COVID-19 and Access to Mortgage Credit

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Economic Inequality Policy Series
An Update from the Experts:
Covid-19's Impact on Housing
Federal Reserve Bank of New York
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Overview

- Housing is the single best way to build wealth

  - There are vast differences in homeownership by race, even correcting for income

- On the surface the housing market seems strong

  - Prices are up

  - Purchase applications are strong

  - Homeowners are hit less hard by COVID-19 than renters

  - Forbearance rates less than expected

- Beneath the surface, credit has tightened

- When credit availability becomes an issue, minority borrowers tend to be disproportionately affected

The Backdrop on Housing

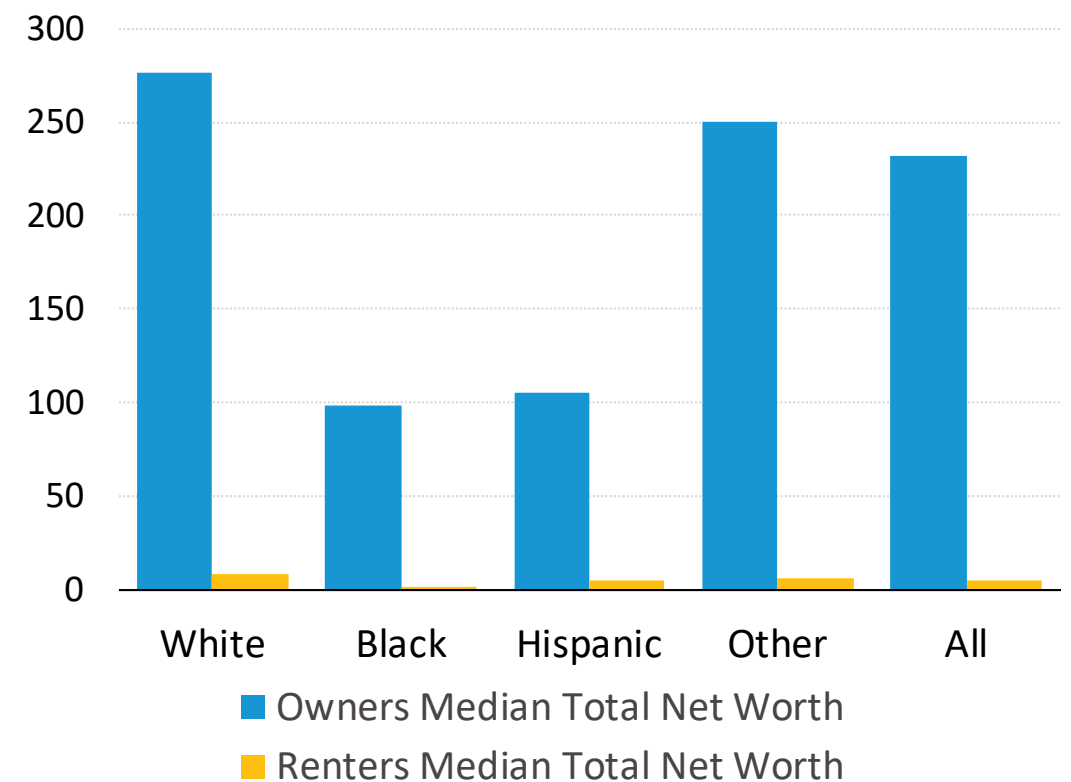# Homeownership has historically been the best way to build wealth

## Owners, Home equity as a portion of total wealth

2016 dollars (thousands)

Legend:
- ■ Median Home Equity
- ■ Median Non-Housing Wealth
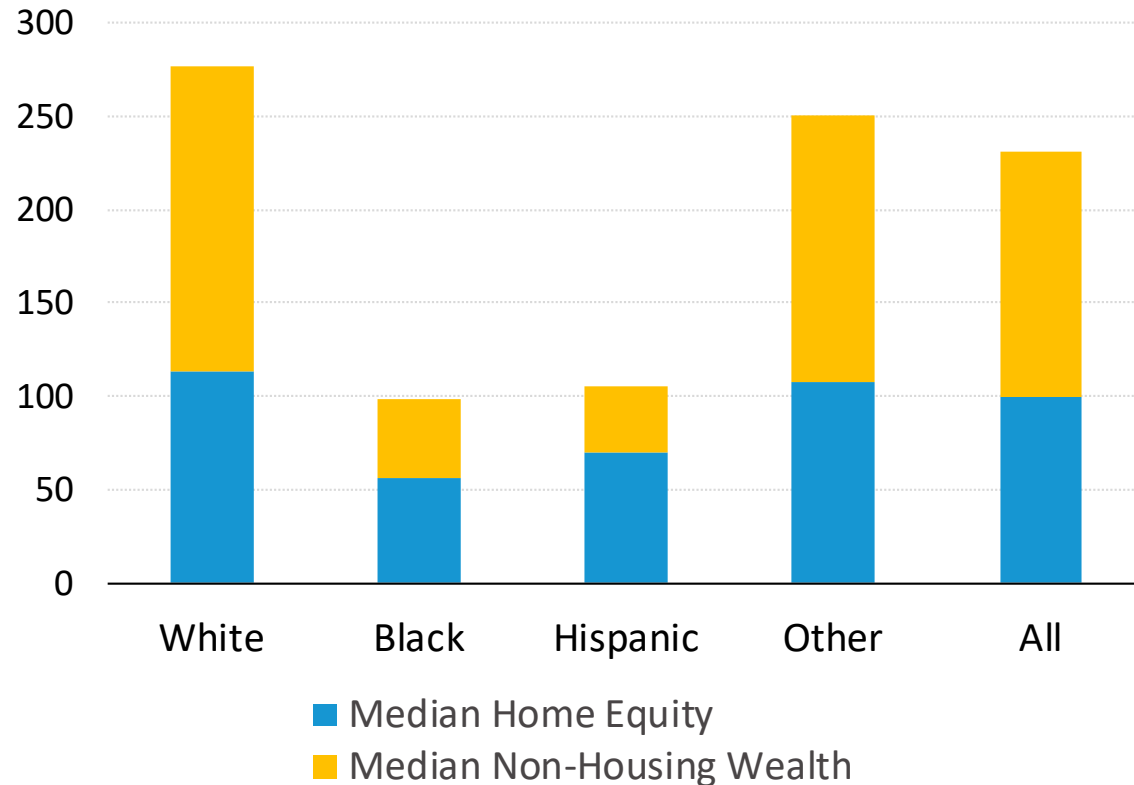
Owners vs. Renters, Total Wealth

