

The Residential Mortgage Market in Recent Years: National Trends

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Federal Reserve Board



Mortgage Lending in **Indian Country**:

Foundational Investments & Future Pathways to Homeownership

The analysis and conclusions set forth are solely those of the author and do not indicate agreement by other members of the research staff or the Board of Governors



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Volume of Lending since 1994

Home purchase

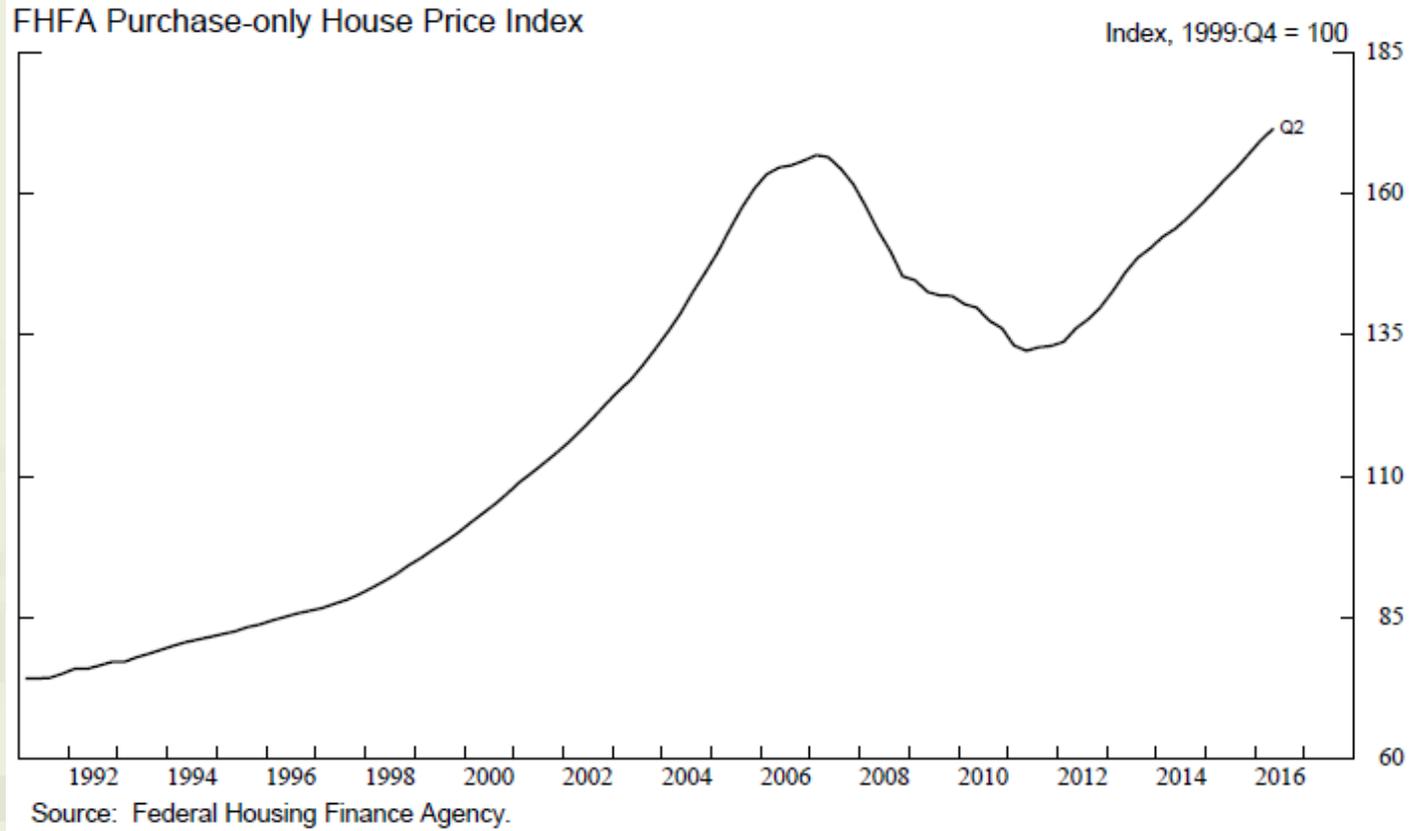
Millions of loans



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House Price Growth



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Delinquency Rate for Portfolio Loans

FRED 

— Delinquency Rate on Single-Family Residential Mortgages, Booked in Domestic Offices, All Commercial Banks



Source: Board of Governors of the Federal Reserve System (US)
fred.stlouisfed.org

myf.red/g/6N2F



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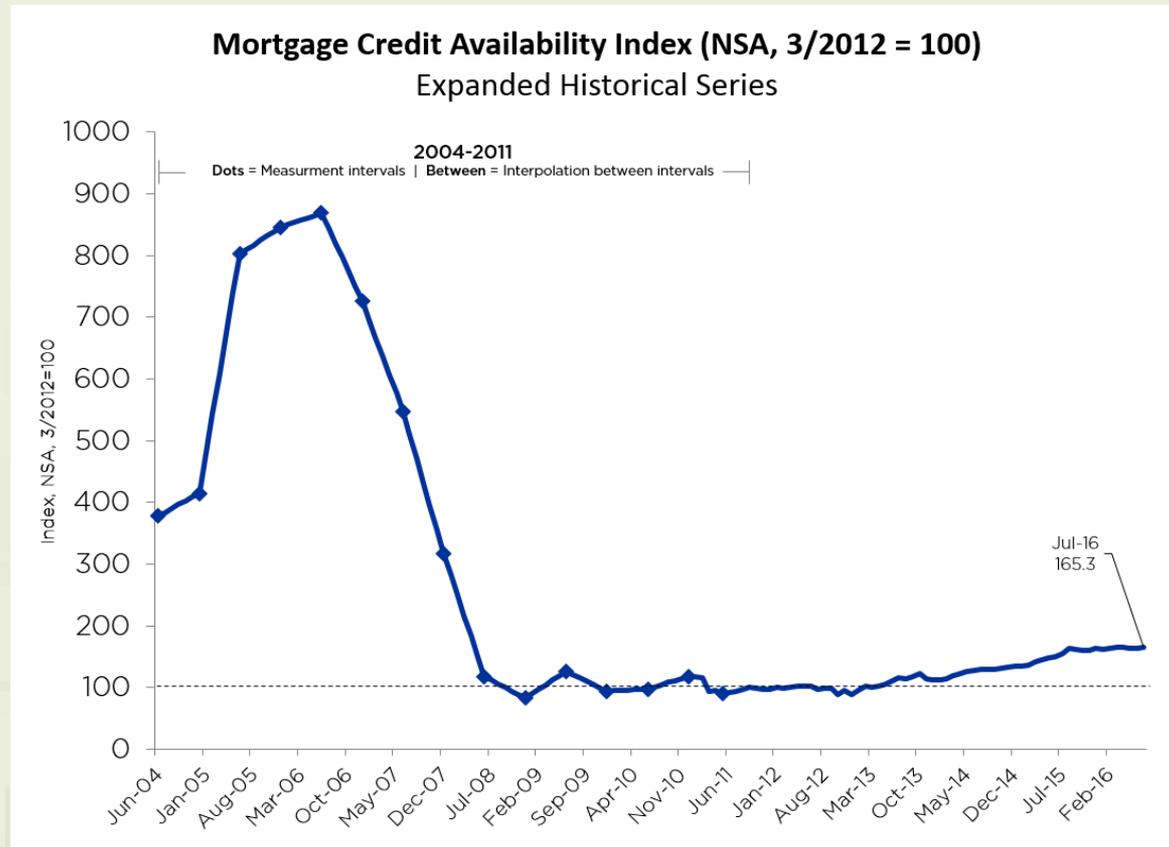
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Mortgage Credit Availability



