

## **Introduction**

Good morning Governor Duke, Director Braunstein, members of the Consumer Advisory Council, and staff. My name is Jeanine Catalano and I am honored to participate in this important event.

I have worked in the banking industry for over three decades. I began my career in the Bookkeeping Department of a community bank in central Illinois. I then became a bank examiner and worked for several federal banking agencies, including the Federal Reserve Board, for approximately 16 years. Some of my regulatory duties included conducting compliance examinations of banks, assisting in the development of examination procedures, processes and policies, supervising troubled institutions, and recommending enforcement actions. Subsequent to this public service portion of my career, I served the industry as a consultant for 12 years and as a compliance officer for nearly seven years. I am currently a Special Adviser, working for the Promontory Financial Group. Please note that although I work for Promontory, my comments and opinions expressed today are mine and are not those of Promontory.

I commend the Federal Reserve Board for sponsoring this series of hearings, seeking information to help the Board evaluate whether the 2002 Regulation C revisions that required lenders to report mortgage pricing data *provided useful and accurate information* about the mortgage market; assess the *need for additional data and other improvements*; and *identify emerging issues* in the mortgage market that may warrant additional research. Having ongoing dialogue on these matters is extremely important.

## **Dodd – Frank Wall St. Reform and Consumer Protection Act**

I will reserve most of my comments for the discussion period of the hearing and limit my opening remarks to several portions of the Dodd-Frank Wall St. Reform and Consumer Protection Act because this bill, in a way, is responsive to many of the specific questions on which the Board of Governors is seeking input. In addition, this bill changes the regulatory structure and provides a new approach that I believe will further the original purposes of the Home Mortgage Disclosure Act.

### HMDA changes

The enactment of the Dodd-Frank Wall St. Reform and Consumer Protection Act signaled the start of numerous and sweeping changes in the industry. Some of the changes are specific to the Home Mortgage Disclosure Act, many are not. The changes to the HMDA call for increasing the data that lenders will be required to submit. These data include the age of the applicant and information about the application and loan including: total points and fees; the difference between the APR and a benchmark rate; the value of the property securing the loan; the term of the loan; the channel in which the loan was acquired; the introductory interest rate period; whether the loan is fully amortizing; credit score; and prepayment details. In addition, each originator will be assigned a unique identifier.

Because the Dodd-Frank Wall St. Reform and Consumer Protection Act already calls for additional data, the question regarding whether or not additional data should be collected has in part been answered. Although I do believe, in general, that expanded data collection can and will be beneficial, I also believe there are some possible issues that should be considered by those who use the data. First, the monitoring information data, critical to any analysis, at times have been lacking. For example, in 1999, nearly 39% of the HMDA refinance loans had missing monitoring information data. Second, many

institutions have HMDA data integrity issues. To illustrate, in the 30-month period ending June 30, 2010, nearly 90 banks had been subject to civil money penalties because of HMDA data integrity issues. In March of this year, a large personal loan company was fined for allegedly failing to report over 90,000 loans as required by HMDA. Third, increasing the data about a particular borrower may pose privacy issues should people be able to identify the borrower, based on the borrower and loan related data. These potential issues are not new to many but I raise them in cases some people listening or attending today are not familiar with them.

### The New Context

Of the many changes in the Dodd-Frank Wall St. Reform and Consumer Protection Act, the most significant, in my opinion, are the following eight: the creation of the Consumer Financial Protection Bureau; the creation of three organizations within the Bureau which will focus on consumer research, consumer education and consumer complaints; the collection of information about the ownership of small business loan applicants; the focus on unfair, deceptive and abusive practices; limitations on fees and certain real estate lending practices; and studies on reverse mortgages, escrow accounts, private education lending, and credit scores.

The reason I believe these changes are significant and relevant to today's discussion is that they represent a new context in which HMDA exists. For example, the consumer research and complaint functions, along with the various studies, will allow the Bureau to identify emerging problematic practices. The collection of data about small business owners will assist in identifying possible discriminatory lending patterns. And, the authority to define and prohibit unfair, deceptive and abusive practices, the limitations on real estate loans plus the authority to enforce these laws will facilitate the enforcement of anti-discrimination laws and responsible lending more broadly.

### **Closing**

In closing, I suggest that proposed revisions be considered within the new regulatory context in which HMDA now exists and will exist.

I again thank you for inviting me to participate today; I am grateful and honored to be among a group of individuals who are committed to improvement.