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Ms. Monica Jackson
Office of the Executive Secretary
Consumer Financial Protection Bureau
1700 G Street NW
Washington DC 20553

Re: Docket CFPB-2014-0019, RIN 3170-AA10

By electronic submission to http://www.regulations.gov

Dear Ms. Jackson:

As researchers at the Urban Institute who use Home Mortgage Disclosure Act (HMDA) data in our work almost every day, we are pleased to comment on the Consumer Financial Protection Bureau's (CFPB's) extensive proposal to update HMDA. Founded in 1968 to understand the problems facing America's cities and to assess the programs of the War on Poverty, the Urban Institute conducts sophisticated research to understand and solve real-world challenges in a rapidly urbanizing environment. Urban's scholars blend academic rigor with on-the-ground collaboration, teaming with policymakers, community leaders, practitioners, and the private sector to diagnose problems and find solutions.

We also have connections with dozens of local HMDA users through networks such as the National Neighborhood Indicators Partnership (NNIP). As an organization, the Urban Institute does not take positions on policy. This letter reflects the views of individual scholars in Urban's Housing Finance Policy Center (HFPC) and Metropolitan Housing and Communities Policy Center (Metro).

HMDA data are absolutely critical to this country's ability to understand its housing market, especially the $10 trillion portion of the single-family market financed with debt. HMDA loan-level data enable us to understand the market's effect on people and communities everywhere and through time. The data help (a) bank regulators understand who is serving which borrowers and how, (b) secondary market regulators understand the critical role played by Fannie Mae and Freddie Mac, (c) national policymakers understand the boom and bust cycles that have come to characterize our housing markets and how they might be mitigated or avoided, and (d) local policymakers know what is happening with lending in their communities. And because HMDA data are available free to the public, at loan level and with critical information about loan applications, as well as loans originated and sold, they enable researchers, advocates, and the media to be effective partners in understanding our economy and participating in policy debates.

Background

At the Urban Institute, we use HMDA loan-level data and derived aggregate indicators—alone and with other data—to explore issues such as credit availability nationwide, to specific groups of borrowers, and in specific places. We explore the demand for and performance of various types of loans made through conventional and government channels to borrowers with a range of personal and financial characteristics. Because HMDA is the only virtually complete look at the mortgage market, it is used to scale and weight other datasets, thereby allowing researchers and policymakers to base decisions off a more detailed, accurate picture of the mortgage market. We use those analyses to suggest evidence-based policy interventions that will improve the functioning of our communities and of our housing and housing finance systems (see http://urban.org/center/hfpc/index.cfm and http://urban.org/center/met/index.cfm).

Moreover, Urban's research and technology capacities enable us to make the often difficult-to-use HMDA data accessible to others who do not have access to such capacities. We recognize and applaud the CFPB's significant steps to make the data more user friendly, but effective use of HMDA data often requires the resources, knowledge, and understanding that intermediaries can provide. For example, HFPC released an analysis of HMDA data that enabled a broad array of organizations to comment on the proposed qualified residential mortgage regulation on the basis of actual data rather than on speculation (see http://blog.metrotrends.org/2013/10/qrm-vs-alternative-qrm-quantifying-comparison/).

Metro, through the NNIP (see http://www.neighborhoodindicators.org/data-source/4) and its 35 local partners, helps policymakers and residents throughout the country better understand the state of and trends in housing finance in their neighborhoods. And HFPC recently released a map using 13 years of HMDA data that enables the public to clearly see the housing boom and bust in every part of the country (see http://datatools.urban.org/Features/mortgages-by-race/#5/38.000/-96.500).

But HMDA is not perfect. In particular, the available data do not allow a full understanding of access to credit for borrowers who have different credit profiles, in part because of a lack of borrower credit information and in part because the loan type and pricing information in the data are insufficiently granular. In addition, information about financing of investor properties, rental properties (including rentals in one- to four-unit properties), and manufactured housing is hampered by lack of definitional clarity as well as by missing fields. And HMDA data are available only annually, even to regulators, and are released to the public with a substantial delay that makes it hard to understand developing trends in the mortgage markets—such as the explosion in high-cost and investor lending that contributed to the financial crisis—until long after the damage is done.[1]

[1] Others have recently suggested that HMDA should be expanded to include loan performance data. Intellectually, we're sympathetic. Performance data are, like HMDA's origination data, critically important to understanding the market and should be broadly available. However, because performance data must be updated monthly and because they cover all outstanding loans, the dataset is orders of magnitude

Three General Comments

We are, therefore, very pleased with the CFPB's current proposal, which aims to respond to many of the problems with the current dataset. In the remainder of this letter, we comment on specific items in the proposal. However, we think three broad comments are in order.

