**Statement of Calvin Bradford**
**Member of the National People's Action Board of Directors**
**Home Mortgage Disclosure Act Public Hearing**
**Federal Reserve Bank of Chicago**
**September 16, 2010**

Governor Duke, staff members of the Federal Reserve Board, and members of the Consumer Advisory Council, thank you for the opportunity to comment on the regulations that implement the Home Mortgage Disclosure Act (HMDA).

I represent the organization that first proposed the creation of the HMDA. Personally, I had the pleasure to work on the drafting of the original bill with Gale Cincotta and Senator Proxmire's staff. In more than thirty-five years working on mortgage and reinvestment issues, I have conducted national studies of the uses of the HMDA data and used the HMDA data in a wide range of activities – from CRA challenges to formal research to litigation to enforce fair lending and consumer protection laws.

Over that time, as mortgage markets changed radically, I have identified two major issues related to the Act and the process of public disclosure. First, even with the amendments to the HMDA in Section 1092 of the Restoring American Financial Stability Act of 2010 (hereinafter "Dodd-Frank"), there is a need for additional data elements to be added to the disclosure provisions. Second, there is a need to completely overhaul the process for the release of the data so that it supports the most valuable and extensive range of public uses.

My statement focuses on these two issues. In addition, I have added support materials and summary comments related to the questions provided to the panelists for today's hearing.

## The Remaining Need for Additional HMDA Data Elements

Dodd-Frank added important data elements related to applicant age, credit scores, total fees and points, prepayment penalties, the term of the loan and introductory rate periods, more detailed interest rate benchmarks, periods not providing amortization of the loan, the loan channel (retail, broker, etc.) and unique loan originator and real estate parcel identification codes.

*Loan Servicing Data:*

**The most glaring category of data that is missing from the HMDA requirements are servicing data.** That is, data on the status of the loans originated. Certainly the present crisis and the efforts to rescue troubled mortgage loans attest to the need for servicing data. High foreclosure rates for Federal Housing Administration (FHA) loans in the 1980s – especially in communities of color – led the National People's Action to propose what became the FHA servicing disclosure provisions in

Section 335 of the National Affordable Housing Act of 1990. Even with very limited public disclosure, these data were used by community groups to highlight lenders making unsafe loans and targeting inner-city and minority communities. This, in turn was instrumental in creating HUD's Neighborhood Watch program and the FHA requirements for loan servicing and forbearance. **Had similar data existed for the conventional market, we could have identified the lenders responsible for the most toxic loans in the subprime markets – and perhaps avoided the mortgage market meltdown.**

Public records are often very difficult to use and, at best, only provide data on actual foreclosure actions (and only in jurisdictions with judicial foreclosure laws). Data on early defaults, on the other hand, proved to be the most valuable resource in identifying lenders engaged in unsafe lending in the FHA markets. Private sources of servicing data that include early default data are extremely expensive, essentially making them unavailable to the public. Moreover, they often provide only a sample of loans, making them of limited value in specific communities. Nonetheless, in a few places like Chicago and Cleveland, there were support services and active community groups that were able to tabulate foreclosure data and directly confront lenders and servicers with high foreclosure rates. This resulted in mortgage rescue programs that saved the majority of loans in these programs. Meanwhile, HOPE NOW and HAMP have abysmal rescue records.

HOPE NOW and the HAMP programs have required the major loan servicers to provide extremely detailed default, modification, sale, and foreclosure data on individual loans on a regular basis. This indicates how easily the industry could provide such data for public use.[1]

The need to make such servicing data part of the public disclosure regulations is highlighted by the fact the Treasury betrayed its affirmative obligations to further fair lending laws by initially failing to collect data related to the race or gender of the borrowers in the HAMP program and by signing agreements with the servicers that (according to Treasury and Fannie Mae) prohibit the release of any servicing data that could be used to link an individual servicer with data on the race or gender of the borrower or the census tract location of the loan once these data were collected.[2] This link, of course, is precisely what is required to support a public role in the enforcement of the federal fair lending laws.

