

# **COSTS AND BARRIERS ALONG THE U.S. MORTGAGE APPLICATION TIMELINE**

*A brief on home lending trends impacting starter home affordability reflected in the Home Mortgage Disclosure Act public data*

# 2020

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## ABOUT THE BRIEF

MESSAGE FROM THE FOUNDER

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Data Design Dimension, a Public Benefit Company registered in the Commonwealth of Pennsylvania, is a full life cycle data studio.

**Costs and Barriers along the Mortgage Application Timeline** is a report of research into how applicants exit the mortgage lending process. As part of broader ongoing research in American housing and real estate statistics, this report raises and explores questions with the intention of promoting more investment and solution building for a fair and ethical mortgage lending market and generational wealth building.

*People are the true brick and mortar of a neighborhood.  
- Crow, a neighbor*

Attainable homeownership has far reaching effects on housing security, and is a key to healthy and prosperous American families.

I welcome reader feedback on how this publication can be a more helpful resource. Please email comments or questions to [kathryn@dadeda.design](mailto:kathryn@dadeda.design).

I founded Data Design Dimension in 2020 to approach business and social challenges across a variety of domains. To see more about this and other open source public data projects, visit <https://github.com/Data-Design-Dimension>.

**Kathryn Hurchla**  
Chief Executive Member

# CONTENTS

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## ABOUT THE BRIEF

Message from **The Founder** 2

## OVERVIEW

Starter Homes **Defining the Situation** 4

## LENDING

Exiting Applications **When and How** 6

Flow Chart 6

Slope Chart 8

## CONCLUSION

9

## CITED & REFERENCED

10

## STARTER HOMES □ AVAILABILITY & AFFORDABILITY DEFINING THE SITUATION

October 2021

### REASON FOR A FOCUS ON SINGLE-UNIT HOMES

**A significant shortage of entry level homes exists and is crippling housing affordability.** Cited as one of the most important challenges for this industry by Sam Khater, a Vice President and Chief Economist for FreddieMac, this shortfall has been a result of decline in the construction of single-family homes beginning in the 1980s.<sup>[9,12]</sup>

*Even before the COVID-19 pandemic and current recession, the housing market was facing a substantial supply shortage and that deficit has grown. ... A continued increase in a housing shortage is extremely unusual; typically in a recession, housing demand declines and supply rises, causing inventory to rise above the long-term trend.<sup>[9]</sup>*

**- Sam Khater, Vice President and Chief Economist, Economic & Housing Research, FreddieMac**

Dramatic mortgage rate increases sparked this decline but it has not recovered throughout the decades since—failing to pick up in the 1990s and 2000s in step with rate declines and surges

in higher end homes. During the 2010s supply of entry-level homes decreased even more, a trend that continued in 2020.<sup>[9]</sup>

**Entry-level home supply has been shown to have a strong correlation with homeownership rates.** As Khater cited, corresponding peaks of these two critical rates during the 2000s showed this plainly.<sup>[9]</sup> As we again find our country with unprecedented and sustained low mortgage rates—homeownership still lagging—this research aims to shore up the prospect of owning a home.

