

Home Mortgage Disclosure Act Public Hearing, August 5, 2010
Panel One: Garry Seligson

Garry Seligson:

Thank you. Good morning. My name is Garry Seligson. I'm a Senior Vice President and Associate General Counsel for Chase Home Lending.

Chase Home Lending is one of the largest originators of residential mortgage loans in the United States and made approximately 270,000 mortgage loans in 2009. Chase appreciates the opportunity to testify today concerning the Federal Reserve Board's review of its Regulation C, which implements the HMDA requirements. Chase also appreciates that the Board is soliciting the views of industry members, advocacy groups, and other interest groups prior to issuing any proposed rules. Chase has long supported the original purposes of HMDA and welcomes the opportunity to address each of the items for which the Board has requested comments.

As described in greater detail in our written testimony, while we believe there may be some benefits to additional HMDA reporting requirements, we have serious concerns about consumer financial privacy that some of the proposals raise. Importantly, the recently enacted Dodd-Frank Act more than doubles the number of reportable data elements previously required by HMDA, and we believe that the industry should be given the opportunity to make the operational changes necessary to capture and report the newly required Dodd-Frank data elements before adding any additional data elements. In addition, reporting institutions should be given sufficient time to revise their forms, train their staff, make the necessary system and programming changes, and do whatever else is required in order to comply with the changes in reporting requirements in Dodd-Frank. Our experience has been that a change of this magnitude requires an implementation time frame of at least 18 months. Providing an extended time frame for implementation would be consistent with the approach that was taken with the 2004 amendments to Regulation C, which were far less extensive than the amendments in Dodd-Frank.

Moreover, mortgage originators will be implementing the new data elements at the same time that they are implementing numerous other regulatory changes that would flow from Dodd-Frank. A number of the changes contemplated by Dodd-Frank, or that may be considered by the Board, additionally may require extensive industry coordination -- for example, Universal Loan Identifier -- and implementation should be delayed sufficiently to enable that coordination.

Dodd-Frank also requires numerous changes to the loan underwriting and origination process and will require significant additional monitoring to ensure compliance with the new requirements. We expect the mortgage market to undergo significant changes as a result of both the new panoply of legal requirements, as well as other financial market changes.

In light of these many developments, it makes sense to give lenders the time they need to make all these changes, understand what questions data users are trying to answer, and then evaluate the need for additional data elements. A significant amount of information about mortgage applicants will be made available as a result of the new data elements. Even without name and Social Security numbers, the presence of elements such as loan amount and census tract enables the curious or unscrupulous to search public records and identify individuals. Moreover, the

changes to the SEC's regulation will cause substantial loan-level information to be provided to investors. The availability of age, credit score, and income or even, potentially, other data that consumers consider private, means a financial picture of a given individual can be put together fairly readily.

We believe that many consumers will be rightly concerned that extensive information about them is accessible. The risk of identity theft will also be increased. To minimize the privacy risk, the Board should consider limiting the number of data elements that are made available to the public. Doing so would enable the Board and other federal regulators to analyze the data without making it available to potentially unscrupulous individuals. Care should be taken in determining which data elements to make public to avoid distortion of information; for example, publication of race and rate spread, without important factors, such as FICO and LPB, would likely result in a distorted picture.

Chase supports using average prime offer rates as a benchmark against which APR should be compared because it puts pricing information in the appropriate market context. Comparing mortgage rates to Treasury Securities, for example, does not accurately reflect liquidity, quality, and risk issues.

With regard to purchase loans, clarification is needed on reportable data elements for purchase loans. Many of the newly required data elements are not readily available for purchase loans. The information provided by sellers to buyers needs to be extended significantly.

If a decision is made to require the collection of data elements for purchase loans, we recommend that this be delayed till there has been significant, sufficient opportunity to implement the changes contemplated by Dodd-Frank in the Board's Regulation C for loan originators. Mortgage extensions and consolidations that are a functional equivalent of loan refinancing, and are structured to such in states such as New York or Texas, should be viewed more functionally and reported as refinancing. Doing so would more accurately depict mortgage-lending behavior and mortgage flows. Modifications made for other reasons, such as to correct an error or in settlement of a dispute, should not be reported. HMDA and Regulation C do not address data quality -- time is over? Okay. If I can just finish this last thought —

Sandra Braunstein:

All right, if you can in four seconds. We can also get to your additional --