

Clunker Mortgages and Transportation Redlining

*How The Mortgage Banking Industry Unknowingly
Drains Cities And Spreads Sprawl*



MORTGAGES

&

TRANSPORTATION

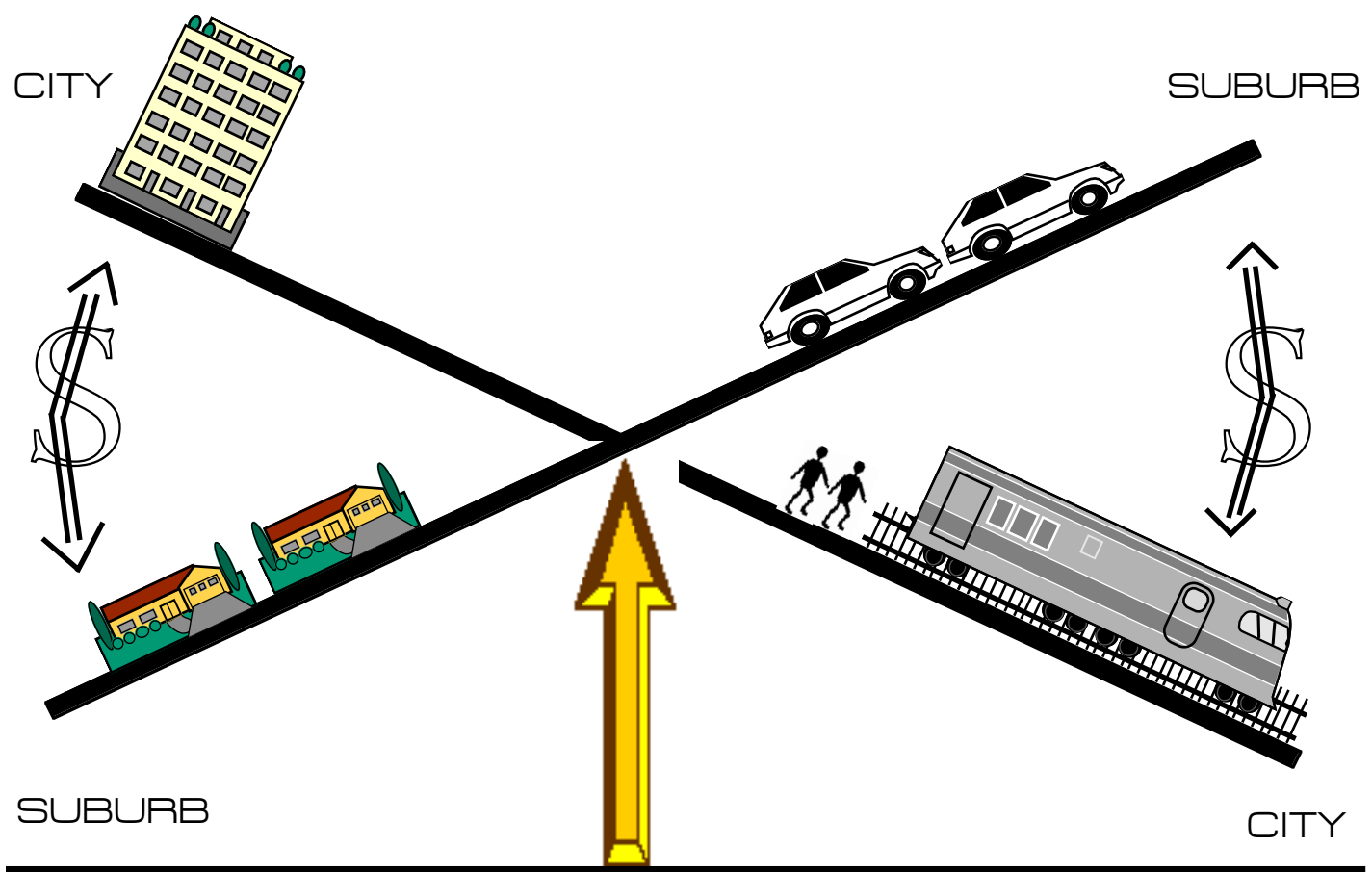
REDLINING

**** “This is not a small subject. Pat Hare’s book is at the heart of much of what is wrong with our society.” **Andres Duany**, review comment on *Planning, Transportation, and the Home Economics Of Reduced Car Ownership*, the seminar book on which this report is largely based.

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1. Graphic Overview Of Clunker Mortgages And Transportation Redlining

