Home Mortgage Disclosure Act Public Hearings, September 16, 2010
Panel One: Greg Ohlendorf

Greg Ohlendorf:
Good morning. I'm Greg Ohlendorf, President and CEO of First Community Bank and Trust in Beecher, Illinois. First Community is a local owned, $150 million asset state member bank located 40 miles south of Chicago. I'm a member of the Independent Community Bankers of America Board of Directors and chairmen of its policy development committee and also a member of the Community Bankers Association of Illinois.

These hearings are being held in part to assist the board in its review of regulation C and to help assess the need for additional data elements to be added to our reporting requirement. As we know, HMDA regulations do not currently require lenders to submit information on several factors lenders use to make credit decisions and set loan prices, such as borrower's credit worthiness, loan to value ratios and debt to income ratios. First Community, like most community banks, is facing serious regulatory challenges as additional compliance requirements are being placed on us in an ever increasing pace. I'm concerned about the potentially limited utility this additional information, which in my opinion would not justify the increase of compliance burden for community banks. I also have very serious privacy concerns about collecting releasing additional data that will be addressed later in my testimony. Compliance officers spend a significant amount of time and resources to comprehend, train and administer to a myriad of regulatory requirements. Therefore it's important to ensure that any additional regulatory requirement maintain a balance approach that promotes the purposes of HMDA against further taxing a limited and already strained resources of community banks. 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's presently feasible in limited reportable loan areas to identify specific individuals for whom mortgages are 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 senses track of the property. This information, together with certain public information such as the price and year of the transaction, property addresses and property owners name, could provide an opportunity to identify the majority of mortgagers being reported on the HMDA data. Because there is little privacy protection on the HMDA data, adding additional sensitive non public information such as debt to income ratios, credit scores, credit worthiness or age, would create and will create considerable privacy concerns.

Furthermore the potential legislative requirement to add a parcel identification number to the HMDA database could specifically identify the exact parcel being financed, making individuals personal information even more transparent to the public. There have been many examples of significant privacy breaches which have revealed sensitive, personal information over the last several years. Adding additional level detail to HMDA will potentially give fraudsters more opportunity to take advantage of American consumers. HMDA data is designed to demonstrate whether the housing credit needs of the community are being served and to uncover possible discriminatory lending patterns. Currently whether a bank or the mortgage lender is required to report depends on its size, the extent of its business in an MSA and the extent it engages in residential mortgage lending. The information obtained from HMDA will provide a more accurate picture of mortgage lending patterns if other types of institutions, such as mortgage brokers and non-lender loan purchasers that meet threshold criteria, also collected and reported HMDA data. Not only does this provide a consistent overview of the mortgage market, but ensures that discriminatory lending patterns are uncovered from any mortgage source. As part of its review of HMDA regulations, the board is seeking ways to clarify and simplify HMDA regulations in order to facilitate compliance. One of the general frustrations reporting and reviewing HMDA data is the inconsistency with which information is collected and reported. It's important that regulatory requirements and guidance are clearly provided so as not to be confusing or misinterpreted. In my own bank we've received inconsistent answers from regulators with some difficult HMDA scenarios. Here's a recent example: a customer applies for a six month construction loan, which isn't reportable. This loan can be taken out by a new long-term mortgage. At the end of the construction period, the customer's previously approved long term mortgage application is pulled by the secondary mortgage market investor. As a community bank, we offer these customers the opportunity to extend their loan into, say a five year balloon based on a 30 year amortization. Now how do we report this for HMDA? We've received three distinct answers from regulators on this issue. One, report the date of the application as the date of the construction loan. Two, report the date of the application as the date of the loan extension. Or three, we've been told the loan’s not HMDA reportable because if it wasn't reportable at its inception, it's not reportable now. As can be seen, the conclusions drawn by the end users of the HMDA data, could easily be skewed, depending on which way this loan was reported. I'll provide additional examples during the Q&A.

I greatly appreciate the opportunity to participate in this panel and to provide information on this important topic. Community bankers have long understood the significant contribution home ownership provides to the communities and we are committed to serving the unique housing needs of our community. However, in order to continue to provide affordable financing and before requiring any additional elements to be reported and collected, the board should balance the benefits of this additional collection of information with the limited resources available to banks and the significant privacy issues which would come about from releasing this sensitive information. Thank you.