

# Redlining Case Study

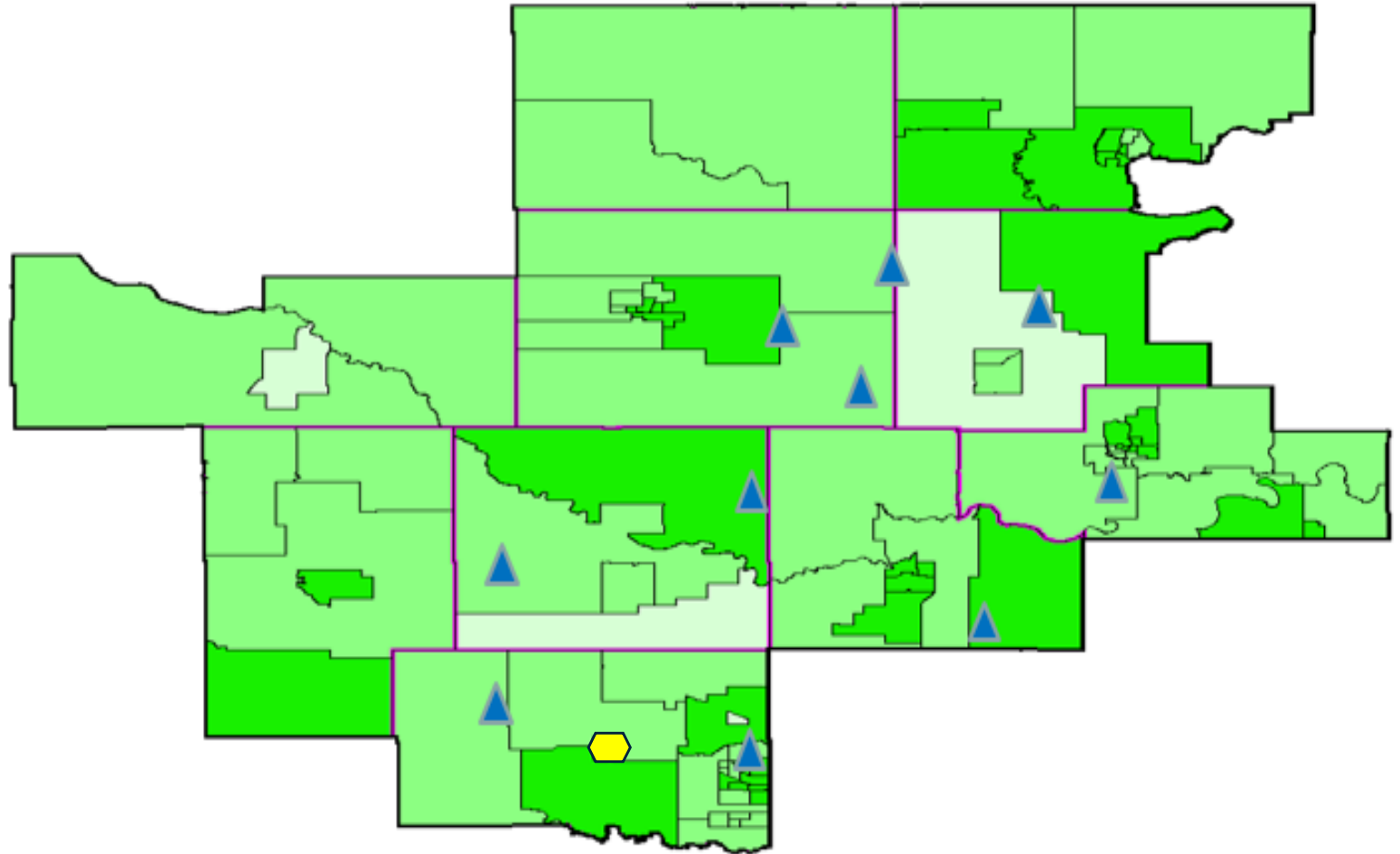
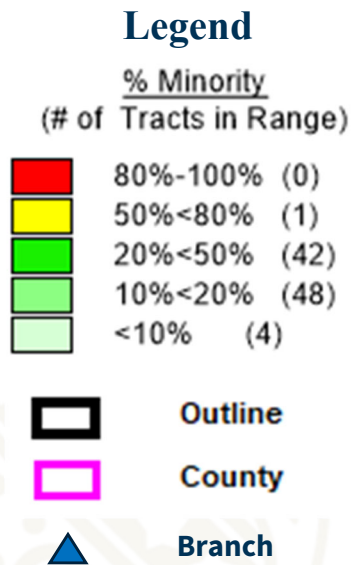
## **Bank Information and Background**

