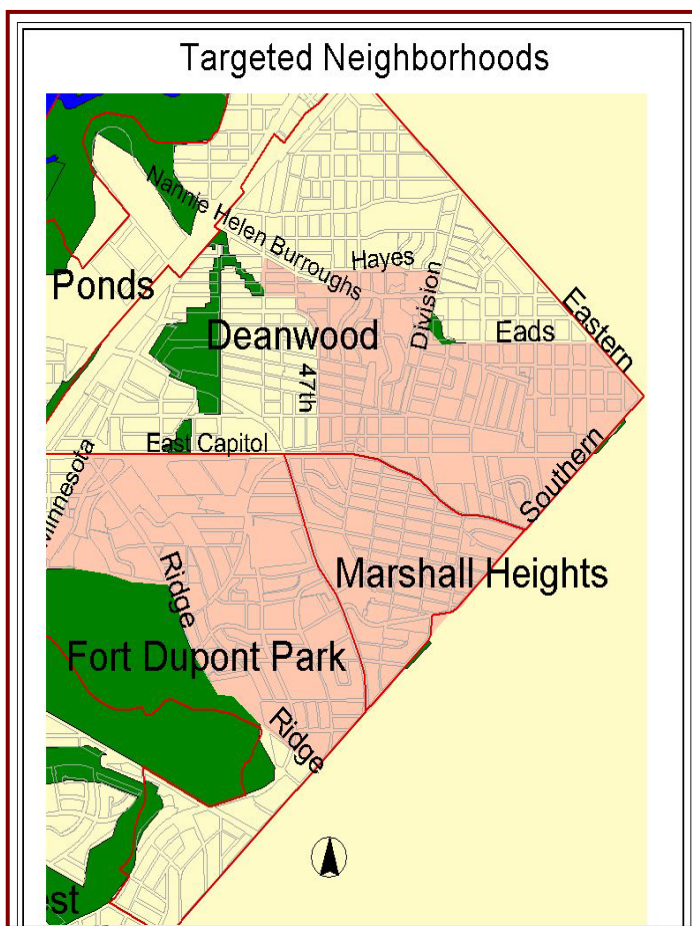


Financial Services and Assets

In Ward 7's Deanwood, Marshall Heights and
Ft. Dupont Park Neighborhoods

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Neighborhood Fact Sheet 2 –February 2004



Summary of Key Findings

- Ward 7 has more check cashing establishments than commercial banks.
- Between 1990 and 2000 the neighborhoods focused on in this report showed a considerable increase in the amount of income generated by assets.
- These neighborhoods' homeownership rate is lower than Ward 7 and below the District as a whole.

Inside—More Information on these Neighborhoods on:

- Financial Assets
- Financial Services
- Homeownership and Mortgage Lending

Overview

Many low-income families build their futures on savings and investments. Assets such as a savings account or owning a home can allow households to weather times of economic uncertainty, prepare for retirement, and provide for future generations. Households rely on relationships with financial institutions for nearly all assets; getting a home mortgage, buying stocks and bonds, as well as opening a checking account requires working with a local financial service provider. But how accessible are these institutions to Ward 7 neighborhoods? Furthermore, how many Ward 7 residents currently have savings and investments? The following pages discuss the availability and use of financial services in three Ward 7 neighborhoods: Deanwood, Marshall Heights and Ft. Dupont Park. We attempt to describe residents' use of consumer financial products, such as bank accounts and mortgages, while also identifying the accessibility of financial service institutions to residents of these three focus neighborhoods.

The focus neighborhoods in this report are defined by nine census tracts, according to the DC Office of Tax and Revenue. This area is bounded by Southern Avenue, north to Hayes Street, and from Eastern Avenue, west to Minnesota Avenue.

This profile relies on several different data sources. We use data from the 2000 U.S. Census to identify characteristics of resident households. For information about mortgage loans, we use data from the federal Home Mortgage Disclosure Act (HMDA), which collects mortgage information from most of the District of Columbia's lenders. In addition, we also describe the locations and characteristics of commercial banks in Ward 7 with data from the Federal Deposit Insurance Corporation (FDIC), as well as licensing data from the DC Government's Department of Banking and Financial Services.

Financial Assets

For this section, we use several indicators on the amount of assets held by households in the focus neighborhoods. We analyzed 2000 Census data on the number of households with income from interest, dividends, or rent, which suggests that they may have a savings or brokerage account, as well as the number of households with loans from mortgage lenders.

