



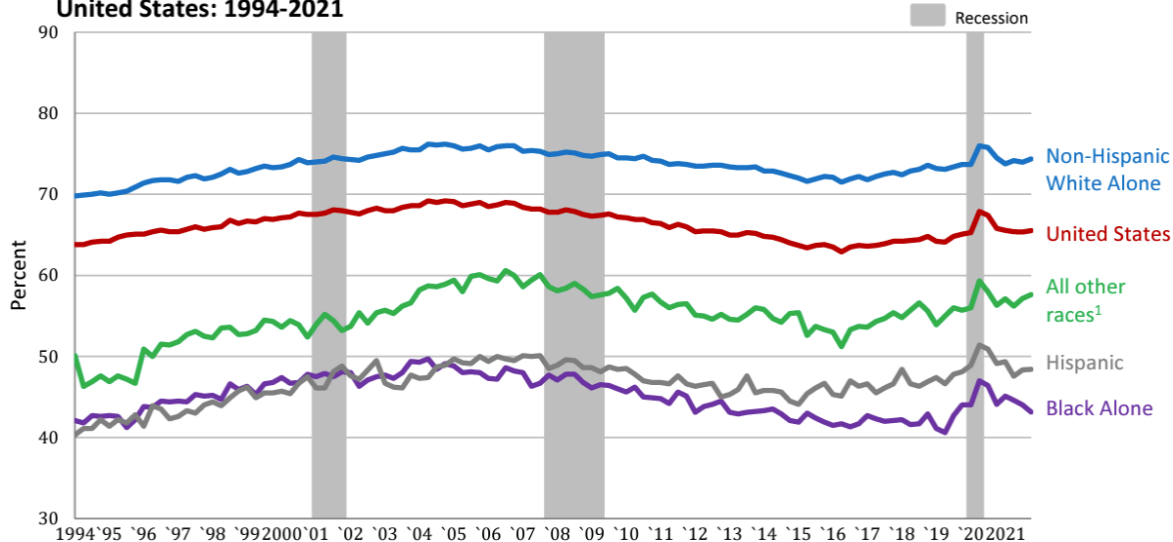
# WHY SPECIAL PURPOSE CREDIT PROGRAMS (SPCP)?

## Homeownership Gap Is Widening

- For decades, the gap in the homeownership rate between non-Hispanic Whites and all other race/ethnic groups has been widening. For Q1 2022, Census data showed the following homeownership rates:

- All Households: 65.4%
- Non-Hispanic Whites: 74%
- Blacks: 44.7%
- All Other Races: 56%
- Hispanic (of any race): 49.1%

Quarterly Homeownership Rates by Race and Ethnicity of Householder for the United States: 1994-2021

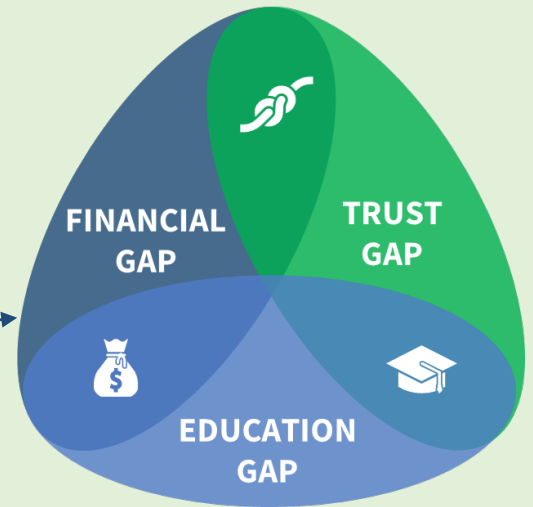


<sup>1</sup>Includes Asian, Native Hawaiian and Other Pacific Islander, American Indian and Alaska Native, and Two or More Races.  
Source: U.S. Census Bureau, Current Population Survey/Housing Vacancy Survey, March 15, 2022  
Recession data: National Bureau of Economic Research, <[www.nber.org](http://www.nber.org)>

## Data Show Continued Inequity in Credit Access

- A long history of discrimination, disparate treatment, and wealth, education, health and societal inequity have led to gaps in:

1. Financial Resources/Credit
2. Trust
3. Education



- The purpose of a Special Purpose Credit Program (SPCP) is to close the financial gap through loan products and programs that make it easier for historically under-served borrower groups to obtain financing.
- SPCPs allow for-profit lending institutions to consider the prohibited basis (such as race, national origin, or sex) of a potential borrower when offering to extend credit to a class of economically disadvantaged persons who, under the organization's customary standards of creditworthiness, probably would not receive such credit or would receive it on less favorable terms than other applicants.



