

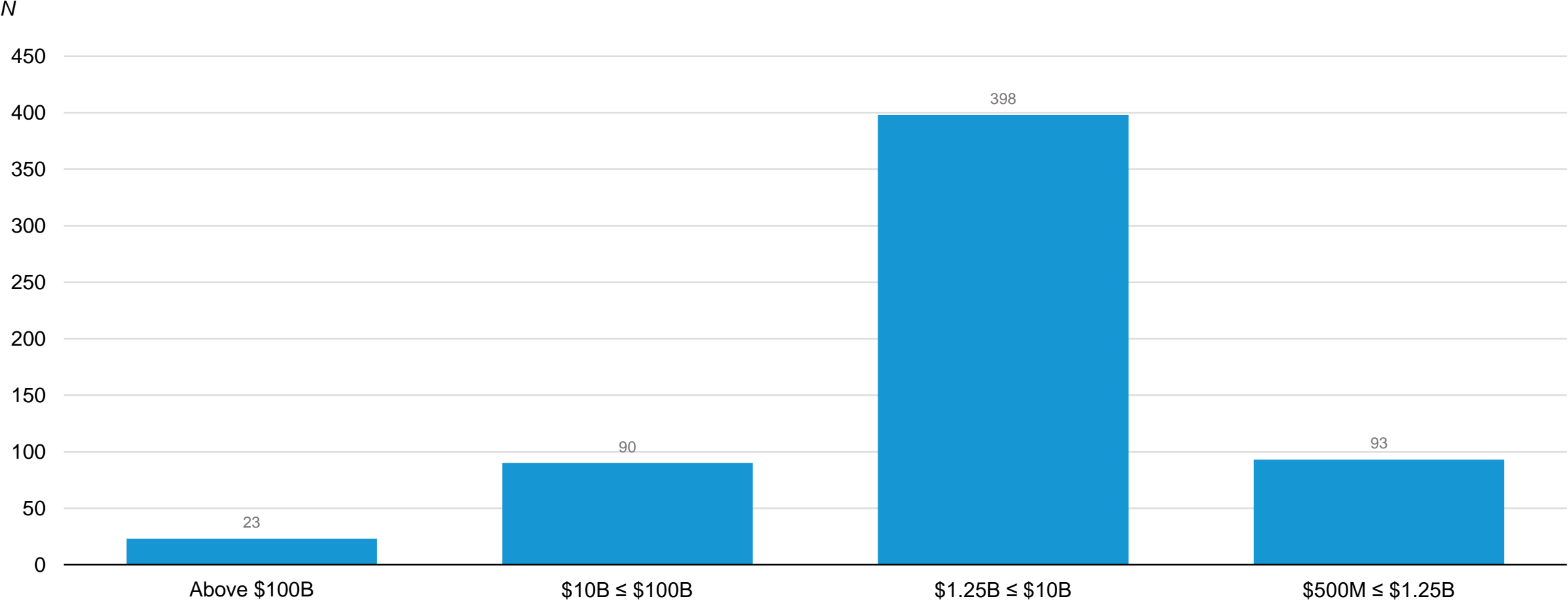
Jan 2022

Bank lending outside CRA assessment areas

Housing Finance Policy Center



Number of banks in each asset category



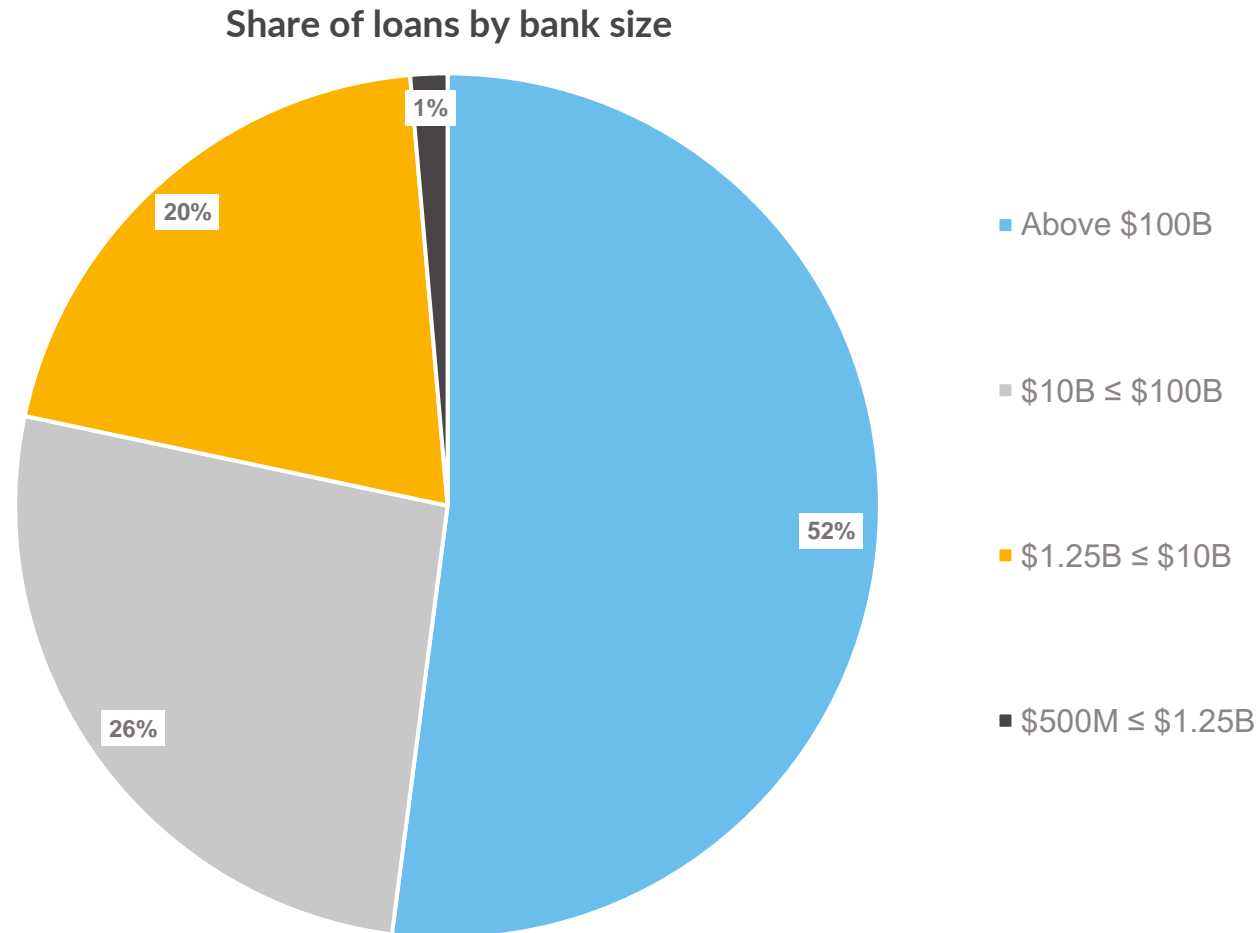
Note: We matched HMDA's lender file and CRA small business's lender file using common ID. We include 626 institutions after matching. We further exclude 22 small banks, or those with assets ≤\$500 million. Overall, we include 604 institutions in this analysis.

Home Mortgage Lending

Mortgage lending is highly concentrated

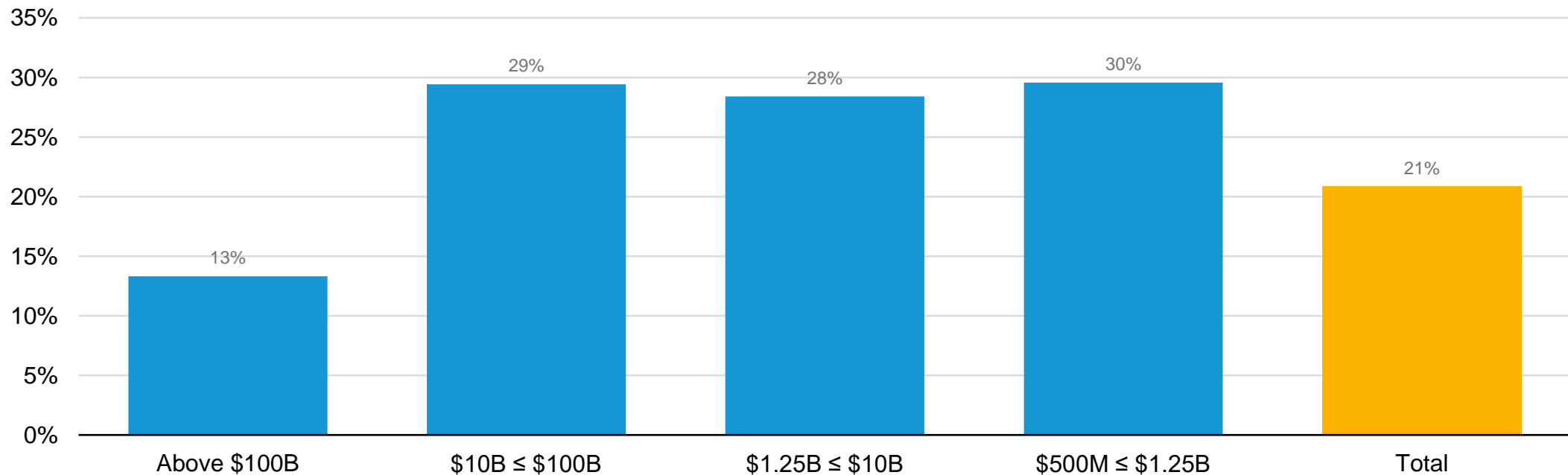
The 23 banks with assets > \$100B make 52% of all bank mortgages to homebuyers

