	Bank	Nonbank
Overall lending			
Loan count	8.34 million	3.49 million	4.85 million
Share of national total, by loan count	-	41.9%	58.1%
Average loan size	$243,000	$262,000	$229,000
Average LMI loan size	$159,000	$148,000	$166,000
FHA lending			
FHA share of total lending, by loan count	15.9%	7.2%	22.1%
LMI share of FHA lending, by loan count	42.7%	46.2%	41.8%
LMI share of FHA lending, by dollar volume	34.8%	37.9%	34.1%
Average loan size	$196,000	$180,000	$200,000
Average LMI loan size	$160,000	$163,000	$148,000
VA lending			
VA share of total lending, by loan count	9.7%	6.2%	12.2%
LMI share of VA lending, by loan count	22.8%	23.4%	21.1%
LMI share of VA lending, by dollar volume	17.4%	15.8%	18.0%
Average loan size	$256,000	$257,000	$256,000
Average LMI loan size	$195,000	$197,000	$191,000
Conventional lending			
Conventional share of total lending, by loan count	73.1%	85.4%	64.2%
LMI share of conventional lending, by loan count	27.7%	26.8%	28.5%
LMI share of conventional lending, by dollar volume	17.0%	14.5%	19.8%
Average loan size	$253,000	$271,000	$236,000
Average LMI loan size	$156,000	$164,000	$146,000

Source: Urban Institute calculations from 2016 Home Mortgage Disclosure Act lender files.

Notes: FHA = Federal Housing Administration; LMI = low- and moderate-income; VA = US Department of Veterans Affairs. LMI share (by loan count) = LMI loan count / total loan count; LMI share (by dollar volume) = LMI loan volume / total loan volume.

BANK LENDING INSIDE VERSUS OUTSIDE ASSESSMENT AREAS

A COMPARISON BETWEEN SINGLE-FAMILY LENDING AND MULTIFAMILY LENDING

To see where the CRA is effective, we want to know if banks behave differently where they receive CRA credit versus areas where they do not. For CRA purposes, the mortgage lending that counts is the LMI lending inside a bank's assessment areas (areas surrounding all bank branches). Comparable lending outside assessment areas does not count. Using HMDA data matched with FFIEC loan files to identify assessment areas, we examine banks' LMI lending inside and outside their assessment areas (table 7). Within assessment areas, banks make 49 percent of their multifamily loans by loan count to LMI tracts, higher than the 43 percent outside assessment areas. Table 7 also shows that for single-family lending, there is no difference in the LMI share inside and outside assessment areas, which raises questions about the CRA's effectiveness as currently structured for single-family lending.

This table illustrates a critical point. Although multifamily lending is smaller than single-family lending, it generates a disproportionate contribution to CRA-qualified lending. In fact, we know from table 5 that multifamily lending constitutes only 7 percent of total residential lending (with single-family lending composing 93 percent; the dollar volume of multifamily lending is $157 billion versus $2 trillion for single-family lending), but when we look at CRA credit in table 1, multifamily lending composes 23 percent of the total CRA lending.

Bank Lending inside versus outside Assessment Areas

	Single-family, all banks	Multifamily, all banks
Total lending		
Loan count	1.91 million	20,290
Dollar volume of lending	$570 billion	$81.9 billion
CRA share, by loan count	19.5%	38.1%
CRA share, by dollar volume	10.4%	29.0%
LMI share, by loan count	26.5%	47.6%
LMI share, by dollar volume	13.9%	38.2%
Average loan size	$298,000	$4.04 million
Average LMI loan size	$157,000	$3.24 million
Average CRA loan size	$160,000	$3.07 million
Inside assessment areas		
Loan count	1.38 million	15,833
Dollar volume of lending	$429 billion	$59.3 billion
CRA share, by loan count	27.0%	48.8%
CRA share, by dollar volume	13.9%	40.1%
Average loan size	$311,000	$3.74 million
LMI share inside assessment areas, by dollar volume	74.70%	75.80%
LMI share inside assessment areas, by loan count	73.50%	80.00%
Average CRA loan size	$160,000	$3.07 million
Outside assessment areas		
Loan count	532,000	4,457
Dollar volume of lending	$141 billion	$22.7 billion
LMI share, by loan count	25.15%	43.4%
LMI share, by dollar volume	14.2%	33.4%
Average loan size	$265,000	$5.08 million
Average LMI loan size	$150,000	$3.91 million

Source: Urban Institute calculations from 2016 Federal Financial Institutions Examination Council Community Reinvestment Act rating files matched with 2016 Home Mortgage Disclosure Act lender files.