- The bank relies on mortgage loan officers that are located in branches to bring in customers
- The bank has relationships with builders and realtors who specialize in serving the area in which they operate
- The bank conducted targeted marketing campaign, which reached certain cities through social media
- The bank began working with new appraisers in anticipation of an influx in applications from marketing efforts
- Internal risk assessment deemed redlining risk as low; therefore, no fair lending audit was conducted
- The bank has a tenured compliance staff

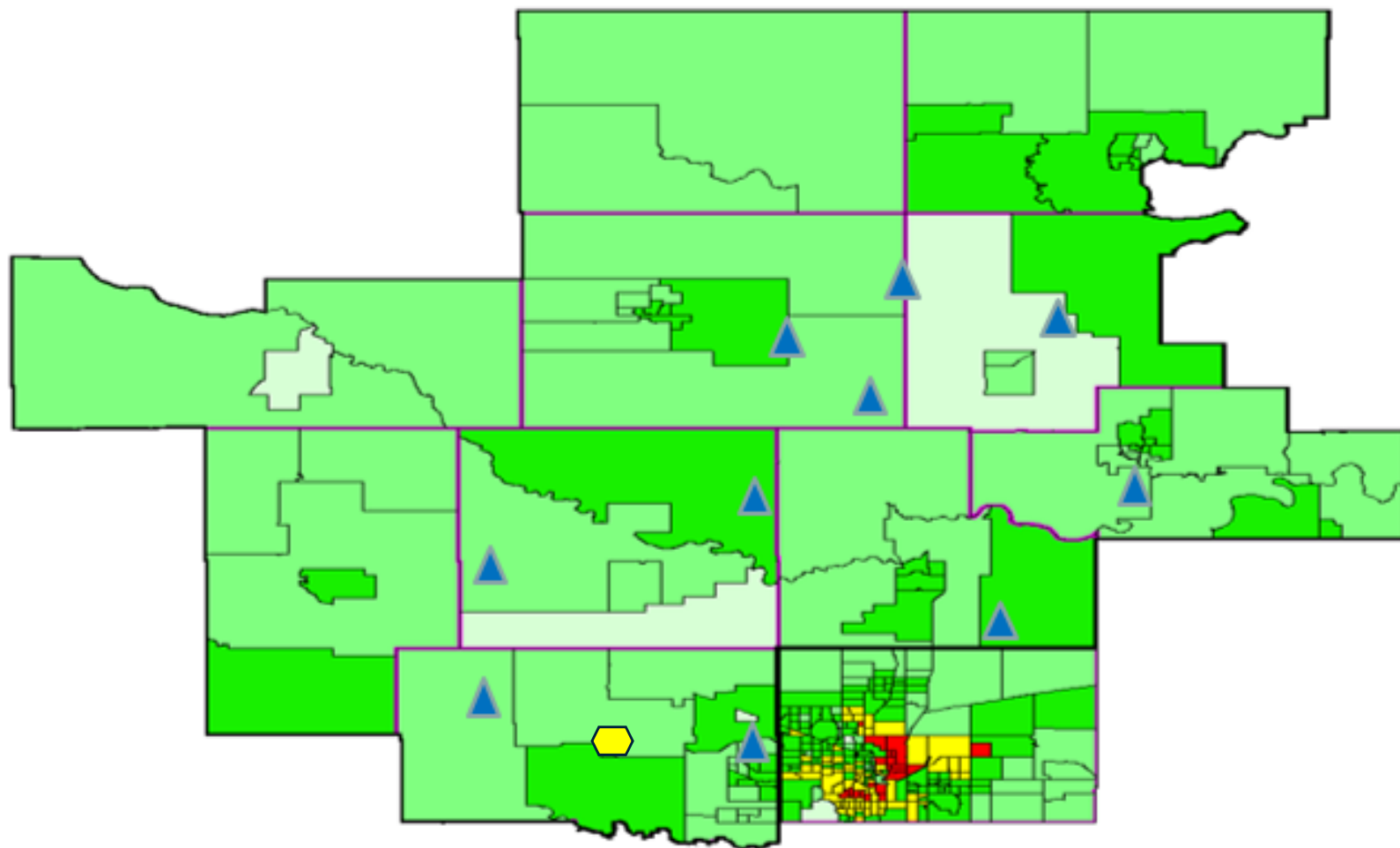
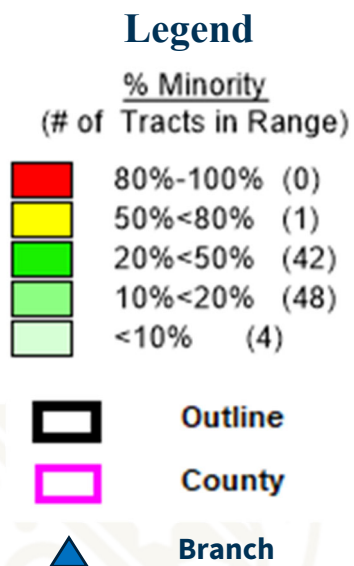
# Redlining Case Study – Exercise 1

