

Home Mortgage Disclosure Act Public Hearing, July 15, 2010  
Panel Two: Jeffery Dillman

Sandra Braunstein:  
Mr. Dillman.

Jeffery Dillman:

Good morning, my name is Jeffery Dillman. I'm the executive director of the Housing Research and Advocacy Center Fair Housing and Fair Lending Organization based in Cleveland Ohio. I want to thank the Federal Reserve Board for holding these hearings and for inviting me to speak with you today regarding potential revisions to Regulation C implementing the Home Mortgage Disclosure Act.

There's been some discussion this morning about the importance, the purpose of HMDA. And, I would like to emphasize, in particular, the vital nature of HMDA in allowing citizens and allowing researchers, and allowing local community-based groups such as Fair Housing Organizations and Community Development Corporations to conduct research into the lending practices that are going on within their communities. As director of a Fair Housing Group located in Cleveland Ohio, our organization has been very involved in examining the HMDA data within the state of Ohio and within the Cleveland neighborhood. And, given the recent history of what I would call lack of supervision by federal and state regulators of many lending institutions, this use of HMDA data by community-based organizations, by independent researchers, and by citizens is at least as important, if not more so, than the use of the data by the regulatory agencies.

There are three main areas that I'd like to mention in my opening statement with regard to possible revisions to HMDA data. First, I'd like to address the issue of the inclusion of additional variables. Our organization conducts HMDA analysis examining race and national origin of borrowers as well as comparing that to the income of the borrowers. And, we have found significant disparities in the Cleveland Metropolitan area as well as throughout the state of Ohio in terms of the lending that's going on. When we present this data showing, for example, that upper-income African Americans are denied more loans than low-income whites or wind up with more high-cost loans than low-income whites, the response of the lending institutions is that there is other legitimate risk factors that account for these disparities. By including loan-to-value ratios, debt-to-income ratios, and credit scores, this would allow our organization, as well as the public at large, to have confidence in these assertions by, on the behalf of the lenders. The last five to ten years has shown that industry must be adequately supervised by government as well as by the public at large. The fact that prime borrowers are often winding up in subprime loans show that the origination and underwriting process has serious flaws and that we cannot rely solely on the trust of the lenders when they assert that there are legitimate risk factors for the decisions being made on lending. While I realize that there are some privacy issues with regard to some of these factors, there are, there should be ways that this can be addressed to still allow the data to be released and give the public confidence in the actions of lenders.

An additional important variable to add is the loan channel that the loan is originated through. The diffusion of responsibility in the lending industry has been a major contributing factor to the mortgage crisis. The fact that no one person is responsible, whether it's a broker, an originator, a servicer, or the many players in the secondary mortgage market and securitization process, has allowed the diffusion of responsibility, and by allowing the, by including loan channel in this data, it will allow local groups to be able to provide additional analysis and determine where problems are occurring in their local communities.

A second area, I believe, needs to be addressed, is the ability of HMDA data to easily show the relationship between lenders. Currently, lenders can obscure their lending, in the Cleveland area, First Franklin, which was at one time, a subsidiary of National City Bank, was a HMDA-reporting lender for the years 2000 to 2003. However, in 2004, they stopped reporting loans as First Franklin, although they were still a major originating lender in the region and, in fact, throughout the country were a major subprime lender. It took quite a lot of effort by local activists to determine that these loans were now being reported by National City Bank of Indiana, and that, National City Bank, by changing the reporting of these loans, made it much more difficult for local community groups to determine what was going on in their communities and to develop effective strategies to deal with the foreclosure crises.

The third major area that, I think, that needs to be addressed is the accessibility and the release of the HMDA data. It is inexcusable that HMDA data is available right now on the FFIEC website in such a poor format. The fact that the data is only available in PDF format, that all variables cannot be searched, and that it is extremely difficult -- there's no excuse for that. The data needs to be available easily to, easy to use with all variables available on the website. Because, the situation that we're left with right now is that if you want to be able to use the data, you are left with either hiring someone on staff who has sophisticated statistical, you know, capabilities who can manipulate the raw data, the raw large data that can be obtained from the FFIEC or going to third-party purchasers which makes it very expensive for small organizations, such as ours, to be able to examine local trends.

Finally, I realize my time is up. But, one final point I would like to make is that HMDA data is now released by the FFIEC once a year. Some of that data is 18 months old from when the loan decision was made. This makes it extremely difficult to track current trends. And, the data should be released on a rolling basis quarterly or monthly so that community groups so that researchers and others can determine what's going on in a much quicker manner. Thank you.