

# Cuyahoga County Mortgage Lending Patterns

July 2018

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Fair Housing Center for Rights & Research (The Fair Housing Center) is a 501(c)(3) non-profit organization whose mission is to protect and expand fair housing rights, eliminate housing discrimination, and promote integrated communities. The Fair Housing Center works to achieve its mission through work in three primary areas: research and mapping; education and outreach; and enforcement of fair housing laws through testing, complaint investigation and resolution, and litigation.

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## Introduction

Cuyahoga County has a long history of racial segregation,<sup>1</sup> mortgage redlining of African American neighborhoods,<sup>2</sup> and predatory lending based on race.<sup>3</sup> Cuyahoga County remains part of one of the most racially segregated regions in the United States,<sup>4</sup> and despite a demand for credit, people in predominantly African-American neighborhoods often cannot get mortgages to buy houses in their neighborhoods.<sup>5</sup> To understand the role individual lenders play, this report examines mortgage lending data, by place and compared to race, for the ten institutions that have loaned the most dollars for home purchase loans in Cuyahoga County between the years 2012 and 2016 (see table below: Top Ten Mortgage Lenders for 1-4 Family, Home Purchase Loans by Total Dollar Amount Loaned for 2012 to 2016 in Cuyahoga County).

### Top Ten Mortgage Lenders for 1-4 Family, Home Purchase Loans by Total Dollar Amount Loaned for 2012 to 2016 in Cuyahoga County

	Total Originations from 2012 to 2016	Total Market Share for Originations 2012-2016	Total Dollar Amount 12-16 (\$000s)	Total Market Share 12-16
HOWARD HANNA MORTGAGE SERVICES	5645	10.94%	\$886,275.00	11.22%
FIRST FEDERAL OF LAKEWOOD	5144	9.97%	\$850,364.00	10.76%
THIRD FEDERAL SAVINGS AND LOAN	3987	7.73%	\$668,255.00	8.46%
FIFTH THIRD MORTGAGE COMPANY	2874	6.89%	\$422,748.00	6.60%
THE HUNTINGTON NATIONAL BANK	2259	4.38%	\$366,291.00	4.64%
QUICKEN LOANS	2076	4.02%	\$280,418.00	3.55%
WELLS FARGO BANK, NA	1600	3.10%	\$253,354.00	3.21%
PNC BANK N.A.	1608	3.12%	\$231,278.00	2.93%
JPMORGAN CHASE BANK, NA	1137	2.20%	\$213,753.00	2.71%
CROSSCOUNTRY MORTGAGE INC	1299	2.51%	\$190,955.00	2.42%

<sup>1</sup> Kenneth L. Kusmer, *A Ghetto Takes Shape: Black Cleveland, 1870-1930* (Urbana: University of Illinois Press, 1978).

<sup>2</sup> Randy Cunningham, "The Battle Against Redlining," in *Democratizing Cleveland: The Rise and Fall of Community Organizing in Cleveland, Ohio 1975 to 1985* (Cleveland: Arambala Press, 2007).

<sup>3</sup> Jeffery D. Dillman, "Subprime Lending in the City of Cleveland and Cuyahoga County," Kirwan Institute, (2010).

<sup>4</sup> Population Studies Center, "New Racial Segregation Measures for Large Metropolitan Areas: Analysis of the 1990-2010 Decennial Census," University of Michigan <http://www.psc.isr.umich.edu/dis/census/segregation2010.html>.

<sup>5</sup> Frank Ford, "Are Your Credit Needs Being Met in Cuyahoga County?: It May Depend on Where You Live," Western Reserve Land Conservancy (presented at Ohio Fair Lending and Vital Communities Coalition and Cleveland State University's Maxine Goodman Levin College of Urban Affairs: Brown Bag; "The Role of Communities in Community Benefit Agreements," Cleveland, OH, June 21, 2017) <https://www.organizeohio.org/june-2017-brown-bag-forum.html>.

## A Brief History of Mortgage Lending Discrimination in the United States

Racial discrimination and segregation in the mortgage lending market were federally institutionalized by two depression-era programs: The Home Owner's Loan Corporation (HOLC) and the Federal Housing Administration (FHA). HOLC was created in 1933 in response to a growing foreclosure crisis as a means to preserve homeownership in the United States. HOLC purchased troubled mortgages and reissued new mortgages with more favorable terms for borrowers. As part of this process, HOLC assessed the ability of the borrower to repay and what it determined to be the likelihood of the house to maintain its value during the life of the mortgage. HOLC considered the racial makeup of a neighborhood to affect the values of the homes in that neighborhood, and created "residential security maps," otherwise known as "redlining maps," for most metropolitan areas as a tool to conduct this assessment. Neighborhoods with or near African American communities were shaded red and excluded from the program. The FHA was created in 1934 to insure private, amortized mortgages in order to increase home-ownership in the United States. The FHA adopted HOLC's practice of redlining by limiting its program to white borrowers seeking homes in white-only neighborhoods. The FHA officially endorsed racial segregation both in the residential and the school settings and actively discouraged banks from lending in urban areas.<sup>6</sup>

HOLC and the FHA effectively created the 30-year, amortized mortgage in the United States and with it, a transfer of wealth, solely to the white, working and middle classes, African Americans were cut off from the wealth creation during the 1950s and 1960s.<sup>7</sup>

They did this while simultaneously backing explicit racial-discrimination, racial segregation, and racialized poverty as policies of the federal government, then passed these practices on to private lenders. The practice of redlining and racial discrimination in the home-lending market continued legally until 1968, with the passage of the Fair Housing Act,<sup>8</sup> but even in the twenty-first century lenders have been prosecuted by the Department of Justice for engaging in redlining.<sup>9</sup> American society has internalized the belief that nonwhite neighborhoods are not worthy of credit.<sup>10</sup>

Segregated living patterns in Cuyahoga County were, in part, created and maintained by discriminatory mortgage lending practices. Note the Home Owner's Loan Corporation for Cuyahoga County, 1940 redlining map from 1940 on page 3 compared to the map Nonwhite and/or Hispanic Concentration by Census Tract, 2016 on the same page. The segregated living patterns of the Cleveland area are nearly unchanged after 76 years.

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<sup>6</sup> Richard Rothstein, *The Color of Law: A Forgotten History of How Our Government Segregated America*, (New York: Liveright Publishing Corporation, 2017), 63-65.

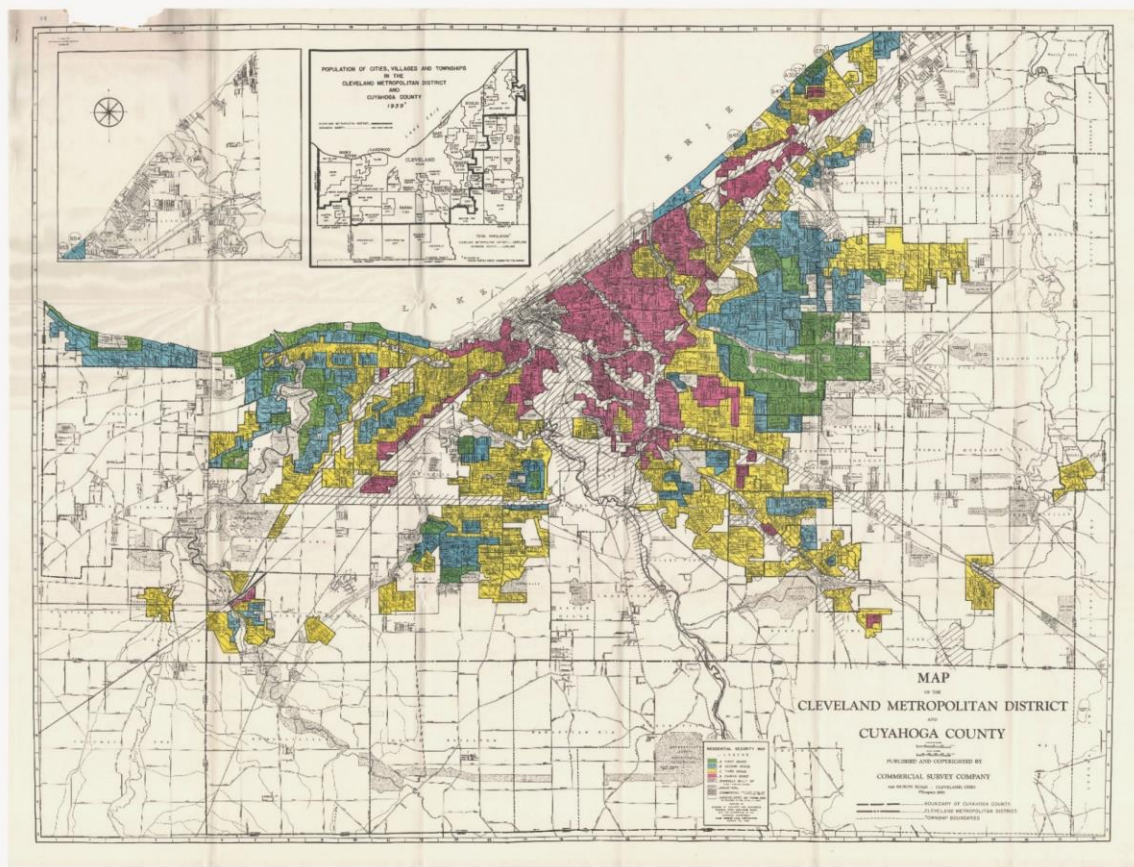
<sup>7</sup> *Ibid.*, 185.

<sup>8</sup> Civil Rights Act of 1968, Title VIII, Pub. L. No. 90-284.

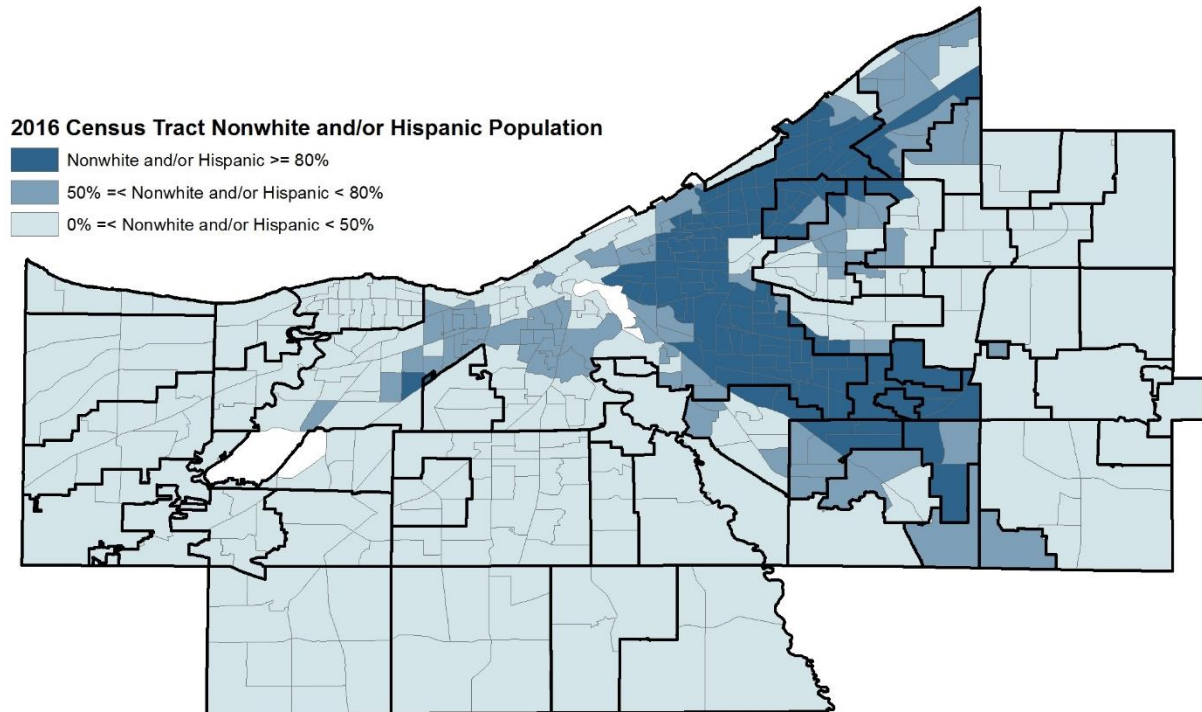
<sup>9</sup> The U.S. Department of Justice brought 17 redlining suits between 2006 and 2017. See: Martha J. Svoboda, "The Evolution of Redlining Post-Financial Crisis and Best Practices for Financial Institutions," *North Carolina Banking Institute*, vol. 22 no. 1 (2018), 87.

<sup>10</sup> Douglas S. Massey and Nancy A. Denton, *American Apartheid: Segregation and the Making of the Underclass* (Cambridge, Massachusetts: Harvard University Press, 1993), 105.

## Home Owner's Loan Corporation Redlining Map for Cuyahoga County, 1940



## Nonwhite and/or Hispanic Concentration by Census Tract in Cuyahoga County, 2016



## Modern Lending Practices That Exclude

Race-based discrimination in lending and mortgage redlining have been illegal since 1968, but lenders replaced explicitly discriminatory practices with practices that are on their face, racially neutral, but have a discriminatory effect on the basis of race.

**Credit scoring:** Lenders use credit scores as a seemingly race-neutral method for assessing the risk of a borrower. Credit scores have been shown to be racially discriminatory in the insurance market. Borrowers of color have been and are actively excluded from the mainstream financial system and are often forced into a volatile, sometimes predatory, secondary credit market causing low credit scores,<sup>11</sup> or they have no credit score at all.<sup>12</sup> Credit scores are racially discriminatory.

**Minimum loan amounts:** Banks often will not make mortgages under an arbitrary minimum value (commonly \$50,000). Lenders sometimes argue that it is not profitable to make low-dollar mortgages. In Cuyahoga County, mortgages under \$50,000 are more likely to be denied than originated. This practice has the effect of excluding majority-minority neighborhoods throughout Cuyahoga County where post-subprime-mortgage-crisis, median home values in those neighborhoods are under \$50,000.<sup>13</sup> The same neighborhoods were often the targets of subprime lenders and African Americans were shown to have been steered toward predatory lending products<sup>14</sup> that extracted value out of neighborhoods. Majority-minority neighborhoods throughout Cuyahoga County are caught in a “Catch-22” scenario where housing values are too low for borrowers to obtain credit, which in itself prevents housing values from rising.<sup>15</sup>

**Shift to online banking:** Lenders are moving away from the brick-and-mortar based, “relationship model” of doing business and closing branches in the process. Between the years 2016 and 2017, Cuyahoga County was 4<sup>th</sup> for counties in the United States that lost bank branches, losing 22 bank branches during that period. Many lenders are moving to an online-model of mortgage making,<sup>16</sup> but in Cuyahoga County internet access is low in many majority-minority neighborhoods. In Cuyahoga County, less than 20% of households have internet access in many majority-minority neighborhoods, especially in the east-side of the City of Cleveland and in City of East Cleveland. In most majority-minority neighborhoods in the City of Cleveland, less than 40% of household have internet access,<sup>17</sup> cutting many off from this new style of lending.

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<sup>11</sup> Lisa Rice and Deidre Swesnik, “Discriminatory Effects of Credit Scoring on Communities of Color,” *Suffolk University Law Review*, vol. 46 (January, 2014), 939-949.

<sup>12</sup> Kenneth P. Brevoort, Philipp Grimm, and Michelle Kambara, “Data Point: Credit Invisibles,” The Consumer Financial Protection Bureau Office of Research (May 2015), 6.

<sup>13</sup> Frank Ford, “Are Your Credit Needs Being Met in Cuyahoga County?: It May Depend on Where You Live.”

<sup>14</sup> Lisa Rice and Deidre Swesnik, “Discriminatory Effects of Credit Scoring on Communities of Color,” 945-946.

<sup>15</sup> Frank Ford, “Are Your Credit Needs Being Met in Cuyahoga County?: It May Depend on Where You Live.”

<sup>16</sup> National Community Reinvestment Coalition, “NCRC: Banking Deserts in America.”

<http://maps.ncrc.org/bankdeserts/index.html>

<sup>17</sup> Shruthi Avind and Kyle Fee, “Broadband and High-speed Internet Access in the Fourth District,” Federal Reserve Bank of Cleveland: *A Look Behind the Numbers*, vol. 7, issue 2 (December, 2016), 6.

## Notes on the Data

The following data for each lending institution is presented below: branch locations (Quicken Loans and Wells Fargo Bank, NA do not have locations in Cuyahoga County), home purchase applications, percent of complete home purchase applications denied, and home purchase originations.

Branch location data was compiled and geocoded by The Fair Housing Center from information collected by the Federal Deposit Insurance Company and from the websites of the lending institutions examined in this report.

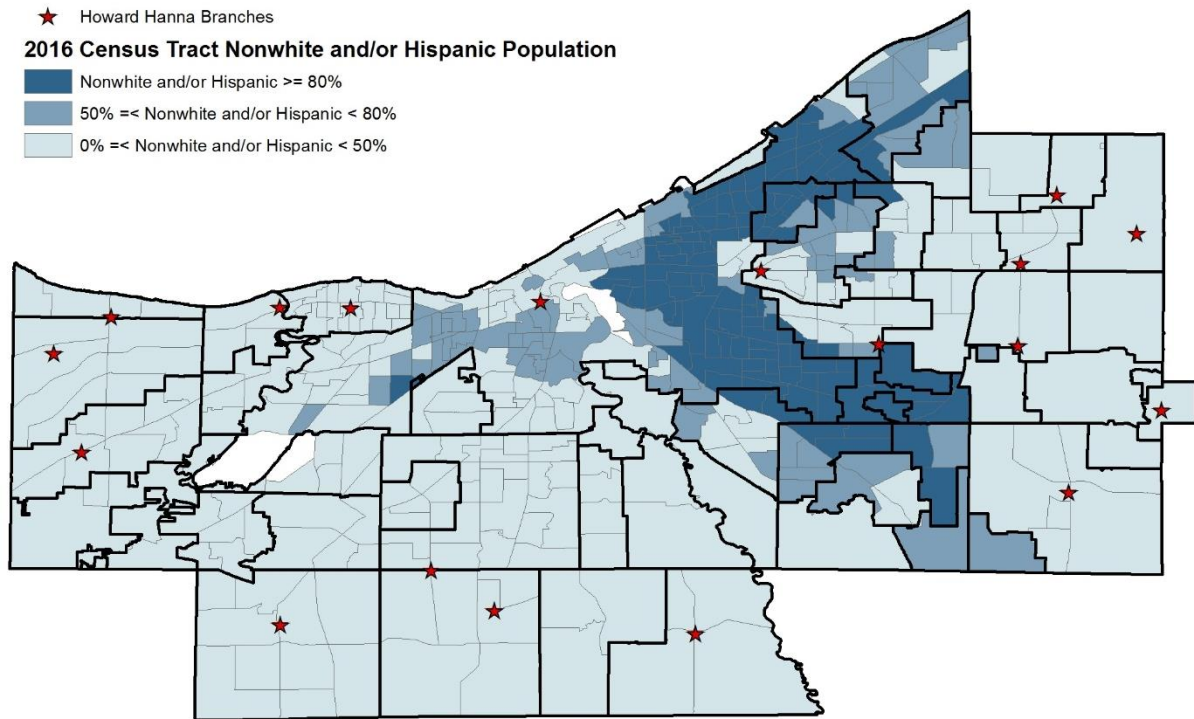
Demographic data comes from the United States Census Bureau's 2016 American Community Survey 5-year estimates: tables B03002 (Hispanic or Latino Origin by Race) and B25032 (Tenure by Units in Structure).

Lending data in this report comes from the Home Mortgage Disclosure Act (HMDA) dataset for the years 2012 to 2016 and is filtered to only include data for mortgages for the Property Type "One to Four-Family" (smallest unit size available for the category Property Type) and for the Purpose of "Home Purchase." Applications per census tract were calculated by finding the sum of the Actions Taken categorized as "Originated," "Approved Not Accepted," "Denied," "Withdrawn," and "Closed Incomplete." The percent of complete home purchase applications denied per census tract was calculated by dividing the number Actions Taken categorized as "Denied" by the sum of Actions Taken categorized as "Originated," "Approved Not Accepted," and "Denied."

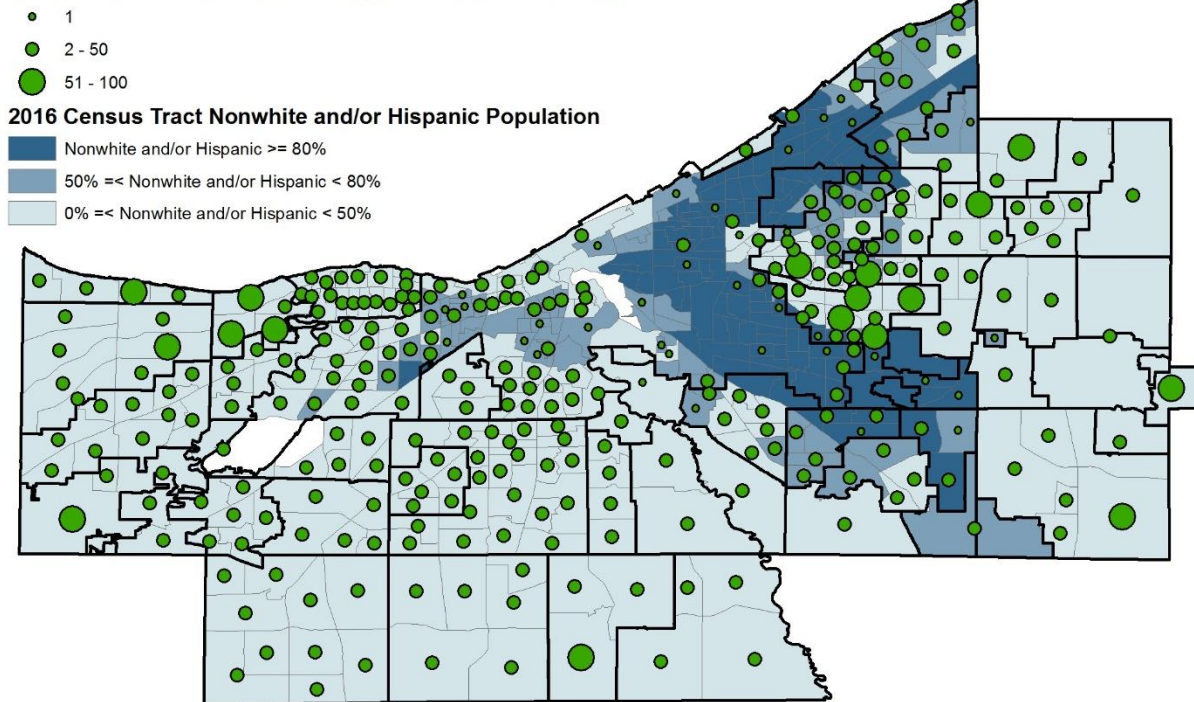
Lending data for Fifth Third includes all reported lending activity by the following institutions: Fifth Third Bank, Fifth Third Mortgage Company, and Fifth Third Mortgage MI LLC.



