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Home Mortgage Disclosure Act Hearing
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Washington, D.C.

Good Morning. I am pleased to have been invited to participate in this hearing. I applaud the Federal Reserve for undertaking these important hearings to examine the importance and usefulness of data collected as required by the Home Mortgage Disclosure Act.

I have worked in the mortgage lending field for a number of years, not only with lenders, but also in the capital markets. I have also been on the Consumer Advisory Council of the Board of Governors and served as the chair of the Council's subcommittee on credit. Most recently I have been the Executive Director of HOPE NOW, a foreclosure prevention alliance of lenders, servicers, non-profit housing counselors, trade associations and Government agencies. In addition, I am a founding participant in the development of HOPE Loan Port, a non-profit entity that is working with housing counseling agencies, borrowers and servicers to communicate on behalf of borrowers to facilitate loan modifications or alternative solutions. At the present time I am a consultant from Housing Finance Strategies LLC and I serve as a senior advisor to both of these entities. These comments are my own.

In all of the positions I have held, I have wrestled with the difficulties of collecting good data, and deciding what would be most relevant and indicative of the trends in the market. For example, HOPE NOW's data collection comes from nearly 75% of the residential servicing market, both prime and subprime, so I feel that I have a good feel for the opportunities as well as the problems in current data collection.

My main message to the Board of Governors would be this: make sure that you are collecting relevant data that is needed to adequately monitor fair lending compliance.

Good data provides guidance to policy makers and often presents information that may not be intuitive. The Board should not be reluctant to collect all the data that it feels it needs. At the same time, data collection is expensive, time-consuming and if collected in a piecemeal fashion, may lead to an inaccurate analysis when considered without the entire book of knowledge that loan officers and underwriters have as they make their lending decisions. For regulators, lenders and servicers, it is incumbent on you to make clear the added value of additional data elements you may desire to capture. A path to good execution for the industry is very important so that there is enough good verifiable information in place to assist in the fair lending analysis for industry as well as the regulators who monitor this issue.

My broad experience has led me to believe that good risk management that incorporates relevant, transparent, and fair underwriting generally results in data that demonstrates fair and transparent decision-making by lenders. For regulators to determine whether the laws in place, and in particular the laws as recently amended by the Dodd-Frank Act, have been violated, the data should be robust enough to ensure adequate protection. At the same time, a robust data set will make it easier for those institutions to ensure controls are in place for strong fair lending practices that will reduce their regulatory risk by being able to present a complete picture.

The Dodd-Frank bill will add many new data points to the HMDA-LAR. In addition to those new data points, some consideration should be given to collecting or directing the disclosure of additional data that would be useful to lenders and consumers alike in their joint effort to make transparent the basis for lending decisions. For example, front-end debt-to-income ratios are very important to lenders in their underwriting decisions, as are loan-to-value ratios. Data covering both of these seem to me to be basic information that would be used by a lender in making the decision to lend or not to a particular borrower. Back-end debt-to-income ratios are also useful, but different lenders apply different weights to the importance of those ratios because of the secured position that the mortgage will hold. I believe there is some merit in collecting the information available on back end debt to income ratios, but only to the extent that those data are used by the lender in arriving at its lending decisions.

Credit scores are useful to many lenders. Although they are weighted differently by each lender, they do serve as benchmarks for guidance, and my personal bias is in favor of providing the scores. Collection and publication of these data from the perspective of understanding the basis upon which the loan was made is relevant. Fear that publishing such information, however, will reveal who the borrower is on that particular loan is a real fear and must be addressed. Balancing the need for collection and publication against the risk of breach of confidentiality remains an important concern.

There is another category of data that the Board might wish to consider. During the past few years and into the near term future, there will be a wide variety of loss mitigation practices in which lenders and borrowers will engage. Some of these will be under government programs, and some will not. I believe there is some wisdom in carefully collecting data about loss mitigation. For example, it would be useful to both lenders and borrowers to have transparency about product type provided from origination through default and loan modification. This may include some of the variables to reach affordability, such as rate, term and principal deferral. Longer term analysis may be helpful in ascertaining the most effective use of loan restructuring.

In contrast, collecting and reporting preapproval programs would not be productive. Most of these programs are very tentative in nature and are not sufficiently detailed to provide the kind of guidance that should be expected of publicly available data. Collection and publication of fuzzy data run the risk of generating misguided interpretations, or interpretations that are based only on speculative analysis. Should preapproval programs develop more form, structure and rules, then consideration of collecting data about them might be useful.

I would support additional geographic data collection, perhaps at the zip code level. Such collection might reveal anomalies that might even be obscure to the lender itself, such as one office or one salesperson consistently charging peculiar amounts in a particular area. The determination of whether to collect geographic data and at what level of geography to collect it should be subjected to notice and comment since it is a complicated subject and seeking comments will provide the best way to make the best decisions about such collection.

In addition to the fair lending issues that are part of the HMDA construct, I believe it is time to capture information that links the front end decision making to the back end servicing practices to monitor systemic risk. Because data from front end systems and back end systems are not usually housed in the same institutions, linking the two should be studied and subject to notice and comment prior to any new requirements. Any additional collection should be completely relevant to the analysis desired. For example, the following items may be helpful to understand from the front end through the back end process and they do not necessarily require capturing significant data elements.
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a) Product type, fixed or adjustable rate
b) Fully amortizing or interest only
c) 15 or 30 year
d) Duration of Modification
e) Lower P&I payment

In closing, I wanted to reiterate that it is a good idea to provide enough information that objective analysis can come closer to fair and reliable conclusions about any bias that might be still found in home mortgage lending. I support the efforts of the Board to do so.