First, we recognize that, with the exception of proposed section 12 CFR 1003.5(c),[2] the proposal deals with the collection of data, not its release to the public. It is essential that these data be collected; their availability to regulators in a format that enables benchmarking and comparison across institutions is critical to effective and efficient examination, supervision, and policymaking. However, as the CFPB recognizes in the proposal, HMDA is, at its heart, a disclosure statute—one that enlists the public (including researchers, the media, advocates, community members, and local policymakers) to help understand our economy and shape public policy. We look forward to the CFPB's promised follow-on outreach and rulemaking on public availability, and we are eager to work with the bureau so that the data will have maximum utility while respecting critical privacy concerns.

Second, the mortgage market—and much of the technology underlying it—is changing daily. Regulations, by their nature, change much more slowly. We urge the CFPB to be bold in its final regulation and to stay ahead of the market and technology, rather than defaulting to what is available today. Thus, we applaud the bureau's decision to go beyond the specific data fields required by the Dodd-Frank Act (DFA). Even though the DFA is only four years old, much has already changed in the market. Being bold is especially important with respect to the identifiers proposed in sections 1003.4(a)(1)(i), 1003.4(a)(34),1003.5(a)(3), and 1003.5(a)(4).

Establishing and using unique identifiers for loans, originators, institutions, and parent companies are critical to understanding the market. The unique loan identifier, in particular, will enable much better understanding of how the market works and how loans perform. Even if boldness—for example, having the CFPB rather than individual institutions establish the loan identifier—requires a longer phase-in for a specific section, the ultimate benefit of not having to catch up 10 years from now justifies this delay.

Similarly, although we agree that today the decision to use postal addresses rather than parcel identifiers (section 1003.4(a)(9)(i)) makes sense (even though postal addresses are not always unique), we believe that unique parcel identifiers, potentially geographic, will become common. We urge the bureau to leave room for that development. Regulations also change, albeit slowly. The bureau's own qualified mortgage (QM) regulation, referred to in proposed section 1003.4(a)(38), is under constant review, and certain provisions are explicitly temporary. The final HMDA regulation should be written in a manner that enables smooth and timely response to changes in underlying regulations.

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larger and more complex than even the already-large HMDA dataset. And it is important not to delay action on the pending proposal while considering potential expansion to performance data.

[2] From here on, we refer to sections in the proposed regulation without the "12 CFR" prefix.

Finally, although we believe it is critical that the DFA provisions be implemented and that HMDA continue to be modernized to deal with a dynamic mortgage market, HMDA and its implementing Regulation C are complex. Correctly implementing those regulations presents institutions with technical challenges to which the bureau should be sensitive. The CFPB is to be commended for retaining the basic structure of the existing regulation and for proposing (a) to conform requirements to the maximum extent to the Mortgage Industry Standards Maintenance Organization standards, (b) to relieve reporting institutions of the burden of assigning census tracts and to improve both editing and delivery, and (c) to no longer require institutions to provide disclosure reports but rather to refer the public to the Federal Financial Institutions Examination Council's website. Nevertheless, through the comment period and implementation of the final rule, the bureau must work cooperatively with the industry and the prudential regulators to ensure a collection and compliance regime that maximizes access to this information without creating unnecessary legal liability or implementation costs.

In summary, we strongly support the CFPB's proposal and urge its early adoption. The comments that follow are our suggestions for improvement.

Specific Comments about Sections

1003.2(d)

The bureau proposes in this section to expand coverage to all loans secured by a dwelling, in particular by including home equity loans and commercial loans. We support this expansion. Dwelling-secured home equity and commercial loans are important sources of business and home improvement financing, especially in minority and immigrant communities. Access to information about their availability and pricing can provide much better understanding of those economies, including problems related to overextension of credit.

