Although no "No Section 8" advertising was observed, it should be noted that there is always a concern that this statement may be found in rental advertising. Even though the source of income and rental assistance are not protected under state or federal fair housing law, those who receive assistance can include minorities, women with children and other protected classes. Therefore, this type of an ad would be a "red flag" to discriminatory practices. In addition, although there was no advertising that discouraged Section 8 vouchers, there was no advertising found that welcomed it.

While the lists of questionable words, phrases and symbols, listed above, may seem extensive at first glance, in fact, a publisher who is sensitive to the requirements of the law will quickly develop a sense of the type of advertisements which may raise a question under the law.

In short, the basic test for any advertiser should be: Would the ordinary reader construe the advertising as sending a message of preference for or against a particular class of home seeker?

6.0 PURPOSE AND PARAMETERS OF MORTGAGE LENDING

See Maps 22-23

At the heart of housing discrimination are mortgage lending practices. For many people, the goal of home ownership is contingent on their ability to obtain a mortgage. The issue of color, race, national origin, sex, religion, familial status or disability may still shut the door to home ownership. Mortgage lenders continue to refuse to do business in low-moderate income neighborhoods and minority neighborhoods. These discriminatory policies are holdovers from a past that would not allow loans to people who would represent an "inharmonious racial group" to neighborhoods. The policies of local lenders, real estate agents and even the federal government (through the Federal Housing Administration and Veterans Administration loan policies) assured that our country would grow with segregated cities. The most basic right of all Americans, to live where they want and can afford, was denied throughout the housing market.

Appendix 4 provides an extensive set of tables that provide information on lenders as a peer group and selected individual lenders. The reader is strongly encouraged to review the Appendix while reviewing this section of the report.

6.1 Sub-Prime and Predatory Lending

What makes a sub-prime lender different from a predatory lender? Most sub-prime lenders serve a need by targeting borrowers with sub-par credit histories, some can be characterized as ***predatory lenders***. Predatory lenders target specific populations, such as low-income, minority and/or elderly home owners, with high-pressure marketing techniques, charging excessive fees, frequent refinancing or "flipping" the loan and often misleading the borrower. Communities within the greater Montgomery County area are not immune to this practice. In low and moderate income and minority neighborhoods one or two sub-prime or predatory lenders often dominate the market, while prime lenders have very small market shares or are not to be found.

Each year, millions of consumers are targeted by sub-prime lending institutions to secure high cost mortgage and/or retail loans. Sub-prime lenders specialize in offering credit to consumers who may have credit blemishes or consumers with "B" or "C" credit, while conventional lenders focus their marketing efforts on consumers with few or no blemishes or those with "A" credit. With promises of easy payment plans, debt consolidation and quick approval, predatory lenders lure many consumers who have found it difficult or impossible to access low-cost loans in the conventional market, as well as many unassuming consumers who do qualify for traditional loans. According to recent studies by Freddie Mac, (a government sponsored enterprise that purchases mortgages from lenders and packages them into securities which are in turn sold to investors), between 25-35% of consumers receiving high cost loans in the sub-prime market qualified for conventional loans[48]

Since wealth for the vast majority of Americans is tied to property ownership, this system is threatening to deprive many Americans of their wealth by stripping them of their home's equity and, in some cases, foreclosing on the homes of people who cannot afford the exorbitant interest rates and high points. It is estimated that approximately 25% of all sub-prime loans contain one or more terms that can be classified as predatory.[49]

The ability to determine the extent of predatory lending in the greater Montgomery County community is made more difficult since many such lenders are not regulated. Frequently, they fall outside the HMDA reporting requirements and thus no aggregate data is available on their loan activity, other than the loans sold into the secondary market to Fannie Mae and Freddie Mac.

Mainstream financial institutions have excluded many of the groups targeted by predatory lenders when marketing loan products. Often, such institutions are much less interested in issuing smaller loans. Additionally, these unknowing consumers find themselves in these devastating positions through a lack of financial savvy. The lending process is very complicated with numerous forms to be completed. Many consumers are ill prepared to deal with the enormous volume of complicated paperwork that is given to them during the loan process. Reports show that consumers simply do not understand the process. Thus, the consumers have little choice but to trust the lender. The very person who is trying to

[48] Information for this discussion provided by Miami Valley Fair Housing Center, Dayton OH

[49] Council on Homelessness and Housing in Ohio, 2000

sell them the loan is the only person giving them advice on the quality of that loan and what the terms of the loan mean.

Most predatory lenders, however, do not provide quality counseling for consumers seeking their products and use the consumer's ignorance as a ripe opportunity to recap huge profits from selling money in this industry. Recent studies show that sub-prime lenders are far more profitable than their conventional counterparts. For instance, a small analysis of seven national lenders reveals that the earnings-to-loan volume ratio for sub-prime lenders is substantially higher than that for conventional or prime lenders.

Many times, consumers are paying too much interest for credit they secure and they are persuaded into purchasing credit life and disability insurance products for which they have little or no use. Moreover, these loans are often secured with consumers' property and fair housing organizations have received complaints from consumers who are about to lose their homes because they cannot afford the high cost of the loan they obtained.

According to The Woodstock Institute, from 1993 to 1998, loans made by prime lenders rose substantially slower than those by sub-prime lenders. Prime lenders had an increase in home purchase loans of 38% and a 2.5% increase in refinance loans. Corresponding increases among sub-prime lenders were 760% and 890% respectively. One possible reason for this dramatic increase in loans made by sub-prime lenders pertains to the increasingly segmented system of consumer finance with higher income communities as the main target of more highly regulated banks, thrifts (formerly called savings and loan) and their affiliates who seek to cross-sell account and investment products. At the same time, lending to lower income and minority communities is often viewed as an isolated line of business, in which the focus is on the short-lived transaction and associated fees. Lenders active in these communities tend to be mortgage and finance companies subject to substantially less regulation than banks and thrifts.

The Center for Responsible Lending (CRL) estimates that predatory lending of all kinds costs low-income borrowers over $16 billion each year which is comparable to the amount spent by the U.S. government on funding for CDBG, Head Start and public housing combined!

Throughout this lending review, the dominant role sub-prime lenders can have in a local market has been discussed. While the presence of sub-prime lenders is important in assuring that all households have access to credit, it can be a concern when lenders who have no commitment to the community are dominating the market. Table 7.1, 7.2 and 7.3 highlight those sub-prime lenders of Montgomery County's 36 largest lenders by all applications for 2000, 2001 and 2002. Overall market share for each is included.

In 1999, County Corp., a non-profit housing and economic development agency for Montgomery County, Ohio, noticed a high number of refinancing of their low-interest rate loans. Concurrently, Consumer Credit Counseling Service, a HUD-approved mortgage default counselor for VA/FHA mortgages in the Miami Valley, noted that within two years, mortgage default counseling increased over 500 percent, from one to four cases per week to four to five cases per day. Alarmingly, the Miami Valley fair Housing Center and Legal Aid Society noted an increase in calls regarding mortgage default and discrimination. In addition, foreclosures were increasing exponentially, leaving entire neighborhoods blighted by foreclosed upon, boarded up homes.

As a result, a committee was formed to study the issue and identify a program for addressing predatory lending. The development of the Predatory Lending Solutions program took approximately two years and implementation began in January 2001.

This program offers prevention and intervention services to Miami Valley families who are current or potential victims of predatory lending practices. The project has involved a collaborative effort between Consumer Credit Counseling, the Home Ownership Center of Greater Dayton, and the Miami Valley Fair Housing Center, the lead agency for the project. The program includes four main components: community education and outreach, intervention and rescue services; local community impact research, and legislative support.

The results of the program thus far indicate that it is making a difference in the area by providing basic information to those most vulnerable populations, thus preventing an even greater crisis in the community. This is achieved by helping those who are victims to reduce their loss if possible, and by attempting to bring this devastating practice to a halt so there will be no more victims of predatory lending.

6.2 Check-Cashing Locations as Predatory

See Maps 24-25

One of the largest issues facing changing neighborhoods is the loss of retail and commercial businesses. As neighborhoods change, and become more minority or low-income, one of the first things that becomes apparent is the loss of businesses that help support and sustain the neighborhood. As cities begin to work to revitalize neighborhoods, it is important that efforts are made to revitalize the business climate as well.

This section reviews the impact of check-cashing and payday loans on a neighborhood. As neighborhoods decline or go through changes, often you will see local banks moving out and replacing their services with ATM machines, while check-cashing offices begin to fill the need the banks left.

Check-cashing outlets - also referred to as "currency exchanges" cash payroll, government and personal checks for a fee. People use check-cashing outlets rather than traditional financial institutions for a variety of reasons. Some do not have access to or cannot afford to use banks due to rising fees or are unable to maintain minimum balance requirements.

Others have privacy concerns or do not want their funds accessible to creditors. A number of consumers use check-cashing outlets for the convenience.[50]

Many check-cashing stores and other companies are now offering "payday loans" which go by a variety of names: "check advance loans", "post-dated check loans", "delayed deposit loans", or "deferred presentment loans." While they have many names they all have the same predatory result. Typically, the consumers write personal checks payable to the lender for a future date when they are due to repay the loan, which is generally their next payday.

The cost for these "convenience" or "helping you out" loans can be extremely high. The "fee" being paid is really interest. In some states, a company can charge a maximum of $15 on a $10 loan for a two-week period, which, when considered over time, calculates to a 390% annual percentage rate (APR). Often, borrowing $500 results in $75 in fees and interest. As noted in the earlier section, such extremely high rates are part of the definition of what makes a loan predatory.

Map 24 shows the same information by Median Household Income. Map 25 shows the location of check-cashing stores in Montgomery County by minority population. Consistently these institutions are located in the highest minority areas. However, when this map is compared to Map Lending 26 it is clear that they are operating almost side by side with local lenders. This is unusual, since in most areas of similar size one would find that "check-cashers" generally fill in where Banks have left a market.

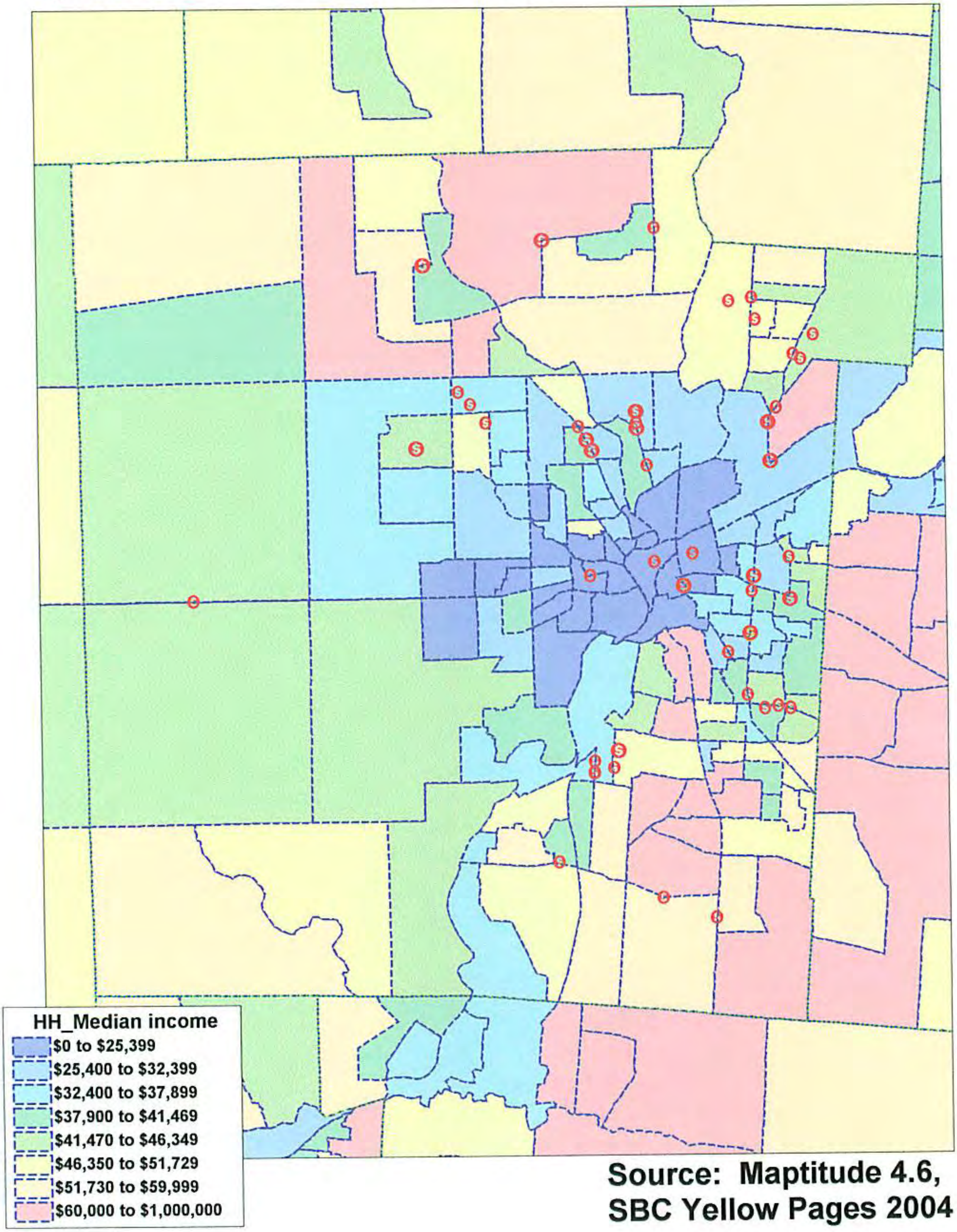
6.3 Montgomery County Lending

This report concentrates on those lenders that possess 2% or greater of the mortgage market in Montgomery County's lending market. This review is based on 2000 to 2002 Loan Application Register (LAR) reports from individual lenders. In addition, a review is included for overall activity for the three-year period. A more detailed analysis is provided for 1999 to 2001 and more specifically for 2002.