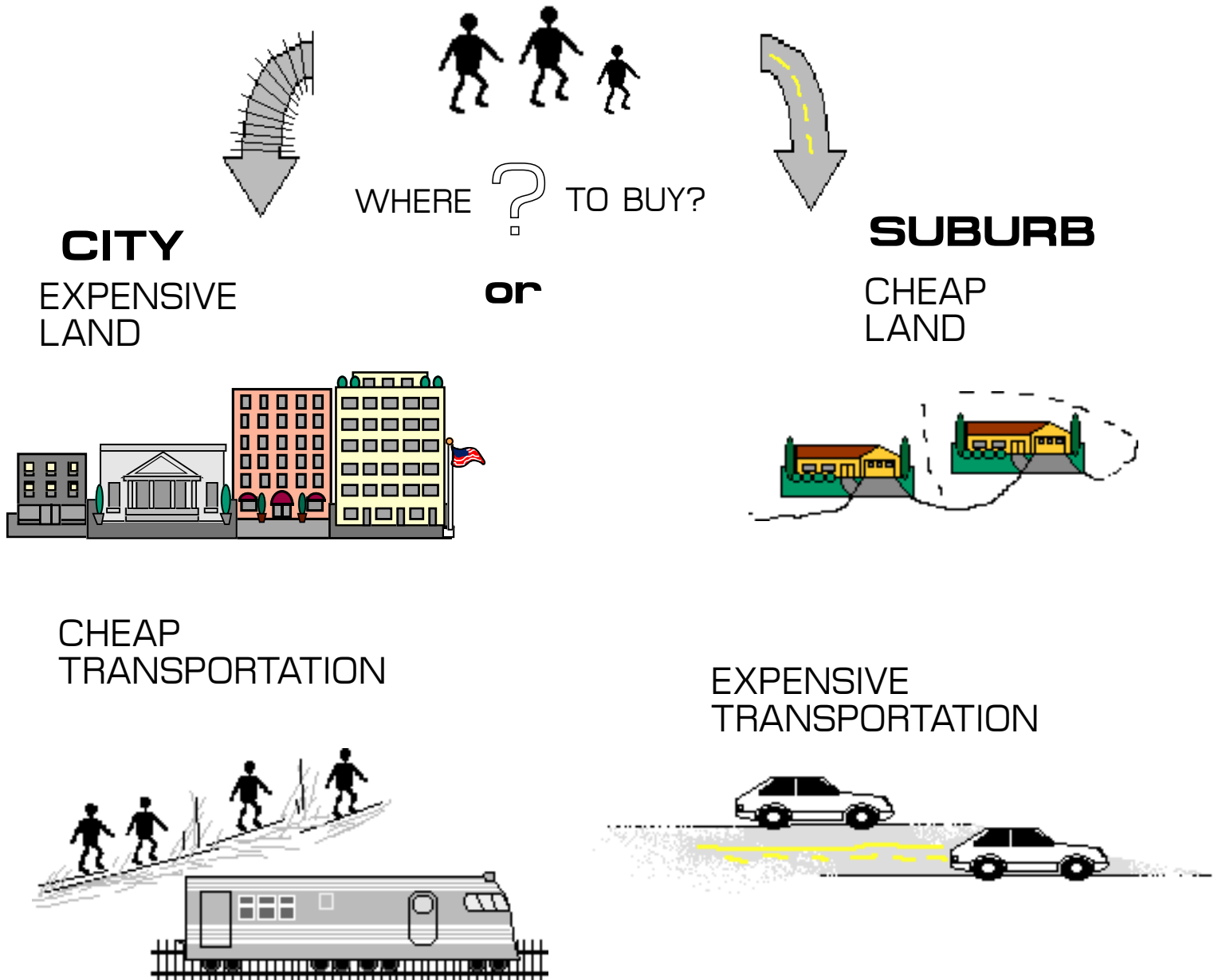
1.1 The Housing Cost/Transportation Cost Relationship



City land is expensive because transportation is cheap; suburban land is cheap because transportation is expensive. Inexpensive transportation is the basic reason for cities.

