Home Mortgage Disclosure Act Public Hearings, September 24, 2010
Panel Three: Raphael Bostic

RAPHAEL BOSTIC:
Thank you. Good afternoon, Chairman Calhoun, Director Braunstein, members of the Advisory Council. I want to thank you for inviting me to testify regarding potential revisions to the Board's Regulation C. This topic is extremely important in light of current mortgage -- in light of the current mortgage crisis, which many would agree results in large part from a mortgage market that was not sufficiently transparent and lacked appropriate consumer protections. It is my hope that the lessons we've learned through the efforts to stabilize the housing market will inform our discussions and actions as we move forward with respect to HMDA changes.

HMDA data represent a comprehensive source of information on primary mortgage originations and secondary market loan purchases. Since its enactment in 1975, HMDA has provided useful information to the public regarding relative performance of lenders and serving the needs of their local communities, and has been a critical tool in enhancement enforcement of laws in prohibiting discrimination in lending.

Unlike many other market groups that provide HMDA data subsets for lenders, for communities in metropolitan areas, HMDA represents a virtual census of lending activities. Within designated areas, HMDA provides information on borrower and loan characteristics and property location coded to the census tract level as well as the identity of the institution making the loan.

Nondepository institutions are required to submit HMDA data to HUD, and the Department has historically relied on HMDA data for estimates on the number of mortgages originated for low- and moderate-income families and in underserved areas when setting affordable housing goals. HUD also reviews HMDA data for lenders, in our case, FHA lenders, to be sure they are abiding by fair housing and lending rules. The relatively new data on loan pricing has been critical into gaining insight into the higher cost and subprime mortgage markets.

In recognition of the important role HMDA data has played over the years in enhancing consumer protection and advancing fair lending and fair housing objectives, the Dodd-Frank Wall Street Reform and Consumer Protection Act transferred the responsibility for HMDA data collection to the newly created Bureau of Consumer Financial Protection. In addition, the Dodd-Frank bill made a number of important changes to HMDA, including adding a dozen new mandatory and discretionary fields to the HMDA data fields that which will provide additional insight into the characteristics and quality of loans originated.

Of particular importance to HUD and many in the advocacy community is Section 1094 of Dodd-Frank, which gives the bureau the discretion to require all mortgage loans to include a universal loan identifier. We are very supportive of the concept and encourage the bureau to implement regulations to make this a reality and ensure that each loan originated in the nation is provided a unique and universal identification number. Such a number would allow regulators and the public to track the performance of the loan over its lifetime.

The identifier is needed to strengthen HMDA in several important ways. First, it will make HMDA data more effective for monitoring the market and enforcing regulation. Second, it holds the potential to greatly enhance our enforcement of consumer protection and fair lending laws. Third, it will help improve research in the area and enhance our understanding of market dynamics. And finally, it will make HMDA a powerful complement to other databases that exist currently and that are authorized under Dodd-Frank, in particular, one that my agency is charged with doing -- creating on default and foreclosure.

Some in the industry oppose the concept of the universal identifier, citing regulatory burden and costs. We believe there are arguments to suggest that these -- the benefits outweigh the costs, and I'd be happy to discuss those as we enter the question period.

As discussed before in just a couple other items, the Dodd-Frank legislation requires lenders to report total points and fees payable at origination. HUD welcomes this innovation, but we urge that we use this authority to define points and fees in such a manner that will help promote rather than compromise data for fair lending screening. We would recommend that lenders not include discount points in the calculation of total points and fees as one example. Another point limitation of HMDA is that not all mortgages are required to be reported. The absence of data for many non-MSA lenders hampers our ability to screen for fair lending problems, and we recommend expanding in non-MSA census tracts.

For 35 years, HMDA has provided HUD and other enforcement agencies with critical information on lenders' performance and loans originating in their areas. Unfortunately, the current crisis revealed the weaknesses of HMDA, which created a comprehensive review of practices. Dodd-Frank has taken a significant step toward modernizing HMDA, provide significant protections and fair lending data, and we encourage the implementation of many of those provisions.