

A photograph of a modern, single-story house at dusk. The house has a dark, flat roof and large windows that are illuminated from within, casting a warm glow. A large tree is on the left, and a bamboo bush is in the foreground. The sky is a deep blue.

# MORTGAGE LENDING IN THE DETROIT HOUSING MARKET:

## INSIGHTS FROM HMDA AND ZILLOW DATA

**Aaron Terrazas, Senior Economist, Zillow Research**

Generating Demand for Home Finance in Detroit, Nov. 18, 2015

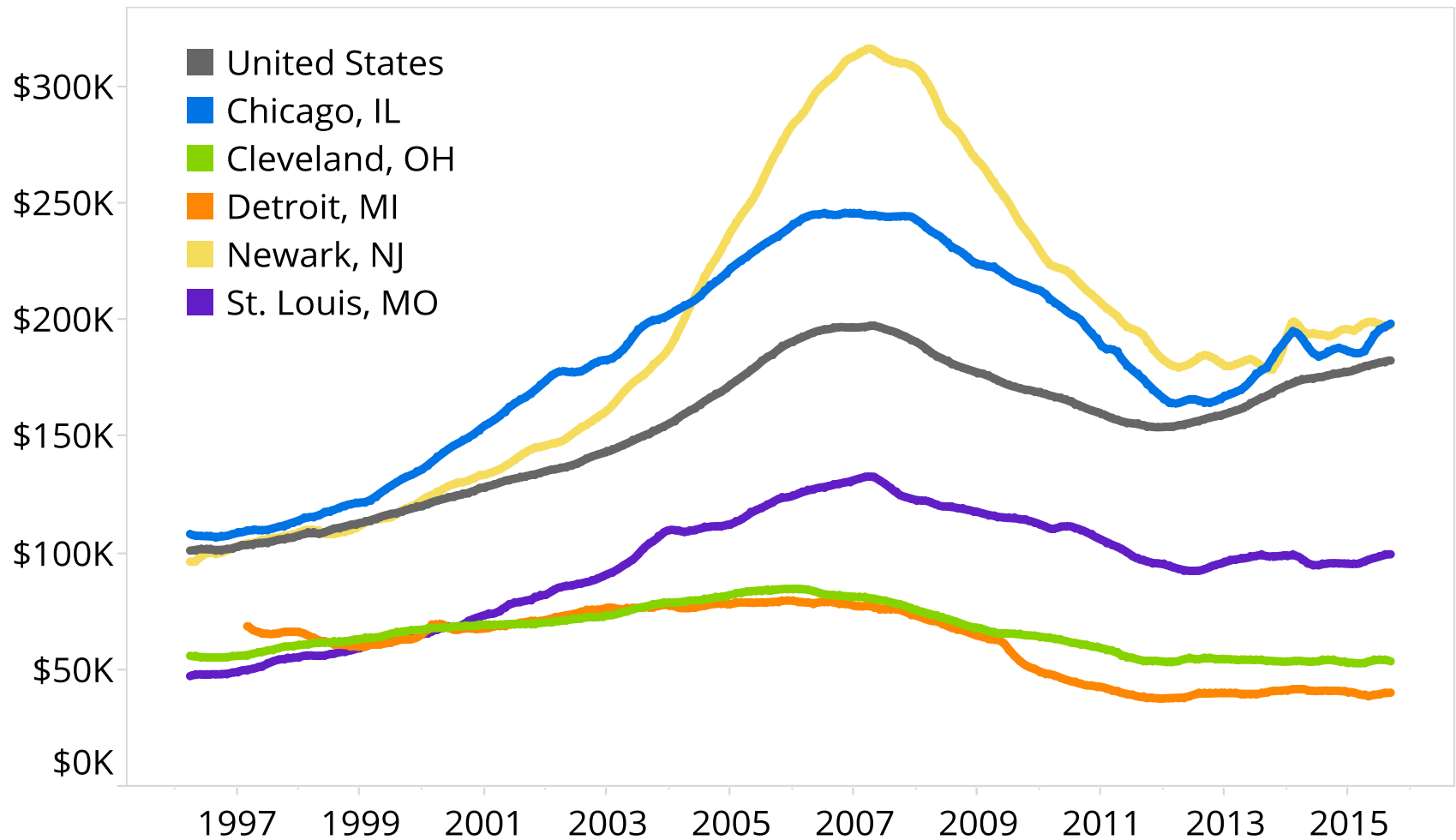
# Key takeaways

- Home values, cash transactions, and negative equity point to a gradually improving housing market in Detroit, although there remains a long way to go.
- Purchase and home improvement loan originations are also recovering, but still lag well behind other comparable cities.
- New purchase mortgages remain clustered (and increasingly so) in a handful of neighborhoods. Home improvement loans, although lower in number, are more spread out across the city.
- Parts of Detroit with greater numbers of purchase originations have experienced stronger overall home value growth.
- Denial rates have declined dramatically for conventional purchase mortgage applications, but not as much for other types of loans.
- Sufficient collateral is a continued and still growing challenge for applicants seeking a conventional purchase mortgage. Credit history is increasingly emerging as a key barrier for FHA/VA/RHS mortgage applicants.

# SOME PRELIMINARIES

The Detroit housing market in the long view

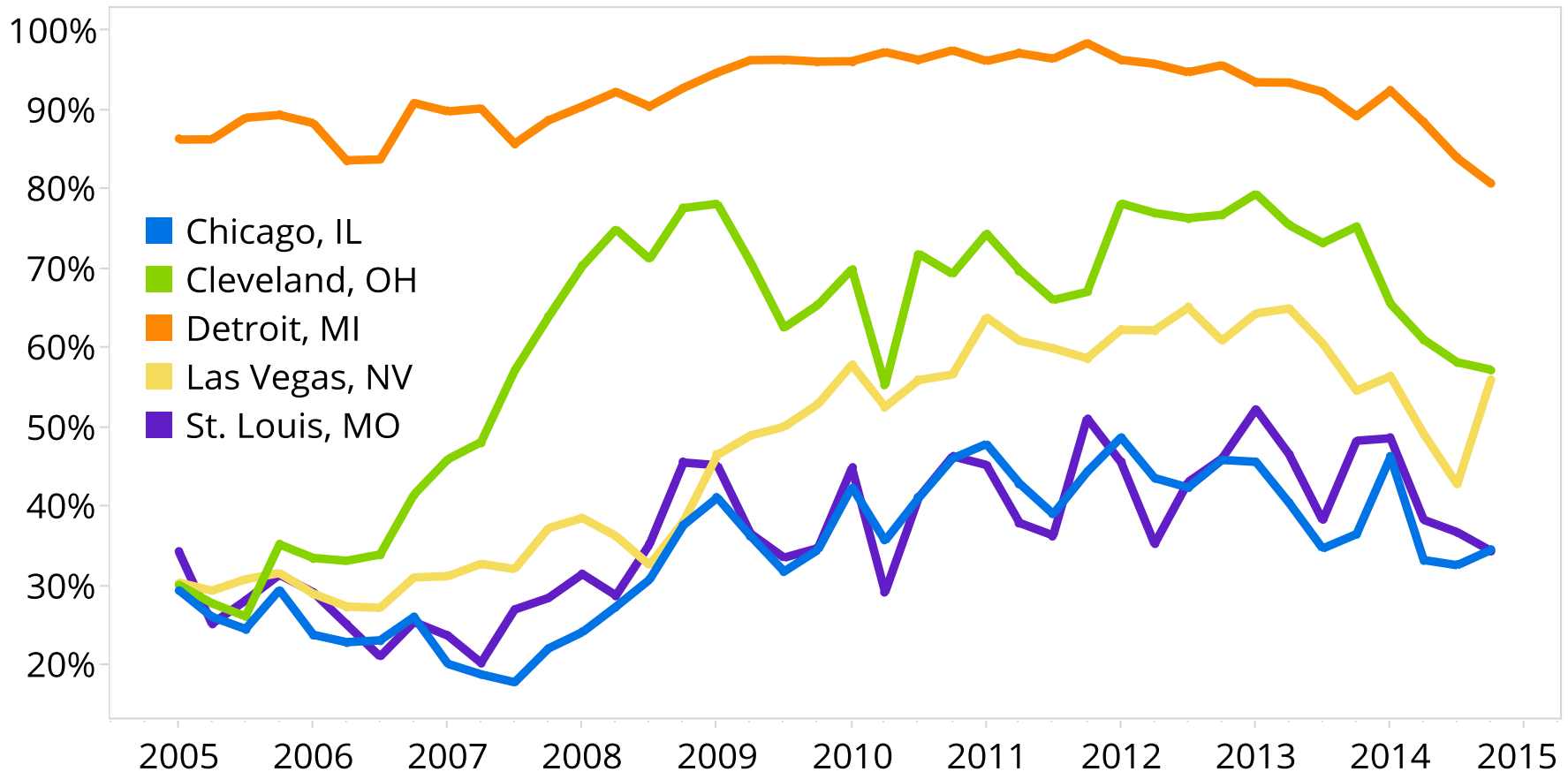
# Median home value



Source: Zillow data.