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Mortgage Bankers Association

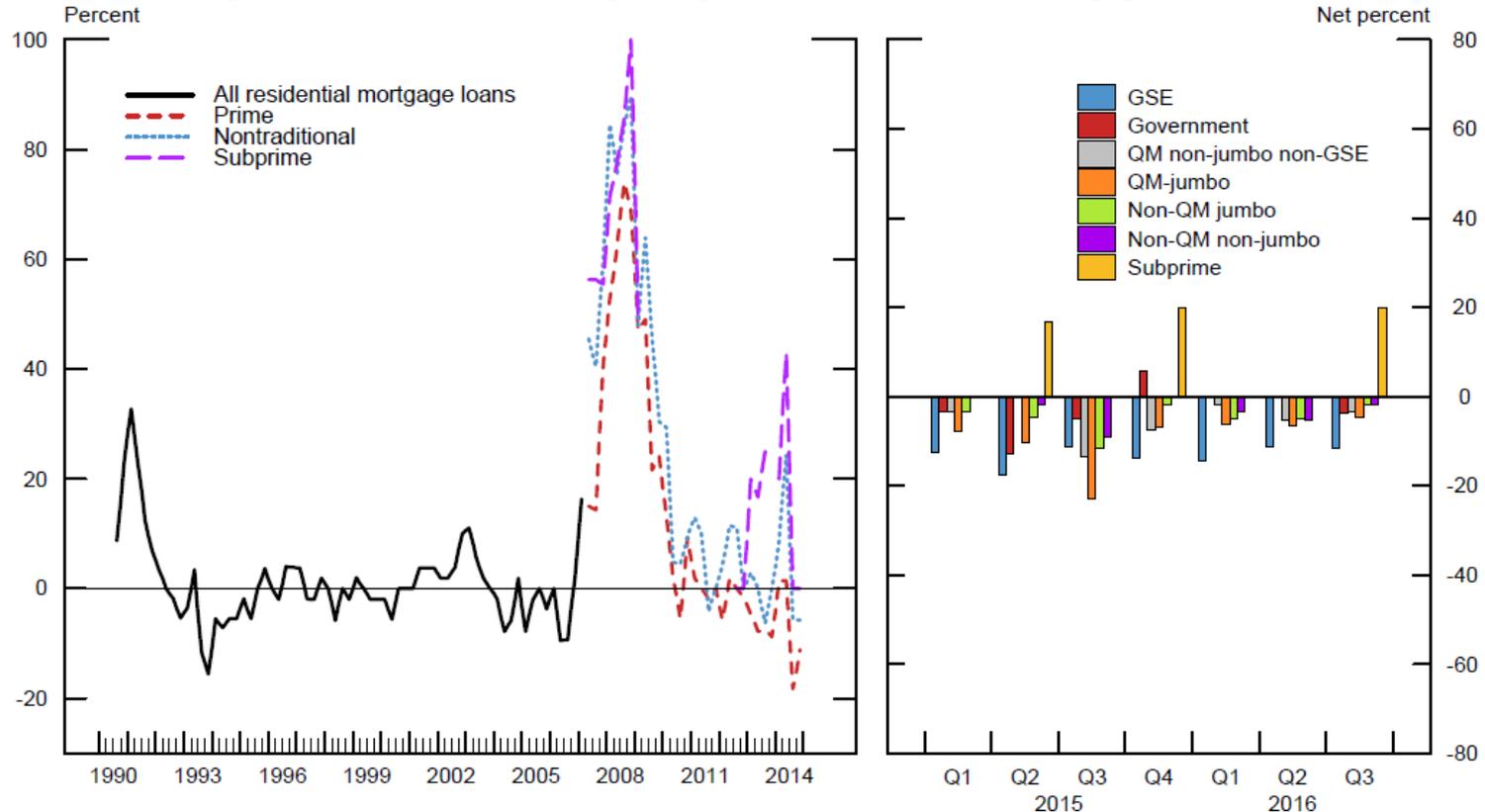


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Senior Loan Office Opinion Survey

Net Percentage of Domestic Respondents Tightening Standards for Residential Mortgage Loans



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10th Percentile Credit Score on New Loans



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Options for Low Down Payment Borrowers

- FHA will insure loans with a 96.5% LTV
 - Minimum FICO of 580
 - Lender overlays generally impose tighter restrictions, however
 - About ¼ of purchase loans in recent years
- Fannie Mae HomeReady loans allow 97% LTV, 50% DTI
 - Low income borrower or neighborhood
 - Launched in late 2015
- VA and RHS loans for qualified borrowers



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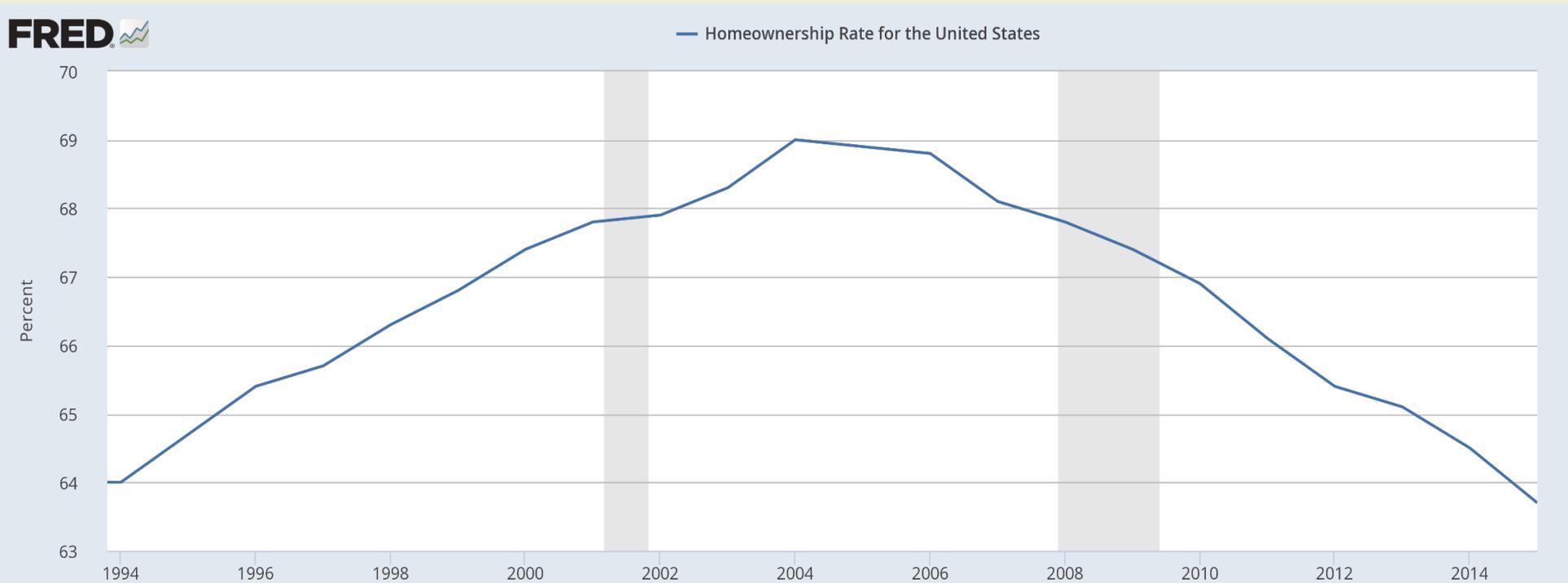
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Demand Factors



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Home Ownership Rate



Source: US. Bureau of the Census
fred.stlouisfed.org

myf.red/g/6Ow6



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Young Home Owners

- Declines larger among the young
- Surveys suggest home ownership is still a goal
- Student loan debt, weak job market may be holding them back