The 113 banks with assets > \$10B make 78% of all bank mortgages to homebuyers



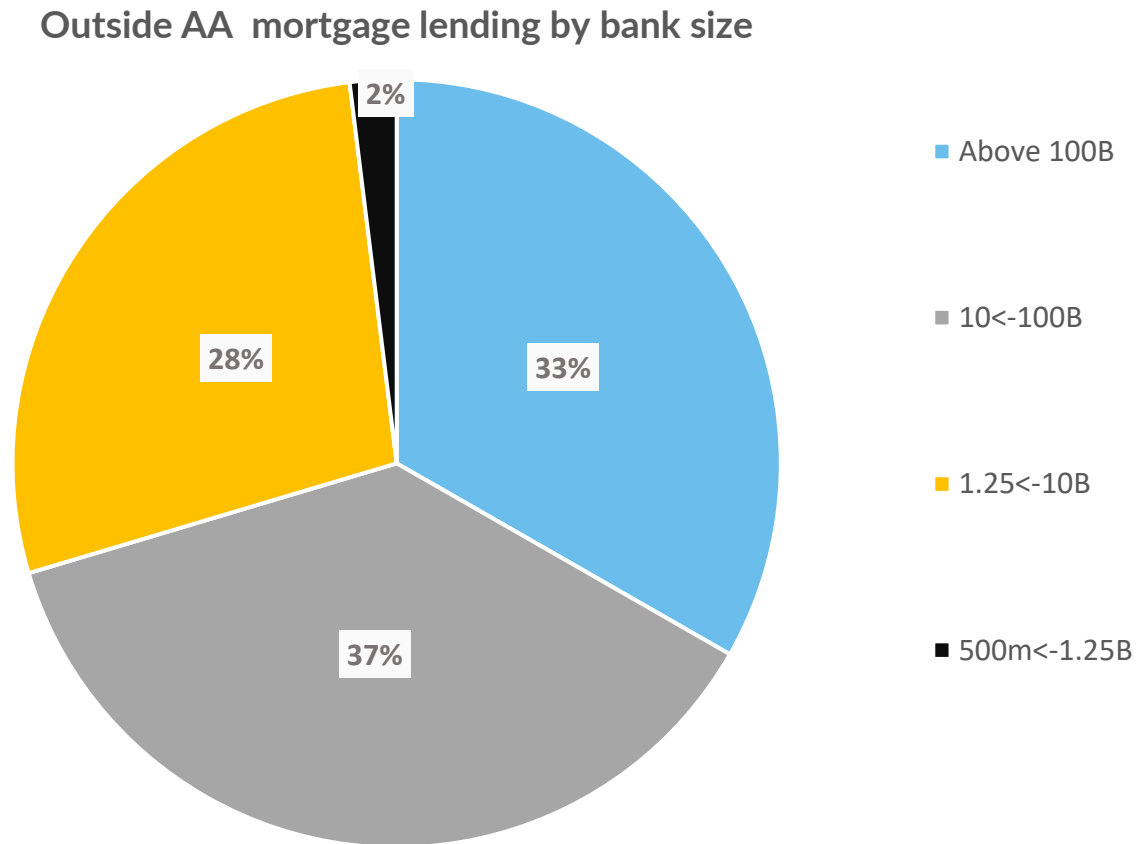
The largest banks make a smaller share of their homebuyer mortgages outside assessment areas (AAs)

Overall, banks made 21% of their homebuyer mortgages outside AAs. Large banks only made 13% of their homebuyer mortgages outside AAs.

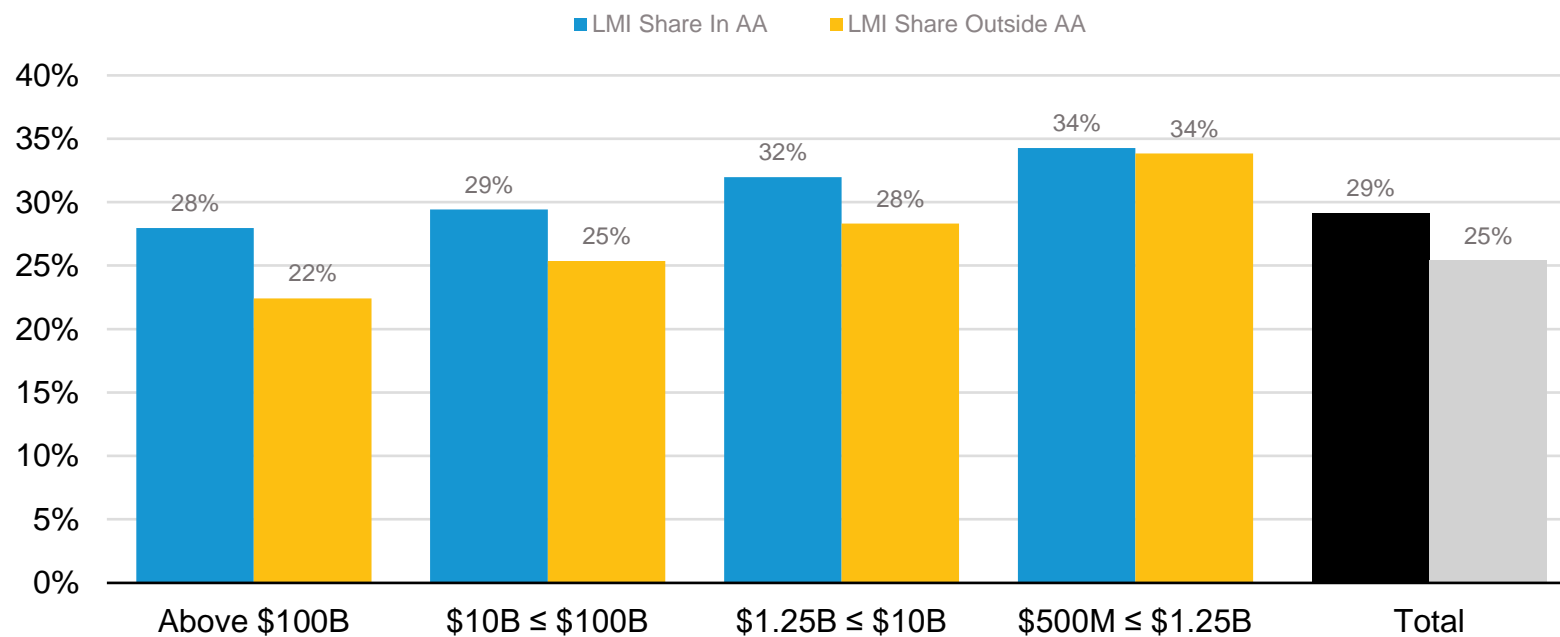


... But the 23 largest banks (assets >\$100B) still provide 33% of all bank mortgages to homebuyers outside AAs

Note that the 113 banks with assets >\$10B make 70% of all banks' homebuyer mortgages



For banks of all sizes, the LMI share of their homebuyer lending is higher inside AAs



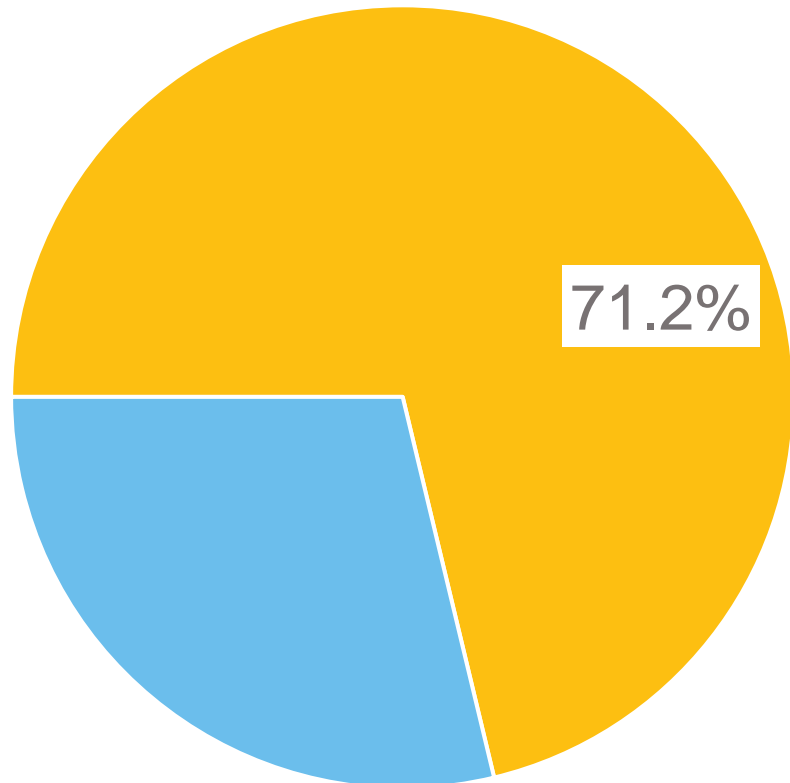
Setting thresholds for CRA coverage of lending outside AAs

- Our goal should be to cover the maximum number of outside-AA loans while minimizing the number of banks covered.
- We applied two kinds of lending thresholds:
 1. Share threshold: Includes banks that make at least 10%, 20%, or 30% of their homebuyer mortgages outside AAs.
 2. Loan count threshold: Includes banks that make at least 100 or 250 homebuyer mortgages outside AAs annually.