# Cash transactions remain very common, but falling

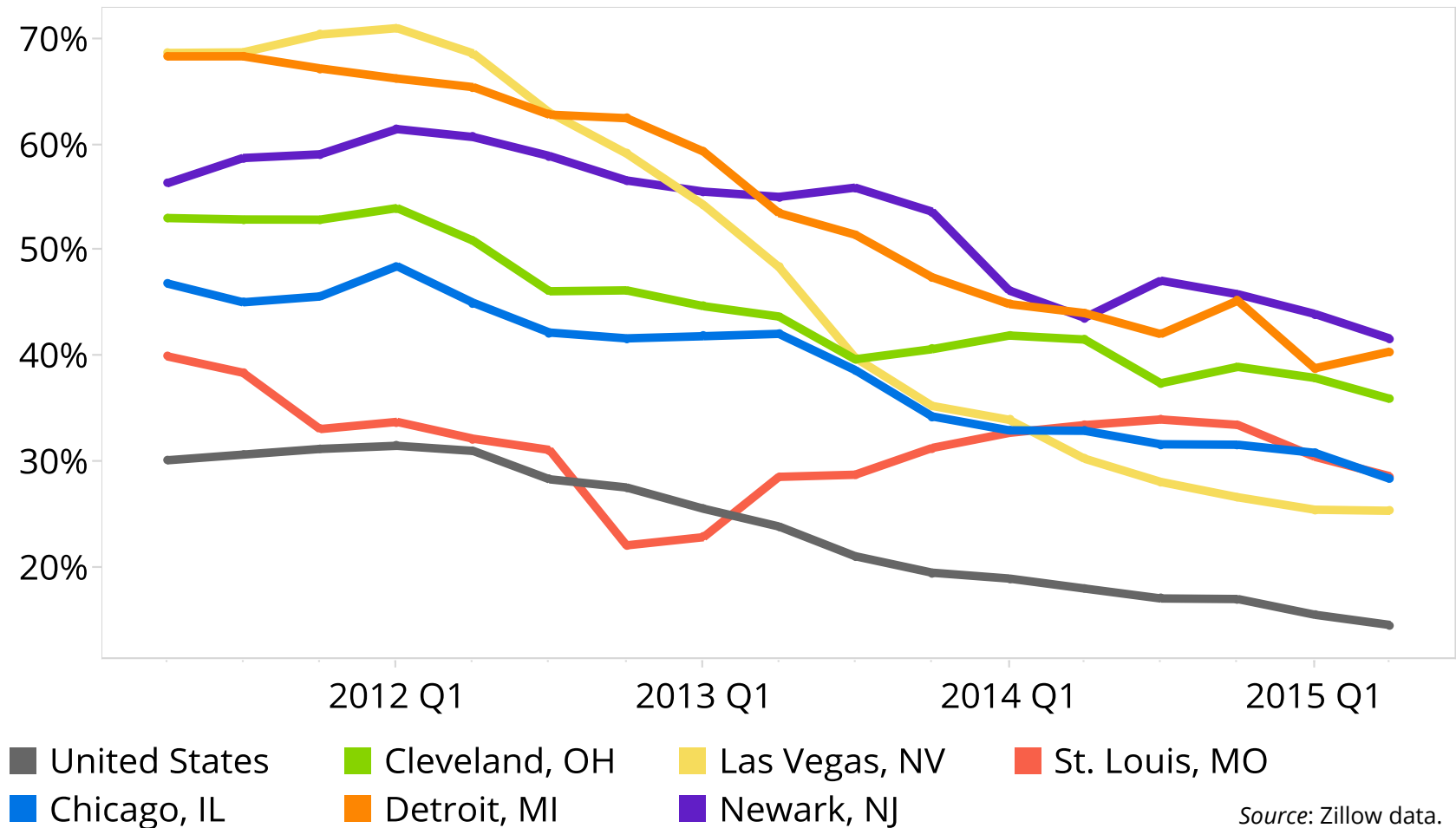
Cash share of total transactions



Source: Zillow data.

# Negative equity steadily declining

% of mortgage borrowers in negative equity



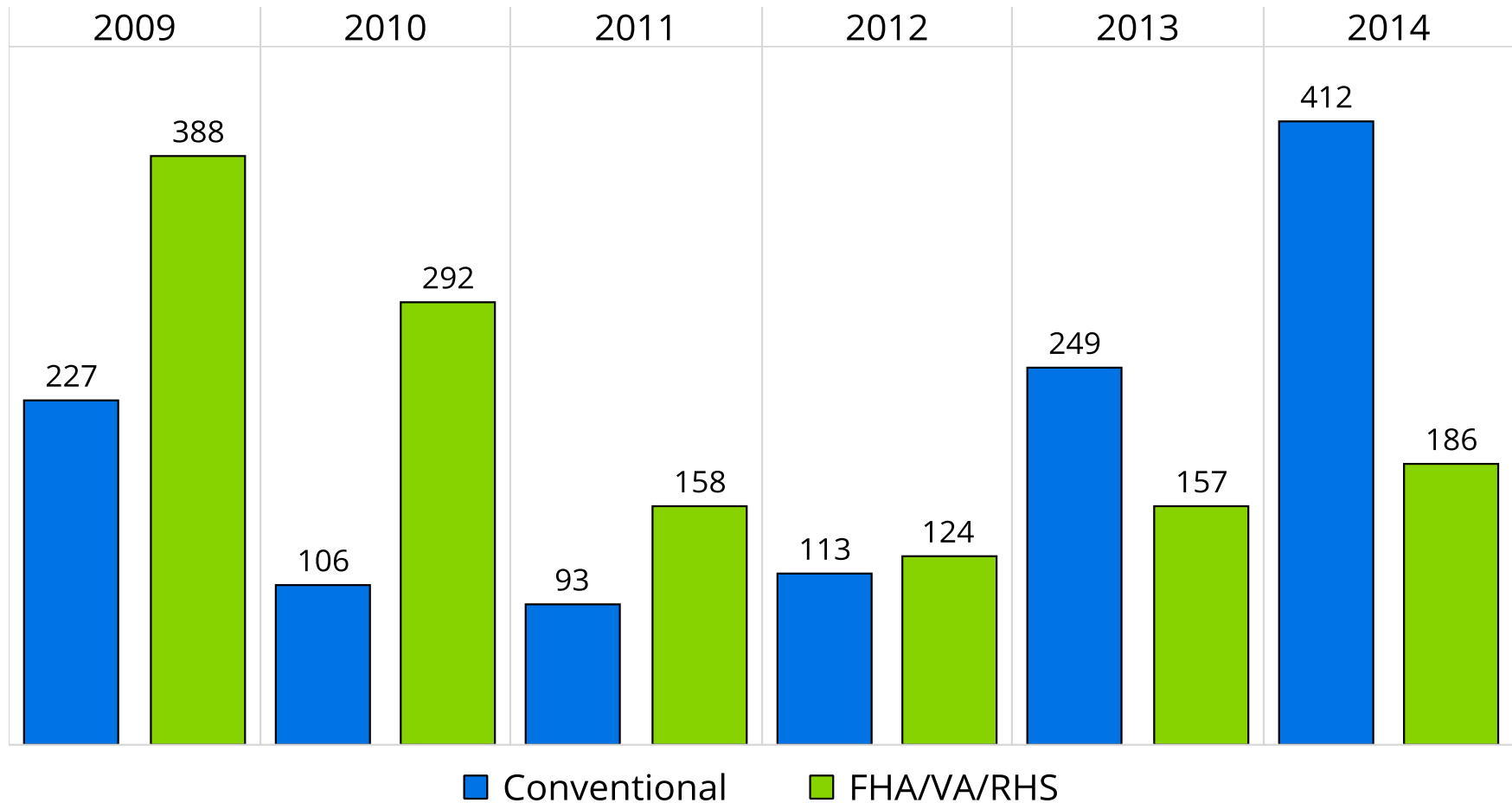


# RISING BUT NOT YET RISEN

Trends in mortgage originations

# Purchase originations have rebounded in Detroit...

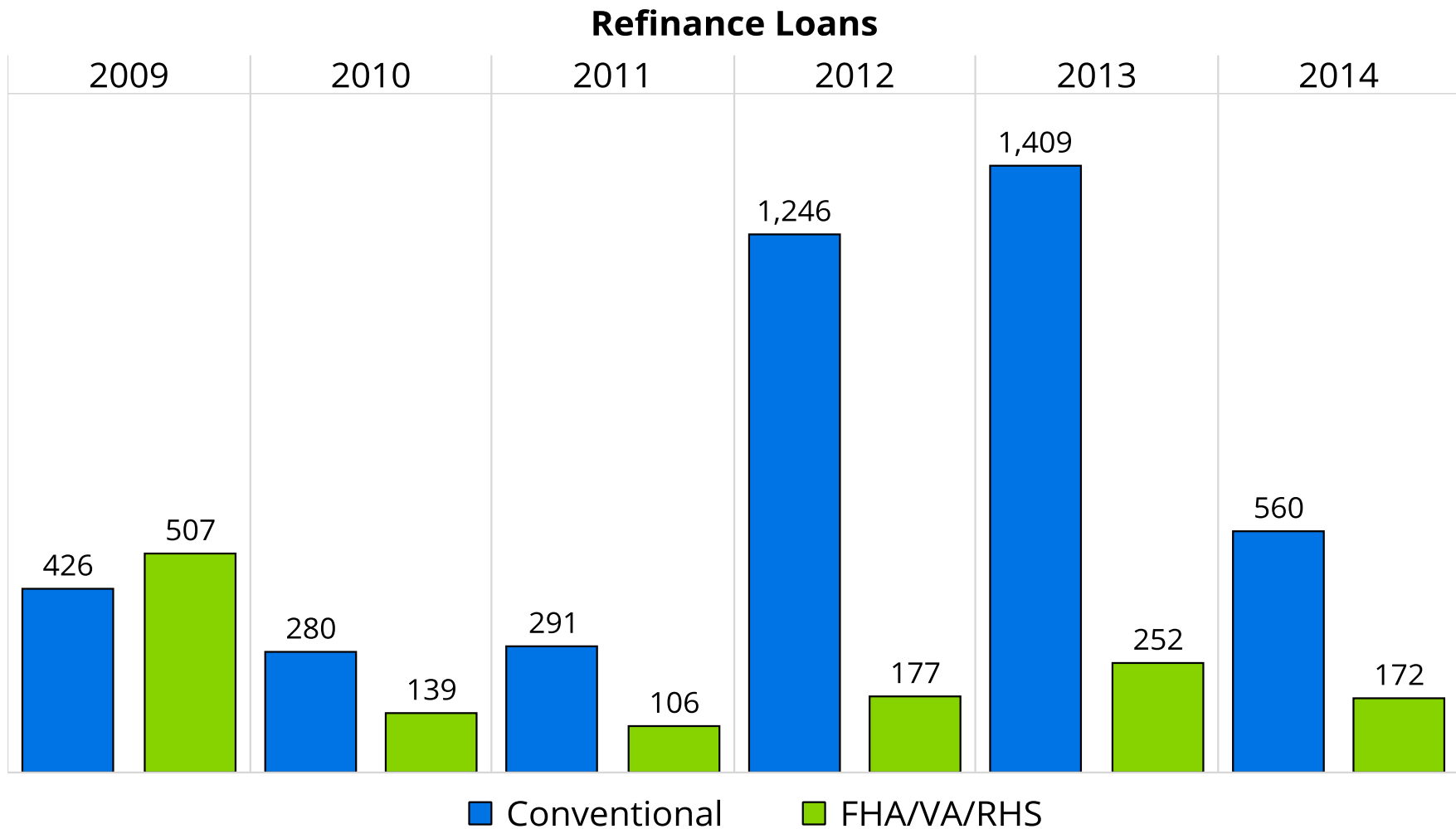
## Purchase Loans



Source: Zillow analysis of Home Mortgage Disclosure Act (HMDA) data, 2009-2014.



