ISLANDS OF OPPORTUNITY:
MORTGAGE BANKER RESIDENTIAL LENDING
WITH THE CHICAGO SMSA
FROM 1980-1983

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BY

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The Woodstock Institute

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I. INTRODUCTION

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Neighborhood economic vitality depends in large measure on the adequate distribution of credit. Loans to purchase and sell homes, to finance repairs and improvements and to rehabilitate older apartment buildings can make the difference between a vital community and one showing deterioration and distress. Most residential credit is provided by regulated depository institutions (banks and savings and loan associations). However, in recent years mortgage companies[1] have become an increasingly important source of residential credit.

During the last decade, the mortgage banking industry has emerged as a major actor nationally in both the FHA and conventional mortgage markets. As of June, 1984, the ten largest mortgage companies serviced over $93 billion in mortgages. Not only have mortgage companies increased in size, they have increased their presence in the single-family lending market. In 1970, mortgage companies originated about $9 billion in single-family mortgages. By 1983, their loan originations had increased almost sevenfold to over $60 billion annually.

Despite the importance of mortgage companies, they are not bound by either the Community Reinvestment Act or the Home Mortgage Disclosure Act. So the role of this important source of residential credit is not well known or understood. In Chicago, it has been assumed that mortgage companies have played a very important role in providing access to mortgages in those neighborhoods underserved by banks and savings and loan associations. However, the lending patterns and distributions of mortgage bankers have not been subject to public scrutiny nor have these lenders been required to be accountable for their lending performance.

This report is one of a series of Woodstock Institute reports which systematically examine the residential lending of all banks, savings and loans associations, credit unions and mortgage bankers in the Chicago metropolitan area. This report draws on a data base unique to Illinois, which provides information on the census tract location of all FHA, conventional single-family, home improvement and multifamily lending made by all metropolitan mortgage bankers from 1980-1983. These data provide answers to several key questions. First, what kinds of loans are made by mortgage bankers? Second, what is the direction and scale of mortgage banker residential loan activity? Third, what is the distribution of mortgage banker lending among Chicago and suburban areas? Fourth, how has mortgage banker share of the Chicago metropolitan lending market changed over time? Finally, how do the lending patterns of mortgage bankers differ from those of regulated, depository institutions? In short, this report assesses the significance of mortgage banking activity within the Chicago SMSA over time and shows dominant trends in the pattern of mortgage banking lending practices from 1980-1983.

The report proceeds as follows. Part II describes the data on which the report is based. Part III examines the total volume of lending within the Chicago SMSA by mortgage bankers and regulated lenders, assesses changes in lenders' market share and shows the differences in where each type of lending institution concentrates its lending. Part IV shows the distribution of lending by mortgage bankers between the City of Chicago and its suburbs from 1980-1983. Part V examines the distribution of mortgage banker lending among six different parts of the Chicago SMSA and shows the variation in lending patterns among these distinctive areas. Part VI focuses on the City of Chicago and looks at the distribution of mortgage banker lending among Chicago's 77 Community Areas. In this way, the report provides a firmer understanding of the activities of this increasingly important financial intermediary in the Chicago metropolitan housing market.

II. THE MORTGAGE BANKER DATA BASE

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The mortgage banker data base consists of information from four separate data sources. Mortgage bankers' residential lending was obtained from two sources. FHA loan data was obtained from reports required by the U.S. Department of Housing and Urban Development[2]. Conventional single-family mortgages, home improvement loans and multifamily loans were obtained from disclosure information required by the State of Illinois. Both of these reports provide the number and dollar amount of each type of loan at the census tract level. They include every Chicago SMSA census tract (a total of 1,516) for each year from 1980-1983.

Data on the lending patterns of **regulated lenders** were obtained from the Federal Reserve Board which has computerized Home Mortgage Disclosure Act data for all regulated lenders in the United States since 1980. These reports are required by the Home Mortgage Disclosure Act of 1975 which mandates that all regulated lenders located in metropolitan areas with assets of over $10 million report the number and dollar amount of their residential lending at the census tract level. These reports are for the same types of loans reported by mortgage bankers -- conventional single-family mortgages, FHA mortgages, home improvement loans, and loans to multifamily buildings. As with the mortgage banker disclosures, the HMDA data used in this report consist of the entire universe of Chicago SMSA census tracts for each year from 1980-1983.[3]

The final set of data consists of housing and population data at the census tract level from the U.S. Census. These data are for the years 1970 and 1980, for all census tracts contained in the Chicago SMSA.

The composite of these four data bases for the entire universe of census tracts within the Chicago SMSA permits an assessment of the total distribution of residential lending by all regulated lenders and mortgage bankers within the metropolitan area from 1980-1983 relative to the census tract housing stock in place in 1980. The years 1980-1983 were chosen for this analysis not only because they are the most recent years available, but also because these four years of data permit analyses which chronicle the trends in mortgage banker lending at a time of rapid change in the financial services industry. Four years of lending by both mortgage bankers and regulated lenders allow us to determine bona fide trends in lending patterns rather than short-term variations.[4]

Table 1 (below) shows the number of mortgage bankers and regulated lenders whose lending patterns are included in this study. Shown for each year under examination are the number of commercial banks, savings and loan associations, credit unions, and mortgage bankers within the Chicago SMSA.[5]

TABLE 1

NUMBER OF CHICAGO SMSA FINANCIAL INSTITUTIONS

BY TYPE OF INSTITUTION FROM 1980-1983

	1980	1981	1982	1983
Mortgage Bankers	35	35	47	70
Commercial Banks	363	353	365	341
Savings and Loans	164	147	143	139
Credit Unions	2	2	0	1
Total Institutions	**564**	**537**	**555**	**551**

In each year, the number of regulated depository lenders far surpassed the number of mortgage bankers. The number of mortgage bankers, however, consistently increased while the number of regulated lenders consistently decreased. Indeed, from 1980-1983, the number of regulated lenders decreased by 9% (savings and loans and commercial banks decreased by 15% and 6%, respectively) while the number of mortgage bankers doubled.

III. MORTGAGE BANKERS PRESENCE IN THE CHICAGO SMSA LENDING MARKET 1980-1983

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This part of the report compares the lending activities of mortgage bankers and regulated lenders across the entire SMSA. It first describes the types of loans most characteristic of each respective type of lender. It then compares mortgage bankers' market share to that of regulated lenders. Finally, it analyzes the similarities and differences between the geographic market areas of mortgage bankers and those of conventional lenders.

Mortgage Bankers' and Regulated Lenders' Loan Originations 1980-1983

Table 2 (page 10) shows the percent of each type of financial institution's lending devoted to the four types of residential loans. Shown are the percentages of lending devoted to conventional single-family[6] mortgages, FHA insured mortgages, home improvement loans and multifamily loans for mortgage bankers and for regulated lenders, respectively, from 1980-1983.

The residential lending of Chicago metropolitan commercial banks and savings and loan associations primarily consisted of conventional single-family loans. In any single year, over 81% of lending dollars from such institutions were conventional single-family mortgage loans and by 1983, regulated lenders were devoting almost 90% of their lending dollars to conventional single-family lending.

The remaining loans were made primarily for home improvement and multifamily construction, purchase, or rehabilitation. Approximately equal proportions of funds flowed to these types of loans in each year. Note that the relatively small percentage of lending for home improvement does

TABLE 2

MORTGAGE BANKERS' AND REGULATED LENDERS' LOAN ORIGINATIONS

(PERCENTAGE OF DOLLARS) FROM 1980-1983

	1980	1981	1982	1983	1980-1983
Mortgage Bankers (% of loan dollars)					
Conventional Single Family (1-4 units)	16.5	29.6	33.8	39.6	33.4
FHA Single Family (1-4 units)	83.3	70.0	65.9	59.8	66.2
Home Improvement	0.1	0.4	0.3	0.6	0.4
Multifamily	0.0	0.0	0.0	0.0	0.0
Regulated Lenders (% of loan dollars)					
Conventional Single Family (1-4 units)	81.5	82.2	82.3	88.5	84.1
FHA Single Family (1-4 units)	3.4	0.8	2.9	2.6	2.5
Home Improvement	6.7	7.7	7.9	4.2	6.2
Multifamily	8.4	9.3	6.9	4.6	7.1

not indicate that few home improvement loans were made. Home improvement loans are for small amounts of money and over these four years, 32% of the loans made by regulated lenders were for home improvement. Multifamily loans, however, tended to be quite large and the small percentage of funds for multifamily lending does reflect the small number of these loans made (percent multifamily 1980-1983 = 1.9%). Regulated lenders made very few FHA mortgage loans over four years; only 2.5% of their mortgage lending was federally insured.

In contrast, the majority of mortgage banker lending was FHA mortgages. In any single year, about 60% or more of their lending was FHA finance.

Although the majority of mortgage banker loan dollars were FHA insured, the proportion of mortgage banker lending that was FHA consistently decreased after 1980 while the proportion of conventional single-family finance consistently increased. **In 1980, 16.5% of all mortgage banker residential lending was conventional single-family mortgages and 83% was FHA mortgages. By 1983, close to 40% of mortgage bankers' residential lending was concentrated in conventional single-family mortgages while about 60% was concentrated in FHA lending.**

Clearly, conventional single-family lending has become an increasingly significant, although still secondary, part of the mortgage banking business. In the meantime, regulated lenders continued to concentrate their residential lending in conventional single-family mortgages, without increasing their presence in the FHA insured market.

Mortgage Bankers' and Regulated Lenders' Loan Volume and Market Share 1980-1983

Tables 3 and 4 (pages 13 and 14) compare mortgage bankers and regulated lenders' share of the entire Chicago SMSA residential lending market from 1980-1983. Table 3 shows the total number of each type of residential loan made by mortgage bankers and by regulated lenders, and shows the percent of the market (number of loans) held by mortgage bankers from 1980-1983. Table 4 shows the total dollar volume for each type of loan made by mortgage bankers and by regulated lenders, and shows mortgage bankers' respective share of each lending market (in terms of dollars) from 1980-1983.

Over these four years, mortgage bankers steadily increased their share of the Chicago SMSA lending market. **In 1980, mortgage bankers held approximately 8% of the residential credit market (in numbers and dollars of loans). By 1983, mortgage bankers' share had grown to 20% of the market. Overall, mortgage bankers increased their market share by 160% in just four years.**

While regulated lenders held 85% of the residential credit market over these four years, **each year, they lost some of that market to the mortgage bankers. Regulated lenders' average yearly loss from 1980-1983 was 4%.**

The lending volume of regulated financial institutions declined dramatically in 1981 and 1982 when interest rates were high. In 1983, when interest rates were more stable, lending by regulated lenders achieved volumes more comparable to 1980 levels. Even though regulated lenders made 17,019 fewer loans in 1983 than in 1980, the dollar amounts of the 1983 loans were larger than in 1980. In 1983, regulated financial institutions made about $148 million more in residential loans than three years earlier.