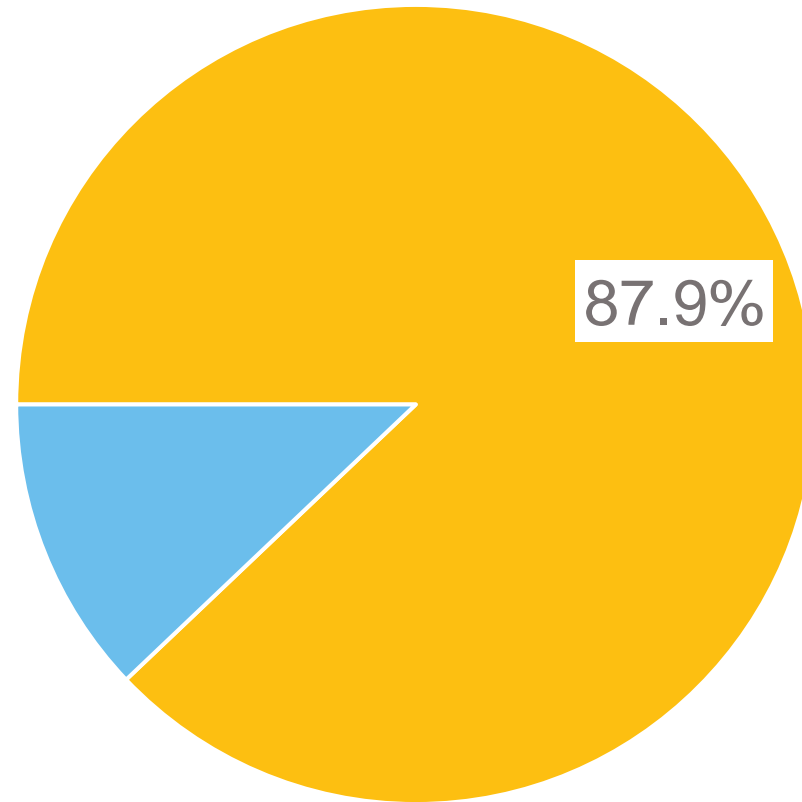
Share threshold analysis

71% of banks make >10% of their homebuyer mortgages outside AAs. Those banks make 88% of all banks' outside-AA mortgage lending nationwide

>10% share outside AAs



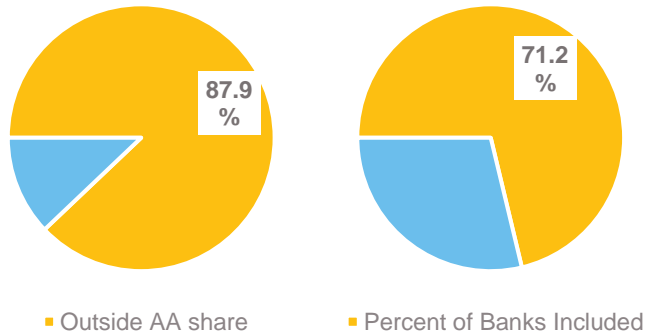
■ Percent of Banks Included



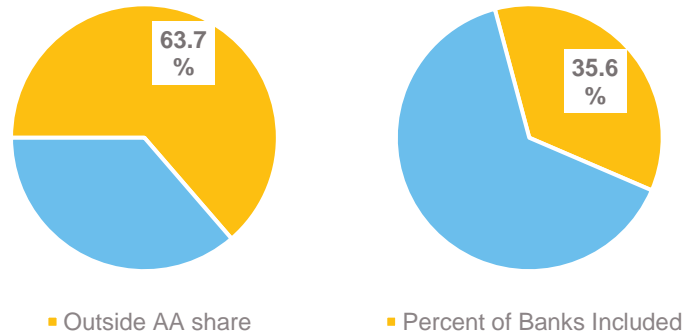
■ Outside AA share

Increasing the share threshold would cover substantially fewer banks but also substantially fewer outside-AA homebuyer mortgages

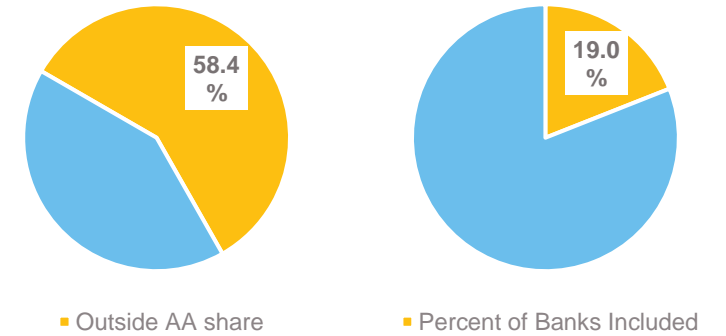
10% share outside AAs



20% share outside AAs



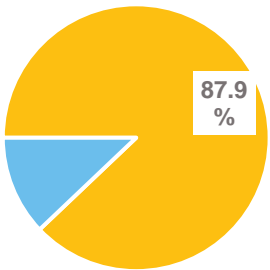
30% share outside AAs



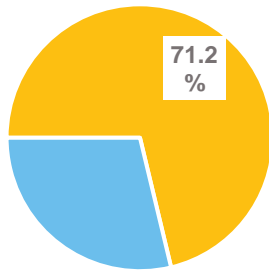
Loan count threshold analysis

Adding a minimum number of outside AA homebuyer mortgages reduces bank coverage while still covering 80-90% of such loans

>10% share outside AAs
>0 loans outside AAs

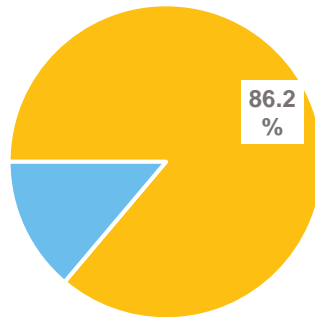


■ Outside AA share

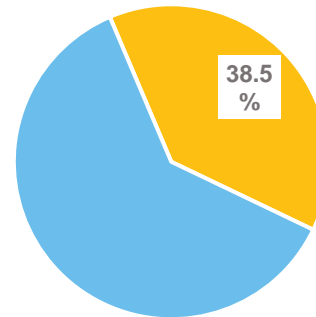


■ Percent of Banks Included

>10% share outside AAs
>100 loans outside AAs

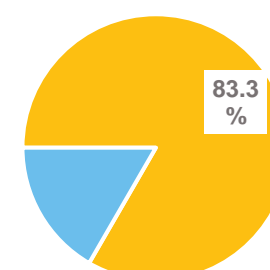


■ Outside AA share

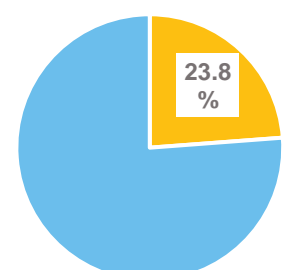


■ Percent of Banks Included

>10% share outside AAs
>250 loans outside AAs



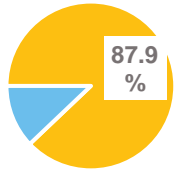
■ Outside AA share



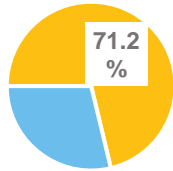
■ Percent of Banks Included

All potential threshold combinations

>10% share outside AAs

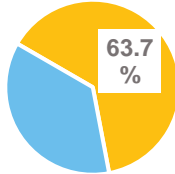


■ Outside AA share

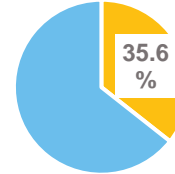


■ Percent of Banks Included

>20% share outside AAs

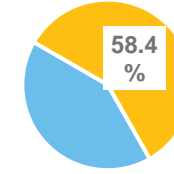


■ Outside AA share

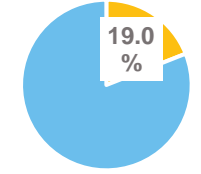


■ Percent of Banks Included

>30% share outside AAs

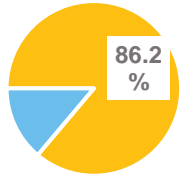


■ Outside AA share

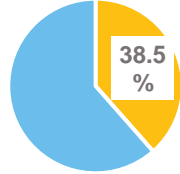


■ Percent of Banks Included

>10% share outside AAs >100 loans outside AAs

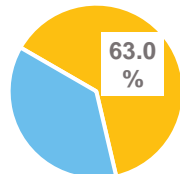


■ Outside AA share

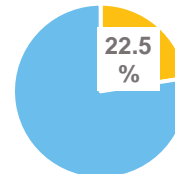


■ Percent of Banks Included

>20% share outside AAs >100 loans outside AAs

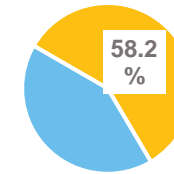


■ Outside AA share

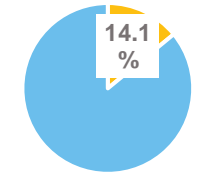


■ Percent of Banks Included

>30% share outside AAs >100 loans outside AAs

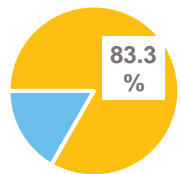


■ Outside AA share

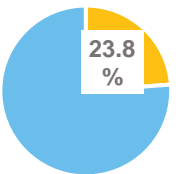


■ Percent of Banks Included

>10% share outside AAs >250 loans outside AAs

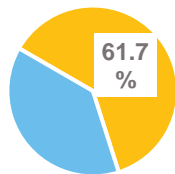


■ Outside AA share

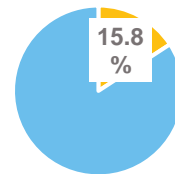


■ Percent of Banks Included

>20% share outside AAs >250 loans outside AAs

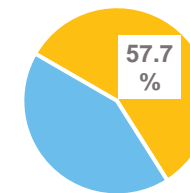


■ Outside AA share

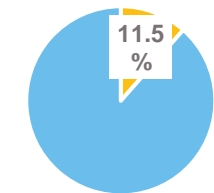


■ Percent of Banks Included

>30% share outside AAs >250 loans outside AAs



■ Outside AA share



■ Percent of Banks Included

Adding a minimum loan count greatly reduces the number of small and medium sized banks but still covers most outside AA homebuyer lending by banks of those sizes

