



Publisher of Consumer Reports

Austin faces a growing crisis as home prices rise and rents squeeze the average working family. With roughly 2,000 newcomers arriving in Austin each month, average home prices rose to \$163,400 in 1999 according to the Real Estate Center at Texas A&M. Rents in Austin are the third highest in the South after Washington D.C. and Miami. At the same time, two out of three private sector jobs created in Austin in the 1990s paid wages below the city's average, and a fifth of all jobs pay less than \$7 per hour. These working people have a harder and harder time finding an affordable home here.

Consumers Union and the Austin Tenants' Council together studied home mortgage lending to determine if banks and thrifts subject to CRA are making loans in low income areas at the same level they make loans elsewhere in the city. CU/ATC also calculated denial rates for minority applicants, and looked at market growth among minority applicants in the home purchase, refinance and home improvement loan markets.

Home Purchase Loans

- While the overall number of original owner-occupied home purchase loans in 1998 increased more than 12% over 1996 levels, the number of home purchase loans reported to Black applicants fell during this period from 1095 in 1996 to 965 in 1998.

- Lenders offer most borrowers conventional loans, but approve a disproportionate number of FHA loans for minority borrowers. While only 21.5 percent of borrowers obtained FHA loans, 41.1 percent of Hispanic borrowers and 36.8 percent Black borrowers took FHA loans.

- Blacks and Hispanics were denied at twice the rate for a home purchase loan in the Austin-San Marcos MSA as Whites in 1998, and the disparity in denial patterns appears to be increasing for Black applicants.

- While lower income Black and Hispanic applicants were not denied a home purchase loan higher rates than lower income White applicants, higher income Blacks and Hispanics were denied at a much higher rate than higher income Whites over the three year period, with the largest disparity for the highest income Black applicants.

- The largest bank lenders—Norwest Mortgage (affiliate of Norwest Bank), Guaranty Federal FSB and Chase Manhattan Mortgage—in the Austin-San Marcos MSA did not have the same level of lending in minority or low income areas that they had in other parts of the city.

- In contrast, the large manufactured home lenders—Green Tree Financial, Oakwood, The CIT Group Sales/Finance, Bank of America FSB, and Associates Housing Finance—as well as subprime credit lenders like Mortgage

Austin Tenants' Council
1619 E. Cesar Chavez St.
Austin Texas 78702
(512) 474-1961

Portfolio Services and United Companies Lending are over-represented in these areas. These lenders as a whole tend to offer credit at higher than standard rates.

- Among the most equitable lenders in the Austin-San Marcos MSA were Nationsbank, Countrywide Home Loans, and Irwin Mortgage.

Refinancing Loans

- For Black applicants, refinancing loan and home improvement loan denial ratios also increased strongly as income level increased. The very highest income Hispanic refinancing applicants were denied at more than twice the rate of the highest income White applicants.

- Only Bank One Group (Bank One Texas NA and Banc One Mortgage) and NationsBank Group (Nationsbank NA and Nationsbank Mortgage) made more than their citywide market share of loans to people in low income or minority census tracts.

- Guaranty Federal/Temple-Inland, Norwest and Chase were substantially underrepresented in these areas. In contrast, Norwest and Chase, both made more than their citywide market share of refinance loans in low minority or in high income census tracts.

- While the top ten refinance lenders to White borrowers in low income census tracts are "prime" mortgage lenders and bank lenders, four of the top ten refinance lenders to Black borrowers are "subprime" lenders that typically charge higher interest.

The "Outstanding" and "Satisfactory" Bank

- In most cases, the CRA file did not provide enough information to determine a bank's level of involvement in the Austin community. The CRA statement, a narrative description by the bank of its community investments and lending programs, is no longer required by federal regulators and most bank files reviewed no longer contain this statement.

- Overall, the major depository lenders in the Austin area received "Outstanding" or "Satisfactory" ratings for Texas, but few of the lenders showed strong investment performance in the Austin area. Several lenders had large and ongoing projects in Houston or Dallas, while Frost emphasizes community development in its home town, San Antonio. Only Chase and Bank One report significant construction lending in support of low income developments here.

ATC/CU believe that Austin, with its growing divide between rich and poor and its rapidly escalating housing prices, should be a central focus for community development by depository institutions in the coming years.

**Consumers Union SWRO
Austin Tenants' Council**

April 2000



Access to the Dream 2000: Austin Focus

Mortgage Loan Access in Austin

Home Purchase Refinance Home Improvement

Austin faces a growing crisis as home prices rise and rents squeeze the average working family. With roughly 2,000 newcomers arriving in Austin each month¹, average home prices rose to \$163,400 in 1999 according to the Real Estate Center at Texas A&M.² Rents in Austin are the third highest in the South after Washington D.C. and Miami.³ At the same time, two out of three private sector jobs created in Austin in the 1990s paid wages below the city's average, and a fifth of all jobs pay less than \$7 per hour.⁴ These working people have a harder and harder time finding an affordable home here.

The Austin City Council recently convened to find solutions to the growing wage and high technology divide.⁵ Ranking leaders in the high tech industry announced a renewed commitment to the community,⁶ including increased charitable giving. But in the long term, access to affordable homes will require continued or increased participation in low/moderate income home lending by the banks, savings and loans, and credit unions subject to the Community Reinvestment Act.

Austin's Home Loan Market

Austin's housing market was hot in

the late 1990s. In 1998, lenders in the Austin-San Marcos MSA originated \$2.79 billion in home purchase loans, \$92 million in home improvement loans, and provided \$1.91 billion to refinance existing home loans. Home purchase lending increased 19 percent over loan volumes in 1996, and refinance nearly tripled. Low interest rates and the introduction of home equity lending in January 1998 likely account for this giant leap in refinancing activity.

Overall lending increased both in the number of loans and in the average value of loans over this period. Lenders originated 25,615 home purchase loans and 17,332 refinancing loans in 1998, with an average value of \$109,000 and \$110 respectively.

