



Special Purpose Credit Program Determining Need; Sample Analysis Checklist

Performing an SPCP Determining Need Analysis is the very first step in the SPCP implementation. Much of the design of an SPCP would be tied into the data insights obtained during this initial step.

Population Trends

What is the diversity of my market? What is the homeownership rate of minority households compared to market-wide average? Which demographic group would benefit the most from SPCP?

- MSA Homeownership Gap
- MSA Households by Generation
- MSA Occupied Housing by Age
- MSA Occupied Black or African American Housing by age
- Comparative Analysis of Distribution of Occupied Housing by Age
- Homeownership Rate by Property Type (Units in structure)
- Measuring Affordability by Race in MSA

Application Mix

Are lenders reaching to all demographic groups and census tracts equally? Do they have any gaps in outcomes from marketing effort? Is there a need for SPCP to offer better marketing programs?

- Application Mix by Demographic Segment
- Application Mix by Census Tract
- Application trends over multiple years for Black vs all applicants
- Application trends over multiple years for Bank A (example)
 1. Applicant Treatment
 2. Lender Behavior
 3. Borrower Choice

Loan Production Analysis

Do lenders have any big deltas between closing rates by demographic group and minority census tracts? Can these gaps be closed with tweaking of operations or is there a need for SPCP?

- Loan Production Analysis – Fallout
- Closing Rate – Lender Behavior
 1. Fallout
 2. Lender Behavior

Underwriting Patterns

Do the applications from different groups have drastically different denial rates? What are the reasons for denial for minority borrowers or geographies? Are they likely to be solved by SPCP?

- Denial Rates
- Denial Reasons
 1. Denial Rate
 2. Odds of Denial
 3. Odds Ratio

Loan Features and Pricing

How are loans priced to target demographic groups or geographies? Is loan pricing deterring minority borrowers? Does this analysis show SPCP need?

- Loan Features
- Loan Pricing
 - By Channel
 - By Product
 - By LMI Status
 - By Race
 - 1. Available dimensions
 - 2. Available metrics

Investor and Market Liquidity

What kind of loans have the investors been buying in this market? How is individual lender working with secondary market investors to balance borrower needs with investor appetite?

- Exploring Borrower Needs
- Understanding Investor Appetite

Summary and Taking Action

The SPCP Determining Need analysis has to be thoughtful and rigorous. This can be achieved by working with the available HMDA data in its entirety, without limitation, so that decision makers can explore every aspect of the local lending dynamics, confronting cognitive biases and avoiding data fallacies. In addition, fluency with the U.S. census data (e.g. American Community Survey) to describe the changing demographics and homeownership trends is essential in putting the mortgage lending data into context when performing SPCP Determining Need analysis.

- Establish an SPCP Implementation Framework

- Assemble Multi-Disciplinary Team and Ask Questions
- Data Exploration: HMDA LAR, Census, Internal
- Analyze Data and Interpret Results