The statistical databases used for the analysis contained in this report were Peertrax HMDA Analyzer and Maptitude 4.6. Peertrax is a data software program based on the annual reports made by individual lenders to their respective federal financial regulator agencies. Each institution's HMDA data set is organized along FDIC, Office of the Comptroller of Currency (OCC) and Federal Reserve geography units. These units record the data on each reported loan application: type, purpose, action taken, race or national origin, sex, type of purchase, income category and reason for denial. Maptitude 4.6 is a mapping software program used in conjunction with Peertrax to assure consistency of the HMDA data. The use of these software programs allows a very precise look at HMDA

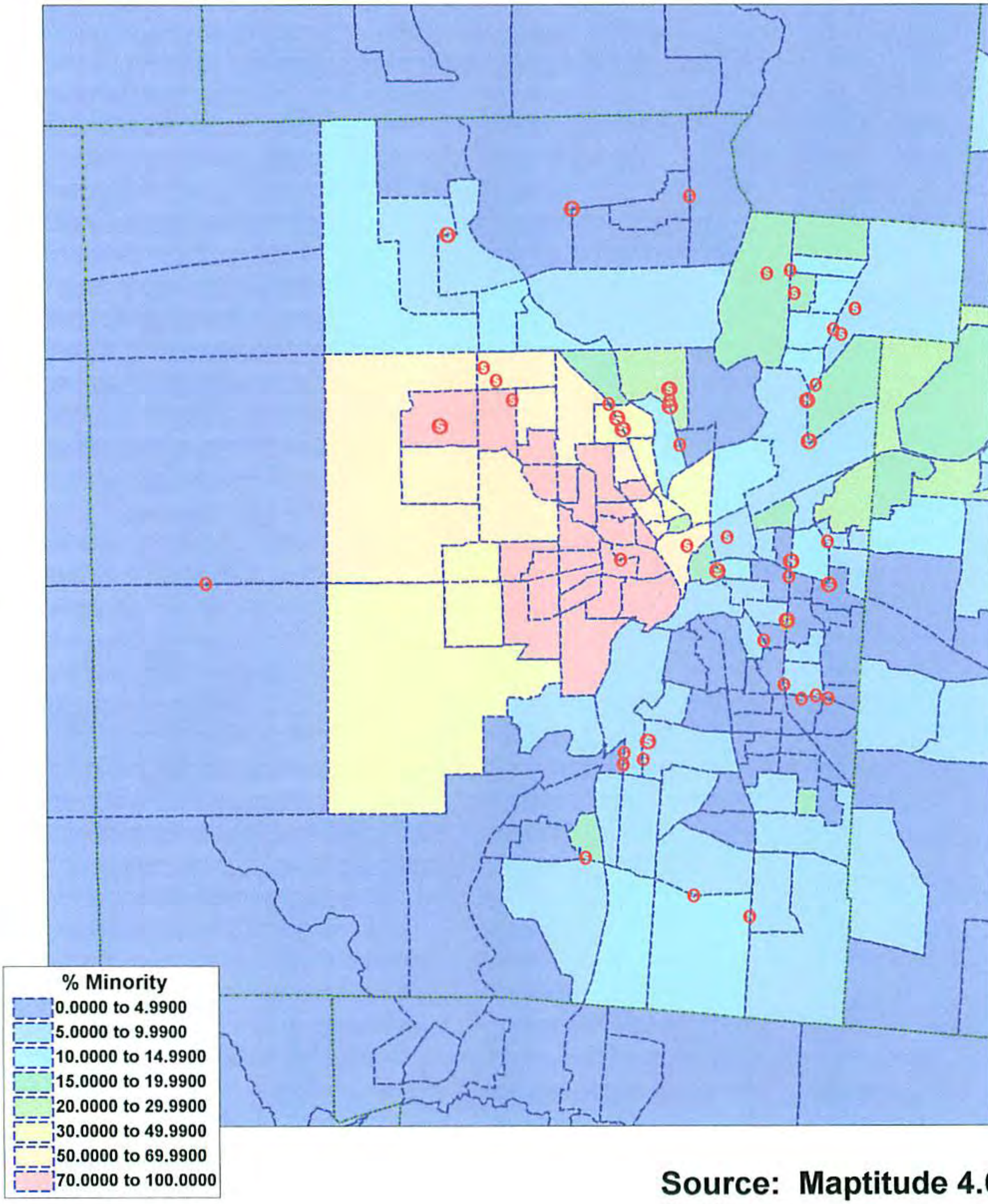
[50] Tips to Avoid Predatory Practices-Check-Cashing & Payday Loans-Valuable Service or Legal Sharking, Ohio Attorney General publication, 2000

MAP 24: Location of Check Casher's & Pawn Shops By Median Household Income



Source: Maptitude 4.6, SBC Yellow Pages 2004

MAP 25: Check Cashers & Pawn Shops by Percent Minority



Source: Maptitude 4.6, SBC Yellow Pages

lending data for those census tracts within the City limits. It is critical, when comparing information in this report to future analyses, that future data be geographically comparable.

The results of this analysis may be used to identify institutions that need to improve their lending performance in several areas:

- Applications, Originations and Denials based on race of the applicant.
- Applications, Originations and Denials based on racial population of the census tract.
- Applications, Originations and Denials based on applicant income.
- Applications, Originations and Denials based on income of the census tract.

Inadequate lending performance results in various long term and far ranging community problems. Disinvestment is the most devastating result. Disinvestment in Montgomery County neighborhoods by lenders reduces housing finance options for borrowers and weakens competition in the mortgage market for low and moderate income neighborhoods. High mortgage costs, less favorable mortgage loan terms, deteriorating neighborhoods, reduced opportunities for home ownership, reduced opportunities for home improvement and the lack of affordable housing are only a few of the consequences of inadequate lending performance. In addition, financial decay in the business sector is also a result of disinvestment – business relocation, closure and bankruptcy. On the other hand, full service local lenders, that have traditionally served residents and businesses, are the main cogs in the wheel that keep neighborhoods stable.

Significant changes are occurring in the lending market, not only in Montgomery County but throughout the United States. The number of lenders in the State is shrinking. It is becoming a common occurrence to read about national lenders buying local lenders. These national lending institutions are becoming increasingly more active locally. The market share of national corporations is growing yearly. Previous lending studies undertaken by the Consultant reveals that these national lenders often place an emphasis on less risky loans such as refinancing and home improvement. When lenders "target market" their mortgage lending activity to limited segments of the market, minority and low-moderate income borrowers have less opportunity for a home purchase.
This project does not examine all lending issues as they relate to performance and service. Issues such as: comparison of loan terms and conditions, patterns of branch openings and closings and record of investment in community development projects fall outside the scope of the HMDA database. This analysis does consider: race, racial population, applicant income and income of census tracts.

This analysis should not be used to determine or identify discriminatory practices by individual lenders. It should be used as a tool to determine only the lending performance of lenders in the specific area based on HMDA data. Unregulated lenders who are not required to submit HMDA reports are not monitored and have not been included in this analysis.

6.4 Analysis

This report presents comparative findings on the performance of the largest lenders in Montgomery County, Ohio (excluding the City of Dayton) based on reported HMDA data. The City of Kettering is included with Montgomery County data since the banks located in Kettering are also located in Montgomery County, however, some specific information for the City of Kettering is reported in the tables in this analysis.

The focus of this report is on all applications (all types and purpose) and on Conventional Home Purchase applications, originations and denials and a brief discussion is included on Conventional Refinancing as well. As noted above, the Federal Financial Institutions Examination Council's HMDA data is compiled only for the census tracts contained within Montgomery County using Peertrax HMDA Analyzer. Data in all of the tables related to lending throughout this analysis are compiled from this data unless otherwise noted.

Two forms of tables are used to compare the performance of individual lenders with each other. Text Tables show lenders on different variables and Reference Tables (found in Appendix 4) rank lenders on market share of applications and other actions. Readers interested in a particular lender can readily access its performance on all variables in the Reference Tables.

Many lenders are subsidiaries of larger banking corporations or holding companies. Their internal structure has been undergoing change during the 1990's, adding complexity to our selection of lenders for study.

Reference Tables are included to give the reader all data used in developing sections of this report. Data is reported for White and Black applications in the County. HMDA data also reports Hispanic, American Indian, Asian and Other Race borrowers, each of which is usually small (less than 3% of the total) and on which we have performed no analysis.

Tables report data for income categories by groups of census tracts and applicant income based on median household income ($40,156), low-moderate income, middle-income and upper income. These categories are defined according to U.S. Department of Housing and Urban Development (HUD) criteria as follows:

- Low-income - less than 50% of median household income ($0 - $20,078)
- Moderate-income - between 50 - 80% of median household income ($20,079 - $32,125)
- Middle-income - between 80% - 100% and 100% - 120% of median household income ($32,126 - $40,156 / $40,157 - $48,181)
- Upper Income - more than 120% of median household income (= > $48,182)

Our analysis of racial equity looks at both origination yields and denial rates. Traditionally, many CRA studies have utilized denial rates or Black/White disparity ratios as the prime indicator of lending performance. This report focuses on loans originated and loans denied. Since both are significant, we look at what a lender **did** as well as what a lender **did not** do.

There are also philosophical reasons for giving at least as much attention to those loans which were made as contrasted with those which were not. In this study, philosophical and methodological reasons both point in the direction of giving greater emphasis to lenders' performance on mortgage loan originations than on mortgage loan denials.

6.5 All Mortgage Activity Montgomery County

See Map 26 - 29

The metropolitan area has an abundant supply of both new and pre-owned homes dispersed throughout the County, Kettering and surrounding suburban communities. According to the Dayton Area Board of REALTORS®, the average sale price of a newly constructed house in Montgomery County during 2002 was $128,096 which increased to $133,180 in 2004.[51]

The cost of housing in Montgomery County is consistently lower than the national average. According to the National Association of Homebuilders, the median sales price for a home in the Dayton-Springfield MSA was $114,000. Based on the 2004 estimated Median Family Income of $57,700, over 81% of homes in the MSA are affordable for those earning median family income.[52] The MSA ranks twenty-second in affordability in the nation and seventeenth in the Midwest region.

Table 6.0 shows the average price of a home and the percent of appreciation for the Montgomery County area including the City of Dayton. This information is provided through the Dayton Area Board of REALTORS®. The purpose of this table is to show how affordable housing can be and that the investment in a single-family home can be a strong source of wealth for families.

Table 6.0: Average Sales Price of Homes Montgomery County/Dayton Area

Year	Average Sale Price	% Appreciation
2000	$122,421.00	1.97%
2001	$126,375.00	3.23%
2002	$128,096.00	1.36%
2003	$130,647.00	1.99%
2004	$133,180.00	1.94%

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51 www.dabr.com

52 Ibid

Table 6.1 shows the racial/ethnic population for the City of Kettering and Montgomery County. This table is repeated from an earlier Section to make it easier to reference since it is used as the basis for the review of lending based on race.

Table 6.1: Montgomery County Population by Race and Ethnicity 2000

Race	% 2000 Montgomery County	% 2000 City of Kettering
White	74.7	95.2
Black	10.1	1.7
Am. Indian	0.1	0.2
Asian/Pacific Islander	1.4	1.4
Hispanic	0.9	1.1

Source: U.S. Census, 1990 and 2000

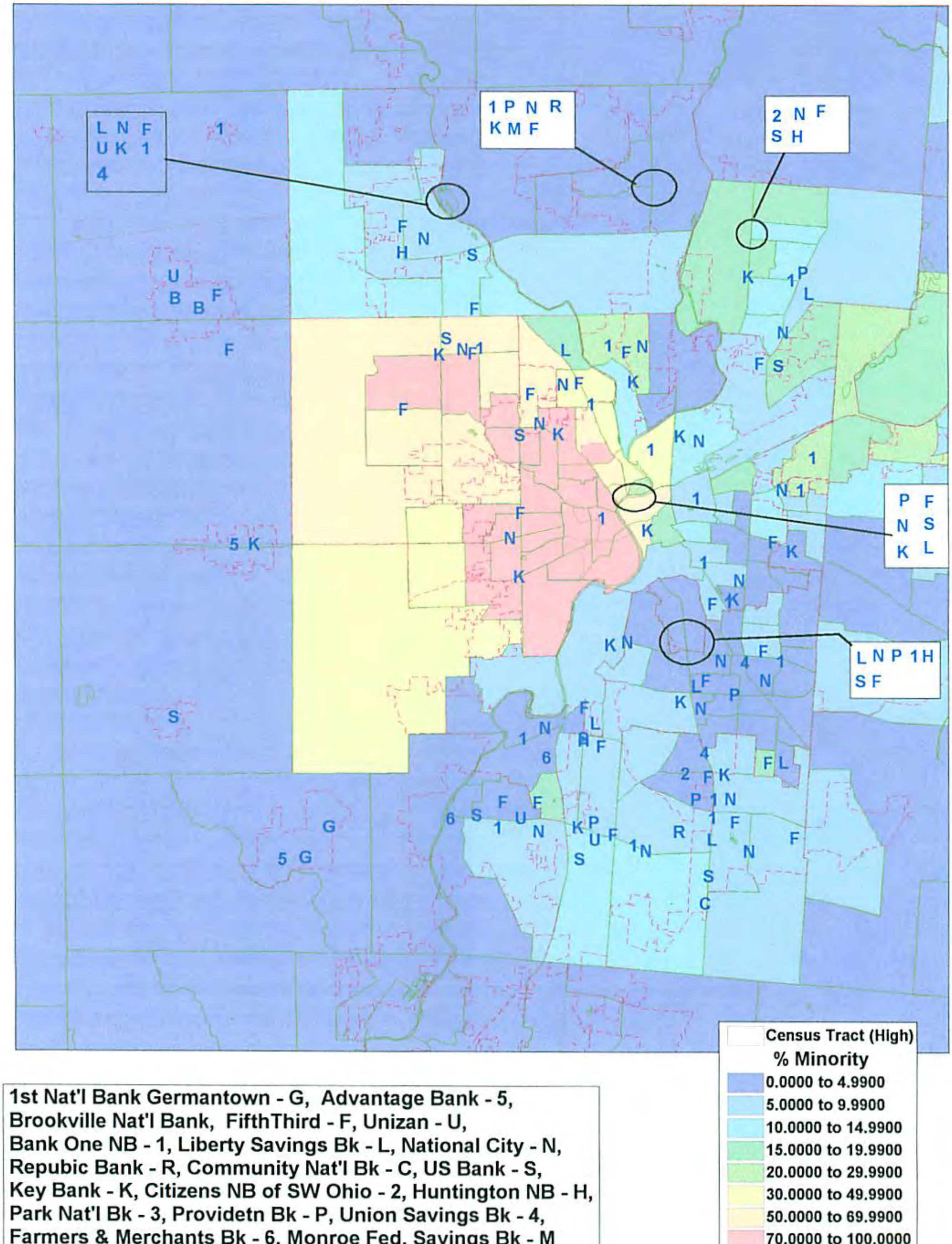
Median household effective buying income (EBI), which is analogous to disposable personal income, was $44,649 in the MSA in 2003 compared to the national median of $38,365. The Dayton-Springfield MSA ranked fourth in Ohio. The higher level of disposable income in Montgomery County indicates a greater number of persons are potentially able to become home owners or to improve their properties.

