Home Mortgage Disclosure Act Public Hearing, September 16, 2010
Panel Two: Q&A

Elizabeth Duke:
I'm going to start again with the privacy question 'cause I think this is an important issue and I guess I don't find it entirely persuasive that people are able to discern individual information now and so we should make it easier and cheaper for them to be--for others to do it. So, particularly to those of you who use the data for your research, again the question of what are the ways that we can protect privacy of individual data and still provide data that's useful and that's usable by you in your research?

Marsha Courchane:
I can take a first stab at that one. I probably have done some fairly complicated regression analysis using all sorts of variables and I will say that in almost none of them have I ever used a continuous measure of LTV. I have almost never used a continuous measure of FICO. DTI for the last 10 years has never been predictive because it comes now documented. So, what could you do? Simple things you could do. For LTV, what really tends to matter to approvals and denials and to pricing are thresholds. So are you above an 80 percent threshold? Are you above a 95 percent threshold where fees matter for, say, FHA mortgages? So you can -- it doesn't matter if you're at 40 or 44 percent LTV, not at all. Not probably to approval, not probably to pricing. So you could produce LTV to the public in buckets, big buckets there. Above 80 percent and below would be helpful. Above 90 percent and below, you know, those I think you could easily do LTV. For credit scores, one of the things I hear most often is that while different lenders use FICO and some do tri-merge and some do something else. But you know what, almost every lender I've ever looked at in my exam time, in my Freddie time, in my current consulting time, they have a decision score they use. So be it the median of the six, be it the lower of the average of the six, whatever, they have a rule they use and they could report that rule. And for privacy, I think what you need to get is some way that people don't know exactly where you are but if each lender produced -- this borrower was in the lowest quartile of last year's FICO just our credit distributions. Each lender, even if it's custom, even if it's not FICO, even if it's tri-merge know was this is in the top tail of our credit distribution, the bottom tail of our credit distribution or something like that. So you could aggregate those kinds of things and make them publicly available I think without hurting privacy.

Michael Collins:
I'll just reiterate the point I made before this. There are variables that you feel, for example, now date is not--date of origination is not in the publicly available dataset. It's available to Fed researchers. Create a system so that you have a process so those, those resources can be used. And the thing I will just encourage you to think about is how will people exploit this? So property value could be matched to personal records in the accounting recorders and then maybe linked to a name. FICO got me -- some of these other variables. It's not so clear to me that there's actually a privacy concern there because you--in order for them to be a private concern, you got--only get to an individual and it's really the home value I think that home value and track and date that you could do some combination of matching around.

Elizabeth Duke:

Any other comments on that?

Angel Vitale:
From a lender's perspective, I would echo Marsha's [phonetic] comments though that the idea of using those thresholds and we can debate how broad those ranges should be, but it's true that we have lenders rely on those for making our credit decisions. Our investors, our loan purchasers tell us above 80 percent will or will not be approved or may or may not be priced differently. So, I think that again to address privacy concerns, those buckets of categories may prove useful on that regard.

Mike Long:
I guess--I would add one thing which is, to me it underlies the importance of collecting as much data as you can and not having the bank report the buckets because we're talking now about HMDA data that's gonna be used, at best, a few years from now, it will start to be collected. And so what's used--what's the threshold for credit score now may be very different from what's a threshold from credit scores. And the way credit scores are--the whole--lots of things may change. And so if the data's report are what the number is, what the system is, what if the Fed has that--the FIEC has that, they can just--you can decide on your own each year what are the most useful buckets to use. And I would--

Elizabeth Duke:
How would you react to the suggestion that it be tied to the--whatever type of score that the lender is actually using rather than a specific number or a tri-merge score, or a definition of a score that it be related to that lender's decision process?

Thomas James:
In terms of the public release, I mean I would think that the--We're interested I think in looking both at neighborhood issues and individual lender issues. And if you wanna get at the question of, are people with this credit score being treated different, you know, fairly, you have to have a measure of credit score, which is gonna be useful across lenders, and I would think again if the lender's report what method they are using, what credit score they've got using that method. I don't know exactly how you most best collect that or you collect that data. The Fed can then reduce--release results on a kind of universalized basis. Not just among of that lender, this is in the top quarter, but of all the lenders in the country. You know, this is the top quartile. This is the next quartile and so on. So I think the extensive work to be done by the Fed beyond just classifying but it means some analysis has to be done but I think there's a lot of potential along those lines.

Elizabeth Duke:
Okay, thank you and I promise that if the ground is not fully put out on reverse mortgages by the next round of questions, that I'll open with that.

Sandra Braunstein:
Okay, actually I was gonna start by giving Tom the chance to more than just touch on reverse mortgages, and if you had something you wanted to say back like [inaudible].

Thomas James:
Well, I certainly wanted to make you very aware that we see this as a major oncoming problem. The demographics are right there and we sued, I think since Jan. 2, reverse mortgage originators for their marketing practices. And you know, if I had a crystal ball, I could guarantee you that we're going to probably sue many, many, many more in the very near future for marketing practices and we're seeing, you know--niche products I think become like pay-option ARMs, become very problematic very fast. And this is certainly one that's well on the way to becoming one. And all the use of equity conversion products that are aimed at seniors are in the same problematic realm.

