

Home Mortgage Disclosure Act Public Hearings, September 24, 2010
Panel Three: Patrick Lawler

PATRICK LAWLER:

Thank you. Members of the presiding panel, thank you for inviting me to provide comments on your implementation of HMDA. My comments today will focus on two areas. First, whether HMDA data collection should be extended to non-lender purchasers of mortgages, such as Fannie Mae and Freddie Mac, and the merits of coordinating new legislative requirements that direct multiple regulators to capture similar data for differing purposes with the Federal Reserve Board's current review of HMDA.

Congress passed HMDA in 1975 in response to concerns there were areas in cities where banks were unwilling to make mortgage loans. The purpose was to provide citizens and public officials of the United States with sufficient information to enable them to determine whether depository institutions were fulfilling their obligations to serve the housing needs of communities in which they were located.

Federal Housing Finance Agency believes that requiring non-lender purchasers of residential mortgages to collect and report HMDA data would not be consistent with the purpose of reducing red-lining and discrimination by lenders. In particular, such requirements would impose a significant compliance burden on Fannie Mae and Freddie Mac, and they would duplicate data reported by lenders that sell mortgages to those enterprises.

There is public benefit, however, in comprehensively populating the action taken data field in the HMDA record. Enterprise staff and analysts at the Federal Reserve board already cooperate to facilitate matching of data on mortgages sold by lenders and loans acquired by the enterprises. We at FHFA support those efforts and would be willing to facilitate a formal process of providing loan-level data on enterprise acquisitions to the staff of the Fed or its successor on HMDA implementation, the Bureau of Consumer Financial Protection, in order to comprehensively populate that data field.

A number of recent legislative and regulatory initiatives require different federal agencies to collect data or analyze and report on residential mortgage lending. The Housing and Economic Recovery Act of 2008 requires FHFA to conduct a monthly survey of mortgage markets and make market data derived from that survey available to the public in a timely manner. FHFA is required to collect information on the interest rates of the mortgages, the credit worthiness of borrowers, and the points and fees charged at origination, among other data.

The Dodd-Frank Act expands the range of mortgage data to be collected under HMDA, including a unique mortgage loan identification number. At the same time, other financial regulators also collect extensive information on mortgage originations so that many originators are faced with providing the same or similar information to multiple regulators. Consolidation of surveys and data submissions could be more efficient for both regulators and respondents. Accordingly, we think that the Fed or the Bureau should explore partnering with other agencies and the newly created Office of Financial Research when implementing the required additions to HMDA data.

The OFR is a new independent office in the Department of the Treasury created by Dodd-Frank to support the Financial Stability Oversight Council. OFR has the authority to set standards and require the reporting of data from all financial firms. FHFA believes that partnering and coordinating efforts with OFR has the potential to reduce costs and improve data for a wide variety of uses, and mortgage data might be a good place to start.

This is particularly true with respect to developing a unique mortgage identification number. Several numbering systems have been proposed to federal regulators. It will be important for the Fed or the Bureau to coordinate its efforts in order to establish one truly unique loan identification system.

As we think about coordinating mortgage data collections into a single unified repository, we also need to expand our view on the potential uses of such data. For private investors to return to the mortgage market, we must be preparing to make available to those investors far more granular data on mortgages than has been provided previously. So in thinking about a unified mortgage data collection process with uniform data definitions and mortgage identifiers, FHFA encourages the Fed, the Bureau, and other fellow regulators to be thinking about how such a program could also facilitate mortgage sellers providing necessary data elements to investors and mortgage pools. That is the common data definitions and data reporting schemes developed for public reporting, such as HMDA, should be flexible to support the provision of loan-level mortgage data to investors in mortgage-backed securities, thereby reducing cost burdens, increasing efficiency, and giving investors the information needed to properly price and manage mortgage risks.

Thank you.