



State of Banking in the City of Boston – 2023

Nationwide residential mortgage originations dropped to the lowest point in more than 20 years.

Driven by rate increases across the country and in Boston, mortgage applications and originations decreased by more than 30 percent in 2022 and again in 2023. Overall, total loan costs increased with greater increases for Latino and Black borrowers affecting cost of entry, debt to income ratios and carrying costs.

While the covid pandemic and its effects seemed to be in the rear-view mirror, fallout affecting the Boston housing market continued into 2023. As post pandemic high interest rates persisted, home prices continued to rise and housing inventory remained low.

Even though inflation had lessened to 4.1 percent in 2023, from the 2022 high of 8 percent, costs resulting from the earlier high inflation persisted and the 30-year fixed mortgage rate more than doubled from 3 percent in 2021 to 6.81 percent in 2023.¹

Several factors strained the available inventory. Boston-area home turn-over rate (the number of homes selling in a given year) dropped 22 percent since 2019.² Exacerbating the low inventory was a 12 percent decline in new housing units permitted in Greater Boston since 2021.³

2023 Boston Home Ownership

The income a potential buyer would need to afford mortgage payments on the typical home in Greater Boston continued to rise.

In 2023 the median household income in Boston was \$94,755⁴. Yet, assuming standard underwriting terms that would allow buyers to spend no more than 31 percent of household income on monthly housing costs, a potential buyer would need to have an annual household income of at least \$194,188 to afford monthly payments on the typical home in Boston. In 2023, the median home sales price was \$712,000.⁵

Lending to Minorities and Low- and Moderate-Income Borrowers

According to the June 2023 Mortgage Lending Matters, by the Massachusetts based Partnership for Financial Equity: Black borrowers receive just 7 percent of home purchase mortgages in the City of Boston but comprise 22.7 percent of the population. Latino borrowers received 7.7 percent of home purchase mortgages while comprising nearly 20 percent of the city's population. In contrast, White borrowers represent 44.5 percent of Boston's population but received 71.2 percent of the home purchase mortgages.⁶

Compounding existing pricing and availability struggles is an apprehension by sellers and their realtors to accept government insured FHA* loans,

forcing buyers to look beyond Boston. Statewide Black and Hispanic ownership increased from 4.9 percent to 6.2 percent, this growth often took place in towns and cities outside of Boston despite residents' desire to stay.⁷

*FHA loans, overwhelming used by minority homeowners, do not have risk-based pricing and require a 3.5 percent down payment, an affordable option for people with low credit scores. However, they also require a mortgage insurance premium for the length of the loan, ultimately make them cost more than conventional ones.⁸

Foreclosure Update

During the pandemic, foreclosure moratoriums paused foreclosure for some time.⁹ The moratorium ended in June 2021 and 2022-2023 data indicate 126 petitions to foreclose in the City of Boston.¹⁰

By way of context, at the height of the foreclosure crisis in 2008, the foreclosure executions in Boston numbered 1,215.¹¹

Mortgage Lending Trends 2023

Banks covered in this report originated 1197 HMDA Mortgage Loans in 2023. Of those originations, 28 percent went to applicants who identified as a minority applicant. Another 19 percent went to applicants where no race was specified.

The proportion of applications that resulted in originations was 64 percent overall, 69 percent for

white applicants and 57 percent for minorities (excluding race N/A).¹²

Mortgage applications by minority applicants as a percentage of total applications was 37 percent in 2023 (excluding race N/A).

The total number of low-income HMDA mortgage applications received by the banks covered in this report was 212 resulting in 83 originations for an origination rate of 39 percent (down from 63 percent in 2022).

The twenty (20) banks profiled in this report received 30 percent of all the HMDA mortgage applications submitted in the Boston MSA in 2023 and made 30 percent of the originations by number.

About this Report

Since 1999, BankIQ has prepared the Linked Deposit Banking Report to the Mayor, which reports annually on the residential lending, small business lending, and community development practices of the group of banks eligible to provide banking services to the City of Boston.

The report was created in accordance with section 6-8.2 of chapter VI of the City of Boston Municipal Code.¹³

¹ Consumer Protection Bureau

² Boston Business Journal

³ Ibid.

⁴ US Census Bureau

⁵ CBSnews.com

⁶ <https://financialequity.net/announcement/mortgage-lending-matters-report/>

⁷ <https://www.boston.com/real-estate/real-estate/2023/04/03/black-home-buyers-leaving-boston-face-segregation/>

⁸ Ibid.

⁹ City of Boston Distressed Property Report 2021.

¹⁰ Massachusetts Housing Partnership.

¹¹ www.boston.gov/news

¹² Metrics exclude applications where ID by race is not available.

¹³ City of Boston Municipal Code, Chapter VI, section 6-8.2.

BankIQ

120 Coolidge Street
Brookline, MA 02446-5808
inoble@bankiq.com
www.bankiq.com

BankIQ prepared this document for the City of Boston.

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For the complete 2023 Linked Deposit Banking Report, contact the City of Boston Treasurer's office or the City of Boston website.

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2023 Linked Deposit Banking Report to the Mayor

EXECUTIVE SUMMARY



CITY OF BOSTON