Kathleen Engel:
I can't help but do a little commercial because we also recognize the issues around reverse mortgages and as a matter of fact issued as you probably know for some proposed rules in August with new disclosures and some--they're having some unfair and deceptive practices proposing that even purposely to address some of the things that we see, so--just say that we're also aware that reverse mortgages are a big issue coming forward. I have kind of somewhat of a philosophical question for this panel and in particular I wanted to ask this because at least a couple of you either are currently such as Tom in like enforcement or previously were like Marsha in the enforcement arena. So, some of what we hear and we heard this morning from the panel had to do with, you know, the need for more data to help really determine issues of discrimination. And that's something, you know, of course we've been hearing for years if we only had more data, we could determine that through HMDA. Obviously what we have found as regulators -- and we're on the record with this; I've testified on many times in Congress -- is that currently as HMDA stands, we can't make a determination of discrimination just with HMDA data. It takes a lot more than that. And Tom, you, this morning just said a little while ago that you request when you go back in, you're requesting like 28 more pieces of information from lenders. So my question has to do with, you know, I know that there are, you know, requirements in Dodd-Frank obviously for like 13, 14 additional data elements. We're certainly looking at even additional data elements. I wanted to know what your thoughts were, any of the panelist, on--is HMDA ever going to be able to be used to really determine discrimination and if not, how do we--what do you suggest us in terms of expectation setting for people on, you know, when there is all of this additional data, the expectation may be that, okay, now we've got all these dataset, now we got you. And what is, you know, I think that's an issue going forward. I was just wondering what people think about that and like I see in particular people being in enforcement seen the other side of it. And I'm just curious about that 'cause I think it's a big issue going forward.

Mike Long:
My initial reaction is enforcement has a number of components. And certainly not only is there the critical element of having an empirical, that ability to make an empirical analysis which you need fine-grained data to be able to conduct. But there's also a very significant deterrence factor and I think that in the institution that's engaged in lending and we have, you know, concentration in the market now and then originations at least for the moment has to be very aware and have a very thorough process for consistently recalculating the effects that they have in the community and will these bare out in numbers that look like they're discriminating or how do you tell the difference, you know, when it looks like they're discriminating. So, there is a very important

deterrence factor, which for law enforcement is, “Oh, it's critical,” because heaven knows we don't have the potential to police everything. And so I wouldn't minimize the fact that making lenders and originators and secured [inaudible] very conscious of the fact that what they do has real consequences in the real world and that there are people who are looking.

Angelo Vitale:
From a lender's perspective and from a legal perspective, I don't disagree with Tom's comments at all. Really, it's more awareness I think than deterrence for legitimate lenders. It is looking at that and knowing that others are looking at that and saying there might be something here. These numbers tend to show us something but without using that data to conclude definitively that something can be determined. Rather it just--it opens up the discussion or takes it further perhaps to the subpoena for 20 additional data points or what have you, but it ultimately takes you into the content of the loan files I mentioned in my preliminary remarks. It's just sort of requires the deeper dive and my concern about producing some of the data or more data to the extent that folks use that and say I can look at one applicant in the sideways and credit scored, VTI, LTV, maybe some other elements that they were denied a loan and I can show 27 others that are at or above those same characteristics that were approved that that is in sum and substance proof of discrimination when in fact it's not, especially in an age of automated underwriting and the fact that you have to do multiple DU runs as income or other data changes or appraisal, you know, changes. DU points you down other paths to ask for different information, and so are--those seemingly comparative credit characteristics may not be comparative at all when you get into the loan file. So again, it raises awareness as more data is out there but it shouldn't be conclusory and folks shouldn't jump to that decision.

Marsha Courchane:
I'm gonna agree with both of them except that I wanna start off with a flat no. I mean I don't think HMDA alone no matter what we do to it is ever gonna be sufficient for finding discrimination or doing something about discrimination. I think it is necessary. I don't think it's efficient now and I don't think it's ever gonna be sufficient because you not only need to know the characteristics of the borrower, you need to know the loan product in detail not was it armed or fixed, or was it a broker or a retail. You need to know a lot to know how it was priced and whether the borrower met the conditions of the product. You need to know too much for HMDA to ever have enough in it by itself to be useful without absolutely violating all of our privacy concerns. It can't be done, but it can be suggestive, I agree, and the more you have, I think ,Sandy, at least the OCC, the Fed, everybody uses the HMDA data in part for the prescreening about even the exam deep dive. And the more information you have to better focus that deep dive, the better for everybody. But no, I think if we used HMDA as it is publicly for discrimination, it would be, you're responsible. So, I don't think it will ever work by itself but I think it can be better focused than it is now.

Jim Campen:
You know, as a social science researcher, I can--in one level I agree with that. You're not gonna be--don't have proof, but on the other hand I don't think any reasonable person can look at the findings of HMDA data in many cities around the country in the middle of the last decade and not believe that there was reverse redlining going on. I mean the racial disparities are so stark that it wasn't an accident. It wasn't like responsible cleared underwriting that made 5 times more,

you know, at higher percentage of the borrowers and heavily minority neighborhoods get high cost loans. I mean something was going on and well, it's not social science proof. It's--given everything else we know about the world, it's very compelling evidence, and I think that it should--you know, it's evidence that the--to me, the regulators were doing--not taking seriously the responsibilities of pursuing lending discrimination. And given the fact that we can, it is--even in a perfect world, regulators have limited resources and what their enforcement of fair lending laws needs to be supplemented by state attorney generals and by private attorneys and that an expanded dataset of relevant information that make--increases the initial--the initially, look, you can take to see, is it likely that there's discrimination. You know, legal sense to provide--will make it easier for attorneys, both public and private attorneys, to get to a finding of a discovery, you know, in a lawsuit. And I think that's an important news even though it's never conclusive in, you know, in a legal or a social science sense.

