



Homeownership Council of America

Perspectives on Small Loans

Federal Reserve Policy Summit: June 2021

Analysis of Small Loans Performed with HMDAVision®

Methodology

Defining Small Loans

1. Using the HMDA LAR microdata, we explored the data to understand the distribution by property value and by loan size.
2. **We focus on 1-4 Unit Properties; Owner-Occupied; financed by 1st lien; home purchase mortgage, refinance, and cash-out refinance mortgages (excluding HELOC and Reverse Mortgage).**

Data source

- HMDA LAR Data (2016-2020)
- Insights via HMDAVision[®]

We used quantiles to identify the cut points dividing the loan amount distribution into discrete intervals. Because we are focusing on small loans, we wanted to see the loan amount and the property value in the 10% quantile.

For the purpose of this analysis, we define “small loan” as a loan amount that has a loan size within the 10% quantile of the distribution of loan amounts as reported in 2020 HMDA LAR within 1-4 Unit Properties; Owner-Occupied; financed by 1st lien; home purchase mortgage, refinance, and cash-out refinance mortgages (excluding HELOC and Reverse Mortgage).

Methodology: Low-to-Moderate Analysis

Low-to-Moderate Income (LMI)

This is the ratio of Applicant Income to the tract Median Family Income, where this ratio is less than 80 percent of the tract Median Family Income.

LMI Usage of Small Loans

The ratio of LMI loans in the 10% quantile over all LMI loans, within the segment being analyzed.

LMI Closing Rate of Small Loans

The ratio of originated/closed LMI loans in the 10% quantile over all LMI applications in the 10% quantile, within the segment being analyzed.

Non-LMI

This category includes Middle and Upper Income Groups. For this analysis, we exclude NA.

Methodology: Minority

Minority analysis is sourced via HMDAVision® .

Minority is a field defined when **Race** has a minority value or **Ethnicity** has a minority value.

This is a Polygon-derived field, based on CFPB-derived fields. It is looking at the question of minority status across all 10 of the race fields and all 10 of the ethnicity fields in the HMDA data. It is important to understand the components of the 3 values in this field:

- **Minority** includes all minority race and ethnicity values *as well as Joint race and Joint ethnicity* ([as defined](#) by the CFPB, Joint means that one applicant is a minority and the other one is not).
- **Non-Minority** includes “Not Hispanic or Latino” white applicants, including when this is true for one applicant, and the other is NA (see note below on NA).
- **NA** includes both “Information not provided” and “Not applicable”; we list NA in Minority Detail when *both* Race and Ethnicity are NA.

Minority Detail: this field provides further insight into the components of the Minority field.

- Like Minority, this is a Polygon-derived field.
- Since this field is an intersection of the derived **Race** and **Ethnicity** fields, we list all combinations of the two, e.g. Non-Hispanic Black, and Hispanic Black, etc.

Methodology: Geography

We use US Census Definitions of “Division” in the analysis of Loan Size quantiles. Census Divisions are groupings of States that subdivide the United States.

New England Division: Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island and Vermont (Northeast)

Middle Atlantic Division: New Jersey, New York and Pennsylvania (Northeast)

East North Central Division: Illinois, Indiana, Michigan, Ohio and Wisconsin (Midwest)

West North Central Division: Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota and South Dakota (Midwest)

South Atlantic Division: Delaware, District of Columbia, Florida, Georgia, Maryland, North Carolina, South Carolina, Virginia and West Virginia (South)

East South Central Division: Alabama, Kentucky, Mississippi and Tennessee (South)

West South Central Division: Arkansas, Louisiana, Oklahoma and Texas (South)

Mountain Division: Arizona, Colorado, Idaho, Montana, Nevada, New Mexico, Utah and Wyoming (West)

Pacific Division: Alaska, California, Hawaii, Oregon and Washington (West)

Methodology: Other

Market Share

Calculated measure on the basis of number of loans originated as filtered: Number of Loans Originated By Lender 1/Number of Loans Originated By All Lenders, as filtered.

Loan Amount (and Property Value)

The values for this field are disclosed in the Modified HMDA LAR as the midpoint between evenly spaced reference values. For example, for a reported loan amount of \$117,834, CFPB would disclose \$115,000 as the midpoint between values equal to \$110,000 and less than \$120,000.

CLTV (Combined Loan to Value)

This is the ratio of the total amount of debt secured by the property to the value of the property relied upon in making the credit decision as a percentage.

Rate spread

Rate spread data points appear as positive or negative numbers depending upon whether the loan interest rate exceeds or falls below the comparable APOR. If institution qualifies for exemption under EGRRCPA, rate spread can have a value of Exempt.

‘Small Loans’ is a Term That Ranges by Market and by Lender

Analysis of 2020 HMDA LAR Data by Loan Size and by Property Value

10% Quantile vs 50% Quantile (Median) Nationally and by Division

For the purpose of this analysis, we define “small loan” as a loan amount that has a loan size within the 10% quantile of the distribution of all loan amounts within the segment being analyzed as reported in 2020 HMDA LAR.