Note: CRA = Community Reinvestment Act; LMI = low- and moderate-income.

Multifamily loans may be more important than single-family lending for LMI impact. Here is why:

1. Multifamily lending, by its nature, is more important for serving LMI households than single-family lending because low-income people are more often renters, and proportionately, more renters live in multifamily housing than do homeowners. According to National Multifamily Housing Council tabulations of 2017 American Community Survey data, renters living in multifamily housing (structures with five or more units) have a median income of $36,201, while the national median household income is $60,671.[7] Table 5 shows that 36 percent of national multifamily lending is to LMI census tracts, and for single-family lending, 20 percent goes to LMI census tracts or LMI borrowers. The fact that multifamily lending is more important for LMI households would be true with or without the CRA.

2. Banks do more LMI multifamily lending and less single-family lending than nonbanks.

3. More multifamily LMI loans are within banks' assessment areas than is the case for single-family loans.

MORTGAGE LENDING INSIDE AND OUTSIDE ASSESSMENT AREAS, BY BANK SIZE

The amount of lending done inside and outside assessment areas also varies by bank size. We divide the bank universe into four categories by bank assets: more than $100 billion (large banks), $10 to $100 billion (medium

TABLE 8:

Single-Family and Multifamily Lending inside and outside Assessment Areas, by Bank Size

	Large	**Medium large**	**Medium small**	**Small**
Single-family, inside assessment areas				
CRA share, by loan count	25.8%	29.5%	29.6%	31.7%
CRA share, by dollar volume	12.7%	15.5%	19.4%	19.5%
Share inside assessment areas, by loan count	83.3%	52.8%	54.7%	62.1%
Average loan size	$339,000	$287,000	$224,000	$205,000
Average CRA loan size	$167,000	$151,000	$150,000	$126,000
Single-family, outside assessment areas				
LMI share, by loan count	26.8%	20.0%	27.9%	28.3%
LMI share, by dollar volume	13.8%	11.6%	18.0%	17.8%
Average loan size	$253,000	$316,000	$232,000	$234,000
Average LMI loan size	$130,000	$183,000	$150,000	$147,000
Multifamily, inside assessment areas				
CRA share, by loan count	48.2%	50.9%	51.8%	45.9%
CRA share, by dollar volume	39.0%	42.1%	47.6%	35.2%
Share inside assessment areas, by loan count	92.1%	72.9%	54.8%	58.9%
Average loan size (millions)	$4.23	$3.88	$2.62	$1.89
Average CRA loan size (millions)	$3.43	$3.20	$2.41	$1.45
Multifamily, outside assessment areas				
LMI share, by loan count	42.1%	41.4%	50.0%	36.5%
LMI share, by dollar volume	32.6%	30.0%	40.2%	34.0%
Average loan size (millions)	$10.67	$7.78	$2.63	$2.22
Average LMI loan size (millions)	$8.26	$5.65	$2.12	$2.07

Source: Urban Institute calculations from 2016 Federal Financial Institutions Examination Council (FFIEC) Community Reinvestment Act rating files matched with 2016 Home Mortgage Disclosure Act lender files.

Notes: CRA = Community Reinvestment Act; LMI = low- and moderate-income. We insisted on an exact name match and hence did not capture all FFIEC files.

large), $3 to $10 billion (medium small), and up to $3 billion (small). Table 8 shows our results for both single-family and multifamily lending. In both cases, the largest banks do a significant amount of lending by dollar volume (66 percent of single-family lending and 62 percent of multifamily lending).

For single-family lending, loan sizes are fairly consistent across all bank sizes. In contrast, large banks make noticeably larger multifamily loans than smaller banks.