Mike Long:
Yeah, and I'd even submit that at least I'm pretty sure from my perspective that certainly in the past than probably even with the new dataset, you can't even really put together privatization case just from HMDA data. You got to supplement it with other things but you can--it's certainly persuasive indication if you've got the kind of stuff we saw, you know, published over the last few years. It's quite compelling that we should be out there making a case.

Sandra Braunstein:
Thank you very much.

Leonard Chanin:
Thanks.

So, what are the things we look at in terms of new data fields or existing data fields is really the cost of implementing those data fields versus the benefits. So kinda two parts, my question, one is it was suggested I think by Mr. Long about home equity lines of credit. There're some questions as to where those should be reported. They're currently voluntary in terms of reporting. Let's leave aside reverse mortgages for now, not to include those but is there value to, let's say, you mandate home equity lines of credit reporting of those. Is there value to that data in terms of usability of that data that would warrant the cost imposed in pulling those in? You just got through anyone who has views.

Thomas James:
Well, you guys are using the data. I'm just providing that, so you can use it.

[Laughter]

Thomas James:
Yes. My answer would be yes. We saw tremendous--I saw and I think you spoke to many assistant attorneys general who do this certain thing, tremendous abuse. And I think systematic abuse of HELOCs particularly simultaneous seconds and we, I think, in the last 10 years, we sued--what comes bubbling up immediately, we sued Household Beneficial. We sued Countrywide. And I think--well, at least those two, we--there were apparent abuses of

simultaneous seconds and piggyback loans, and all sorts of ways which I'd get into details some other time. And it would have been very helpful to have recorded data on those. You know, pulling down a hundred percent LTV at a simultaneous closing is almost always to us an indication that something is really amiss. And so having that reported would be very significant. We could target that kind of behavior because those are not what I considered the HELOC that I use for my, you know, everyday family purposes. So, yes.

Leonard Chanin:
Okay, Marsha?

Marsha Courchane:
I think yes. So here's why, at least under my read of Dodd-Frank it doesn't require CLTV. And while you have property value and loan amounts that you can proxy LTV, you can't proxy CLTV. And in approvals, denials and pricing, CLTV matters. And so even if you restricted it only to collect the actual amount of the draw, and I might restrict it. So if it's open-ended, not used, never used, it has much less meaning. You don't know what its value is gonna be 6 months out. But if you knew and could link it to be in a simultaneous second that affected CLTV at close, I think it would be very useful.

Mike Long:
From a lender's perspective by the way, I totally agree with that. To the extent that that was in fact a simultaneous second and the draw did take it to this 100 percent LTV, I think that would be very meaningful and very important to look at, but I think it's important that the description of the definition of how that should be reported and what should reported has to be very clear on that point. Because the extent I agree to open up HELOC but draw nothing down at origination again for all the reasons previously stated, it doesn't really tell you much about what it was used for or if it's ever going to be used?

Thomas James:
So you're just reporting the amount of available line that's gonna be of use not much.

Mike Long:
Not much.

Leonard Chanin:
Jim?

Jim Campen:
Yeah, I would say that there's great value and simplicity in the regulation and if the regulation criteria was if a loan is home secured it's reportable, and if it's not home secured it's not reportable and I think that's simple and that might reduce some of the burden. I think the issue of liens versus lines is interesting, but I would suggest to having a field where--when most reverse mortgages and for home equity loans, there are lines as well as liens and sometimes--and often it's both and I think it would be easy to have a field, which says is this a line--is this a line of credit? Is this is only a--is this a loan only? Is it a line of credit? Or is it a line of credit with

which during the current year there has been some actual loan amount? And not that all gets reported and I'm--there are various ways I think in which that data would be quite useful.

In general, the question you raised could--over and over we hear the question of loan burden and I don't really--I don't work inside a bank. I don't really understand the burden but my strong perception, the way the world is working is getting easier and easier, cheaper and cheaper to manipulate and process data, to collect and process data. And it seems to me all the data we're talking about is data that the banks have to have in their systems. I mean I don't know which of the--the banks got to have a consolidated loan evaluation. There's responsible lending, when do they do that? And it's just a matter of getting here from one place in their computer to another place in their computer and I think that's--it's ways the--it will be useful.

[Inaudible Remark]

Leonard Chanin:
Jim, you'll have to keep Mike separate over there. He's--

[Laughter]

Jim Campen:
But I think in so far as the Regulation C can designate what goes in the HMDA data in terms of a data that's already reported somewhere else in some other form, that's very useful thing.

Leonard Chanin:
Right. Mike [inaudible].

Mike Long:
Oh I'm quite certain that it would be very simple for Bank of America to reprogram their system to accommodate HMDA but it would probably be very difficult for the United Auto Worker 151 Credit Union in wherever Minnesota to have a system be able to capture the data differently than it's capturing to data conformed to HMDA.

[Inaudible Remark]

Mike Long:
These are not small issues for institutions that don't have depth and breadth and staff and resources and technology. So it is not an easy task for us to just, well, they want loan the value now. Okay, Jerry, flick the switch. I mean it really--it really doesn't work that easily, so.