	>10% share outside AA		>10% share outside AA >250 loans outside AA	
Bank Size	Percent of Banks Included	Outside AA Share	Percent of Banks Included	Outside AA Share
Above \$100B	52.2%	75.3%	52.2%	75.3%
\$10B ≤ \$100B	55.6%	93.3%	44.4%	92.8%
\$1.25B ≤ \$10B	73.6%	95.1%	21.9%	82.4%
\$500M ≤ \$1.25B	79.6%	96.4%	10.8%	60.0%
Total	71.2%	87.9%	23.8%	83.3%

Small banks make only 2% of all banks' outside-AA homebuyer mortgages, so a minimum 250 loans threshold would barely reduce overall coverage

Bank Size	# of loans outside AAs	# of loans outside AAs (>10% share outside AAs)	# of loans outside AAs (>10% share outside AAs and >250 loans outside AAs)
Above \$100B	174,478	131,428	131,428
\$10B ≤ \$100B	194,508	181,514	180,553
\$1.25B ≤ \$10B	144,961	137,912	119,402
\$500M ≤ \$1.25B	10,284	9,913	6,167
Total	524,971	461,489	437,550

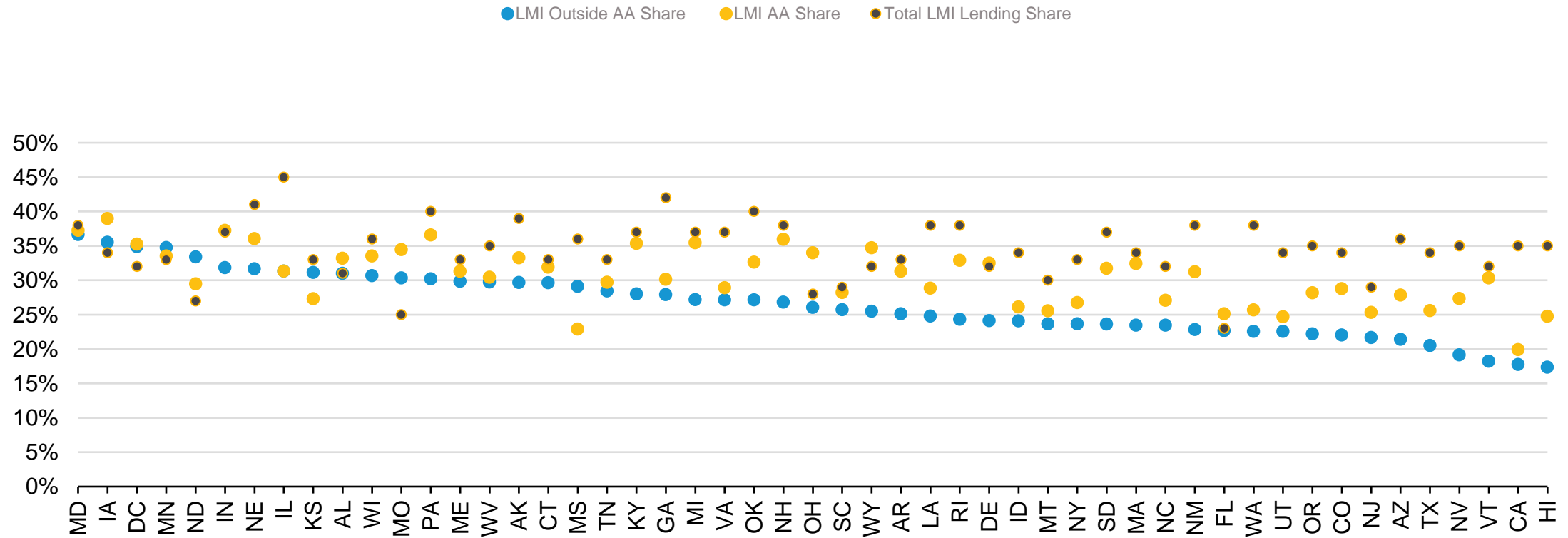
How important is outside-AA homebuyer lending at the state level?

We ask these research questions for each state:

1. What share of the state's homebuyer lending is outside AAs?
2. Is the LMI share of loans within AAs different from the LMI share outside AAs?
3. How much of each state's outside-AA homebuyer lending would be covered, based on the following thresholds?
 - Share threshold: Includes banks that make at least 5% of a state's outside-AA homebuyer mortgages.
 - Loan count threshold: Includes banks that make at least 100 homebuyer mortgages outside AAs annually in that state.

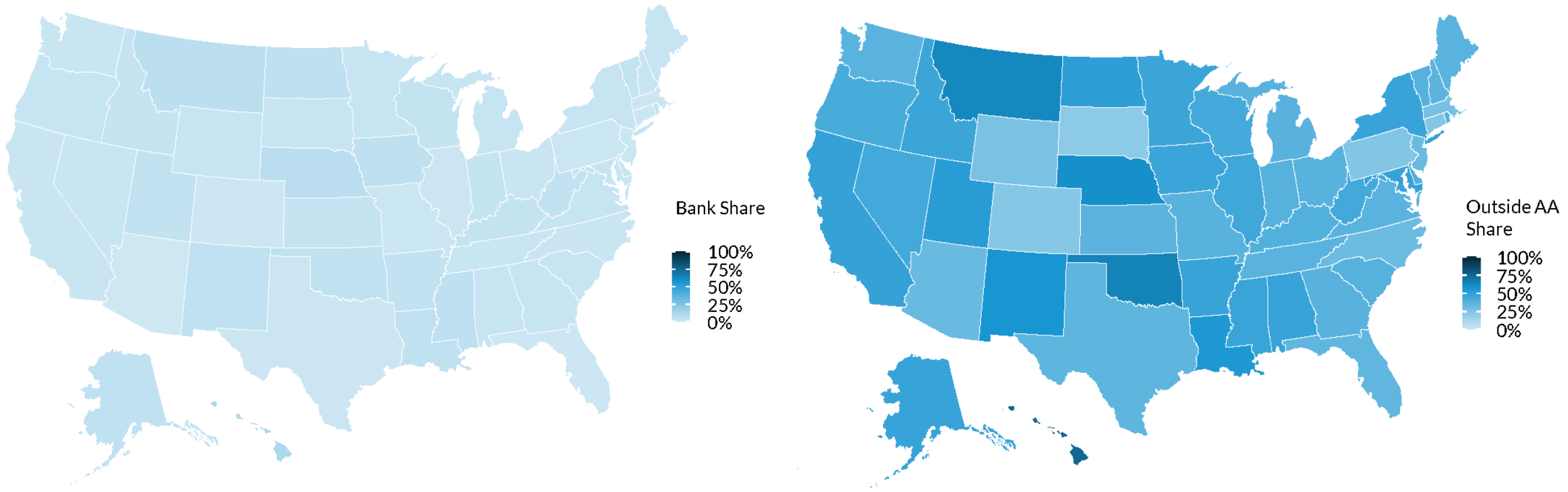
The LMI share of homebuyer lending is higher inside AAs than outside in 46 states plus DC

In most of the states, the total LMI lending (Banks+nonBanks) is higher than LMI share inside AA and LMI share outside AA.



In most states, there are few banks that provide at least 5% of all outside AA loans and >100 such loans. But those banks comprise a significant share of outside AA lending in those states.

The percent of banks included ranges from 0.5% in AZ to 11% in HI.
The outside AA lending coverage ranges from 20% in SD to 75% in HI



State Level Threshold Analysis by Bank Size

Banks making more than 5% of a state's total outside assessment area mortgage lending (>100 outside-AA loans)

Bank Size	# of banks	# of loans	# outside-AA loans	# of banks meeting state thresholds [†]	Average # of states per bank meeting thresholds	Outside-AA loans in threshold as % of total outside-AA lending [‡]
Above \$100B	23	1,309,249	174,478	8	11	46%
\$10B ≤ \$100B	90	660,756	194,508	14	5	49%
\$1.25B ≤ \$10B	398	510,208	144,961	19	2	23%
\$500M ≤ \$1.25B	93	34,778	10,284	2	1	10%
Total	604	2,514,991	524,231	43	5	40%

Notes: † Banks are included if they meet the threshold in at least one state.