TABLE 3

MORTGAGE BANKERS' AND REGULATED LENDERS' LOAN VOLUMES AND MARKET SHARE (NUMBER OF LOANS) IN THE CHICAGO SMSA LENDING MARKET 1980-1983

	1980	1981	1982	1983	1980-1983
Mortgage Bankers					
Conventional Single Family	1,431	2,047	2,475	6,604	12,557
FHA	5,485	4,230	4,494	9,949	24,158
Home Improvement	93	257	223	710	1,283
Multifamily	0	0	0	1	1
Total	**7,009**	**6,534**	**7,192**	**17,264,**	**37,999**
Regulated Lenders					
Conventional Single Family	57,297	32,641	21,318	50,358	161,614
FHA	2,627	402	667	1,473	5,169
Home Improvement	25,761	20,436	15,644	17,852	79,693
Multifamily	2,005	1,009	649	988	4,651
Total	**87,690**	**54,488**	**38,278**	**70,671**	**251,127**
Market Share					
Mortgage Bankers	7.4%	10.7%	15.8%	19.6%	13.1%
Regulated Lenders	92.6%	89.3%	84.2%	80.4%	86.9%

TABLE 4

MORTGAGE BANKERS' AND REGULATED LENDERS' LOAN VOLUMES AND MARKET SHARE (DOLLARS OF LOANS) IN THE CHICAGO SMSA LENDING MARKET 1980-1983

(in millions of dollars)

	1980	1981	1982	1983	1980-1983
Mortgage Bankers					
Conventional Single Family	$ 47.2	$ 80.0	$111.0	$360.5	$ 598.8
FHA	238.9	189.1	216.5	543.9	1,188.4
Home Improvement	0.4	1.1	1.0	5.1	7.6
Multifamily	0.0	0.0	0.0	.1	0.1
Total	**$286.5**	**$270.2**	**$328.5**	**$909.6**	**$1,794.9**
Regulated Lenders					
Conventional Single Family	$2,739.5	$1,708.2	$1,176.8	$3,104.9	$ 8,729.4
FHA	113.8	16.4	41.3	92.8	264.3
Home Improvement	223.5	159.3	113.6	147.3	643.8
Multifamily	282.9	193.0	98.9	162.2	737.0
Total	**$3,359.7**	**$2,076.9**	**$1,430.6**	**$3,507.2**	**$10,374.5**
Market Share					
Mortgage Bankers	7.9%	11.5%	18.7%	20.6%	14.7%
Regulated Lenders	92.1%	88.5%	81.3%	79.4%	85.3%

While the lending volume of regulated lenders fluctuated, mortgage bankers' lending volume remained steady or increased during 1980-1983. This was due in part to the fact that FHA loans were less affected by interest rate volatility. Total lending volume (in numbers and dollars of lending) barely decreased from 1980-1981 and even increased from 1981-1982 by $58.3 million when lending by regulated lenders was at a record low. Then in 1983, mortgage bankers' lending dramatically increased from $328 million to $910 million -- a gain of 177%.

Mortgage bankers' gain in market share, therefore, was due in part to the sharp decline in loan volume by regulated lenders after 1980. But in 1983, when regulated lenders increased their volume, the mortgage bankers' greater share of the market was a reflection of the fact that they increased their lending volume more than did the regulated lenders.

The increase in mortgage banker market share was due to increasing mortgage banker activity in both the FHA and conventional single-family mortgage market. From 1980-1983, mortgage bankers increased their conventional single-family lending by $313.3 million (an increase of 664%) and increased their FHA lending by $305 million (an increase of 128%).

Regulated lenders increased their FHA and conventional single-family lending only in 1983. In this one year, conventional single-family lending volume increased by $1.9 billion (an increase of 164%) and FHA lending volume increased by $51.5 million (an increase of 124%). These increases by regulated financial institutions, however, were not large enough to offset steady, although small increases in mortgage banker market share. From 1980-1983, mortgage bankers' market share of the conventional single-family lending market increased from 1.7% to 10.4% (in loan dollars). Their share of the FHA lending market increased from 67.7% to 85.4% (in loan dollars). **Clearly, mortgage bankers were expanding their single-family lending markets within the Chicago SMSA from 1980-1983 in both absolute numbers and market share.**

Although mortgage bankers consistently devoted a very small proportion of their capital (see Table 2) to home improvement lending, they also steadily increased their volume of home improvement loans. In 1980, mortgage bankers made only $400,000 in home improvement loans. By 1983, mortgage bankers' home improvement lending had increased to $5.1 million. In four years, mortgage banker home improvement lending had increased by 1,175%. Mortgage bankers' market share of the home improvement lending market went from a 1980 level of 0.2% to a 1983 level of 3.4%. As with conventional single-family lending, regulated lenders retained their dominance in the home improvement lending market but mortgage banker increases were steady and significant.

Comparison of Geographic Market Areas

To show whether mortgage bankers and regulated lenders tend to concentrate their lending in different or similar areas, an "index of dissimilarity" is used. A complete mix of regulated institutions' and mortgage bankers' lending is defined as the presence of mortgage banker loans within census tracts at levels similar to the total proportion of mortgage banker lending within the SMSA. For example, mortgage banker lending represented 15% of the total volume of lending (in dollars of loans) made in the Chicago SMSA from 1980-1983. Implicit in this measure is the assumption that a complete mixture of loans (i.e., "integration" between all of the lending of mortgage bankers and of regulated lenders) means that in every census tract 15% of all census tract lending from 1980-1983 came from mortgage bankers while 85% came from regulated lenders.

The index of dissimilarity ranges from 0 to 100. Each point on the index represents the percent of each type of lending (either mortgage banker or regulated lending) which would have to be shifted in order to achieve a mixture of lending on a par with the proportionate representation of each lending type within the SMSA. Zero indicates a complete mix of lending (integrated lending) where for the total volume of lending, 15% of the lending in each and every census tract was done by mortgage bankers. One hundred indicates that the loans of mortgage bankers and regulated lenders were made in completely different census tracts, that 100% of either regulated or mortgage banker lending would have to be shifted to approximate a representative mix of lending.[7] For the purposes of this study, the "integration" or "segregation" of mortgage banker or regulated lending, by use of the index of dissimilarity, is simply to show whether mortgage bankers and regulated lenders tend to concentrate their lending in different or similar areas.

Tables 5 and 6 (pages 19 and 21) present measures of segregation levels which show how spatially separated or mixed are loans made by regulated lenders compared to those of mortgage bankers.

Table 5 presents indices of dissimilarity which show the degree of mix or separateness of mortgage bankers' and regulated lenders' credit flows fr the total volume of residential loans from 1980-1983 and for each type of lending -- conventional single-family mortgages, FHA single-family, and home improvement lending. Separate indices are presented for the number and dollar amount of loans, respectively. Multifamily lending is not included here because mortgage bankers only made one multifamily loan in four years.

The indices associated with housing loans show that the lending of mortgage bankers and regulated lenders were moderately concentrated. Forty-three percent of the dollars and 41% of the loans flowing from either institution type would have to be redirected to different areas to achieve a representative mix of lending within census tracts. Although the loans made by mortgage bankers were not made in completely different areas from those of regulated lenders, a distinctive pattern existed. This means that mortgage bankers tended to loan in different neighborhoods than regulated lenders.

Each type of lending, however, contributed differently to this trend; the indices are not uniform across all types of lending. The indices associated with home improvement lending are high; they show that 72% of the home improvement dollars and 66% of the home improvement loans would have to be shifted to achieve a representative distribution of home improvement lending. Recall that mortgage bankers' overall market share of the home improvement lending market was less than 2%. **Hence, the index shows that this small amount of home improvement lending by mortgage bankers was highly concentrated within census tracts in which regulated lenders' home improvement loans were not made.**

This is also true for the FHA loans made by mortgage bankers and regulated lenders. The indices show that 54% of the FHA loans made by either mortgage bankers or regulated lenders would have to be shifted to achieve a representative mix of FHA lending from each type of institution.

TABLE 5

THE AMOUNT OF SEGREGATION BETWEEN LOANS MADE BY REGULATED LENDERS AND MORTGAGE BANKERS FOR CENSUS TRACTS IN THE CHICAGO SMSA FROM 1980-1983

Conventional Single Family	Index of Dissimilarity*
Number of Loans	35.87
Dollars of Loans	35.75
FHA Single Family	
Number of Loans	54.48
Dollars of Loans	54.41
Home Improvement	
Number of Loans	65.68
Dollars of Loans	71.76
All Housing Loans	
Number of Loans	40.91
Dollars of Loans	43.83

* The index of dissimilarity ranges from 0 to 100 where 0 indicates a representative mix of lending across census tracts and 100 indicates complete separateness of lending across census tracts.

Although approximately 85% of all FHA loans were made by mortgage bankers, these loans tended to be made in census tracts where regulated lenders did not make their FHA loans.

The market areas of conventional single-family lending for both types of lenders tended to be more similar. The index of dissimilarity associated with conventional single-family lending (for either numbers or dollars of loans) is 36. This shows that the tendency for mortgage bankers and regulated lenders to make their conventional single-family loans in different areas was small; **conventional single-family loans from either type of institution were usually found together in the same neighborhoods.**

Table 6 addresses the segregation level of FHA single-family loans from conventional single-family loans. The index of dissimilarity is used here to see if each type of lender had its own separate geographic market for FHA single-family lending and for conventional single-family lending, i.e., if FHA loans were typically made in areas where conventional loans are not made. The first set of numbers examines the segregation levels between FHA and conventional single-family lending for regulated lenders. The second set of numbers examines the segregation levels between FHA and conventional single-family lending for mortgage bankers. The third set of numbers examines the segregation levels between FHA and conventional single family lending for all lenders.

All lenders tended to make their FHA loans in particular neighborhoods and their conventional single-family loans in others. For each type of lender, the indices of dissimilarity associated with the mix of FHA and conventional single-family lending are comparable; 46% of all regulated lenders' FHA lending or conventional single-family lending would have to

TABLE 6

THE AMOUNT OF SEGREGATION BETWEEN FHA AND CONVENTIONAL SINGLE FAMILY LENDING FOR MORTGAGE BANKERS AND REGULATED LENDERS FROM 1980-1983

Mortgage Bankers	**Index of Dissimilarity***
Conventional and FHA Single Family	
Number of Loans	46.83
Dollars of Loans	51.42
Regulated Lenders	
Conventional and FHA Single Family	
Number of Loans	45.74
Dollars of Loans	46.45
All Lenders	
Conventional and FHA Single Family	
Number of Loans	48.78
Dollars of Loans	49.91

* The index of dissimilarity ranges from 0 to 100 where 0 indicates a representative mix of lending across census tracts and 100 indicates complete separateness of lending across census tracts.

be shifted into different census tracts to achieve a mixture of their single-family lending and 47% of all mortgage bankers' FHA or conventional single-family lending would have to be shifted to achieve a mixture of their single-family lending.

Throughout the entire SMSA over four years, FHA lending by either type of lending institution tended to be spatially segregated from conventional single-family lending. Forty-nine percent of all FHA loans or conventional single-family loans would have to be shifted into different census tracts to achieve a proportionately representative lending mix within these areas. For 1980-1983, this means that $4.7 billion of conventional single-family financing or $725 million of FHA single-family financing would have had to have been targeted to different neighborhoods to achieve a representative mix of conventional mortgages with FHA loans.

Each type of lender tended to make its own FHA and conventional single-family lending in different neighborhoods. At the same time, mortgage bankers' FHA lending tended to be spatially separate from regulated lenders' FHA lending. **In other words, mortgage bankers tended not to make their FHA loans where regulated lenders made their FHA loans, mortgage bankers tended not to make their FHA loans where they made their conventional single-family loans, and regulated lenders tended not to make their FHA loans where they made their conventional single-family loans.**

Two points are clear. First, regulated lenders and mortgage bankers tended to have different markets for their lending, particularly for FHA and home improvement loans. Second, both mortgage bankers and regulated lenders had separate markets for FHA loans and for conventional single-family loans resulting in an overall SMSA pattern where the FHA loans from either type of lender tended to be in different neighborhoods. **Hence, the typical neighborhood with any FHA single-family lending tended to have more FHA loans than conventional single-family loans and these loans flowed from either regulated lenders or mortgage bankers -- not both.**

IV. THE DISTRIBUTION OF MORTGAGE BANKER LENDING BETWEEN CHICAGO AND ITS SUBURBS 1980-1983

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This part of the report examines the distribution of each type of loan made by mortgage bankers to Chicago and suburban census tracts.

