Agencies are Cutting Access to Mortgage Data for Low-Income Borrowers

By: Jann Swanson | Tue, May 5 2020, 12:05 PM

Two Urban Institute (UI) analysts have **raised an alarm about changes to federal regulations that threaten to limit access to important data** about the mortgage market and **credit availability for low and moderate-income borrowers** and communities. Most of the changes are coming through rulemaking at the Consumer Financial Protection Agency (CFPB) and relate to the Home Mortgage Disclosure Act (HMDA).

Researchers Ellen Seidman and Lauri Goodman said the loss of access to important data has been quiet and steady. However, three current rulemakings, one final, one proposed, and one at an early stage, promise to exacerbate the situation and affect both the public and policymakers. They add that the possibility the COVID-19 pandemic could trigger another credit crisis makes this especially troubling.

In 2015 the CFPB issued a final rule regarding changes in the HMDA mandated by the Dodd Frank Wall Street Reform and Consumer Protection Act. Those changes increased the type, amount, and quality of mortgage data collected through the act in order to establish a better early-warning system about problems that created the 2008 housing crash and Great Recession. The rule also **exempted small lenders, those originating fewer than 25 mortgages a year, from reporting or eliminating data** from 1,400 depository institutions or 22 percent of previous reporters.

Three years later Congress passed the Economic Growth, Regulatory Relief, and Consumer Protection Act which exempted depository institutions that made fewer than 500 mortgage loans from reporting much of the new data required by Dodd-Frank and the 2015 rule. **The result was much less information, especially about small loans and those originated in rural and low-income areas,** coming from 3,250 insured banks and credit unions, 67 percent of those covered by HMDA.

Last month CFPB issued a new rule that raises the threshold for any HMDA reporting from 25 annual originations to 100. This added another 1,640 depositories and 60 non-depositories to the 1,400 institutions exempted by the 2015 rule.

In releasing the new rule CFPB said it could not quantify "with precision" what the loss of data would mean to consumers and **admitted that the loss of data about mortgages would again disproportionately affect rural and low-income census tracts.** It would also mean losing access to information on about 13 percent of multifamily loan originations. UI says the structure of this lending and its importance to low-income families makes loss of this data especially troubling.

Another advance notice of proposed multifamily lending rulemaking last May asked for comments about four new fields required by the 2015 rule, including the elimination of reporting on multifamily loans made to nonnatural persons, i.e. business entities, reporting that has always been required under HMDA. Using the new Dodd-Frank data generated about those borrowers for the first time in 2018 allowed Goodman and Seidman to determine that exempting multifamily loans to nonnatural persons would eliminate HMDA reporting on 65.6 percent of all multifamily loans (structures with five units or more) and more than 80 percent of loans on structures with 50 units or more. This, **the authors said, would render the multifamily HMDA data useless.**

CFPB is not the only agency cutting back on available data. In January, the Office of Comptroller of the Currency (OCC) and the Federal Deposit Insurance Corporation (FDIC) issued a notice of proposed rulemaking to modernize the Community Reinvestment Act (CRA.) The proposed rule would both make major changes in how banks' CRA performance is evaluated and do a complete rewrite of the public data provisions of the CRA regulations.

UI says that **the proposal would not reduce but significantly increase banks' reporting burden**. It would also mean publicly released data about small business, small farm, and community development data would be aggregated at the bank level and for all banks at the county level. This change, in combination with what CFPB is doing will make it more difficult, at times nearly impossible, to determine how well a bank is serving its communities.

Public data are important, the authors say, allowing examination of credit availability and how it flows to low- and moderate-income communities versus their affluent counterparts and to see what individual banks are doing in their lending to specific areas. "We are likely to lose all of that, one regulation at a time, notwithstanding these datasets' importance to evidence-based policymaking. Good policymaking cannot tolerate the continuous chipping away of this important resource."

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