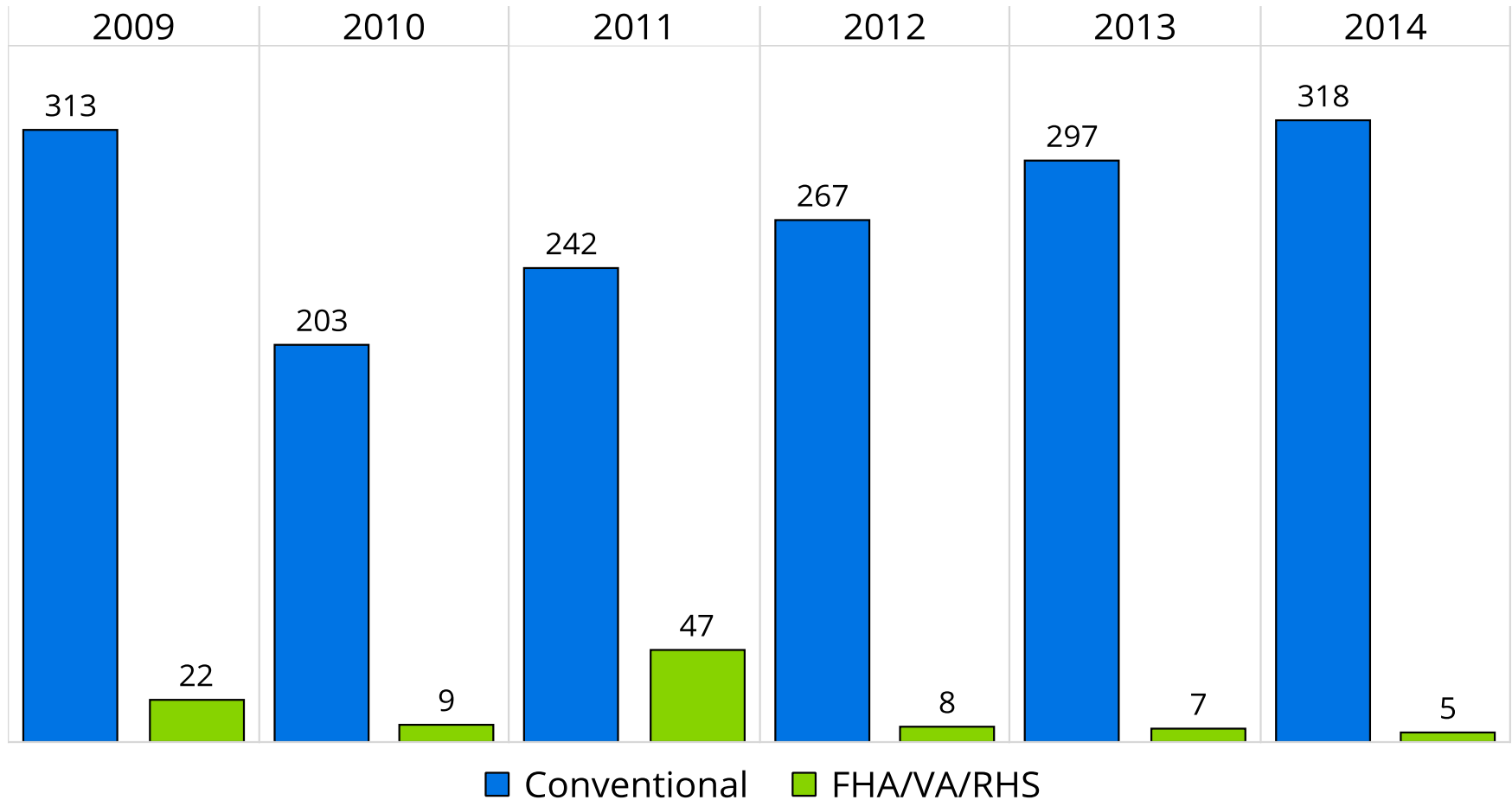
...As refis have dropped...



Source: Zillow analysis of Home Mortgage Disclosure Act (HMDA) data, 2009-2014.

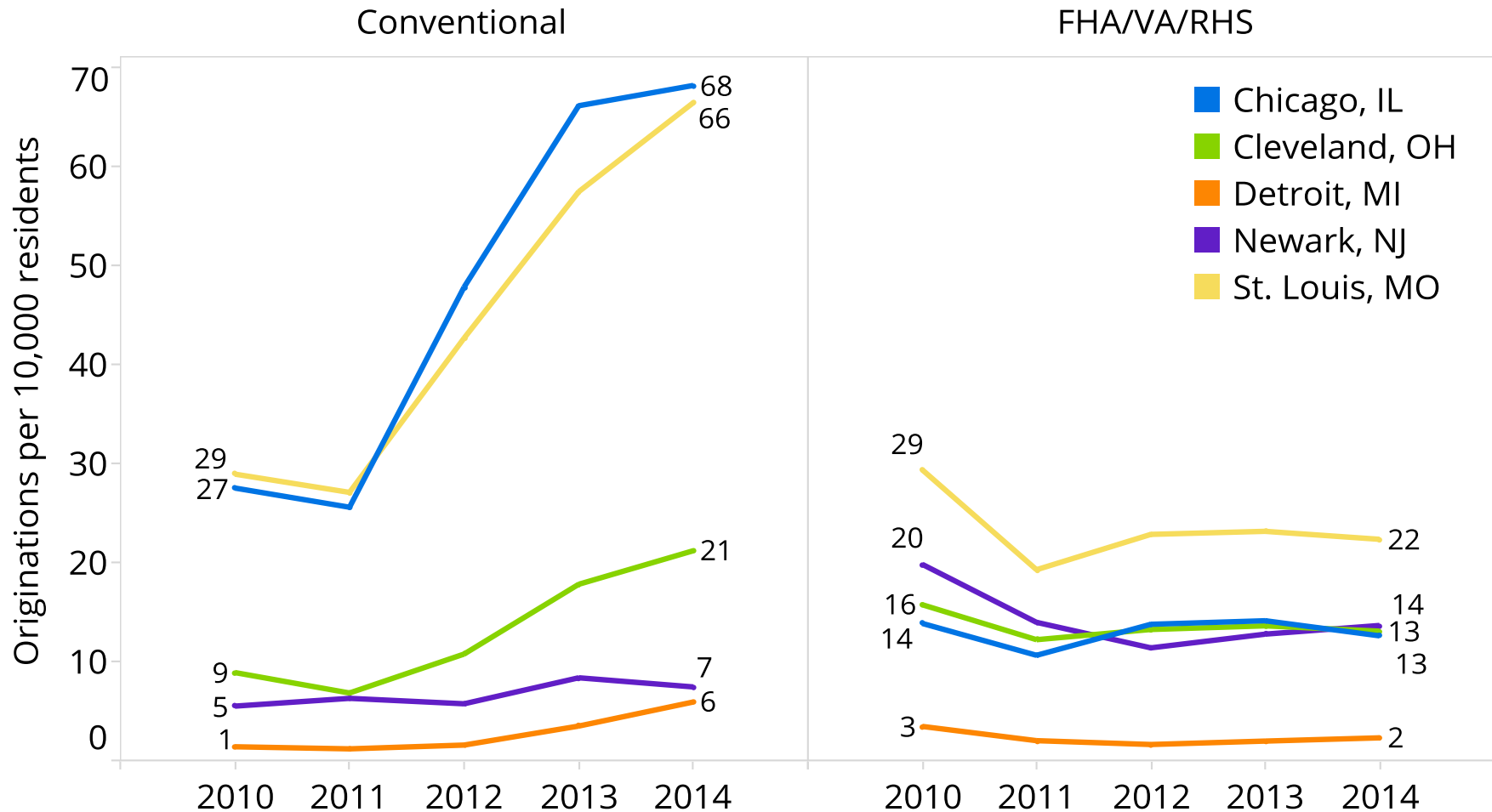
...And home improvement loans increased steadily.

### Home Improvement Loans



Source: Zillow analysis of Home Mortgage Disclosure Act (HMDA) data, 2009-2014.

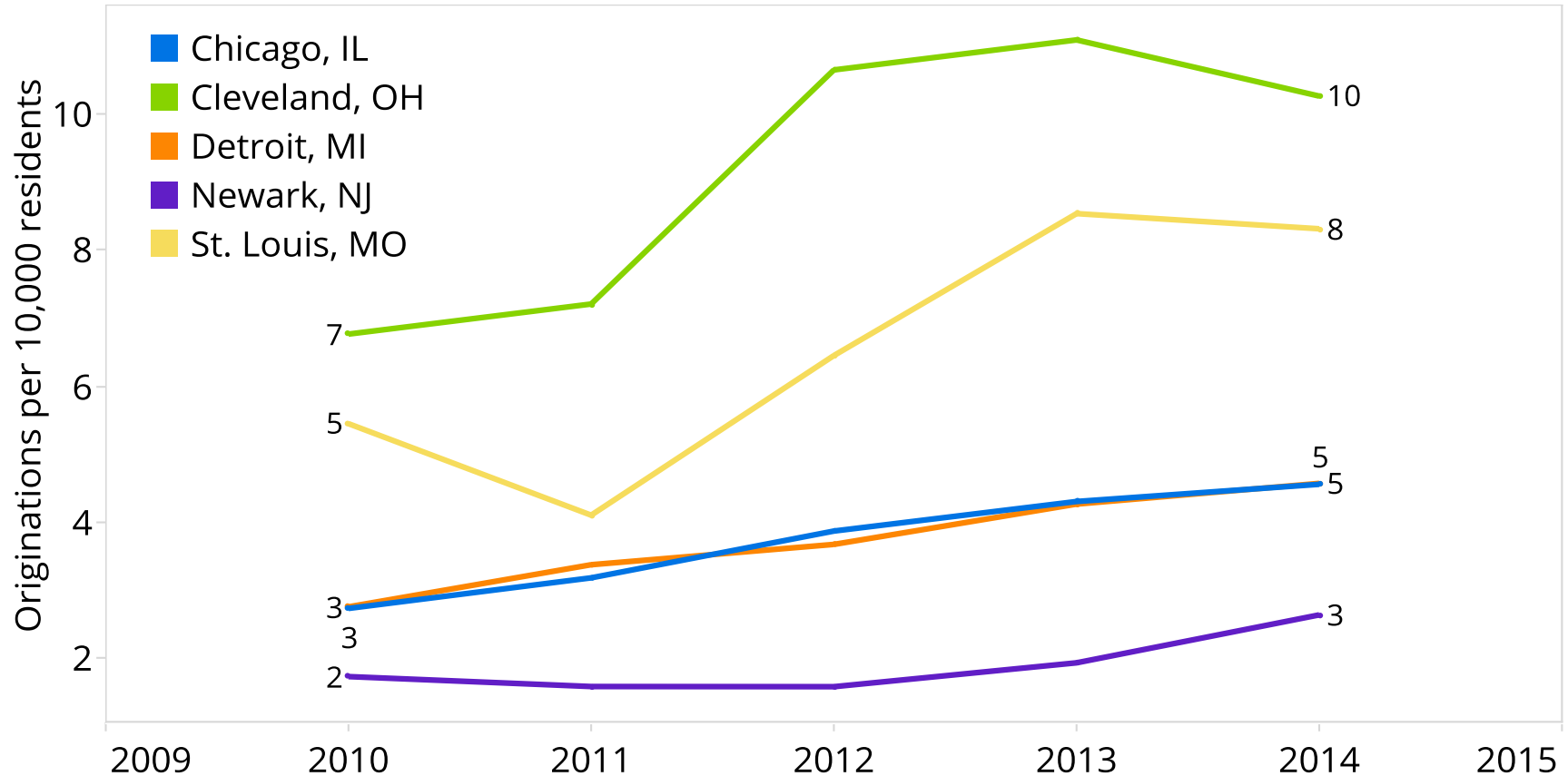
# Still, Detroit lags comparable cities in purchase originations...



