

FDIC Fair Lending Examination Pricing Analysis Procedures for HMDA Reporters

Before analyzing HMDA pricing information according to the following procedures, examiners must validate the institution's HMDA data and ensure the institution makes any necessary corrections.

During pre-examination planning, examiners must obtain the institution's Loan Application Register (LAR) and review the previous year's data, as well as whatever is available for the current year (for 2009 only, through September 30, omitting the fourth quarter). For example, if the scoping starts during August, the examiner must review the previous year's data, plus the most current year's data from January to the end of July. These data should be reviewed together unless the institution has indicated its pricing guidelines changed during the relevant time period. The analysis time frame is designed to take into account the two-year statute of limitations under the Equal Credit Opportunity Act (ECOA). When obtaining data, examiners should keep in mind that HMDA reporters are required to update the LAR within 30 days of the end of each calendar quarter.

Examiners must analyze the reported pricing data (loans with a reportable rate spread) and Home Ownership Equity Protection Act (HOEPA) status for eighteen different loan products. An analysis is not required if there is no reportable pricing data or HOEPA status for a target group of borrowers; however, examiners must note this in the Fair Lending Memorandum. Also, no minimum number of target group loans is required to conduct an analysis; one loan can necessitate such an analysis. The eighteen loan products are:

- Conventional, first-lien home purchase loans for owner-occupied one-to four-family dwellings;
- Government, first-lien home purchase loans for owner-occupied one-to four-family dwellings;
- Conventional, first-lien home improvement loans for owner-occupied one-to four-family dwellings;
- Government, first-lien home improvement loans for owner-occupied one-to four-family dwellings;
- Conventional, first-lien refinance loans for owner-occupied one-to four-family dwellings;
- Government, first-lien refinance loans for owner-occupied one-to four-family dwellings;
- Conventional, first-lien loans for all purposes for owner-occupied manufactured dwellings;
- Government, first-lien loans for all purposes for owner-occupied manufactured dwellings;
- Conventional, second-lien home purchase loans for owner-occupied one-to four-family dwellings;

- Government, second-lien home purchase loans for owner-occupied one-to four-family dwellings;
- Conventional, second-lien loans for all purposes for owner-occupied manufactured dwellings;
- Government, second-lien loans for all purposes for owner-occupied manufactured dwellings;
- Conventional, second-lien home improvement loans for owner-occupied one-to four-family dwellings;
- Government, second-lien home improvement loans for owner-occupied one-to four-family dwellings;
- Conventional, second-lien refinance loans for owner-occupied one-to four-family dwellings;
- Government, second-lien refinance loans for owner-occupied one-to four-family dwellings;
- Conventional, home improvement loans not secured by subject property for owner-occupied one-to four-family dwellings; and
- Government, home improvement loans not secured by subject property for owner-occupied one-to four-family dwellings.

For each of the loan products analyzed, the examiner must make these comparisons:

- The percentage of loans to non-Hispanic whites for which rate spreads are reported to: 1) the percentage of loans to Hispanic for which rate spreads are reported; and 2) the percentage of loans to each racial minority group for which rate spreads are reported;
- Within the loans for which rate spreads are reported, the average amount of the spread for non-Hispanic whites to: 1) the average amount of the spread for Hispanics; and 2) the average amount of the spread for each racial minority group;
- The percentage of loans to non-Hispanic whites reported as HOEPA loans to: 1) the percentage of loans to Hispanics reported as HOEPA loans; and 2) the percentage of loans to each racial minority group reported as HOEPA loans;
- The percentage of loans to females for which rate spreads are reported to the combined percentage of loans to males and mixed-gender joint applicants for which rate spreads are reported;
- Within the loans for which rate spreads are reported, the average amount of the spread for females to the combined average amount of the spread for loans to males and mixed-gender joint applicants; and
- The percentage of loans to females reported as HOEPA loans to the combined percentage of loans to males and mixed-gender joint applicants reported as HOEPA loans.

IV. Fair Lending – Pricing Analysis Procedures

The Pricing Data Analysis Fair Lending Examination Tool found on the Fair Lending or Compliance Discussion Board may be used to generate these comparisons. Use of this tool constitutes compliance with the requirements of RD Memo 09-054. Note that some loan products may be combined by the analysis tool, so the tool may generate fewer than 18 individual tables. To determine if further analysis is required, the Fair Lending Examination Specialist should be consulted whenever disparities are found in the comparisons between the control and target groups.