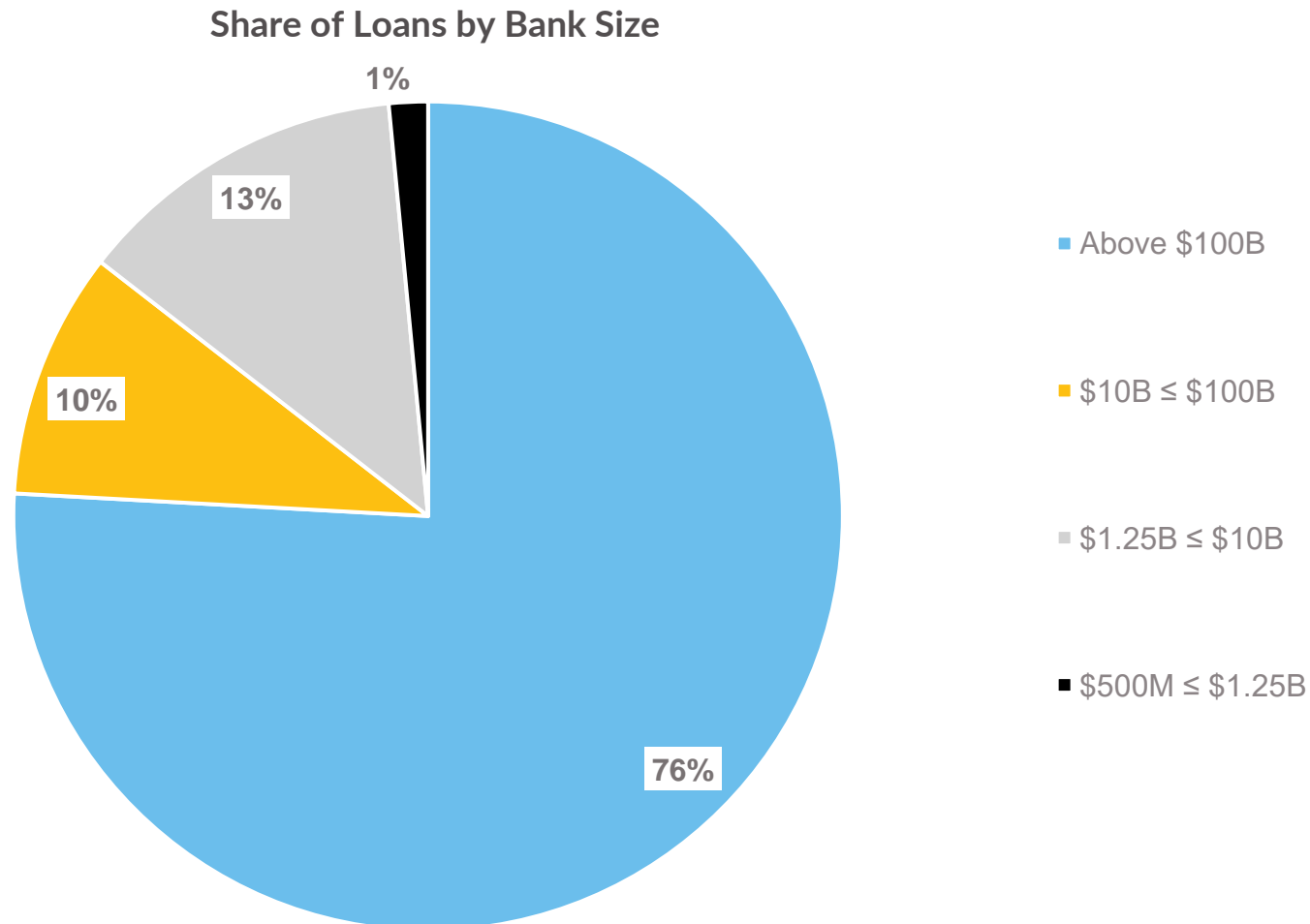
‡ Calculated by dividing outside-AA loans from banks in states where the threshold is met by all outside-AA loans.

Small Business Lending

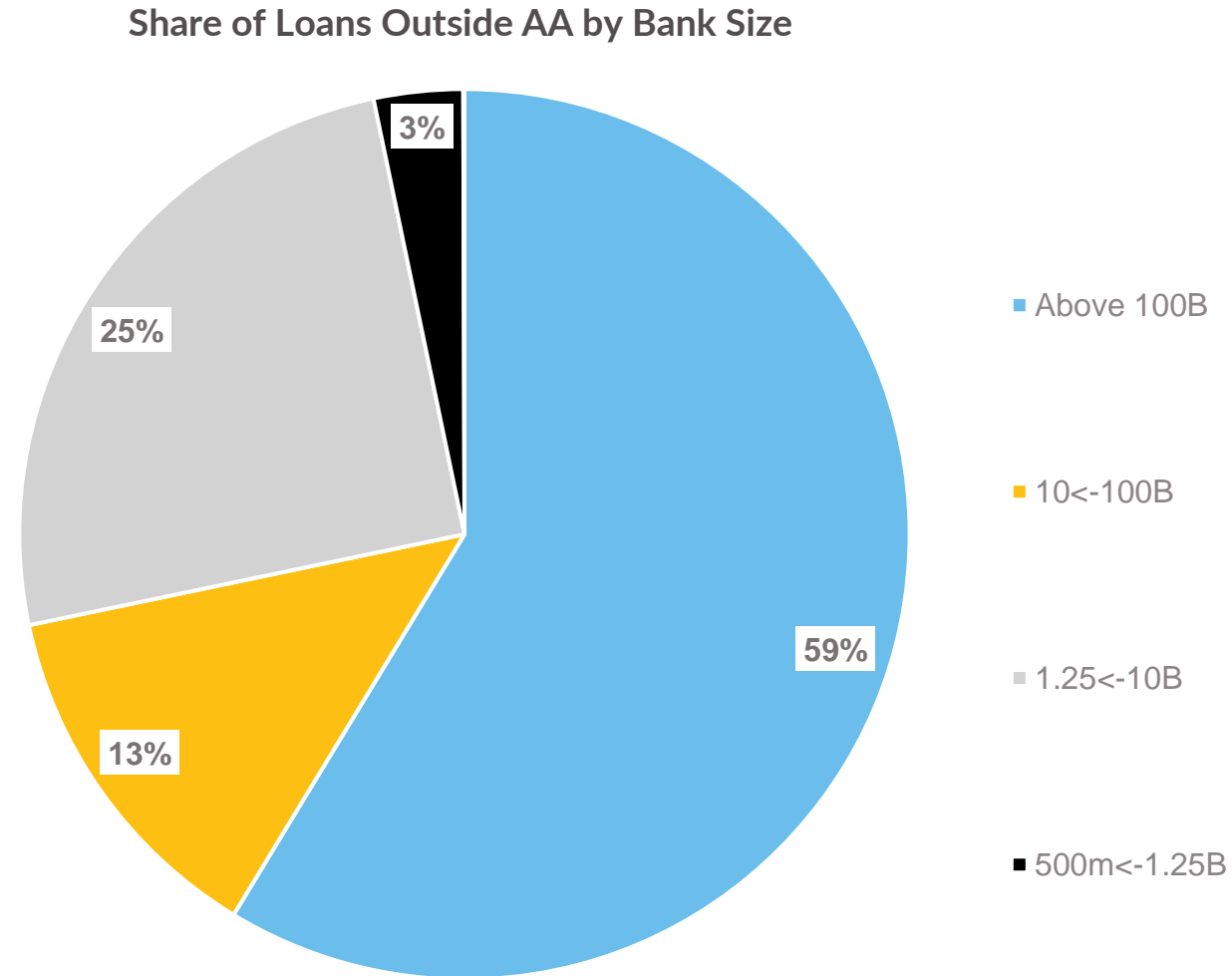
Small business (SB) lending is even more concentrated than mortgage lending, perhaps because of SB credit card lending

The 23 largest banks, with assets >\$100B, make 76% of all bank SB loans

The 113 banks with assets >\$10B make 86% of all bank SB loans

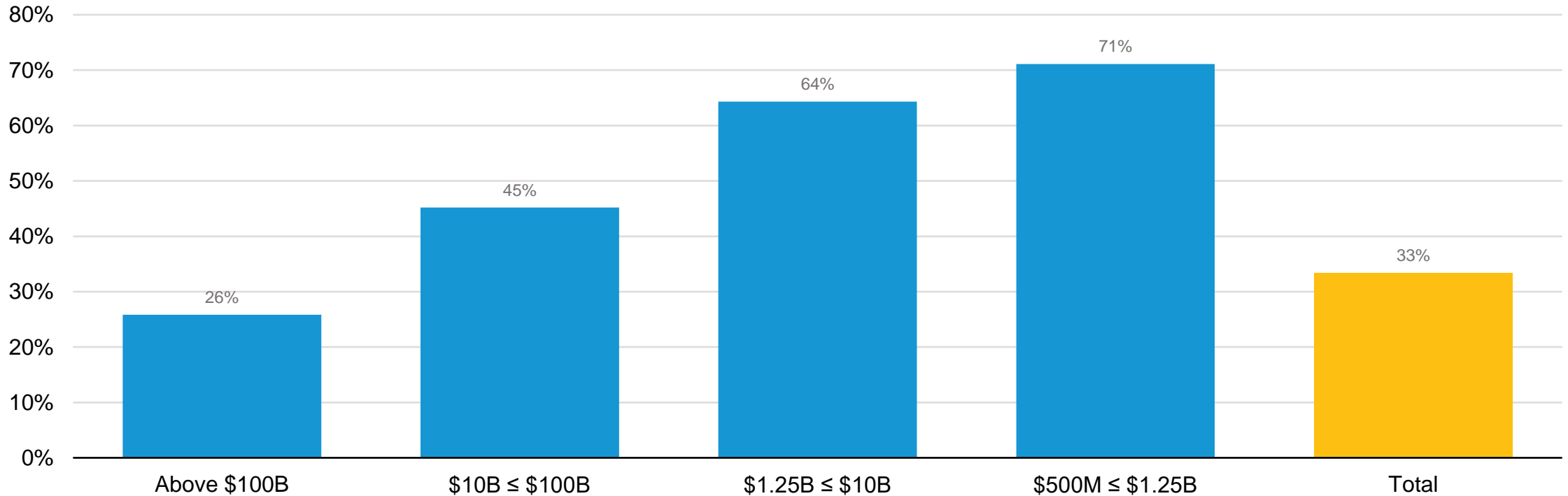


The 23 largest banks made 59% of all bank outside-AA SB loans and the 113 largest banks made 72% of all such loans

