Statement for the Record From John Taylor, President and CEO, National Community Reinvestment Coalition

Senate Committee on Banking, Housing, and Urban Affairs Hearing

"Assessing the Effects of Consumer Finance Regulations"

April 5, 2016

Chairman Shelby, Ranking Member Brown, and Distinguished Members of the Committee:

The National Community Reinvestment Coalition (NCRC) appreciates the opportunity to provide this written statement for the record of the April 5, 2016 hearing on "Assessing the Effects of Consumer Finance Regulations." NCRC applauds the Consumer Financial Protection Bureau's (CFPB) final rule expanding the data collected around the Home Mortgage Disclosure Act (HMDA).

The expansion of HMDA data is an important step for all consumers. Had we had this expanded data before, it would have provided an early warning system that would have helped to prevent the housing crisis by alerting regulatory agencies to a rapid increase in abusive lending. The expanded data includes information that could help to identify potential discriminatory lending practices, such as property value, term of the loan, total points and fees, information on teaser or introductory rates, and the applicant's age and credit score. Teaser rates, usurious loan fees, and points are commonly used tools to prey on vulnerable consumers with lower credit scores. The expanded data sets also include information on underwriting and pricing, such as debt-to-income ratios and interest rates. This information will be used to determine disparities across communities in the way home loans are written and priced.

The data will serve to increase the fairness of mortgage markets for all Americans. Existing HMDA data has been central to recent investigations and enforcement actions by the CFPB and the U.S. Department of Justice (DOJ), exposing on-going redlining. The CFPB and DOJ ordered Hudson City Savings Bank to pay $27 million for discriminatory redlining practices. Evans Bancorp agreed to a $825,000 settlement in response to a mortgage redlining lawsuit brought by the New York State Attorney General. The expanded HMDA data will increase the effectiveness of enforcement by boosting the ability of agencies to identify price discrimination in addition to redlining cases.

We are particularly pleased that the CFPB has followed the recommendation of NCRC and other advocacy groups to disaggregate the data on race and ethnicity. The CFPB has also shown careful consideration of potential privacy issues in this process, which should assuage any concerns surrounding the collection of the data.

The next step for the CFPB is to ensure that all of the data elements collected that pose no privacy concerns are released to the public. Detailed public disclosure gives increased transparency to the market and allows members of the public to detect lending discrimination and abuse. We urge the CFPB to commence this process as soon as possible. We anticipate that the dissemination of the new data elements will present minimal privacy risk to consumers; therefore, the CFPB should opt for comprehensive disclosure of the new data elements. There are several arguments that support a full public dissemination of the data:

- The personally identifying information (Social Security numbers and account numbers) that is most sought after by identity thieves will not be reported to the CFPB under the HMDA rule expansion.[1]

- Loans will be identified using a Universal Loan Identifier that must not include any information that could be used to directly identify an applicant. Prohibited information includes but is not limited to the applicant's name, date of birth, Social Security number, driver's license number, or employment/ tax identification number.[2]

- The CFPB interprets HMDA to call for the use of a balancing test to determine whether and how HMDA data should be modified prior to public release in order to protect privacy while also fulfilling the public disclosure requirements of the statute.[3]

- The CFPB has taken steps to remove information that directly identifies consumers in its current data collections. The CFPB can apply similar procedures as it relates to sensitive HMDA data (age, credit score, LTV ratio) if it chooses to make any part of such data public.[4]

- If made publicly available, credit scores and ages could be reported in ranges or percentiles which are valuable for analysis but do not identify specific consumers.[5]

- Under the current rule, sensitive, potentially personally identifying data are not made available. The application/loan number, the date an application was received, and the date action was taken on an application are not made available to the public.[6] Similar procedures will be applied to the new data.

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1 HMDA Disclosure Requirements http://www.occ.gov/static/community-afairs/community-developments-newsletter/summer05/cd/ hmdadisclosure.htm

2 Ibid.

3 CFPB Proposed Rule on Home Mortgage Disclosure http://fles.consumerfnance.gov/f/201407_cfpb_proposed-rule_ home-mortgage-disclosure_ regulation-c.pdf

4 Ibid.

5 Ibid.

6 Ibid.