

Press Releases

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OTS 06-039 - FFIEC Releases 2005 HMDA Data

Office of Thrift Supervision

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FFIEC Releases 2005 HMDA Data

The Federal Financial Institutions Examination Council (FFIEC) today announced the availability of data for the year 2005 on mortgage lending transactions at 8,848 financial institutions covered by the Home Mortgage Disclosure Act (HMDA) in metropolitan statistical areas (MSAs) throughout the nation. The HMDA data made available today include disclosure statements for each financial institution, aggregate data for each MSA, nationwide summary statistics regarding lending patterns, and the Loan Application Register (LAR), modified for borrower privacy, submitted by each institution to its supervisory agency by March 1, 2006. The FFIEC prepares and distributes these data products on behalf of its member agencies -- the Board of Governors of the Federal Reserve System, Federal Deposit Insurance Corporation, National Credit Union Administration, Office of the Comptroller of the Currency, and Office of Thrift Supervision -- and the Department of Housing and Urban Development.

The HMDA data show disposition of loan applications (for example, originated or denied) detailed by property location, applicant characteristics (such as race, ethnicity, sex, and income) and census tract characteristics (minority composition and income). For the second year, the data reflect information about: loan prices; whether a loan is subject to HOEPA (the Home Ownership and Equity Protection Act); whether a loan or application relates to manufactured housing; and whether a loan is secured by a first or subordinate lien, or is unsecured. (More information about the new HMDA data requirements is available in the FAQs on the FFIEC web site, at www.ffiec.gov/hmda/faq.htm, questions 9-18.)

The addition of loan price information to the HMDA data is related to the substantial growth in the higher-priced segment of the mortgage market. Although affording many consumers greater access to credit, this growth also has led to concerns about the appropriateness of loan terms and lending practices and the potential for unequal treatment of borrowers. While the HMDA price data alone cannot be used to determine fair lending violations, they can facilitate the fair lending examination and enforcement process, as well as promote market efficiency.

The aggregate 2005 data show that the incidence of higher-priced lending (that is, the proportion of loans where the spread between the rate on the loan and the yield on comparable Treasury securities exceeds specified thresholds) was significantly higher overall in 2005 than in 2004. The data also show that the incidence of higher-priced lending, as well as the disposition of loan applications, varies by loan product, lender, geographic market, race

and ethnicity. When viewed at the aggregate level, differences in the incidence of higher-priced lending between racial and ethnic groups, which were shown in the 2004 data, increased from 2004 to 2005. Caution should be exercised, however, when comparing the 2005 loan price data with corresponding data for 2004, because a number of factors can affect whether loans are reported as higher-priced. These factors include changes in the interest rate environment -- specifically, in the relationship between short-term and long-term interest rates -- as well as changes in lenders' business practices and in consumers' borrowing practices or credit risk profiles.

The federal banking agencies analyze HMDA loan price data, in conjunction with other information, when evaluating fair lending risk. The Interagency Fair Lending Examination Procedures (www.ffiec.gov/PDF/fairlend.pdf) direct examiners to evaluate an institution's fair lending risk by considering a variety of information and risk factors. Risk factors for pricing discrimination include, but are not limited to, the relationship between loan pricing and compensation of loan officers or brokers; the presence of broad pricing discretion; the use of a system of risk-based pricing that is not empirically based and statistically sound; and consumer complaints. The HMDA loan price data are analyzed in conjunction with these other factors to assess an institution's level of risk for pricing discrimination.

Although HMDA data may be used to facilitate fair lending supervision and enforcement, it is not possible to conclude whether a lender is complying with fair lending laws from HMDA data alone. The HMDA data do not include many potential determinants of loan pricing, such as the borrower's credit history, debt-to-income ratio and the loan-to-value ratio. Thus, when the federal banking agencies conduct examinations involving loan pricing, they collect additional information through the fair lending examination process before reaching a determination regarding an institution's compliance with fair lending laws. (For more information, see the FFIEC's FAQs as noted above.) Users of the 2005 data should also be aware that transition rules for reporting loans with application dates prior to 2004 raise important analytical issues. For example, for some loans in this category institutions are not required to report price data. For this reason, the FFIEC has included a data item on each institution's modified LAR data to allow users to identify such loans. (More information on the transition rules is available in the FFIEC's FAQs, question 26.)

How to obtain FFIEC-prepared HMDA data: Financial institution disclosure statements and MSA and nationwide aggregate reports are available today on the FFIEC web site (www.ffiec.gov/hmda). In addition, other data reports (for example, institutions' LAR data) may be ordered from the FFIEC. An order form describes the various reports, prices, and formats. It is attached and also is available for printing from the FFIEC web site (www.ffiec.gov/hmda/orderform.htm).

Financial institutions are also required to make their disclosure statements available at their home offices and, for other MSAs in which they have offices, to either make a copy of the statements available at one branch per MSA or provide a copy upon 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 Examination and Insurance -- 703-518-6360
- Office of the Comptroller of the Currency, Compliance Policy Division -- 202-874-4429
- Office of Thrift Supervision, HMDA Hotline -- 202-906-6342
- Department of Housing and Urban Development, Office of Housing -- 202-755-7530.

Data on Private Mortgage Insurance

The FFIEC also provides data from the nation's eight private mortgage insurance (PMI) companies. The 2005 PMI data include information on approximately 1.5 million applications for mortgage insurance; about 1.1 million applications were to insure home purchase mortgages, and about 465,000 were to insure mortgages to refinance existing obligations. These data are also available today--at individual PMI companies and from the FFIEC (www.ffiec.gov/reports.htm) --in the same types of reports and in the same formats as the HMDA data.

Attachment: HMDA Data Order Form and Item Description - <http://www.occ.gov/static/news-issuances/ots/press-releases/ots-pr-2006-39a.pdf>

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The Office of Thrift Supervision, an office of the Department of the Treasury, regulates and supervises the nation's thrift industry. OTS's mission is to ensure the safety and soundness of, and compliance with consumer protection laws by, thrift institutions, and to support their role as home mortgage lenders and providers of other community credit and financial services. OTS also oversees the activities and operations of thrift holding companies that own or control thrift institutions. Copies of OTS news releases and other documents are available at the OTS web page at www.ots.treas.gov.