Bill Loving

Good Morning. I am Bill Loving, President and CEO of Pendleton Community Bank in Franklin, West Virginia. Pendleton Community Bank is a state-chartered bank with approximately 245 million in assets with five offices in West Virginia and Virginia. I am also a member of the Board of Directors of the Independent Community Bankers of America's, the Policy Development Committee, and Chairman of its Reg Review Committee. I appreciate the opportunity to participate in today's forum, and I'm pleased to be a part of the panel discussion on the board's review of the regulations implementing the Home Mortgage Disclosure Act, or HMDA, and to represent the Independent Community Bankers of America and its 5,000 community bank members at this important hearing. Pendleton Community Bank became a HMDA reportable bank, or reporting bank, in 2007 after the opening of a branch office in the Harrisonburg Virginia Metropolitan statistical area in July of 2006, and has since maintained that qualification.

In 2009, our third year of reporting, we reported a total of 323 loan applications which included 229 originated loans. We also reported 11 applications that were approved but not accepted, 66 applications that were denied, 16 withdrawn, and one file that was closed for incompleteness. As we are now in our 4th year of HMDA reporting, many of the challenges we experienced in the early years of reporting have been corrected. Our loan officers better understand which loans are HMDA reportable and which are not, and particularly have a better understanding of what constitutes a refinancing. However, like community banks, we still have challenges ensuring that all data is collected when it should be and not when it should not be.

Pendleton Community Bank, like most community banks, is facing serious regulatory challenges as additional requirements and restrictions are placed on banks. Compliance officers, managers, and bank professionals spend a significant number of hours complying with the many regulatory requirements necessary to provide information to regulators, document banking transactions, and provide disclosures to customers. And while no one regulation by itself is significantly overwhelming, the cumulative requirements of all the banking regulations are onerous, especially for small banks. This became all too obvious again, when we, as a result of opening a new office in the Harrisonburg, Virginia Metropolitan statistical area, became a HMDA reporting institution. The sheer amount of time and resources required to comprehend, train, and administer this new regulatory requirement was overwhelming. And if I may add, the escrow requirements recently enacted on higher priced mortgages significantly compounded the problem. Therefore, it is important to ensure that any additional regulatory requirements maintain a balanced approach that promotes the purposes of HMDA with the limited and already strained resources of community banks. HMDA regulations do not currently require us to submit underwriting data for the mortgages we originate, such as borrower's creditworthiness, loan-to-value ratios, and debt-to-income ratios. However, the Fed Reserve Board is considering whether these data elements should be added as some HMDA users may consider this information useful. The potentially limited utility of the additional information does not justify the increased compliance burden for community banks and privacy concerns that are addressed later in my testimony. While the data provides limited information on the factors lenders may use to make credit decisions and set loan prices, it could provide skewed results, as credit and spending habits vary based on different and distinct markets. Furthermore, banks would need to utilize their limited resources to collect and document the additional data.

The regulatory compliance burdens that would develop as a result of collecting the additional information would most impact small community banks that complete the LAR manually. Bankers already collect and complete 24 line items on the LAR for every routine loan. This is coupled with the additional resources that would be required to train staff, interpret, and make determinations on unclear regulations and check the data for accuracy before it is submitted.

Privacy Concerns. For community banks that approve a limited number of HMDA reportable loans or provide financing in rural areas, adding the suggested personal customer information, such as credit score and age, to the collected data creates significant privacy concerns. It is presently feasible, in areas of limited reportable areas or loans, to identify a specific individual whose mortgage is being disclosed on a HMDA report when that information is appended with information that is publicly available. HMDA reports include the name of the bank, mortgage amount, year of transaction, and census tract of the property. This information, together with public--certain public information, such as the name of the bank, price, and the year of the transaction, property address, and property owner's name, could provide an opportunity to identify the majority of mortgagors being reported of HMDA data. Because there is little privacy protection in HMDA data, adding additional sensitive and non-public information, such as debt-to-income ratios, credit scores, creditworthiness, or age, would create considerable privacy concerns.

Excuse me--in conclusion, I greatly appreciate the opportunity to participate on this panel and provide information on this important topic. Community Bankers understands significant contribution home membership provides to the communities that are committed to serving the unique needs of the market. We would require--ask that there would be additional requirements to lead out their HMDA reporters to the process.