More than half of the home purchase loans made in Austin in 1998 were issued by mortgage companies (52 percent) rather than banks or S&Ls. Mortgage companies are not subject to Community Reinvestment Act (CRA), although no lender may unlawfully discriminate.

Banks⁷ made only 30 percent of home purchase loans. However, banks made 43 percent of refinance loans and a market dominating 74 percent of home improvement loans. S&Ls, historically

the backbone of the home mortgage lending industry, made less than 20 percent of the refinancing and home purchase loans and only 10 percent of the home improvement loans.

A total of 321 lenders reported home purchase loan originations under the Home Mortgage Disclosure Act in 1998, but the 50 top lenders account for more than 80 percent of the loans made. Ranked by the number of home purchase loan originations in 1998, Countrywide Home Loans is Austin's largest individual lender. However, Guaranty Federal Bank FSB and its subsidiary Temple-Inland Mortgage together made a total of 2109 loans, or 8.2 percent of all loans in the Austin-San Marcos MSA. Norwest Mortgage ranked third. Norwest group (Norwest Mortgage and Norwest Bank together), followed by Countrywide and Guaranty/Temple-Inland, made the largest number of home refinancing loans.

The home improvement loan market in Austin is more concentrated. A total of 92 lenders made home improvement loans in 1998, but the top 15 lenders made 80 percent of the loans. Nationsbank NA was the leader in home improvement lending with 22.8 percent of the loans, and the next largest home

improvement lender, Bank One Texas NA, made 10.8 percent of the loans. The 10 leading home improvement lenders in Austin-San Marcos are depository institutions subject to CRA.

Market Equity

Lending Levels: While the overall number of original owner-occupied home purchase loans in 1998 increased more than 12% over 1996 levels, the number of home purchase loans reported to Black applicants fell during this period from 1095 in 1996 to 965 in 1998. Loan applications from Black applicants actually increased slightly from 2409 in 1996 to 2448 in 1998, so the decline in home loans is not due to a smaller applicant pool.

The number of home purchase loans made to Hispanic applicants increased by 7%, a smaller increase than the growth of the market as a whole.

As would be expected in a market with rapidly rising home values, the average loan amount increased for all racial/ethnic groups from 1996 to 1998, although loans to Blacks remain smaller on average than loans to Whites, and loans to Hispanics average even smaller. In 1996 loans averaged \$87,000 for Black applicants, \$74,000 for Hispanic applicants, and \$108,000 for White applicants. By 1998, these values climbed to \$90,000, \$79,000 and \$112,000 respectively.

Conventional and FHA: Lenders offer most borrowers conventional loans, but approve a disproportionate number of FHA loans for minority borrowers. FHA loans typically cost more than conventional credit because borrowers must pay an FHA insurance premium of 2.5 percent of the loan amount up front and

an insurance premium every month over the life of the loan⁸. Borrowers with conventional loans may cancel Private Mortgage Insurance once they have adequate equity in their homes.

The majority of home purchase borrowers in the Austin-San Marcos MSA (72.3 percent in 1998) obtained conventional loans and only 21.5 percent obtained FHA loans. A higher percent-

ing to 41.1 percent in 1998. And 36.8 percent of loans to Black borrowers were FHA loans in 1998.

Denial Rates and Ratios: Denial ratios compare the rate at which minority applicants were denied loans to the rate at which White applicants were denied loans. Blacks and Hispanics were denied at twice the rate for a home purchase loan in the Austin-San

Marcos MSA as Whites in 1998, and the disparity in denial patterns appears to be increasing for Black applicants.

While lower income Black and Hispanic applicants were not denied a home purchase loan higher rates than lower income White applicants, disparities widened as income increased. Higher income Blacks and Hispanics were denied at a much higher rate than higher income Whites over the three year period, with the largest disparity for the highest income Black applicants.

For Black applicants, refinancing loan and home improvement loan denial ratios also increased strongly as income level increased. The very highest income Hispanic refinancing applicants were denied at more than twice the rate of the highest income White applicants.

Denial ratios for individual lenders (calculated using three years combined data in order to maximize the number of transactions with minority applicants) varied

Share of Completed Applications Denied by Mortgage Lenders, and Ratio of Minority Denial Rate to White

Austin-San Marcos	1996 Denial Rate	1996 Denial Ratio	1997 Denial Rate	1997 Denial Ratio	1998 Denial Rate	1998 Denial Ratio
Asian/ Pac. Isl.	11.8%	.51	13%	.51	12.8%	.55
Black	42.3%	1.81	46.2%	1.83	47.8%	2.05
Hispanic	48.6%	2.09	51.1%	2.03	49.1%	2.11
White	23.3%	1	25.2%	1	23.3%	1

Table 1

Three Year Combined Denial Ratios for Blacks and Hispanics by Type of Loan and Income of the Applicant

Black/White Applicant Income Level	Home Purchase Denial Ratio	Refinance Denial Ratio	Home Improvement Denial Ratio
Under \$25,000	1.18	1.62	1.33
\$25,000 to less than \$50,000	1.48	2.16	1.61
\$50,000 to less than \$75,000	1.86	2.15	2.17
\$75,000 to less than \$100,000	1.70	2.61	2.91
\$100,000 and above	2.08	2.91	2.70
Hispanic/White Applicant Income Level			
Under \$25,000	1.17	1.55	1.37
\$25,000 to less than \$50,000	1.59	1.97	1.53
\$50,000 to less than \$75,000	1.97	1.79	1.78
\$75,000 to less than \$100,000	2.01	1.84	1.47
\$100,000 and above	1.91	2.53	1.43

Table 2

age of borrowers received conventional credit in 1998 than in 1996.

