

GWIPP WORKING PAPER SERIES

Does the Community Reinvestment Act Help Minorities Access Traditionally Inaccessible Neighborhoods?

Samantha Friedman
Assistant Professor of Sociology
Northeastern University

Gregory D. Squires
Professor and Chair of Sociology
George Washington University

(REVISED VERSION)

Working Paper Number #014

<http://www.gwu.edu/~gwipp/papers/wp014>

July 8, 2004

George Washington Institute of Public Policy (GWIPP)
The George Washington University
805 21st St. NW
Washington, DC 2005

The authors wish to thank the Ford Foundation for its support for the project and Glenn Canner, Amanda Hazelwood, and Shauna Sorrells for their assistance. Please do not cite or quote the paper without permission from the author. Please direct all correspondence to Gregory D. Squires by e-mail at squires@gwu.edu, by phone at (202) 994-6894, or by mail at: Department of Sociology, 409 Phillips Hall, George Washington University, 801 22nd St., NW 20052.

The views expressed herein are those of the authors and not necessarily those of the George Washington Institute of Public Policy.

© 2004 by **Friedman and Squires**. All rights reserved.

Does the Community Reinvestment Act Help Minorities Access Traditionally Inaccessible Neighborhoods?

Abstract

Recent research has established that the Community Reinvestment Act (CRA) has increased mortgage lending in low-income and minority communities. This study examines the extent to which the CRA has helped racial minorities purchase homes in predominantly white neighborhoods from which they have traditionally been excluded. Using 2000 Home Mortgage Disclosure Act reports (HMDA) and 2000 decennial census data, we find that in metropolitan areas where a relatively high proportion of loans are made by institutions covered by the CRA, blacks and Latinos are more likely to purchase homes in predominantly white neighborhoods than in areas where relatively fewer loans are made by such lenders. This finding holds after controlling for a range of socioeconomic characteristics. The paper concludes with policy recommendations for revising the CRA and its enforcement mechanisms.

Introduction

In response to decades of redlining and racial discrimination in lending, particularly in home mortgage lending, Congress passed the Community Reinvestment Act (CRA) in 1977 prohibiting redlining. This federal law has led to \$1.7 trillion in new loans to economically distressed areas since it was enacted (New York Times 2004). Traditional banking practices had long denied credit to low-income communities and racial minorities throughout metropolitan areas. One consequence was that minority families seeking to buy homes were restricted in their ability to do so, and particularly in white neighborhoods.

Recent research has established that the CRA is meeting its objectives. Credit is more readily available in low- and moderate-income communities. Racial minorities have greater access to credit. And scholarly research has established that the CRA has been, at least in part, responsible for these gains. Stronger enforcement of the CRA and related fair lending laws, in part due to pressure by community groups, along with market forces, resulted in an increase in conventional home purchase lending to low- and moderate-income borrowers from 19 percent of all loans in 1993 to 29 percent in 2000. Lending to blacks grew from 3.8 percent to 6.6 percent in those years and to Latinos, lending increased from 4.0 percent to 6.9 percent (Board of Governors 2000; Joint Center for Housing Studies 2002; Litan, et al. 2001; National Community Reinvestment Coalition 2001: 9). A question that arises is whether or not minorities have been able to access traditionally inaccessible white communities. That question is the focus of this study.

In 1995 regulations implementing the CRA were revised to slightly alter the spatial emphasis of the CRA. Under the revision, loans to low- and moderate- income borrowers, regardless of the economic status of their neighborhoods, are evaluated for CRA purposes. So lenders are now evaluated in terms of their lending to low- and moderate-income borrowers as well as their lending in low- and moderate-income neighborhoods. Because black and Latino households are more likely

than whites to occupy the lower end of the income distribution (U.S. Bureau of the Census 2000), the revised evaluation criteria of the CRA may indirectly increase the ability of black and Latino homebuyers to purchase homes in predominantly white neighborhoods. This study examines whether or not the CRA has, in fact, nurtured minority home ownership in those traditionally inaccessible neighborhoods.

To date, little research has specifically explored how lending policies and practices in general and the impact of the CRA in particular may be linked to the access that black and Latino homebuyers have to predominantly white neighborhoods. Many studies have focused on the influence of the CRA on the economic status of neighborhoods within which these groups of homebuyers settle rather than on the racial/ethnic composition of the neighborhoods (see Haag 2000 and Joint Center for Housing Studies 2002 for reviews of this literature). The studies that do focus on the racial/ethnic composition of neighborhoods examine redlining and therefore focus on the denial rates for racial/ethnic minority applicants and for borrowers in predominantly minority neighborhoods (see Ross and Yinger 2002 and Turner and Skidmore 1999 for reviews of this literature).

Only one study, to our knowledge, has documented the extent to which blacks apply for loans in predominantly white neighborhoods, but it does not explicitly examine how, if at all, CRA affects the prevalence of such applications (MacDonald 1998). Several studies have explored the effect of neighborhood racial composition on mortgage lending, but again without examining the impact of CRA on such lending and how it affects access to white neighborhoods for non-whites (Dedman 1988; Munnell et al. 1996; Squires and Velez 1987)

A separate, demographic literature has examined mobility. A number of studies examine the residential mobility of blacks into nonpoor and suburban neighborhoods (South and Crowder 1997a, 1997b; South and Deane 1993), but only one study examines black mobility into white

neighborhoods (South and Crowder 1998a). However, the focus of the study is on blacks who are both renters and homeowners, and no attention is paid to the impact that federal policy such as the CRA has on blacks' access to white neighborhoods.

Our study is, therefore, the first attempt to systematically examine the effect of fair lending policy generally, and particularly the CRA, on the access that black and Latino homebuyers have to predominantly white neighborhoods from which they have traditionally been excluded. Theoretically, it is important to evaluate such policies for two main reasons. First, little is known about the factors that may be dismantling the dual housing market. Second, only one study, to our knowledge, has explicitly examined the effect of federal housing policy on the mobility underlying residential patterns, despite the fact that one of the main theoretical perspectives, the *place stratification model*, deems such policy as being central to the residential outcomes of minorities (South and Crowder 1998b). Until such policies can be incorporated into analyses of residential patterns, little theoretical advancement will likely be made in identifying the continuing causes of segregation and conversely, the factors that facilitate minority access to traditionally inaccessible neighborhoods.

To address this issue we use data from the 2000 Home Mortgage Disclosure Act reports (HMDA) and from the 2000 decennial census. This study examines the impact of CRA on minority access to predominantly white neighborhoods in large metropolitan areas with substantial black and Latino populations. Using descriptive analyses, we examine the proportions of minorities who purchased homes in predominantly white neighborhoods for metropolitan areas in which a relatively high share of loans are made by institutions covered by the CRA and in areas where relatively fewer loans are made by such lenders. Using multivariate analyses, we determine whether the proportions of blacks and Latinos buying homes in predominantly white neighborhoods is higher in metropolitan areas where a greater share of loans are covered by the CRA than in metropolitan

areas where a relatively lower share of loans are covered by the CRA, after accounting for theoretically relevant ecological and economic control variables.

Explaining the Variation in Minority Access to Predominantly White Neighborhoods

We draw upon a combination of theoretical perspectives that exist in the sociological literature on segregation and residential mobility to explain the variation in minority access to predominantly white neighborhoods. One perspective, which we derive from the *spatial assimilation model* (Massey 1985), the *classic human ecology model* (Hawley 1971), and the *housing availability model* (South and Crowder 1997b), suggests that minority access to predominantly white neighborhoods is a function of economic and ecological factors. All of these models view minority access to predominantly white neighborhoods as being related to the group's own circumstances (e.g., income, wealth, personal preferences) in conjunction with the opportunities within the local housing market. Thus, these models ignore how the power dynamic within society shapes groups' access and instead focus on more passive forces. Because of this commonality across the models, we consider them falling under one perspective, which we refer to as the *economic/ecological perspective*.

A factor that is central to this perspective is the level of economic resources possessed by minority groups. It is presumed that access to largely white neighborhoods is desirable because of the greater amenities and potential for accumulating wealth in such neighborhoods. As minorities progress upward socioeconomically, they are increasingly able to obtain such housing and the associated amenities (Massey 1985). Thus, metropolitan areas with relatively larger shares of more affluent minorities should have a larger proportion of minorities residing in predominantly white neighborhoods than metropolitan areas with comparatively lower shares of affluent minorities.

Another factor that is important in predicting minority access to predominantly white

neighborhoods, from this perspective, is the supply of housing. As South and Crowder (1997b) note, high vacancy rates in a metropolitan area indicate more housing opportunities for those who want to change residences and should, therefore, be positively associated with minority access to predominantly white neighborhoods. Variation in the level of owner-occupied housing units across metropolitan areas will also be important in predicting minority access to such neighborhoods because it is another way to gauge access to the supply of potential housing available to homebuyers.

The ecology and population size of metropolitan areas comprise another factor central to this perspective. Larger areas generally display higher levels of segregation between minorities and whites and thus afford minorities less access to predominantly white neighborhoods than is the case in smaller areas (Farley and Frey 1994; Massey and Denton 1987). Although the racial/ethnic diversity is usually greater in larger metropolitan areas, there are more traditional “natural areas” of settlement for racial/ethnic groups, creating higher levels of segregation and less access to predominantly white areas.

The second major perspective we draw upon to explain variation in minority access to predominantly white neighborhoods is the *place stratification model* (Alba and Logan 1992; Logan and Molotch 1987). The model maintains that a hierarchical ordering exists among groups within society, and that more advantaged groups use their power to maintain social and physical distance from the least advantaged groups. This power is often manifested in various forms of discriminatory actions which effectively constrain minority choices within the housing market (Massey and Denton 1993; Turner et al. 2002a, 2002b; Yinger 1995). Unlike the *ecological/economic perspective*, the *place stratification model* focuses explicitly on the conscious efforts of powerful actors in shaping the residential patterns of minority and white populations.

