

Responsible Banking in the Twin Cities

Saint Paul City Council
Organizational Committee

January 27, 2016



The MINNEAPOLIS
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Where Your Giving Goes Further

Center for Urban and
Regional Affairs (CURA)

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



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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



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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



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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. PHL 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

