# Digging into Early HMDA Data

## Purchases and refis are in a dead heat for 2015 originations volumes

By Mark Fogarty

An early look at 2015 origination volumes — via the Home Mortgage Disclosure Act (HMDA) reports that lenders must file with federal regulators each year — shows that the share of purchase mortgages and refinance mortgages last year was just about dead even.

Refis accounted for 48.8 percent of all 2015 mortgages, while purchases accounted for 48.1 percent, according to HMDA data reported to an industry technology company in advance of the official government rollout. Home-improvement loans accounted for 3 percent of the total in this early-look data.

For comparison, in 2014, about 60 percent of total origination volume was for purchase mortgages, and only 40 percent for refis. If this early 2015 data holds true, it may be the first time in memory that the purchase/refi split has been so close. Usually the market is dominated by one type of mortgage or the other, and when the market changes, the other side becomes dominant. This relative stasis is rare, but having vigorous purchase and refi niches at the same time is a plus for the industry — for as long as it lasts.

The early-look sample, while not complete, is quite large. Lenders that had provided HMDA data as of this past September disclosed a volume of $750 billion in 2015 mortgage originations. The percentages could change once all lender-volume figures are released, but the early-look data contains a wealth of information of interest to originators, especially when it comes to volume percentages.

For the full year of 2014, lenders reported $1.4 trillion of mortgage volume on data reported to the Federal Financial Institutions Examination Council. Mortgage volumes have not yet recovered to the more robust levels seen a dozen years ago. This is largely due to the almost complete evaporation of subprime mortgages. Going forward it will be interesting to see if more non-Qualified Mortgages get originated, because these tend to be underwritten much more tightly today, so shouldn't pose the same threat that subprime mortgages did a decade ago.

What kind of rate spreads did 2015 early-reporting lenders see? Unfortunately, less than 3 percent of early responders provided rate-spread data for 2015. Of those that did, however, rate spreads averaged 2 percent on first liens and 4.2 percent on subordinate liens. These numbers are lower than rate spreads from the year before. In 2014, lenders reported 2.3 percent average spreads on firsts and 5 percent on subordinate liens. The rate spread measures the difference between the annual percentage rate on a loan and the rate on Treasury securities of comparable maturity and serves as a guide for interpreting loan-pricing data.

### Where are loans going?

Conventional lending far outstripped government-backed loans in the preliminary look. Around 80 percent of loan dollars involved conventional financing, while only 12 percent of mortgage dollars were guaranteed through the Federal Housing Administration (FHA) and 7.6 percent went to U.S. Department of Veterans Affairs (VA) mortgages. This is very similar to loan activity in 2014, so should not surprise anyone.

Loan approvals trended down year over year, however, with 50 percent of total loan applications approved in the full-year 2014 HMDA data, compared to 46 percent based on the preliminary 2015 data. Loan approvals are not the same as originations. According to data from the Federal Reserve, which uses slightly different methodology, approvals were about 60 percent in 2014. Applying the Fed standards to the early-look HMDA numbers, approvals in 2015 are coming in at around the 59 percent mark.

Nearly 38 percent of early-reporting lender volumes came in jumbo mortgages while 62 percent came in through conforming loans. This is a significant jump from 2014,

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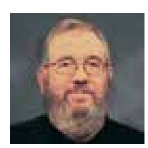

**Mark Fogarty** is senior contributor for GoRion, a financial technology company offering an online loan-verification platform that independently certifies non-QM, ARM and interest-only loans, allowing lenders, investors and community banks to make more profitable loans. GoRion's verified loans are insured by Lloyd's of London and are eligible for rating-agency credit enhancements. Learn more about GoRion technology and read compelling editorial analyses from industry experts at GoRion.com. Reach Fogarty at mfogarty@gorion.com.

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when 32 percent of mortgage volume was in jumbos. It is apparent that jumbos are staying robust compared to conforming in recent years, even with the highly unusual inversion of rates. There has been some pickup in jumbo mortgage-backed securities in recent years, but even if they can't be securitized, high-FICO jumbos are a good portfolio product for depositories.