Male Voice:
This--this--

Mike Long:
Although I can--I can say it's become easier, for smaller institutions it's difficult. For us, it's easy. We're a large institution, I have IT staff. But for the $30 million credit union or the $30 million bank, it can be problematic.

Angelo Vitale:
It can be done. It will take time and money.

Thomas James:
My impression is that each individual credit union, each individual small lender is not entirely on their own, that there are vendors who provide software services and advertise in commercial--in the industry press.

Mike Long:
That's the money part.

Angelo Vitale:
That's the money part.

Marsha Courchane:
Let me make a small plea for standardization. So here's what I think. The small lenders all find it hard and with it, the big lenders could flick a switch but I worked with some of those and it's really hard. They make mistakes, it's really hard. But I do find that once it's in HMDA and standardized and everybody knows the rules of the game as much as they can, then it's easier. So whatever it is, change at once, get a change to apply it and be really detailed and clear about the recording requirements, and it will take time and money but it can be done. But the standardization matters. It's way harder responding to five different regulators with different requests with non-HMDA data than it is to respond to HMDA data.

Leonard Chanin:
Thank you.

Michael Collins:
Mike, I was just--a general comment about the said, you know, voluntary data and also this issue that Marsha just raised about how well defined the data is. As a researcher, the first thing I do is I drop the variables where I'm not sure if they're, you know, valid. And so, anything that's voluntary I'm gonna just get rid of. I'm not gonna use it. It has no value for research. Similarly, if you have a field that's not well defined, if different lenders are interpreting it differently, I'm gonna drop it. I'm just not gonna use it. So, if it's not well defined, if it's not standardized and it's not mandatory, the only thing from a research perspective, don't even bother giving it to me 'cause the first thing I do is just toss it.

Leonard Chanin:
One final question, are there other fields that you find that are required that are not helpful today? Anything else? Or they don't warrant the cost?

Jim Campen:
I think that race fields 2 through 5 are probably expendable. That is right now people are not allowed to identify themselves as going to any or all of the five racial categories that the census uses. I don't use--you know, I might run to see how my people use more than one--identify one,

it's a very small number. And I think we lose--you lose, you could eliminate eight data fields. It comes by, you know, second, third, fourth, and fifth race for applicants. Second, fourth, and fifth race for co-applicant. I don't know if anybody else finds that data.

Marsha Courchane:
I use--I use one, two--I use all five and I find two--one, two, and three fairly frequently populated. So, but--that's just nine. I dump pre-approval. Never used it. Never looked at it. I don't find any value to it.

Leonard Chanin:
Okay.

Marsha Courchane:
I keep for what its worth reasons for denial. I know they came up this morning, I actually find it valuable.

Angelo Vitale:
But those are optional of course, so.

Marsha Courchane:
I know.

Leonard Chanin:
How valuable?

Marsha Courchane:
With it, it were mandatory benefit [inaudible].

[Laughter]

Marsha Courchane:
I like that one.

Michael Collins:
I will just--you know, one thing that--another chief category would be what happens to loans that are not originated or denied? You know, this idea for the withdrawn, there is valuable data there. The pre-approvals, I actually have tried to use a little bit for research. They're very challenging to use and it's probably not category of not useful enough to continue to track.

Leonard Chanin:
Thank you.

Kathleen Engel:
And my question may be a little bit impossible so I apologize in advance because I know it's always easier to regulate after problems have manifested themselves. I mean, that's why HMDA's response to redlining and the Dodd-Frank Act as a response to abuse of lending. But

having said that, we all know that the market is undergoing significant changes both because of what's happened in the financial sector and also because of the new regulations and laws, and we're certainly going to see new products of origin like the reverse mortgages really coming to the floor and lots to talk about shared appreciation, mortgages, and there're gonna be new ways for funding mortgages. I don't think the secondary market is gonna reappear in the same guise or form that existed in the past. So I'm wondering if -- and if you have ideas about ways that HMDA reform can and should anticipate changes.

[Pause]

[Inaudible Remark]

Thomas James:
That's a tough--you said it must be an impossible question, it's impossible answer. The crystal ball is just not clear for anyone. It's hard to say. I mean aside from hearings like this and processes like these, I'm not sure you can get out in front of trying to--

Mike Long:
And when people throw commonsense out the window, it's just very difficult to predict it at that point too.

Marsha Courchane:
Investor information. So I actually think it's a really hard question, Kathleen. It would that all of us had a crystal ball in 2003, but the detail on loan product, we did have conferences about that. It wasn't in HMDA, not everyone looked at it but we knew the products were changing rapidly. Secondary market is changing rapidly and knowing more about the investor than were they Fannie and Freddie or FHA would probably keep us well informed about the whole process of the loan. So, you have to, I think, look at the mortgage from the beginning thought of the debt to the end of the servicing. We all know that it's a complicated process now, and to the extent that you can include more information on more players, you know, that I think somebody talked about the non-depositories already. They're a player, and the brokers are a player. The investors are a player. And I don't know that we can predict what will happen but I know right now we're collecting a small bit of information on a small segment of the market, well, bigger this year than in others maybe. But thinking ahead to be able to cover more the process if you could think to that, I think it could be helpful.

