

ISSUE: Make Public Better Data About the Mortgage Market and Loan Products

Prior to the 2007-2009 financial crisis, it became evident to the U.S. Government Accountability Office (GAO) and others that the current data collected under the (Home Mortgage Disclosure Act) HMDA data was insufficient for use in monitoring predatory lending practices. Primarily, a lack of information on the various types of loan products being offered and the credit history of applicants left regulators and advocates without the tools needed to discourage lenders from offering high-cost mortgage loans with abusive terms and conditions to vulnerable consumers.¹² As a result, the Dodd-Frank Act of 2010 made a number of improvements to mortgage market data collection under HMDA.

In October 2015, the CFPB issued its final rule improving the quality and the type of HMDA data it collects. This new information includes the property value, the term of the loan, and the duration of any teaser or introductory interest rates to help identify emerging risks and discriminatory lending practices.¹³ Fair lending screenings could also be enhanced because financial institutions will be required to provide more information about mortgage loan underwriting and pricing, such as an applicant's debt-to-income ratio, the interest rate of the loan, and the discount points charged for the loan.

Opponents of the new and better HMDA data are seeking to repeal the Dodd-Frank authority for expanded HMDA reporting, to exempt more financial institutions from having to report at all under the law, and to delay the public release of the new HMDA data that the CFPB is now collecting for further study on protecting borrower privacy.¹⁴

Making Better HMDA Data Public: The effectiveness of the new rule will be contingent on how the CFPB chooses to disclose data to the public. This year, the CFPB will determine how and what data to release to the public. HMDA data is a powerful tool in fighting for a more just economy. In 2016, 6,913 financial institutions reported information about approximately 14.3 million mortgage applications, pre-approvals, and loans.¹⁵

The CFPB is taking key steps to protect borrower privacy. The agency interprets HMDA to call for the use of a balancing test to determine whether and how HMDA data should be modified prior to public release in order to protect privacy while also fulfilling the public disclosure requirements of the statute.¹⁶ The CFPB uses anonymizing techniques and other steps to protect data from being reverse-engineered to identify consumers.¹⁷

12 See GAO, *Fair Lending: Data Limitations and the Fragmented U.S. Financial Regulatory Structure Challenge Federal Oversight and Enforcement Efforts*, [GAO-09-704](https://www.gao.gov/assets/310/310704) (Washington, D.C.: July 15, 2009); and *Consumer Protection: Federal and State Agencies Face Challenges in Combating Predatory Lending*, [GAO-04-280](https://www.gao.gov/assets/310/310280) (Washington, D.C.: Jan. 30, 2004). See also Adam J. Levitin, *The Consumer Financial Protection Agency*, Pew Financial Reform Project Briefing Paper #2 (Georgetown Law Center: 2009).

13 CFPB HMDA Final Rule, <https://www.consumerfinance.gov/data-research/hmda/>

14 Independent Community Bankers of America (ICBA), *2017 Plan for Prosperity* (p. 15). See also American Bankers Association, *Bank Regulatory Evaluation Tool*. <http://www.aba.com/Compliance/Pages/BkRegBurden.aspx>.

15 Background and Purpose of HMDA. (September 29, 2016). Retrieved from <https://www.ffiec.gov/hmda/history.htm>. Federal Financial Institutions Examination Council

16 CFPB Final Rule on Home Mortgage Disclosure. <https://www.consumerfinance.gov/data-research/hmda/>

17 GAO 14-758 Consumer Financial Protection Bureau Report. <http://www.gao.gov/assets/670/666000.pdf>

Who Can Act:

The U.S. Congress, the Consumer Financial Protection Bureau (CFPB)

NCRC's Position:

NCRC opposes congressional efforts to repeal, delay or block the release of the new and better HMDA data or to exempt more financial institutions from having to report under the law.

The CFPB has issued a strong final HMDA rule, which could do much to shed light on lending activities. HMDA is a public disclosure statute, and the CFPB should lean towards full public disclosure while taking steps to ensure that the privacy interests of borrowers are protected.