1. Review maps 1- 4 and note your initial observations about the following maps.
  - a. The assessment area (Map 1)
  - b. The surrounding areas (Map 2)
  - c. The marketing efforts (Map 3)
  - d. The bank's loan activity (Map 4)
  
2. What do you think the Reasonably Expected Market Area (REMA) should be? Why?

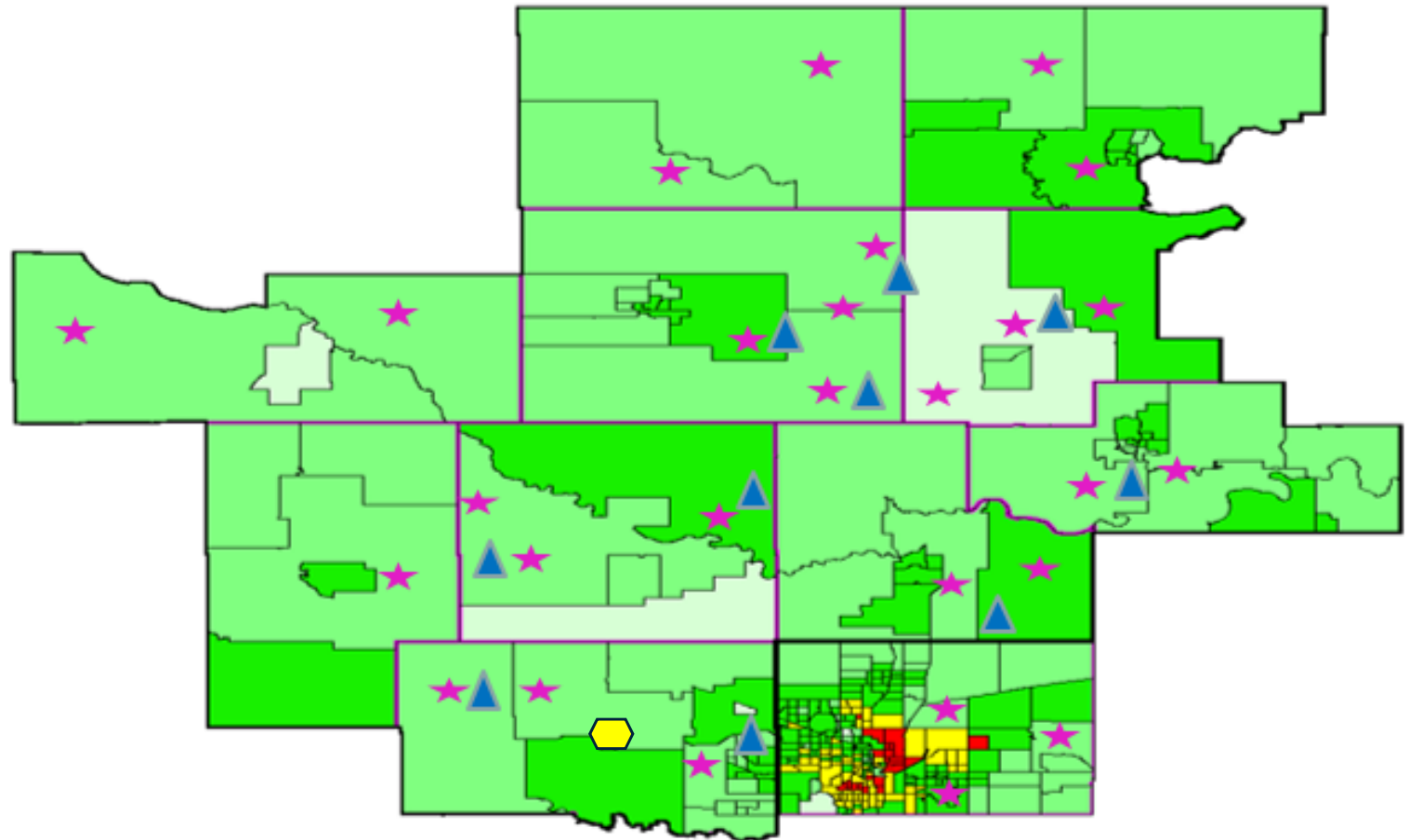
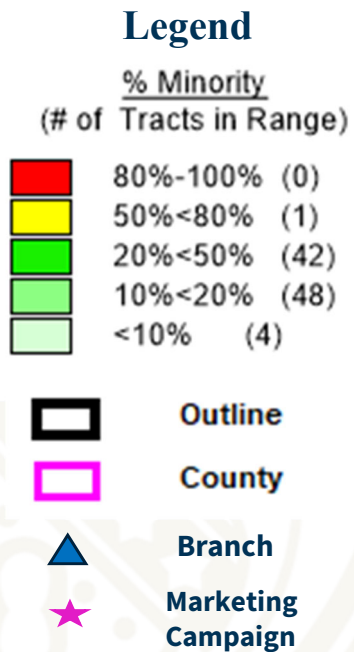
# Case Study: Assessment Area (Map 1)