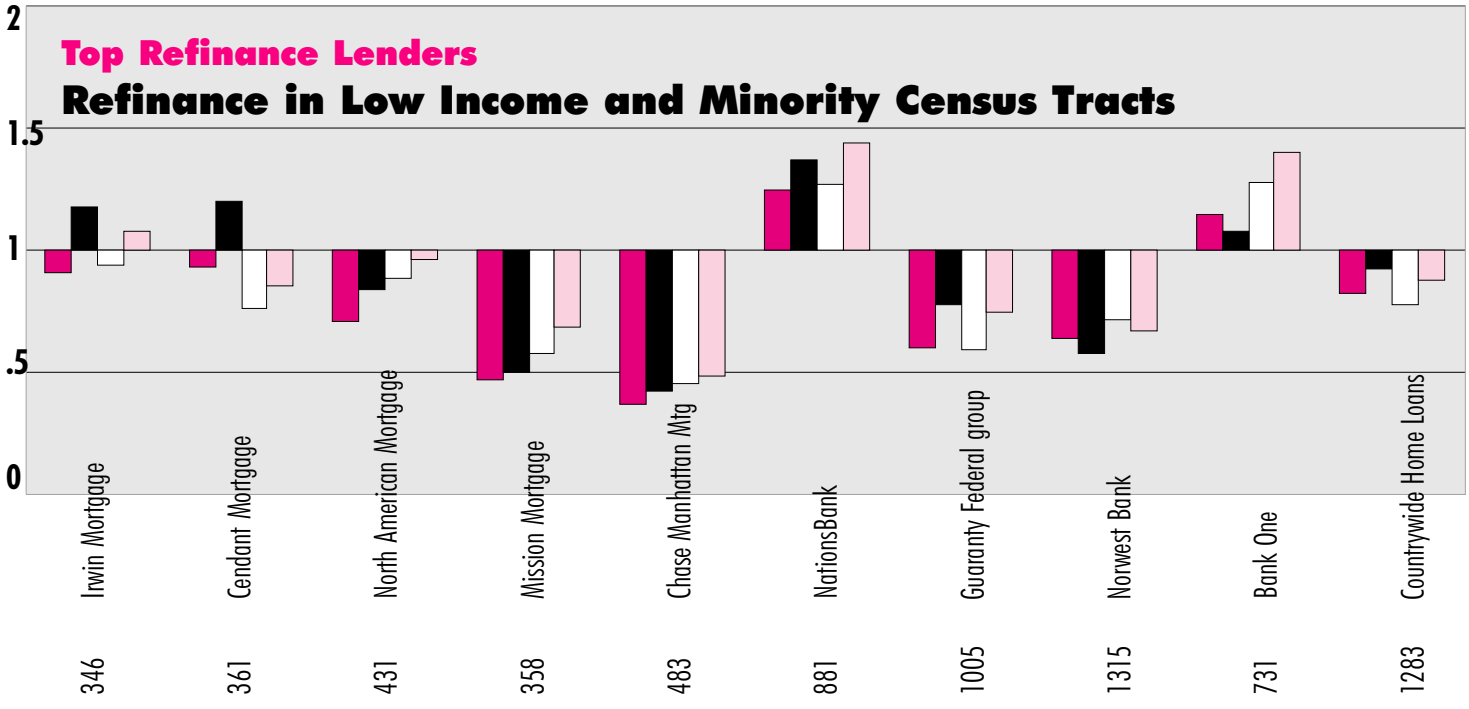
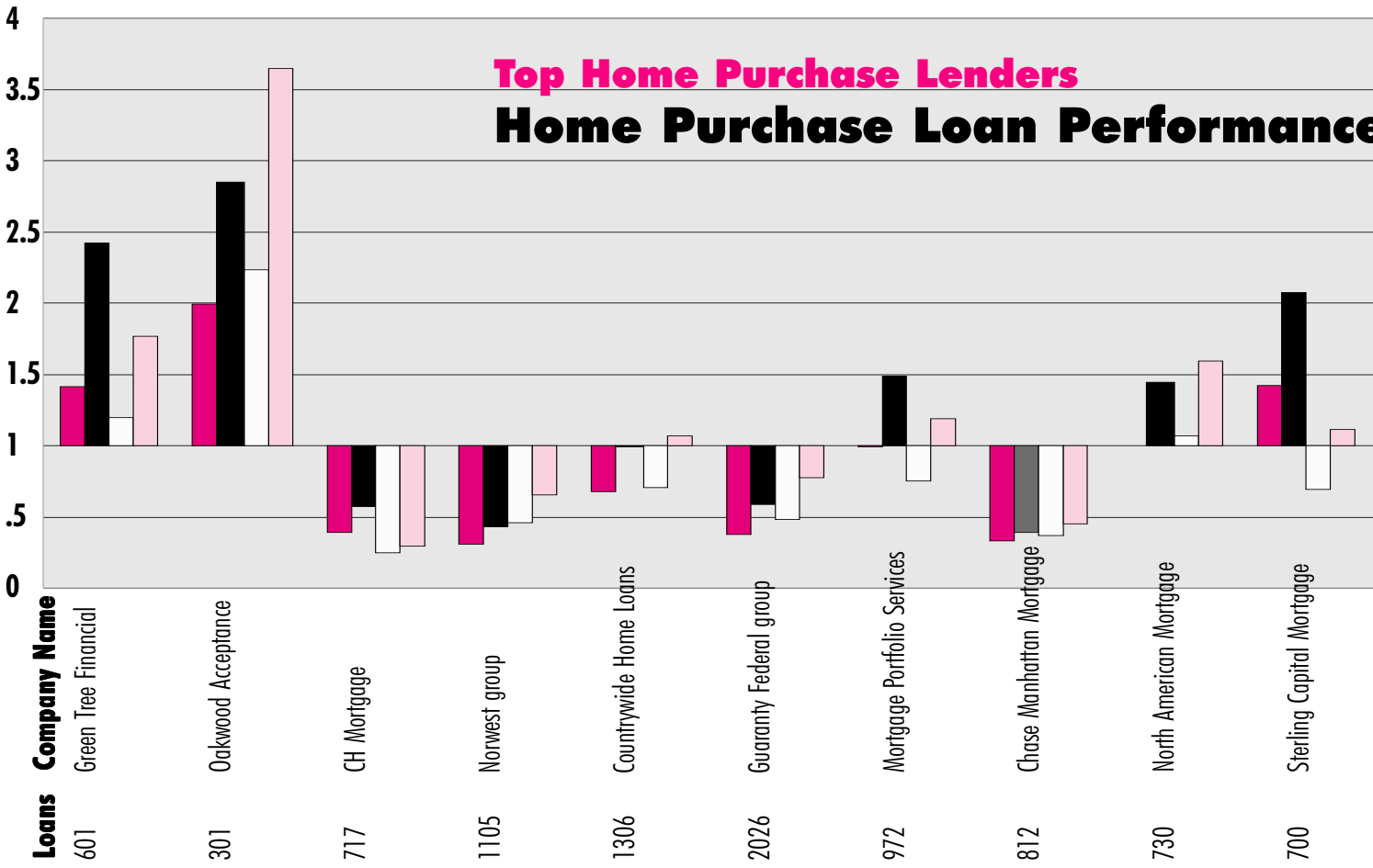
But 39 percent of Hispanic borrowers received FHA loans in 1996, increas-