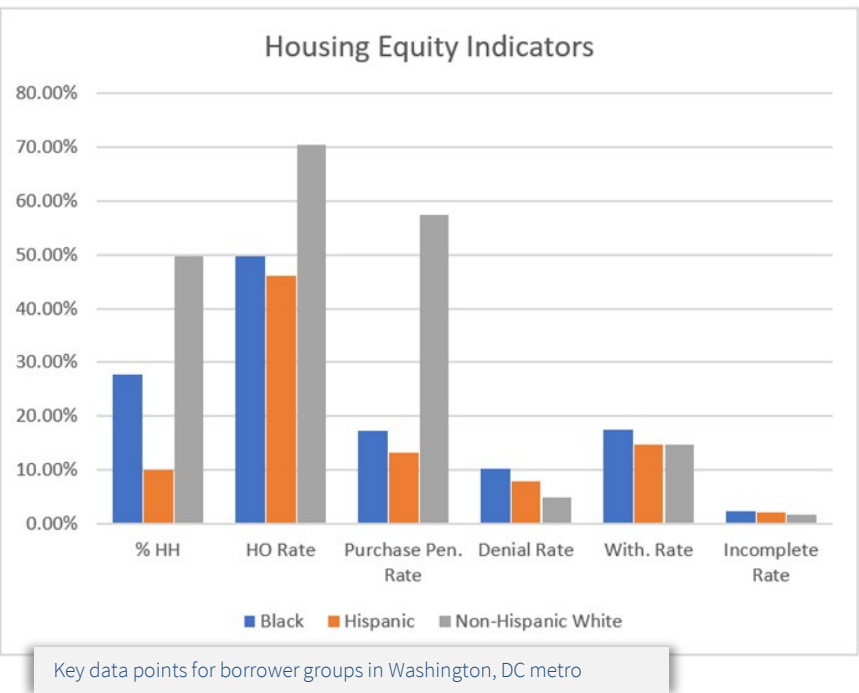
# IS THERE A NEED IN YOUR COMMUNITY FOR A SPCP?

A lender’s SPCP journey begins by determining whether there is a need for a special purpose credit program - for specific borrower groups or communities. Lenders not only have to perform a data-driven analysis, but they must share their findings in their written SPCP plan. iEmergent’s SPCP 360° solution blends historical, current and forward-looking market intelligence together to inform the analysis and to provide supporting data to include in the plan.

- ❑ *How have and will the characteristics of the people in the communities we serve change?*
- ❑ *How do homeownership rates and access to credit differ between borrower race, ethnicity and income groups?*
- ❑ *Is there inequity in credit terms and homeownership in my communities?*
- ❑ *Are there coverage gaps in how well our institution serves all households in our markets?*

## How We Help You Determine SPCP Need

- ❑ **PROVIDE and COMPILE KEY DATA**
- ❑ **PERFORM MARKET GAP ASSESSMENTS**
- ❑ **SUMMARIZE DATA CLEARLY BUT THOROUGHLY**



By Action	All Borrowers		Black Borrowers		Hispanic Borrowers		Non-Hispanic White Borrowers	
	Count	% of Apps	Count	% of Apps	Count	% of Apps	Count	% of Apps
Originated (Loans)	102,148	74.4%	17,728	67.89%	13,571	73.52%	58,683	77.2%
Withdrawn	21,121	15.4%	4,550	17.43%	2,729	14.78%	11,168	14.7%
Denied	8,879	6.5%	2,675	10.24%	1,436	7.78%	3,685	4.8%
Incomplete	2,671	1.9%	629	2.41%	400	2.17%	1,259	1.7%
Unbooked	2,335	1.7%	510	1.95%	314	1.70%	1,212	1.6%
Preapproval unbooked	45	0.0%	10	0.04%	6	0.03%	22	0.0%
Preapproval denied	31	0.0%	9	0.03%	4	0.02%	13	0.0%
TOTAL	137,230		26,111	19.03%	18,460	13.45%	76,042	55.41%
Households	2,358,999		652,558	27.66%	235,768	9.99%	1,174,583	49.79%
Homeowners	1,446,321		324,888	22.46%	108,723	7.52%	827,855	57.24%
Homeownership Rate	61.3%		49.8%		46.1%		70.5%	
Median Income	91,843		65,997	71.86%	67,711	73.72%	110,425	120.23%

Case Study: Lender ABC is considering creating a SPCP to help improve how well it serves Black and Hispanic borrowers in the Washington, DC metro area.

