

The Impact of the Proposed Qualified Residential Mortgage Definition on Home Opportunity in America

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Executive Summary

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 has a number of provisions to purge unfair, deceptive and irresponsible lending from the financial industry. One poorly understood portion of the law requires financial firms to retain 5 percent of the credit risk when they sell loans to securitizers or investors, retaining “skin in the game.” This provision was intended to change the perverse dynamic witnessed during the subprime boom, when lenders made loans almost without regard to risk, since they intended to sell the loan to other market players. The proposed rule could have the unintended consequence of dramatically reducing the availability of mortgage credit to safe and sound borrowers.

The proposed Qualified Residential Mortgage (QRM) proposal would codify an unequal and separate lending system. The proposed rule would disproportionately exclude low- to middle-income borrowers, because of burdensome down payment and Debt-to-Income (DTI) requirements, even though these requirements do not significantly cut down on risk. The exclusions would also have the effect of dramatically reducing the opportunities for minorities to own homes since minorities, on average, have considerably less savings for down payments than whites.

Financial institutions will be exempt from the 5 percent requirement if they sell mortgages known as Qualified Residential Mortgages (QRMs) to investors. QRMs contain loan terms and conditions that the regulatory agencies have determined are less likely to end up in default. The regulatory agencies have appropriately specified a series of risky loan terms that cannot be in QRMs such as prepayment penalties and a lack of documentation of borrower income. However, the agencies have proposed down payment requirements of up to 20 percent for QRMs that will effectively disqualify large numbers of moderate- and middle-income families from buying homes. Other underwriting requirements regarding debt-to-income ratios are also unduly restrictive and will shut out broad segments of the population.

Like the data analysis conducted by the regulatory agencies, this analysis finds that most mortgages would not be classified as QRM mortgages under the proposed QRM definition. Examining private data covering 1.8 million loans made in 2006 and 2007, we found that only 6 percent of the loans would qualify as QRM.

This analysis also shows that the proposed QRM definition has a disparate impact by race, excluding a higher percentage of mortgages from the QRM definition in minority neighborhoods than in predominantly white neighborhoods. NCRC relaxes the QRM definition under four alternatives described below that involve decreasing the down requirement from 20 percent to 10 percent to 5 percent, and then 3 percent. We also relax the front-end ratio (or the ratio of monthly housing payment to income) from 28 to 33 percent. Finally, in the most relaxed alternative, NCRC also changes the credit score threshold from 690 to 620. NCRC finds that racial disparities under the relaxed QRM definitions are significantly reduced but not eliminated. The persistence of these disparities, even under a relaxed QRM definition, suggests that the agencies must undertake the utmost care in designing a QRM proposal that minimizes disparities.

This analysis also reveals that foreclosure rates do not differ substantially between the proposed QRM definition and the alternative definitions. In 2006, for example, QRM loans had a foreclosure rate of .14 percent, but when relaxing the QRM definition and allowing down payments as low as 3 percent, the foreclosure rate only inches up to .24 percent.

Under the Fair Housing Act (FHA) and the Equal Credit Opportunity Act (ECOA), racial disparities in lending can only be justified by a business necessity. The NCRC analysis finds that the proposed QRM definition creates racial disparities that are not justified by business necessity, especially since the restrictions do not significantly reduce risk. The proposed QRM definition enshrines in law a separate and unequal standard that is inconsistent with fair lending laws.

The years in the NCRC analysis were among the worst years in terms of lending standards. The finding that foreclosure rates do not differ significantly when relaxing the QRM definition during the worst years implies that relaxing the QRM definition in years in which prudent practices were more prevalent would have even less impact on the foreclosure rates. The NCRC analysis is not intended to imply that NCRC favors any of the alternative QRM definitions tested, but to suggest that the agencies should evaluate their proposal with regard to its fair lending impact, and that insignificant differences in risk should disqualify restrictions that cut off the opportunity to access home financing.

NCRC QRM and Fair Lending Analysis

Description of LPS Database

NCRC used Lender Processing Services (LPS) data for this analysis of the impact of the proposed QRM rule. The LPS data is compiled from mortgage servicing firms that collect mortgage payments for U.S. investors and lenders. As of December 2008, a total of sixteen firms, including nine of the top ten servicers, provided data to LPS. A loan stays in the LPS data set until it completes a real-estate-owned (REO) process or is repaid. The data provides information about the terms of the loan at origination, property value, borrower credit score, and the loan's performance over time—information that is not available in the Home Mortgage Disclosure Act (HMDA) data set. Unlike HMDA data, however, LPS does not have borrower demographic information but does have the zip codes for the loans. We were able to determine the minority composition of the zip codes for the analysis below. NCRC does not use HMDA data for this analysis because a key objective was to assess the foreclosure rates of various definitions of loans. We are comparing the LPS data to HMDA so the reader knows why our analysis is looking at neighborhoods, not individual borrowers.

Structure of Tables and Charts

Tables 1 through 6 show the impact of the proposed QRM rule on the number and percentages of mortgages qualifying as QRM. We also assess the impacts of four alternatives to QRM. The legend immediately below describes the alternatives and how QRM down payment, loan-to-value ratios, and front-end DTI were relaxed (we only had information for the front-end or housing payment to monthly income in the LPS database). Table 7 is a more detailed legend and describes specifications for the QRM and the alternatives. Table 8 compares the LPS sample to HMDA for 2006 and 2007; LPS does not capture all of the institutions that report HMDA data, meaning that LPS has a smaller number of loans. Tables 9 through 26 repeat this analysis for home purchase, rate- and term-refinance loans, and cash-out refinance loans for 2006 and 2007.