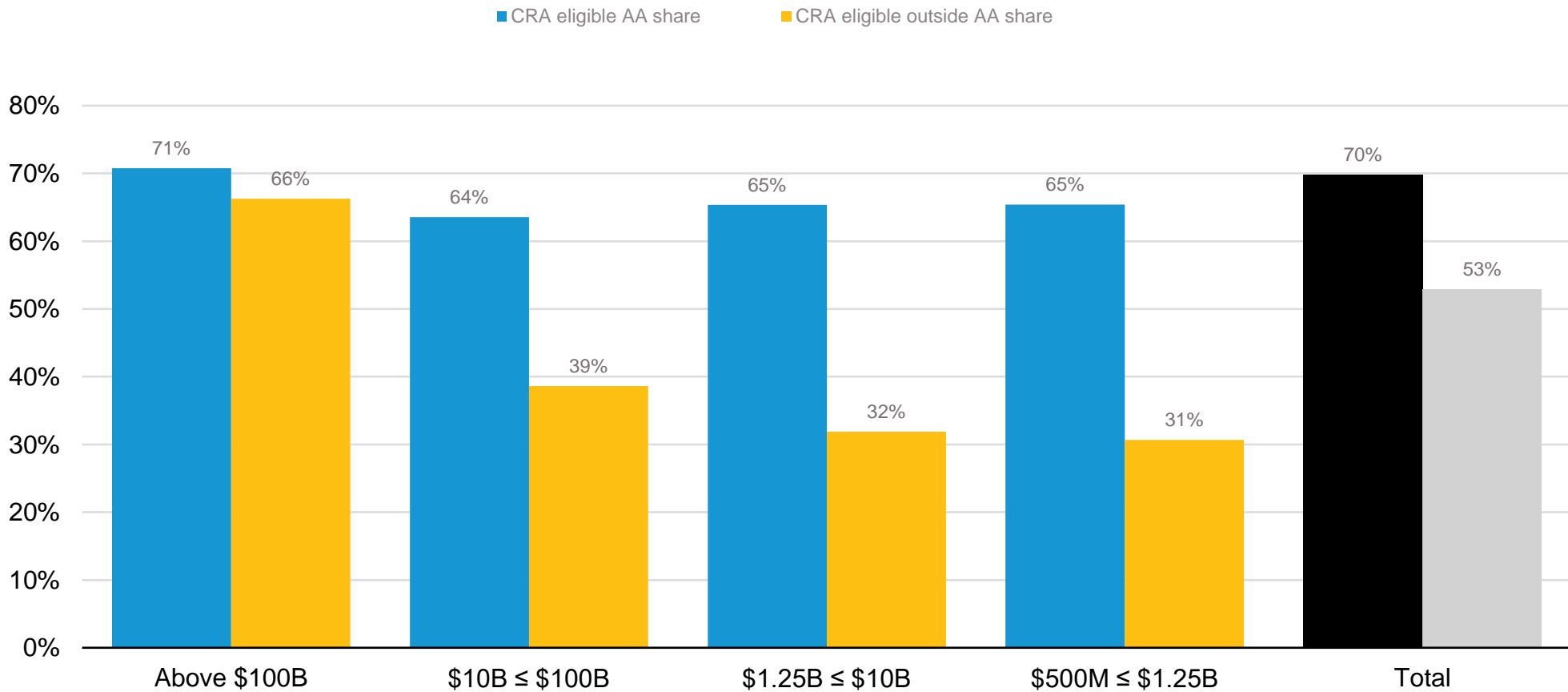


Larger banks make a lower share of their SB loans outside AAs

Overall, banks made 33% of their SB loans outside AAs. Large banks only made 26% of their SB loans outside AAs.



The "CRA eligible" share of SB lending is greater inside AAs for banks of all sizes



"CRA eligible" SB loans are those loans (1) up to \$1 million in an LMI census tract or (2) up to \$1 million and extended to SBs with revenues up to \$1 million.

Setting thresholds for CRA coverage of SB lending outside AAs

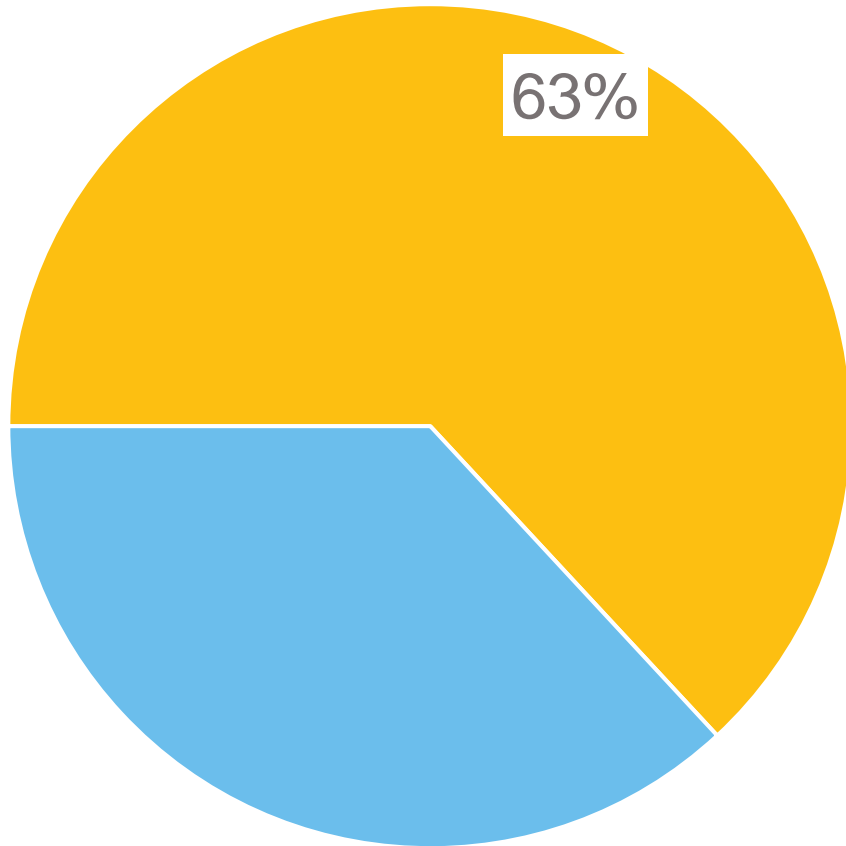
- Our goal should be to cover the maximum number of outside-AA loans while minimizing the number of banks covered.
- We applied two kinds of lending thresholds:
 1. Share threshold: Includes banks that make at least 10%, 20%, or 30% of their SB loans outside AAs.
 2. Loan count threshold: Includes banks that make at least 100 or 250 SB loans outside AAs annually.”

Threshold analysis: minimum share of lending outside AAs

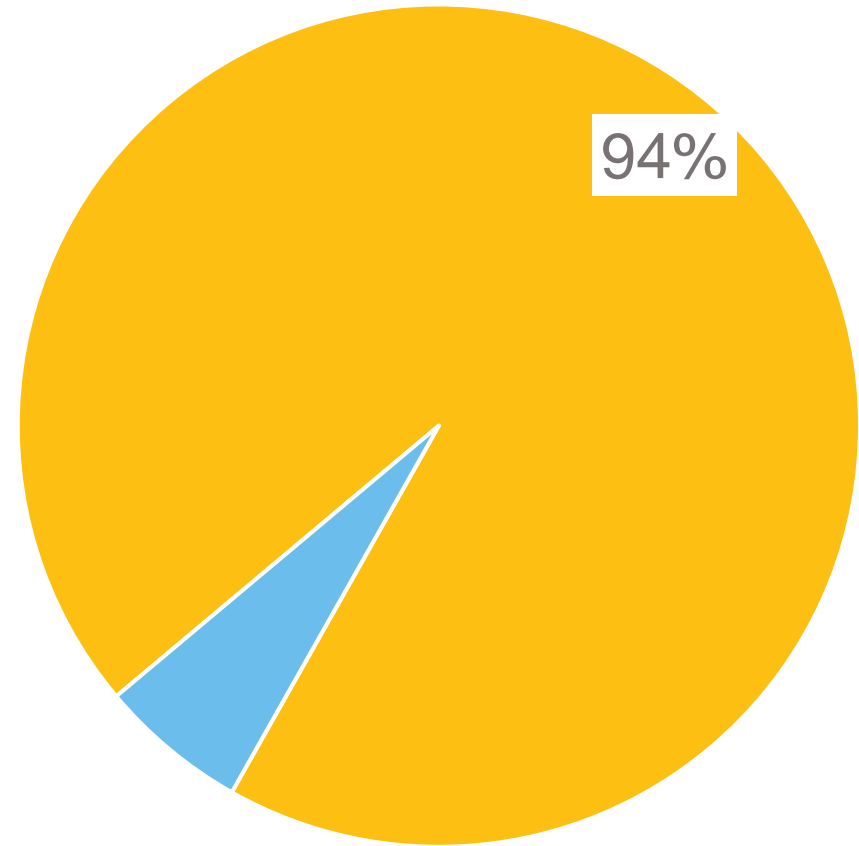
63% of banks make >10% of their SB loans outside AAs

Those banks account for 94% of all outside AA SB loans

>10% share outside AAs



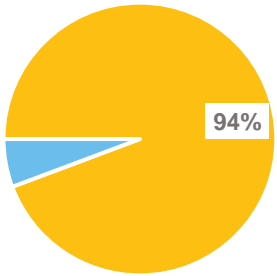
■ Percent of Banks Included



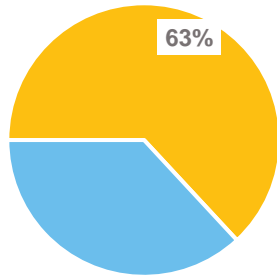
■ Outside AA Share

As with mortgages, raising the share threshold would reduce outside-AA SB loan coverage substantially