There are over 100 specific data elements collected from the servicers under the HAMP program. While a wide range of data on levels of default and delinquency, loan modifications, foreclosures, and sales would be valuable, even the type of limited data

[1] Because of their role in the mortgage process, it is the servicers that have the most accurate data on the performance of the loans and the outcomes of different problems. Collecting servicing data would also entail the identification of the servicer for the loans. This would add another critical participant to the cluster of players involved in the loan from the broker to the investor and servicer.

[2] See the attached support materials for a review of this issue and an excerpt of the critical section of the servicer agreement.

collected under the FHA Section 335 program would be extremely valuable. In the Section 335 data we have data by lender (servicer) provided each quarter for the first five years of a loan. The data indicates the loans 30, 60 and 90 days delinquent as well as loans in foreclosure.

Additional categories on existing modifications would be valuable as well as a flag for loans that had been returned (sold back) to the lender on recourse. Generally loans are sold to investors without recourse for repurchase in the case of default unless the loan involved fraud, misrepresentation, or violated the investor's underwriting standards (violations of the lender's "representations and warranties"). A flag for loans repurchased would then provide valuable indications of loans that are most likely to involve fraud, misrepresentation, or unsound underwriting. These are precisely the kinds of loans where the borrower needs to be protected from abusive lending. Historically, these loans have been disproportionately concentrated in markets defined by lower-income, minority, or elderly borrowers.

It would be most useful if these data were reported and released quarterly (with as little delay as possible). While the regulatory agencies surely should have these data quarterly, public disclosure even at the end of a calendar year would still provide valuable information. **Additionally, it is critical that these data be linked to the HMDA origination data so that the entire chain of players – from broker to servicer – can be identified and the patterns analyzed.** Finally, collecting these data as part of the HMDA disclosure will facilitate the requirement that the new Consumer Financial Protection Bureau (and HUD) develop and publish a database on a series of post-origination data points, such as defaults and foreclosures.

*Additional Data Elements:*

While there are many additional items of loan and application data that could be provided with the HMDA data, four data items seem particularly important. First, the addition of age to the HMDA disclosure allows us to examine discrimination against older persons. Presently, one of the growing mortgage products marketed to older homeowners is the reverse mortgage. If we are to be able to review lending patterns for older persons, **we need to have a code or flag for these reverse mortgages.**

**A second key element not presently included in the HMDA is the cumulative loan-to-value ratio (CLTV).** Under the Dodd-Frank amendments, one could calculate a simple loan-to-value ratio (LTV) based on the disclosed value of the property and the current loan amount. This, however, does not include second liens that are also outstanding on the property. The combined value of all outstanding first and second liens represent the combined loan-to-value ratio. It is this CLTV that has been extremely useful in estimating the risks involved in loans. Indeed, it has often been more valuable in estimating risk than the credit scores.

**A third key element that is missing is the total debt-to-income ratio (back-end ratio).** This ratio, along with the credit score and CLTV, represent the three most critical risk factors in the current and past lending markets. Some form of this debt ratio needs to be incorporated into the HMDA disclosure data in order to improve the ability to define lending patterns and track loan impacts.

Finally, while the Dodd-Frank amendments do add the value of the property to the HMDA data, one of the most important threats to sound lending has been improper or fraudulent appraisals. Currently, all government related loans require the use of a registered and licensed appraiser. There is a national registry of these appraisers. One of the subprime lending clients I worked with made the recommendation that this appraisal database be expanded to include selected data (including the estimate of value) for each individual appraisal for each registered appraiser. This national database could be used internally by a lender at the time of origination to check the record for an individual appraiser against other market values and patterns, which could be a valuable tool in detecting appraisal fraud and abuse. Then, **the individual appraiser identification should be attached to the HMDA data, allowing for a full tracking of the players in the loan process.** Even if all these different players were not released routinely as part of the individual loan records in the HMDA raw data, having these data linked and merged into a single database would be an immensely valuable resource for regulators and enforcement agencies involved in enforcing consumer protection and fair lending laws.