Note: Loans in foreclosure process ('presale' or 'post-sale') or is already a real estate owned (REO) property are considered to be in foreclosure in this study. We looked at loans originated in 2007 and 2006 separately and looked at their performance through 2008.

NCRC Analysis

To assess the fair lending impacts of the QRM proposal, NCRC used data from Lender Processing Services (LPS) to calculate the percentage of loans originated in 2006 and 2007 that would qualify as QRM loans (Table 7 shows the specifications used in the data analysis). In 2006, Table 1 and Chart 1 below reveal that only 3.5 percent of the loans in the LPS sample qualified for QRM in Hispanic neighborhoods and only 3.9 percent of the loans qualified as QRM loans in African-American neighborhoods (a neighborhood is classified Hispanic and African-American when more than 50 percent of the residents are of that ethnicity or race).¹ In contrast, 7 percent of the loans in the LPS sample are QRM qualified loans in white neighborhoods (more than 80 percent of the residents are white). In 2007, the racial and ethnic disparities remain with just over 3 percent of the loans in Hispanic and African-American neighborhoods qualifying at QRM and 6.4 percent qualifying as QRM in white neighborhoods according to Table 4 and Chart 3. NCRC's analysis also shows a similar disparity by race and ethnicity of neighborhood when examining home purchase, rate- and term-refinance lending, and cash-out refinance lending (see Tables 9 through 26).

The disparities diminish but remain even when relaxing the QRM requirements. NCRC tested four alternative QRM definitions. As show in the legend below and Table 7, 10% DP is the regulator's proposed alternative, requiring 10 percent down payment for home purchase loans, 10 percent for rate- and term-refinance loans, and 25 percent down for cash-out refinance lending. In addition, the front-end ratio is relaxed and raised to 33 percent of monthly income. 5% DP allows a down payment of 5 percent for all the home purchase and refinance loans while 3% DP allows a down payment of 3 percent. Finally, "620" allows a down payment of 3 percent and lowers the FICO score from 690 (used by the regulators) to 620 (620 to 660 most likely includes the upper range of subprime borrowers or A- subprime borrowers as well as FHA borrowers).

Legend for the tables:²

LPS Sample: Owner occupied single family loans for home purchase and refinance from LPS datasets
QRM: Subset of LPS Sample satisfying proposed QRM requirements
10% Down Payment (DP): Subset of LPS Sample satisfying regulators' proposed alternative QRM requirements including 90% LTV for purchase
5% Down Payment (DP): Subset of LPS Sample satisfying proposed QRM requirements except for LTV and DTI. LTV for purchase, rate/term refinance, and cash-out refinance <=95% and front end DTI<=33%
3% Down Payment (DP): Subset of LPS Sample satisfying QRM proposal except for LTV and DTI. LTV for purchase, rate/term refinance, and cash-out refinance <=97% and front end DTI<=33%

¹ The smallest geographical unit in the LPS dataset is a zip code. Zip codes are considered neighborhoods in this paper.

² For details please look Table 7 in page 7 of this report.

620: Subset of LPS Sample satisfying QRM proposal except for LTV, DTI, and credit score. LTV for purchase, rate/term refinance, and cash-out refinance $\leq 97\%$, front end DTI $\leq 33\%$, and credit score ≥ 620

The 10% DP and 5% and 3% DP approximately double the number of loans that qualify as QRM for African-American, Hispanic, and white neighborhoods. These alternatives qualify more borrowers for QRM loans but do not appreciably lessen the racial or ethnic disparities. For example, in 2006 under 10% DP, about 6 percent of the loans and 6.5 percent of the loans in Hispanic and African-American neighborhoods, respectively, qualify as QRM loans while 11.2 percent of the loans in white neighborhoods qualify as QRM loans (see Table 1). In contrast, under “620”, eleven percent and 15 percent of the loans in Hispanic and African-American neighborhoods, respectively, qualify as QRM while 17.6 percent of the loans in white neighborhoods qualify as QRM.

As shown in Table 2, under the original QRM proposal, the percentage of loans qualifying as QRM loans in Hispanic and African-American neighborhoods was about half the percentage of loans qualifying as QRM loans in white neighborhoods during 2006. In contrast, under “620”, the portion of loans qualifying as QRM in Hispanic neighborhoods was about 62 percent of the portion of loans in white neighborhoods. In African-American neighborhoods, the portion of loans qualifying as QRM loans grew to about 86 percent of the portion of loans in White neighborhoods. While not eliminating racial and ethnic disparities, “620” narrows the disparities to the greatest extent.

Like 2006, the data for 2007 reveal that the percentage of loans qualifying as QRM increases in the alternative QRM definitions and is the greatest for “620”. The percentage of loans in the LPS sample qualifying as QRM was about 3.2 percent and 3.1 percent in Hispanic and African-American neighborhoods, respectively. In contrast, 6.4 percent of the loans in white neighborhoods qualified as QRM loans. Under “620”, 10.1 percent, 13 percent, and 17 percent of the loans in African-American, Hispanic, and white neighborhoods, respectively, qualified as QRM loans (see Table 4). Furthermore, racial and ethnic disparities were narrowed by the greatest extent under “620”. For example, when using the regulators’ QRM definition, the portion of loans in African-American neighborhoods that were QRM was about half that of white neighborhoods. Under “620”, the portion of loans in African-American neighborhoods that qualified as QRM was 77 percent of the portion of loans in white neighborhoods (see Table 5).