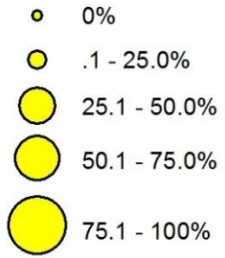
# Howard Hanna Mortgage Services



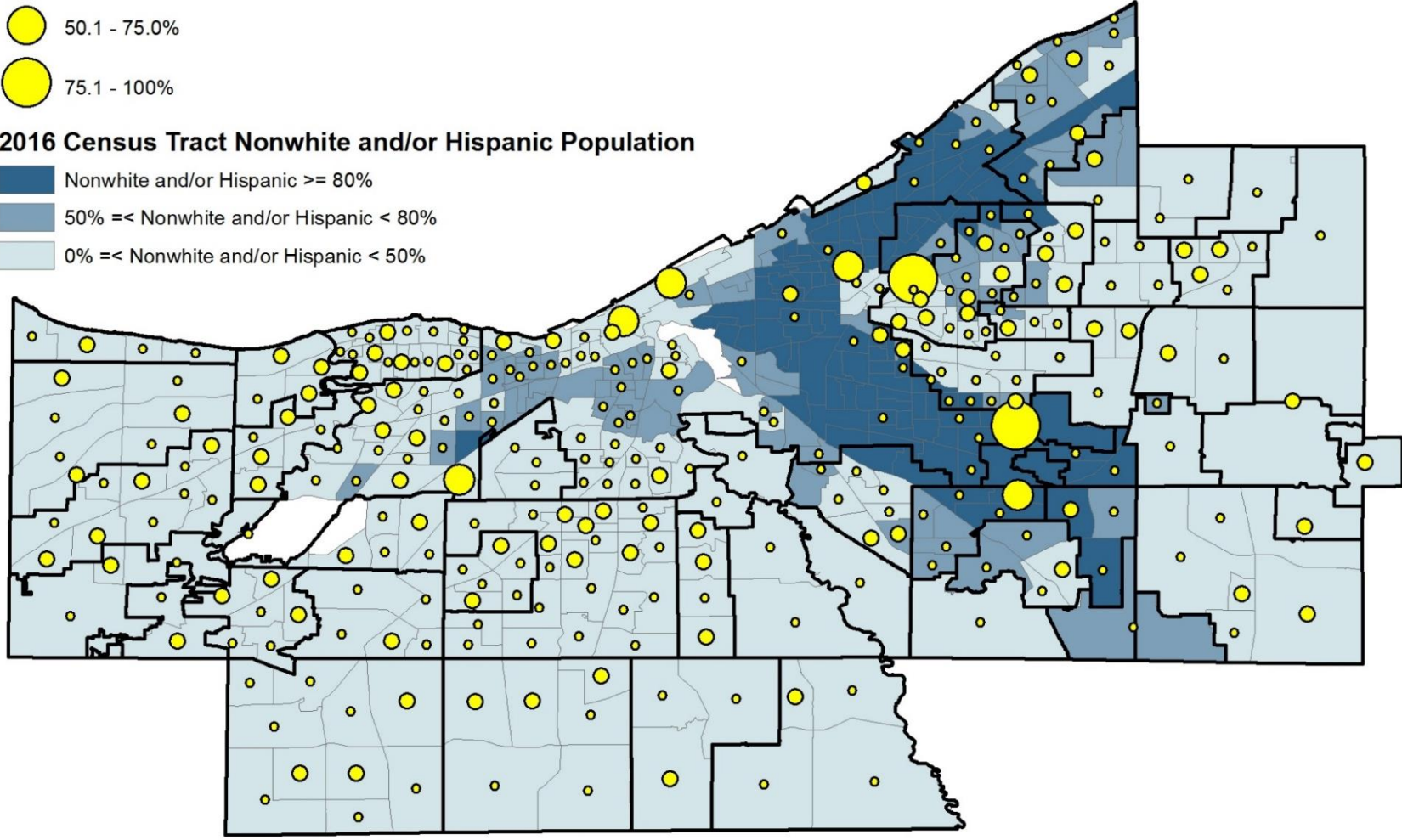
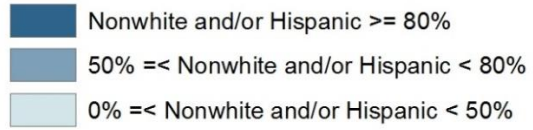
Howard Hanna Home Purchase Applications, 2012 to 2016



### Howard Hanna Percent of Complete Home Purchase Applications Denied, 2012 to 2016

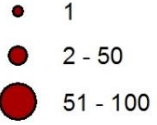


### 2016 Census Tract Nonwhite and/or Hispanic Population

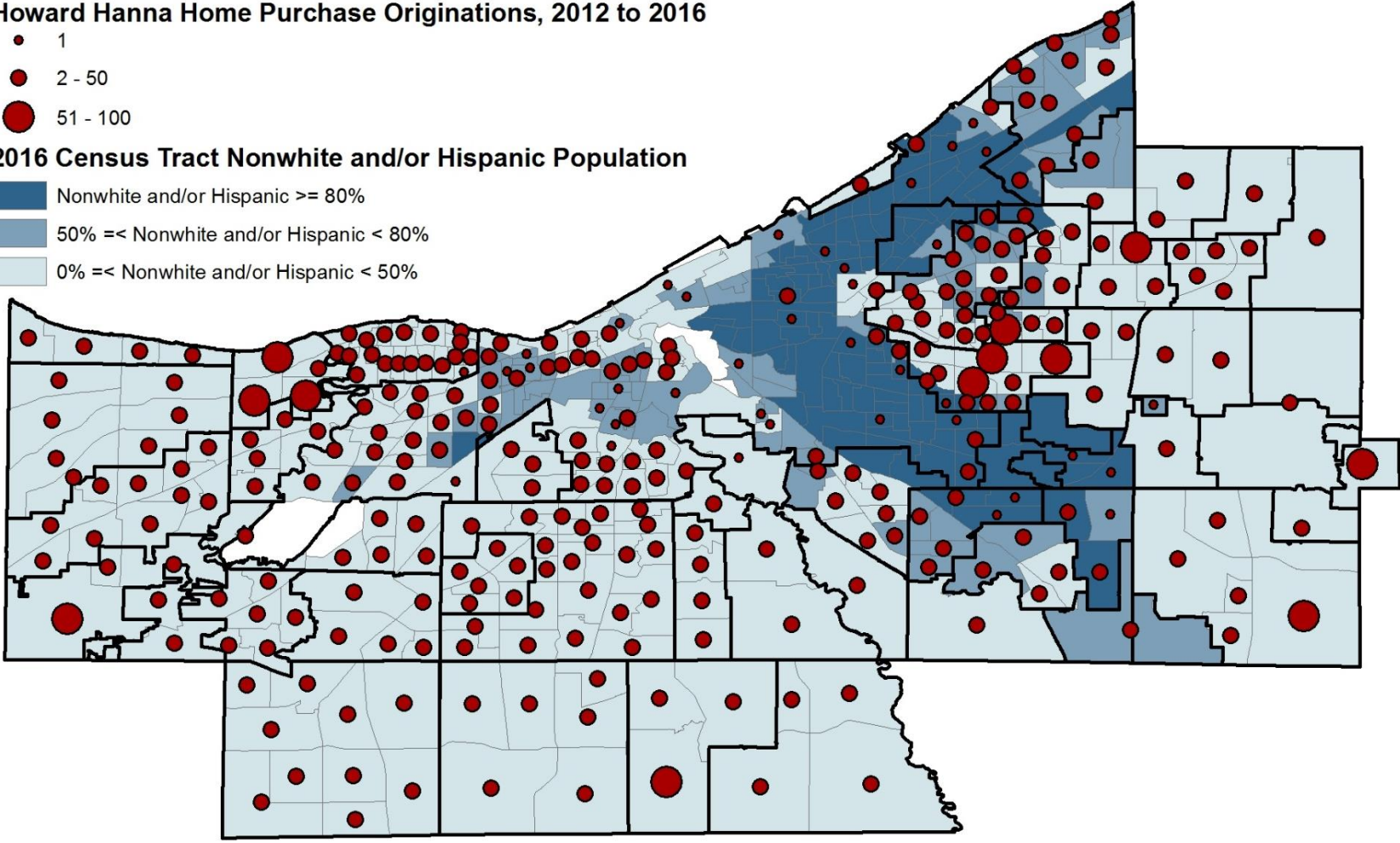
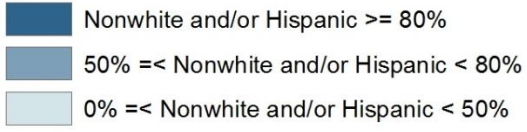




Howard Hanna Home Purchase Originations, 2012 to 2016



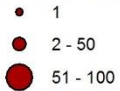
2016 Census Tract Nonwhite and/or Hispanic Population



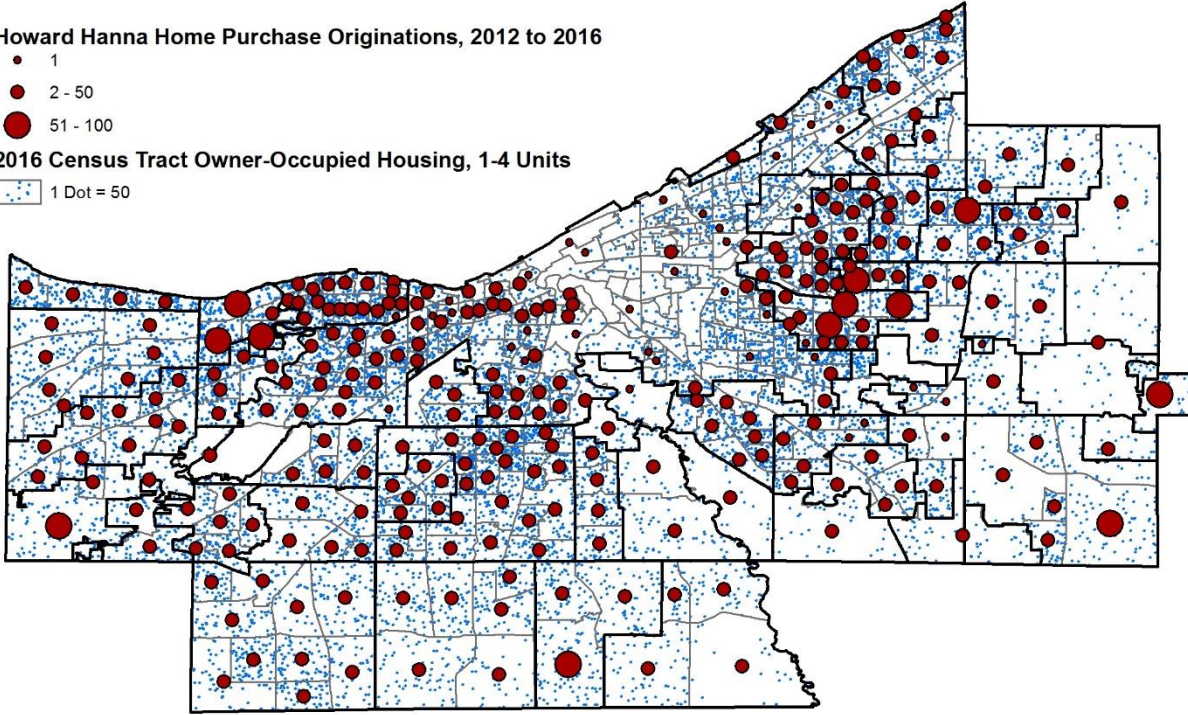


# Howard Hanna Mortgage Services

Howard Hanna Home Purchase Originations, 2012 to 2016

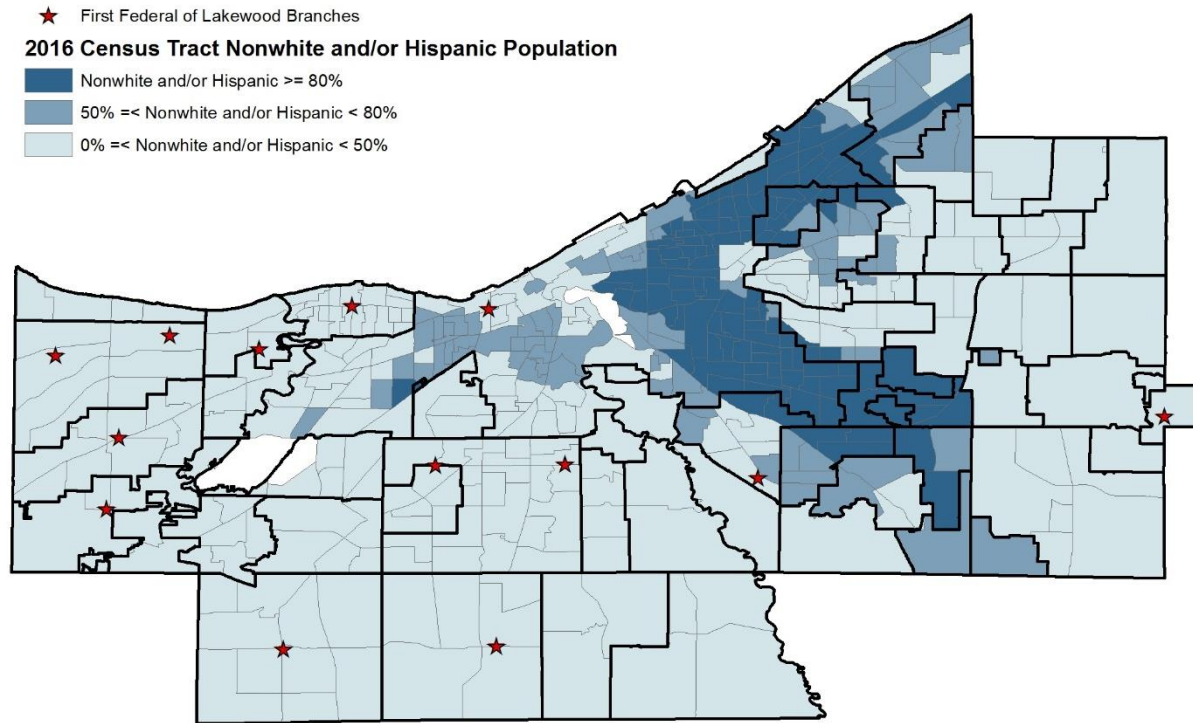


2016 Census Tract Owner-Occupied Housing, 1-4 Units

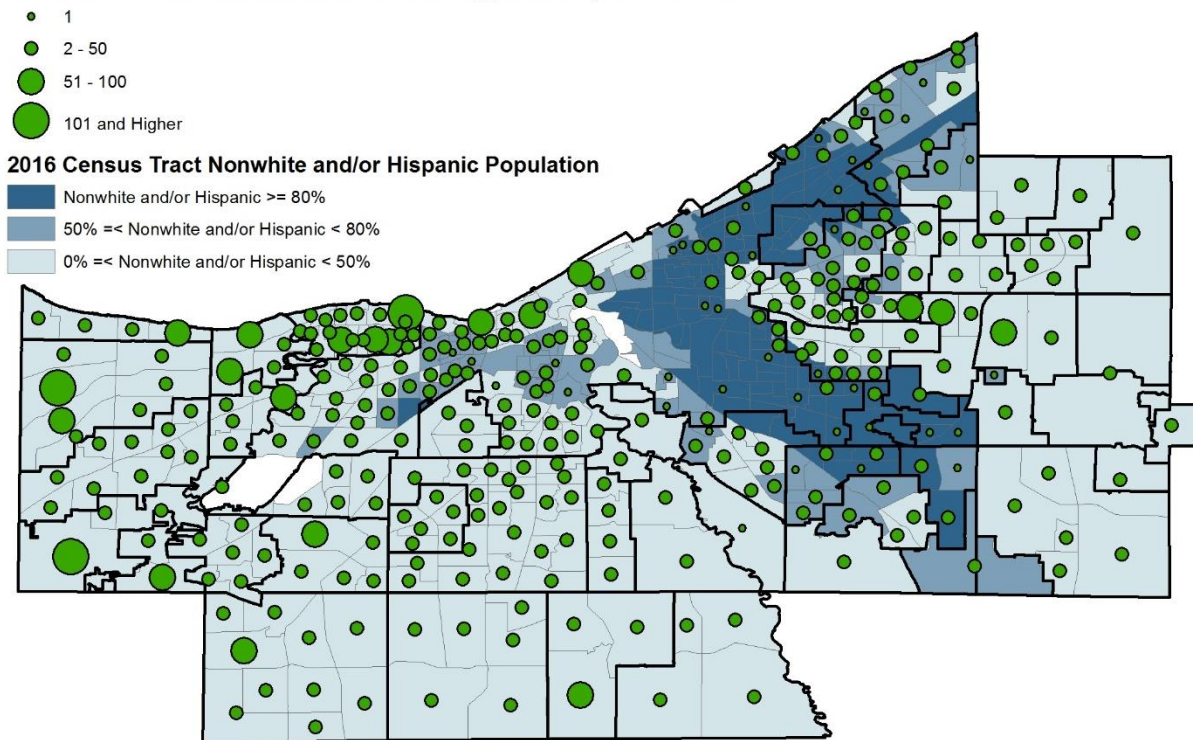


	Majority White Tracts	Majority Nonwhite and/or Hispanic Tracts
Applications	5896	574
Originations	5165	480
Percent of Complete Applications Denied	2.1% (110/5292)	4.2% (21/502)

# First Federal of Lakewood



First Federal of Lakewood Home Purchase Applications, 2012 to 2016



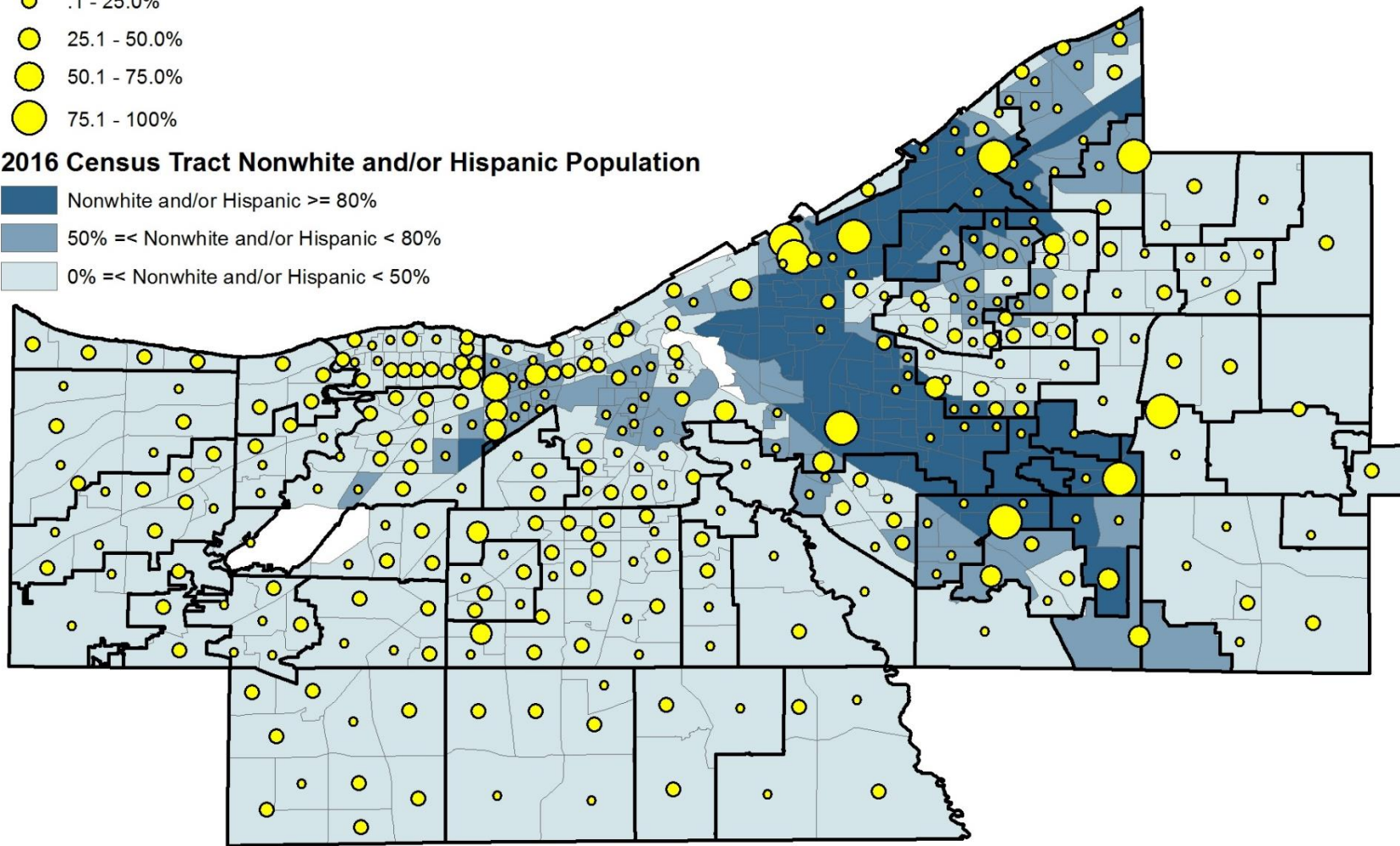


# First Federal of Lakewood Percent of Complete Home Purchase Applications Denied, 2012 to 2016

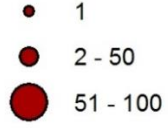
- 0%
- .1 - 25.0%
- 25.1 - 50.0%
- 50.1 - 75.0%
- 75.1 - 100%