According to this perspective, the racial/ethnic structure of the metropolitan area will be

important in explaining variation in minority access to predominantly white neighborhoods. Areas that have higher levels of residential segregation between minorities and whites will offer fewer opportunities for minorities to move to predominantly white areas. Segregation is indicative of the longstanding operation of a dual housing market (perhaps now a tri-housing market) where whites and non-whites are steered to separate neighborhoods, and blacks and Latinos constitute separate markets. The *place stratification model* suggests that segregation is the outcome of the power used by whites to maintain their distance from minorities (Massey and Denton 1993). The size of the minority population will also be negatively related to minority access to predominantly white neighborhoods from this perspective (South and Crowder 1997b). Where there are relatively larger minority populations, whites are more likely to feel threatened by these out-groups and, therefore, may engage more actively in discriminatory practices (Blalock 1967; Stearns and Logan 1986).

Areas with relatively larger suburban populations are likely to have lower levels of minority _ particularly black _ mobility into predominantly white neighborhoods (South and Crowder 1997b). Suburban communities have historically used restrictive covenants, land-use regulations, and zoning ordinances to restrict the in-mobility of minorities (Farley and Frey 1994; Gotham 2002; Massey and Denton 1993). Such policies have impeded and continue to constrain minority access to these communities according to this perspective.

Neither of these two perspectives takes into account policies designed to facilitate access to predominantly white neighborhoods. While agency is key to the place stratification model, the focus of the model is on actions that restrict minority access to white neighborhoods and not on the policies that may encourage access. The CRA and its implementing regulations constitute one set of such political activity. From a theoretical standpoint, it is important to broaden the place stratification model to include such activity because in recent years there has been some progress made in dismantling dual housing markets, as evidenced by the declines in residential segregation

that have occurred in some metropolitan areas (Glaeser and Vigdor 2001; Lewis Mumford Center 2001). Despite such progress, little is known about how or why these positive changes have taken place. Equally important is the fact that studies focusing on minority residential outcomes are divided in support for the two major theoretical perspectives outlined above. At the heart of this debate is whether minority access to traditionally inaccessible neighborhoods is due to improvements in their socioeconomic status, or to better enforcement of the Fair Housing Act and a lessening of the existence of discriminatory barriers. Conversely, little consensus exists as to whether the persistence of minority location in minority areas in many metropolitan areas is due to minorities' poorer socioeconomic circumstances or discriminatory constraints that they face within the housing market.

Interestingly, despite the importance of federal housing policies in shaping minority residential patterns, virtually no sociological research has directly tested the impact of such legislation on racial residential mobility (see South and Crowder (1998b) for one exception). In large part, this gap in the literature results from the inability of researchers to adequately measure the actual impact of such policies. Until such policies can be incorporated into analyses of residential outcomes, little theoretical advancement will likely be made in identifying the continuing causes of segregation and conversely, the factors that facilitate minority access to traditionally inaccessible neighborhoods.

The CRA, particularly at this critical point in time, provides an opportunity to do this. By focusing on such legislation, an explicit link can be made between fair lending and fair housing policy with homebuyer mobility and the sociological understanding of racial/ethnic inequality in general. During the 1990s, changes in the regulatory framework of the CRA, in conjunction with an expansion of enforcement powers granted under fair lending legislation and community-based advocacy, may have opened up housing opportunities for minorities in white neighborhoods.

However, legislation passed in 1999 may undermine the future potential of such legislation in this regard. Before explaining the linkages among the CRA, fair lending policies, and minority access to predominantly white neighborhoods, we review the CRA and related fair lending policies, and briefly discuss the research that has been done regarding the effectiveness of the CRA.

Federal Housing Policies and Minority Access to Traditionally Inaccessible

Neighborhoods

A Review of the Legislation

Passage of the CRA in 1977 was motivated by concerns about redlining; the lack of credit in inner city neighborhoods along with the suspicion that the unavailability of credit was due at least in part to racial and ethnic discrimination. Its enactment was part of a larger effort to promote fair lending. Three other major pieces of legislation preceded the passage of the CRA: the Fair Housing Act of 1968 (FHA), the Equal Credit Opportunity Act of 1974 (ECOA), and the Home Mortgage Disclosure Act of 1975 (HMDA). Prior to this legislation, government at all levels, along with private financial institutions and other providers of housing related services, was actively involved in discriminating against minorities rather than combating discrimination (Jackson 1985; Gotham 2002; Massey and Denton 1993).

The CRA requires all federally regulated, depository institutions to be responsive to the credit needs of the communities that they serve, including the needs of low- and moderate-income communities. The Act mandates that bank regulatory agencies (e.g., Federal Reserve Board, Federal Deposit Insurance Corporation, Comptroller of the Currency, Office of Thrift Supervision) evaluate how effectively lenders meet these credit needs and take their CRA performance into account when they apply for any changes in their business practices (e.g. to purchase or merge with another institution, open or close a branch office). It also allows third parties to challenge

applications made by lenders. The impact of CRA in its early years was limited in part because the Act did not give clear guidelines to regulators on how to evaluate the performance of banks. The focus on process (e.g. whether CEOs were involved in CRA planning) rather than performance (e.g. distribution of loans) limited enforcement (Joint Center for Housing Studies 2002). The one aspect of the legislation that appeared to have an impact was the threat of third-party challenges. Financial institutions realized that challenges could pose delays in the application approval process and therefore could be quite costly. In many cases, community groups used this leverage by challenging such applications which encouraged lenders to negotiate reinvestment agreements that would result in those organizations dropping their challenges (Joint Center for Housing Studies 2002).

Enforcement of CRA was strengthened significantly in the 1990s. In 1989 Congress passed the Financial Institutions Reform, Recovery and Enforcement Act (FIRREA) which amended the CRA by changing the rating system used by regulators, requiring public disclosure of these ratings, and directing regulators to make publicly available detailed written CRA evaluations. Essentially regulators were required to report whether the financial institutions under their purview were making efforts to meet the credit needs of the communities that they served.

One of the most important changes to the CRA came in 1995 when federal banking regulators promulgated a new regulation revising CRA enforcement procedures so that they focused on lender performance in meeting the credit needs of the communities they serve. Up until this point, CRA exams focused on *how* these institutions did business and not on the *actual results* of their activities. Put simply, the new rules required examiners to evaluate three elements of lender performance -- lending, investment, and service --, with lending being the most important aspect (for details on the 1995 regulations, see the Joint Center for Housing (2002) and Schill (2002)). In addition to making the focus of CRA evaluation outcomes-based, the 1995 regulations slightly

altered the spatial emphasis of the CRA. Under the lending test, loans could be counted for CRA credit if they are made to low- or moderate-income areas or to low-and moderate income borrowers regardless of the economic status of their neighborhoods. This is precisely the change in the legislation that could be responsible for increased access of minorities to predominantly white neighborhoods.

More recently, changes have been made that indirectly affect the CRA and may undermine the progress that was made during the 1990s in lending to low- and moderate-income homebuyers. The Gramm-Leach-Bliley Financial Services Modernization Act (GLBA), passed in 1999, allows securities firms, banks, and insurance companies to merge and to enter into each others' lines of business with fewer restrictions than in the past. Independent mortgage banks, insurers, and other providers of financial services increased their mortgage lending activity and did so outside the purview of CRA. In addition, several banks shifted their mortgage activity to mortgage banking affiliates and non-traditional lenders within their holding companies because such entities are also not covered by the CRA. Only depository financial institutions within these conglomerates are covered by the Act. Preliminary evidence suggests that the GLBA is already slowing the progress in lending that was made in the early 1990s. Commercial banks and savings institutions, which formerly made the vast majority of mortgage loans, now make approximately one-third of all home loans. Independent mortgage banks, insurance companies, and other institutions not covered by the CRA, including predatory lenders, have become a far more significant part of this market (Insurance Information Institute 2002: 29).

The Impact of the CRA on Minority Lending

As indicated above, there is now substantial evidence that CRA is having the intended impact. In a review of CRA related research the Brookings Institution found that in the 1990s home

purchase mortgage lending to low-income and minority households and neighborhoods increased faster than home purchase mortgage lending generally (Haag 2000). The U.S. Department of the Treasury reported similar findings with the greatest increases coming after the 1995 performance-oriented regulation was implemented. In addition, the Treasury report found greater increases in communities where there had been at least one CRA agreement signed by a lender with a community group (Litan et al. 2001). Schwartz (1998a,b) drew similar conclusions in a nationwide study comparing the lending record of financial institutions that signed CRA agreements with those that had not. Bostic and Robinson (2002) found that the number of conventional home purchase loans going to low- and moderate-income and minority borrowers and areas increased significantly in urban counties with the introduction of new CRA agreements, though these effects were most pronounced in the first two years the agreements were in place. The Federal Reserve Board also found that CRA-related lending was profitable for the vast majority of covered lenders, though not quite as profitable as other home lending (Board of Governors of the Federal Reserve System 2000). And the Joint Center for Housing Studies found that CRA-regulated lenders make a higher share of their loans to lower-income people and communities and to minority markets than do non-regulated institutions, that this effect was most noticeable in the assessment areas of CRA lenders (where their loans are most closely scrutinized) and that the CRA has had a direct impact on these patterns (Joint Center for Housing Studies 2002: 135-136.)

At the same time it should be noted that significant levels of racial discrimination persist in the mortgage lending market. Statistical analyses of application denial rates and the distribution of loans across communities along with paired testing or audit studies confirm that racial minorities are more likely to be denied loans, offered fewer options when credit is made available, and provided less information about financing options than similarly qualified white applicants (Munnell et al. 1996; Ross and Yinger 2002; Turner et al. 2002a, 2002b).

Linking Federal Fair Housing Policies to Minority Access to Predominantly White Neighborhoods

While research has documented an overwhelmingly positive impact of the CRA on lending to minorities, less attention has been focused on the racial/ethnic composition of the neighborhoods within which minorities settle. This reflects the fact that the main focus of the CRA has been economic rather than racial. It is also related to the fact, that until 1995, financial institutions could not fulfill the lending test mandated by regulators by lending to borrowers outside of low- and moderate-income communities. Now that the spatial requirement of lending has been relaxed, there is the potential for this legislation to improve minority access to predominantly white communities and the presumed associated wealth accumulation benefits. In support of this possibility, the Joint Center for Housing Studies (2002: 23) found that between 1995 and 2000, 66 percent of the growth in CRA-eligible home purchase lending is accounted for by mortgage loans made to lower-income borrowers in higher-income neighborhoods.

