Housing Assistance Council
1025 Vermont Ave., N.W., Suite 606, Washington, DC 20005, Tel.: 202-842-8600, Fax: 202-347-3441, E-mail: hac@ruralhome.org

Web site: www.ruralhome.org

January 21, 2022

Rohit Chopra
Director
Consumer Financial Protection Bureau
1700 G Street NW,
Washington, DC 20552

Re: Request for Information Regarding the HMDA Rule Assessment, 12 CFR Part 1003
Docket No. CFPB-2021-0018

Dear Director Chopra:

The Housing Assistance Council (HAC) appreciates this opportunity to submit comments to the Consumer Financial Protection Bureau's (CFPB) Request for Information [RFI] Regarding the HMDA Rule Assessment. Through this RFI, the CFPB seeks stakeholder comments on its planned assessment of the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act") related [covers actions taken from 2015 to 2020] HMDA changes. Specifically, the CFPB will use stakeholder comments to help better evaluate the effectiveness of these changes in meeting the purposes and objectives of Title X of the Dodd-Frank Act.

HAC is a national nonprofit organization that helps build homes and communities across rural America. HAC and our rural stakeholders have relied on HMDA data for decades to improve our understanding of rural mortgage markets and to inform the public. This work includes analysis exploring VA guaranteed lending activity and mortgage lending on American Indian lands,[1] as well making publicly available aggregated HMDA loan data on HAC's "Rural Data Portal" and "Veteran's Data Central" websites.[2] HMDA data are an invaluable resource that plays a critical role in keeping the public informed on local home lending markets. With over 50 years of experience in affordable housing and rural markets, HAC feels uniquely qualified to comment on the CFPB's RFI and voice rural concerns.

I. HAC's General Comments on the Dodd-Frank Act Related HMDA Changes

HMDA data is an invaluable resource for understanding and improving home lending markets across the country. Congress enacted the Home Mortgage Disclosure Act in 1975 to help inform the public and policymakers of mortgage lending activity, and, in doing so, make it possible to identify communities where access to credit is being denied or discrimination is occurring.[3] With some exceptions, the law mandates institutions originating home purchase, refinance, and/or home improvement loans, publicly disclose certain information on the loan applicants and loan characteristics.[4]

The CFPB's October 2015 final HMDA rule and subsequent related rules over the next five-year period, sought to meet "the purposes and objectives of Title X of the Dodd-Frank Act [Dodd-Frank Wall Street Reform and Consumer Protection Act]"[1]. The Dodd Frank Act sought to establish enhanced consumer protections for financial services and to improve publicly available financial services information. These efforts included a change in HMDA administration and oversight along with data reporting requirements. This RFI is related to the CFPB's assessment of how well its HMDA changes meet "the purposes and objectives of the Dodd-Frank Act and the specific goals stated by the CFPB."[2]

HAC believes that many of the Dodd-Frank Act related changes have enhanced HMDA and its usefulness to the public. The inclusion of more information on manufactured housing, for example, improves our understanding of an often overlooked yet common form of affordable housing in many rural areas. The shift to reporting HMDA loans based on how a loan is secured rather than on its stated purpose promotes clarity and reduced confusion. Even data accessibility has been enhanced with the "HMDA Data Browser" website.

While Dodd-Frank related changes to HMDA have been positive, concerns related to market coverage remain. We recognize the need to limit reporting burdens on small asset lenders, but HAC remains concerned with the move from a 25 to a 100-origination (close-end loan)[3] reporting threshold. This change, combined with existing statutory reporting exemptions for lenders not operating an office in a metropolitan area, results in in substantially reduced mortgage information for rural markets.   The Housing Assistance Council strongly urges CFPB to return to the 25-origination reporting threshold.

HAC also believes that HMDA would benefit from additional data points, particularly those identifying lending activity on tribal lands, and reporting, include direct not just guaranteed federal government home loan data, along with website upgrades. Such changes would make for a more complete picture of local lending markets and improve access to this information. These changes might not be immediately actionable but should be given consideration for future HMDA upgrades.

II. HAC's Specific Comments on Dodd-Frank Related HMDA Changes

The RIF organizes its presentation of HMDA changes into four major areas: institutional coverage and loan volume thresholds; transaction coverage; data points; and disclosure and reporting. HAC's comments largely focus on transaction coverage and the possible inclusion of new data points.

