

**Jim Campen**  
**Professor Emeritus of Economics, University of Massachusetts Boston**

**Prepared Oral Statement for the**  
**Federal Reserve Board Public Hearing on the Home Mortgage Disclosure Act**  
**Federal Reserve Bank of Chicago**  
**September 16, 2010**

Thank you for the opportunity to participate in this panel. My name is Jim Campen. I am Professor Emeritus of Economics at UMass/Boston and a long-time Board member of the Massachusetts Affordable Housing Alliance. My comments are offered from the perspective of a researcher who has worked with HMDA data for many years. Dispensing with further introductory remarks, I will use my five minutes to highlight four potential changes not mandated by the Dodd-Frank Act (DFA) that I regard as particularly important in helping HMDA meet its stated objectives.

**1. Identify lending families, not just individual lenders**

For many purposes it is useful to be able to analyze all of the lending by what I call “lending families” – that is, by all lenders who are part of the same corporate entity. Lending families cannot be identified on the basis of current HMDA data. The “parent” fields in HMDA Transmittal Sheet (TS) data are seldom helpful, because not all lenders are required to identify a parent, and those who are do not have to list their “top level” parent. As a result, many relationships among HMDA reporters are not revealed. In my own work, I draw on a variety of sources to place lenders into lending families, but this is a time-consuming process, draws on knowledge of the industry that many users of HMDA data do not have, and results in a list that I am sure contains errors. With the “top parent” field added to HMDA TS data, users of HMDA data would easily be able to identify all members of each lending family.

**2. Report information on reverse mortgages**

It is widely recognized that the volume of reverse mortgages is growing rapidly and that these loans to senior citizens are potentially subject to great abuse. Compelling accounts of the emerging dangers have been provided by sources as diverse as former Comptroller of the Currency John Dugan and the National Consumer Law Center.<sup>1</sup> Currently, there is only limited information about the nature of reverse mortgage loans, about what lenders provide them, and about the borrowers who receive them.

Thus, it is important that lenders be required to include data on reverse mortgages in their HMDA LARs. The goal of identifying reverse mortgages could be accomplished by simply adding a new code to the “purpose” field. However, the nature and mechanics of reverse

---

<sup>1</sup> John C. Dugan, Speech to the American Bankers Association Regulatory Compliance Conference, June 8, 2009; available at: <http://www.occ.gov/ftp/release/2009-61a.pdf>. National Consumer Law Center, *Subprime Revisited: How the Rise of the Reverse Mortgage Lending Industry Puts Older Homeowners at Risk*, October 2009; available at: [http://www.nclc.org/images/pdf/foreclosure\\_mortgage/predatory\\_mortgage\\_lending/reverse-mortgages-report1009.pdf](http://www.nclc.org/images/pdf/foreclosure_mortgage/predatory_mortgage_lending/reverse-mortgages-report1009.pdf).

mortgages raise interesting issues of how best to specify the reporting requirements for these loans. I address some aspects of these issues in my written comments.

### **3. Mandate the use of a universal loan identifier**

The DFA suggests reporting a universal loan identifier for each loan, “as the Bureau may determine to be appropriate.” I strongly urge the Board to require the collection of this very important piece of data. Widespread use of a unique identifier for each loan would greatly facilitate the ability of researchers and others to link a variety of (existing and future) data sets in ways that could dramatically increase our understanding of many aspects of mortgage lending.

With such an identifier, the information contained in HMDA LAR data could potentially be linked to, among others: databases including information from TILA, RESPA, and HUD-1 disclosure forms (or their successors); databases maintained by Registries of Deeds in counties across the country; databases on loan performance, delinquency, and foreclosure, including that mandated by the DFA; databases on loan modifications; databases maintained by Fannie, Freddie and their successors; and loan-level data that securitizers provide to their investors and regulators.

This identifier could also be used in an additional field in the HMDA LAR to link the loan being reported on to other loans being made either at the same time (e.g., when a first mortgage and a piggy-back mortgage are originated simultaneously) or made earlier (e.g., the loan or loans being replaced by a refinance loan, or the primary mortgage that is being supplemented by a HELOC).

### **4. Include debt-to-income data**

The debt-to-income ratio is the only one of the central variables used in mortgage loan underwriting that is neither currently collected nor mandated by the DFA. Its inclusion in HMDA data is needed to enable a more powerful and accurate initial assessment of whether observed *disparities* in loan denials or originations are likely to reflect, at least in part, the presence of illegal *discrimination*. The debt-to-income ratio is also highly relevant to assessing the sustainability of mortgage loans.

Figuring out how best to provide DTI information raises many issues and deserves careful consideration. One simple suggestion would be to simply add three fields for monthly debt service payments: (1) the maximum possible monthly payment during the life of the loan, as disclosed to the borrower pursuant to the interim rule released by the Fed on August 16;<sup>2</sup> (2) the maximum possible monthly payment, if any, on other dwelling-secured debt; and (3) the monthly payment on all other existing consumer debt. Of course, HMDA LAR data already include borrower income.

Thank you again for opportunity to offer these prepared remarks. I look forward to further addressing these and other issues during the question and answer period.

---

<sup>2</sup> Docket No. R-1336; see Press Release dated August 16, 2010 and attachments; available at: <http://federalreserve.gov/newsevents/press/bcreg/20100816b.htm>