The Home Mortgage Disclosure Act, or HMDA, has become the benchmark data source for mortgage originations because of its near universal coverage. In January 2018, the House of Representatives passed the Home Mortgage Disclosure Adjustment Act, a bill that would exempt many institutions who make few mortgage loans from reporting many of the new data fields required under HMDA for 2018 and beyond. A parallel bill, the Economic Growth, Regulatory Relief, and Consumer Protection Act, recently passed in the Senate. Although the HMDA provisions of the House and Senate bills are similar, the Senate bill covers many other banking topics.

HMDA is important to regulators, the mortgage industry, and communities across the country, as it shows how well lenders serve the needs of their communities. Responding to the difficulty regulators had in understanding the mortgage market before the financial crisis, Congress used the Dodd-Frank Wall Street Reform and Consumer Protection Act to specify additional HMDA data requirements and authorize the Consumer Financial Protection Bureau to promulgate implementing regulations, which it did in 2015. The additional data fields specified in the 2015 regulation will, for the most part, be collected starting in 2018. These new explanatory fields—fields born out of the crisis—are the ones the proposed legislation would exempt many lenders from providing.

In this brief, we examine the impact of the proposed change. Although the aggregate coverage loss is small, the legislation would primarily eliminate information on small loans; on loans in rural areas, particularly in the Midwest; and on the borrowers who take out those loans. Most of this lending is through conventional channels (not through the Federal Housing Administration, US Department of Veterans Affairs, or US Department of Agriculture). Eliminating these data will make it more difficult to understand and improve the amount and type of lending in these communities.
Many of the communities that would lose access to information are meant to be beneficiaries of the Duty to Serve requirements imposed on Fannie Mae and Freddie Mac, the government-sponsored enterprises. Losing these data fields will also make it harder to know whether lenders subject to the Community Reinvestment Act (CRA) are meeting the needs of their communities, a goal of both the CRA and the recent Treasury Department report about improving CRA implementation. Having these additional origination fields could send early-warning signals before the next crisis. Reid and coauthors (2017) have shown that loan risk factors (e.g., prepayment penalties, teaser rates, and balloon payments) that would be captured by the additional HMDA fields were disproportionately offered to minorities and raised the probability of default for all borrowers and especially for minorities.

Details and Methodology

For 2016 (the most recent year for which national data are available), every bank, savings institution, or credit union with more than $44 million in assets that made at least one loan insured or guaranteed by a government agency, Fannie Mae, or Freddie Mac was required to report to regulators and the public a limited amount of information about every mortgage loan originated. Nondepository institutions that made more than 100 purchase loans or had assets over $10 million were also required to report. The items reported include the approximate amount of the loan, its purpose (i.e., purchase, refinance, or home improvement), whether it is conventional or government backed, the census tract where it is located, whether it is high cost, and information about the borrower’s income, gender, and race or ethnicity. This information will continue to be reported even if the proposed legislation is adopted.

In 2017, the reporting requirements were changed such that all institutions who make more than 25 closed-end loans (traditional mortgages, in which the entire debt is incurred at the time of origination) or more than 500 open-end loans (e.g., home equity line of credit, in which the amount borrowed can increase over time) per year for the preceding two years must report. Our calculations indicate that 1,018 institutions that would have reported in 2016 were exempt in 2017. But our calculations cannot capture the additional nondepositories that were exempt from reporting in 2016 but had to report in 2017.

Starting in 2018, as provided by Dodd-Frank and the Consumer Financial Protection Bureau’s implementing regulations, the data fields that must be reported have changed. In particular, lenders have to report additional information that the financial crisis demonstrated is critical to understanding the mortgage market. This includes information about loan maturity, teaser rates, points and fees, prepayment penalties, the value of the property securing the loan, and the origination channel, as well as borrower credit score, debt-to-income ratio, and loan-to-value ratio.

The newly reported information will not necessarily be made public—that determination is still pending at the Consumer Financial Protection Bureau. The issue is whether regulators will have access to the information in a consistent format across lenders that can be used to analyze the market or whether the information will continue to be buried in disparate formats in individual lender files. The Senate and House proposals would exempt lenders that originate fewer than 500 closed-end mortgages
from reporting the new data on their closed-end mortgages. The bills would also move from regulation to statute the exemption from reporting on open-end mortgages for lenders that originate fewer than 500 of those loans.

To investigate how big a difference this would make for closed-end mortgages, we looked at 2016 HMDA data on first-lien mortgages. (Current data do not have a marker for closed-end versus open-end mortgages, but open-end mortgages are more likely to be second lien, hence our first lien restriction.) We sorted institutions into two groups: those that make 500 or more mortgages a year and those that make more than 25 but fewer than 500 mortgages a year. We then looked at the characteristics of the mortgages whose data would be lost (table 1).

The information lost would be concentrated in small-dollar, conventional loans.