This change to the regulatory framework of CRA provides a unique opportunity to assess the impact of public policy, the role of powerful private institutions, and the impact of non-profit community organizations on minority access to traditionally inaccessible neighborhoods. The CRA requires that depository institutions under the Act's purview respond to the credit needs of low- and moderate-income borrowers and communities; markets that are disproportionately non-white. While the legislation and its implementing regulations have focused on the economic status of borrowers and communities, there is little doubt that it has strongly encouraged depository institutions to comply more effectively with fair lending laws. From the outset, the CRA was established to combat redlining in mortgage lending, and since its inception, it has been unclear to many policymakers exactly how the CRA is independent from fair lending legislation (Schill 2002). The fact that community groups have been able to participate in the regulatory process has also blurred the lines between the objectives of CRA and fair lending legislation. Many community groups have

successfully negotiated CRA agreements with financial institutions that require lenders to service the needs of low- and moderate-income borrowers and communities as well as minority borrowers and communities (National Community Reinvestment Coalition 2002; Sidney 2003; Squires and O'Connor 2001).

In light of the additional scrutiny that CRA lenders undergo and the overlap, if not confusion, between CRA and fair lending requirements, it is plausible that one additional outcome of CRA would be increased access for minority borrowers to white neighborhoods that had previously been inaccessible for them. Although the focus of CRA has been on lending to low- and moderate-income communities rather than lending to minorities and minority communities, the legal and public relations pressure has focused more on fair lending and discrimination issues than traditional redlining.

The greater scrutiny of CRA lenders takes many forms. They undergo regular CRA exams by their federal regulatory agency in which the distribution of their loans becomes a matter of public record. Community organizations utilize leverage provided by the law to challenge and change the lending behavior of CRA lenders. The media often report on CRA exams, lender-community conflict and partnerships, and related activities of these financial institutions. And race is the issue that gets the most attention. The most visible regulatory actions have been taken by the U.S. Department of Justice that has settled several discrimination complaints against major mortgage lenders (Lee 1999). Newspaper headlines have focused on racial disparities, if not racial discrimination, in lending activity (Dedman 1988, 1989, Malveaux 2003). Community groups, including fair housing and community reinvestment organizations, have highlighted racially discriminatory practices in their challenges and reinvestment agreements (NCRC 2003, Sidney 2003). Consequently, CRA lenders may well have developed more effective non-discriminatory lending policies and practices. In reaching out to minority borrowers, those who had the capacity to purchase, and interest in locating

in, suburban communities may well be among the first that such lenders attempted to reach in their fair lending initiatives. Such qualified minority borrowers may be the ones who have been most egregiously underserved in the past and among the relatively easier households to finance for CRA and fair lending credit.

Hypotheses

The preceding discussion suggests the following hypotheses. The tenets of the *economic/ecological model* maintain that the economic circumstances of minorities and the structure of metropolitan areas will be important in shaping minority access to predominantly white areas. We expect that in metropolitan areas with more affluent minorities, higher vacancy rates, and greater shares of owner-occupied housing, minority homebuyers will have greater access to predominantly white neighborhoods. The overall population size of the metropolitan area, however, will be negatively associated with minority access to such neighborhoods.

More significantly, and consistent with the *place stratification model*, we expect that minority access to predominantly white neighborhoods will be shaped more by discrimination than by macroeconomic forces of supply and demand, or ecological factors. High levels of segregation and proportions of minority groups within metropolitan areas will impede minority access to predominantly white neighborhoods. Minorities in metropolitan areas with large suburban populations will also be less likely to buy homes in predominantly white neighborhoods.

With respect to our focus on public policy, our key variable of interest is the proportion of loans within the metropolitan area that are made by CRA-covered institutions. We expect that in metropolitan areas where larger shares of loans are made by such institutions, minority homebuyers will have greater access to predominantly white neighborhoods than in areas where relatively fewer loans are covered by CRA-institutions. We expect to see the effect of the CRA-related variable to

hold, even after controlling for factors like applicant income, population size and other variables which are the focus of the *economic/ecological* and *place stratification perspectives*.

Data and Methods

Data

The analysis draws on two principle data sets. The first is the 2000 Home Mortgage Disclosure Act reports. These reports contain detailed information on each mortgage loan application submitted to most mortgage lenders including depository institutions, mortgage banking affiliates of these institutions and independent mortgage bankers and brokers. Since 1993, these institutions have been required to supply the following characteristics for all loan applications: the race, income, and gender of the applicant; the state, county, and census tract of the property included in the application; the type and purpose of loan applied for; and the disposition of the application. For each loan, HMDA also contains information about the agency that is regulating the financial institution where the loan application was filed. Annual HMDA reports are required of banks, savings institutions, credit unions, and other for-profit mortgage lenders with a significant presence in any metropolitan area (e.g. a branch bank). Banks, savings institutions and credit unions must report if their assets total more than \$32 million (and this is adjusted annually according to the consumer price index). Other for profit mortgage lenders must report if their assets exceed \$10 million or they made 100 or more loans (Federal Financial Institutions Examination Council 2003).

We restrict our analysis to conventional loans originated to purchase one-to-four family homes because we are primarily concerned with single-family homebuyers.¹ This analysis does not

¹Our analysis focuses on conventional home purchase loans and does not include FHA and other government-insured loans. While government-insured loans are an appropriate product for some borrowers, these programs have also long been implemented in a manner that promotes segregation (Bradford 1979). Excluding these loans, which today go disproportionately to minority

include loan applications that were denied or not originated for any reason, or loans for home improvement, refinancing, or multi-family housing.² Because our study focuses on minority homebuyers' access to predominantly white neighborhoods, the second data set we utilize is Census 2000. HMDA contains the census tract identification number for the property included in each loan application, making the link between census and HMDA data relatively straightforward. In fact, one of the main reasons we choose to focus on 2000 HMDA data is so that our independent and dependent variables (described below) are both gathered within the same time frame.³ One problem with the census tract identifiers in HMDA is that they reference 1990 census tract boundaries and not those that are present within Census 2000. To overcome this geographic slippage, we obtained a specially-created version of Census 2000 data in 1990 census tract boundaries so that we could merge the two data sources together.⁴

borrowers, may result in a data set that weakens the actual connection between CRA and minority access to white neighborhoods. Consequently, our results are likely to understate the connection that may exist between CRA and minority access to traditionally inaccessible neighborhoods.

²The data in HMDA are categorized as either one-to-four-family or multifamily dwellings. Although the former is comprised of loans and applications made for the purpose of purchasing a residential dwelling for one-to-four families, we cannot disaggregate those loans and applications made for the purpose of purchasing just single-family homes. Therefore, as is the case with previous research (see the Joint Center for Housing Studies 2002), we use the one-to-four family homes for our analysis and not loans or applications made for multifamily dwellings (for five or more families).

³We realize that a limitation of our study is that it employs a cross-sectional analysis. Given that the spatial emphasis of the CRA was changed in 1995, it would be useful to examine minorities' access to predominantly white neighborhoods since then. We chose to focus on 2000 because of the availability of census data at that time point and because by 2000, any effect of the 1995 change in CRA regulations would have clearly been detectable. Future research on this topic, however, should employ a longitudinal analysis to provide a more comprehensive understanding the impact of CRA over time.

⁴We purchased this product from *GeoLytics, Inc.* They have developed a methodology to fit 1970, 1980, and 1990 decennial census data into 2000 census tract boundaries. Upon our request, they were able to adapt their methodology to put 2000 census data into 1990 census tract boundaries.

Variables

Our unit of analysis in this study is the metropolitan area.⁵ The access that minority homebuyers have to predominantly white neighborhoods reflects metropolitan-level phenomena. Their choices, as a group, are guided by the actions of members of the banking and real estate industries – particularly as they relate to federal policies such as the CRA –, the supply of housing, the demand within the market, and the ecology of the metropolitan area. We are specifically interested in whether and how variation in CRA coverage across metropolitan areas relates to the variation in minority access to predominantly white neighborhoods. For the purposes of this study, we are less concerned with explaining the variation that exists across individual minority homebuyers within metropolitan areas in terms of where they reside. That variation is likely to be due more to individual-level or household-level characteristics, many of which we cannot control for using HMDA data, than to macro-level phenomenon within the housing market.

The central dependent variables in our analysis are the proportions of conventional home purchase loans originated to blacks and Latinos in predominantly white neighborhoods. That is, among blacks and Latino who received home purchase loans in 2000, we attempt to account for the variation in the share of these families that purchased homes in white neighborhoods. In order to determine whether the census tract within which the property is located is predominantly white, we use census tract data from the 2000 decennial census. Predominantly white neighborhoods are census tracts in which non-Hispanic whites comprised at least 90 percent of the population in 2000.

⁵We focus on metropolitan areas as defined by the Office of Management and Budget (OMB) in 1999, the same definitions used in tabulations of Census 2000 on American FactFinder. Specifically, we focus on Primary Metropolitan Statistical Areas (PMSAs), Metropolitan Statistical Areas (MSAs), and New England County Equivalent Metropolitan Areas (NECMAs). Because we merge data from Census 2000 with the HMDA data, we must aggregate the HMDA data first to the counties that form the basis of these metropolitan areas and then up to the metropolitan-area level.

Because blacks and Latinos each comprise about 12 percent of the United States population, theoretically racial integration could occur in a census tract in which 12 percent of the population is black or Latino and 88 percent of the population is white. Thus, a predominantly white tract would exist if at least 89 percent of the population is white. We round up and establish our cutoff at 90 percent. In addition to this categorization being empirically justifiable, it is consistent with the classification of “predominantly white” in previous research (Ellen 2000).

After classifying predominantly white census tracts, we aggregate the data up to the metropolitan-level. Thus, for each metropolitan area, we know the proportion of all home-purchase loans originated to blacks, Latinos, and whites moving into properties in predominantly white neighborhoods. We eliminate loan application records that do not have a valid census tract identification number from our analysis.⁶ Following Massey and Fisher (1999), we focus our analysis on large metropolitan areas with sizeable shares of minorities. We include all metropolitan areas in the U.S. with a total population of at least 500,000 and at least 5,000 blacks and Latinos. With this limitation, we analyze data for 101 metropolitan areas or records. These metropolitan areas contain 72.1 percent of all of the nation’s non-Hispanic blacks and 77.3 percent of all the nation’s Latinos. This comprises the entire universe of metropolitan areas in the U.S. with which our analysis is concerned.⁷

To understand why variation exists in the proportion of minority homebuyers locating in predominantly white neighborhoods, we examine independent variables associated with the *economic/ecological perspective* and *place stratification model*. The key independent variable in

⁶Out of the 3.07 million loan records that we aggregate up to the census-tract and then metropolitan-level of analysis, 3.06 million or 99.6 percent have valid census-tract identification numbers.

