

## Statement

Daniel J. Imhoff  
V.P., Residential Lending Manager  
State Bank of Cross Plains

Board of Governors of the Federal Reserve System  
Hearing on  
Home Mortgage Disclosure Act

Good morning, my name is Dan Imhoff. I am the Residential Lending Manager with the State Bank of Cross Plains, headquartered in Cross Plains, WI and a member of the Independent Community Bankers of America. State Bank of Cross Plains is a \$770 million state chartered community bank, with 10 locations situated within 8 separate communities of Dane County, Wisconsin.

As Vice President and Residential Lending Manager, I direct the efforts of the residential mortgage department. In addition, I currently serve as a director of the Housing Foundation for the Realtors Association of South Central Wisconsin. In 2009, I was a member of the state legislative S.T.O.P. Foreclosures Task Force. I maintain active memberships with the Wisconsin Mortgage Bankers Association, the Wisconsin Realtors Association, and the Madison Area Builders Association.

Thank you for the opportunity to participate in this forum. I sincerely appreciate being a part of the panel discussion on the Board's review of the current and proposed regulations affecting the Home Mortgage Disclosure Act (HMDA).

State Bank of Cross Plains is over 100 years old and has been a HMDA reportable bank since its enactment.

### Data Elements

The Board is seeking ways to improve the quality and usefulness of HMDA data by considering whether any data elements should be added, modified, or deleted. Specifically, the Board is considering whether information on factors used to make credit decisions and set loan prices should be collected. We have two serious concerns with such a proposal:

1. The additional regulatory compliance burdens that would develop, and
2. The significant privacy invasions of our customers.

## Regulatory Burdens

Currently, we devote an extensive amount of resources (hours of staff, audit review, and training) for compliance review of regulations and requirements. Additionally, State Bank of Cross Plains requires annual HMDA training of the lending and support staff.

As a community bank, in 2009, State Bank of Cross Plains reported a total of 1654 loan applications on our HMDA Loan Application Register (LAR). Of this total, 1281 were originated loans. In addition, we reported 129 applications that were approved but not accepted by the borrower, 58 applications that were withdrawn by the borrower, 36 applications that were closed for incompleteness, and 135 applications that were denied. For each reportable loan application, we currently collect 26 line items of data. However, the efforts we put in for training, review and compliance assures proper disclosure and documentation which ensures accuracy in collection of data and reporting on these loans and loan applications.

As new or altered regulations require additional data collection or reporting, the burden to provide this additional information adds more to the already seemingly endless amount of documentation that must be monitored, reviewed, and reported.

This is exacerbated by the new RESPA and Regulation Z requirements to provide Good Faith Estimates and Truth-in-Lending (TIL) disclosures. This is a result of the mortgage crisis and the irresponsible and predatory lending practices of mortgage brokers. Basically unsupervised from regulatory accountability, mortgage brokers laced their HUD closing statements with fees that may or were not represented on a Good Faith Estimate (GFE) disclosure statement. What had been a representation of anticipated costs for the convenience of a borrower, is now a three page breakdown of costs with "no tolerance" for bank quoted fees. In the event that there is a "changed circumstance" affecting the costs the borrower may incur (not including originally quoted bank fees), a new GFE and TIL disclosures must be provided. This may occur multiple times throughout the processing of a single loan request.

This was recklessness not caused by the community bankers. The new requirements again require additional "administrative burdens" requiring more concentrated efforts from staff, which I have to say, is stressed.

The burdens further increase for some community bankers by the recently enacted escrow requirements on higher priced mortgages. These would require escrow accounts for payment of property taxes and insurance for higher-priced mortgage loans that are first-lien loans. A survey of community banks showed that of the community banks that offer escrow accounts for their customers, 48 percent stated that the bank required at least one full-time employee to maintain the escrow accounts that they do provide, and 12 percent of these banks stated they required at least two full-time employees to maintain the escrow accounts that they provide.

## Privacy Concerns

In addition to the regulatory compliance burdens that would develop as a result of collecting underwriting data and would require us to utilize our limited resources to collect and document additional data, collecting such personal information creates significant privacy concerns.