2016 dollars (thousands)

Legend:
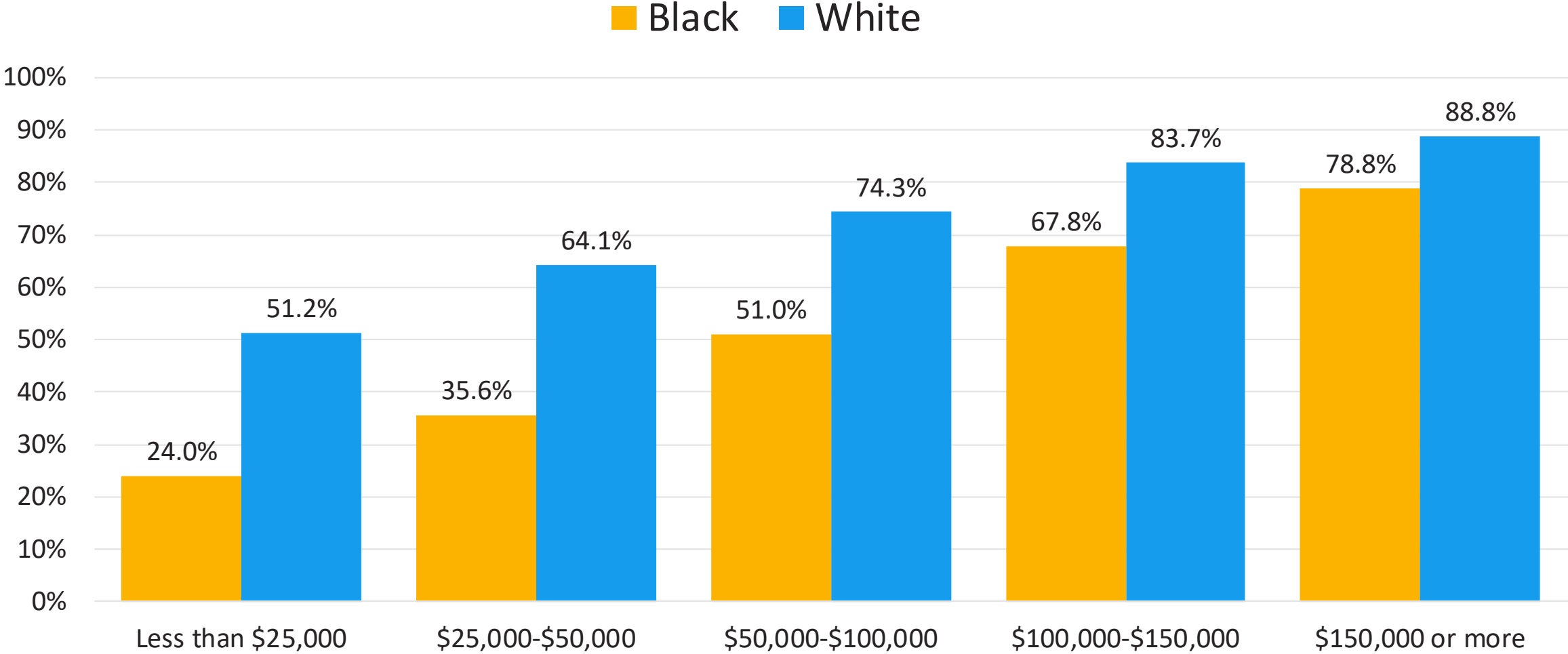- ■ Owners Median Total Net Worth
- ■ Renters Median Total Net Worth

Sources: JCHS tabulations of Federal Reserve Board, 2016 Survey of Consumer Finances.

Homeownership rates by race/ethnicity

Legend: White, Black, Asian, Hispanic

- White: 72.2%
- Asian: 59.5%
- Hispanic: 47.5%
- Black: 41.7%
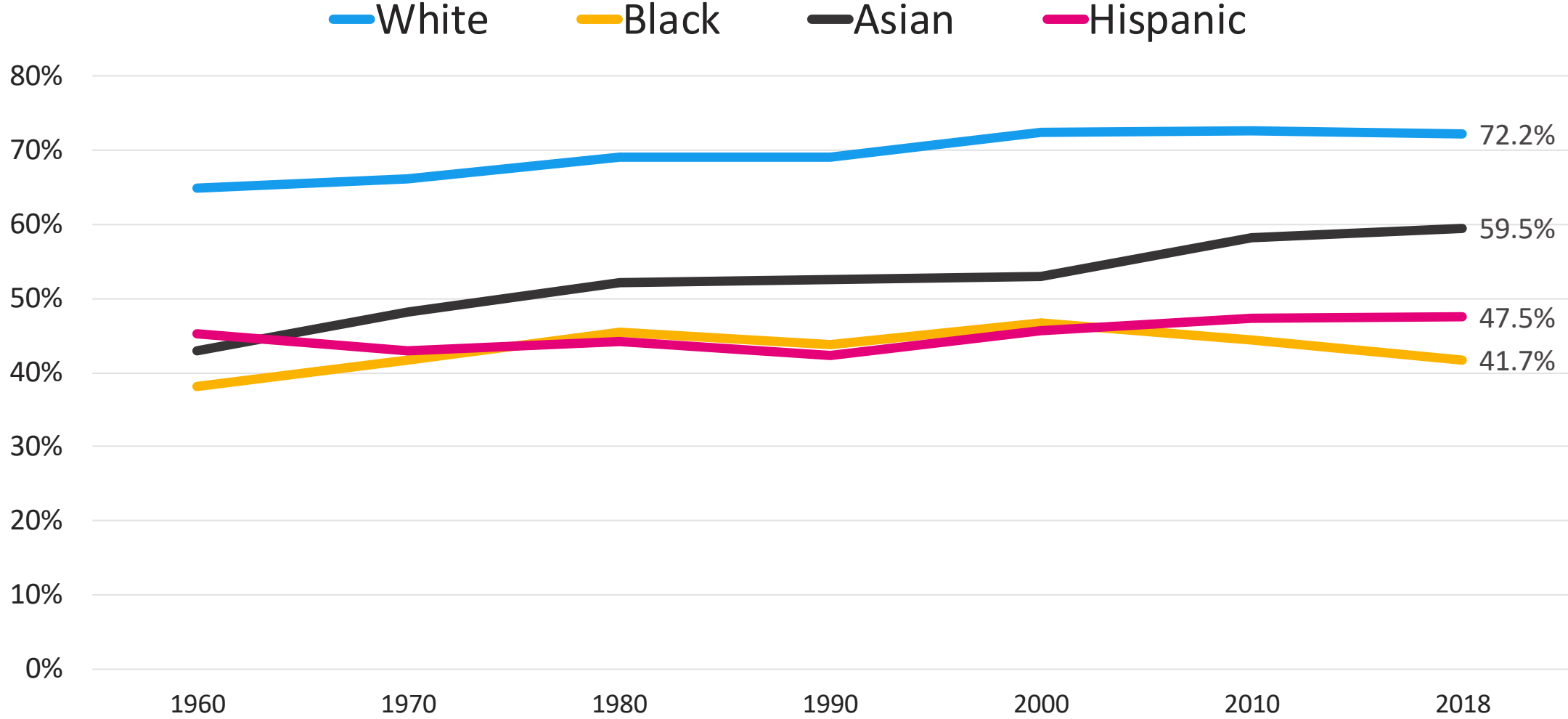
Source: Decennial Census, American Community Survey.