1. Nationally, the Small Dollar Loan Size average is \$125,000
2. The Small Dollar Loan Size ranges from \$95,000 to \$205,000 depending on region

Loan Size Quantiles by Market 2020			LOAN AMOUNT		
Region	Originations	10% Quantile Loan Size	Production(##) in 10% Quantile	Median Loan Size	90% Quantile Loan Size
Totals	11,726,559	\$125,000	1,341,794	\$255,000	\$505,000
East North Central Div.	1,632,484	\$95,000	395,713	\$185,000	\$365,000
East South Central Div.	579,020	\$95,000	119,453	\$195,000	\$375,000
West North Central Div.	769,522	\$105,000	142,864	\$205,000	\$375,000
West South Central Div.	1,144,566	\$115,000	155,047	\$225,000	\$415,000
Middle Atlantic Division	917,941	\$125,000	113,561	\$265,000	\$515,000
South Atlantic Division	2,469,261	\$135,000	246,801	\$255,000	\$475,000
Mountain Division	1,375,803	\$155,000	83,823	\$275,000	\$465,000
New England Division	518,876	\$155,000	32,115	\$285,000	\$515,000
Pacific Division	2,319,086	\$205,000	52,417	\$375,000	\$685,000

Property Value Quantiles by Market 2020			PROPERTY		
Region	Originations	10% Quantile Property Value	Production(##) in 10% Quantile	Median Property Value	90% Quantile Property Value
Totals	11,726,559	\$165,000	1,192,481	\$355,000	\$775,000
East North Central Div.	1,632,484	\$125,000	360,211	\$255,000	\$515,000
East South Central Div.	579,020	\$125,000	121,592	\$255,000	\$505,000
West North Central Div.	769,522	\$135,000	131,877	\$275,000	\$515,000
West South Central Div.	1,144,566	\$155,000	155,478	\$285,000	\$565,000
Middle Atlantic Division	917,941	\$155,000	108,402	\$365,000	\$795,000
South Atlantic Division	2,469,261	\$175,000	231,152	\$325,000	\$655,000
New England Division	518,876	\$215,000	21,894	\$405,000	\$815,000
Mountain Division	1,375,803	\$225,000	45,259	\$375,000	\$665,000
Pacific Division	2,319,086	\$305,000	16,616	\$575,000	\$1,155,000

3. Nationally, the Median Loan Size is \$255,000
4. The Median Small Dollar Loan Size ranges from \$185,000 to \$375,000 depending on location

Low and High MSA Examples of Small Loans from 2020 HMDA LAR Data

For the purpose of this analysis, we define “small loan” as a loan amount that has a loan size within the 10% quantile of the distribution of all loan amounts within the segment being analyzed as reported in 2020 HMDA LAR.



Low End of Small Loan Range

Loan Size Quantiles by Market 2020

MSA	Q	Originations	10% Quantile Loan Size	Production(#) in 10% Quantile	Median Loan Size	90% Quantile Loan Size
Totals		11,741,214	\$125,000	1,349,750	\$255,000	\$505,000
Lumberton, NC		1,386	\$25,000	823	\$105,000	\$235,000



High End of Small Loan Range

Loan Size Quantiles by Market 2020

MSA	Q	Originations	10% Quantile Loan Size	Production(#) in 10% Quantile	Median Loan Size	90% Quantile Loan Size
Totals		11,741,214	\$125,000	1,349,750	\$255,000	\$505,000
San Jose-Sunnyvale-Santa Clara, CA		87,598	\$305,000	381	\$555,000	\$1,095,000

Note: 1-4 Unit Properties, Owner-Occupied, financed by 1st lien home purchase mortgage, refinance, and cash-out refinance mortgages (excluding HELOC and Reverse Mortgage). Data source: 2020 HMDA LAR. Data analytics: HMDAVision®.



**Are Small Loans
used more often by
LMI and Minority
Borrowers?**

LMI Usage of Small Loans vs Non-LMI

One fifth of LMI Borrowers used a Small Loan and the bulk of all small loans were originated to LMI borrowers.

	Small Loans Originations	% Share of Small Loans	Total Loans Originated	% Small Loans Usage Rate
LMI	659,790	53%	3,320,734	20%
Non-LMI	591,290	47%	7,268,606	8%

Note: Small Loans defined as <= the segment 10% quantile average (\$125,000); 1-4 Unit Properties, Owner-Occupied, financed by 1st lien home purchase mortgage, refinance, and cash-out refinance mortgages (excluding HELOC and Reverse Mortgage). Data source: 2020 HMDA LAR. Data analytics: HMDAVision®.

LMI Small Loan Closing Rate vs Non-LMI

LMI Borrowers have a lower closing rate than Non-LMI Borrowers for Small Loans

Smaller loans are harder to close than other loans regardless of LMI status. However, LMI borrowers have lower closing rates than non-LMI across both for small loans and for all other loans.

	Small Loans Closing Rate	Closing Rate for Other Loans
LMI	55.46%	65.88%
Non-LMI	58.06%	69.81%
Overall Closing Rate	56.60%	68.64%

Note: Small Loans defined as <= the segment 10% quantile average (\$125,000); 1-4 Unit Properties, Owner-Occupied, financed by 1st lien home purchase mortgage, refinance, and cash-out refinance mortgages (excluding HELOC and Reverse Mortgage). Data source: 2020 HMDA LAR. Data analytics: HMDAVision®.

Minority Usage Rate of Small Loans

There is no difference between the Minority Borrowers rate of usage of small loans compared to that of Non-Hispanic White Borrowers

	Small Loans Originations	% Share of Small Loans	Total Loans Originated	% Small Loans Usage Rate
Minority	252,062	21%	2,866,476	9%
Non-Hispanic White	967,124	79%	7,406,023	13%

Note: Small Loans defined as <= the segment 10% quantile average (\$125,000); 1-4 Unit Properties, Owner-Occupied, financed by 1st lien home purchase mortgage, refinance, and cash-out refinance mortgages (excluding HELOC and Reverse Mortgage). Data source: 2020 HMDA LAR. Data analytics: HMDAVision®.

