

From: Amarillo National Bank, Chris Newell
Subject: HMDA - Notice of Public Hearings

Comments:

Please accept our comments regarding the hearings on potential revisions to Regulation C.

July 6, 2010

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

Re: Docket No. OP-1388

Dear Ms. Johnson:

Amarillo National Bank submits this comment letter in response to the public hearings on potential revisions to Regulation C. We are unable to attend any of the hearings scheduled but would like to comment on the questions raised in the Federal Reserve Notice. ANB appreciates the opportunity to share our views on the Proposal with the Board.

Amarillo National Bank is a \$2.7 billion asset bank located in the Texas Panhandle. We have worked hard to gain a 46% market share for mortgage loans in the community we serve. Our HMDA submission each year averages about 3800 records but this year increased to 5500. We have automated our data collection but must manage the scrub manually. Our data integrity record has been excellent for the past ten years but only with labor-intensive scrub. We have one full time person managing the data collection software and scrub. These hours do not include those needed during the application process. We estimate that it takes 30 minutes per application to collect and input information for data collection and another 40 hours per month to review the application process for data collection. Collectively, we estimate that it requires between 5,000 and 6,000 hours annually collecting and submitting data for HMDA. In addition to the expense of person-hours, an audit team covers the regulation and we have the expense of maintaining submission software.

Comments:

What, if any, additional data should be collected?

A list of data will never adequately tell the story about the particular loan application. It will always be lacking in some manner. Using a universal list of data also does not take into account individual lending underwriting practices of funding institutions in different markets across this diverse nation. We need to draw the line somewhere that there is enough data to accomplish the three goals of HMDA data reporting. The Fair Lending review especially demonstrates this since each loan file contains unique information that explains number data.

What are the benefits, costs, and privacy issues associated with requiring lenders to report, for example:

Underwriting data such as borrower's credit score, loan-to-value ratio, combined loan-to-value ratio (i.e., including both the reported loan and other debts), and borrower's debt-to-income ratio;

Borrower's age'

Loan originator channel; and

Rate spreads for all loans, instead of only for higher-priced loans

- Again, the extra data mentioned in these categories will not be indicative on a national basis of the particular credit underwriting practices in a market and by lender. ANB uses credit scores from all three major bureaus but not consistently. Bureaus are dependent on reporters. A reporter may report to only one bureau, which creates scores that are not always the same for a particular borrower.
- We do not use housing loan-to-value in our home equity or home improvement products, rather we use combined loan-to-value. We use both in our purchase and refinance of purchase products.
- Debt-to-income allowances can vary based on the residual income available. Comparing particular market pricing to a national average is also problematic possibly skewing the data indicators.
- We do not collect borrower's age but do collect date of birth. Dates of birth along with credit score information and location of the property would lead to reporting personal information that would create privacy issues.
- We do not use brokers and have only one originator channel. We do sell loans to GSE's, sales of which are already captured by current data collection requirements.

Should brokers and non-lender loan purchasers be required to report HMDA data? Should other types of institutions be required to report? If so, which types?

We feel that all HMDA reportable 1-4 family secured loans regardless of broker, lender or purchaser and wherever located including non-MSA locations, should be required to be reported unless the number of loan applications is minimal. We suggest that 250 applications per year should exempt any reporter. However, unless these other players are examined by a regulatory agency, the data integrity could be compromised and be useless.

Should any types of institutions be exempt from reporting?

We suggest that a minimum number of loan applications should qualify to exempt an institution not the type of institution.

Should the rules governing who must collect and report HMDA data be revised in other ways? If so, how?

We have no additional comments.

Should other types of mortgage loans be reported/

Should any types of mortgage loans be excluded from reporting?

We believe the current mortgage types, purchases, refinance and home improvement secured by 1-4 family dwellings required to be reported accomplishes the three purposes of HMDA, namely community housing needs, targeting needed investment and identifying possible discriminatory lending patterns. Extended the coverage to other mortgage types would not accomplish the HMDA purpose. Loan purposes other than what is required to be reported currently can be difficult to identify. Generally, banks collect general category purpose by "business" or "personal, family or household use" if not a purchase or refinance.

Should the rules governing which mortgage loans are subject to reporting be revised in other ways? If so, how?

We have no additional comments.

Preapprovals:

Do lenders use preapproval programs as defined by Regulation C?

Amarillo National Bank has a preapproval program defined by the regulation.

Is there a benefit to requiring lenders to report on these programs?

Generally, our applicants use preapprovals to supply to realtors evidence the ability to secure a loan in a particular amount and to budget purchases.

How could the definition of preapproval program be modified to be easier to apply and to make reporting more useful?

We believe the current definition captures the usefulness of the data. It is not problematic for our bank to apply.

Compliance and Technical Issues:

What are the most common compliance issues institutions face under HMDA and Regulation C?

- Coverage of temporary or bridge loan is difficult to determine. It would be helpful to clarify the definition and to have more and better examples of the coverage of reportable loans. We can think of questions regarding coverage of loans secured by 1-4 family dwellings that house disabled residents on a semi permanent basis.

- Government monitoring information is problematic since rules change based on the method of taking the application. We suggest that the process be simplified and data reporting be consistent regardless of the method of application.

What parts of Regulation C would benefit from clarification or additional guidance?

We believe the definitions and coverage would benefit from clarification and the addition of examples.

Are there technical issues regarding Regulation C that should be resolved?

We have no additional comments.

In conclusion, we feel that all players except those who take few applications annually should report HMDA data. However, we feel that adding data elements and increasing coverage would not enhance the three purposes of HMDA data reporting and limit credit availability in some cases. Most banks of smaller asset size and lower volume will have incremental costs due to manual collection and submission. This could prevent community banks if subjected to reporting to decline offering 1-4 family dwelling secured loans limiting credit availability to some smaller communities. Subjecting larger banks such as ours to additional data elements and increased coverage will result in greater costs. Those costs will be passed on to customers in the form of higher fees and interest rates.

Respectfully,

Chris Newell
Amarillo National Bank