Introduction

This report provides a review of the single family (1-to-4 units) mortgage lending activity in Connecticut over 2015. The report also uses historical data to determine any trends in single family lending in the state using data collected through the Home Mortgage Disclosure Act (HMDA). This report also compares HMDA data with the Connecticut Housing Finance Authority's (CHFA) single family mortgage activity throughout the state.

Home Mortgage Disclosure Act Data

The Home Mortgage Disclosure Act requires many lenders to collect and publicly disclose information about housing-related applications and loans. The data that lenders disclose under the HMDA regulation assists in determining:

- Whether financial institutions are serving the housing needs of their communities.
- Assists public officials in distributing public-sector investment so as to attract private investment to areas where it is needed.
- Assists in identifying possible discriminatory lending patterns and enforcing antidiscrimination statutes.

Home purchase, home improvement, and refinance loans are reported under HMDA.

- A home purchase loan is any loan secured by and made for the purpose of purchasing a dwelling. [1]
- A home improvement loan is any dwelling-secured loan to be used, at least in part, for repairing, rehabilitating, remodeling, or improving the dwelling or the real property on which the dwelling is located, and any non-dwelling-secured loan (i) that is to be used, at least in part, for one or more of those purposes and (ii) that is classified as a home improvement loan by the lending institution.
- Refinancing is any dwelling-secured loan that replaces and satisfies another dwelling-secured loan to the same borrower. The purpose of the loan being refinanced is not relevant to determining whether the new loan is a refinancing for HMDA purposes. Nor is the borrower's intended use of any additional cash borrowed relevant to determining whether the loan is a refinancing, though the borrower's intended use of the funds could make the transaction a home improvement loan or a home purchase loan.

[1] Dwellings are residential structures, whether or not attached to real property. Includes vacation homes or second homes and rental properties; multifamily as well as one-to-four family structures, individual condominiums and cooperative units, and manufactured and mobile homes. It excludes recreational vehicles and transitory residences such as hotels, hospitals, and college dormitories.

Every loan application, origination, and purchase that meets those three purposes are reported by the lending institution. The following data is reported by the lender:

- The type of loan and its purpose (a home purchase, home improvement, refinance).
- The property type and where it is located.
- The disposition of the application, whether it was originated, denied, or withdrawn.
- The applicant characteristics, including race, ethnicity, sex, and income.

Both depository and non-depository institutions are required to report HMDA once they meet certain thresholds. Those thresholds are based on, but are not limited to, the type of lender, institutions asset size, presence of a home or branch office in certain geographies, the number and dollar amount of loans originated, and the type of loans that are originated. An institution reports its HMDA data by March 1st to the (FFIEC).

In 2015, there were 14.4 million HMDA records from 6,913 financial institutions.[2]

Connecticut Overview

In 2015, there were 670 lenders who reported data on 132,491 home mortgage applications in Connecticut. Roughly 52 percent of these loan applications resulted in an originated loan, or 68,865 total loans, totaling nearly $20.8 billion. Although this is an increase of nearly 17.8 percent over the previous year, it is still well below 2007 levels, when there were 126,259 home mortgage originations in the state. The increase in loan originations between 2014 and 2015 is a national trend, where there was an increase of 1,364,432 originations (roughly a 22.6 percent increase). The number of reporting institutions in Connecticut has varied over the years, with a noticeable decline after the financial crisis of 2007 and 2008. There has been a noticeable rebound in lenders in 2015 however total lending activity is still down. In fact the lowest total number of loan applications and home mortgage loans occurred in 2014, seven years after the financial and home mortgage crisis. Starting in 2009 as interest rates began to decline to record lows; the home mortgage business was primarily fueled by refinance business. Those homeowners who had the ability and equity to refinance their properties did so in order to take advantage of the lower interest rates. Refinances business jumped 82.5 percent between 2008 and 2009, peaking in 2012 with 82,915 refinance loans reported in Connecticut. In 2012, 71.9 percent of the home mortgage business was driven by home refinance lending compared to the more typical 50.7 percent in 2008.

[2] Consumer Financial Protection Bureau

Table 1. Number of Reporting Institutions, Total Number of Applications and Originations and Dollar Value of All Loans Originated by Year, 2008-2015, Connecticut

Activity Year	Number of Reporting Institutions	Number of Applications	Number of Loans Originated	Dollar Value[3] of Loans Originated
2008	718	193,168	84,484	$21,452,568
2009	699	235,997	113,317	$28,923,587
2010	648	204,936	102,545	$27,636,641
2011	646	177,460	87,795	$23,882,215
2012	663	214,191	115,361	$31,280,977
2013	652	187,158	98,739	$27,057,887
2014	634	112,576	57,675	$16,802,208
2015	670	132,491	68,865	$20,763,668

In 2015, home purchase lending returned to 2008 levels, totaling 32,412 home mortgage purchase loans for the year. The average home purchase loan for the state was $316,081 in 2015. The average home purchase loan has been on a steady increase since 2009, increasing 25.6 percent between 2009 and 2015. The increase in the average home purchase loan does not correspond with home prices during the same period of time. Between 2009 and 2015 home prices fell 7.5 percent.[4]

Quicken Loans, a mortgage company originated the most home mortgage loans in Connecticut, making up nearly 5.5 percent of the total market followed by Wells Fargo Bank at 5.1 percent of the market. Webster Bank was the largest Connecticut based bank in regards to market share and ranked third with a 4.1 percent market share. Based on total dollars, Wells Fargo followed by JP Morgan Case ranked first and second in total dollars lent at $1,382,421,000 and $1,154,840,000 respectively.

