

Summary:

- Dynamic benchmarking based on an advanced analytical business intelligence platform combines multiple dimensions – including geography, applicant profiles, and application volumes – to provide the most meaningful view of a lender’s compliance, risk, and strategic profile.

Analysis:

Our last HMDA Insight highlighted the impact of 2014 Loans Purchased on the St. Louis, MO-IL MSA. Table 1 summarizes this MSA by presenting both gross (i.e., all reported) and net (i.e., net of Loans Purchased) applications. This table provides the basis for a basic case study regarding multi-dimensional dynamic benchmarking.

Table 1 | Lender Summary : St. Louis, MO-IL MSA [2014]

Number of Applications	Lenders Gross				Change:		Lenders Net			
	Count	%	Applications	%	Count	Apps	Count	%	Applications	%
More than 1,500	16	2.48%	58,613	48.19%	(6)	(21,630)	10	1.55%	36,983	38.43%
Between 750 and 1,500	21	3.26%	22,563	18.55%	(1)	(1,414)	20	3.10%	21,149	21.97%
Between 250 and 750	56	8.68%	22,856	18.79%	(7)	(3,120)	49	7.60%	19,736	20.51%
Between 100 and 250	58	8.99%	9,201	7.57%	2	475	60	9.30%	9,676	10.05%
Between 50 and 100	56	8.68%	4,023	3.31%	2	228	58	8.99%	4,251	4.42%
Less than 50	438	67.91%	4,362	3.59%	10	89	448	69.46%	4,451	4.62%
Total	645	100.00%	121,617	100.00%	-	(25,371)	645	100.00%	96,246	100.00%

Table 1 shows that:

- Lenders with fewer than 100 applications account for approximately 80% of all lenders (and less than 10% of all applications) measured on both a gross and net basis.
- Lenders with more than 750 applications account for approximately 5% of all lenders (and approximately 66% of applications on a gross basis and 60% of applications on a net basis).

While it is common to evaluate a lender’s lending activity against all lenders in the relevant market,

Table 2 | Top 20 Lenders [Based on Total Applications] : St. Louis, MO-IL MSA

De-identified Respondent	Actioned Applications	Loans Purchased	Total Applications	Memo: Loans Purchased Rate
Respondent 1	8,356	4	8,360	0.05%
Respondent 2	3,973	4,273	8,246	107.55%
Respondent 3	5,595	1,498	7,093	26.77%
Respondent 4	991	3,613	4,604	364.58%
Respondent 5	3,429	536	3,965	15.63%
Respondent 6	3,571	2	3,573	0.05%
Respondent 7	3,307	2	3,309	0.05%
Respondent 8	156	3,106	3,262	1991.03%
Respondent 9	2,965	1	2,966	0.05%
Respondent 10	1,028	1,317	2,345	128.11%
Respondent 11	2,138	3	2,141	0.14%
Respondent 12	2,048	1	2,049	0.05%
Respondent 13	1,601	168	1,769	10.49%
Respondent 14	278	1,469	1,747	528.42%
Respondent 15	925	703	1,628	76.00%
Respondent 16	1,359	197	1,556	14.50%
Respondent 17	1,460	1	1,461	0.05%
Respondent 18	1,393	1	1,394	0.05%
Respondent 19	1	1,359	1,360	135900.00%
Respondent 20	797	551	1,348	69.13%
Total Top 20	45,371	18,804	64,175	41.45%
Total All Lenders	96,246	25,371	121,617	26.57%
Total Top 20 / Total All Lenders	47.14%	74.12%	52.77%	

Table 2 presents a 2014 benchmark comprised of comparable application volumes. A benchmark based on application volume enhances comparability as lenders of comparable volumes are likely more similar in terms of governance, risk management, and compliance protocols as well as operational and strategic profiles. The Table 2 Benchmark, however, is problematic in view of the fact that the Respondents report 18,804 Loans Purchased accounting for approximately 75% of all Loans Purchased (which represents approximately 30% of the benchmark applications).

