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To: Clients and Friends

From: David F. Dulock

Subject: FFIEC Announces Availability of 2013 HMDA Data

Reprinted below is the text of the CFPB press release regarding the 2013 HMDA data released by the FFIEC on September 22, 2014. Pay particular attention to the explanation of how the regulators use HMDA data in their examinations to determine whether a lender is complying with fair lending laws. With the addition of more data points in the proposed HMDA regulations (see the August 29, 2014 memorandum posted on our website www.bmandg.com), we believe future HMDA data will become more critical in fair lending examinations. For further information regarding the HMDA data, click on the hyperlinks and URLs in the CFPB press release.

Federal Financial Institutions Examination Council Announces Availability of 2013 Data on Mortgage Lending

The Federal Financial Institutions Examination Council (FFIEC) today announced the availability of data on mortgage lending transactions at 7,190 U.S. financial institutions covered by the Home Mortgage Disclosure Act (HMDA). Covered institutions include banks, savings associations, credit unions, and mortgage companies. The HMDA data made available today cover 2013 lending activity, and include applications, originations, purchases and sales of loans, denials, and other actions related to applications.

The data released today also include disclosure statements for each financial institution, aggregate data for each metropolitan statistical area (MSA), nationwide summary statistics regarding lending patterns, and Loan/Application Registers (LARs) for each financial institution (LARs are modified to protect borrower privacy). The FFIEC prepares and distributes this information on behalf of its member agencies.

The HMDA data show the disposition of loan applications and include information on:

- loan amount
- loan type (such as conventional, Federal Housing Administration (FHA) or Veterans Administration (VA))
- purpose (home purchase, home improvement, or refinancing)
- property type (one- to four-family, multifamily, or manufactured housing)
- property location (MSA, state, county, and census tract)
- applicant characteristics (race, ethnicity, sex, and income)
- pricing-related data.

The data also show whether a loan is subject to the Home Ownership and Equity Protection Act (HOEPA) and whether a loan is secured by a first or subordinate lien, or is unsecured.

Understanding the Data

The data include census tract characteristics (minority composition and income). The 2013 HMDA data use the census tract delineations and population and housing characteristic data from the 2010 Census and from the combined 2006-2010 American Community Surveys, as was the case in 2012, when these [delineations and data were first used](#).

Users of the HMDA data should be aware that changes in tract boundaries and updates to the population and housing characteristics of census tracts complicate intertemporal analysis of the annual HMDA data.

The HMDA data are the most comprehensive publicly available information on mortgage market activity. Among other uses, the data help the public determine how financial institutions are serving the housing needs of their local communities, and facilitate fair lending and compliance examinations. When examiners evaluate an institution's fair lending risk, they analyze HMDA data in conjunction with other information and risk factors, in accordance with the Interagency Fair Lending Examination Procedures at <http://www.ffiec.gov/PDF/fairlend.pdf>. Risk factors for pricing discrimination include, but are not limited to, the presence of broad pricing discretion and consumer complaints.

The HMDA data alone cannot be used to determine whether a lender is complying with fair lending laws. They do not include many potential determinants of loan application and pricing decisions, such as the applicant's credit history, debt-to-income ratio, the loan-to-value ratio, and others. Therefore, when examiners conduct fair lending examinations, including ones involving loan pricing, they analyze additional information before reaching a determination regarding institutions' compliance with fair lending laws.

Observations for 2013 Data

For 2013, the number of reporting institutions declined about three percent to 7,190 from 2012, continuing a downward trend since 2006 when HMDA covered about 8,900 lenders. The decline reflects mergers, acquisitions, and the failure of some institutions. The 2013 data include information on nearly 14 million home loan applications—of which, 8.7 million resulted in loan originations—and about 2.8 million loan purchases, for a total of nearly 16.8 million actions.

The data also include information on about 516,000 requests for preapprovals related to a home purchase loan. The total number of originated loans of all types and purposes declined by about 1.1 million, or 11 percent, from 2012. Refinance originations declined by 23 percent, whereas home purchase lending [increased by about 13 percent](#).

The share of home purchase loans for 1-4 family properties made to black and Hispanic white borrowers declined slightly between 2012 and 2013, while the share made to Asian

borrowers increased slightly. In contrast, the share of refinance loans made to black and Hispanic white borrowers rose in 2013 relative to 2012, whereas the share to Asian borrowers declined.