Connecticut's top 23 lenders originated just over 50 percent of the home mortgage loans in the state in 2015. Wells Fargo Bank is consistently one of the top home mortgage lenders in Connecticut, ranking first between 2009 and 2014 in both number of loans originated and in total dollars. Among Connecticut based lenders, Both Webster Bank and People's United Bank (the largest local banks) are consistently ranked among the top ten lenders with the locally based mortgage company, Norwich Commercial Group (NORCOM), becoming a top ten lender in 2013. Prior to the home mortgage crisis, Countrywide Bank operated in Connecticut and was the largest home mortgage lender in 2008, originating nearly 6 percent of the state's lending before it was acquired by Bank of American in 2008.

Home Mortgage Purpose Breakdown

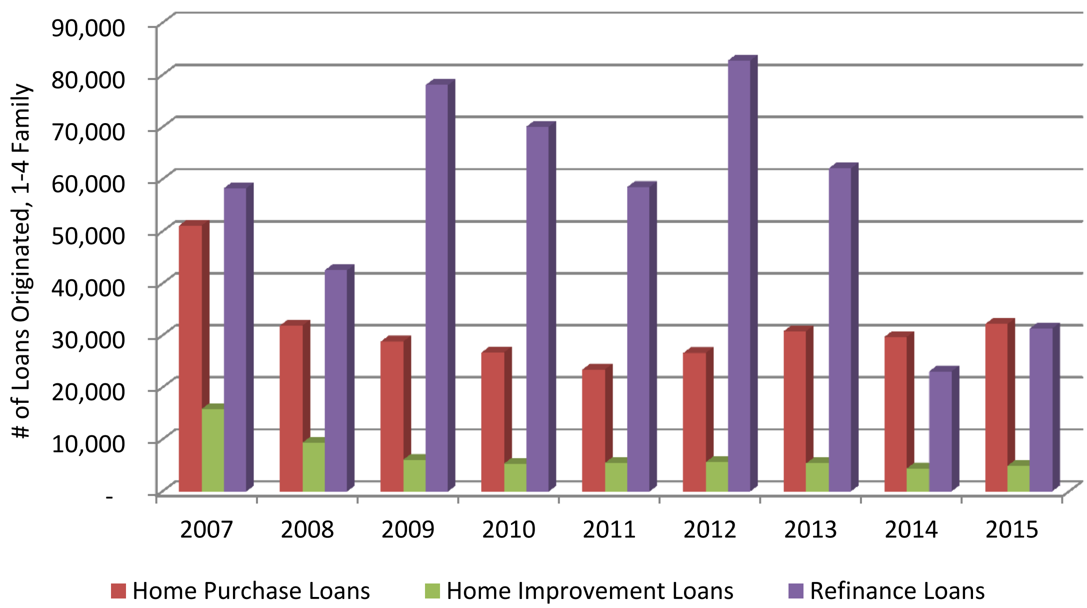
Based on the 2015 HMDA data, there was 131,566 home purchase, refinancing, and home improvement loan applications for one- to four-family dwellings submitted to lenders in Connecticut. During the same

[3] Nominal dollar value
[4] Federal Reserve Bank of St. Louis

year, there were an additional 572 loan applications for multifamily dwellings[5] and 353 applications for manufactured homes.

The sharp decline since 2012 in applications and originations is mostly due to the decline in home refinancing activity. Since the home mortgage and financial crisis in 2008, a significantly higher proportion of all loans originated, particularly for one- to four-family dwellings were for the purpose of refinance rather than home purchases. Only until the last couple of years have we seen home purchase loans out number refinance loans. In 2014, home purchase lending outnumbered refinance loans while in 2015 there was almost an equal amount of home purchase loans as there were refinance loans (see Figure 1). As mentioned above, in the years following the home mortgage and financial crisis, falling interest rates encouraged home owners who still had equity in their homes to refinance their previously high interest rate loans. Refinance loans began to outnumber home purchase during this period.