Homeownership Rate 2005 and 2014

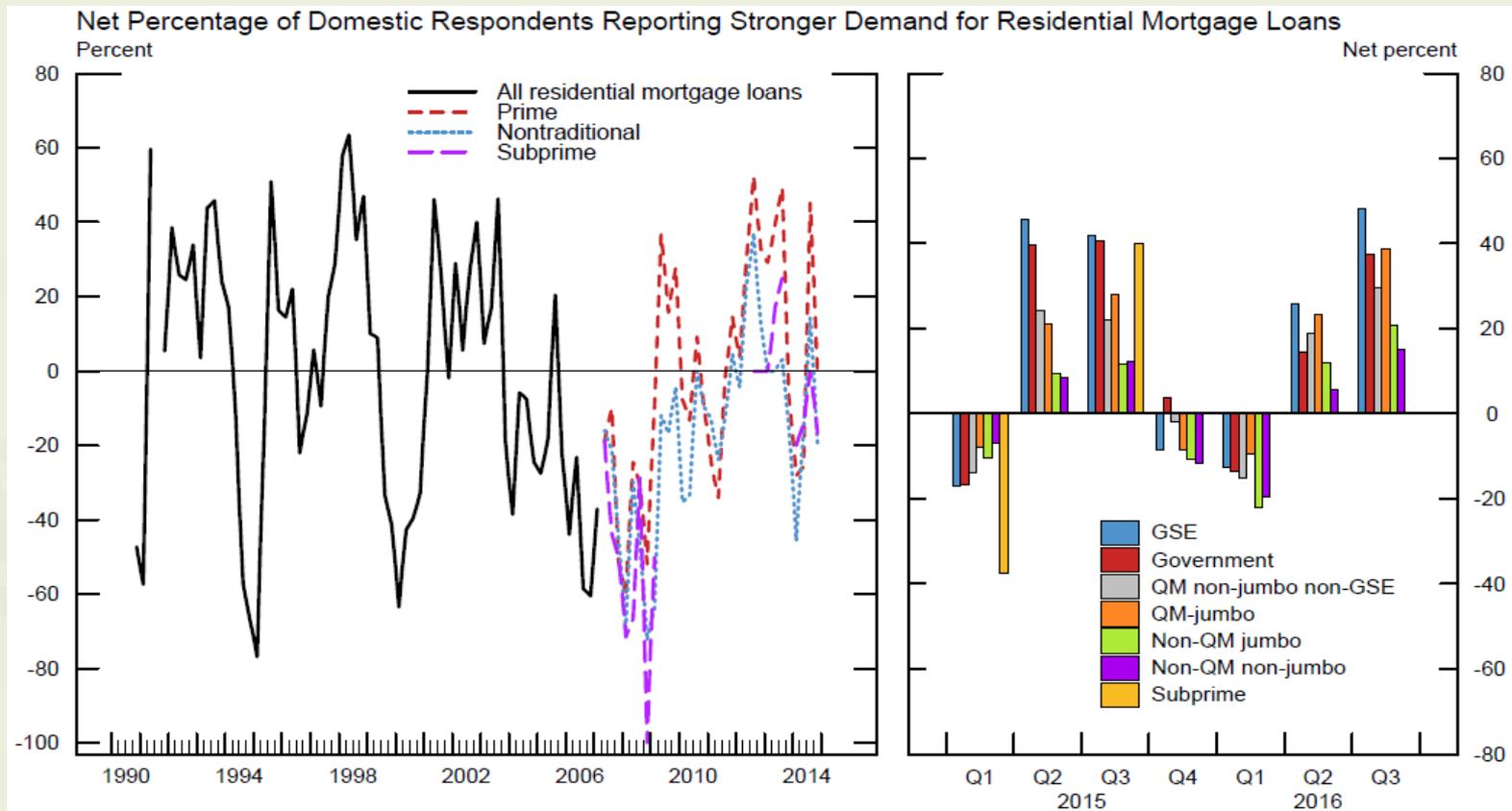


Source: CPS 2005 and 2014 (authors' calculations).

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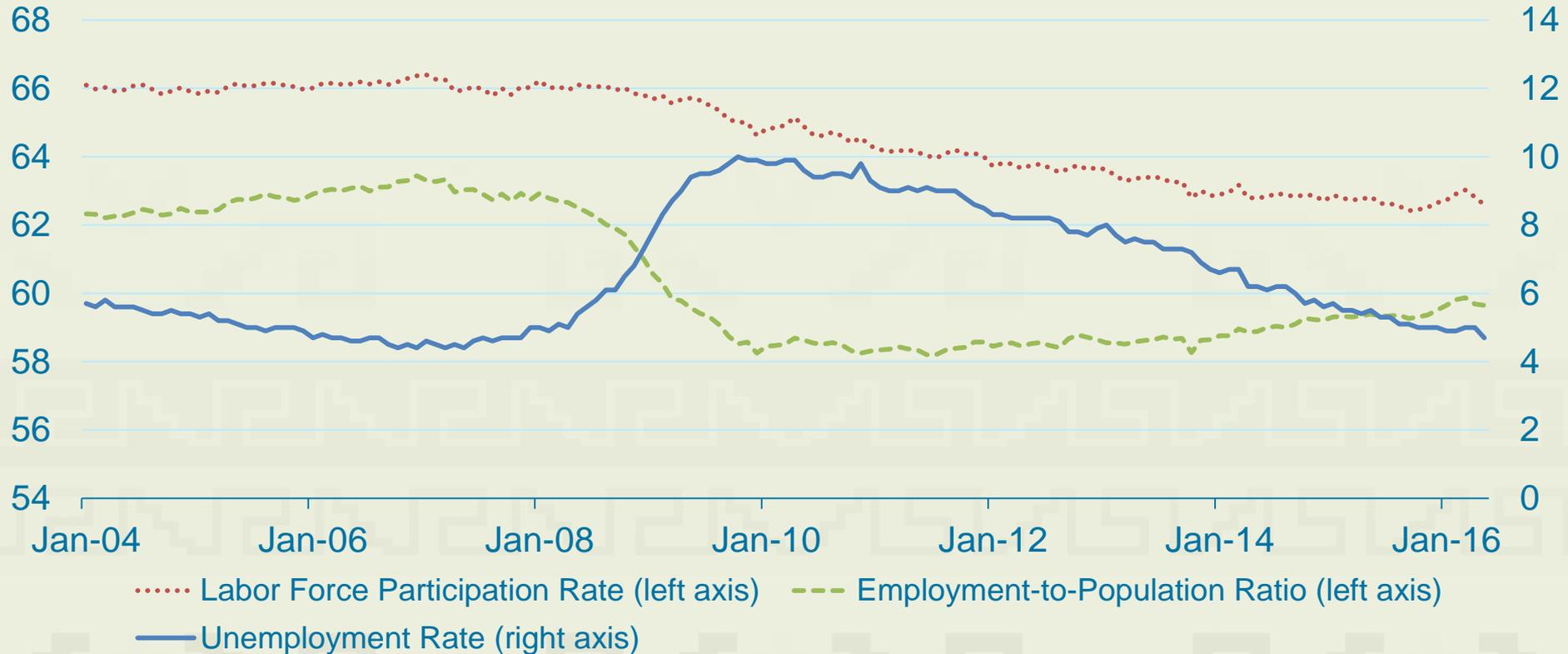
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Senior Loan Office Opinion Survey