Homeownership rate by household income, 2018

■ Black ■ White

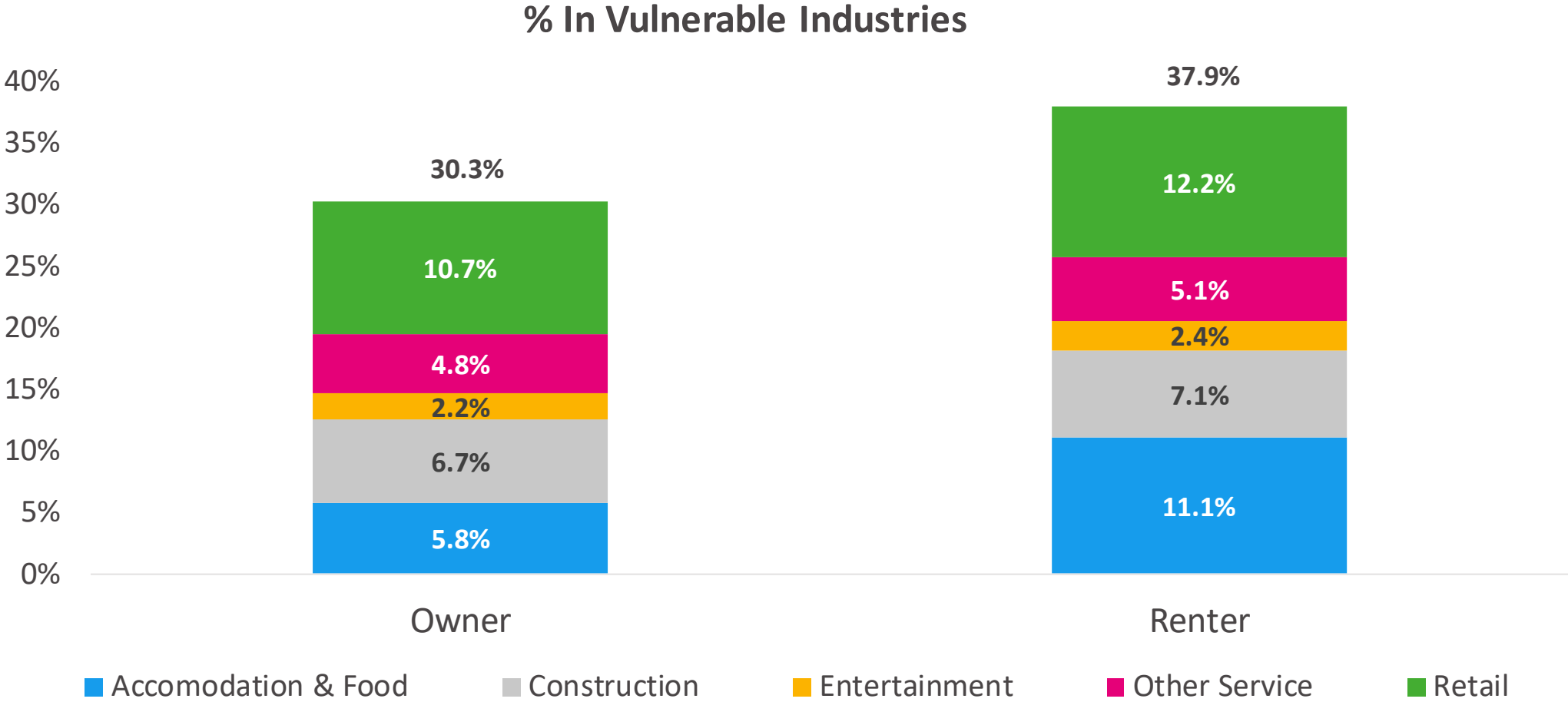| Income	Black	White
Less than $25,000	24.0%	51.2%
$25,000-$50,000	35.6%	64.1%
$50,000-$100,000	51.0%	74.3%
$100,000-$150,000	67.8%	83.7%
$150,000 or more	78.8%	88.8%

Source: 2018 American Community Survey.