During the recent financial crisis, the expansion of home equity lines and commercial loans secured by houses (which were opaque to policymakers because of noninclusion in HMDA) was a significant contributor to overleverage, and the defaults on such mortgages were a major contributor to foreclosure crises in many neighborhoods. Including such transactions in HMDA could have provided a much earlier warning of potential difficulties.

1003.2(q), 1003.4(a)(36), 1003.4(a)(39), 1003.4(b)

The bureau proposes to expand coverage to all reverse mortgages, regardless of purpose. This is an essential expansion. The American population older than age 65 is expected to reach 73 million by 2030, an increase of 33 million in just two decades.[3] Even three-quarters of 80-year-olds live in a house they own. Many of those households are cash poor, and reverse mortgages are a potential source of funds for living expenses. At the same time, poorly structured or high-priced reverse mortgages can result in financial hardship. Under current Regulation C, however,

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[3] Joint Center for Housing Studies of Harvard University, 2014, "Housing America's Older Adults," page 2. Available at http://jchs.harvard.edu/research/publications/housing-americas-older-adults%E2%80%94meeting-needs-aging-population.

understanding who is taking out such mortgages is extremely difficult. Including reverse mortgages in HMDA will help policymakers understand those dynamics.

The proposal includes several related provisions that we also support. Proposed section 1003.4(a)(36) flags a loan as a reverse mortgage and asks whether it is open- or closed-end. We suggest the allowable responses be broadened to include “both open- and closed-end” because many reverse mortgages include both an initial draw and a line of credit. (If the bureau wishes to characterize such loans as open-end, that preference should be stated in the commentary.)

Proposed section 1003.4(a)(39), which specifies the maximum amount of the first draw on a home equity line of credit (HELOC) or reverse mortgage, is especially important for reverse mortgages, for which a too-large first draw may predict future financial difficulties.

Finally, including the age of the borrower (section 1003.4(b)), as required by the DFA, will enable a better understanding of (a) the availability of reverse mortgages and regular mortgages for older households and (b) the effect those mortgages have on household and macro financial stability. Reverse mortgages and HELOCs are competing products that can enable older Americans to access home equity. Those new fields will be very powerful in helping policymakers to understand patterns of equity extraction by older Americans.

1003.2(f), 1003(2)(l), 1003.4(a)(5)

We generally support the bureau’s proposed revision of the definition of “dwelling,” in particular the inclusion of mixed use properties that are primarily for residential use and all properties with 5 or more dwelling units. However, we believe it would be preferable not to exclude pre-1976 manufactured homes. Of the 8.8 million manufactured homes currently in the housing stock, 2.3 million were built before 1976. Moreover, 1.2 million of the 5.4 million owner-occupied manufactured homes are pre-1976. Exclusion of those homes would reduce our ability to understand the financing options (which are often quite limited) for an important part of the affordable housing stock.

1003.2(g)

We support the move to make the reporting threshold consistent for depository and nondepository institutions, but we suggest deleting the requirement that a lender make at least one single-family loan. The bureau notes that this proposal would increase the number of loans reported by nondepositories by approximately 6 percent, while decreasing depository institution loans by about 1 percent. However, it would exclude 25 percent of currently reporting depository institutions, which would be a major burden reduction for small banks, thrifts, and credit unions.

The bureau asked whether particular kinds of loans might be disproportionately affected. Using 2012 HMDA data, we found that a 25-loan limit excludes 0.1 percent of the single-family loans by number and balance, 1 percent of multifamily loans by number, and 2 percent of multifamily loans by balance. However, we understand that a number of institutions, in particular in New York, make a significant number of multifamily loans that they are not reporting because they do not make at least one single-family loan. Given the bureau’s focus on improving multifamily reporting (see section 1003.4(a)(31)), doing away with the "one single-family loan" rule would be an important corollary to raising the overall threshold for depository institutions.

1003.4(a)

We support the concept that only one financial institution should report each transaction. We suggest, however, that the bureau consider adding a flag for repurchased loans. We find (and we suspect that regulators have the same experience) that when we look at data for bank portfolios and they appear to be of lower quality or performing more poorly than we expect, the reason is that the data include repurchased loans. Flagging repurchased loans will enable better understanding of any differences in type and quality between loans that banks intend to retain on their balance sheets and those that they have initially sold to the secondary market.