Source: Zillow analysis of Home Mortgage Disclosure Act (HMDA) data, 2010-2014 and U.S. Census Bureau Population Estimates.

## ...and home improvement loan originations

Conventional home improvement loans originated per 10,000 residents



Source: Zillow analysis of Home Mortgage Disclosure Act (HMDA) data, 2010-2014 and U.S. Census Bureau Population Estimates.

# Originations tend to cluster in several neighborhoods

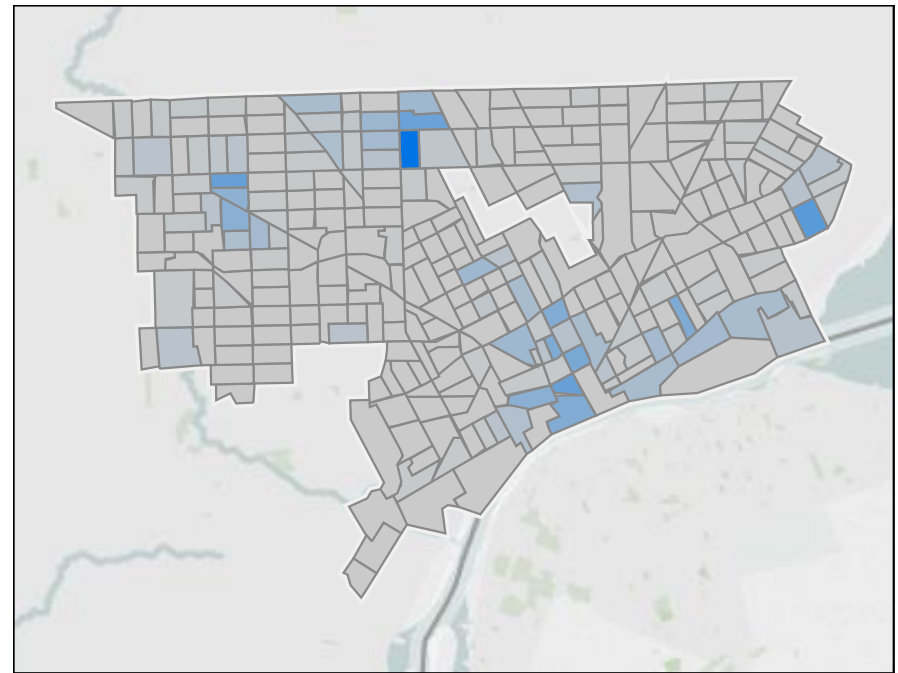
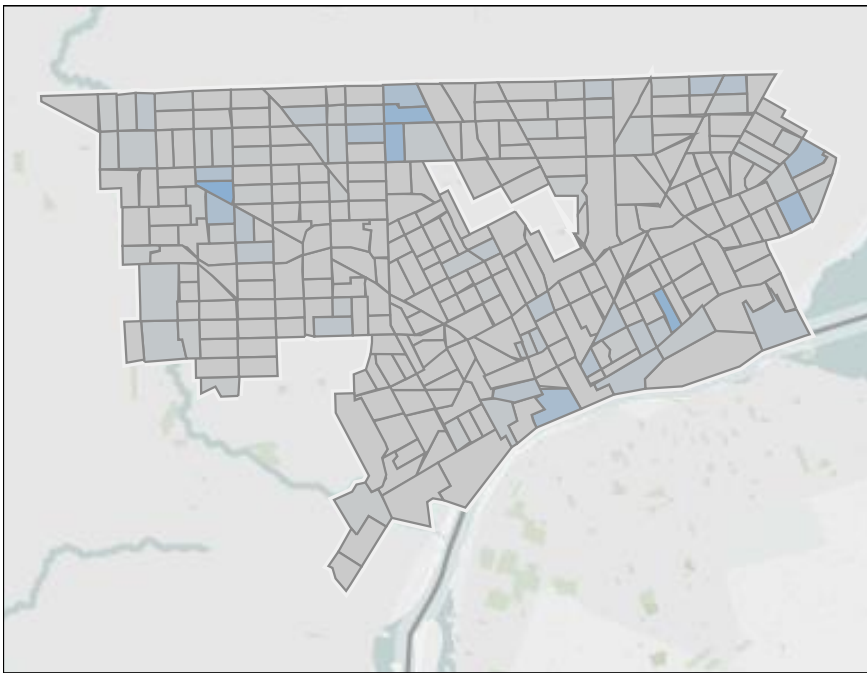
- University District
- East English Village
- Midtown/Art Center

- North Rosedale Park
- Indian Village

23% of total in 2011  
28% of total in 2014

2011

2014

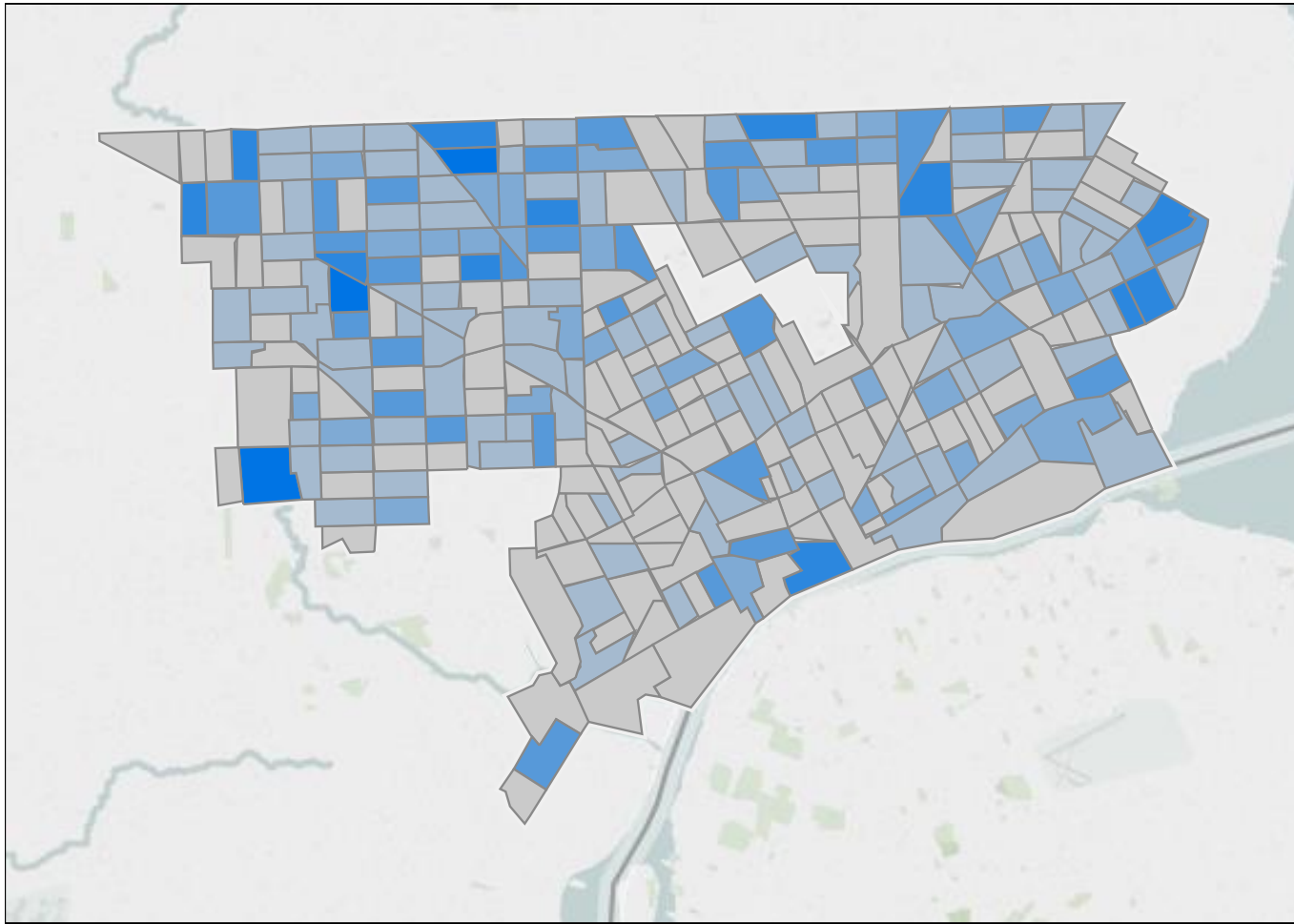


0

44

Source: Zillow analysis of Home Mortgage Disclosure Act (HMDA) data, 2011 and 2014.

