

United States Senate
WASHINGTON, DC 20510

January 11, 2024

The Honorable Marcia Fudge
Secretary
Department of Housing & Urban Development
451 7th St. SW
Washington, DC 20410

The Honorable Rohit Chopra
Director
Consumer Financial Protection Bureau
1700 G St. NW
Washington, DC 20552

Dear Secretary Fudge and Director Chopra:

Recent reporting has raised questions about Navy Federal Credit Union's (Navy Federal) mortgage approval rates of Black and Hispanic applicants compared to those of white applicants. We are writing to you to request that you review Navy Federal's mortgage lending practices and outcomes for compliance with the Fair Housing Act and the Equal Credit Opportunity Act (ECOA).

With total assets of over \$168 billion, Navy Federal is the largest credit union in the country.¹ Their 13 million plus members include servicemembers of all military branches, veterans, Department of Defense civilian employees, and their relatives.² Consumers often turn to credit unions, which are financial institutions built on the principle of member-ownership, for their family's biggest financial decisions. Members want to trust their credit unions. This trust is lost if they are not confident whether they are being fairly evaluated.

Recent analysis by CNN found that Navy Federal's mortgage approval rates varied significantly based upon the applicant's race, and that their racial disparities in approval rates were larger than disparities at other lenders. CNN's reporting found that Navy Federal approved 77.1 percent of conventional home purchase loans to white applicants in 2022, compared to just 55.8 percent of applications by Hispanic borrowers, and 48.5 percent by Black borrowers.³ When more than a dozen different variables were controlled for, including income, debt-to-income ratio, property value, downpayment percentage, and neighborhood characteristics, Navy Federal was still more than twice as likely to deny a loan to a Black applicant compared to a white

¹ "Credit Union Details," National Credit Union Administration, available at <https://mapping.ncua.gov/CreditUnionDetails/5536>

² "About Navy Federal Credit Union," available at <https://www.navyfederal.org/about.html>

³ "The nation's largest credit union rejected more than half its Black conventional mortgage applicants," Casey Tolan, Audrey Ash, and Rene Marsh, CNN, December 14, 2023, available at <https://www.cnn.com/2023/12/14/business/navy-federal-credit-union-black-applicants-invs/index.html>

applicant.⁴ Hispanic applicants were around 85 percent more likely to be denied compared to white applicants.⁵

Data Navy Federal reported under the Home Mortgage Disclosure Act (HMDA) show that it also denied mortgage applicants at rates higher than the national average, and Navy Federal's borrowers of color faced especially high denial rates compared to the averages for applicants of color.⁶ Navy Federal's Black conventional mortgage applicants faced denial rates more than 30 percentage points higher⁷ than the national average reported by the Consumer Financial Protection Bureau in 2022⁸, and its Hispanic white conventional mortgage applicants faced denial rates more than 26 percentage points higher than the average.⁹ By comparison, Navy Federal denied non-Hispanic white conventional mortgage applicants at rates 15 to 17 percentage points above average.¹⁰ Navy Federal was also more likely to deny borrowers of color who applied for VA loans – which are backed by the federal government – than the national average.¹¹

⁴ Id.

⁵ Id.

⁶ Data were retrieved from the Federal Financial Institutions Examination Council's Home Mortgage Disclosure Act Dataset for 2022, available at <https://ffiec.cfpb.gov/data-browser/data/2022?category=states>. Data include loans reported by Navy Federal Credit Union – LEI 5493003GQDUH26DNNH17, and reflect purchase loans for closed-end forward home purchase first-lien mortgages secured by one- to four-unit (single-family), principal residence properties. Denials reflect the share of applications on which a decision was made (loan originated, application approved but not accepted, or application denied) on which Navy Federal reported that the application was denied. Navy Federal data for Black borrowers include borrowers identified as Black or African American of any ethnicity. Navy Federal data for non-Hispanic white borrowers include borrowers identified as white and not Hispanic or Latino. Navy Federal data for Hispanic borrowers include borrowers identified as white and Hispanic or Latino.