The largest banks do 83 percent of their single-family lending and 92 percent of their multifamily lending within their assessment areas. Banks with $10 to $100 billion in assets do 53 percent of their single-family lending and 73 percent of their multifamily lending within their assessment areas. The two smallest bank categories do 50 to 62 percent of both single-family and multifamily lending within their assessment areas. Much of the difference reflects the fact that large banks have geographically larger assessment areas than smaller banks. Thus, more of their lending is in their assessment areas. But we need further analysis to tie this lending activity to overall banking activity to understand why small banks do so much less of their lending inside assessment areas. This would require cross-tabulating the geographic footprint of the bank's physical branches with the geographic footprint of its mortgage lending. And it does raise an important question as to how assessment areas should be determined: Should physical branches be the key determinant as they are now? The rise of wholesale and internet banks requires us to reexamine this issue. When doing this examination, it is important to look at small bank activity outside assessment areas. Perhaps physical branches alone should not be the criterion for assessment areas. Before making the determination, we need better information on the footprint of these smaller institutions.

A DISCUSSION: CRA-QUALIFIED LENDING TO HIGH-INCOME BORROWERS IN LMI TRACTS

Banks get credit under the CRA for providing single-family mortgages to LMI borrowers and for making loans to borrowers in LMI census tracts, regardless of borrower income.

Table 9 shows total single-family (one to four units) lending nationally, broken out by lending to LMI borrowers and lending to LMI census tracts. We compare the numbers for banks (subject to the CRA) and nonbanks (not subject to the CRA). Out of the total loans made, 30 percent by loan count were considered LMI, with 21 percent made to LMI borrowers and 14 percent to LMI areas. (The sum of LMI borrowers plus LMI areas is more than the total because some loans are in both categories.) Thus, more loans are made to LMI borrowers than to LMI areas.

But when we look at the loan values, the figures are more equal: the dollar volume of LMI lending is 20 percent, with 12 percent to LMI borrowers and 11 percent to LMI areas. The volumes are more similar because the average loan for LMI lending is $159,000 and includes loans averaging $134,000 to LMI borrowers and $183,000 to borrowers in LMI areas. This pattern holds for both banks and nonbanks.

So who is borrowing within LMI areas? Table 10 shows that loans to LMI borrowers (borrowers earning up to 80 percent of the AMI) are about 40 percent of the total loans in LMI areas. Another 15 percent of the loans are for borrowers earning 80 to 100 percent of the AMI, and the remaining 45 percent are to borrowers who earn more than the AMI.

By dollar volume, about 28 percent of loans to LMI areas go to LMI borrowers, 15 percent go to borrowers earning between 80 and 100 percent of the AMI, and the remaining 57 percent go to borrowers who earn more than the AMI. These numbers are similar for banks and nonbanks.

In many cases, the income information is missing, especially when the loans are made to investors. Businesses do not need to report income. We have allocated missing values proportionally between the categories. In

TABLE 9:

Single-Family Mortgage Lending: LMI Borrowers versus LMI Areas

	All lenders	Bank	Nonbank
Overall lending			
Loans	8.34 million	3.49 million	4.85 million
Dollar volume of loans (billions)	$2,020	$914	$1,110
Lending share, by loan count	-	41.9%	58.1%
Lending share, by dollar volume	-	45.2%	54.8%
Average loan size	$243,000	$262,000	$229,000
LMI lending, by loan count			
LMI share	30.0%	28.2%	31.2%
LMI borrower share	20.9%	19.7%	21.8%
LMI area share	14.2%	13.1%	15.0%
LMI lending, by dollar volume			
LMI share	19.6%	15.9%	22.6%
LMI borrower share	11.6%	9.0%	13.7%
LMI area share	10.7%	8.8%	12.2%
Average LMI loan size			
LMI lending	$159,000	$148,000	$166,000
To LMI borrowers	$134,000	$120,000	$143,000
In LMI areas	$183,000	$177,000	$187,000

Source: Urban Institute calculations from 2016 Home Mortgage Disclosure Act data.

Note: LMI = low- and moderate-income.

Lending by Income Bracket in Low- and Moderate-Income Areas

	By Loan Count			By Dollar Volume		
	All lenders	Bank	Nonbank	National	Bank	Nonbank
Total	1,061,238	412,890	648,348	192.0 billion	71.0 billion	120.9 billion
<40% of AMI	6.0%	6.7%	5.5%	2.9%	2.9%	2.9%
40–80% of AMI	34.3%	32.1%	35.7%	25.1%	21.8%	27.0%
80–100% of AMI	15.2%	13.8%	16.2%	14.5%	12.2%	15.9%
100–140% of AMI	19.7%	18.7%	20.4%	21.9%	19.5%	23.3%
≥140% of AMI	24.8%	28.7%	22.2%	35.6%	43.6%	30.9%

Source: Urban Institute calculations from 2016 Home Mortgage Disclosure Act data.