Minority Small Loan Closing Rate vs Non-Hispanic White Closing Rate

Minority Borrowers have a lower closing rate than Non-Hispanic White Borrowers for Small Loans

Smaller loans are harder to close than other loans regardless of Minority status. However, Minority borrowers have lower closing rates than non-Hispanic White borrowers across both for small loans and for all other loans.

	Small Loans Closing Rate	Closing Rate for Other Loans
Minority	42.85%	62.74%
Non-Hispanic White	58.75%	70.69%
Overall Closing Rate	54.03%	67.19%

Note: Small Loans defined as <= the segment 10% quantile average (\$125,000); 1-4 Unit Properties, Owner-Occupied, financed by 1st lien home purchase mortgage, refinance, and cash-out refinance mortgages (excluding HELOC and Reverse Mortgage). Data source: 2020 HMDA LAR. Data analytics: HMDAVision®.

LMI+Minority Usage Rate of Small Loans

LMI Minority Borrowers usage rate of small loans is lower compared to that of Non-Hispanic White Borrowers

	Small Loans Originations	% Share of Small Loans	Total Loans Originated	% Small Loans Usage Rate
LMI Minority	110,988	19%	774,910	14%
LMI Non-Hispanic White	487,957	81%	2,177,793	22%

Note: Small Loans defined as <= the segment 10% quantile average (\$125,000); 1-4 Unit Properties, Owner-Occupied, financed by 1st lien home purchase mortgage, refinance, and cash-out refinance mortgages (excluding HELOC and Reverse Mortgage). Data source: 2020 HMDA LAR. Data analytics: HMDAVision®.

LMI Minority Small Loan Closing Rate vs LMI Non-Hispanic White Closing Rate

LMI Minority Borrowers have a lower closing rate than LMI Non-Minority Borrowers for Small Loans

Smaller loans are harder to close than other loans regardless of LMI and Minority status. However, the closing rate of LMI Minority borrowers' small loans is more than 15 points higher than Non-Hispanic White LMI Borrowers. This difference is smaller for other loans – 7.79 points.

	Small Loans Closing Rate	Closing Rate for Other Loans
LMI Minority	44.32%	61.81%
LMI Non-Hispanic White	59.68%	69.60%
LMI Overall Closing Rate	55.46%	65.88%

Note: Small Loans defined as <= the segment 10% quantile average (\$125,000); 1-4 Unit Properties, Owner-Occupied, financed by 1st lien home purchase mortgage, refinance, and cash-out refinance mortgages (excluding HELOC and Reverse Mortgage). Data source: 2020 HMDA LAR. Data analytics: HMDAVision®.

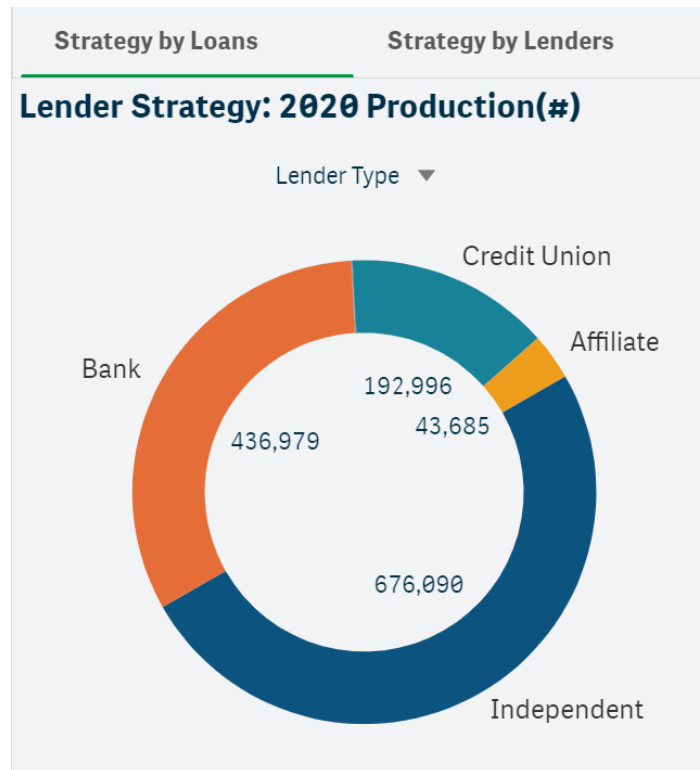


Small Loan Originations by Type of Lender

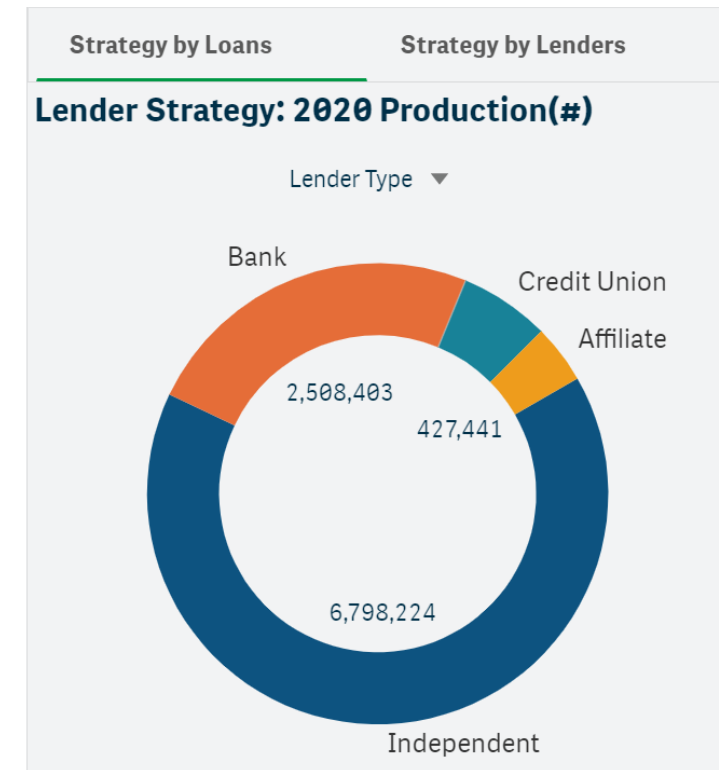
Lender Type Analysis for Small Loans Lending vs Other Loans Lending

