

Home Mortgage Disclosure Act Public Hearing, August 5, 2010
Panel One: Claudia Monterrosa

Claudia Monterrosa:

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 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 firsthand the beginning of the foreclosure epidemic in the city.

I want to discuss how 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 then how the city continues to track foreclosures, implement local measures to prevent the deterioration of its more 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 assist the foreclosure problem through the collection of 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. Through this committee, the LAHD evaluated HMDA data as well as proprietary data from RealtyTrac, DataQuick, and RealQuest.

With the assistance of the Federal Reserve Bank, the LAHD utilized HMDA data to map loan originations that were high-cost. 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 concentration of high-cost loans from 2004 to '05 and '06. These maps also reviewed the concentration of high-cost loans, which 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. That HMDA data, however, cannot still provide the actual number of defaults or foreclosures.

In 2008, it became critical for us to know where, and to identify the number of defaults and foreclosures. Through the purchase of DataQuick foreclosure data at the address level, we were able to identify the number of foreclosures by Council District by neighborhood, by any number of geographies. Coincidentally, when the areas of the high-cost loans were compared to the concentration of foreclosure activity in the city, they covered the majority of the geographic areas experiences a high volume of foreclosures. The HMDA high-cost loan data was able to showcase areas of the concentrated activity for high-cost loans; however, it was the activity -- foreclosure data activity at the address level -- that determined the degree of foreclosure crisis in the City.

Since we began to track foreclosures in the city, from January '07 through March of this year, a total of 40,383 housing units and 31,198 single and multifamily housing properties have been

foreclosed upon in the city. And in the last quarter 3,463 units were foreclosed in Los Angeles. This is a 19 percent decrease from the quarter of '09; however, this represents an increase of 353 percent since the LAHD began tracking foreclosures in the same quarter.

HMDA data has some critical limitations. It only tracks loan origination at the Census-tract level. We are interested in finding and getting information at the address level. As recently as this May, we were contemplating creating a specific profile of data for homeownership and homeowners at risk of foreclosure. This clearinghouse would have included the collection of complete data, but we decided to focus these precious dollars over services. The recent passage of the Dodd-Frank bill will enable us to see this information at that citywide level instead of having limited information from the very select counseling service priors.

We urge the Federal Reserve Bank and the newly established bureau of Consumer Financial Protection to work as expeditiously as possible to implement the recently authorized changes. We're definitely interested in continuing to work with the Federal Reserve and see how we can provide input on that.

Thank you very much, and I welcome comments.