1003.4(a)(i)

As discussed previously, a truly unique loan identifier is absolutely essential. We are pleased that the bureau is implementing this DFA improvement. Creation of a unique loan identifier also provides the opportunity to reduce the reporting burden because it enables purchased loans to retain information unique to loan origination, so the purchaser does not also have to report the information (see, for example, proposed sections 1003.4(a)(12) regarding rate spread and 1003.4(a)(15) regarding credit scores).

Not only is the unique identifier important for the origination and purchase transactions in HMDA, but it also, if included in proprietary performance data, will enable far more effective longitudinal tracking of loans. Tracking loans over time is essential to understanding links between loan and borrower characteristics and performance.

However, we are concerned that allowing each institution to establish its own unique identification system will, even with a preceding institution identifier, result in less-than-certain uniqueness. This concern is especially the case because the loan is expected to keep its identifier over its lifetime and through multiple sales, which may involve many entities. We also know that the structure of the housing finance industry is unstable and has many mergers, acquisitions, and the occasional liquidation. Often, those institutional transactions are accompanied by difficulties in systems integration, making it likely that duplicate numbers will be used within the same institution.

Therefore, we urge the bureau to establish and implement a single system for assigning unique loan identifiers, preferably while retaining some transparency about the originating financial institution. If accomplishing this goal will take longer than a reasonable implementation period for the remainder of the proposal, bifurcating implementation is preferable to losing the opportunity to put a truly effective system of unique loan identifiers into place.

1003.4(a)(3)

The proposal would limit the definition of loan purpose to home purchase, home improvement, refinancing, or "other." We urge the bureau to require that cash-out refinancing (refis) and loans for commercial purposes be explicitly flagged. As to cash-out refis, we note that they were a major driver of overleverage during the housing boom. If they had been flagged in HMDA, policymakers may have become concerned earlier about the sources of house price increases and may have questioned the validity of appraisals.

We suggest that there be a presumption that a refinance with a balance more than 5 percent higher than the prior loan be considered a cash-out refi, with the lender allowed to characterize it as home improvement if proceeds are destined for that purpose. As for commercial loans, as noted earlier, dwelling-secured loans often are used as the source of entrepreneurial capital in minority and immigrant communities. Flagging such loans in HMDA would provide important information about credit availability and dynamics in those communities.

1003.4(a)(6)

The proposal would expand the present choice of property purpose to include principal residence, secondary residence, investment property with rental income, and investment property without rental income. Although we applaud this change as a significant improvement over the current choice (owner-occupied or not owner-occupied), we believe it leaves ambiguous an important type of property: the two- to four-unit building in which the owner lives in one unit and rents the remainder.

Estimates from the American Housing Survey suggest that approximately 8 percent of housing units are in two- to four-unit buildings. And those buildings are the source of much of the country's affordable rental housing. As of 2009, three-quarters of unsubsidized housing units that rented for less than $400 were in one- to four-unit structures, as were 58 percent of the units that rented for $400 to $599. And we are losing this stock quickly.[4] We also note that secondary properties are often rented out and can be a source of housing in vacation communities. Thus, understanding the financing being (or not being) provided specifically to such types of properties could be very important to public policies relating to subsidized and unsubsidized affordable rental housing. We, therefore, urge the bureau to expand this field by adding "principal residence with rental income" and "secondary residence with rental income" to the choices.

1003.4(a)(7)

This section would require reporting of the exact amount of a loan. Although we understand that loan amounts reported to the public will continue to be rounded to the nearest $1,000, we think that reporting the precise amount to regulators is important to understanding actual loan-to-value and combined loan-to-value ratios, especially for lower-priced properties.

1003.4(a)(9)(i)

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[4] Joint Center for Housing Studies at Harvard University, 2011, "America's Rental Housing: Meeting Challenges, Building on Opportunities," pages 22, 25, available at http://www.jchs.harvard.edu/research/publications/americas-rental-housing-meeting-challenges-building-opportunities.

