



State of Banking in the City of Boston - 2022

As Boston and the country began to emerge from the Covid Pandemic high inflation, and increasingly higher borrowing rates had a jarring and long-lasting effect on the cost to borrowers whether for small businesses or home ownership.

Inflation was running at a forty-year high of 8% by years end and the standard 30-year fixed mortgage rate had doubled from 3% in 2021 to 6% in 2022.¹

The detrimental effect of inflation and higher interest costs on the housing market was compounded by low inventory. Existing home owners, who might have otherwise sold their homes, stayed put, unwilling to give up their low mortgage interest rate.

2022 Boston Home Ownership

The rise in costs of homeownership have greatly increased the income a potential buyer would need to be able to afford mortgage payments on the typical home in Greater Boston. Assuming standard underwriting terms that would allow buyers to spend no more than 31% of household income on monthly housing costs, a potential buyer would need to have an annual household income of at least \$196,500 to afford monthly payments on the typical home in the area in September of

2022—up from \$137,100 a year earlier. And for the typical low-end home in Greater Boston, the associated monthly costs of \$3,600 would only be affordable to a household with an annual income of at least \$138,000.²

Lending to Minorities and Low- and Moderate-Income Borrowers

According to the June 2022 Mortgage Lending Trends Report, by University of Massachusetts Donahue Institute: Blacks and Latinos have consistently received shares of total loans far below their population shares; the loans they do obtain have been much more likely to be higher interest Federal Housing Administration loans (FHA)*; and their applications for mortgage loans have been much more likely to be denied at higher rates.³

Historically, denial rates for conventional mortgage loans have been higher for Blacks and Latinos yet this discrepancy is not based solely on income. In Greater Boston, the denial rate for upper-income borrowers was 4.7% for Blacks and 2.7% for whites.⁴

*FHA loans are loans insured by the Federal Housing Administration. While a reasonable option for those unable to obtain a conventional loan, FHA loans are typically costlier and can indicate a lack of availability of conventional loans.

Foreclosure Update

During the pandemic, foreclosure moratoriums paused foreclosure for some time.⁵ The moratorium ended in June 2021 and 2022-2023 data indicate 126 petitions to foreclose in the City of Boston.⁶

By way of context, at the height of the foreclosure crisis in 2008, the foreclosure executions in Boston numbered 1,215.⁷

Mortgage Lending Trends 2022

Banks covered in this report originated 1563 HMDA Mortgage Loans in 2022. Of those originations, 24% went to applicants who identified as a minority applicant. Another 12.5% went to applicants where no race was specified.

The proportion of applications that resulted in originations was 65% overall, 72% for white applicants and 55.2% for minorities (excluding race N/A).⁸

Mortgage applications by minority applicants as a percentage of total applications was 28% in 2022 (excluding race N/A).

The total number of low-income HMDA mortgage applications received by the banks covered in this report was 415 resulting in 263 originations or an origination rate of 63% compared against an origination rate of 65% for all reportable HMDA loans by banks covered in this report.

The 16 banks profiled in this report received 19.5% of the mortgage applications submitted in Boston in 2022 and made 19.5% of the originations by number.

2022 Branch Bank Closures⁹

The banks, in this report, have closed at least 39 branches in Boston since the start of COVID, including those in low- and moderate-income areas. Branch closures have an outsized impact on some customers: small businesses that deal in cash; city dwellers reliant on public transit; older customers who have long done business in person; as well as people with low or moderate incomes and/or those for whom English is a second language.¹⁰

About this Report

Since 1999, BankIQ has prepared the Linked Deposit Banking Report to the Mayor, which reports annually on the residential lending, small business lending, and community development practices of the group of banks eligible to provide banking services to the City of Boston.

The report was created in accordance with section 6-8.2 of chapter VI of the City of Boston Municipal Code.¹¹

¹ Boston Political Review (.org)

² Boston Indicators (.org)

³ UMass Donahue Institute (James Campen)

⁴ Ibid.

⁵ City of Boston Distressed Property Report 2021.

⁶ Massachusetts Housing Partnership.

⁷ www.boston.gov/news

⁸ Metrics exclude applications where ID by race is not available.

⁹ <https://www.wbur.org/news/2022/09/21/massachusetts-banks-covid-branches-closed-banking>

¹⁰ Ibid.

¹¹ City of Boston Municipal Code, Chapter VI, section 6-8.2.

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BankIQ prepared this document for the City of Boston.

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For the complete 2022 Linked Deposit Banking Report, contact the City of Boston Treasurer's office or the City of Boston website.

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2022 Linked Deposit Banking Report to the Mayor

EXECUTIVE SUMMARY



CITY OF BOSTON