Individual Company Denial Rates and Ratios, Austin-San Marcos, Three Year Combined Results

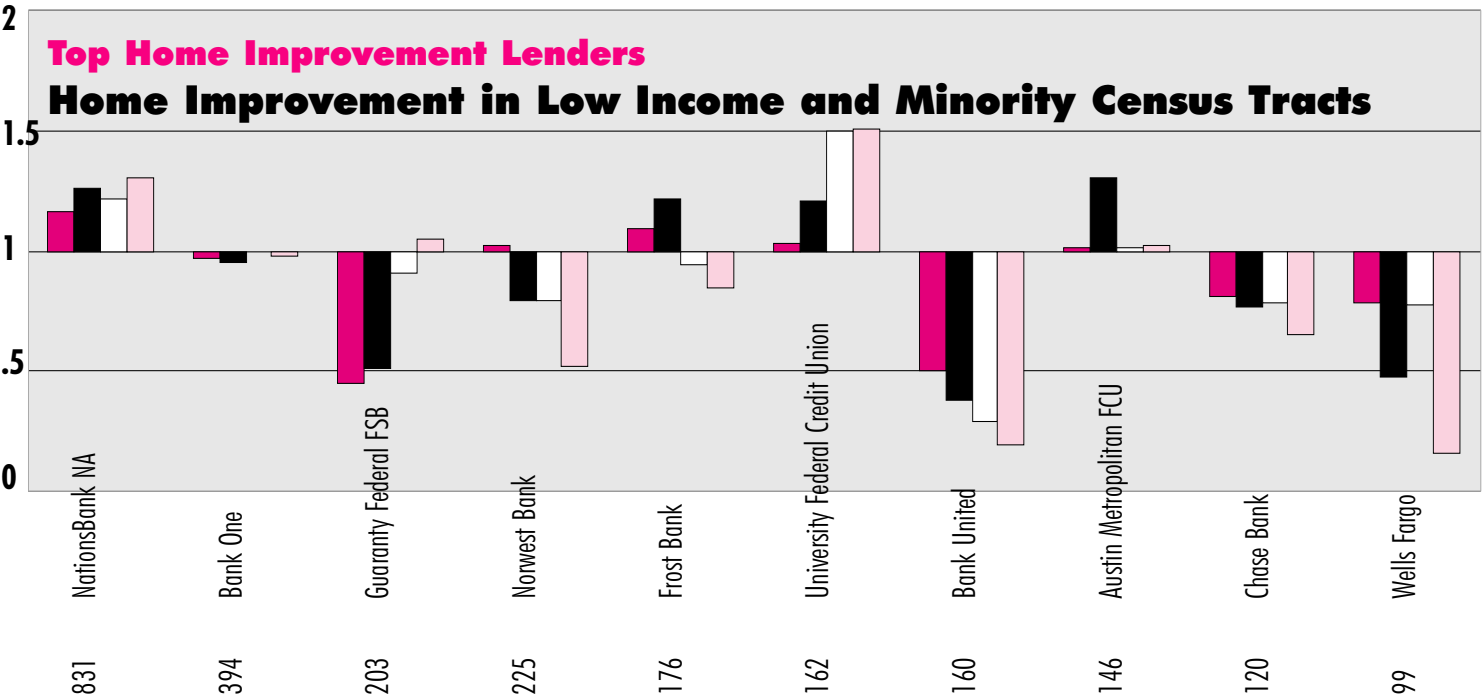
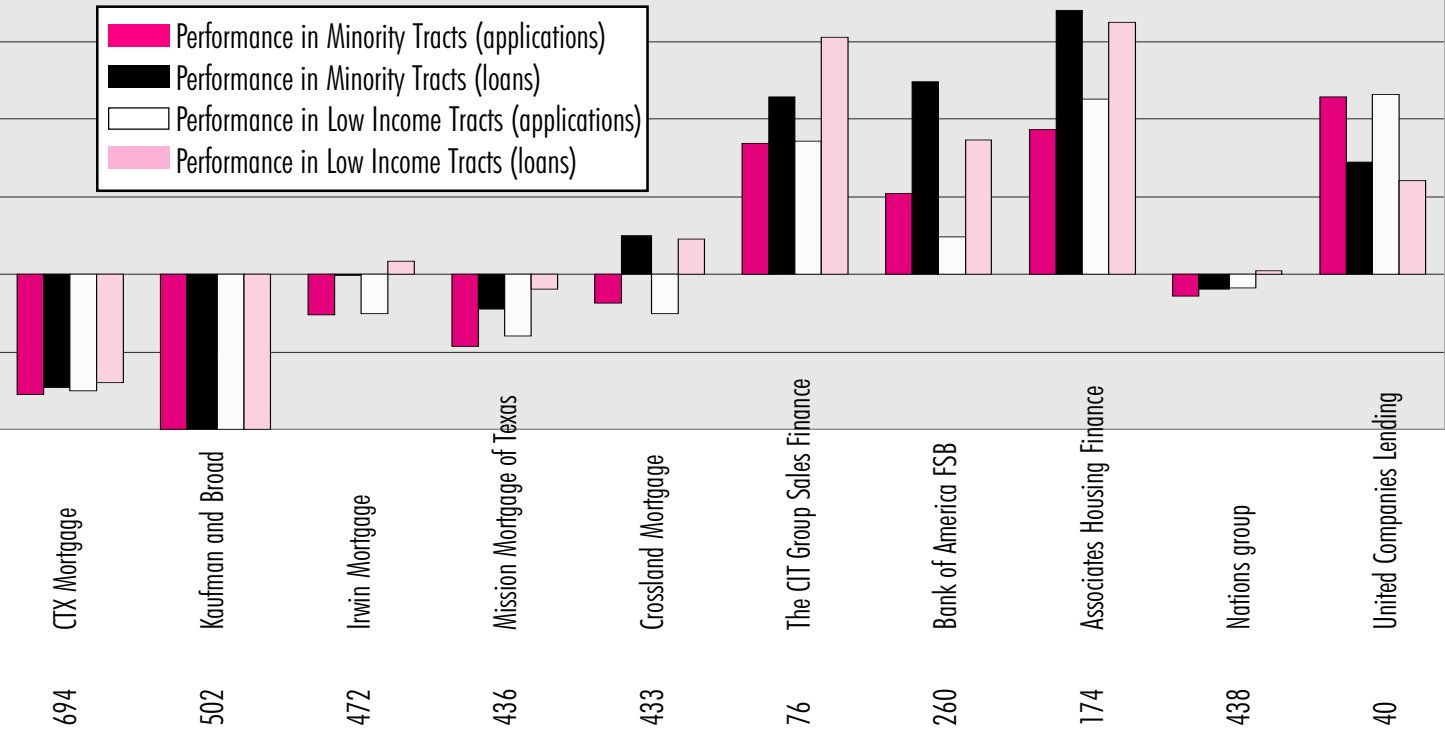
Lender Name	Black Denial Rate	Hispanic Denial Rate	White Denial Rate	Black Denial Ratio	Hispanic Denial Ratio
Mission Mortgage	26.5%	4.9%	2.8%	9.43	1.74
Resource Bancshares Mtg Grp	28.6%	11.4%	4.1%	7.01	2.79
Aegis Mortgage	18.2%	4.7%	3.2%	5.65	1.46
Patricia A. Fields	6.3%	4.3%	1.1%	5.53	3.85
WMC Mortgage	22.2%	9.2%	4.2%	5.26	2.18
Accubanc Mortgage	10.5%	3.2%	2.1%	4.99	1.53
NationsBank Texas NA	75.0%	43.7%	17.6%	4.27	2.48
CTX Mortgage	11.1%	9.2%	2.9%	3.87	3.2
Temple Inland Mortgage	6.9%	4.2%	1.9%	3.7	2.25
Bank One Mortgage	34.5%	30.2%	11.8%	2.92	2.56
Fleet Mortgage	25.0%	8.3%	8.7%	2.87	0.96
Bank One Texas NA	50.0%	25.9%	17.8%	2.81	1.46
Countrywide Home Loans	23.4%	8.1%	8.4%	2.78	0.96
Sterling Capitol Mortgage	14.5%	11.8%	5.3%	2.74	2.22
Chase Manhattan Mortgage	26.1%	19.7%	9.8%	2.67	2.02
Guaranty Federal Bank FSB	21.1%	10.6%	8.6%	2.45	1.24
Kaufman and Broad Mortgage	12.9%	7.8%	5.3%	2.45	1.49
Pacific Southwest Bank	11.9%	3.0%	5.4%	2.22	0.57
Bank United	26.3%	17.5%	12.0%	2.2	1.46
Norwest Mortgage	15.2%	14.6%	7.1%	2.14	2.05
Mortgage Portfolio Services	7.2%	5.9%	3.4%	2.11	1.72
CH Mortgage	25.0%	16.4%	12.1%	2.07	1.36
FT Mortgage Companies	25.9%	17.3%	13.4%	1.93	1.29
Ryland Mortgage	5.0%	5.1%	2.6%	1.91	1.94
Old Kent Mortgage Company	26.7%	23.9%	14.1%	1.89	1.69
North American Mortgage	17.6%	12.1%	9.6%	1.82	1.25