⁷Because this is the entire population of cases – and not a sample – the use of inferential statistics for our analysis will be unnecessary.

our analysis is the nature of the regulatory- and fair-lending climate in the metropolitan area. We measure this variable as the proportion of loans within the metropolitan area in 2000 that were originated by CRA-covered institutions. Loans made by institutions monitored by the following regulatory agencies were considered to be CRA-covered: the Office of the Comptroller of the Currency, Federal Reserve System, Federal Deposit Insurance Corporation, and the Office of Thrift Supervision. This classification is consistent with previous research (Canner 2002).

With respect to the *economic/ecological perspective*, we create a number of independent variables that are purported to influence minority access to predominantly white neighborhoods. The first measure gauges the economic resources that minority (and white) applicants possess and is aggregated from the HMDA loan-level data. Essentially for each metropolitan area, we measure the economic resources of each racial/ethnic group by using the average income for that group of applicants.⁸ For example, for blacks in New York, we sum all black applicants' incomes in the area and divide by the number of black applicants in the area in order to get the average income for black applicants in New York. We employ two other variables in order to measure the housing supply within the metropolitan area, which is likely to positively influence minority access to predominantly white neighborhoods. Both are created from Census 2000 data at the metropolitan level. Specifically, we use the proportion of occupied housing units within each area that are owner-occupied. We also use a homeowner vacancy rate which is defined as the number of vacant units "for sale only" within the metropolitan area divided by the sum of the total number of owner-occupied housing units and the number of vacant units "for sale only" (U.S. Bureau of the Census 2002, Appendix B, p. 66). The final independent variable we create under the *economic/ecological*

⁸We actually use the log of the average income because the distribution is skewed to the right and logging it makes the distribution more normal.

perspective is log of the population size of each metropolitan area.⁹ This measure controls for the metropolitan population size given our hypothesis that in large metropolitan areas minorities might have less access to predominantly white neighborhoods than in smaller metropolitan areas.

⁹As with income, the log of the size of the population is used because the distribution is skewed to the right and logging it makes the distribution more normal.

One of the main variables we use to operationalize the *place stratification model* is the extent to which segregation exists within the metropolitan area. Specifically, we calculate dissimilarity indices between black and white homeowners and Latino and white homeowners within our 101 metropolitan areas.¹⁰ To our knowledge, no one has computed measures of segregation among homeowners. Because our study is focused on this subset of the larger population, it would be instructive to do so to more accurately control for the opportunities that recent homebuyers may have to move into predominantly white neighborhoods. Interestingly, in 14 of the 15 largest metropolitan areas within our study, the segregation between black and white homeowners was greater than the segregation between black and white renters (see Appendix Table 1, columns 5 and 6). Moreover, in 12 out of the 15 metropolitan areas, the dissimilarity indices were above 60, considered to fall in the *_high_* range of segregation (Massey and Denton 1993). For Latinos, on the other hand, in only 5 of the 15 largest metropolitan areas was the segregation from whites higher among homeowners than among renters, and in only 4 of the 15 metropolitan areas did the dissimilarity indices fall above 60 (columns 7 and 8).

To further gauge the fact that the racial/ethnic structure may impede minority homebuyer access to predominantly white neighborhoods, we create measures of the proportion black, Latino, and white within each metropolitan area. We hypothesize that in metropolitan areas with larger shares of the population being comprised of minorities, there would be potentially less access for minority homebuyers in predominantly white neighborhoods. For each group-specific analysis (e.g., black analysis, Latino analysis) we employ the corresponding racial/ethnic measure. Another independent variable we create is the proportion of the population residing within suburbs in each metropolitan area. As stated earlier, according to the *place stratification model*, this variable may be

¹⁰We adopt the methodology used by the Lewis Mumford Center (2001). Blacks here refer to all blacks; white refer to non-Hispanic whites. For a complete discussion of the dissimilarity index and other measures of segregation, see White (1986) and Massey and Denton (1988).

negatively related to their access to such neighborhoods because of the discriminatory policies historically adopted by many suburban governments.

Analytical Strategy

We employ univariate, bivariate, and multivariate analyses to examine the proportions of black and Latino homebuyers who purchased homes in predominantly white neighborhoods in 2000. For comparison, we also examine white homebuyers and the proportion of all three groups that purchased homes in racially integrated and predominantly minority neighborhoods in 2000. Then we examine the proportion of blacks and Latinos who bought homes in predominantly white areas for metropolitan areas in which a relatively high proportion of loans are made by institutions covered by the CRA and in areas where relatively fewer loans are made by such lenders. Comparisons are made between the two sets of proportions. To test the implications of these descriptive comparisons, we employ multiple regression models to determine whether the proportions of blacks and Latinos buying homes in predominantly white neighborhoods is higher in metropolitan areas where a greater share of loans are covered by the CRA than in metropolitan areas where a relatively lower share of loans are covered by the CRA, in the presence of the other theoretically relevant variables. For comparison purposes, we run the same regression analysis for whites.

Results

To what extent do white and minority homebuyers locate in predominantly white areas, relative to racially integrated and predominantly minority neighborhoods?¹¹ Table 1 uses data from

¹¹The definition of neighborhood types also relies on data from the 1990 decennial census. As indicated above, predominantly white tracts are census tracts in which non-Hispanic whites comprised at least 90 percent of the population in 2000. Racially integrated neighborhoods are census tracts in which: 1) non-Hispanic whites comprised more than 50 percent but less than 90 percent of the population in both 1990 and 2000 and there was no more than a 10 percentage-point

the 2000 HMDA reports to address this issue. The table shows the average proportion of conventional home purchase loans originated to black and Latino homebuyers in predominantly white neighborhoods. It is evident that whites are more likely than blacks and Latinos to have purchased single-family homes in predominantly white neighborhoods. Column 1 of Table 1 shows that, on average, 40 percent of whites purchased homes in predominantly white neighborhoods compared to nearly 12 percent of blacks and 22 percent of Latinos.¹²

<Table 1 about here>

Interestingly, on average, a higher share of white homebuyers purchased homes in racially integrated neighborhoods than was the case for minority homebuyers.¹³ With respect to

decrease in the percent white over the decade; and 2) non-Hispanic whites comprised more than 90 percent of the population in 1990 and between 50 and 90 percent of the population in 2000 and there was no more than a 10 percentage-point decrease in the percent white over the decade. By using data from both censuses, our definition of racial integration reflects integration that is more stable. Moreover, recent research has reflected both the aggregate racial/ethnic mix and level of change over time to identify stable integration (Nyden et al. 1998). Predominantly minority neighborhoods are census tracts in which non-Hispanic whites comprised 50 percent or less of the population in 2000.

¹²Although the results are presented in terms of proportions, we describe them in terms of percentages for ease of interpretation. We do this throughout the results section.

¹³While at first glance, the figure for whites seems high, it is actually quite reasonable because integration here could involve whites living with Asians or Latinos and not necessarily blacks.

predominantly minority neighborhoods, on average, recent black and Latino homebuyers are significantly more likely to move there than recent white homebuyers. Twice as many blacks, relative to Latinos, move to predominantly minority neighborhoods (see column 3), but at the same time, half as many black homebuyers as Latino homebuyers are able to purchase homes in predominantly white neighborhoods (see column 1).

Table 2 begins to explore how the distribution of blacks and Latinos across predominantly white neighborhoods is affected by the level of CRA-regulation that exists within metropolitan areas. Again, we examine whites for comparison. We divided the 101 metropolitan areas into two groups — one set of areas had proportions of loans made by institutions covered by the CRA that were at the median proportion or above and the other set of areas had proportions of loans made by institutions covered by the CRA that were below the median level of coverage. We compare the average proportion of conventional home purchase loans originated to homebuyers in predominantly white census tracts between these two groups of metropolitan areas. With respect to the CRA-coverage variable, we tailor it to be racially and ethnically specific. So, we calculated the proportion of loans made to whites, blacks, and Latinos by CRA coverage across metropolitan areas. We find the following means, medians, standard deviations, and minimum and maximum values for these variables (that is, for each racial/ethnic group, the share of loans originated by CRA-covered lenders): white CRA coverage (mean=.726, s.d.=.079, median=.741, min=.486, max=.869); black CRA coverage (mean=.661, s.d.=.093, median=.673, min=.387, max=.817); Latino CRA coverage (mean=.716, s.d.=.093, median=.726, min=.400, max=.884); and all groups' CRA coverage (mean=.701, s.d.=.074, median=.715, min=.505, max=.831). So, for blacks, in metropolitan areas with at or above median CRA coverage, the proportion of CRA-covered loans in the metropolitan area would be at or above the value of .673. Metropolitan areas falling at values less than .673 would fall in the category with below median level coverage. Within these two areas,

we examined the proportion of conventional loans originated to blacks in predominantly white areas in order to see if the average was higher in areas with greater CRA coverage.

<Table 2 about here>

The main finding gleaned from Table 2 is that CRA appears to be having an impact on the residential location of minority homebuyers. On average, 15.2 percent of black homebuyers, in metropolitan areas where a relatively larger share of the loans were made by institutions covered by the CRA, settled in predominantly white neighborhoods. This compares to only 8.1 percent of blacks in metropolitan areas with lower levels of CRA coverage.¹⁴ Therefore, black homebuyers living in metropolitan areas where a greater share of loans are made by CRA-covered institutions appear to have more access to white neighborhoods than black homebuyers living in areas where a relatively lower share of loans are made by CRA-covered institutions. The same pattern is also evident for Latinos and whites.¹⁵ More detailed examination of individual metropolitan areas reinforces this finding. Table 3 reveals similar information for areas that are above the 75th percentile or below the 25th percentile of CRA coverage. For example, metropolitan areas like El Paso, Fresno, and San Antonio, have among the lowest proportions of loans made by CRA-covered institutions and consequently no black or Latino homebuyers living in predominantly white neighborhoods. On the other hand, in metropolitan areas like Buffalo, Albany, and Milwaukee, that

¹⁴We do not use statistical significance tests here because we are dealing with population data for all conventional home purchase loans originated to these groups. Therefore, it is inappropriate.

