**QUALITY CHECK**

**Q.a.)** Knowing what data is important to monitor is an important prioritization skill in  Data Management. For your expanded data set (and outside of Loan\_Amount\_000 and Respondent\_Name), explain which two columns you think are most important to monitor and why.

**Opinion**:

The purpose of HMDA are three fold:

* to ensure that the financial institutions are serving the housing credit needs of the neighborhoods and communities in which they are located.
* to aid public officials in targeting public investments from the private sector to areas where they are needed.
* collection and disclosure of data about applicant and borrower characteristics to assist in identifying possible discriminatory lending patterns and enforcing antidiscrimination statutes.

The HMDA data revolves around features of loan, applicant, institution and property involved.

Loan amount and the responding institution’s name play a significant role in analyzing the asset portfolio per institution, trends in loan pricing, market share of the institution etc.

Other key place holders are

1. **Loan type (conventional and conforming status)**. The percentage share of conventional and conforming loans is always a good indicator of the lender type and loan pricing with respect to the economic zone. Reasons are:
2. homebuyers rely heavily on government-backed mortgages, particularly those insured by the FHA or guaranteed by the VA, to finance their purchases when a financial crisis is present.
3. a highly disproportionate share of conventional higher-priced loans is observed because small banks and credit unions are much more likely to originate conventional higher-priced loans than large banks and mortgage companies
4. identify the programs that are lacking support in current market and plan conventional loan products that meets the current needs of the borrower like more flexibility and quicker underwriting, minimizing down payment or initial monthly payments etc.
5. **Loan Purpose.** It is important is because of the following facts:
6. If the number of applications for loans to **refinance** an existing loan falls is most likely because short-term interest rates increased and thereby reduced the number of existing loans that could be refinanced at a lower rate.
7. Slower house-price appreciation and, in some areas, outright declines in property values also likely diminished the attractiveness of **refinancing** or the borrower's ability to refinance.

This is highlighted by the 2013 reports of HMDA: “The number of mortgage originations in 2013 declined 11 percent, to 8.7 million from 9.8 million in 2012. This decrease was led by a drop in refinance mortgages for one- to four-family properties, which fell by over 1.5 million, or 23 percent, likely because mortgage interest rates increased significantly during 2013.”

1. **Lien Status**: Reason is:

* Share of the first lien and second lien can be used to analyze risk of defaulting. This in turn helps in computing default rate which is used for defining Provisioning in credit policy.

1. **Applicant Income**: This can be used to get the share of loans originated for low, middle and high income groups. This gives an insight on lending disparity.

**References:**

1. Federal Reserve Bulletin Vol 93-2007: <http://www.federalreserve.gov/pubs/bulletin/2007/articles/hmda/>
2. Federal Reserve Bulletin Vol 101-2015 : <http://www.federalreserve.gov/pubs/bulletin/2015/pdf/2014_HMDA.pdf>
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5. 2013 HMDA Survey and Case Study: <http://www.mortgagetrueview.com/wp-content/uploads/2014/05/2013-HMDA-CASE-STUDY-REPORT_Final.pdf>