HMDA Hearings
Remarks
August 5, 2010

Good morning.

Thank you for the opportunity to participate in these hearings

My name is Kevin Stein and I am the Associate Director of the CRC.

We are a coalition of 280 community organizations and public agencies working to improve access to credit for LMI neighborhoods and neighborhoods of color in CA

One way we have done this is to use HMDA data, and we have issued a number of reports and analyses using the data.

HMDA have been helpful in shedding light on mortgage lending patterns and promoting responsible lending.

But HMDA regulations have not kept pace with industry practices. HMDA limitations were part of a broader lack of adequate transparency and accountability regarding banks' lending practices. This insufficiency of transparency, oversight and regulation enabled the foreclosure crisis that has had such huge and devastating impacts on families and neighborhoods in our state.

My comments reflect the collective thinking of several California groups, and we will be submitting written comments which have been endorsed by 60 civil rights and community organizations to date.

The main point Id like to make here is that HMDA data are not detailed enough to serve the 3 goals outlined in the Home Mortgage Disclosure Act. Congress determined in 1975 and reaffirmed subsequently, that the purposes of HMDA are:

1. To help determine whether institutions are serving the housing needs of their communities.
2. To help public officials target public investment to attract private investment where it is needed.
3. To assist in identifying possible discriminatory lending patterns and enforcing antidiscrimination statutes.

The Fed and the CFPB must update HMDA now, and periodically in the future, to ensure these critical goals are met.

For years, lenders have complained that HMDA data are too limited to draw any meaningful conclusions, all the while opposing the very changes that would make the data more meaningful. But the antidote to this "problem" is clearly more and better data.

More distressing than the industry response, however, is that the Fed itself has dismissed the value of the HMDA data by highlighting the very limitations it has had the power to address and overcome.

As but one example, taken from a 2005 Fed Order approving a bank merger (which happened to be the first Order I found on the website), the board asserted:

> ("QUOTE") "The Board recognizes, however, that HMDA data alone provide an incomplete measure of an institution's lending in its community because these data cover only a few categories of housing-related lending. HMDA data, moreover, provide only limited information about the covered loans. **HMDA data, therefore, have limitations that make them an inadequate basis, absent other information, for concluding that an institution has not assisted adequately in meeting its community's credit needs or has engaged in illegal lending discrimination**. ("UNQUOTE")

In other words, the Fed has failed to update the data requirements, keep ahead of industry practices, and ensure the Act serves its stated purposes. We hope the new CFPB will be better in this regard.

To that end, we have a number of recommendations, but are urging 5 key changes, namely that HMDA:

1. Require the collection and public reporting of all loan modification applications, denials, and modification terms, broken out by race, ethnicity, gender and age of applicants and census tract;

2. Require the disclosure of all Home Equity Lines of Credit (HELOCs), and the purpose for which the HELOC was sought, including whether the HELOC was intended to support a small business;

3. Require more granular reporting of certain race categories, such as "Asian," and include data about languages spoken by loan and loan mod applicants;

4. Require reporting on reverse mortgages, age of loan applicants, whether a reverse mortgage was sold with an annuity, and whether a new loan is being used to refinance a senior out of an existing reverse mortgage; and

5. Require detailed reporting on multifamily lending that notes whether the loan was a construction loan or a permanent loan, and whether the housing units for which the loan was sought were deed restricted for affordable housing.

Additionally, we support all changes authorized by the Dodd Frank bill and urge that all those data enhancements be reported at the loan level and be made publicly available.

Finally, we urge the CFPB to make the data public more quickly, perhaps every quarter, and to provide transparency around what enforcement actions bank regulators take when they identify problematic lending patterns.

Thank you again for considering our views.