From the late 1990's a very strong economy extended employment and boosted income for many Americans and Montgomery County was not immune to these trends. For most of this period, mortgage interest rates were quite low and have continued to be low even though the economy has slowed down. These positive economic trends provided a favorable environment for households to secure and refinance home loans because they gave consumers a positive sense of job security, income growth and the ability to afford credit.

With these trends, Montgomery County experienced an increase in the number of lenders in the market. Figure 1 shows the number of lenders offering mortgage products in the County. Between 2000 and 2002 the number of lenders in the market increased slightly, from 400 to 422. However, those lenders handled an increasing number of applications over the 3-year period.

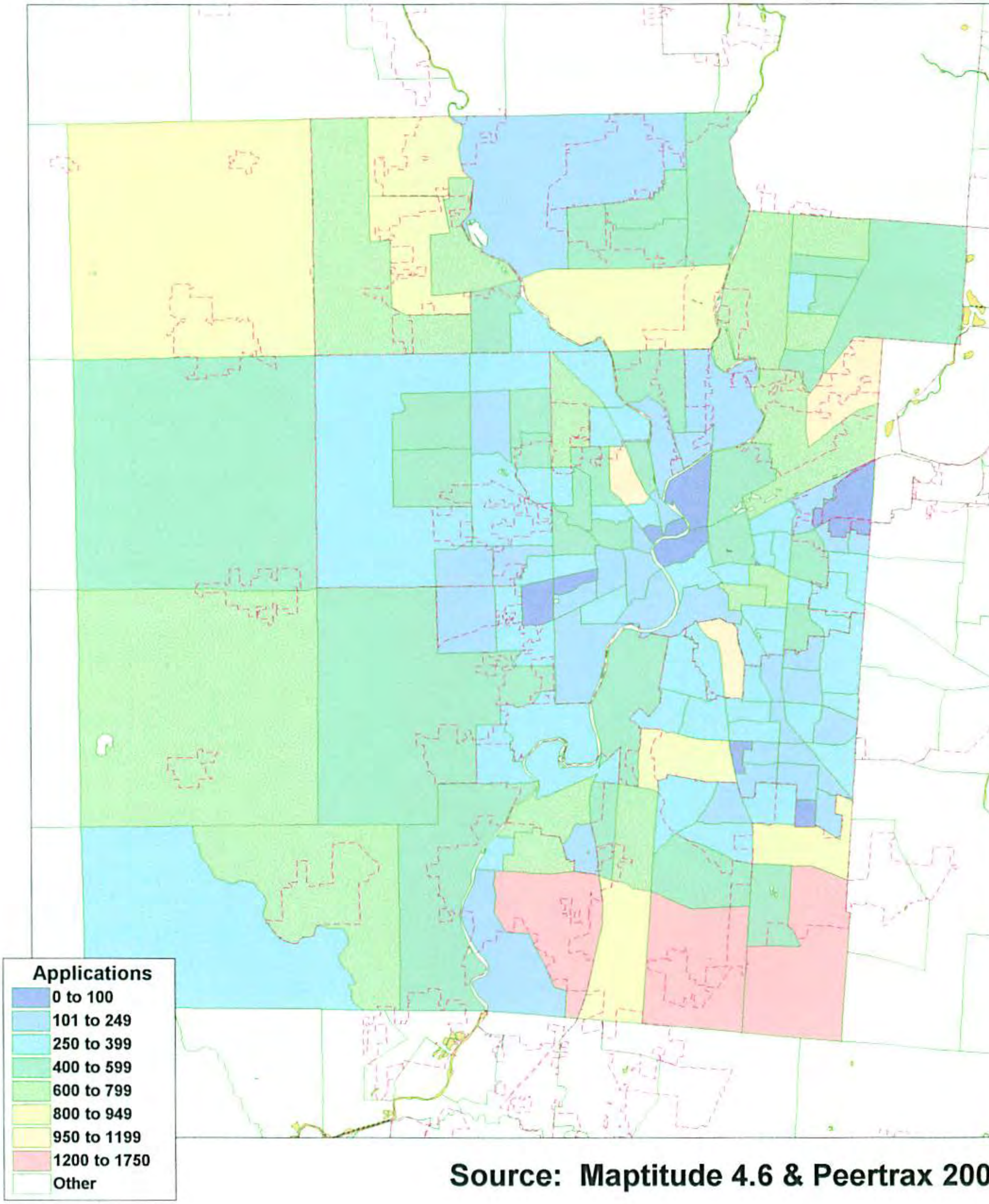
Figure 2 shows the number of applications accepted for all loan types and loan purposes for the three-year period. (Map 27 shows applications by census tracts for 2002) Between 2000 and 2002 the number of applications rose more than 19,000, a 60% increase from 2000. Again, it is important to remember that this data is based on **reported** loan applications and does not include applications from unregulated lenders.

MAP 26: Location of Lenders by % Minority



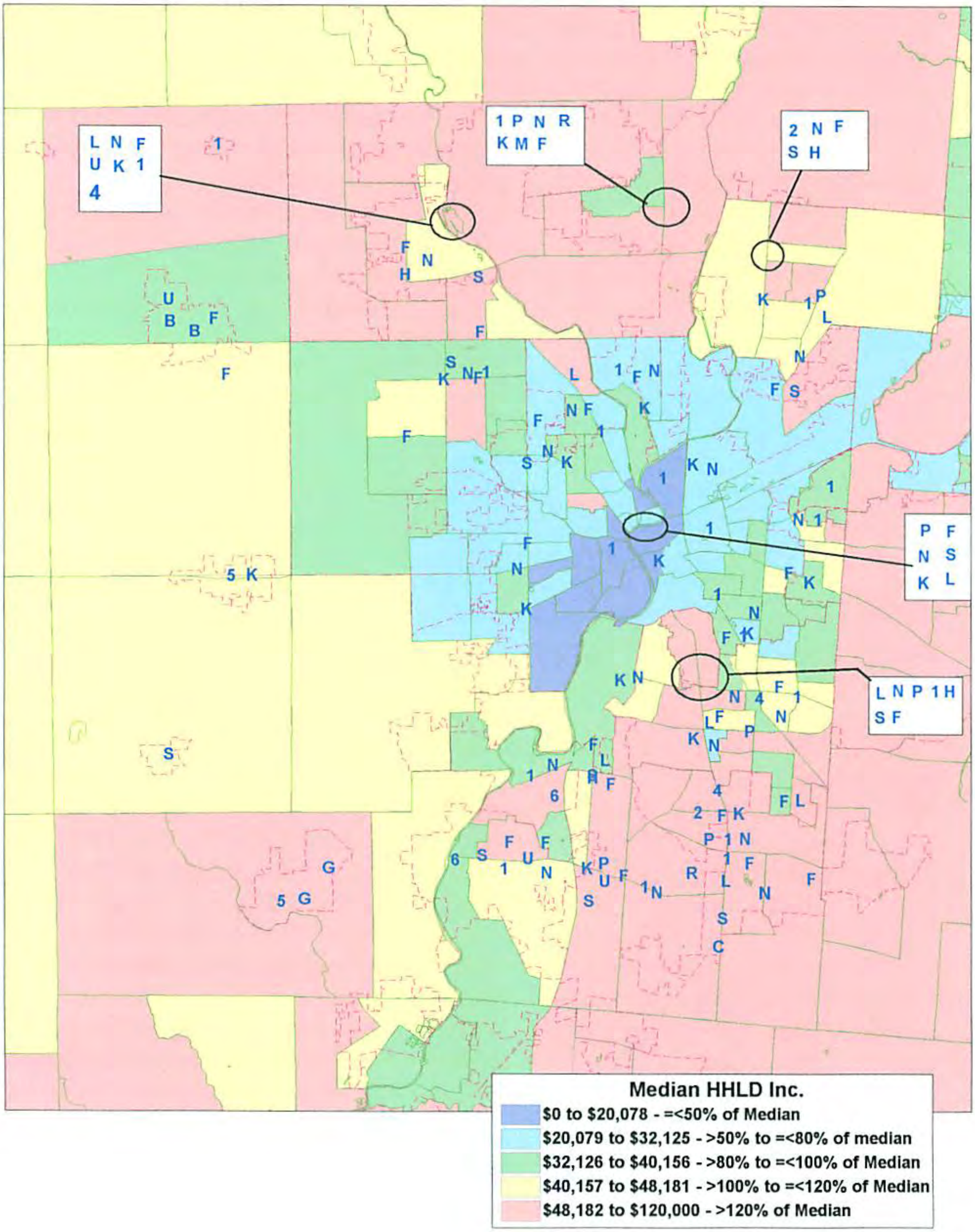
1st Nat'l Bank Germantown - G, Advantage Bank - 5, Brookville Nat'l Bank, FifthThird - F, Unizan - U, Bank One NB - 1, Liberty Savings Bk - L, National City - N, Repubic Bank - R, Community Nat'l Bk - C, US Bank - S, Key Bank - K, Citizens NB of SW Ohio - 2, Huntington NB - H, Park Nat'l Bk - 3, Providetn Bk - P, Union Savings Bk - 4, Farmers & Merchants Bk - 6, Monroe Fed. Savings Bk - M

MAP 27: Number of Applications Montgomery County - All Types and Purpose 2002

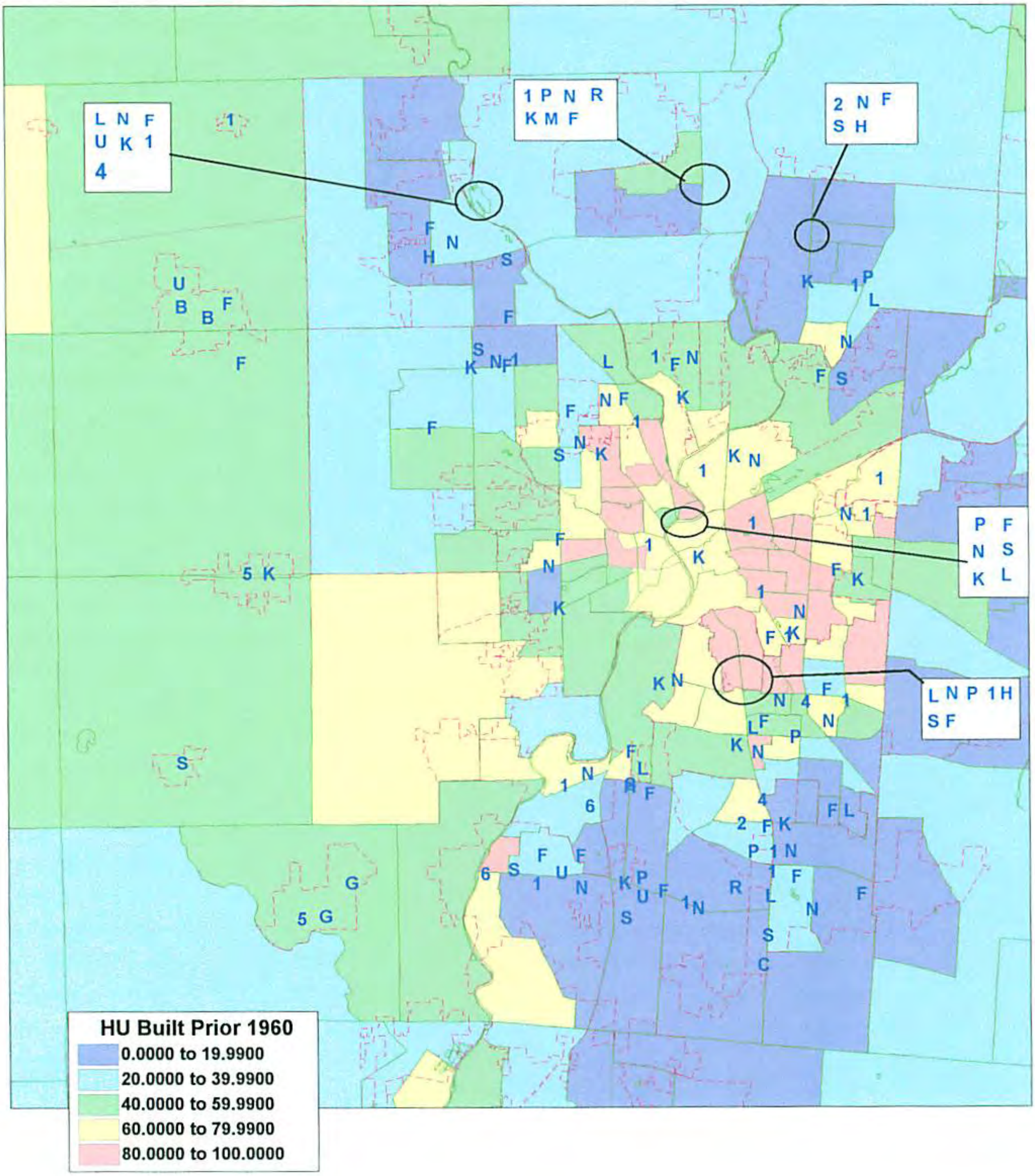


Source: Maptitude 4.6 & Peertrax 2002

MAP 28: Lenders by Median Household Income



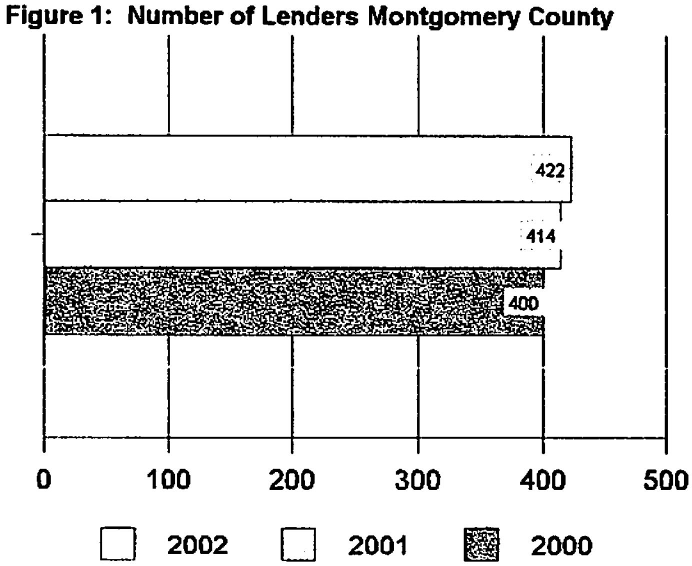
MAP 29: Location of Lenders by Homes Built Prior to 1960



