Federal Reserve Board
Public Hearing
Home Mortgage Disclosure Act
September 24, 2010
Washington, D.C.

Governor Duke, and members of the presiding panel, my name is Mike Bylsma. I am the Director of the Community and Consumer Law Division in the Office of the Comptroller of the Currency. Thank you for inviting me to participate in today's hearing.

As Governor Duke noted in her remarks at the first hearing in Atlanta, HMDA data generally serve three purposes: I plan to focus my remarks on the third purpose she listed, which is to promote fair lending and to assist in enforcement of the fair lending laws.

HMDA has been valuable over the years as a tool the banking agencies use to screen institutions for fair lending compliance risks. Nonetheless, the data elements currently required to be reported have never been sufficient to permit the agencies – or the public – to draw reasoned conclusions about fair lending compliance. The additional data elements required by the Dodd-Frank amendments to HMDA will go a long way toward addressing the current limitations that have led to "false positives" that a particular lender may be engaging in unlawful discrimination.

You asked for comment on whether the Board should add data elements to HMDA reporting requirements. As part of my answer to that question, I'd first like to discuss the OCC's experience in using HMDA data, and describe what we have done to augment these data for pre-examination screening purposes. In 2009, the OCC began a pilot program at six large national banks to use HMDA data, plus data elements not captured by HMDA, in our initial fair lending risk screening of banks. The additional data elements we reviewed included:

- the business line of the bank that originated the loan;
- the product code or name;
- whether income was documented and verified;
- loan-to-value ratio;
- the applicant's debt-to-income ratio;
- credit score;
- APR;
- the term of the loan; and
- whether the loan is fixed or variable rate.

We call these data elements "HMDA Plus." We found that the augmented data helped us better target our fair lending examination work and the OCC has since expanded the use of "HMDA Plus" information to our fair lending screening of all HMDA reporters in our large bank supervision program.

We recommend that you consider the OCC's list of "HMDA Plus" elements. Some of these data elements are included in the amendments to HMDA contained in the Dodd-Frank legislation, but not all. For example, the recent statutory amendments do not specifically require reporting on debt-to-income ratios; the APR; or whether the loan is a fixed- or variable-rate -- which have been found by the OCC to be valuable screening factors. As the Board suggested in its hearing notice, requiring collection of any additional information will result in additional compliance costs, although it could benefit lenders by reducing the frequency of "false positives" in the public data. One way to address these cost/benefit considerations would be to require more detailed levels of reporting (beyond those mandated by the statutory amendments) only for HMDA reporters who meet certain origination threshold levels.

You also asked for comment on other aspects of the Regulation C review, and I would like to offer a couple suggestions:

- First, **lender coverage rules** should be reevaluated. The current rules for coverage differ depending on whether the lender is a depository institution or a nonbank mortgage lender and can have anomalous results – they cover depository institutions that originate just one mortgage loan but exempt nonbank lenders that originate a substantial number of mortgage loans. Based on language in the HMDA statute, the rules exempt rural lenders that do not have offices in a metropolitan area, even if those lenders have substantial assets and significant mortgage origination volume. Mortgage brokers and non-lender loan purchasers also are currently exempt. The Board should review whether its rulemaking authority would permit it to expand HMDA coverage to these additional types of lenders in appropriate circumstances.
- And, **reporting on the parent company**, such as the name of the bank holding company, could be very useful in identifying lending patterns across an organization. While this would not directly affect fair lending supervision and enforcement by the banking agencies, it could provide valuable information about how affiliated companies under a single corporate umbrella are serving local mortgage lending needs.

Thank you again for this opportunity to testify and I look forward to your questions.