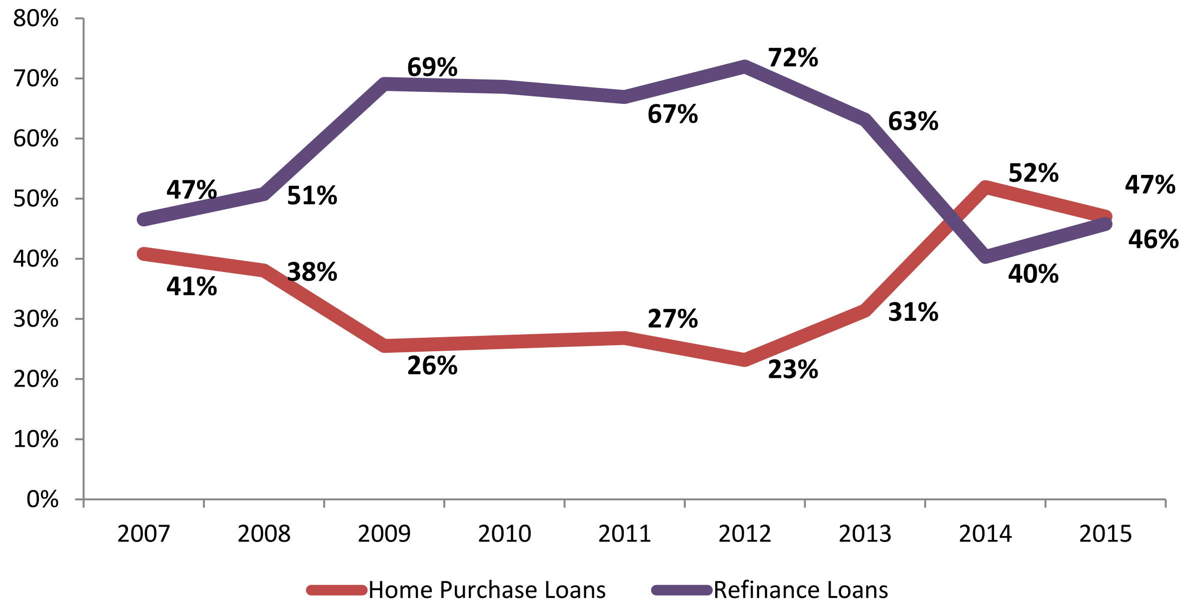
Figure 2. Number of Mortgage Loans Originated, 1-4 Family Dwellings, 2007-2015, Connecticut



While applications and total originations are trending down over the last couple of years, the number of home purchases has been on a slow but steady rise. The trend upward in home purchases lending has continued since 2011 and in 2015 has reached 2008 levels. These trends follow the nation as a whole where refinance lending for one- to four-family homes has declined by 54 percent between 2012 and 2013.

[5] Multifamily dwellings – housing five or more families

Figure 2. Percent of Home Purchase and Refinance Mortgage Loan Originations in Total Loan Originations, 1-4 Family Dwellings, 2007-2015, Connecticut



Refinance lending first peaked in 2009 after the home mortgage and financial crisis. The jump in 2009 may have been as a result of historically low interest rates and the Home Affordable Refinance Program (HARP) that started in March 2009.[6] The peak in refinance loan origination in Connecticut was in 2012, with 72 percent of home mortgage lending comprised of refinance loans. As a percentage of home mortgage lending, refinance lending remained fairly steady between 2009 and 2012; with activity declining since 2013 (see Figure 2).

Multifamily lending in Connecticut suffered a significant decline during the home mortgage and financial crisis in 2008, declining 75.6 percent between 2007 and 2009. Multifamily home purchase lending by itself declined nearly 81.4 percent during the same period. However, since 2010 multifamily lending has been on a steady rise up, and by 2015 Connecticut has seen multifamily home purchases recover to 2007 levels.

[6] Fewer Applications, Falling Denials Rates HMDA Data Report – Hulya Arik, Tennessee Housing Development Agency

Table 2. Home Purchase Loans Originated for Owner-Occupied 1-4 Family Dwellings, 2008-2015, County and State

	2008	2009	2010	2011	2012	2013	2014	2015	2015 Originations as % of 2008
Fairfield	7,426	6,316	6,991	6,308	6,899	8,397	7,812	8,360	112.6%
Hartford	8,156	7,641	6,812	5,713	6,532	7,510	7,222	7,631	93.6%
Litchfield	1,465	1,383	1,193	1,114	1,154	1,337	1,360	1,495	102.0%
Middlesex	1,607	1,512	1,296	1,103	1,357	1,374	1,473	1,578	98.2%
New Haven	6,814	6,349	5,435	4,562	5,102	5,841	5,510	6,320	92.8%
New London	2,125	2,068	1,752	1,535	1,742	2,073	2,024	2,233	105.1%
Tolland	1,235	1,226	992	848	1,137	1,190	1,200	1,273	103.1%
Windham	862	913	722	669	688	802	927	1,041	120.8%
CONNECTICUT	29,700	27,434	25,194	21,859	24,618	28,529	27,529	29,934	100.8%

As a whole, Connecticut's recovery has been slow, but not unlike the rest of the United States. Home purchase originations for owner-occupied 1-4 family dwellings in 2015 has just now reached and surpassed 2008 levels (see table 2). However, not all places have recovered or recovered at the same rate. New Haven, Hartford, and Middlesex counties have yet to reach 2008 lending levels, while Litchfield, Tolland, New London, Fairfield, and Windham counties have all surpassed 2008 lending activity. Although Windham County has surpassed 2008 lending levels, it was Fairfield that had the quickest recover and stabilization starting in 2013.

Table 3. Refinance Loans Originated for Owner-Occupied 1-4 Family Dwellings, 2008-2015, County and State

	2008	2009	2010	2011	2012	2013	2014	2015	2015 Originations as % of 2008
Fairfield	10,327	21,478	20,325	17,287	23,430	15,977	5,661	8,827	85.5%
Hartford	9,581	18,345	16,390	12,974	18,876	14,038	5,188	6,741	70.4%
Litchfield	2,351	4,095	3,653	2,970	4,109	3,277	1,165	1,520	64.7%
Middlesex	2,365	4,667	3,966	3,232	4,646	3,226	1,137	1,665	70.4%
New Haven	9,455	15,442	13,385	11,254	15,692	12,253	4,227	5,681	60.1%
New London	3,081	5,789	4,718	3,863	5,795	4,229	1,782	2,156	70.0%
Tolland	2,102	3,726	3,516	2,732	3,813	2,685	1,066	1,306	62.1%
Windham	1,389	2,164	1,634	1,383	1,972	1,704	779	961	69.2%
CONNECTICUT	40,656	75,737	67,597	55,702	78,342	57,396	21,007	28,857	71.0%

Refinance lending has dropped significantly in 2014 and 2015. Although as a state refinance loans are 71 percent of what they were in 2008, there is some significant variance between the state's counties.