See our previous comments concerning unique parcel identifiers. We strongly support inclusion of postal addresses, in part to enable regulators to more accurately calculate combined loan-to-value ratios, an important element in understanding the degree of leverage in the housing system. However, we urge the bureau to continue to pursue more accurate and reliable property identification systems and to retain the flexibility to adopt such a system in the future.

At the same time, retaining census tract identification is necessary, and we strongly support the bureau's intention to move some of the burden of geocoding and census tract assignment from reporters to the bureau—for both burden reduction and accuracy. Looking at the lending patterns across neighborhoods is critical to enabling financial institutions and public officials to design and target investments related to the housing needs of the communities in which they are located. The census tract is the traditional geographic unit for disseminating small-area government data, including in particular the Decennial Census, the American Community Survey, and the information about Housing and Urban Development–assisted housing.

By combining information from those other sources with HMDA data, researchers and policymakers can learn critical information about their communities, trends, and comparisons to other places. Even if addresses are included in the data collection, the bureau should provide standardized assignment of a census tract identifier. This change avoids duplication of effort in geocoding addresses and also ensures that tracts are assigned consistently.

1003.4(a)(10)

In this section, the bureau proposes to retain the requirement that reporters provide race, ethnicity, gender, and income information about borrowers, and the bureau adds, pursuant to DFA, reporting of age. We strongly support this proposal but are concerned that purchased loans are excluded. Working with colleagues at the NAACP, we were surprised to discover in the 2013 HMDA data a lender who reported on 315,608 applications and originations, of which 315,530 were listed as "purchased." Absolutely no race, ethnicity, or gender data were reported on any of the 315,530 purchased loans. To the extent that the originating entities (likely brokers) were under current reporting thresholds, the loans would not have been reported at all. Even if the loans had been reported, without a unique loan identifier, it is impossible to know whether the missing data is in the HMDA records.

This situation emphasizes the importance of the unique loan identifier, the clarification that the entity making the credit decision (and only that entity) must report an application or origination, and the proposed reduction in the reporting threshold for nondepository institutions, all of which we strongly support. However, we remain concerned that the increase in the depository institution threshold and any delay in establishing a truly unique loan identifier will enable the nonreporting of critical demographic data with respect to large numbers of loans. The only way to remedy this situation, at least for loans that are actually originated, is to require purchasers as well as originators to report the demographic information. We urge the bureau to pay special attention to this situation and, if needed, to resolve the problem by extending the reporting requirement to purchased loans.

1003.4(a)(10)(i)

The bureau proposes to retain the requirement that—with respect to visual applications—if a borrower does not provide ethnicity, race, or gender information, the financial institution must collect and report it based on "visual observation and surname." As researchers, we value having ethnicity, race, and gender information, and HMDA is currently the only source of such information. However, we are concerned that in a multiethnic society, with increasing numbers of people identifying with multiple races and ethnicities, the visual observation requirement (including the surname assumption) is becoming anachronistic. We do not know how many loans are affected by the visual observation rule, although this information is available on the Uniform Residential Loan Application.

So the bureau can better understand whether this requirement is producing useful information, we urge the bureau to require lenders to report whether the borrowers have furnished the race, ethnicity, and gender data. In addition, the bureau might establish an institutional incentive, such as a higher safe harbor from citation or enforcement for technical HMDA errors, for institutions that exceed a high proportion of borrower-provided information in their HMDA filings.

1003.4(a)(11)

This section requires the type of purchaser for purchased loans. We suggest that "insurance companies" be separated out from "life insurance company, credit union, mortgage bank, or finance company." Insurance companies are significantly different from the other three types of purchasers mentioned because they buy primarily much larger, multifamily loans. Separating them will provide more information about the ultimate source of financing in the multifamily market, as well as more accurate information about secondary-market financing provided by credit unions, mortgage banks, and finance companies.

1003.4(a)(15)

This section would implement the DFA requirement that credit scores be reported. We strongly support this provision and agree that the model and version used are critical to understanding the meaning of the score. This need for understanding is particularly the case going forward, as momentum seems to be building for secondary-market consideration of multiple credit score models.[5] We also support inclusion of co-borrower credit scores.