Mortgage Banker Lending Volume in Chicago and its Suburbs 1980-1983

Mortgage banker lending for all types of housing loans (except multifamily lending) increased in both Chicago and the suburbs over the four years studied. Table 7 (page 26) shows the total number and dollar amount of FHA, conventional single-family mortgages, home improvement and multifamily loans which flowed to Chicago and its suburbs in each year from 1980-1983. During this period, the number of mortgage banker loans to Chicago increased by 322% and the dollar amount increased by 368%. During the same period, there was an increase of 123% in the number of mortgage banker loans to the suburbs and a 200% increase in dollars.

Chicago's suburbs received far more lending from mortgage bankers than its central city. Indeed, Chicago's four-year sum of mortgage banker dollars was not much more than what the suburbs received in any single year from 1980-1982 and was far less than what the suburbs gained in 1983. **From 1980-1983, the suburbs received 83% of mortgage bankers' FHA lending dollars and 86% of mortgage bankers' conventional single-family lending dollars.** The large amount of mortgage bankers' single-family lending dollars going to the suburbs was not because suburban loans were so large but because the suburbs received 80% of the number of FHA loans and 83% of the number of conventional single-family loans made by mortgage bankers.

TABLE 7

MORTGAGE BANKERS' LENDING VOLUMES WITHIN CHICAGO AND THE SUBURBS FROM 1980-1983

	Chicago					Suburbs				
	1980	1981	1982	1983	1980-83 (total)	1980	1981	1982	1983	1980-83 (total)
Conventional Single Family										
Number of Loans*	280	307	370	1,167	2,124	1,151	1,740	2,105	5,437	10,433
Dollars of Loans*	$11,706	$11,249	$11,098	$50,095	$84,148	$35,537	$68,784	$99,932	$310,445	$514,698
FHA Single Family										
Number of Loans	517	1,166	1,486	1,821	4,987	4,968	3,064	3,008	8,128	19,168
Dollars of Loans	$18,315	$39,120	$55,595	$87,092	$200,122	$220,572	$150,001	$160,909	$456,841	$988,323
Home Improvement										
Number of Loans	46	152	134	569	901	47	105	89	141	382
Dollar of Loans	$162	$569	$500	$4,059	$5,290	$215	$507	$482	$1,061	$2,265
Multifamily										
Number of Loans	0	0	0	1	1	0	0	0	0	0
Dollars of Loans	0	0	0	$116	$116	0	0	0	0	0
Total Lending										
Number of Loans	843	1,625	1,990	3,558	8,013	6,166	4,909	5,202	13,706	29,983
Dollars of Loans	$30,183	$50,938	$67,193	$141,362	$289,676	$256,324	$219,292	$261,323	$768,347	$1,505,286

*All numbers in thousands.

Clearly, the increase in mortgage banker lending activity was more of a suburban phenomenon than an urban one.

Chicago led the suburbs in home improvement loans from mortgage bankers and received 60% of these loans and 70% of home improvement lending dollars over this four-year period. However, home improvement lending by mortgage bankers was not a major activity. These types of loans made up less than 2% of their total dollar volume. This small amount of mortgage banker home improvement lending activity within Chicago, although important, does not alter **the overwhelming mortgage banker presence in the suburbs which over these four years received 84% of the total volume of dollars loaned for housing by mortgage bankers throughout the Chicago SMSA.**

The 'Distribution of Mortgage Banker Finance Among Chicago and Suburban Census Tracts 1980-1983

Tables 8, 9, 10 and 11 (pages 28, 32, 35, 36, respectively) show how each type of loan made by mortgage bankers was distributed among Chicago and suburban census tracts from 1980-1983. Three types of information are presented. First, these tables show the percent of all census tracts within Chicago and its suburbs respectively which received no loans from mortgage bankers. Second, these tables show the average (mean) number and dollar amounts of mortgage banker lending per census tract from 1980-1983, relative to the housing stock in place in 1980.[8] Below each mean is the associated standard deviation.[9] Third, these tables show mortgage bankers' market share for each type of lending within Chicago and within the suburbs for each year under investigation. These analyses address whether the local housing stock accounts for the vast disparity in mortgage

TABLE 8

THE DISTRIBUTION OF FHA SINGLE-FAMILY LENDING BY MORTGAGE BANKERS BETWEEN CHICAGO AND SUBURBAN CENSUS TRACTS 1980-1983

	Chicago (N = 855)	Suburbs (N = 516)
Percent Tracts With No Loans		
1980	76.0%	34.9%
1981	64.0%	43.4%
1982	52.7%	42.2%
1983	44.6%	18.4%
Number of Loans/1,000 Units		
1980 Mean	0.1	4.0
(Standard Deviation)	(2.5)	(10.0)
1981 Mean	1.7	2.7
(Standard Deviation)	(10.2)	(6.9)
1982 Mean	2.1	2.5
(Standard Deviation)	(6.1)	(5.3)
1983 Mean	2.6	6.8
(Standard Deviation)	(7.4)	(13.1)
Dollars of Loans*/1,000 Units		
1980 Mean	$23.2	$174.8
(Standard Deviation)	(79.1)	(371.6)
1981 Mean	$48.9	$129.0
(Standard Deviation)	(130.0)	(312.1)
1982 Mean	$78.6	$129.7
(Standard Deviation)	(236.0)	(286.1)
1983 Mean	$121.5	$381.1
(Standard Deviation)	(309.5)	(773.8)
Market Share: Number of Loans (%)		
1980	39.9%	72.9%
1981	95.0%	90.0%
1982	93.3%	84.3%
1983	95.2%	85.2%
Market Share: Dollars of Loans (%)		
1980	43.6%	71.0%
1981	95.2%	91.2%
1982	92.5%	81.4%
1983	91.2%	94.2%
Loan Volume 1980-1983		
Percent Tracts With No Loans	31.2%	11.0%
Mean Number of Loans/1,000 Units	7.0	16.4
Mean Dollars of Loans*/1,000 Units	$272.2	$814.5
Market Share: Number of Loans (%)	83.4%	82.1%
Market Share: Dollars of Loans (%)	85.7%	80.9%

*In thousands.

banker lending between Chicago and its suburbs and show how widely or narrowly these loans were distributed among these two parts of the metropolitan area. They also show how mortgage bankers' share of Chicago and suburban lending markets have changed over these four years.

FHA Single-Family Lending

Table 8 presents the distribution of mortgage bankers' FHA lending from 1980-1983. Housing availability cannot explain why mortgage banker FHA lending volume was so much higher in the suburbs than in Chicago. **Per 1,000 housing units for which these loans could be made, the average suburban census tract systematically received more FHA loans and more loan dollars.**[10]

Although the average Chicago tract gained FHA lending each year, the suburbs gained far more. In 1980, the average suburban tract received 3.9 loans and $151,600 per 1,000 units more than the average Chicago tract. By 1983, the gap was 4.6 loans and $259,600 per 1,000 housing units. **Over the entire four years, the average suburban census tract received 9.4 loans and $542,300 per 1,000 units more than the average Chicago tract.**

Suburban FHA lending was more uniformly distributed than in Chicago. Over 50% of the suburban census tracts received at least one FHA loan in any year studied and over the entire four years, 89% of the suburban tracts received at least one loan. In 1983 alone, 82% of the suburban tracts received at least one FHA loan. Chicago FHA lending by mortgage bankers was more concentrated. In 1980, 76% of Chicago's census tracts did not receive any FHA loans from mortgage bankers and in 1983, the proportion of the city's census tracts devoid of FHA loans remained high at 45%. **At any point in time, mortgage bankers' FHA loans**

were distributed among a much smaller proportion of Chicago's census tracts than among the suburbs' census tracts.

These mortgage banker FHA lending patterns account for most of the volume of FHA loans made in either Chicago or the suburbs. Over these four years, mortgage bankers had 86% (in dollars of loans) of the Chicago FHA lending market and 81% (in dollars of loans) of the suburbs. Although mortgage bankers began this period without clear dominance in the FHA lending market (1980 Chicago and suburban market share = 71% and 44% respectively, in dollars of loans), they ended this period with 91% (in dollars of loans) of the Chicago FHA lending market and 94% (in dollars of loans) of the suburban FHA lending market.

Conventional Single-Family Lending

Table 9 presents the distribution of the conventional single-family loans made by mortgage bankers among Chicago and suburban census tracts from 1980-1983. When mortgage banker lending is correlated to number of housing units, it becomes evident that the distribution of conventional loans between city and suburbs was more even than the distribution of FHA loans between city and suburbs. In both 1980 and 1981, the average Chicago and suburban census tracts received comparable numbers of loans per 1,000 units. Yet these averages do not tell the entire story; the pattern associated with conventional, single-family lending is more complex.

At any point in time, the majority of suburban census tracts received at least one conventional single-family loan from a mortgage banker. For instance, in 1983, **only 17%** of the suburban tracts did not receive any mortgage banker-originated conventional single-family loans. For Chicago, the opposite is true. The **majority** of Chicago's census tracts did not receive any mortgage banker-originated conventional single-family lending. In 1980, only 14% of Chicago's census tracts received any of these loans. By 1983, when mortgage banker lending had become less concentrated, the proportion of city tracts receiving these loans remained low at 48%. **Hence, among the suburbs, mortgage banker conventional, single-family lending was widely distributed, while in the City of Chicago, it was severely concentrated.**

In Chicago, mortgage bankers concentrated large amounts of conventional, single-family finance within very few census tracts. However, these census tracts are not "average" per se because **the average (modal) Chicago census tract did not receive any mortgage banker conventional single-family financing.**[11] In the suburbs, where most census tracts received some conventional, single-family lending from mortgage bankers, the numbers associated with the mean number and dollar amount of lending are more representative. **In the suburbs the "average" census tract received many more loans per housing unit than the typical Chicago tract.** This difference explains why Chicago and suburban conventional, single-family lending distributions might appear more equal than they really are for typical tracts.

The pattern of mortgage banker conventional single-family lending was to make more of these loans in more suburban census tracts and to only make these loans in particular Chicago census tracts. This pattern points to two types of lending disparities, one between Chicago and its suburbs and the second, between areas within the City of Chicago itself.

Over these four years, mortgage bankers captured more of the suburban conventional single-family lending market than in Chicago. Mortgage bankers' suburban market share increased from 1.8% to 11.2% (in dollars of

TABLE 9

THE DISTRIBUTION OF CONVENTIONAL SINGLE-FAMILY LENDING BY MORTGAGE BANKERS BETWEEN CHICAGO AND SUBURBAN CENSUS TRACTS 1980-1983

	Chicago (N = 855)	Suburbs (N = 516)
Percent Tracts With No Loans		
1980	85.6%	42.2%
1981	80.7%	34.1%
1982	73.7%	28.9%
1983	51.9%	17.2%
Number of Loans/1,000 Units		
1980 Mean	0.6	1.0
(Standard Deviation)	(10.5)	(6.9)
1981 Mean	1.9	1.7
(Standard Deviation)	(35.6)	(6.4)
1982 Mean	0.5	2.1
(Standard Deviation)	(1.6)	(9.9)
1983 Mean	1.5	4.4
(Standard Deviation)	(4.4)	(11.1)
Dollars of Loans*/1,000 Units		
1980 Mean	$27.4	$27.2
(Standard Deviation)	(675.0)	(118.0)
1981 Mean	$233.2	$59.8
(Standard Deviation)	(6,067.9)	(253.4)
1982 Mean	$18.1	$82.1
(Standard Deviation)	(83.2)	(212.0)
1983 Mean	$73.9	$276.7
(Standard Deviation)	(317.8)	(670.8)
Market Share: Number of Loans (%)		
1980	1.4%	2.9%
1981	3.5%	6.7%
1982	6.4%	11.8%
1983	8.8%	12.4%
Market Share: Dollars of Loans (%)		
1980	1.4%	1.8%
1981	2.7%	4.9%
1982	4.3%	9.7%
1983	7.2%	11.2%
Loan Volume 1980-1983		
Percent Tracts With No Loans	41.0%	4.0%
Mean Number of Loans/1,000 Units	4.5	9.2
Mean Dollars of Loans*/1,000 Units	$352.6	$446.8
Market Share: Number of Loans (%)	4.5%	8.2%
Market Share: Dollars of Loans (%)	3.9%	7.2%

*In thousands.

loans). Mortgage bankers' market share of Chicago's conventional single-family lending market in 1980 was only 1.4% (in dollars of loans). By 1983, mortgage bankers held 7.2% (in dollars of loans) of the Chicago market, a smaller increase than in the suburbs. Mortgage bankers' increase in market share in both parts of the SMSA shows that this industry's increased conventional single-family lending was a metropolitan-wide phenomenon. However, in Chicago, these loans were disproportionately concentrated within a smaller number of areas than in the suburbs.

