Testimony of

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Public Hearing
On

Regulation C
Implementing the Home Mortgage Disclosure Act of 1975

Before the

FEDERAL RESERVE BOARD

August 5, 2010

101 Market Street
San Francisco, CA 94105

Good morning Director Braunstein, members of the Consumer Advisory Council, and Federal Reserve Bank staff members. My name is Claudia Monterrosa and I am the Director of the City of Los Angeles Housing Department's Policy & Planning Unit. The Los Angeles Housing Department (LAHD) is charged with the development of citywide housing policy and supporting safe and livable neighborhoods through the promotion, development and preservation of decent, affordable housing. In my capacity, I have witnessed first-hand the beginning of the foreclosure epidemic in Los Angeles and its continued spread throughout the City. My testimony this morning will focus on how the City of Los Angeles began to track the foreclosure crisis, how we used HMDA data in the beginning of this process as well as discuss HMDA's shortcomings; and finally how the City continues to track foreclosures, implement local measures to prevent the deterioration of its most impacted neighborhoods and search for the best data resources to better direct the implementation of federal and state funding.

In 2007, the LAHD engaged in a concentrated effort to help assess the foreclosure problem through the collection of available data and using mapping tools to help identify the hardest-hit areas in the City. To help launch this effort, the LAHD convened a data committee consisting of industry academics and experts including, Enterprise Community Partners, the Federal Reserve Bank of San Francisco, the Lusk Center at the University of Southern California, as well as other consultants. Through this committee, the LAHD evaluated HMDA data as well as proprietary data from RealtyTrac Inc., DataQuick Information Systems, and RealQuest. With the assistance of the Federal Reserve Bank, the LAHD utilized HMDA data to map loan originations that were high-cost, defined by HMDA as loans with an interest rate of at least three percentage points above comparable Treasury yield at that time. The HMDA data was useful in that it illustrated the beginnings of the mortgage crisis in the City by showing a swift increasing pattern of the concentration of high-cost loans from 2004 to 2005 and 2006. These maps also revealed that the concentration of high-cost loans were located in the low- and moderate-income areas of the City. Ultimately, these maps foreshadowed the imminent arrival of the foreclosure crisis in neighborhoods where a predominance of Latinos and African-Americans lived.

HMDA data, however, could not and still cannot provide the actual number of defaults or foreclosures for a given year. In 2008, it became critical for the City to know where and to identify the number of defaults and foreclosures. Through the purchase of DataQuick foreclosure data at the address level, the City was able to identify the number of foreclosures by Council District. Coincidently, when the areas of high-cost loans were compared to the concentration of foreclosure activity in the City, they covered the majority of the geographic areas experiencing a high volume of foreclosures. The HMDA high-cost loan data was able to showcase the areas of concentrated activity for high-cost loans; however, it was the foreclosure activity data at the address level that determined the degree of the foreclosure crisis in our City.

Indeed, since the City began to track foreclosures in 2007, from the period of January 2007 through March 2010, a total of 40,383 housing units in 31,198 single- and multi-family housing properties have been foreclosed upon in the City of Los Angeles. During the first quarter of 2010, a total of 3,463 units were foreclosed in Los Angeles, a 19% decrease from the 4th Quarter of 2009. However, this represents an increase of 353% since the LAHD began tracking foreclosures in the same quarter in 2007.

HMDA has some critical analysis limitation; for example, HMDA high-cost loan data is only available as aggregate data at the census tract level; property addresses are unknown. Further, HMDA data tracks loan originations only, not loan defaults or foreclosures. Finally, HMDA data usually runs approximately one to one and a half years behind. These last two critical pieces of data, the number of foreclosures and its timeliness, are essential for cities such as Los Angeles to appropriately direct precious federal and state funding; as well to drive and implement necessary local measures and policies to help curtail the impact of foreclosures.

