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"REGULATION C: HOME MORTAGE DISCLOSURE ACT (HMDA) PUBLIC HEARING"

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FEDERAL RESERVE BOARD
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It is an honor to have the opportunity to share thoughts about HMDA, particularly at such an important juncture in the US housing finance system.

In the 13 years that our Center has studied how mortgage markets affect lower income and minority households, HMDA has been vital. For example, we have used it to identify disparities in incidence of high priced lending across borrowers, neighborhoods, and regulatory environments. The ability to distinguish lender and neighborhood have been key to our work in comparing Community Reinvestment Act lending with that of the overall market.

Still, HMDA left many critical questions unanswered, and we see much promise in financial regulatory reform provisions for HMDA.

As these new provisions recognize, we are in a new day, in which the value of quality, publicly available data has been confirmed. Few would argue that we wouldn't have been better off if we'd had access to this data sooner, when researchers and advocates calling for intervention were told that their cases were built on evidence that was insufficient or too anecdotal, while private data was often off limits for public purposes.

And today its certainly hard to argue that data is not available, given advances in technology, the array of data currently collected and reported through private sources for use by industry, and the information soon to be collected by such entities as the SEC and state bank examiners.

In this new day for HMDA, my comments present several principals that should be observed. I will be glad to provide more specifics during Q&A.

First, HMDA's unique attributes must be preserved to the extent that they are critical to its core purposes. These are that it is disaggregated, that it is public, that it covers applications as well as loans made, that it covers all loans (not just a sample), and that it is specific with regard to geography and lender.

Second, More data is better. The additional fields to be added are well overdue: Especially credit score and value – these are the two factors most relied upon to assess risk and make loan decisions, yet they have never been in the dataset and their inclusion will add authority to evidence derived from HMDA. Other possible fields to consider include debt-to-income, home equity lines of credit – especially if part of the purchase, reverse mortgages, adjustable-rate mortgage features. We'd also suggest being sure to include mortgage insurance in the costs and fees reporting, among our recommendations.

Third, Better data is better. There is an opportunity to implement standardization of data definitions and reporting requirements across institutions and regulators wherever possible. This would reduce the cost of compliance and improve the ease of data use. Analysis of systemic conditions could be much improved with two other items: 1) better information on the lender organizational structure, and 2) better transparency of secondary market activities.

Next, it should be easy to use. We call for the development of an interactive user-interface for those without advanced data management capacity.

Fifth, privacy concerns need to be addressed. Although much private information is readily available to those who can afford to buy it, more data in the public domain raises legitimate privacy risks, of which all of us who value HMDA should be cognizant. Privacy concerns arising from an expanded database could be addressed in a number of ways, while preserving the fundamental public utility of HMDA. Three suggestions include: providing easier public access to aggregated tables with as much detail as possible; Using statistical conventions to present loan-level data in a form that protects individual borrower information; and Making fuller data available under carefully controlled conditions.

Further, loans need to be traceable. We applaud the plans to add a unique, universal loan identification variable. This will facilitate the ability to trace performance through the primary and secondary mortgage markets, as well as more accurately relate first and second liens, modifications, and perhaps even refinance loans.

Finally, we also need to recognize HMDA’s limitations. It failed to keep step with the industry, though pending changes will go far in catching up. As the next problem emerges, however, are we going to have the right information when we need it? To address this concern, we also suggest institutionalizing the process for updating HMDA, for example with a timetable and advisory committee.

Thank you for your attention and I look forward to taking questions.