Home Improvement Lending

Table 10 shows the distribution of the small number of home improvement loans which flowed to Chicago and suburban census tracts from 1980-1983. The pattern of mortgage banker home improvement lending is quite different from the pattern associated with conventional or FHA single-family lending. Mortgage banker-originated home improvement lending was more of a central city phenomenon than a suburban phenomenon. But these home improvement loans were not widely distributed among either of these areas.

In 1980, 1981, and 1982, most Chicago and suburban census tracts (over 90%) did not receive any mortgage banker-originated home improvement loans. In contrast to conventional, single-family lending, the lack of market presence applied equally to both the city and the suburbs.

But in 1983, this pattern changed. Mortgage bankers made substantially more home improvement loans in more Chicago census tracts. Twenty-eight percent of Chicago's census tracts received at least one home improvement loan from mortgage bankers in that year -- a major change from 1982. The suburbs also gained more widely distributed home improvement credit from mortgage bankers and in 1983, 18% of the suburban census tracts received at least one mortgage banker-originated home improvement loan. Over these four years, the average Chicago census tract went from essentially no home improvement loans from mortgage bankers to over 1 loan and $6,000 per 1,000 housing units. The suburbs gained, but gained less. In 1983, the average suburban tract received less than one loan and $1,070 per 1,000 housing units. By the end of this period, mortgage bankers held 6.7% of Chicago's home improvement lending market and 1.4% of the suburban home improvement lending market.

All Mortgage Banker Lending

Table 11 shows the distribution of all housing loans made by mortgage bankers among Chicago and suburban census tracts from 1980-1983. The numbers in this table firmly establish three major findings. **First, mortgage banker loans were more widely distributed at any point in time among suburban census tracts than among Chicago census tracts. Second, suburban census tracts received more lending per housing unit than Chicago census tracts.** (The number of housing units per tract do not explain the lending disparities between Chicago and its suburbs.) **Third, from 1980-1983, mortgage bankers' total market share increased in both Chicago and its suburbs, but mortgage banker activity was far greater in the suburbs than in the central city.** By 1983, mortgage bankers held 22% (in dollars of loans) of the suburban residential credit market compared to 15.5% of Chicago's residential credit market.

TABLE 10

THE DISTRIBUTION OF HOME IMPROVEMENT LENDING BY MORTGAGE BANKERS BETWEEN CHICAGO AND SUBURBAN CENSUS TRACTS 1980-1983

	Chicago (N = 855)	Suburbs (N = 516)
Percent Tracts With No Loans		
1980	96.00%	96.70%
1981	93.10%	90.70%
1982	95.40%	91.70%
1983	71.90%	81.60%
Number of Loans/1,000 Units		
1980 Mean	0.06	0.05
(Standard Deviation)	(0.40)	(0.45)
1981 Mean	0.27	0.10
(Standard Deviation)	(1.48)	(0.51)
1982 Mean	0.32	0.07
(Standard Deviation)	(3.15)	(0.41)
1983 Mean	0.84	0.14
(Standard Deviation)	(1.90)	(0.41)
Dollars of Loans*/1,000 Units		
1980 Mean	$0.23	$0.23
(Standard Deviation)	(1.74)	(2.50)
1981 Mean	$0.99	$0.44
(Standard Deviation)	(5.35)	(2.29)
1982 Mean	$1.20	$0.33
(Standard Deviation)	(10.42)	(1.65)
1983 Mean	$6.07	$1.07
(Standard Deviation)	(17.27)	(3.41)
Market Share: Number of Loans (%)		
1980	0.40%	0.30%
1981	2.00%	0.70%
1982	2.20%	0.90%
1983	6.70%	1.40%
Market Share: Dollars of Loans (%)		
1980	0.20%	0.10%
1981	1.30%	0.40%
1982	1.40%	0.60%
1983	6.80%	1.10%
Loan Volume 1980-1983		
Percent Tracts With No Loans	67.00%	73.00%
Mean Number of Loans/1,000 Units	1.50	0.35
Mean Dollars of Loans*/1,000 Units	$8.49	$2.08
Market Share: Number of Loans (%)	2.70%	0.70%
Market Share: Dollars of Loans (%)	2.50%	0.50%

*In thousands.

TABLE 11

THE DISTRIBUTION OF ALL RESIDENTIAL LENDING BY MORTGAGE BANKERS BETWEEN CHICAGO AND SUBURBAN CENSUS TRACTS 1980-1983

	Chicago (N = 855)	Suburbs (N = 516)
Percent Tracts With No Loans		
1980	66.5	19.4
1981	54.6	19.4
1982	43.9	19.2
1983	26.8	4.3
Number of Loans/1,000 Units		
1980 Mean	1.3	5.1
(Standard Deviation)	(10.8)	(12.2)
1981 Mean	3.8	4.5
(Standard Deviation)	(37.1)	(11.5)
1982 Mean	2.9	4.6
(Standard Deviation)	(7.2)	(11.4)
1983 Mean	5.0	11.4
(Standard Deviation)	(9.1)	(18.9)
Dollars of Loans*/1,000 Units		
1980 Mean	$50.8	$203.2
(Standard Deviation)	(678.8)	(391.6)
1981 Mean	$283.1	$189.2
(Standard Deviation)	(6,067.5)	(500.0)
1982 Mean	$97.9	$212.1
(Standard Deviation)	(250.7)	(377.1)
1983 Mean	$201.5	$658.9
(Standard Deviation)	(442.9)	(1,122.1)
Market Share: Number of Loans (%)		
1980	2.6%	10.0%
1981	8.8%	11.4%
1982	14.3%	16.5%
1983	14.7%	21.5%
Market Share: Dollars of Loans (%)		
1980	2.9%	9.8%
1981	9.9%	12.0%
1982	17.1%	19.1%
1983	15.5%	21.9%
Loan Volume 1980-1983		
Percent Tracts With No Loans	18.4%	1.4%
Mean Number of Loans/1,000 Units	13.0	25.6
Mean Dollars of Loans*/1,000 Units	$633.3	$1,263.4
Market Share: Number of Loans (%)	8.9%	15.0%
Market Share: Dollars of Loans (%)	10.2%	16.1%

*In thousands.

V. MORTGAGE BANKER LENDING MARKETS: THE DISTRIBUTION OF LENDING AMONG SIX CHICAGO SUB-REGIONS

V. MORTGAGE BANKER LENDING MARKETS: THE DISTRIBUTION OF LENDING AMONG SIX CHICAGO SUB-REGIONS

Loans made by mortgage bankers were unevenly distributed between Chicago and suburban census tracts from 1980-1983. Many census tracts received no loans from mortgage bankers, particulary in Chicago. Others received large amounts of mortgage banker-originated residential loans. The presence of extreme variation in the distribution of loans made by mortgage bankers within Chicago and within the suburbs suggest that these large areas contain different lending sub-markets for the mortgage banker. This part of the report examines the distribution of mortgage banker loans within six sub-regions contained within the Chicago SMSA.

These sub-regions are broadly defined by their housing development and growth patterns, social, ethnic and racial mix, land use and location. Three sub-regions are defined within the city of Chicago and three are defined within the suburbs. These sub-regions are as follows.

Chicago Sub-Regions: Lakefront Chicago, Outer Chicago, and The Neighborhoods

Lakefront Chicago contains all census tracts within Community Areas which are adjacent to Lake Michigan and have median housing values over $50,000. These include all Community Areas from Chicago's Loop to the northern boundaries of Chicago and two southside Community Areas, Hyde Park and Kenwood. Although these areas are socio-economically and racially mixed, they tend to house many middle- and upper-income urban professionals and contain most of the high rise apartments and condominiums in the city.[12]

Outer Chicago contains all census tracts contained within selected Community Areas located at the southwest and northwest corners of the city. These areas tend to be composed primarily of single-family housing. Housing values and median income levels are above citywide averages and the population is primarily white.[13]

The Neighborhoods contain all census tracts within the remainder of the city. The Neighborhoods is the largest of the three Chicago sub-regions and contains those Community Areas which house more moderate- and lower-income whites, blacks, Hispanics and Asians.[14]

Suburban Sub-Regions: Old Residential Suburbs, Industrial Suburbs, and Post-War Suburbs

Old Residential Suburbs are primarily those census tracts contained within the established, older suburban communities located south of the most northern border of the Chicago SMSA and close to Lake Michigan. These areas have retained their character as exclusive and expensive residential environments. Although many of these suburban communities have experienced some new residential development, much of the single-family housing stock was developed in the late nineteenth and early twentieth centuries.[15]

Industrial Suburbs contain those census tracts comprising a ring of industrial suburban municipalities which have been the locale for older manufacturing centers and where the workers in these centers have lived. These areas house many whites as well as blacks although segregation levels are high. Residents tend to be of moderate- and lower-income levels.[16]

Post-War Suburbs contain the census tracts within those suburbs which have been developed and have grown dramatically since World War II. These are primarily newer single-family developments and tend to house more middle- and upper-income white families. These suburbs now include some major industrial sites and corporate office complexes.[17]

Sub-Regional Variation in Mortgage Banker Lending Patterns

Table 12 (page 40) shows the distribution of all residential lending by mortgage bankers from 1980-1983 among these six distinctive regions within the Chicago SMSA. Shown are the mean lending volume (number of loans and dollars of loans per 1,000 units) received by census tracts within these sub-regions along with their associated standard deviations.[18] Presented at the bottom of this table are mortgage bankers' market share (in dollars of loans) within each of these sub-regions over this entire four-year period.

Mortgage Banker lending volume varied far more across Chicago sub-regions and between Chicago and the suburbs than among the suburban sub-regions alone. Within the city, mortgage bankers concentrated much of their lending in Lakefront Chicago; the average Lakefront Chicago census tract received just over $1.7 million more per 1,000 housing units than those in The Neighborhoods or Outer Chicago and between $650,000 to over $1 million more per 1,000 housing units than the average census tract in any of the suburban sub-regions. **Lakefront Chicago clearly constituted a distinctive central city sub-market for residential lending.** Notably, mortgage bankers' Lakefront market share, regardless of their large volume of lending within this small sub-region, was extremely low compared to other regions. While mortgage bankers' lending volume along the Lakefront was high, regulated depository financial institutions' lending volume was even higher.

TABLE 12

DISTRIBUTION OF MORTGAGE BANKER RESIDENTIAL LENDING

BETWEEN SIX SUB-REGIONS WITHIN THE CHICAGO SMSA 1980-1983

	Chicago			Suburbs		
	Lakefront Chicago (N = 131)*	**The Neighborhoods** (N = 591)*	**Outer Chicago** (N = 133)*	**Residential Suburbs** (N =58)*	**Industrial Suburbs** (N =149)*	**Post-War Suburbs** (N =309)*
Number of Loans/1,000 Units						
Mean	21.0	12.4	7.7	15.9	22.1	29.1
Standard Deviation	99.6	20.6	5.2	29.2	42.0	44.4
Dollars of Loans/1,000 Units (in thousands)						
Mean	$2,079.6	$376.4	$350.0	$1,269.7	$930.7	$1,423.1
Standard Deviation	415,662.8	$604.3	$233.3	$1,954.6	$1,617.6	$2,114.6
Market Share in Dollars of Loans	3.6%	18.7%	9.3%	11.2%	20.5%	15.9%

* Number of census tracts within the sub-region.