Windham County had the least growth in refinance loans for owner-occupied 1-4 family dwellings in the state, only seeing 42 percent increase in activity between 2008 and 2012, while Fairfield County saw increases over 126.9 percent between the same period (see table 3). New Haven County activity is the lowest in the state when comparing 2015 to 2008, however Tolland County has had the biggest drop from its peak in 2012 and 2015, roughly a 65.7 percent drop in activity.

Between 2008 and 2015, there has been a noticeable shift in the type of lender that is originating home mortgage loans in Connecticut. Although home purchase lending for one- to four-family dwellings has recovered to 2008, mortgage companies and credit unions have seen their activity grow substantially since 2008. Credit union home purchase lending for owner-occupied, one- to four-family dwellings has increased by over 42.7 percent between 2008 and 2015. Mortgage companies have seen lending activity increase by 59.2 percent over the same period. On the other hand, banks and thrifts have yet to recover to 2008 highs with lending activity down 27.4 percent between 2008 and 2015 (table 4).

Table 4. Number of Home Purchase Loans Originated for Owner-Occupied, 1-4 Family Dwellings by Lender Type, 2008-2015, Connecticut

	2008	2009	2010	2011	2012	2013	2014	2015
Banks/Thrifts	19,894	15,802	14,292	12,028	12,876	14,867	13,945	14,451
Credit Unions	797	649	440	427	606	744	944	1,137
Mortgage Companies	9,009	10,983	10,462	9,404	11,136	12,918	12,640	14,346
	29,700	27,434	25,194	21,859	24,618	28,529	27,529	29,934

Conventional Versus Government-Insured Loans

The table below (table 5) breaks down loans originated for owner-occupied one- to four-family dwellings by loan type. In 2015, 69.2 percent of all home purchase loans originated for one- to four-family owner-occupied homes were conventional, while 23.8 percent were Federal Housing Administration (FHA)-insured, 5 percent were insured by the Veterans Administration (VA), and 2 percent were Farm Services Agency/Rural Housing Services (FSA/RHS)-insured. FHA loans for home purchased loans for owner-occupied one to four-family dwellings jumped just after the home mortgage and financial crash between 2008 and 2009, but has dropped to below 2008 levels in 2013.

Table 5. Loans Originated for Owner-Occupied 1-4 Family Dwellings, 2008-2015, Connecticut

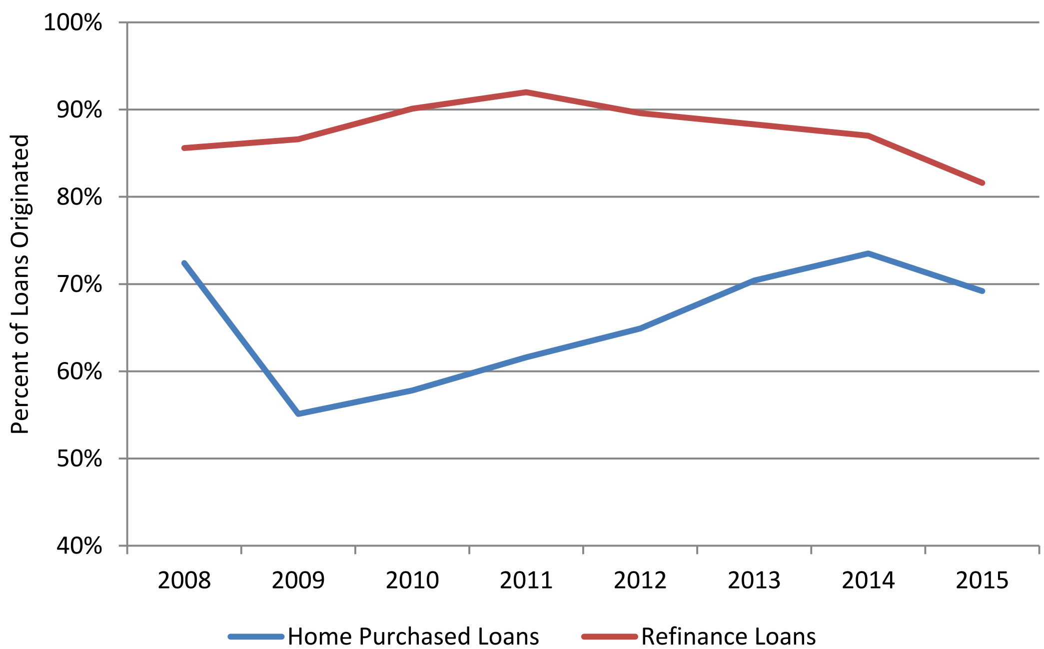
Home Purchase Loans	2008	2009	2010	2011	2012	2013	2014	2015
Total # of Loans Originated	29,700	27,434	25,194	21,859	24,618	28,529	27,529	29,934
Conventional	72.4%	55.1%	57.8%	61.6%	64.9%	70.4%	73.5%	69.2%
FHA	25.3%	40.7%	38.0%	32.7%	28.7%	22.9%	18.9%	23.8%
VA	1.8%	2.9%	2.9%	3.9%	3.9%	4.1%	4.9%	5.0%
FSA/RHS	0.4%	1.4%	1.3%	1.8%	2.5%	2.6%	2.7%	2.0%

