

**ORAL STATEMENT OF
STEVEN L. ANTONAKES
FEDERAL RESERVE BOARD
HMDA HEARING
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Introduction

Good morning Governor Duke, Director Braunstein, members of the Consumer Advisory Council, and staff. My name is Steven L. Antonakes and I serve as the Commissioner of Banks for the Commonwealth of Massachusetts.

I commend the Federal Reserve Board for periodically reviewing Regulation C to ensure it continues to remain relevant given changes in the mortgage market.

Unfortunately, it will take years for many urban communities to recover from the ongoing foreclosure crisis. More so than ever before, access to sustainable homeownership opportunities in low- and moderate-income neighborhoods will be essential.

Massachusetts Use of HMDA Data

In addition to conducting regular safety and soundness examinations, the Massachusetts Division of Banks also conducts CRA and fair lending examinations of all state-chartered banks and credit unions. Our 2007 landmark foreclosure prevention law extended CRA-like requirements to licensed non-bank mortgage lenders originating 50 or more mortgage loans a year in the Commonwealth.

Utilization of HMDA data is integral to our CRA and fair lending examinations of banks, credit unions, and non-bank mortgage lenders.

However, we have found that the HMDA error rate for non-bank mortgage lenders is high. Since beginning its effort to examine non-bank mortgage lenders for CRA-type requirements, the Division has had to suspend several examinations due to HMDA data riddled with so many errors that a determination of compliance with fair lending laws could not be made. In these instances, the Division has issued public formal enforcement actions mandating, among other things, the resubmission of corrected HMDA data.

Most notably, in March 2010, the Division and 34 additional state mortgage regulators entered into a settlement agreement with CitiFinancial. The agreement between CitiFinancial and the state mortgage regulators was executed after an examination by our office found that CitiFinancial had failed to include over 91,000 HMDA reportable residential mortgage loans for the period between 2004 and 2007.

Data Elements

Given its existing limitations, HMDA serves as a starting point to determine whether disparate treatment of mortgage applicants exists. A thorough file review and comparison of similarly situated mortgage applicants is then necessary. The addition of other appropriate data fields will likely provide for a better and more accurate screening process.

The inclusion of the credit score relied upon by the mortgage lender as part of the mortgage lender's credit review process would be valuable and better focus examination techniques. In addition, loan-to-value and debt-to-income ratios remain the two critical ratios relied upon during the underwriting process.

Given the aging of our population, a data field to capture the age of borrowers should be considered. Furthermore, the Board should give consideration to requiring the reporting of all reverse mortgage loans.

Data and pricing analysis would be greatly enhanced by the inclusion of loan spread information for all loans. Finally, consideration should be given for requiring the reason for a credit denial in HMDA submissions as well.

The addition of several new fields will increase regulatory burden. Community banks and credit unions already generally bear disproportionately higher compliance costs than larger institutions. Accordingly, the Board should consider appropriately risk scoping data collection requirements by only mandating the reporting of new data fields for the nation's largest mortgage lenders. After a two year period, the Board could then review the cost of reporting and the corresponding value of these additional data fields before determining whether all mortgage providers should collect and report these data.

Coverage and Scope

The Board also seeks specific comment on whether HMDA reporting requirements should be extended to mortgage brokers.

I recognize the value of potentially pinpointing disparate treatment among select third party mortgage brokers or even individual loan originators.

A far more effective solution would be to move in the direction of the proposed financial reform bill and require all mortgage lenders to include the Nationwide Mortgage Licensing System or NMLS assigned unique identifier of any mortgage broker, licensed non-bank loan originator, or registered loan originator associated with all HMDA reportable loans.

The tremendous opportunity here is for the Board to build off the success and foresight of the states in designing the NMLS to protect consumers against harmful business practices. By registering every loan originator with a unique identifier and requiring that identifier to be incorporated with loan origination documents and HMDA reporting, the ability to associate the loan documents and business practices with the company and individual that negotiated the transaction will be greatly improved.

Moreover, by requiring this information to be included by mortgage lenders rather than mortgage brokers, it reinforces the core principle that any mortgage lender remains ultimately responsible for the actions of the third parties they do business with.

Conclusion

I commend the Board for taking the time to consider how Regulation C can be improved and more reflective of the current mortgage market. Thank you for the opportunity to testify today. I look forward to answering any questions you may have.