Responsible Banking in the Twin Cities

Saint Paul City Council

Organizational Committee

January 27, 2016

The Minneapolis Foundation 100 Centennial — Where Your Giving Goes Further
Center for Urban and Regional Affairs (CURA), University of Minnesota
Humphrey School of Public Affairs, University of Minnesota

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Responsible Banking in the Twin Cities: ***Summary of Findings***

Council Study Session
Minneapolis City Council

Council Chamber, Room 317 City Hall
10:00 am – 11:30 am

August 20, 2015

The Minneapolis Foundation
Where Your Giving Goes Further

Center for Urban and Regional Affairs (CURA)
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Four Components of Final Grades of Lenders/Financial Institutions

- **Home Mortgage Lending Disparities (30%)**
  - Descriptive Report from HMDA data
  - Four different indicators
- **Small Business Lending (30%)**
  - Descriptive Report from CRA data
  - Two different indicators
- **Discrimination in Loan Denials (30%)**
  - Regression results using HMDA data
  - Eight different model specifications
- **Customer Service (10%)**
  - 43 questions grouped into four domains
  - Survey of top 50 financial institutions

Home Lending Disparities

1. Within-Institution Relative Loan Denial Rate
2. Within-Institution Share of Minority Loans Originated by Dollar Amount.
3. Within-Institution Share of Minority Loans Originated by Number of Loans.
4. Relative Market Share of Loans Originated in MSP-MSA by Dollar Amount.

Source: 2008 – 2013 HMDA data.

N = 1,181,231; Number of Unique Lenders = 557 lenders

Study Area = Metropolitan Statistical Area

Small Business Lending

1. Within-Institution Share of Small Business Loans to Low-Income Tracts.
2. Within-Institution Share of Small Business Loans to Low& Middle-Income Tracts.

Source: 2008 – 2013 CRA data.
N = 245
Study Area = Metropolitan Statistical Area

Discrimination in Loan Denials

1. Pooled LPM with Institution dummies and interaction terms
2. Pooled Logit with Institution dummies and interaction terms
3. Within-institution LPM with Minority dummy
4. Within-institution Logit with Minority dummy
5. Blinder-Oaxaca – LPM
6. Blinder-Oaxaca – Logit
7. Pooled LPM with individual institution dummy and interaction terms
8. Pooled Logit with individual institution dummy and interaction term

Source: 2008 – 2013 HMDA data + 2012 ACS.
N = 928,578. Number of Unique Lenders=1,324
Study Area = Metropolitan Statistical Area

Customer Services

1. Basic Banking Services
   - ATMs
   - Fees
2. Service in Low Income Areas
3. Foreclosure exposure
4. Loan Modifications; Foreclosure Prevention

Source: Survey
N = 12/50
Study Area = Metropolitan Statistical Area

Table 13: Grades by Individual Methods

Institution	Home Lending Disparities	Small Business Lending	Discrimination in Loan Denials	Customer Service
1.Wells Fargo	C^-	C	B	-
2.US Bank	D^+	C^+	F	F
3.JPM Chase	D^+	D^+	C^-	F*
4.CITI Bank	C	C^-	B^+	F*
5.Bank of America	C^+	D^+	D^+	F*
6.Bell ST Bank	D^+	C^+	C	F*
7.PHH Mort Corp	C	-	C^+	F
8.Ally Bank	C^-	B^+	B	F*
9.TCF Bank	D^+	B^-	C^+	D
10.Affinity Plus FCU	C^+		C^+	D
11.Quicken Loans	C	-	B^+	-
12.Alerus Financial	D^+	C	C	D
13.Summit Mort	C	-	B^+	F
14.Flagstar Bank	C^+	-	C	F*
15.Barrington Bank	B^+	F	A^-	-
16.Marketplace H Mort	C^-	-	B^+	F*
17.Associated Bank	D^+	C^+	F	-
18.Provident Funding	A^-	-	B	-
19.CU Mort Serv	C	-	A	-
20.Midcountry Bank	A^-		C^+	
21.Suntrust Mort	A	C	B^-	F*
22.Waterstone Mort	C^+	-	D^+	F
23.Fifth Third Mort	C	C^+	D^-	-
24.Bremer Bank	C^-	C^+	A	C
25.Nationstar Mort	B	-	D	F*

Note: A B C D F

Blank cells indicates that the informaion not available.

* in customer service column indicates institutions that did not respond the survey.

