

Home Mortgage Disclosure Act Public Hearings, September 16, 2010
Panel Two: Michael Collins

Michael Collins:

Thanks very much I appreciate the opportunity to be here and thanks to the panel for pulling this together. My name is Michael Collins. I'm a researcher at the University of Wisconsin. I direct our Center for Financial Security. We do work on consumer decision making in financial markets. One of our biggest projects is with the Financial Literacy Consortium with the Social Security Administration, although I have to preface on my remarks to say these are my own and not those of my fund or of my institution. I, again, also bring the research perspective and I think you're going to hear that for the first 3 panelists here as this research perspective.

HMDA is very important for research. There's over 550 scholarly works based on HMDA data that I was able to find just in cursor search of Google Scholar. There's a lot out there. It's very useful to researchers and it's not just discrimination and community development. On the consumer side I find it very useful to find who rejects lender offers, how do various variations in state laws affect whether people take on a mortgage or not. So there are many possibilities to use HMDA data for policy, for community development and for consumer decision-making that are important. That said we have gone through quite a few revisions to HMDA over the years and I was personally part of the effort in the early 2000s when we talked about adding FICA score and adding price spread and those kinds of things and the same debates we had today and a little bit with late Governor Gramlich on that as well. You know, rate spread, I think, is a good example of something that was very useful to us during this last housing boom. We got a sense of how credit was no longer just rationed it was priced. And we got a sense of not just the approval denial decision but what pricing was required by various consumers but it also raised more questions, and I am certain that this process is going to raise more questions too. As we get more data we start to need more data. I think what's important about HMDA is it gives us data on applications and originations. A lot of our conversation here so far has been about the origination data but the application is really important too in thinking about what's in each of those pieces. As we've gotten data on price, we now need more data on risk, and that's where this idea of collecting FICO score, LTV, home value, these kinds of things become important. Those could certainly be collected in buckets based on data that's in the origination record and would be useful but they will not give us the entire story of what the risk of this particular loan is, but it'd certainly be better than what we have now. I would add one additional piece of information we might want to have in the refinance category, which is an important category that HMDA collects is the cash-out refinance versus a term or rate refinance. The cash-out refinance is an important feature that was very important this last housing boom that we might be able to pull out of the existing information, but it's very hard, you know, a simple indicator of that would be helpful.

The proposal to add a broker channel or retail channel I think is another important one. In economics we worry a lot about principle agent problems. I think we saw a lot of the, what happens with principle agent problems with the broker market in the last few years, having some indicator of that could be useful. I have other comments in my written remarks that we can talk about in the discussion. I would just urge for the Fed as an administrator and for the FFIEC as an administrator of these data to really think about these data as a research data set in addition to

its other roles that it plays for administration. You know, in working with other units the federal government and Social Security, Census, they have procedures to allow researchers to access very, very confidential data like your entire work history, your entire earnings records. We have methods to do this, they involve getting deputized, go into a closed room not being able to walk out with any files, those procedures exist but they don't exist for HMDA. Even the existing fields like date would be useful in that context. So I would just encourage the fed to think about encouraging research with this by creating those kinds of processes and procedures. You know, make it legal for us to try to match these data and, you know, really try to help us do that. The other thing is too like the fed does with other data sets involved in issue code books, issue, you know, ways that we could learn about the quirks of the data. Right now we have informal networks where we learn about the data, that information's not always universally shared and it can undermine analysis. So just ways to make the data more standardized, to issue the data in machine readable formats and to create more discussions so that we understand what the issues are there. You know, I am sort of agnostic on some of these issues about the cost of collecting these data, but I can tell you the value from a research point of view is very important and to the extent we can get more value out of this existing data seems to me something that the Fed could certainly pursue. So thanks very much.