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The average census tract contained in either the Neighborhoods or Outer Chicago received relatively little mortgage banker financing compared to other sub-regions. The average Neighborhood census tract received 12.4 loans and $376,400 per 1,000 housing units and the average Outer Chicago census tract received 7.7 loans and $350,000 per 1,000 housing units. Despite these low lending levels, mortgage bankers' market share of the residential lending market within these two areas was not small. Mortgage bankers held 19% of the Neighborhoods' residential lending market and 9% of Outer Chicago's residential lending market. Mortgage bankers' high market share coupled with low lending volume show that this sub-region received little financing from any type of lender.

Among suburban sub-regions, the high growth Post-War Suburbs received the largest average lending volume per census tract and mortgage bankers had a strong market presence in this region, capturing 16% of the market. The average Old Residential Suburban tract also received substantial residential credit from mortgage bankers although mortgage banker's market share was low compared to its share of the other suburban sub-regions. In contrast, the Industrial Suburbs received the lowest average suburban lending volume (in dollars of loans) from mortgage bankers but mortgage bankers' share of this market was high. Mortgage bankers held 20% of the residential lending market within Industrial Suburban communities.

Clearly, mortgage bankers did not make more loans in areas which were underserved by other types of financial institutions. Rather, mortgage bankers made the most loans in the residential lending markets that were strong markets for regulated, depository lenders as well. Therefore, despite high lending levels in these sub-regions, mortgage banker market shares were not as substantial as might be expected.

In contrast, mortgage banker market shares were highest in two sub-regions that were characterized by relatively low lending levels (Neighborhoods and Industrial Suburbs). High lending volume by mortgage bankers within particular sub-regions, therefore, was not necessarily accompanied by a strong mortgage banker market presence; mortgage bankers' market shares were highest in two urban and suburban sub-regions in which mortgage bankers had made a comparatively lower volume of loans than they made in other sub-regions. This pattern indicates that overall mortgage bankers' lending patterns did not differ in dramatic ways from those of depository financial institutions.[19]

Sub-Regional Variation in Mortgage Banker FHA and Conventional Single-Family Lending Patterns

An earlier section of this report showed that mortgage bankers tended to make their FHA and conventional single-family loans in different census tracts. Therefore, although particular sub-regions received more lending from mortgage bankers than others, they may not have received the same types of loans from these financial institutions. Table 13 (page 45) addresses the distribution of FHA and conventional single-family lending among these six sub-regions by examining the concentration of conventional and FHA single-family loans within each area.

Table 13 shows the percent of all Chicago SMSA conventional and FHA single-family lending received by each Chicago and suburban sub-region, the percent of the total number of housing units (units in 1- to 4-unit structures plus condominiums) within each sub-region, and two indices which measure the concentration of each type of lending within each respective sub-region.

These "indices of concentration" are based on the assumption that the number of housing units in an area is a contributing factor to the number of loans that area may receive. Therefore, each index is expressed as the percent of each type of lending in each region (numbers and dollars of loans, respectively) minus the percent of the SMSA's housing stock within the sub-region. If a sub-region received more loans relative to the size of its housing stock, the index will be positive, indicating that lending is more concentrated in the sub-region. If a sub-region received less lending relative to the size of its housing stock, the index will be negative, indicating that lending is less concentrated in that region.

Note that the individual index values for each type of lending have no intrinsic meaning in themselves. Rather, the purpose of measuring lending in this way is comparative, to show the relative concentration of each type of mortgage banker finance among each of these distinctive sub-regions compared to each other. For our purposes, this discussion assumes that index values ranging from -5 to +5 indicate that lending volume is neither heavily nor lightly concentrated but is "as expected" relative to the size of local housing stock. Index values exceeding +5 are considered heavily concentrated. Index values lower than -5 are considered under concentrated.

Conventional Single-Family Lending

Mortgage bankers tended to concentrate their lending most in the Post-War Suburbs (Index of Concentration = 22.38 and 22.82 for numbers and dollars of lending, respectively). Relative to the size of their housing stock, these suburbs received a large proportion of conventional single-family finance from mortgage bankers. Although at a less extreme level, mortgage bankers tended to also concentrate dollars of conventional single-family lending in Old Residential Suburbs, but the number of these types of loans were as expected. For this sub-region, a disparity exists between the Indices of Concentration associated with numbers of loans and dollars of loans because these loans were for very large amounts of money.

Conventional single-family mortgages originated by mortgage bankers were most severely under-concentrated within The Neighborhoods (Index of Concentration = -15.58 and -18.90 for numbers and dollars of loans respectively). Lakefront Chicago, Outer Chicago and The Industrial Suburbs received conventional single-family lending volumes more comparable to the size of their local housing stock. Therefore, their Index of Concentration values are not very large.

Mortgage bankers' distribution of conventional single-family lending produced two polar extreme sub-regions within the Chicago SMSA; the remaining sub-markets received "expected" lending volume. At one extreme, the largest Chicago sub-region, The Neighborhoods, received far less conventional single-family lending from mortgage bankers given the size of the housing stock. At the opposite extreme, the largest suburban sub-region, the Post-War Suburbs, received far more conventional single-family finance from these lenders than would ordinarily be expected.

FHA Single-Family Lending

FHA lending by mortgage bankers was not concentrated within any of the three Chicago sub-regions. The indices of concentration for The North Lakefront, The Neighborhoods, and Outer Chicago are all negative, indicating that the percentages of FHA lending made in these regions were less than expected given their respective shares of the SMSA housing stock. As with conventional single-family lending, The Neighborhoods had the lowest index

TABLE 13

PERCENTAGE OF RESIDENTIAL LENDING FROM MORTGAGE BANKERS

DISTRIBUTED AMONG SIX CHICAGO SMSA REGIONS RELATIVE TO THEIR HOUSING STOCK

	Number of Loans (Percent)	Dollars of Loans (Percent)	Number of Homes (Percent)	Concentration Index Number of Loans (Number Loan % - Housing %)	Concentration Index Dollars of Loans (Dollar Loan % - Housing %)
Conventional Single Family					
Chicago					
Lakefront	4.60%	5.85%	4.93%	-.33	.93
The Neighborhoods	8.10%	4.78%	23.68%	-15.58	-18.90
Outer Chicago	4.22%	3.42%	9.13%	-4.91	-5.73
Suburbs					
Old Residential	5.89%	11.26%	3.82%	2.08	7.44
Industrial	11.40%	9.46%	15.03%	-3.63	-5.57
Post-War	65.80%	65.23%	43.41%	22.38	22.82
FHA					
Chicago					
Lakefront	.57%	.71%	4.93%	-4.35	-4.25
The Neighborhoods	16.87%	12.73%	23.68%	-6.81	-10.95
Outer Chicago	3.20%	3.40%	9.13%	-5.93	-5.74
Suburbs					
Old Residential	2.15%	2.67%	3.82%	-1.66	-1.15
Industrial	20.36%	20.32%	15.03%	5.33	5.29
Post-War	56.83%	60.17%	43.41%	13.42	16.76

values (Index = -6.81 and -10.95 for numbers and dollars of loans, respectively) which shows that FHA lending was particularly under-concentrated within this large sub-region. **Clearly, FHA single-family lending over this four-year period was not concentrated within any part of the City of Chicago.**

However, FHA lending was heavily concentrated in the Post-War Suburbs. The index values are large and positive showing that Post-War Suburban communities received substantially more FHA lending than would be expected given their share of the SMSA's housing stock. Within The Industrial Suburbs and the Old Residential Suburbs, FHA lending was neither under or over concentrated. Rather, in these two suburban sub-regions FHA lending volume was more comparable to the proportion of housing units within their boundaries.

The distribution of mortgage banker-originated FHA lending among these metropolitan sub-regions indicates that their FHA markets, broadly defined, are similar to their conventional single-family lending markets.[20] **The Post-War Suburbs received proportionately more while The Neighborhoods received proportionately less.** The exceptions to this pattern are Lakefront Chicago and The Industrial Suburbs. Lakefront Chicago received a sizeable percentage of conventional single-family lending but not FHA lending. The opposite was true for The Industrial Suburbs which received a low percentage of conventional single-family lending but a sizeable percentage of FHA lending.

VI. THE DISTRIBUTION OF MORTGAGE BANKER LENDING AMONG CHICAGO COMMUNITY AREAS

VI. THE DISTRIBUTION OF MORTGAGE BANKER LENDING AMONG CHICAGO COMMUNITY AREAS

The analyses in the first parts of this report show the systematic trends and patterns associated with where mortgage bankers made their loans and how these patterns have changed over four years among all census tracts contained within Chicago and its suburbs. This part of the report moves now from the general to the specific and focuses on mortgage banker credit flows to the 77 Community Areas which make up the City of Chicago.

This analysis **does not account for the size of the Community Areas nor their respective housing stock.** Other analyses have shown clearly the variation and disparities in lending volume while controlling for the housing within local areas of comparable size. This part of the report simply shows the lending activity of mortgage bankers within the "Community Areas" in Chicago used by planners, policy makers, and local community organizations.[21]

Several issues are of major concern. First, which areas received more or less housing credit from mortgage bankers? Second, what share of the residential lending market did mortgage bankers hold within each of these areas? Did Community Areas which received large amounts of residential financing from mortgage bankers also receive large amounts of residential financing from regulated lenders? Or did Community Areas which received more mortgage banker-originated loans receive less loans from regulated lenders? These issues are addressed in Tables 14, 15, 16 (pages 49, 53, 57).

Each table ranks Community Areas by their lending characteristics in several different ways in order to highlight different aspects of mortgage banker activity within these areas. Table 14 ranks Community Areas by mortgage banker lending volume. Shown are each Community Area's rank in terms of lending volume, the total number and dollar amount of mortgage banker lending, the mortgage bankers' neighborhood market share (in dollars of loans), the percent of the total citywide mortgage banker lending volume (in dollars of loans) done within each Community Area, and the cumulative percentage of mortgage banking lending volume received (in dollars of loans).[22] These distributions are graphically displayed in a map on page 56.

Table 15 ranks Community Areas by mortgage bankers' market share within these areas. Shown for each Community Area are the mortgage bankers' market share, market share ranking, and rank in terms of the total volume of lending (in dollars of loans) received from all lenders -- both mortgage bankers and regulated lenders. This table more directly links Community Area lending volume with mortgage bankers' market share.

