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and Community Prosperity

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October 28, 2014

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Ms. Monica Jackson
Office of the Executive Secretary
Consumer Financial Protection Bureau
1700 G. St. NW
Washington DC 20552

RE: **Consumer Financial Protection Bureau
Docket No. CFPB-2014-0019**

Dear Ms. Jackson:

Woodstock Institute strongly encourages the Consumer Financial Protection Bureau (CFPB) to continue all current reporting requirements under the Home Mortgage Disclosure Act (HMDA), including the demographic characteristics of all applicants and reporting of data at the census tract level. Woodstock supports the CFPB's proposal to significantly expand the data elements in the HMDA dataset and its ongoing efforts to require reporting of loan performance and loan modification data in new databases as contemplated under the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank). The proposed changes will improve the ability to further the statutory purpose of HMDA in evaluating the performance of regulated financial institutions in meeting the credit needs of all communities and in assuring that those institutions are complying with all applicable anti-discrimination statutes and regulations. We urge the CFPB to further strengthen the proposed rules by:

- Separately reporting cash-out and rate- and term-refinances.
- Requiring that lenders report data on the credit scores of borrowers to the CFPB and separately considering how, if at all, the data should be released to the public.
- Including multifamily loans in the reporting requirements for depository institutions by changing the trigger for reporting from "making one or more single-family loans" to "making one or more covered loans."
- Requiring existing and future HMDA data to include a Universal Loan Identification indicator that would potentially allow the data in the new performance and modification databases to be linked with HMDA data.

About Woodstock Institute

Woodstock Institute is a leading research and policy nonprofit organization focused on fair lending, wealth creation, and financial systems reform. Our mission is to create a just financial system in which lower-wealth persons and communities of color can safely borrow, save, and build wealth so that they can achieve economic security and community prosperity. We work in Illinois and nationally with community and philanthropic groups, financial institutions, and policymakers to conduct research on financial products and practices, promote effective state and federal policies, convene a coalition of community investment stakeholders, and help people use our work to understand the issues and develop and implement systemic solutions. Woodstock

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Institute received a 2007 Award for Creative and Effective Institutions from the John D. and Catherine T. MacArthur Foundation and a 2013 James Rouse Award for most effective urban nonprofit from the National Community Reinvestment Coalition (NCRC).

Expanded Data Reporting Requirements

The proposed expansion of loan purpose and type to include all closed-end and open-end loans secured by residential property, home equity loans and lines of credit, reverse mortgages, and commercial and small business loans secured by residential property will be valuable in assessing whether financial institutions are meeting the full range of credit needs in the communities in which they operate. Cash-out and rate-and-term-refinances should be separately identified because they serve different purposes and credit needs. For example, a high rate of cash-out refinancing in a neighborhood may suggest that some lenders are enabling borrowers to use the equity in their homes as for current expenses and ignore the impact of excessive leveraging which contributed to the foreclosure crisis when the housing bubble collapsed.

Reporting on age and credit score of borrowers are essential additions to the dataset. The age of the borrower is especially important in conjunction with reverse mortgages. Data on the extent of reverse mortgage lending for various categories of older adults can help demonstrate the extent to which various age cohorts are being served and whether some groups are at risk of abusive use of the products. Reporting on credit scores is essential to determine whether lenders are treating similarly situated individuals consistently and in compliance with fair lending requirements. Both the age of the borrower and credit score data raise some privacy concerns, but those concerns are almost entirely related to release of the data, not to its collection. The CFPB should require the data to be reported and engage in a more inclusive and comprehensive discussion of alternatives as to how the data can be released while providing adequate protections for individual privacy separately. If the CFPB does not require the data to be reported now, they cannot be released in the future even with the most ideal privacy protections.

Loan Terms and Conditions

Woodstock supports the CFPB's proposal to include loan pricing information in the expanded HMDA data, expressed as the difference between the Annual Percentage Rate (APR) for the loan and the average prime rate offer, as well as the proposal to collect data on points, fees, origination charges, discount points, and interest rates. Those data will significantly improve the ability to monitor the mortgage market and determine whether lenders are engaging in various practices that could constitute unlawful price discrimination, especially when combined with the credit score data being considered as a required element of data to be reported.

Woodstock also supports the proposal to report whether the loan is a qualified mortgage, as well as basic underwriting criteria, such as the debt-to-income ratio, the loan-to-value ratio, and the combined loan-to-value ratio. Not only will those data allow monitoring of fair lending compliance, they will also show where lenders may have concentrated loans with higher risk profiles that represent the potential for the type of disproportionately concentrated harm that many neighborhoods experienced in the housing market downturn and foreclosure crisis.

