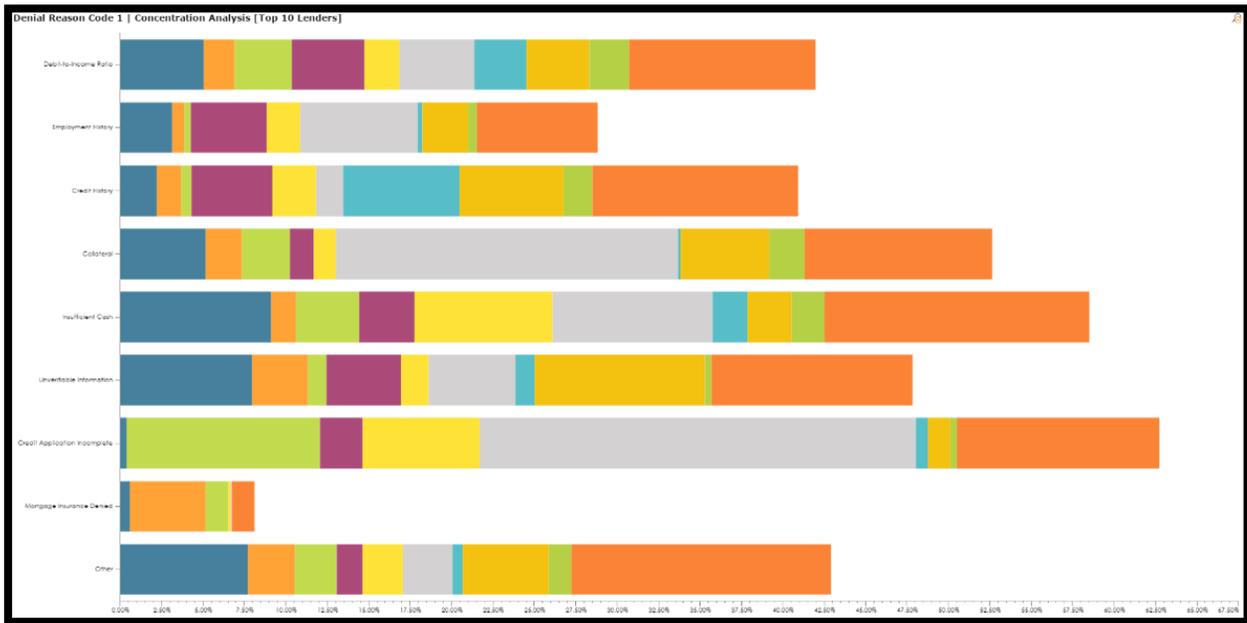


**Summary:**

- Mortgage TrueView’s HMDA Insight Dashboards<sup>1</sup> show that the 10 largest lenders reporting Denial Reason Codes (“DRCs”) demonstrate over-weighted use of certain DRCs indicating an adjustment is required to properly state Incomplete Action Taken rates.

**Chart 1 | DRC Distribution : 10 Largest DRC Reporting Lenders**



**Analysis:**

Table 1 presents the DRC reporting profile for the 10 largest lenders reporting DRCs and indicates that two DRCs - Insufficient Cash and Credit Application Incomplete – are significantly over-weighted. Further analysis indicates:

- Both Insufficient Cash and Credit Application Incomplete DRCs are over-weighted for 2010, 2011, 2012 and 2013.
- Insufficient Cash (Table 2) and Credit Application Incomplete usage rates (Table 3) are disproportionately used by approximately half of the 10 largest DRC reporting lenders.

The reason(s) for the highlighted rates – representing significant usage rates for the indicated Respondents – shown in Tables 2 and 3 cannot be fully substantiated based on available HMDA data. However, research suggests that the rates may be due to operational protocols regarding the disposition of applications within regulatory timelines. This view is substantiated by the fact that

**Table 1 | Denial Reason Code Summary : 10 Largest DRC Reporting Lenders**

Denial Reason Code	%   DRC	%   Denied Applications with DRC	Over (Under) Weighting
<b>Debit-to-Income Ratio</b>	<b>41.98%</b>	<b>46.19%</b>	<b>-4.20%</b>
<b>Employment History</b>	<b>28.83%</b>	<b>46.19%</b>	<b>-17.36%</b>
<b>Credit History</b>	<b>40.93%</b>	<b>46.19%</b>	<b>-5.25%</b>
<b>Collateral</b>	<b>52.65%</b>	<b>46.19%</b>	<b>6.46%</b>
<b>Insufficient Cash</b>	<b>58.50%</b>	<b>46.19%</b>	<b>12.32%</b>
<b>Unverifiable Information</b>	<b>47.83%</b>	<b>46.19%</b>	<b>1.65%</b>
<b>Credit Application Incomplete</b>	<b>62.73%</b>	<b>46.19%</b>	<b>16.55%</b>
<b>Mortgage Insurance Denied</b>	<b>8.10%</b>	<b>46.19%</b>	<b>-38.08%</b>
<b>Other</b>	<b>42.91%</b>	<b>46.19%</b>	<b>-3.28%</b>

<sup>1</sup> Mortgage TrueView Dashboards can be accessed by 2015 HMDA Survey participants using their complementary access credentials. Non-participants may obtain credentials by sending a request to HMDA@mortgagetrueview.com.

# HMDA Insights : Capitalizing on New Perspectives

## Action Taken Rates: Adjusting for Denial Reason Code 7

the Incomplete Action Taken rates – an analogue of Credit Application Incomplete – for the lenders highlighted in Table 3 are below the overall average rate.