We have no objection to the exclusion of purchased loans if the unique loan ID is included because information provided on the origination loan will enable linking with a purchased loan. However, if the unique loan ID is delayed or excluded, we urge that the credit score also be required for purchased loans.

1003.4(a)(16)

We strongly support the bureau's proposal to require that the reason for denial be reported, and we note that such reporting will create parity among all entities because the denial reason is

[5] Kenneth R. Harney, ""Fannie, Freddie Urged to Adopt More Up-to-Date Credit Scoring Models,"" *Los Angeles Times*, September 28, 2014, http://www.latimes.com/business/realestate/la-fi-harney-20140928-story.html.

already required for Office of the Comptroller of the Currency and Federal Deposit Insurance Corporation reporters. However, we have two concerns. First, “credit application incomplete” seems to lead to an incomplete application rather than a denial and thus should be excluded as a reason. Second, we are concerned that by allowing up to three reasons, lenders will not be required to focus on the primary reason for denial, and the value of the data with thus be compromised.

1003.4(a)(17), 1003.4(a)(18), 1003.4(a)(19), 1003.4(a)(20), 1003.4(a)(21)

Proposed section 1003.4(a)(17) would implement the DFA requirement that “total points and fees payable at origination” be reported. We strongly support this proposal. But without the information proposed in sections 1003.4(a)(18)–(21), the information in proposed section 1003.4(a)(17) is much less meaningful. Whether upfront points and fees are reasonable depends on many factors: some knowable (interest rate tradeoffs), some speculative (how long a borrower will stay in the home). Moreover, points can be converted to fees and vice versa.

The greater the granularity in the reporting of the multiple elements that constitute total points and fees, the more accurate will be our understanding of the type and terms of credit being offered, as well as the upfront and subsequent costs. Moreover, having the more granular information will enable regulators to better understand how different borrowers are being treated and whether differences in total points and fees reflect real value to the borrower.

1003.4(a)(23)

This section would require reporting of the back-end debt-to-income ratio (DTI) if it was relied on. We strongly support this provision, especially as the back-end DTI is a critical element of a QM. We suggest three enhancements. First, requiring reporting to two decimal places is false precision; a whole number would be sufficient. Second, if a lender uses the front-end ratio rather than the back-end, that detail should be reported and identified. Finally, if the lender does not use DTI at all, it should be required to state that fact rather than leaving the field blank.

1003.4(a)(24)

We strongly support inclusion of this section, which would require reporting of combined loan-to-value ratio (CLTV) if it is used in the credit decision. CLTV provides important information regarding both an individual property’s leverage and the general level of leverage in specific geographic locations. Areas in which many properties are highly leveraged are especially vulnerable to changes in economic conditions.

However, we disagree with the staff comment that when calculating the CLTV of a new HELOC, the full amount of a HELOC should be included in the calculation, whether it is drawn or not, but that for other loans, only the outstanding amount of any HELOC should be included. The entire amount of a HELOC available constitutes potential leverage on the property in either situation, and the loans should be treated identically—either only the drawn amount or the total amount should be included in the calculation for all loans.

1003.4(a)(28)

This proposed section implements the DFA requirement to report the value of the real property pledged or proposed to be pledged to secure the loan by requiring reporting of "the value of the property relied on in making the credit decision." We support this proposal but suggest that the bureau explicitly require reporting of the purchase price of the property, even if another amount was relied on in making the loan. This important information will help people understand how appraisals and other types of valuations relate to actual prices in the market.

1003.4(a)(29)

This proposed section requires—for manufactured-housing loans—reporting whether the manufactured housing is considered real or personal property under state law. Manufactured housing is an important source of housing, especially for lower-income Americans. As of 2009, the housing inventory included 8.8 million manufactured homes, of which 5.4 million were owner occupied, 75 percent of them by owners making less than the national average income. As the CFPB's own recent research has shown, information about the financing of manufactured housing is incomplete, but what is known suggests the financing is on worse terms than available for site-built housing.[6]

We support this proposal; this information is important in both understanding the financing of manufactured housing in general and evaluating the rate and terms of a specific loan. However, we note that many states allow conversion from personal to real property title, but the rate of conversion is unknown. Thus, it may be appropriate to ask for both the classification of the property under state law and the classification of the manufactured-housing purchase loan (whether the loan is a chattel or real-property loan) at the time the loan is made.