Note: AMI = area median income.

TABLE 11:

Average Loan Size by Income Bracket in Low- and Moderate-Income Areas

	All lenders	Bank	Nonbank
Average loan size	$183,000	$177,000	$187,000
<40% of AMI	$88,000	$75,000	$97,000
40–80% of AMI	$132,000	$117,000	$141,000
80–100% of AMI	$172,000	$152,000	$183,000
100–140% of AMI	$201,000	$179,000	$214,000
≥140% of AMI	$260,000	$261,000	$260,000
Missing	$202,000	$221,000	$191,000

Source: Urban Institute calculations from 2016 Home Mortgage Disclosure Act data.

Note: AMI = area median income.

actuality, the analysis of average loan size in table 11 shows that the missing values are more apt to be loans to high-income people, so the analysis in table 10 may actually overstate the LMI borrower share.

There are good reasons for counting loans made to LMI census tracts as qualifying for CRA compliance. Geography is the historic basis of the CRA, and such lending encourages diversity in low-income tracts. But approximately 60 percent of the dollar volume of loans in LMI census tracts are not going to LMI borrowers.

Policymakers may need to consider whether to treat these two lending types interchangeably as they often do now, or give less CRA credit to loans borrowed by high-income residents in low-income areas and more credit to loans to low-income borrowers, regardless of location.

Although the current equal treatment of loans in LMI areas may be fine in the aggregate, CRA examiners need to scrutinize the individual bank's lending behavior to make sure individual banks are not overly reliant on lending to high-income borrowers in LMI census tracts just to meet their CRA responsibilities. That is, examiners should make sure institutions are not solely skimming large, more profitable loans in gentrifying areas to count toward CRA requirements. This could be done by either defining "gentrifying areas" or by looking at the share of high-income borrowers receiving single-family CRA credit. In fact, this raises the question as to whether, before an examination, there should be an automated institutional ranking system, and banks that stand out for their high share of loans to high-income borrowers in LMI tracts would be quizzed on this aspect of their lending. Moreover, when contemplating CRA modernization, this analysis raises the question of whether one wants to account for the pattern we found by giving less CRA credit for loans to high-income borrowers in low-income areas. Whatever the eventual treatment of this issue, it should be standardized and communicated to banks so they know what to expect.

BANKS' MARKET CONCENTRATION NATIONALLY AND BY METROPOLITAN STATISTICAL AREA

MARKET CONCENTRATION OF SINGLE-FAMILY LENDING AT THE NATIONAL LEVEL

Multifamily lending is more concentrated than single-family lending, making the largest multifamily lenders in each location more important to their community. Table 12 shows that single-family lending is not concentrated. A large number of banks each do a small portion of single-family lending. The top lender (by loan count and dollar volume) is Wells Fargo, an institution subject to the CRA, with a 5.2 percent market share by loan count and 6.6 percent market share by dollar volume. The second-largest lender is Quicken Loans, an institution not subject to the CRA, also with a 5.2 percent market share by loan count. Thus, the top two institutions hold 10.5 percent of the market, and the top 20 lenders hold 30.8 percent of the market. The concentration for single-family LMI lending looks similar to that for single-family lending, suggesting the top institutions do their fair share of LMI lending.

MARKET CONCENTRATION OF SINGLE-FAMILY LENDING AT THE MSA LEVEL

To determine how well a bank is serving its community, we are more interested in the behavior of individual banks in individual communities than we are in the national concentration numbers. If a bank has a large presence in a given market but a tiny LMI share, it might not be adequately serving the entire community.[8]

Table 13 shows the same analysis as table 11 for the 20 most-populous metropolitan statistical areas (MSAs). The overall concentration at the MSA level is higher than at the national level but not a lot higher. No single institution has more than a 20 percent market share in any of these 20 MSAs. There are several MSAs in which

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TABLE 12:

Market Share of the Top 20 Lenders for Single-Family Mortgage Lending

Lender	Mortgage market share (C)	Cumulative market share (C)	Mortgage market share (DV)	Cumulative market share (DV)	LMI share (C)	Cumulative LMI share (C)
Wells Fargo	5.2%	5.2%	6.6%	6.6%	4.4%	4.4%
Quicken Loans	5.2%	10.5%	4.5%	11.0%	5.6%	9.9%
JPMorgan Chase	2.1%	12.6%	3.7%	14.8%	1.5%	11.4%
Bank of America	1.9%	14.5%	3.0%	17.8%	1.6%	13.0%
Freedom Mortgage Corporation	1.9%	16.4%	1.8%	19.5%	1.3%	14.3%
loanDepot.com	1.6%	18.0%	1.6%	21.1%	1.4%	15.7%
U.S. Bank	1.5%	19.4%	1.5%	22.6%	1.5%	17.1%
Caliber Home Loans	1.3%	20.7%	1.4%	24.0%	1.5%	18.6%
Flagstar Bank	1.2%	22.0%	1.4%	25.4%	1.1%	19.7%
United Shore Financial Service	1.0%	23.0%	1.1%	26.5%	0.9%	20.6%
Fairway	0.9%	23.8%	1.1%	27.6%	1.0%	21.6%
Nationstar Mortgage	0.8%	24.7%	0.9%	28.5%	0.7%	22.3%
Guild Mortgage Company	0.8%	25.5%	0.9%	29.4%	1.0%	23.3%
USAA Federal Savings Bank	0.8%	26.3%	0.8%	30.2%	0.5%	23.8%
Guaranteed Rate	0.8%	27.1%	0.8%	31.0%	0.7%	24.5%
PrimeLending	0.8%	27.8%	0.8%	31.7%	0.9%	25.4%
Navy Federal Credit Union	0.8%	28.6%	0.8%	32.5%	0.7%	26.1%
PNC	0.8%	29.4%	0.7%	33.2%	0.9%	26.9%
Finance of America Mortgage	0.8%	30.1%	0.7%	33.9%	0.8%	27.7%
Citi	0.7%	30.8%	0.7%	34.6%	0.6%	28.3%

Source: Urban Institute calculations from 2016 Home Mortgage Disclosure Act data.

Notes: C = by loan count; DV = by dollar volume. Nationstar Mortgage has subsequently been rebranded Mr. Cooper.

TABLE 13:

Single-Family Lender Concentration by Loan Count in the 20 Most-Populous MSAs

MSA	Lender	Market share	LMI market share	Share top 5	LMI share top 5	Share top 10	LMI share top 10
Atlanta	Quicken Loans	6.9%	7.8%	22.2%	22.3%	33.0%	32.8%
Baltimore	Wells Fargo	6.3%	5.2%	20.2%	19.7%	30.2%	29.4%
Boston	loanDepot.com	4.7%	4.0%	20.1%	18.4%	31.8%	30.7%
Chicago	Guaranteed Rate	8.0%	6.1%	25.5%	20.5%	36.4%	30.0%
Dallas	Wells Fargo	5.0%	4.8%	18.9%	18.9%	28.7%	27.9%
DC	Wells Fargo	5.7%	4.7%	21.5%	20.2%	31.3%	29.9%
Denver	Wells Fargo	4.8%	4.1%	18.3%	19.7%	30.7%	31.8%
Detroit	Quicken Loans	14.6%	15.2%	29.0%	28.7%	40.0%	38.5%
Houston	Quicken Loans	6.0%	6.4%	20.6%	19.7%	30.7%	29.5%
Los Angeles	Wells Fargo	7.0%	5.4%	24.7%	20.3%	38.0%	34.5%
Miami	Quicken Loans	6.7%	6.5%	24.5%	25.6%	37.0%	37.7%
Minneapolis	Wells Fargo	10.6%	9.1%	30.6%	29.7%	40.6%	39.4%
New York	Wells Fargo	9.5%	7.1%	28.2%	22.8%	37.7%	32.2%
Philadelphia	Wells Fargo	7.5%	6.2%	21.5%	18.8%	30.6%	28.2%
Phoenix	Quicken Loans	5.3%	5.7%	20.9%	21.3%	33.7%	36.3%
Riverside	Wells Fargo	5.0%	5.6%	19.4%	18.5%	32.0%	31.0%
San Diego	Wells Fargo	6.1%	4.8%	20.9%	19.1%	34.1%	31.8%
San Francisco	Wells Fargo	10.4%	8.0%	30.7%	26.0%	41.7%	36.6%
Seattle	Wells Fargo	7.1%	5.7%	26.2%	27.9%	41.2%	43.0%
Tampa	Quicken Loans	6.4%	7.2%	22.0%	23.1%	32.4%	34.1%

Source: Urban Source: Urban Institute calculations from 2016 Home Mortgage Disclosure Act data.