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Labor Market Indicators



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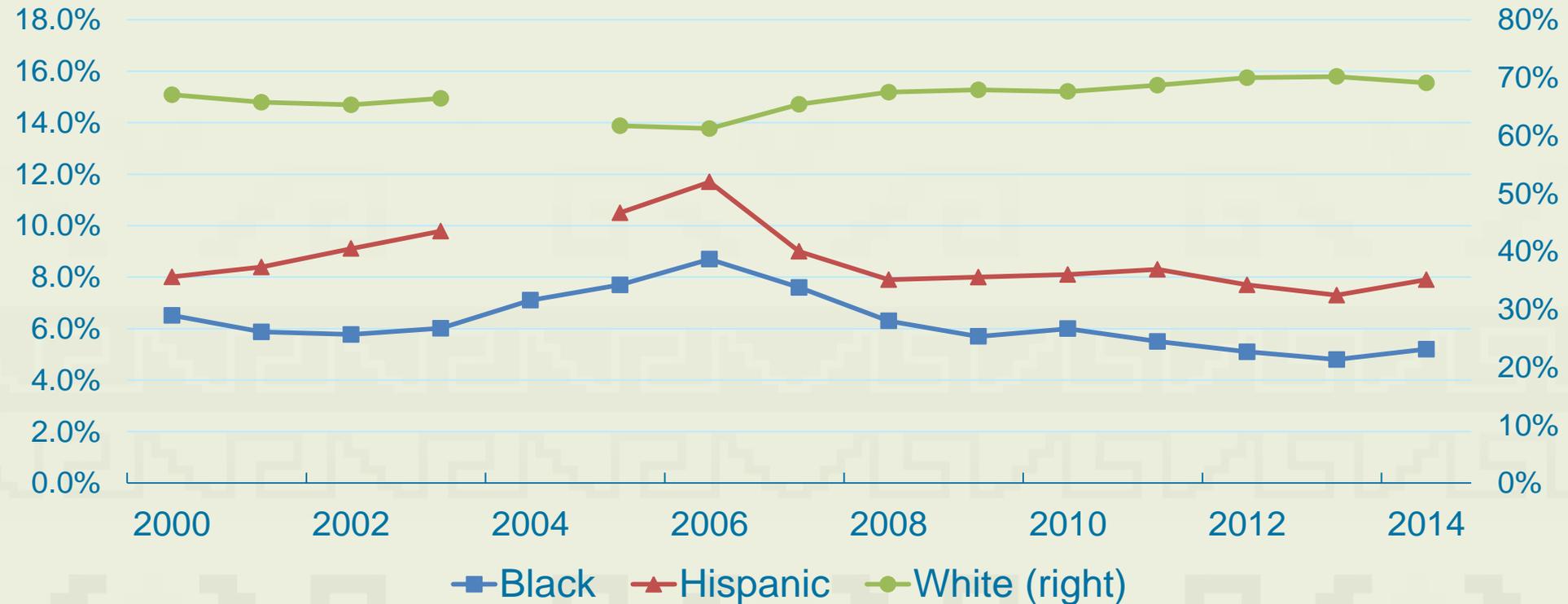
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Borrowers



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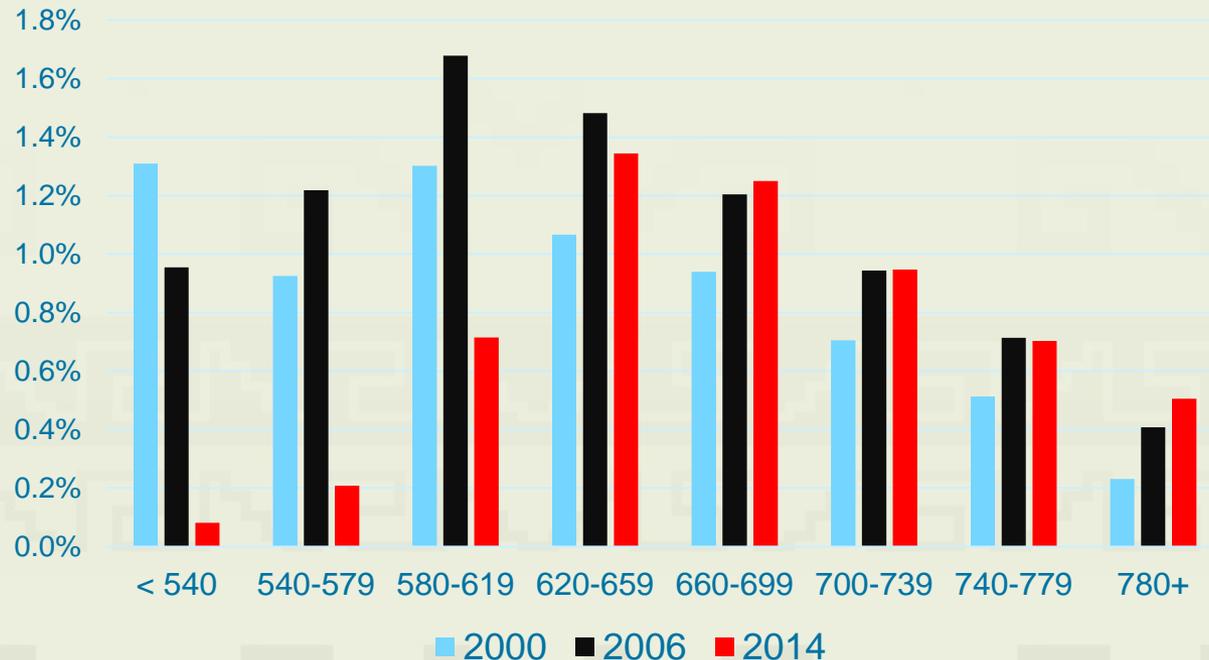
Minority Shares of Home Purchase Loans



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Shares by Race and Credit Score