The NCRC analysis also reveals that foreclosure rates decrease significantly when comparing all loans within the LPS sample to the QRM loans and each of the three other alternatives.³ Importantly, foreclosure rates are not significantly different among QRM and each of the other alternatives. In 2006, the entire LPS loan sample exhibited a foreclosure rate of 2.3 percent which decreases to .14 percent under the proposed regulatory definition of QRM. The rate increases modestly to .19 percent, .26 percent, .26 percent, and .52 percent under 10% DP, 5% DP, 3% DP, and “620,” respectively. For Hispanic neighborhoods, the rate was 4.6 percent in the LPS sample, .2 percent under the proposed QRM definition, .38 percent under 10% DP and .79 percent under “620” (see Table 3 and Chart 2).

In 2007, the foreclosure rates are likewise substantially lower in QRM and any of the QRM alternatives than in the LPS loan sample. For example, in African-American neighborhoods, the foreclosure rate declines from about 5 percent in the LPS sample to .63 percent for the 10% DP loans to 1.3 percent for “620” loans. For

³ Loans in foreclosure process (‘presale’ or ‘post-sale’) or is already a real estate owned (REO) property are considered to be in foreclosure. NCRC analyzed loans originated in 2007 and 2006 separately and looked at their performance through 2008.

Hispanic neighborhoods, the foreclosure rates are 4.4 percent in the full LPS sample, .27 percent for 10% DP loans to .89 percent for “620” loans. For all neighborhoods, the foreclosure rate declines from 2 percent for the LPS full sample loans to .4 percent for “620” loans (see Table 6 and Chart 4).

The foreclosure rate differences do not appear to justify the restrictive QRM definition. Under the Equal Credit Opportunity Act and the Fair Housing Act, a policy that produces a disparate impact by race, ethnicity, gender or other protected class's needs to be justified by business necessity, or it constitutes a violation. In this case, the LPS data suggests that while foreclosure rates are modestly higher under the alternatives to QRM, they are still manageable. NCRC's analysis selected the years of 2006 and 2007, which were peak years of the crisis and which therefore exhibited elevated foreclosure rates. Since the alternative QRM definitions significantly reduced foreclosure rates even during the worst years of underwriting, NCRC's analysis suggests that the agencies have considerable room to make the QRM definition less restrictive. Finally, this analysis does not imply that NCRC favors “620”, which still appears to exclude too many loans, but indicates that QRM standards can be considerably less restrictive.

**Table 1: Percentage Change - All loans Originated in 2006
By Race and Ethnicity of Neighborhood**

Race/Ethnicity of Neighborhood	LPS Sample	QRM		10% DP		5% DP		3% DP		620	
		Number	% of LPS Sample	Number	% of LPS Sample	Number	% of LPS Sample	Number	% of LPS Sample	Number	% of LPS Sample
Hispanics >=50%	43,138	1,511	3.50%	2,652	6.15%	2,968	6.88%	2,982	6.91%	4,703	10.90%
African Americans >=50%	30,196	1,183	3.92%	1,960	6.49%	2,431	8.05%	2,460	8.15%	4,548	15.06%
Asians >=50%	4,489	331	7.37%	524	11.67%	545	12.14%	546	12.16%	610	13.59%
Whites >=80%	451,894	31,977	7.08%	50,616	11.20%	58,979	13.05%	59,488	13.16%	79,428	17.58%
All	891,922	54,377	6.10%	87,054	9.76%	100,291	11.24%	101,020	11.33%	138,192	15.49%

**Table 2: Racial Disparity Ratio of Percentage of QRM & Alternative QRM Loans – All loans Originated in 2006
(Ratio of that Race/Ethnicity of Neighborhood by to Whites >=80%)**

Race/Ethnicity of Neighborhood	QRM	10% DP	5% DP	3% DP	620
Hispanics >=50%	0.49	0.55	0.53	0.53	0.62
African Americans >=50%	0.55	0.58	0.62	0.62	0.86
Asians >=50%	1.04	1.04	0.93	0.92	0.77
Whites >=80%	1.00	1.00	1.00	1.00	1.00
All	0.86	0.87	0.86	0.86	0.88

**Table 3: Foreclosure Rate Comparison - All loans Originated in 2006
By Race and Ethnicity of Neighborhood**

Race/Ethnicity of Neighborhood	LPS Sample	QRM	10% DP	5% DP	3% DP	620
Hispanics >=50%	4.61%	0.20%	0.38%	0.44%	0.44%	0.79%
African Americans >=50%	3.40%	0.34%	0.56%	0.90%	0.89%	1.30%
Asians >=50%	1.40%	0.00%	0.00%	0.00%	0.00%	0.16%
Whites >=80%	1.66%	0.10%	0.17%	0.21%	0.22%	0.45%
All	2.26%	0.14%	0.19%	0.26%	0.26%	0.52%

**Table 4: Percentage Change - All loans Originated in 2007
By Race and Ethnicity of Neighborhood**

Race/Ethnicity of Neighborhood	LPS Sample	QRM		10% DP		5% DP		3% DP		620	
		Number	% of LPS Sample	Number	% of LPS Sample	Number	% of LPS Sample	Number	% of LPS Sample	Number	% of LPS Sample
Hispanics >=50%	40,349	1,275	3.16%	2,252	5.58%	2,625	6.51%	2,639	6.54%	4,055	10.05%
African Americans >=50%	35,350	1,086	3.07%	1,907	5.39%	2,473	7.00%	2,502	7.08%	4,583	12.96%
Asians >=50%	4,667	356	7.63%	590	12.64%	608	13.03%	608	13.03%	669	14.33%
Whites >=80%	476,868	30,676	6.43%	50,526	10.60%	61,003	12.79%	61,632	12.92%	80,736	16.93%
All	914,494	51,669	5.65%	86,124	9.42%	102,663	11.23%	103,618	11.33%	138,421	15.14%

