Home Mortgage Disclosure Act Public Hearing, September 16, 2010
Open Mic

Bill Howard:
I think it's just the right height, too. Can you hear me?

Elizabeth Duke:
Yes, we can.

Bill Howard:
My name is Bill Howard, and I'm the President of the First Community Land Trust here in Chicago. And I guess I have a whole hour to speak, right, or you said we had -

Elizabeth Duke:
I'm sorry. You still have your five minutes.

Bill Howard:
[laughs] Since the 2002 revisions of HMDA, hundreds of 501(c)3 community land trusts have been established around the country. CLTs, like ours, enable very low-income tenants to become first-time home buyers. In the case of the First Community Land Trust, applicants have also been typical fodder for the sub-prime mortgage loan industry. Unlike sub-prime lenders, however, CLTs, community land trusts, contain a variety of innovations designed to improve the credit worthiness of many first-time home buyer, low-income applicants. The experiences of these CLTs deserve the attention of home mortgage disclosure act regulators. Data summarized by the National Community Land Trust network have consistently over the years indicated that the default rate, for example, of CLT mortgage borrowers is significantly superior to the rate of those who obtain mortgages though more conventional means. It’s something like 0.6 percent compared to over two percent. In order to further best practices, it is important, I think, for policy makers, mortgage loan regulators, and mortgage providers themselves to know why this is so.

Affordable home industry policy groups, like the Woodstock Institute here in Chicago, can assist the mortgage industry in understanding what accounts for this difference if sufficient, appropriate data can be collected under HMDA. Specifically, it is recommended that HMDA regulations [coughing] rise to require all mortgage lenders to collect data in addition to that which is already being collected, to collect and submit under, under HMDA the following data. Number one, assessment of the credit worthiness, such as loan-to-value and back-end ratios, which we collect at the Land Trust here in Chicago. Secondly, the data should contain criteria containing or determining the pre-approval versus final approval policies of lenders. We've found that there's, there have been discrepancies and confusion surrounding our borrowers who are pre-approved, and then when regulators come in, or not regulators but folks from, who lend us money, find that there's a difference in how the, the final approval ratios and back-end ratios are calculated. They're different. They should be consistent and clearly explained. Applicant's total income from all sources should also be collected, and I'm talking about income from wages, salaries, bonuses, alimony, investment income, Social Security, SSI, and others. Fourth, the geographical ranges that include the applicant's current domicile and intended home purchase should also be known. Fifth, the borrower's credit score, and in the interest of privacy, I'm not suggesting that that be an absolute determination, but the credit score could be stated within a range of scores, such as has been, has been discussed this morning. Sixth, information as to whether the lender cooperates in encouraging borrowers to participate in programs that increase the borrower's future credit worthiness. And seven, whoever the lender cooperates with a community land trust and its mortgage-lending program including notification to the land trust of missed mortgage payments. In such cases, the CLT will work with the borrower to try to prevent further missed payments. The intent of my comments is to help ensure that HMDA encourage mortgage lenders to serve the best interests of all mortgage borrowers and lenders, but especially the interests of low-income, first-time home buyers like those served by 501(c)3 community land trusts. I thank you for the opportunity to present these comments.

Elizabeth Duke:
Thank you very much. Dr. Shanedian Pious. Did I say that correctly? [background talk]

[ Pause ]

Shanedian Pious: Good afternoon. My name, again, is Dr. Shanedian Pious. I am President of Entrepreneur's University. We are the first and only university of our kind in the country dedicated solely to educating entrepreneurs and small-business owners everywhere. So we do a lot across the country in terms of supporting entrepreneurs and small business owners. I would first like to thank the Federal Reserve Board for providing the public hearings to discuss the home mortgage act. As I comment, as I comment, this approach allows the public hearing for those of us who may have comments and don't often have an opportunity to present. Again, thank you for this opportunity to make brief comments, and on what I believe to be a very important issue in the country. How much information is enough? How will the information be used? Who will have access to this information, and why do we even need it? Of course, as a researcher, I think all information and all data is necessary for every single thing just to allow us more to utilize in the various areas we must in life. Of course, there are a number of answers to every single question that you've asked and to every single aspect of this act, but I want to stick to just a, a brief comment for small business owners. Small business owners have essentially not been talked about in terms of home mortgage acts, but, and in other areas as well, but I want to make the, the appeal for them that as we look at some of the regulations that we do, that we make changes to, I'd ask that we think about the small business owners who are some of the home mortgage people who are those who have put up their homes as collateral, who have also used all their resources in areas and, and going back to the home, especially the home, have utilized it because the banks and the other lender, financial institutions have required such, along with federal regulators, have said if you have a home, and you're a homeowner, put it up for collateral. Today, we're watching an unprecedented number of foreclosures happen, and many -- many of them are the small business owners who for whatever reasons are facing financial crisis. I caution us as we look at the different language to improve our different regulatory bodies and the acts that we have, not just in the home mortgage act but in others as well, that some of the language we use may be swayed to dissway assisting a person who may need a new mortgage or may need access to that mortgage. For example, if we say a particular community has an average credit score of 611 when that average credit score really is about 500, then when we look at the, the data, we take that data to be gospel. It is what it is, and that's what we go on. Excuse me, that's what we go off of.  So I'm cautioning our language and usage of how we update information so that it makes more, a little more sense when we're going into changing a policy or updating a policy.

And finally, just a couple of recommendations.  One is I do support that we do need to standardize how we use data, how we input the data, and we should also go across the board to try to implement that all data be placed to protect privacy.  Privacy is critical to all of us.  As we know, you can do anything on the Internet today and access anyone's information.  So privacy has to be included in that, and, certainly, to talk about credit scores should be, should be considered benchmarks only, especially in today's economy, as we move forward.  So as we look at updating our regulations in various areas, I submit that we caution the language, and then that we utilize standardization as a way of modifying what we need to accomplish today.  Thank you.