

# **AN ANALYSIS OF POSSIBLE MORTGAGE LENDING DISCRIMINATION IN BALTIMORE IN 2022**



by

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**December 29, 2023**

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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 2022.

## SOURCE OF INFORMATION

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 HMDA was originally enacted by Congress in 1975 and is implemented by Regulation C. The HMDA data are the most comprehensive publicly available information on US mortgage market activity.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 2022 mortgage lending transactions at 4,460 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 smaller 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 2022](#). 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 2022 for their residential, owner-occupied units located in the city that year. The analyzed [Bureau Data Point report](#) (2023) by the Consumer Financial Protection Bureau (CFPB) describes 2022 mortgage market activity and trends using data reported under the HMDA. The 2022 HMDA data and recent trends in mortgage applications and originations are based on the analysis of the consolidated application-level 2022 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 2022 MORTGAGE LENDING IN BALTIMORE

### *National Summary*

Nationally, the 2022 HMDA data include information on 14.3 million home loan applications: 11.5 million were closed-end, 2.5 million were open-end, and, not reported for 287,000 records. The number of closed-end loan applications decreased by 45.7%, and the number of open-end line of credit applications increased by 39.3%. A total of 8.4 million applications were approved and resulted in loan originations. Among them, 6.8 million were closed-end mortgage originations, 1.4 million were open-end line of credit originations, and 221,000 were unreported. The 2022 data include 1.6 million purchased loans, for a total of 16.1 million records. The total also includes information on approximately 201,000 preapproval requests that were denied or approved but not accepted.

From 2021 to 2022, the share of closed-end home purchase loans for first lien, 1-4 family, site-built, owner-occupied properties made to low- or moderate-income borrowers (less than 80% of area median income) decreased slightly from 28.7% to 27.9%, and the share of closed-end refinance loans to low- and moderate-income borrowers for first lien, 1-4 family, site-built, owner-occupied properties increased from 24.0% to 35.4%.

The share of closed-end home purchase loans for first lien, 1-4 family, site-built, owner-occupied properties made to Black borrowers rose from 7.9% in 2021 to 8.1% in 2022, the share made to Hispanic-White borrowers decreased slightly from 9.2% to 9.1%, and those made to Asian borrowers increased from 7.1% to 7.6%. From 2021 to 2022, the share of closed-end refinance loans for first lien, 1-4 family, site-built, owner-occupied properties made to Black borrowers increased from 5.4% to 8.1%, the share made to Hispanic-White borrowers increased from 6.1% to 7.0%, and the share made to Asian borrowers decreased from 6.0% to 3.6%.

In 2022, the denial rate for Black applicants for first lien, 1-4 family, site-built, owner-occupied conventional, closed-end home purchase loans was 16.4%, for Hispanic-White 11.1%, Asian 9.2%, and non-Hispanic-White applicants were 5.8%. These relationships are similar to those found in earlier years.

Of the loans, Federal Housing Authority insured loans dropped from 17.1% to 16.3% in 2022. The Department of Veterans Affairs (VA)-guaranteed share of such loans increased slightly to 10.2% in 2022. The overall government-backed share of home purchase loans, including FHA, VA, Rural Housing Service, and Farm Service Agency loans, was 28.1% in 2022, down from 29.3% in 2021.

### *In the City of Baltimore*

According to HMDA data, there were a total of 27,213 mortgage lending applications filed in Baltimore during calendar 2022. By race:

	<u>Number</u>	<u>Percent</u>
American Indian/Alaska Native	163	0.6%
Asian	684	2.5
Black/African American	9487	35.0
Native Hawaiian/Other Pacific Islander	40	0.1
White	6892	25.4
Race Not Available	9825	36.3

Applicants for mortgages had the following action taken:

	<u>Number</u>	<u>Percent</u>
Originated, Approved	13207	48.5%
Denied, Withdrawn	9207	33.8
Incomplete, Purchased, PreApplication	4799	17.6

Income ranges for these types of mortgage applications were:

	<u>Number</u>	<u>Percent</u>
Below \$30,000	1346	6.1%
\$30-49,999	3153	14.3
\$50-69,999	4260	19.4
\$70-99,999	4861	22.1
\$100-129,999	2948	13.4
Over \$130,000	5422	24.7

*Residential Homeowner*

According to HMDA data, there were a total of 12,345 mortgage lending applications filed in Baltimore for first mortgages for purchase of an owner-occupied 1-4 unit residential dwelling during calendar 2022. This is the breakdown by race:

	<u>Number</u>	<u>Percent</u>
American Indian/Alaska Native	74	0.6%
Asian	339	2.8
Black/African American	4041	32.9
Native Hawaiian/Other Pacific Islander	15	0.1
White	3533	28.8
Race Not Available	4272	34.8

Applicants had the following action taken:

	<u>Number</u>	<u>Percent</u>
Originated, Approved	6795	55.0%
Denied, Withdrawn	2693	21.8
Incompl, Purchased, PreApp.	2857	23.1

Income ranges for these types of mortgage applications were:

	<u>Number</u>	<u>Percent</u>
Below \$30,000	216	2.1%
\$30-49,999	1449	14.7
\$50-69,999	2269	22.1
\$70-99,999	2566	25.0
\$100-129,999	1406	13.7
Over \$130,000	2376	23.1

The following lenders did not provide or provided very little racial information:

U. S. Bank, NA	574
Truist Bank	433
Perrymac	350
AmeriHome Mortgage Co.	174
Newrez	156
Data Mortgage, Inc.	124
Freedom Mortgage Corporation	85
TD Bank	80

While not providing racial information does not constitute discrimination, it is very suspicious for a lender to conceal such information. It may imply that the actual racial performance is poor.

The following lenders had the largest gaps in the percentage of loans approved by race:

	Available Racial <u>Info.</u>	Racial <u>Gap</u>
Guaranteed Rate	96	34.5%
Home Point Financial Corp.	55	36.2
Wells Fargo Bank NA	70	32.2
M&T Trust Company	102	29.2
Perrymac*	51	27.3
Sandy Spring Bank	107	25.6
Prosperity Home Mortgage	97	22.6
Mortgage Research Center	145	17.9
Academy Home Mortgage	101	15.9

Perrymac also did not provide racial information on 350 applicants.

## CONCLUSION

Based on the large gaps in the percentage of loans approved by race between Black/African American and White applicants, it is recommended that the following lenders be contacted regarding these discrepancies.

Guaranteed Rate  
Home Point Financial Corp.  
Wells Fargo Bank NA  
M&T Trust Company  
Perrymac\*  
Sandy Spring Bank  
Prosperity Home Mortgage  
Mortgage Research Center  
Academy Home Mortgage

It is important to note that inclusion in this list does not indicate racial discrimination. As mentioned previously, 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. This additional information about an institution's lending is required before any judgment whatsoever regarding its compliance with fair lending laws.