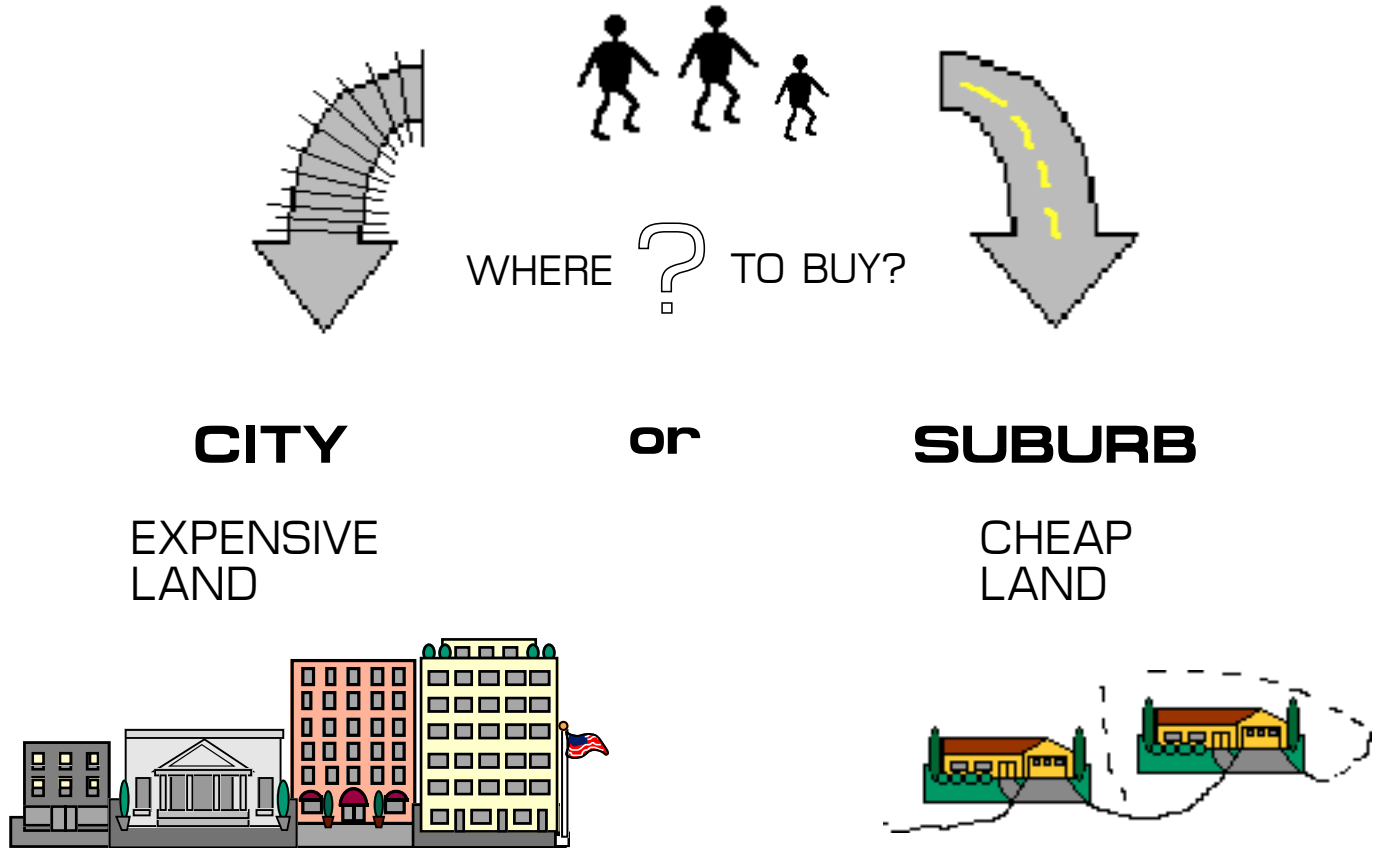
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1.2 Housing Choices Are Transportation Choices



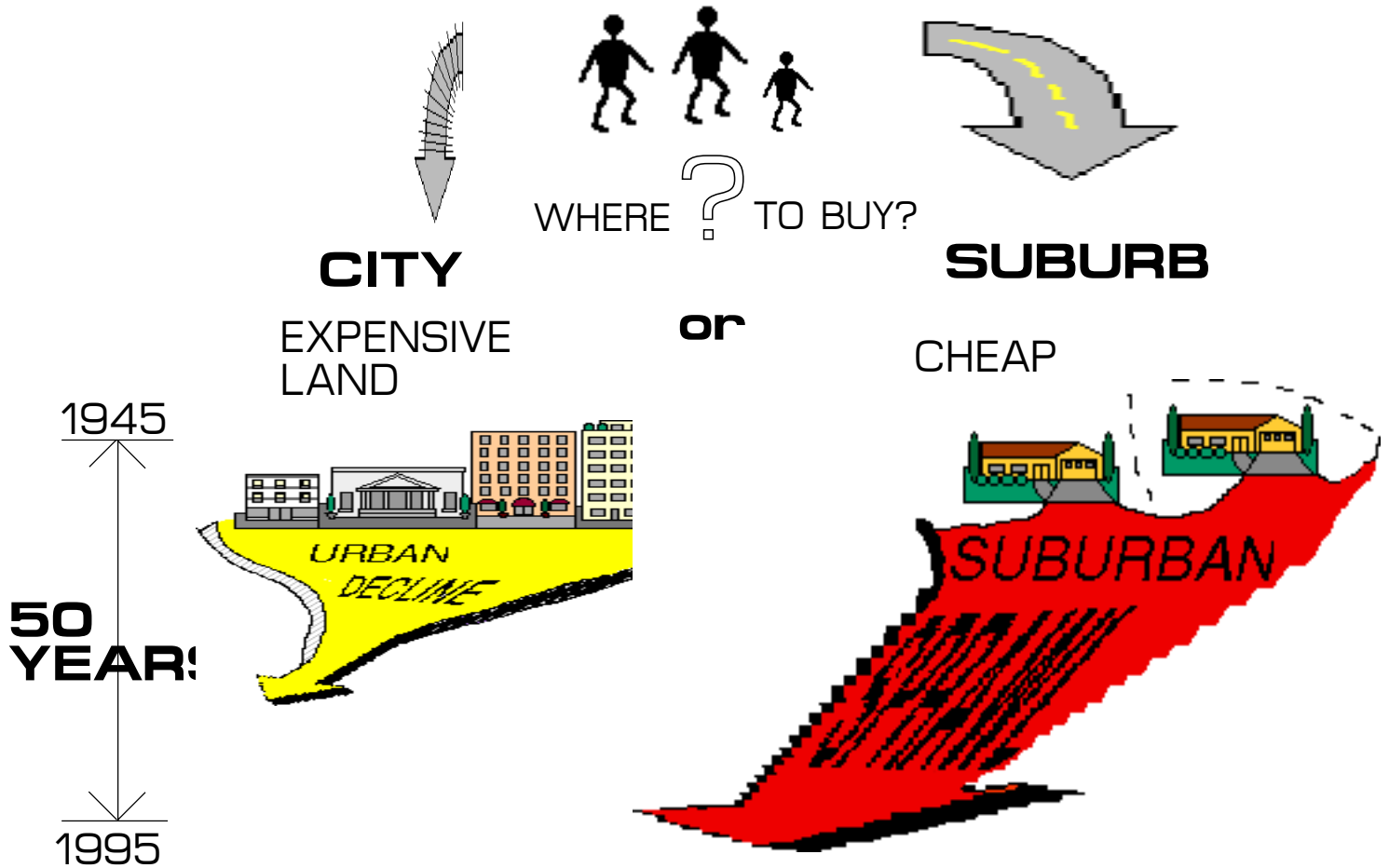
The real choice between a city home and a suburban home involves both housing cost and transportation cost.

