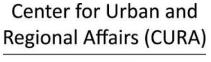
Responsible Banking in the Twin Cities

Saint Paul City Council
Organizational Committee

January 27, 2016







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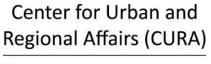
Responsible Banking in the Twin Cities: <u>Summary of Findings</u>

Council Study Session Minneapolis City Council

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

August 20, 2015







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
- Within-Institution Share of Minority Loans Originated by Dollar Amount.
- Within-Institution Share of Minority Loans Originated by Number of Loans.
- 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

- Within-Institution Share of Small Business Loans to Low-Income Tracts.
- 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

	TT T 11	G 11 D 1	Di i i i	
	Home Lending	Small Business	Discrimination	Customer
Institution	Disparities	Lending	in Loan Denials	Service
1.Wells Fargo	C-	C __	В	-
2.US Bank	D'	O'	F	10"
3.JPM Chase	D+	D_{+}	C-	\mathbb{F}_{\bullet}
4.CITI Bank	C	C-	B+	\mathbb{F}°
5.Bank of America	C+	D_{+}	D^{+}	B.o.
6.Bell ST Bank	D+	C_{+}	C	E.
7 PHH Mort Corp	C		C+	II ¹
8.Ally Bank	C-	B ⁺	В	\mathbb{F}°
9.TCF Bank	D1	- B-	C+	D
10 Affinity Plus FCU	C+		C+	<u>n</u>
11.Quicken Loans	C	-	B ⁺	-
12.Alerus Financial	D!	C	G	D
13.Summit Mort	C	-	B ⁺	F
14.Flagstar Bank	C+	-	C	B.,
15.Barrington Bank	B^{+}	F	A ⁻	-
16.Marketplace H Mort	C-	-	B ⁺	\mathbb{F}^{\bullet}
17.Associated Bank	D^+	C_{+}	V	-
18.Provident Funding	A ⁻	-	В	-
19.CU Mort Serv	C	-	A	-
20.Mideountry Bank	V -		C+	
21.Suntrust Mort	A	C	В-	F**
22. Waterstone Wort	Ç:		<u>Б</u> :	B.
20 Fifth Third Mort	C	C+	D-	_
24.Bremer Bank	C-	C+	A	C
25.Nationstar Mort	R	-	D	H.

Blank cells indicates that the informaion not available.

Note: A B C D F

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

Table 13: Grades by Individual Methods - continued

	Home Lending	Small Business	Discrimination	Customer
Institution	Disparities	Lending	in Loan Denials	Service
26.BMO Harris Bank	C-	C+	F	-
27.Franklin Amer Mort	C+	-	C	F
28.Klein Bank	D-	D	D-	$\mathbf{F}^{\mathbf{a}}$
29.Trustone FCU	D	-	В-	lk.
30.Tradition Mort	\mathbb{F}^+	-	\mathbb{F}^+	-
31.Hiway FCU	C-	-	В-	-
32.US FCU	D+	-	C+]k∞
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	\mathbb{F}^+	-	C	-
38.Mort Unlimited	C+	-	A ⁺	\mathbb{F}
39.Guaranteed Rate INC	В-	-	A	-
40.Lake Area Bank	A ⁻	-	В	\mathbb{P}_{s_r}
41.Ideal Credit Union	D	-	F	F*
42.Liberty Savings Bank	\mathbb{F}^+	-	В	-
43.Advanced Financial	D^+	-	F	\mathbb{F}^{n}
44.Endura Finanacial	C-	-	C+	\mathbb{F}^{n}
45.Primelending	C	-	В	$\mathbf{F}^{\mathbf{w}}$
46.Ever Bank	C+	D	F	-
47.Topline FCU	D+	-	C-	-
48.Universal American	A	-	D+	-
49.Merchant Bank	D	-	A-	В
50.Baxter CU	A-	-	B ⁺	\mathbb{P}_{s}

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+	
3.JPM Chase	D+	
4.CITI Bank	C	
5.Bank of America	D+	
6.Bell ST Bank	C-	
7.PHH Mort Corp	<u>G</u> -	
8.Ally Bank	C+	
9.TCF Bank	G	
10.Affinity Plus FCU	G	
11.Quicken Loans	B-	
12. Alerus Financial	D ⁺	
13.Summit Mort	$\tilde{\mathbf{c}}$	
14.Flagstar Bank	Č-	
15.Barrington Bank	C+	
16.Marketplace H Mort	$\ddot{\mathbf{c}}$	
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	\mathbf{D}^{\perp}	7///////

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	\mathbb{B}_{i+}
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	\mathbb{B}_{i+1} .
42.Liberty Savings Bank	C-
43.Advanced Financial	B.+.
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



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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