## 2016 Census Tract Nonwhite and/or Hispanic Population

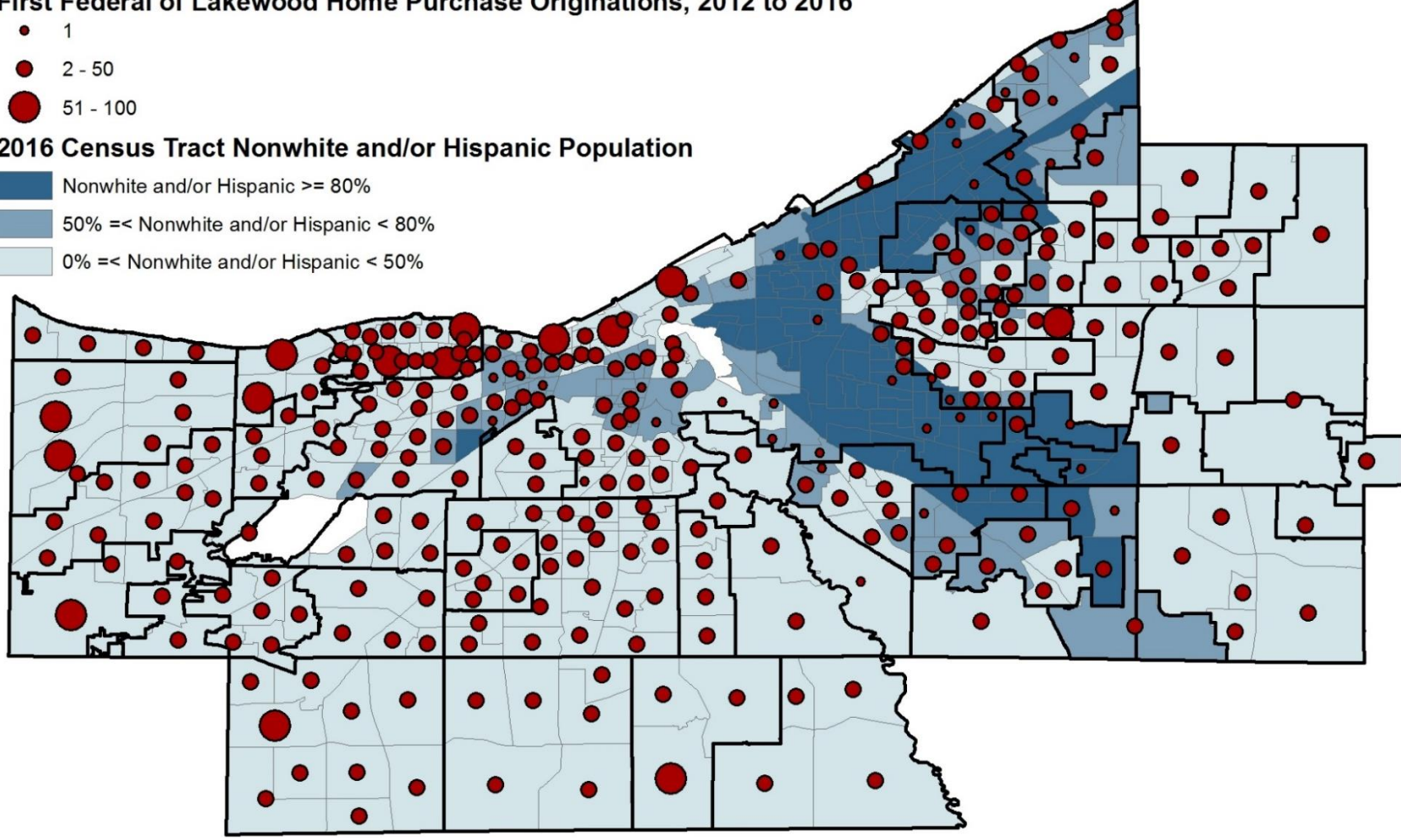
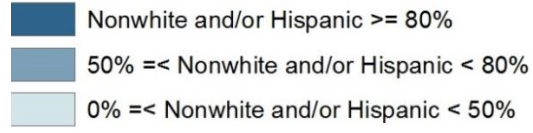
- Nonwhite and/or Hispanic  $\geq 80\%$
- 50%  $\leq$  Nonwhite and/or Hispanic  $< 80\%$
- 0%  $\leq$  Nonwhite and/or Hispanic  $< 50\%$



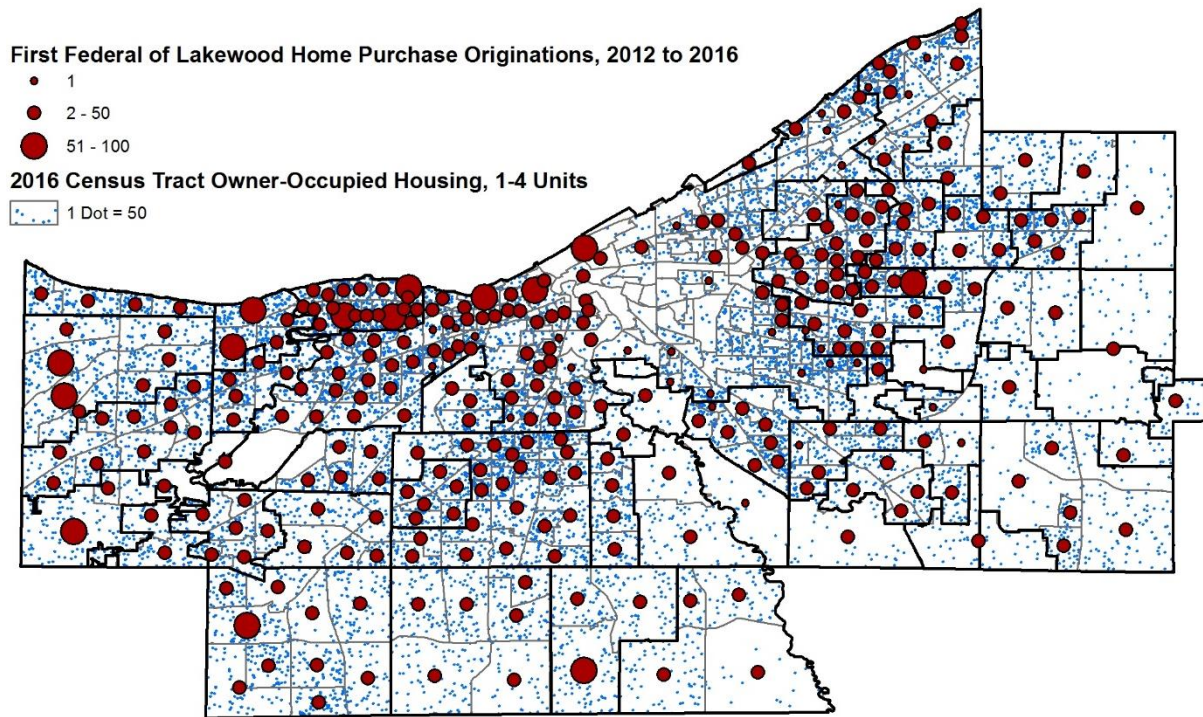
**First Federal of Lakewood Home Purchase Originations, 2012 to 2016**



**2016 Census Tract Nonwhite and/or Hispanic Population**



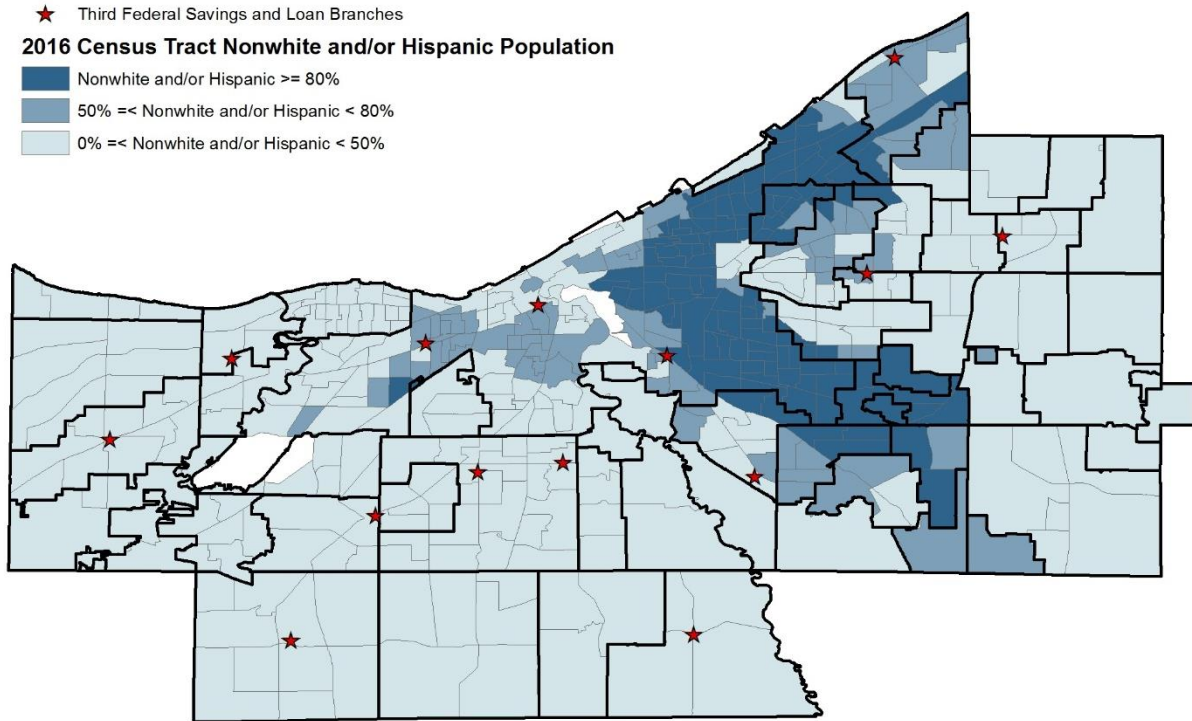
# First Federal of Lakewood



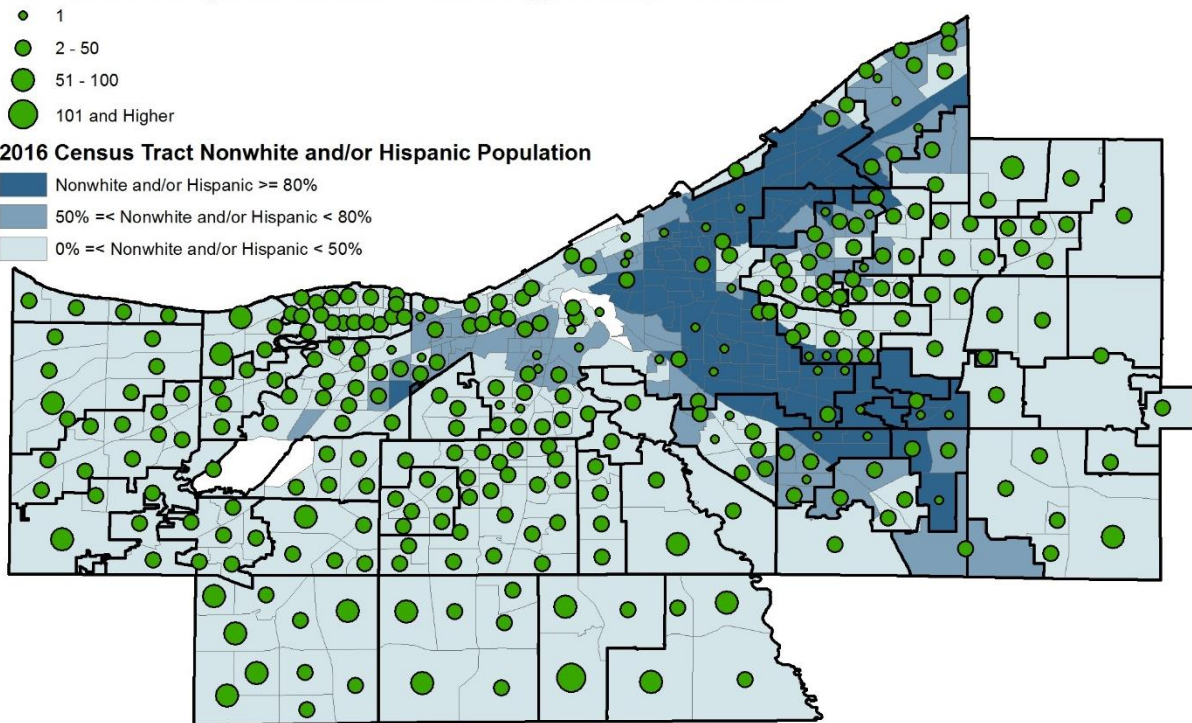
	Majority White Tracts	Majority Nonwhite and/or Hispanic Tracts
Applications	5666	585
Originations	4702	442
Percent of Complete Applications Denied	4.6% (238/5163)	9.5% (50/528)



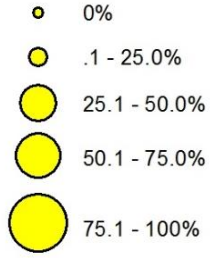
# Third Federal Savings and Loan



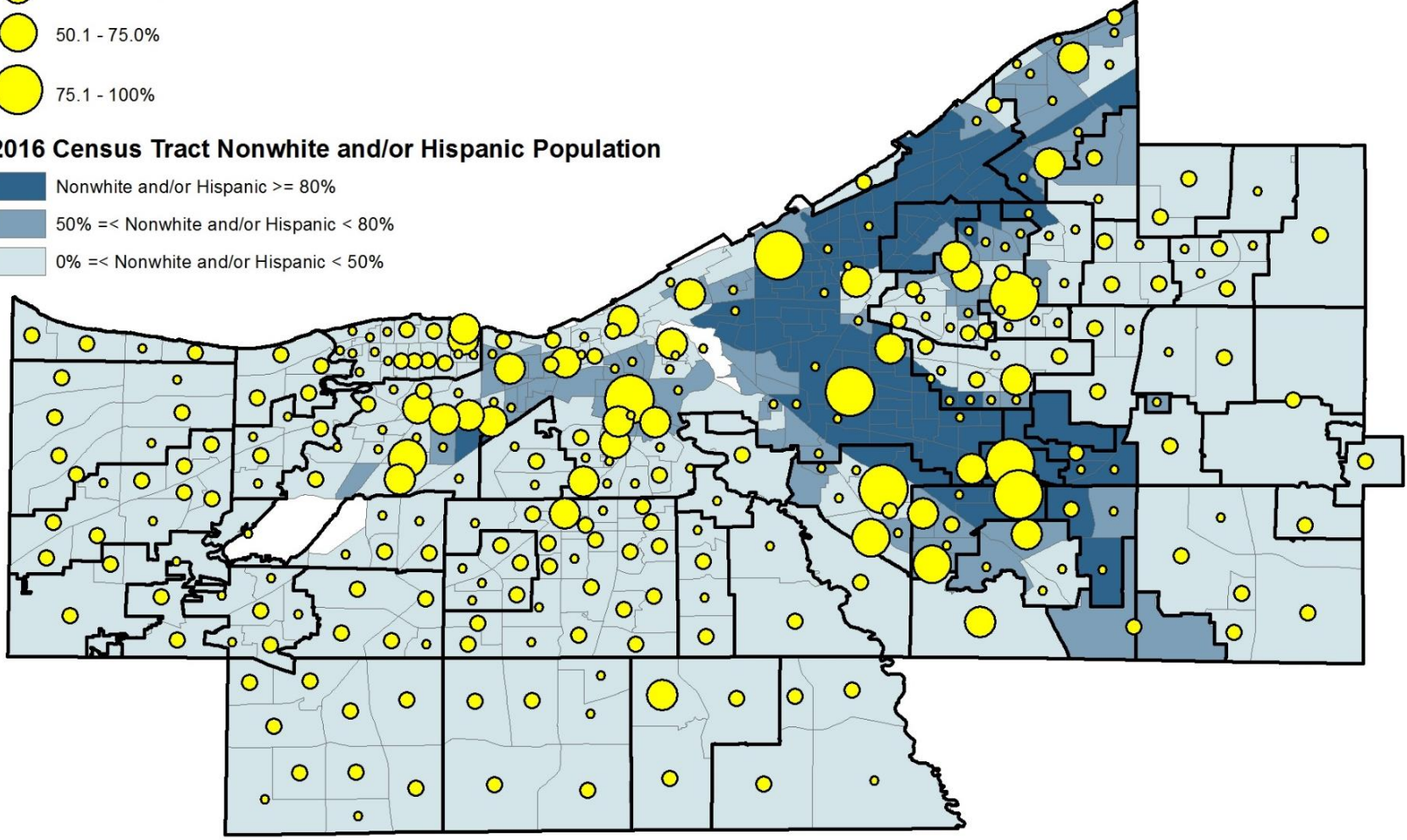
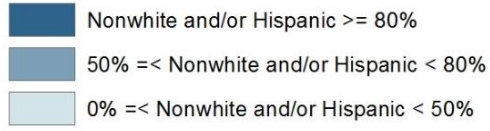
Third Federal Savings and Loan Home Purchase Applications, 2012 to 2016



### Third Federal Savings and Loan Percent of Complete Home Purchase Applications Denied, 2012 to 2016

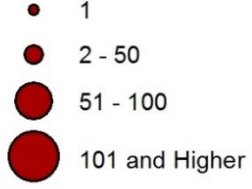


### 2016 Census Tract Nonwhite and/or Hispanic Population

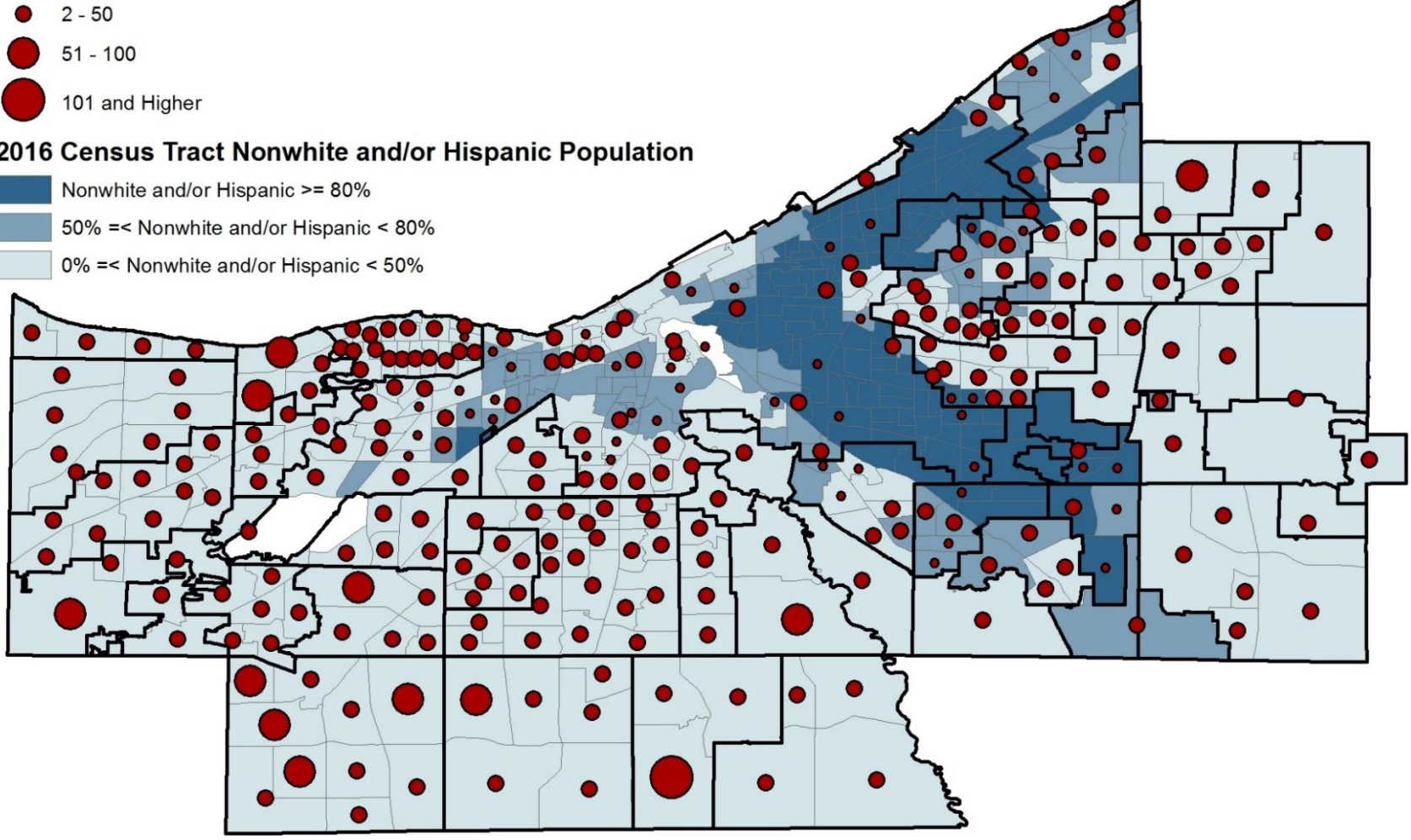
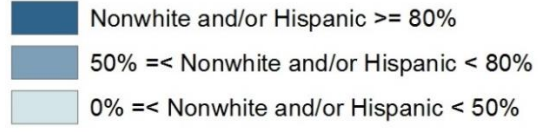




### Third Federal Savings and Loan Home Purchase Originations, 2012 to 2016



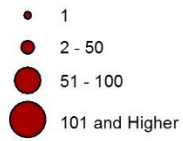
### 2016 Census Tract Nonwhite and/or Hispanic Population



