

**2020 MORTGAGE MARKET ACTIVITY AND TRENDS
REPORT OF THE
CONSUMER FINANCIAL PROTECTION BUREAU (CFPB)
(2021):**

AN ANALYSIS AND COMMENTARY



by

**GREATER BALTIMORE COMMUNITY HOUSING RESOURCE BOARD, INC.
P.O. Box 66180
Baltimore, Maryland 21239-6180
410.929.6533**

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This is the first of two analytic reports by the GBCHRb on 2020 Home Mortgage Disclosure Act (HMDA) data about mortgage lending applications. The second report - to be published on September 9, 2021 - examines the specific application characteristics and actions regarding mortgage applications in Baltimore during 2020.

INTRODUCTION

The national Home Mortgage Disclosure Act (HMDA) requires many financial institutions to maintain, report, and publicly disclose loan-level information about mortgage applications. HMDA was originally enacted by Congress in 1975 and is implemented by Regulation C. The HMDA data are the most comprehensive publicly available information on mortgage market activity.

These data have many uses. They help indicate if lenders are serving the housing needs of their communities; they give public officials information that helps them make decisions and policies; and they illuminate on lending patterns that could be racially, ethnically, or otherwise discriminatory. They also are utilized as part of federal financial regulators' fair lending, consumer compliance, and Community Reinvestment Act examinations. When these regulators evaluate a financial lending institution's fair lending risk, they analyze HMDA data as well as other information and risk factors, as per the [Interagency Fair Lending Examination Procedures](#). The public data are modified to protect applicant and borrower privacy.

The Federal Financial Institutions Examination Council (FFIEC) annually releases to the public available data on 2020 mortgage lending transactions at 4,475 U.S. financial institutions reported under the HMDA. The institutions include banks, savings associations, credit unions, and mortgage companies.

The analyzed [Bureau Data Point report](#) (2021) by the Consumer Financial Protection Bureau (CFPB) describes 2020 mortgage market activity and trends using data reported under the HMDA. The 2020 HMDA data and recent trends in mortgage applications and originations are based on the analysis of the consolidated application-level 2018, 2019, and 2020 HMDA data files. Some data points used in this report were modified or withheld in the public HMDA data..

It is important to note that HMDA data are generally not used alone to determine whether a lender is complying with fair lending laws. The data do not include some legitimate credit risk considerations for loan approval and loan pricing decisions. Therefore, when regulators conduct fair lending examinations, they analyze additional information before reaching a determination about an institution's compliance with fair lending laws. That said, the HMDA data can provide very rough snapshots of an institution's real and comparative lending activity.

WHAT IS IN THE DATA

The data include a total of 48 data points (variables) providing information about the applicants, the property securing the loan or proposed to secure the loan in the case of non-originated applications, the transaction, and various identifiers. A complete list of HMDA data points and its associated data fields is on the FFIEC's [Filing Instructions Guide for HMDA Data Collected in 2020](#). It is also in the appendix.

The 2020 HMDA data use the census tract delineations, population, and housing characteristic data from the 2011–2015 American Community Survey (ACS). This data reflect metropolitan statistical area (MSA) definitions released by the Office of Management and Budget that became effective for HMDA reporting in 2019.

NATIONAL FINDINGS

For 2020, the number of reporting institutions declined by about 18.8% from the previous year to 4,475. One reason is that the CFPB issued a final rule amending Regulation C to increase the number for collecting and reporting data about closed-end mortgage loans from 25 to 100 loans, effective as of July 1, 2020.

The 2020 data include information on 22.7 million home loan applications. Among them, 20.4 million were closed-end, 1.7 million were open-end, and, for another 563,000 records, pursuant to the law's partial exemptions, no information was available. The number of closed-end loan applications increased by 63.2%, and the number of open-end line of credit applications decreased by 19.0%.

Some 14.5 million applications resulted in loan originations. 13.2 million were closed-end mortgage originations, 906,000 were open-end line of credit originations, and 432,000 were originations without available data. The 2020 data include 2.8 million purchased loans, for a total of 25.6 million records. This includes information on about 129,000 preapproval requests that were denied or approved but not accepted.

The total number of originated closed-end loans increased by about 5.3 million between 2019-2020, or 67.1%. Refinance originations for 1-4 family properties jumped by 150.0% from 3.4 million, and home purchase lending increased by 6.7% from 4.5 million.

From 2019 to 2020, the share of home purchase loans for first lien, 1-4 family, site-built, owner-occupied properties made to low- or moderate-income borrowers (those with income of less than 80 % of area median income) increased slightly from 28.6% to 30.4%, and the share of refinance loans to low- and moderate-income borrowers for first lien, 1-4 family, site-built, owner-occupied properties decreased from 23.8% to 19.3%.⁶

Racial and Ethnic Mortgage Applicants

In terms of borrower race and ethnicity, the share of home purchase loans for first lien, 1-4 family, site-built, owner-occupied properties made to Black borrowers increased from 7.0% in 2019 to 7.3% in 2020, the share made to Hispanic-White borrowers decreased a little from 9.2% to 9.1%, and those made to Asian borrowers decreased slightly more from 5.7% to 5.5%.

From 2019 to 2020, the share of refinance loans for first lien, 1-4 family, site-built, owner-occupied properties made to Black borrowers decreased from 5.3% to 4.3%, the share made to

Hispanic-White borrowers decreased from 6.2% to 5.3%, and the share made to Asian borrowers increased from 5.4% to 6.7%.

