Home Mortgage Disclosure Act Report (2016 Overview)

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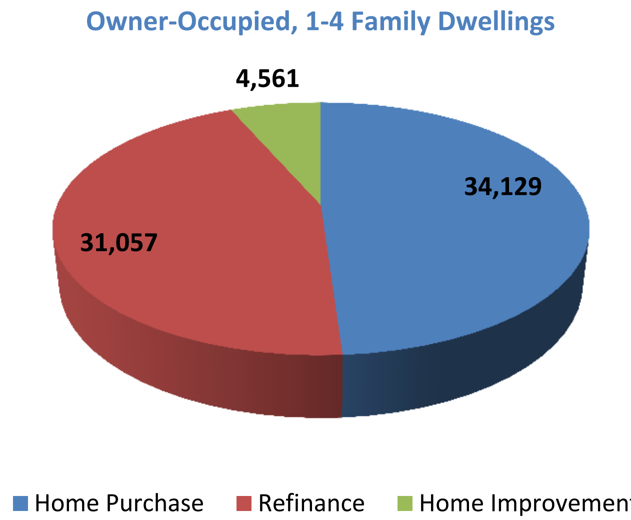
The Home Mortgage Disclosure Act (HMDA) requires many lenders to collect and publically disclose information about housing-related applications and loan. Home mortgage lending is broken up into three categories, home purchase loans, home improvement loans, and refinance loans. Lenders report on all applications they receive, whether they are approved, denied, or withdrawn. Lenders report their past years lending activity by March 1st (e.g. 2016 lending activity was reported on March 1, 2017). The Federal Financial Institutions Examination Council makes the data public the following autumn.

Connecticut Overview

In 2016, there were 664 lenders who reported data on 146,885 home mortgage applications in Connecticut. During 2016, CHFA had 91 participating lenders who originated a CHFA mortgage. Roughly 51.2 percent of these loan applications resulted in an originated loan, or 75,239, totaling nearly $22.9 billion. Just over 97.2 percent of originated loans were made to owner occupied 1-to-4 family dwellings with the greatest proportion for home purchase mortgages (34,129 loans). Although home mortgage lending, particularly home purchase lending, is on the increase, it is still well below 2007 levels, when 125,273 home mortgage loans were originated, 51,134 for the purpose of owner-occupied home purchases (1-to-4 family dwellings).

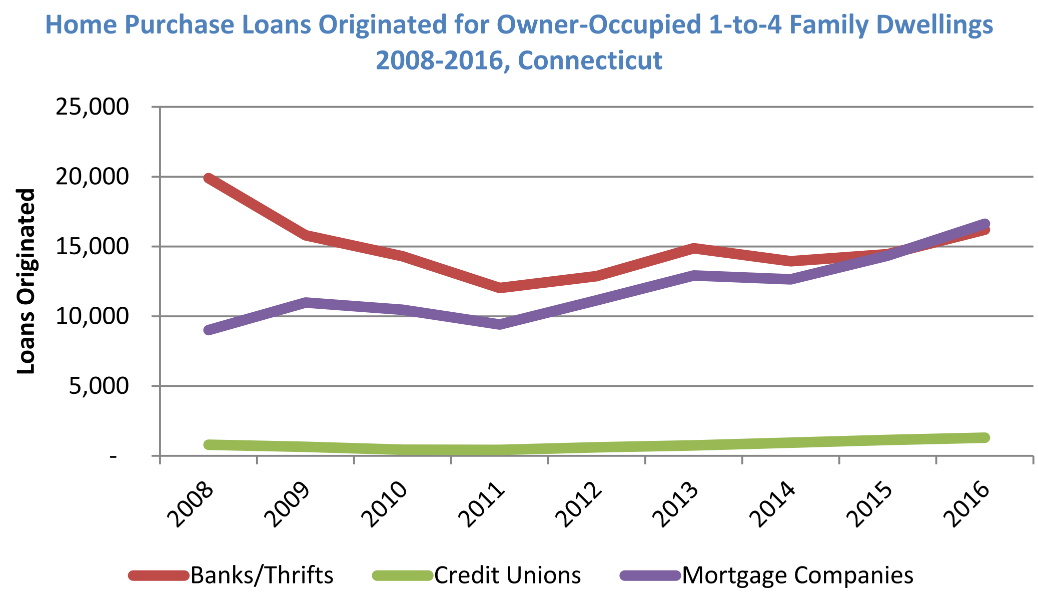


The average home purchase loan for owner-occupied, 1-to-4 family dwelling units was roughly $285,000 in 2016, down slightly from $298,000 in 2015. Among borrowers earning less than 100% of Area Median Income (AMI), the average home purchase loan was $175,000, only about $1,000 more than in 2015. CHFA's average loan size was slightly above $169,000 in 2016.

Lender Breakdown

The top lenders who originated home purchase loans for owner-occupied, 1-to-4 family dwellings, in 2016 were; Wells Fargo Bank, Webster Bank, William Ravies Mortgage, Norwich Commercial Group (NORCOM), Village Mortgage Company, and People's United Bank. When just looking at borrowers earning less than 100 percent of AMI, the top lenders are; Residential Mortgage Services, Norwich Commercial Group, William Raveis Mortgage, Village Mortgage Co., Webster Bank, and Guaranteed Rate. All of the abovementioned lenders were CHFA participating lenders for the 2016 HMDA reporting year.