We found that 72 percent of the 5,704 institutions that reported in 2016 (and would still be required to report in 2017) would be exempt from reporting the new data under the proposed legislation. These institutions originate roughly 7 percent of the loans by loan count and 5.4 percent by balance. But the loans whose data would be truncated have smaller loan amounts—a median loan balance of $143,000 compared with a median balance of $208,000 for lenders who would continue to report in full. Data would be lost on 11.2 percent of loans up to $150,000, 16.0 percent of loans up to $100,000, and 22.3 percent of loans up to $70,000. Table 1 shows the top-line numbers by loan count and loan amount.
TABLE 1
What Is Lost with the Proposed Cutoff?

<table>
<thead>
<tr>
<th></th>
<th>Total</th>
<th>Nonexempt</th>
<th>Proposed exempt</th>
<th>Percentage lost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of institutions</td>
<td>5,704</td>
<td>1,585</td>
<td>4,119</td>
<td>72.21%</td>
</tr>
<tr>
<td>Loan count</td>
<td>7,939,347</td>
<td>7,399,404</td>
<td>539,943</td>
<td>6.80%</td>
</tr>
<tr>
<td>Loan amount</td>
<td>$2.01 trillion</td>
<td>$1.90 trillion</td>
<td>$1.09 billion</td>
<td>5.42%</td>
</tr>
<tr>
<td>Number of loans by loan size</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>≤ $150,000</td>
<td>2,539,485</td>
<td>2,253,922</td>
<td>285,563</td>
<td>11.24%</td>
</tr>
<tr>
<td>≤ $100,000</td>
<td>1,149,310</td>
<td>965,177</td>
<td>184,133</td>
<td>16.02%</td>
</tr>
<tr>
<td>≤ $70,000</td>
<td>511,289</td>
<td>397,498</td>
<td>113,791</td>
<td>22.26%</td>
</tr>
<tr>
<td>Number of loans by home type</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rural</td>
<td>1,499,628</td>
<td>1,260,019</td>
<td>189,609</td>
<td>13.08%</td>
</tr>
<tr>
<td>Nonrural</td>
<td>6,470,634</td>
<td>6,127,064</td>
<td>343,570</td>
<td>5.31%</td>
</tr>
<tr>
<td>Manufactured housing</td>
<td>131,845</td>
<td>110,213</td>
<td>21,632</td>
<td>16.41%</td>
</tr>
<tr>
<td>Number of loans by loan type</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Conventional</td>
<td>5,698,170</td>
<td>5,197,894</td>
<td>500,276</td>
<td>8.78%</td>
</tr>
<tr>
<td>Government</td>
<td>2,241,169</td>
<td>2,201,510</td>
<td>39,659</td>
<td>1.77%</td>
</tr>
</tbody>
</table>

Source: Authors’ calculations based on Home Mortgage Disclosure Act data.

The overwhelming majority of the information lost would be for conventional loans; 92.6 percent of the loans made by the institutions that would not have to report the additional data are done through the conventional channel, versus 70.2 percent for institutions making more loans. Stated differently, the new information will not be collected on 8.8 percent of conventional loans or for 1.8 percent of government loans.

The information lost would be for loans concentrated in rural areas and Puerto Rico.

The proposed legislation would disproportionately affect information about loans in rural areas. If the legislation were enacted, information would be lost on 13.1 percent of loans in rural areas and 5.3 percent of loans in nonrural areas. If the proposed legislation were passed, information about 16.4 percent of manufactured housing loans would be lost. Manufactured housing, which is a source of affordable housing for certain groups, tends to be located in rural areas and could be a source of affordable housing for more people in the future.6

The geographic concentration of the areas served by lenders who would have to provide less information is striking. The map below shows that information would be lost for a small share of loans in the eastern and western parts of the country (other than Maine and western Massachusetts), but the Midwest is hit hard. Information about 21.4 percent of West Virginia loans would be truncated. Arkansas, Iowa, Louisiana, Kansas, Nebraska, South Dakota, and Wisconsin would lose information about 14 to 18 percent of their loans. And some of the hardest-hit metropolitan statistical areas could lose data on more than a third of their loans.7
Puerto Rico would also be significantly affected. Information about 22.3 percent of loans originated in Puerto Rico would be lost if the legislation were enacted. This finding is especially concerning because Hurricane Maria, which hit the island in September 2017, continues to wreak havoc on the community’s infrastructure. Not having access to additional information on new lending will make it more difficult to track the recovery and assess the need for additional policy actions.

The Bottom Line

Although the proposed changes in the reporting rules appear to cut out information about a relatively small portion of the market, the impact on certain market segments can be large. The government-sponsored enterprises’ Duty to Serve mandate focuses on supporting the manufactured housing and rural housing markets and preserving affordable housing. Our analysis shows that these underserved communities would be the most affected by the proposed legislation and are predominantly served by the conventional channel that would use the government-sponsored enterprises.
If this legislation is enacted, it will be harder to track the impact of policies such as Duty to Serve and the Community Reinvestment Act. The lack of data will also make it harder to understand how to tackle issues such as the lack of available financing for small-dollar homes. And, should another risk-layering mortgage bubble start to build, the predominantly small and rural communities affected by this legislation may be the last to know about it.