According to the 2000 Census the focus neighborhoods have a small number of households with income from sources such as a savings account or a rental property. In the neighborhoods, 11.6% of households reported income from interest, dividends or rent in 1999. In 1990, 12.1% of residents reported such assets. The area has a lower proportion of residents with assets than Ward 7 (14%), and the city as a whole (31%).

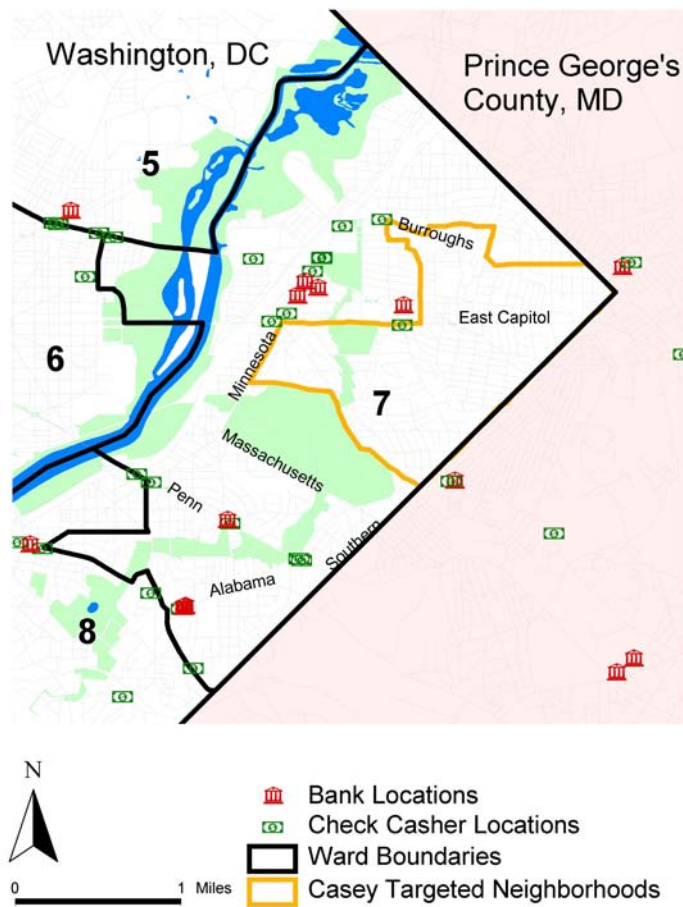
Between 1990 and 2000 the focus neighborhoods showed a considerable increase in the amount of income generated by assets. In constant 1999 dollars, the neighborhoods had \$9.9 million in interest income in 1999, up from \$4 million in 1989. The average income from interest, dividends, or rent increased by 200% between 1990 and 2000 in constant dollars. In 1989, households with interest income received an average of \$2,800. In 1999, this was \$8,300.

Financial Services

Despite the rise of Internet and telephone banking, most households still conduct business with banks within a short distance of their home or work. The location of financial services within or around a neighborhood then has an effect on the financial decisions of residents. This section describes which financial institutions, both traditional (retail banks) and non-traditional (check cashers), have a presence in Ward 7 and the focus neighborhoods. We analyze this question both through geographic presence in Ward 7 as well as lending activity in the Ward 7 focus neighborhoods.

The map below, Figure 1, displays the location of retail bank branches and check cashers in Washington, DC's Ward 7, along with the focus neighborhoods.

**Figure 1: Washington, DC
Ward 7 Financial Service Providers**



Ward 7 has more check cashing establishments than commercial banks. There are no retail bank branches within the focus neighborhoods, although there are nearby bank branches in Ward 7 and Prince George's County. Ward 7 has 12% of the city's households, but has an under representation of bank branches and an overrepresentation of check cashers. Ward 7 has eight retail bank branches, which account for 3.6% of all bank branches in the District. By contrast, there is one check casher within the focus neighborhoods, and Ward 7 has sixteen licensed check cashers, about 17% of the District's total.

While Ward 7 has a small number of the city's commercial banks, these banks hold an even smaller amount of the city's total bank deposits. Ward 7's eight retail bank branches have combined deposits of

\$152 million, about 1.1% of the city's total. Bank of America has the largest share of Ward 7 deposits at 27%.