Insight: Data show that the # and % of minority households in DC is growing. They also show a wide homeownership gap between people of color and non-Hispanic whites, a large difference in the HH and loan penetration rates, as well as higher denial and withdrawal rates. See tables and charts above.



# HOW DO YOU DEVELOP A SPCP?

After identifying the under-served groups or communities you hope to target with your SPCP, iEmergent's market insight is used to help you better understand why these groups have been under-served and to decide what solutions and strategies your institution is best-suited to utilize in your SCPC. Like the information used to determine need, our insight can be shared in your written plan to support the design of your SPCP.

- ❑ *How should we define our market? Should our SPCP target specific borrower groups, geographies or both?*
- ❑ *What are the primary drivers of inequity in credit terms and homeownership in my communities?*
- ❑ *What can we do to remove specific barriers to homeownership for underserved groups?*
- ❑ *How can we level the playing field and equalize the opportunity for all groups of households to obtain financing?*

## How We Help You Build Your Program

- ❑ **PROVIDE and COMPILE KEY DATA**
- ❑ **CUSTOMIZE YOUR MARKET TARGETS WITH DYNAMIC TOOLS**
- ❑ **USE ANALYTICS TO HELP YOU INNOVATE and DESIGN**
- ❑ **SUMMARIZE DATA IN AN CLEAR, ACTIONABLE WAY**

**Insight:** Data show that Prince George's County and the eastern half of the District of Columbia not only have the highest concentration of Black households in the DC MSA, there is significant overlap between majority black and LMI tracts. In these tracts, the homeownership rate is typically far below 50%. Data also show that both the Black denial and withdrawal rates in these geographies are higher than those of non-Black households, and that this difference in denial/withdrawal rates is even greater for Lender ABC. More than one-third of denials listed the #1 denial reason as credit-related and another one-third listed DTI.

### Denial Reasons to Black Applicants

Reason for Denial: #1	Applications	% of Apps	Reason for Denial #2	Applications	% of Apps
Collateral	341	11.18%	Collateral	21	0.91%
Credit application incomplete	187	7.92%	Credit application incomplete	13	0.44%
Credit history	665	24.90%	Credit history	147	5.72%
Debt-to-income ratio	835	32.20%	Debt-to-income ratio	101	4.08%
Employment history	99	3.98%	Employment history	45	1.63%
Insufficient cash	122	4.27%	Insufficient cash	71	2.57%
Mortgage insurance denied	3	0.10%	Other	123	4.36%
Other	286	10.08%	Unverifiable information	51	1.93%
Unverifiable information	130	4.97%	(blank)	2,103	78.36%
(blank)	7	0.40%	<b>Grand Total</b>	<b>2,675</b>	<b>100.00%</b>
<b>Grand Total</b>	<b>2,675</b>	<b>100.00%</b>			

**Action:** Lender ABC's SPCP will focus on communities in Prince George's County and the eastern half of the District of Columbia – specifically census tracts designated as both LMI and Majority Black. To qualify, an applicant must either be moving to a qualified tract in those counties or identify as black and have an income within the designated LMI range. The SPCP will either raise the allowable DTI limits or significantly lower the minimum credit score if alternative credit sources are used to prove ATR.

Map shows overlay of LMI-Majority Black HH census tracts (dark red) in Prince George's and DC counties on heat map symbolizing black homeownership rates by tract.





# HOW CAN YOU ENSURE SUCCESSFUL SPCP EXECUTION?

Supporting your SPCP with comprehensive outreach, marketing, and sales strategies is critical to ensuring its success. Our comprehensive datasets include essential information about real estate listings and agents, potential community partners for collaboration, and real-time market share data to identify and recruit sales talent. With the dynamic maps and analysis tools in our Mortgage MarketSmart solution, your executives, managers and sales team can easily leverage diverse datasets to take focused action.

