



INSIGHT GUIDE

How LMI Consumers Can Grow Your Market Share and Revenue

Mortgage origination volume reached record highs during the COVID-19 pandemic as historically low interest rates fueled a refinancing boom. But as this wave recedes and interest rates begin to edge higher with recent shifts to purchase originations, lenders will need new pathways to growth.

One area to consider – which has recently shown more pronounced importance – is low-to-moderate income (LMI) borrowers. Fortunately for lenders, there are powerful tools you can leverage to identify and assist prospective LMI homebuyers. By doing so, you'll be able to help LMI communities close homeownership gaps and promote financial stability from generation to generation. This strategy may also help fulfill Credit Reinvestment Act (CRA) requirements while cultivating a stronger overall relationship between lender and borrower.

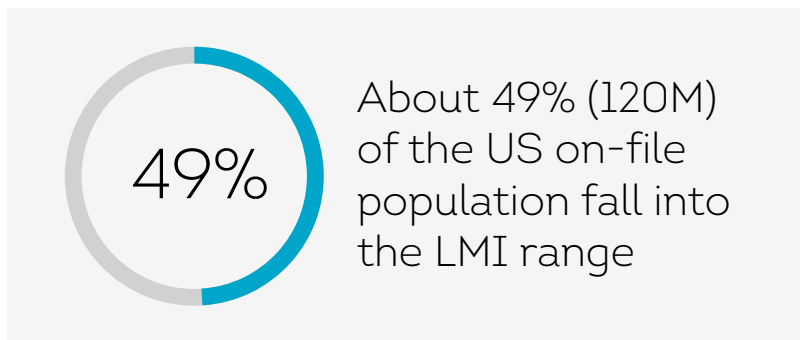


LMI mortgage market population sizing, key characteristics and study findings

To illustrate the substantial, untapped potential of credit-active LMI consumers to bolster mortgage portfolios, TransUnion conducted a study examining mortgage inquiry and origination behavior for the entire US on-file (credit-active) population. Covering the 12-month period through Q3 2020, the study segmented consumers by mortgage-specific credit score tiers and estimated income levels.

Overall, the results point to the LMI mortgage market's capacity for development and growth potential:

→ **Almost half of the total US credit-active population is estimated to be LMI consumers.** About 49% (120M) of the US on-file population fall into the LMI range, and 95% of consumers estimated to be LMI have credit scores that could qualify for a mortgage.



- **LMI consumers exist across all estimated income levels, and a significant number have high estimated incomes and credit scores.** Of likely LMI consumers, 65% have an average annual estimated income above \$50,000, including 65M between \$50,000 and \$75,000. Fifty million likely LMI consumers have credit scores above 680, while 25M score are 620-679, most of whom could qualify for a GSE loan. Another 16M have credit scores between 580 and 619 and could either be 3.5% down payment FHA credit eligible, USDA eligible, or potentially nurtured into GSE credit eligible borrowers.
- **LMI consumers live in all 50 states, in large numbers.** The estimated LMI consumer share of state populations ranges from 33% to 70%. Three of the four most populous states (California, Texas and New York) are majority LMI, with the third-most populous state, Florida, at 42% LMI.
- **There's a significant disparity in the number of likely LMI consumers with a refinance or purchase mortgage in comparison to the non-LMI cohort.** LMI consumers are 38% less likely to refinance and 34% less likely to be issued a purchase mortgage than non-LMI consumers.
- **Lenders taking steps to close this gap could contribute to approximately 1 million more refinance loans and purchase loans, and yield as much as \$300 billion.**

Strategic advantages for mortgage lenders

Even beyond the volume and creditworthiness of consumers estimated to be LMI, this market segment offers mortgage lenders several key advantages, including:

- ✔ Building loyalty in a customer base with emerging demand for a full range of financial products and services.
- ✔ Serving as a greater part of the solution to their communities' homeownership/wealth gap. This is becoming a more prominent community relations strategy given the focus of industry leaders like Mortgage Bankers Association Chairman, Susan Stewart. "Promoting safe and sustainable homeownership and closing the homeownership gap that exists within minority communities is my top priority," she said.¹
- ✔ Loans earning LMI credits can be sold at a premium in the secondary market.



¹ National Mortgage Professional, June 2021 - [MBA Endorses Black Homeownership Collaborative Plan To Significantly Increase Black Homeownership By 2030 - NMP \(nationalmortgageprofessional.com\)](#)

How lenders can capture a greater share of quality LMI consumer mortgages

Lenders can center LMI mortgage growth strategies on three objectives: 1) increase mortgage applications by LMI consumers; 2) guide near-eligible LMI consumers across the threshold for qualification; and 3) help ensure LMI applications receive funding.

TransUnion has developed [LMI prescreening and propensity modeling tools](#) that identify credit-eligible LMI consumers in your market who are most likely to apply for purchase mortgages or refinance existing mortgages.

Using advanced analytics, these tools also identify near-eligible LMI prospects who are likely to become eligible for credit on their own – along with those who could use assistance from lenders.

Even for credit-eligible applicants, the mortgage application process itself can be a barrier, especially for first-time homebuyers who may comprise a significant portion

of a lender's LMI population. Lenders should carefully review the mortgage application process and consider equitable solutions like FinLocker, a financial fitness app that supports consumers through a step-by-step journey to become mortgage ready. FinLocker leverages credit and consumer contributed data which the applicant can securely transfer to their originator directly from their FinLocker app, resulting in prefilled mortgage applications for lenders. This streamlined application process for consumers reduces the friction often associated with document procurement and application abandonment, and minimizes the chance of application errors that could derail decisioning. For lenders, prefilled applications from mortgage-ready consumers means less expensive application processing and ultimately results in a win-win outcome for lenders and consumers.

To learn how you can get more LMI consumers to apply for mortgages – and to help prepare them to get approved – visit transunion.com/industry/mortgage or contact TU_Mortgage@TransUnion.com.