To reiterate, we currently collect 26 line items of data for each reportable loan application. However, this information has been deemed relatively objective and anonymous. The additional collection of personal customer data, more specifically, the property owner's age, credit score, and calculations for debt-to-income ratios may breach sensitive privacy concerns. This information, together with other information publically available in county records, could identify our borrowers and disclose their personal information. Before requiring any additional data to be collected and reported, the Board should balance any benefits of this additional data collection with any "safe guards" in place to monitor and prevent the sharing of this information.

State Bank of Cross Plains, like most community banks, goes to great lengths to protect our customer's private information. Additionally, there are several laws and regulations enacted for the purpose of securing personal consumer information and securing data, such as the Gramm-Leach-Bliley Act and the FFIEC's Authentication Guidance. At a time when it is clear that Congress and regulators have a desire to protect privacy, it is unclear why such personal information such as a borrower's creditworthiness and debt-to-income ratio would be added to publicly reportable data.

Therefore, in consideration, it is crucial that any additional or altered requirements provide for beneficial, effective, practical, and reasonable reporting to maintain the purpose for what HMDA was originally intended.

## Coverage and Scope

The Home Mortgage Disclosure Act's original purpose and design is to determine if financial institutions are serving the housing needs of their communities and to identify possible discriminatory lending practices or patterns.

HMDA regulations require certain financial institutions, including banks, savings associations, credit unions, and some mortgage lending institutions to submit HMDA data if they meet certain criteria, such as its size, the extent of its business in an MSA and the extent to which it engages in residential mortgage lending. However, this regulation does not currently require mortgage brokers or non-lender loan purchasers to collect and report HMDA data. We believe that other types of institutions such as mortgage brokers and non-lender loan purchasers meeting the same criteria should be required to collect and report HMDA data.

One of the major “flaws” of our system was uncovered with the ensuing mortgage collapse and financial crisis. We did not provide consistent oversight across the entire spectrum of the lending industry. There should be consistency and accountability from all areas of finance. Obtaining data from only a subset of mortgage lenders that provide mortgage services to a specific segment of the market does not give regulators an accurate picture of mortgage lending patterns. Particularly if the providers of these services that are excluded have a significant market share.

The problems with inconsistent regulatory and reporting requirements became apparent to me while a member of the Legislative S.T.O.P. Foreclosures Task Force during public hearings held in distressed communities around our state last year. The hearings were held regarding proposed legislation that required banks to maintain documentation and provide timely notifications to borrowers throughout the collection process, document and hold meetings with customers, as well as document their modification results.

Throughout the hearings, while community banks were highly complimented for taking a proactive approach to working with their existing customers, several complaints were targeted toward non-bank servicing entities, which were not required to comply with the reporting requirements, and large national financial institutions for the lack of response homeowners were receiving regarding the feasibility of a loan modification to avoid a foreclosure.

Therefore, we support requiring HMDA reporting of mortgage brokers, non-lender loan purchasers and originators that meet the threshold criteria as data results of the mortgage market will be more uniform.

### Closing

It is an honor to come before you, representing the community bankers’ point of view.

Community bankers take deep pride in what we offer our communities, how we serve their specific needs, and understand the significant contribution that affordable home ownership provides. Within our bank, we refer to our individual communities as “families”.

We will continue to serve our communities in this manner, in light of the ongoing and increasing regulatory requirements and restrictions. We ask the Federal Reserve Board

to be sensitive to unnecessary “administrative burdens” that are placed upon smaller organizations that tax our limited resources.

We also urge the Board to consider the personal nature of any data elements that may be added to HMDA reporting. The personal information that may be added to HMDA public documents, together with other public information, can disclose personal information. I believe the limited usefulness of the information does not outweigh any potential privacy breaches that may occur.

Lastly, we ask for “fair play” when imposing rules and regulations that affect some but not all financial service providers. Those providing home mortgage financing, regardless of their structure or existence, should be required to abide by the same set of rules, regulations, requirements, and restrictions as the community banks do.