Constructive Credit: Revisiting the Performance of Community Reinvestment Act Lending during the Subprime Crisis

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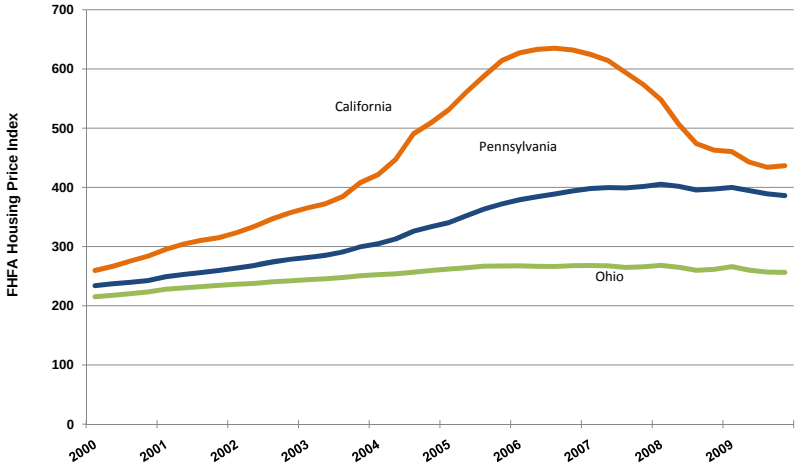
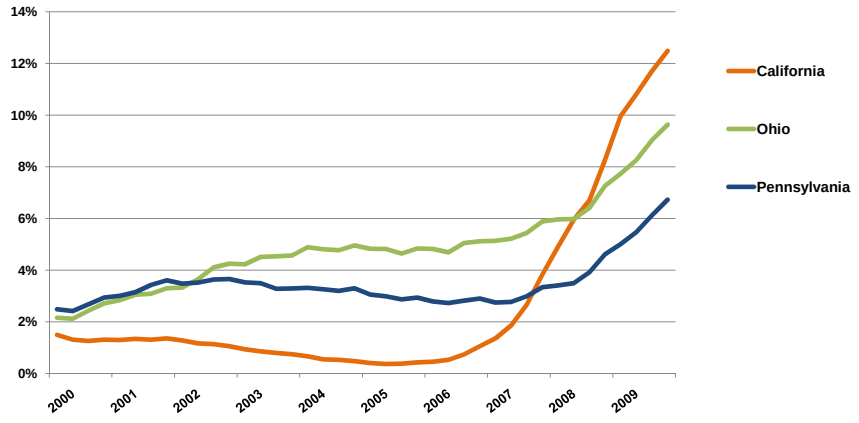
FHFA Housing Price Index for IL, PA, OH, and CA
2000-2009



Source: Federal Housing Finance Agency

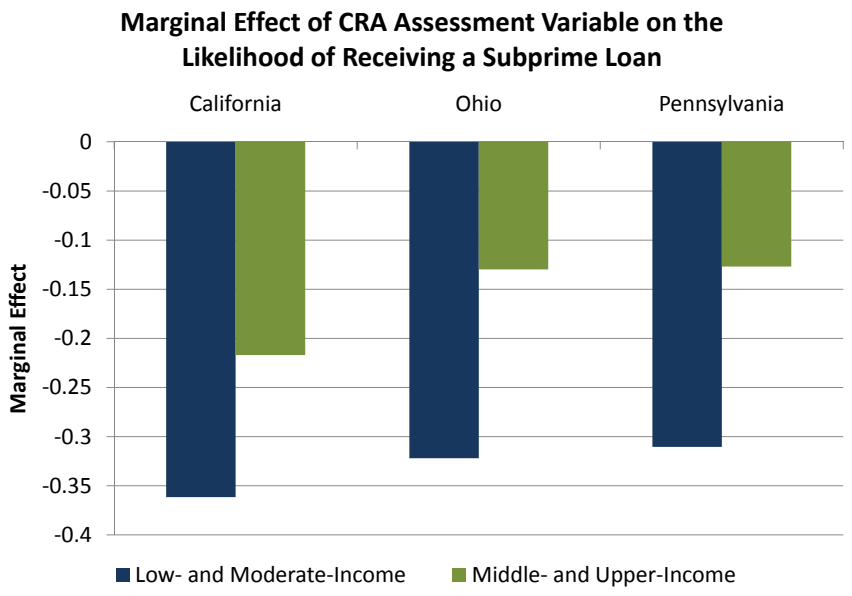
Percentage of Seriously Delinquent Mortgages in California, Ohio, and Pennsylvania
2000-2009



Sources: Mortgage Bankers Association/Haver Analytics

- Matched proprietary dataset
- Loans originated between January 2004 and December 2006
  - Limited to conventional, first-lien, owner-occupied loans originated in metropolitan areas
- Loan performance through December 2008
- Models
  - likelihood of receiving a higher-priced loan (logit with dichotomous dependent variable)
  - likelihood of default (competing risks using the multinominal logit framework)

