

Home Mortgage Disclosure Act Public Hearings, September 16, 2010
Panel One: Calvin Bradford

Calvin Bradford:

Federal Reserve Board and members of the Consumer Advisory Council. I represent the organization that first proposed the creation of the Home Mortgage Disclosure Act and I worked on the bill myself. Over time as the mortgage markets have changed radically, I've identified two major issues relating to the act and the process of public disclosure. First with the amendments made to HMDA and Dodd-Frank, there's still a need for some additional data to be added. And second there's a need to completely overhaul the process for the release of the public data. The most glaring category of data that's missing from HMDA is of course servicing data. Collecting these data as part of the HMDA disclosure will facilitate the requirements that the new Consumer Financial Protection Bureau develop and publish along with HUD a database on loan performance. Public records are often very difficult to use at best and only provide data on foreclosure actions and they are on in places where there's judicial foreclosure laws. Private sources and servicing data are extremely expensive and therefore not really available to the public. Moreover they often only represent a sample. High foreclosure rates for FHA loans in the 1980s led the National People's Action to propose what became section 335, which is the FHA servicing disclosure provisions. Even with this very limited data from FHA loans, the data was used by community groups to highlight lenders making unsafe loans and targeting inner city and minority communities. Had similar data existed for the conventional market we could have identified the lenders responsible for the most toxic subprime loans and perhaps avoided a lot of the mortgage meltdown. The section 335 data do in fact produce data quarterly for the first five years of loans. There is a need for some additional categories and one of those, which is often not mentioned, is the need to have a category to flag loans that are sold back to the lenders on recourse, as these typically represent loans that were unusual risk or represented fraud or malfeasants. And then if we're able to review lending patterns for older people, we also need to have a flag for reverse mortgages.

Another key element not presently included in HMDA is the cumulative loan to value ratio and also another ratio missing is the total debt to income ratio. These two ratios, along with credit scores, represent the key risk elements for loans. The individual appraisal identification numbers as well as unique broker identification numbers from existing and newly created national databases, should be attached to the HMDA data and that would allow us to track the loans all the way through all the players in the process. Overall it's important to release as much of the data as possible and as close to the actual raw data format as possible. Using the veil of privacy concerns to suppress these data will not protect consumers from predatory lenders. It will simply mean that the public will be at a great disadvantage in playing its legitimate role in helping to enforce consumer protection and fair lending laws. We should begin by noting that the great majority of fair lending, consumer protection enforcement and compliance, has resulted from the actions of community-based organizations, private fair housing organizations and attorneys and various attorneys general, as opposed to the Federal Regulatory and Enforcement Agencies. It's been the community based organizations that most often look at local markets and patterns. Historically, most of the creative lending programs, as well as the most destructive and predatory lending programs, have first occurred in these local markets. In the subprime meltdown, for example, local studies of HMDA data were warning of the community impacts of these types of

predatory loans way back in the mid-1990s. Over the years as more data elements have been added to HMDA, the format for the release of the HMDA data and the support provided to the public, has really deteriorated. Today the FFIEC website is set up to provide data most usefully to large research organizations and those with sophisticated online data search and data management capabilities. In some ways the formats for providing these data seem almost intended to frustrate users like small organizations or people who don't have advanced data processing skills and powerful software and hardware, and my written statement contains some detailed examples.

It's time for a major reinvestment in the thinking of the formats for supplying and the support services to release these data publicly so that consumer community groups, local housing groups, local governments and fair housing organizations can use these data in a much more effective manner, as I had documented hundreds of uses way in the past. This process must include the participation of the full range of these potential users. Thank you.