

Home Mortgage Disclosure Act Public Hearings, September 24, 2010
Panel Two: Lance George

LANCE GEORGE:

Thank you, Mrs. Duke and Board of Governors. The Housing Assistance Council is pleased to testify before the Federal Reserve Board hearings on Home Mortgage Disclosure Act. We view these public hearings as an excellent opportunity to improve HMDA data collection efforts and increase our understanding of rural mortgage lending activity.

The Housing Assistance Council, commonly referred to by our acronym HAC, is a national nonprofit that supports affordable housing organizations in rural areas of the United States.

A wide array of issues and positions concerning HMDA have been presented here today, many of which HAC agrees with and supports. However, the Housing Assistance Council wishes to focus on several issues that directly impact HMDA's ability to provide useful information on rural America's home lending markets. Primarily, we wish to address the issue of undetermined HMDA coverage for rural America.

HMDA data are critical resources to understanding lending trends, however, there are significant limitations to these data in respect to rural areas. HMDA falls short of achieving its ultimate goal due to incomplete coverage and information. There are two major filing exemptions that limit rural coverage. First, lenders with assets less than \$39 million in 2010; and secondly, lenders that operate exclusively outside of metropolitan areas are generally not required to report. These exemptions disproportionately impact small lenders that operate in rural communities. For example, of the 989 lending institutions with assets totaling less the HMDA filing exemption threshold in 2009, 70 percent were headquarters in rural counties. The filing exemption for lenders with offices exclusively outside of metropolitan areas is even larger. These institutions likely represent one of the few sources of credits in many communities.

The extent to which HMDA accurately captures rural lending is currently undetermined and many experts believe it to be lacking. Even the Federal Reserve Board's own senior economist, Robert Avery, Kenneth Breverate and Glen Canter, state in a 2007 report, "While HMDA coverage for MSAs is quite complete, reporting exemptions lead to significant distortion in coverage of rural area." They go on to say, "For these reasons, rural areas are often dropped from any analysis of HMDA."

In light of these glaring omissions in HMDA reporting and their impact on rural coverage, the Housing Assistance Council recommends that all institutions, regardless of location or asset size be required to submit standard mortgage finance reporting and lending data under HMDA.

Secondly, and briefly, we would like to quickly address the issue of manufactured home reporting in HMDA. Manufactured housing is an important source of affordable housing across this nation and especially in rural communities, and more than half of all manufactured homes are located in rural areas.

The manufactured housing -- I mean, I'm sorry, the Housing Assistance Council applauds the Federal Reserve for enhancing HMDA to include reporting that identifies manufactured home loans in 2002, however, the level of information on personal property lending for manufactured homes in HMDA is largely unknown. Personal property lending, or chattel loan as they are commonly referred to, are more likely to be utilized when financing manufactured homes. Reporting of these specific loans should be required and publicly available through HMDA.

Additionally, manufactured home loans and applications should indicate whether the loan or the application was a personal property or real mortgage loan. The inclusion of these updated enhanced manufactured home data will provide for a much more complete assessment of lending activity nationwide and particularly in rural areas.

In closing, we would like to reiterate that the Housing Assistance Council is not only a stakeholder, but a staunch advocate for the Home Mortgage Disclosure Act. HMDA is vital to understanding and improving the affordable housing lending activity, however, we also believe it can be enhanced to better capture home lending activity, especially in rural communities. These improvements would greatly advance our understanding of rural home credit markets and help ensure that all residents have access to fair and affordable credit.

HAC is pleased to have this opportunity to testify on improving the Home Mortgage Disclosure Act. We are submitting a written copy of our testimony, which includes additional comments on HMDA and rural mortgage markets. Thank you.