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[1] "Request for Information Regarding the HMDA Rule Assessment." Federal Register 86:222(November 22,2001 p. 66220.
[2] Ibd.
[3] HAC's comments directly address close-ended activity and reporting thresholds. Open-ended lines of credit and there reporting thresholds are important but not the primary focus of our work. In general, we would be opposed to efforts to reduce reporting of such information as well.

The Housing Assistance Council Urges CFPB to Return to the 25-Origination Reporting Threshold.

In addition to more widely known and discussed Dodd-Frank initiated HMDA changes, the establishment of new loan volume reporting thresholds received cursory reviews. Yet, for rural markets this modification, represents a significant reduction in data and information for small areas. These changes disproportionately and negatively impact areas with limited lender involvement, many of which are rural. In communities where the HMDA metropolitan area office reporting exemption already constrains mortgage market understanding, the loss of even more HMDA data presents an incomplete picture of local home finance markets.

Using data prior to the incorporation of the 100-loan threshold (2016 and 2017) provides some insight into how the new thresholds limit reporting. Taking a conservative approach[4], there were 5,530 lenders reporting originated loans (home purchase, refinance, or home improvement) for both years.[5] Table 1 present 2017 lending activity that falls within various origination thresholds (meet the thresholds for both years) for these matched lenders. It is clear, in aggregate, the impact of an increased reporting threshold is likely very small, particularly with the 25 loan requirements. Even with a 50 and 100 loan requirement, only about 5 to 6 percent of all (home purchase, refinance, and home improvement) and home purchase originations would be impacted. This seems to be an unimportant or less concerning issue when looking at things this way.

Reviewing the data from an individual market (county) perspective, however, shows why such changes in reporting exemptions matter for certain areas. Table 2 covers counties by share of originations made by lenders meeting various reporting origination thresholds.

The proposed 100-loan threshold is most troubling as at least 10 percent of 2017 originations in approximately 304 counties were made by lenders reporting fewer than 100 loans (247 when considering home purchase loans alone). Even excluding counties with fewer than 10 reported loans (small areas where a change in a single loan could represent 10 percent of all activity), the number still exceeds 298. Rural markets – counties located outside OMB designated metropolitan areas, make up approximately two-thirds of all counties where 10 percent or more of their reported loans were made by lenders reporting fewer than 100-loans. Seventy-three percent of the counties where 25 percent or more of 2017 loans could have been exempted are rural and many are concentrated in the Great Plains and South (see Map 1).

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[4] There are lenders who reported cases in both 2016 and 2017 and those that did not. We only look at the matched cases here and assess the degree to which they would fall below different loan origination counts/thresholds. It is likely that some of the non-matching cases would fit within reporting exemptions as well, so this undercounts those cases.
[5] This is a rough estimate of the impact of various exemption thresholds and treats all originations as close-end loans. There is no way, with the public data at the time, to determine how closed-end loans are reported and how that would shape the counts (undercount exempt cases likely). Similarly, there is no way to easily determine how many non-depository institutions which did not report that would report now under a simple loan count threshold (under-estimate new reporters possibly).

Table 1. HMDA 2017 Originations by Various Reporting Thresholds*

Matched 2016-2017 HMDA Reporters	HMDA 2017					
	Institutions		All Loans		Home Purchase Loans	
	Number	%	Number	%	Number	%
Total (2017 Alone not matched)	5,815		7,339,057		4,254,982	
Total (Matched)	5,530	95.1%	7,008,359	95.5%	4,076,469	95.8%
25 >= Originations Each Year	5,092	87.6%	6,999,170	95.4%	4,072,819	95.7%
50 >= Originations Each Year	4,351	74.8%	6,966,241	94.9%	4,059,425	95.4%
100 >= Originations Each Year	3,364	57.9%	6,881,895	93.8%	4,021,449	94.5%

*HAC tabulation aggregated all HMDA originated loans (all purposes) by reporter (all types) for calendar years 2016 and 2017. We merged this data and classified lenders according to various thresholds (which use activity in both years to determine reporting status).