Table 16 summarizes these tables by categorizing Community Areas simultaneously by mortgage banker lending volume (in dollars of loans) and mortgage bankers' market share (in dollars of loans). Shown are those Community Areas which received very low lending volume (less than $1 million), low lending volume ($1 million or more, but less than $4 million), high lending volume ($4 million or more, but less than $6 million) and very high lending ($6 million or more). Community Areas with high market share are those which received 25% or more of their lending from mortgage bankers over these four years. Community Areas with medium

TABLE 14

RANKS OF CHICAGO COMMUNITY AREAS BY TOTAL VOLUME OF LENDING
BY MORTGAGE BANKS IN CHICAGO: 1980-83

COMMUNITY	RANK	NUMBER OF LOANS	VALUE OF LOANS ($000)	MORTGAGE BANK MARKET SHARE	PCT OF MORTGAGE BANK LOANS IN CHICAGO	CUMULATIVE PERCENTAGE
Austin	1	628	24286.4	31.6981	8.38399	8.3840
West Pullman	2	561	14960.5	56.7675	5.16456	13.5486
Loop	3	222	13971.0	22.6156	4.82297	18.3715
Roseland	4	371	11414.8	36.5001	3.94053	22.3121
Auburn Gresham	5	412	11350.9	37.2021	3.91848	26.2305
Greater Grand Crossing	6	270	9176.0	42.4983	3.16769	29.3982
West Englewood	7	352	8945.0	42.0606	3.08795	32.4862
Lincoln Park	8	114	8537.7	2.9861	2.94734	35.4335
Humboldt Park	9	272	8321.2	23.0216	2.87260	38.3061
Englewood	10	182	7524.0	51.2658	2.59740	40.9035
Lakeview	11	112	7187.5	3.2837	2.48122	43.3847
Ashburn	12	160	6403.2	18.5594	2.21047	45.5952
Washington Heights	13	185	6389.6	34.3490	2.20579	47.8010
South Shore	14	180	6303.1	13.2054	2.17591	49.9769
Beverly	15	133	5954.2	17.5572	2.05547	52.0324
Portage Park	16	114	5611.0	7.9399	1.93699	53.9694
Belmont Cragin	17	114	5591.4	9.5594	1.93023	55.8996
Morgan Park	18	145	5350.7	24.6591	1.84713	57.7467
West Ridge	19	107	5293.4	7.7274	1.82737	59.5741
Logan Square	20	167	5283.7	9.9752	1.82402	61.3981
Chicago Lawn	21	152	5151.6	13.5339	1.77842	63.1765
South Chicago	22	175	5095.5	24.8652	1.75903	64.9356
Irving Park	23	96	4424.7	7.6499	1.52748	66.4631
Chatham	24	177	4331.1	21.6592	1.49515	67.9582
South Deering	25	137	4144.2	38.6455	1.43065	69.3889

TABLE 14, CONT.

RANKS OF CHICAGO COMMUNITY AREAS BY TOTAL VOLUME OF LENDING BY MORTGAGE BANKS IN CHICAGO: 1980-83

COMMUNITY	RANK	NUMBER OF LOANS	VALUE OF LOANS ($000)	MORTGAGE BANK MARKET SHARE	PCT OF MORTGAGE BANK LOANS IN CHICAGO	CUMULATIVE PERCENTAGE
Dunning	26	78	3817.20	7.5906	1.31775	70.7066
New City	27	143	3706.25	15.1903	1.27945	71.9861
Uptown	28	82	3655.90	5.2121	1.26207	73.2481
Avalon Park	29	139	3592.70	35.3032	1.24025	74.4884
Gage Park	30	105	3488.45	16.4020	1.20426	75.6926
Albany Park	31	66	3367.10	8.1003	1.16237	76.8550
Norwood Park	32	67	3328.10	7.1790	1.14890	78.0039
Jefferson Park	33	66	3287.80	10.4947	1.13499	79.1389
Hermosa	34	85	3136.50	14.7222	1.08276	80.2217
Forest Glen	35	51	2987.30	8.5985	1.03126	81.2529
Mount Greenwood	36	72	2975.35	18.5723	1.02713	82.2800
Edgewater	37	64	2868.05	3.6495	0.99009	83.2701
Calumet Heights	38	65	2569.00	17.8576	0.88685	84.1570
West Town	39	225	2555.65	5.6203	0.88224	85.0392
Rogers Park	40	54	2494.75	3.9321	0.86122	85.9004
Lincoln Square	41	52	2380.00	6.4438	0.82161	86.7221
Avondale	42	61	2316.20	7.1911	0.79958	87.5216
Garfield Ridge	43	64	2278.55	8.8735	0.78659	88.3082
North Park	44	35	2153.05	10.2142	0.74326	89.0515
East Side	45	61	2024.40	9.5110	0.69885	89.7503
Pullman	46	65	1958.90	38.1191	0.67624	90.4266
West Lawn	47	59	1849.80	8.1379	0.63858	91.0651
Clearing	48	44	1767.60	8.7131	0.61020	91.6753
Near North Side	49	29	1743.20	0.5327	0.60178	92.2771
Hyde Park	50	34	1688.65	2.4171	0.58294	92.8601

TABLE 14, CONT.

RANKS OF CHICAGO COMMUNITY AREAS BY TOTAL VOLUME OF LENDING BY MORTGAGE BANKS IN CHICAGO: 1980-83

COMMUNITY	RANK	NUMBER OF LOANS	VALUE OF LOANS ($000)	MORTGAGE BANK MARKET SHARE	PCT OF MORTGAGE BANK LOANS IN CHICAGO	CUMULATIVE PERCENTAGE
North Lawndale	51	71	1667	18.5899	0.575	93.435
O'Hare	52	26	1460	3.3636	0.504	93.939
Kenwood	53	18	1437	6.2652	0.496	94.435
East Garfield Park	54	48	1269	32.0761	0.438	94.874
Edison Park	55	24	1253	7.6901	0.432	95.306
West Garfield Park	56	54	1171	25.5525	0.404	95.710
Burnside	57	36	1136	47.1750	0.392	96.102
West Elsdon	58	25	1057	9.6722	0.365	96.467
Woodlawn	59	35	985	17.3209	0.340	96.807
South Lawndale	60	38	877	2.2328	0.303	97.110
Fuller Park	61	22	818	43.1342	0.283	97.392
Montclare	62	14	793	6.3616	0.274	97.666
McKinley Park	63	23	724	11.6418	0.250	97.916
Bridgeport	64	20	670	3.9612	0.231	98.147
Hegewisch	65	18	657	5.1351	0.227	98.374
Brighton Park	66	16	634	3.7380	0.219	98.593
Washington Park	67	21	609	30.8841	0.210	98.803
Archer Heights	68	16	593	7.3861	0.205	99.008
Riverdale	69	21	558	39.0197	0.193	99.201
Douglas	70	14	537	9.0579	0.185	99.386
Near South Side	71	9	442	7.9468	0.153	99.539
Lower West Side	72	10	429	3.4962	0.148	99.687
Grand Boulevard	73	11	383	9.9792	0.132	99.819
Near West Side	74	16	361	2.4911	0.125	99.944
Armour Square	75	5	160	3.8040	0.055	99.999

TABLE 14, CONT.

RANKS OF CHICAGO COMMUNITY AREAS BY TOTAL VOLUME OF LENDING
BY MORTGAGE BANKS IN CHICAGO: 1980-83

COMMUNITY	RANK	NUMBER OF LOANS	VALUE OF LOANS ($000)	MORTGAGE BANK MARKET SHARE	PCT OF MORTGAGE BANK LOANS IN CHICAGO	CUMULATIVE PERCENTAGE
Oakland	76	1	3	0.349854	0.001	100
North Center	77	0	0	0.000000	0.000	100
		====	======		=======	
		8016	289676		100.000	

TABLE 15

RANKS OF CHICAGO COMMUNITY AREAS BY TOTAL VOLUME OF LENDING
MARKET SHARE BY MORTGAGE BANKS IN CHICAGO: 1980-83
AND VALUE OF LENDING BY ALL LENDERS

COMMUNITY	MORTGAGE BANK MARKET SHARE	RANK:MARKET SHARE	RANK:$ AMT OF MTGE BANK LENDING	RANK $ AMT OF ALL LENDING
West Pullman	56.7675	1	2	33
Englewood	51.2658	2	10	53
Burnside	47.1750	3	57	73
Fuller Park	43.1342	4	61	75
Greater Grand Crossing	42.4983	5	6	39
West Englewood	42.0606	6	7	43
Riverdale	39.0197	7	69	76
South Deering	38.6455	8	25	60
Pullman	38.1191	9	46	68
Auburn Gresham	37.2021	10	5	32
Roseland	36.5001	11	4	31
Avalon Park	35.3032	12	29	61
Washington Heights	34.3490	13	13	48
East Garfield Park	32.0761	14	54	71
Austin	31.6981	15	1	5
Washington Park	30.8841	16	67	74
West Garfield Park	25.5525	17	56	69
South Chicago	24.8652	18	22	45
Morgan Park	24.6591	19	18	38
Humboldt Park	23.0216	20	9	24
Loop	22.6156	21	3	11
Chatham	21.6592	22	24	47
North Lawndale	18.5899	23	51	62
Mount Greenwood	18.5723	24	36	52
Ashburn	18.5594	25	12	26

TABLE 15, CONT.

RANKS OF CHICAGO COMMUNITY AREAS BY TOTAL VOLUME OF LENDING
MARKET SHARE BY MORTGAGE BANKS IN CHICAGO: 1980-83
AND VALUE OF LENDING BY ALL LENDERS

COMMUNITY	MORTGAGE BANK MARKET SHARE	RANK:MARKET SHARE	RANK:$ AMT OF MTGE BANK LENDING	RANK $ AMT OF ALL LENDING
Calumet Heights	17.8576	26	38	55
Beverly	17.5572	27	15	27
Woodlawn	17.3209	28	59	66
Gage Park	16.4020	29	30	42
New City	15.1903	30	27	35
Hermosa	14.7222	31	34	40
Chicago Lawn	13.5339	32	21	22
South Shore	13.2054	33	14	16
McKinley Park	11.6418	34	63	64
Jefferson Park	10.4947	35	33	30
North Park	10.2142	36	44	44
Grand Boulevard	9.9792	37	73	72
Logan Square	9.9752	38	20	14
West Elsdon	9.6722	39	58	59
Belmont Cragin	9.5594	40	17	12
East Side	9.5110	41	45	41
Douglas	9.0579	42	70	65
Garfield Ridge	8.8735	43	43	34
Clearing	8.7131	44	48	46
Forest Glen	8.5985	45	35	25
West Lawn	8.1379	46	47	37
Albany Park	8.1003	47	31	20
Near South Side	7.9468	48	71	67
Portage Park	7.9399	49	16	6
West Ridge	7.7274	50	19	9

TABLE 15, CONT.
RANKS OF CHICAGO COMMUNITY AREAS BY TOTAL VOLUME OF LENDING
MARKET SHARE BY MORTGAGE BANKS IN CHICAGO: 1980-83
AND VALUE OF LENDING BY ALL LENDERS

COMMUNITY	MORTGAGE BANK MARKET SHARE	RANK:MARKET SHARE	RANK:$ AMT OF MTGE BANK LENDING	RANK $ AMT OF ALL LENDING
Edison Park	7.69014	51	55	51
Irving Park	7.64995	52	23	13
Dunning	7.59057	53	26	15
Archer Heights	7.38608	54	68	63
Avondale	7.19111	55	42	28
Norwood Park	7.17903	56	32	17
Linclon Square	6.44375	57	41	23
Montclare	6.36164	58	62	57
Kenwood	6.26519	59	53	36
West Town	5.62032	60	39	18
Uptown	5.21211	61	28	7
Hegewisch	5.13509	62	65	56
Bridgeport	3.96117	63	64	50
Rogers Park	3.93207	64	40	10
Armour Square	3.80404	65	75	70
Brighton Park	3.73799	66	66	49
Edgewater	3.64952	67	37	4
Lower West Side	3.49624	68	72	58
O'Hare	3.36363	69	52	19
Lakeview	3.28370	70	11	3
Lincoln Park	2.98611	71	8	2
Near West Side	2.49114	72	74	54
Hyde Park	2.41707	73	50	8
South Lawndale	2.23284	74	60	21
Near North Side	0.53265	75	49	1

TABLE 15, CONT.