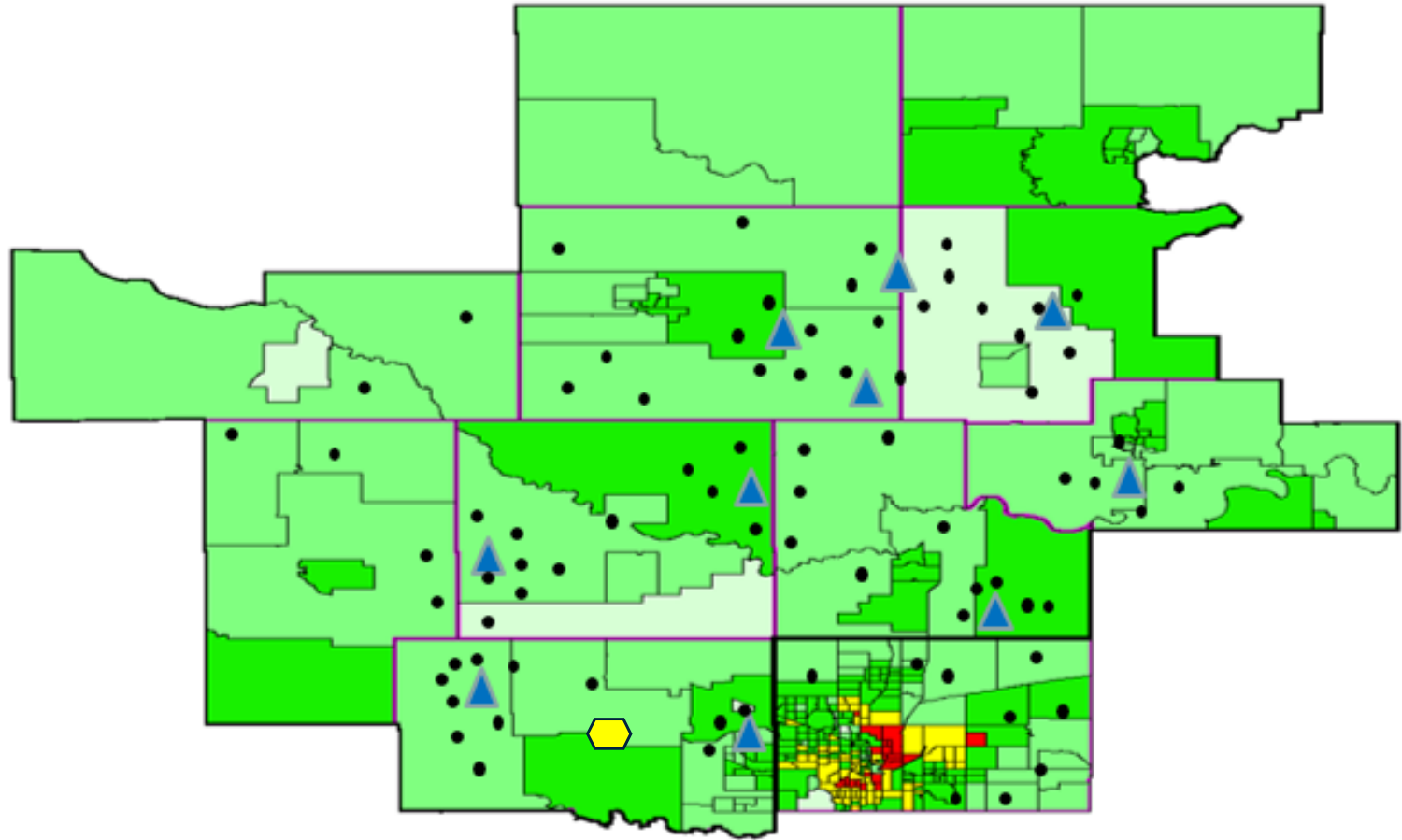
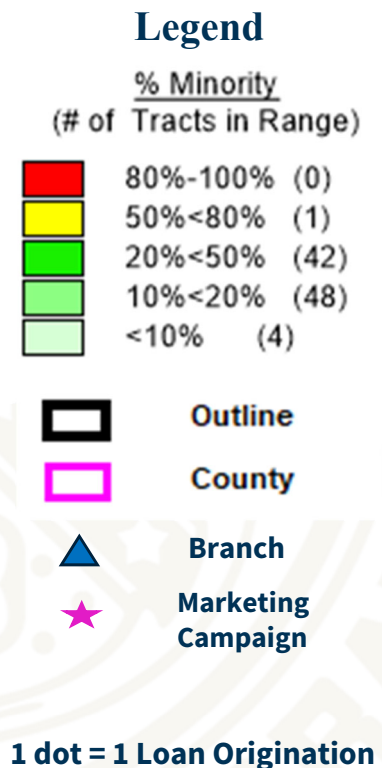
# Case Study: Surrounding Areas (Map 2)