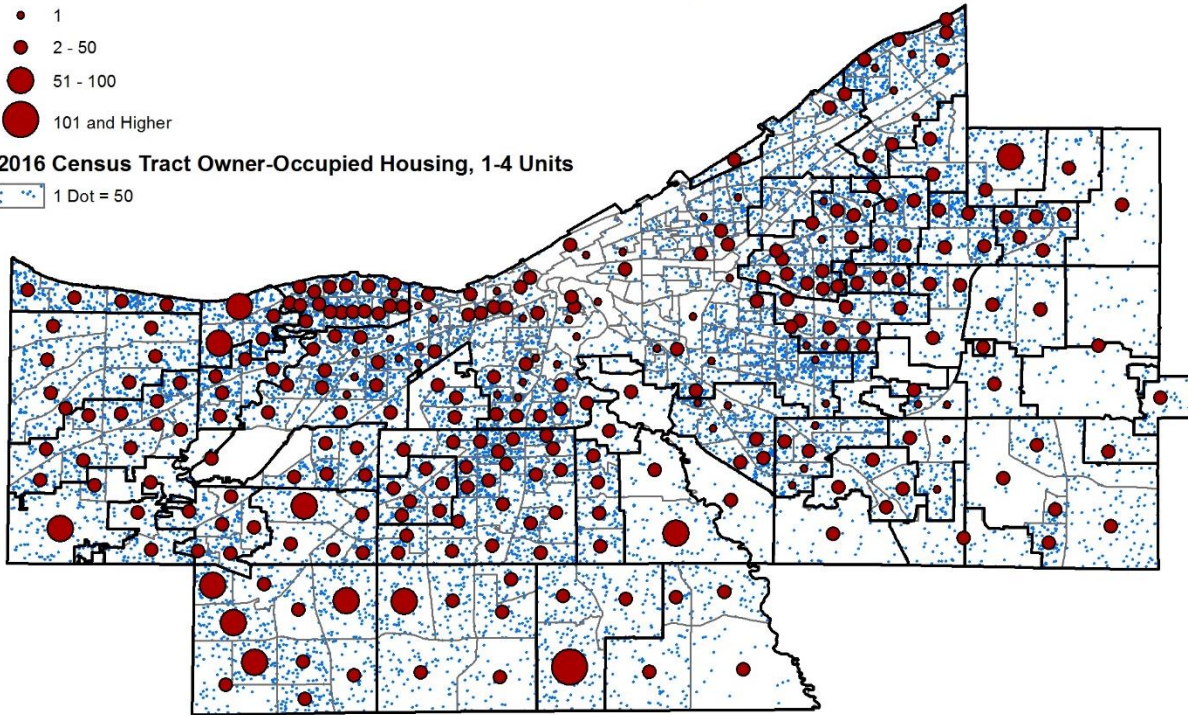


# Third Federal Savings and Loan

Third Federal Savings and Loan Home Purchase Originations, 2012 to 2016

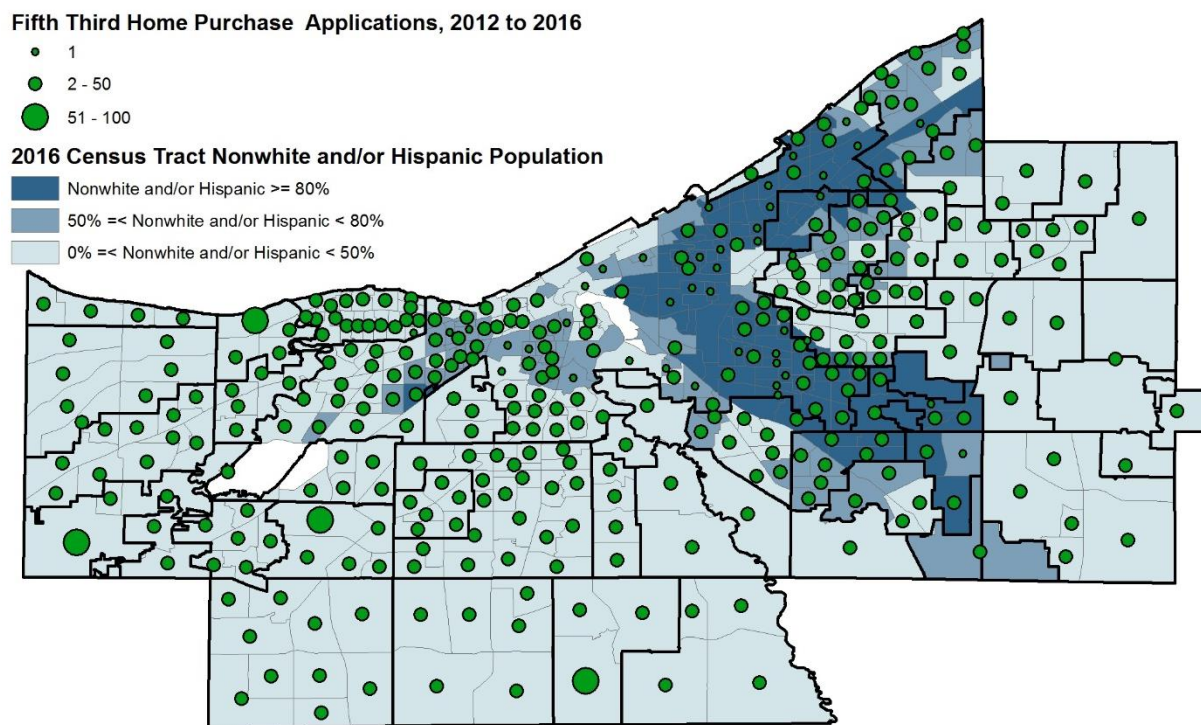
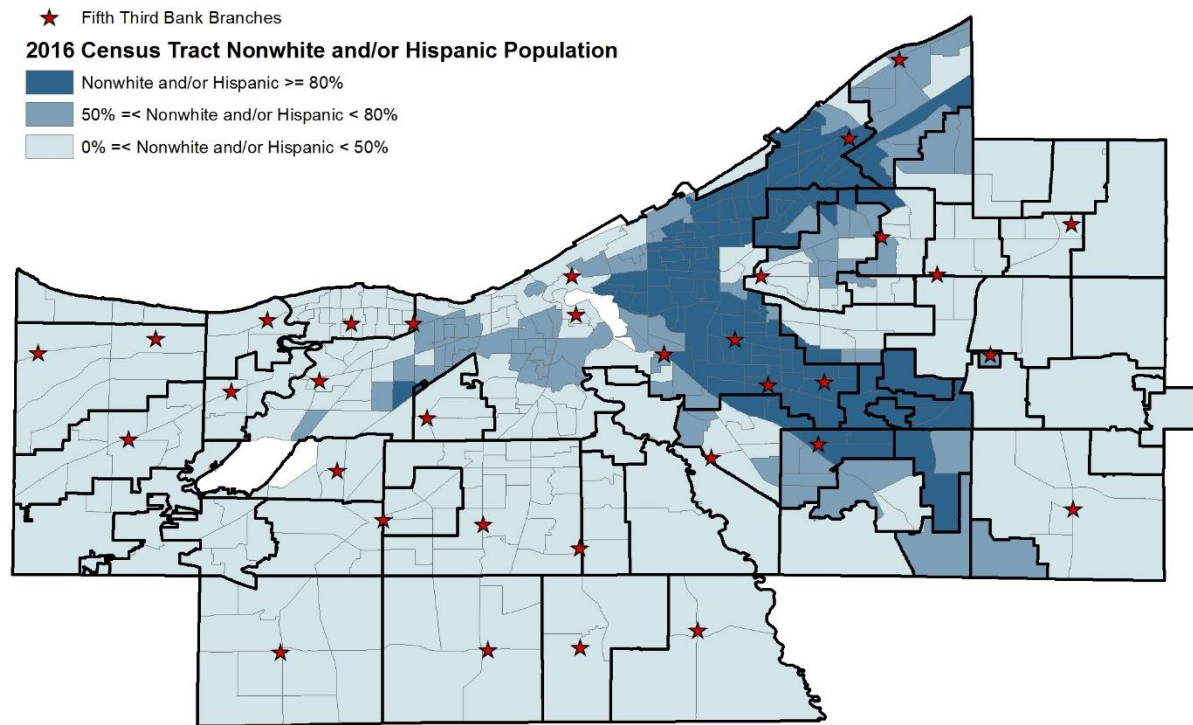


2016 Census Tract Owner-Occupied Housing, 1-4 Units



	Majority White Tracts	Majority Nonwhite and/or Hispanic Tracts
Applications	4562	225
Originations	3828	159
Percent of Complete Applications Denied	5.9% (249/4201)	17.5% (35/200)

# Fifth Third



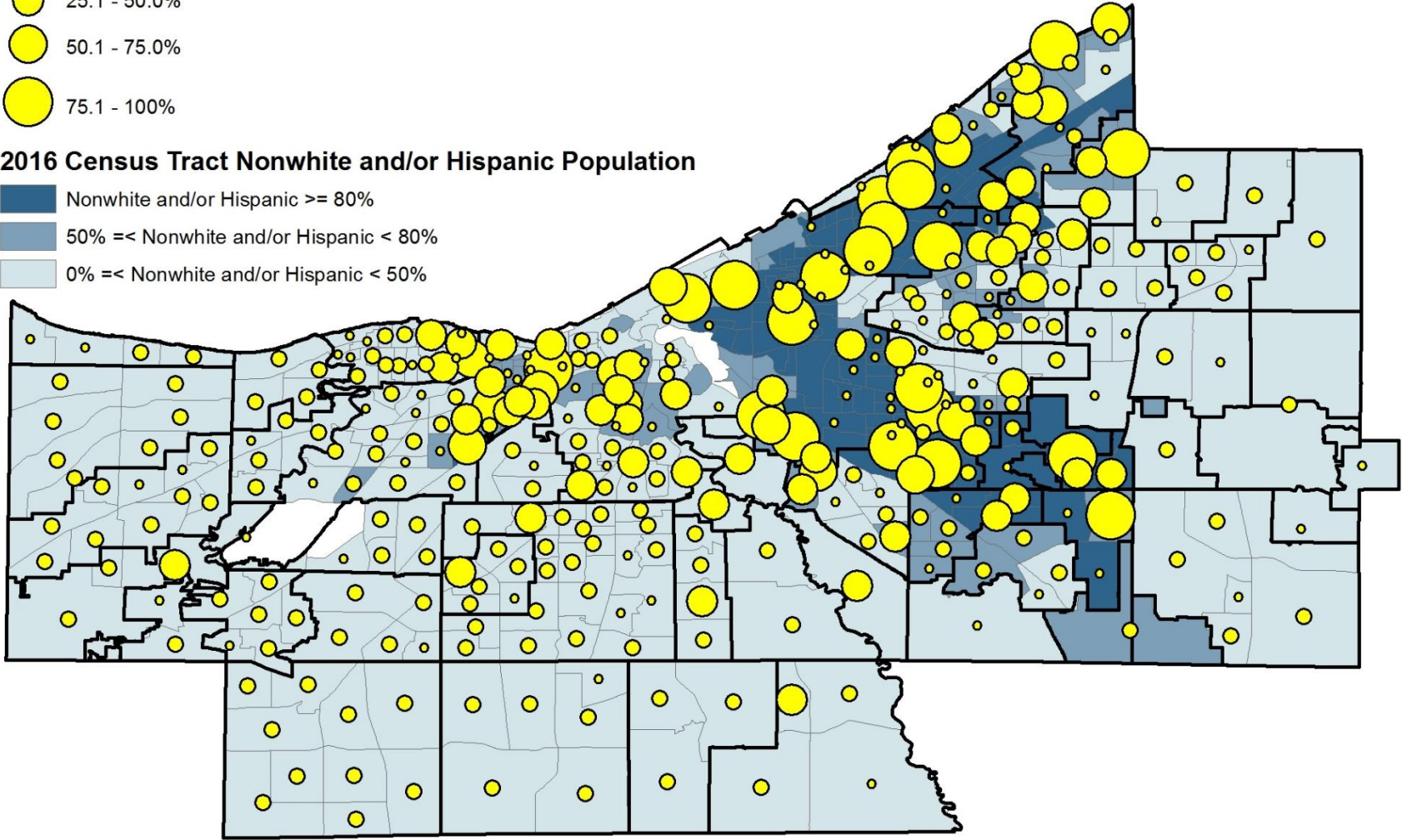
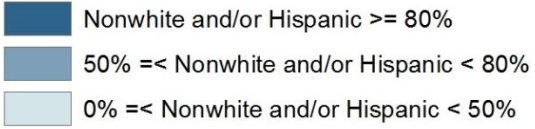
Data for Fifth Third includes all applicable data for the following institutions: Fifth Third Bank, Fifth Third Mortgage Company, Fifth Third Mortgage MI LLC.



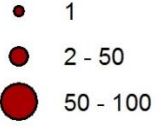
# Fifth Third Percent of Complete Home Purchase Applications Denied, 2012 to 2016



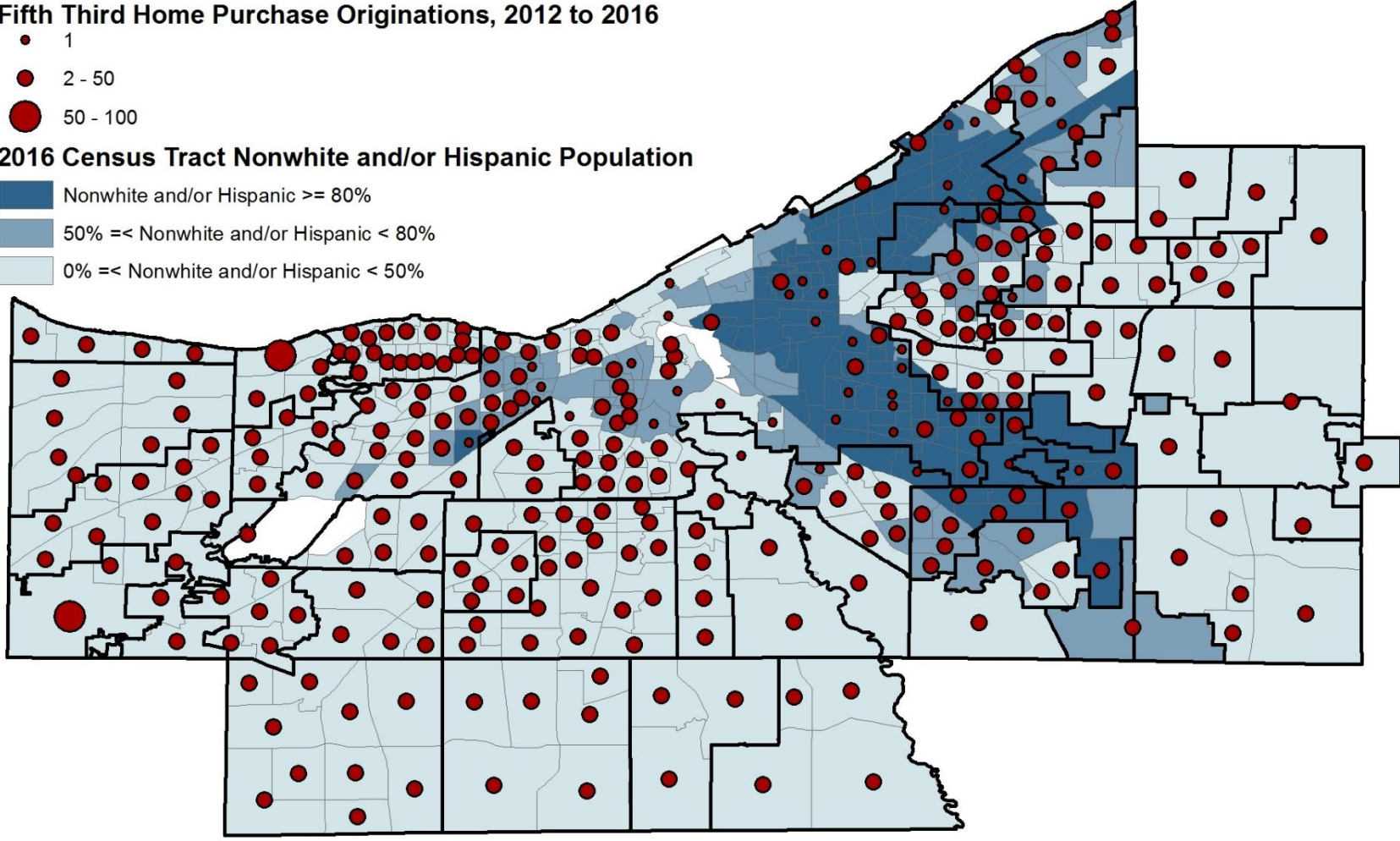
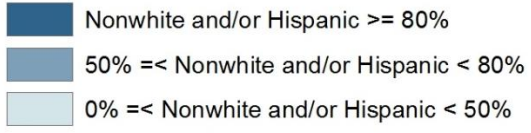
## 2016 Census Tract Nonwhite and/or Hispanic Population



### Fifth Third Home Purchase Originations, 2012 to 2016

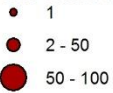


### 2016 Census Tract Nonwhite and/or Hispanic Population

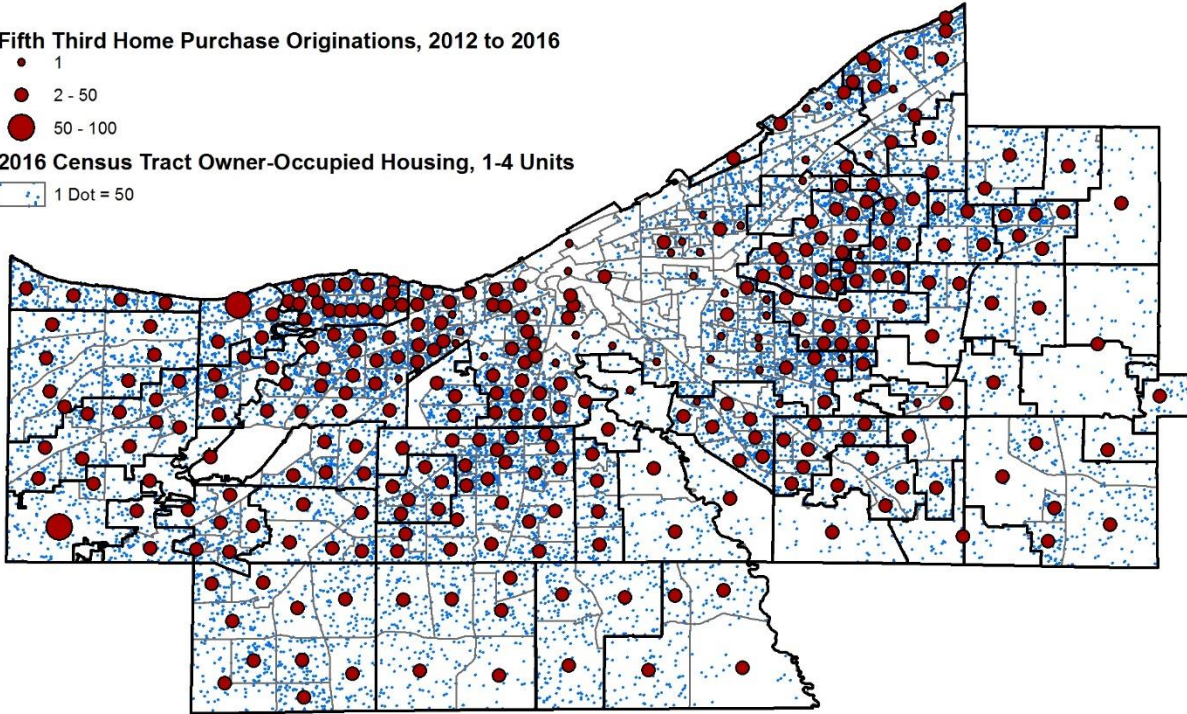


# Fifth Third

Fifth Third Home Purchase Originations, 2012 to 2016



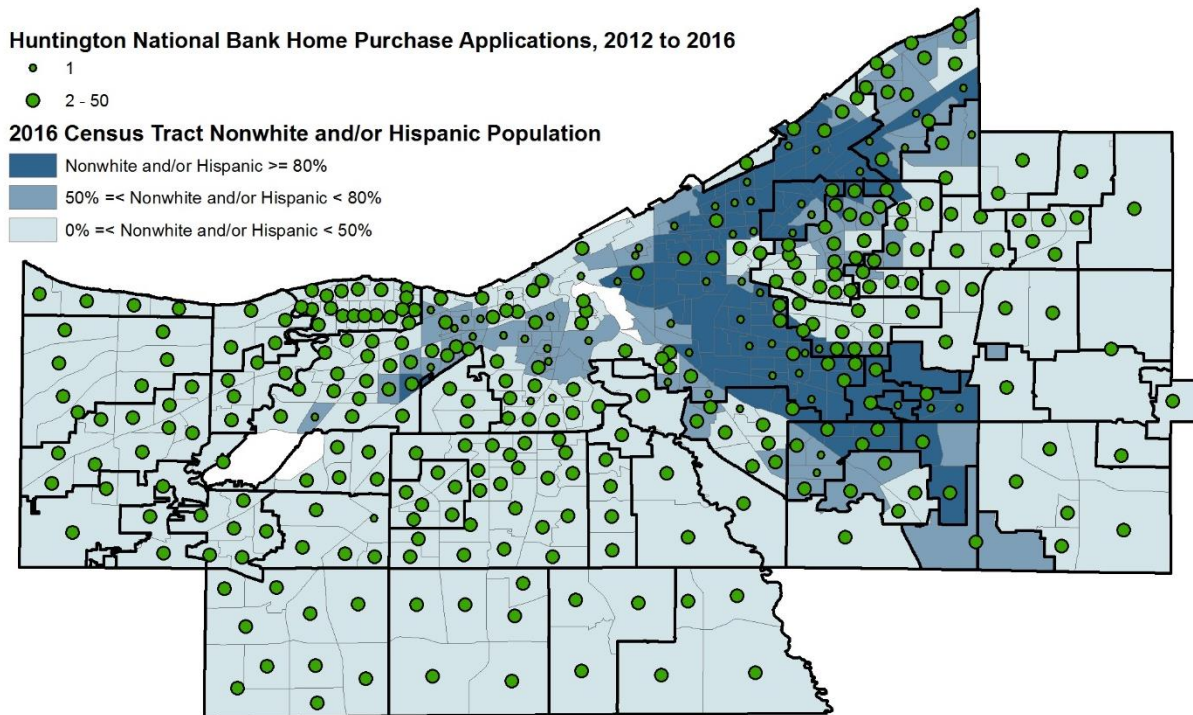
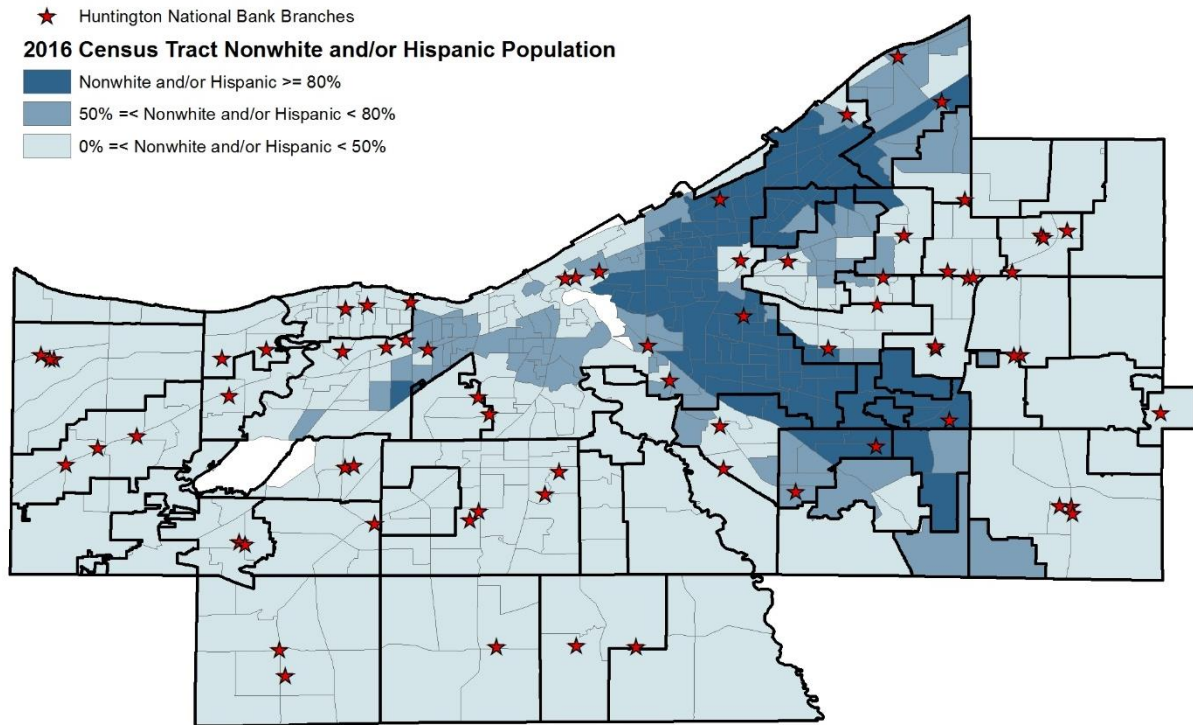
2016 Census Tract Owner-Occupied Housing, 1-4 Units



