



Comptroller of the Currency
Administrator of National Banks

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Statistical Analysis and Modeling for Risk Assessment

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ENSURING A SAFE AND SOUND
NATIONAL BANKING SYSTEM
FOR ALL AMERICANS

Fair Lending Modeling of Pricing Decisions

Mortgage Pricing, Fair Lending and Statistics

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- *We attempt to understand and model the bank's specific pricing/underwriting.*
- *Typically, we consult rate sheets, pricing engines, bank policies and discuss pricing procedures with the bank*



- *For most lenders, we will obtain electronic data beyond the HMDA fields for all loans. Typical fields include:*

Credit score

LTV

Loan Term

Product Code

Documentation Type

Overage

APR



- *We build a regression model or other analysis based on the lender's specific pricing policies.*
- *We generally analyze disparities at both the national and MSA levels. Small national disparities may mask larger MSA disparities.*
- *We may analyze overages/underages, fees or YSP, as well as APR.*
- *We review a lender's own model or analysis and may use it as a starting point.*



By Group:

- 1) Geographic – Commonly MSA*
- 2) Product Type*
- 3) Channel*



By Measure:

- 1) *APR*
- 2) *Overages/Underages*
- 3) *Fees or YSP*
- 4) *Price or Underwriting Exceptions*



- *Several Forms of Steering*
 - *Across Loan Channels*
 - *Across Loan Programs*
 - *Uptake on Prepayment Penalties*
 - *Documentation Type*



- *May use enhanced data to determine whether minorities are more likely to be in higher-priced products, programs or channels*
- *Enhanced data can also show differences in pre-payment penalties and documentation type*



- *Reasons we may conduct a file review:*
 - 1) *Statistical analysis may be limited because of the bank's loan volume.*
 - 2) *Ensure that we understand the bank's pricing and programs*
- *The pricing model may still be employed when selecting files to pick similarly situated borrowers.*