Homecomings Financial Ntwk	28.6%	18.8%	15.7%	1.82	1.2
Crestar Mortgage	14.3%	37.5%	8.3%	1.72	4.53
Harbor Financial	22.0%	20.4%	13.4%	1.64	1.52
Crossland Mortgage	10.9%	7.1%	7.9%	1.38	0.9
Oakwood Acceptance	70.0%	59.6%	52.2%	1.34	1.14
Vanderbilt Mortgage	69.8%	61.9%	51.9%	1.34	1.19
Bank of America FSB	57.1%	52.6%	43.2%	1.32	1.22
Irwin Mortgage	28.1%	29.0%	21.3%	1.32	1.36
21st Century Mortgage	62.3%	60.7%	49.1%	1.27	1.24
Green Tree Financial	68.1%	66.2%	55.5%	1.23	1.19
Ford Consumer Finance	76.3%	76.3%	65.4%	1.17	1.17
The CIT Group Sales Finance	81.2%	85.4%	74.9%	1.08	1.14
Nationsbanc Mortgage	14.3%	17.9%	14.1%	1.01	1.27
Citifed Diversified Inc.	1.7%	3.3%	2.3%	0.74	1.45
First Preference Mortgage	2.3%	3.8%	4.5%	0.5	0.85

Table 3

Marketshare Analysis: Major Austin-San Marcos Lenders



Performance in Low Income and Minority Census Tracts





considerably (see Table 3). In this area, lenders who denied Black and Hispanic applicants at far higher rates than White applicants included Mission Mortgage (denying Black applicants at more than 9 times the rate of White applicants), Resource Bankshares Mortgage, Patricia A. Fields Mortgage, Aegis Mortgage, and WMC Mortgage. Of depository lenders, Temple-Inland Mortgage (affiliate of Guaranty Federal), Bank One Mortgage, and NationsBank of Texas NA had among the highest denial ratios. However, Nationsbank Mortgage—the larger of the affiliated lenders—had among the lowest denial ratios for the Austin-San Marcos MSA.