Black Borrowers

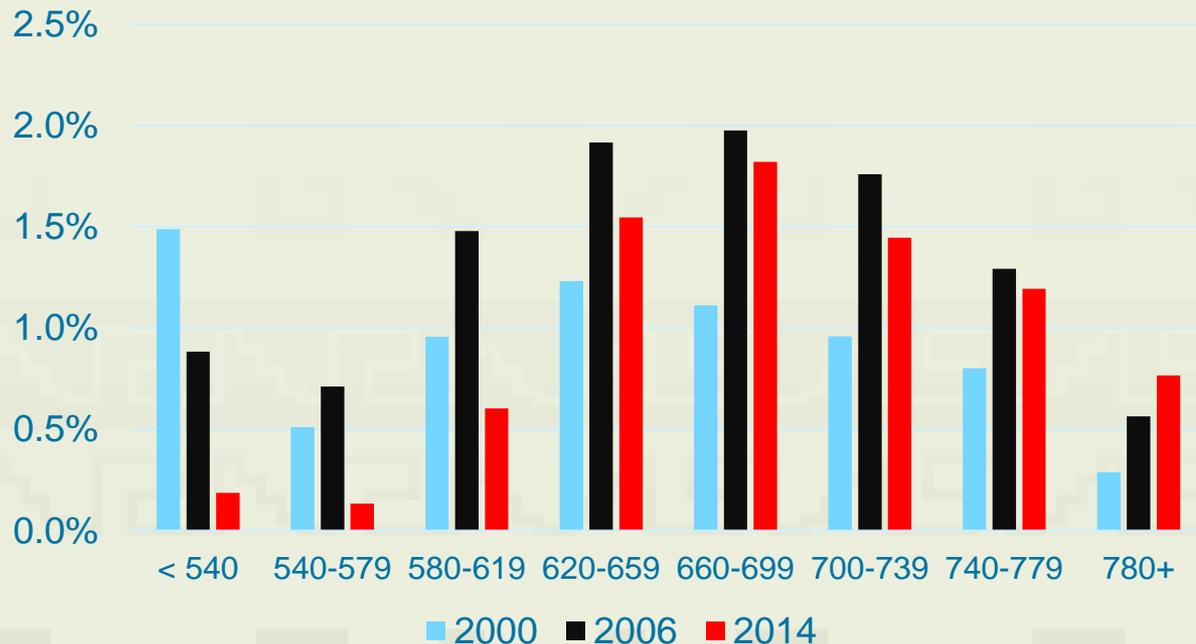


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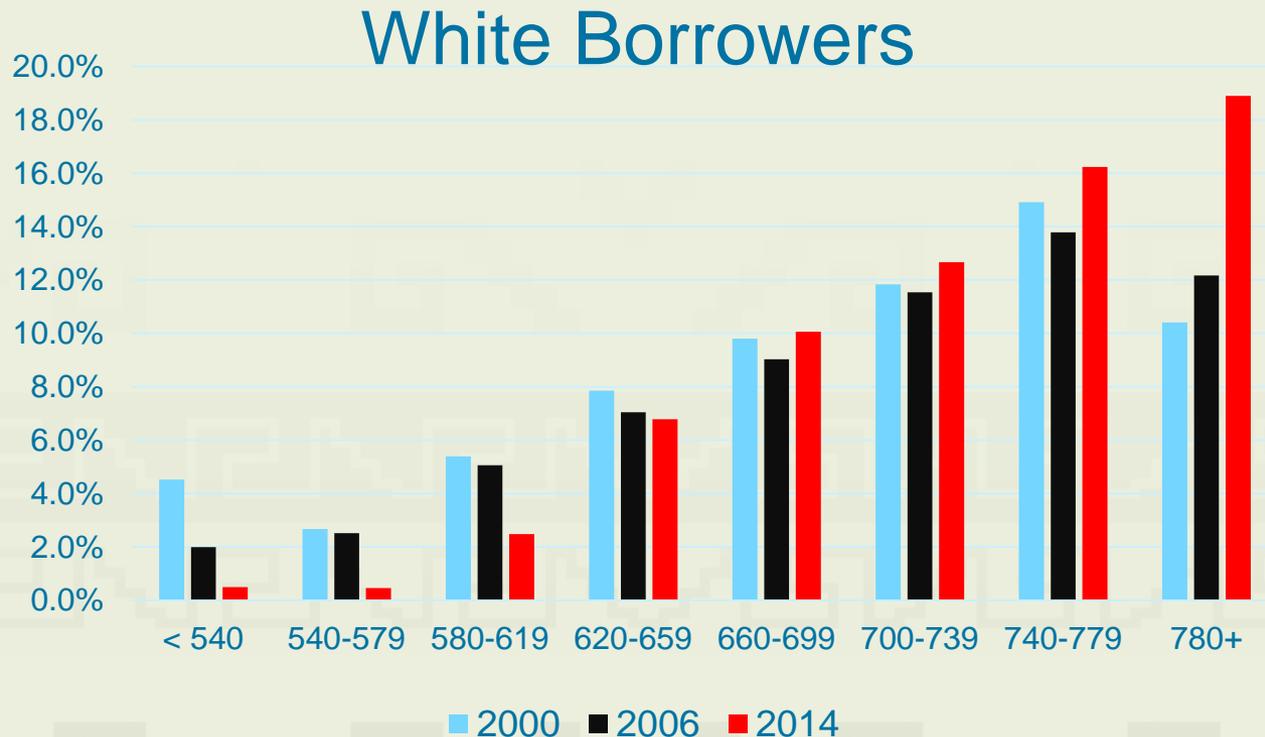
Shares by Race and Credit Score

Hispanic Borrowers



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Shares by Race and Credit Score



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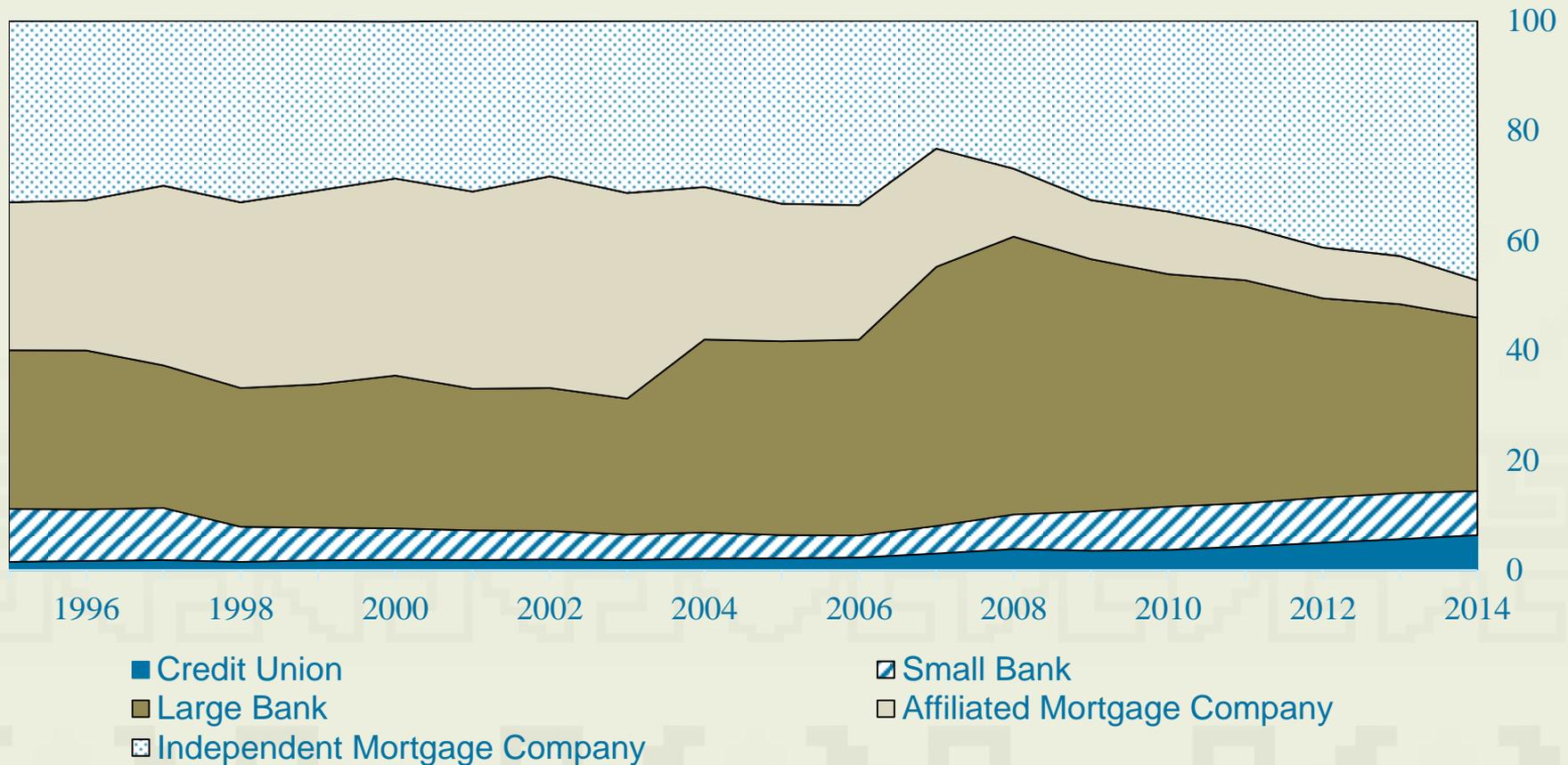
Lenders