# Although lower in numbers, home improvement loan originations are less concentrated



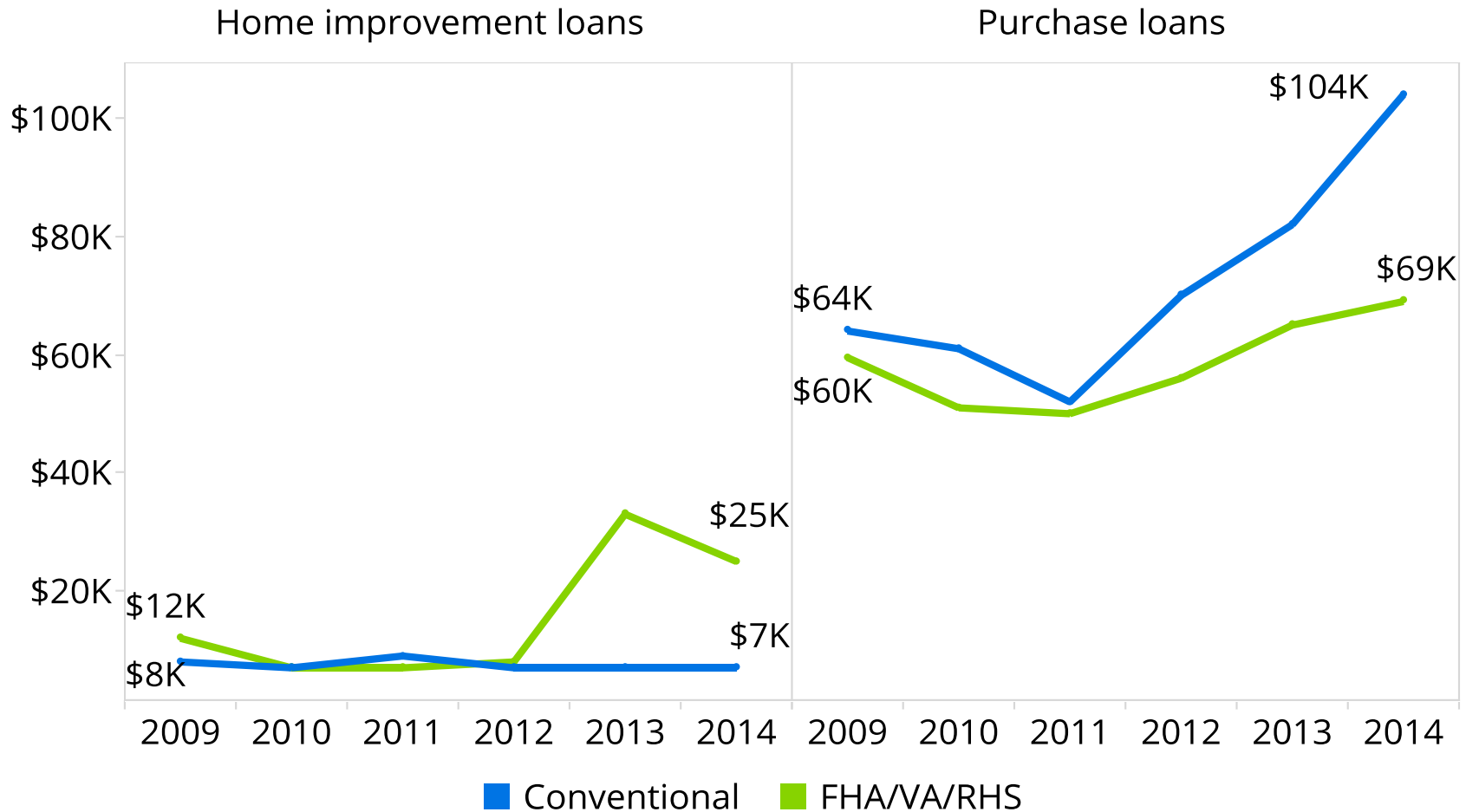
Source: Zillow Analysis of Home Mortgage Disclosure Act (HMDA), 2014.

# LOAN AMOUNTS

Home values are rising in areas with more originations



# Median loan amount rising for purchase mortgages

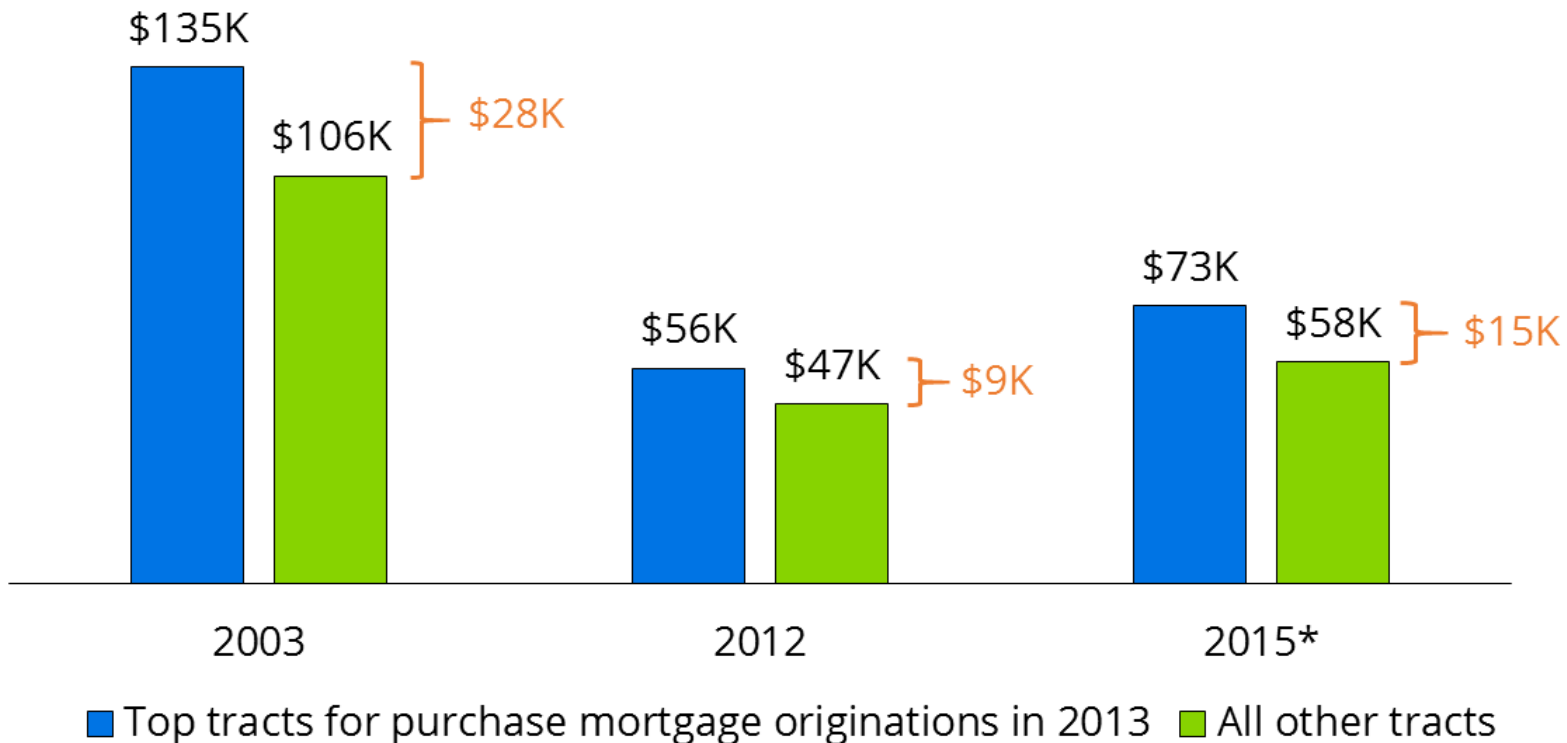


Notes: Includes only loans approved and originated.

Source: Zillow analysis of Home Mortgage Disclosure Act (HMDA) data, 2009-2014.

# Home values have recovered more strongly in parts of Detroit where purchase mortgage originations have been stronger, but there's still a long way to go

Median home value

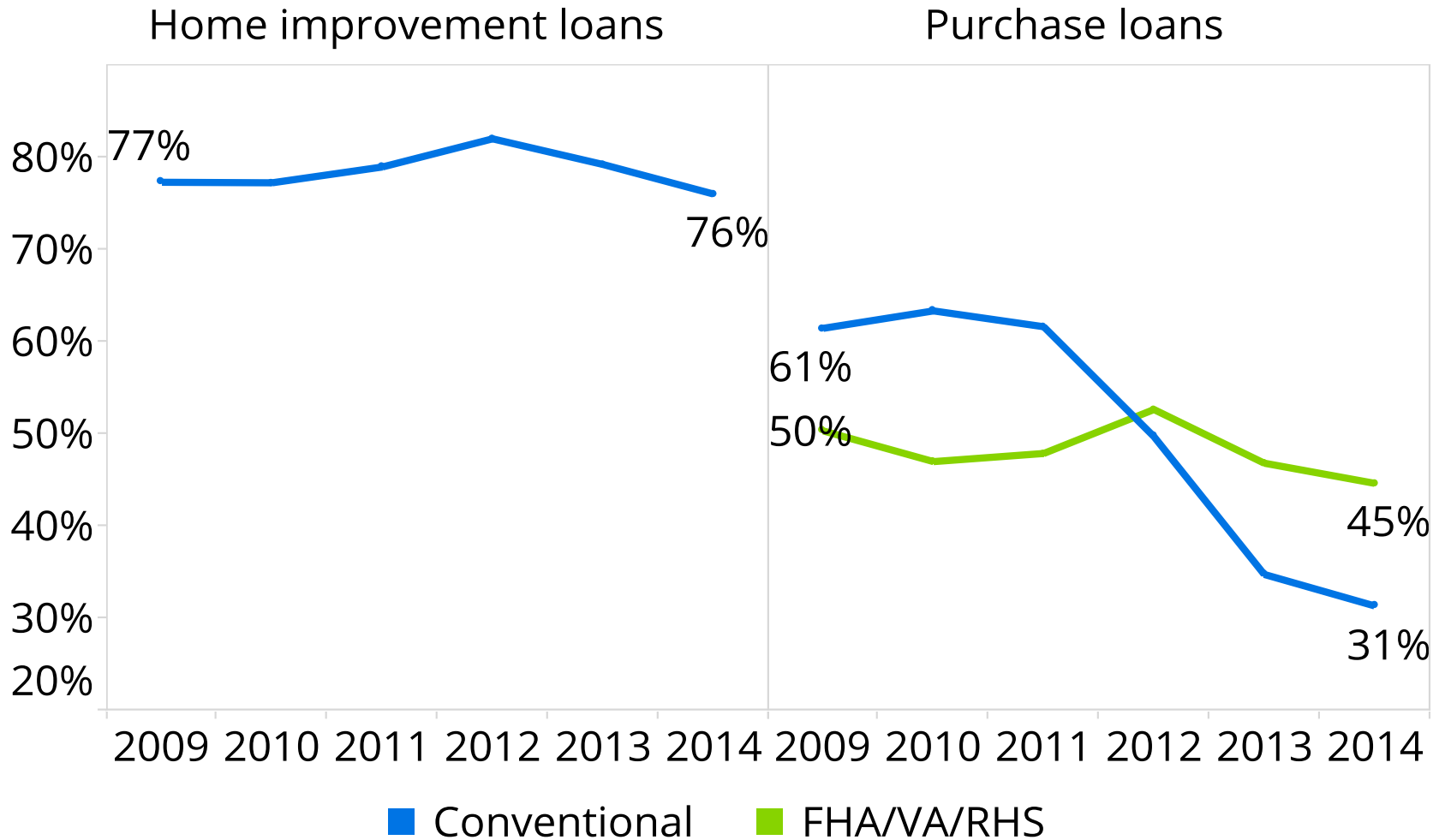


\*Through September. Average annual ZHVI. Top 12 census tracts for purchase mortgage originations in 2013, which accounted for over half of all purchase originations in the city of Detroit that year.  
Sources: Home Mortgage Disclosure Act (HMDA) data, 2013 and Zillow data, 2003-2015.

