

The Home Mortgage Disclosure Act Public Hearing, August 5, 2010  
Panel Two: Kathy Rodriguez

Kathy Rodriguez:

Hi. Good afternoon. Thank you to the Federal Reserve Board for inviting me to participate in today's hearing regarding potential changes to Reg C. My name is Kathy Rodriguez. I'm a senior VP and Consumer Compliance Manager at Bank of Hawaii.

Bank of Hawaii is a \$12.4 billion regional bank located in the State of Hawaii. We provide financial products and services, primarily in Hawaii, and also in the Pacific Islands of American Samoa, Guam, Saipan, and Pilau. Mortgage lending makes up a significant portion of Bank of Hawaii's lending portfolio, approximately 35 percent. In 2009, we originated 3,554 mortgage loans, totaling 1.2 billion, of which the majority was sold to in the secondary market to investors while we retained the servicers of the loan. Thirdly, we service 23,943 residential mortgage loans, with outstanding balances totaling 5.2 billion. We have a 26.1 percent market share in Hawaii. Annually, we submit approximately 5,000 records on our HMDA loan-application register.

As a federally-regulated financial institution, we use HMDA data to conduct analysis, for Community Reinvest Act purposes, and to determine if we are meeting the housing needs of our communities, and for fair-lending purposes, to identify discriminatory lending practices. Our supervisory agency, the Fed, has examiners review our data at least annually to assure its accuracy. For at least the last ten years, we've had no data issues identified by a regulatory agency; however, this has only accomplished many, many hours of verification, training, and reverification of the data.

Approximately 95 percent of our HMDA applications and loans are originated in our Mortgage Banking Division. At the end of every month, a data file from the Mortgage Banking Division's Loan Origination System is imported into data-collection software that helps manage the scrubbing of the data and reporting of the loan. However, data for applications and loans originated in other business units, with no origination system, is manually gathered and entered into the data-collection software. Each of these business units has dedicated staff that verifies the accuracy of the HMDA data. In addition, our corporate compliance department conducts an additional review on the integrity of the data at least annually.

It should be pointed out that in signs of increased volume, which occurs in low interest rate environments such as what we have today, not only must handle the increase in volume, but to manage such compliance. Bank of Hawaii provides training to all staff involved with HMDA reported transactions on an annual basis, and more frequently as necessary. We provide two different types of training: one for those that originate and monitoring information, and another more detailed and technical, for those that complete the HMDA loan application registrar.

We estimate that the bank spends roughly 5,100 hours, and at a cost of \$142,000 annually in the collection and submission of HMDA data. For the rest of my time, I'd like to share some comments on data elements we find useful in conducting fair lending analysis.

We agree that the current HMDA fields are not sufficient to explain the disparities that may occur in pricing. In both our investor and portfolio loans, combined loan-to-value, loan-to-value, credit score, and debt-to-income ratios are important variables considered in making the credit decisions and in determining the pricing of the mortgage loans.

Other key factors, such as whether the loan is from a broker, the type of property -- for example, if it's a condo, hotel, or if it's two-family residence and if the refinance cash-out is for purposes other than home improvement or home purchase, provided explanation of the increased risk, which will be reflected in the increase pricing of the loan.

My final comments are that while we agree that additional data elements should be valuable to explain disparities, expanding the collection and reporting of HMDA data elements will come at a price of additional resources and costs burden, in time and systems, for financial institutions.

Thank you very much, and I look forward to the questions that you may have.