	Majority White Tracts	Majority Nonwhite and/or Hispanic Tracts
Applications	4349	671
Originations	3298	375
Percent of Complete Applications Denied	11.5% (452/3943)	28.9% (170/589)



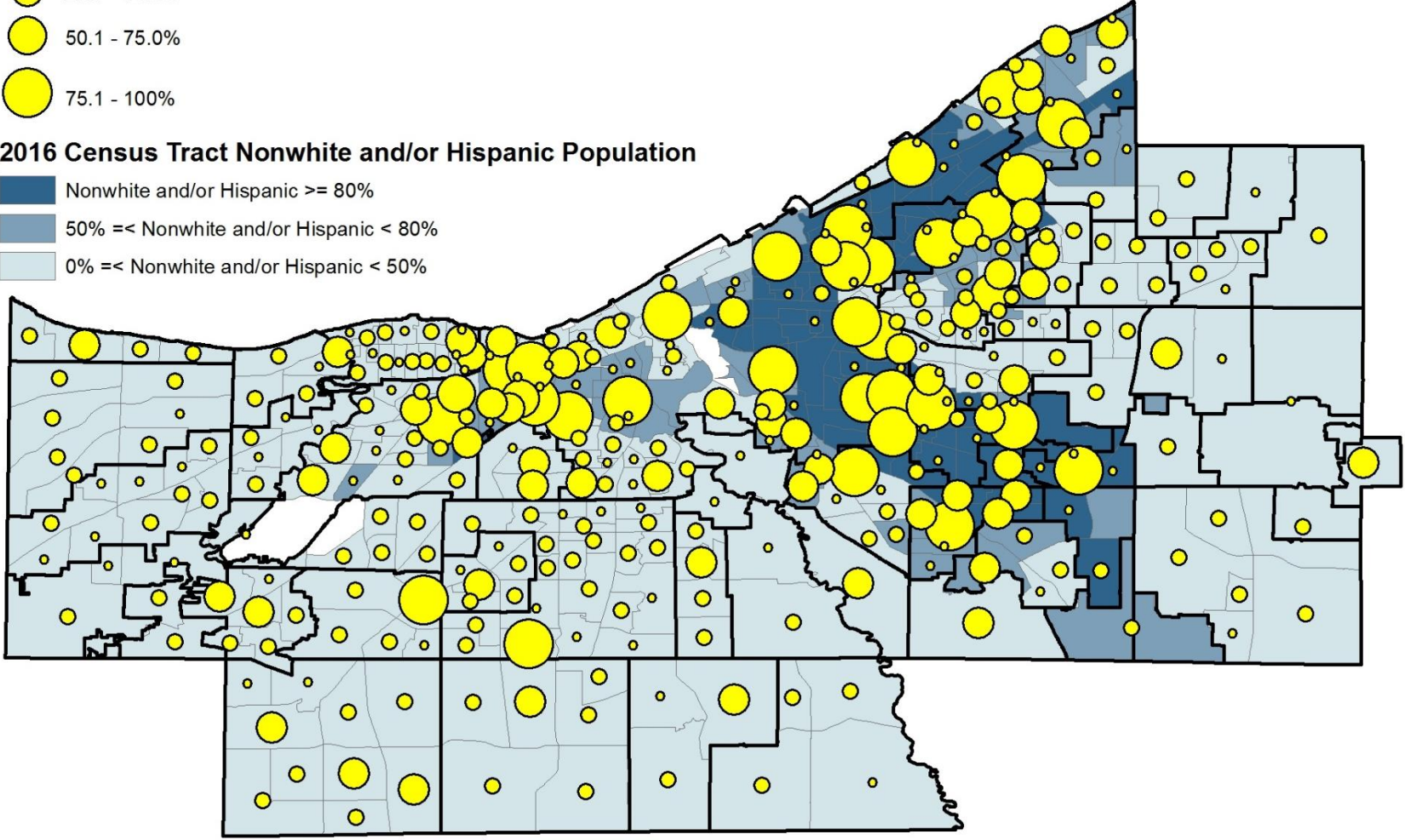
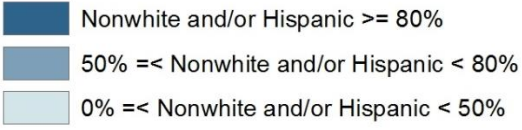
# The Huntington National Bank



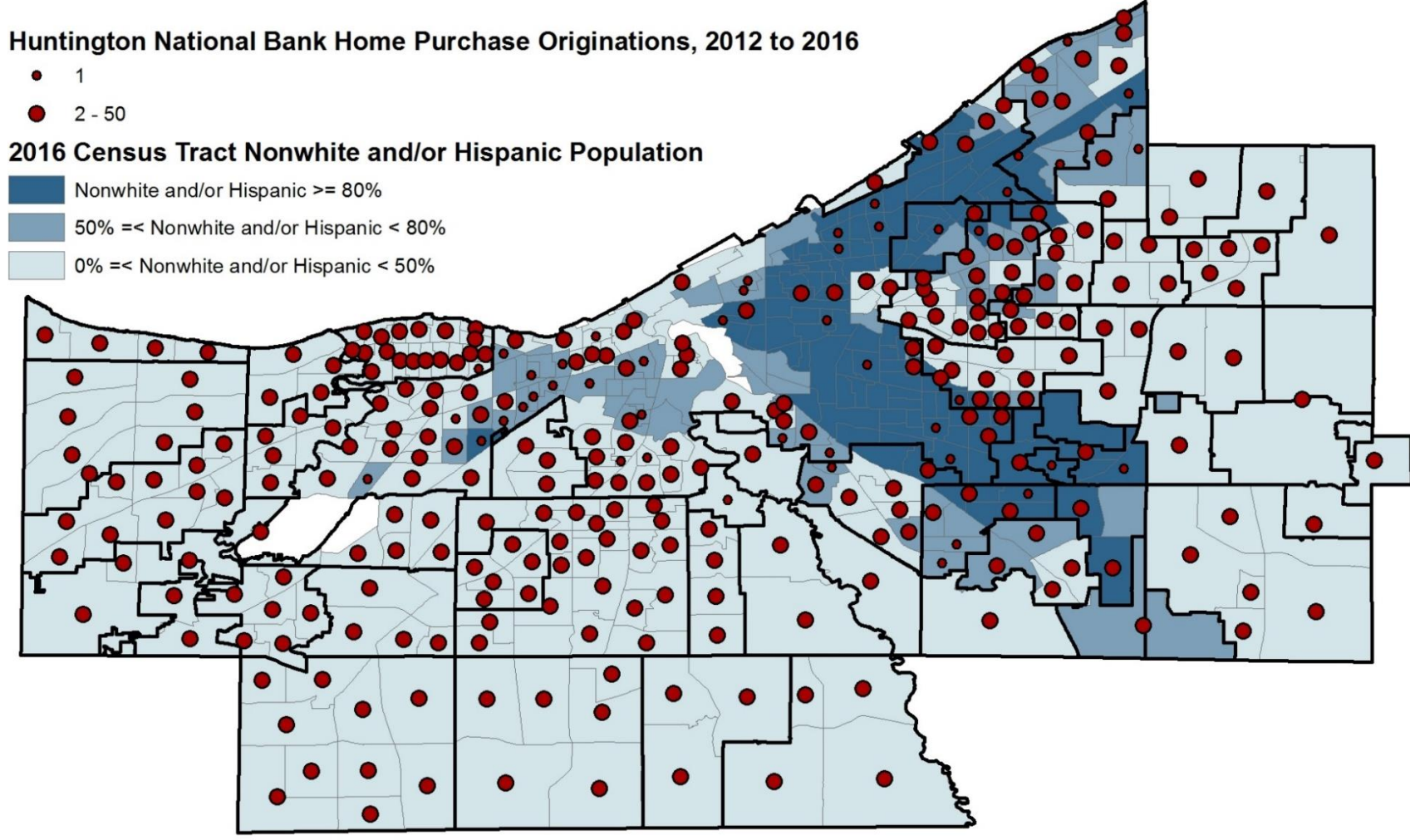
# Huntington National Bank Percent of Complete Home Purchase Applications Denied, 2012 to 2016



## 2016 Census Tract Nonwhite and/or Hispanic Population

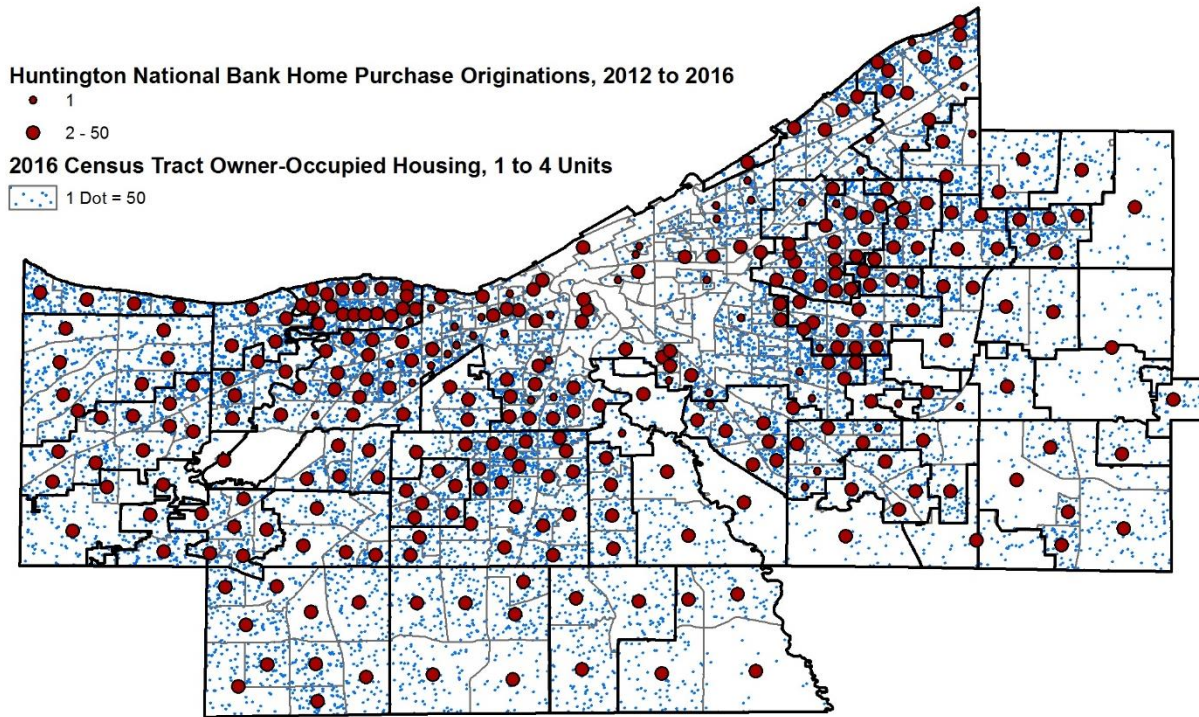




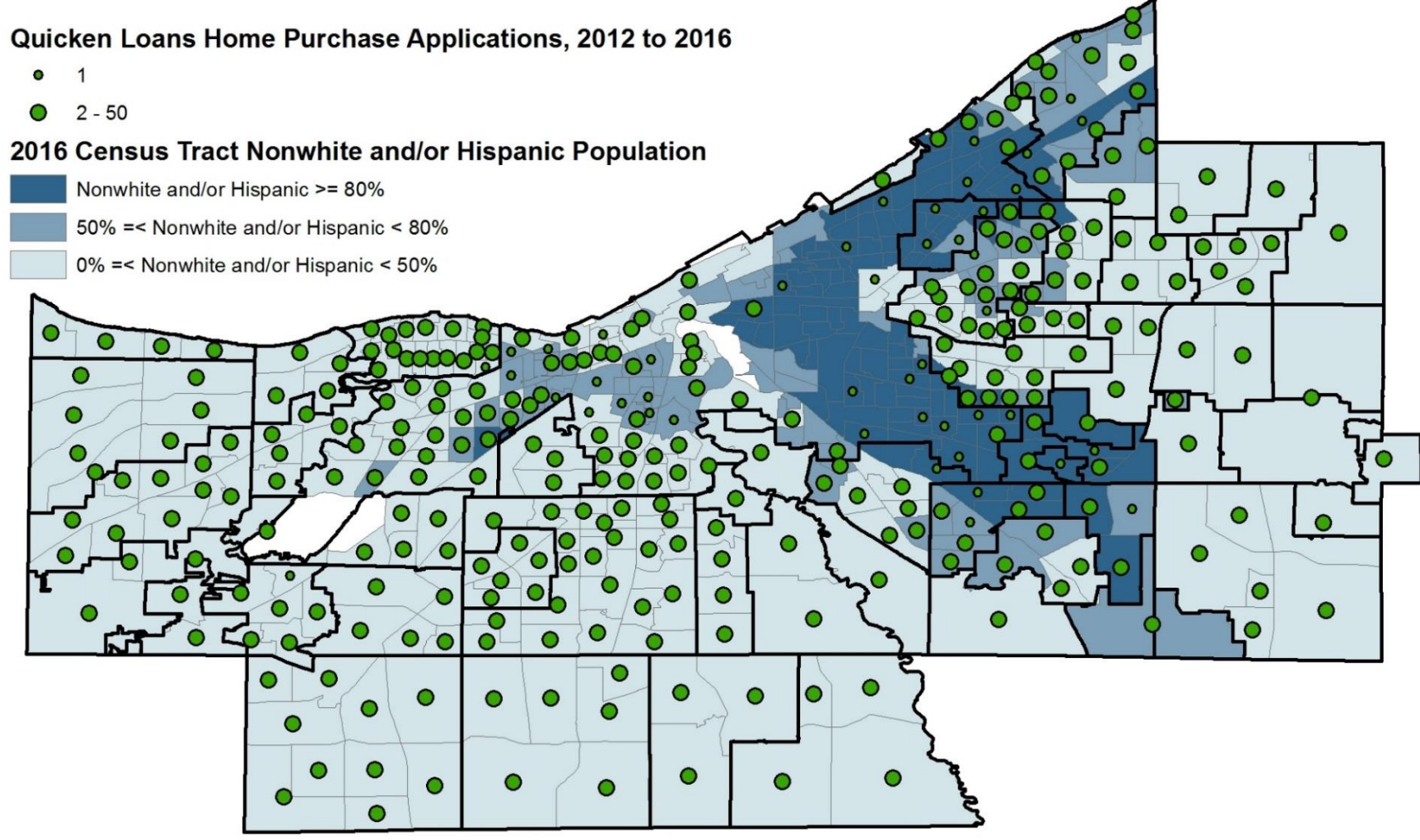




# The Huntington National Bank



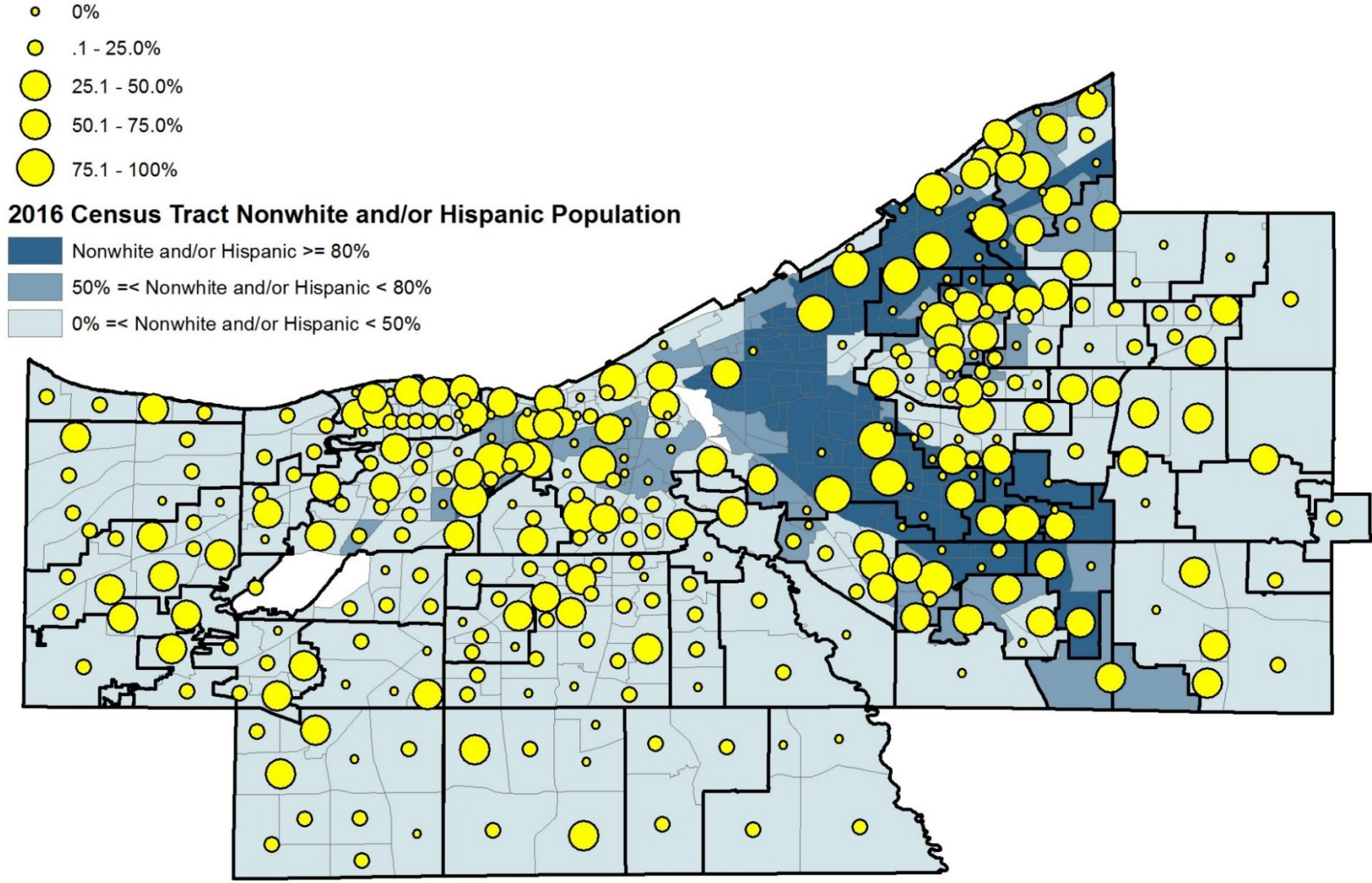
	Majority White Tracts	Majority Nonwhite and/or Hispanic Tracts
Applications	2489	423
Originations	1966	293
Percent of Complete Applications Denied	15.3% (361/2353)	27.1% (110/406)



Quicken Loans does not maintain a physical branch location in Cuyahoga County.



# Quicken Loans Percent of Complete Home Purchase Applications Denied, 2012 - 2016

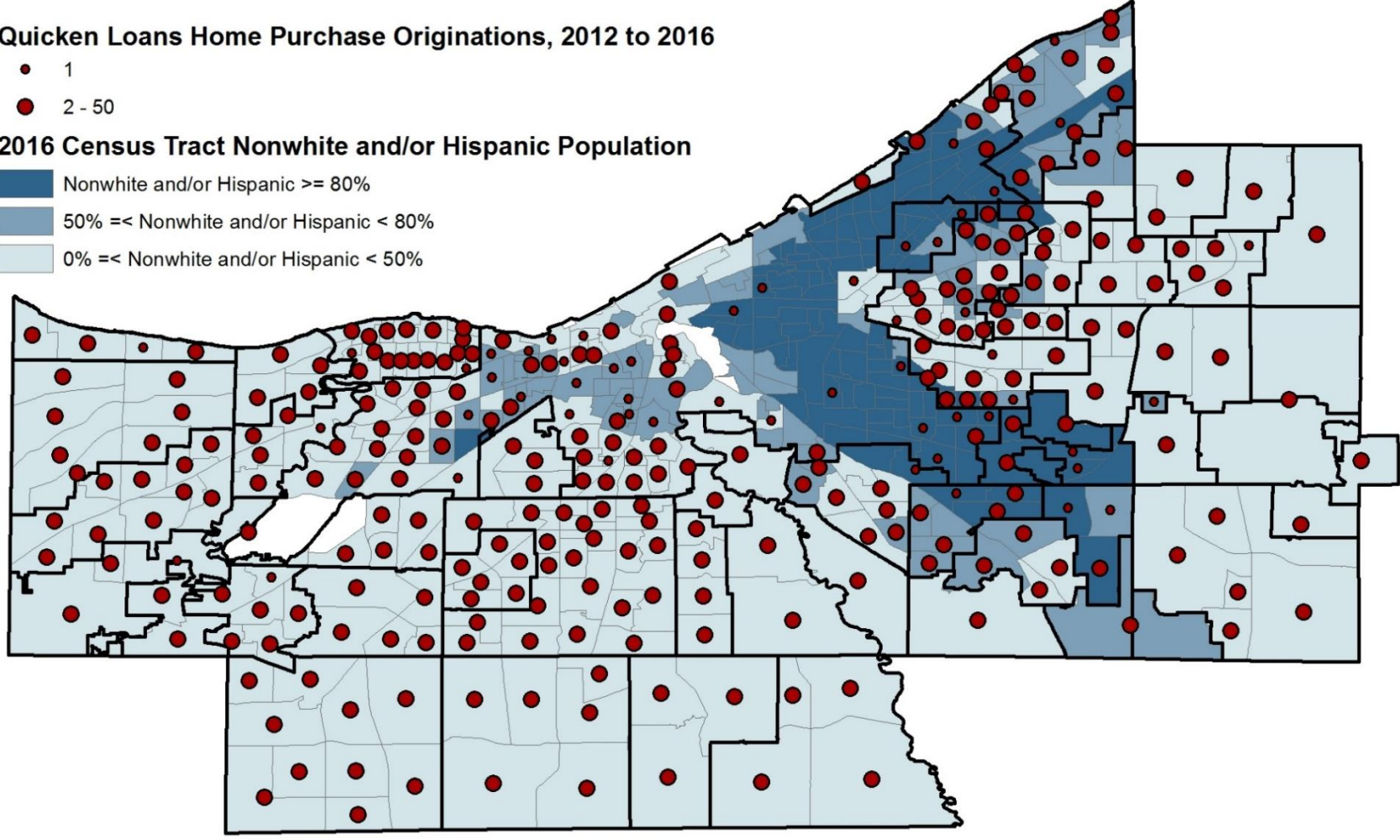


**Quicken Loans Home Purchase Originations, 2012 to 2016**

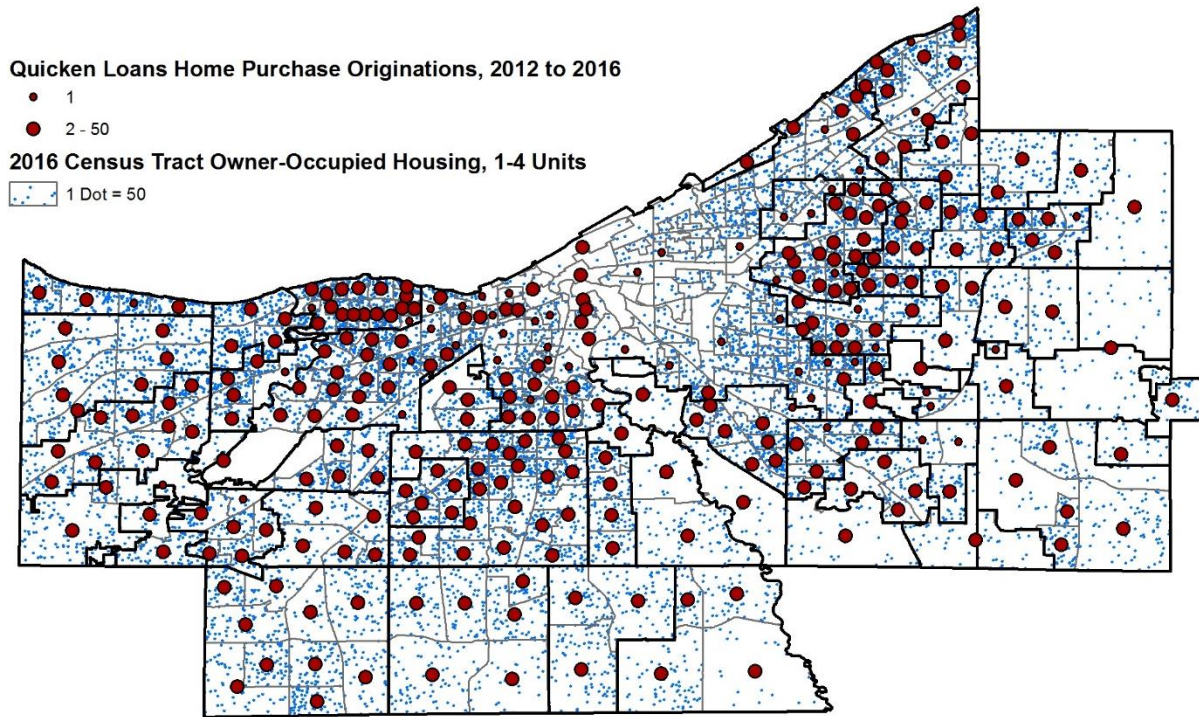
- 1
- 2 - 50

**2016 Census Tract Nonwhite and/or Hispanic Population**

- Nonwhite and/or Hispanic  $\geq 80\%$
- $50\% \leq$  Nonwhite and/or Hispanic  $< 80\%$
- $0\% \leq$  Nonwhite and/or Hispanic  $< 50\%$



