# UI Urges CFPB, Don't Limit Access to Loan Information

By: Jann Swanson | Thu, May 23 2019, 8:16 AM

The Urban Institute (UI) is urging the Consumer Financial Protection Bureau (CFPB) to **rethink its plans for Home Mortgage Disclosure Act** (HMDA) reporting. The HMDA, passed in 1975, requires many financial institutions to maintain, report, and publicly disclose loan-level information about mortgages. According to CFPB, the data "help show whether lenders are serving the housing needs of their communities; they give public officials information that helps them make decisions and policies; and they shed light on lending patterns that could be discriminatory."

In an article on the UI *Urban Wire* blog, researchers Laurie Goodman and Ellen Seidman say the HMDA data is the nation's most complete record of mortgage origination activity. It helps industry experts and researchers gauge market activity by lender, geography, and race or ethnicity. This helps them assess credit availability, the riskiness of the market, potential discrimination, and the need for public and private investment in housing. Further, the data is free, public, and highly reliable and deepens the collective understanding of the market, **making it more efficient and enabling informed policymaking.**

In 2015 CFPB published a rule implementing changes in the HMDA made through the Dodd-Frank Act, but now the bureau is **proposing two items** that UI says could substantially curtail availability of HMDA data. The first is a **Notice of Proposed Rulemaking** (NPRM) that would raise the threshold number of loans an institution makes before required to report to anyone, including regulators, under the HMDA. The second is an **Advanced Notice of Proposed Rulemaking** (ANPR) that might eliminate much of the data specifically added in response to the abuses and subsequent disaster of the early 2000s.

The NPRM would raise the reporting threshold on closed-end loans for banks and nonbanks from 25 loans in either of the previous two years to either 50 or 100 loans (alternative proposals). CFPB estimates the 100-loan proposal would save each exempted institution less than $5,000 per year. For open-ended loans like Home Equity Lines the current 500-loan threshold would be extended through 2021 then reduced to 200 rather than the 100 loans in the 2015 rule.

Increasing the closed-loan threshold to 50 would allow 759 institutions (1,718 at a 100-loan level) to go dark on mortgage origination reporting. **By 2022, 681 out of 1,014 institutions would go dark on open-ended loans.** UI calls this "a serious loss of insight on a market vital to the health of the economy; regulators failed to fully understand the importance of these loans and the role they played leading up to the 2008 financial crisis."

CFPB's 2015 Rule expanded the number of data points used to track the abuses which triggered the housing crisis and the new rule could substantially weaken those effects. Goodman and Seidman say it's hard to see how the loss of this information, along with the resulting loss of market efficiency and policymaking awareness, is worth the small reduction in cost for those institutions that will be exempted. This is especially concerning as banks have just implemented the 2015 Rule.

The authors call the ANPR proposals, which would apply to all HMDA reporters, potentially more troubling than the NPRM, pointed to three specific issues.

- **Data on manufactured housing will be curtailed.** The CFPB says lenders found it burdensome to report information on whether a manufactured home sets on owned or leased land. However, UI research shows that as many as 60-70 percent of borrowers who purchased a manufactured home using a chattel loan (a loan not secured by real property) might have been eligible for a mortgage or real estate loan. The latter is substantially less expensive and has exponentially more consumer protections.

These numbers are approximations as this data was not covered prior to the 2015 rule and could be more reliably studied with the leased/owned data. It would also assist the GSEs goal under their Duty to Serve obligations of expanding lending to manufactured housing.

- The ANPR also proposes, based on anonymous "stakeholder feedback," to eliminate the open-format description, implemented by the 2015 Rule, of why a loan was denied. The previous format provided a checklist with an open format for "other." Reasons for loan denial are critically important and UI suggests CFPB should analyze the 2018 HMDA filings and including the most common free-form text responses as choices instead.
- The ANPR seeks comments on excluding business or commercial loans made to a non-natural person and secured by a multifamily structure from HMDA reporting. UI says multifamily lending is essential to HMDA purposes, especially for rental properties. The data enabled UI to show that multifamily lending was being used disproportionately to fulfill banks' Community Reinvestment Act (CRA) requirements and was much more concentrated than single-family lending.

- Goodman and Seidman say the proposed rule essentially does what the agency refused to do in 2015, excluding reporting on the large numbers of multi-family loans made to business entities such as limited liability corporations. "Monitoring whether these lenders are serving low- and moderate-income tracts, as well as better-off tracts, is critically important," they say.

Much of the data required by the 2015 Rule is collected by banks for other regulatory purposes, although not in a standard format. The lack of HMDA inclusion would **make it more difficult for both examiners and the public** to view individual institutions and to compare among them as to their activity in providing loans to low- to moderate-income areas or otherwise serving their communities. To the extent that there are data fields (beyond those the CFPB has already exempted) that are irrelevant or excessively burdensome for multifamily lenders, the solution is to exempt additional fields, not the entire category of loans.

The authors also point to the comment periods for the two notices, **calling them "unnecessarily short;"** 30 days for the NPRM and 60 for the ANPRM. CFPB should institute a longer comment period for the NPRM and show cause for the proposed change rather than putting the burden on the public to demonstrate why the rule shouldn't be changed. "As the CFPB itself admits, the HMDA is a public disclosure statute. If disclosure is the purpose of the statute, the burden of proof must be on those who wish to curtail it."

They conclude that HMDA reporting can and should be improved, but **the answer isn't to collect less information,** it is to collect information more intelligently. Reducing the information will reduce the collective understanding of this critical market, making it less efficient and making policymaking more speculative. No one, they say, should want that outcome.

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