

Census Bureau

HMDA/Fair Lending

*Approximately 9,000 lenders reported HMDA data during 2005

*This represents an estimated 80% of all mortgage lending during 2005

36.1M 11.7M Pl 15.9M re 2.5M HI 5.9 M Purchased
2.8M increase over 2004

*So, we can assume it likely provides a good representation of mortgage lending

*Data reveals a great deal about mortgage lending patterns

****But relatively little about the cause of those patterns***

*Gathering and reporting HMDA data is already very time consuming and costly
to add all of the quantifiable factors needed to determine the cause of our
industry's lending patterns could easily double or triple the time and cost

*So it's basically up to us to conduct our own Analysis of our own lending patterns
which should help us encourage both marketplace efficiencies and fairness

*An analysis of the 2005 data shows that more than 20% of borrowers received
"High Priced" loans - up from approximately 5% in 1995

*In 2005 the overall % of loans with an APR greater than the HMDA rate spread threshold
increased by 69% over 2004

Adjusted to compensate for the narrowing between short and long term
interest rates in 2005 compared to 2004 the increase is still approximately 61%

*In 2005 Blacks and Hispanics were about twice as likely as Whites to receive a loan with an
APR greater than the HMDA rate spread threshold, and Asians were less likely to

*In 2005 Blacks and Hispanic borrowers with denied at about twice the rate as Whites and
Asian borrower were denial at a lesser rate

*In 2005: 24.6% of all conventional loans - APR greater than HMDA rate spread threshold
0.9% of all government loans - APR greater than HMDA rate spread threshold
60% of all manufactured home loans - APR greater than HMDA rate spread threshold
36,000 loans were HOEPA covered loans an increase about of 50% over 2005

Where does all of this leave us to today?

- *1) Lenders "MUST" have a good written Board or Owner approved HMDA Plan
- a) who's responsible for HMDA:
 - 1) senior management
 - 2) Compliance Officer
 - 3) CRA/HMDA Officer
 who's responsible for data:
 - 1) input (central/production channels/branches...)
 - 2) gathering
 how often data is gathered
 how and when data gets tested:
 - 1) scrubbing
 - b) who's responsible for data reporting/re-reporting:
 - 1) senior management
 - 2) regulator/HUD/ffiec
 - c) training
 - d) system/s used for all of the above
- *2) Lenders "MUST" have a good written Board approved Fair Lending Plan (CRA Plan)
- a) who's responsible for Fair Lending:
 - 1) senior management
 - 2) legal counsel
 - 2) compliance officer
 - 3) CRA/HMDA officer
 who's responsible for data:
 - 1) gathering
 - 2) analysis/report generation
 - A) second reviews if issue suspected
 - B) matched pairs
 - C) regression
 identify/document all applicable Quantifiable factors
 - 1) cost of funds to be lent
 - 2) credit risk - credit score, ltv, dti, prepayment
 - 3) overhead
 - 4) servicing costs
 - 5) competition
 - 6) local housing markets
 - 7) legal statutes of state - foreclosures rates/bk laws
 - 8) production channel
 - 9) discretionary pricing/loan negotiations
 - A) who is allowed
 - B) when it's allowed
 - C) document reasons
 - b) who's responsible for reporting
 - A) senior management

B) who's eyes can see the data

C) attorney client privilege

- c) regulatory contact
- d) media contact
- e) training
- f) counseling and disciplinary actions
- g) document the good things you are doing that may have an impact on your data
- h) System/s used for all of the above

In Conclusion

*Know what your data says about you, before your regulator knows, before any litigators know, before the media knows - be ready to tell your story before anyone asks

*If you find any lending pattern disparities that cannot be explained by quantifiable factors take action immediately before you are forced to by your regulator, by a litigator, or by the media