# Quicken Loans



	Majority White Tracts	Majority Nonwhite and/or Hispanic Tracts
Applications	2262	403
Originations	1794	282
Percent of Complete Applications Denied	19.8% (448/2262)	29.8% (120/403)



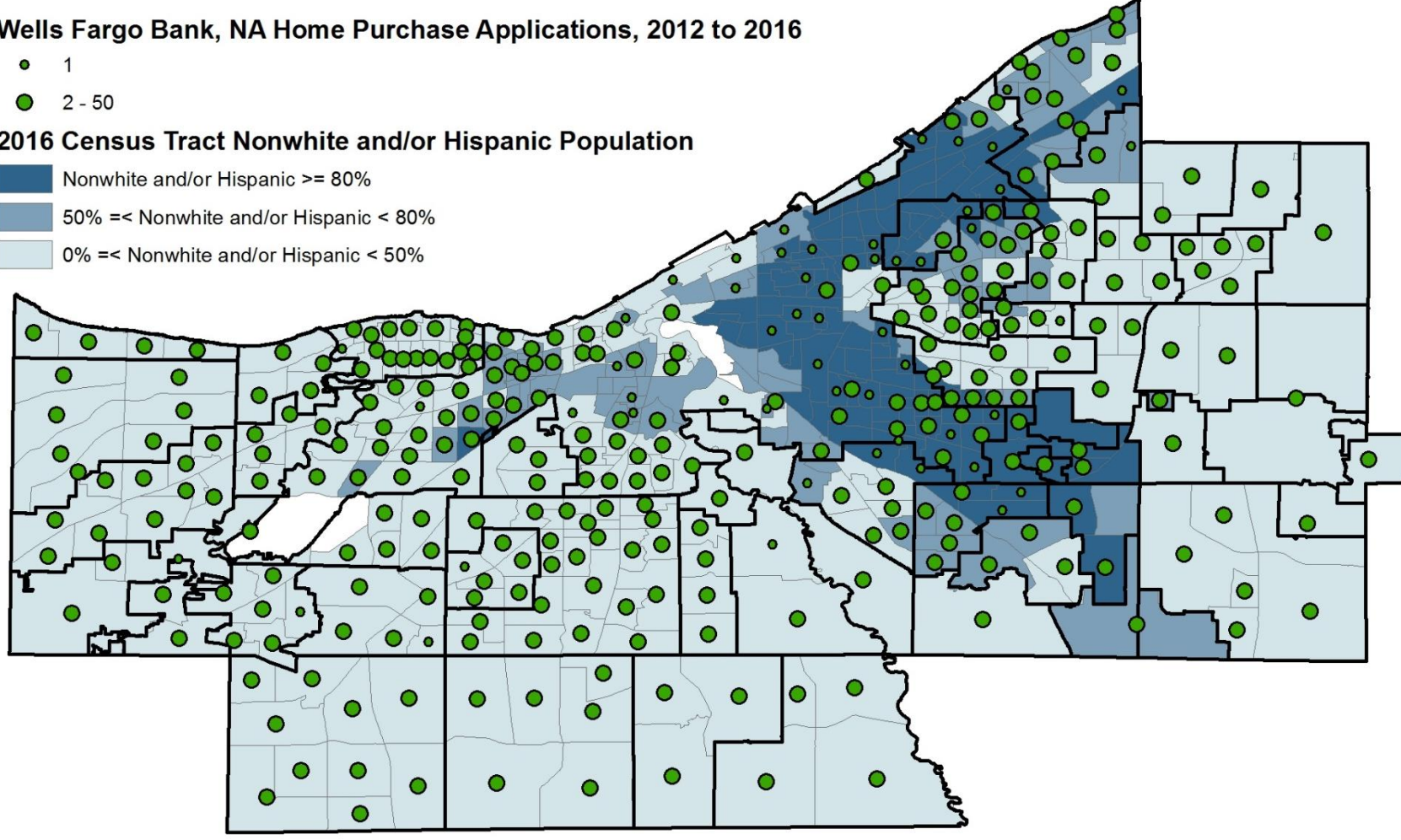
# Wells Fargo Bank, NA

## Wells Fargo Bank, NA Home Purchase Applications, 2012 to 2016

- 1
- 2 - 50

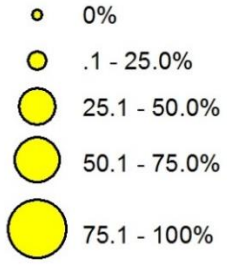
## 2016 Census Tract Nonwhite and/or Hispanic Population

- Nonwhite and/or Hispanic  $\geq 80\%$
- $50\% \leq$  Nonwhite and/or Hispanic  $< 80\%$
- $0\% \leq$  Nonwhite and/or Hispanic  $< 50\%$

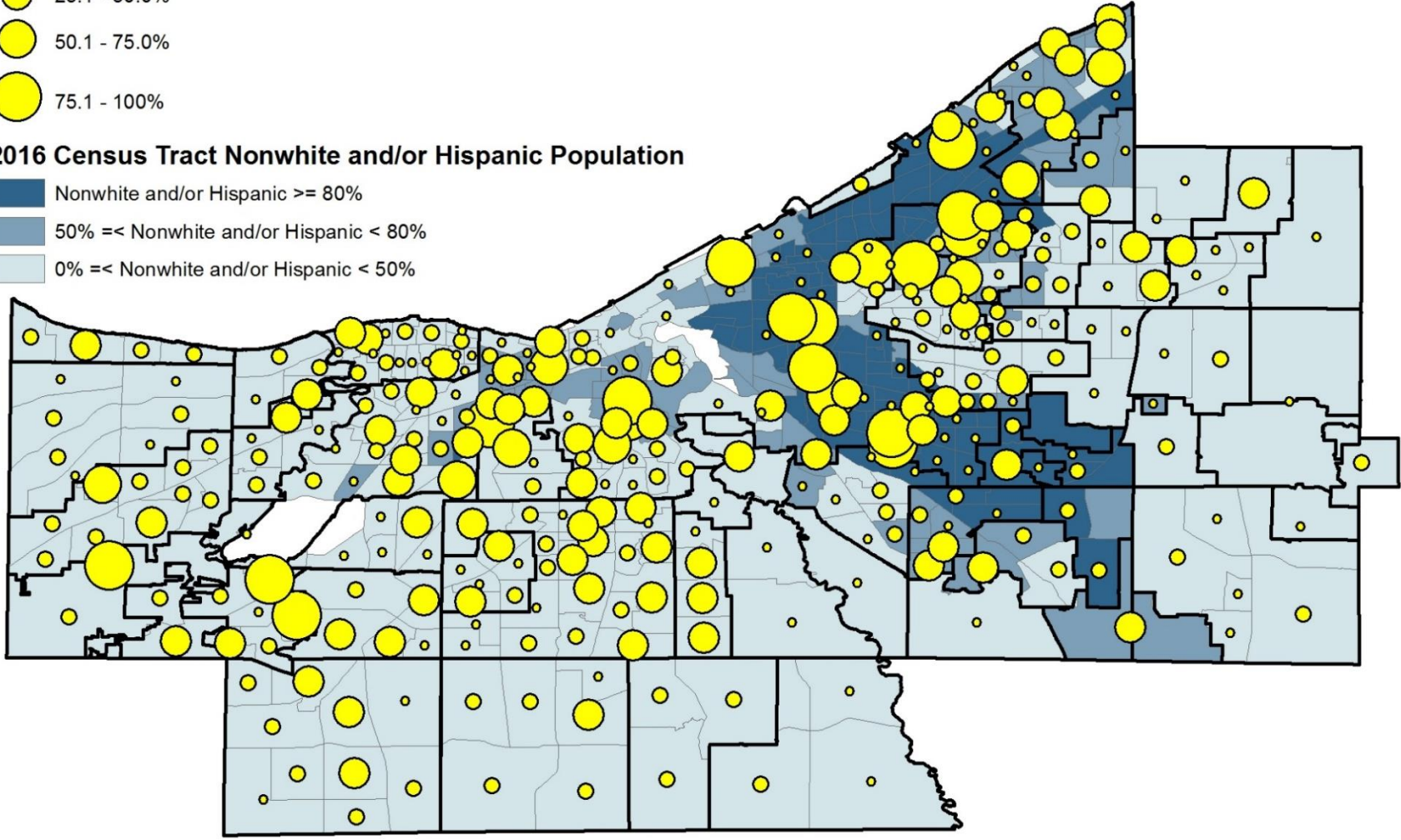
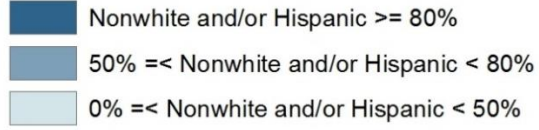


Wells Fargo Bank, NA does not maintain a physical branch location in Cuyahoga County.

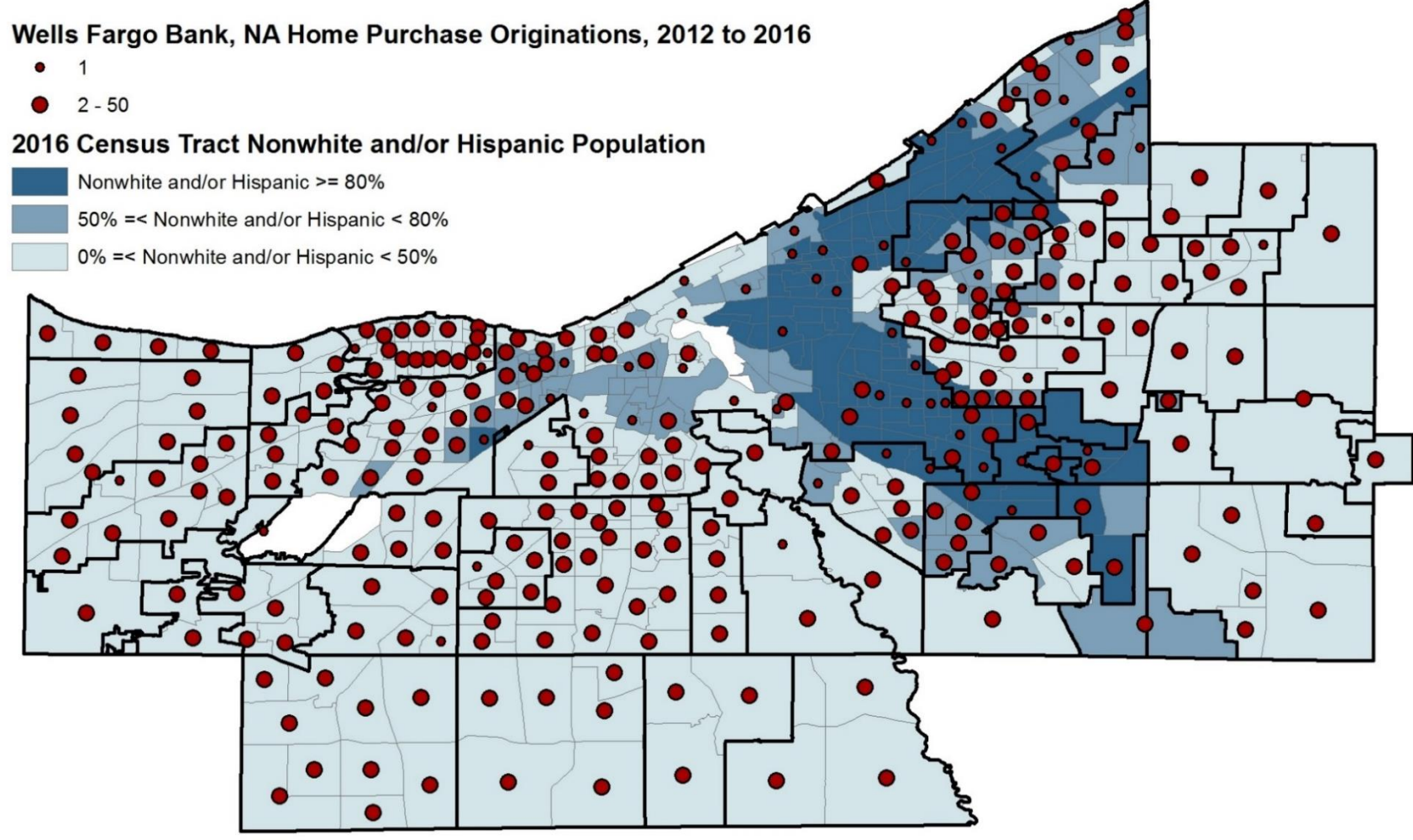
### Wells Fargo Bank, NA Percent of Complete Home Purchase Applications Denied, 2012 to 2016



### 2016 Census Tract Nonwhite and/or Hispanic Population

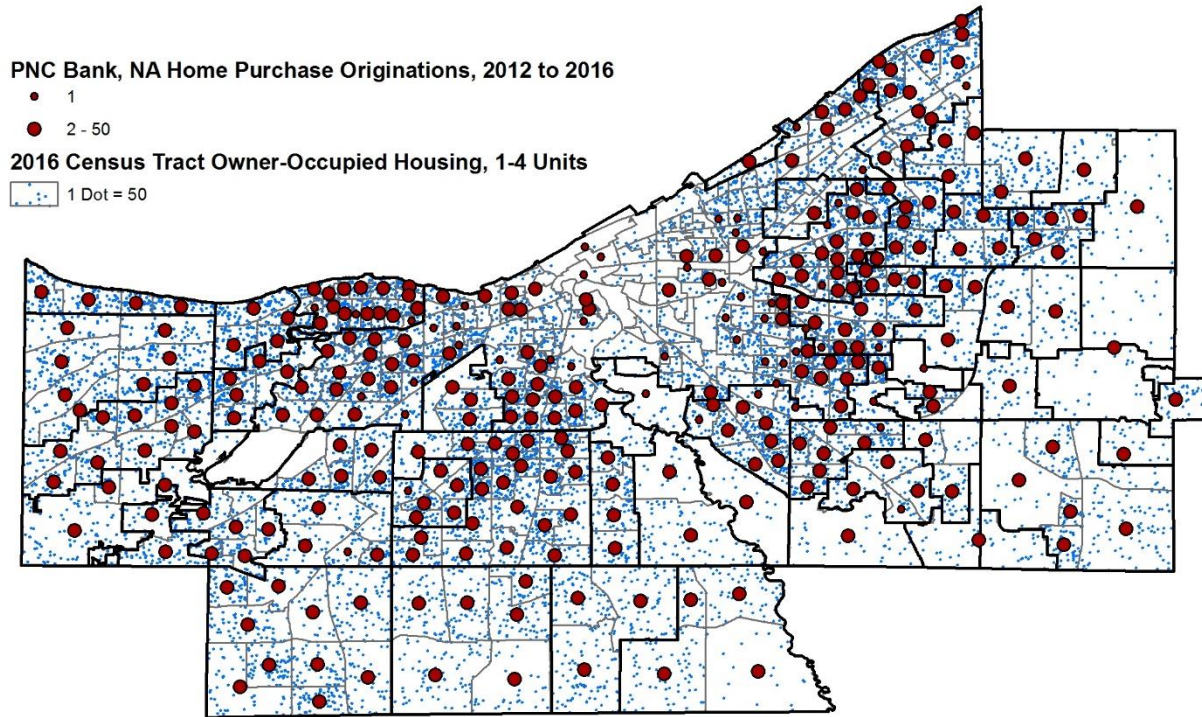






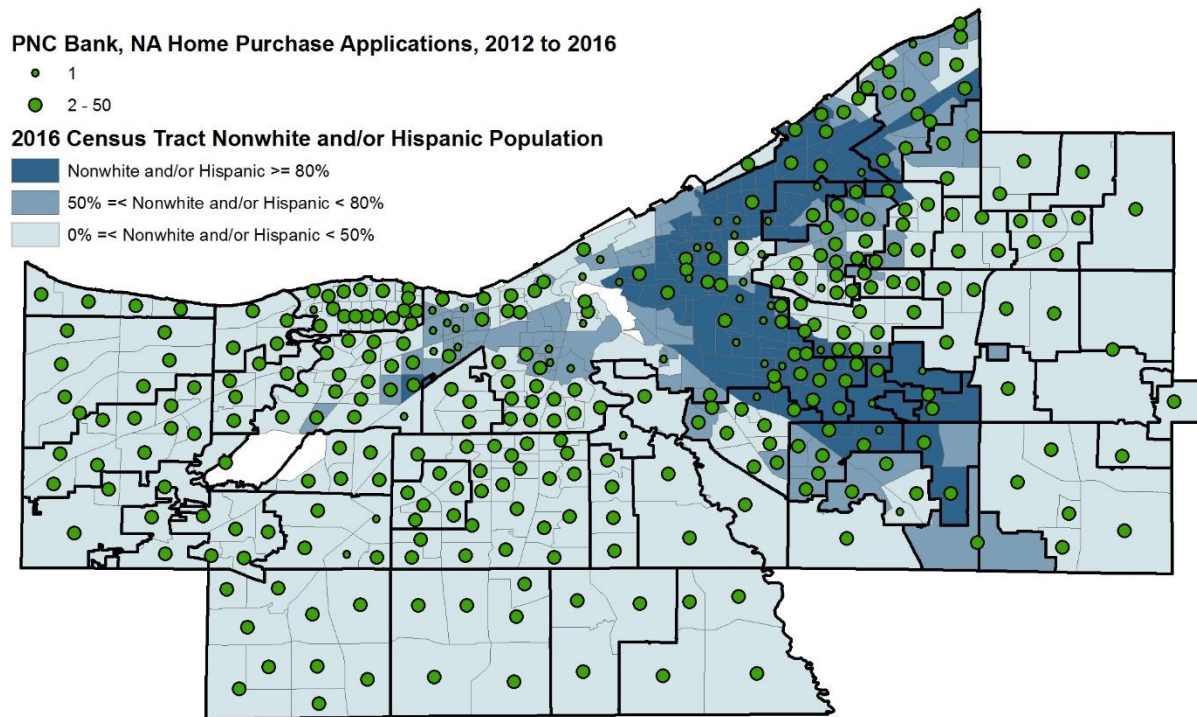
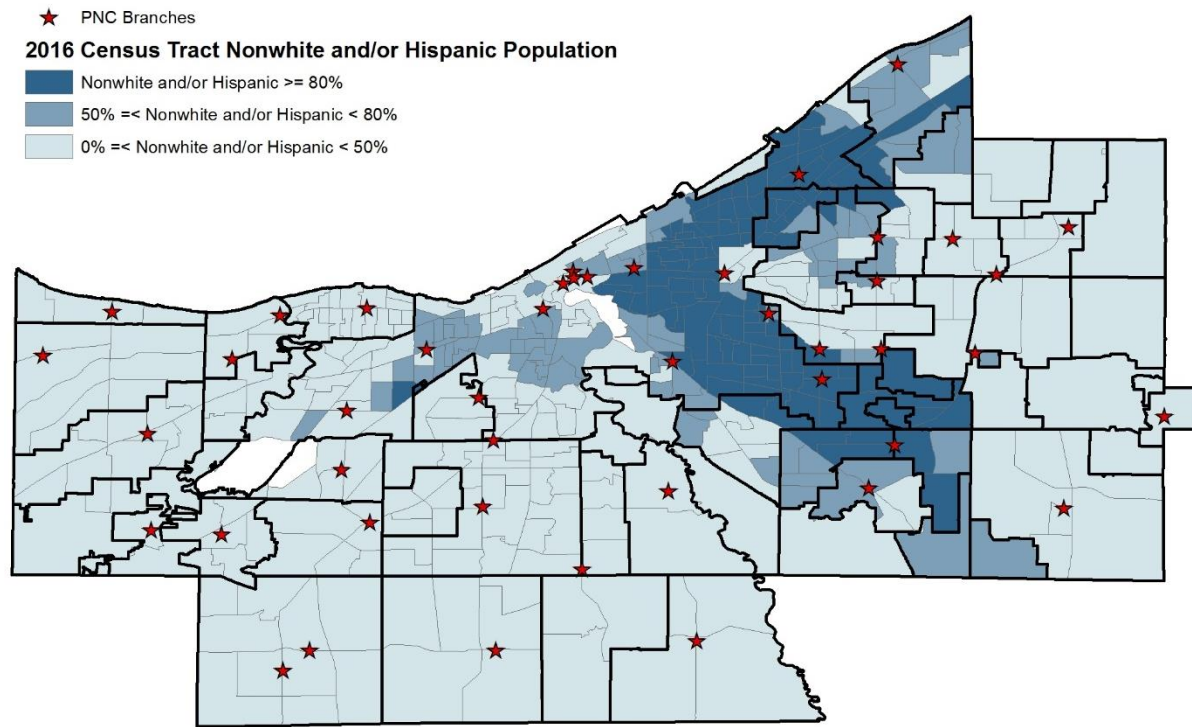