Banks and Credit Unions play a bigger role in small loan lending space than Independent Mortgage Lenders

SMALL LOANS



OTHER LOANS



Note: Small Loans defined as <= the segment 10% quantile average (\$125,000); 1-4 Unit Properties, Owner-Occupied, financed by 1st lien home purchase mortgage, refinance, and cash-out refinance mortgages (excluding HELOC and Reverse Mortgage). Data source: 2020 HMDA LAR. Data analytics: HMDAVision®.

Banks: Small Lending Landscape

3 Big Banks dominate, but The Huntington National Bank leads the rest of the segment in market share ahead of Fifth Third, PNC, BofA, Regions, and Truist.

Originations



Production(##) Market Share 2020



20 Note: The market share is the relative market share of each bank that originates small loans within the Bank Lending Segment. It is calculated as (Small Loans of Bank X) / (Small Loans of All Banks reporting HMDA LAR). Small Loans defined as <= the segment 10% quantile average (\$125,000); 1-4 Unit Properties, Owner-Occupied, financed by 1st lien home purchase mortgage, refinance, and cash-out refinance mortgages (excluding HELOC and Reverse Mortgage). See Methodology for more info. Data source: 2020 HMDA LAR. Data analytics: HMDAVision®

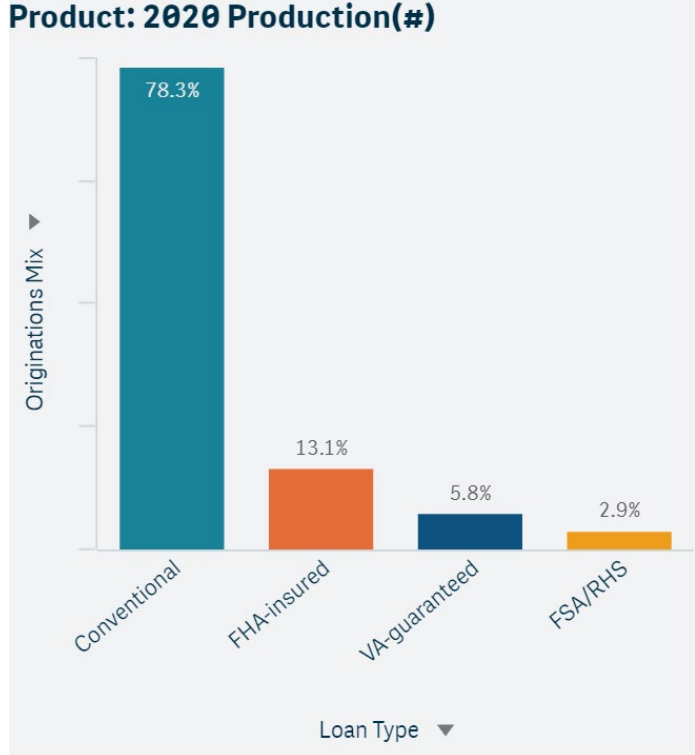


What is the Product Mix, DTI, CLTV, and Rate spread of Small Loans?

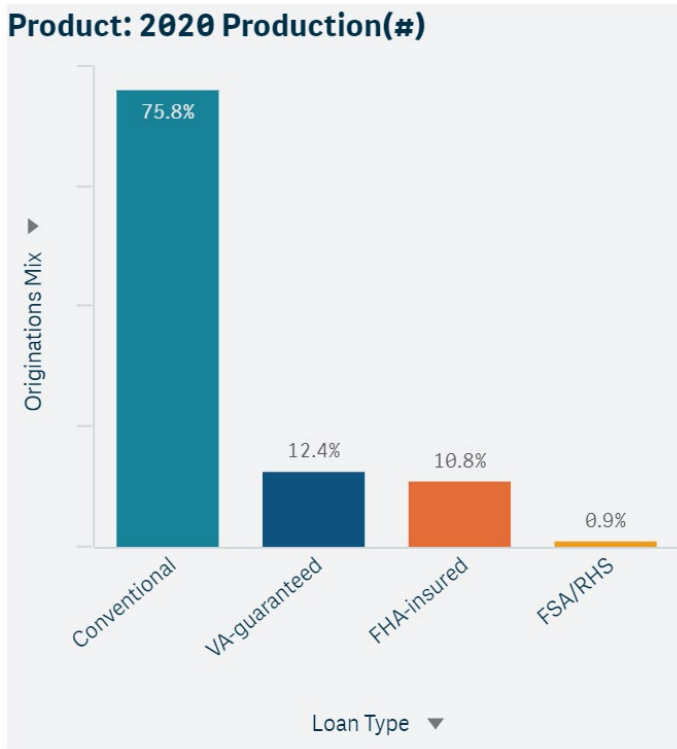
Product Mix

Small Loans vs Others; slightly more Conventional and FHA usage.