Refinance Loans								
Total # of Loans Originated	40,656	75,737	67,597	55,702	78,342	57,396	21,007	28,857
Conventional	85.6%	86.6%	90.1%	92.0%	89.6%	88.3%	87.0%	81.6%
FHA	14.3%	12.7%	9.1%	6.6%	8.4%	9.3%	8.4%	14.1%
VA	0.1%	0.7%	0.8%	1.3%	1.9%	2.3%	4.5%	4.1%
FSA/RHS	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.1%	0.1%

The drop in FHA loans has been mostly absorbed by conventional lending. The shift away from FHA to conventional lending may be as a result of new FHA mortgage insurance premium policies. In mid-2013, FHA required mortgage insurance for the life of the loan if the mortgage is greater than 90 percent loan-to-value at the time of origination.[7] This was a significant change from the practice of automatically cancelling mortgage insurance premiums once a loan reached a 78 percent loan-to- value.

The change in FHA's mortgage insurance premium policies added cost to borrowers looking to purchase using a FHA mortgage product. Conventional mortgages became a more attractive option for borrowers who qualified.

Figure 3. Share of Conventional Loans in Home Purchase and Refinance Mortgage Loan Originations in Total Loan Originations, 1-4 Family Dwellings, 2007-2015, Connecticut



In any given year between 2008 and 2015, a higher percentage of refinance loans than home purchase loans were conventional (see figure 3). Conventional refinance loans for owner-occupied one- to four-family dwellings reached its lowest point in 2015, but still make up 81.6 percent of the total lending.

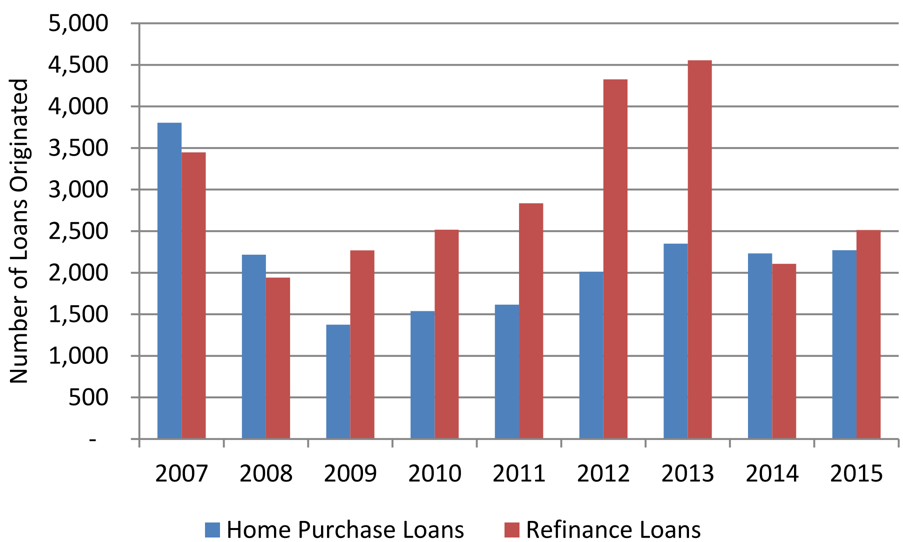
[7] U.S. Department of Housing and Urban Development – Mortgage Letter 2013-04 (January 31, 2013)

Notably, VA lending has been on a steady increase in Connecticut. VA home purchase loans for owner-occupied one- to- four family dwellings increased from 547 loans in 2008 to 1,503 loans in 2015, while refinance loans, increasing from a mere 58 loans in 2008 to 1,191 loans in 2015.

Mortgage Loans for Non-Owner-Occupied Borrowers

When reporting HMDA, lenders not only report on applications and loans made to owner-occupants, they also report on non-owner-occupied dwellings, including rental properties, second homes, and vacation homes. The number of non-owner-occupied home purchase lending was significantly higher in Connecticut prior to the home mortgage and financial crisis and was at its lowest just after it. Although purchases for non-owner-occupied homes have steadily increased since 2009, they are still well below 2007 levels. 2015 purchase lending has only recovered to about 59.6 percent of 2008 activity. Given the nature of the non-owner-occupied industry, lending activity may not fully or accurately measure non-owner-occupant purchasing activity due to the fact that HMDA only captures lending activity. Many property investors may choose to purchase a property using their own equity or may have to rely on hard cash lenders, who are often times not required to report their lending activity via the Home Mortgage Disclosure Act.