On the surface, the housing market seems strong
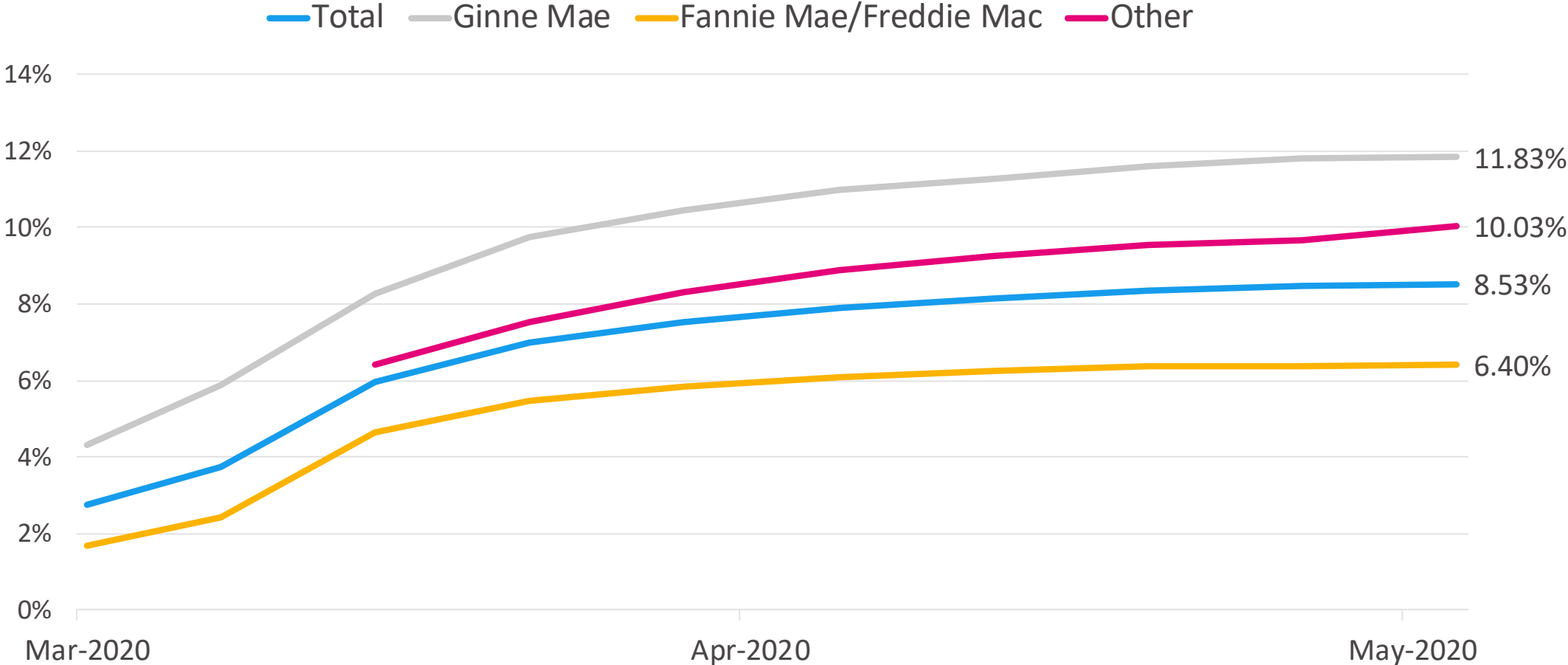
Unemployment Rate by Housing Tenure
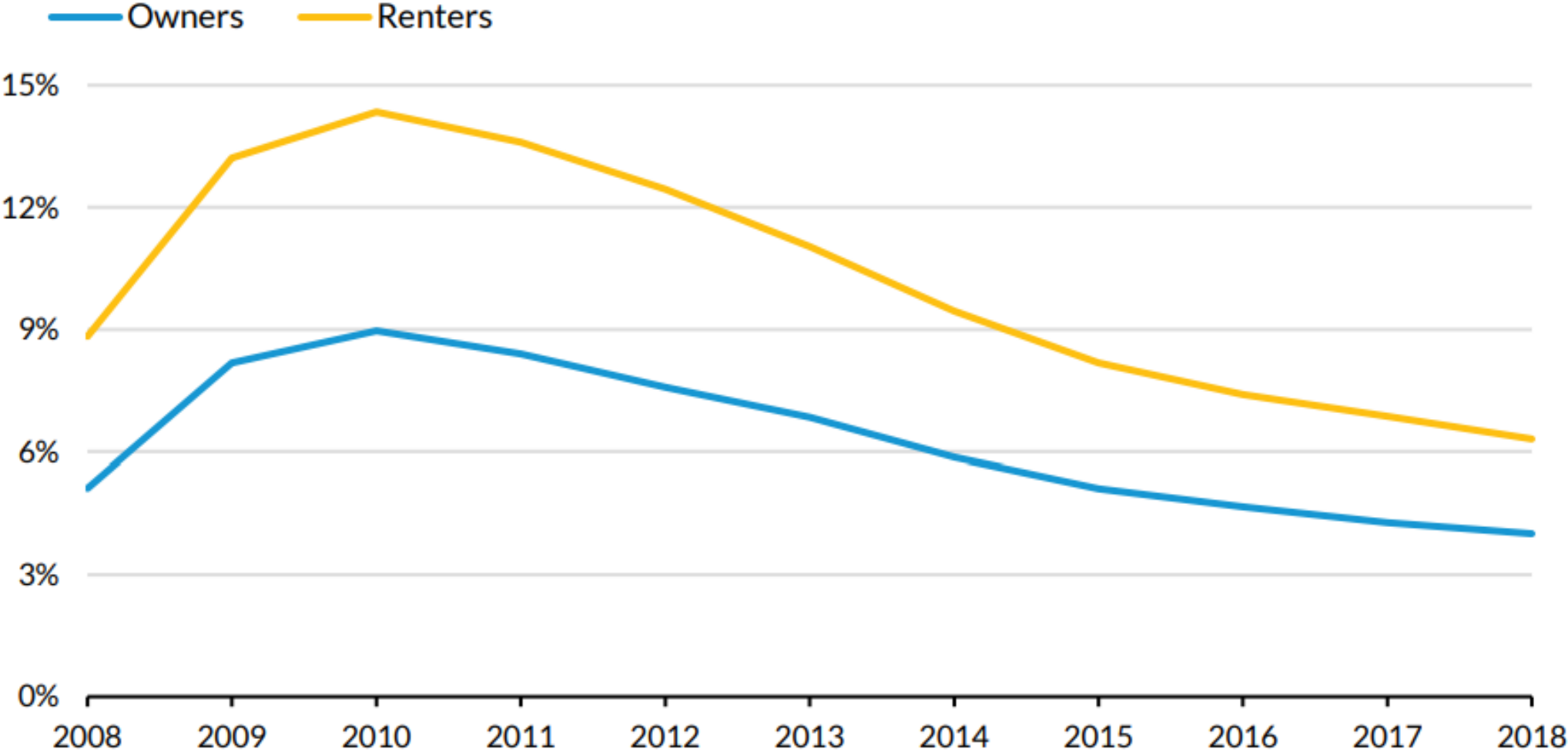
Source: American Community Survey.

Homeowners are Less Likely to Work in the Five Industries

% In Vulnerable Industries

Owner: 30.3%
- Retail: 10.7%
- Other Service: 4.8%
- Entertainment: 2.2%
- Construction: 6.7%
- Accomodation & Food: 5.8%

Renter: 37.9%
- Retail: 12.2%
- Other Service: 5.1%
- Entertainment: 2.4%
- Construction: 7.1%
- Accomodation & Food: 11.1%

Legend: ■ Accomodation & Food ■ Construction ■ Entertainment ■ Other Service ■ Retail

Note: The sample includes all individuals in the labor force.

