

AN ANALYSIS OF POSSIBLE MORTGAGE LENDING DISCRIMINATION IN BALTIMORE IN 2021



by

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INTRODUCTION

This is an analysis of possible violations of fair lending laws regarding mortgage lending discrimination in the city of Baltimore in 2021. The sole source of information is the 2020 national Home Mortgage Disclosure Act (HMDA) data on Baltimore, which is the latest year available. The HMDA requires many financial institutions annually 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 HMDA was originally enacted by Congress in 1975 and is implemented by Regulation C. The HMDA data are the most comprehensive publicly available information on US mortgage market activity.

The Federal Financial Institutions Examination Council (FFIEC) annually releases to the public available data on 2021 mortgage lending transactions at U.S. financial institutions reported under the HMDA. The institutions include banks, savings associations, credit unions, and mortgage companies.

Not all lending institutions are legally required to submit HMDA data, as the criteria for lenders includes: an asset threshold of \$47 million (2020), a home or branch location located in a metropolitan statistical area, originated at least one home purchase loan or refinance of a home purchase loan secured by a first lien on a one-to four-unit dwelling, federally insured, federally regulated; and was insured, guaranteed, or supplemented by a federal agency and was intended for sale to the Federal National Mortgage Association (Fannie Mae) or the Federal Home Loan Mortgage Corporation (Freddie Mac). Lenders that were insured depository institutions or insured credit unions and originated less than 500 closed-end mortgage loans or open-end lines of credit in each of the two preceding calendar years do not have to collect and report some of the data fields.

HMDA 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 lending patterns that could be racially, ethnically, or otherwise discriminatory. Public officials use the data for making decisions about distributing public-sector investments, and policymakers review and analyze HMDA data for insights into the mortgage market.

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, for instance, 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. More information about HMDA data reporting requirements is also available at <https://ffiec.cfpb.gov/>.

THE DATA'S IMPORTANT LIMITATIONS

It is important to stress that HMDA data does not indicate that a lender has not complied with fair lending laws or that mortgage lending discrimination has occurred. HMDA's implementing regulation states that a purpose of the statute is to provide "loan data that can be used to "assist in identifying possible discriminatory lending patterns."

The HMDA data include some 48 data fields 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 identifiers. A complete list of HMDA data points and the associated data fields is found in the FFIEC's [Filing Instructions Guide for HMDA Data Collected in 2021](#). Some smaller-volume financial institutions are not required to report all of these data, according to the Economic Growth, Regulatory Relief, and Consumer Protection Act (EGRRCPA).

While the data includes many details about the individual mortgage lending application and the individual household applicant, it does not include some legitimate credit risk considerations for loan approval and loan pricing decisions that are considered in the application decision making process. These include prior credit and lending history, total assets and liabilities, and non-statistical, qualitative data about the applicant and lender that are legally valid sources of information for application decision making.

HMDA data, therefore, instead gives a general snapshot of a financial institution's lending history in that year. It does contain sufficient data to enable comparisons between the institution's application history regarding race, ethnicity, sex, locational, and other factors. An institution's lending history can be evaluated both by itself and in comparison with other lenders.

The objective of this analysis is to identify those lenders who have a significantly different lending history that others in regards to their treatment of applications by different racial, ethnic, sexual, and locational persons. Large differences in application approval rates for groups who are legally protected from lending discrimination may indicate possible discriminatory behavior. Aggregate HMDA data has generally revealed gaps in lending outcomes that could correlate to factors such as race and ethnicity. Data analysis may provide more precise identification of those lenders that might indicate the need for detailed investigations and analyses of the reasons for any such gaps.

HMDA data are usually utilized in combination with other means of assessing a lending institution's possible illegal discriminatory behavior. These include individual applicant complaints of discrimination, Fair Housing testing, and other legitimate sources of public information.

More information about the limitations of HMDA data are discussed by a [GAO report](#) (2009), an [analysis by three members of the Federal Reserve System's Board of Governors](#) (2006), [Consumer Compliance Outlook](#) (2020), [K&L Gates](#) (2019), and a number of others.

THE METHOD OF ANALYSIS

As stated, this analysis considers all first-lien mortgage lending applications from Baltimore residents in 2020 for their residential, owner-occupied units located in the city that year.

