Home Mortgage Disclosure Act Public Hearings, September 16, 2010
Panel Two: Jim Campen

Jim Campen:
Good morning, Governor Duke and the other participants, thank you for the opportunity to participate in this panel. My name is Jim Campen. I'm Professor of Emeritus at U Mass, Boston. I'm a longstanding board member of the Massachusetts Affordable Housing Alliance. My comments this morning are offered in the perspective of researcher who has worked with HMDA data for many years. I'll use my five minutes to highlight four potential changes that are not mandated by the Dodd-Frank Act, that I regard as particularly important in helping HMDA meet its stated objectives. So quick preview, first, identify lending families, not just individual lenders. Second, report information on reverse mortgages. Third, mandate the use of universal loan identifier. And fourth, include debt to income data.

So first, identify lending families, not just individual lenders. For many purposes, it is useful to be able to analyze all the lending by what I call lending families. That is all lenders who are part of the same corporate entity. Lending families cannot be identified on the basis of current HMDA data. The parent fields in HMDA transmittal sheet data are seldom helpful. Not all lenders reported to identify a parent and those who are required do not have to name their top parent. And thus as a result, many relationships among HMDA reporters are not revealed. In my own work I draw on a variety of sources to place lenders into lending families. But this is a time consuming process, draws on knowledge of the industry that is not widely available and many users do not have and results in a list that I'm sure contains errors. With the top parent field added to HMDA data, transmittal sheet data, users of HMDA would easily be able to identify all members of each lending family. Second, report data on reverse mortgages. It is widely recognized that the volume of reversed mortgages is growing rapidly and that these loans to senior citizens are potentially subject to great abuse. Compelling accounts of the emerging dangers have been provided by sources as diverse as a former comptroller, John Dugan, and by the National Consumer Law Center. Currently there is only limited information about the number of reverse mortgage loans, about what lenders provide them and about the lenders, the borrowers who receive them. Thus it is important that lenders be required to include data on reverse mortgages in their HMDA LARs. The goal of identifying reverse mortgages could be accomplished by simply adding a new code to the purpose field. However, the nature and mechanics of reverse mortgages raises interesting issues about how best to specify the reporting requirements for these loans. I addressed some of those questions in my written comments. Third, mandate the use of a universal loan identifier. The Dodd-Frank Act suggests reporting a universal identifier for each loan as the bureau may determine to be appropriate. I would strongly urge the board to require the collection of this very important piece of data. Widespread use of the unique identifier for each loan would greatly facilitate the ability of researchers and others to link a variety of existing and future datasets in ways that could dramatically increase our understanding that many aspects of mortgage lending. [inaudible] identifier, the information contained in HMBA LAR data could potentially be linked to, among others, databases including information from [inaudible] and HUD-1 disclosure forms, databases maintained by registries of deeds in counties all over the country, databases on loan performance, delinquency and foreclosure, including that mandated by Dodd-Frank, databases on loan modifications, databases maintained by Fannie and Freddie and the loan level data the securitizers provide to their investors and their regulators. This identifier could also be used in an additional field in the HMDA LAR to link the loan being reported on to other loans being made either at the same time, the case of a piggy back loan, both loans of the first mortgage, first lien loan or loans made earlier, for example, the loans being refinanced by an existing mortgage where the primary mortgage has been supplemented by HELOC. Fourth, include debt to income data. Debt to income ratio is the only one of essential variables used in mortgage loan underwriting that is neither currently collected nor mandated by the Dodd-Frank Act. It's inclusion in HMDA data is needed to enable a more powerful and accurate initial assessment of whether observed disparities in loan denials or originations, are likely to reflect, at least in part, the presence of illegal discrimination.

The debt to income ratio is also highly relevant to assessing the sustainability of mortgage loans. Figuring out how best to provide debt to income information raises many issues and deserves careful considerations. One simple suggestion would be to add three fields to monthly debt service payments. First, the maximum possible monthly payment during the life of the loan, as disclosed to the buyer or pursuant to an interim rule released by the Fed one month ago today. Two, the maximum possible monthly payment, if any, on other dwelling secure debt. And three, the monthly payment on all other existing consumer debt. That way, you can get whichever debt to income ratio you want, frontend or backend or just all real estate. Of course the HMDA LAR data already includes borrower income. So thank you again for the opportunity to participate in this panel and I look forward to addressing these and other issues in the question and answer period.