1.3 Mortgage Approval Ignores Transportation Costs



Few households can buy where they can't get a mortgage. It is easier to get a mortgage where cheap land makes house prices low. Mortgage approval procedures do not consider the household's transportation costs at the home that is being bought.

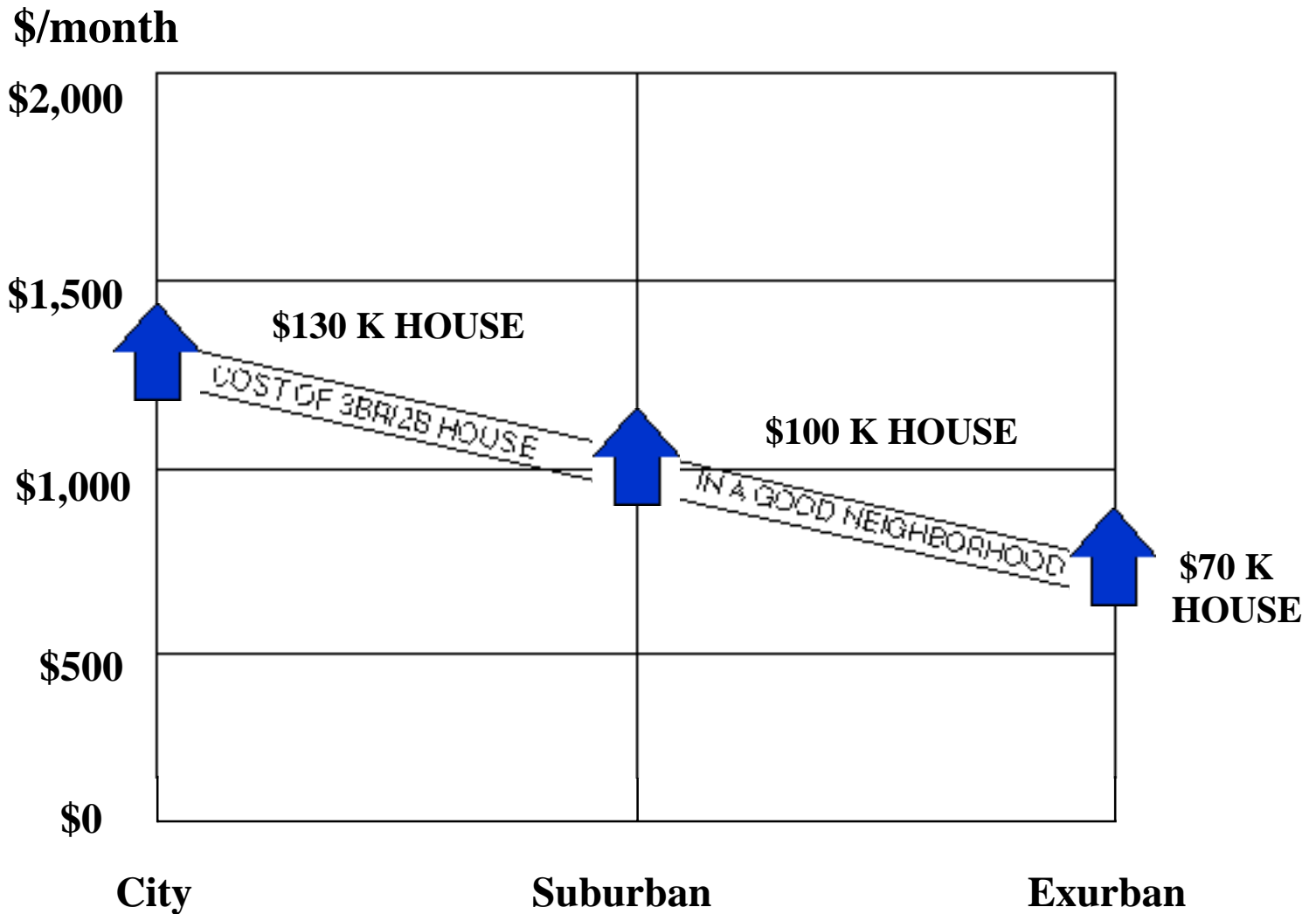
1.4 Ignoring Transportation Costs In Mortgage Approval Causes Urban Decline And Suburban Sprawl.