## Restructuring the Release and Support Services for the HMDA Data

*The Importance of the Public Use of the HMDA Data:*

**We should begin by noting the great majority of fair lending and consumer protection enforcement and compliance has resulted from the actions of community-based organizations, private fair housing organizations and attorneys, and various attorneys general as opposed to the federal banking regulatory agencies, HUD, the Federal Trade Commission, or the Department of Justice.** Therefore any serious effort to use the HMDA data for such enforcement requires the maximum effort to provide useful data to these groups and individuals.

In the years after the HMDA data were first released, I have documented hundreds of community-based uses of these data. These uses are linked to creating Community Reinvestment programs that have brought billions of dollars into previously redlined or underserved communities. These HMDA data uses were linked to fair lending programs and testing projects, to fair lending litigation, and to the analysis of impediments to fair housing required of all recipients of Community Development Block Grant funds and other HUD housing programs.[3]

[3] See, for example, *A Guidebook - Home Mortgage Disclosure Act and Reinvestment Strategies* (with Michael Przybylski, for the National Training and Information Center), U.S. Department of Housing and Urban Development - Office of Policy Development and Research. Washington, D.C.: U.S. Government Printing Office (January, 1979) and *A Tool for Community Capital: Home Mortgage Disclosure Act - 1985 National Survey - A Working Paper* (with Paul Schersten), Cooperative Community Development Program, Hubert Humphrey Institute of Public Affairs, University of Minnesota (1985).

Historically, both the most creative lending programs and the most destructive lending activities have occurred in particular local markets or communities. Even for large national lenders, patterns and practices vary by local community and market – especially when the lending is done through brokers. The annual analysis of HMDA data by economists at the Federal Reserve Board – as well as many of the analyses done by national public interest groups and organizations – have concentrated on overall national patterns. Generally the analyses of various economists have focused on the aggregate market and not on differences for individual lenders.

**It has been the community-based organizations that most often look at local markets and patterns.** One example of the great value of having widespread use of HMDA analysis by local groups is the early identification of discriminatory or abusive lending practices. In the subprime meltdown, for example, while the economists and industry experts at the national level were seeing no particular problems until just before the meltdown, local studies of HMDA data – combined with painstaking work to link the HMDA data with foreclosure data – were warning of the community impacts of these toxic and predatory loans in the mid 1990s. These community studies have provided many examples of the analysis of "reverse redlining" as well as examples of uses that have identified emerging market issues, patterns of discrimination, and the monitoring of CRA programs.

For its part, the National People's Action's research programs have been producing studies in the Chicago market for over a decade. Moreover, these studies show how the meltdown and impacts first undermined low- and moderate-income and minority markets and then spread to white and suburban markets as subprime lenders saturated the original markets and evolved more widespread toxic products to exploit the larger market.[4] Other organizations have produced their own local reports in places such as Des Moines, Iowa, Decatur, Illinois, or Cincinnati, Ohio. Of course, such activities have been limited both by the difficulties of local groups using the current HMDA data and by the lack of HMDA data on defaults and foreclosures.

*What Ever Happened to "User Friendly"?*

At this hearing, you have representatives of some of the most capable organizations using the HMDA in local market areas. For example, The Woodstock Institute has, over the years, produced for the Chicago market the single most complete, consistent, and accessible source of HMDA data in the country. Jim Campen has consistently produced a detailed profile of the changing lending patterns in the Boston market in the annual reports of the Massachusetts Community & Banking Council (which has its roots in the Massachusetts Urban Reinvestment Advisory Group's original uses of the HMDA data in the Boston area). You should not, however, be misled by the

[4] See, for example, National Training and Information Center, *Preying on Neighborhoods: Subprime Mortgage Lenders and Chicagoland Foreclosures* (September 1999), National Training and Information Center, *Chicago Foreclosure Update 2007* (Chicago 2008), National People's Action, *The 2009 Chicago Foreclosure Report* (April 2010), and for a detailed review of a single major lender, National People's Action, *Bank of America Forecloses on Chicago* (June 2010).

expertise and creative uses of the HMDA by the organizations represented on this panel. These examples are extraordinary and not representative of local uses in general. They are examples of what is best and what is possible with the right support and personal and technical resources.