The analyzed [Bureau Data Point report](#) (2022) by the Consumer Financial Protection Bureau (CFPB) describes 2021 mortgage market activity and trends using data reported under the HMDA. The 2021 HMDA data and recent trends in mortgage applications and originations are based on the analysis of the consolidated application-level 2021 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.

SUMMARY OF 2021 MORTGAGE LENDING IN BALTIMORE

According to HMDA data, there is data available for 2,578 applications filed for mortgages in the city of Baltimore in 2021. There were a total of 38,618 mortgage lending applications filed in 2021. Applications for one unit were 95.6% of the total. The age breakdown was:

	<i>Count</i>	<i>Percent</i>
N/A	6,235	16.15%
<25	840	2.18%
25-34	8,745	22.64%
35-44	8,781	22.74%
45-54	5,912	15.31%
55-64	4,547	11.77%
65-74	2,773	7.18%
>74	785	2.03%
Total	38,618	

6,235 applications did not specify an age.

Concerning the race of the applicants, a high 33.1% of the applications were not identified by race. Of those that were, 31.3% were white, 30.4% were Black or African American, 2.9% Asian, 1.3% were of joint race, 0.5% 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 3.4% of applicants were Hispanic or Latino, 62.3% not Hispanic or Latino, 1.0% joint, and 32.7% ethnicity not available.

Of all the first-lien, residential, owner-occupied mortgage applications in Baltimore and Maryland, the action taken was:

	Balt. Percent	State Percent
Loan originated	49.6%	55.4%
Application withdrawn by applicant	15.2	13.0
Purchased loan.	12.8	12.7
Application denied	14.3	10.7
File closed for incompleteness	5.4	6.0
Application approved but not accepted	0.1	1.0

LENDING APPLICATIONS BY RACE AND ETHNICITY FOR LENDING INSTITUTIONS

Analysis

An analysis was done on HMDA data from the largest 58 lending institutions in terms of application volume in the city of Baltimore in 2021.

They received 12,114 mortgage applications for first-lien, residential, owner-occupied units. Of these, 73.5% were approved and 26.5% were denied.

Approval rates for applicants by race for data that was available by race were 4,905 or 67.2%, for Black/AAs and for Whites 4,498 or 80.4%.

Regarding racial identification of applicants, 4,636 Black/AA were identified and 8,098 white applicants were racially identified. 1.5% were other. No racial data was provided on applicants from the AmeriHome Mortgage Company and NFM.

Large Gap Between Black/AA and White Approval Rates

The following nine lenders had large differences between the approval rate for their Black/AA and White applicants:

Total BI/AA

White

<u>Lender</u>	<u>N/A</u>	<u>Appvd</u>	<u>%</u>	<u>Denie</u>	<u>%</u>	<u>Tot</u>	<u>al</u>	<u>Appvd</u>	<u>%</u>	<u>Denied</u>	<u>%</u>
Paramount Residential Mort. Group	10	29	42.0%	40	58.0%	69	10	76.9%	3	23.1%	
Better Mortgage Corporation	43	8	36.4%	14	63.6%	22	26	70.3%	11	29.7%	
Norwich Commercial Group	14	22	66.7%	11	33.3%	33	28	96.6%	1	3.4%	
Plains Commerce Bank	26	28	50.0%	28	50.0%	56	25	78.1%	7	21.9%	
Fidelity Direct Mortgage, LLC	0	39	72.2%	15	27.8%	54	3	100.0%	0	0.0%	
Academy Mortgage Corporation	29	13	65.0%	7	35.0%	20	102	91.1%	10	8.9%	
Loandepot.com, LLC	16	20	69.0%	9	31.0%	29	13	92.9%	1	7.1%	
Wells Fargo Bank, NA	48	22	43.1%	29	56.9%	51	43	66.2%	22	33.8%	
Residential Mortgage Services	67	7	70.0%	3	30.0%	10	37	92.5%	3	7.5%	
Guaranteed Rate	24	45	53.6%	39	46.4%	84	45	75.0%	15	25.0%	
HomeBridge Financial Services	15	54	75.0%	18	25.0%	72	57	95.0%	3	5.0%	

RECOMMENDATIONS

Based on our analysis of the 2020 HMDA data, we recommend that the following lenders be further investigated regarding their residential mortgage lending behavior:

For Large Approval Rate Gaps Between Black/AA and White Applicants

- Paramount Residential Mortgage Group
- Norwich Commercial Group
- Plains Commerce Bank
- Fidelity Direct Mortgage, LLC
- Loandepot.com, LLC