

June 12, 2019

Ms. Kathleen Kraninger
Director
Consumer Financial Protection Bureau
1700 G St. NW
Washington, DC 20552

RE: Proposed Rule – Home Mortgage Disclosure (Regulation C) [84 FR 20972, Docket No. CFPB-2019-0021]

Dear Ms. Kraninger:

Thank you for the opportunity to provide comment on the Notice of Proposed Rulemaking for the Home Mortgage Disclosure Act (HMDA). Please note that these comments have not been submitted to or approved by NeighborWorks America’s board and do not necessarily represent the views of its board members, either collectively or as individuals. These comments have been formed based on the ongoing work of NeighborWorks America with our network of nearly 250 local and regional nonprofit-affiliated NeighborWorks organizations.

For over 40 years, Neighborhood Reinvestment Corp. (d/b/a NeighborWorks America), a Congressionally-chartered, national, nonpartisan nonprofit, has created opportunities for people to improve their lives and strengthen their communities by providing access to homeownership and safe, affordable rental housing. Our collective network experience provides the basis for recommendations to ensure transparency around the impact and outcomes of any proposal to modify the requirements of the Home Mortgage Disclosure Act.

Since it was enacted in 1975, HMDA has provided critical transparency into the home mortgage sector. HMDA data has many uses, including providing data upon which regulators can assess the extent to which financial institutions are meeting the needs of their communities, government entities can target public-sector investments to priority areas, and private, philanthropic, and non-profit organizations can strategically deploy resources through tailored investments. HMDA is also the lynchpin for identifying fair lending violations, determining compliance with the Community Reinvestment Act, and enforcing antidiscrimination laws.

NeighborWorks America relies on HMDA data for multiple purposes. HMDA data allows NeighborWorks and our network organizations to design programmatic activities and interventions tailored to meet the needs of communities. For example, “reason for denial” data shines on a spotlight on core community needs, whether it be financial coaching to improve credit scores, matched savings programs to increase cash reserves, or down payment assistance programs to open the door to homeownership opportunities for otherwise creditworthy households. HMDA data also allows us to understand the geographic

scope of credit availability, providing network organizations with the information necessary to identify underserved areas where they can increase access to credit through their service and lending operations. The transparency offered by HMDA data surfaces important trends, which can be used to guide network organizations' activities. Finally, HMDA data, when matched back to the lending institution, can create the foundation for partnerships between for- and nonprofit institutions, leveraging shared interests to improve community credit access.

As HMDA applies to a broad swath of financial institutions including banks, savings associations, credit unions, and other mortgage lenders, it provides the most complete, detailed information on mortgage lending activity. According to an [analysis by the Urban Institute](#), changing the threshold for mortgage origination reporting requirements to 50 loans over a two-year period would exempt at least 759 additional institutions, while changing it to 100 loans would exempt an additional 1,718 institutions from HMDA reporting requirements. At the same time, the changes would result in relatively small dollar savings per reporting institution. Even greater numbers of institutions would be exempted by the proposed increased to the thresholds for open-end lines of credit.

NeighborWorks is extremely concerned by the proposal to increase the threshold at which HMDA reporting obligations are triggered. While we appreciate the Administration's desire to reduce burdens on small entities, the cost of "going dark" on institutions that make smaller numbers of loans is far too great to be justified. The resulting blind spot would particularly impact rural communities, where lower population density and the predominance of smaller institutions would result in many of the loan applications submitted going unreported. Smaller lenders are also more common in underserved markets, another segment where HMDA data is particularly important.

As recently as the rulemaking finalized in 2015, which was "the product of several years of research and analysis," the CFPB recognized the harm that setting higher thresholds for exemption would cause. According to the current NPRM, "the Bureau determined that a higher closed-end coverage threshold would have a material negative impact on the availability of data about patterns and trends at the local level and the data about local communities are essential to achieve HMDA's purposes. The Bureau concluded that, if it 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." The NPRM acknowledges the Bureau's previous conclusion, but offers only anecdotal information from industry stakeholders as rebuttal. Instead, it simply relies on "recent concerns expressed by industry stakeholders regarding the considerable burden associated with reporting." The NPRM cursorily reveals the numbers of areas impacted, but offers no evidence of a considered, geo-spatial data that would be lost to higher thresholds.

NeighborWorks is concerned that the CFPB has turned from long-standing policy and abandoned its previous focus on achieving balanced policy, instead prioritizing the financial interests of a small set of stakeholders over the public good. The CFPB has failed to demonstrate that the loss of this "small amount of data" would not, as the 2015 rule concluded, "substantially impede the public's and public officials' ability to understand

access to credit in their communities.” While the overall amount of data in question may be small, the geographical and market segments that it covers are not evenly distributed, and therefore cannot be compared against the total universe of reporting. The impacted rural and lower-income areas are already underserved, underrepresented and underreported. Furthermore, the causal manner in which the Notice describes the proposal’s anticipated impacts is asynchronous with the gravity of undermining the integrity of the longitudinal data for as many as three percent of census tracts. As the Bureau’s own analysis shows, the data lost is overwhelmingly concentrated in rural and low- and moderate-income census tracts.

NeighborWorks is particularly alarmed by the NPRM’s request for comments on thresholds even higher than those specifically proposed in the notice. Setting the threshold at even higher levels would dramatically magnify the negative consequences, hampering our work and the ability of policymakers to strategically target resources, regulators to enforce existing laws, and the general public to identify and combat predatory or discriminatory lending.

Given the importance of HMDA in identifying and eliminating discriminatory lending practices, we urge the CFPB to not only extend the unnecessarily short comment period for a proposal of this import, but to also reconsider these proposals and the tremendous harm they would do. Maintaining the current thresholds for HMDA reporting would preserve the transparency and accountability that HMDA has brought to public and private interests, an interest that is far greater than the relative marginal costs of the associated regulatory burdens. Further, we encourage the CFPB to explore alternative means by which to reduce the burdens associated with reporting, including through attention to automation and uniformity in data collection that could reduce the time and complexity in producing this important data.

Sincerely,



Kirsten T. Johnson-Obey
Senior Vice President, Public Policy and Legislative Affairs
NeighborWorks America