# DENIAL RATES

Improving for GSE loans, but not for FHA/VA/RHS loans

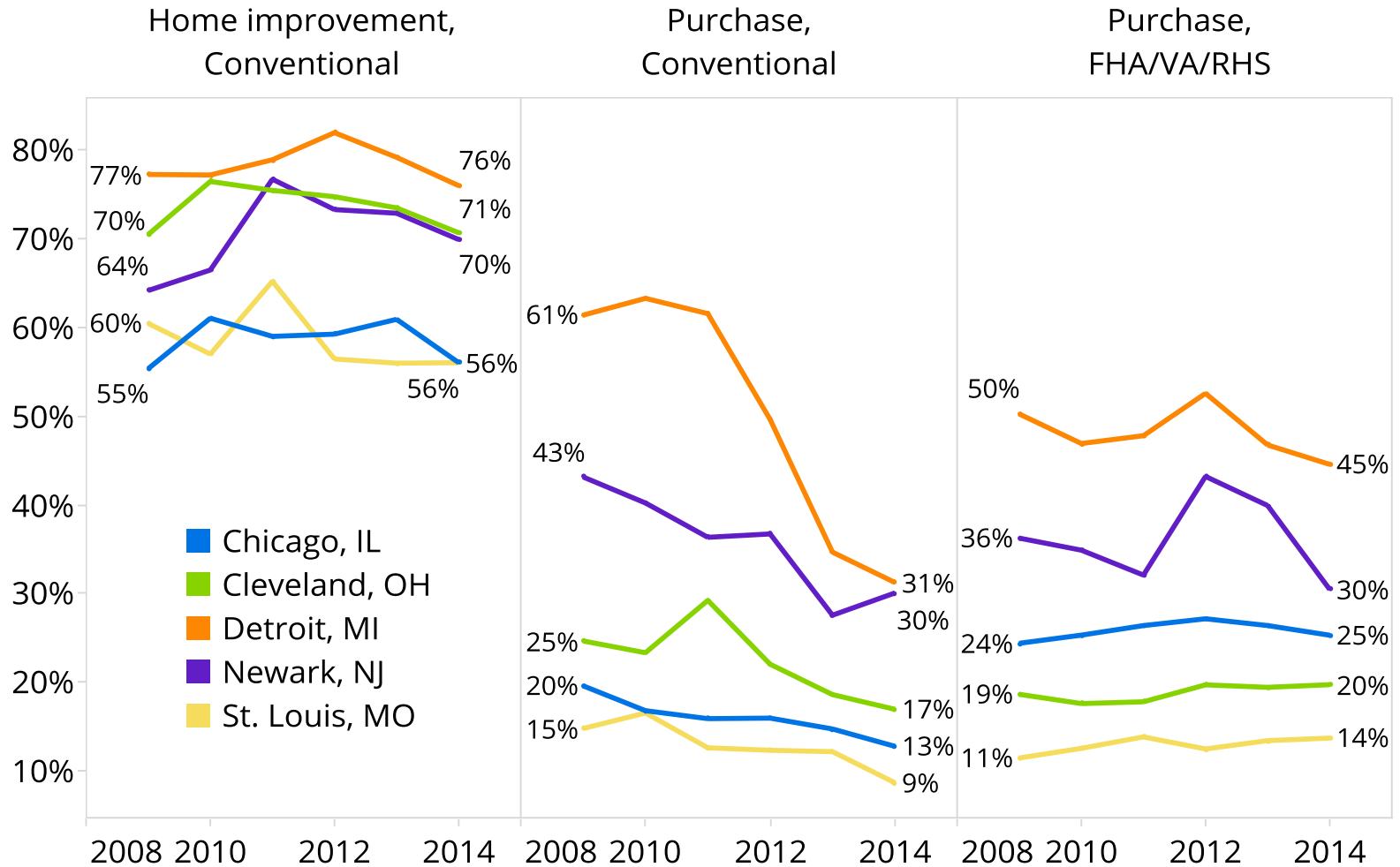
# Denial rates improving for purchase loans...



Source: Zillow analysis of Home Mortgage Disclosure Act (HMDA) data, 2009-2014.

# ...Particularly when compared to other cities

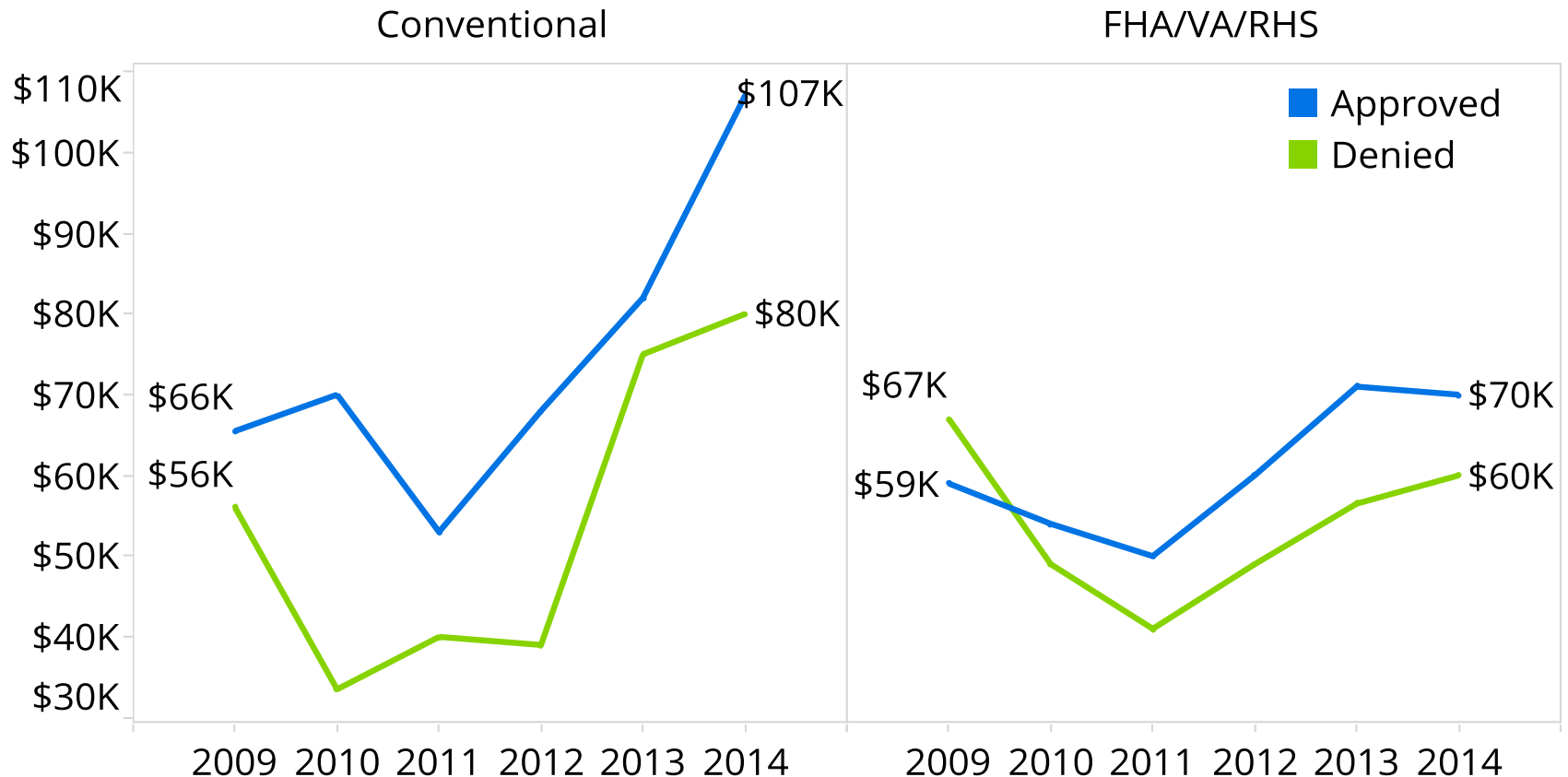
Percent of completed applications denied



Source: Zillow analysis of Home Mortgage Disclosure Act (HMDA) data, 2009-2014.

# Loans denied tend to be for smaller amounts

Median loan amount (requested in case of denial)



*Note:* Approvals include both loans originated and loans approved but not accepted by the borrower.

*Source:* Zillow analysis of Home Mortgage Disclosure Act (HMDA) data, 2009-2014.

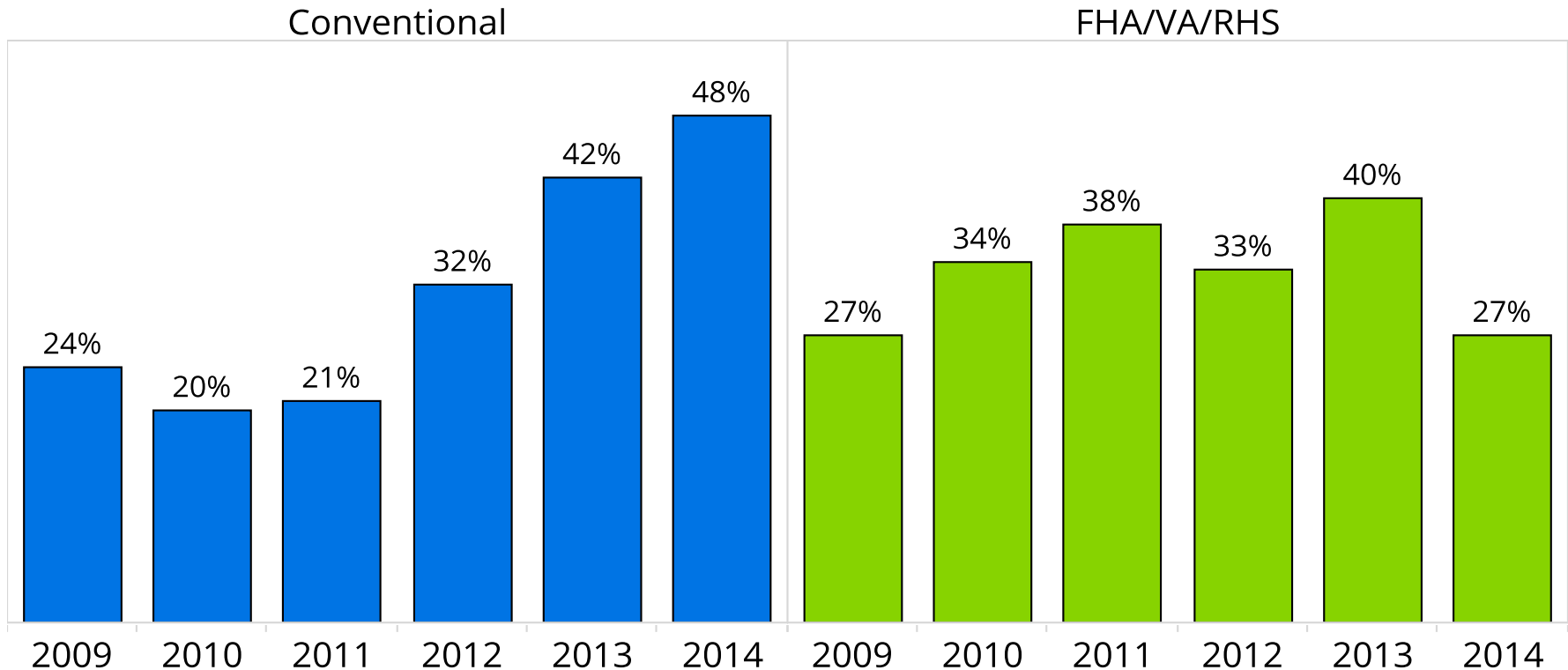
# REASONS FOR DENIAL

Collateral remains a challenge; so are credit histories



# Collateral remains an enormous challenge...

Share of purchase mortgage denials citing collateral as the primary reason for denying the loan



