Blast Off With Public Data

Leveraging Home Mortgage Disclosure Act data can give your business a boost

By Steven J. Ramirez

The mortgage market is taking off, and competition is growing. Many banks and brokerages are intensifying their marketing efforts and looking for any available means of researching their customers — and their competition.

Online data can help you do just that, particularly data that's available through the Home Mortgage Disclosure Act (HMDA). If you're looking to blow past the competition, careful and dedicated analysis is vital.

Each year, banks and other financial institutions must provide regulators with comprehensive data about their mortgage lending as part of the HMDA. Although the HMDA was originally passed by Congress in 1975, it has been transformed as part of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

In 2012, there were 18.7 million HMDA records from 7,400 financial institutions. The Federal Financial Institutions Examination Council makes this database available to the

Steven J. Ramirez is chief executive officer of San Francisco–based Beyond the Arc Inc., a customer experience and advanced-analytics company that helps financial services clients differentiate themselves in the marketplace. Reach Ramirez at web@beyondthearc.net. Follow Beyond the Arc on Twitter at twitter.com/beyondthearc.

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public. Savvy mortgage banks and brokerages can use this information to gain better insight into what their competitors are doing and can use advanced data analytics to identify hidden opportunities therein.

Honing your approach

As your company shifts its focus to the purchase market, do you have a go-to-market strategy that enables you to identify the best product for each market segment tailored to the specific needs of every community in which you operate? The HMDA database has information on loan applications for the past three years. With the availability of ZIP code-level data, you can determine the type of loan that consumers are applying for most frequently.

Armed with information from the HMDA, banks and brokerages can start to ask certain strategic questions. For instance:

■ **How heavily should we be promoting jumbo loans?**
■ **Can we appeal to first-time homebuyers** in a particular market by emphasizing Federal Housing Administration loans?
■ **San Diego, with its legacy of military bases, has a high proportion** of U.S. Department of Veterans Affairs loans. Are we maximizing the opportunity in Groton, Connecticut, a region with a similar legacy?

Monitoring the competition

Tracking competitors and their transactions makes good business sense. In one approach to analysis, your bank or brokerage could start by identifying the market leaders in the 25 most populous regions across the country and then profile the loans that these other companies were most successful at closing. Using HMDA data, you could track the demographics of their customers and how that customer base differs across the various locations in which these organizations operate.

In this way, originators can essentially spotlight the up-and-comers — those emerging lenders that might not be largest in the market but are growing fast. Your analysis can additionally encompass correspondent lending, which in turn will paint a nuanced picture of various institutions' growth strategies.

Using Census data

In addition to HMDA data, mortgage companies can take advantage of available U.S. Census Bureau data to gain a richer understanding of each market. Census information starts with demographic basics like consumers' income, education and the number of children in their households, but there are several additional elements that might help you to identify certain unmet needs.

Consider, for instance, the financial characteristics about housing as reported in Census data: home value, typical cost for utilities, selected monthly ownership costs, real estate taxes and more. These characteristics are all available down to the Census tract level. Housing-inventory estimates, homeownership rates and characteristics of occupied housing units are other available metrics, as well.

In addition, there is data on physical characteristics such as the year a home was built, its number of rooms and bedrooms, house heating fuel, and the year the current owner moved in. When combined with HMDA data, this Census data can help you to paint a vivid picture of what is happening in local communities.

Identifying needs

At its essence, marketing is about helping to identify and meet customer needs. If you find a need and then meet it, your share of the market will increase. By applying advanced analytics, originators can determine more precisely what accounts for variations in market share. A strong local originator may be growing based largely on the penetration of a particular niche.

For example, consider a scenario in which an originator closes a disproportionate amount of loans with first-time borrowers and home values between $200,000 and $250,000. Let's also say that most of this originator's transactions are for houses older than 30 years.

After you've made these observations from the data, the key is to incorporate them into your business strategy. If a competitor has carved out a solid position, your organization can either find a way to win toe-to-toe or steer clear of hotly contested segments and instead try to pinpoint market needs that are not being met.

In the aforementioned scenario in which sales of older homes to younger buyers is a norm, could you capitalize on the likely need for home-equity lines of credit to finance home improvements? By understanding the causes of market-share variance, you can prioritize your resources and target their efforts.

You don't have to be a data scientist to analyze HMDA data and fuel your marketing efforts. A Web-based tool from the Consumer Financial Protection Bureau (CFPB) — available at sctsm.in/HMDA — makes it easy to construct fairly complex queries. You can set filters to view the data by year, loan type, applicant demographics, property location and a list of other variables. You also can quickly generate easy-to-read summary tables.

Of course, HMDA data can only reveal so much. Another key to understanding the patterns in HMDA data requires industry knowledge, such as your competitors' resources and marketing approach. Other sources of market intelligence may include consumers' mortgage complaints in the public database of the CFPB, and the frank feedback that consumers share via social media.

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The key to truly unlocking the value in HMDA data lies in taking action based on your analyses. Analysis-paralysis is your worst enemy in this regard. Start with a hypothesis about your market, use the data to reach a fact-based conclusion and develop an action plan in response to the observations you've uncovered.

The HMDA data for 2013 was released recently, making this a perfect time to review the latest updates. As competition heats up in the purchase market, this data can help you create the strategies to differentiate your company and win new business. ■