When it comes to loan sizes last year, the average from the reporting lenders was $277,000 for first liens and $82,000 for second liens. These represent 19 percent and 53 percent jumps, respectively, from 2014, when averages for first liens were $233,000 and subordinate liens were $53,600.

As might be expected, property-type volume was highly concentrated in one- to four-family homes, at 92 percent. Multifamily accounted for 7.6 percent of mortgage dollars, while manufactured housing came in at a scant 50 basis points. The 2014 one-to four-family data tracked with 2015 data almost exactly, but multifamily origination increased significantly in the early 2015 data. Owner-occupied properties dominated the 2015 early-look data as well, at 84 percent, to just 8.5 percent for non-owner-occupied properties. In 2014, owner-occupied accounted for 89 percent of volume.

One other interesting data point comes from Home Ownership and Equity Protection Act (HOEPA) lending, which was a controversial practice a decade ago but nearly nonexistent now. Early-look lenders reported $22 million in HOEPA loans for 2015 out of total loan-origination volume of $750 billion. That translates to a percentage of near zero. In 2014, a tiny one-hundredth of a basis point was reported in HOEPA loans. What does this mean? There has been a sea change, and for the better, in mortgage lending over the last decade.

## Who is getting loans?

Breaking the data down even further, we can look at what types of borrowers were getting loans in 2015. Lenders in the early report made almost 20 percent of their loans to minorities in 2015, while white borrowers received 61 percent of the mortgages. This is nearly identical to 2014, when minority volume was 20.3 percent, and white borrowers received 59.5 percent of mortgage financing. Asians received the largest share of minority loan money in 2015 with an 8.4 percent share, followed by Hispanics at 6.8 percent. Race data on roughly 20 percent of mortgage-financing applicants was listed as unknown or not available.

Minority lending had tracked at about 15 percent of volume for years, even though minorities account for more than a third of the country's population. Recent reports have stated that minority and immigrant lending will drive mortgage volumes between now and 2025, and perhaps this uptick over the past two years is a first sign of that. It is a trend worth watching.

When it comes to income categories, lending skewed to the top bracket, which accounted for 59 percent of early-look volume. Percentages then fell at each step down the income brackets. Fifteen percent went to middle-income borrowers, 8.3 percent to borrowers of moderate income, and 3.4 percent to low-income customers.

Less than one in eight loans for low- and moderate-income borrowers is a disappointing result. Lenders seem to be doing a great job of reaching the low-hanging fruit, but there are certainly more qualified affordable-housing borrowers out there than is reflected in this data.

As far as gender splits, male-primary co-applications accounted for 37 percent of loan dollars in the 2015 early-report data, while female-primary co-applications accounted for 7 percent. Loans to same-sex couples made up just 1.8 percent. Loans to single male applicants represented a 25 percent share, and single female applicants accounted for 13 percent — just over half the single male rate. This data points to a couple areas of potential lead generation for originators: women and same-sex couples. Those numbers could easily be higher.

## Expanded data points

This early HMDA data provides a wealth of information about lending trends, which is the point of the new regulations. Luckily, the HMDA reporting requirements are being phased over several years, so lenders can comply gradually rather than in a last-minute rush, as many did with the TRID consumer-disclosure rules.

These are not just technical changes, however, but substantial ones as well. They include a large increase in the number of fields required, with more than 40 new or modified fields. Lenders will need to supply new market data, including the borrower's age and credit score, the property value, loan term and the loan-originator identifier. In addition, to monitor fair-lending compliance and access to credit, HMDA filers will have to report applicants' debt-to-income ratios, loan interest rates, and the discount points charged for loans.

Luckily, HMDA actually increases the number of mortgage lenders that will be exempt from reporting. The new asset-size limit is $44 million. Lenders below that amount won't have to report, meaning that HMDA is a huge but not complete tally of mortgage lending in the United States. Digging into all of that new data, however, can help lenders and originators see trends and look for opportunities. ■

*Note: Christopher Tiso, CEO of GoRion, was instrumental in the writing of this article.*