¹⁵Because we do not know the racial/ethnic composition of the neighborhoods in which blacks and Latinos lived before they acquired their home mortgage loan, we cannot necessarily say that this is the first access they've had to predominantly white neighborhoods. Nevertheless, the finding that minorities have more access to such neighborhoods in metropolitan areas with relatively more CRA-covered lending is substantively significant because it suggests a force potentially contributing to the wealth potential of these households.

have relatively greater proportions of loans made by CRA-covered institutions, minority homebuyers have greater levels of access to predominantly white neighborhoods.

<Table 3 about here>

In general, it appears that metropolitan areas with low proportions of loans originated by CRA-covered institutions tend to be areas with lower levels of residential segregation (e.g., El Paso, Las Vegas, Riverside). On the other hand, areas with relatively higher proportions of loans made by CRA-covered institutions tend to be areas that have had historically higher levels of residential segregation (e.g., Buffalo, New York, Chicago). Perhaps if residential segregation was held constant across these areas, the level of CRA coverage would have an even greater impact on minority access to predominantly white neighborhoods. We now turn to the results of our multivariate analysis in order to evaluate the impact of CRA coverage on minority access to predominantly white neighborhoods controlling for other theoretically important variables.

Table 4 reports the results of multiple regression models predicting the proportion of conventional home purchase loans originated to blacks, Latinos, and whites in predominantly white neighborhoods.

<Table 4 about here>

Models 1 through 3 of Table 4 present the results for the proportion of black, Latino, and white homebuyers, respectively, who moved into predominantly white neighborhoods. The results in the first row of these models reveal that CRA coverage continues to have a substantial and positive effect on the residential location of minority homebuyers controlling for the other relevant

variables. For blacks, a ten percentage-point increase in CRA coverage results in a 2 percentage-point increase in the share of black homebuyers who move to predominantly white neighborhoods. For Latinos, a ten percentage-point increase in CRA coverage results in a 5 percentage-point increase in the share of Latino homebuyers locating in predominantly white neighborhoods. Model 3 reveals that CRA coverage also has a positive effect on white homebuyers' mobility into white neighborhoods, although the magnitude of the effect is not much larger than that for Latinos. This may reflect the fact that in areas with a greater share of CRA-coverage, there is more of a history of racial prejudice and discrimination. Therefore, whites would be more likely to move to predominantly white neighborhoods. Fair housing and community reinvestment activity has been concentrated in the Midwest (Cloud 2004), reflecting the relatively greater prejudice and discrimination in those communities.

Given the CRA impact on whites as well as blacks and Latinos, it is unclear the extent to which the law is affecting aggregate measures of segregation. But these findings clearly indicate it is facilitating black and Latino access to what are currently white neighborhoods and the potential associated wealth accumulation benefits. Again, where a greater share of loans are accounted for by CRA lenders, a larger share of minority homebuyers move into predominantly white neighborhoods that have traditionally been denied to these families.¹⁶

With respect to the effect of the economic and ecological variables, we find modest support for some tenets of the *economic/ecological perspective* across our models. Models 1 and 3 show that the average income of black and white applicants in the metropolitan area have negative effects, respectively, on black and white homebuyer location in predominantly white neighborhoods,

¹⁶It should be noted that in other analyses (not shown, but available upon request from the authors), we found that the level of CRA coverage is *positively* related to the proportion of loans made to Latinos and blacks in minority neighborhoods. Therefore, in addition to opening up access to minorities in predominantly white neighborhoods, the CRA is having its intended impact.

contrary to our expectations. While this finding goes against our hypothesis, further analysis reveals that it may not be so contradictory. In bivariate analyses (not shown), we find that the average income of blacks and whites in the metropolitan area is negatively related to their location in predominantly white neighborhoods. What this likely means is that in metropolitan areas where black and white homebuyers have relatively higher income, they are less likely to buy homes in predominantly white neighborhoods than those in metropolitan areas with relatively lower incomes because it is probably relatively more expensive to buy such homes in the former areas.

With respect to the variables related to the housing supply of the metropolitan area, the proportion of owner-occupied housing units has a sizeable impact on the location of blacks and Latinos but less so for whites. A ten-percentage point increase in the home ownership rate results in a 3 percentage-point increase in the share of black homebuyers and a 5 percentage-point increase in the share of Latino homebuyers who move to predominantly white neighborhoods. For whites, it only results in a 1 percentage-point increase in the share of whites moving to predominantly white neighborhoods.

With respect to the other two variables related to housing supply, for the most part, there is less of an impact on homebuyer access to predominantly white neighborhoods. The homeowner vacancy rate has a negative effect on black and white location in predominantly white neighborhoods, contrary to our hypotheses. It has a more substantial impact on Latino location in predominantly white neighborhoods. A ten-percentage point increase in the vacancy rate results in a 7 percentage-point increase in the share of Latino homebuyers who move to predominantly white neighborhoods. Population size has a minimal effect on location in predominantly white neighborhoods across the models. In the black model, the only model where the effect of population size is in the expected direction, a one-unit increase in the log of population size results in less than a 1 percentage-point decrease in the share of black homebuyers who move to

predominantly white neighborhoods. In the Latino and white model, the effect of population size is also negligible. The relatively minimal effects of these variables, taken together, may well reflect the impact of key political and institutional factors not explicitly taken into consideration by this perspective.

Given these findings, how do variables indicative of the *place stratification model* impact homebuyer access to predominantly white neighborhoods? Interestingly, the level of segregation has no substantial impact on black access to predominantly white neighborhoods; instead it is the proportion of blacks that has a substantial and negative effect. A 10 percentage-point increase in the share of blacks within a metropolitan area, for example, decreases the proportion of black homebuyers in predominantly white neighborhoods by 6.9 percent. With respect to Latinos, both segregation and the proportion of Latinos within the metropolitan areas are negatively related to Latino access to predominantly white neighborhoods. A 10 percentage-point increase in the Latino-white homeowner dissimilarity index and in the share of Latinos within a metropolitan area decreases the share of Latino homebuyers in predominantly white neighborhoods by 5.3 and 4.7 percent respectively. Not surprisingly, for whites, segregation from blacks and the proportion of whites in the metropolitan area are positively and substantially related to white homebuyer location in predominantly white neighborhoods. For all groups, the proportion of the population living in suburbs has little impact on homebuyer access to predominantly white neighborhoods. Taken together, the results indicate the significance of actions of important institutions within local communities on racial/ethnic group access to predominantly white neighborhoods.

One complication with the multivariate regression models is that they do not account for a possible association between a groups' access to predominantly white neighborhoods and the relative share of total loans going to these neighborhoods as compared to other racially/ethnically distinct neighborhoods. In other words, minorities may have more access to white neighborhoods in

areas where a greater share of all loans are going to white neighborhoods. In light of this potential effect, we re-ran the three models in Table 4 using the ratio of loans to each group in white areas relative to their share of loans overall (see the results of this analysis in Table 5). This allows us to assess the variation that exists in whites' and minorities' access to predominantly white neighborhoods relative to the total population's access to predominantly white neighborhoods. Thus, these new dependent variables provide measures of minorities' and whites' access to predominantly white neighborhoods, relative to the share of all loans going to such neighborhoods. Compared to the previous models, this approach does not examine minority access to white neighborhoods as directly. But as the results reported below suggest, it indicates that the CRA effect cannot be explained away by the relative share of all loans going to such neighborhoods.

As Table 5 shows, this additional analysis reveals that the impact of CRA coverage remains in the hypothesized direction. However, one statistical problem with the analysis is that we have multicollinearity in the white model.¹⁷ More importantly, however, are the findings in the black and Hispanic models. In the black model, the effect of the index of dissimilarity is in the hypothesized direction and the magnitude of the coefficient is larger. A 10 percentage-point increase in the black-white homeowner dissimilarity index decreases the share of black homebuyers in predominantly white neighborhoods, relative to all homebuyers, by 2.4 percent. The percent black becomes the strongest predictor in the model (standardized regression coefficients not shown). A 10 percentage-point increase in the percent black decreases the share of black homebuyers in predominantly white neighborhoods, relative to all homebuyers, by 6.5 percent. In the model for Hispanics, the effects of the index of dissimilarity and percent Hispanic became stronger.

These latter findings suggest that this new dependent variable has changed the nature of the

¹⁷The variance inflation factors for the variables proportion white and proportion in owner-occupied housing are over 6 in the white model.

prediction in our models. What we are predicting is the variation that exists in the access that minorities and whites have to predominantly white neighborhoods relative to the access that the total population has to these neighborhoods. What the results of our models reveal, particularly for blacks and Hispanics, is that the variables indicative of discriminatory forces (i.e., segregation and percent black/Hispanic) are explaining most of the variation in this new dependent variable. Thus, the effect of discrimination and segregation may be undercutting the effect of CRA coverage. Again, this analysis does not examine the hypothesized CRA effect as directly. But it provides further support for such an effect.

To summarize these findings, then, we observe that several factors might account for minority access to white neighborhoods. Household income and related socioeconomic factors matter. But so do politics and policy. In this case, the policy that appears to matter is the Community Reinvestment Act. That is, the share of home-purchase mortgage loans covered by the CRA influences the share of blacks and Latinos residing in predominantly white neighborhoods, even after these socioeconomic and related ecological variables are taken into consideration. As CRA coverage increases, so does minority access to white neighborhoods.

However, we recognize that other policy related factors may be operating as well. Non-CRA lenders may have directed more of their lending to minority neighborhoods, leaving CRA lenders with more of the market in white communities. Structural differences between CRA and non-CRA lenders may play a role. The CRA covers most depository institutions but not credit unions or mortgage bankers and brokers. Perhaps these structural differences contribute to these findings. Our findings also do not establish that it was CRA lenders who actually made the loans to minority borrowers in white areas. But there is evidence that the CRA has had a “halo effect.” That is the CRA appears to have influenced the lending practices of many lenders not directly subject to its jurisdiction (Shlay 1999). The available evidence, therefore, suggests that the CRA has favorably

impacted the ability of minority households to purchase homes in traditionally inaccessible (i.e. predominantly white) communities.