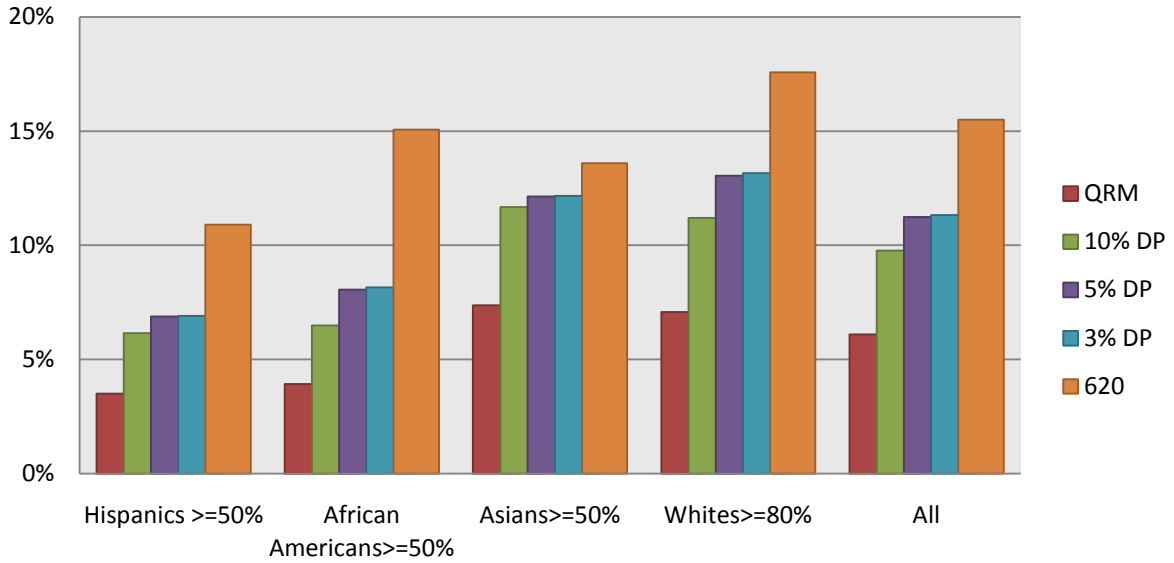
**Table 5: Racial Disparity Ratio of Percentage of QRM & Alternative QRM Loans – All loans Originated in 2007
(Ratio of that Race/Ethnicity of Neighborhood by to Whites >=80%)**

Race/Ethnicity of Neighborhood	QRM	10% DP	5% DP	3% DP	620
Hispanics >=50%	0.49	0.53	0.51	0.51	0.59
African Americans >=50%	0.48	0.51	0.55	0.55	0.77
Asians >=50%	1.19	1.19	1.02	1.01	0.85
Whites >=80%	1.00	1.00	1.00	1.00	1.00
All	0.88	0.89	0.88	0.88	0.89

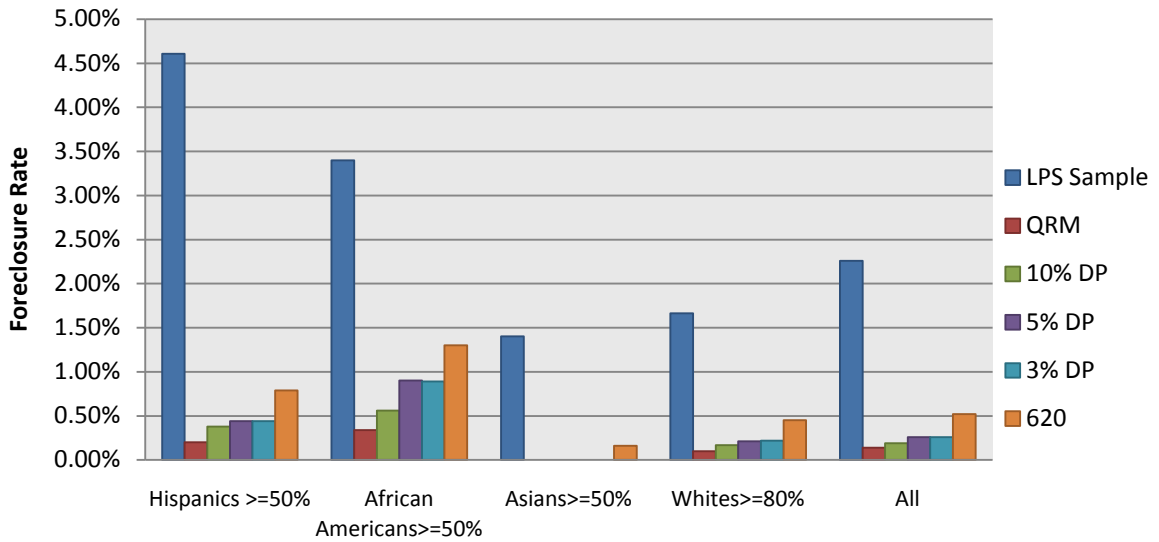
**Table 6: Foreclosure Rate Comparison - All loans Originated in 2007
By Race and Ethnicity of Neighborhood**

Race/Ethnicity of Neighborhood	LPS Sample	QRM	10% DP	5% DP	3% DP	620
Hispanics >=50%	4.38%	0.24%	0.27%	0.42%	0.42%	0.89%
African Americans >=50%	4.95%	0.46%	0.63%	0.81%	0.84%	1.33%
Asians >=50%	0.86%	0.00%	0.00%	0.00%	0.00%	0.00%
Whites >=80%	1.38%	0.07%	0.10%	0.14%	0.15%	0.34%
All	1.98%	0.09%	0.12%	0.17%	0.17%	0.40%