SMALL LOANS



OTHER LOANS

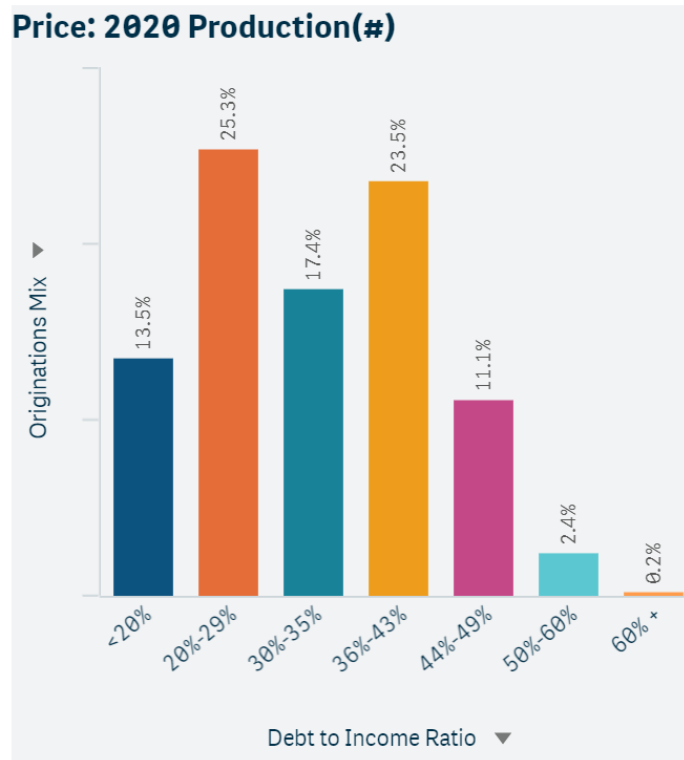


Note: Small Loans defined as <= the segment 10% quantile average (\$125,000); 1-4 Unit Properties, Owner-Occupied, financed by 1st lien home purchase mortgage, refinance, and cash-out refinance mortgages (excluding HELOC and Reverse Mortgage). Data source: 2020 HMDA LAR. Data analytics: HMDAVision®.

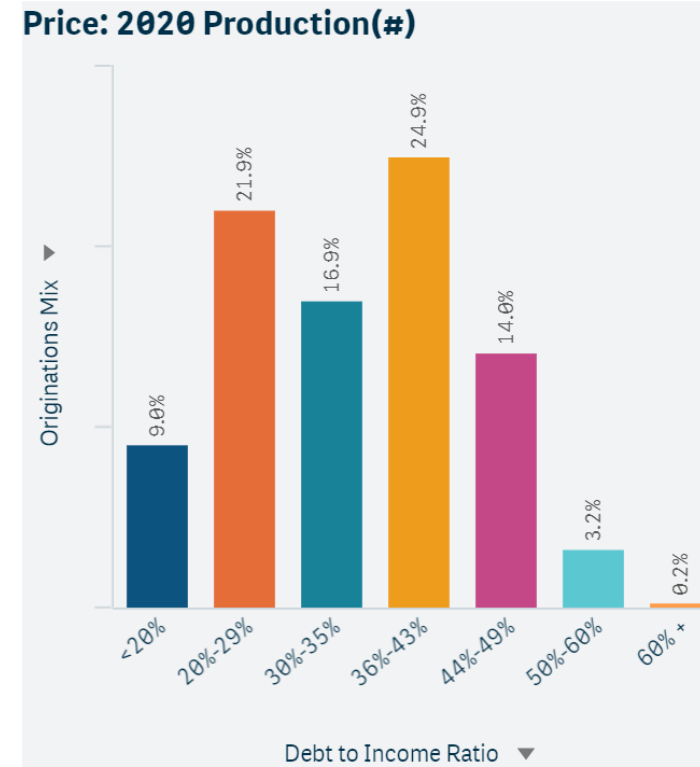
Debt to Income

Small Loans vs Others, tend to have lower DTI

SMALL LOANS



OTHER LOANS



Note: Small Loans defined as \leq the segment 10% quantile average (\$125,000); 1-4 Unit Properties, Owner-Occupied, financed by 1st lien home purchase mortgage, refinance, and cash-out refinance mortgages (excluding HELOC and Reverse Mortgage). Data source: 2020 HMDA LAR. Data analytics: HMDAVision®.