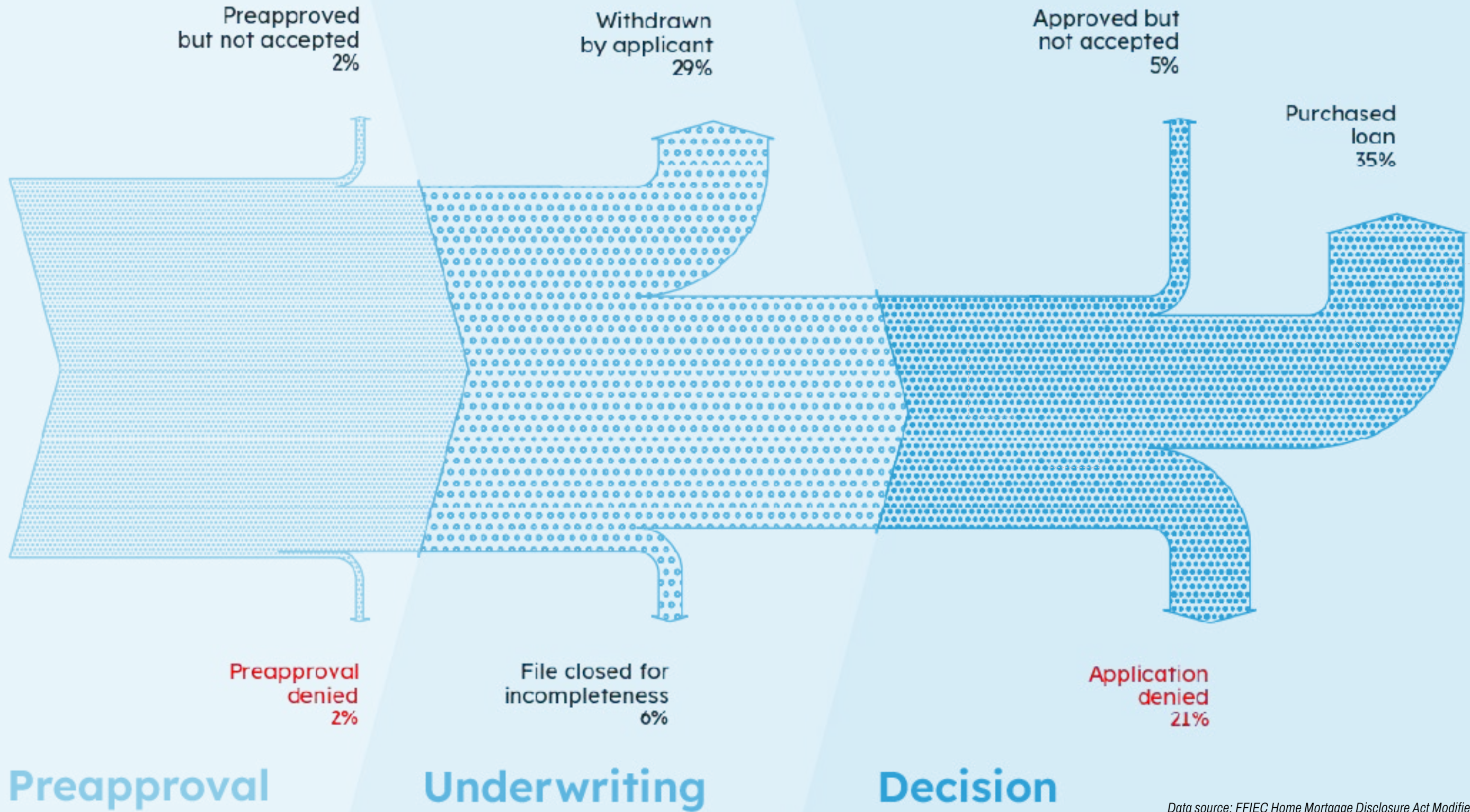
Why homeownership? According to Urban Institute analysis of 2019 American Community Survey data, the typical homeowner household spends 16 percent of its income on housing while the typical renter household spends 26 percent.<sup>[11]</sup>

While the single family home market has often been considered to include 1-4 units, sustained high prices relative to income put the prospects of a starter home in a single unit.

