Good afternoon and thank you to the Federal Reserve Board for inviting me to participate in today's hearing regarding potential changes to Regulation C. My name is Kathy Rodriguez. I'm a SVP and Consumer Compliance and CRA 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 Palau.

Mortgage lending makes up a significant portion (35%) of Bank of Hawaii's lending portfolio. In 2009, we originated 3,554 mortgage loans totaling $1.2 billion, of which the majority was sold on the secondary market to investors while we retained the servicing of the loans. Currently we service 23,943 residential mortgage loans with outstanding balances totaling $5.2 billion. We have a 26.1% share of the mortgage loan market 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 Reinvestment Act purposes to determine if we are meeting the housing needs of our communities and for fair lending purposes to identify possible discriminatory lending practices. Our supervisory agency has examiners review our data at least annually to ensure its accuracy. For at least the last 10 years, we have had no data issues identified by our regulatory agency. However, this is only accomplished through many, many hours of verification, training, and re-verification of the data. Approximately 95% of our HMDA applications and loans are originated in our Mortgage Banking Division (MBD). At the end of every month a data file from the MBD's loan origination system is imported into a data collection software that helps manage the scrubbing of the data and facilitates the geocoding of the loan. However, data for applications and loans originated in other business units with no origination systems 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 times of increased volume which occurs in a low interest rate environment such as what we have today, institutions must staff up not only to handle the increase in volume but to manage such compliance responsibilities.

Bank of Hawaii provides training to all staff involved with HMDA reportable transactions on an annual basis and more frequently if necessary. We provide two different types of training; one for those that originate and collect the government monitoring information and another more detailed and technical for those that complete the HMDA loan application register for their business unit. We estimate the Bank spends roughly 5,100 hours and a cost of $142,000 annually in the collection and submission of HMDA data.

For the rest of my mike time, I would like to share some comments on data elements we find useful in conducting fair lending analysis. We agree that the current HMDA data fields are not sufficient to explain the disparities that may occur in decisioning and pricing. In both our investor and portfolio loans, combined loan-to-value (CLTV), loan-to-value (LTV), credit score, and debt-to-income (DTI) are important variables considered in the making of credit decisions and in determining the pricing of mortgage loans. Other key factors such as whether the loan is from a broker, the type of property (e.g. condotel, two-family residence), and if the refinance cashout is for the purposes other than home improvement or home purchase, provide an explanation of the increased risks which would be reflective in the increased pricing of the loan. My final comments are that while we agree that additional data elements would be valuable to explain disparities, expanding the collection and reporting of HMDA data elements will come at a price of additional resources and costs burdens (time and systems) for financial institutions.