Discussion

The main goal of this paper was to determine if the level of loans granted by CRA-covered institutions within metropolitan areas has an effect on minority access to predominantly white neighborhoods in large metropolitan areas with substantial black and Latino populations. We attempted to assess whether the relationship between CRA-coverage and minority access to housing in predominantly white neighborhoods holds after taking into account relevant economic and ecological variables. Our basic finding is that minorities are more likely to purchase homes in predominantly white neighborhoods in metropolitan areas where a greater share of loans are made by CRA-covered institutions than their counterparts in areas where a relatively lower share of loans are made by such financial institutions. If this has not led to significant changes in aggregate measures of segregation, it has provided homeownership opportunities for minority homeowners in communities where they have traditionally been denied access.

Our multivariate analysis revealed, most importantly, that the impact of CRA-coverage on minority access to white communities, even in the presence of theoretically relevant control variables. While factors such as the share of owner-occupied housing units and population size emphasized by the economic/ecological perspective affect minority access to white neighborhoods, it is clear that levels of segregation, presence of dual housing markets, and other political factors emphasized by the place/stratification perspective are significant as well. The independent effect of CRA on minority access to white neighborhoods reinforces the importance of policy and politics in shaping the racial demography of urban communities.

Theoretical Implications

Theoretically, our results are most consistent with hypotheses derived under the place stratification model. They also reveal the need to bring policy-related variables into the study of the racial/ethnic demography of metropolitan areas. The racial/ethnic structure of metropolitan areas has a significantly negative impact on minority access to predominantly white neighborhoods. This indicates the persistence of a dual housing market whereby whites and white controlled institutions use their power to maintain spatial and social distance from racial minorities and related concrete racial economic disparities. But this is a complex puzzle. If policy matters, it remains difficult to parcel out the extent to which specific policy initiatives, private practices, socioeconomic and ecological variables and other factors account for various outcomes. At the same time, these findings suggest that the CRA might be one tool, as part of a broader toolkit, for ameliorating those disparities (Feagin and Gottdiener 1988).

Our findings suggest the need to modify current theoretical explanations of racial/ethnic segregation, mobility, and inequality generally, particularly in terms of the processes for breaking down traditional barriers. Previous research has addressed the role of policy in creating segregated living patterns and ghetto neighborhoods (e.g. exclusionary zoning ordinances, urban renewal, concentration of public housing) (Jackson 1985; Massey and Denton 1993; Gotham 2002). Much of the current research, however, while acknowledging the role of policy, does not adequately quantify the effect of the role of policy in perpetuating segregation, relative to other factors such as residential preferences. Without an explicit focus on policy, it is hard to understand variation in racial/ethnic segregation and mobility. In addition, far less is known about the role of policy in dismantling dual housing markets and opening up access to traditionally inaccessible neighborhoods for minorities.

As the two dominant theoretical traditions suggest, a combination of economic forces, demographic characteristics, and power relations have framed the opportunity structure facing racial and ethnic minorities in metropolitan areas. While fair housing advocates have long promoted a range of policies, there has been little formal testing of the impact of those initiatives (Sidney 2002). Our results indicate the independent effect of at least one policy, CRA, in accounting for residential mobility. Further understanding of these processes and patterns requires bringing the role of agency and the impact of specific policy initiatives (e.g. legislation, implementing regulations, court decisions) into the center of the debate and future research.

In bringing agency and the role of policy in particular into the theoretical debates and empirical research, it is critical to be cognizant of the milieu in which they are introduced. CRA and other fair lending and fair housing policies generally do not play out in a neutral world. Rather, it is a world characterized by interests, power relations, conflicts (racial, ethnic, and others), and other dimensions of uneven metropolitan development. Policies are often introduced in an effort to ameliorate inequalities and level the proverbial playing field. The CRA provides a tool that can enable less powerful groups to win out, at least on some occasions, over more powerful institutions. Armed with the law, neighborhood activists are sometimes able to encourage private businesses (e.g. lenders) and public institutions (e.g. lending regulators) to behave differently. Such community organizations are more successful when they ally with church groups, labor organizations, supportive public officials, friendly reporters, and other groups (Dreier 2003; Squires 2003). This does not necessarily argue for a pluralist conception of community power or social change, however. In fact, lenders and other financial service providers often shape the policymaking process in ways that favor their interests, undercutting progressive community actors, as was the case with the 1999 bank reform law discussed earlier. Business still has a privileged position in urban economies (Lindblom 1977; Logan and Molotch 1987). Policy, including civil rights and fair

lending policy, constitute highly contested terrain (Katznelson 1981; Branch 1988,1998; Goering and Wienk 1996; Squires 2003). Understanding the struggles that have shaped urban development, the structure of housing markets, and efforts to overcome traditional barriers requires understanding the central role of policy.

Policy Implications

Our findings have implications for current policy debates over lending and community reinvestment generally and the role of CRA in particular. The federal financial regulatory agencies are current reviewing CRA regulations and may be issuing revised rules in the near future (Federal Register 2001). This is occurring at a time when, as noted above, there is substantial evidence that CRA has been working, that is it has increased lending to low- and moderate-income communities, yet its coverage has been scaled back due to changes in the structure of financial services industries and their regulation.

A critical reform would be to expand the scope of lenders covered by the CRA. Currently, as indicated above, only depository institutions are covered. Mortgage banking affiliates, independent mortgage bankers and brokers, insurers, and other financial institutions that are making an increasing share of mortgage loans are not covered. The CRA Modernization Act (H.R. 4893, 106th Congress, 2nd Session) would apply this Act to the affiliates of all depositories and their holding companies and to mortgage lenders not currently affiliated with a depository institution or bank holding company.

One critical area that is being scrutinized by regulators is how to evaluate the lending activities of covered financial institutions. Currently, lending activity is assessed on the basis of the amount of lending conducted by an institution, the geographic distribution of loans (as measured primarily by income levels of communities), borrower characteristics (again primarily measured in terms of income and economic status), extent of community development lending, and the extent of

innovative and flexible lending practices (Code of Federal Regulations, Title 12, Part 228, July 1, 1997). Innovative and flexible lending practices are defined, in part as, “when they augment the success and effectiveness of the institution’s lending under its community development loan programs or, more generally, its lending under its loan programs that address the credit needs of low- and moderate-income geographies or individuals” (Federal Financial Institutions Examination Council 2003). No reference is made to race of applicants or racial composition of neighborhoods.

The lending test should be revised to explicitly include lending to racial minorities and minority communities as part of the CRA exam and as a criterion on which the final CRA rating will be based. Several community organizations have long advocated that race be part of the exam process (National Training and Information Center 2002; Silver 2001) and the CRA Modernization Act which has been introduced in Congress in each of the past two sessions would mandate service to minority areas as well as low- and moderate-income communities.

In addition to taking into consideration the distribution of loans to racial minorities and minority communities, the CRA regulations should be revised to reward lending that facilitates access to neighborhoods that have traditionally not been accessible to minority families. That is, loans to racial minorities for the purchase of homes in predominantly white neighborhoods should be viewed as a “plus” in the CRA exam. Perhaps the definition of “innovative” lending could be modified to provide additional incentives for such loans.

Conclusion

Residential racial segregation and its many costs are, obviously, longstanding and complex social problems. Creating access for racial/ethnic minorities in neighborhoods that have traditionally been inaccessible remains a challenge. There is no magic bullet. But it is often said that the devil is in the details. One of the devilish details shaping the racial demography of metropolitan areas is the set of regulations governing the behavior of financial institutions. They matter. And they are

changing. Social science research is beginning to understand the role of policy, politics, and power and how they shape the opportunity structure facing diverse segments of the nation's population. How the rules implementing the Community Reinvestment Act are altered will influence housing opportunities for racial minorities in urban America.

References

- Alba, Richard D. and John R. Logan. 1992. "Assimilation and Stratification in the Homeownership Patterns of Racial and Ethnic Groups." *International Migration Review* 26(4):1314-1341.
- Blalock, Hubert M., Jr. 1967. *Toward a Theory of Minority-Group Relations*. New York: Wiley.
- Board of Governors of the Federal Reserve System. 2000. "The Performance and Profitability of CRA-Related Lending." Washington, DC: Board of Governors of the Federal Reserve System.
- Bradford, Calvin. 1979. "Financing Home Ownership: The Federal Role in Neighborhood Decline." *Urban Affairs Quarterly* 14(3): 313-335.
- Branch, Taylor. 1988. *Parting the Water: America in the King Years 1954-1963*. New York: Simon and Schuster.
- _____. *Pillar of Fire: America in the King Years 1963-65*. New York: Simon and Schuster.
- Canner, Glenn. 2002. Personal interview with author by telephone in November.
- Cloud, Cathy. 2004. Personal interview with author by telephone in January.
- Conley, Dalton. 1999. Being Black, Living in the Red: Race, Wealth, and Social Policy in America. Berkeley: University of California Press.
- Davern, Michael E. and Patricia J. Fisher, U.S. Bureau of the Census. 2001. Current Population Reports, Household Economic Studies, Series P70-P71, *Household Net Worth and Asset Ownership: 1995*. Washington, DC: U.S. Government Printing Office. Washington, DC.
- Dedman, Bill. 1988. "The Color of Money," *Atlanta Journal-Constitution* (May 1-4).
- _____. "Blacks Turned Down for Home Loans from S & Ls Twice as Often as Whites," *Atlanta Journal-Constitution*, January 22, 1989.
- Denton, Nancy. 2001. "Housing as a Means of Asset Accumulation: A Good Strategy for the Poor?" Pp. 232-268 in *Assets for the Poor: The Benefits of Spreading Asset Ownership*, eds., Thomas M. Shapiro and Edward Willf. New York, NY: Russell Sage Foundation.
- Dreier, Peter. 2003. "The Future of Community Reinvestment: Challenges and Opportunities in a Changing Environment." *Journal of the American Planning Association*, 69 (4): 341-353.
- Ellen, Ingrid Gould. 2000. *Sharing America's Neighborhoods: The Prospects for Stable Racial Integration*. Cambridge, MA: Harvard University Press.
- Ellen, Ingrid Gould and Margery Austin Turner. 1997. "Does Neighborhood Matter? Assessing Recent Evidence." *Housing Policy Debate* 8(4): 833-866.