The middle class has left cities for the suburbs since the end of World War II, when US cities and their transit systems were both in good condition. Low down payment mortgages and cars both became widely available immediately after World War II.

2. Graphs Showing How Transportation Redlining Affects Cities and Middle Class Buyers

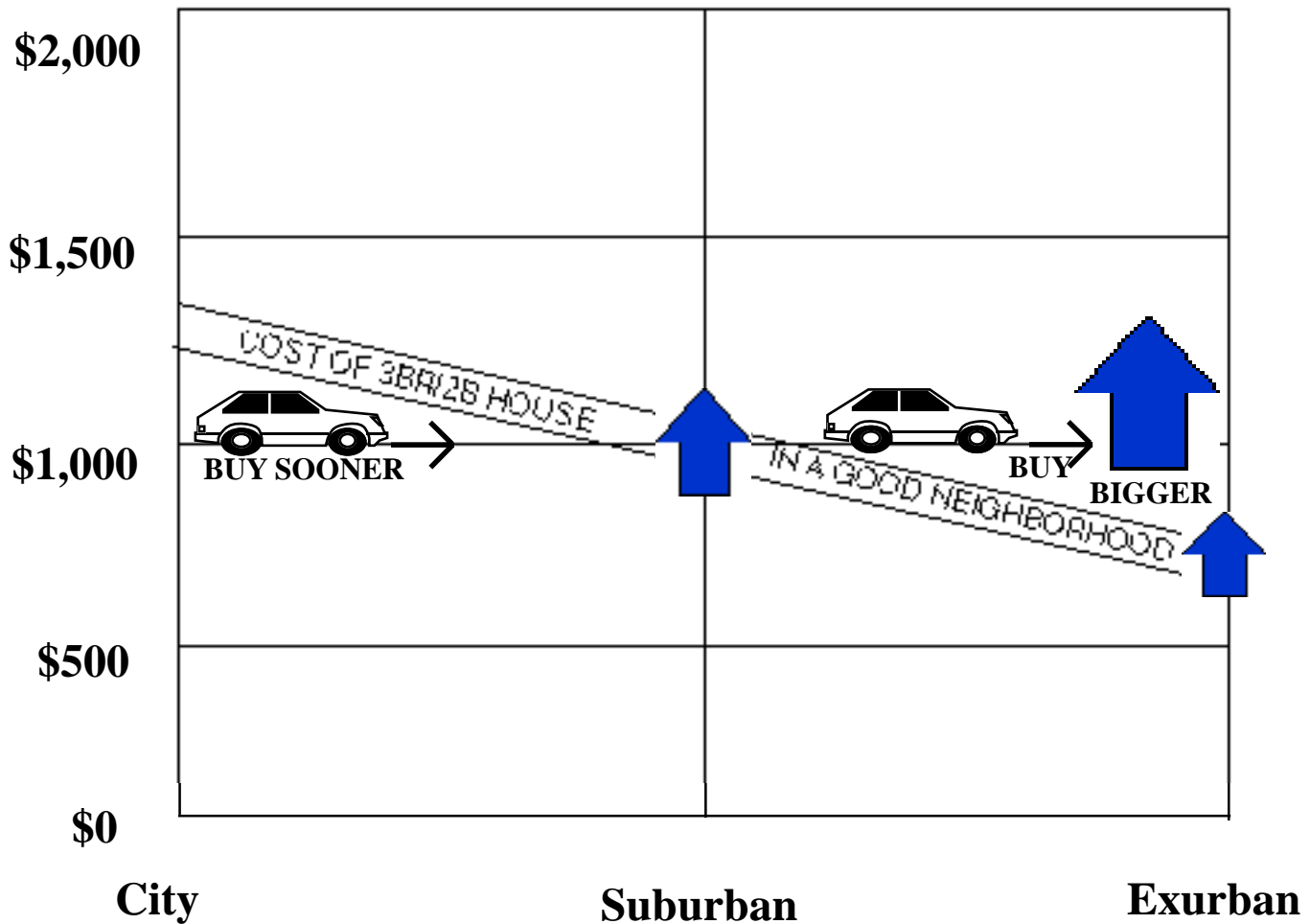
2.1 House Price And Location



House costs go down with density.