# Case Study: Marketing Efforts (Map 3)



# Case Study: Plotting HMDA Loans (Map 4)

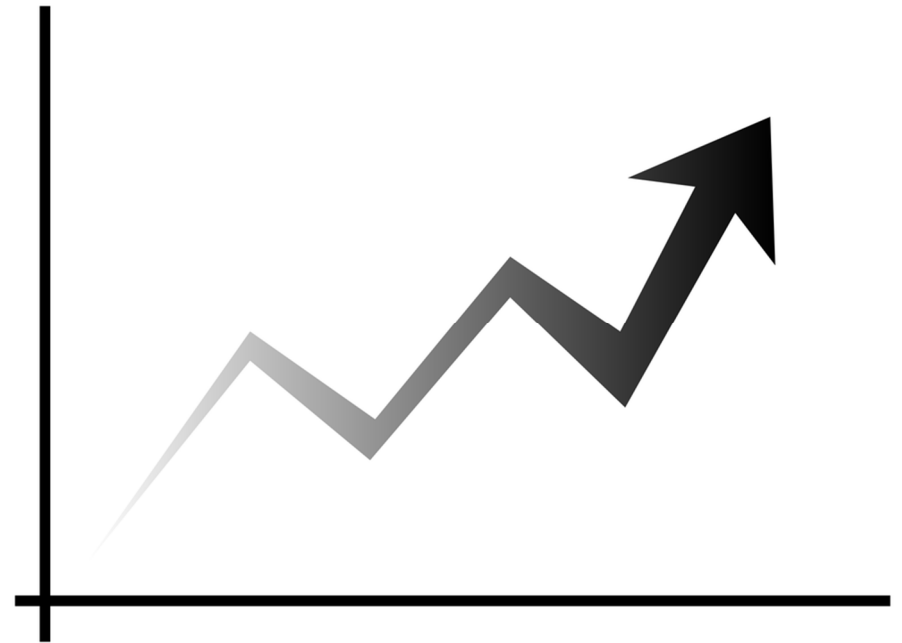


# Redlining Case Study – Exercise 2

1. Consider the Loan Processing Stats and review the Underwriting Report.
  - a. Note your initial observations.

# Case Study: Loan Processing Stats

- Over the past year, processing times have increased for home mortgages, with a specific spike in times for Black and Hispanic applicants
- Notable increase with Adverse Action, with Loan-to-Value and Collateral being the primary reason for Denial
- The level and need for Private Mortgage Insurance has remained relatively stagnant
- The bank received complaints related to low property valuations that were categorized as inquiries. Inquiries are not logged or reported to compliance.





# Case Study: Underwriting Report

Race	Originated	Approved Not Accepted	Denied	Withdrawn	Closed Incomplete	Purchased	Preapproval Denied	Preapproved Not Accepted	Total
	Count	Count	Count	Count	Count	Count	Count	Count	Count
American Indian or Alaskan	0	0	0	0	0	0	0	0	0
Asian	18	42	25	0	0	0	0	0	85
Black or African American	2	8	18	0	0	0	0	0	28
Native Hawaiian or other Pacific Islander	0	0	0	0	0	0	0	0	0
Two or more Minority Races	0	0	0	0	0	0	0	0	0
Joint Race	0	0	0	0	0	0	0	0	0
White	761	1,805	1,687	0	0	0	0	0	4,253
Not Provided	0	0	0	0	0	0	0	0	0
Not Available	244	537	677	0	0	0	0	0	1,458
<b>Total</b>	<b>1,025</b>	<b>2,392</b>	<b>2,407</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>5,824</b>

Ethnicity	Originated	Approved Not Accepted	Denied	Withdrawn	Closed Incomplete	Purchased	Preapproval Denied	Preapproved Not Accepted	Total
	Count	Count	Count	Count	Count	Count	Count	Count	Count
Hispanic or Latino	56	121	316	0	0	0	0	0	493
Non Hispanic or Latino	777	1,854	1,721	0	0	0	0	0	4,352
Joint Ethnicity	7	4	30	0	0	0	0	0	41
Not Provided	0	0	0	0	0	0	0	0	0
Not Available	185	413	340	0	0	0	0	0	938
<b>Total</b>	<b>1,025</b>	<b>2,392</b>	<b>2,407</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>5,824</b>

Significantly Higher: ■

Significantly Lower: ■

Control Group: ■

# Redlining Case Study – Exercise 3

1. What potential redlining risk factors did you identify related to the maps and underwriting report?
2. What possibly contributed to these risk factors?
3. What are some mitigating factors you may have for these redlining risks?
4. What questions would you have for management and the Compliance Officer?
5. What next steps would you take?
6. How would you document these observations and your discussions around risks?