Important to a community's financial well-being are home ownership rates. The community expects potential home buyers to have access to mortgage credit. Programs that offer home ownership must be available without regard to discrimination, income or profession. To truly live up to fair housing law, all persons must have the ability to live where they want and can afford. Access to mortgage credit enables residents to own their homes and access to home improvement loans allows them to keep older houses in good condition. All of these help keep neighborhoods attractive and residents vested in their community.[53]

Inadequate lending performance results in various long term and far ranging community problems. Disinvestment is probably the most devastating result. Disinvestment by lenders reduces housing finance options for borrowers and weakens competition in the mortgage market for low and moderate-income neighborhoods. High mortgage costs, less favorable mortgage loan terms, deteriorating neighborhoods, reduced opportunities for home ownership, reduced opportunities for home improvement and the lack of affordable housing are only a few of the consequences of inadequate lending performance. Financial decay in the business sector as well as the private sector is also a result of disinvestment, business relocation, closure and bankruptcy. Full service local lenders that have traditionally served residents and businesses are critical to keeping neighborhoods stable.

Figure 1: Number of Lenders Montgomery County



As noted earlier, significant changes are occurring in the lending market, not only in Montgomery County but throughout the United States. The "newest" issue to emerge from the changes in the market is the substantial growth of the sub-prime market and the impact that these lenders have on communities and neighborhoods. Increasingly, more and more local commercial banks are losing market share to lenders outside the community who have little or no stake in it.

The physical presence of financial institutions in communities facilitates relationships with banks. Location is the primary concern for a community. Areas that are left without branches or only access to ATM machines must find alternative sources (check-cashing businesses or finance companies) for services, which can be more expensive than traditional financial institutions or credit unions.

[53] Federal Reserve Bank of Cleveland, Fall 2000

Table 6.2 indicates those lenders that would be considered "home town lenders" with offices or branches located in Montgomery County. These are also the same lenders who are shown on Maps 26, 28 and 29. While the lenders locations on the map are not exact, they are as close as possible.

Map 26 shows the location of Montgomery County lenders by percent of minority population. Maps Lending 28 and 29 show the location of lenders by median household income (2000) and housing built prior to 1959.

One of the interesting points that Map 26 shows is that except for those lenders located in the central business district of Dayton, where little or no housing is available, there are very few lenders located within Dayton neighborhoods, especially comparing high percent minority neighborhoods to those low minority areas in the County.

Table 6.2: Lenders Located in Montgomery County and Number of Offices

Lender Map Code	Lender	No. of Offices	Community Locations
B	Brookville National Bank	2	Brookville
	Brookville S and L	1	Brookville
1	Bank One, NA	24	Centerville, Dayton, Englewood, Huber Heights, Miamisburg, Phillipsburg, Vandalia, W. Carrollton, Wright-Patterson AFB, Kettering
F	Fifth-Third Bank	39	Brookville, Centerville, Dayton, Englewood, Miamisburg, Trotwood, Vandalia, W. Carrollton, Kettering, Madison Twp.
U	Unizan Bank, NA	3	Brookville, Centerville, Englewood
L	Liberty Savings Bank, FSB	10	Centerville, Dayton, Englewood, Huber Heights, Kettering
N	National City Bank	30	Centerville, Dayton, Englewood, Harrison Twp., Huber Heights, Kettering, Miamisburg, Oakwood, W. Carrollton
R	Republic Bank	2	Centerville, Vandalia
C	Community Nat'l. Bank	1	Centerville
S	US Bank, NA	11	Centerville, Dayton, Farmersville, Huber Heights, Miamisburg, Oakwood, Trotwood, W. Carrollton
K	Keybank, NA	16	Dayton, Englewood, Harrison Twp., Kettering, Miamisburg, Moraine, New Lebanon, Trotwood, Washington Twp., Vandalia, Wayne Twp.
2	The Citizens Nat'l. Bank of S.W. Ohio	2	Dayton, Huber Heights
H	The Huntington Nat'l. Bank	5	Dayton, Englewood, Huber Heights, W. Carrollton
P	The Provident Bank	9	Dayton, Miamisburg, Vandalia
3	The Park National Bank	1	Dayton
4	Union Savings Bank	3	Dayton, Englewood, Kettering
5	Advantage Bank	2	Germantown, New Lebanon
G	First Nat'l Bank of Germantown	2	Germantown
6	Farmers & Merchants Bank	2	Miamisburg, W. Carrollton
M	Monroe Federal S & L	1	Vandalia

Local lenders are discussed in various tables throughout this section of the report. The information is for the lenders above as a peer group and is not shown by individual lender. This peer group is identified as "Local Lenders" in the appropriate tables.

Areas within Montgomery County that have high minority tracts also have fewer lenders than their low minority neighbors. Many of the lenders that access minority tracts that are fifteen percent or higher are located on the edge of these tracts. This is especially noticeable in the south-eastern part of the County near Miamisburg and Washington Township. Map 26 indicates that low minority areas, between zero percent and ten percent, are much better served by lenders than those in tracts with a higher minority population. This is especially true in those tracts where the minority population is over thirty percent.

The same holds true when considering household income, as illustrated by Map 28. (see income breakout information on page 91). The higher the median income, the larger the number of lender offices available. The lowest income areas in the County (predominately in and around the City of Dayton) have only 3 lenders outside of the central business district. Those tracts that are over 120% of the median income have a variety of lenders to choose from.

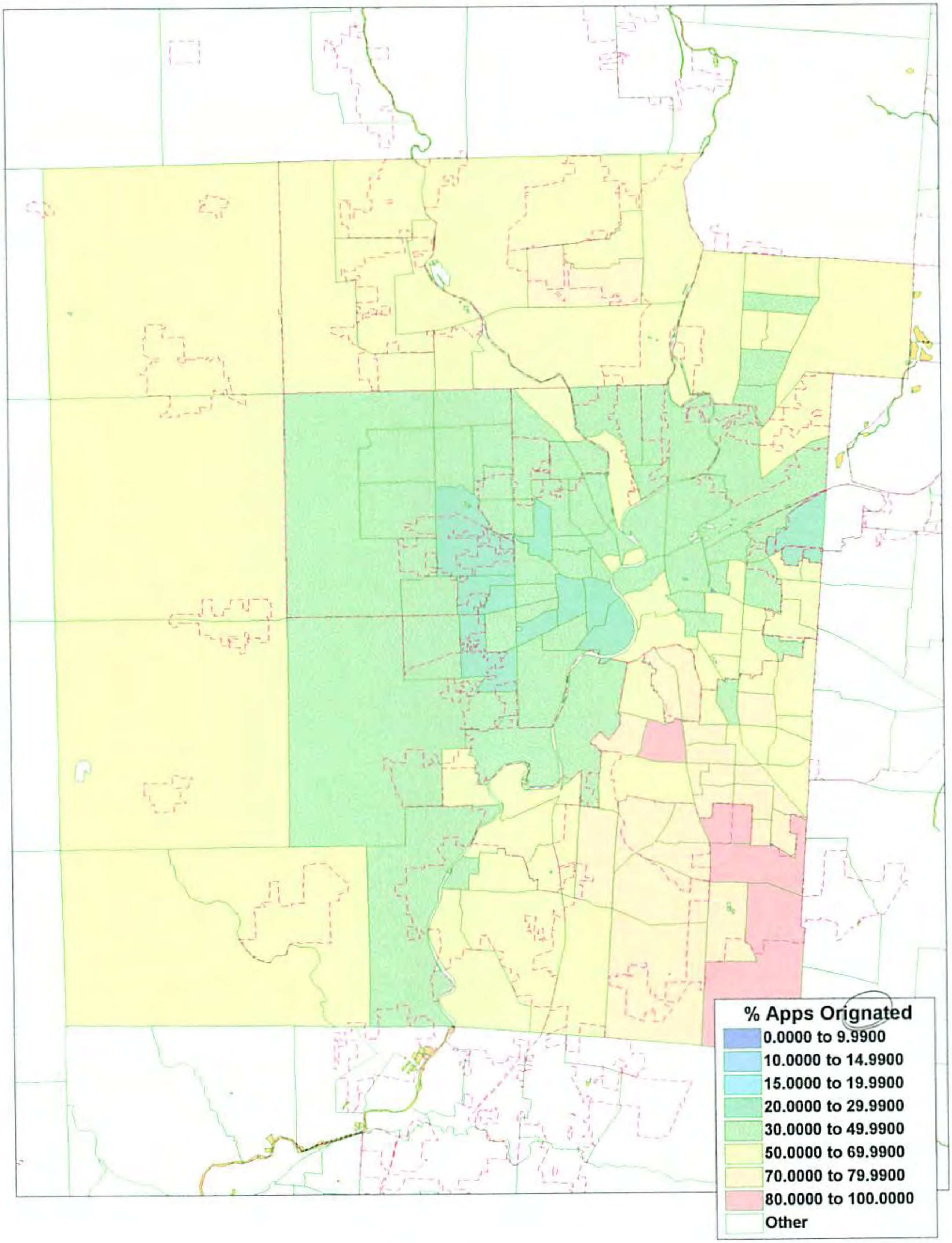
Map 29 shows the location of lenders by housing units built prior to 1960. The older the housing stock, the fewer the lenders that are available to residents. Again the oldest housing stock in the County is in and around the City of Dayton. While this issue and those found in Map 26 and 28 seem to have the larger impact in the City of Dayton, the concern still transfers into the County and the City of Kettering. The more the housing stock deteriorates, incomes drop and minorities are not migrating as their White counterparts, the more problems the County will face. The concern that fewer lenders are located in these areas also leads to concerns of disinvestment and this impacts all areas of the County. To find that minorities have moved little between 1990 and 2000 in the County is especially troublesome considering the number of programs available to get more people into homes and the lowest interest rates in years.

6.6 Action on Applications

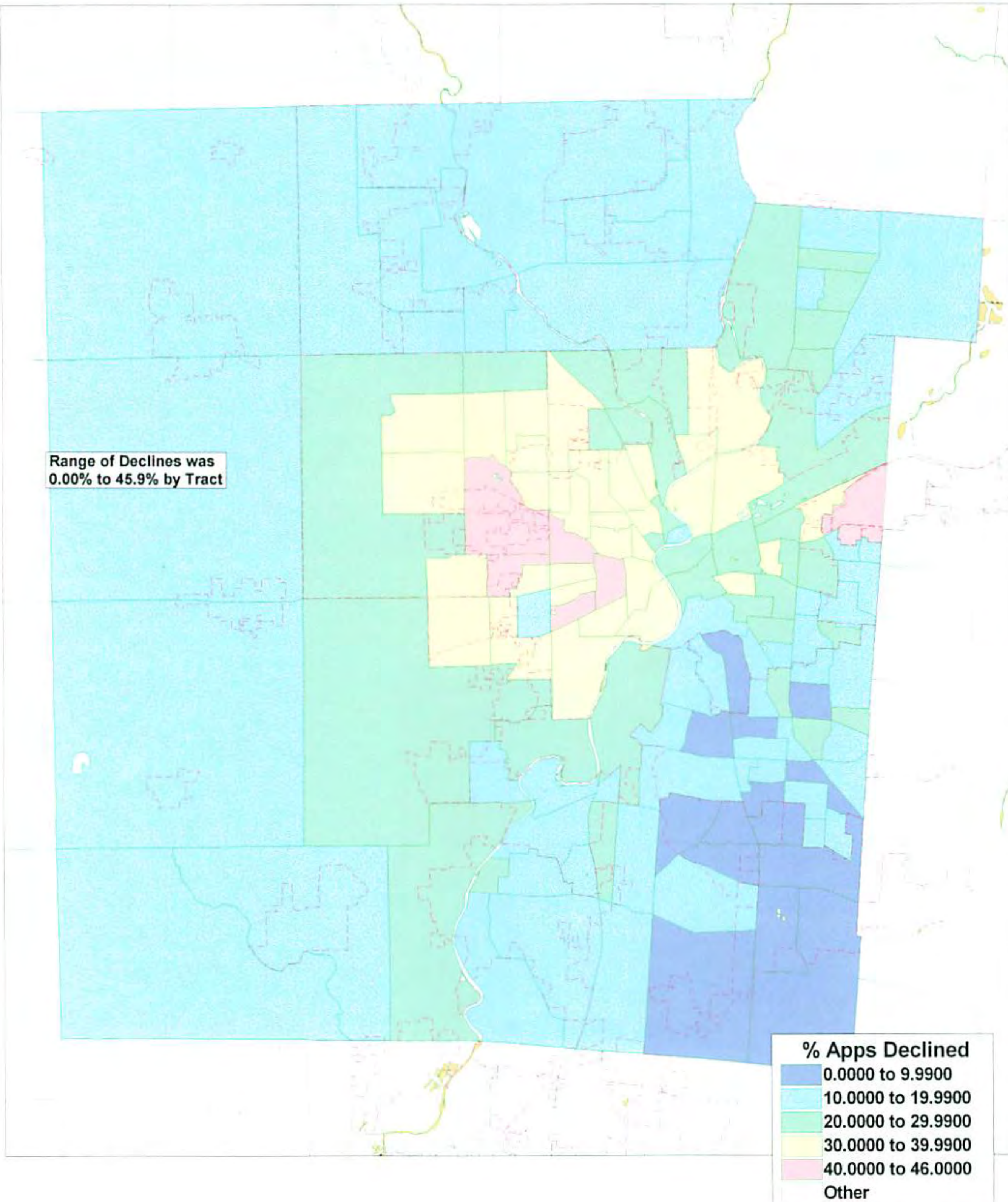
See Maps 30-31

Considering that over the three-year period the number of applications grew substantially, it is important to discuss what happens to those applications. Often it is found that lenders receive a high number of applications and then deny an equally high number of those applications. Caution should always be taken when it shows that a lender approves one-hundred percent of their applications when they are only receiving ten or twelve in the first place.