Kathleen Engel:
Well, I have another quick question, going back to some of the comments about standardization. Every banker who I talk always talks about, you know, the regulatory burden. It doesn't matter how big they are and I feel sympathetic [inaudible] feel that, you know, all the school and camp forms for their kids now is what these kinds of burdens are like. But I'm wondering whether there are possibilities for standardization that would permit an overlap and one, you know, one database that would satisfy all the different needs of regulators and the increasing demands that the secondary market has placed. I was just looking at the American Securitization Forum's new look on what they're requiring for the--or recommending for the due diligence by investors. And if you look at those fields, they overlap this, you know, HMDA fields with other information as

they come in through FFIEC and if there's--if it's even conceivable to think that this could all be in one database that maybe was reported to FFIEC, then government agencies could reach it and grab what they needed that was relevant to their jurisdiction, and the lending institutions would have it to supply to the secondary market for the purpose of private deals.

[Pause]

Male Voice:
It's doable.

Marsha Courchane:
I think we are just talking about it off line. I've seen it too. It's very impressive. I mean what they are collecting is hugely--I mean very burdensome I would say, hugely detailed, really specific data and to the extent that that was gonna be shared with the regulators with [inaudible] could be really useful. I don't think HMDA can collect that kind of information, but it is a supplemental dataset. So I'm back to if there's a unique loan identifier and that's in their due diligence and it's also in this and the regulators and enforcers and those us working with it could link those two. It would really open up amazing depth that you would never get through changes on the HMDA reg.

Kathleen Engel:
Or maybe--or what I'm asking is it even conceivable that there is just one place where all that data gets dumped so that it's not simply linking that the lenders are providing that information to a federal depository that they can also use that same information for private purposes but--and then they'd have only one reporting requirement that regulators could then use that data as, you know, they see fit given their mandate. Is that conceivable, I mean from a bank? It's really from a bank perspective.

[Simultaneous Talking]

Angelo Vitale:
Yeah, I mean I'm hearing the voice of my high school football coach in my head, right, what the mind can conceive the body can achieve. It's conceivable, it's doable, time, money and all of those things. I guess from my perspective, it's important though that if we get to that point that there is consistency and uniformity across who is having to put that data in there, and I'm thinking of the National Mortgage Licensing System for example, and the difference between having to be licensed as a loan originator and just simply register as a loan originator. So, you're getting some data but you're not getting the big picture and I think you need to have consistency in those requirements. But conceivable, sure, I think it is.

Thomas James:
Yeah, if there were, you know, obviously proper controls placed on it, it would be you know somewhat beneficial just to be able to worry about one system to keep updated 'cause when, you know, the regulators come in, we got to provide them with different data. We provide different data to HMDA. We provide different data to this, that and the other, and so yeah, it would be nice if, you know, we provide at it one spot and you picked it out, how you wanted it to. But I

would hate to hear it happened where someone got a hold of that data that wasn't privy to it or had the right authority to get out 'cause it's very valuable data from a member's perspective or a customer from a privacy standpoint, you know. It's basically, you know if you look at a 1003 mortgage application, it's their whole financial picture laid out in one document. And to have that sitting in some database somewhere, some guy who's got a briefcase and leaves it at the airport, that would be a disaster.

Jim Campen:
And I'm worried about your guy in IT who might be, you know, going off the reservation too. I mean, this data is available and guys could find a way to get to it for bad purposes, I mean that's a reality even today. So, you'd have to have security and privacy safeguards first and foremost taken into account as you build this thing and all of the, you know, the firewalls and such.

Mike Long:
Practically speaking, I think that's where we're headed eventually. And my daughter is going to France next year, exchange program and I Googled the location and a picture of her to be address and I was--you know, I was sitting there as a 57-year-old dad thinking, my oh my. So I do think that practically speaking that's where we're gonna end up at a uniform database and we start it. We have to figure out now how we're gonna deal with that reality.

[Pause]

Elizabeth Duke:
Okay, I'm actually gonna continue down this line and in the interest of full disclosure, for most of my career, I was the one creating the data. And, you know, at the very elemental level you've got a human sitting there looking at--at the computer screen making a decision as to what to put into this field, and then you have programmers trying to create the appropriate fields. And so, you know, we're faced with a number of issues. I mean I--I mean discussions about what happens with HMDA data and discussions about what happens with data for securitization, I mean discussions about what happens with call report data. And then within Dodd-Frank, there's a new entity and if I get the name wrong, I hope whoever is doing the transcript will correct me, but I believe it's called the Office of Financial Research. But there is another entity created to collect data and it is in addition instructed to coordinate with other collectors of data and they are the issue with financial stability and then you have a requirement to do stress tests on a regular basis, all of which create--require data created in different form. So my question here is again philosophical in that, you know, we've talked today about HMDA data, but there are all these other pieces and so my questions is, you know, for your purposes, for HMDAs purposes, to what extent is it reasonable and acceptable to define fields in a way that--that may be, you know, less perfect for HMDA purposes, more perfect for--or fit all of the individual purposes for which our data will be used better. And to what extent--we know we've talked a little about timeliness of the data and, you know, that absolutely is a tradeoff with quality of data versus the timeliness with--for a time to scrub it, and timeliness of our proposal because I can envision situations where, you know, you can come out very quickly with some definitions but then those definitions could cause problems with respect to some of these other issues. And then lastly, I'm not sure if it has come up in this panel, I know it came up at the panel before but desires to link

to service or data go with link to one in performance data which again create sort of data match problems. Open for any comments on that.

[Simultaneous Talking]

Marsha Courchane:
Go ahead, Tom.