Notes

5. These 5,704 institutions exclude the 1,018 lenders who reported in 2016 but made 25 or fewer loans.
7. The 10 metropolitan statistical areas that would lose data on the highest proportion of loans (and the share of loans on which data would be lost) are Carbondale, IL (45.4 percent); Wichita Falls, TX (42.9 percent); Grand Island, NE (42.1 percent); Cumberland, MD-WV (40.6 percent); Danville, IL (40.1 percent); Sioux City, IA-NE-SD (37.1 percent); Cleveland, TN (33.2 percent); Pittsfield, MA (33.1 percent); Valdosta, GA (33.0 percent); and Cape Giradeau-Jackson, MO-IL (32.9 percent).

References


About the Authors

**Laurie Goodman** is vice president of the Housing Finance Policy Center at the Urban Institute. The center provides policymakers with data-driven analyses of housing finance policy issues they can depend on for relevance, accuracy, and independence. Before joining Urban in 2013, Goodman spent 30 years as an analyst and research department manager at several Wall Street firms. From 2008 to 2013, she was a senior managing director at Amherst Securities Group LP, a boutique broker-dealer specializing in securitized products, where her strategy effort became known for its analysis of housing policy issues. From 1993 to 2008, Goodman was head of global fixed income research and manager of US securitized products research at UBS and predecessor firms, which were ranked first by *Institutional Investor* for 11 straight years. Before that, she was a senior fixed income analyst, a mortgage portfolio manager, and a senior economist at the Federal Reserve Bank of New York. Goodman was inducted into the Fixed Income Analysts Hall of Fame in 2009. Goodman serves on the board of directors of the real estate investment trust MFA Financial, is an adviser to Amherst Capital Management, and is a member of the Bipartisan Policy Center’s Housing Commission, the Federal Reserve Bank of New York’s Financial Advisory Roundtable, and Fannie Mae’s Affordable Housing Advisory Council. She has published more than 200 journal articles and has coauthored and coedited five books. Goodman has a BA in mathematics from the University of Pennsylvania and an MA and PhD in economics from Stanford University.

**Ellen Seidman** is a nonresident fellow in the Housing Finance Policy Center. She chairs the board of Aeris Insight, sits on the boards of City First Bank of DC and Friends of the Strand Theatre, and is on the National Community Advisory Council of Bank of America. She cofounded and chaired the board of the Center for Financial Services Innovation and was the 2013–14 New York University Stern–Citi Leadership and Ethics Distinguished Fellow. From 2012 to 2016, Seidman served on the inaugural Consumer Advisory Board of the Consumer Financial Protection Bureau. From 2012 to 2014, she was a visiting scholar at the Federal Reserve Bank of San Francisco, where she edited *Investing in What Works for America’s Communities; What Counts: Harnessing Data for America’s Communities; and What It’s Worth: Strengthening the Financial Future of Families, Communities, and the Nation*. From 2002 to 2010, Seidman held various positions at ShoreBank Corporation. From 1997 to 2001, she directed the Office of Thrift Supervision. She also sat on the board of directors of the Federal Deposit Insurance Corporation and chaired the board of directors for NeighborWorks America. Seidman was senior counsel to the Democratic staff of the House Financial Services Committee, was special assistant to the president for economic policy, and held senior positions at Fannie Mae and the US Departments of Transportation and the Treasury. Seidman received an AB from Radcliffe College, an MBA from the George Washington University, and a JD from Georgetown University.
Bhargavi Ganesh is a research analyst in the Housing Finance Policy Center. Before joining Urban, she interned in finance and worked on research, underwriting, and surveillance of housing finance investments. She received a BA with honors in economics and a minor in math and environmental studies from New York University. While there, Ganesh was a staff writer and online codirector for news and policy-related student publications. For her senior thesis, she received an undergraduate research grant to study catastrophe risk perception and flood insurance reform along the East Coast.
Acknowledgments

The Housing Finance Policy Center (HFPC) was launched with generous support at the leadership level from the Citi Foundation and John D. and Catherine T. MacArthur Foundation. Additional support was provided by The Ford Foundation and The Open Society Foundations.

Ongoing support for HFPC is also provided by the Housing Finance Innovation Forum, a group of organizations and individuals that support high-quality independent research that informs evidence-based policy development. Funds raised through the Forum provide flexible resources, allowing HFPC to anticipate and respond to emerging policy issues with timely analysis. This funding supports HFPC’s research, outreach and engagement, and general operating activities.

This brief was funded by these combined sources. We are grateful to them and to all our funders, who make it possible for Urban to advance its mission.

The views expressed are those of the authors and should not be attributed to the Urban Institute, its trustees, or its funders. Funders do not determine research findings or the insights and recommendations of Urban experts. Further information on the Urban Institute’s funding principles is available at urban.org/fundingprinciples.