**Chart 1: Percentage Change - All loans Originated in 2006
By Race and Ethnicity of Neighborhood**



**Chart 2: Foreclosure Rate Comparison - All loans Originated in 2006
By Race and Ethnicity of Neighborhood**



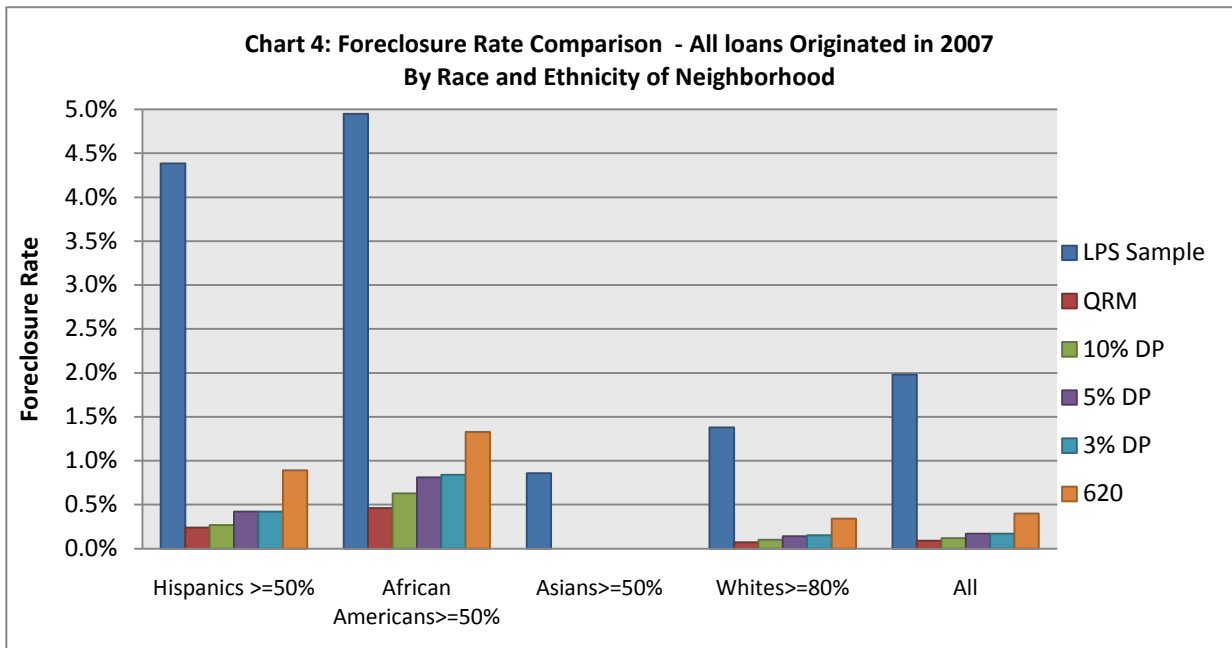
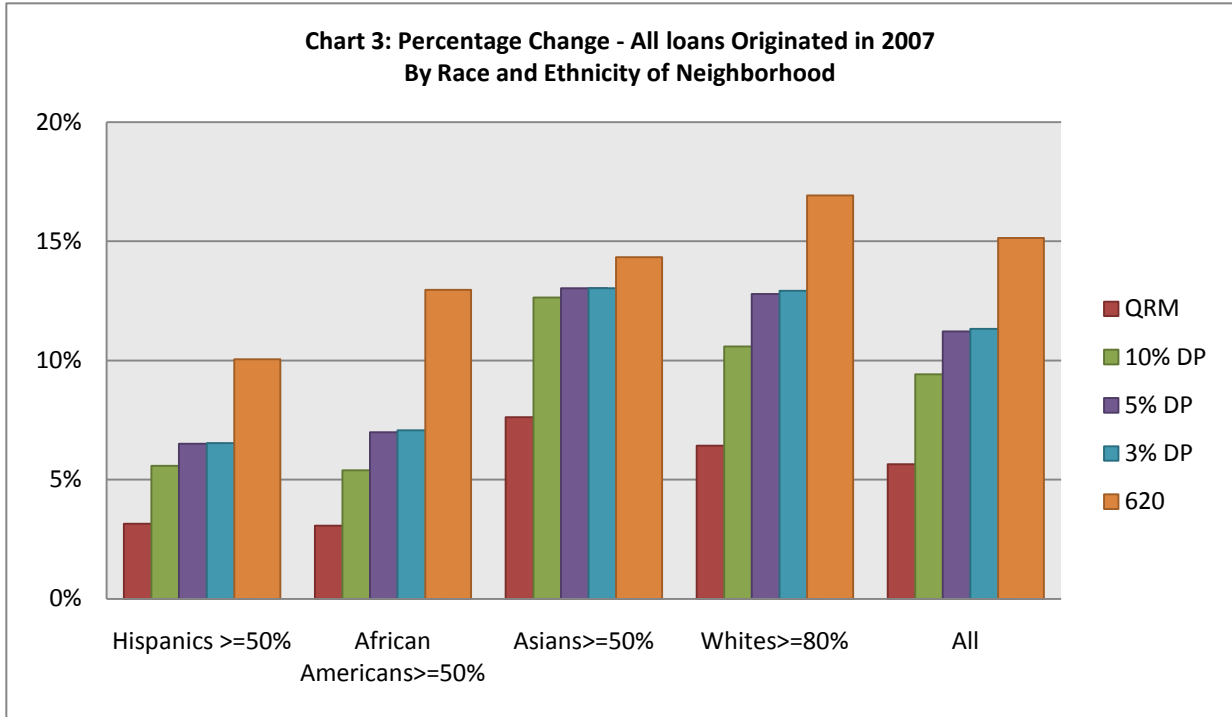