Overview Methods **Findings** Policy Conclusions



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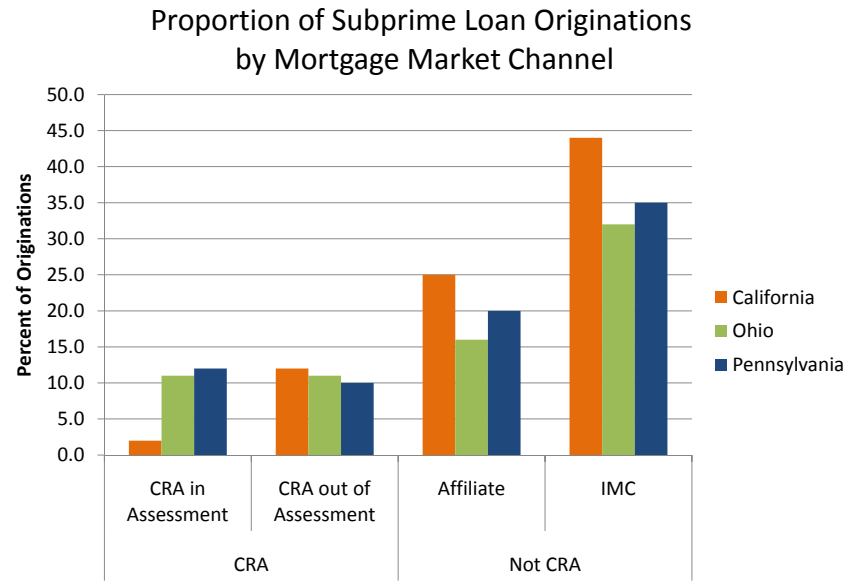

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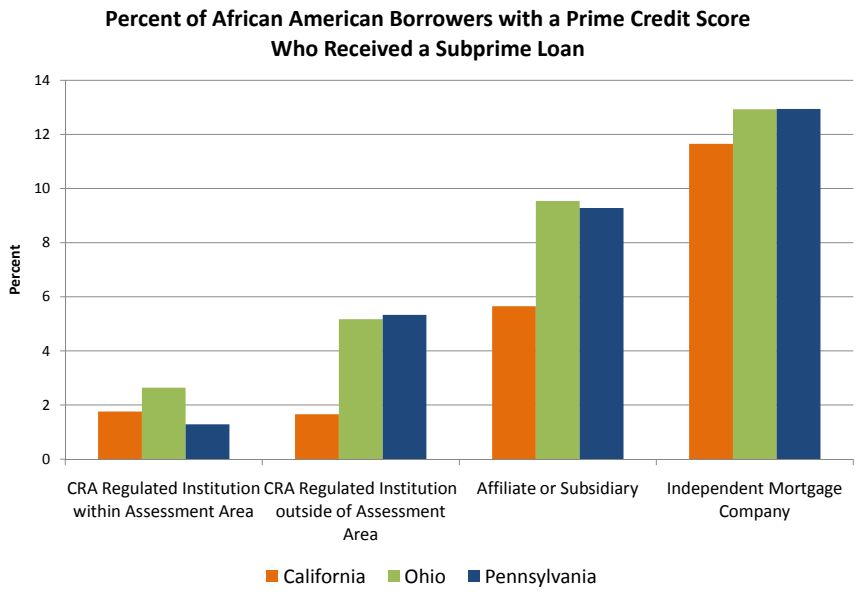

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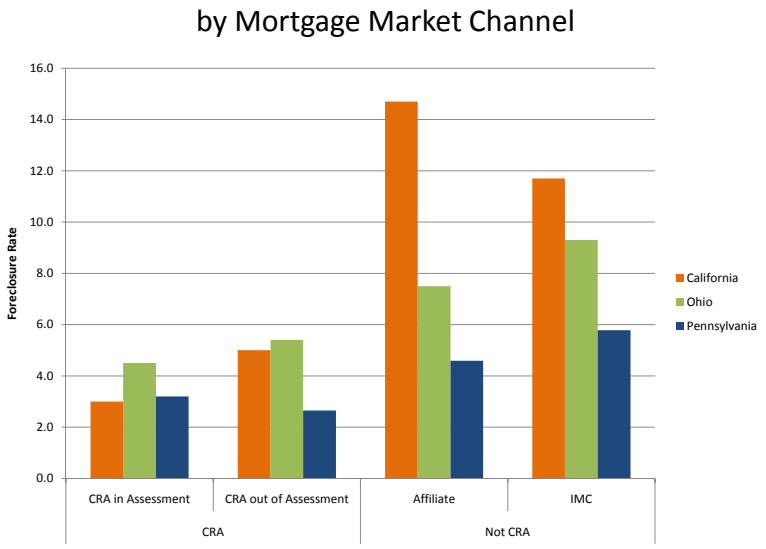

Relationship between Mortgage Market Channel and Foreclosure

	CALIFORNIA		OHIO		PENNSYLVANIA	
	Default		Default		Default	
	Coeff.	RRR	Coeff.	RRR	Coeff.	RRR
CRA Regulated Institution within Assessment Area	-0.824***	0.44	0.220***	1.25	0.119***	1.13
CRA Regulated Institution Outside of Assessment Area	-0.264*	0.77	0.122***	1.13	-0.050	0.95
Affiliate or Subsidiary	-0.195***	0.82	0.398***	1.49	-0.008	0.99
Wholesale	0.273***	1.31	0.334***	1.40	0.495***	1.64

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- Policy Implications
  - Level the regulatory playing field
  - Reconsider how to define “assessment area” and support local nature of mortgage lending
  - Reconsider the role of trusted intermediaries such as mortgage brokers
  - Reconsider role of race
  - Reconsider emphasis of CRA on mortgage lending without broader attention to a continuum of financial services
  - Need for public data on a wider range of consumer finance products *over their life span*

Overview Methods Findings Policy **Conclusion**

- Thank you!

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