Reporting Thresholds

Woodstock supports the proposal to require non-depository institutions to report data if they make 25 or more covered loans. This threshold will significantly increase the number of non-depository institutions that are required to report. Not only will this change improve the level of detail available in the data, it will allow analysis of the cumulative impact that these smaller lenders are having in different neighborhoods. Woodstock does not, however, support having the CFPB adopt the 25 loan threshold for depository institutions. Banks making fewer than 25 loans are already reporting, and Woodstock does not find any justification for reducing the availability of data from those institutions. Woodstock also urges the CFPB to include multifamily loans in the reporting requirements for depository institutions by changing the trigger for reporting from “making one or more single-family loans” to “making one or more covered loans.”

Tracking Loan Performance and Loan Modifications

While the current CFPB proposal does not directly involve the creation of the foreclosure and loan performance databases contemplated under Dodd-Frank, the act gives the CFPB the authority to expand the data reported under HMDA to include loan performance and modification data, with data fields in those two new databases similar to those in the expanded HMDA mortgage application database. Because the new data are to be compiled in multiple, separate databases, the CFPB should require the existing and future HMDA data include a Universal Loan Identification indicator that would potentially allow the data in the new, separate performance and modification databases to be linked with the HMDA data.

The benefits from a Universal Loan ID are clear. The ability to link the application, performance, and modification data across databases will make it possible to monitor loan performance over time and determine whether loan modifications are being handled in compliance with fair lending obligations. Two separate survey research studies, one by the California Reinvestment Coalition and National Housing Resource Center and the other by the National Community Reinvestment Coalition, found disparities in loss mitigation and loan modifications that correlated with the race or ethnicity of the borrower. The Universal Loan ID is essential to allow a more inclusive, broader study of who is receiving loan modifications, in what kinds of neighborhoods, and whether there are statistically significant differences among different groups on the rate of modifications they receive. Without a Universal Loan ID much of the potential benefit from collecting the new data will be lost.

Protecting Individual Privacy

A few elements of the expanded HMDA data that are attributable to the individual borrowers may present some risk of allowing individual borrowers to be identified, especially the age and credit score data. The risk, however, is not in gathering the data, but in releasing them to the public. Because of the delay between the time the data are reported and the time they may be released to the public, the CFPB will have ample time to engage stakeholders with different perspectives in an inclusive and comprehensive examination of ways in which the data might be released while maintaining an acceptable level of protection for individual privacy.

The Universal Loan ID also raises concerns that the CFPB will need to address. As with any indicator that allows members of the public – such as researchers, advocates, and marketers – to aggregate data from multiple sources, the Universal Loan ID does create some level of risk that the aggregated data will

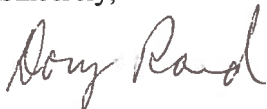
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increase the ability to identify individual borrowers, especially in less-populated geographies. As with age and credit score data, those concerns are related to the public release of the data, not to the collection of the data. The Census Bureau, for example, collects vast amounts of personal data that, if released, would allow identification of individual respondents. The Census Bureau has developed clear protocols for releasing data for research without compromising the privacy of the individuals reporting the data and the CFPB can take the time to consider alternatives while collecting the data.

The CFPB should require a Universal Loan ID because of the significant potential benefits that it offers. Decisions about how to ensure that the Universal Loan ID does not create an unacceptable level of risk to individual privacy can be made before the data are released, but that is a separate issue for the future that merits separate consideration. The alternative, not requiring a Universal Loan ID, forfeits the potential benefits without any comprehensive and inclusive discussion of the multitude of options and examples of ways to release data while protecting privacy.

Thank you for the opportunity to comment on the proposed rules expanding data collection and reporting for the Home Mortgage Disclosure Act. We applaud the CFPB for moving forward with a rulemaking that will expand the ability of the public to understand trends in access to credit, detect potentially discriminatory lending practices, and identify market gaps and opportunities. We urge the CFPB to further strengthen this rule by requiring lenders to report data on the credit scores of borrowers, including multifamily loans in the reporting requirements for lenders, establishing a Universal Loan ID for all HMDA loans, and separately reporting cash-out and rate- and term-refinancing.

Sincerely,



Dory Rand
President, Woodstock Institute

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