Market share Analysis and Lender Survey

Lenders sometimes argue that they receive few if any applications from potential borrowers in low income high minority areas. However, a review of all loans in Austin-San Marcos by census tract revealed a significant number of applications submitted and loans made in census tracts at or below 80% of median family income, and tracts with a minority concentration at or above the MSA-wide minority concentration. Lenders received 9,856 home purchase loan applications, and made 3592 loans in tracts with above average minority population⁹, and made 2,463 loans from 6,921 applications in tracts at or below 80% of median family income for Austin.

CU/ATC compared each lender's overall MSA-wide market share with its share of the applications taken and loans made in low income and minority census tracts. If a lender's share of loans made in these census tracts is about the same as its share of the overall market, it's market share ratio will be 1.0. If it has a greater share of loans in low income or minority areas than its overall market share, it's market share ratio will be higher than 1.0. And conversely, if it has a smaller share of the existing loan market in these areas than in the MSA as



a whole, it will score less than 1.0.

Lending patterns may be explained in part by a lender's specialization. For example, manufactured home lenders might be expected to have a substantial portfolio of loans in lower income areas. In order to gather as much information as possible about Austin's largest lenders, Consumers Union and the Austin Tenants' Council (ATC) sent surveys to Austin's largest 45 lenders. Unfortunately, only six lenders responded to the survey. The responses from these lenders, however, do help us understand the lending patterns that emerged.

Home purchase loans

The largest bank lenders—Norwest Mortgage (affiliate of Norwest Bank), Guaranty Federal FSB and Chase Manhattan Mortgage—in the Austin-San Marcos MSA did not have the same level of lending in minority or low income areas that they had in other parts of the city. Guaranty Federal and its subsidiary Temple Inland Mortgage together made more home purchase loans than any other lender. Guaranty made its Affordable Neighborhood Mortgage available through Temple-Inland, as well as its FHA program loans. Alone, Temple Inland has an equitable distribution of loans across low and higher income census tracts, but with Guaranty Federal the combined bank has more than its overall market share in the highest income tracts and the lowest minority concentration tracts, while it has less than its MSA wide share of loans in minority and low income areas. Norwest Mortgage (the home mortgage lender for Norwest Bank) and Chase Manhattan Mortgage showed a similar lending pattern.

The large home builder affiliated mortgage companies—including CH Mortgage, CTX Mortgage, and Kaufman and Broad Mortgage—also did not show much lending in low income and minority census tracts.

By contrast, the large manufactured

home lenders—Green Tree Financial, Oakwood, The CIT Group Sales/Finance, Bank of America FSB, and Associates Housing Finance—as well as subprime credit lenders like Mortgage Portfolio Services and United Companies Lending are over-represented in these areas. These lenders as a whole tend to offer credit at higher than standard rates (see main report for manufactured home loan rates).

In addition, Sterling Capital Mortgage, Crossland Mortgage and North American Mortgage also made proportionally more loans in low income or minority tracts than their overall markshare. Crossland Mortgage is a manufactured home lender, makes FHA loans, and has a subprime program.¹⁰ Sterling Capital Mortgage is a large FHA lender in Austin, with more than half its home purchase loans made through the FHA program. In addition, Sterling reported in its survey response that it qualifies applicants who may be a poor credit risk by asking for a larger downpayment, offering a loan at higher interest rates or requiring that the applicant pay additional points up front.¹¹ North American Mortgage, also an FHA lender (although it made substantially fewer FHA loans than Sterling in this MSA) reported that it too will qualify higher risk borrowers at higher interest rates. North American reported that its interest rates can vary by 3 percent or more between the prime borrower and the highest risk applicant.¹²

Among the most equitable lenders in the Austin-San Marcos MSA were Nationsbank, Countrywide Home Loans, and Irwin Mortgage. Countrywide Home Loans not only originated loans in low income and minority tracts at about the same rate as it did in the rest of the city, but it originated a substantial number of loans to minority borrowers in these tracts. According to its survey response, Countrywide does not underwrite higher risk borrowers at higher interest rates. “Our pricing is the same for any applicant on the same program and loan

terms,” reported David Cook, Regional Vice President. “We are unique in that our pricing is consistent.”

Irwin Mortgage reports that it uses a liberal underwriting standard and accepts applicants with poor credit if other indicators are fine. However, like North American and Sterling, Irwin will charge higher interest or add points up front if an applicant has poor credit or higher risk collateral, although Irwin reports only a 1-1.5 percent difference between premium rates and its higher rates.

Nationsbank/Bank of America did not respond to the ATC Survey, so we know very little about the details of its current lending programs. However, in 1995 NationsBank designated East Austin as one of its NationsBank Neighborhoods. The NB Neighborhood program was designed to focus the bank’s resources on the revitalization of target neighborhoods.¹³ The NAACP Community Development Resource Center (CRDC) was a joint partnership program initiated by NationsBank and NAACP in 1993 to provide consumer education and to refer potential homebuyers to NationsBank for a mortgage. Bank of America closed all NAACP CRDCs in January of this year.¹⁴

Overall, we can conclude from our market analysis of the area’s largest lenders that most lenders with a strong presence in low income and minority census tracts in the Austin-San Marcos MSA (they lend at or above their citywide market share) are manufactured home lenders, subprime lenders, or have programs that allow them to qualify borrowers they determine to represent a higher risk at a higher rate. Manufactured home loans and subprime loans cost more than conventional loans, and the other lenders have flexible rate programs that allow for higher cost loans depending on the individual borrower. It is possible, then, that borrowers in these census tracts pay more generally for their loans than borrowers in other areas.

Home Improvement Loans

Unlike the home purchase loan market, banks, thrifts and credit unions dominated the home improvement loan market in Austin. NationsBank NA alone made nearly one quarter of all home improvement loans in the MSA. The top ten lenders, together making nearly 70 percent of all home improvement loans, are all depository institutions subject to the CRA.