Over the years, however, as more data elements were added to the HMDA, the format for the release of the HMDA data and the support provided to the public has deteriorated. The result is that few local organizations – including local governments and state and local enforcement organizations – use these data in any effective way today.

**Today, the FFIEC Website is set up to provide data most usefully to large research organizations and those with sophistication in online data search and data management capabilities. In some ways, the formats for providing these data seem almost intended to frustrate use by small organizations or those without advanced data processing skills and powerful software and hardware.**

In the past, all the forms of release for the HMDA data tables were available on CDs or DVDs, accompanied by programs that could be used to paste the tables of aggregate data (for lenders or for geographic areas) into spreadsheets. In addition, the raw disclosure data for each individual loan application was provided along with relatively simple programs to extract selected individual loan application data. Today, the HMDA data are only available online to be downloaded.

In the attached support materials for my statement, I have provided a detailed example of how the format for providing the range of tables on the base data for individual lenders within a metropolitan area makes it extremely difficult for people to use these data for even simple calculations of lending patterns. In this case, the aggregate data for all lenders in a metropolitan area (or for the national or the non-metropolitan areas of a state) is processed into 49 different tables that provide the base numbers for different categories (such as the number of applications from African-Americans for conventional loans to purchase a 1-4 family home). Yet, these tables are provided only in a PDF format – meaning that they can be downloaded for printing but cannot be pasted into a spreadsheet or loaded into a database program for making useful calculations (such as the percentage of all such applications from African-Americans that were denied).

The site provides an opportunity to download all the tables for an area (the aggregate or for individual lenders) in a "text" format. This is a continuous (flat) file that continues uninterrupted across all the data for all 49 tables. For most tables, there is no indication of the break point between tables and no names given for the tables. There are no column headings for the numbers provided in the tables. It can take up to two hours to find the particular table data and cut and paste the various parts of the table into a template (which you have to make for yourself) in order to get the data in a format where you can make simple calculations that were easy to do when these tables were provided on a DVD along with a simple extraction program.

As for the individual loan application data, you must have a fast Internet connection and a powerful computer with a large storage capacity in order to download the entire file of all national HMDA loan data from the site, along with the extraction program. Of course, it takes some searching on the site to even find this option. There is no extraction program on the site to select or download just the part of the HMDA data you want. I have found that many local users do not even realize that you can get the individual loan data any more – even though these are people from some of the most active groups involved in lending issues.

The present system literally undermines the use of the HMDA data by community-groups and small or technically limited or unsophisticated organizations or agencies. It would be simple to provide the data in formats that could be easily downloaded into various templates to allow these groups to engage in their own forms of analysis or to allow them to load selected parts of the raw data in order to screen through or filter individual data to seek out patterns for their own communities or for individual lenders. Especially with the many different additional pieces of data to be released in the future, providing easy access to individual application data allows for the maximum range of user-defined formats.

It is time for a major investment in rethinking the formats and support services for the release of the HMDA data so that consumer, community, fair housing, and local government agencies can make the best use of these data in the future. This is a process that must include participation by the full range of potential users. It needs to review the existing tables and find out what types of patterns would be most useful to different types of users.

*A Final Comment on Individual Data Release Formats:*

**It is important to release as much data as possible in as close to the actual raw data form as possible.** For example, in releasing credit score data, we often hear that these data will be suppressed because they would reveal information about individual applicants or borrowers or it would allow for the identification of individual applicants or borrowers. Of course, it is already possible for marketing companies, major lenders, and many of those involved in predatory lending schemes to use combinations of HMDA and others private sources of data to identify individual borrowers – and even to develop a credit profile for these individuals.

**Using the veil of privacy concerns to suppress these data will not protect consumers from marketing agents and predatory lenders locating and using these data on their own.** In reality, it will simply mean that the public will be at a great disadvantage in playing its legitimate role in helping to enforce consumer protection and fair lending laws. We don't actually see practical cases where individuals go to the expense and work of trying to find out some personal information on one of their neighbors, but we have plenty of evidence of marketing organizations, lenders, and scam artists using these data to exploit members of the public. With community, consumer, fair housing, and other local organizations and local enforcement agencies providing the majority of enforcement activities, suppressing such data simply provides more advantages to those who seek to exploit the public. In the worst case, there are ways of grouping such things such as credit score data so that it is less likely to identify the credit of an individual but still be useful in public analysis for lending patterns.