Table 3 on the following page presents a benchmark comprised of the Top 20 Lenders based on Actioned Applications. The Table 3 Benchmark replaces six of the eight lenders in

the Table 2 Benchmark that reported significant levels of Loans Purchased (leaving Respondent 2 and

Respondent 10 who report 2,973 and 1,028 Actioned Applications, respectively).

The “replacement respondents” reduce the number of Total Applications from 64,175 to 57,368 with Loans Purchased reduced from 18,804 to 8,007. The number of Actioned Applications increases from 45,371 to 49,361.

Five of the six replacement respondents are “in market” or market-based lenders, replacing lenders who are based in other markets as further “relevant” dimensionalization. As shown in Table 4, the Table 3 benchmark is comprised of 11 in market-based lenders accounting for approximately 53% of the benchmark applications.

Table 4 also shows that the Table 3 Benchmark can be further adjusted to more meaningfully evaluate top lenders in the St. Louis, MO-IL MSA by including all in market lenders reporting more than 750 applications. The resulting adjusted benchmark is comprised of 27 of the top 30 lenders (and 18 market-based lenders representing 67% of all benchmark lenders) accounting for approximately 58% of benchmark actioned applications. The bottom-line is that comparing a lender’s in-market underwriting activity to other in-market underwriting activity results in the most meaningful benchmarking.

Table 3 | Top 20 Lenders [Based on Actioned Applications] : St. Louis, MO-IL MSA

De-Identified Respondent	Actioned Applications	Loans Purchased	Total Applications	Memo: Loans Purchased Rate
Respondent 1	8,356	4	8,360	0.05%
Respondent 3	5,595	1,498	7,093	26.77%
Respondent 2	3,973	4,273	8,246	107.55%
Respondent 6	3,571	2	3,573	0.05%
Respondent 5	3,429	536	3,965	15.63%
Respondent 7	3,307	2	3,309	0.05%
Respondent 9	2,965	1	2,966	0.05%
Respondent 11	2,138	3	2,141	0.14%
Respondent 12	2,048	1	2,049	0.05%
Respondent 13	1,601	168	1,769	10.49%
Respondent 17	1,460	1	1,461	0.05%
Respondent 18	1,393	1	1,394	0.05%
Respondent 16	1,359	197	1,556	14.50%
Respondent 21	1,332	1	1,333	0.05%
Respondent 22	1,317	1	1,318	0.05%
Respondent 23	1,244	1	1,245	0.05%
Respondent 24	1,143	1	1,144	0.05%
Respondent 26	1,072	1	1,073	0.05%
Respondent 27	1,030	1	1,031	0.05%
Respondent 10	1,028	1,317	2,345	128.11%
Total Top 20	49,361	8,007	57,368	16.22%
Total All Lenders	96,246	25,371	121,617	26.57%
Total Top 20 / Total All Lenders	51.29%	31.56%	47.17%	

Table 4 | Table 3 Benchmark Summary : St. Louis, MO-IL MSA (2014)

	Table 3 Benchmark				Count		Adjusted Table 3 Benchmark			
	Lender		Applications		Lender	Applications	Lender		Applications	
	Count	%	Count	%			Count	%	Count	%
Market-Based	11	55.00%	25,941	52.55%	7	6,058	18	66.67%	31,999	57.74%
Other	9	45.00%	23,420	47.45%			9	33.33%	23,420	42.26%
Total	20	100.00%	49,361	100.00%	7	6,058	27	100.00%	55,419	100.00%
Total All Lenders	645		96,246				645		96,246	
Benchmark Coverage	3.10%		51.29%				4.19%		57.58%	

With the right advanced analytical Business Intelligence platform – Mortgage TrueView – the Adjusted Table 3 Benchmark can be further dynamically dimensionalized based on Denial Reason Codes, applicant attributes, and other HMDA data elements (and enterprise data elements) providing even more relevant insight into a lender’s lending profile.

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Our next HMDA Insight will focus on Denial Reason Codes and the need for another adjustment to Action Taken Rates.

“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