RANKS OF CHICAGO COMMUNITY AREAS BY TOTAL VOLUME OF LENDING
MARKET SHARE BY MORTGAGE BANKS IN CHICAGO: 1980-83
AND VALUE OF LENDING BY ALL LENDERS

COMMUNITY	MORTGAGE BANK MARKET SHARE	RANK:MARKET SHARE	RANK:$ AMT OF MTGE BANK LENDING	RANK $ AMT OF ALL LENDING
Oakland	0.349854	76	76	77
North Center	0.000000	77	77	29

VARIATIONS IN MORTGAGE BANKER LENDING VOLUME AMONG CHICAGO COMMUNITY AREAS 1980-1983

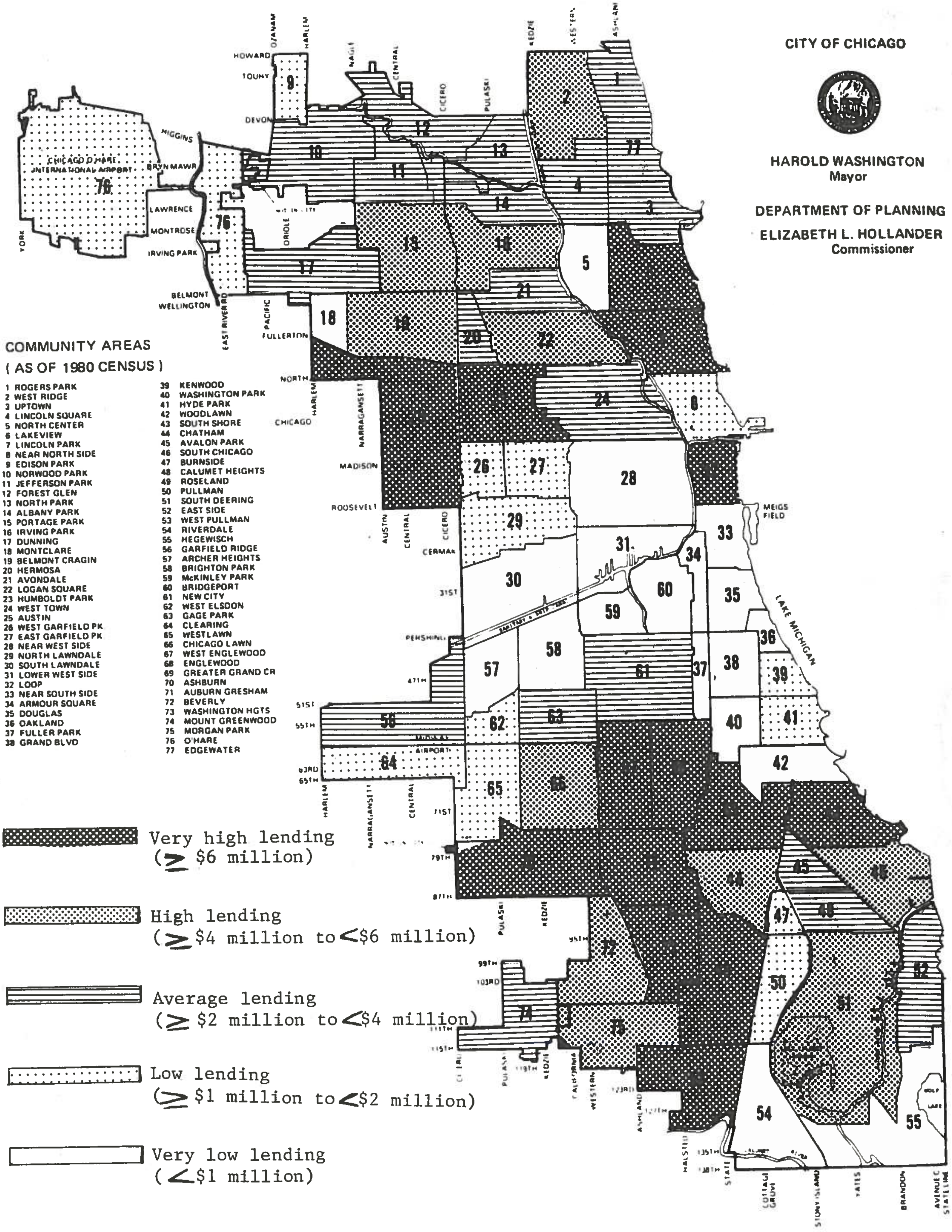

TABLE 16

VARIATIONS IN MORTGAGE BANKER LENDING VOLUMES AND MARKET SHARE AMONG CHICAGO COMMUNITY AREAS 1980-1983*

(Market Share in Parentheses)

Very Low Lending (<$1 million)	**Low Lending** (≥$1 million and <$2 million)	**Average Lending** (≥$2 million and <$4 million)	**High Lending** (≥$4 million and <$6 million)	**Very High Lending** (≥$6 million)
North Center (Low)	West Elsdon (Low)	East Side (Low)	South Deering (High)	South Shore (Medium)
Oakland (Low)	Burnside (High)	North Park (Medium)	Chatham (Medium)	Washington Heights (High)
Armour Square (Low)	W. Garfield Park (High)	Garfield Ridge (Low)	Irving Park (Low)	Ashburn (Medium)
Near W. Side (Low)	Edison Park (Low)	Avondale (Low)	South Chicago (Medium)	Lakeview (Low)
Grand Blvd. (Low)	E. Garfield Park (High)	Lincoln Sq. (Low)	Chicago Lawn (Medium)	Englewood (High)
Lower W. Side (Low)	Kenwood (Low)	Rogers Park (Low)	Logan Square (Low)	Humboldt Park (Medium)
Near S. Side (Low)	O'Hare (Low)	Westtown (Low)	West Ridge (Low)	Lincoln Park (Low)
Douglas (Low)	N. Lawndale (Medium)	Calumet Hgts. (Medium)	Morgan Park (Medium)	W. Englewood (High)
Riverdale (High)	Hyde Park (Low)	Edgewater (Low)	Belmont Cragin (Low)	Greater Grand Crossing (High)
Archer Hgts. (Low)	Near North Side (Low)	Mt. Greenwood (Medium)	Portage Park (Low)	Auburn Gresham (High)
Washington Pk. (High)	Clearing (Low)	Forest Glen (Low)	Beverly (Medium)	Roseland (High)
Brighton Park (Low)	West Lawn (Low)	Hermosa (Medium)		Loop (Medium)
Hegewisch (Low)	Pullman (High)	Jefferson Pk. (Medium)		West Pullman (High)
Bridgeport (Low)		Norwood Park (Low)		Austin (High)
McKinley Park (Medium)		Albany Park (Low)		
Montclare (Low)		Gage Park (Medium)		
Fuller Park (High)		Avalon Park (High)		
S. Lawndale (Low)		Uptown (Low)		
Woodlawn (Medium)		New City (Medium)		
		Dunning (Low)		

* Low Market Share: <10%
Medium Market Share: ≥10% and <25%
High Market Share: ≥25%

market share are those which received 10% or more but less than 25% of their residential lending from mortgage bankers. Community Areas with low market share are those which received less than 10% of their lending from mortgage bankers.

Every Community Area except one -- North Center, received at least one loan from a mortgage banker in the years 1980-1983. **However, the distribution of mortgage banker financing among Community Areas was very uneven.** Fifty percent of the total volume of mortgage banker housing finance went to only 14 Community Areas. Another 40% was distributed among 31 Community Areas and the remaining 10% among 32 Community Areas.

Austin, the largest Community Area in the city, received dramatically more mortgage banker finance than any other Community Area ($24,286,400). Thirty-two percent of the residential loans made in this neighborhood were made by mortgage bankers. Located on the west side of Chicago, adjacent to Oak Park, and housing 138,026 people of which 74% are black, Austin is almost a city in its own right. The high volume of mortgage banker lending coupled with a sizeable amount of lending by regulated lenders gave Austin fifth place in overall residential lending volume within the city.

Austin, however, is an exception. It was the recipient of both mortgage banker and regulated lender activity. Other Community Areas that had large lending volume and sizeable proportions of their loans from mortgage bankers fared poorly overall: moderate-income West Pullman and Roseland; lower-income Greater Grand Crossing, West Englewood, and Auburn Gresham these all have primarily black populations and are located on the south side of Chicago).

Large dollar amounts of housing credit from mortgage bankers, relative to other Community Areas, and greater market share by mortgage bankers within these areas did not necessarily translate into a large number of housing loans for these communities. While the size of the Community Area is one obvious factor, the absence or presence of regulated lenders in the market is a major element.

Those Community Areas which received a high volume of lending from mortgage bankers but in which mortgage bankers' market shares were low are quite different from those Community Areas with high mortgage banker volume and high mortgage banker market share. Although the income levels of these neighborhoods ranged from moderate to affluent, **Community Areas with high lending volume and low market share housed predominantly white populations.**

Lincoln Park, an affluent north side community with high housing values, netted $8,537,700 from mortgage bankers, but this represented only 3% of this community's total lending volume. Mortgage bankers' share of the Lincoln Park residential lending market was lower than in almost every Community Area. Yet, Lincoln Park ranked number two in overall lending over four years, only second to the Near North Side. The mortgage bankers' lending pattern within Lakeview, another north side Lakefront Community Area, is almost identical to that of Lincoln Park. Lakeview received $7,187,500 from mortgage bankers and ranked number three in overall lending volume. But mortgage bankers held only 3% of the credit market in this neighborhood.

Portage Park, Belmont Cragin, West Ridge, Logan Square and Irving Park, all located on the north and northwest sides, each received $4 million from mortgage bankers, yet mortgage bankers held less than 10% of these markets. Each of these Community Areas were ranked among the top 14 receivers of residential credit within Chicago. These white, moderate- to middle-income communities benefited from increased mortgage banker activity within their neighborhoods but they were sustained primarily by the high lending activity of commercial banks and savings and loan institutions. Clearly over these four years, comparatively high mortgage banking lending activity was not contingent on mortgage bankers' relatively small market share within these particular Community Areas.

By definition, those Community Areas which received low amounts of housing finance from mortgage bankers and received a high percentage of their housing loans from mortgage bankers, were Community Areas which did not receive much housing finance from any type of lender. Some of these Community Areas contain little housing, much public housing and are dominated by railway yards or other types of non-residential land use. Some, however, are residential. All are composed primarily of black residents.

The Community Area mortgage banker lending distributions illustrate several dimensions of mortgage banker lending activity within the City of Chicago (itself an area which did not receive a substantial proportion of finance from mortgage bankers compared to its outlying suburbs.)

-- **Mortgage bankers made loans in all types of Community Areas -- with white, black, and Hispanic populations and varying income levels.**

-- **Mortgage bankers did not dominate the market in any Community Area; no Community Area received more than 50% of its lending from mortgage bankers.**

-- When mortgage bankers had a high volume of lending within predominantly white Community Areas, they tended to have a smaller market presence; these Community Areas received a high volume of lending from all types of financial institutions and regulated, depository lenders dominated these markets.

-- When mortgage bankers had a high volume of lending within predominantly black Community Areas, they tended to have a stronger market presence and held a moderate to high percentage of these areas' lending markets.

-- A strong market presence within some Community Areas did not necessarily translate into sizeable amounts of lending within these areas. In such areas, while mortgage bankers had substantial market share, they, like regulated lenders, made very few loans.

VII. CONCLUSION

VII. CONCLUSION

The mortgage banking industry is playing an increasingly significant role in the provision of residential finance within the Chicago metropolitan area. Mortgage bankers have grown in number and have rapidly increased their lending volume. An increase in lending volume for mortgage bankers within the Chicago SMSA has been accompanied by greater diversification in their type of residential lending. In just four years, mortgage bankers have gained almost complete dominance over the FHA lending market and have seriously entered the conventional single-family mortgage and home improvement loan markets.

Although regulated depository financial institutions retained overall dominance in the conventional single-family mortgage market, that dominance diminished with each passing year as mortgage bankers made their presence felt. In the years studied, mortgage bankers both expanded and diversified their single-family lending, increasing their FHA lending and their conventional lending, while regulated lenders increased their conventional lending, while de-emphasizing FHA lending.