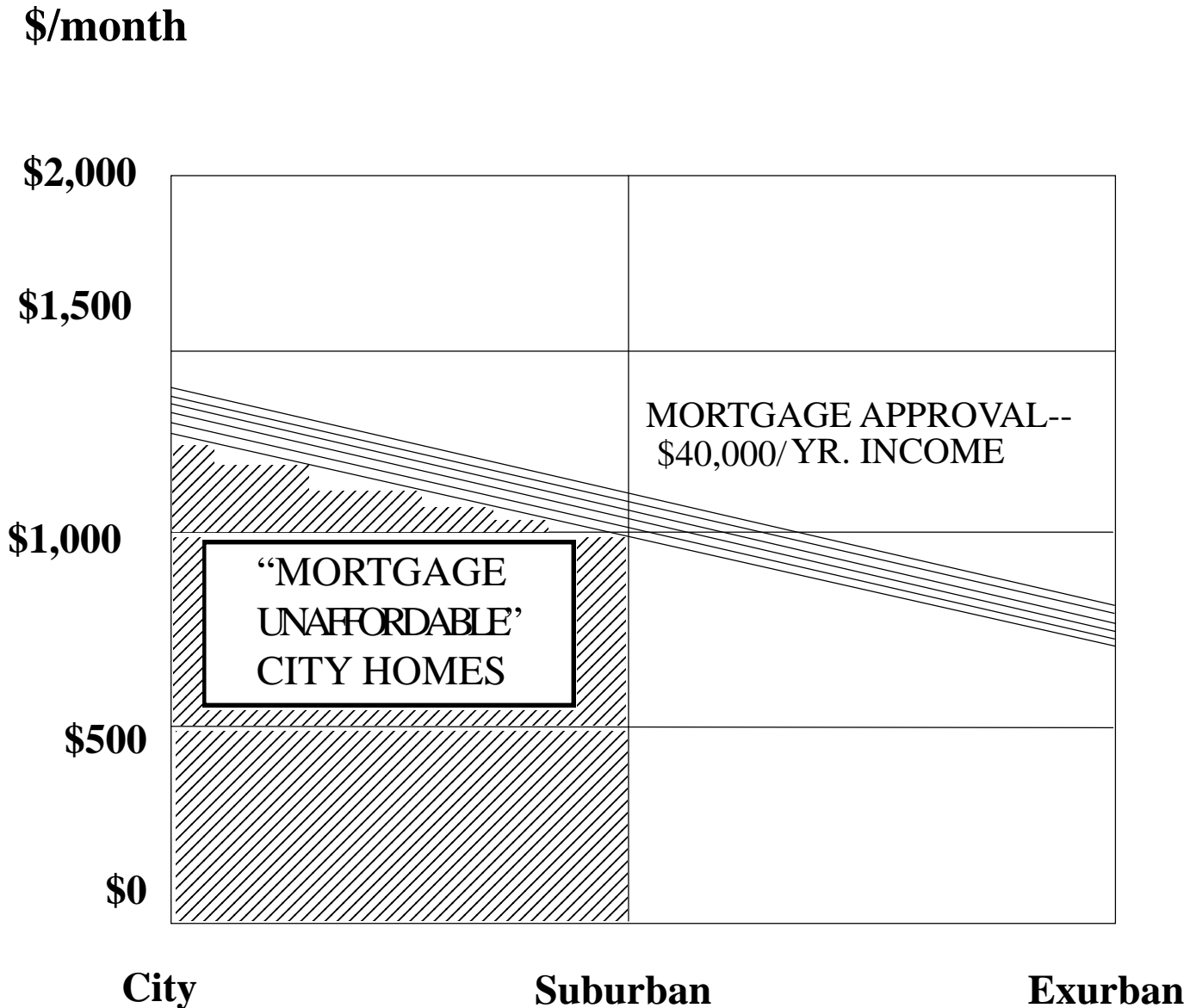
2.2 Sooner And Bigger In The Suburbs

\$/month



An entry level middle class homebuyer who lives in the city can get mortgage approval to buy a house sooner, and buy a bigger house, or both, by moving out of the city.

