Home Mortgage Disclosure Act Public Hearings, September 24, 2010
Panel One: Jay Brinkmann

JAY BRINKMANN:
Thank you very much. I'm Jay Brinkmann chief economist with the MBA. And I apologize in advance for how I sound. I picked up a cold in the last day or so after two weeks on the road, so please bear with me. I have some written remarks, but I will simply sort of paraphrase them to make sure I get in under the five minute limit.

I wanted to talk about first of all, about what should be required in terms of the data reported. How should the data be reported? What should be used as the universal mortgage identifier? What data should be made public, and finally just some comments on multifamily.

In terms of what should be reported, I think it's important to bear in mind the burdens that are placed on mortgage lenders in terms of complying with HMDA. So that any changes that are made create tremendous burdens in terms of trying to reconcile the data, make sure it's accurate within risk allowable tolerances for errors so that one change in the information that we can live with for some period of time would be very helpful.

Also bear in mind, though, that in terms of looking at potential data it's impossible to replicate lending models based on what gets reported in HMDA. And one of the fears is that as we expand it, it turns into a safe harbor that in a sense freezes what's allowable in a credit model with these data elements. For example, over the years, I know companies that instead of a credit score preferred to look at how many times a potential borrower has been late on a housing related payment as opposed to their overall credit score. In addition, there's some lenders these days quite frankly that won't make a loan to someone who has walked away from another mortgage or looks like they are getting ready to walk away from another mortgage, and that certainly would not be picked up.

How to report? One of the things we strongly recommend is that you look at the MISMO standards, the Mortgage Industry Standards Maintenance Organization, for definitions, for format, and I think this might address issues, for example, with HUD reported credit score. That if you like at the MISMO, we don't simply look at one field for credit score. There's a field for a number. There's also then a field of whether it's a vantage score, whether it comes from FICO, what vendor reported the score. So that there are a number of variables then that are really behind it, and if you simply then pick up all of these variables associated with the credit score the way we do, you can then use the information internal to then generate whatever percentile or whatever calculation you would like to do, but that that would not be put back on the lender to reenter data, to rekey it, but instead use what's already out there in the industry. Also it would provide for easier changes later on, if any additions are needed.

What about a universal mortgage identifier? That has been brought up. We would strongly recommend that you look at the mortgage identification number that's been put out by the Mortgage Electronic Registration System, MERS. It allows us to track mortgages throughout the system from application all the way to sale of servicing, sales of the secondary market and I think for these purposes it would allow us to really sort of track some of the under coverage that we do see in the HMDA data. We did some analysis and found that by throwing out all the correspondent loans, we are eliminating a number of loans that had no counterpart in the retail broker data.

What to make public? Well, we really think that's your decision. In a sense that there are a number of data elements here that we would very much not want to make public as companies because of the limitations we face, but that certainly that's an issue that the bureau and the Fed will have to face going forward is the tradeoff between risks of identity theft associated with some of these elements and that, but that's really your decision to make rather than the industry, and to some degree, we would benefit, I think, in terms of what would explain what's going on in the industry with a greater data release.

Finally on multifamily, we did an analysis and we think that HMDA already covers about 95 percent of the multifamily loans that are made. In contrast, though, it covers only about 60 percent or so of the dollar amount of the loans. So that if you look then at the average loan amount that's in HMDA, it's about $1.7 million for a multifamily loan. If you look at the average loan size of what's missing, it's about $19 million. So we don't know how much effort really should be put into trying to capture this remaining 5 percent of really high dollar loans that are done for just an entirely different set of investors out there. So I think you really ought to look at what do you really want to do with the multifamily data? Do you really want to expand it or is there a questionable usefulness of what's already there? Thank you.