MBA Forbearance Estimate

Legend: Total — Ginne Mae — Fannie Mae/Freddie Mac — Other

11.83%
10.03%
8.53%
6.40%

14%
12%
10%
8%
6%
4%
2%
0%

Mar-2020   Apr-2020   May-2020

Source: Mortgage Bankers Association.

# How Important Is Unemployment Insurance in Filling the Income Gap for Homeowners with a Mortgage?

10 Most-Populous States

State	Homeowners with Median Household Income				Homeowners at the 25th Household Income Percentile			
	Annual HH income ($)	Monthly HH income ($)	Estimated UI benefit + CARES $600/week ($)	HH income minus total benefit ($)	Annual HH income ($)	Monthly HH income ($)	Estimated UI benefit + CARES $600/week ($)	HH income minus total benefit ($)
CA	111,300	9,275	4,547	4,729	65,000	5,417	4,547	870
TX	95,000	7,917	4,854	3,063	56,000	4,667	4,854	-187
FL	79,900	6,658	3,789	2,870	45,700	3,808	3,789	20
NY	107,600	8,967	4,811	4,156	63,400	5,283	4,811	473
PA	89,730	7,478	5,109	2,368	54,000	4,500	4,848	-348
IL	95,500	7,958	4,764	3,194	57,300	4,775	4,764	11
OH	83,000	6,917	5,400	1,517	50,000	4,167	4,681	-515
GA	88,000	7,333	4,178	3,155	50,500	4,208	4,178	30
NC	80,800	6,733	4,114	2,620	48,000	4,000	4,114	-114
MI	82,100	6,842	4,165	2,676	49,600	4,133	4,165	-32