As recently as this past May, the LAHD contemplated creating a foreclosure information clearinghouse utilizing ARRA funds. This would have been a core set of homeowner-specific profile data at risk of foreclosure. The data clearinghouse would have included the collection of complete homeowner data from selected housing counseling and legal service providers in the City. Specifically the data would have consisted of the notice of default, notice of sale, foreclosure, loan terms, property address, lender, income, age, ethnicity, language, and borrower debt-to-income ratio. However, the inherent data limitations that would have resulted due to the limited number of service providers that would have supplied this much needed data, ultimately convinced us to focus the investment of these scarce funds on direct services.

Coincidently, the recent passage of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, enacted into law on July 21st includes new revisions to HMDA, most importantly; these changes require the incorporation of new data points that must be reported by lenders, including borrower loan terms, property information, originator information, borrower credit scores and age. This is the very same type of the data the LAHD has been seeking to obtain to help predict new trends, identify at-risk areas in the City, tailor programs and policies to address identified mortgage and/or foreclosure related issues, and alert policy makers at all levels of government of any new looming trends. Whereas the proposed data clearinghouse would have collected limited data from pockets of the City, the newly approved HMDA data requirements will provide citywide coverage.

Nevertheless, the earliest this revised HMDA data will be made publically available will be sometime in 2012. In the meantime, Los Angeles needs to continue to find innovative ways to further define and address the foreclosure crisis. This new HMDA data, although valuable and more comprehensive, however, is needed now. To this end, on May 21, 2010, the Los Angeles City Council passed the Foreclosure Registry Program to establish a residential property registry as a means to protect residential neighborhoods from abandoned and blighted properties due to the lack of adequate maintenance and security. This new ordinance, effective July 8, 2010, applies to any lender (beneficiary or trustee who holds or has an interest in a deed of trust) on a property in some step of foreclosure located within the City of Los Angeles to register that property with the Los Angeles

Housing Department (LAHD). The establishment of this registry will enable the City to analyze the data and further identify neighborhoods in distress and direct available resources to prevent the destabilization of these areas.

In summary, the foreclosure crisis is far from over. Recently released second quarter data, reveals that foreclosures throughout much of the country continue to rise. California persistently ranks in the top three in total foreclosures nationwide; and in the second quarter of 2010 a total of 47,669 single-family homes and condos were foreclosed upon, an increase of 4.4% from the same quarter in 2009[1]. Nearly 52% of these foreclosures took place in Southern California; 30% of those foreclosures occurred in Los Angeles County.

Given this stark reality, I urge the Federal Reserve Board and the newly established Bureau of Consumer Financial Protection to work as expeditiously as possible to implement the recently authorized changes to HMDA. The integration of loan terms, property and borrower data including the age and credit score of the borrower will make HMDA data an invaluable tool for the City of Los Angeles. Due to the City's unique position including our large geography, high foreclosure volume, available resources, and active housing market among others, Los Angles is well poised to become a laboratory to test the expanded HMDA data. The City commends the Federal Reserve Board's proactive efforts in successfully amending HMDA and look forward to our continued involvement as the vetting process for the implementation of the recent law changes

[1] California Mortgage Defaults Hit Three-Year Low; Foreclosures Rise, July 21, 2010. DataQuick Information Systems, DQNews.com

begin to take place. This is a critical time, and the changes to HMDA, the way data is collected, ease of use, accessibility and its timeliness will dictate the impact of its use to help address mortgage trends and hopefully help avert futures mortgage and housing meltdowns. I thank you for the opportunity to testify today on behalf of the City of Los Angeles and look forward in addressing any questions you may have.

Renters are another group of people that have been impacted by foreclosures, because the Los Angeles is a City of renters (approximately 40/60% ), there have been a number of local measures put in place to help stem foreclosure related evictions, including:

The Foreclosure Tenant Protection Moratorium Ordinance, effective December 19, 2008. This ordinance restricts evictions by lenders who foreclosed on or after December 17, 2008 on single-family homes or newer multi-family properties due to a foreclosure. Through the ordinance and approximately 750,000 units will be protected from foreclosure evictions. This ordinance is set to sunset on December 17, 2010. The LAHD will be seeking an extension on this moratorium as foreclosures continue to impact tenants.

- Utility Shut-Off prevention
- One-LA Foreclosure prevention pilot program
- Hardest-hit application for innovative funding