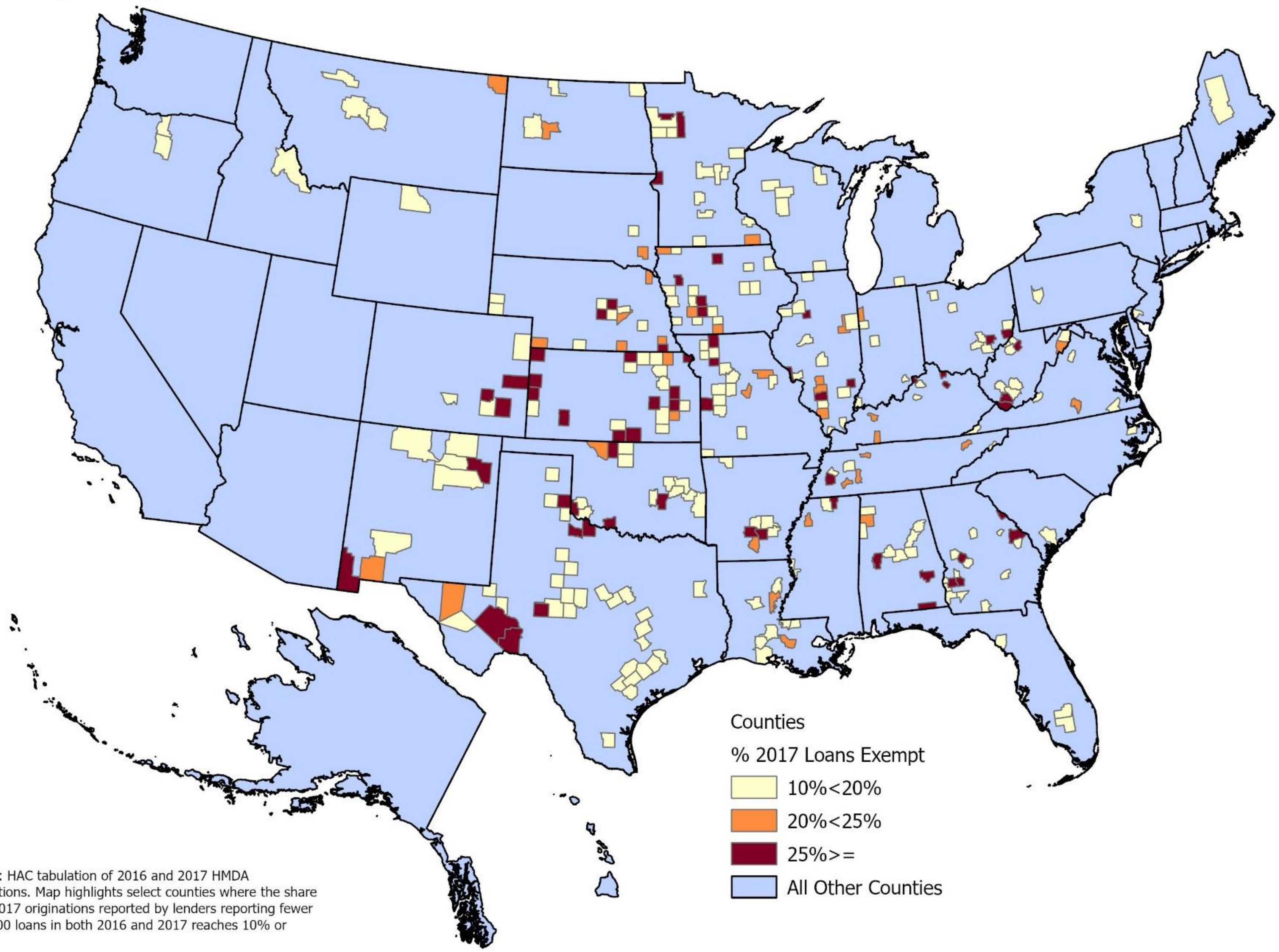
When combined with the lack of HMDA reporting due to other limitations, such as the metropolitan area office HMDA exemption, non-reported direct government loan activity (USDA 502 Direct Loans) and cash-only transactions, raise concerns about HMDA's market coverage particularly in rural areas where these factors are likely most impactful. Increasing the reporting threshold to 100 loans will certainly exacerbate these shortcomings in HMDA.

Table 2. Counties by Share of Origination Potentially Exempt, HMDA 2017 Data*

Share of Originations Potentially Exempt	HMDA 2017 Activities by County (values in parenthesis exclude counties with fewer than 10 loans)					
	Lenders< 25 Originations		Lenders < 50 Originations		Lenders < 100 Originations	
	All Loans	Only Home Purchase Loans	All Loans	Only Home Purchase Loans	All Loans	Only Home Purchase Loans
< 10%	3211 (3151)	3210 (3150)	3150 (3093)	3153 (3095)	2914 (2862)	2971 (2916)
10 to < 20%	5(5)	7 (7)	49 (48)	50 (50)	203 (198)	169 (168)
20 to < 25%	1(1)	0(0)	6 (5)	2 (2)	37 (36)	31 (31)
25% >=	1(1)	1 (1)	13 (12)	13 (11)	64 (62)	47 (43)

*HAC tabulation aggregated all HMDA originated loans to county level using identified exempt lenders from table 1. Loans without sufficient geography information to locate at county level not included.