Although lending is up for banks, credit unions, and mortgage companies, both banks and mortgage companies dominate the number of home purchase loans for owner-occupied, 1-to-4 family dwellings. Mortgage companies continue to see their market share increase over time.



Denials

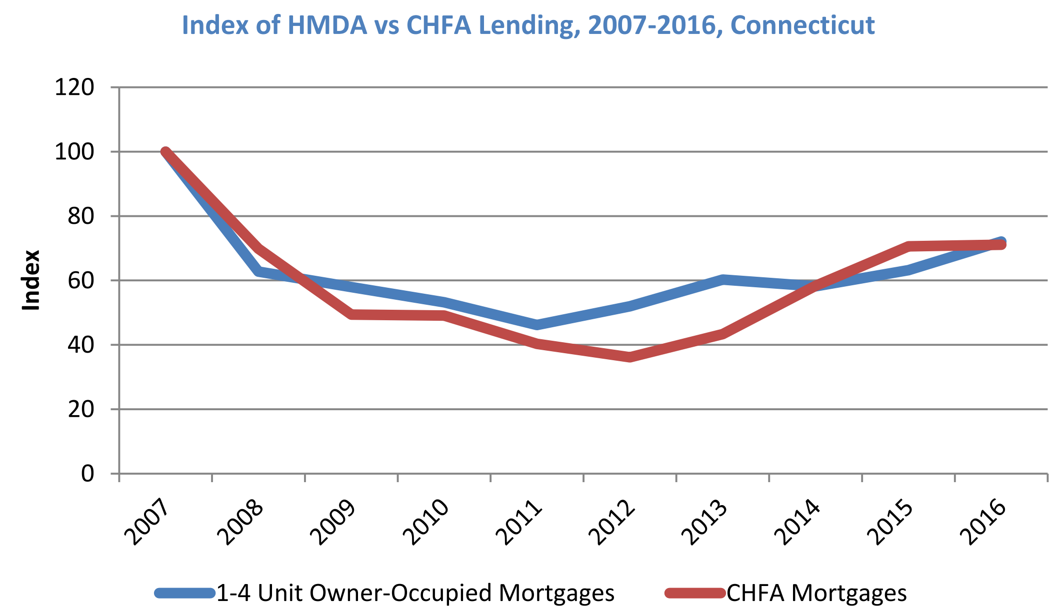
Roughly 74.2 percent of home purchase applications for owner-occupied 1-to-4 family dwellings ended with an originated loan. Roughly 11.5 percent of applications were withdrawn by the applicant, 2.5 percent of applications were approved but not accepted by the applicant, and 2.4 percent of applications were closed for incompleteness, while just around 9.5 percent of applications were denied by the lender. Of the 4,354 applications denied, 26.7 percent were denied due to the borrower's debt-to-income ratio. About one fifth of applicants were declined for either insufficient cash (downpayment, closing costs), mortgage insurance was denied, or the applicant had provided unverifiable information. The reasons for denial do vary by an applicant's income as highlighted by the following table.

	Income Levels[1]				
	Low	Moderate	Middle	Upper	NA
Debt-to-Income Ratio	44.3%	25.0%	37.7%	18.8%	34.9%
Employment History	7.5%	3.4%	6.3%	2.7%	15.7%
Credit History	13.3%	16.5%	35.1%	15.6%	20.5%
Collateral	14.6%	16.7%	34.3%	21.1%	9.6%
Cash, PMI, Bad Data	15.4%	19.4%	42.2%	25.9%	16.9%
Other	10.0%	14.7%	31.3%	15.4%	14.5%
All Denied (# of Applicants)	953	1,364	972	982	83

[1] Low < 50%, Moderate 50% < 80%, Middle 80% < 120, Upper ≥ 120%

CHFA Lending Compared to HMDA

Like most of the country, Connecticut experienced a sharp drop in home purchase mortgage lending starting in 2007 during the financial crisis and the subsequent period of recession. It wasn't until 2011 that Connecticut began to see steady increases in home purchase lending for owner-occupied 1-to-4 family dwellings. This is also reflected in CHFA's single family lending activity, which has been on an upward trajectory since 2012 after a period of decline. CHFA's activity positively correlates2 with the overall HMDA data on home purchases to owner-occupied, 1-to-4 family dwellings.



Implications for CHFA

CHFA's strategic plan articulates its intention to "provide responsible lending that meets the needs of the community" in order to have a positive impact on the community with an outcome of transforming the state. Implementation of the strategic plan to support residential homeownership lending includes a review of market conditions, lending and lender activity, and product reviews. This provides CHFA an opportunity invest strategically and develop products to respond to community needs and changes. By understanding the lending environment and placing CHFA in the market, CHFA can better adapt and react to market changes in the lending market and address the needs in Connecticut. CHFA will continue to analyze the significant data that is available through HMDA to provide responsive lending that meets the need of the community.

[2] Pearson's correlation coefficient of greater than 0.91