NATIONAL COMMUNITY REINVESTMENT COALITION NCRC

August 28, 2008

Jennifer J. Johnson
Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington DC 20551

RE: Docket No. R-1321

To Whom it May Concern:

The National Community Reinvestment Coalition (NCRC) expresses its support of the Federal Reserve's proposed revisions to Regulation C that implements the Home Mortgage Disclosure Act (HMDA). NCRC is an association of more than 600 community-based organizations that promote access to basic banking services, including credit and savings, to create and sustain affordable housing, job development and vibrant communities for America's working families. NCRC and our member organizations regularly use HMDA data to determine if lending institutions are meeting credit needs of minority and working class communities and to examine pricing disparities and possible discrimination in the lending marketplace. Robust data on high-cost lending is critical toward our investigations of lending trends.

The proposed changes to HMDA would improve the robustness of the high-cost loans reported in HMDA. The proposal would compare a loan's Annual Percentage Rate (APR) against a weekly prime average, as reported by a Freddie Mac survey. Currently, a loan's APR is compared against a Treasury rate. NCRC agrees with the proposal that the average prime rate in the Freddie Mac survey is an improved yardstick over the Treasury rate. The Treasury rate can change in ways that are unrelated to mortgage markets, meaning that the determination of high-cost loans using the Treasury rate can either under-state or over-state the extent of high-cost lending in a given year. The Freddie Mac survey avoids this difficultly.

The proposed Federal Reserve rule would use Treasury rates in calculating the fully-indexed rate for Adjustable Rate Mortgages (ARMs). NCRC encourages the Federal Reserve to investigate using the London Interbank Offered Rate (LIBOR) instead. According to the Federal Reserve Bank of New York's subprime data collection program, 99 percent of ARM subprime loans use the 6 month LIBOR as an index rate. In addition, the plurality of ALT-A loans use the 6 month LIBOR as an index rate.[1] For Alt-A loans, a blended LIBOR/Treasury rate may be appropriate. If the LIBOR rate is reported as frequently as the Treasury rate, the LIBOR may be a more reliable benchmark rate.

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[1] See the June 2008 national subprime data as reported by the New York Federal Reserve Bank via http://www.newyorkfed.org/regional/US_June_rv.xls

The Federal Reserve acknowledges that the Freddie Mac survey does not collect rates for as many ARM or fixed rate products as desirable. Therefore, the Federal Reserve proposes a complicated methodology of interpolation of rates for some of the loan products. The Federal Reserve should explore with Freddie Mac to determine if additional resources can be identified to increase Freddie Mac's collection of data for the full-range of loan products. Alternatively, as the Federal Reserve suggests, the Federal Reserve should explore the possibility of conducting its own survey to at least complement Freddie Mac's survey. Complete survey data on rates of various products improves the precision of using average prime rates as the benchmark rate.

The Federal Reserve Board proposes an implementation period of January 1, 2009 for the new HMDA rules. NCRC agrees that the implementation should occur as soon as possible to facilitate industry compliance with both Regulation Z and C.

NCRC urges the Federal Reserve to maintain its proposed coverage levels of the high-cost market. The Federal Reserve estimates that the new high-cost definitions would cover virtually all of the subprime market and a portion of the Alt-A market. Comprehensive coverage of this nature is necessary to enhance transparency in these markets. A major contributor to the current foreclosure crisis has been a lack of transparency, thwarting the efforts of consumers, regulatory agencies, and community organizations to monitor lending practices. Lastly, NCRC reiterates our call for additional elements in the data, including information on loan fees, loan-to-value ratios, debt-to-income ratios, credit scores, and other loan characteristics to further the transparency and the effectiveness of the data.

Thank you for this opportunity to comment on this important matter. If you wish to ask us any questions, please feel free to contact Josh Silver, NCRC Vice President of Research and Policy, or myself on (202) 628-8866.

Sincerely,

John Taylor
President and CEO