- ❑ *Do we have the right sales resources to bridge the trust gap with potential SPCP borrowers?*
- ❑ *What marketing strategies will we employ to educate and inform our community about our new program?*
- ❑ *Are there new community partners who will augment our outreach efforts to groups we've under-served in the past?*
- ❑ *Since our market is struggling with affordable housing inventory, which real estate agents will help us connect with borrowers who are actively looking for properties?*

## How We Help You Execute Your SPCP

- ❑ **PROVIDE and COMPILE KEY DATA**
- ❑ **USE DYNAMIC TOOLS TO IDENTIFY CRITICAL PARTNERS**
- ❑ **BUILD OUTREACH STRATEGIES BASED ON EVIDENCE**
- ❑ **GROW and SUPPORT YOUR SALES TEAMS WITH MARKET ANALYTICS**

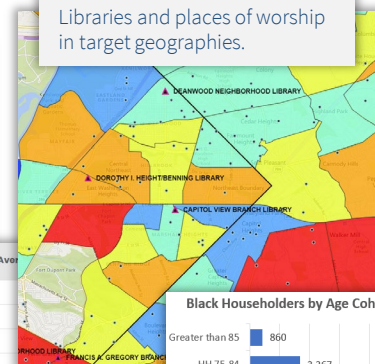
Active listings < \$400,00 in DC market; with listing and agent details on each

Rank in Loans	Name	Loans	Average Loan Size	Dollars Share	Loans Share
1	Rocket Mortgage, LLC	355	\$273,670	9.10%	10.77%
2	PennyMac Loan Services, LLC	135	\$245,598	3.14%	4.09%
3	First Home Mortgage Corporation	121	\$404,736	4.03%	3.67%
4	Wells Fargo Bank, National Association	96	\$275,995	2.51%	2.91%
5	Nationstar Mortgage LLC				2.73%

Lender and LO YTD origination and share analytics for targeted markets.

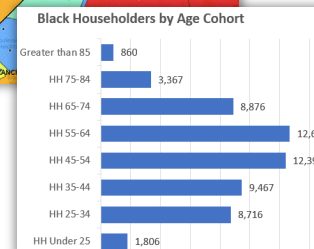
Rank in Loans	Name	Loans	Average Loan Size	Dollars Share	Loans Share
1	Dolores Emily Pol	192773	Capital Bank, N.A.	\$5,088,014	17
2	Christopher Cox	52028	First Savings Mortgage Corporation	\$8,393,495	13
3	David Shlomo Toaff	1065782	First Home Mortgage Corporation	\$4,403,325	14
4	Matthew Francis Borgerson	1213242	First Home Mortgage Corporation	\$4,083,056	12
4	Valentina Maria Wilber	1053529	Homespire Mortgage Corporation	\$7,197,089	12
4	Tina Louise Del Casale	181852	Sandy Spring Bank	\$4,568,183	12
7	Hillary Parham Legrain	370120	First Savings Mortgage Corporation	\$6,396,131	11
8	Gregory Kingsbury	476367	Vallum Mortgage, Inc.	\$5,489,139	9
8	William Leo Williams	206380	Finance of America Reverse LLC, First Washington Mortgage, LLC, Thrive Mortgage, LLC	\$3,093,571	9

Libraries and places of worship in target geographies.



**Insight:** Real estate listing/agent data, loan officer and lender YTD market performance, detailed demographics, and a list of community partners like churches and libraries in the targeted areas inform and refine the outreach, marketing, and sales strategies supporting the SPCP.

**Action:** Identified a need for additional sales resources, so ABC built recruiting list of MLOs with >50% of closed loans in the target market areas and hired a senior and junior minority-focused loan officer. Community outreach officer connected with area congregations to share information about the new program. From MLS data, ABC developed an on-going initiative to share SPCP info with realtors who have listings in the target geographies. Homebuyer outreach events were coordinated at local libraries to connect with the 35-54 age cohorts.