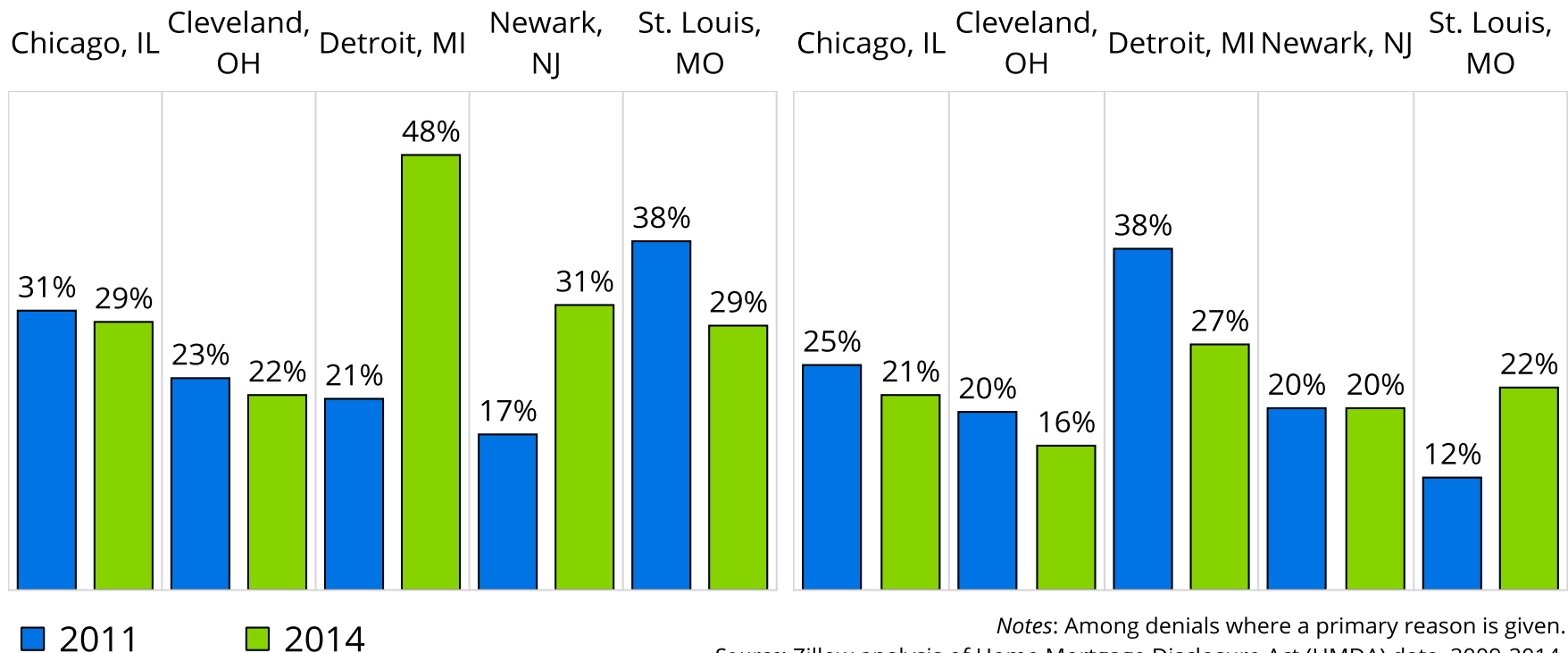
*Notes:* Among denials where a primary reason is given.  
*Source:* Zillow analysis of Home Mortgage Disclosure Act (HMDA) data, 2009-2014.

## ...even compared to other cities...

Share of purchase mortgage denials citing collateral  
as the primary reason for denying the loan

Conventional

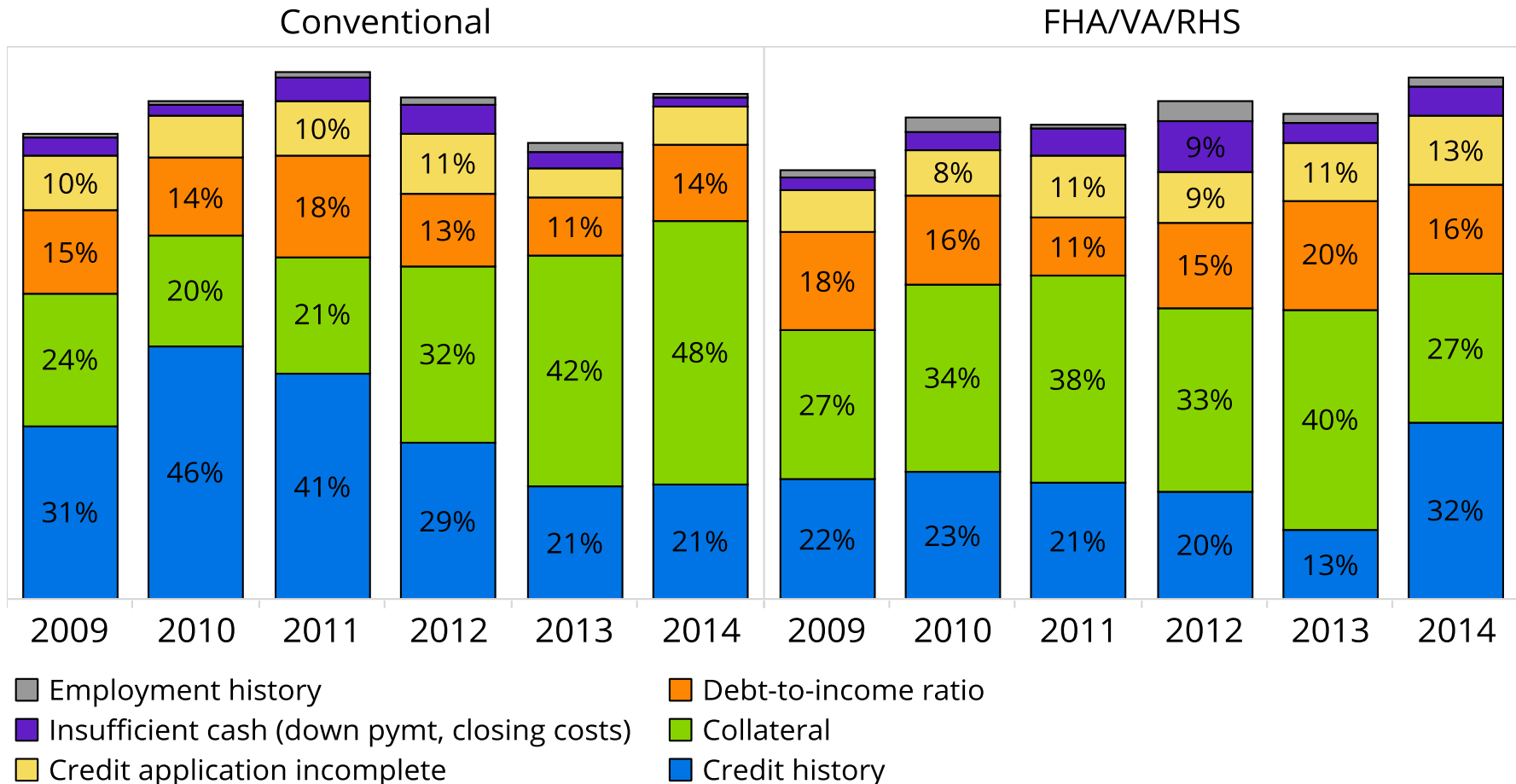
FHA/VA/RHS



Notes: Among denials where a primary reason is given.

Source: Zillow analysis of Home Mortgage Disclosure Act (HMDA) data, 2009-2014.

# ...But credit history is increasingly cited as a reason for denying FHA/VA/RHS mortgage applications



Notes: Among denials where a primary reason is given. Residual includes denials where no reason was provided.

Source: Zillow analysis of Home Mortgage Disclosure Act (HMDA) data, 2009-2014.