**Table 2 | DRC Analysis : Insufficient Cash**

Respondent	2010		2011		2012		2013		2014	
	%   R	%   T	%   R	%   T	%   R	%   T	%   R	%   T	%   R	%   T
Respondent 1	2.17%	27.41%	3.02%	30.51%	3.26%	30.05%	3.99%	28.71%	10.93%	19.47%
Respondent 2	1.97%	12.64%	1.65%	10.82%	1.78%	10.26%	2.40%	8.70%	40.15%	18.57%
Respondent 3	1.94%	3.41%	2.31%	4.08%	4.19%	6.78%	4.26%	9.60%	33.02%	41.96%
Respondent 4	3.57%	26.95%	3.32%	15.08%	5.05%	13.71%	6.32%	13.69%	1.09%	0.65%
Respondent 5	2.72%	3.38%	3.72%	4.79%	3.48%	3.93%	1.69%	3.80%	3.06%	2.17%
Respondent 6	0.05%	0.00%	1.67%	0.84%	1.18%	1.70%	2.02%	2.62%	0.00%	0.00%
Respondent 7	6.04%	4.32%	4.97%	6.36%	4.27%	6.04%	2.93%	3.57%	7.83%	4.09%
Respondent 8	11.33%	17.63%	11.92%	23.52%	13.61%	24.66%	14.80%	21.71%	26.84%	11.31%
Respondent 9	3.11%	3.84%	2.93%	3.47%	1.66%	2.41%	2.11%	2.37%	2.41%	0.61%
Respondent 10	1.58%	0.42%	0.79%	0.53%	0.66%	0.46%	6.10%	5.24%	2.47%	1.18%

% | R = Percent of Respondent's Denied Applications

% | T = Respondent's Use as a Percent of 10 Largest DRC Reporting Lenders

applicant pursuant to Section 1002.9(c)(2) of Regulation B and (b) the applicant did not respond to the request. Guidelines for the use of DRC 7 are less declarative and burdensome.

Despite the statutory guidelines, Credit Application Incomplete and Incomplete Action Taken are substantively the same and, as indicated in Table 3, reclassification of loans denied due to an incomplete credit application to Incomplete Action Taken is reasonable and necessary. The impact of this reclassification is shown in Chart 2.

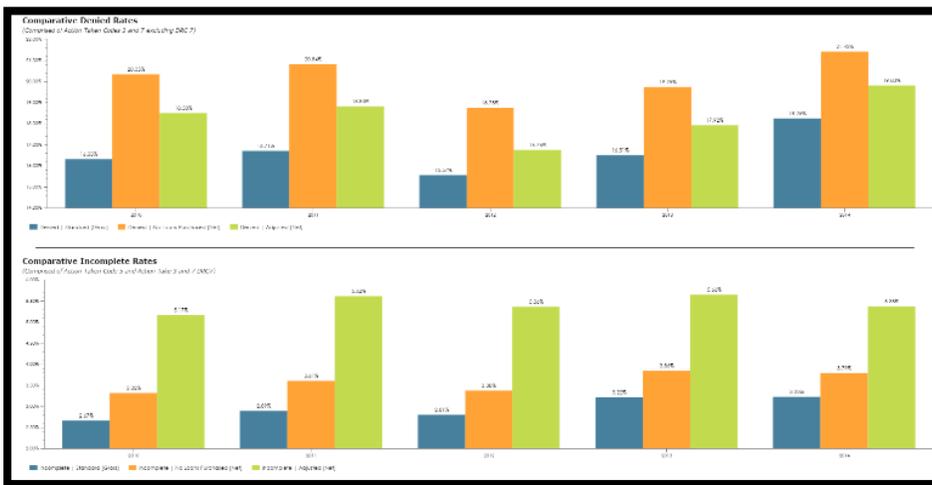
**Table 3 | DRC Analysis : Credit Application Incomplete**

Respondent	2010		2011		2012		2013		2014	
	%   R	%   T	%   R	%   T	%   R	%   T	%   R	%   T	%   R	%   T
Respondent 1	8.83%	19.64%	8.79%	15.38%	10.34%	16.89%	7.56%	14.07%	10.93%	19.47%
Respondent 2	50.17%	56.84%	56.75%	64.54%	59.20%	60.36%	56.93%	53.57%	40.15%	18.57%
Respondent 3	0.20%	0.06%	0.29%	0.09%	1.46%	0.42%	19.81%	11.55%	33.02%	41.96%
Respondent 4	10.24%	13.65%	6.16%	4.86%	3.90%	1.87%	0.89%	0.50%	1.09%	0.65%
Respondent 5	1.60%	0.35%	1.83%	0.41%	4.85%	0.97%	2.66%	1.55%	3.06%	2.17%
Respondent 6	0.00%	0.00%	0.44%	0.04%	0.13%	0.03%	0.00%	0.00%	0.00%	0.00%
Respondent 7	0.45%	0.06%	3.70%	0.82%	2.36%	0.59%	5.81%	1.83%	7.83%	4.09%
Respondent 8	29.53%	8.10%	36.52%	12.50%	32.83%	10.53%	24.56%	9.33%	26.84%	11.31%
Respondent 9	5.80%	1.27%	6.32%	1.30%	32.01%	8.24%	25.14%	7.31%	2.41%	0.61%
Respondent 10	0.73%	0.03%	0.64%	0.07%	0.68%	0.08%	1.31%	0.29%	2.47%	1.18%

% | R = Percent of Respondent's Denied Applications

% | T = Respondent's Use as a Percent of 10 Largest DRC Reporting Lenders

**Chart 2 | Adjusted Denied and Incomplete Rates**



\*\*\*\*\*

Our next HMDA Insight provides additional insight into how Denial Reason Code activity can enhance the evaluation of a lender's lending profile.

*"It is a capital mistake to theorize before one has data. Insensibly one begins to twist facts to suit theories, instead of theories to suit facts."* – The Adventures of Sherlock Holmes, A Scandal in Bohemia