Sources: American Community Survey and Bureau of Labor Statistics.
Note: CARES = Coronavirus Aid, Relief, and Economic Security; HH = household; UI = unemployment insurance.
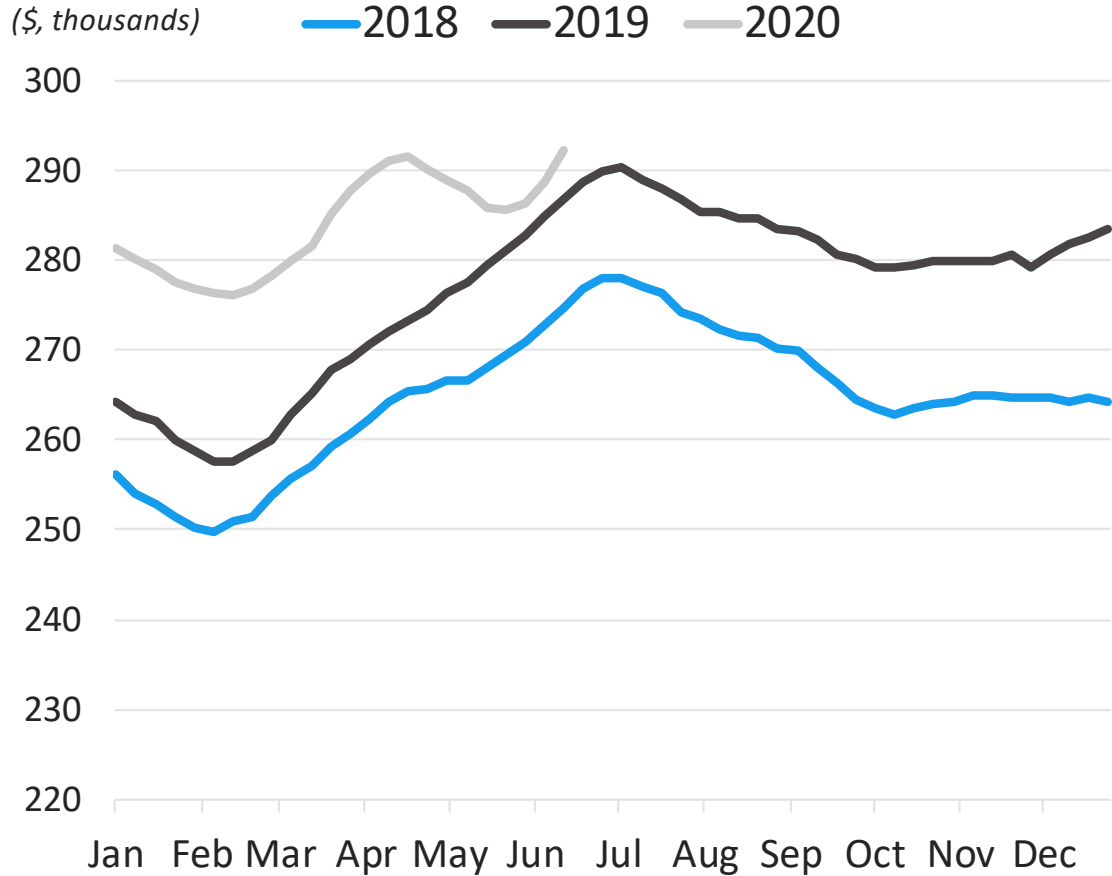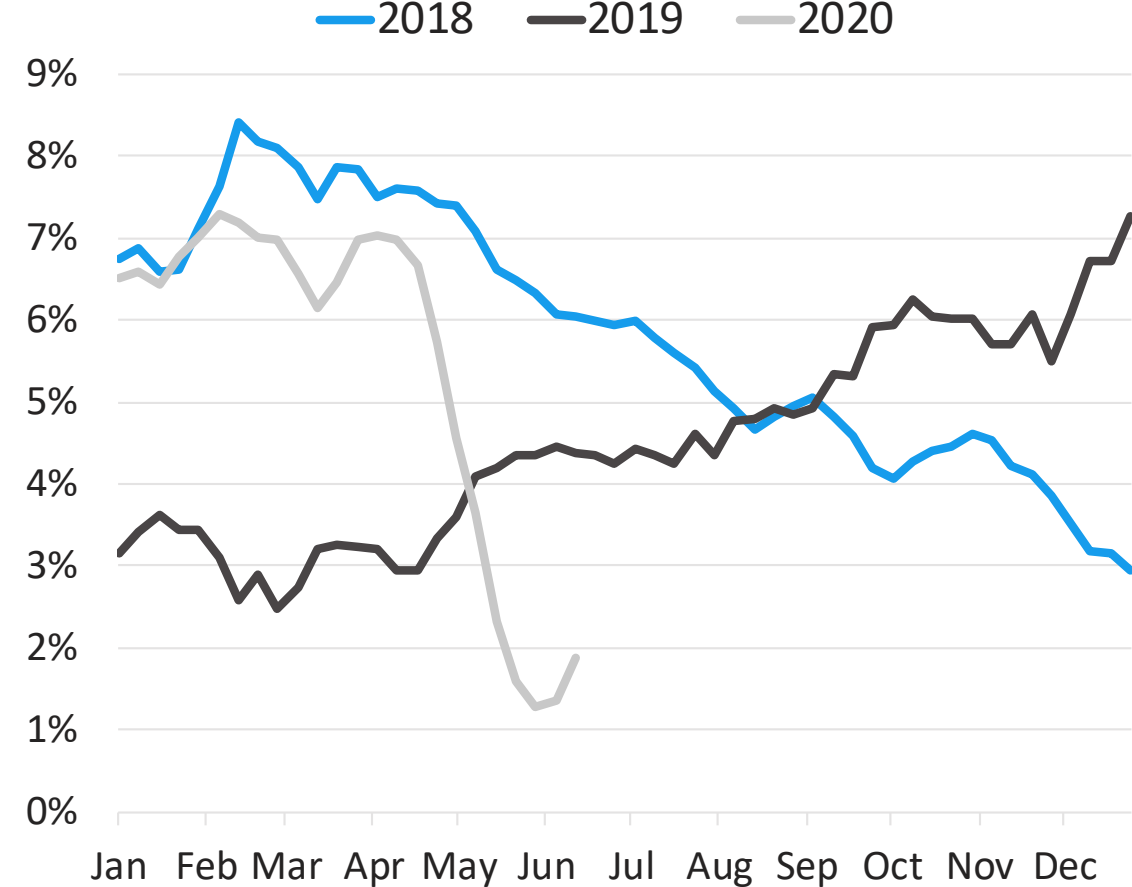
MBA Purchase Applications Index
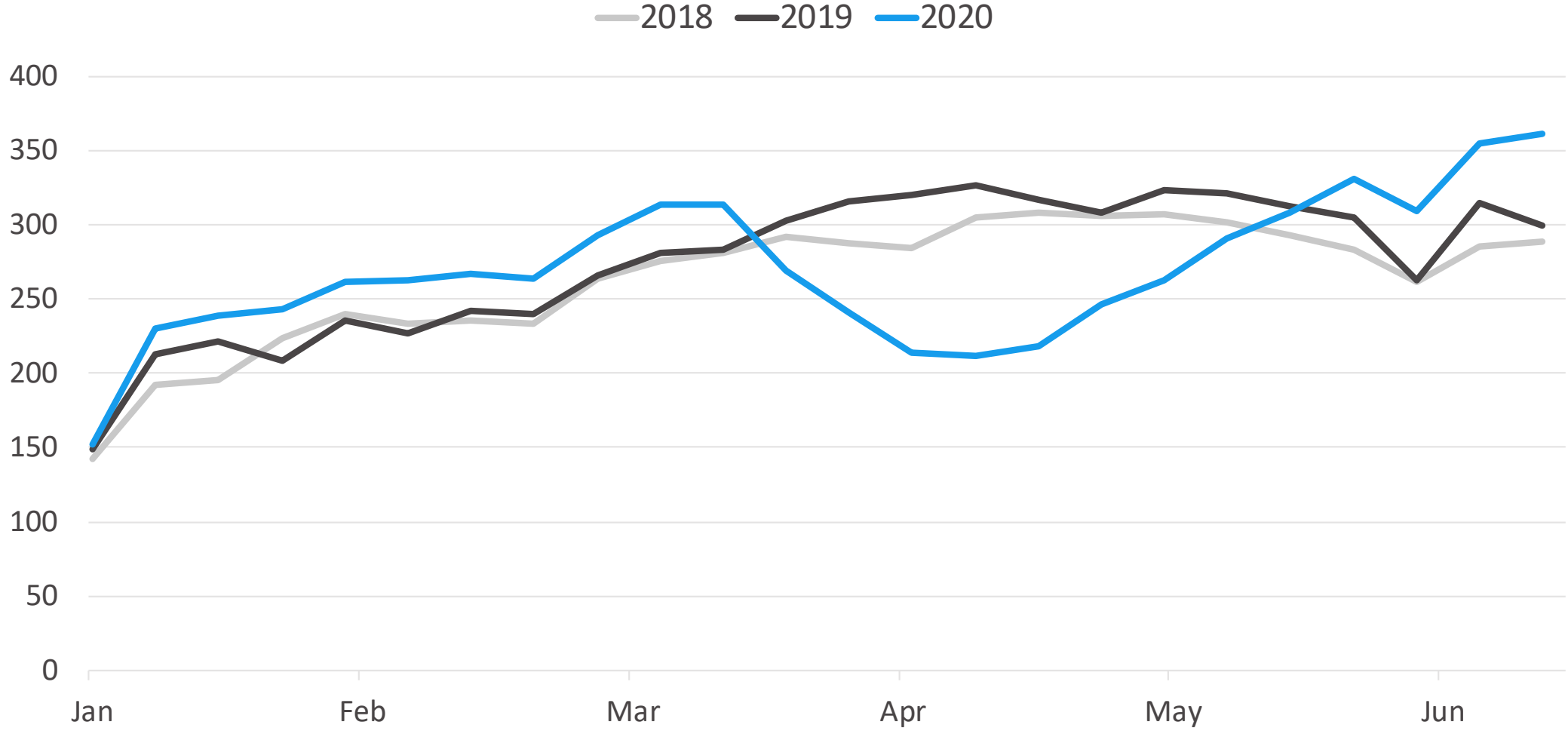
Sources: Mortgage Bankers Association (MBA) Weekly Mortgage Applications Survey.