Thomas James:
You know I just think yes, 'cause the more standardization the better. HMDA is a highly imperfect dataset and to give up a little quest for perfection and a variable to get a variable as more widely used I think makes lot of sense.

Marsha Courchane:
And I was just gonna say it's critical, so I thought APR was a standardized field [laughter] and, you know, I had an examiner tell me this summer that APR is clearly a flawed field which as a researcher I don't disagree. The amortized is over 30 years, its flawed for some purposes but he wanted as to manually recalculate every APR in 20,000 loans making up some assumption he didn't care what on prepayment and default speeds. I mean I can't do that and I thought APR was standard, you know, so I think it's critical that it be standard. The field that you're gonna collect in Dodd-Frank points in fees. What's a bona fide discount point? I've had people argue about is it bona fide, how can you prove it's bona fide? Well, you bought the rate down, you didn't pay up, you know. What's an overage, what is a point in fee? So take any fee, it's called origination, it's called processing, it's called admin. There is very little standardization and making comparisons across lenders or in tracks or whatever you need, you have to be more clear and more standard and it has to be accepted. And if you can do that, Kathleen, then I think we could move to a uni--you know, a uniform large dataset, but right now it's too ad hoc, the regulators themselves don't agree. My cynical reaction to your question was in Washington, are you kidding me? But [laughter] you know if--if you could get uniformity and maybe the CFPB will be a way to start this, then I think you could get better data, more useful data and--but I think standardization is critical.

Jim Campen:
So--and we have two examples. I think for example with somebody--I think Geoff Smith this morning said purchasers of loans should report on the information about the nature of the loans they purchase. Well, if the purchase of the loan--if there is a universal loan identifier and they give--only have to report is the universal loan identifier and then you've got all identifier from HMDA. So I think instead of having one, in some ways instead of having one giant database, to have a number of linked databases which are really uniquely linked by one or two fields, you know, I think that would accomplish a lot. I think that in the case of right now when people get--buy from mortgages, they get mortgages, they get a--there's a HUD-1 disclosure and there is a RESPA disclosure, right, there's a TILA disclosure around and that's three or two but--and there's a mandate to try and get that down to a single form. And including whenever that net form will specify something about total fees, I'm sure somewhere. And with the form, the fields on that form when it is created should be the same fields they're using in HMDA. And I think that will be a big step toward uniformities. So there's general push toward, you know, uniformity,

standardization, burden reduction at the same time we're getting more data. We can I think in some ways reduce the total reporting--reporting burden.

Michael Collins:
I think just one reality check though is remember, we're talking about loans which are TIDA land [phonetic] which is governed by county clerks offices and that's a pretty dated system in a lot of places in this country. And so, how you develop a system that somehow both protects privacy and makes data accessible given that we're stuck with this sort of legacy system of deed registers I think is a big challenge.

[Pause]

Sandra Braunstine:
You talked about a lot of the--the questions that I have we've already covered. Leonard, now it’s to you.

Leonard Chanin:
So one quick question. I think more so this was raised specifically on the prior panel but I wanna--but has been raised a little more generally on this panel in terms of the life cycle of loans from beginning to servicing in life. My question deals with brokers and aside from let's pause it, designating the origination channel, whether it's wholesale, broker or so forth, is there anything else about broker loans that would be useful to have to require for those transactions? Because there is some suggesting, I think, earlier of either requiring brokers to report or requiring more information about brokered loans than the unbrokered loans. So, any views on anything else other than if it's, if the loan comes through a broker versus a retail channel and so forth? Jim?

Jim Campen:
I think that there should be two fields. I mean, one is, I think that Dodd-Frank mandates the loan originator, which is an individual which isn't registered under the SAFE Act and so on. But secondly, often that an individual who works for a company. It will be very useful to have the name of the company. I mean, if it's a course--it's either gonna be a course in many case--but large brokerage firm or a course bottom lender. In some cases individual, that's fine. A field could be blank but I think you want--it would be useful to have an information about the lending company, the brokerage company as well as the individual.

Leonard Chanin:
Okay. Other thoughts in terms of brokers?

Michael Collins:
Or just--a complication you're gonna have if you're gonna collect fees is that the lender for non-brokered loans the lender charges a fee. For brokered loans the broker charges a fee. Whether the lenders, the reporting body and the -- whether that will capture the broker fee is I think an issue. It's just something to think through how you're gonna collect these fees which are big in both cases but equally so on the broker side.

Thomas James:

And those fees are critical.

Marsha Courchane:
They are.

Thomas James:
Because their--the incentive structure that drives the sale, and that's the first place I go in an investigation, straight to that incentive structure in those fees. We have been collect--in I think 10 counties now. We have been collecting broker information on the very controversial 40, 50 database. But I can tell you we--and we tracked brokers and we track originators and brokers and it's been very telling and I think very effective in tracking a lot of abuse.

Marsha Courchane:
I want two things. I want a broker ID, a unique ID of some sort and I'm happy to have it at the individual level because one of the issues we face, well, I work for lenders a lot and there are these litigation suits saying you're responsible for the actions of a broker. Now, like I only got one loan from that broker, how am I responsible for those actions? So it'd be great to see what the broker was doing, but nobody knows 'cause loans go somewhere else. So I'd love to see a broker ID. I'd also like to see a specific field on the HUD-1 where one entered a YSP called a YSP or a broker fee called a broker fee. So it is very difficult if the data is not electronic in a form to figure out what those fees were. So, now there is better disclosure of course on the RESPA but having it again standardized to here is the amount, here is where we find it, here is what it is and here is who charged it, I'd find that invaluable.