It is also important to release the data in a format that allows the users to track the loan process through the different players and participants. That is, it is important to provide unique identification codes not only for each lender, but for each broker and appraiser involved in the loans as well. This allows for the tracking of the players in ways that reflect real issues and patterns in the market. A broker, for example, may process loans for several lenders. While one lender may represent a significant share of the local market, it may also be true that these loans flow through a select group of brokers and use a select group of appraisers. These patterns are crucial in identifying issues in the mortgage markets. After the loan is made, it is important to be able to track the loan performance through the servicer of the loan and the type of investor.

Of course, in releasing identification codes, the formats have to provide the users with an easy way to link the codes to the actual names of the players. The present table of lenders active in a market that is provided with the aggregate metropolitan area tables, for example, provides only the names of the lenders, but not the corresponding identification codes. One needs to go through the entire process of accessing and downloading and opening the raw HMDA data files and extraction program in order to locate these codes and match the codes to individual lenders. The tables of active lenders also needs to identify the parent company of each of the lenders.

As the HMDA data expand, lists of brokers and appraisers (and the parent company if it is a bank holding company) should also be provided with the local area tables in a format that includes both the name and identification codes for these players. This issue simply illustrates how little thought has gone in to structuring the data in ways that support use by the general public rather than simply by the large research organizations, large banking systems, and private CRA/HMDA software developers.

## Support Materials

*Treasury Has Blocked Public Access to the HAMP Servicer Data:*

Initially, Treasury simply failed to collect data on the race and gender of the HAMP program applicants. This failing was pointed out to Treasury by the National Fair Housing Alliance. Later, Treasury required the collection of these data (generally referred to as the "government monitoring data") to be completed by December of 2009. This deadline was later extended. Treasury agreed to provide to the public more detailed HAMP data than that contained in the routine reports by June of this year. Treasury also indicated that the formats for the release of these data would be made available for comment to interested groups prior to release. Civil rights, consumer, public interest, and community groups made it clear from the beginning of their dealings with Treasury that their main concern was to be able to analyze the treatment and outcomes of HAMP applicants by race of the borrower, racial composition of the neighborhood (generally considered to be census tracts) and the gender of the applicant.

In a meeting with interested public sector groups in April of this year, Treasury indicated that no data would be released to the public that could link an individual servicer to the race or gender of the borrower or the racial composition of the area where the property was located. Treasury claimed that one section of the agreements they signed with servicers in order to get them to volunteer the HAMP data prohibited releasing this "government monitoring data" linked to a particular servicer. Moreover, in claiming to protect this agreement, Treasury indicated that the smallest geographic area base for the data might be an entire metropolitan area – but could also be as large as an entire state or region. The related section of this agreement reads as follows (boldface added):

> Servicer expressly consents to the publication of its name as a participant in the Programs listed on the Service Schedules, and the use and publication of Servicer's Data, **subject to applicable state and federal laws regarding confidentiality**, in any form and on any media utilized by Treasury, Fannie Mae or Freddie Mac, including, but not limited to, on any website or webpage hosted by Treasury, Fannie Mae, or Freddie Mac, in connection with such Programs, **provided that no Data placed in the public domain**: (i) will contain the name, social security number, or street address of any borrower or other information that would allow the borrower to be identified; **or, (ii) will, if presented in a form that links the Servicer with the Data, include (x) information other than program performance and participation related statistics**, such as the number of modifications or extinguishments, performance of modifications, characteristics of the modified loans, or program compensation or fees, **or (y) any information about any borrower other than creditworthiness characteristics** such as debt, income, and credit score. In any Data provided to an enforcement or supervisory agency with jurisdiction over the Servicer, these limitations on borrower information shall not apply.

