Home Mortgage Disclosure Act Public Hearing, July 15, 2010
Panel Two: A. James Elliott

Sandra Braunstein:
Mr. Elliott?

A. James Elliott:
Good morning. My name is Jim Elliott. And even though I'm a self-proclaimed pointy-headed academic for the last 15 years, for the 30 years prior to that, I was in private practice and spent 10 years of that as a board chair of a community bank and a board member of a mortgage wholesaler that did it as much as 5 billion dollars a year, so I've had some experience in the area.

There are three quick points I want to make. Based on the time, I will get at least two in now and we'll sneak the third one in later.

The first one is just to reemphasize the fact that for your reporting requirements, loan-to-value is clearly going to be important. Primary importance is the debt-to-income level. You know, without that, you're not going to be capturing the information that is going to be, to my thinking, most used in determining whether or not there is in fact discrimination in the availability of lending -- totally opposite of what may have existed in 1975 when there was no credit available to something in the last three years where there has been excess credit available in some markets.

Second point deals with compensation incentives. And this is particularly true for non-portfolio originators. The difference between originating a loan that you're going to hold in your own portfolio, and your concerns of quality, and a loan that you are going to sell in the secondary market within 24 hours with no repo obligations is completely different. I think you would find that in the most part, compensation incentives that lead to an originator talking someone into a loan that they shouldn't get, either because they have inadequate income, are a loan that they are paying excessive rates of interest for is based on compensation. So you're going to need to come up with a mechanism by which you can capture that information.

Also, it's critical that you cover non-depository institutions. And I think the -- that Dodd Frank Bill contemplates that to begin with. As was mentioned in the earlier panel when 50 percent of loans are originated from non-depository institutions if you're not gaining that information, then you're simply not going to have sufficient data for you to make kinds of decisions, for community groups to make kinds of decisions they need. You're eliminating over half of the market. The last point is going to deal with disclosures, but that will probably take more than roughly 90 seconds left, so I'm going sneak that one in later.