Leonard Chanin:
Okay. Any other thoughts? Thank you. Yeah.

Kathleen Engel:
I want to follow up on something that you said, Mike, earlier about withdrawal with applications. I think you know we're moving from--we've gone through these different stages of too little credit, too much credit, and too little credit, and so I think that you know there are gonna be questions that are gonna come up in the application stage and I'm wondering if the things you've thought about that might be worth collecting related to the two little credit question in terms of HMDA.

Mike Collins:
Yeah, and much at what we've seen in terms of what people focus on is denial or approval and, you know, the incomplete application, the approved, the rejection, withdrawn are other important categories. I've used them as indicators of, well, relative financial literacy or of where the people are shopping around, whether they're influenced, whether they're under certain state policy regimes or not, so they're useful in that regard. I think the issue of what's a denial is one to think of little bit about that there are certainly lenders who told me anecdotes of, well, this wasn't looking so good so we made it into a, you know, an incomplete application or, you know, so there are these sort of definitial things that I think are important to consider. You know, I would love to see in the data some way that I can see that people are shopping around 'cause in--to some extent somebody who goes through and has 3 denials and an approval may be, they sort of

came to their senses about what they were looking for, you know, there might be an important process there. It may look, it may make some of the lenders look bad who are part of that process but for the consumer's pathway, it was probably a good process. The easiest way to do that would be knowing, you know, for refinancing you could look at the track and the date. We don't have that in the public data, accessible data. But, you know, it will be nice to use it as--use HMDA in some way to look at that shopping behavior which we currently can't do.

Elizabeth Duke:
Thanks. Let me ask, does anybody have any initial questions that you didn't get a chance to ask?

Kathleen Engel:
I have one more.

Elizabeth Duke:
Go ahead.

Kathleen Engel:
And this is--Marsha, you were saying that you really think that it's important to have some access to loan level data and I'm kind of going back to something we started with which is--so if what you're saying is that researchers should have access to loan level data, how do you deal with those privacy issues?

Marsha Courchane:
Well, like I said, categorize you know that I mean the simple answer is you can come up with publicly released data and most researchers don't need it in continuous form if you look at those 500 people--papers that Michael cited, most researchers don't use the detail down to the 670 and the FICO score. They use buckets, and they use large buckets. And so, if the--even if that's what's publicly available, then the researchers are getting a grip on basic credit worthiness. They're, you know, are you a 620 or an 820? Well, I don't need to know that. I need to know are you below 650 or above 800 and categorize it, you know, that's from a research point of view.

Kathleen Engel:
But will the researchers still have access to the home level data or am I mixing--I'm not--I'm just saying that.

Marsha Courchane:
Well, I'm saying in the publicly released loan level data doing the field with a categorical data, not the continuous dollar amount or the continuous ratios. So, don't put that to income at 0.39 in the public data, put it between 20 and 40, 40 and 60 and that's what you put out publicly. So you--I mean the regulators are gonna get it all anyway, I don't think that's the issue. It's the public release of it for privacy concerns, just categorize it for public release and it would be hugely helpful to researchers, press, community groups to learn more than if it's not made available at all.

Kathleen Engel:
Actually I just--I misunderstood you, sorry. I get it now.

Sandra Braunstein:
Actually, I do have one question. I'm particularly curious on this--for Angelo because your loans are done online work, okay.

[Inaudible Remark]

Sandra Braunstein:
So, you know, one of the things--and this came up I think in the previous panel, on the monitoring data, especially their race ethnicity, there are has been a fairly large amount of non-reporting 'cause it is voluntary. And I think it's even gotten worse over the last few years and I was just wondering, so people, if you're face to face [inaudible] make some kind of guess whether that's a good thing or bad thing can be debated. But I was wondering you're online, so you're totally dependent right on reporting or not reporting, you don't try to guess based on surnames or anything like that.

Angelo Vitale:
No, we did not.

Sandra Braunstein:
So, I was just wondering, do you know like what is the kind of level of non-reporting on that online? I was just curious.

Angelo Vitale:
Well, percentage, I don't off the top of my head. But it is fairly limited reporting. And I think that that's sort of indicative of the way folks feel generally about giving information that they don't have to provide. I mean you don't wanna have to give your social security number to someone unless you absolutely have to.

There was a comment on the earlier panel that if perhaps uniformity of the scripting by the loan originator who is going to say verbatim you do not have to provide this if you choose not to but the federal government, you know, request that we ask. I'm okay with the scripting thing, I mean people will deviate I guess and--but I wouldn't think for nefarious purposes, but I will tell you from a pure consumer point of view and a practical point of view, people do scratch their head and say, so why are you asking for this data? Well, because the federal government wants to know what's going on with respect to race. Well then, then you would know my race so then couldn't you discriminate on the basis of knowing my race? If you didn't know, you couldn't discriminate. You end up in that conversation fairly regularly, so I don't know if you know doing away with it entirely or it's uniformly scripting it will change the ultimate response rate we get so long as this is self reported.

Sandra Braunstein:
But on the flip side, the quandary of that is, is that that is the--a key field--the key field if we use HMDA as a fair lending tool which we do if the regulators do. This screening tool as we discussed pretty much at length a little while ago and so with that data stops getting reported, then it's of no use to us in that regard. So, I was just--

Angelo Vitale:
I'm sorry, if I could just--

Sandra Braunstein:
Wondering if there are already suggestions basically for how we could somehow increase the amount of that reporting.