June passed with neither the prior release of the public disclosure data formats or the release of the public data themselves. At the HUD fair housing conference this past August, Treasury announced that no public data would be released until later this September. Since the authority for HMAP expires in October, there is no chance to amend the format for the release of the public data even if it is finally released in the next two weeks.

*Examples of Restricted Use of HMDA Data Based on the Format for its Release:*

When the HMDA was implemented, sets of basic HMDA tables providing tabulations of data that could be used for many critical lending evaluations were created by the FFIEC and printed and placed in local public depositories. The main advantage of these tables was that the raw individual loan data was aggregated into various categories and into census tract totals – both for all the lending in a metropolitan area and for each individual lender. Yet, these depositories did not always maintain these data well. These depositories were often far from a local community. Moreover, one could only copy down data or make copies of tables, but could not place these raw tabulations into simple spreadsheets where people could calculate simple patterns, such as the percentages of loans made to various areas or to racial, ethnic or income groups.

For the 2003 and 2004 HMDA data, the FFIEC created a special DVD with what are essentially these public tables in an electronic format (the *HMDA Aggregate and Disclosure* disk).[5] The DVD had an easy-to-use extraction program. Not only could you print out the tables, but more importantly, you could load any table for any metropolitan area (or any non-metropolitan area or for nation as a whole) and any lender into a simple spreadsheet and easily make calculations and additional tabulations of your own. While not everything one wanted to know could be calculated from these data, the many critical calculations available could have been used easily by reinvestment groups, fair lending groups, and for the lending sections of the Analysis of Impediments to Fair Housing required of all HUD CDBG and special housing program recipients.

This provided a wonderful resource that could have helped to overcome the major obstacle to the use of the HMDA data by local community organizations and many local CDBG recipients – the need to tabulate the individual loan records into groups by borrower or geographic area characteristics. These pre-defined tables represented a valuable resource that technical assistance groups could have developed rather easily into training programs that would have allowed many local groups to use the HMDA data more quickly and effectively – and at the cost of only $10 for the disk for the entire nation. HUD could have provided these training programs to CDBG recipients for use in the Analysis of Impediments to Fair Housing.

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[5] While one might reasonably figure out the "Aggregate" tables contain all the HMDA application data for a designated area, the term "Disclosure" is an obtuse reference for what are really the individual lender data tables for the designated areas. Using simple and understandable names for the files is important.

On the other hand, few people realized that this resource existed. It was not widely announced or highlighted. The DVD has now been discontinued and replaced by a process where the tables can only be accessed online. This requires a rather high speed internet connection - and often some complex set of browser and/or program settings. One can print out a specific table (a PDF version), though this cannot be inserted into a spreadsheet. While the DVD allowed a person to extract and load any individual table into a simple spreadsheet format, the online system only allows one to download the entire set of tables all streamed together in a single text file. For any but the smallest MSA, these tables typically have thousands of rows of data. For most of the tables, there is no row with a title or any other indication of where the table begins.

To extract one major table for the medium sized Wichita MSA (Aggregate Table 5-3 for the 2008 refinance data), for example, one must search through 1,566 of the 3,384 rows of data to find where the table began. Even then, one needs to extract and print the PDF versions of the tables in order to identify the fields and exact data that indicate the beginning and end of the table one wants to use. Finally, unless one is skilled at locating and disabling all the various programs on their computer with pop-up blocking mechanisms, the data cannot be downloaded at all. Only after this sometimes painstakingly slow process can one effectively locate an individual table and use its data.

The existing DVDs were eliminated and this convoluted online system was developed with no input from the community-based users of the HMDA data. I believe similar changes were made for the private mortgage insurance version of the HMDA data and for the CRA data. How ironic it is that the Fed would create such a potentially valuable set of tables and then make it as difficult as possible for people to use them.

I was told by a person at the Fed who was managing this system that this was done to save people the cost of $10 for the DVD. This indicates how out of touch the Fed is with the public users – or potential public users – of the HMDA data. The time that one needs to spend struggling with the online format certainly far exceeds the small fee for the DVD with its convenient extraction program.