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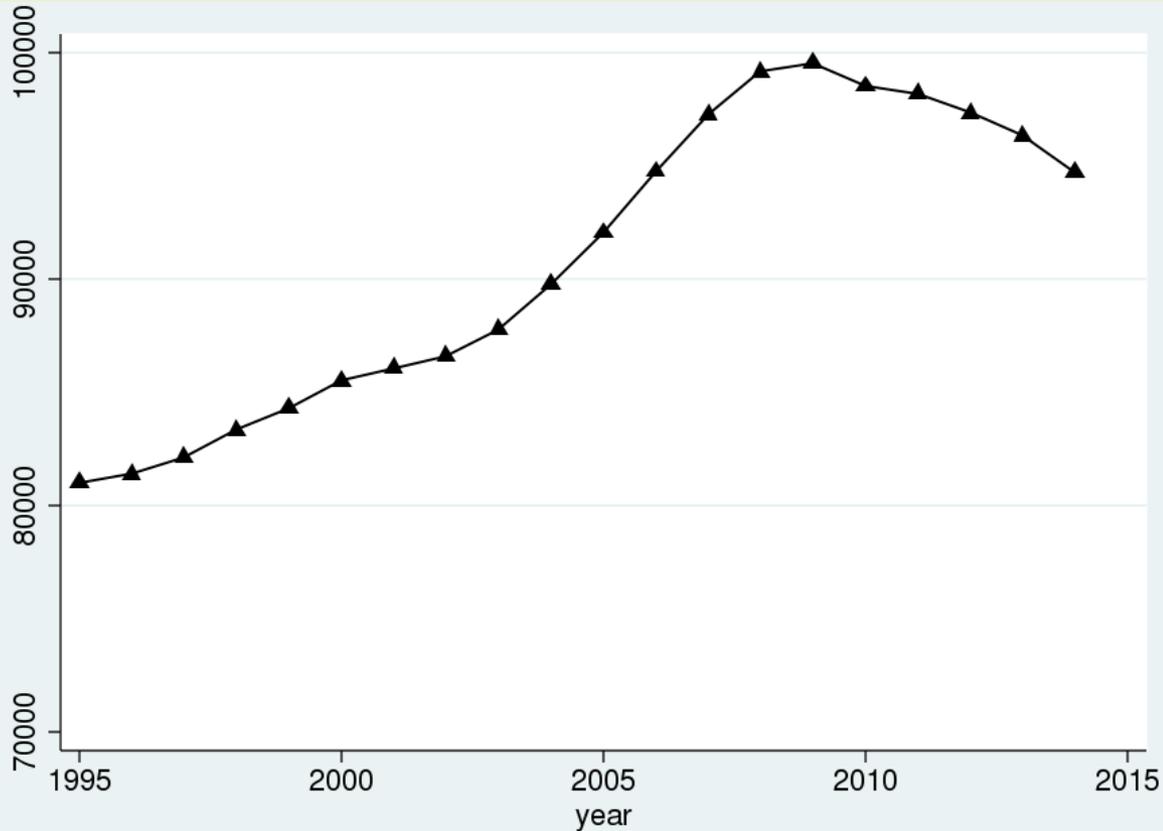
Home Purchase Market Share by Lender Type



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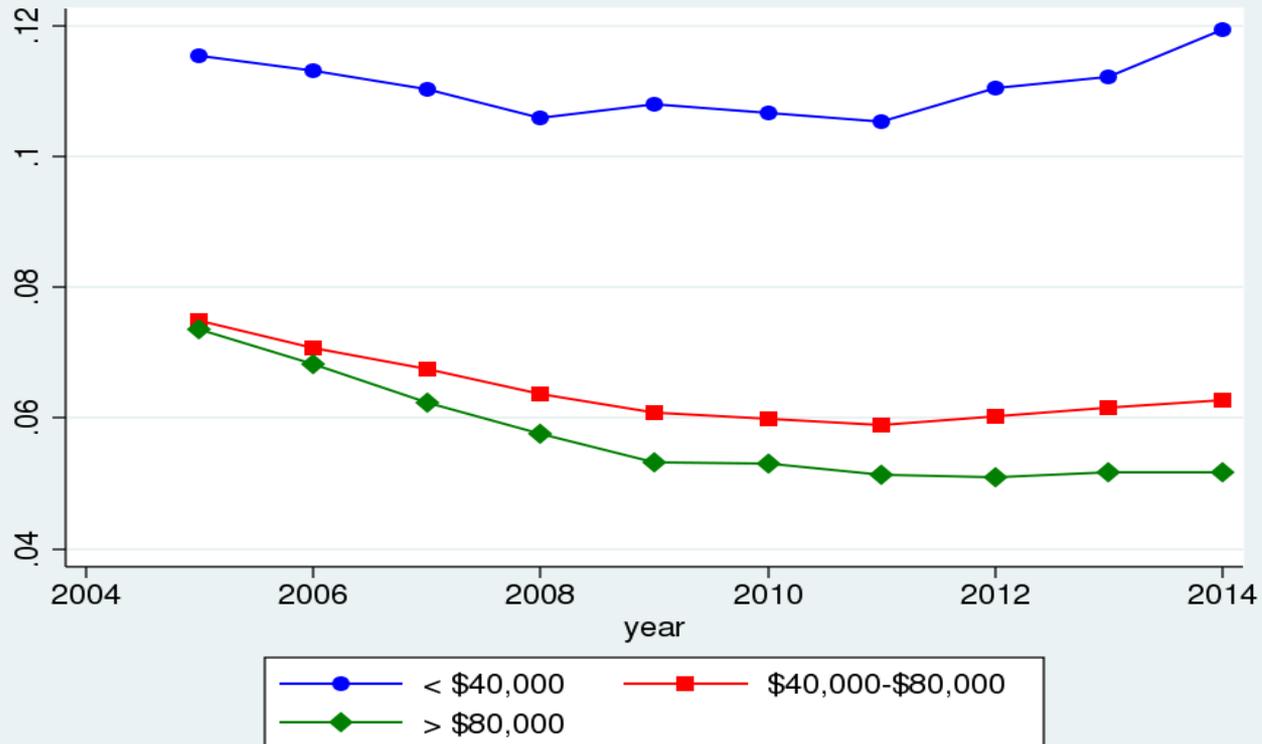
Total Bank Branches



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Zip Codes with Zero Bank Branches, by Income Level



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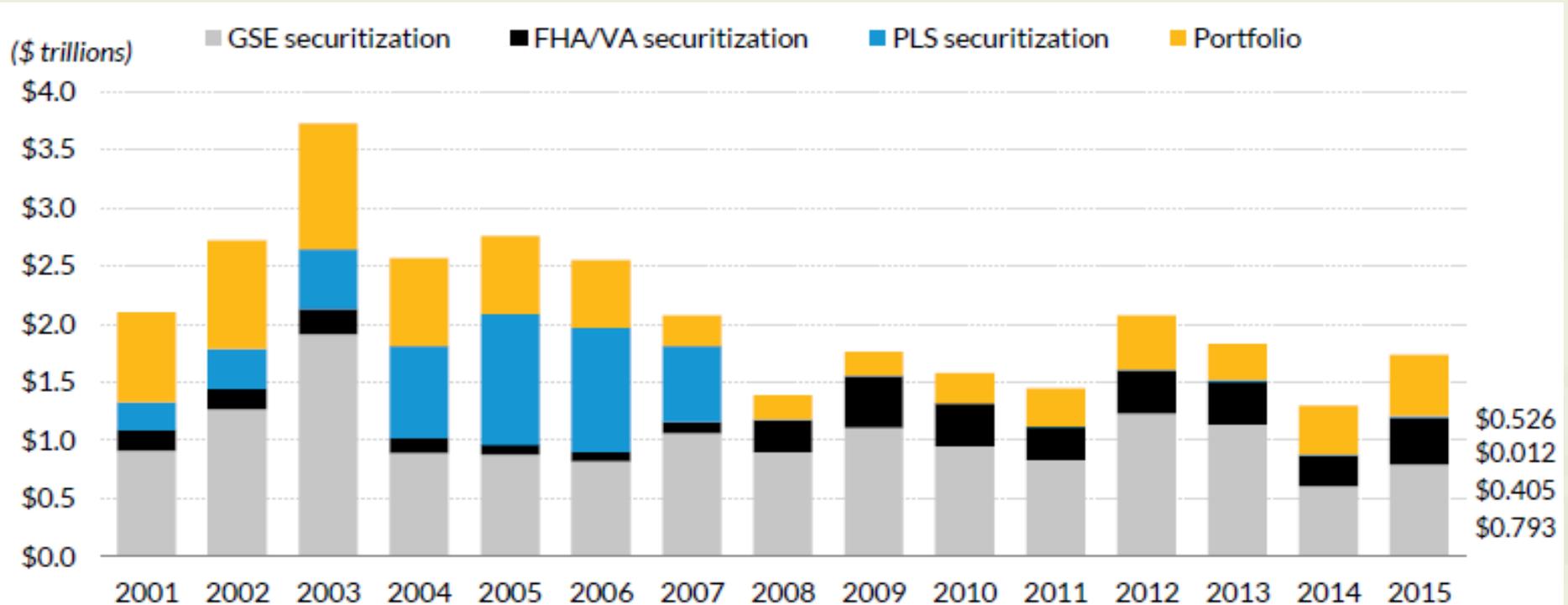
Secondary Market



