Racial and Economic Disparities in the Mortgage Market

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Home Mortgage Disclosure Act (HMDA)

- HMDA is a data collection, reporting, and disclosure statute that was enacted in 1975.

- HMDA data are used to assist in
  - determining whether financial institutions are serving the housing needs of their local communities;
  - facilitate public entities’ distribution of funds to local communities to attract private investment;
  - help identify possible discriminatory lending patterns.

- Institutions covered by HMDA are required to annually collect and report specified information on each mortgage application acted upon and purchased during the prior calendar year.
Home Mortgage Disclosure Act (HMDA)

- The 2020 HMDA data are the third year of data that incorporate amendments made to HMDA by the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (DFA) and 2015 HMDA Rule.
- HMDA data provide good insights on the racial and economic disparities in the mortgage market.
- HMDA data alone cannot determine whether a financial institution is engaged in discriminatory lending.
Recent CFPB Reports Based on HMDA Data


▪ “A Brief Note on General Lending Patterns of Small to Medium Size Closed-end HMDA Reporters,” June 2021.


Racial Disparities as Observed in HMDA Data

- Racial Composition of Originated Loans
- Denial Rates
- Characteristic of Mortgage
  - Credit characteristics
  - Mortgage Pricing
Share of Home-Purchase Loans by Race and Ethnicity

Note: Single-family closed-end originations.
Share of Refinance Loans by Race and Ethnicity

Note: Single-family closed-end originations.
Monthly Trend (# of originations)

Note: Single-family closed-end originations.
Note: Single-family closed-end originations.
# of Home-purchase Loan Originations (Minority Only)

Note: Single-family closed-end originations.
Shares of Home-purchase Loan Originations by Race and Ethnicity

Note: Single-family closed-end originations.
Shares of Home-purchase Loan Originations (Minority Only)

Note: Single-family closed-end originations.
# of Refinance Loan Originations by Race and Ethnicity

Note: Single-family closed-end originations.
# of Refinance Loan Originations (Minority Only)

Note: Single-family closed-end originations.
Shares of Refinance Loan Originations

Note: Single-family closed-end originations.
Shares of Refinance Loan Originations (Minority Only)

Note: Single-family closed-end originations.
Denial Rates by Race and Ethnicity

Denial Rates across AAPI Subgroups

**FIGURE 8: APPLICATION OUTCOMES BY AAPI SUBGROUPS**

<table>
<thead>
<tr>
<th>Subgroup</th>
<th>Originated</th>
<th>Approved, not accepted</th>
<th>Denied</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asian (No subgroup)</td>
<td>87</td>
<td>4</td>
<td>10</td>
</tr>
<tr>
<td>Asian Indian</td>
<td>88</td>
<td>3</td>
<td>9</td>
</tr>
<tr>
<td>Chinese</td>
<td>89</td>
<td>2</td>
<td>9</td>
</tr>
<tr>
<td>Filipino</td>
<td>88</td>
<td>2</td>
<td>10</td>
</tr>
<tr>
<td>Japanese</td>
<td>92</td>
<td>2</td>
<td>6</td>
</tr>
<tr>
<td>Korean</td>
<td>90</td>
<td>2</td>
<td>8</td>
</tr>
<tr>
<td>Vietnamese</td>
<td>84</td>
<td>3</td>
<td>13</td>
</tr>
<tr>
<td>Other Asian</td>
<td>87</td>
<td>2</td>
<td>11</td>
</tr>
<tr>
<td>HoPI (No subgroup)</td>
<td>87</td>
<td>2</td>
<td>10</td>
</tr>
<tr>
<td>Native Hawaiian</td>
<td>84</td>
<td>3</td>
<td>13</td>
</tr>
<tr>
<td>Guamanian</td>
<td>84</td>
<td>2</td>
<td>14</td>
</tr>
<tr>
<td>Samoan</td>
<td>85</td>
<td>2</td>
<td>13</td>
</tr>
<tr>
<td>Other Pacific Islander</td>
<td>83</td>
<td>3</td>
<td>15</td>
</tr>
</tbody>
</table>

Characteristics of Loans by Race and Ethnicity

Median Loan Amount ($ Thousands)

Characteristics of Loans by Race and Ethnicity

Median Credit Score

Characteristics of Loans by Race and Ethnicity

Median Interest Rate (%)

Characteristics of Loans by Race and Ethnicity

Median Total Loan Cost ($) 

Note: Single-family closed-end originations. 
Histogram of Credit Scores by Race/Ethnicity: Conventional Conforming Applications

Source: “An Updated Review of the New and Revised Data Points in HMDA,” August 2020
Histogram of Credit Scores by Race/Ethnicity: Jumbo Applications

Source: “An Updated Review of the New and Revised Data Points in HMDA,” August 2020
Histogram of Credit Scores by Race/Ethnicity: VA Applications

Source: “An Updated Review of the New and Revised Data Points in HMDA,” August 2020
Histogram of Credit Scores by Race/Ethnicity: RHS/FSA Applications

Source: “An Updated Review of the New and Revised Data Points in HMDA,” August 2020
Denial Rates by Credit Score: Conventional Conforming Home-Purchase, 30-Year Fixed Rate Application

Denial Rate & Credit Score: Conv.Conf. HP Fixed 30Y

Source: “An Updated Review of the New and Revised Data Points in HMDA,” August 2020
CLTV by Credit Score: Conventional Conforming Home-Purchase, 30-Year Fixed Rate Application

Source: “An Updated Review of the New and Revised Data Points in HMDA,” August 2020