Table 7: Specifications summary for LPS, QRM and QRM alternatives samples: *

	LPS Sample	QRM	10% DP	5% DP	3% DP	620
Variables		Same as LPS Sample				
Occupancy	Primary (Owner-occupied)					
Property Type	Single Family Residence, Condo or Town House, and Hi-rise Condo					
Product Type	Conventional					
Investor	FNMA, FHLMC, Private Securitized, Local Housing Authority, Portfolio, and Federal Home Loan Bank					
Loan Purpose	Home Purchase Refinance Cash-out Refinance					
Mortgage Type	First Mortgage, (Excluded Grade "B" or "C" First Mortgages)					
Document Type		Full	Same as QRM			
Original Term		<=30years				
Interest only		No				
ARM Negative Amortization		No				
Balloon Payment		No				
Pre-payment penalty		No				
Interest type		<i>Interest type=Fixed or ARMS If ARMS, ARM Periodic Rate Cap <=2, & ARM Lifetime Rate Cap<=6</i>				
Original Credit Score		>=690	>=690	>=690	>=690	>=620
DTI (FrontEndDTI)		<=28%	<=33%	<=33%	<=33%	<=33%
Loan-to-Value Ratio		For purchase mortgage transactions: LTV<=80 For Refinance loans: LTV<=75 For Cash-out Refinance loans: LTV <=70	For purchase mortgage transactions: LTV<=90 For Refinance loans: LTV<=90 For Cash-out Refinance loans: LTV<=75	For all loan purpose: LTV<=95	For all loan purpose: LTV<=97	For all loan purpose: LTV<=97

*Note: Loan data were excluded in the analysis if information for one of the above variables was missing.

Table 8: Number of LPS sample loans compared to HMDA loans			
Year	Total Number of HMDA loans⁴		Number of LPS sample loans⁵
	Prime	Subprime	
2006	5,875,867	2,310,391	891,922
2007	5,182,332	1,148,340	914,494

⁴ All first lien, owner-occupied single-family conventional loans for home purchase or refinancing.

⁵ LPS sample excludes Grade “B” or “C” First Mortgages, but may still contain few subprime loans (A- grade), which is not clear in LPS data.

Home Purchase loans, Rate/Term Refinance loans and Cash-Out Refinance loans in 2006 (Table 9-17)

**Table 9: Percentage Change - Loans Originated for Home Purchase in 2006
By Race and Ethnicity of Neighborhood**

Race/Ethnicity of Neighborhood	LPS Sample	QRM		10% DP		5% DP		3% DP		620	
		Number	% of LPS Sample	Number	% of LPS Sample	Number	% of LPS Sample	Number	% of LPS Sample	Number	% of LPS Sample
Hispanics >=50%	16,724	620	3.71%	1,072	6.41%	1,142	6.83%	1,156	6.91%	1,611	9.63%
African Americans >=50%	13,635	640	4.69%	1,067	7.83%	1,163	8.53%	1,192	8.74%	1,702	12.48%
Asians >=50%	1,735	82	4.73%	137	7.90%	140	8.07%	141	8.13%	150	8.65%
Whites >=80%	258,550	21,161	8.18%	32,482	12.56%	33,993	13.15%	34,499	13.34%	41,815	16.17%
All	475,531	33,336	7.01%	51,978	10.93%	54,390	11.44%	55,115	11.59%	67,599	14.22%

**Table 10: Racial Disparity Ratio of Percentage of QRM & Alternative QRM Loans – Home Purchase Loans in 2006
(Ratio of that Race/Ethnicity of Neighborhood by to Whites >=80%)**

Race/Ethnicity of Neighborhood	QRM	10% DP	5% DP	3% DP	620
Hispanics >=50%	0.45	0.51	0.52	0.52	0.60
African Americans >=50%	0.57	0.62	0.65	0.66	0.77
Asians >=50%	0.58	0.63	0.61	0.61	0.53
Whites >=80%	1.00	1.00	1.00	1.00	1.00
All	0.86	0.87	0.87	0.87	0.88

**Table 11: Foreclosure Rate Comparison - Loans Originated for Home Purchase in 2006
By Race and Ethnicity of Neighborhood**

Race/Ethnicity of Neighborhood	LPS Sample	QRM	10% DP	5% DP	3% DP	620
Hispanics >=50%	7.26%	0.32%	0.75%	0.70%	0.69%	1.18%
African Americans >=50%	4.92%	0.63%	0.66%	1.03%	1.01%	1.76%
Asians >=50%	2.07%	0.00%	0.00%	0.00%	0.00%	0.00%
Whites >=80%	1.60%	0.12%	0.18%	0.19%	0.19%	0.39%
All	2.45%	0.18%	0.22%	0.25%	0.26%	0.49%

**Table 12: Percentage Change - Loans Originated for Rate/Term Refinance in 2006
By Race and Ethnicity of Neighborhood**

Race/Ethnicity of Neighborhood	LPS Sample	QRM		10% DP		5% DP		3% DP		620	
		Number	% of LPS Sample	Number	% of LPS Sample	Number	% of LPS Sample	Number	% of LPS Sample	Number	% of LPS Sample
Hispanics >=50%	1,078	81	7.51%	154	14.29%	159	14.75%	159	14.75%	239	22.17%
African Americans >=50%	817	43	5.26%	93	11.38%	97	11.87%	97	11.87%	190	23.26%
Asians >=50%	494	140	28.34%	201	40.69%	201	40.69%	201	40.69%	218	44.13%
Whites >=80%	14,731	1,414	9.60%	2,992	20.31%	3,038	20.62%	3,041	20.64%	4,001	27.16%
All	28,162	2,911	10.34%	5,596	19.87%	5,670	20.13%	5,674	20.15%	7,369	26.17%

