Statement of John A. Courson
Federal Reserve Hearing on Potential Revisions to Regulation C – Implementing the Home Mortgage Disclosure Act (HMDA)
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My name is John Courson and I am President and Chief Executive Officer of the Mortgage Bankers Association (MBA). I very much appreciate the opportunity to participate in today's hearing of the Federal Reserve Board on potential revisions to its Home Mortgage Disclosure Act (HMDA) requirements.

MBA has long supported transparency in the mortgage process and supports the original purposes of HMDA - to provide information regarding mortgage lending activity to help target public and private investment and to stop redlining and support fair lending enforcement.

While transparency is central to HMDA's purposes and the efficient operations of the mortgage market itself, requirements for additional HMDA data are not without their costs. It is MBA members who day-in and day-out collect HMDA data and it is our members and customers who are most affected by changes to these requirements and that ultimately bear any increased financial and other costs.

HMDA data requirements have not been static, expanding in 2004, to include collection and reporting of loan pricing and other data. Most recently, the Dodd-Frank Wall Street Reform and Consumer Protection Act added a long list of new HMDA data requirements which will ultimately be implemented by a new Consumer Financial Protection Bureau (CFPB or Bureau). These include among other data elements, total points and fees, rate spreads for all loans and credit scores.

We are concerned that the process of implementing these changes will be challenging for government, industry and consumers. Further additions to these elements by regulation could unnecessarily increase regulatory burden and potentially compromise the privacy of borrowers.

Considering the many new requirements of Dodd-Frank and views we have long held, we believe the following principles should guide consideration of any additions to the HMDA data set.

First, protection of individual privacy must be a paramount concern. Since Dodd-Frank requires the collection and reporting of credit scores and, as the CFPB may determine appropriate, parcel identification numbers along with other loan data that can be matched to other data sets to identify individuals, considerable care must be taken to ensure that the selection of particular data fields for public reporting does not jeopardize

personal privacy or invite identity theft. The bill provides discretion to the Bureau on how credit score requirements may be prescribed, and whether to report parcel numbers.

While I believe credit score information explains many differences in denials and loan pricing and should be reported to regulators and disseminated to the public in a useful form, it would harm borrowers to publicly disclose these data at the loan level. Clearly, the Bureau should only publicly disclose credit score data in aggregations which do not raise privacy concerns.

Second, careful consideration should be given to whether additional requirements are necessary considering the new Dodd-Frank requirements and whether certain new requirements should await Dodd-Frank rulemaking. The changes to the HMDA data requirements in Dodd-Frank are among the numerous rules that will require promulgation by the new Bureau. When the HMDA changes are finalized, they will necessitate extensive systems changes by lenders along with countless other changes that the new law will require under other regulations.

Certainly, any other new data requirements should not be duplicative of the data required under Dodd-Frank, unduly burdensome or otherwise unnecessary. The Board provided some examples of data that might be considered and some of these may be unnecessary. For example, a requirement for loan-to-value ratio would seem unnecessary since Dodd-Frank requires submission of property value and data on loan amounts are already in the data set.

Also, since Dodd-Frank prohibits certain loan features such as yield spread premiums or YSPs and since development of underwriting criteria for safe harbor definitions under Dodd-Frank may render other terms like “no doc” and “low doc” loans largely obsolete, the Board should await establishing additional data requirements of this nature until it is clear which terms are relevant going forward.

Third, an effort to include essentially all factors that may be considered by lenders in origination is unrealistic. The data set with the Dodd-Frank changes will include abundant data relevant to determining if additional fair lending investigation is warranted. Considering the uniqueness of underwriting determinations, final determinations will still require materials in loan files that are extrinsic to the data set.

Fourth, data fields should not be added in a piecemeal manner unnecessarily. As indicated, in light of Dodd-Frank, MBA questions whether additional fields should be required by Board regulation at this time, particularly since the CFPB will have continuing authority to add “such other information as the Bureau may require.” If the regulator chooses otherwise, any additional data requirements generally should be implemented on the same schedule with the Dodd-Frank revisions through notice and comment rulemaking. As noted, however, certain fields may need to await other rulemakings.

Again, I appreciate the opportunity to participate and the Board’s efforts in this important area. MBA looks forward to working with the Board to assist its development of any new data requirements. I look forward to your questions.