Median Home Sale Price

Median Home Sale Price
($, thousands) — 2018 — 2019 — 2020
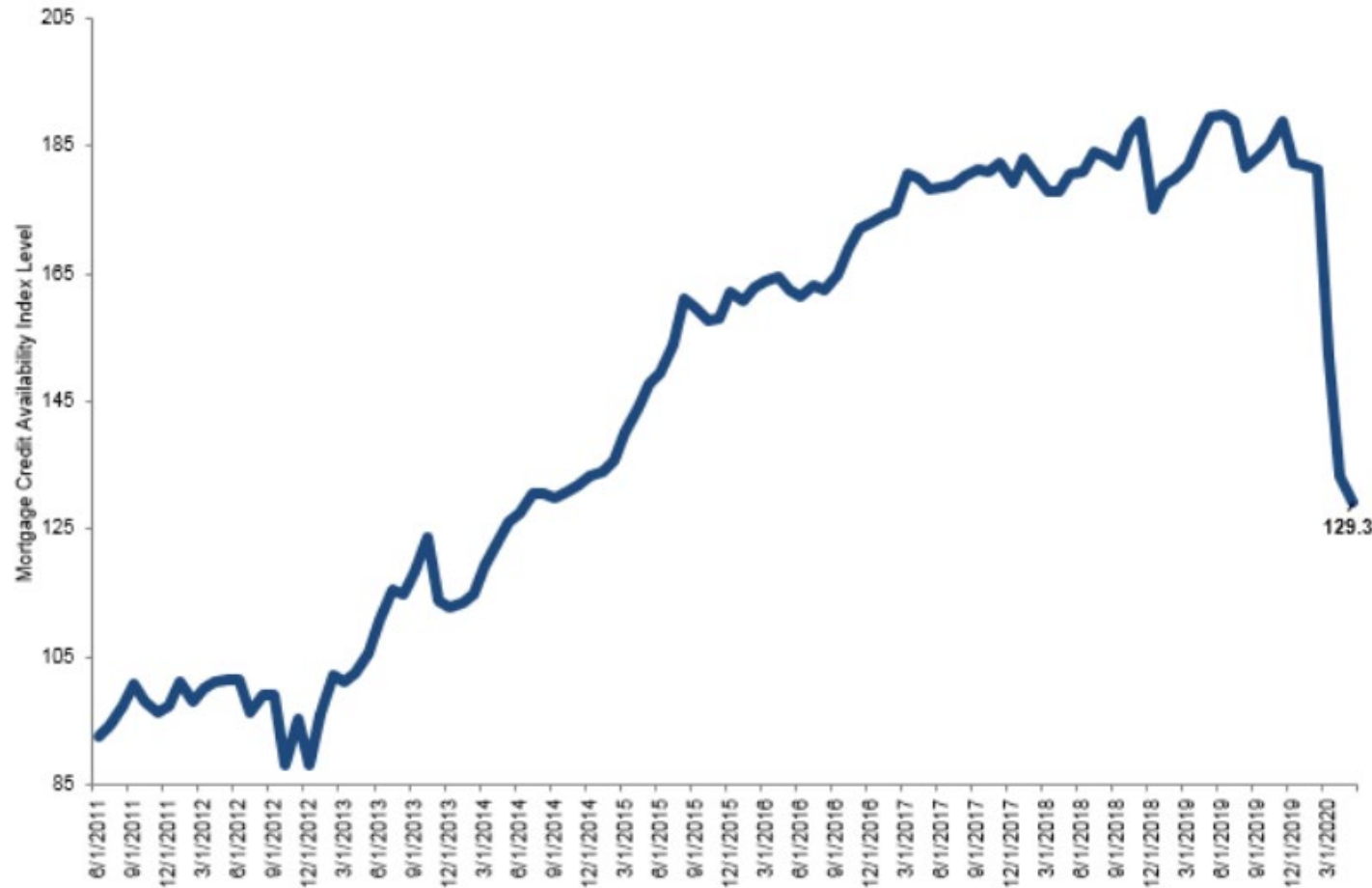
Year-Over-Year Change
— 2018 — 2019 — 2020

Sources: Redfin, Urban Institute calculations.

However, beneath the surface, credit availability has become an issue

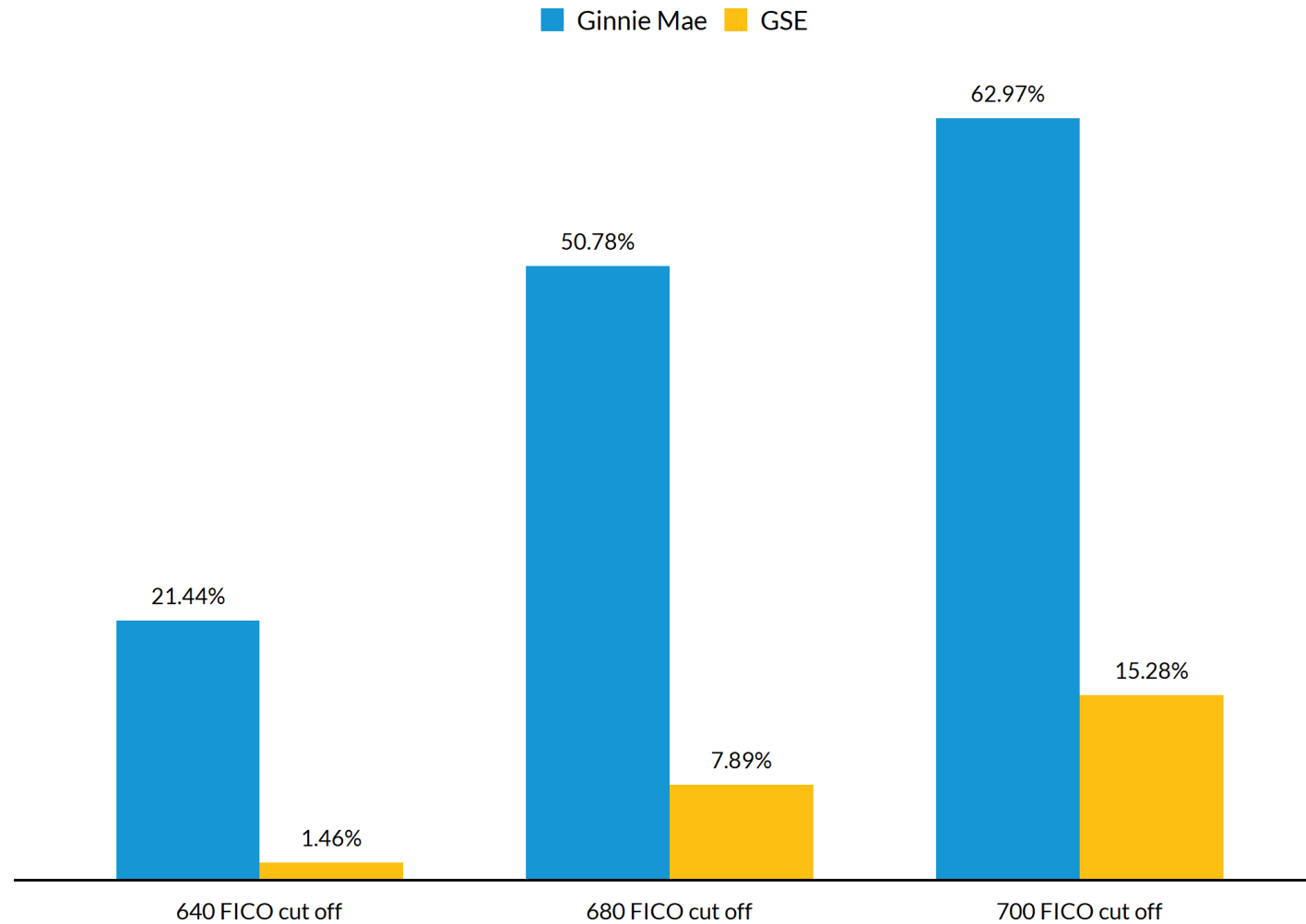# MBA Mortgage Credit Availability Index
NSA, 3/2012 = 100

Overall: 28.6%

Government: 16.1%

Conventional conforming: 15.8%

Jumbo: 53.3%

Source: Mortgage Bankers' Association.