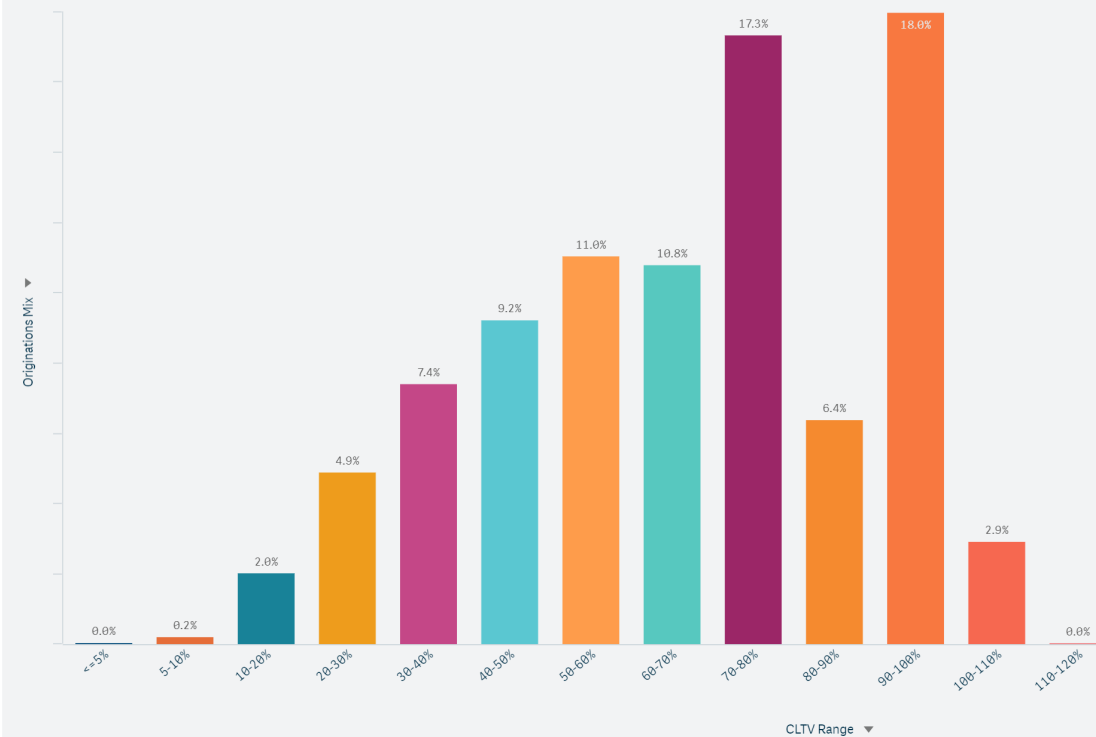
CLTV

Small Loans vs Others, mixed bookends of higher amounts of LOW and HIGH CLTVs.

SMALL LOANS

HMDA Overview

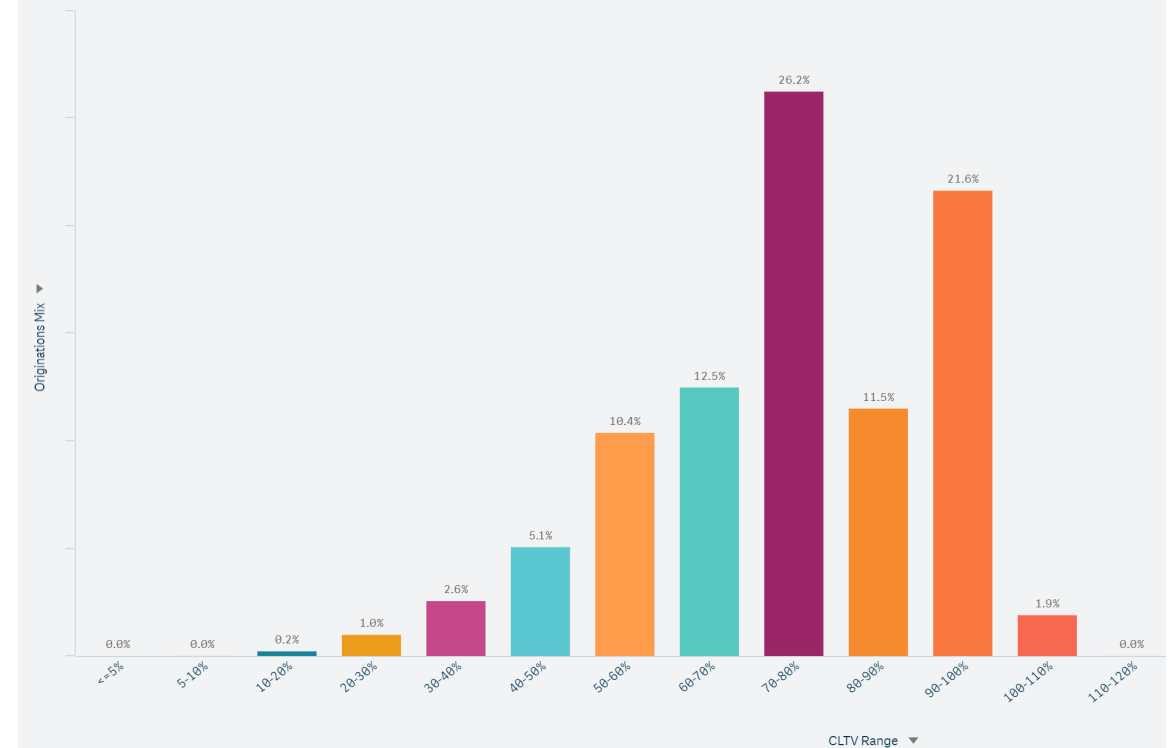
Price: 2020 Production(%)



OTHER LOANS

HMDA Overview

Price: 2020 Production(%)