# Wells Fargo Bank, NA



	Majority White Tracts	Majority Nonwhite and/or Hispanic Tracts
Applications	1853	475
Originations	1309	291
Percent of Complete Applications Denied	15.9% (262/1645)	25.2% (107/424)

# PNC Bank, NA

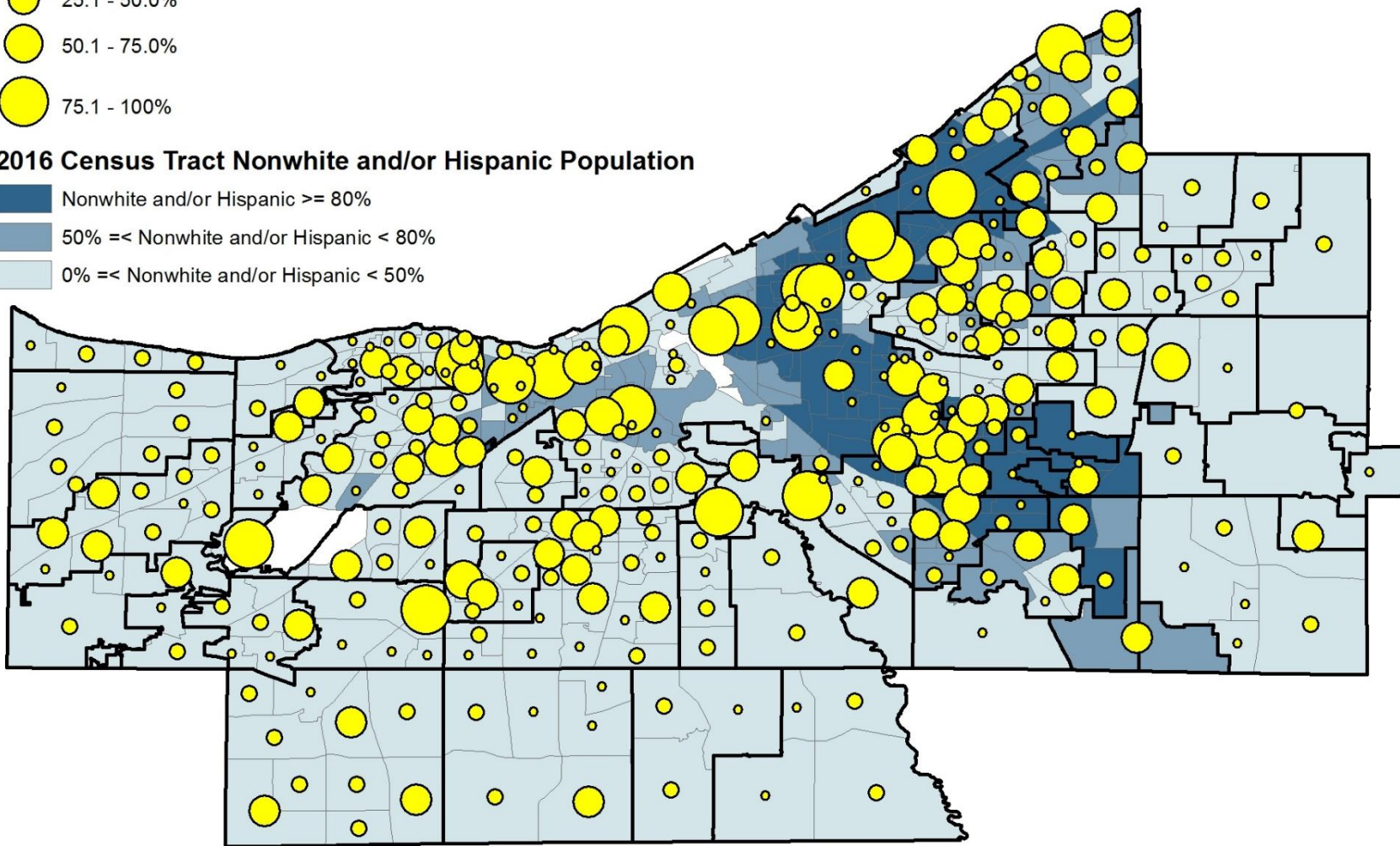
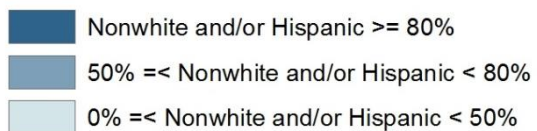


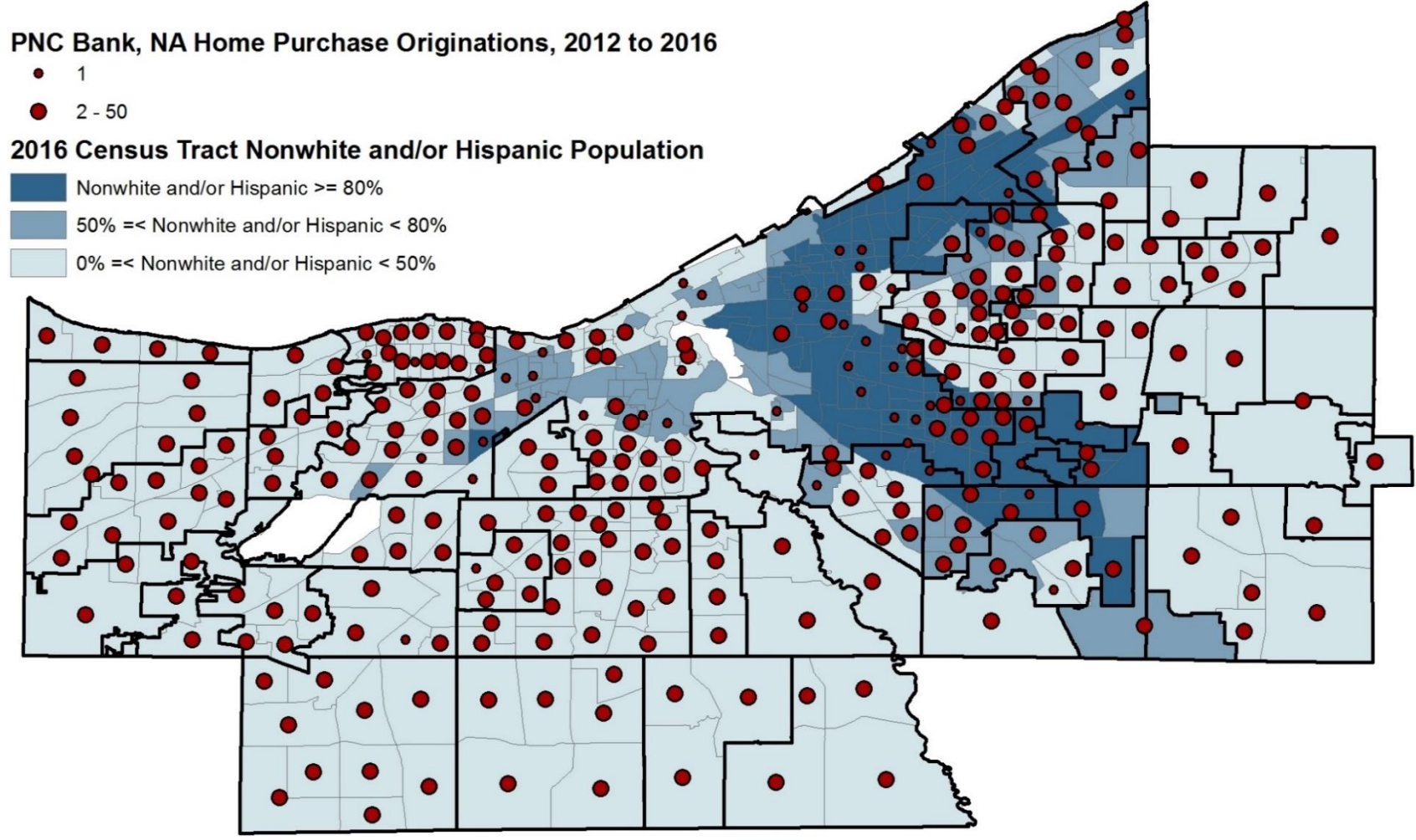


# PNC Bank, NA Percent of Complete Home Purchase Applications Denied, 2012 to 2016



## 2016 Census Tract Nonwhite and/or Hispanic Population





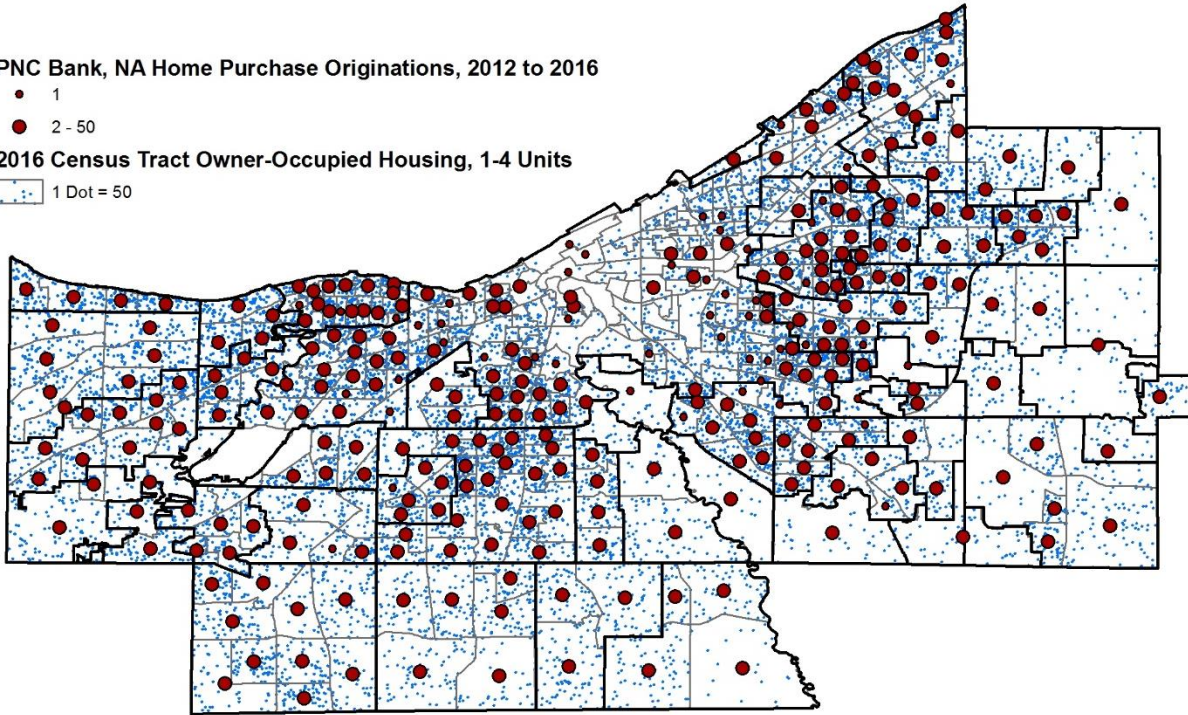
# PNC Bank, NA

PNC Bank, NA Home Purchase Originations, 2012 to 2016

- 1
- 2 - 50

2016 Census Tract Owner-Occupied Housing, 1-4 Units

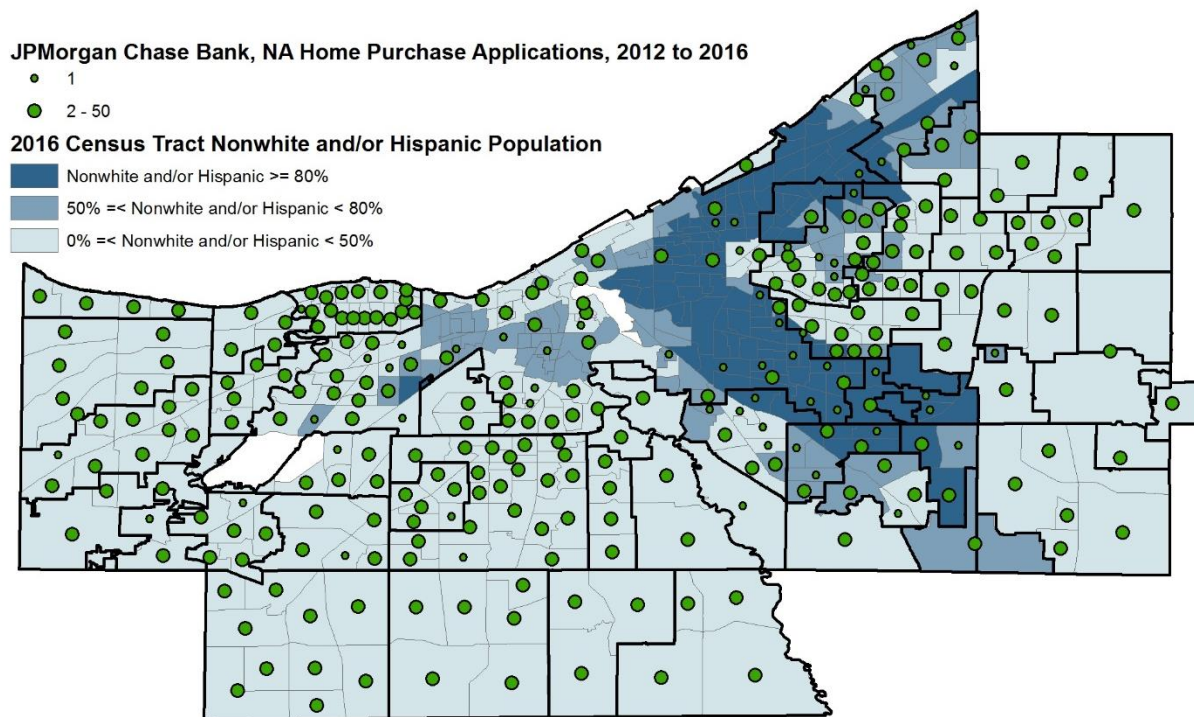
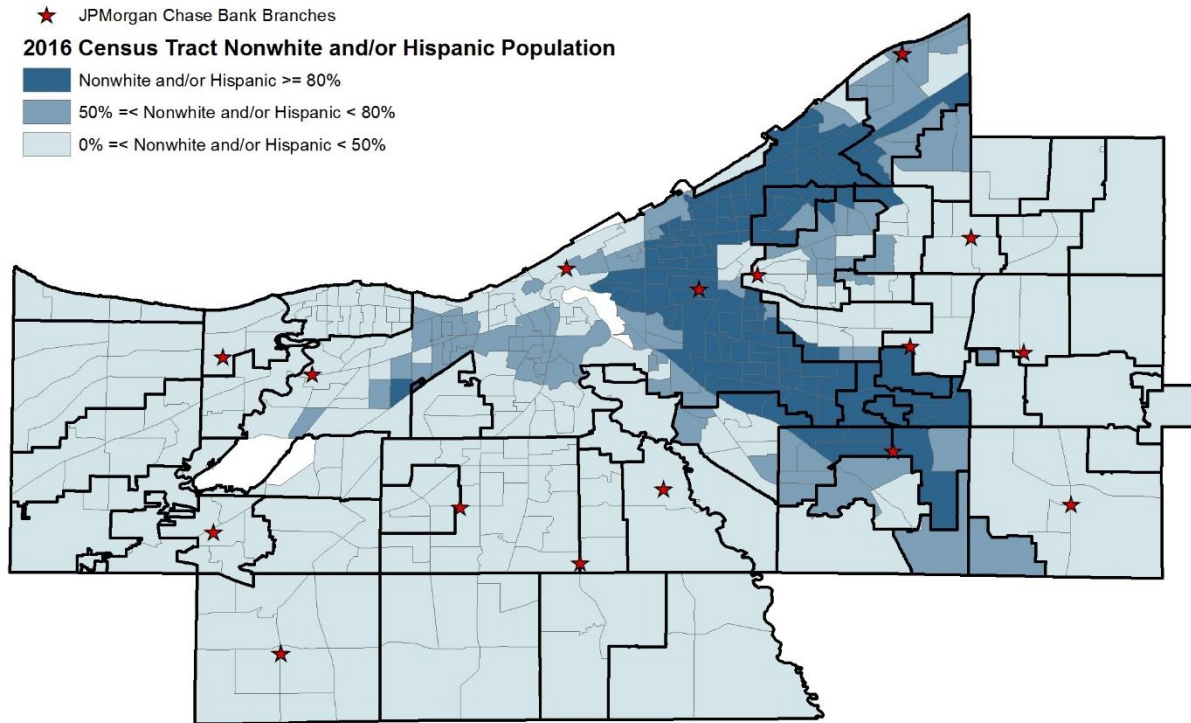
1 Dot = 50



	Majority White Tracts	Majority Nonwhite and/or Hispanic Tracts
Applications	1653	506
Originations	1287	321
Percent of Complete Applications Denied	16.9% (263/1556)	32.8% (158/482)



# JPMorgan Chase Bank, NA



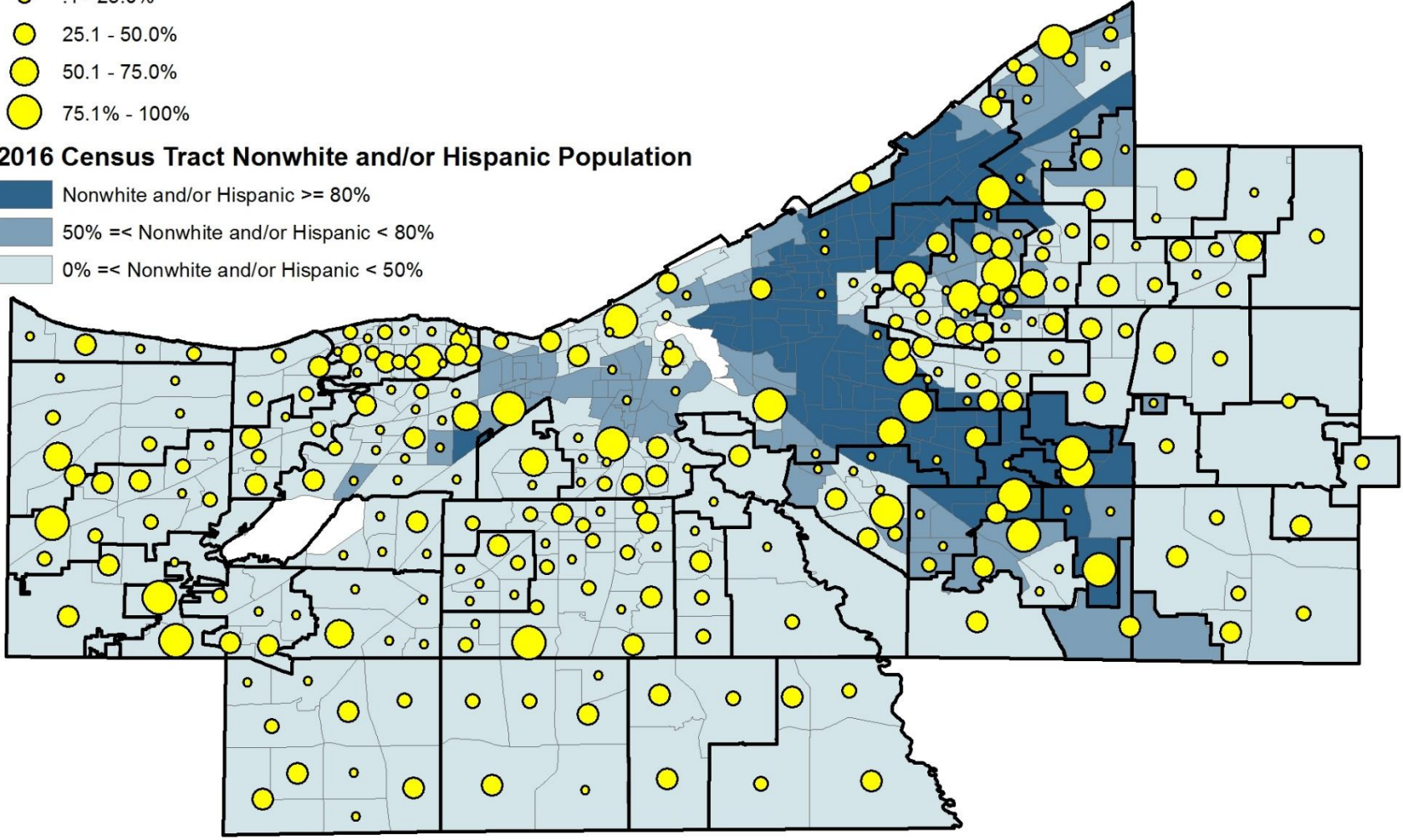


# JPMorgan Chase Bank, NA Percent of Complete Home Purchase Applications Denied, 2012 to 2016

- 0%
- .1 - 25.0%
- 25.1 - 50.0%
- 50.1 - 75.0%
- 75.1% - 100%

## 2016 Census Tract Nonwhite and/or Hispanic Population

- Nonwhite and/or Hispanic >= 80%
- 50% <= Nonwhite and/or Hispanic < 80%
- 0% <= Nonwhite and/or Hispanic < 50%

