HOME MORTGAGE DISCLOSURE ACT

Borrowing in Crisis

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Case Statement

Financial institutions are **highly sensitive** to global crises, which can disrupt borrower behavior and lending activity.

Using **six years** (2018-2023) of Home Mortgage Disclosure Act data from **Florida**, this analysis identifies how lending patterns and borrower dynamics **changed** in response to the **COVID-19 pandemic**, helping financial institutions and policymakers develop more **resilient lending strategies** for future crises.

Data Summary

Home Mortgage Disclosure Act

$ 1.3 Trillion Loan

Florida, USA

6 Types of loans

5.5M Applications

48% Denial rate

Loan activity **peaked** in **2020** and **dropped sharply** in **2021** reflecting the **impact** of **low interest rates.**

Loan vs Average Interest Rate

The Timeline

Pre-Shock period	Shock period	Post-Shock period
2018 - 2019	2020 - 2021	2022 - 2023

During **Shock** Period **Denial Rate Decreased** by **3%**

Home purchase dominates in all periods, during the shock period **refinancing** reached the **second top** loan purpose

Refinancing

Refinancing means replacing your current mortgage with a new one, usually to get better terms like a lower interest rate

Effect in Financial institution

- **Active customer relation**
- Allows to **Adjust** loan terms and update **borrower risk**
- Generates **fee income** from new loan processing

- **Reduce** long-term interest income
- Make **revenue** and **planning less predictable**
- Create **profitability challenges** during economic stress

Number of loans reached **maximum** in shock period and interest rate reached the **minimum**

During the **shock** period, both average income and average loan amounts reached their **highest levels**

During the shock **80%** of the Applicants are **middle- income and above**, compared by **70%** in **pre** and **post** period

Risk Measures

Loan to Income ratio

Definition:

- LTI ratio of the loan amount to the borrower's annual income.

Measures:

- Affordability and repayment capacity

Loan to Value ratio

Definition:

- LTV ratio of the loan amount to the value of the property.

Measures:

- Collateral risk for the lender.

Both ratios **peaked** during the **shock** period indicates **Higher risk**

Loan to Income ratio

Loan to Value ratio

Findings

Interest rate **dropped sharply** during the shock, yet number of loans **dropped** in 2021

Denial rate **decreased** during the shock period

Refinancing loans **peaked** during shock period

Borrowers took on **higher risk**

Recommendations

To maintain risk

- Adjust **Risk-based pricing** Assessment to reflect higher LTI/LTV levels
- Strengthen **underwriting** reviews for high-risk borrowers.
- **Introduce or increase fee-based** services connected to the refinancing process.

To support customer demand

- Provide refinancing products with **reasonable** LTV limits
- Share **clear information** about interest-rate changes and available options
- Offer loyalty-based **benefits** that encourage good borrowers to stay with the institution

Limitations

Annual loan information

Insufficient information to calculate Additional ratios

No visibility on loan performance

Lack of credit score information

Thank you for
listening