Home Mortgage Disclosure Act Public Hearings, September 24, 2010
Panel One: Josh Silver

JOSH SILVER:
The National Community Reinvestment Coalition appreciates that the Federal Reserve Board is conducting hearings on possible revisions to the Home Mortgage Disclosure Act data. The board's 2002 revision to include price information for high cost loans and other data enhancements has increased transparency in the mortgage market. Thank you.

NCRC urges the Federal Reserve Board to make further enhancements to HMDA data. As an association of more than 600 community-based organizations, NCRC and our member organizations use HMDA data to regularly assess whether institutions are meeting credit needs consistent with safe and sound lending practices.

By increasing the public accountability of lending institutions, HMDA has made the lending marketplace more efficient and equitable. Further enhancements to the HMDA data, however, are needed to enable HMDA to fully meet its statutory objectives of assessing whether financial institutions are meeting community needs in identifying possible discriminatory lending practices. This week's release of the 2009 HMDA data indicates that significant racial disparities remain that must be further investigated with enhanced HMDA data.

Attached to my written testimony is NCRC's recent report, “Foreclosure in the nation's capital,” which revealed a concentration of foreclosures and high cost lending experienced by minorities in Washington, D.C., even after controller for critical underwriting criteria. This study, which combined HMDA data with a proprietary database, provides a glimpse at how much more effective HMDA data could be at identifying the possibility of potential discrimination if it is significantly enhanced.

Price information for all loans is imperative for the purpose of identifying possible discrimination. As recent Department of Justice settlements suggest, price discrimination is often in the range of 50 to 70 basis points. Meaning that such discrimination may occur entirely within the realm of prime lending. The current data that has price information for high cost loans only misses discrimination in the prime market. Reporting loan terms, such as prepayment penalties and whether the loan is fixed or adjustable is also necessary to assess which borrower groups receive a disproportionate amount of onerous loans.

The loan channel, retail or broker, sheds light on which institutions are offering responsible loans and which offer problematic loans. If more information had been available on loan terms and conditions several years ago, stakeholders could have identified troubling trends earlier, such as a dramatic rise in option adjustable rate lending and could have taken steps to curb this lending earlier before it contributed to the current crisis.

Additional information regarding underwriting criteria can help reveal if discrimination is occurring or community needs are being met responsibly. Loan to value ratios, debt to income rations and credit scores are variables that researchers need to account for when determining whether racial disparities and pricing or access are likely to be the result of discrimination.

In its merger approvals, the Federal Reserve Board states the HMDA data is insufficient by itself to determine if lending institutions engage in discriminatory practices. Well, then, isn't it time to make the data more effective for enforcement and meet its statutory purposes?

Even if after enhancements to the data, the data still cannot conclusive identify discrimination, enhanced HMDA data will nevertheless reveal much more clearly those institutions that treat similarly situated borrowers differently and offering the variant terms and conditions.

The enhance data would therefore improve regulatory enforcement and could lead to more merger denials, conditional merger approvals or downgrades in CRA ratings when warranted. Enhanced HMDA data improves regulatory enforcement because it will be more readily identify problematic practices in a more cost efficient manner than the more intensive tasks of file review.

Loan performance data of the type mandated in Dodd-Frank is also critical for CRA and fair lending enforcement. Banks and mortgage companies with high default rates and low levels of sustainable loan modifications must be penalized through lower CRA ratings, merger denials and fair lending settlements. NCRC also calls for mandatory reporting of home equity lending and reverse mortgages since problematic lending practices in these loan types would be curbed with more disclosure. In my written testimony, I talk about a number of other issues, such as the need to require more lenders to report HMDA data.

I want to last say that increasing access to user-friendly data enhances the ability of the public to hold lenders accountable for serving credit needs in a responsible fashion. NCRC calls on the Fed through the FFIEC web site to make the data easier to use. The data should be in Excel rather than bulky PDF files. And the web page should have an interactive feature, allowing the user to ask some basic queries such as the number of prime loans to African Americans in a census tract or a county. I can't emphasize enough if the data is made more user friendly how it would be much more possible for community groups to do some straightforward data analysis and to go to lenders with some very powerful and straightforward information and to have informed dialogue and to work together and to increase access to responsible lending.

NCRC urges the Federal Reserve Board to engage in a rule making to improve HMDA data and in so doing to improve the equity and the efficiency of the market place. Thank you so much.