Mortgage bankers made the vast majority of their loans in the Chicago suburbs. Mortgage bankers made substantially more FHA and conventional single-family housing loans per housing unit in the suburbs than in Chicago, distributed these loans more widely among suburban neighborhoods than in Chicago, and acquired a higher proportion of the suburban lending market. To be sure, mortgage bankers also increased their Chicago lending and gained a stronger market presence in the city. But to make a dent in the Chicago residential lending market did not require vast amounts of lending.

Mortgage bankers have been, overall, pursuing markets similar to those of the regulated lender. This is corroborated by the fact that in those areas where mortgage bankers have increased their lending and have a high lending volume, they nevertheless have a weak market presence. Within these areas, however, the loans of the mortgage banker and regulated financial institution tended overall to be made in different census tracts. Although mortgage bankers and regulated lenders tended to make conventional single-family loans within the same census tracts, this was not true for their respective FHA lending. **FHA loans made by mortgage bankers tended not to be made in the same census tracts as those made by regulated lenders.** Moreover, both types of lenders tended to segregate their own conventional and FHA single-family lending so that their own FHA and conventional single-family loans tended <u>not</u> to be made in the same census tracts.

The majority of Chicago's Community Areas did not receive a substantial amount of lending from mortgage bankers. Mortgage banker lending volume and market share, however, varied quite dramatically among Community Areas. **Mortgage bankers made loans in white, black and Hispanic Community Areas. But within those white areas in which mortgage bankers had higher lending volume, their market share was low.** Residents of these Community Areas clearly had a choice of lenders and most often chose regulated lenders. **In contrast, in black areas with high mortgage banker lending volume, mortgage bankers also had a large market share.** Residents of these Community Areas either preferred financing from the mortgage bankers or had a more limited choice of lender.

This report documents the emerging of the mortgage banking industry as a major actor in the residential lending market of Chicago and its suburbs, in both FHA and conventional lending. It fills a knowledge gap and focuses attention on the need for scrutiny, analysis and regulation of this industry.

Lending information is a community resource which allows residents to link the quality of their lives and their neighborhoods to the decisions and activities of private lending institutions. Using such information, this report has shown that mortgage bankers are now major actors in Chicago's metropolitan residential credit market. This change requires that the activities of these lenders be investigated not only in Chicago but in other cities, which further requires that the appropriate information be reported by the mortgage banker. With this information, we can work to build and rebuild our neighborhoods and communities with a clear and solid understanding of how the distributors of housing finance affect them.

FOOTNOTES

FOOTNOTES

1. A mortgage company is a lender that originates residential mortgages, home improvement loans, and multifamily loans for sale to investors. Often, the mortgage banker is retained by the investor to service the loans. Mortgage bankers do not derive their capital from deposits but from a variety of other sources.

2. Federal law only requires the disclosure of mortgage bankers' FHA loans. Mortgage Banker VA loans were not studied for this report. An analysis of all FHA, VA and conventional loans made by Mortgage Bankers in 1983 and 1984 is reported in Mortgage Bankers in Chicago, Pogge, Jean, and Revere, Elspeth, Woodstock Institute, 1986.

3. For a discussion of the lending patterns of regulated lenders for the years 1980-83, see Partners In Need; Pogge, Jean; Hoyt, Josh; and Revere, Elspeth; Woodstock Institute, 1986, and Tale of Three Cities; Shlay, Anne; Woodstock Institute, 1986.

4. Combining four years of lending data required some modification of the data. Regulated lenders reported their 1980 loans at the 1970 census tract level and reported subsequent information at the 1980 census tract level. Mortgage bankers' FHA loans were reported entirely at the 1970 census tract level. Some mortgage bankers reported their conventional loans at the 1970 census tract level while others reported these loans at the 1980 census tract level. Because census tract boundaries are defined in terms of population size (average population = 4,000), census tracts which grew from 1970 to 1980 were redefined for the purpose of the 1980 census and were sometimes split from one census tract in 1970 to two or more census tracts in 1980. For the purpose of this study, 1980 census tracts which were split-offs from 1970 tracts were added together to include the same spatial areas as in 1970. Hence, although the Chicago SMSA contained 1,516 census tracts in 1980, the number of tracts in the data base for this study is smaller (N = 1,371) because of the aggregation of redefined census tracts. In all, the modification of 145 census tracts permitted the inclusion of 1980 HMDA data for analysis in this study.

5. The reader is reminded that HMDA requires the reporting of lending by those regulated lenders with assets of $10 million or more. While the Chicago SMSA contains more than one or two credit unions, most of them are too small to be covered by the Home Mortgage Disclosure Act.

6. "Single-family" is defined as 1 to 4 unit residential properties. Both the "Conventional" and "FHA" categories refer to 1 to 4 unit properties.

7. The formula used to compute the index of dissimilarity is as follows:

$$D = \frac{T_{mi} / P_{mij} - P_{mi}}{2\, T_m\, P_{mi}\, (1 - P_{mi})}$$

Where:
P_{mij} = proportion of loan type m made by lender type i in census tract j.
P_{mi} = proportion of loan type m made by lender type i in the SMSA.
T_{mi} = total number of dollars of loan type m in census tract i.
T_m = total number of dollars of loan type m in the SMSA.

Numerous debates exist on whether the index of dissimilarity is the most precise measure for assessing the degree of segregation. This debate has not been satisfactorily resolved and the index of dissimilarity currently remains the most commonly used and best understood measure for examining the level of spatial mixing across metropolitan areas.

8. Standardized lending measures account for the number of housing units within each census tract which are the potential objects for each type of loan. In this report, each standardized lending measure is the number or dollar amount of lending per thousand units of the appropriate type of housing. Conventional single-family, FHA and home improvement lending are available for housing structures which contain one, two, three or four units as well as for condominiums. Multifamily loans are only available for structures which contain more than four units. Since mortgage bankers made very few multifamily loans within the SMSA from 1980-1983, the standardized measures account only for the number of housing units in 1, 2, 3, and 4 unit structures plus the number of condominiums within a census tract. The formula used to compute these measures is as follows:

$$S_{ti} = (L_{ti} / H_i) * 1{,}000$$

Where:
S_{ti} = the standardized lending measure for loan type t (e.g., FHA) for census tract i.
L_{ti} = the number or dollar amount of loans for loan type t in census tract i.
H_i = the number of units in 1 to 4 unit structures plus the number of condominium units in census tract i.

9. A standard deviation is a measure of dispersion around a measure of central tendency, such as the mean. A small standard deviation relative to the mean indicates that most data values are tightly concentrated around the mean. A large standard deviation relative to the mean indicates that most data values are widely dispersed around the mean. For most distributions, values generally fall within one or two standard deviations from the mean.

10. Standardized lending measures account for lending volume relative to the number of units in 1, 2, 3, and 4 unit structures, plus the number of condominiums. For the purposes of this discussion, these will be referred to as housing units.

11. Because in Chicago the distribution of mortgage banker-originated conventional single-family lending is a highly skewed distribution, the variation around the mean is greater than in the suburbs as indicated by the large Chicago standard deviations.

12. Lakefront Chicago consists of census tracts in Rogers Park, Uptown, Edgewater, Lakeview, Lincoln Park, the Near North Side, the Loop, Hyde Park, and Kenwood.

13. Outer Chicago consists of census tracts contained in Edison Park, Norwood Park, Jefferson Park, Forest Glen, North Park, Portage Park, Albany Park, Dunning, Montclare, Irving Park, Belmont Cragin, and O'Hare on the northwest side of Chicago and census tracts contained in Garfield Ridge, Archer Heights, West Elsdon, Clearing, West Lawn, Ashburn, Beverly, and Mount Greenwood on the southwest side.

14. The Neighborhoods consists of census tracts contained in West Pullman, Englewood, Burnside, Fuller Park, Greater Grand Crossing, West Englewood, Riverdale, South Deering, Pullman, Auburn Gresham, Roseland, Avalon Park, Washington Heights, East Garfield Park, Austin, Washington Park, West Garfield Park, South Chicago, Morgan Park, Humboldt Park, Chatham, North Lawndale, Calumet Heights, Woodlawn, Gage Park, New City, Hermosa, Chicago Lawn, South Shore, McKinley Park, Grand Boulevard, Logan Square, East Side, Douglas, Near South Side, West Ridge, Avondale, Lincoln Square, Westtown, Hegewisch, Bridgeport, Armour Square, Brighton Park, Lower West Side, Near West Side, South Lawndale, Oakland, and North Center.

15. The Old Residential Suburbs include census tracts contained in Evanston, Wilmette, Winnetka, Kenilworth, Glencoe, Highland Park, Lake Forest, Lake Bluff, and Oak Park. These census tracts are 8001-8013, 8087-8103, 8019, 8121-8135, 8647-8658.

16. Industrial Suburbs include Aurora, Berwyn, Blue Island, Bridgeview, Calumet City, Chicago Heights, Cicero, Elgin, Harvey, Joliet, Justice, Lansing, Lemont, Lockport, Maywood, North Chicago, Stickney, Summit, and Waukegan. These contain census tracts 8146, 8175, 8202-8207, 8209, 8212, 8213, 8258-8260, and 8291.

17. Post-War Suburbs include Addison, Arlington Heights, Bolingbrook, Burbank, Des Plaines, Downers Grove, Elk Grove Village, Elmhurst, Glenview, Hanover Park, Hoffman Estates, Lombard, Mount Prospect, Naperville, Niles, Northbrook, Oak Forest, Oak Lawn, Palatine, Park Forest, Park Ridge, Schaumburg, Skokie, Tinley Park, and Wheaton. The Post-War Suburbs also include all remaining suburban census tracts which are not contained in either the Industrial Suburbs or the Older Residential Suburbs.

18. Housing units refers to the number of units contained in 1, 2, 3, and 4 unit structures, plus condominiums.

19. Other examinations of the distribution of mortgage banker lending among these six sub-regions used contingency analysis to look at the breakdown of low, medium, and high lending volume per 1,000 housing units within census tracts contained within each sub-region. The results showed that the distribution of mortgage banker loans was not entirely uniform within sub-regions. Nonetheless, proportionately more Post-War Suburb and Old Residential Suburb census tracts fell into the high and medium lending volume categories than in any other sub-regions. Proportionately more Neighborhood census tracts fell into the low lending volume category and proportionately more Outer Chicago census tracts fell into the medium lending volume category. The breakdown of Lakefront and Industrial Suburb census tracts among these three categories did not significantly differ from chance. These analyses confirmed that for the purposes here, these sub-regions constitute reasonable approximations of lending sub-markets for the mortgage banker.

20. The reader is cautioned that although mortgage bankers may have made both conventional and FHA single-family mortgages within similar sub-regions, these loans were not mixed together within the same census tracts. The previous analyses which address lending segregation levels focused on the mix of or segregation of loans at the level of the census tract. These analyses of sub-regions focus on larger units of analyses and show that the lending markets of FHA and conventional single-family loans, broadly defined, are similar, although within these markets, FHA and conventional single-family lending may be highly segregated.

21. Chicago is unique in that Community Areas are aggregations of entire census tracts. Although Chicago's Community Areas may be considered too large to constitute neighborhoods per se, they are meaningful area identifiers for both residents and local policy makers. Although Chicago's Community Areas vary in size and population, comprising as few as three census tracts to as many as twenty census tracts, this is not a concern for this part of the report because the goal here is purely descriptive.

22. These "cumulative percentages" simply add together each additional percentage of mortgage banker lending (in dollars of loans) within each successive Community Area. These percentages permit an assessment of whether lending is concentrated within a few Community Areas or more evenly distributed among the 77 Community Areas.