Map 1. Counties by Share of HMDA 2017 Originations Potentially Falling Under 100 Loan Reporting Threshold*



Source: HAC tabulation of 2016 and 2017 HMDA originations. Map highlights select counties where the share of all 2017 originations reported by lenders reporting fewer than 100 loans in both 2016 and 2017 reaches 10% or more.

HAC Recommends That CFPB Resource and Publish a HMDA "Reliability Index."

HMDA currently excludes rural activity through some of its reporting exemptions that limit coverage. Reporting exemptions exist for extremely small asset lenders ($46 million in 2019) and lenders that do not operate a bank office or branch in an OMB designated Metropolitan Area. As such, many smaller banks and banks that operate exclusively in rural areas do not report home lending data to HMDA. This exemption calls into question the thoroughness of HMDA data for some small markets. Recent changes that have exempted even more lenders from reporting have further exacerbated the problem of data coverage, particularly for small rural areas. A HMDA "Reliability Index," as presented at the recent CFPB Tech Sprint, would provide a classification or typology that estimates the amount of lending activity in market that is covered by HMDA data.

While not a fix for overly limited reporting thresholds, the development of an indicator would be helpful for the CFPB, data users and consumers alike. For example, classifying as "limited coverage" HMDA data for markets (such as U.S.-Mexico Border Region colonia) where many home purchases involve cash only transactions that are not part of HMDA.[6] Such an indicator could inform a data user, much as indicators that warn users when a U.S. Census Bureau American Community Survey (ACS) estimate is less than reliable[7], that they will need to, if possible, consult other resources to get a complete picture of this local home financing market

HAC Applauds Increased HMDA Data Reporting But Additional Data and Reporting Are Needed.

While the 2018 Economic Growth, Regulatory Relief, and Consumer Protection Act (EGRRCPA) and subsequent CFPB rules limited the reporting of this information by certain lenders[8], which is not ideal, these additional data points have helped inform the public. The new manufactured home data points, for example, make it possible to identify loans secured by the home only – most likely personal property or chattel loans. Information on manufactured housing, which represents 13 percent of all occupied rural units, was limited at best before these data points. Today we have more rich information on issues that are of particular importance for the manufactured housing markets, such as land ownership and leasing, and this will lead to better oversight and policies. Table 3 shows how this enhanced data makes it possible to get a better understanding of personal property/chattel loans. The same can be said for the enhanced data on applicant and loan characteristics.

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[6] Durst, Noah, and Elena J. Cangelosi. 2021. Self-help housing and DIY home improvements: evidence from American Housing Survey, *Housing Studies*. 36:8, pg.1231-1249

[7]ESRI describes the use of such an indicator for U.S. Census Bureau American Community Survey(ACS) estimates here: https://downloads.esri.com/esri_content_doc/dbl/us/J10020_American_Community_Survey_2019.pdf

[8]This is in reference to EGRRCPA's 500 loan reporting exemption established for certain lenders that is noted in the RIF page 66222.

Table 3. Home Purchase Loans Involving Manufacture homes, HMDA 2020 Data*

Loan Secured By	All		White non-Hispanic		Black non-Hispanic		American Indian or Alaska Native non-Hispanic		Hispanic (All Races)	
	Number	%	Number	%	Number	%	Number	%	Number	%
Both Home & Land	67272	54.9%	46771	61.7%	2479	34.5%	471	43.9%	6668	42.0%
Just Home	55185	45.1%	29082	38.3%	4701	65.5%	602	56.1%	9208	58.0%
Total	122457	100.0%	75853	100.0%	7180	100.0%	1073	100.0%	15876	100.0%

*HAC tabulation of HMDA 2020 data. Aggregation of home purchase first lien, close-end loans involving a manufactured home.

While the new housing data points enhance the HMDA data usefulness, the data still lacks information that could improve an understanding of certain underserved markets. This is particularly true when it comes to tribal lands and specific loan programs, like HUD's Section 184 Home Loan Program which is dedicated to improving home financing for Native Americans. While we know that there is a limited amount of home lending occurring on tribal lands, there is no publicly accessible resource that identifies loans that are occurring there. Because tribal land boundaries often do match census tract boundaries and because of checkerboarding and lack of contiguity of land, it is simply not possible to discern such information from HMDA data currently.

