Home Mortgage Disclosure Act Public Hearings, September 24, 2010
Panel Two: Janneke Ratcliffe

JANNEKE RATCLIFFE:
Thank you, Governor Duke, members of the Consumer Advisory Council and Federal Reserve staff and any other UNC fans that are here.

It's an honor to have the opportunity to share thoughts about HMDA, particularly at this particular time in the US housing finance system. In the 13 years that our center has studied how mortgage markets impact lower income and minority households, HMDA has been vital. For example, we've used it to identify disparities in incidents of high priced lending across borrowers, neighborhoods and regulatory environments. The ability to distinguish lender and neighborhood have been key to our working comparing reinvestment act lending to that of the overall market.

Still, HMDA left many critical questions unanswered, and we see much promise in financial regulatory reform provisions for HMDA. As these new provisions recognize, we are in a new day in which the value of quality, publicly available data has been confirmed. Few would argue that we wouldn't have been better off if we had access to this data sooner. When researchers and advocates calling for intervention were told that their cases were built on evidence that was insufficient or too anecdotal, while private data was often off limits for public purposes.

And today it's certainly hard to argue that data is not available, given advances in technology, the array of data currently collected and reported through private sources and the information soon to be collected by such entities as the SEC and the state bank examiners.

In this new day for HMDA, my comments will present several principles that should be observed. First, HMDA's unique attributes must be preserved to the extent they are critical to its core purposes. These are that it's public, disaggregated; that it covers applications, as well as loans made; that it covered all loans, not just a sample; and that it is specific with regard to geography and lender.

Second, as a good researcher, I should say that more data is better. The additional fields to be added are well overdue, especially credit score and value. Loan to value and credit score are the two factors most heavily relied upon to assess risk and make loan decisions, yet they have never been in the data set and their inclusion will surely add authority to evidence derived from HMDA. Other possible fields to consider, we heard many of these already, LTV, CLTV, cash out refi, home equity lines of credit, particularly linked to first if made at point of purchase, reverse mortgage information, adjustable rate mortgage features, et cetera.

Third, better data is better. There's an opportunity to implement standardization as we have already heard of data definitions and reporting requirements across institutions and regulators wherever possible. For example, Mr. Brinkmann's reference to MISMO and MERS, the SEC and AFS data sets and the SAFE act requirements. This would reduce the cost of compliance, improve the ease of data use, as we have already heard.

Analysis of systemic conditions could also be much improved by two other items: better information on the lender organizational structure, parent companies and subsidiaries, and better transparency of secondary market activities. It's no longer possible to look at the primary market without looking through to the secondary side, as we have learned from the recent crisis.

Next, it should be easy to use. We call for the development of an interactive user interface for those without advanced data management capacity, which will increase true public access.

Fifth, privacy concerns need to be addressed, although much private information is readily available to those who can afford to buy it, more data in the public domain does raise legitimate privacy risks, which all of us who value HMDA should be cognizant of. Privacy concerns arising from an expanded data set could be addressed in a number of ways, as Pat has alluded to, while preserving the fundamental public utility.

These suggestions include providing easier public access to aggregated tables with as much detail as possible, using statistical conventions to present loan level data in a form that protects individual borrower information and making fuller data available under controlled conditions.

Further, loans need to be traceable, and we applaud, as do others here, the plans to add unique universal identifiers. This will facilitate the ability to trace performance through the primary and secondary markets, as well as more accurately relate first and second liens, modifications and perhaps even tied to refinances.

Finally, we also need to recognize HMDA's limations. It could not keep step with the industry, though these pending changes will go far in helping it catch up.

As the next problem emerges, however, are we going to have the right information when we need it? To address this concern, we also suggest institutionalizing the process for updating HMDA, for example, with a timetable and perhaps an advisory committee.

Thank you for your attention and I look forward to your questions.