June 10, 2019

Director Kathy Kraninger
Consumer Financial Protection Bureau
1700 G Street, NW
Washington, DC 20552


Dear Director Kraninger:

Woodstock Institute submits these comments in response to the Notice of Proposed Rulemaking (NPRM) regarding the proposal of the Consumer Finance Protection Bureau (CFPB) to raise the threshold of HMDA reporting for closed-end mortgage loans and open-end lines of credit. We are a signatory to the national comment letter co-signed by other consumer advocates and spearheaded by our partner, the National Community Reinvestment Coalition, but as an organization that prides itself as being data-driven, we are using this opportunity to emphasize certain points that are of particular concern to our organization.

Woodstock Institute and other community groups have historically used data collected under HMDA to identify discriminatory lending practices, track changes in neighborhood investment, and hold individual banks accountable for abusive lending practices. Increasing the coverage threshold for reporting data on closed-end mortgage loans and open-end lines of credit would very seriously compromise Woodstock Institute’s ability to report on discriminatory lending and to analyze whether banking institutions are meeting their obligations to serve the housing and credit needs of their communities.

About Woodstock Institute

Woodstock Institute is a leading nonprofit research and policy organization in the areas of equitable lending and investments; wealth creation and preservation; and safe and affordable financial products, services, and systems. Woodstock Institute works locally and nationally to create a 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. Our key tools include: applied research; policy development; coalition building; and technical assistance. Woodstock Institute has been a recognized economic justice leader and bridge-builder between communities and policymakers in this field since it was founded in 1973 near Woodstock, Illinois. Among the issues recently on Woodstock’s policy agenda are payday and auto title lending, check-cashing fees, small business lending, abusive municipal fines & fees, and the Community Reinvestment Act.
The Value of HMDA Data to Woodstock Institute’s Research & Reporting

For decades, Woodstock Institute has used HMDA data to produce robust reports on harmful and predatory lending patterns. These reports have been key resources in identifying the factors that led to the 2008 financial crisis. For instance, in 2005, Woodstock Institute authored *There Goes the Neighborhood: The Effect of Single-Family Mortgage Foreclosures on Property Values*, which showed that foreclosures had a significant negative effect on neighborhood property values and that the surge in foreclosures that began in the 1990s was primarily driven by the growth of high-risk, conventional subprime lending. In 2010, Woodstock Institute published the report *Paying More for the American Dream IV: The Decline of Prime Mortgage Lending in Communities of Color*. The report found that mortgage lending in communities of color was shrinking at a much faster rate than in predominantly white communities. In 2015, Woodstock Institute published the report *Her Longer Road Home: Disparities in Mortgage Lending to Women in the Chicago Region*, which found that mortgage applications from women and women with co-applicants were less likely to be originated than mortgage applications from men and men with co-applicants, even accounting for the loan-to-income ratio. The organization’s online data portal also uses HMDA data to generate data visuals that break down the mortgage lending patterns of banking institutions by race, ethnicity, and gender; loan and occupancy trends over the years; average loan size; and average borrower income level. The data portal also shows the top mortgage lenders. These visuals easily allow the general public to manipulate HMDA data and immediately pinpoint lending disparities.

Similarly, Woodstock Institute relies heavily on HMDA data to produce its annual *Chicago Area Community Lending Fact Book*, which provides lending data for the City of Chicago and its 77 community areas as well as lending data for the suburban Chicago seven-county metropolitan area of Cook, DuPage, Kane, Kendall, Lake, McHenry, and Will counties and allows readers to monitor lending activity and ensure that each neighborhood has access to affordable and responsible credit to help maintain a healthy economy. The *Chicago Area Community Lending Fact Book* is used by a wide spectrum of parties, including banks, community-based organizations, individuals, neighborhood institutions, realtors, state and local governments, and banking regulators. The value provided by the *Chicago Area Community Lending Fact Book* is substantial, allowing, for instance, community organizations to identify lenders in their geography with which they might partner in order to realize community development opportunities. Lenders can use this resource to identify unmet market opportunities. Policymakers and regulators can leverage this data to encourage reinvestment in target neighborhoods. This is just a small sample of potential use cases for the data and visuals provided in the Fact book.

These resources have served a significant role in facilitating economic development throughout the Chicago metropolitan area by allowing a broad swath of stakeholders access to in-depth analyses of lending opportunities, key mortgage lenders, relative performances of various financial institutions, and troubling lending practices. Furthermore, these resources cover data for a range of geographies and populations across the seven-county region, allowing the public to monitor predatory and discriminatory lending activities even in areas served by smaller lenders. These resources will also serve as important tools for Chicago-area planners and private investors as they seek to meet community need in newly-designated Opportunity Zones—a program signed into law in December 2017.

The Impact of Increasing HMDA Reporting Thresholds

The CFPB’s proposal to exempt a large segment of lenders from HMDA reporting requirements would be disastrous and would undermine the effectiveness of HMDA in achieving its statutory purposes. In 2015, the CFPB decided against a higher threshold that would exempt more lenders, stating, “...if it [the
Bureau] were to set the closed-end coverage threshold higher than 25, the resulting loss of data at the local level would substantially impede the public’s and public officials’ ability to understand access to credit in their communities.\footnote{CFPB, Proposed Rule, Docket No. CFPB-2019-0021, pp. 17-18, \url{https://files.consumerfinance.gov/f/documents/cfpb_pnrm-hmda-regulation-c.pdf}.} The current proposal to increase this threshold to 50 or 100 loans runs inexplicably counter to this finding. According to the CFPB’s own estimates from the 2015 HMDA Final Rule on the impact of various threshold changes (based on 2013 data), increasing the threshold to 50 closed-end loans would exempt 37 percent of depository institutions from HMDA reporting. Raising the threshold to 100 would exempt over half of all depository institutions from reporting HMDA data.\footnote{Federal Register, Vol. 80, No. 208, pp. 66279, \url{https://www.govinfo.gov/content/pkg/FR-2015-10-28/pdf/FR-2015-10-28.pdf}.} This dramatic reduction of the number of institutions required to release information on their lending practices would substantially weaken Woodstock Institute’s ability to do representative and accurate data analyses. These proposed changes would also thoroughly obscure data on lending trends in countless census tracts throughout the country, particularly in rural communities with fewer and smaller banking institutions. Lenders have been reporting HMDA data for decades. Any potential cost savings from the reporting exemption pale in comparison to the cost imposed on communities from losing these data.

Moreover, these changes would open up opportunities for increased predatory and abusive lending practices. Making lending data publicly available increases the accountability of banking institutions and helps to deter redlining and discrimination against communities of color, women, and low- to moderate-income borrowers. Published reports produced by Woodstock and others foster a more accountable and transparent market — without the need for increased regulatory intervention — which is precisely the outcome intended from public data reporting. This proposed rule disregards the history of the build-up to our country’s greatest financial disaster since the Great Depression and rolls back necessary protections for consumers, especially vulnerable populations. Given the importance of maintaining transparency within the lending industry and maintaining the integrity of research being conducted to protect consumers, marginalized populations, and our country’s financial well-being, we urge you to indefinitely postpone this rulemaking or make adjustments to limit its negative impact on the current HMDA data-reporting program.

Very truly yours,

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President