Note: LMI = low- and moderate-income; MSA = metropolitan statistical area. calculations from 2016 Home Mortgage Disclosure Act data.

a single institution has more than a 10 percent market share, usually because the institution is headquartered there or used to be headquartered there and has a continued strong presence, such as in Detroit (Quicken Loans), in San Francisco (Wells Fargo), and in Minneapolis (home of Norwest Bank, which merged with Wells Fargo in 1998). Again, the LMI market share is similar to the overall market share. Goodman, Zhu, and Walsh (2018) looked at 75 MSAs and found several markets where the top lender (usually a bank headquartered there) had more than a 10 percent single-family market share, but in only 2 of the 75 MSAs was the top lending share more than 20 percent: Banco Popular de Puerto Rico in San Juan, Puerto Rico, and GECU in El Paso, Texas.

MARKET CONCENTRATION OF MUTIFAMILY LENDING AT THE NATIONAL LEVEL

Table 14 shows the same analysis for multifamily lending. Here, at a national level, the largest lender, JPMorgan Chase, is an order of magnitude larger than the next-largest lender, Wells Fargo, by loan count, and is considerably larger by dollar volume. JPMorgan Chase composes 18.8 percent of total multifamily lending by loan count, including 20.3 percent of all LMI multifamily lending. But the rest of the market is relatively dispersed, with the top 20 market share at around 39 percent.

With the exception of JPMorgan Chase, multifamily lending nationally is not concentrated and tends to be dominated by a single lender in many MSAs. The shaded boxes in table 15 indicate MSAs in which the top multifamily lender has more than a 20 percent market share. In 9 of the top 20 markets, the top lender has more than a 20 percent market share; in 3 of these markets, the top lender has more than a 40 percent market share. And the numbers for LMI lending look similar.

TABLE 14:

Market Share of the Top 20 Lenders for Multifamily Mortgage Lending

Lender	Mortgage market share (C)	Cumulative market share (C)	Mortgage market share (DV)	Cumulative market share (DV)	LMI share (C)	Cumulative LMI share (C)
JPMorgan Chase	18.8%	18.8%	12.2%	12.2%	20.3%	20.3%
Wells Fargo	2.5%	21.3%	8.6%	20.8%	2.5%	22.8%
Walker and Dunlop	1.8%	23.2%	8.1%	28.9%	1.3%	24.1%
Greystone	1.6%	24.8%	5.1%	34.0%	0.0%	24.1%
U.S. Bank	1.4%	26.2%	3.6%	37.6%	1.6%	25.6%
First Republic Bank	1.4%	27.6%	3.2%	40.9%	1.5%	27.1%
Luther Burbank Savings	1.3%	28.9%	3.0%	43.8%	1.6%	28.7%
Capital One	0.9%	29.8%	2.8%	46.6%	1.0%	29.6%
Berkeley Point Capital	0.9%	30.8%	2.2%	48.8%	0.8%	30.5%
First Foundation Bank	0.9%	31.6%	1.9%	50.7%	1.0%	31.5%
National Cooperative Bank	0.8%	32.5%	1.6%	52.3%	0.3%	31.8%
BB&T	0.8%	33.2%	1.6%	53.9%	0.5%	32.3%
Citi	0.8%	34.0%	1.5%	55.4%	0.9%	33.1%
BofI Federal Bank	0.8%	34.7%	1.4%	56.8%	1.1%	34.2%
Opus Bank	0.8%	35.5%	1.2%	58.0%	1.2%	35.4%
New York Community Bank	0.7%	36.2%	1.1%	59.0%	0.7%	36.1%
Umpqua Bank	0.6%	36.8%	1.0%	60.0%	0.7%	36.7%
PNC	0.6%	37.4%	0.9%	60.9%	0.4%	37.2%
Bank of the West	0.6%	38.0%	0.7%	61.6%	0.7%	37.9%
KeyBank	0.5%	38.5%	0.7%	62.4%	0.4%	38.3%

Source: Urban Institute calculations from 2016 Home Mortgage Disclosure Act data.