MAP 30: Percent of Applications Originated - 2002



MAP 31: Percent of Applications Declined



Another factor of concern, as mentioned, is high application rates met with high denial rates. Lenders might be accepting as many applications as possible and then accepting only those with A or A+ credit. Other issues are those applications that are received but have little or no reporting attached to them. This shows as "Not Available" in the HMDA data such as Race Not Available. Often this area will be twenty-percent or higher. With the changes that have taken place in the mortgage market, such as internet banking, applications over the phone or through mail-in applications, race and other HMDA information might not be recorded leading to a high percentage of "Not Available".

Table 6.3 below shows action taken on applications received in Montgomery County (excluding the City of Dayton) from 2000 to 2002.

Table 6.3: Applications and Action Taken On All Montgomery County Applications 2000-2002

Action Taken On Applications	2000		2001		2002	
	#	%	#	%	#	%
Applications	31690	100%	47883	100%	50858	100%
Originations	17817	56.2%	29756	62.1%	33121	65.1%
Denials	7251	22.9%	8581	17.9%	7814	15.4%
Approved Not Accepted	3405	10.7%	4218	8.8%	4135	8.1%
Apps. Withdrawn	2530	8.0%	4376	9.1%	4632	9.1%

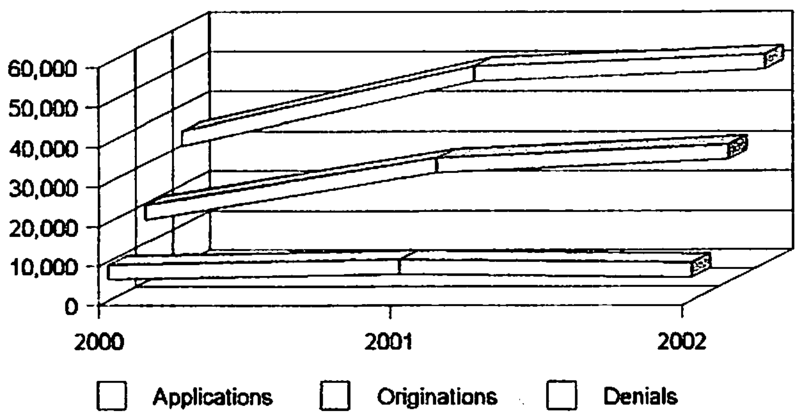
Those applications that were "Approved but Not Accepted" are applications that, for whatever reason, the customer was declined the loan. This could be for a number of reasons such as the customer changing their mind, changes in loan terms and conditions or increased interest rate, etc. Those applications that are "Withdrawn" are when a customer decides not to go forward with the application either because they find another lender that they decide to use or for other reasons.

In 2000 the ratio of originations to applications was almost two to one, at 1.8. The ratio between originations and denials was 2.4, meaning almost two and one-half loans were originated for every denial. By 2002 the percentage of originations had dropped only slightly to 55.4% as opposed to 56.2% in 2000. The year 2001 had the highest percentage of applications originated at 62.1%.

Denials dropped five percent between 2000 and 2001 and dropped two percent between 2001 and 2002. However, the number of applications increased over 28,000 between 2000 and 2002, yet denials stayed fairly level. Applications that were withdrawn showed a small increase between 2000 and 2002 of slightly over one percent, while approved but not accepted decreased by more than two percent.

Figure 3 shows, graphically, action taken on all applications by all types and purpose for 2000, 2001 and 2002. The figure shows that as applications increased so did originations, while denials remained fairly constant over the three-year period.

Figure 3: Action on All Applications



6.7 Largest Lenders in Montgomery County

This section will review those lenders who have two percent or more share of the mortgage market in Montgomery County, excluding Dayton. A review of Tables 6.4 and 6.9 provides more detail on the largest lenders in the County. This is important in order to see who are the major players in the mortgage market. Often it is lenders from outside of the community or sub-prime lenders. The list can be surprising especially when compared to those lenders who have office locations within the County. (Table 6.4)

The market share for each lender is included in parentheses and sub-prime lenders are highlighted.

These lenders are the leaders in terms of all mortgage types (Home Purchase, Refinancing and Home Improvement). It should be noted that only regulated loans are required to be reported as part of the HMDA data.

In each of the three years, the lenders in Table 6.4 had over 40% of the total market. In 1999 there were twelve lenders with a combined market share of 40.4% of the mortgage market, in 2000 there were 13 lenders with 47% combined market share and by 2001 there were 12 lenders with 45.8%. In each of the three years, sub-prime lenders had a presence in the market - 2000 was 10.7%, 2001 was 14.3% and in 2002 it was 17.7%.

When the discussion shifts to conventional home purchase, the list of lenders will change somewhat in that some lenders focus their market in refinancing more than they do on the home purchase.

Table 6.4: Montgomery County Largest Lenders - 2 Percent or Greater of Total Reported Mortgage Market: 2000 - 2002 (Percent Market Share)

2000	2001	2001
Bank One, NA (8.7%)	National City Bank (6.5%)	National City Mortgage (6.0%)
National City Bank (5.6%)	National City Mortgage (6.1%)	ABN AMRO Mortgage (5.5%)
National City Mortgage (4.7%)	Bank One, NA (5.4%)	Union Savings Bank (5.5%)
Fifth Third Mortgage (3.0%)	Fifth Third Mortgage (4.5%)	Fifth Third Mortgage (5.2%)
Firstar Bank. NA (3.0%)	ABN AMRO Mortgage (3.7%)	Countrywide Home Loans (4.0%)
Advanta National Bank (2.4%)	Countrywide Home Loans(3.4%)	Beneficial Corporation (3.4%)
Wells Fargo Home Mort (2.3%)	Union Savings Bank (3.1%)	National City Bank (3.3%)
Countrywide Home Loans (2.3%)	Beneficial Corporation (2.5%)	Wells Fargo Home Mort (3.2%)
Associates Home Equity (2.3%)	Wells Fargo Home Mort (2.7%)	Washington Mutual Bank (2.8%)
Nationascredit Financial. Serv. (2.1%)	Household Finance (2.5%)	GMAC Mortgage (2.5%)
Ameriquest Mortgage (2.0%)	Flagstar Bank FSB (2.4%)	Household Finance (2.3%)
Aegis Mortgage (2.0%)	GMAC Mortgage (2.2%)	Flagstar Bank (2.1%)
	US Bank NA (2.0%)	
Total Market Share: 40.4%	**Total Market Share: 47.0%**	**Total Market Share: 45.8%**

6.8 Government-Backed Applications

See Map 32

In 2000, 70.1 million families in the U.S. owned their own homes which was an increase of 10 million from 1993. The role of government-backed loans, especially FHA, in America has been significant since the programs inception in the 1940's. Over 30 million families have used FHA as their source for home mortgages in the last 6 decades. FHA's market share over recent years has remained stable at around 20% of the total housing market. This is in spite of shrinking mortgage rates that FHA often cannot match, the increase in sub-prime lending, the availability of competing mortgage programs from the conventional mortgage market and other actions.

FHA has always been the lender for low-income households, minorities and those with less than stellar credit. In 1999, one-fifth of all home purchases in the United States were FHA loans and of this, two fifth's were for Blacks and Hispanics. Table 6.5 shows how Montgomery County compared to the Nation in FHA activity.

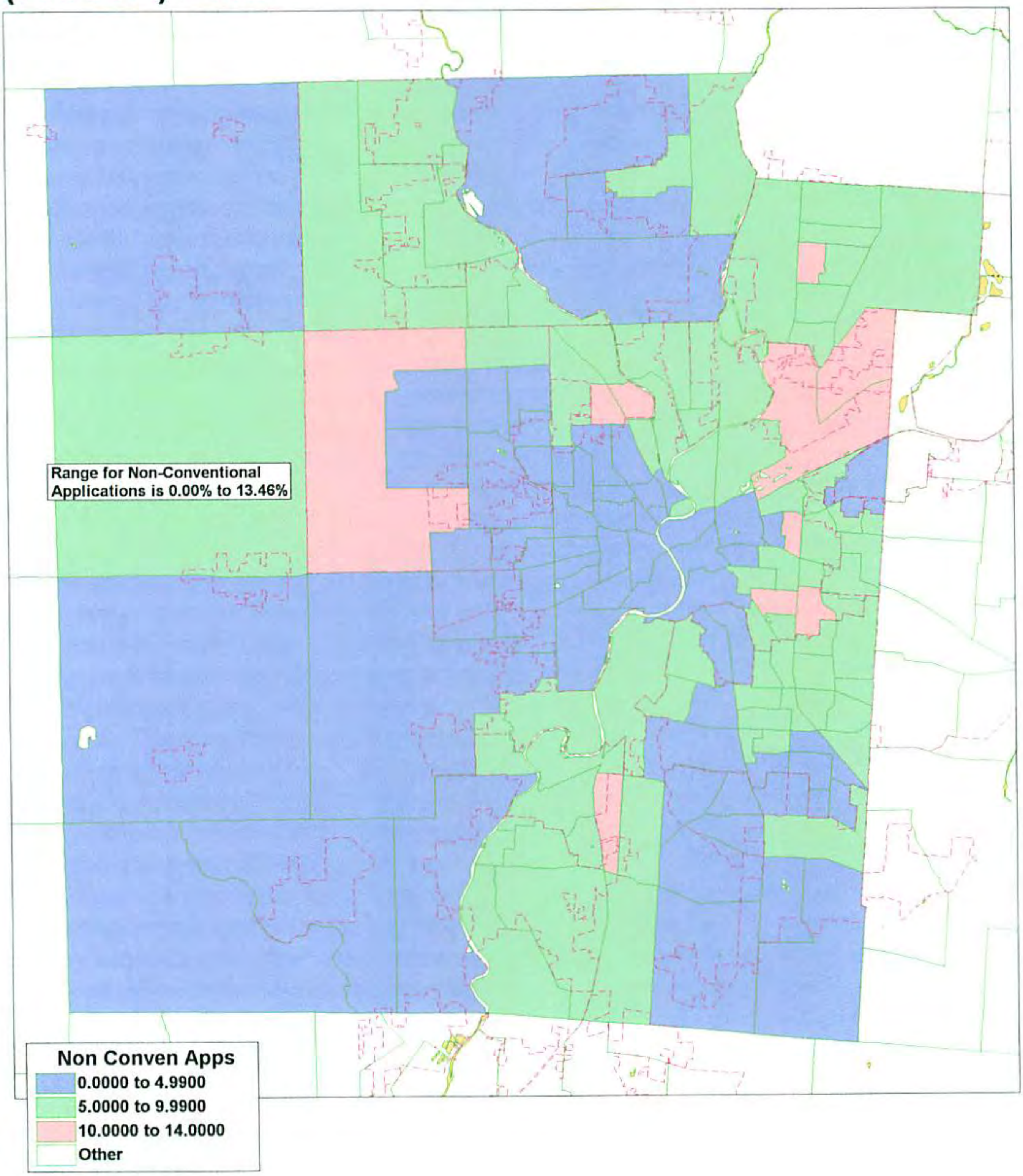
Table 6.5: FHA Application Comparisons by Race and Income 2000

	Total	Black /Hispanic	Low/Mod Income Applicants	Low Income Tracts	High Minority Tracts (20%+)	All Other Minorities
Nation 2000	29.0%	40.0%	42.0%	30.0%	31.0%	35.0%
County 2000	10.2%	29.4%	22.4%	4.0%	16.5%	8.5%
County 2001	10.0%	26.6%	21.7%	3.6%	21.5%	19.6%
County 2002	8.9%	25.3%	20.3%	7.0%	22.8%	40.2%

Montgomery County had 3,222 FHA applications in 2000, constituting 10.2% of the total market, in 2001 there were 4,796 for 10% of market and in 2002 there were 4,537 FHA applications for 8.9%. As the number of applications rose in the last three years the number of FHA applications dropped.

However, the percent of minorities using FHA were below the national average in 2000 and showed a consistent drop from 2000 to 2002. The percent of low to moderate- income applicants also was below the national average in 2000 and showed a decrease over the three-year period. High minority tracts (tracts with a 20% or more minority population) showed an increase over the three year period. Other minorities showed the largest

MAP 32: Percent Applictions Non-Conventional (FHA/VA) 2002



change of any category going from 8.5% in 2000 to 40.2% in 2002. This category includes Native American and Asian home buyers. In 2002, 34% of the 206 applications received were from Native Americans for FHA loans.

Veterans Administration (VA) and Rural Development applications made up less than 3% of the applications between 2000 to 2002. Thus, these applications had little impact.