Although home improvement lending declined somewhat in the Austin area in 1998 (probably due to the initiation of home equity lending), lenders still made 3681 loans citywide. But, lenders made only 425 home improvement loans in low income census tracts, and only 544 of loans were in minority census tracts.¹⁵ Therefore, for most lenders with less than 10 percent of the overall home improvement loan market, 30 loans in low income or minority tracts would constitute an equitable share of the few loans actually made. Even so, Guaranty Federal FSB made relatively few home improvement loans in minority tracts. Norwest Group (Norwest Bank Texas NA and Norwest Home Improvement) Bank United, Chase Bank of Texas and Wells Fargo Bank Texas NA made relatively few loans in either minority or low income areas.

According to its 1996 CRA evaluation, Texas Commerce Bank (now a part of Chase) was once the leading home improvement lender in most of its service areas, and the leading lender to applicants in low/moderate income census tracts. Its home improvement lending record was the centerpiece of its “Outstanding” evaluation.¹⁶ Yet by 1998, Chase Bank of Texas made only 122 home improvement loans in the MSA, and only 10 in low income census tracts. Chase has not been evaluated for its CRA compliance since 1996.

The top lenders in the home improvement loan market in 1998, NationsBank NA and Bank One Texas NA, made loans in low income and

CRA Ratings for Depositories in the Austin-San Marcos MSA

Institution	CRA Statement	Date of Last Evaluation	Bank Evaluated	Rating
Chase Bank	No	Sept. 1996	Texas Commerce Bank	Outstanding
Bank One Texas	No	Oct. 31, 1997	Bank One Texas	Satisfactory
Frost Nat. Bank	No	Feb. 9, 1998	Frost National Bank	Satisfactory
Guaranty Federal	Yes	March 1999	Guaranty Federal FSB	Outstanding
Nations	No	Jan 7, 2000	NationsBank (for the 1996-1997 assessment period)	Satisfactory (Texas rating)
Bank of America	No	Oct 31, 1996	Bank of America	Outstanding

Table 4

minority areas in equal or greater proportion to their citywide market share. The two credit unions among the top lenders also made their fair share of loans in these tracts, as did Frost National Bank. Clearly there is a market for home improvement loans in low income and minority census tracts in the Austin-San Marcos MSA, and a number of large banks and credit unions have captured this market. Yet the small number of home improvement loans made altogether may indicate an ongoing unmet need for home improvement lending to which all depository institutions should attend.

Refinancing Loans

Refinancings boomed in Austin in 1998—due no doubt to a combination of low interest rates and the introduction of home equity lending.¹⁷ Four of the top five refinance lenders are depository institutions subject to the CRA.

Yet, as we found in the home improvement loan market, only Bank One Group (Bank One Texas NA and Banc One Mortgage) and NationsBank Group (Nationsbank NA and Nationsbanc Mortgage) made more than their citywide market share of loans to people in low income or minority census tracts. Guaranty Federal/Temple-Inland, Norwest and Chase were substantially underrepresented in these areas. In contrast, Norwest and Chase, both made

more than their citywide market share of refinance loans in low minority or in high income census tracts.

Of the top mortgage companies, only Irwin Mortgage made loans equaling its citywide market share in these tracts. Cendant Mortgage made a substantial number of loans in high minority tracts, but fewer in low income tracts, compared to its MSA market share.

Mission Mortgage, on the other hand, is substantially over represented in high income and low minority tracts, and did relatively little lending in minority or low income tracts. Countrywide did not perform as well in the refinance market as it did in the home purchase market, although it is the city's second largest refinance lender.

Although we have little current information about the lending practices that make NationsBank and Bank One leaders in lending to low income and minority tracts, the results speak for themselves. An Austin market exists for refinance loans to people who live in economically depressed or heavily minority areas, and some depository institutions have tapped that market. Most of the largest refinance lenders have not.

The "Outstanding" and "Satisfactory" Bank CRA Rating

The Austin Tenants' Council

collected public CRA files from the largest depository lenders in the Austin/San Marcos MSA and reviewed the files to determine the level of involvement by these institutions in the revitalization of Austin's low income areas. The Tenants' Council collected CRA files from Chase/Texas Commerce Bank, NationsBank/Bank of America, Bank One, Guaranty Federal Bank FSB, and Frost Bank.

In most cases, the CRA file did not provide enough information to determine a bank's level of involvement in the Austin community. The CRA statement, a narrative description by the bank of its community investments and lending programs, is no longer required by federal regulators and most bank files reviewed no longer contain this statement. Although the Community Reinvestment Act requires a performance evaluation of each institution once every two to three years, mergers or other reorganizations sometimes postpone the release of CRA evaluations. For example, regulators issued the NationsBank evaluation for 1996 and 1997 in January 2000. Information in the newly published public document is already two or three years old.

Chase/Texas Commerce Highlights:

- Lending—Texas Commerce reported substantial 1995 LMI lending in Houston but a lower level of lending in Austin and San Antonio. In 1995, it reported strong home improvement lending in low/moderate income areas in Austin, and a special program to identify census tracts with no lending and create an action plan for penetration of those tracts.

- Investment—In addition, Texas Commerce invested in two low/moderate income apartment complexes in Austin: Yager Lane at IH35 and Park Plaza on IH35. These investments qualified for federal tax credits and rent to families earning less than 60 percent of Austin median family income. In addition TCB provided interim construction financing for affordable houses in East Austin in partnership with SDC Walnut Creek Development, the City of Austin, and

Greater Calvary Missionary Baptist Church.

Bank One Highlights:

- Lending—Consumer loans comprised 80 percent of the bank’s lending activity in 1997. Its share of consumer loans in low/moderate income tracts was lower than its share of loans in higher income tracts. Regulators also found that in 1997, HMDA data showed a preference for home loans to upper income applicants over low and moderate income applicants.

- Investment—Bank One participated in Austin’s scattered cooperative infill housing project (SCIP), and invested in a community development corporation providing loans to small business in low/moderate income tracts. Bank One made six community development loans for the construction of affordable housing totaling \$2.1 million in 1996 and 1997.