Notes: C = by loan count; DV = by dollar volume; LMI = low- and moderate-income. BofI Federal Bank was subsequently rebranded as Axos Financial.

TABLE 15:

Multifamily Mortgage Lending Concentration by Loan Count in the 20 Most-Populous MSAs

MSA	Lender	Market share	LMI market share	Share top 5	LMI share top 5	Share top 10	LMI share top 10
Atlanta	Walker and Dunlop	11.7%	7.3%	38.8%	35.8%	56.7%	54.3%
Baltimore	Capital One	13.4%	23.6%	36.6%	36.1%	53.7%	52.8%
Boston	JPMorgan Chase	6.6%	4.0%	25.9%	25.1%	38.7%	38.5%
Chicago	JPMorgan Chase	22.0%	15.8%	36.4%	32.3%	44.8%	41.1%
Dallas	Wells Fargo	8.2%	9.4%	31.1%	27.3%	46.7%	45.0%
DC	JPMorgan Chase	16.6%	17.6%	44.8%	44.7%	61.7%	57.3%
Denver	JPMorgan Chase	25.7%	20.7%	49.5%	45.3%	61.9%	59.0%
Detroit	Talmer Bank and Trust	15.3%	19.7%	36.7%	47.9%	52.5%	60.6%
Houston	Berkeley Point Capital	8.9%	8.5%	26.0%	26.9%	40.4%	39.2%
Los Angeles	JPMorgan Chase	57.9%	54.1%	70.8%	68.4%	78.5%	76.8%
Miami	Banco Popular	13.6%	15.3%	35.6%	31.6%	47.1%	44.6%
Minneapolis	JPMorgan Chase	31.5%	32.9%	49.9%	55.8%	61.1%	64.7%
New York	JPMorgan Chase	21.7%	22.6%	40.5%	38.2%	53.0%	51.0%
Philadelphia	NY Community Bank	12.3%	5.4%	28.7%	18.2%	42.0%	35.5%
Phoenix	Opus Bank	11.4%	13.4%	41.9%	40.8%	61.9%	64.7%
Riverside	JPMorgan Chase	21.0%	18.5%	46.1%	47.3%	61.1%	63.9%
San Diego	JPMorgan Chase	48.8%	47.6%	69.0%	68.6%	80.7%	79.6%
San Francisco	JPMorgan Chase	40.8%	37.9%	67.7%	63.4%	78.0%	74.3%
Seattle	JPMorgan Chase	24.7%	21.7%	50.7%	46.8%	65.8%	62.4%
Tampa	BB&T	13.7%	4.1%	41.4%	33.8%	56.4%	51.4%

Source: Urban Institute calculations from 2016 Home Mortgage Disclosure Act data.

Note: LMI = low- and moderate-income; MSA = metropolitan statistical area. Talmer Bank and Trust was subsequently acquired by Chemical Financial and is now TCF Financial.

A DISCUSSION: ENHANCING HMDA TO PROMOTE TRANSPARENCY FOR CRA REPORTING ON MULTIFAMILY LENDING

One of the modernization effort's stated goals is to promote transparency and consistency in reporting and examination requirements without imposing an undue regulatory burden. One way to do this is to allow full public disclosure of the new HMDA data that began being collected and reported to regulators in 2018.

How can the enhanced HMDA data help? Since 2018, lenders have been required under HMDA to collect and report data on the number of units in a multifamily property and the number of income-restricted units. The Consumer Financial Protection Bureau, however, now intends to publicly report only the number of units in a property in large ranges (5 to 24 units, 25 to 49 units, 50 to 99 units, 100 to 149 units, and 150 or more units) and to report income-restricted units only as a share of total units (CFPB 2018). This makes it difficult to use the new HMDA data to understand the loan amount per unit (and thus potentially rents) in properties with new multifamily loans and makes it impossible for people using public data to determine how many income-restricted units a property has. The utility of the collected data to people outside regulatory agencies who want to understand how well a bank is serving its community will be unnecessarily compromised.