- _____. 2003. "Do Neighborhoods Matter and Why?" Pp. 313-338 in *Choosing a Better Life: Evaluating the Moving to Opportunity Experiment*, eds., John Goering and Judith D. Feins. Washington, DC: Urban Institute Press.
- Federal Financial Institutions Examination Council. 2003. Community Reinvestment Act; Interagency Questions and Answers. <http://www.ffied.gov/cra/qnadoc.htm> (last accessed August 4).
- Farley, Reynolds and William H. Frey. 1994. "Changes in the Segregation of Whites from Blacks During the 1980s: Small Steps Toward a More Integrated Society." *American Sociological Review* 59:23-45.
- Federal Register. 2001. "Proposed Rules," Vol. 66, No. 139 (July 19): 37602-37608.
- Flippen, Chenoa A. 2001. "Racial and Ethnic Inequality in Homeownership and Housing Equity." *The Sociological Quarterly* 42(2):121-149.
- Friedman, Samantha and Emily Rosenbaum. 2003. "Does Home Ownership Mean Better Housing Conditions? Assessing the Role of Nativity Status and Race/Ethnicity." Unpublished Working Paper.
- Glaeser, Edward L. and Jacob L. Vigdor. 2001. "Racial Segregation in the 2000 Census: Promising News." Living Cities Census Series. Center for Metropolitan and Urban Policy. Washington, DC: The Brookings Institution.
- Goering, John and Ron Wienk. 1996. *Mortgage Lending, Racial Discrimination, and Federal Policy*. Washington, D.C.: Urban Institute Press.
- Gotham, Kevin Fox. 2002. *Race, Real Estate, and Uneven Development: The Kansas City Experience, 1900-2000*. Albany: State University of New York Press.
- Haag, Susan White. 2000. "Community Reinvestment and Cities: A Literature Review of CRA's Impact and Future," Washington, DC: The Brookings Institution Center on Urban and Metropolitan Policy.
- Hawley, Amos. 1971. *Urban Society: An Ecological Approach*. New York, NY: Wiley.
- Iceland, John, Daniel H. Weinberg, and Erika Steinmentz. 2002. *Racial and Ethnic Residential Segregation in the United States: 1980-2000*. U.S. Census Bureau, Series CENSR-3 Washington, D.C. : U.S. Government Printing Office.
- Insurance Information Institute. 2003. *The Financial Services Fact Book*. New York: Insurance Information Institute.
- Jackson, Kenneth T. 1985. *Crabgrass Frontier: The Suburbanization of the United States*. New York: Oxford University Press.
- Joint Center for Housing Studies. 2002. *The 25th Anniversary of The Community Reinvestment Act: Access to Capital in an Evolving Financial Services System*. Cambridge, MA: Joint Center for Housing Studies.

- Katznelson, Ira. 1981. *City Trenches: Urban Politics and the Patterning of Class in the United States*. New York: Pantheon Books.
- Lee, Bill Lann. 1999. "An Issue of Public Importance: The Justice Department's Enforcement of the Fair Housing Act," *Cityscape* 4 (3): 35-56.
- Lewis Mumford Center. 2001. "Ethnic Diversity Grows, Neighborhood Integration Lags Behind." <http://mumford1.dyndns.org/cen2000/WholePop/WPreport/page1.html> (accessed September 18, 2002).
- Lindblom, Charles E. 1977. *Politics and Markets: The World's Political Economic System*. New York: Basic Books.
- Litan, Robert E., Nicolas P. Retsinas, Eric Belsky, Gary Fauth, Paul Leonard, Maureen Kennedy. 2001. *The Community Reinvestment Act After Financial Modernization: A Final Report*. Washington, DC: U.S. Department of the Treasury.
- Logan, John R. 2003. "Life and Death in the City: Neighborhoods in Context." *Contexts* 2(2): 33-40.
- Logan, John R. and Harvey Molotch. 1987. *Urban Fortunes*. Berkeley, CA: University of California Press.
- Long, James and Steven Caudill. 1992. "Racial Differences in Home Ownership and Housing Wealth: 1970-1986." *Economic Inquiry* 30:83-100.
- MacDonald, Heather I. 1998. "Mortgage Lending and Residential Integration in a Hypersegregated MSA: The Case of St. Louis." *Urban Studies* 35(11): 1971-1993.
- Malveaux, Julianne. 2003. "'Banking while black' hurts homeowners," *USA Today*. (December 12).
- Massey, Douglas S. 1985. "Ethnic Residential Segregation: A Theoretical Synthesis and Empirical Review." *Sociology and Social Research* 69:315-350.
- Massey, Douglas S., Gretchen A. Condran, and Nancy A. Denton. 1987. "The Effect of Residential Segregation on Black Social and Economic Well-Being." *Social Forces* 66(1): 29-56.
- Massey, Douglas S. and Nancy A. Denton. 1987. "Trends in the Residential Segregation of Blacks, Hispanics, and Asians." *American Sociological Review* 52:802-25.
- Massey, Douglas S. and Nancy A. Denton. 1988. "The Dimensions of Residential Segregation." *Social Forces* 67:281-315.
- Massey, Douglas S. and Nancy A. Denton. 1993. *American Apartheid: Segregation and the Making of the Underclass*. Cambridge, MA: Harvard University Press.
- Massey, Douglas S. and Mary J. Fischer. 1999. "Does Rising Income Bring Integration? New Results for Blacks, Hispanics, and Asians in 1990." *Social Science Research* 28:316-326.
- Munnell, Alicia, Geoffrey M.B. Tootell, Lynn E. Browne, and James McEneaney. 1996. "Mortgage Lending in Boston: Interpreting HMDA Data.." *The American Economic Review* 86 (1): 25-53.

- Myers, Samuel and C. Chung. 1996. "Racial Differences in Home Ownership and Home Equity among Preretirement-Aged Households." *The Gerontologist* 36:350-360.
- National Community Reinvestment Coalition. 2001. "Home Loans to Minorities and Working Class Populations Increase, but Policymakers Do Not Address Remaining Credit Gaps: A Review of National Data Trends from 1993-2000." Washington, DC: National Community Reinvestment Coalition.
- _____. 2002. *CRA Commitments* Washington, D.C.: National Community Reinvestment Coalition.
- _____. 2003. *The Broken Credit System: Discrimination and Unequal Access to Affordable Loans by Race and Age*. Washington, D.C.: National Community Reinvestment Coalition.
- National Training and Information Center. 2002. "This Old Reg: The Community Reinvestment Act Needs Renovation" Chicago: National Training and Information Center.
- New York Times*. 2004. "Banking on Local Communities" (April 15).
- Nyden, Philip, John Lukehart, Michael T. Maly, and William Peterman. 1998. "Neighborhood Racial and Ethnic Diversity in U.S. Cities," *Cityscape* 4(2):1-18.
- Oliver, Melvin L. and Thomas M. Shapiro. 1995. *Black Wealth/White Wealth: A New Perspective on Racial Inequality*. New York and London: Routledge.
- Orzechowski, Shawna and Peter Sepielli, U.S. Census Bureau. 2003. Current Population Reports, Household Economic Studies, Series P70-88. *Net Worth and Asset Ownership of Households: 1998 and 2000*. Washington, DC: U.S. Government Printing Office.
- Rosenbaum, James E. and Susan Popkin. 1991. "Employment and Earnings of Low-Income Blacks Who Move to Middle-Income Suburbs." Pp. 342-56 in *The Urban Underclass*, ed. Christopher Jencks and Paul E. Peterson. Washington, DC: Brookings Institution.
- Ross, Stephen L. and John Yinger. 2002. *The Color of Credit: Mortgage Discrimination, Research Methodology, and Fair-Lending Enforcement*. Cambridge, MA: MIT Press.
- Rubinowitz, Leonard S. and James E. Rosenbaum. 2000. *Crossing the Class and Color Lines: From Public Housing to White Suburbia*. Chicago: University of Chicago Press.
- St. John, Craig. 2000. "Racial Residential Segregation by the Level of Socioeconomic Status." *Social Science Quarterly* 81(3): 701-715.
- Schill, Michael H. 2002. "Legislative and Regulatory Efforts to Promote Community Reinvestment and Fair Lending." Unpublished Working Paper.
- Schill, Michael H. and Samantha Friedman. 1999. "The Fair Housing Act of 1988: The First Decade." *Cityscape: A Journal of Policy Development and Research* 4(3):57-78.
- Schwartz, Alex. 1998a. "Bank Lending to Minority and Low-Income Households and Neighborhoods: Do Community Reinvestment Agreements Make a Difference?" *Journal of Urban Affairs* 20 (3): 269-301.

- _____. 1998b. "From Confrontation to Collaboration? Banks, Community Groups, and the Implementation of Community reinvestment Agreements," *Housing Policy Debate* 9 (3): 631-662.
- Shlay, Ann. 1999. "Influencing Agents of Urban Structure: Evaluating the Effects of Community Reinvestment Organizing on Bank Residential Lending Practices," *Journal of Urban Affairs* 35 (2): 247-278.
- Sidney, Mara S. 2003. *Unfair Housing: How National Policy Shapes Community Action*. Lawrence: University Press of Kansas.
- Silver, Josh. 2001. "Strengthening the CRA," *Shelterforce* Issue #120 (Nov/Dec): 27.
- South, Scott J. and Kyle Crowder. 1997a. "Residential Mobility between Cities and Suburbs: Race, Suburbanization, and Back-to-the-City Moves." *Demography* 34:525-538.
- South, Scott J. and Kyle Crowder. 1997b. "Escaping Distressed Neighborhoods: Individual, Community, and Metropolitan Influences." *American Journal of Sociology* 102:1040-1084.
- South, Scott J. and Kyle D. Crowder. 1998a. "Leaving the 'hood: Residential Mobility between Black, White, and Integrated Neighborhoods." *American Sociological Review* 63:17-26.
- South, Scott J. and Kyle D. Crowder. 1998b. "Housing Discrimination and Residential Mobility: Impacts for Blacks and Whites." *Population Research and Policy Review* 17(4):369-387.
- South, Scott J. and Glenn D. Deane. 1993. "Race and Residential Mobility: Individual Determinants and Structural Constraints." *Social Forces* 72:147-67.
- Squires, Gregory D. (ed) 2003. *Organizing Access to Capital: Advocacy and the Democratization of Financial Institutions*. Philadelphia: Temple University Press.
- Squires, Gregory D. and Sally O'Connor. 2001. *Color and Money: Politics and Prospects for Community Reinvestment in Urban America*. Albany: State University of New York Press.
- Squires, Gregory D. and William Velez. 1987. "Neighborhood Racial Composition and Mortgage Lending: City and Suburban Differences." *Journal of Urban Affairs* 9(3):217-232.
- Stearns, Linda Brewster and John Logan. 1986. "The Racial Structuring of the Housing Market and Segregation in Suburban Areas." *Social Forces* 65:28-42.
- Turner, Margery Austin and Felicity Skidmore (ed) 1999. *Mortgage Lending Discrimination: A Review of Existing Evidence*. Washington, DC: The Urban Institute.
- Turner, Margery Austin, Fred Frieberg, Erin Godfrey, Carla Herbig, Diane K. Levy, and Robin R. Smith. 2002a. *All Other Things Being Equal: A Paired Testing Study of Mortgage Lending Institutions*. Washington, DC: The Urban Institute.
- Turner, Margery Austin, Stephen L. Ross, George C. Galster, and John Yinger. 2002b. *Discrimination in Metropolitan Housing Markets: National Results from Phase I HDS 2000*. Washington, DC: The Urban Institute.