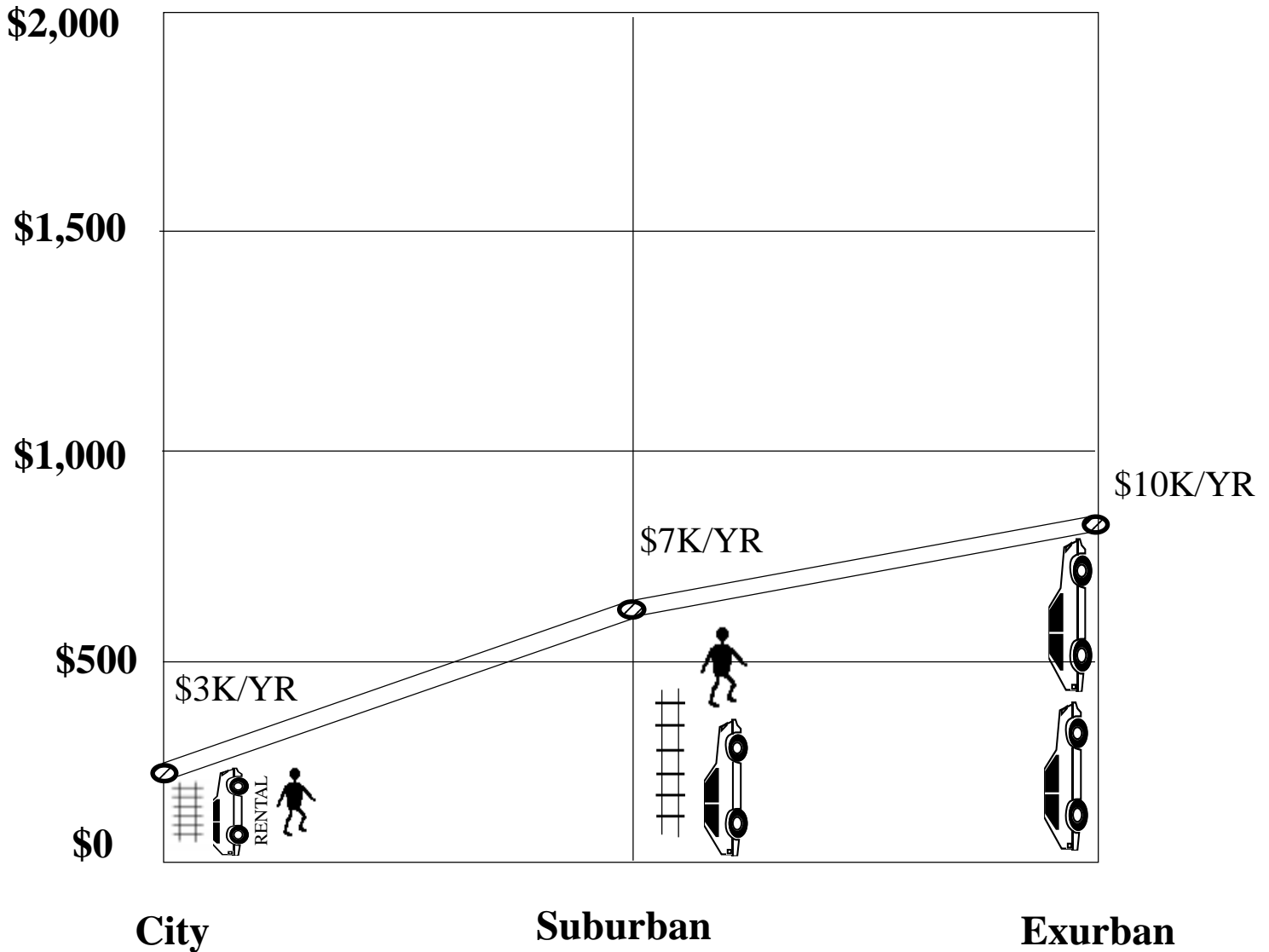
2.3 “Mortgage Unaffordable” Homes



Banks typically allow 30% of income to be spent on housing. Since 30% of \$40,000/yr is \$1,000 a month, the middle class can't afford middle class city homes.