## 2022 Largest Lenders Racial Approval Rates

	All					Racial Approval Black/AA					White					NA			
	Total	Apvd	%	Denied	%	NA	Gap	Total	Apvd.	%	Denied	%	NA	Total	Apvd.		%	Denied	%
Academy Home Mortgage	124	102	82.30%	22	17.70%	0	15.90%	14	10	71.40%	4	28.60%	0	87	76	87.40%	11	12.60%	0
American Neighborhood Mort.	58	47	82.50%	10	17.50%	1	13.20%	12	9	75.00%	3	25.00%	0	35	30	88.20%	4	11.80%	1
AmeriHome Mortgage Co.	176	1	50.00%	1	50.00%	174	100.00%	1	0	0.00%	1	100.00%	0	1	1	100.00%	0	0.00%	0
Bank of America	191	126	72.80%	47	27.20%	18	5.00%	82	58	74.40%	20	25.60%	4	66	50	79.40%	13	20.60%	3
Caliber Home Loans	159	108	72.00%	42	28.00%	9	13.90%	58	41	70.70%	17	29.30%	0	53	44	84.60%	8	15.40%	1
Cardinal Finance Co.	122	88	72.10%	34	27.90%	0	-0.20%	83	61	73.50%	22	26.50%	0	15	11	73.30%	4	26.70%	0
CMG Mortgage	53	35	77.80%	10	22.20%	8	15.20%	22	15	68.20%	7	31.80%	0	12	10	83.30%	2	16.70%	0
Data Mortgage Inc.	124	0	#DIV/0!	0	0.00%	124	0.00%	26	0	0.00%	0	0.00%	26	4	0	0.00%	0	0.00%	94
Fairway Independent Mort.	351	261	75.00%	87	25.00%	3	5.00%	186	138	75.00%	46	25.00%	2	91	72	80.00%	18	20.00%	1
First Home Mortgage	582	433	75.00%	144	25.00%	5	12.40%	239	165	69.00%	74	31.00%	0	216	176	81.50%	40	18.50%	0
Freedom Mortgage Corp.	121	22	61.10%	14	38.90%	85	6.80%	20	12	63.20%	7	36.80%	1	11	7	70.00%	3	30.00%	1
Fulton Bank	211	121	58.50%	86	41.50%	4	8.10%	119	67	56.30%	52	43.70%	0	60	38	64.40%	21	35.60%	1
George Mason Mortgage	146	108	74.00%	38	26.00%	0	13.00%	37	25	67.60%	12	32.40%	0	77	62	80.50%	15	19.50%	0
Guaranteed Rate	167	64	52.90%	57	47.10%	46	34.50%	62	22	36.10%	39	63.90%	1	34	24	70.60%	10	29.40%	0
Guaranteed Rate Affinity	70	47	69.10%	21	30.90%	2	1.50%	19	13	72.20%	5	27.80%	1	38	28	73.70%	10	26.30%	0
Home Point Financial Corp.	75	49	76.60%	15	23.40%	11	36.20%	21	11	55.00%	9	45.00%	1	34	31	91.20%	3	8.80%	0
Homebridge Financial Svs.	68	54	79.40%	14	20.60%	0	4.90%	26	21	80.80%	5	19.20%	0	28	24	85.70%	4	14.30%	0
JP Morgan Chase Bank	104	34	69.40%	15	30.60%	55	-3.50%	19	8	72.70%	3	27.30%	8	56	18	69.20%	8	30.80%	30
Land Home Financial Svs	24	13	54.20%	11	45.80%	0	-55.00%	20	11	55.00%	9	45.00%	0	0	0	0.00%	0	0.00%	0
M&T Trust Company	137	77	60.60%	50	39.40%	10	29.20%	80	39	49.40%	40	50.60%	1	28	22	78.60%	6	21.40%	0
McLean Mortgage Corp.	102	93	91.20%	9	8.80%	0	8.20%	10	8	80.00%	2	20.00%	0	34	30	88.20%	4	11.80%	0
Meridian Bank Corp.	299	240	80.80%	57	19.20%	2	12.60%	130	97	75.20%	32	24.80%	1	116	101	87.80%	14	12.20%	1
Mortgage Research Center	194	109	56.50%	84	43.50%	1	17.90%	88	44	50.00%	44	50.00%	0	57	38	67.90%	18	32.10%	1
Navy Federal Credit Union	233	103	45.40%	124	54.60%	6	8.30%	119	56	47.50%	62	52.50%	1	54	29	55.80%	23	44.20%	2
Newrez NFM	165 330	9 264	75.00% 83.30%	3 53	25.00% 16.70%	156 13	-33.30% 1.10%	3 120	3 93	##### 83.00%	0 19	0.00% 17.00%	0 6	6 168	4 138	66.70% 84.10%	2 26	33.30% 15.90%	0 4
NVR Mortgage Finance	76	44	57.90%	32	42.10%	0	2.80%	20	11	55.00%	9	45.00%	0	45	26	57.80%	19	42.20%	0
Paramount Resid. Mort Grp	145	78	54.90%	64	45.10%	3	-0.50%	114	62	54.40%	52	45.60%	0	13	7	53.80%	6	46.20%	0
Perrymac	417	42	62.70%	25	37.30%	350	27.30%	31	16	51.60%	15	48.40%	0	20	15	78.90%	4	21.10%	1
Plains Commerce Bank	115	82	71.30%	33	28.70%	0	0.50%	62	44	71.00%	18	29.00%	0	14	10	71.40%	4	28.60%	0
Primary Residential Mort.	635	466	73.70%	166	26.30%	3	15.10%	216	139	64.40%	77	35.60%	0	304	240	79.50%	62	20.50%	2
Primelending	159	134	84.30%	25	15.70%	0	10.90%	52	41	78.80%	11	21.20%	0	68	61	89.70%	7	10.30%	0
Prosperity Home Mortgage	115	89	77.40%	26	22.60%	0	20.50%	31	19	61.30%	12	38.70%	0	66	54	81.80%	12	18.20%	0
Quicken Loans	330	265	80.80%	63	19.20%	2	9.40%	101	78	77.20%	23	22.80%	0	120	104	86.70%	16	13.30%	0
Sandy Spring Bank	127	93	74.40%	32	25.60%	2	4.80%	86	64	76.20%	20	23.80%	2	21	17	81.00%	4	19.00%	0