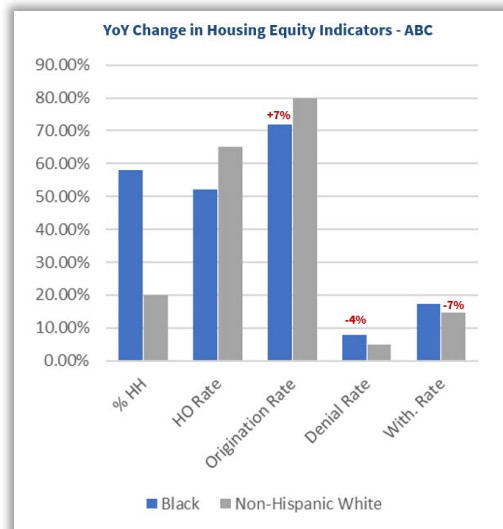
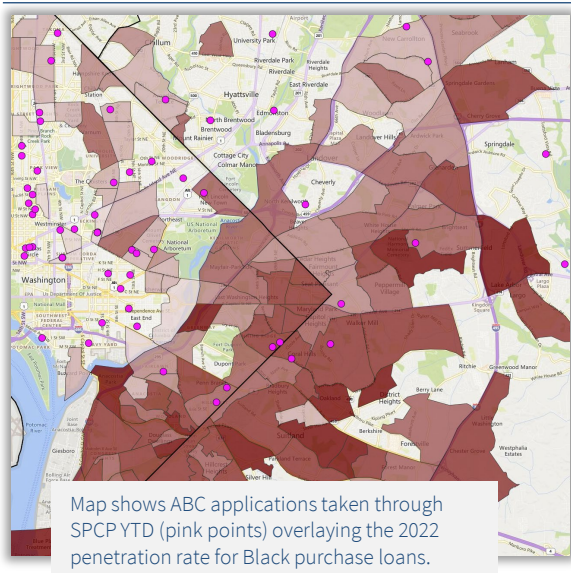
# HOW DO YOU MEASURE THE IMPACT OF YOUR SPCP?

From the beginning, it is important for you to identify how you will evaluate the success of your SPCP and mitigate any unintended disparate impacts it could have on specific borrower groups. The CFPB requires you to designate (and include in the written SPCP plan) a specific time period for the SPCP's duration or a date for reevaluation of the program's need. Using iEmergent's combination of historical, current, and future-focused datasets you can set shorter-term goals and milestones that ensure you achieve the long-term outcomes intended for the SPCP.

- ❑ *As the demographics and market conditions change, how can we quantify our SPCP's net impact?*
- ❑ *Are we decreasing the penetration rate gaps in applications and originations that exist between our performance and our market?*
- ❑ *Is the SPCP reducing our application fall-out rates by decreasing the number of denials and withdrawals for Black borrowers?*
- ❑ *Are there any unintended consequences or disparate impact that is the result of our SPCP?*

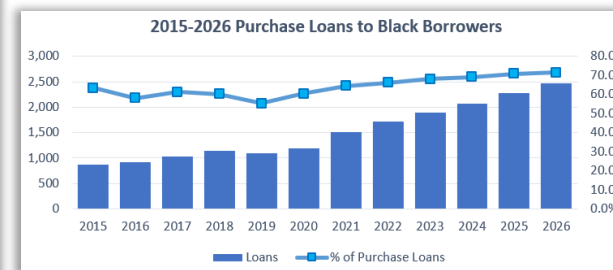
## How We Help You Measure SPCP Impact

- ❑ **PROVIDE and COMPILE KEY DATA**
- ❑ **MARKET FORECASTS QUANTIFY OPPORTUNITY**
- ❑ **FORWARD-LOOKING DATA INFORMS LONG-TERM OUTCOMES**
- ❑ **PROPERTY DATA HELPS TRACK INTERIM MILESTONES**
- ❑ **DYNAMIC TOOLS PINPOINT GAPS QUICKLY**



**ABC Black Lending Purchase Goals - SPCP (Goal)**

	2021 Loans	2021 Share	2022 Loans	2022 Share
<b>Moderate</b>	308	1.7%	555	2.6%
<b>Moderate Change (Diff)</b>			247	0.9%
<b>Moderate (% change YOY)</b>			<b>80%</b>	<b>51%</b>
<b>Aggressive</b>	308	1.7%	653	3.0%
<b>Aggressive Change (Diff YOY)</b>			345	1.3%
<b>Aggressive (% change YOY)</b>			<b>112%</b>	<b>77%</b>



**Action:** Examine monthly and quarterly performance by peer comparison, by reviewing changes in housing equity indicators and by pinpointing gaps in coverage. Compare YTD originations and penetration rates to goals to see if critical milestones are being reached. Scan for new penetration rate and market share gaps.

**Insight:** YTD evaluation of the SPCP shows that ABC has surpassed origination goals in most areas of the target market as denial rates have dropped 4 percentage points and withdrawals have dropped 7 percentage points. However, application rates have not significantly increased, indicating the need for an enhanced focus on outreach to increase education about the SPCP in PG county/DC region.