1003.4(a)(30)

This proposed section would require, for manufactured homes, reporting of land tenure, as direct ownership, indirect ownership (such as through a resident cooperative), paid leasehold, or unpaid leasehold. We strongly support this provision. As noted previously, manufactured housing is a critical part of the housing stock; as of 2013, approximately 70 percent of manufactured homes were sited on land other than in a manufactured-home community. The status of the property on which a manufactured home is sited often is critical to the manner in which it is financed, in particular whether it is financed as a chattel or as real property. Chattel financing is almost always more expensive and shorter term. In addition, loan performance is also likely tied to land tenure because when a manufactured home is on land owned by the borrower, there is additional valuable collateral.

1003.4(a)(31)

This section would require the reporting of the number of dwelling units in the property supporting the loan. We strongly support this provision and urge that it be adopted as proposed, with the actual unit count rather than ranges. HFPC has recently begun work on the state of

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[6] CFPB, 2014, "Manufactured-Housing Consumer Financing in the United States," http://files.consumerfinance.gov/f/201409_cfpb_report_manufactured-housing.pdf.

finance in the unsubsidized affordable rental housing market. Although estimates are that well over 80 percent of lower-income renters live in small properties with 50 or fewer units, the most important piece of information we have learned about this stock is that precious little information exists.

Most of the loans are held in bank portfolios; thus, unless data are captured at origination, such information is unlikely to be available to policymakers other than bank supervisors. As a result, we know little about the financing needed to preserve those buildings, which often are older and in need of rehabilitation, as affordable rentals. Knowing the number of dwelling units in properties being currently financed will obviously not solve this problem, but over time it will provide critical information needed to enable policymakers, local governments, and financial institutions, including community development financial institutions and other mission-based nonprofits, to develop investment strategies.

1003.4(a)(33)

Research[7] has long indicated that the channel through which a mortgage is originated can have a major effect on its performance. Therefore, we strongly support this proposed section, which would collect information about the application channel. Because channel definitions are not standard, we also support the manner in which the bureau proposes to collect the information: through the use of two true or false questions.

1003.4(a)(34)

As discussed at the start of this letter, we strongly support the collection of unique identifiers tied to each loan. This section implements the DFA authority to require a unique identifier of the loan originator through the reporting of the identifier assigned by the Nationwide Mortgage Licensing System and Registry pursuant to the Secure and Fair Enforcement for Mortgage Licensing Act of 2008 (SAFE Act). The originator identification system was authorized by the SAFE Act to enable the tracking and understanding of the behavior of individual loan originators for law enforcement and training purposes. However, like other identifiers, it also can enable regulators, policymakers, and researchers to understand origination activity over time and to determine whether patterns represent systemic trends or are limited to groups of originators who may or may not work for the same company or group of companies.

1003.4(a)(35)

We support the bureau's inclusion of information about the manner and extent to which Automated Underwriting Systems (AUS) were relied on in the credit decision. A number of forces are pushing the industry to increase the use of AUS. Thus, knowing which systems are used, what the systems' recommendations are, and how the lender responded provides important insight into the modern underwriting process. This information, in turn, helps

[7] Lei Ding, Roberto G. Quercia, Wei Li, and Janneke Ratcliffe, "Risky Borrowers or Risky Mortgages: Disaggregating Effects Using Propensity Score Models," *Journal of Real Estate Research* (2011). Available at http://ccc.unc.edu/contentitems/risky-borrowers-or-risky-mortgages-disaggregating-effects-using-propensity-score-models/.

policymakers better understand credit constraints and the challenges to maintaining broad access to credit.

1003.4(a)(36)

As discussed previously (in connection with section 1003.2(g)), we strongly support a reverse mortgage flag but suggest that the option of “both open- and closed-end” be added to take into account loans that have an initial draw and then a line of credit.

1003.4(a)(37)

This proposed section would flag a loan as a HELOC or other open-end line of credit. We support this flag because without it, information about loan term and price are less meaningful.