Homeownership and Mortgage Lending

The equity produced from owning a home is the main source of wealth for low-income families. The focus neighborhoods show lower levels of homeownership and have fewer mortgages than residents of other parts of the city. Of the 10,200 occupied housing units in the neighborhoods, there are 3,600 owner occupied housing units for a homeownership rate of 35%. The neighborhoods' homeownership rate is lower than Ward 7 (41%), and below the District as a whole (41%).

The focus neighborhoods' homeowners are less likely to have a mortgage or home improvement loan than other District homeowners. According to the 2000 Census, among owner-occupied housing units, 2,200 (65%) have mortgages. This is a lower proportion than Ward 7 (68%) and the city as a whole (72%). Similarly, 16% of homeowners have a second mortgage, home equity loan, or both. This is lower than both Ward 7 (17%) and the city as a whole (19%).

While Washington, DC saw a large amount of mortgage activity in 2002, the focus neighborhoods had a relatively weak amount of mortgage activity. According to home mortgage lending data, in 2002, there were 471 mortgages originated in the neighborhoods, worth a total of \$45.4 million. This comes to a rate of about 39 loans per 1,000 households. Ward 7 had 1,588 originated loans; 51 loans per 1,000 households. By contrast, the District as a whole saw 119 mortgages per 1,000 households.

Most of the loans issued during 2002 were not used for home purchases. A majority of new loans (262) in the focus neighborhoods were refinances or home improvement loans. Most of the home purchase loans that were issued did not go to outside investors. Of the 205 home purchase loans in 2002, 25 mortgages were issued for investor purchases. This accounts for 13% of all purchases, the same proportion as Ward 7 and a slightly higher proportion than the city as a whole (10%).

The focus neighborhoods were served by a variety of different mortgage lenders in 2002. Ninety different financial institutions originated the 471 mortgages in the neighborhoods. Below is a table of the District's five largest lenders in 2002, with the number of loans for the city, East of the River, Ward 7 and in the focus neighborhoods.

Number of Loans – 2002 (Deanwood, Marshall Heights and Ft. Dupont Park)				
Top Five DC Lenders	City	East of the River	Ward 7	Focus Neighborhoods
Bank of America	3,103	246	174	62
Well Fargo	2,430	208	125	27
National City Mortgage Company	2,238	146	88	30
Washington Mutual	1,694	94	65	13
First Savings Mortgage Company	1,237	5	3	0

Conclusion

Ward 7—and the three neighborhoods of this report's focus in particular—show both a lack of financial service use and access to financial services compared to other areas of the city. Residents of these neighborhoods have fewer financial assets, take out fewer mortgage loans, and have fewer financial institutions within easy distance of their homes. The only area where Ward 7 exceeds the rest of the District is in the number of institutions offering check cashing services, which carry higher costs than traditional banking services.

Further questions emerge out of this brief's findings. The brief describes financial assets held by residents, as well as geographically accessible financial services. More attention should be paid to households who are not using banking services and their reasons for doing so. Moreover, given the small number of new mortgages in the three neighborhoods focused on in this report, what kind of residents are buying homes in this area? Are these mortgages going to new neighborhood residents and younger families, or are these households choosing to move elsewhere? Furthermore, our data does not include information

about the affordability of home loans in these neighborhoods. More research should be conducted to determine the characteristics of new homebuyers as well as the types of loans being issued in this area.

Some more information on this topic can be found in the attached spreadsheet, which includes all of the relevant data for this report as well as the same information for wards and neighborhood clusters for other parts of the city.

So What?

We believe that information can and should be used to inform and mobilize stakeholders. We will work with community groups to understand what this data means for their efforts to improve conditions in their neighborhoods. Discussions will include questions concerning: *what might be a possible explanation for what the data show; how can we use the data to hold all of us accountable for our respective roles; what actions can be taken to improve these neighborhoods; and, what other indicators should we be tracking?*

About NeighborhoodInfo DC

NeighborhoodInfo DC is a partnership of the Urban Institute and the Washington DC Local Initiatives Support Corporation (LISC). NeighborhoodInfo DC provides current and reliable neighborhood-level data and analysis to improve strategic decision-making by government and community organizations in the District of Columbia. The goal of NeighborhoodInfo DC is to democratize data for use as a tool in civic engagement.

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