Share of Agency Loans that Fail Different FICO Cut-offs, by Number of Loans

Legend: ■ Ginnie Mae ■ GSE

FICO cut off	Ginnie Mae	GSE
640 FICO cut off	21.44%	1.46%
680 FICO cut off	50.78%	7.89%
700 FICO cut off	62.97%	15.28%

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The Mortgage Credit Box: Already Tightening Going into COVID-19, Accelerated by the Virus

(% of mortgages with designated characteristics)

	Ginnie Mae Purchase	Ginnie Mae Refi	Fannie Mae Purchase	Fannie Mae Refi	Freddie Mac Purchase	Freddie Mac Refi
% FICO < 700						
Jan, 2019	65.2	70.2	17.9	29.3	14.5	23.5
Jan, 2020	61.6	65.6	13.9	14.8	12.3	16.2
April, 2020	61.4	62.3	12.6	9.2	11.4	9.8
% FICO < 700; DTI > 40						
Jan, 2019	44.2	38.5	9.2	13.6	6.4	9.0
Jan, 2020	38.0	12.8	5.9	6.3	5.0	6.6
April, 2020	37.0	8.5	5.2	3.3	4.3	3.6

Source: Urban Institute calculations from eMBS data.

When credit availability becomes an issue, it affects minority borrowers the most

FICO score by race, 2018

Legend: Below 620 | 620-700 | Above 700 | Missing score

	Below 620	620-700	Above 700	Missing score
White	16.6%	13.9%	57.5%	12.0%
Black	38.3%	14.9%	25.7%	21.2%
Hispanic	27.2%	18.8%	37.3%	16.7%
Asian	8.6%	11.6%	69.0%	10.8%

Source: 2018 American Community Survey.

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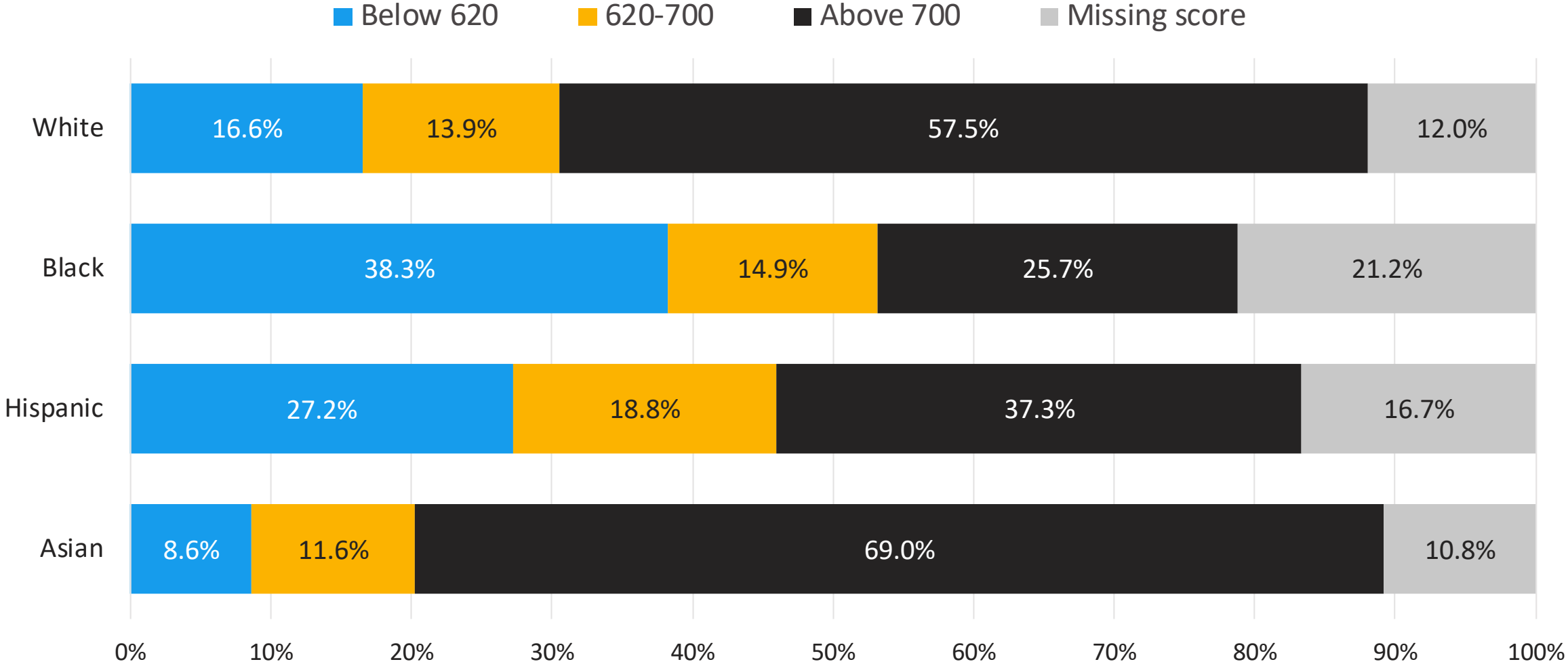
FICO, DTI and LTV by Race/ethnicity (2018 originations)

Borrower Race/Ethnicity	FICO score	Median CLTV, purchase mortgages	Median CLTV, refinance mortgages	Debt-to-income ratio
Non-Hispanic White	748	90	72	38
Hispanic White	710	96.5	70.3	42
Black	691	96.5	76.6	42
Asian	759	80	65.9	39
Other	720	96.5	73.7	40
Total	741	90	72.1	39

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