⁷ Navy Federal reported denying 2,963 of the 5,711 applications for conventional loans received from Black borrowers where an approval/denial decision was made (51.9%). The CFPB reports that 16.2% of Black borrowers seeking conventional conforming loans were denied, and 20% of Black borrowers seeking jumbo conforming loans were denied in 2022.

⁸ The Consumer Financial Protection Bureau (CFPB) publishes annual analyses of HMDA data reported across all lenders required to report HMDA data. Table 4 of the CFPB's "Data Point: 2022 Mortgage Market Activity and Trends" includes home purchase denial rates across all lenders by loan product by race and ethnicity for 2022. The CFPB's denial rate calculations include closed-end forward home purchase first-lien mortgages secured by site-built single-family, principal residence properties. The CFPB's "Data Point: 2022 Mortgage Market Activity and Trends" is available at: https://files.consumerfinance.gov/f/documents/cfpb_data-point-mortgage-market-activity-trends_report_2023-09.pdf.

⁹ Navy Federal reported denying 426 of the 1,034 applications for conventional loans received from Hispanic white borrowers where an approval/denial decision was made (41.2%). The CFPB reports that 10.9% of Hispanic white borrowers seeking conventional conforming loans were denied, and 15% of Hispanic white borrowers seeking jumbo conforming loans were denied in 2022.

¹⁰ Navy Federal reported denying 2,062 of the 9,168 applications for conventional loans received from non-Hispanic white borrowers where an approval/denial decision was made (22.5%). The CFPB reports that 5.6% of non-Hispanic white borrowers seeking conventional conforming loans were denied, and 8% of non-Hispanic white borrowers seeking jumbo conforming loans were denied in 2022.

¹¹ Navy Federal reported denying 1,083 of the 3,788 applications for VA loans received from Black borrowers where an approval/denial decision was made (28.6%). The CFPB reports that 13.6% of Black borrowers seeking VA loans were denied across all lenders. Navy Federal reported denying 422 of the 1,602 applications for VA loans received from Hispanic borrowers where an approval/denial decision was made (26.3%). The CFPB reports that 10.3% of Hispanic borrowers seeking VA loans were denied across all lenders.

The Fair Housing Act and ECOA prohibit discrimination in housing and in mortgage lending. While it is appropriate for a lender to deny a mortgage application when the loan will not be sustainable for the borrower, those decisions are made based on a borrower's financial ability to repay the loan. It should go without saying that a person's race, or any other protected characteristic, should never be a factor. When denial rates for Black and Hispanic applicants at one institution appear to be drastically higher than the national average and higher than their rates for similarly situated white borrowers, it raises questions about whether its mortgage lending practices comply with federal fair housing and fair lending laws and regulations.

As the regulators with primary responsibility for enforcing ECOA and the Fair Housing Act, we ask that you thoroughly review Navy Federal's mortgage lending practices and outcomes for compliance with all federal fair housing and fair lending laws and regulations. Navy Federal's members have made countless sacrifices in their service to our country. We must do all we can to ensure illegal barriers are not placed on their path to homeownership. Thank you for your prompt attention to this issue.

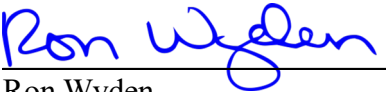
Sincerely,



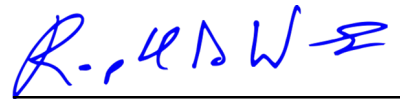
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Sherrod Brown
Chairman
Senate Committee on
Banking, Housing, and Urban
Affairs



Tina Smith
Tina Smith
United States Senator



Ron Wyden
Ron Wyden
United States Senator



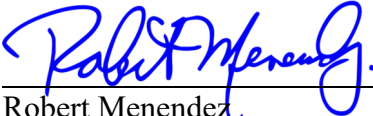
Raphael Warnock
Raphael Warnock
United States Senator



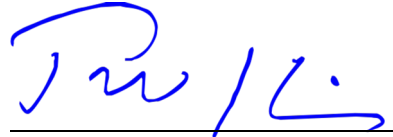
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