The bottom line is that multifamily lending is more concentrated than single-family lending in individual communities, with the largest lenders making a disproportionate share of loans. It is critical these lenders play as important a role in LMI lending as they do in overall lending. If the community's largest lender does not serve LMI areas, little credit will be available to those who want to buy, build, or renovate multifamily buildings in LMI areas. The new HMDA data can give the market better information on the number of units being created in LMI areas and the number of these that are income restricted. There are few opportunities to increase public transparency about bank activities with no incremental regulatory burden, but publicly disseminating more of the new HMDA multifamily data would do just that. It seems suboptimal not to use this information fully to promote transparency on multifamily CRA activity.

CONCLUSION

This analysis suggests several avenues where additional data and more transparent reporting would be helpful for tracking CRA-qualifying lending.

- Allowing for a better match between HMDA data and the FFIEC CRA loan files, by providing a common respondent identifier, would be helpful.

- Better data on small business, small farm, and community development lending would be helpful. Currently, for small business lending, there is no distinction between traditional and credit card lending, and for credit card lending, the entire line of credit is included. In addition, there is no detail on the size of the borrowing entity.

- For community development lending, there is only one number for each lending institution. Some level of detail is warranted. For example, CRA files could add information about geography or loan type or perhaps some measure of complexity.

- Data can help relate assessment areas to banking activities, perhaps setting the stage for a redefinition of assessment areas. It is critical to understand why small banks do so much less of their mortgage lending activities within assessment areas than do their larger counterparts. Though not discussed in this paper, an evaluation of assessment areas is even more complicated for online banks and wholesale banks, as it requires an understanding of their banking activities.

- It would be helpful for the FFIEC to release, for every institution (at least to bank examiners), the amount of high-income lending in LMI census tracts, in each major metropolitan area or nationally, so each institution

can be compared with its peers and institutions doing this lending to the exclusion of other CRA lending can be flagged.

- We have shown that multifamily lending is more concentrated than single-family lending. A small number of lenders have a large market share, so it is important to know if they are making an appropriate contribution to lending for LMI multifamily housing. We would suggest using the new HMDA information on the number of units in each building, rather than broad categories, and disclosing the number of units with income restrictions in each building.

We addressed only one aspect of the CRA: lending. This is a partial picture of CRA requirements. We did not address the investments and service sections of the CRA at all, as data were too limited. To fully understand and "grade" the contribution of banks toward serving their communities, we need to look at bank services to LMI borrowers. The FFIEC CRA files provide no information on this. Collecting information on, for example, minimum balance, fee schedules, and overdraft protection would be a beneficial addition in assessing what banks do for LMI borrowers.

In summary, creating a better CRA requires a better understanding of how the CRA works and how it could work in the future. And that requires more and better data. Using currently available data, we have shown some of the gaping holes in the lending data. And we could not even begin to analyze the investments and services data. Any CRA modernization effort should pay close attention to data collection, with an eye toward making it possible to evaluate which aspects of the CRA are impactful and which are not, allowing for further program improvement over time.

NOTES

1. The data in this article are drawn from Goodman, Zhu, and Walsh (2018), which uses 2016 data and was submitted as a comment letter in response to the OCC's ANPR.

2. There were 723 institutions with CRA files. Not all these institutions are HMDA reporters. We matched 385 of the CRA loan files to HMDA data, capturing 1.91 million of the 3.49 million single-family loans from banks in the HMDA data.

3. This situation will not improve with the release of the more complete 2018 data. There will be no common respondent identifier between the two datasets.

4. FFIEC files also provide data on loans broken down by the loan's original amount: $100,000 or less, $100,001 to $250,000, and $250,000 to $1 million. We did not use this information.

5. Using the narrow definition, small business lending is only slightly smaller than single-family mortgage lending that counts for CRA purposes.

6. See, for example, Benson F. Roberts (on behalf of the National Association of Affordable Mortgage Lenders), comment letter to the Office of the Comptroller of the Currency, November 19, 2018.

7. "Quick Facts: Resident Demographics," National Multifamily Housing Council, accessed August 16, 2019, https://www.nmhc.org/research-insight/quick-facts-figures/quick-facts-resident-demographics/.

8. Although we did not explicitly tie this to assessment areas, if a bank had a major presence in an area, that area would inevitably be considered part of its assessment area.

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