

American Airlines Federal Credit Union

**Remarks of Faith Lleva Anderson
Vice President & General Counsel for
American Airlines Federal Credit Union**

Regulation C: Home Mortgage Disclosure Act (HMDA) Public Hearing – July 15, 2010, Atlanta, Georgia

Thank you for allowing American Airlines Federal Credit Union to participate in the first HMDA hearings. My name is Faith Anderson. I am Vice President & General Counsel for AA Credit Union. AA Credit Union was founded in 1936 by a group of American Airlines employees at Midway Airport in Chicago. AA Credit Union has \$5.2 Billion in assets, approximately 220,000 members and 42 branches.

We have a \$2.5 Billion lending portfolio. This includes \$1.6 Billion of mortgage loans. We lend throughout the United States and Puerto Rico

We support additional changes to the HMDA requirements, provided that they further the goal of ensuring fair lending and anti-discriminatory practices. However, we are concerned that future proposed changes, along with additional reporting requirements, may not further this goal and may only serve to impose significant, additional compliance and reporting burdens.

DATA ELEMENTS

The Board has requested comments on whether additional data elements should be added, modified or deleted to better identify possible discriminatory lending patterns.

Generally, if mortgage or consumer lending system captures data, it is not difficult to transfer this information to the Loan Application Register, known as the LAR.

The current format of the LAR is not very helpful in analyzing trends in predatory lending. Therefore, requiring additional underwriting information to be reported such as credit scores, debt to income ratios and loan to value ratios may be beneficial in determining whether there are violations to fair lending. However, the Board should first fully research whether the above information is effective in finding discriminatory practices before requiring that it be collected.

We would recommend that for home equity lines of credit that the whole amount of the line of credit be reported and not just the amount that is used for the home purchase or improvement.

We recommend that unsecured home improvement loans be removed from HMDA reporting. When a member takes out an unsecured loan, the member generally uses it for multiple purposes and not just for home improvement. Also, current lending systems simply are not able to capture this information.

The Board has asked if a lender should capture "total income" of a borrower versus just the income required by the lender to approve the loan. We strongly oppose requiring lenders to capture "total income."

If lenders are forced to capture "total income" we will get complaints from our members. The members will not understand why additional income is requested versus just the income required to approve a loan.

Additionally, unless you have found the preapproval code to be valuable in determining evidence of discrimination, we recommend deleting that code as it is not helpful.

Reporting the lien status for loans is burdensome. As long as there is security on a dwelling, the loan should be reported.

Regarding reporting of ethnicity and race, it should be up to the borrower to report this information. If the borrower fails or refuses to complete this on an application, the credit union should not be made to guess someone's race or ethnicity. It places us in an awkward position of guessing a person's race or ethnicity for "in person" applications when a borrower refuses to answer these questions.

To the extent additional data is required to be collected, there are costs and compliance burdens that will be borne by the lender whether it be in terms of time to collect the data, cost for the software, compliance training and so forth. We constantly struggle to be a value-added lender for our members, and these extra reporting burdens only raise the cost to the member.

COVERAGE

An exemption from HMDA reporting should be based on the volume of mortgage loans that are given. Exemptions should not be based on the asset size of a financial institution. Currently, HMDA reporting requirements apply to nondepository lenders that originate at least \$25 million in home purchase loans. This is in contrast to the threshold for financial institutions in which a small institution may be subject to the HMDA reporting requirements even if it has as little as \$39 million in assets and originates just one mortgage loan.

In contrast to credit unions and other financial institutions, nondepository lenders are not regulated to the same extent by a federal agency or subject to government examinations. We believe there should be more focus on these nondepository lenders.

SCOPE

Generally, we are not in favor of expanding HMDA's scope in the absence of evidence of discriminatory practices or predatory lending.

However, to simplify the HMDA reporting process, any loan that is secured by a dwelling should be reported. If there is no lien on a dwelling, it should not subject to HMDA reporting. This would make it easier for reporting purposes and would ensure that valid, supportable data is collected. There would be no room for error.

COMPLIANCE AND TECHNICAL ISSUES

It would be helpful if more information could be provided regarding which loans are reportable as there is appears to be confusion in this area.

Additionally, there are several sections in the regulation that need to be updated in light of current technology such as references to reports being sent to institutions that are now available online.

Also, it is sometimes difficult to determine whether a loan application was withdrawn or incomplete because not all systems capture this information. So it is possible that inaccurate information may be reported.

As mentioned above, we would support changes to the new HMDA requirements that would further the HMDA goals of fair lending and nondiscriminatory practices and that may help prevent a future mortgage lending crisis.

American Airlines Federal Credit Union is pleased to participate in this hearing. We believe credit union participation in future focus groups and other types of testing during the rulemaking process would be beneficial for all future rulemakings that affect credit unions.

Thank you