In 2020, 17.2% of Black and 11.2% of Hispanic-White applicants were denied first lien, 1-4 family, site-built, owner-occupied conventional home purchase loans. The denial rates for Asian and non-Hispanic-White applicants were 9.1% and 6.1% respectively. These percentages are similar to previous years and, because of the limitations of the HMDA data, cannot consider all legitimate credit risk considerations for loan approval and loan pricing.

Some of the other key national findings are:

1. 4,472 financial institutions reported at least one closed-end record in 2020, which was a 18.8% decrease from 5,505 financial institutions who reported in 2019.

2. In total, the number of closed-end originations (excluding reverse mortgages) in 2020 increased by 65.2%, from 8.3 million in 2019 to 13.6 million in 2020. Most of the increase was because of an increase in the number of refinance loans. The number of home-purchase loans secured by site-built one-to-four-family properties increased by about 387,000, while the number of refinance loans increased by 149.1% from 3.4 million in 2019 to 8.4 million in 2020.

3. The number of open-end lines of credit originations excluding reverse mortgages (HELOCs) in 2020 decreased by 16.6%, from 1.04 million in 2019 to 869,000 in 2020. Open-end lines of credit secured by dwellings (excluding reverse mortgages) are commonly known as home equity lines of credit, or HELOCs. Beginning with the data collected in 2018, the reporting of HELOCs became mandatory under HMDA rather than optional.

4. The share of loans secured by closed-end home-purchase loans for site-built, one-to-four-family, first lien, principal-residence properties for Black borrowers increased in 2020 as did the share of refinance loans for Asian borrowers.

5. Black and Hispanic white borrowers had lower median loan amounts, lower median credit scores, higher denial rates, and paid higher median interest rates and total loan costs compared to non-Hispanic white and Asian borrowers. A recent CFPB publication found that there is great variety in mortgage characteristics for Asian American Pacific Islanders. The report [Asian American and Pacific Islanders in the Mortgage Market](#).

6. In April-May, 2020, in a reversal of usual seasonal patterns, the home-purchase origination volume declined. This probably shows the effects of the pandemic and nationwide shutdown. Beginning in June, 2020, the home-purchase volume recovered and increased significantly in year-over-year comparison despite the typical low home sale seasons near the end of the year.

7. The refinance boom in 2020 largely was the continuation of the trends since the second quarter of 2019.

One factor that may affect comparing the mortgage market trends in 2020 to those in 2018 and 2019 is the change in one of the two reporting thresholds in Regulation C. Specifically, the

reporting threshold for closed-end transactions in 2020 was higher than the threshold in 2018 and 2019.

The 2015 HMDA rule 14 required, among other requirements, that financial institutions report their closed-end mortgage activities under HMDA if they originated no fewer than 25 closed-end mortgage loans in each of the two preceding years, and if they meet other reporting criteria such as asset and locational tests. This “25-loan” closed-end reporting threshold applied to the HMDA reporting activities in 2018 and 2019. CFPB raised this 25-loan threshold to a 100-loan threshold which became effective on July 1, 2020.

Maryland Findings

The key findings of the national report for Maryland are:

1. Maryland had a 10.1-15.1% Annual Growth Rate of Closed-end Home-purchase Loan Originations. Most states were around this %age spread.
2. For refinance loans, all states saw more than 100 % growth rate in 2020 compared to 2019, as shown in Figure 12.31. Maryland's growth rate was 175.1-200%. This was one of the 12 biggest rates nationally.

MORTGAGE LENDING IN BALTIMORE

As previously noted, this is the first of two reports on mortgage lending in Baltimore. The second treats actual rates of loan approval by race for individual institutions.

According to HMDA data, there were 31,895 applications filed for mortgages in the city of Baltimore in 2020. Regarding the type of occupancy:

| | |
|--------------------|-------|
| Owner-Occupied | 86.1% |
| Not Owner-Occupied | 1.2 |
| Not Applicable | 12.7 |

The major purpose for these applications was for home purchase (41.4%).

Some 67.4% of the loan applications were for conventional loans. 25.3% were for Federal Housing Administration insured (FHA) loans, 7.4% for Veterans Affairs guaranteed (VA) loans, and a very few were for a USDA Rural Housing Service or Farm Service Agency Guaranteed (RHS or FSA) loans.

Some 64.0% of the 2020 Baltimore applicants were not Hispanic or Latino, 3.2% Hispanic or Latino, 0.9% had joint ethnicity, and 31.9% did not list the applicant's ethnicity.

Concerning the race of the applicants, a high 31.7% of the applications were not identified by race. Of those that were, 36.3% were white, 27.2% were Black or African American, 2.8% Asian, 1.3% were of joint race, 0.3% of two or more races, and 0.2% for American Indian or Alaska Native, and 0.2% for Native Hawaiian or Other Pacific Islander.

Some 31.4% of the applicants were male, 28.2% female, 16.1% of joint sex, and 24.4% did not report their sex.

Of all the applications in Baltimore, the action taken was:

| | |
|---------------------------------------|-------|
| Loan originated | 48.2% |
| Application withdrawn by applicant | 15.2 |
| Purchased loan. | 14.7 |
| Application denied | 14.6 |
| File closed for incompleteness | 5.2 |
| Application approved but not accepted | 2.1 |

The next GBCHRB report discusses the comparative rates of loan approval by race for individual institutions for applications from Baltimore city residents.