Figure 4. Mortgages Originated for non-Owner-Occupied Dwellings, 2007-2015, Connecticut



After the home mortgage and financial crisis, the majority of lending activity to non-owner-occupied dwellings was not for purchases but for refinancing. Refinance lending activity jumped significantly in 2012 and peaked in 2013 (see figure 4). In 2012 and 2013, there was double the amount of refinance loans originated than there were for home purchase loans for non-owner-occupied dwellings. The years following the refinance peak, the number of home purchase loans and refinance loans for non-owner-occupied dwellings has been nearly even.

Applicant Income and Loan Amounts

HMDA requires lenders report the loan amounts requested and the applicant's income that is considered in making the underwriting decision. Income isn't always reported or required in the following cases:

- The institution does not take the applicant's income into account for underwriting.
- The loan or application is for a multifamily dwelling.
- The transaction is a loan purchase and the lender chooses not to collect the information.
- The transaction is a loan to, or application from, an employee of the financial institution, and the institution seeks to protect the employee's privacy, even when the income was used for underwriting the loan.
- The borrower or applicant is a corporation, partnership, or other entity that is not a natural person.[8]

In 2015, only about 6.5 percent of loans originated for owner-occupied one- to four-family dwellings in Connecticut did not have an income provided. However, the majority of missing income data was for refinance loans, only about 1 percent of home purchase loans did not have an income associated with the loan.

The table below (table 6) looks at home purchase lending for owner-occupied, one- to four-family dwellings based on the borrowers characteristics. Based on the data, there have been slight shifts in borrower characteristics over 2008 and 2015. The share of loans to Hispanic/Latino borrowers has grown between 2008 and 2015, accounting for 7.3 percent of home purchase loans for owner-occupied one- to four-family dwellings. There also appears to be a trend of fewer joint applications among male and female borrowers. The share of male only borrowers has grown by 4.2 percent between 2008 and 2015 while female only borrowers has grown by 1.7 percent over the same period of time.

Table 6. Borrower Characteristics for Home Purchase Loans Originated for Owner-Occupied 1-4 Family Dwellings, 2008-2015, Connecticut

Borrower Race	2008	2009	2010	2011	2012	2013	2014	2015
Native	0.2%	0.1%	0.2%	0.2%	0.2%	0.2%	0.1%	0.2%
Asian	4.1%	4.1%	4.5%	4.1%	4.3%	4.3%	4.6%	4.1%
Black or African American	5.4%	4.7%	5.4%	4.7%	4.2%	4.4%	4.9%	5.5%
Pac. Island	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%
White	79.6%	80.6%	79.6%	80.3%	79.3%	80.9%	80.9%	80.6%
2 or More Minority	0.1%	0.0%	0.0%	0.0%	0.0%	0.1%	0.1%	0.1%
Joint	1.4%	1.4%	1.4%	1.6%	1.5%	1.5%	1.4%	1.7%
Not Applicable	9.1%	8.9%	8.7%	8.9%	10.3%	8.6%	7.8%	7.5%

[8] Federal Financial Institutions Examination Council – Guide to HMDA Reporting: Getting it Right (Edition effective January 1, 2013)

Borrower Ethnicity								
Hispanic or Latino	5.9%	5.7%	5.9%	5.7%	5.5%	5.7%	6.5%	7.3%
Not Hispanic or Latino	83.7%	83.9%	83.9%	84.0%	85.6%	84.1%	84.4%	83.7%
Joint	1.5%	1.4%	1.5%	1.5%	1.4%	1.6%	1.5%	1.7%
Missing and/or NA	8.9%	8.9%	8.7%	8.8%	7.5%	8.5%	7.6%	7.3%
Gender								
Joint	43.5%	40.5%	40.4%	40.5%	40.7%	39.9%	39.8%	38.5%
Male	29.1%	31.0%	30.5%	30.6%	31.3%	32.4%	33.0%	33.3%
Female	22.2%	23.4%	23.7%	23.3%	23.1%	22.3%	22.5%	23.9%
Not Applicable	5.2%	5.1%	5.5%	5.6%	4.9%	5.4%	4.7%	4.3%
Borrower Income[9]								
Low Income (< 50%)	7.0%	10.7%	11.0%	11.6%	12.6%	9.1%	9.0%	9.9%
Moderate Income (50% > 80%)	25.7%	32.0%	29.2%	28.7%	28.2%	26.5%	25.8%	26.8%
Middle Income (80% > 120%)	28.6%	26.9%	24.9%	23.8%	23.5%	24.4%	24.7%	25.4%
High Income (≥ 120%)	37.5%	29.6%	33.9%	34.8%	34.5%	38.9%	39.5%	36.9%
Not Available	1.1%	0.9%	1.0%	1.1%	1.1%	1.1%	1.0%	1.0%

Additionally, the share of loans to low income borrowers has grown since 2008. In 2012, 12.6 percent of borrowers earned less than 50 percent of their Area Median Income (AMI). Although there's been a drop since 2012, the percentage of loans to low income borrows is has held higher than in 2008. Most interesting is the drop off in loans made to middle income borrowers since 2008. While loans to low income borrowers peaked in 2012, loans to middle income borrowers hit its lowest level in the same year. In 2015, a just over a quarter of home purchase loans for owner-occupied, one- to four-family dwellings were made to middle income borrowers, still below 2008 levels.