**Thank you for your attention.**

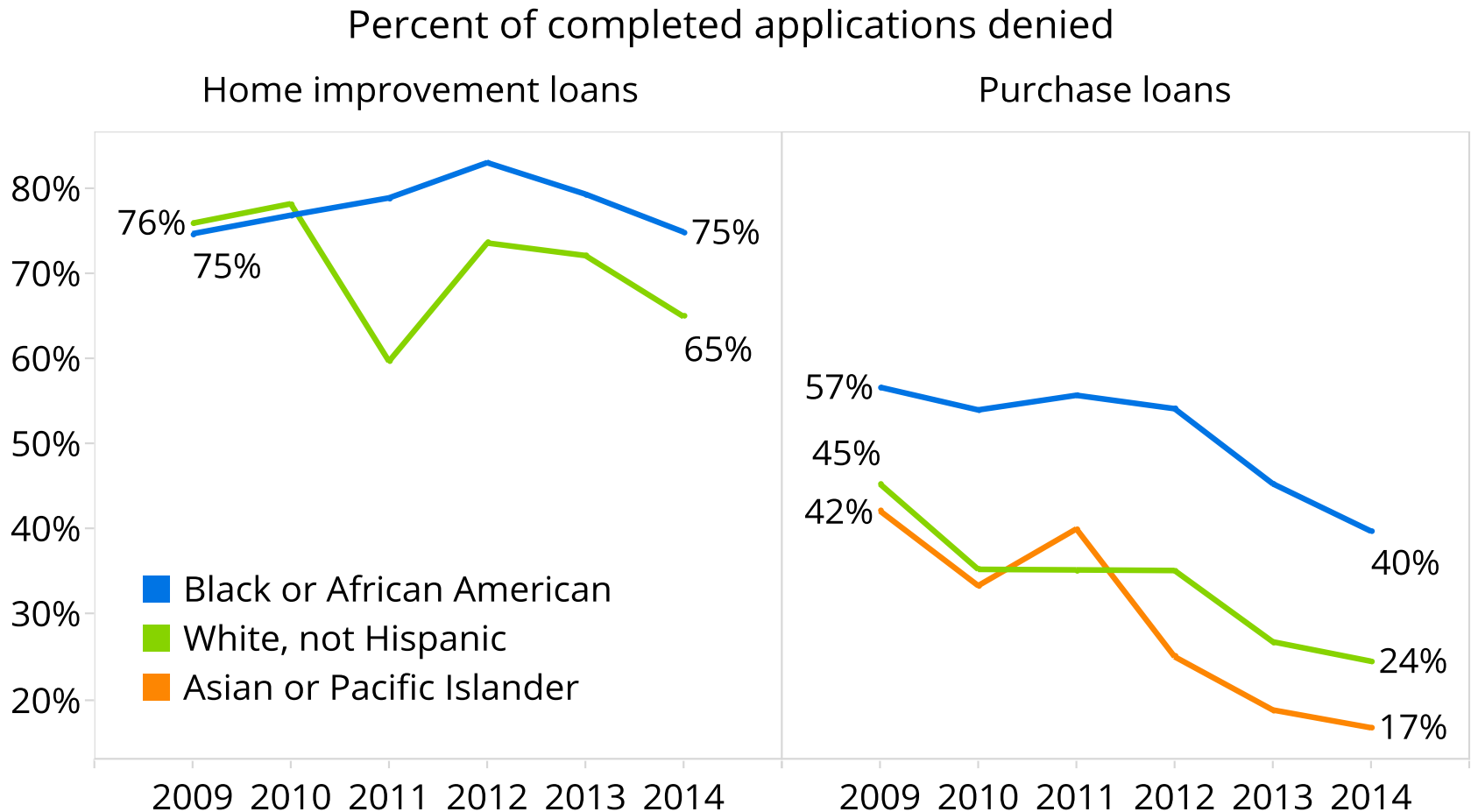
**More data and analysis at**  
[www.zillow.com/research](http://www.zillow.com/research)

Aaron Terrazas  
Senior Economist  
Zillow Economic Research  
[aaront@zillow.com](mailto:aaront@zillow.com)

# APPENDIX

The charts that didn't make the final cut

# Denial rates remain higher for African Americans...

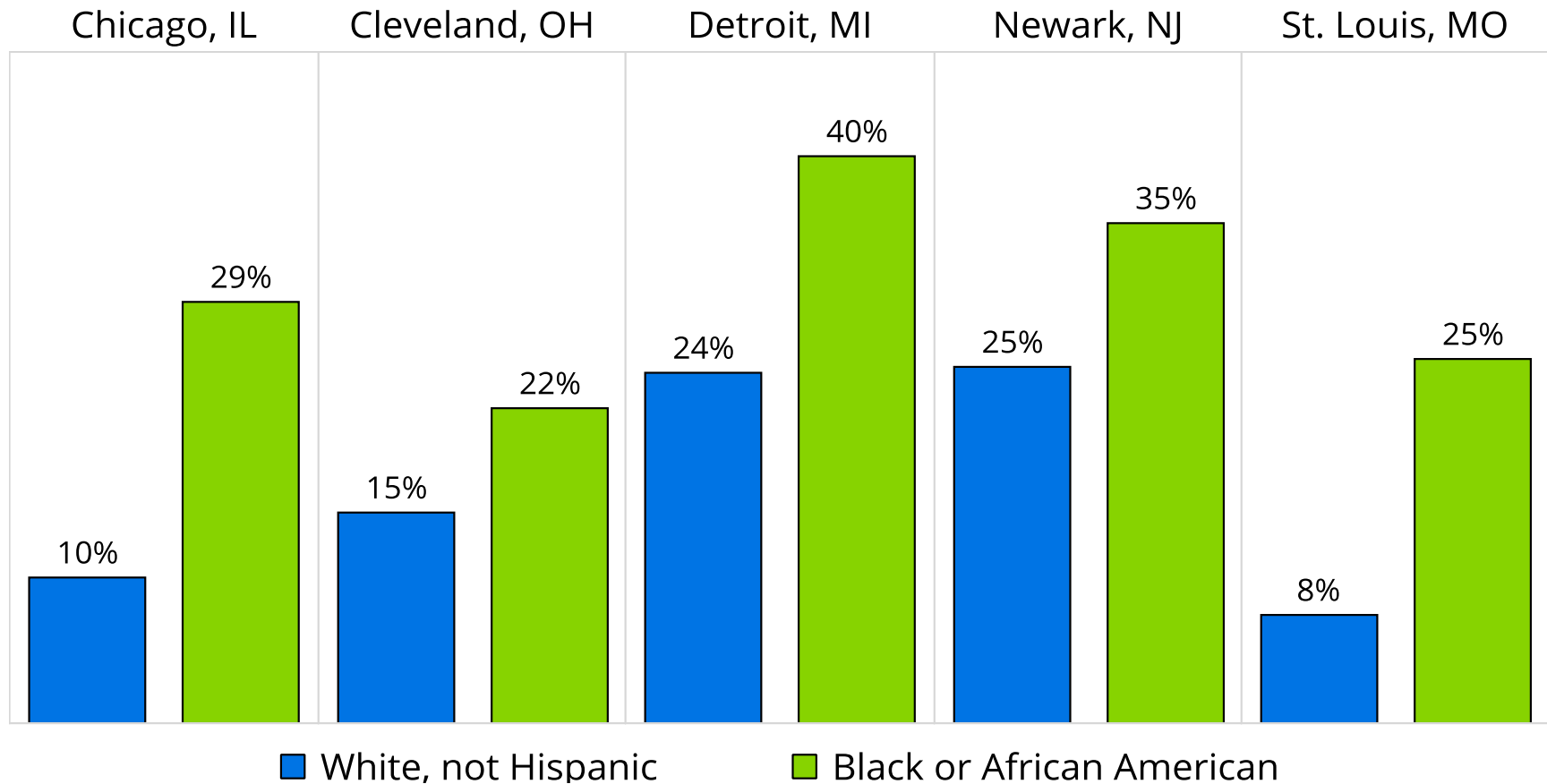


Notes: Includes all loan types.

Source: Zillow analysis of Home Mortgage Disclosure Act (HMDA) data, 2009-2014.

## ...And the racial gap in denial rates is high in Detroit, but smaller than in other similar cities

Percent of completed applications denied in 2014



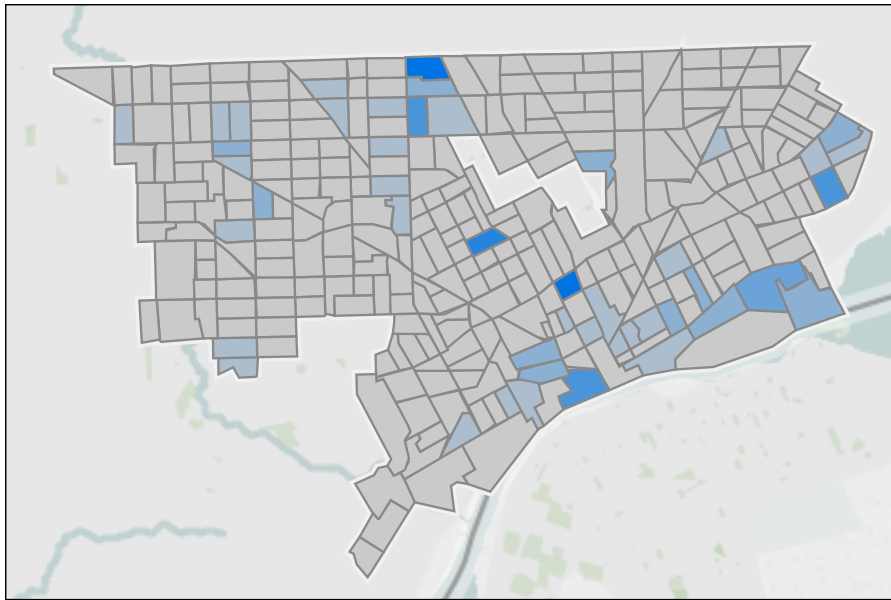
Notes: Purchase mortgage approvals relative to total applications, FHA/VA/RHS and conventional mortgages, in 2014.

Source: Zillow analysis of Home Mortgage Disclosure Act (HMDA) data, 2009-2014.

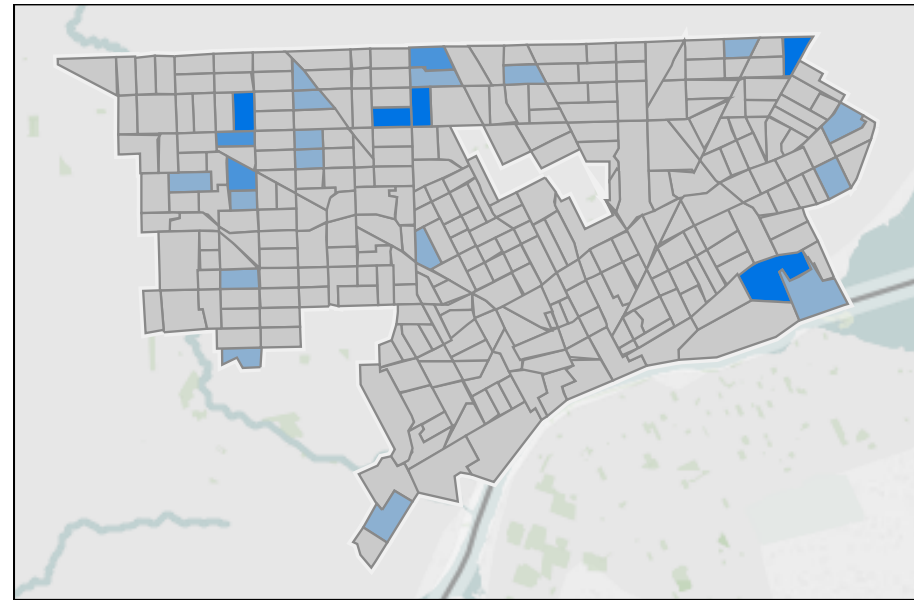


# Conventional loan denials due to collateral tend to concentrate in prime neighborhoods

Number of conventional loans denied due to collateral, 2014



Number of FHA/VA/RHS loans denied due to credit history, 2014



Source: Zillow analysis of Home Mortgage Disclosure Act (HMDA) data, 2014.