### KEY TAKEAWAY

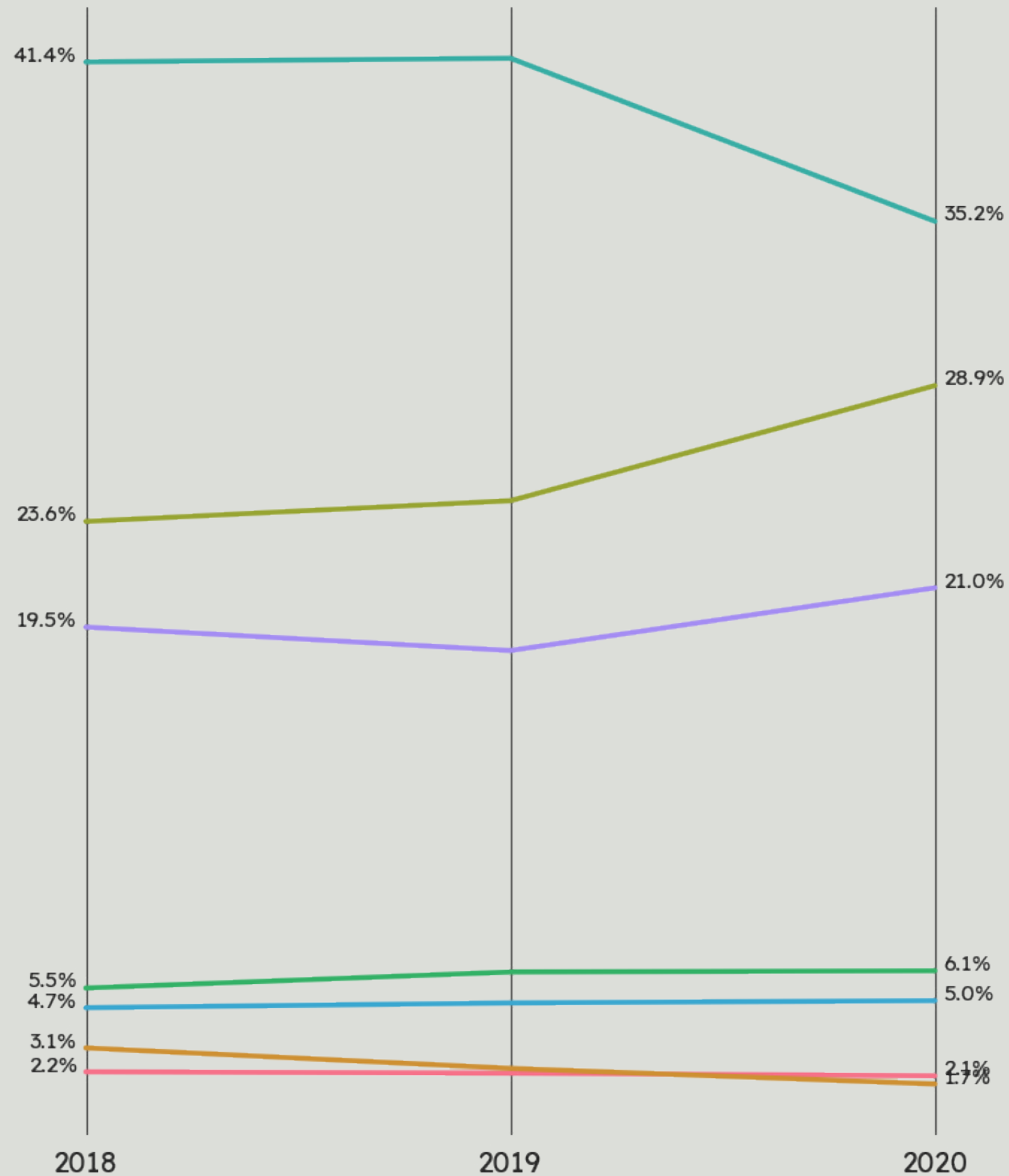
“**As the blocking technique in construction joins, fills or reinforces a building, this analysis seeks: gaps in understanding of homeownership barriers; and opportunities for policy and financial investigations towards a refresh of the blueprint for buying a home.**”

# EXITING APPLICATIONS WHEN AND HOW



Data source: FFIEC Home Mortgage Disclosure Act Modified Loan Application Register at [ffiec.cfpb.gov/data-browser](https://ffiec.cfpb.gov/data-browser)  
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### 3 Years of Change in How Applications Ended



- Preapproved but not accepted
- Preapproval denied
- Application withdrawn by applicant
- File closed for incompleteness
- Application approved but not accepted
- Purchased loan
- Application denied

### EXITING APPLICATIONS CONCLUSION

#### IN WHAT PART OF THE PROCESS LIES THE MOST OPPORTUNITY TO CLOSE GAPS?

The most noteworthy change in where single unit primary residence home mortgage applications were closed over a three year period was a **decrease in the number of applications that were approved but not accepted by the applicant**, which went down over six percent points, primarily making this shift between 2019 and 2020.

Although a larger percent of applications were denied, that group did not go up sharply.

**Applications withdrawn by the applicant during the underwriting process increased over five percent points.** Additional research will yield better understanding of where opportunities exist prepare applicants to be successful in getting a loan for a starter home.

Affordable homeownership needs a meeting of the minds across industries—lenders to loan officers, realtors, builders, and more—for novel approaches to bringing more families to the closing table.

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