2.4 Transportation Cost And Location

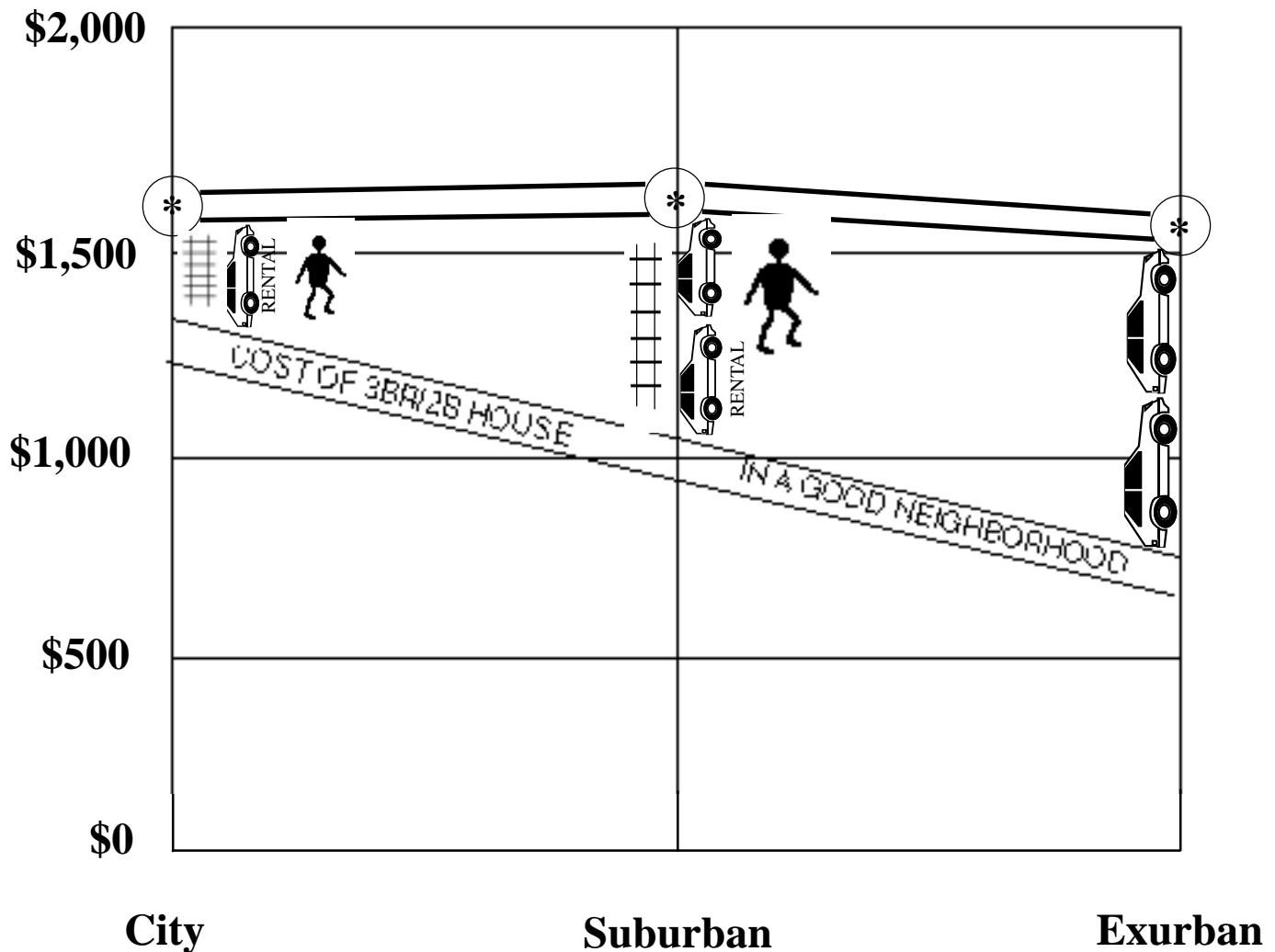
\$/month



Although house prices go down in suburban areas, transportation costs go up.

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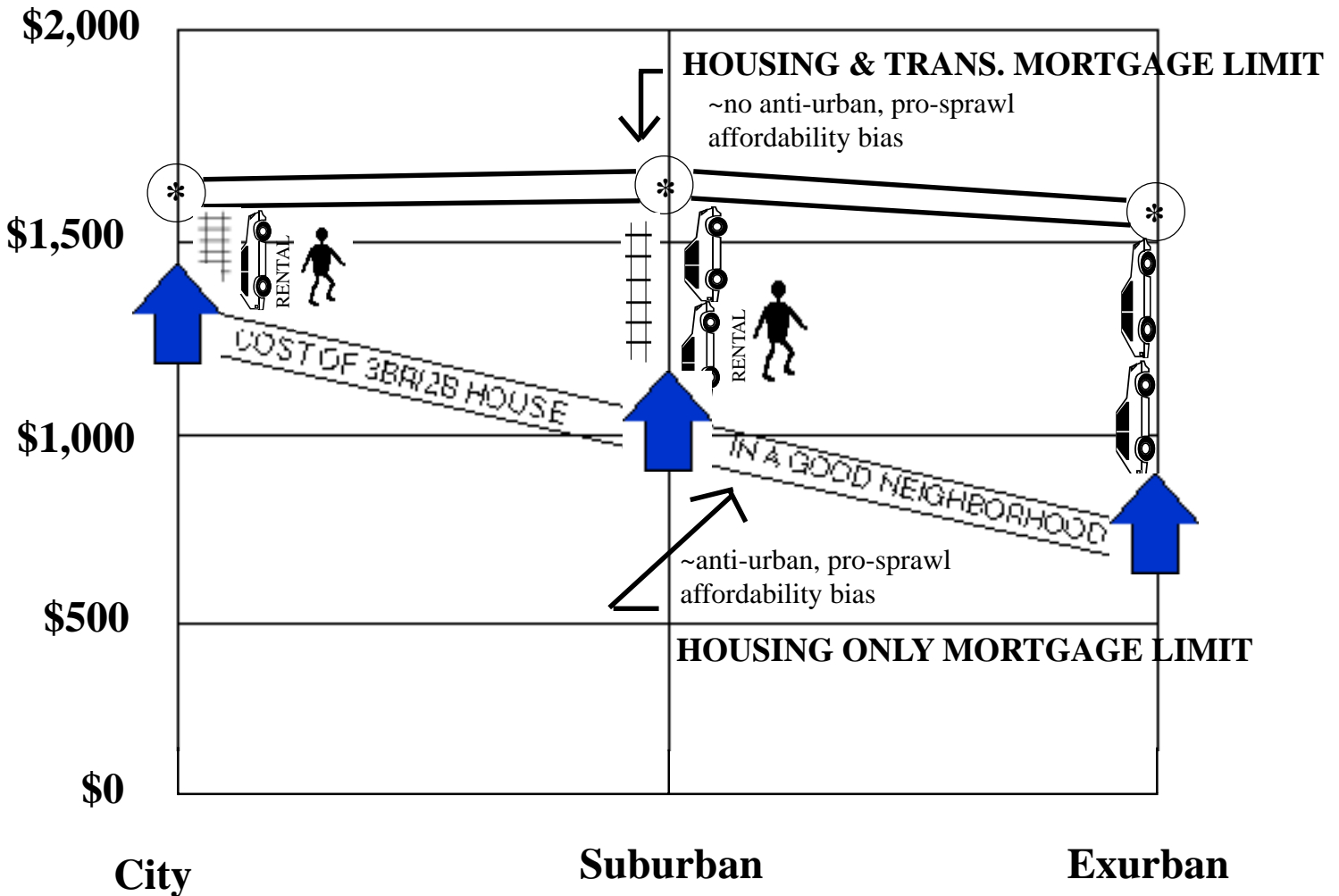
2.5 Housing Plus Transportation Costs



Increases in transportation costs in the suburbs and exurbs eliminates the monthly savings from buying lower priced suburban and exurban homes.

2.6 The Anti-City, Pro-Sprawl Affordability Bias of Conventional Mortgages As Opposed To One Car and No Car (Near Transit) Mortgages

\$/month



If mortgage approval procedures reflected the combined cost of housing and transportation costs, city homes could compete equally for entry level middle class homebuyers.