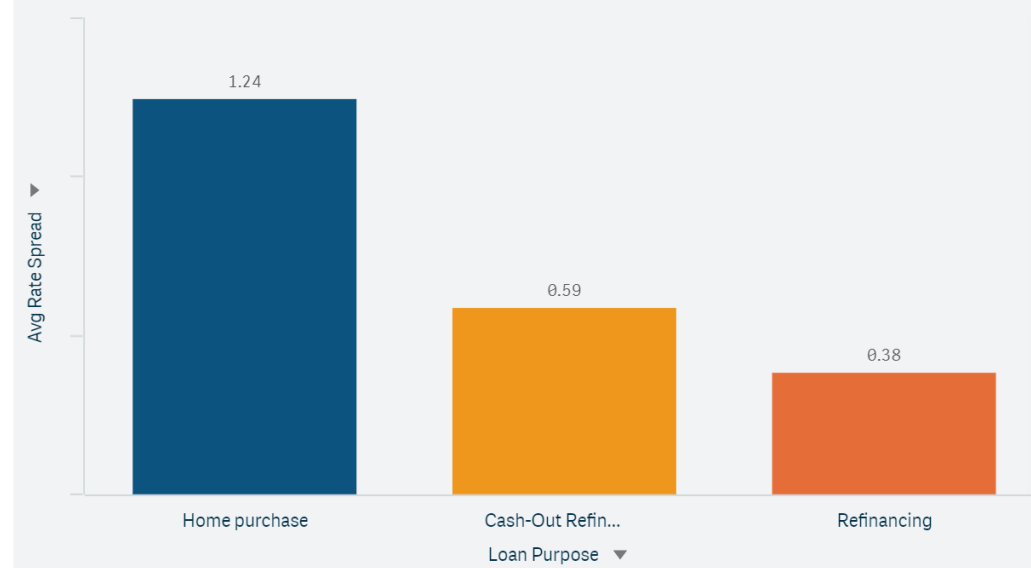
Note: Small Loans defined as <= the segment 10% quantile average (\$125,000); 1-4 Unit Properties, Owner-Occupied, financed by 1st lien home purchase mortgage, refinance, and cash-out refinance mortgages (excluding HELOC and Reverse Mortgage). Data source: 2020 HMDA LAR. Data analytics: HMDAVision®.

Average Rate Spread (over APOR)

Small Loans Spread by Loan Purpose vs Other Loans, higher rate spreads.

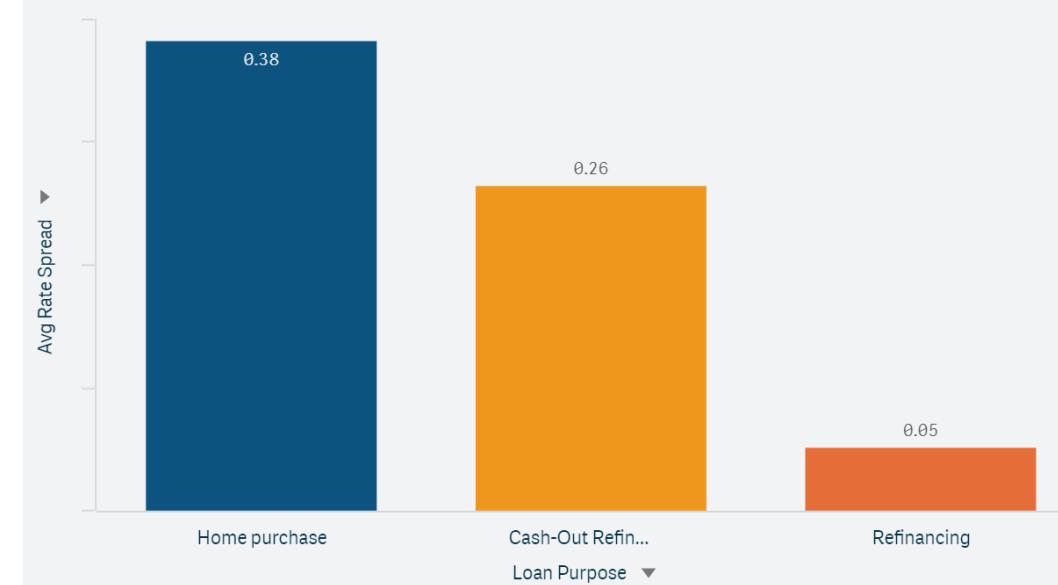
SMALL LOANS

Closing Costs and Origination Charges 2020



OTHER LOANS

Closing Costs and Origination Charges 2020



Note: Small Loans defined as \leq the segment 10% quantile average (\$125,000); 1-4 Unit Properties, Owner-Occupied, financed by 1st lien home purchase mortgage, refinance, and cash-out refinance mortgages (excluding HELOC and Reverse Mortgage). Data source: 2020 HMDA LAR. Data analytics: HMDAVision®.

Geographic Distribution of 2020 Home Purchase Loans (2nd Lien)

National average of the 10% quantile of 2nd lien home purchase is \$5,000*. The median loan size ranges from \$5,000 to \$15,000* across the US geographic divisions.

Loan Size Quantiles by Market 2020					
Region	Originations	10% Quantile Loan Size	Production(##) in 10% Quantile	Median Loan Size	90% Quantile Loan Size
Totals	92,042	\$5,000	51,013	\$5,000	\$25,000
Mountain Division	22,106	\$5,000	11,413	\$5,000	\$15,000
South Atlantic Division	13,582	\$5,000	9,552	\$5,000	\$15,000
Pacific Division	18,646	\$5,000	8,857	\$15,000	\$15,000
West South Central Div.	12,762	\$5,000	7,179	\$5,000	\$85,000
East North Central Div.	7,313	\$5,000	5,436	\$5,000	\$35,000
East South Central Div.	3,742	\$5,000	3,089	\$5,000	\$15,000
West North Central Div.	8,583	\$5,000	3,010	\$15,000	\$45,000
New England Division	2,827	\$5,000	1,254	\$15,000	\$45,000
Middle Atlantic Division	2,479	\$5,000	1,223	\$15,000	\$45,000
Island Areas	2	\$116,000	0	\$120,000	\$124,000



**Caution: The values for loan size are disclosed in the Modified HMDA LAR as the midpoint between evenly spaced reference values. For example, for a reported loan amount of \$117,834, CFPB would disclose \$115,000 as the midpoint between values equal to \$110,000 and less than \$120,000. So in the case of a small value of \$5,000 we may be looking at a rounding between \$0 and \$10,000.*

*Note: 1-4 Unit Properties, Owner-Occupied, home purchase mortgages (excluding HELOC and Reverse Mortgage).
Data source: 2020 HMDA LAR. Data analytics: HMDAVision®.*