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New Originations, by Dollar Volume



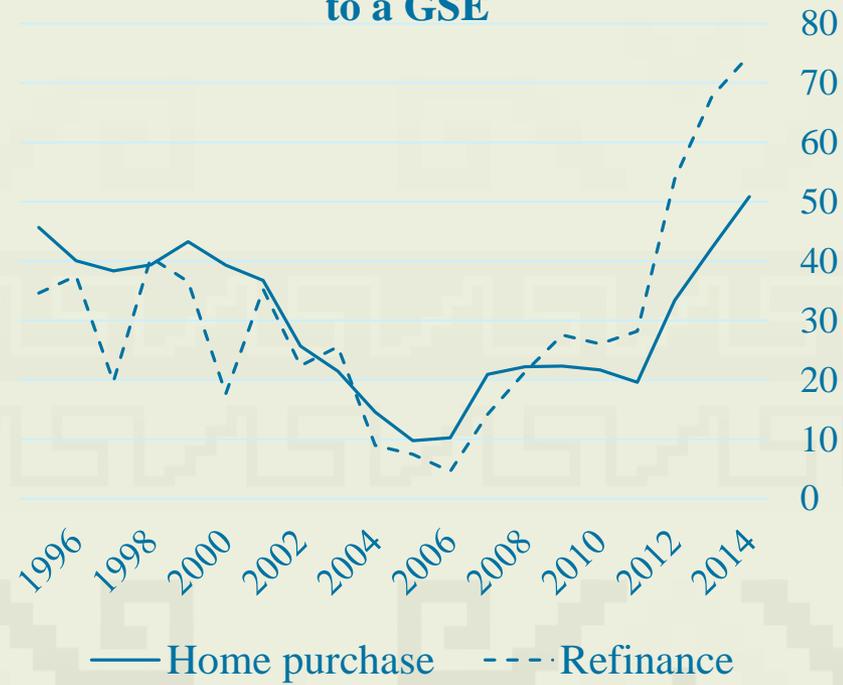
Sources: Inside Mortgage Finance and Urban Institute.



Independent Mortgage Companies Selling Directly to GSEs

- IMCs are bypassing commercial banks and selling directly to GSEs
- Similar trend in Ginnie Mae securities
- Large banks have lower appetite for servicing rights
 - Possibly due to Basel III risk-based capital standards

Conventional conforming loans sold to a GSE



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Regulation



Ability to Repay and Qualified Mortgage Rules

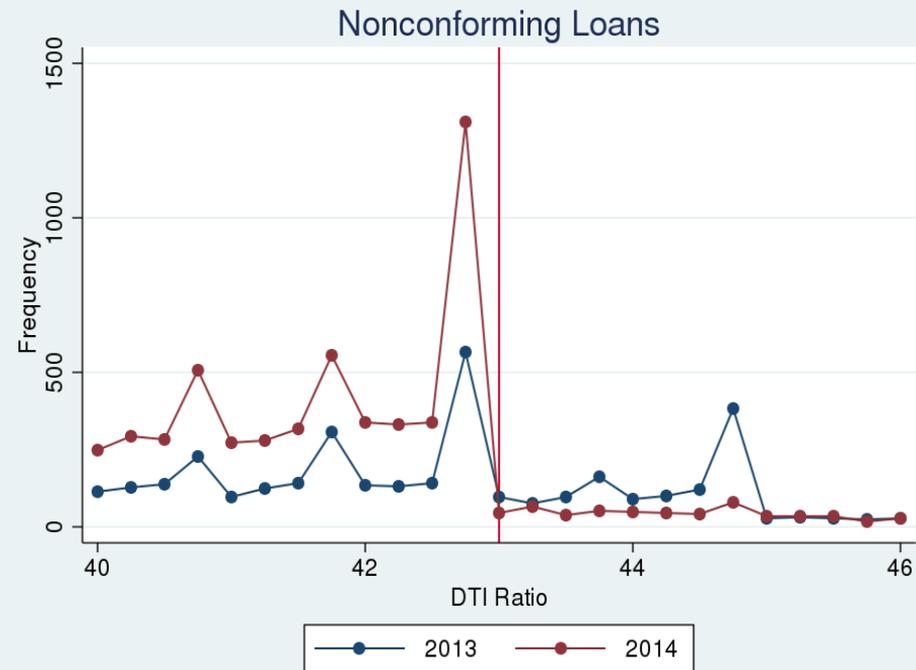
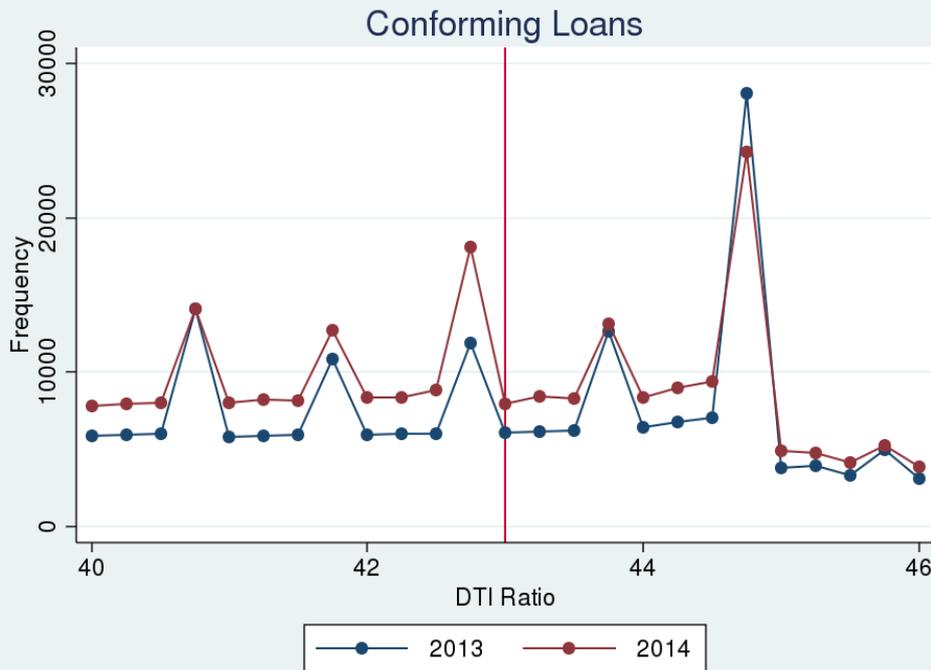
- Loans from January 2014 and after are subject to CFPB rules to protect borrowers
- Industry concerned about stringency
- 43% DTI cap for “Qualified Mortgage” status
- GSE conforming, FHA and VA loans exempt from DTI cap
- Reduced high DTI jumbo loans, little other effect