Denial Rates and Denial Reasons

Lenders that report HMDA are also required to report applications that are denied and the reasons for the denial. The reasons for denial include, poor debt-to-income ratio, employment history, credit history, collateral (loan-to-value of collateral), insufficient cash (for downpayment or closing costs), mortgage insurance denied, and bad data from the applicant or credit application is incomplete. Lenders may report up to three denial reason on any one loan application.

The following table (table 7), shows the variations in denial rates across different borrower characteristics, including race, ethnicity, gender, and income. The denial rate for home purchase loans for owner-occupied, one- to four-family dwellings has dropped since 2008 and reached its lowest levels in 2015, 7.8 percent for all applicants.

[9] Based on Area Median Income of the Metropolitan Statistical Area (MSA) or Metropolitan Division in which the property is located.

Table 7. Denial Rates of Home Purchase Loans for Owner-Occupied 1-4 Family Dwellings, 2008-2015, Connecticut

Borrower Race	2008	2009	2010	2011	2012	2013	2014	2015
Native	20.5%	19.1%	23.3%	20.6%	16.3%	27.4%	17.4%	8.5%
Asian	12.3%	11.3%	11.3%	12.2%	11.3%	10.4%	10.8%	10.7%
Black/African American	21.0%	16.0%	15.8%	17.4%	16.1%	19.6%	17.1%	16.8%
Pac. Island	20.8%	17.0%	17.4%	13.4%	13.6%	17.6%	19.1%	20.0%
White	10.4%	8.6%	8.7%	8.7%	8.6%	8.9%	9.2%	8.2%
2 or More Minority	9.1%	17.6%	11.1%	31.3%	25.0%	8.0%	8.3%	23.4%
Joint	9.1%	9.3%	7.4%	6.6%	7.6%	8.7%	7.6%	7.3%
Not Applicable	7.1%	4.2%	6.7%	4.7%	6.9%	4.9%	4.3%	3.5%
Borrower Ethnicity								
Hispanic or Latino	20.3%	15.3%	15.9%	15.4%	15.4%	16.7%	16.3%	14.7%
Not Hispanic or Latino	10.5%	8.8%	8.8%	8.9%	8.7%	9.1%	9.1%	8.5%
Joint	12.2%	9.3%	11.0%	8.3%	9.5%	8.5%	9.6%	6.8%
Missing and/or NA	6.8%	4.1%	6.7%	4.7%	6.7%	4.9%	4.5%	3.1%
Gender								
Joint	6.5%	7.8%	7.6%	7.3%	7.5%	7.8%	7.8%	6.9%
Male	7.7%	10.9%	11.0%	11.2%	10.7%	11.2%	11.3%	10.3%
Female	7.0%	10.0%	10.5%	10.7%	10.1%	11.1%	11.3%	10.5%
Not Applicable	4.0%	2.8%	5.2%	3.3%	5.8%	3.2%	3.0%	2.2%
Borrower Income								
Low Income (< 50%)	21.6%	16.3%	18.1%	17.1%	16.8%	19.2%	19.8%	17.7%
Moderate Income (50% < 80%)	13.0%	8.8%	9.8%	9.9%	9.6%	10.1%	11.1%	10.2%
Middle Income (80% < 120%)	10.3%	7.5%	7.6%	7.5%	7.8%	8.2%	8.6%	7.2%
High Income (≥ 120%)	8.6%	6.5%	6.9%	5.9%	7.4%	6.4%	6.4%	5.6%
Not Available	2.4%	2.9%	3.0%	2.9%	1.4%	3.2%	1.5%	1.2%
All Applicants	**10.5%**	**8.1%**	**8.9%**	**8.5%**	**8.7%**	**8.7%**	**8.6%**	**7.8%**

However, the denial rate varies significantly between different race and income characteristics. For example, the denial rate for whites and joint applicants is significantly lower than every other minority group. Native and Black/African Americans have double the denial rates than whites in most years between 2008 and 2015. Although the denial rate for low-income applicants decreased significantly between 2008 and 2009, it has trended upwards since 2009. Nearly one out of five low-income applicants looking for a home purchase loans for owner-occupied, one- to four-family dwelling was denied in 2013 and 2014.

The rate of denials to two or more minority varies substantially year to year. However this may be in part due to the number of few applications received under this category, which can be as low as nine total applications (2010).

Table 8. Denial Reasons of Home Purchase Loans for Owner-Occupied 1-4 Family Dwellings, 2015, Connecticut

	Low-Income	Moderate-Income	Middle-Income	Upper-Income	NA
Debt-to-Income Ratio	46.0%	26.3%	20.8%	21.7%	28.4%
Employment History	8.0%	3.2%	4.1%	1.6%	18.5%
Credit History	15.5%	20.4%	20.9%	18.4%	29.6%
Collateral	12.4%	16.8%	18.6%	19.9%	13.6%
Cash, PMI, Bad Data	17.3%	19.3%	17.6%	28.3%	27.2%
Other	11.2%	14.4%	15.9%	14.3%	14.8%
All Denied (# of Applicants)	941	1,276	813	886	81

Lenders that report HMDA can report up to three reasons for a denial. The above table (table 8) represents the denial reasons by an applicant's AMI based on 2015 HMDA data. In 2015, among the applicants looking to obtain a home purchase loan for an owner-occupied, one- to four-family dwelling, the debt-to-income ratio and credit history were the top two reasons for denial. Nearly half of low-income applicants that get denied are denied for their debt-to-income. Notably, about one in five middle income applicants who are denied are denied due to their credit score, the number one reason for middle-income applicants to be denied.