>10% share outside AAs

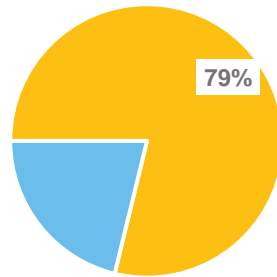


■ Outside AA Share

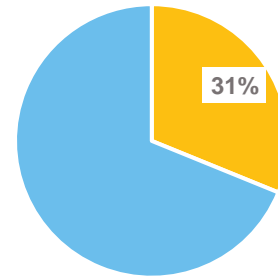


■ Percent of Banks Included

>20% share outside AAs

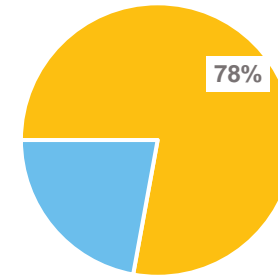


■ Outside AA share

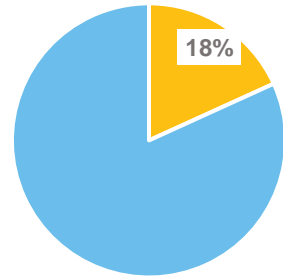


■ Percent of Banks Included

>30% share outside AAs



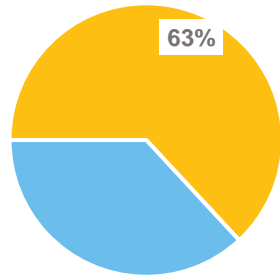
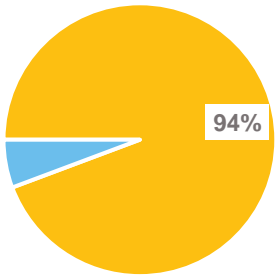
■ Outside AA share



■ Percent of Banks Included

Adding a minimum loan count would cut the share of covered banks substantially while still covering >90% of all SB loans outside AAs

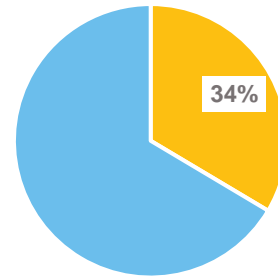
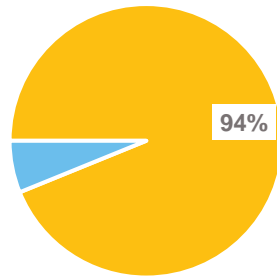
>10% share outside AAs



■ Outside AA share

■ Percent of Banks Included

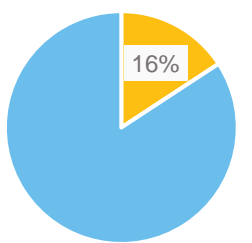
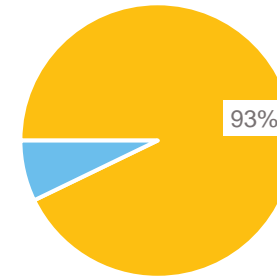
>10% share outside AAs
>100 loans outside AAs



■ Outside AA share

■ Percent of Banks Included

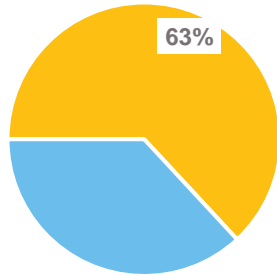
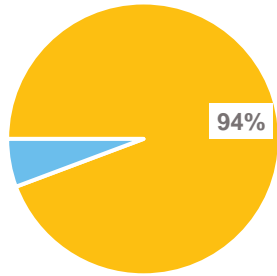
>10% share outside AAs
>250 loans outside AAs



■ Outside AA Share

■ Percent of Banks Included

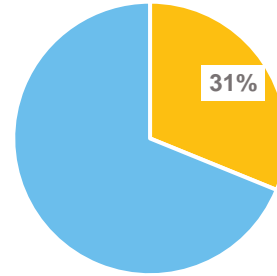
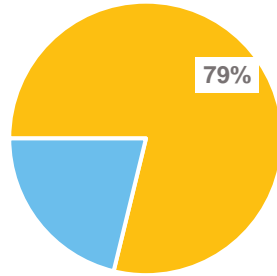
>10% share outside AAs



Outside AA Share

Percent of Banks Included

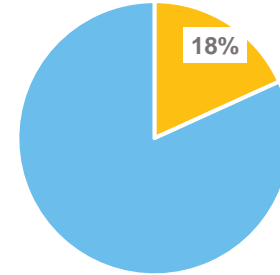
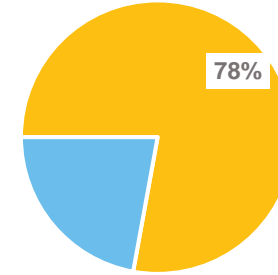
>20% share outside AAs



Outside AA share

Percent of Banks Included

>30% share outside AAs

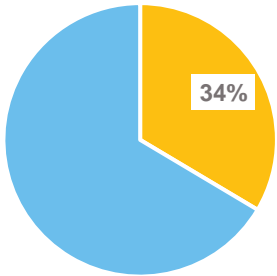
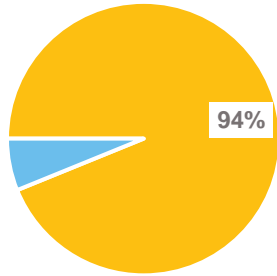


Outside AA share

Percent of Banks Included

>10% share outside AAs

>100 loans outside AAs

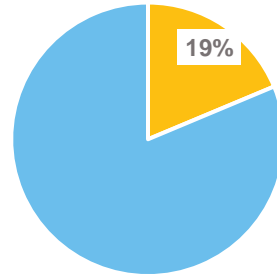
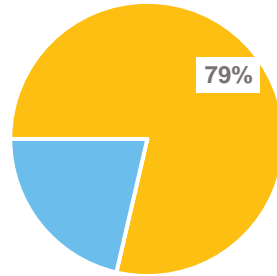


Outside AA share

Percent of Banks Included

>20% share outside AAs

>100 loans outside AAs

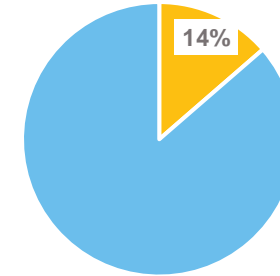
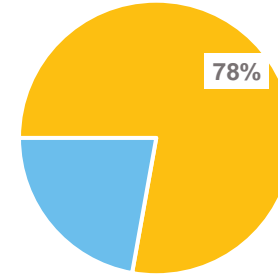


Outside AA share

Percent of Banks Included

>30% share outside AAs

>100 loans outside AAs

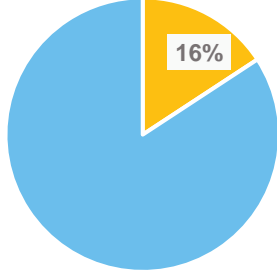
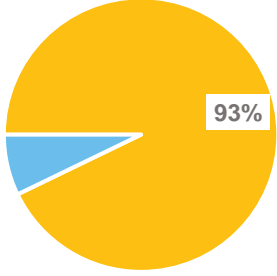


Outside AA Share

Percent of Banks Included

>10% share outside AAs

>250 loans outside AAs

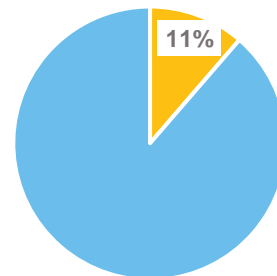
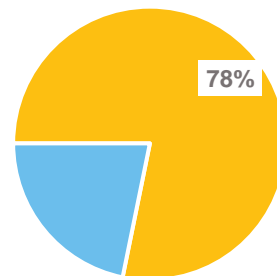


Outside AA Share

Percent of Banks Included

>20% share outside AAs

>250 loans outside AAs

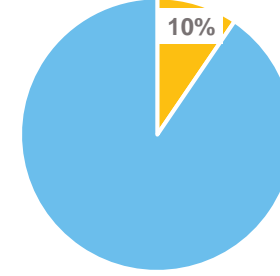
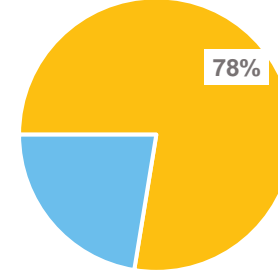


Outside AA share

Percent of Banks Included

>30% share outside AAs

>250 loans outside AAs



Outside AA Share

Percent of Banks Included

Adding a minimum 250 loan threshold greatly reduces the number of small and medium sized banks that would be measured but still covers >90% of outside-AA SB lending by banks of all sizes

	>10% share outside AAs		>10% share outside AA >250 loans outside AA	
Bank Size	Percent of Banks Included	Outside AA Share	Percent of Banks Included	Outside AA Share
Above \$100B	56.5%	92.0%	47.8%	91.9%
\$10B ≤ \$100B	44.4%	95.7%	34.9%	94.9%
\$1.25B ≤ \$10B	65.6%	98.5%	12.6%	94.0%
\$500M ≤ \$1.25B	71.0%	99.1%	6.6%	93.2%
Total	63.1%	94.3%	15.8%	92.8%

The number of outside-AA SB loans excluded by adding a 250-loan threshold is small