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Ability to Repay and Qualified Mortgage Rules



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Community Reinvestment Act

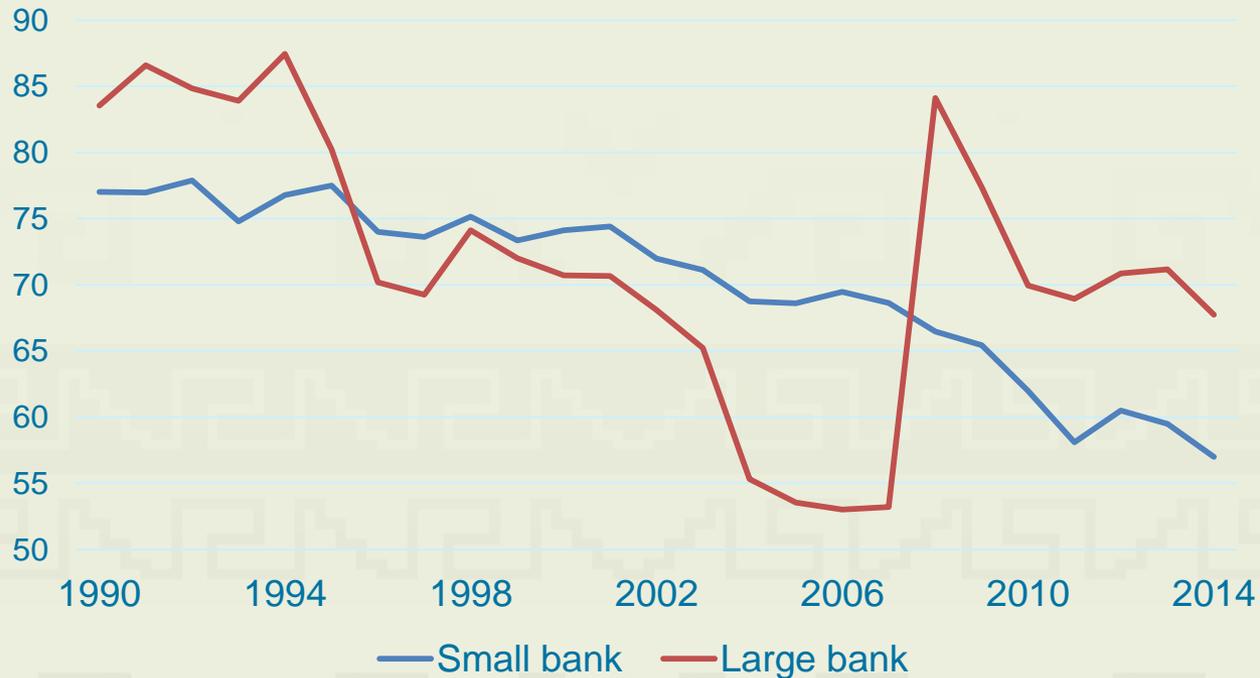
- Regulatory agencies rate banks based on quantitative record of meeting community's credit needs
- Encourages lending to low-to-moderate income households and neighborhoods
- Examination based on lending in assessment areas
 - Typically counties and MSAs in which banks operate a branch
- Rural counties, areas served by non-depositories have less recourse



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Share of Bank Home Purchase Loans Within CRA Assessment Area



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Banks and FHA Lending

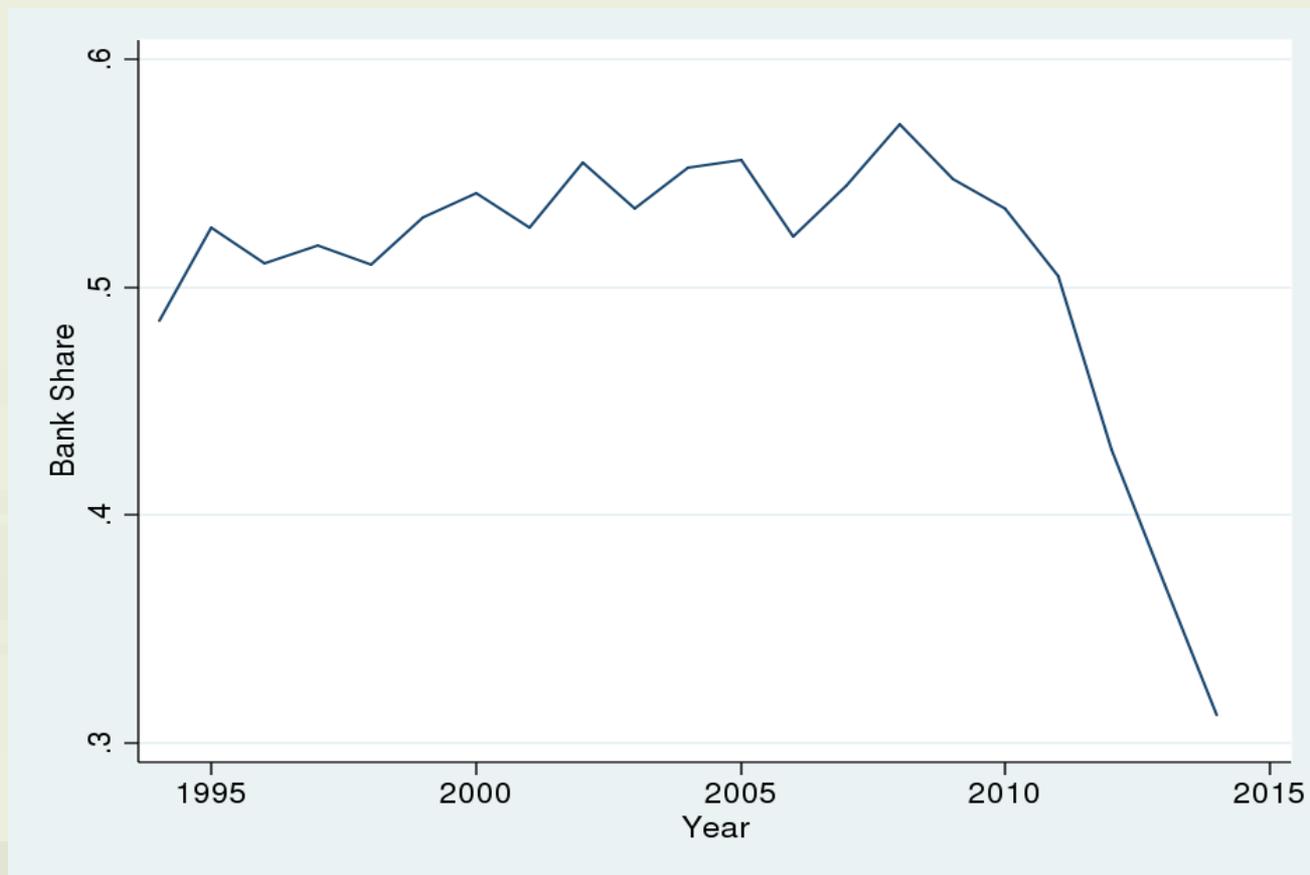
- Originating FHA loans that do not meet underwriting standards can put lenders in violation of False Claims act
- Recent DoJ settlements:
 - \$212.5 million from First Tennessee
 - \$418 million from SunTrust
- Large banks are exiting FHA market



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Bank Share of FHA Home Purchase Loans



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Thank you!