**Table 13: Racial Disparity Ratio of Percentage of QRM & Alternative QRM Loans – Rate/Term Refinance Loans in 2006
(Ratio of that Race/Ethnicity of Neighborhood by to Whites >=80%)**

Race/Ethnicity of Neighborhood	QRM	10% DP	5% DP	3% DP	620
Hispanics >=50%	0.78	0.70	0.72	0.71	0.82
African Americans >=50%	0.55	0.56	0.58	0.58	0.86
Asians >=50%	2.95	2.00	1.97	1.97	1.62
Whites >=80%	1.00	1.00	1.00	1.00	1.00
All	1.08	0.98	0.98	0.98	0.96

**Table 14: Foreclosure Rate Comparison - - Loans Originated for Rate/Term Refinance in 2006
By Race and Ethnicity of Neighborhood**

Race/Ethnicity of Neighborhood	LPS Sample	QRM	10% DP	5% DP	3% DP	620
Hispanics >=50%	3.53%	0.00%	0.65%	0.63%	0.63%	0.42%
African Americans >=50%	2.33%	0.00%	1.08%	1.03%	1.03%	0.53%
Asians >=50%	0.61%	0.00%	0.00%	0.00%	0.00%	0.00%
Whites >=80%	2.00%	0.00%	0.27%	0.26%	0.26%	0.60%
All	2.44%	0.00%	0.23%	0.26%	0.26%	0.60%

**Table 15: Percentage Change - Loans Originated for Cash-Out Refinance in 2006
By Race and Ethnicity of Neighborhood**

Race/Ethnicity of Neighborhood	LPS Sample	QRM		10% DP		5% DP		3% DP		620	
		Number	% of LPS Sample	Number	% of LPS Sample	Number	% of LPS Sample	Number	% of LPS Sample	Number	% of LPS Sample
Hispanics >=50%	25,336	810	3.20%	1,426	5.63%	1,667	6.58%	1,667	6.58%	2,853	11.26%
African Americans >=50%	15,744	500	3.18%	800	5.08%	1,171	7.44%	1,171	7.44%	2,656	16.87%
Asians >=50%	2,260	109	4.82%	186	8.23%	204	9.03%	204	9.03%	242	10.71%
Whites >=80%	178,613	9,402	5.26%	15,142	8.48%	21,948	12.29%	21,948	12.29%	33,612	18.82%
All	388,229	18,130	4.67%	29,480	7.59%	40,231	10.36%	40,231	10.36%	63,224	16.29%

**Table 16: Racial Disparity Ratio of Percentage of QRM & Alternative QRM Loans – Cash-Out Refinance Loans in 2006
(Ratio of that Race/Ethnicity of Neighborhood by to Whites >=80%)**

Race/Ethnicity of Neighborhood	QRM	10% DP	5% DP	3% DP	620
Hispanics >=50%	0.61	0.66	0.54	0.54	0.60
African Americans >=50%	0.60	0.60	0.61	0.61	0.90
Asians >=50%	0.92	0.97	0.73	0.73	0.57
Whites >=80%	1.00	1.00	1.00	1.00	1.00
All	0.89	0.90	0.84	0.84	0.87

**Table 17: Foreclosure Rate Comparison - - Loans Originated for Cash-Out Refinance in 2006
By Race and Ethnicity of Neighborhood**

Race/Ethnicity of Neighborhood	LPS Sample	QRM	10% DP	5% DP	3% DP	620
Hispanics >=50%	2.90%	0.12%	0.07%	0.24%	0.24%	0.60%
African Americans >=50%	2.13%	0.00%	0.38%	0.77%	0.77%	1.05%
Asians >=50%	1.06%	0.00%	0.00%	0.00%	0.00%	0.41%
Whites >=80%	1.73%	0.06%	0.14%	0.24%	0.24%	0.51%
All	2.01%	0.09%	0.14%	0.26%	0.26%	0.53%

Home Purchase loans, Rate/Term Refinance loans and Cash-Out Refinance loans in 2007 (Table 18-26)

**Table 18: Percentage Change - Loans Originated for Home Purchase in 2007
By Race and Ethnicity of Neighborhood**

Race/Ethnicity of Neighborhood	LPS Sample	QRM		10% DP		5% DP		3% DP		620	
		Number	% of LPS Sample	Number	% of LPS Sample	Number	% of LPS Sample	Number	% of LPS Sample	Number	% of LPS Sample
Hispanics >=50%	15,831	541	3.42%	936	5.91%	1,034	6.53%	1,048	6.62%	1,473	9.30%
African Americans >=50%	16,623	618	3.72%	1,065	6.41%	1,204	7.24%	1,233	7.42%	1,791	10.77%
Asians >=50%	1,871	80	4.28%	172	9.19%	173	9.25%	173	9.25%	182	9.73%
Whites >=80%	258,986	19,589	7.56%	31,419	12.13%	33,735	13.03%	34,360	13.27%	41,415	15.99%
All	476,234	30,944	6.50%	50,557	10.62%	54,321	11.41%	55,270	11.61%	67,422	14.16%

**Table 19: Racial Disparity Ratio of Percentage of QRM & Alternative QRM Loans – Home Purchase Loans in 2007
(Ratio of that Race/Ethnicity of Neighborhood by to Whites >=80%)**

Race/Ethnicity of Neighborhood	QRM	10% DP	5% DP	3% DP	620
Hispanics >=50%	0.45	0.49	0.50	0.50	0.58
African Americans >=50%	0.49	0.53	0.56	0.56	0.67
Asians >=50%	0.57	0.76	0.71	0.70	0.61
Whites >=80%	1.00	1.00	1.00	1.00	1.00
All	0.86	0.88	0.88	0.87	0.89

