Home Mortgage Disclosure Act Public Hearings, September 16, 2010
Panel Two: Marsha Courchane

Marsha Courchane:
I guess I'm up next.

Female Voice:
Yes.

Marsha Courchane:
I'm going to warn you that I'm going to deviate a little bit from my written comments just because some of what I have in them has already been mentioned by others, so I'm going to start out with my summary first and then go back to a little more detail on some of the things I want to say. I like Michael really value HMDA as a research tool. I also use it a lot in my work. So let me tell you a little bit about that history. I came back to the U.S. in 1994 to go to the OCC where I helped design their statistical modeling procedures for fair lending, and I stayed there for five years and then I went to Freddie Mac and worked in that fair lending group for five years after that. I had 15 years as an academic before either of those so the only thing I really cared about when I started was getting data I could use to publish research papers. That was really a great opportunity because I could use OCC data, I could use that data and I could learn a lot. And I really think the public availability of this data is one of its strengths, and I very much worry that as we provide more and more and more data we're going to either restrict it to people in locked rooms or we're going to give it only to the regulators and researchers can't use it. So like Michael, I think one of the key strengths is public availability of this data in whatever form we can get it in, and I do think there are qualifiers that I'll get to in a minute. The second thing I did at Freddie Mac was look at affordable goals and looking at the neighborhood where these loans are applied for and originated and looking at, do the properties for those loans, do those loans meet affordable housing goals I thought was really important and not just discrimination. In my work in consulting I do a lot of work in lending discrimination. I bet if Michael Google-researched me half my papers must be on fair lending discrimination, and I care a lot about that topic as well. I think HMDA has some limitations but one of the strengths it has for all of us not only the researchers but the regulators, the banks and all of us who use that data is that it is loan-level data. And there's lots of data available from other places the Dodd-Frank data on defaults and delinquencies will be available, but at the track level there's an awful lot we can learn at loan level that we simply cannot learn from -- sorry -- from loan-level not track-level data. So I really care that it stay loan level. And the third thing is that I think the data is very rich. So when the questions come up about what can we cut out to add new fields I get a little nervous except that there are some fields I would cut out preapproval being one of them, home improvement being one of them. We can make changes and you have to be dynamic and make those changes. So I really think the strengths are the public availability, the loan level nature of the data and the richness of those data. And I really hate to see us address the weaknesses while not keeping the strengths as strong as they are.

What are the weaknesses? Well, like Janis I agree that the timeliness is an issue. So data that comes out a year, a year and a half later is difficult to use from the sense of predicting will there be a crisis. Is something bad happening to sub prime? The data is not timely, so my recommendation for that is to have a two-tiered system where the large banks -- 20 percent of the banks reporting in HMDA probably originate 80 percent of the loans take in 80 percent of the applications and they're all electronic. Let the large banks report quarterly at least to the regulators and to the systemic risk regulators so that somebody is seeing the data in a timely fashion. If the large banks report more promptly, the small banks are the only ones that are going to need to be cleaned up between March and June and so the data publicly might get out faster. I agree that not everyone can get it out as quickly as that, but certainly all the institutions that I work with supply me the data quarterly so I think the regulators could get it too. So I think we can address timeliness.

The detail, I think, is a weakness right now. Everybody knows that some fields would be more helpful. I'm not quite as agnostic as Michael about what those might be. Credit worthiness matters if you're looking at pricing. I agree and I think we can bucket credit scores, quartile the credit scores and do something that addresses the privacy concerns, which I believe are real. Debt to income, I'm not agnostic about. It's hardly ever predictive, it's hardly every useful but more importantly it's only corrected at origination, and people can rack up an awful lot of debt as soon as they've got that loan so it's almost useless in terms of predicting performance. And the third thing I think we really need is a link to servicing. I'm now doing fair lending for institutions looking at the servicing data, and they can't even link it to HMDA. So if they didn't originate the loan, they don't know the race and ethnicity. HAMP is recollecting that but when the HAMP race and ethnicity doesn't accord with the HMDA race and ethnicity there's no answer about what to do. So I think the unique identifier is really critical and it should carry through to servicing. That's it, thank you.