Conventional applications for mortgage loans are the overwhelming market in Montgomery County, making up 88% of all applications in 2002. Over the years, as the total number of applications increased the number of FHA applications has declined.

Table 6.6 shows the breakout by conventional and government-backed (FHA & VA) applications for Montgomery County. Still, government-backed loans have not been completely ignored by borrowers in the City.

Table 6.6: Comparison of Conventional and All Government-Backed Applications

	2000	2001	2002
Conventional	87.6%	87.0%	88.2%
Government-Backed	12.4%	12.9%	11.8%

Table 6.6 is simply a comparison of conventional versus FHA, VA and similar government-backed loans. It does not separately break out community lending products. Those will be discussed in a separate section.

6.9 Refinancing and Home Improvement Activity

See Maps 33-34

While conventional home purchase is of great importance, activity in refinancing and home improvement is equally important. This should be an area of concern in the County because the trend is for refinancing activity to far exceed home purchase or home improvement. With the focus of much of the mortgage industry on refinancing through mailings, e-mail, internet advertising and tv/radio, it is little wonder that this part of the mortgage market is the most active.

Refinancing and home improvement loans should be the easiest to obtain since the lender is dealing with a known borrower who has equity in the home and has a commitment to the dwelling. Table 6.7 indicates action taken on refinancing and home improvement applications. Even when one considers the credit issues some home owners will have, it would be reasonable to expect that denials of such loans would be less than originations and this held true in Montgomery County.
Perhaps the most significant point in Table 6.7 is the jump in refinancing applications from

2000 to 2001 where the number of applications increased 2.2 times (17,037 applications). Applications between 2001 and 2002 also increased but by less 4,000 applications.

The origination percentages also increased between 2000 and 2001 by 17% and by more than 3% between 2001 and 2002. Denial rates dropped during the three-year period from a high of 30.2% in 2000 to a low of 16.7% in 2002.

Table 6.7: Action taken on Refinancing and Home Improvement Applications 2000-2002

	Applications	Originated	Denied
2000 Refinancing	14,281	40.5%	30.2%
Home Improvement	4,605	43.8%	35.7%
2001 Refinancing	31,318	57.3%	19.4%
Home Improvement	3,705	43.5%	35.0%
2002 Refinancing	35,286	60.8%	16.7%
Home Improvement	2,471	46.9%	33.9%
2002 Local Lenders Refinancing	7,587	69.3%	14.8%
2002 Local Lenders Home Improvement	1,297	39.7%	41.8%

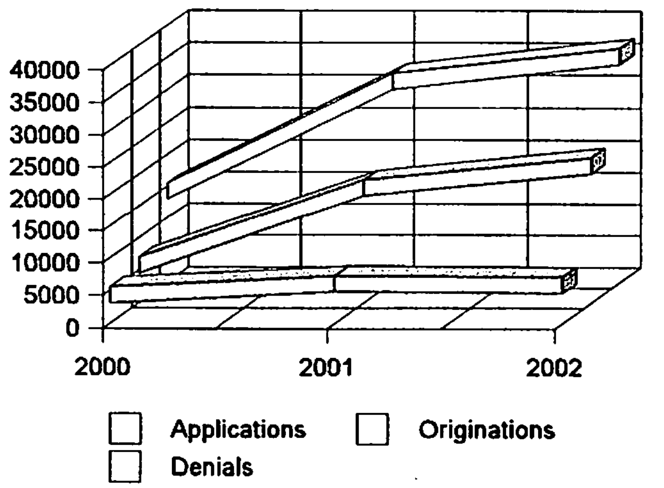
Home Improvement applications dropped over the three-year period from 4,605 in 2000 to 2,471 in 2002. Originations to denial rates have always been high in this mortgage product. In 2000, 43.8% of the applications were originated while 35.7% of them were denied. By 2002, 46.9% were originated while 33.9% were denied. Local lenders as a group fared somewhat better than all lenders, approving a higher percentage of refinancing applications and denying a lower percentage.

High home improvement denial rates are a concern for the community. Home owners who are unable to secure home improvement loans will be unable to maintain and improve their properties and subsequently will be unable to command a fair market price for their homes. This can lead to deteriorating neighborhoods.

One factor for higher denial rates for home improvement loans, rather than for home purchase and refinancing loans, may be the volume of advertising, encouraging home owners to use their home equity to pay for college tuition, vacations and debt consolidation. In these instances, the loan, though secured by the home, has no direct impact on the community or the condition of the property.

Another factor is the practice of allowing home owners to borrow up to 125% of the appraised value of their home. While not as popular now as it was in the mid to late 1990's, this practice may encourage borrowers to seek loans they cannot repay.

Figure 4: Number & Action Refinancing Applicatio



The community may desire to look more closely at the types and uses of such loans. Home owners become absentee landlords because they are unable to sell their homes.
These same owners, if denied access to home improvement loans, will not be able to maintain their homes in good repair, negatively influencing the residents and the community.

Figure 4 shows the number of refinancing applications and the action taken on these applications from 2000 through 2002 in Montgomery County.

As refinancing applications increased, the number of originations increased at almost the same pace while denials remained relatively steady during the three-year period. This is the same pattern as noted earlier for conventional home loans.

Table 6.8 shows action on refinancing applications by race in the County. The data during the three-year period contained in this table experienced some of the lowest interest rates in decades and was a period when refinancing mortgage activity outpaced home ownership mortgages. White applicants during this time had a far better chance to make an application and have it approved than minority applicants. While origination rates for refinancing loans were lower than home ownership mortgages and denials were higher for all races, Whites still had a higher percentage of originated loans and a lower percentage of denials than Black or Hispanic applicants.

The "race not available" category also showed high percentages of applications, leading to the speculation that many of the applications were received by phone or on the internet. During this period there was a high rate of advertising for refinancing from both sub-prime and prime lenders.

Table 6.8: Action on Refinancing Applications by Race

	2000 Apps.	2000 Orig	2000 Denials	2001 Apps.	2001 Orig	2001 Denials	2002 Apps.	2002 Orig	2002 Denials
Black	8.5%	33.8%	36.8%	5.0%	47.9%	27.8%	5.1%	49.2%	24.2%
Hispanic	0.3%	39.5%	32.6%	0.4%	40.5%	19.8%	0.4%	68.1%	11.8%
White	42.8%	50.9%	24.6%	51.4%	72.0%	12.9%	56.3%	74.4%	9.9%
Not Avail.	43.7%	34.3%	34.3%	39.7%	41.2%	25.9%	34.5%	39.9%	26.5%

Of the three years shown, 2001 was the worst year for Blacks and Hispanics in terms of refinancing applications. Blacks dropped almost 100% in the percent of refinancing applications, from 8.5% in 2000 to 5.0% in 2001 and by 2002 they had only increased .1%. As a comparison, during those same years, Hispanics never had 1% of the applications and applications from Whites increased each of the three years, from 42.8% to 56.3%.

When Blacks and Hispanics did manage to get in the door to make an application, they were denied at a greater rate than Whites. In 2001, the worst year for Blacks, they were denied twice as often as Whites. It is important to remember that the number of applications received from Blacks and Hispanics were small compared to their White counterparts. In 2002, of the 35,286 applications received, only 1,790 were from Black applicants and only 144 were from Hispanic applicants while Whites accounted for 19,879 applications. Again, the "not available category" had over 12,000 applications. The high numbers of applications with race "not available" is not limited to Montgomery County but is a national problem.

According to Jason Dietrich, Office of the Comptroller of the Currency, "HMDA contains a surprisingly high percentage of applications that lack race data and those percentages have trended upward."[54] The FFIEC website highlights in its guide to HMDA reporting for 2003 the requirement, effective on January 1, 2003, to collect race and sex data on telephone applications.[55] This new requirement will allow more accurate monitoring of lending institutions for fair lending compliance. But just as that new effort was recently put into place, the regulatory agencies in late 2004 were considering changes to HMDA reporting requirements that would make it difficult to continue to get HMDA data from a large percentage of lenders in the Country.

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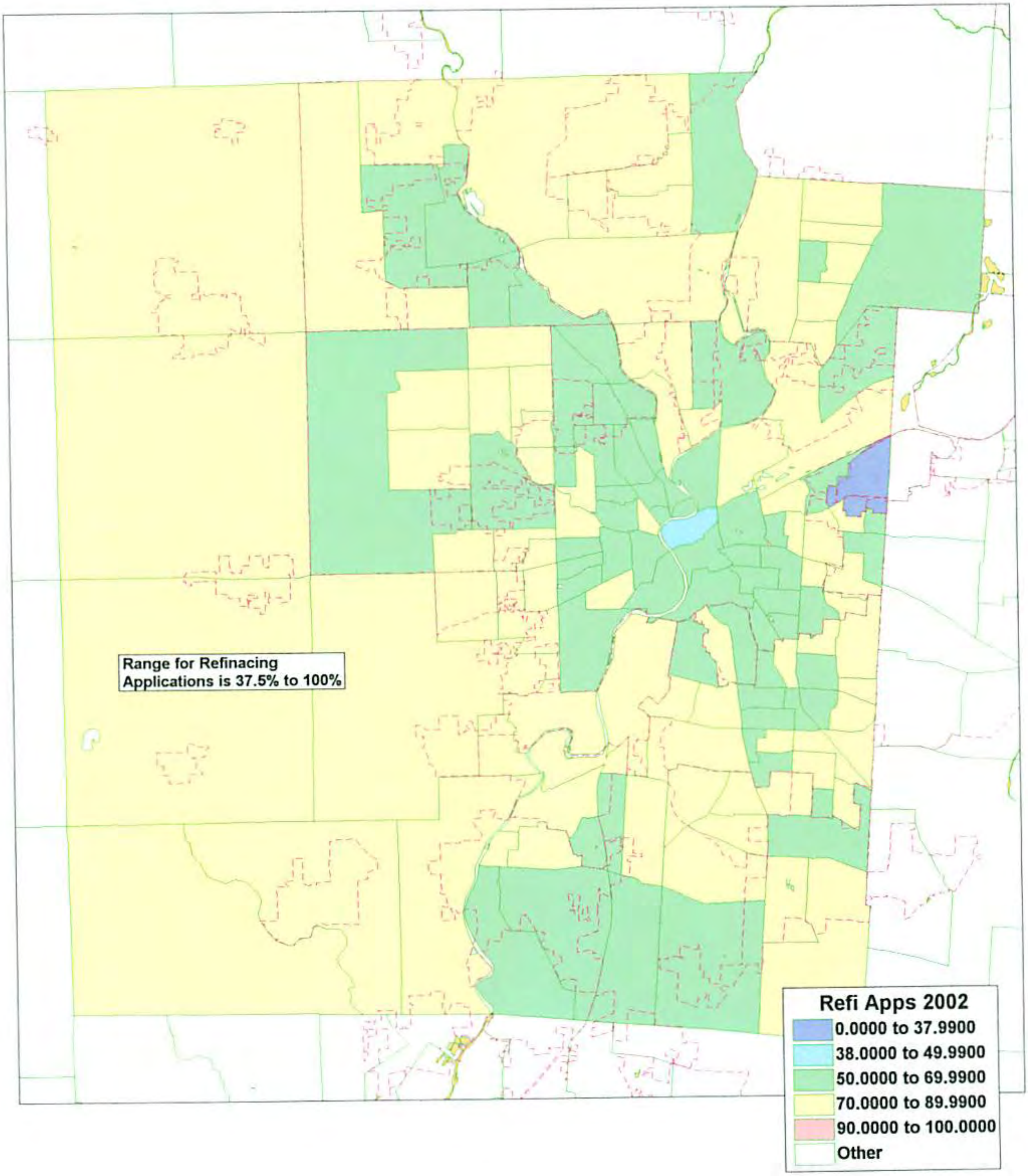
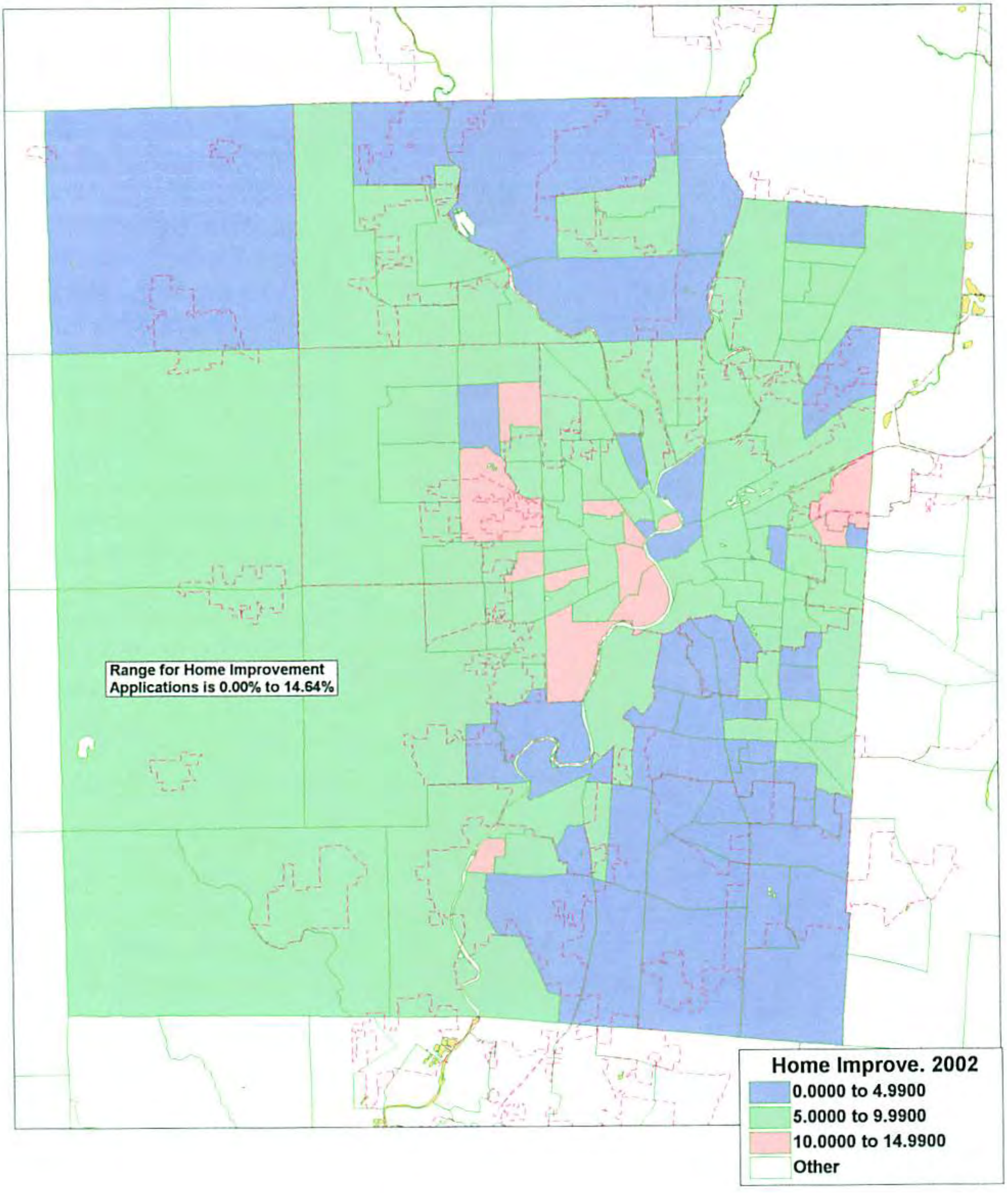
[54] Dietrich, Jason, Missing Race Data in HMDA and the Implications for Monitoring of Fair Lending Compliance", March 2001