- U.S. Bureau of the Census. 2000. Selected Characteristics of Households and Families by Quintile.
<http://ferret.bls.census.gov/macro/032000/quint/toc.htm>
- U.S. Bureau of the Census. 2002. *Census 2000 Summary File 3 Technical Documentation*. Washington, DC: U.S. Government Printing Office.
- White, Michael. 1986. "Segregation and Diversity Measures in Population Distribution." *Population Index* 52(2):198-221.
- Yinger, John. 1995. *Closed Doors, Opportunities Lost: The Continuing Costs of Housing Discrimination*. New York, NY: Russell Sage Foundation.

Table 1. Average Proportions of Conventional Home Purchase Loans Originated to White, Black, Latino, and All Homebuyers by Racial Composition of the Census Tract

Group of Homebuyers	Racial Composition of the Census Tracts		
	Predominantly White (1)	Racially Integrated (2)	Predominantly Minority (3)
Total	.3696	.3359	.1407
White	.4012	.3662	.0869
Black	.1160	.2446	.4201
Latino	.2236	.2707	.2808
N		101	

Source: 2000 HMDA and Census 2000/1990, authors' tabulations.

Table 2. Average Proportion of Conventional Home Purchase Loans Originated to Homebuyers in Predominantly White Census Tracts for Metropolitan Areas with Below or At/Above Median Level Coverage of Loans by the CRA

	At or Above Median Level CRA Coverage	Below Median Level CRA Coverage
Total	.5079	.2341
White	.5402	.2648
Black	.1518	.0809
Latino	.3036	.1452
N	50	51

Source: 2000 HMDA and Census 2000/1990, authors' tabulations.

Table 3. Proportion of Conventional Home Purchase Loans Originated to Black and Latino Homebuyers in Predominantly White Census Tracts in Selected Metropolitan Areas

Metropolitan Area	2000 Population (1)	Proportion of CRA Coverage (2)	Proportion in Predominantly White Census Tracts:	
			Blacks (3)	Latinos (4)
<i>Below the 25th Percentile of CRA Coverage</i>				
El Paso, TX	679,622	.5053	.0000	.0000
Fresno, CA	922,516	.5053	.0000	.0000
San Antonio, TX	1,592,383	.5092	.0000	.0000
Las Vegas, NV	1,563,282	.5701	.0017	.0103
Sacramento, CA	1,628,197	.5767	.0092	.0444
Houston, TX	4,177,646	.5943	.0046	.0084
Dallas, TX	3,519,176	.5977	.0197	.0299
Riverside, CA	3,254,821	.6171	.0000	.0002
Albuquerque, NM	712,738	.6236	.0557	.2112
Orlando, FL	1,644,561	.6597	.0226	.0296
<i>Above the 75th Percentile CRA Coverage</i>				
Buffalo, NY	1,170,111	.7531	.1906	.4423
Baltimore, MD	2,552,994	.7544	.0889	.2721
New Haven, CT	1,706,575	.7740	.1153	.1857
Cincinnati, OH	1,646,395	.7845	.1931	.7483
Kansas City, KS	1,776,062	.7853	.2137	.4365
New York, NY	9,314,235	.7894	.0126	.0332
Chicago, IL	8,272,768	.7896	.0336	.0815
Toledo, OH	618,203	.8152	.1802	.4925
Albany, NY	875,583	.8158	.3571	.5517
Milwaukee	1,500,741	.8163	.0923	.2796

Source: 2000 HMDA and Census 2000/1990, authors' tabulations.

Table 4. Multiple Regression Models Predicting the Proportion of Conventional Home Purchase Loans Originated to Blacks, Latinos, and Whites in Predominantly White Neighborhoods

Variable	Blacks (1)	Latinos (2)	Whites (3)
Level of CRA Coverage	0.2311 (0.1291)	0.5251 (0.2260)	0.6000 (0.2073)
Dissimilarity Index	0.1244 (0.1025)	-0.5275 (0.2619)	0.7685 (0.1271)
Proportion: Black/Latino/White ¹	-0.6934 (0.1278)	-0.4690 (0.1802)	0.9977 (0.1267)
Mean Applicant Income ² (logged)	-0.2398 (0.0629)	-0.1221 (0.1237)	-0.3582 (0.0994)
Homeowner Vacancy Rate	-1.0026 (2.6038)	0.7358 (5.0434)	-6.0458 (3.4740)
Proportion: In Owner-Occupied Housing	0.2773 (0.1910)	0.5039 (0.3497)	0.0941 (0.2726)
In Suburbs	0.0629 (0.0675)	0.0408 (0.1161)	0.0046 (0.0861)
Population Size (logged)	-0.0039 (0.0171)	0.0020 (0.0304)	0.0094 (0.0239)
Intercept	0.7896 (0.3660)	0.2203 (0.6855)	0.2573 (0.5134)
R ²	0.456	0.461	0.836
N		101	

NOTE: Standard errors are in parentheses.

¹ The group referenced depends on the race/ethnic specific model being analyzed. For example, for the black models,

this refers to proportion black.

² The applicant income referenced depends on the race/ethnic specific model being analyzed. For example, for the black models, this refers to the average of all black applicants' incomes.

Source: 2000 HMDA and Census 2000/1990, authors' tabulations.

Table 5. Multiple Regression Models Predicting the Proportion of Conventional Home Purchase Loans Originated to Blacks, Latinos, and Whites in Predominantly White Neighborhoods Relative to Proportion of Conventional Home Purchase Loans Originated to All Home Buyers in Predominantly White Neighborhoods

Variable	Blacks (1)	Latinos (2)	Whites (3)
Level of CRA Coverage	0.1384 (0.1850)	0.0715 (0.1682)	0.1601 (0.1130)
Dissimilarity Index	-0.2377 (0.1426)	-0.9860 (0.2237)	0.0532 (0.0790)
Proportion: Black/Latino/White ¹	-0.6498 (0.1737)	-0.9878 (0.2008)	-0.5726 (0.1331)
Mean Applicant Income ² (logged)	-0.1644 (0.0888)	-0.0357 (0.1093)	0.0573 (0.0546)
Homeowner Vacancy Rate	-0.5115 (3.5491)	3.5001 (4.0525)	2.5585 (1.8268)
Proportion: In Owner-Occupied Housing	0.4974 (0.3338)	-0.0276 (0.3334)	-0.4020 (0.1738)
In Suburbs	-0.0737 (0.1034)	0.0081 (0.1001)	0.1596 (0.0493)
Population Size (logged)	0.0017 (0.0245)	0.0089 (0.0239)	-0.0024 (0.0129)
Intercept	0.7764 (0.5674)	0.9530 (0.6072)	1.3305 (0.3186)
R ²	0.290	0.735	0.750
N		101	

NOTE: Standard errors are in parentheses.

¹ The group referenced depends on the race/ethnic specific model being analyzed. For example, for the black models,

this refers to proportion black.

² The applicant income referenced depends on the race/ethnic specific model being analyzed. For example, for the black models, this refers to the average of all black applicants' incomes.

Source: 2000 HMDA and Census 2000/1990, authors' tabulations.

Appendix Table 1. Black/White and Latino/White Dissimilarity Indices for the Population in Owner- and Renter-Occupied Housing Units in the 15 Largest Metropolitan Areas

Metropolitan Area	2000 Population (1)	Percent Owners among:			Dissimilarity Scores:			
		Blacks (2)	Whites (3)	Latinos (4)	B-W Owner (5)	B-W Renter (6)	L-W Owner (7)	L-W Renter (8)
Los Angeles-Long Beach, CA	9,519,338	40.06	63.80	41.01	72.92	65.87	63.52	64.25
New York, NY	9,314,235	29.63	54.14	16.08	85.08	81.62	60.21	67.12
Chicago, IL	8,272,768	46.71	80.30	52.91	83.92	77.54	62.42	58.71
Boston, MA	6,057,826	35.83	73.20	25.04	67.68	60.29	54.82	57.58
Philadelphia, PA	5,100,931	57.50	81.72	52.19	76.58	68.94	62.43	61.52
Washington, DC	4,923,153	53.31	77.56	47.06	63.97	62.31	45.80	52.69
Detroit, MI	4,441,551	55.18	83.83	57.44	87.99	80.58	43.33	55.26
Houston, TX	4,177,646	48.58	75.96	50.54	69.62	64.51	56.03	56.49
Atlanta, GA	4,112,198	52.26	80.83	36.46	65.79	61.10	40.11	52.76
Dallas, TX	3,519,176	46.21	74.20	45.10	62.37	56.72	53.52	55.82
Riverside, CA	3,254,821	50.41	73.95	61.58	46.61	42.68	44.33	41.49
Phoenix, AZ	3,251,876	48.43	76.82	54.23	44.20	38.28	53.96	49.90
Minneapolis, MN	2,968,806	38.13	82.75	44.04	60.03	53.58	42.20	50.95
Orange County, CA	2,846,289	41.17	72.12	41.72	35.29	38.61	54.83	55.51
San Diego, CA	2,813,833	33.83	65.64	40.61	60.80	48.83	52.70	51.27

Note: Blacks/B=all blacks; Whites/W=non-Hispanic whites; Latinos/L=Latinos, regardless of race.

Source: Census 2000, authors' tabulations.