**Table 20: Foreclosure Rate Comparison - Loans Originated for Home Purchase in 2007
By Race and Ethnicity of Neighborhood**

Race/Ethnicity of Neighborhood	LPS Sample	QRM	10% DP	5% DP	3% DP	620
Hispanics >=50%	7.01%	0.18%	0.32%	0.39%	0.38%	1.15%
African Americans >=50%	8.02%	0.65%	0.94%	1.25%	1.30%	2.07%
Asians >=50%	1.23%	0.00%	0.00%	0.00%	0.00%	0.00%
Whites >=80%	1.52%	0.08%	0.11%	0.14%	0.14%	0.30%
All	2.39%	0.11%	0.16%	0.19%	0.20%	0.41%

**Table 21: Percentage Change - Loans Originated for Rate/Term Refinance in 2007
By Race and Ethnicity of Neighborhood**

Race/Ethnicity of Neighborhood	LPS Sample	QRM		10% DP		5% DP		3% DP		620	
		Number	% of LPS Sample	Number	% of LPS Sample	Number	% of LPS Sample	Number	% of LPS Sample	Number	% of LPS Sample
Hispanics >=50%	1,222	91	7.45%	169	13.83%	181	14.81%	181	14.81%	247	20.21%
African Americans >=50%	1,076	54	5.02%	131	12.17%	137	12.73%	137	12.73%	258	23.98%
Asians >=50%	601	188	31.28%	264	43.93%	264	43.93%	264	43.93%	270	44.93%
Whites >=80%	18,107	1,520	8.39%	3,309	18.27%	3,406	18.81%	3,409	18.83%	4,444	24.54%
All	35,339	3,232	9.15%	6,507	18.41%	6,675	18.89%	6,680	18.90%	8,511	24.08%

**Table 22: Racial Disparity Ratio of Percentage of QRM & Alternative QRM Loans – Rate/Term Refinance Loans in 2007
(Ratio of that Race/Ethnicity of Neighborhood by to Whites >=80%)**

Race/Ethnicity of Neighborhood	QRM	10% DP	5% DP	3% DP	620
Hispanics >=50%	0.89	0.76	0.79	0.79	0.82
African Americans >=50%	0.60	0.67	0.68	0.68	0.98
Asians >=50%	3.73	2.40	2.34	2.33	1.83
Whites >=80%	1.00	1.00	1.00	1.00	1.00
All	1.09	1.01	1.00	1.00	0.98

**Table 23: Foreclosure Rate Comparison - - Loans Originated for Rate/Term Refinance in 2007
By Race and Ethnicity of Neighborhood**

Race/Ethnicity of Neighborhood	LPS Sample	QRM	10% DP	5% DP	3% DP	620
Hispanics >=50%	4.99%	2.20%	1.78%	1.66%	1.66%	2.43%
African Americans >=50%	1.95%	0.00%	0.00%	0.00%	0.00%	0.00%
Asians >=50%	0.83%	0.00%	0.00%	0.00%	0.00%	0.00%
Whites >=80%	2.18%	0.07%	0.12%	0.15%	0.15%	0.47%
All	2.54%	0.09%	0.12%	0.15%	0.15%	0.43%

**Table 24: Percentage Change - Loans Originated for Cash-Out Refinance in 2007
By Race and Ethnicity of Neighborhood**

Race/Ethnicity of Neighborhood	LPS Sample	QRM		10% DP		5% DP		3% DP		620	
		Number	% of LPS Sample	Number	% of LPS Sample	Number	% of LPS Sample	Number	% of LPS Sample	Number	% of LPS Sample
Hispanics >=50%	23,296	643	2.76%	1,147	4.92%	1,410	6.05%	1,410	6.05%	2,335	10.02%
African Americans >=50%	17,651	414	2.35%	711	4.03%	1,132	6.41%	1,132	6.41%	2,534	14.36%
Asians >=50%	2,195	88	4.01%	154	7.02%	171	7.79%	171	7.79%	217	9.89%
Whites >=80%	199,775	9,567	4.79%	15,798	7.91%	23,862	11.94%	23,863	11.94%	34,877	17.46%
All	402,921	17,493	4.34%	29,060	7.21%	41,667	10.34%	41,668	10.34%	62,488	15.51%

**Table 25: Racial Disparity Ratio of Percentage of QRM & Alternative QRM Loans – Cash-Out Refinance Loans in 2007
(Ratio of that Race/Ethnicity of Neighborhood by to Whites >=80%)**

Race/Ethnicity of Neighborhood	QRM	10% DP	5% DP	3% DP	620
Hispanics >=50%	0.58	0.62	0.51	0.51	0.57
African Americans >=50%	0.49	0.51	0.54	0.54	0.82
Asians >=50%	0.84	0.89	0.65	0.65	0.57
Whites >=80%	1.00	1.00	1.00	1.00	1.00
All	0.91	0.91	0.87	0.87	0.89

**Table 26: Foreclosure Rate Comparison - - Loans Originated for Cash-Out Refinance in 2007
By Race and Ethnicity of Neighborhood**

Race/Ethnicity of Neighborhood	LPS Sample	QRM	10% DP	5% DP	3% DP	620
Hispanics >=50%	2.57%	0.00%	0.00%	0.28%	0.28%	0.56%
African Americans >=50%	2.24%	0.24%	0.28%	0.44%	0.44%	0.95%
Asians >=50%	0.55%	0.00%	0.00%	0.00%	0.00%	0.00%
Whites >=80%	1.13%	0.03%	0.05%	0.15%	0.15%	0.37%
All	1.44%	0.05%	0.06%	0.15%	0.15%	0.40%