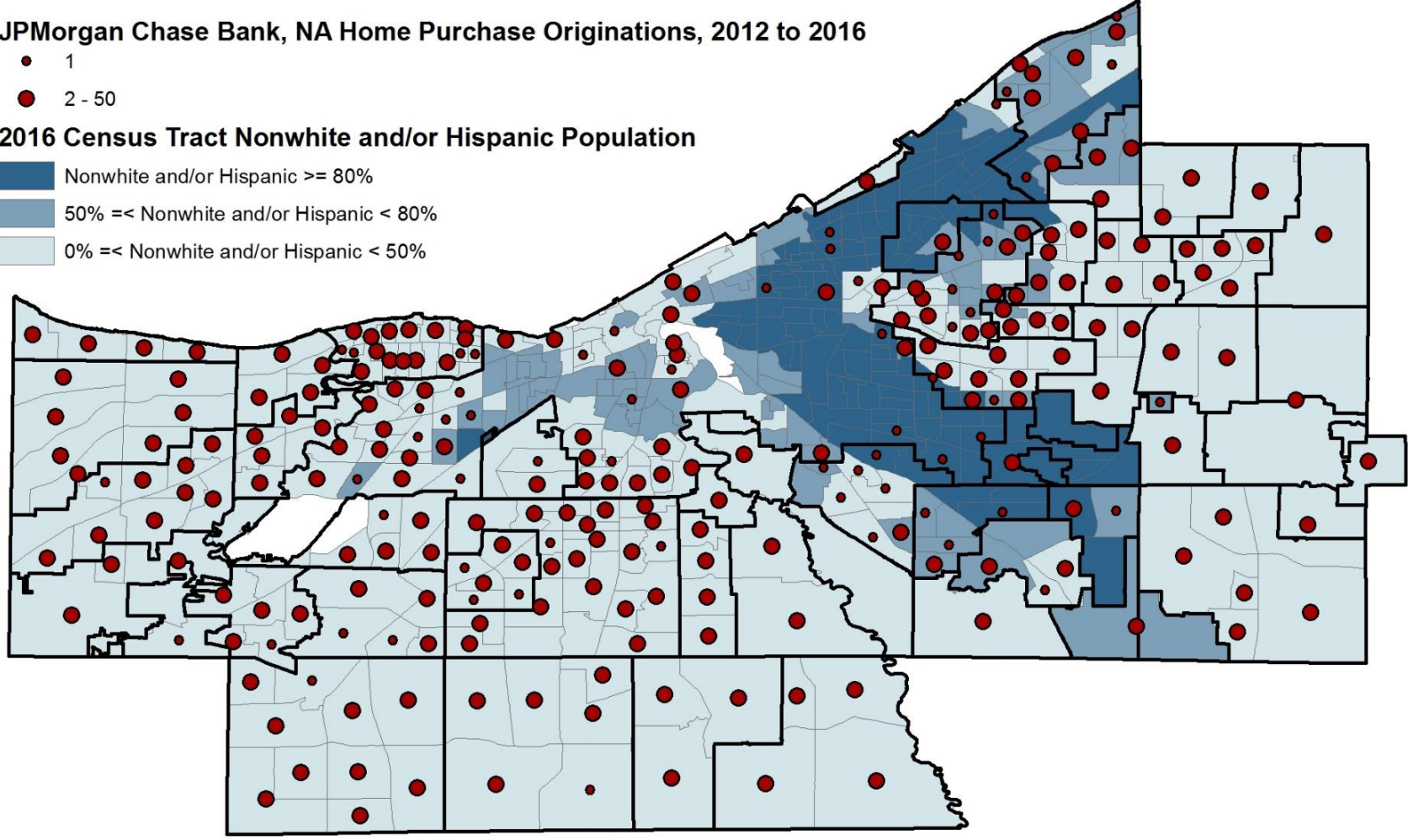


**JPMorgan Chase Bank, NA Home Purchase Originations, 2012 to 2016**

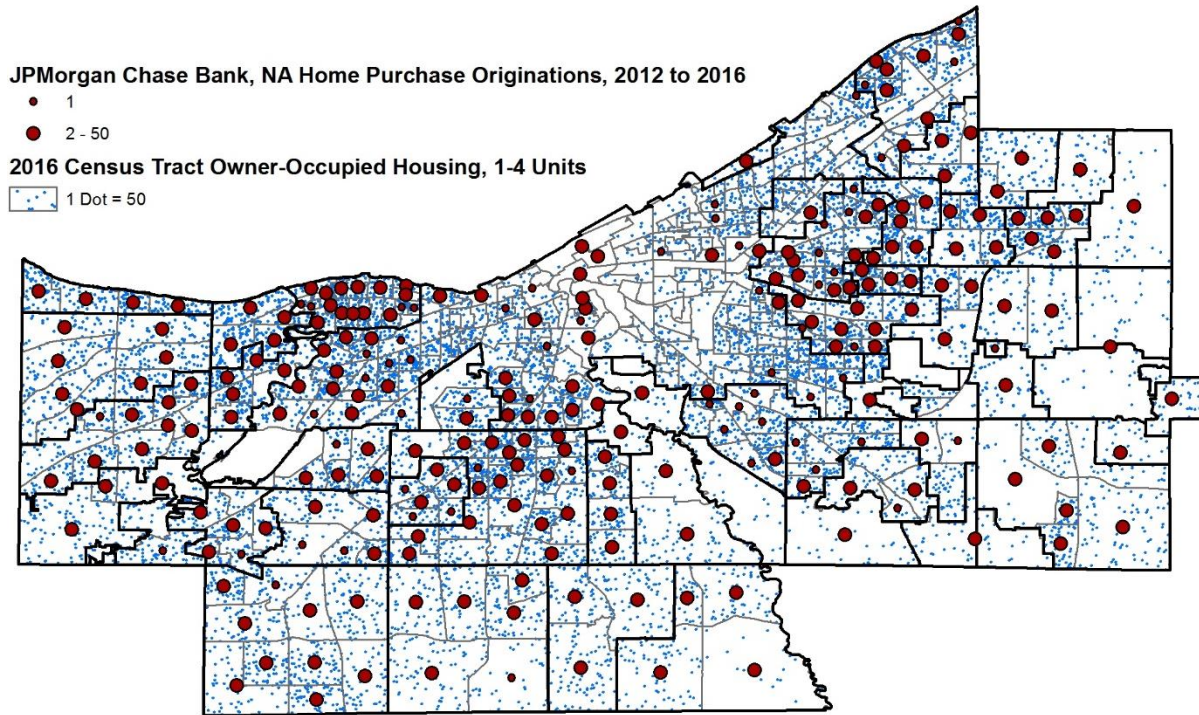
- 1
- 2 - 50

**2016 Census Tract Nonwhite and/or Hispanic Population**

- Nonwhite and/or Hispanic  $\geq 80\%$
- $50\% \leq$  Nonwhite and/or Hispanic  $< 80\%$
- $0\% \leq$  Nonwhite and/or Hispanic  $< 50\%$



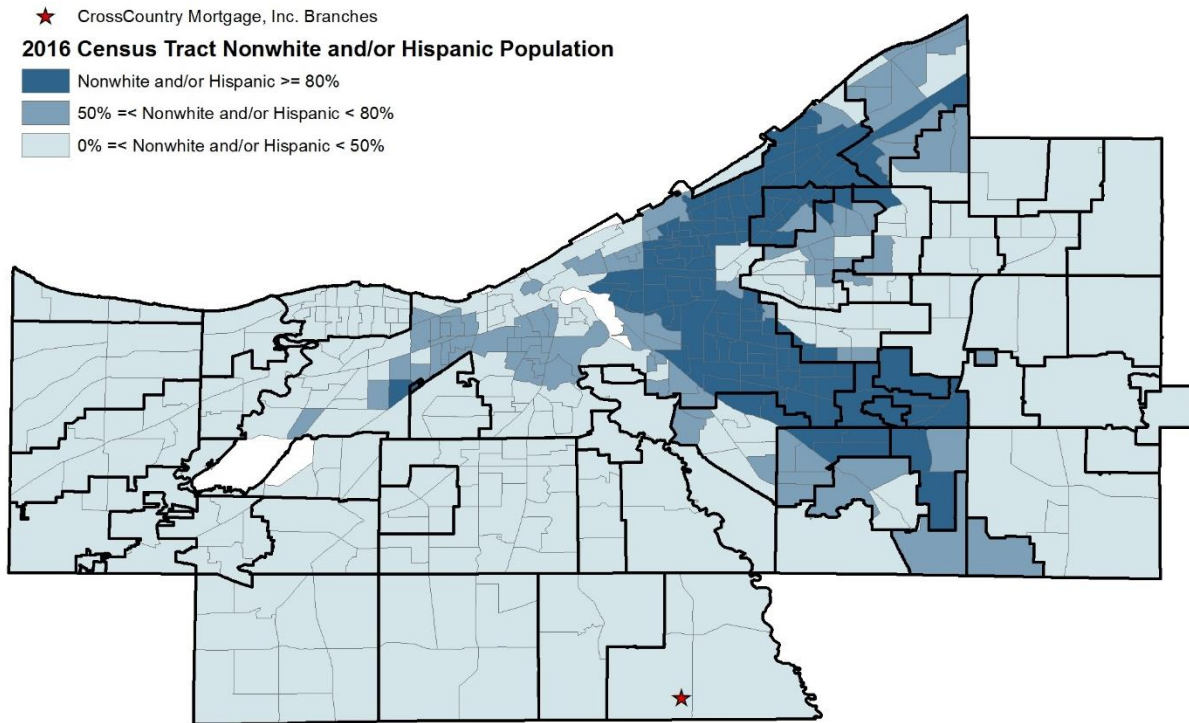
# JPMorgan Chase Bank, NA



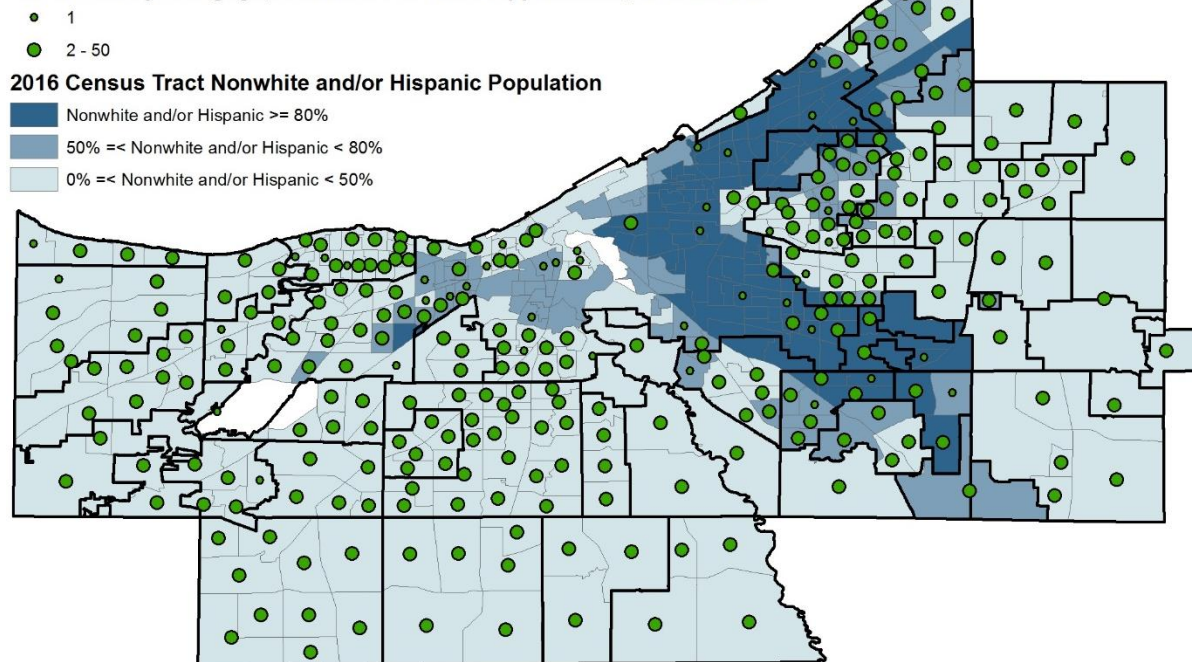
	Majority White Tracts	Majority Nonwhite and/or Hispanic Tracts
Applications	1424	191
Originations	1019	118
Percent of Complete Applications Denied	20.7% (266/1288)	30.0% (51/170)



# CrossCountry Mortgage, Inc.



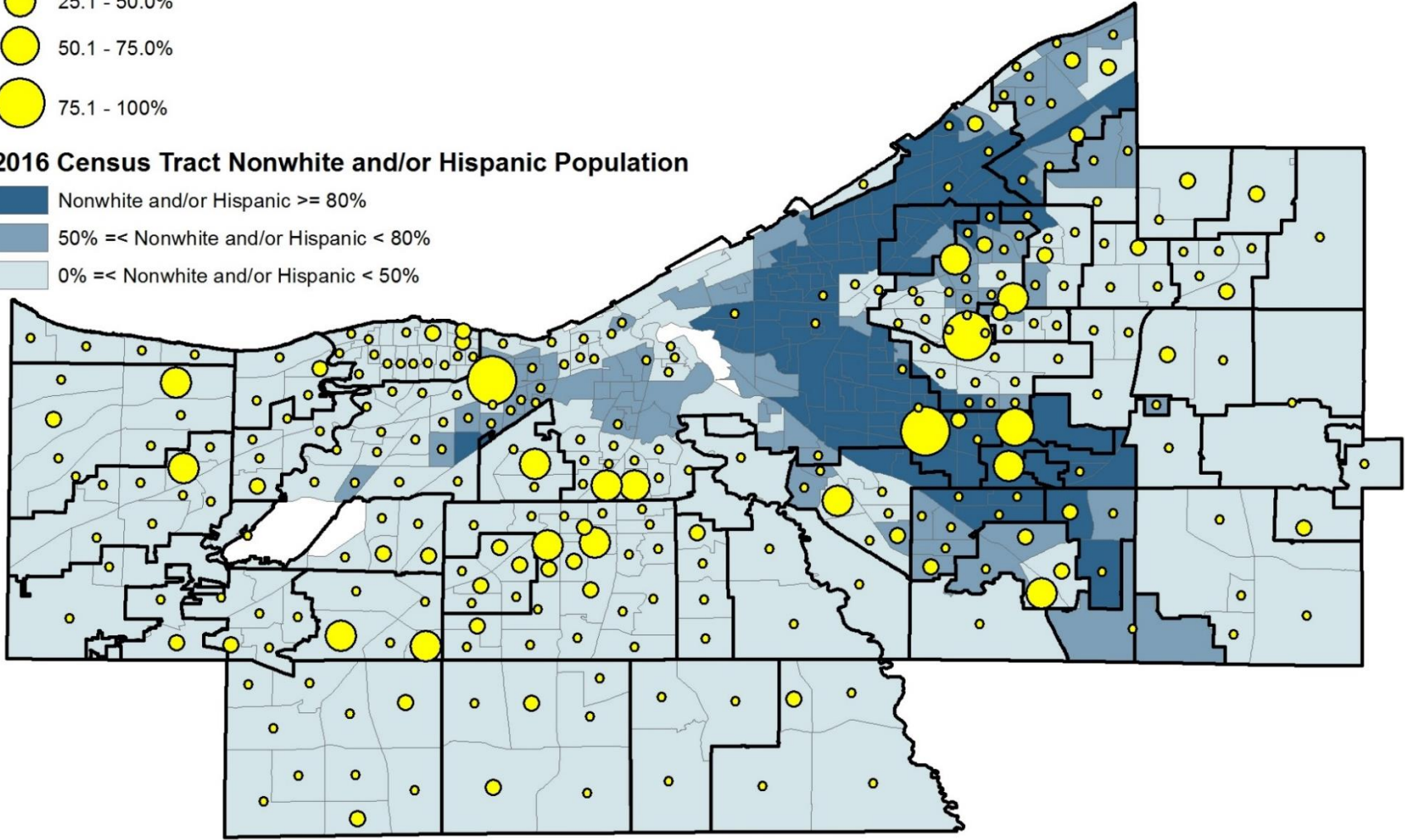
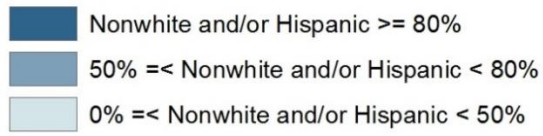
**CrossCountry Mortgage, Inc. Home Purchase Applications, 2012 to 2016**



# CrossCountry Mortgage, Inc. Percent of Complete Home Purchase Applications Denied, 2012 to 2016



## 2016 Census Tract Nonwhite and/or Hispanic Population

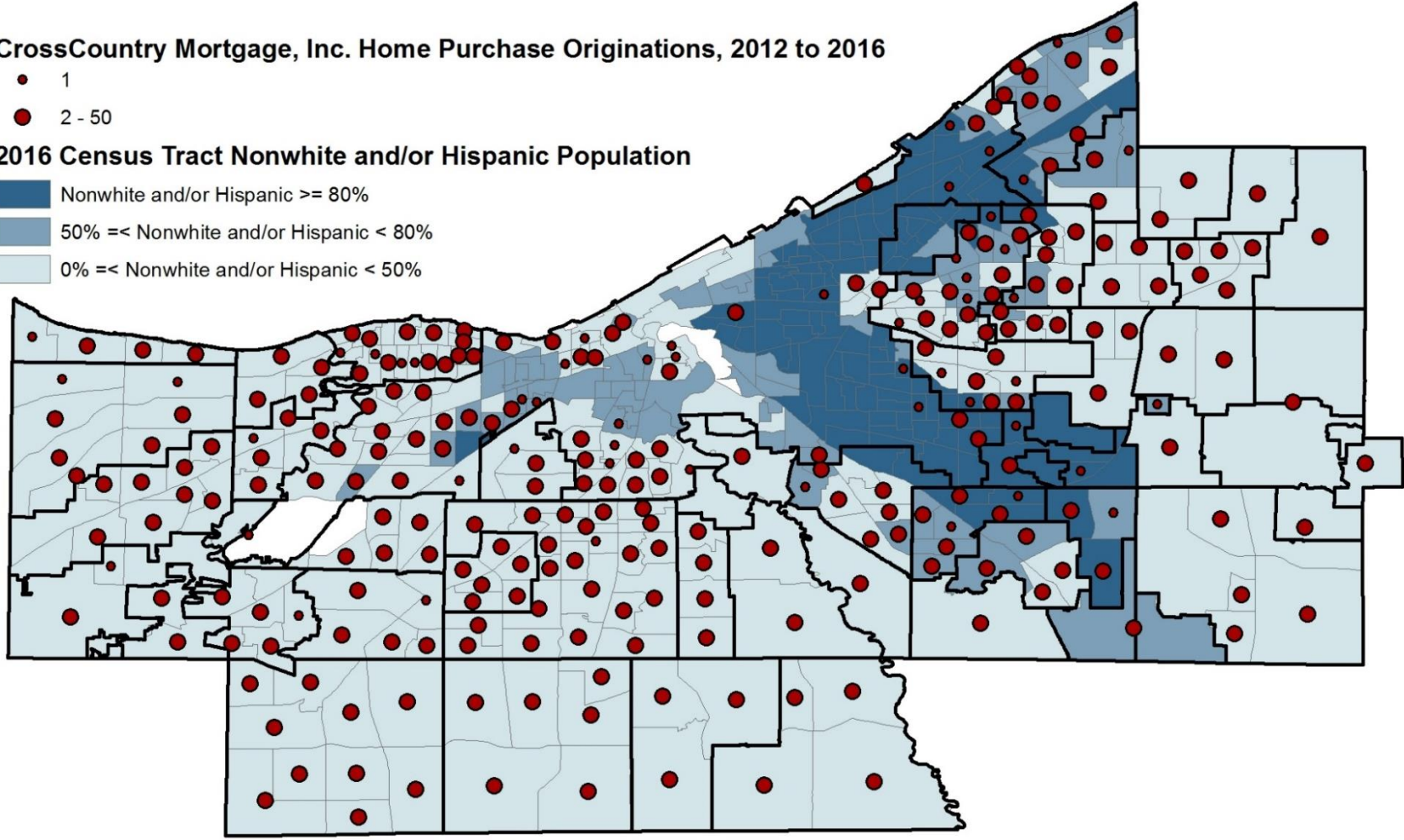


**CrossCountry Mortgage, Inc. Home Purchase Originations, 2012 to 2016**

- 1
- 2 - 50

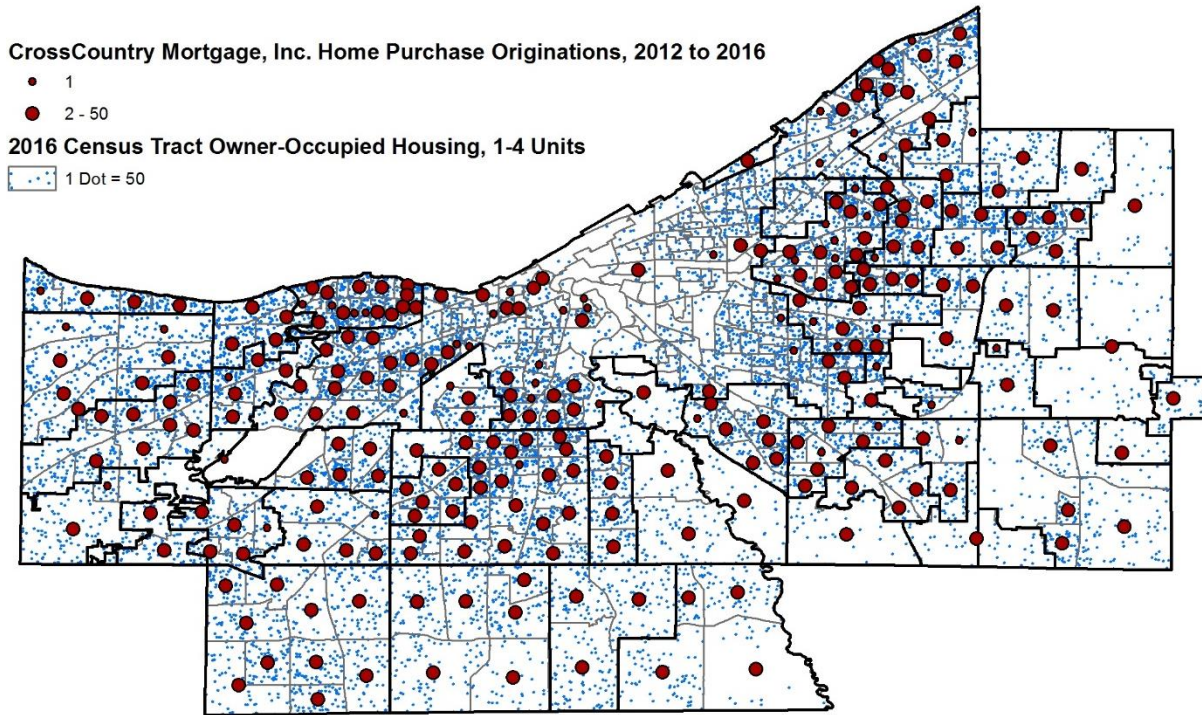
**2016 Census Tract Nonwhite and/or Hispanic Population**

- Nonwhite and/or Hispanic  $\geq 80\%$
- $50\% \leq$  Nonwhite and/or Hispanic  $< 80\%$
- $0\% \leq$  Nonwhite and/or Hispanic  $< 50\%$





# CrossCountry Mortgage, Inc.



	Majority White Tracts	Majority Nonwhite and/or Hispanic Tracts
Applications	1362	313
Originations	1086	213
Percent of Complete Applications Denied	4.7% (55/1181)	8.7% (22/252)

*Fair Housing Center for Rights & Research is a not-for-profit agency whose mission is to protect and expand fair housing rights, eliminate housing discrimination, and promote integrated communities.*

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