Angelo Vitale:
I don't mean to be fastidious but I really wonder if that's what we're trying to accomplish. As a lender from an online loan application or a telephone one, I'm frankly not interested in the race or ethnicity of that client. I'm interested in their credit worthiness and whether or not I should make this loan and their ability to repay that loan. So I really don't wanna know that, I'd like--I prefer that my bankers not know it at all either. It shouldn't have any bearing in the outcome of the decision making process, and that's our goal.

Mike Long:
Well, and sort of in conflict too with some of the, you know, regulation under this consumer loans where if you happen to have a copy of a driver's license in a consumer loan file, the regulators go, "Why you have a copy of that driver's license? Are you discriminating or why did you need that?" So I mean it's sort of like it's contradictory in that case because it's like, well, on one type of loan you say, well, don't even consider race and on this one you're like, we wanted on everybody. It just doesn't seem to jive what's, you know--so it makes it difficult for us as lenders to try to sort through all that.

Elizabeth Duke:
Michael, you want--

Michael Collins:
I just--so putting I think those are valid issues and from a lending perspective that's something to think about. But from a social science perspective if you think about collecting data, there are rims of papers from psychology, from behavioral economics about how you ask questions, how you get people to answer questions. And I think the board even learned this with its process, the RESPA, of testing various forms and how people react to them. The current way you ask about race in HMDA is probably example of all the things you shouldn't do, right, the way it's--the way it's phrased and the way--and so it's no wonder that you get a low response rate. I mean any sort of basic survey course would tell you that's the wrong way to ask a question of consumer. So I will strongly encourage you to keep the data point but think hard about how you ask it and test it and, you know, really try to do some evidence based practice in terms of how you go about that.

Male Voice:
As you were answering that, it occurred to me in your behavioral research, I just realized if I order something online, I don't answer any of the optional keynotes. [Laughter] And there are some sites I don't go to if I don't like the required fields.

Male Voice:

Too bad.

[Laughter]

Michael Collins:
That probably is soemthing.

Elizabeth Duke:
Tom, did you have something you were gonna say about that point?

Thomas James:
I just realized, did I give my disclaimer? I'm supposed to say that my opinions are those of mine alone [inaudible].

[Laughter]

[Inaudible Discussion]

Thomas James:
The race to put in bold in the transcript and--

[Laughter]

[Inaudible Remark]

Thomas James:
So this jury will disregard the comment.

[Laughter]

Marsha Courchane:
You could of course just not collect your [inaudible] online data and collect it on. So you're coming up with the thresholds for reporting, so to meet Angelo's point, have a field. If it's online, don't collect it. If it's not, collect it.

Sandra Braunstein:
But then when you look at the overall data, I mean that's one of those things you would end up throwing out when you--'cause don't have enough.

Marsha Courchane:
Alright, we'd throw all online applications for race, yes.

Mike Long:
Well, if you wanna get at the data, I wouldn't throw it out because more and more consumers are applying online. I mean we're getting--

Marsha Courchane:
No, I'd throw it out for discrimination.

Mike Long:
--95 percent of ours start online. So I mean, you know, quick and obviously the leader of online applications, that was a compliment.

Marsha Courchane:
Thank you.

[Laughter]

Mike Long:
And even at the Credit Union it's like, you know, that's where consumers wanna go.

[Inaudible Remark]

Sandra Braunstein:
I guess the other thing that would still remain is looking at redlining issues in terms of geography. We could still do that even without the individual's monitoring information.

Jim Campen:
Just a guess--and the channel field which is gonna be mandated is mandated. You know, it couldn't be just be retail, correspondent and broker. There could be a code in there for online or telephone so that you can see, you can analyze this variable in relationship to the--whether it's online or not.

Male Voice:
To the reporting, yeah.

Kathleen Engel:
There's been some evidence that when, you know, the unconscious discrimination that can come up potentially with manual underwriting, so if somebody doesn't get an automatic approve or deny and then it gets shifted to manual underwriting, even in an online application there's a possibility that people could be influenced by race either, you know, intentionally or unconsciously.

Angelo Vitale:
I would prefer my underwriter not know that either. There's just no value in them knowing that.

Sandra Braunstein:
Thank you.

Elizabeth Duke:

Thank you very much. This has been quite a lively panel and we appreciate your information and your willingness and look forward to also many written comments that you wanna submit for the record. Yes.

Jim Campen:
Can I make one [inaudible]--maybe this is just very naive on my part, but I heard this panel and I heard of [inaudible] what some of the other panel said, seems to me there's pretty much something approaching anonymity on the lack of value and information on secured home improvement loans and the pre-application data. And even though doing a revised, you know, regulation C is you take a long time. It seems to me those--that's something that might be done very quickly and it might be something that could go into effect, you know, before or before ways of it changing data fields or adding new data fields, but these data fields could actually be dropped. I think none--I don't think it would make it more complicated for anybody. And it would be something that you could do. You could do it in a very short time period and have it take effect before any other changes.

Marsha Courchane:
There are many things I think we can do faster than we did. I wanna defer that question to [inaudible].

[Laughter]

Jim Campen: I said I may be naive.

Elizabeth Duke:
I'm sorry, our time is up.

[Laughter]