Beginning with the 2007 HMDA data, even the disks with the raw HMDA data and extraction program have been eliminated and one's only source of access is by downloading the data. For most local groups, it is essential to have the extraction program as well as the data. The file that allegedly contains both the raw HMDA data and the extraction program is almost one gigabyte. Only organizations with a high-speed computer, lots of storage space and efficient broadband internet connections can reasonably access this file. I tried downloading the file on a computer with "high speed" (though not a broadband) connection. It took almost three hours for the 2007 file to download. In the process this file was corrupted and froze the computer and it took over half of a day to find a way to delete this file and restore the computer. I encountered some similar problems when downloading the 2008 data.

It is time for the FFIEC, possibly through the actions of the Fed's Consumer Advisory Council, to set up a dialogue involving a wide range of community groups, technical assistance providers, and those who actually are involved in the collection and disclosure of the HMDA data at the FFIEC so that the data can be collected and released in formats that actually support their use by the public – and not just by the regulatory agencies, lenders, universities, and those organizations with access to skilled researchers with sophisticated computer systems and software.

## Summary Responses to Selected Questions for the Panel

In general, the written statement provides answers to many of the policy and data questions offered to the panelists. Aside from what is contained in the written statement, I have provided some short answers to some of the additional questions.

<u>Questions:</u> Should reporters be required to submit a credit score even if the score was not used in making a credit decision? Should reporters be permitted to submit alternative credit scores?

> Response: There should be codes or flags that indicate that no credit score was used or that some alternative form of credit score was used. The same cell can be used for these codes if they are well beyond any standard credit score range (such as 998 or 999 – with, perhaps, codes for particular types of alternative credit scores).

<u>Questions:</u> What are the benefits, costs, and privacy issues associated with including a parcel identification number? What are the benefits, costs, and privacy issues associated with including a universal loan identification number? What are the benefits and costs associated with including an originator identification number (as set forth in the S.A.F.E. Act)?

> Generally, these are data elements that are already part of public records for liens. They are often included in data collected and sold by private mortgage market information vendors. Therefore, these data are already disclosed to the marketing agencies and departments of those mining the market for both legitimate lending concerns and as part of various mortgage scams. Providing these data to the public for use in HMDA analysis has the advantage of adding resources to the efforts to define both underserved markets and various forms of discrimination or predatory lending.
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> As indicated in my written statement, these identification numbers will help in merging different sources of data on a loan so that the full array of participants can be identified. This greatly increases the probative value of the HMDA to identify abusive patterns in the mortgage markets. Where abusive practices have existed, they are usually defined by common clusters of the same participants (brokers, lenders, appraisers). Having a means of linking these different participants to loans offers an increased opportunity to define these patterns and relationships. Moreover, successful lending programs can also be identified and monitored through the use of these linkages.

Question: What items should be included as points and fees (*e.g.*, finance charge, originator compensation, others)?

First, it is important to note that this category is designed to separate fees in general from the interest rate, as rules-based and automated underwriting systems should provide consistent interest rate results for applicants in similar situations. What tends to vary most are the additional fees. Also, it is important to separate real discount points (points that actually reduce the interest rate) from the common practice of using "points" as fees for income to the lender or broker. All variable fees and fees that provide income to the lender or broker should be considered under this category.

Question: Against what benchmark should the rate spread be measured?

It is an improvement to base rate spreads on comparable conventional prime loans. In setting these benchmarks, it is important to use survey or common interest rate data that reflect not only the term of the loan in months, but whether the loan is an adjustable rate loan or a fixed rate loan.

Question: What suggestions do you have for improving the level of reporting of HMDA data for fields such as race/ethnicity?

There is presently too much emphasis placed on the voluntary nature of providing these data coming largely from the way brokers and lenders phrase the question. There needs to be a requirement that even when applications are taken over the phone or on the Internet, the wording of the required request for these data should be uniform and not left to the discretion of the broker/lender. The wording on the present forms of the standard application (that should constitute the required wording of oral or Internet requests as well) should be expanded to make more clear the reasons why these data are being requested in addition to the wording indicating that it is illegal for a lender to take such factors into consideration in underwriting the loan.