Frost National Bank Highlights:

- Lending—Because Frost was not a very large home mortgage or home improvement lender in Austin in 1996, 14 home improvement loans and 11 purchase/refinance loans in low income tracts gave it a greater share of the market in these areas than its overall market share.

- Investment—The bank’s level of investment in the Austin area was relatively low. Frost had eight qualified investments totaling only \$45,000, with an additional commitment in place for \$50,000 more. The investments were not identified.

Guaranty Federal Bank FSB Highlights:

- Lending—Regulators found that lending to low/moderate income borrowers exceeded that of other HMDA reporting lenders, and that Guaranty Federal (combined with Temple Inland) made about the same level of loans in low/moderate income areas as other HMDA lenders.

- Investments—Regulators cited no significant home construction or community development investments in

the Austin area, but noted that Guaranty Federal made contributions to nonprofit organizations in the Austin area of \$230,000 in 1996 and 1997. Guaranty contributed \$5,000 to Austin housing groups over the two year period, and computers and office equipment to low/moderate income area neighborhood groups.

NationsBank/Bank of America Highlights:

- Lending—In 1998, after completion of the merger between Bank of America and NationsBank, the new institution announced that it would fulfill Bank of America’s \$350 billion commitment to community development and affordable lending nationwide. Bank of America provided no information about the local results of that national commitment. Bank of America offered low/moderate income individuals home mortgages through its own Neighborhood Advantage Home Loan program, as well as FHA and VA loans.

- Investment—Bank of America in 1999 outlined a number of community development projects around the country, including projects in Dallas, Ft. Worth, and San Antonio, but none in Austin.¹⁸ According to the most recent CRA evaluation for NationsBank (for the period prior to the merger, 1996-97), the bank’s investments were focused in the Metroplex.¹⁹ In the evaluation, Austin received only a limited-scope review and the report provided no details about Austin performance.

Overall, the major depository lenders in the Austin area received “Outstanding” or “Satisfactory” ratings for Texas, but few of the lenders showed strong investment performance in the Austin area. Several lenders had large and ongoing projects in Houston or Dallas, while Frost emphasizes community development in its home town, San Antonio. Only Chase and Bank One report significant construction lending in support of low income developments here. ATC/CU believe that Austin, with its growing divide between rich and poor and its rapidly escalating housing prices,

should be a central focus for community development by depository institutions in the coming years.

Endnotes

¹ Holstein, William J., “A Tale of Two Austins,” U.S. News and World Reports, February 21, 2000, Vol. 128, No. 7; p. 44.

² “Austin MLS Residential Housing Activity,” Real Estate Center at Texas A&M University, Internet: recenter.tamu.edu/Data/hs/hs140a.htm, download data: 2/22/00. Using Multiple Listing Service data.

³ “Realestate Market Overview, Austin-San Marcos,” Real Estate Center at Texas A&M University, Report 1293, April, 1999, p. 6.

⁴ Holstein, p. 44. Bishop, Bill, “Austin taking on a tough issue: income inequality,” Austin American Statesman, January 13, 2000, p. A1.

⁵ Barshop, p. A1.

⁶ Holstein, p. 44.

⁷ Including banks and bank affiliates regulated by the Office of the Comptroller of the Currency, the Federal Reserve Board or FDIC insured.

⁸ Borrowers also pay an annual premium of .5 percent of the loan amount. Although FHA loans bear additional costs, lenders may roll the initial FHA premium (but not the annual premium) into the loan amount and finance it. In addition, lenders may also finance some closing costs—thus significantly decreasing the up-front cost to the borrower. Despite these drawbacks, FHA loans remain an attractive product for some low/moderate income families.

⁹ For average minority population, CU/ATC used projections produced by the Texas State Data Center for the overall minority population of the Austin-San Marcos MSA for 1995 (Projections of the Population of Texas and Counties in Texas by Age, Sex and Race/Ethnicity for 1990-2030, Texas State Data Center, Texas A&M University, February 1998, Austin-San Marcos, Scenario 0.5. The State Data Center

estimated the MSA minority population at 34.3 percent. CU/ATC defined low minority as less than half the MSA-wide estimate, or less than 17.2 percent minority. High minority areas are all areas greater than the MSA-wide estimate.

¹⁰ Carroll, Kristin, respondent for Crossland Mortgage, Austin Tenants Council Lender Survey, p.1, 6.

¹¹ Stewart, Keith, respondent for Sterling Capital Mortgage, Austin Tenants Council Lender Survey, p. 6.

¹² Ceble, Michael, respondent for North American Mortgage, Austin Tenants Council Lender Survey, p. 5-6.

¹³ NationsBank Texas NA, Community Reinvestment Act Performance Evaluation, July 21, 1995, p. 11.

¹⁴ Alford, Andy, "Losing out on

Loans?" Austin American Statesman, January 31, 2000, p. A.

¹⁵ These figures for loans in low income and minority tracts do not include all data. A small number of additional loans were reported but FFIEC noted that the records may have errors, and the records were therefore excluded for purposes of census tract level analysis. Of the total 3681 home improvement loans citywide, 3340 records showed no data problems and were used as the basis for the census tract level analysis.

¹⁶ Texas Commerce Bank, Community Reinvestment Act Performance Evaluation, September 9, 1996, pp. 13-15.

¹⁷ Lenders are not required to report home equity lines of credit in HMDA data. However, Texas did not authorize

home equity lines of credit. Instead, Texans can withdraw the equity from their homes through cash-out refinancing or second liens on the home. A second lien loan that is used for home improvements will be reported as a home improvement loan. A second lien loan that is used for other purposes (education, debt consolidation, medical expenses, etc) does not have to be reported under HMDA. A cash-out refinancing will be reported as a refinance loan.

¹⁸ Bank of America, Community Development Banking, 1999.

¹⁹ NationsBank NA Community Reinvestment Act Performance Evaluation and Response Letter, 1996-1997 CRA examination, Bank of America, January, 2000, pp. 157-158.