Because such information is likely collected when the loan is made – specific activities that are undertaken when lending occurs on federal trust lands, CFPB should include a field in the HMDA data that identifies when a loan involves tribal lands and/or a specific program dedicated to serving Native communities. Unfortunately, the same situation exists today as in 2002 when Paul Manchester noted "In general, it is not possible to analyze mortgage lending on Indian reservations from HMDA ..." (pg. 321).[9] With some data reporting improvements this problem can be alleviated in the future.

The HMDA also omits another part of rural housing markets – USDA Section 502 direct loans. HMDA collects data on the larger Section 502 guarantee program, which is important, but there is no data reporting on direct loans. While the number of Section 502 direct loans is small – approximately 7000 a year[10] – it can be a significant source of lending in certain communities.

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[9] Paul B. Manchester, "Mortgage Lending on the Pine Ridge Indian Reservation," *Cityscape* 5, No. 3 (2001), accessed January 8,2021 at the following url: https://www.huduser.gov/Periodicals/CITYSCPE/VOL5NUM3/manchester.pdf

[10] The HAC website provides some annual numbers on Section 502 direct loan activity but not detailed loan information as HMDA provides for other applications. As of 1-8-2022, this information can be found here: https://ruralhome.org/wp-content/uploads/storage/documents/rd_obligations/historic/Historic.pdf

Including information on this program, like data on the HUD Section 184 program, could help our understanding of rural markets which are too often experiencing demographic and economic decline. Even is such a change is not immediately possible, it should be part of any future efforts to ensure the HMDA provides as thorough a coverage as possible for all home finance markets.

CFPB's HMDA Data Browser Offers Improved Access to HMDA Data Over Previous Interfaces[11].

Previously, a user had to download the raw data and manipulate it with a statistical package which is something few are capable of. The additional map interface is helpful, and it is a nice feature that it includes access to three-years of data.

Nevertheless, more could be done to further enhance public accessibility. If the HMDA Data Browser's filter options were to allow for more than two query statements (for example, loan action and dwelling type), it would help the user more closely explore the data such as race or ethnicity. This enhancement would be particularly beneficials for quick inquires where a user needs the "View Summary Table" function rather than "Download Dataset". Similarly, including more geography options on the mapping tool, such metropolitan areas, could be helpful. Expanding capabilities can help the user and make dissemination of HMDA data more ubiquitous.

We hope that these and other comments help the CFPB in its assessment of its HMDA Dodd-Frank related changes and result in further improvements making the HMDA an even more effective tool for ensuring access to affordable financial services for all.

HAC looks forward to working with you to continually improve and enhance HMDA data for all communities– urban and rural. Please do not hesitate to contact me if you need additional information or clarification of our comments.

Sincerely,

David Lipsetz

David Lipsetz
Chief Executive Officer

[11] Reference to the CFPB's HMDA Data Brower which, as of 1-6-2022: is located here: https://ffiec.cfpb.gov/data-browser/

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[1]The VA report referred to here is entitled, A Soldier's Home: A Closer at the Department of Veterans Affairs' (VA) Home Loan Program, and, as of 6-9-10, can be found at the following url: http://www.ruralhome.org/sct-information/mn-hac-research/mn-rrr/1413-soldiers-home-va-mortgage-report The report referred to here is entitled, "Exploring the Challenges and Opportunities for Mortgage Finance in Indian Country, and, as of 6-10-19, is located at the following url: http://www.ruralhome.org/sct-information/mn-hac-research/mn-rrr/1565-rrr-native-mortgage-finance

[2] The Rural Data Portal website is located at the following url: http://www.ruraldataportal.org/ . The Veterans Data Central website is located at the following url: http://www.veteransdata.info/ . These website are both free to the public. They include aggregate data from several sources, one of which is HMDA data.

[3]The following Federal Reserve Bank of Boston webpage, as of 6-10-19, briefly notes the role HMDA is to play informing both policymakers and the public: https://www.bostonfed.org/data/data-items/home-mortgage-disclosure-act-hmda-data-for-new-england.aspx

[4] An example of this would be inclusion of interest rate spread data making it possible to identify high cost loans. Another example is the recent Dodd-Frank related efforts to include data on such things as loan costs and manufactured home lending.