[55] Federal Financial Institutions Examination Council's website www.ffiec.gov/hmda, September 12, 2003

MAP 33: Percent Refinancing Applications 2002



MAP 34: Percent Applications Home Improvement 2002



6.10 Conventional Home Purchase

Conventional home purchase loans are a strong indicator of how many families are able to purchase single-family housing in the City. Conventional loans are those that are generally available to those with the best credit ratings. The Reference Tables, found in the Appendix section, are used for the bulk of the discussion in this analysis. These tables detail information for each of the largest mortgage lenders in Montgomery County.

Those lenders in Table 6.9 have over 41% of the conventional home purchase market in Montgomery County. In each of the three years shown, local home town lenders or their mortgage equivalent, had the majority of the market, however, sub-prime lenders made a showing also. While not nearly as dominate as local lenders, they still were active in the market. Home town lenders had 25% of the market in 2000 compared to 12.2% for sub-prime lenders. In 2001 they had 27% of the market while sub-prime lenders had 10.3%. In 2002 the rate was 23.8% compared to 12.8%.

This is a healthy sign for the County and the City of Kettering. When local lenders have a strong market share in conventional home purchase, it shows that they have a commitment to home ownership rather than placing all their effort in refinancing as is seen in other large urban areas in the country. Local lenders as a group were just shy of 14% for total applications for conventional home purchase of the total 10,920 applications they received.

Table 6.9: Lenders with 2.0 Percent or More of Conventional Home Purchase Market, 2000 - 2002(Percent Market Share)

2000	2001	2002
Fifth Third Mortgage (6.9%)	Fifth Third Mortgage (7.0%)	Fifth Third Mortgage (7.6%)
National City Mortgage (6.8%)	National City Mortgage (6.9%)	National City Mortgage (6.3%)
Associates Home Equity (4.3%)	National City Bank (5.4%)	Countrywide Home Loans (5.4%)
Wells Fargo Home Mort (3.8%)	Wells Fargo Home Mort (4.4%)	Wells Fargo Home Mort (4.5%)
Countrywide Home Loans (3.3%)	Countrywide Home Loans (3.6%)	National City Bank (3.9%)
Union Savings Bank (3.3%)	Republic Bank (2.9%)	Union Savings Bank (3.7%)
National City Bank (3.2%)	Union Savings Bank (2.7%)	First Franklin Financial (3.2%)
Bank One, NA (3.1%)	Liberty Lending Serv (2.4%)	ABN AMRO Mortgage (3.2%)
Liberty Lending Serv. (2.6%)	First Franklin Financial (2.3%)	Washington Mutual Bank (2.7%)
Republic Bank Mortgage (2.1%)	Liberty Savings Bank (2.1%)	Republic Bank (2.3%)
First Franklin Financial (2.0%)	GMAC Mortgage (2.0%)	
Total Market Share: 41.4%	**Total Market Share: 41.7%**	**Total Market Share: 46.0%**

Comparison of Table 6.6 with Table 6.9 shows that, when we consider only conventional home purchase applications, the list of largest lenders changes only slightly. The lenders that lead the market, when all types of mortgage products were considered, are still the same lenders when only conventional home purchase is considered. National City Bank, Bank One, National City Mortgage and Fifth Third Mortgage were strong in both areas, leading the list of lenders with sizeable market shares.

Table 6.10 shows the percentage of originations and denials for conventional home purchase applications within the City of Montgomery County. Origination rates were considerably higher than denial rates in each of the three years

Table 6.10: Conventional Home Purchase Applications by Action

Year	Applications	Originated	Denied
2000	9,373	75.5%	11.6%
2001	7,617	71.1%	13.5%
2002	7,874	73.6%	10.8%
Local Lenders 2002	1,517	81.3%	7.4%

The lowest year for denials was 2000 and 2002 while it was also the highest year for number of applications and the percent of originations.

6.11 Conventional Home Purchase - Race

See Map - 35

According to a recent study report by the Pew Hispanic Center in 2002, Blacks and Hispanics had a respective median net worth of $5,998 and $7,932, which is shockingly low, compared to Whites median net worth of $88,651. This low rate for Blacks and Hispanics was a decline from their 2000 median net worth levels while for Whites it was an increase.[56]

Home ownership is one of the most reliable and accessible ways for economically disadvantaged people to close the wealth gap and obtain a secure position in the middle class. However, despite the reduction in interest rates to record lows and the numerous mortgage products designed for low-moderate income households, less than 50% of Blacks and Latino families have achieved home ownership compared to roughly 75% of White families.[57]

Table 6.11 shows lenders by the number of conventional home purchase applications received by the race of the applicants. The number of White applications was far greater than black applications even considering the high number of "race not available" applications. Considering the number of applications received, the representation of Blacks and Hispanics is dismal.

[56] Poverty & Race, Vol 14, No. 1, Jan/Feb 2005, Page 17

[57] Ibid

Table 6.11: Number and Percent of Applications by Race

Year	White		Black		Hispanic		Not Available	
	#	%	#	%	#	%	#	%
2000	6,012	64.1%	705	7.5%	40	0.4%	2,249	24.0%
2001	5,386	70.7%	609	8.0%	30	0.4%	1,359	17.8%
2002	5,702	72.4%	618	7.8%	52	0.7%	1,198	15.2%
Local Lenders 2002	1,168	77.0%	57	3.8%	10	0.7%	240	15.8%

Lenders in the County were over 8.5 times more likely to receive an application from Whites than from Blacks in 2000, in 2001 they were 8.8 times more likely and in 2002, 9 times more likely. With 10% of the population in the County Black, the lenders were close to that benchmark in percent of applications while looking at applications as a percent of population, they were closer to the Black population than to the percent of White population. (74.7%) Still, with the little growth of the minority population in new tracts between 1990 and 2000 as discussed previously, it would be hoped that Blacks would have done better. Due to the size of the Hispanic population in the County being less than 1%, they will not be discussed in the following sections.

Table 6.12 reflects the activity for conventional home purchase applications, originations and denials for Black and White applicants as a percent. While lenders showed that they originated 60% of Black applications they received, it is of little consequence when the number of applications they received from Black applicants is considered. In 2000, of more than 9,000 applications received, only 705 were from Blacks while in 2002, with the number of applications reduced to 7,874, only 618 were from Blacks. It is encouraging to know that when Blacks do get in the door, they have more than a 50% chance of being approved, compared to Whites who have a 75% chance, but obviously getting in the door is the issue.

As noted earlier, the double digit percentage of missing race data creates problems in conducting a fair lending analysis. Hopefully, the requirements initiated in 2003 requiring lenders to obtain this information, even in telephone applications, will help. Certainly, seeing such a combination of issues such as the high percentages of "race not available" and minority applications withdrawn raises a concern regarding the equitable treatment of minority applications.

MAP 35: Minority Level by Tracts According to HMDA Reporting Data

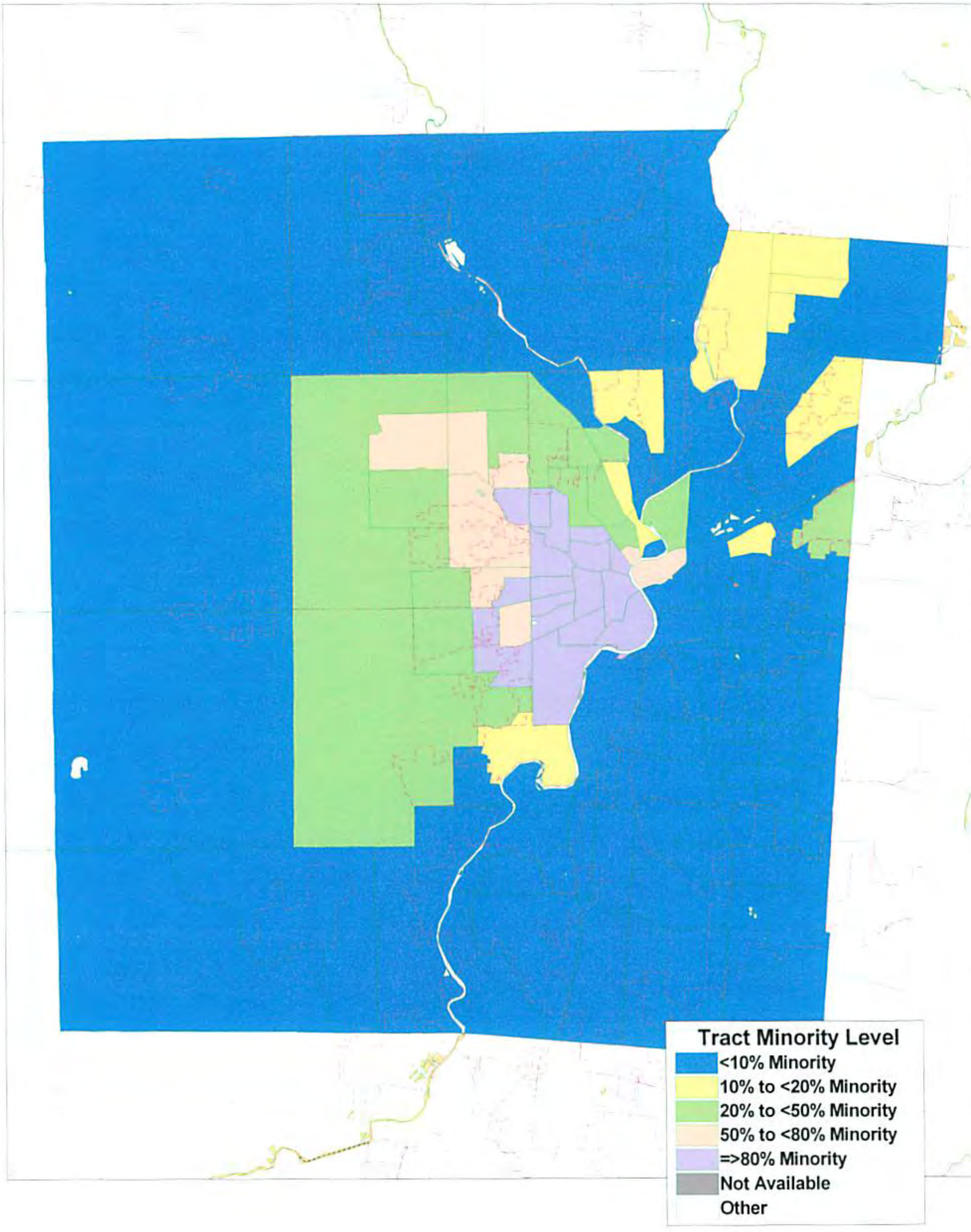


Table 6.12: Conventional Home Purchase - Percent of Applications, Originations and Denials by Race

Year	Applications		Originations		Denials	
	White	Black	White	Black	White	Black
2000	64.1%	7.5%	77.5%	60.1%	10.2%	22.1%
2001	70.7%	8.0%	77.6%	50.2%	9.9%	26.1%
2002	72.4%	7.8%	79.7%	60.2%	8.0%	16.2%
Local Lenders 2002	77.0%	3.8%	84.7%	70.2%	6.0%	10.5%

Local lenders in 2002 had a higher applications rate for Whites than that for Blacks, almost twenty times higher. Considering again that ten percent of the population in Montgomery County is Black, local lenders fell far short of that benchmark. While they did not meet the benchmark of the White population either, they were only off by a few percentage points, while they missed the Black benchmark by almost seven percent. In numbers, the local lenders received 1,517 applications for conventional home purchase, of that total 1,168 were from Whites and only 57 were from Blacks. With this in mind when we considered that local lenders originated 70% of their applications from Blacks it means only 40 total applications were approved. Over 960 applications were approved for Whites, 84.7%.

Data in Table 6.13 is a Black/White Yield Ratio, which compares the lenders success in turning Black applications into originations with their success in turning White applications into originations. A ratio of 1.0 indicates that Black and White origination rates are equal. A ratio above 1.0 indicates that Black originations rates are greater than White origination rates. A ratio below 1.0 indicates that Black origination rates are less than White origination rates.

When Black individuals and families did make applications, origination rates were 60% in 2000 and 2002 and 50% in 2001. However, it should be noted that only 7.7% of all applications for the three-year period in Montgomery County were Black applicants. Once more this highlights the need to market loan products more aggressively to the minority communities in Montgomery County.