Different lending products have their own limits when it comes to debt-to-income or credit scores. For example an applicant is required to have a FICO score of 580 or higher to qualify for the low down payment advantage of 3.5 percent. For applicants with a lower than 580 FICO score, a 10 percent down payment is required. The higher down payment requirement may act as a barrier with a lower credit score. An additional barrier to homebuyers is debt-to-income. Higher debt-to-income ratios have been shown to be more likely to run into issues in regards to making monthly payments. Generally, a 43 percent debt-to-income ratio is the highest ratio a borrower can have and still get qualified for a home purchase mortgage.[10]

CHFA Home Purchase Loans versus the Market

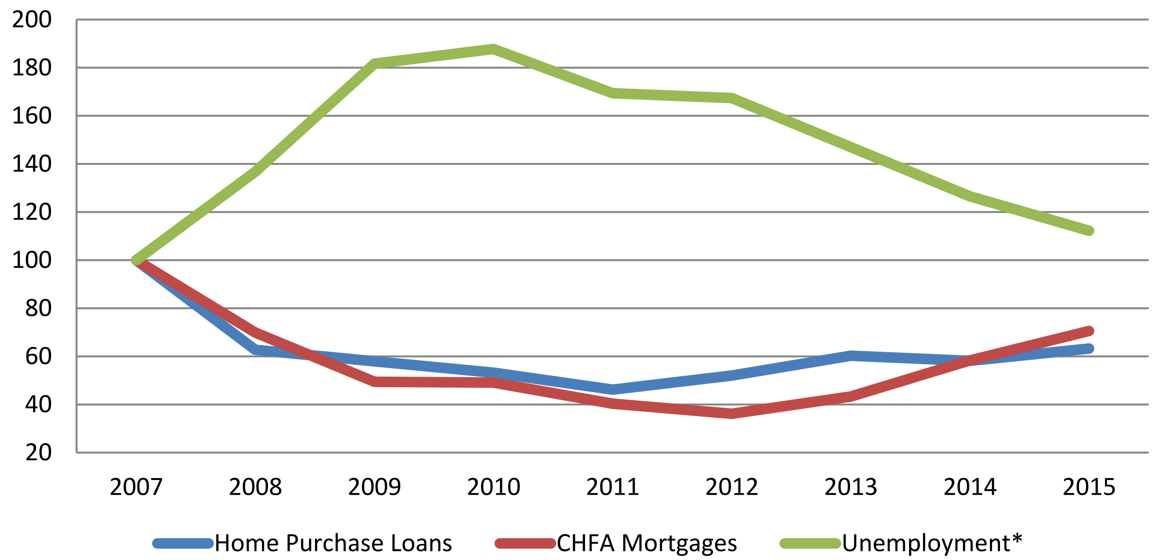
The measure of CHFA's share in the home loan market is important to determine how competitive CHFA's loan products are and to determine gaps in the home purchase market that CHFA may be able to fill. Using HMDA data to measure CHFA's market share in the home purchase loan market present some issues because of the nature of HMDA data and CHFA's loan program eligibility requirements. One such issue is that not all of CHFA's participating lenders report their home lending activity under the HMDA regulation. Additionally, CHFA eligibility is subject to income and purchase price limits that do not easily match AMI bands used in HMDA reporting. CHFA programs are also limited to first-time homebuyers with the exception of targeted areas, mostly found in the low-income communities. HMDA does not collect data on whether a borrower is a first-time homebuyer. Due to these limitations, using HMDA to

[10] Consumer Financial Protection Bureau

* Source: Federal Reserve Economic Data (FRED) St. Louis Fed

conduct market share reports, will likely result in under/overestimates of CHFA products in the market. With that said, it is still a useful comparison to examine CHFA's loans as it relates to lending activity in the market as a whole.

Figure 5. Home Purchase Loans for Owner-Occupied 1-4 Family Dwellings, CHFA Home Mortgage Lending, Unemployment, Connecticut



CHFA single family lending dropped off dramatically along with all single family home purchase lending activity in the State. While the economy has improved since 2007 and unemployment levels have dropped, home purchase owner-occupant lending activity has remained fairly stagnant, with some improvement since 2011. The state's homeownership rate since the economic downturn also reflects this stagnation. The homeownership rate in Connecticut peaked in 2003 at 73% and remained fairly flat between 2005 thru 2011 at approximately 70.5%. However, in 2011 the state's homeownership rate steadily declined to 66.5% in 2015, the lowest homeownership rate since 1994.[11]

The homeownership market in Connecticut is still in the process of recovery after the economic downturn of 2008. At the beginning of the economic downturn, there were 428 lenders that originated home purchase loans to owner-occupants in Connecticut, that figure dropped to 367 in 2010 as lenders exited the market or became defunct. By the end of 2015, 412 lenders had originated home purchase mortgages to owner-occupants in the state, nearing pre-recession levels. While the number of mortgage originators is near pre-recession levels, the number of home purchase, owner-occupant originations are not. Although there has been a slow recovery in home purchase lending between the 29,934 home purchase loans for owner-occupied, one- to-four family dwellings originated in 2015, it is still a far cry from the 47,350 originated in 2007.

[11] Source: U.S. Bureau of the Census