Table 13: Grades by Individual Methods - continued

Institution	Home Lending Disparities	Small Business Lending	Discrimination in Loan Denials	Customer Service
26.BMO Harris Bank	C−	C+	F	-
27.Franklin Amer Mort	C+	-	C	F
28.Klein Bank	D−	D	D−	F*
29.Trustone FCU	D	-	B−	F*
30.Tradition Mort	F+	-	F+	-
31.Hiway FCU	C−	-	B−	-
32.US FCU	D+	-	C+	F*
33.Spire FCU	D	-	D	D
34.Freedom Mort	C−	-	F+	-
35.Homeservices Lending	D	-	B−	A
36.USAA Savings Bank	C	-	F	-
37.Wing FCU	F+	-	C	-
38.Mort Unlimited	C+	-	A+	F
39.Guaranteed Rate INC	B−	-	A	-
40.Lake Area Bank	A−	-	B	F*
41.Ideal Credit Union	D	-	F	F*
42.Liberty Savings Bank	F+	-	B	-
43.Advanced Financial	D+	-	F	F*
44.Endura Finanacial	C−	-	C+	F*
45.Primelending	C	-	B	F*
46.Ever Bank	C+	D	F	-
47.Topline FCU	D+	-	C−	-
48.Universal American	A	-	D+	-
49.Merchant Bank	D	-	A−	B
50.Baxter CU	A−	-	B+	F*

Note: A B C D F

Blank cells indicates that the informaion not available.

* in customer service column indicates institutions that did not respond the survey.

Table 14: Final Grades

	Grades
1.Wells Fargo	C+
2.US Bank	D
3.JPM Chase	D+
4.CITI Bank	C
5.Bank of America	D+
6.Bell ST Bank	C−
7.PHH Mort Corp	C−
8.Ally Bank	C+
9.TCF Bank	C
10.Affinity Plus FCU	C
11.Quicken Loans	B−
12.Alerus Financial	D+
13.Summit Mort	C
14.Flagstar Bank	C−
15.Barrington Bank	C+
16.Marketplace H Mort	C
17.Associated Bank	D
18.Provident Funding	B+
19.CU Mort Serv	B
20.Midcountry Bank	B
21.Suntrust Mort	B−
22.Waterstone Mort	D+
23.Fifth Third Mort	C−
24.Bremer Bank	B−
25.Nationstar Mort	D+

Note: A B C D F

Table 14: Final Grades - continued

	Grades
26.BMO Harris Bank	D^+
27.Franklin Amer Mort	C^-
28.Klein Bank	D^-
29.Trustone FCU	D^+
30.Tradition Mort	F^+
31.Hiway FCU	C^+
32.US FCU	D^+
33.Spire FCU	D
34.Freedom Mort	D
35.Homeservices Lending	C^+
36.USAA Savings Bank	D
37.Wing FCU	D^+
38.Mort Unlimited	B^-
39.Guaranteed Rate INC	B^+
40.Lake Area Bank	B^-
41.Ideal Credit Union	F^+
42.Liberty Savings Bank	C^-
43.Advanced Financial	F^+
44.Endura Finanacial	D^+
45.Primelending	C
46.Ever Bank	D
47.Topline FCU	C^-
48.Universal American	B^-
49.Merchant Bank	C^+
50.Baxter CU	B^-

Note: A B C D F

Conclusions

- Top Ten Largest Lenders scored **D to C+**
- Top Grades **(A- to A)** for Non-Discrimination:
  – Barrington Bank
  – Bremer Bank
  – CU Mortgage Services
  – Guaranteed Rate
  – Merchants
  – Mortgage Unlimited

Conclusions

- Worst Grades **(F to F+)** for Non-Discrimination
  - Advanced Financial
  - Associated Bank
  - BMO Harris
  - Ever Bank
  - Freedom Mortgage
  - Ideal Credit Union
  - Tradition Mortgage
  - US Bank
  - USAA Savings

Conclusions

- **Top Overall Grades among Top 50 Lenders:**
  - Guaranteed Rate (B+)
  - Provident Funding (B+)
- **Bottom Overall Grades among Top 50 Lenders:**
  - Advanced Financial (F+)
  - Ideal CU (F+)
  - Tradition Mortgage (F+)

Implications for City of Saint Paul

- Implementation of a City Community Reinvestment Act
- Expansion of Racial Equity Training to Include Documentation on Lending Disparities
- Incentives to Engage Local Lenders via Biennial Score Cards

Methodology and Data

- Technical Report:
  - Detailed Methodology
  - Explanations and Definitions
  - Methods used to handle missing values
  - Summary Tables of Computations
- Online Information at http://z.umn.edu/zumneduresponsibleba

Questions