TABLE 6.13: BLACK/WHITE YIELD RATIO

	% Black Originated*	% White Originated+	Black/White Yield Ratio
2000	60.1	77.5	1.2
2001	50.2	77.6	1.5
2002	60.2	79.7	1.3

* Of Black Applications + Of White Applications

Table 6.14 presents data on the percentage of Black and White conventional home purchase applications that ended in a denial and the Black/White denial ratios.

TABLE 6.14: BLACK/WHITE DENIAL RATIO

	% Black Denied*	% White Denied+	Black/White Yield Ratio
2000	22.1	10.2	2.2
2001	26.1	9.9	2.6
2002	16.2	8	2

* Of Black Applications + Of White Applications

While yield ratios on originations were very close to being even, the ratio for denials is a different story. In each of the three years, Blacks were denied twice as often as Whites by lenders.

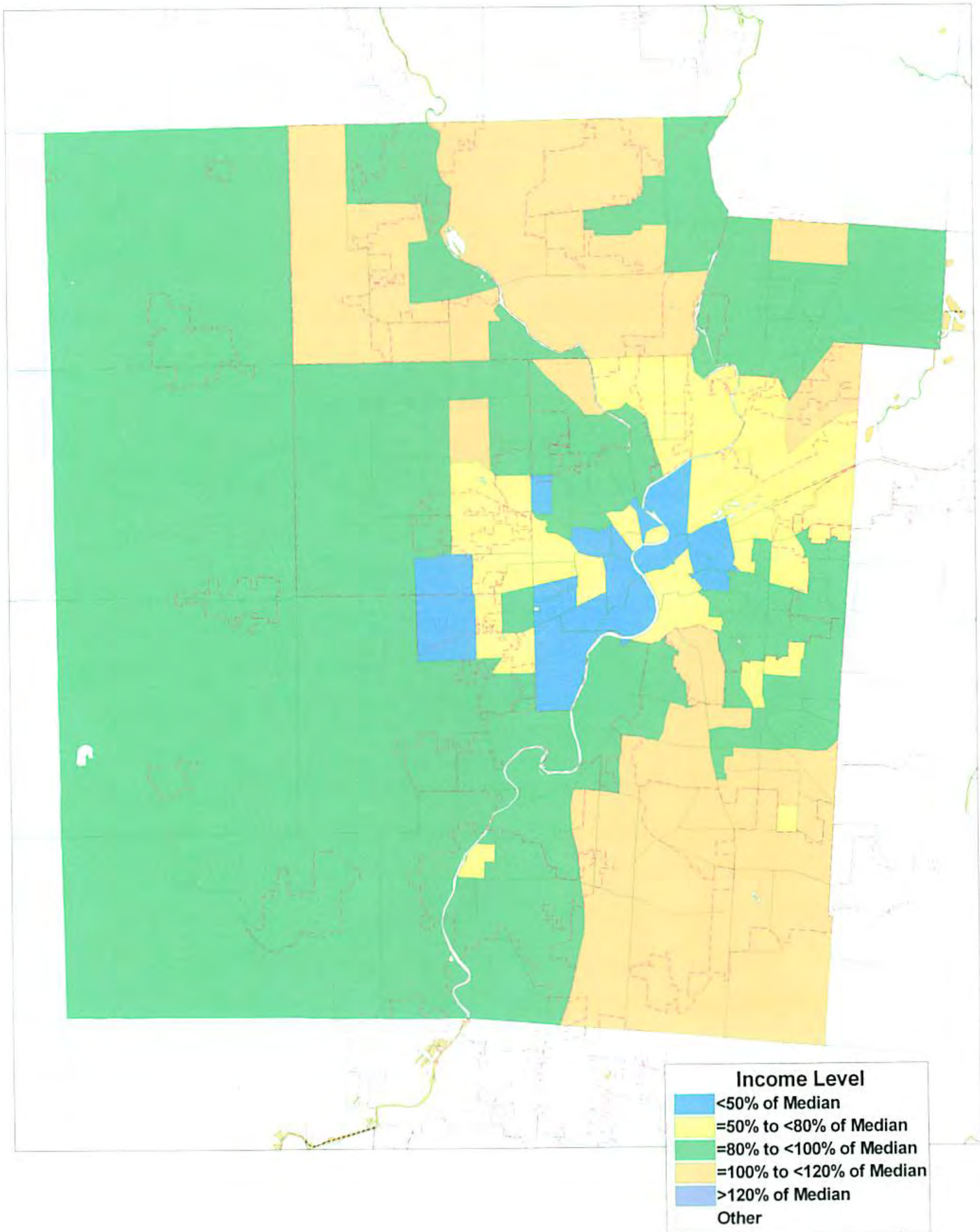
In Montgomery County, the issue is not just that Blacks are denied more than Whites, but the fact that they don't even get in the door to make an application is a more significant concern. It is very difficult to celebrate the high origination rates for Black applicants by lenders when they make up only 705 of some 9,000 applications for conventional home purchase mortgages.

6.12 Conventional Home Purchase - Applicant Income

See Map - 36

This section analyzes lender performance on another important community reinvestment goal: making mortgage credit available to persons of low-moderate income (80% or less of median household income). According to the U.S. Census 2000, the Median Household Income for 1999 in Montgomery County was $40,156. Also according to the U.S. Census for 2000, approximately 40% of the Montgomery County households were low-moderate income households.

MAP 36: Median Income Level According to HMDA Reporting Data



The HMDA database for lender provides an income breakdown of mortgage loan applicants at the application, origination and denial stage of the lending process. From this information, we can assess which lenders have been most successful in servicing the mortgage credit needs of low-moderate income households.

Table 6.15 shows lenders by the percent of conventional home purchase applications received from low-moderate income applicants. Lenders combined for over 32% of the low-moderate income market share in the County. The year 2002 had the highest percentage of low-moderate income applications with 38.9% while the lowest year was 2000 with 32.2%. This was also the year with the largest number of conventional home purchase applications. The average for the three-year period is 34.9% for low-moderate income applicants. Local lenders in 2002 showed the same results in applications from low-moderate income applicants as all lenders.

Table 6.15: Percentage Applications from Low-Moderate Income Applicants

Year	# Low-Mod Apps.	% Low-Mod Apps.
2000	3028	32.3%
2001	2679	35.2%
2002	3062	38.9%
Local Lenders 2002	557	36.7

Table 6.16 below compares lenders in terms of originations from upper income and low-moderate income applicants. The Countywide average for originations is 64% for low-moderate income applicants and 81% for upper income applicants. The year 2002 was the highest for originations in both low-moderate and upper income applicants.

Table 6.16 Originations to Low-Moderate Income Applicants

Year	% Originations*	
	Low-mod. Inc. Applicants	Upper Inc. Applicants
2000	64.5%	81.3%
2001	62.8%	79.6%
2002	65.3%	82.2%

*As a percent of total originations

There was a range of other action on applications from low-moderate income applicants. Table 6.17 below shows how low-moderate income applicants fared in the City. As expected, some lenders had a high percentage of denials but others had very low denials. Applicants might withdraw or turn down an approved application for a number of reasons, either from finding a better offer to changes in interest rates or changes in loan terms. It would be expected that the percentage of such action would be relatively insignificant and make up a very small percentage of the applications. In Montgomery County, an average of 9% of applications were approved but not accepted and the withdrawal rate averaged 5.5%.

Table 6.17: Action Taken on Conventional Home Purchase Low-Moderate Income

Lender	Approved Not Accepted	Denied	Withdrawn	Closed Incomplete
2000	9.2%	19.7%	5.1%	1.5%
2001	8.3%	21.8%	5.9%	0.0%
2002	9.5%	16.9%	5.5%	2.7%
Local Lenders 2002	5.7%	7.4%	4.8%	0.7%

In 2002 local lenders denial rates were significantly lower than all lenders for the same year. All lenders denied more than twice as many applications as local lenders. Local lenders were also below their counterparts in approved not accepted, withdraw and incomplete.

It should be pointed out that unlike reporting on race, applicant income has far less "not available" reporting. Lenders in the County had less than 4% of their applications in this category in 2001 and 2002 while in 2001 there was more than 13% "not available".

6.13 Conventional Home Purchase - Race and Applicant Income

Table 6.18 shows application, origination and denial percentages for the lenders by income group for Black applicants and White applicants. While the low overall numbers of applications from Blacks make much of the data in this section less significant than it would be if the applications numbers were higher, it is important because it gives some indication of how Blacks and Whites fare in obtaining conventional home loans when income levels are considered. As indicated earlier, it is clear that application rates for Black applicants are far lower than White applicants.

Middle-income Blacks were an almost non-existent market with the lenders. Those applicants earning between 100% and 120% of median income accounted for the lowest number of applications for Blacks in all years. Whites, in the same income category, were twelve times more likely to make an application than their Black counterparts.

In all income groups Whites fared better in each category from applications, origination and denials. Whites had higher origination rates and lower denial rates in each category. In many cases the rate of applications of Whites to Blacks was two to three times greater.

Table 6.18: Application Action by Race and Income

Year & Applicant Income	BLACK			WHITE		
	Apps.	Origination	Denials	Apps.	Originations	Denials
2000						
<80% (Low/Moderate)	331	57.4	24.2	1990	69.4	16.5
>=80-<100% (Middle)	122	52.5	23.8	889	77.8	9.8
>=100-<120% (Middle)	77	71.4	15.6	813	78.6	3.5
>=120% (Upper)	155	67.7	20	2092	84.3	4.2
Not Available	20	50	20	228	79.8	4.2
TOTAL	705	60.1	22.1	6012	77.5	7.5
2001						
<80%	286	45.4	34.6	1981	73.7	14.7
>=80-<100%	106	55.7	20.8	866	78.6	8.2
>=100-<120%	50	52	18	732	81.7	7.5
>=120%	169	58.6	16	2138	85	4.5
Not Available	22	72.7	9.1	166	72.3	12
TOTAL	633	52.1	25.1	5883	79.5	9.1
2002						
<80%	353	56.6	19.5	2312	76.1	11.4
>=80-<100%	95	58.9	17.9	942	83.5	6.9
>=100-<120%	58	70.7	10.3	729	84.2	5.3
>=120%	126	78.6	4	2039	86.4	3.6
Not Available	19	47.4	15.8	239	76.2	6.7
TOTAL	651	62.2	15.4	6261	81.5	7.3

Even when lenders report high Blacks origination rates, Blacks are still not getting in the door to make an application. It should also be noted that, as origination rates for Blacks were lower than Whites, denial rates for Blacks were higher than Whites. In each income level, the denial rates were usually higher for Blacks than for Whites.

6.14 - Conventional Home Purchase - Census Tracts with 20% or Greater Minority Population

The next portion of the analysis examines the percentage of lender activity benefitting or impacting geographic areas of different racial composition. In other words, how did the ten largest lenders fare in minority neighborhoods? Table 6.19 lists lenders in conventional home purchase applications from census tracts with 20% or greater minority applications. Map Lending 16 shows those census tracts in the County that have 20% or more minority population.

Table 6.19 also provides information on the percent of applications, originations and denials for census tracts with 20% or greater minority population. Lenders are reducing their potential market for their loan products by concentrating their efforts in those tracts that are less than 20% minority. It is wrong to think that there are not potential home buyers in these tracts.

While Map 36 shows that there are only a few census tracts in the County that meet the 20% or greater minority benchmark, it should be noted that the data discussed in Table 6.19 is for Montgomery County excluding Dayton.

Overall 81.6% of applications in 2002 came from tracts with 10% or less minority. The impact of this might not be as troublesome considering that there are a few tracts meeting the 20% or greater benchmark. This fact does not mean that the low number of applications are not a concern for the County.

Table 6.19: Lending Actions in 2001Census, Tracts 20% or Greater Minority

	Applications*		Originations	Denials
	#	%	%	%
2000	1312	14.0%	59.5%	23.3%
2001	852	11.2%	46.5%	28.8%
2002	816	10.4%	51.6%	23.4%
Local Lenders 2002	90	5.9%	64.4%	15.5%

* As a percent of total conventional home purchase applications

Local lenders in 2002 had only 5.9% (90) of their applications from these tracts. While they did originate a higher percent of applications in 2002 than all lenders in Montgomery County, the low number of applications received makes this fact less encouraging. Local lenders did have a lower denial rate than all lenders.
Again, the critical factor is not so much in the rate of denials for lenders, but rather the lack of applications from census tracts with higher concentrations of minority populations.

6.15 - Conventional Home Purchase - Tract Income

The last portion of the analysis examines lender activity benefitting or impacting low-moderate income census tracts. All conventional home purchase data in this section comes from low-moderate income census tracts. Table 6.20 lists lenders by year, by application, originations and denials percentages.

Table 6.20: Lending Activity in Low-Moderate Income Tracts - Montgomery County

	APPLICATIONS*	ORIGINATIONS**	DENIALS**
2000	9.6%	7.5%	18.6%
2001	8.3%	5.7%	17.4%
2002	7.5%	5.6%	17.2%
Local Lenders 2002	5.5%	4.6%	15.9%

* Of total home purchase applications ** as a percent of total originations *** as a percent of total denials

As a percent of total applications, low-moderate income tracts had less than 10% of applications. Of those applications in 2001 and 2002, three times as many applications were denied than were originated. In 2000 denials were 2.4 times that of originations.

Table 6.21 compares the application rates from the HMDA data of low-moderate income applicants to low-moderate income tracts. This comparison reveals that lenders are servicing low-moderate income applicants more than low-moderate income tracts.

Table 6.21: Applications from Low-Moderate Income Applicants and Low-Moderate Income Tracts

	APPLICATIONS			
	% LMI APPS *	# LMI APP.	% LMI TRACTS	# LMI TRACT
2000	32.3%	3028	9.6%	902
2001	35.2%	2679	8.3%	630
2002	38.9%	3062	7.5%	597

6.16 - Community Lending Efforts

On the positive front, there are a number of community lending products available on the market that are designed to increase the participation of low and moderate income individuals and families in home purchases. These products were primarily designed by Fannie Mae and Freddie Mac and are being offered through individual lenders and through a consortium of lenders.