In terms of borrower income, the share of 1-4 family home purchase loans that were made to low- and moderate-income borrowers (those with income of less than 80 percent of area median income) declined from nearly 31 percent in 2012 to about 26 percent in 2013, while the share of refinance loans to low- and moderate-income borrowers increased slightly from 19 percent to 20 percent.

Following the recent financial crisis, homebuyers relied heavily on government-backed mortgages, particularly those insured by the FHA or guaranteed by the VA, to finance their purchases, but this reliance has declined somewhat in recent years. In 2013, the FHA-insured share of first-lien home purchase loans for 1-4 family, site-built owner-occupied properties was 24 percent, down from 31 percent in 2012, and down from its peak of 42 percent in 2009.

In contrast, the VA-guaranteed share of such loans held steady between 2012 and 2013 at around nine percent. Including Rural Housing Service loans, the overall government-backed share of such loans was 38 percent in 2013, down from 45 percent in 2012 and 54 percent in 2009.

FHA-insured and VA-guaranteed loans tend to play a less important role in the refinance market compared to the home purchase market. In 2013, conventional loans accounted for 84 percent of all first-lien refinance mortgages for 1-4 family, site-built owner-occupied properties while FHA- and VA-guaranteed loans accounted for about 10 percent and 6 percent, respectively—similar to 2012.

The 2013 HMDA data also include information on loan pricing. Lenders report pricing information for loans classified as “higher-priced.” Higher-priced loans are defined as loans with annual percentage rates (APRs) that exceed the average prime offer rates (APORs) by at least 1.5 percentage points for first-lien loans and at least 3.5 percentage points for [subordinate lien loans](#). The data on the incidence of higher-priced lending shows that fewer than five percent of first-lien loans originated in 2013 have APRs that exceed the loan price reporting thresholds, up from about three percent in 2012.

One factor contributing to the overall increase in higher-priced lending was a sharp rise in the share of FHA-insured first-lien home purchase loans with APRs above the reporting threshold, from 4.6 percent in 2012 to 22 percent in 2013. FHA raised its annual mortgage insurance premium (MIP) slightly in April 2013, and extended the period over which MIP is required to be paid by borrowers in June 2013. All else equal, these changes, particularly the latter, would push up APRs for FHA loans. About 75 percent of FHA purchase loans that met the higher-priced definition had APRs that were less than 0.5 percentage points above the higher-priced threshold.

As noted above, the HMDA data indicate which loans are covered by HOEPA. Under HOEPA, certain types of mortgage loans that have interest rates or total points and fees

above specified levels require additional disclosures to consumers and are subject to various restrictions on loan terms. For 2013, 1,873 loans covered by HOEPA were reported, down from 2,194 in 2012.

In 2013, black and Hispanic white applicants experienced higher denial rates for conventional home purchase loans than non-Hispanic white applicants. The denial rate for Asian applicants is more comparable to the denial rate for non-Hispanic white applicants. These relationships are similar to those found in earlier years.

Additional HMDA Information

Financial institution disclosure statements, individual institutions' LAR data, and MSA and nationwide aggregate reports are available at <http://www.ffiec.gov/hmda>. The FFIEC now offers these reports in Excel format for both current and historical data. Refer to the HMDA data products at <http://www.ffiec.gov/hmda/hmdaproducts.htm> for the item descriptions and formats. HMDA data tools also are available at <http://www.consumerfinance.gov/hmda>. More information about HMDA data reporting requirements is available on the FFIEC Web site at <http://www.ffiec.gov/hmda/faq.htm>.

Financial institutions are required to make their disclosure statements available at their home offices. For other MSAs in which financial institutions have offices, an institution must either make the disclosure statement available at one branch within each MSA or provide a copy upon receiving a written request. Questions about a HMDA report for a specific institution should be directed to the institution's supervisory agency at the number listed below.

- Federal Deposit Insurance Corporation — 877-275-3342; hearing impaired — 800-925-4618
- Board of Governors of the Federal Reserve System, HMDA Assistance Line — 202-452-2016
- National Credit Union Administration, Office of Consumer Protection — 703-518-1140
- Office of the Comptroller of the Currency, Compliance Policy Division — 202-649-5470
- Consumer Financial Protection Bureau — 202-435-7000
- Department of Housing and Urban Development, Office of Housing — 202-708-0685

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