Importance of CDFIs and Mission-Driven Lenders in Small Dollar Lending



Importance of CDFI and Mission Driven Lenders, Brokers, & Correspondents

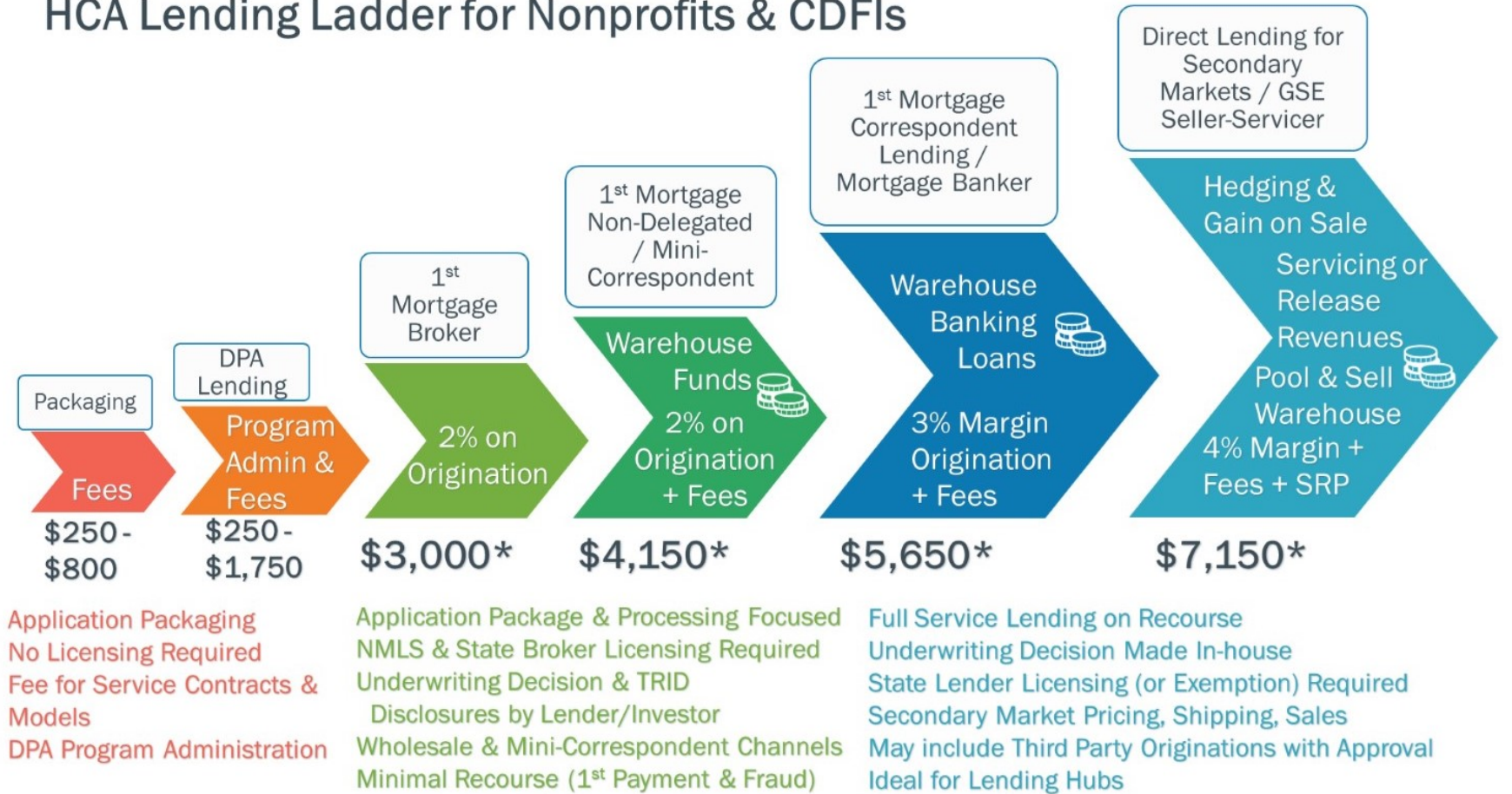


CLIMB Examples from HCA Partners

HCA works with CDFIs and Investors to strengthen and build the delivery system for underserved access to credit.

We collaborate to **build capacity, systems, products & partnerships** that help close the wealth gap.²⁹

HCA Lending Ladder for Nonprofits & CDFIs



Warehouse Line of Credit in Nonprofit Name Funds Loan

* \$150,000 1st Mortgage Loan Amount Example



Homeownership Council of America

About

Homeownership Council of America is the only national nonprofit dedicated to developing and expanding homeownership through lending pathways. We are staffed by a group of experienced mortgage and nonprofit lending professionals. We are guided by our deeply passionate and knowledgeable Board of Directors and advisors. Together, we take a leadership role in building partnerships between investors and nonprofit lenders to provide homeownership access. HCA is focused on underserved communities where people of color, low income, and rural populations continually lag in homeownership.

Contact: info@homeownershipcouncil.org

Visit our website: www.homeownershipcouncil.org





About

This is an analysis performed by Polygon Research, Inc. using its app HMDAVision®. This is not a suggestion or recommendation of any strategy. The analysis here is merely to serve as a discussion guide. HMDA data lends itself to a much more nuanced analysis of many more questions, which can easily be performed in HMDAVision® and in parallel with other apps such as CensusVision. For further data analysis, please visit www.polygonresearch.com/products or contact Polygon Research at info@polygonresearch.com.



HMDA VISION

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