

MBA Regulatory Compliance Conference

2007 HMDA Data
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- From 2006 to 2007, mortgage market transitioned:
 - from high incidence of higher-priced lending and mortgage sales
 - to substantially lower share of higher-priced lending and loans sold to secondary market

- Applications fell 60 million (22%)
- Originations fell 3.5 million (25%)

Causes:

- Slower house price appreciation or decline in value
- Tighter underwriting
- Increase in interest rates
- Elimination of products to stretch affordability

- MSAs that experienced both the sharpest declines in recent house prices and the largest increase in house prices in preceding years experienced the largest decline in lending activity
- Falloff in lending larger in MSAs with high delinquency rates

- 169 institutions that reported 2006 data did not report data pertaining to 2007
 - Ceased operations
 - Not merged or acquired
- Accounted for about 7% of 2006 data
- All but two were independent mortgage companies
- Had greater focus on higher-priced lending in 2006
 - Blacks (74%)
 - Hispanics (63%)
- Larger share of piggyback lending

- Decline in Loan Originations
 - Hispanics -49%
 - Blacks -35%
 - Whites -22%
- Decline driven by decline in applications
- Decline in higher-priced lending resulted in decline in lending to Blacks

- “Modest” increase in denial rates
 - Caused by smaller reduction in denials than applications
- 2nd half of 2006 as compared to 2nd half of 2007:
 - Black denial rate increased 2%
 - Hispanic denial rate increased 4%

- Piggyback lending down 45% from 2006
- Increase in piggyback lending to keep within conforming loan limits
- Decline in piggyback lending as substitute for PMI
- Use of piggyback lending for higher-price non-GSE eligible purposes fell 87%

- Independent mortgage companies were significant source of piggyback lending until 2007
- In 2007, depository institutions account for much larger share:
 - More likely to hold in portfolio
 - Impact on loan modifications

- Number of FHA loans increased 20% from 2006
- Increase likely to continue
- FHA loan size considerably smaller (mean of \$142,000)
- Lower income borrowers

- Decrease in non-owner occupant lending:
 - 1996 (6.4%)
 - 2005 (17.3%)
 - 2006 (16.5%)
 - 2007 (14.9%)

- Incidence of Higher-Priced Lending
 - 28.7% in 2006
 - 18.3% in 2007
- Reasons for Decline:
 - Impact of 169 non-reporting institutions
 - Yield curve
 - Changes in lender and investor risk tolerance

- “Specialists” account for nearly 40% of higher-priced lending
- Depository institutions, in 2007 data, are leading providers of higher-priced lending
 - Reflects large contraction by others

- Incidence of Higher-Priced Lending by Race and Ethnicity (2nd half of 2007):
 - 29.5% for Blacks
 - 24.3% for Hispanics
 - 9.2% for Whites
- Gap decreases with controls for borrower and lender factors
- Not much different from 2006

- Number of higher-priced refinance loans originated by independent mortgage companies declined 85%
- Depository institutions increased volume of lower-priced purchase lending to Black borrowers in assessment areas
 - Lending to Whites decreased