Home Mortgage Disclosure Act Public Hearings, August 5, 2010
Panel One: Kevin Stein

Kevin Stein:
Thank you. Good morning. My name is Kevin Stein. I'm the Associate Director of the California Reinvestment Coalition. I want to thank you for the opportunity to participate in this hearing.

I should say I fully expected to support and endorse a number of the comments made by the Greenlining Institute, especially around the impact of foreclosure on wealth in our communities, and the L.A. Housing Department, in terms of the importance of the data for helping direct local housing policy. I did not expect that I would also want to endorse some of the comments made by Mr. Moskowitz of Wells Fargo, and I think in essence, we are saying the thing, at least as to some of his comments, that to really effectuate the purposes of HMDA, we need more data, and that currently is not the case. I guess I should add that I don't believe -- we don't believe that industry's past positions and practices are really consistent with the position you're putting forth today, but we welcome it. And maybe there's some room for consensus and optimism to actually think that HMDA will move in a good direction that will benefit the public and communities for which it really was designed.

So, putting aside those comments, I'll just make my prepared remarks.

So CRC is a coalition of 280 community groups and public agencies working to improve access to credit for low- and moderate-income neighborhoods and neighborhoods of color in California. And one of the ways we have tried to do this is, by using the HMDA data, we have issued a number of reports and analyses for the public and for local governments, using the data.

We believe the HMDA data have been helpful in shedding light on mortgage-lending patterns and promoting responsive lending, but HMDA regulations really have not kept pace with industry practices. HMDA limitations require that a broader lack of adequate transparency and accountability regarding bank lending practices. This insufficiency of transparency, oversight, and regulation enabled the foreclosure crisis that has had such a huge and devastating impact on our families and communities, in California in particular, which is disproportionally impacted by not only the bad lending the last few years, but now the foreclosures and the inability to see sustainable loan modifications. But the comments I'm making reflect the collective thinking of several California groups, and we will be submitting written comments that will further detail our collections. And today, we have 60 civil rights and community groups in the state who have endorsed the positions that were articulated today. I also would note that it's a HMDA hearing inside the Federal Reserve, and yet there's a very strong interest in this discussion that we're having today, and we expect a lot of people will be showing up during the course of the day to express their views and to highlight the importance of the issues that we're talking about today, especially in this context of foreclosure and economic impact.

The main point I'd like to make is that the data is not really serving the purposes for which it was designed. And Sandy pointed out that the goals of HMDA are to help identify discrimination, help local governments or public officials direct investment, and once again to see if institutions are meeting local housing needs. For the most part, that really is not occurring. And for that reason, we're calling on the Fed and the CFPB to update the data now, but also to see that, as it is, which is an ongoing obligation to ensure that the regulation from the data that's being required to be reported meet those three goals.

For years, the lenders -- maybe today will be different -- but the lenders have complained that the HMDA data are too limited. Well, I guess we do agree on that. And they're too limited to draw any meaningful conclusions, but at the same time, they have continued to oppose the very data elements that we're talking about today.

I'd be curious to look at the transcript from 2002, and see how many of the industry folks opposed the things that are in Dodd-Frank and the things that we're talking about today. More distressing to us, in some sense, is that the Fed itself has dismissed the value of the HMDA data by highlighting the very limitations it has had the power to address and overcome.

And just as one example, searching the Fed website for an order approving of the bank merger, the first one I found -- this was a quote from the orders. Quote: "The Board recognizes, however, that HMDA data alone provided incomplete measure of an institution's lending in its community because these data cover only a few categories of housing-related lending. HMDA data, moreover, provides only limited information about the covered loans. HMDA data, therefore, have limitations that make them an inadequate basis absent other information for concluding that an institution has not assisted adequately in meeting its community's credit needs or has engaged in illegal lending discrimination."

Well, these are the very purposes of HMDA. In other words, the Fed has failed update the data requirements, keep ahead of industry practices, and   ensure that the act serves its purposes. And we hope that the CFPB will be better in this regard.

To that end, we have a number of recommendations, but we're urging five key changes. Namely, that HMDA – if it's all right, I'll just quickly mention them, thank you -- require the collection and public reporting of all loan modifications applications, denials, and modification terms broken out by race, ethnicity, gender and age of applicants, and census track. This is the key housing traction of the day. We have no information about that and no meaningful numbers.

Number two, require the disclosure of all Home Equity Lines of Credit and the purpose for which the HELOC was sought, including whether the HELOC was intended to support a small business.

Number three, require data regarding certain race categories, such as the Asian race group, and include data about languages spoken by loan applicants and loan modification applicants, especially the language in which these transactions are negotiated.

Number four, require reporting on reverse mortgages, age-of-loan applications, applicants, whether reverse mortgage was sold with an annuity, and whether a new loan is being used to refinance a senior out of an existing reverse mortgage.

And five, require detailed reporting on multi-family lending that notes whether the loan was a construction loan or permanent loan, and whether the housing units for which the loan was sought will be restricted for affordable housing.

We support all the changes proposed in Dodd-Frank. We want all that data at the low level made publicly available, and we would hope that the CFPB would provide transparency around not only the HMDA and make it available more quickly, but also, around what the bank regulators do with that information when it shows itself to be problematic.Thank you.