1003.4(a)(38)

This proposed section would require reporting whether a loan is a QM and if so, under what provision of the regulation. We believe this is one of the most important additions to HMDA that the bureau is proposing, and we strongly support its adoption. Understanding exactly how the QM regulation, including the agency “patch” and other exceptions, is affecting mortgage credit is critical to ensuring that the CFPB’s joint goals of access and consumer protection are both achieved.

We are concerned, however, about the clarity and exclusivity of the definitions (e.g., the classification of a loan eligible for government-sponsored enterprise purchase that meets all the other definitions of a QM, including a DTI under 43). Because many of the categories are not mutually exclusive and, moreover, because the rationale an originator may use to determine that a loan is a QM may not be consistent across all similar loans, we urge the bureau to amend this question to require reporters to note all the categories under which a loan qualifies as a QM. We also urge the bureau to consider how best to structure the regulation so that changes in both CFPB and other regulations (including expiration of the patch) will be dealt with efficiently.

1003.5(a)(1)

This proposed section would require large reporters to submit HMDA data to their regulators quarterly. The bureau believes this requirement will speed up the annual public release. We support changes that will make the public release more timely (assuming retention of accuracy).

1003.5(a)(3), 1003.5(a)(4)

As discussed at the start of this letter, we are strongly supportive of identifiers that will enable better understanding of the mortgage market and the participating entities. These two proposed sections, relating to identification of the reporting entity and its parent company, are important to better understanding of both institutional and channel activity.

1003.5(b)

This section would allow institutions to refer the public to the FFIEC website to access public disclosure statements rather than requiring that the statements be available at the institution. We think this is a completely workable, burden-reducing proposal and support its adoption.

1003.5(c)

This section would retain the current information required to be disclosed to the public through the modified Loan Application Register. It would not add any new fields. We strongly urge the bureau to adopt this proposal.

As discussed at the start of this letter, HMDA is at its heart a disclosure statute, designed by Congress to enlist the public in all its manifestations—researchers, media, advocates, local officials, community residents, and others—in making public policy regarding housing finance in this country. By providing as much information as possible, at as granular a level as possible without compromising critical privacy concerns, HMDA elevates the debate, thereby enabling policy to be developed with a consistent set of facts, rather than supposition, intuition, and innuendo. While all currently released fields are important, we note that including the census tract of the dwelling securing the loan in the public data is especially important to enable local officials to accomplish HMDA's purposes (a) of determining whether housing needs of communities are being met and (b) of distributing public sector investments in a manner designed to improve the private investment environment.

Conclusion

The DFA required the CFPB to add a number of new HMDA reporting fields—including, in particular, identifiers, age, credit score, property value, and points and fees—that will significantly enhance understanding of the modern mortgage market. We are pleased that the bureau has issued this comprehensive and thoughtful proposal, which will expand on the DFA fields where needed to reflect changes in the market that have occurred since DFA was enacted. And we respect the bureau's decision to separate its proposal regarding reporting from decisions relating to public disclosure. However, we strongly urge the bureau to move forward as quickly as possible to the disclosure phase.

As we know from recent experience, public access to HMDA data focuses attention on issues that financial regulators by themselves may not prioritize. The new elements authorized by DFA and included in this proposal will generate far better public policy if more people have access to the information. Fortunately, although recent security breaches have raised public awareness of privacy concerns, we are also seeing major advances in methods of masking and otherwise securing data to limit those concerns. We urge the bureau to use its significant technological capacities to enable maximum disclosure—and to act as quickly as possible.

Thank you for this opportunity to comment. We appreciate the bureau's thoughtful and comprehensive work, and we urge you to move ahead without delay.

Sincerely,

Ellen Seidman, Senior Fellow, Urban Institute

Laurie Goodman, Director, Housing Finance Policy Center, Urban Institute

Wei Li, Senior Research Associate, Housing Finance Policy Center, Urban Institute

Carlos Martín, Senior Research Associate, Metropolitan Housing and Communities Policy Center, Urban Institute

Jim Parrott, Senior Fellow, Housing Finance Policy Center, Urban Institute

Kathryn L. S. Pettit, Senior Research Associate and Director of the National Neighborhood Indicators Partnership, Metropolitan Housing and Communities Policy Center, Urban Institute

Peter Tatian, Senior Fellow, Metropolitan Housing and Communities Policy Center, Urban Institute