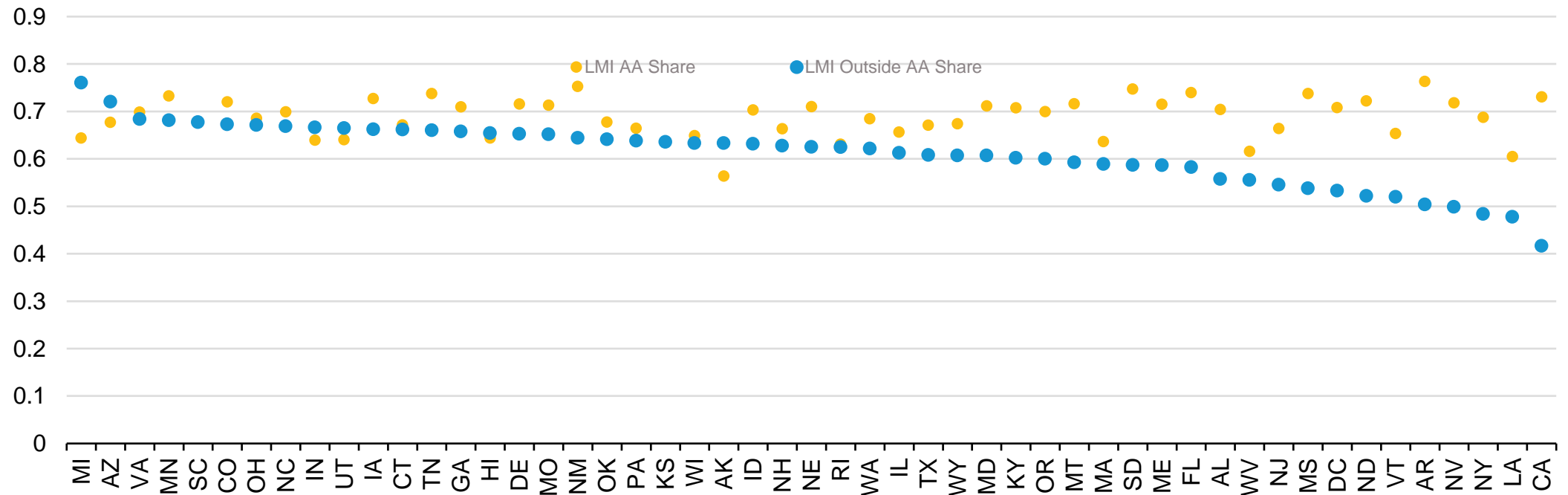
Bank Size	# of loans outside AAs	# of loans outside AAs (>10% share outside AAs)	# of loans outside AAs (>10% share outside AAs and >250 loans outside AAs)
Above \$100B	1,048,530	964,146	963,896
\$10B ≤ \$100B	233,034	222,901	221,241
\$1.25B ≤ \$10B	446,628	440,117	419,659
\$500M ≤ \$1.25B	57,798	57,252	53,867
Total	1,786,794	1,684,845	1,658,663

How important is outside-AA SB lending at the state level?

We ask these research questions for each state:

1. What share of the state's SB lending is outside AAs?
2. Is the "CRA eligible" share of loans within AAs different from the "CRA eligible" share outside AAs?
3. How much of each state's outside-AA SB lending would be covered, based on the following thresholds?
 - Share threshold: Includes banks that make at least 5% of a state's outside-AA SB loans.
 - Loan count threshold: Includes banks that make at least 100 SB loans outside AAs annually in that state.

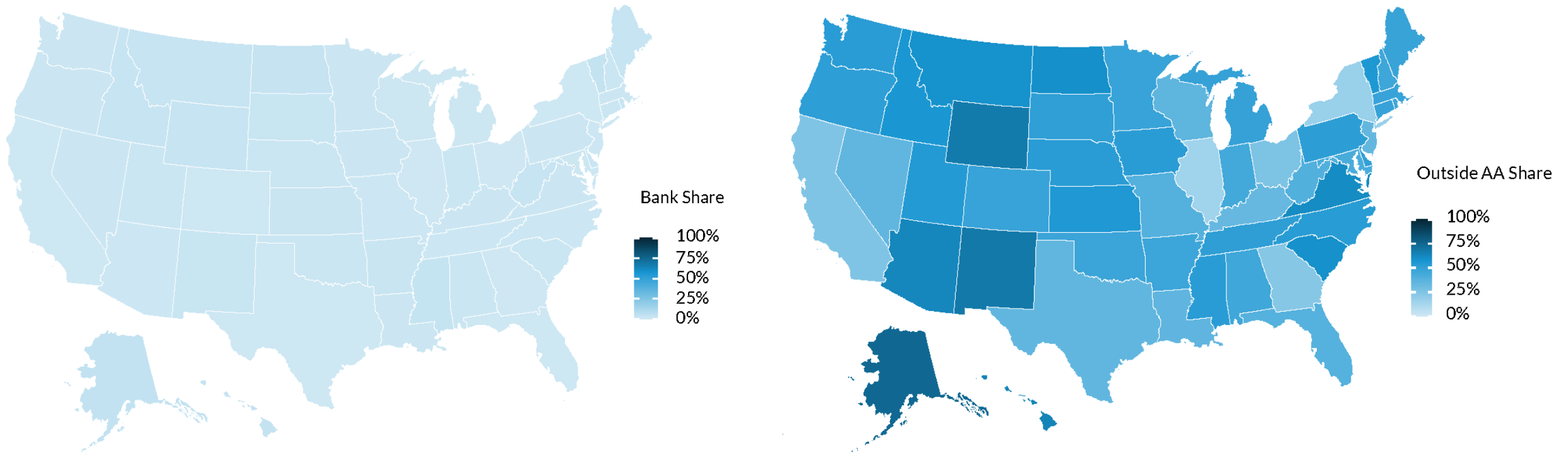
The “CRA Eligible” share of SB Lending is higher inside AAs in 45 states and DC



“CRA eligible” SB loans are those loans (1) up to \$1 million in an LMI census tract or (2) up to \$1 million and extended to SBs with revenues up to \$1 million.

In most states, there are few banks that provide at least 5% of all outside AA loans and >100 such loans. But those banks comprise a significant share of outside AA lending in those states.

The percent of banks included ranges from 0% in CA to 4% in AK
The outside AA lending coverage ranges from 15% in IL to 75% in AK



State Level Threshold Analysis by Bank Size

Banks making more than 5% of a state's total outside assessment area small business (>100 outside-AA loans)

Bank Size	# of banks	# of loans	# outside-AA loans	# of banks meeting state thresholds†	Average # of states per bank meeting thresholds	Outside-AA loans in threshold as % of total outside-AA lending‡
Above \$100B	23	4,060,895	1,048,530	5	21	55%
\$10B ≤ \$100B	90	515,619	233,034	1	3	3%
\$1.25B ≤ \$10B	398	694,529	446,628	1	17	34%
\$500M ≤ \$1.25B	93	81,286	57,798	-	-	-
Total	604	5,352,329	1,785,990	7	18	41%

Notes: † Banks are included if they meet the threshold in at least one state.

‡ Calculated by dividing outside-AA loans from banks in states where the threshold is met by all outside-AA loans.

Summary and Conclusion

National Level Summary

- Nationally, outside-assessment-area (outside-AA) lending constitutes an important part of overall lending.
 - 21% of homebuyer lending by banks in our dataset is outside AAs.
 - 33% of small business lending by banks in our dataset is outside AAs.
- Outside-AA lending is less focused on CRA-eligible lending than is lending inside AAs
- CRA evaluation of outside-AA lending by banks that—in each of homebuyer lending and small business lending-- do more than 10% of their nationwide lending outside AAs and that make at least 250 outside-AA loans each year, would cover
 - 83.3% of outside-AA homebuyer lending and would require evaluation of only 146 banks, of which 52 have over \$10B in assets
 - 92.8% of outside-AA small business lending and would require evaluation of only 97 banks, of which 42 have over \$10B in assets

State Level Summary

- On a state-by-state basis, outside-AA lending is quite diffuse.
- However, outside-AA lending is important to a number of states, especially smaller, more rural states. For example, outside-AA lending represents:
 - 35% of homebuyer loans in Vermont, 30% in Alabama, and 29% in New Mexico
 - 80% of small business loans in Vermont, 71% in Arkansas and 60% in Wyoming

Conclusion

- At the national level, outside-AA lending is significant. By setting an evaluation threshold at 10% of a bank's total lending and 250 loans in a retail line, 83% of outside-AA home mortgage and 93% of small business lending can be evaluated with the reporting and evaluation burden limited to 3% of all banks for mortgages and 2% of all banks for small business.
- Evaluation of banks doing, for example, 5% of a state's outside-AA lending and making more than 100 loans a year in that state may be useful in understanding how states with a high share of outside-AA lending are being served.

Appendix

State	Outside AA Share	State	Outside AA Share
AK	23%	MT	21%
AL	30%	NC	22%
AR	20%	ND	18%
AZ	21%	NE	21%
CA	19%	NH	26%
CO	22%	NJ	17%
CT	20%	NM	29%
DC	18%	NV	22%
DE	18%	NY	15%
FL	23%	OH	14%
GA	27%	OK	26%
HI	14%	OR	20%
IA	20%	PA	14%
ID	25%	PR	0%
IL	18%	RI	15%
IN	21%	SC	23%
KS	27%	SD	14%
KY	24%	TN	27%
LA	25%	TX	25%
MA	24%	UT	31%
MD	24%	VA	25%
ME	18%	VT	35%
MI	16%	WA	21%
MN	20%	WI	23%
MO	27%	WV	28%
MS	27%	WY	19%

State	Outside AA Share	State	Outside AA Share
AK	71%	MT	58%
AL	56%	NC	41%
AR	58%	ND	51%
AZ	33%	NE	48%
CA	17%	NH	63%
CO	31%	NJ	31%
CT	47%	NM	62%
DC	16%	NV	23%
DE	39%	NY	30%
FL	27%	OH	29%
GA	37%	OK	47%
HI	72%	OR	28%
IA	55%	PA	45%
ID	34%	RI	54%
IL	19%	SC	45%
IN	43%	SD	47%
KS	51%	TN	49%
KY	43%	TX	34%
LA	54%	UT	31%
MA	51%	VA	33%
MD	34%	VT	80%
ME	63%	WA	27%
MI	42%	WI	37%
MN	37%	WV	53%
MO	40%	WY	60%
MS	64%		