September 30, 2013

Ren Essene and Jessica Russell
Consumer Financial Protection Bureau
1700 G Street NW
Washington DC 20006

Dear Ms. Essene and Ms. Russell:

We commend the Consumer Financial Protection Bureau (CFPB) for taking on the ambitious project of creating a user-friendly Home Mortgage Disclosure Act (HMDA) website and soliciting feedback on the website from HMDA data users. An effective and easy-to-use website will further the statutory purposes of HMDA, by allowing members of the public, regulators, and other stakeholders to hold mortgage lenders accountable, identify instances in which investigations and enforcement actions are warranted, and help identify communities in need of targeted investments.

In addition to its important work on the new website and HMDA database, the CFPB must also engage in an expeditious HMDA rulemaking process, and implement the additional HMDA data elements required by the Dodd-Frank Wall Street Reform and Consumer Protection Act. The additional data elements are critical for a better understanding of lending markets and detecting problematic practices early before they contribute to high levels of defaults.

Recommendations for HMDA Website

We are encouraged by the roll-out of the CFPB’s HMDA website. As you further develop the section of the website for local data, this letter offers the following recommendations to ensure that the CFPB’s HMDA website is accessible to the public and user-friendly. The letter discusses the following topics:

- Guide for the General Public
- Coordination between the FFIEC and CFPB websites
- Recommendations for Queries, Tables, and Charts

Create a Guide for the General Public

The CFPB website should have a user-friendly guide that clearly explains what HMDA data are and how HMDA data can be used to assess whether lenders are meeting community credit needs. The necessary elements of the guide include:
Part 1: An Introduction to the Home Mortgage Disclosure Act and the Information it Provides to the Public

What Is the Home Mortgage Disclosure Act and What Data Does it Provide to the Public?

This section should provide a short statement on the purposes of HMDA, citing the statute, as well as a summary of the type of data collected and released to the public. (The guide should provide detailed explanations of each data element in another section; see below).

Who Collects the Data and When Are the Data Released?

This section should explain which financial institutions collect and report HMDA data and the agencies to which they report the data, as well as which institutions are exempt from HMDA data collection and reporting. It should also explain when the Federal Financial Institutions Examination Council (FFIEC) releases HMDA data to the public, and when and how the public may request data directly from lenders.

Who Uses the Data for What Purposes?

This section should describe the variety of uses of HMDA data. State and federal regulatory and enforcement agencies use HMDA data to evaluate the performance of institutions to assess their compliance with consumer and civil rights laws. Lenders use the data both for internal evaluation and to examine the larger market within which they do business. In addition, community organizations have used HMDA data to make their own evaluations of how well lenders are serving their communities. Local assessments have also raised concerns about lending patterns that may indicate violations of fair lending and consumer protection laws.

Using HMDA data is easier today than previously but employing HMDA data meaningfully and accessing the data in understandable formats is still beyond the reach of most members of the public. To facilitate widespread use, HMDA data provided on public websites must be easily understood without requiring an advanced degree. Public websites should include specific examples of using HMDA data to understand and influence lending practices in communities. Either the CFPB could store these studies on their websites or have links to external websites with clear and effective case studies of using HMDA data to promote responsible lending in neighborhoods.

Part 2: How the Mortgage Market Works

Who Are the Players in the Market?

This section should explain the roles of the major participants in the mortgage market to help new HMDA users understand the entities they are researching. The section should define, for
example, the roles of depository lenders, secondary market investors, government and private mortgage insurers, mortgage bankers, and mortgage brokers, among others.

*What Are Some of the Important Terms Used in the Mortgage Market?*

This section should essentially be a glossary of such terms as APR, ARMs, loan term, loan-to-value ratio, 1-4 family housing, manufactured housing, etc. This section should also explain the HMDA application decision (action) categories in accessible language.

*Part 3: The Information that is Provided to the Public in HMDA*

*What Data Are Provided in the HMDA Disclosures?*

This section should contain a list of the data fields (information) provided to the public. It should define each data field and indicate its format (essentially a lay-person explanation of the HMDA data fields and codes). This data dictionary should also include definitions for census data contained in HMDA data, including a short explanation of any difference between the age of the census data and the HMDA data reported (for example, why 2011 HMDA data include 2000 census data). The section should also explain the racial and ethnic categories included in the data.

*Part 4: How to Access and Use the HMDA Data*

*Where Can You Find the Data?*

This section should provide a general explanation of how to use the FFIEC and CFPB web sites to access the data and the differences between the sites.

*How Does the CFPB Site Work?*

This section should use screen shots to provide a tutorial that shows exactly how to use the CFPB site. The tutorial should include data queries and examples of the tables and charts that can be produced (and maps if they are added).

*How Does the FFIEC Site Work?*

This section should explain that the FFIEC site provides a HMDA raw data LAR search software program, pre-formatted tables (see below) and raw data files for users with advanced skills. The CFPB should create a detailed tutorial for using the FFIEC site.

*Part 5: Appendices to the Guide*

This guide should include an appendix that provides examples of the FFIEC’s pre-formatted tables, with an explanation of what they contain.
Additional appendices should include more technical information, such as exactly how to download and use the FFIEC HMDA software.

**Coordination between FFIEC and CFPB HMDA Websites**

Although the FFIEC and CFPB HMDA websites offer features that will be useful to different types of HMDA users, the existence of two federal HMDA websites will likely confuse HMDA users. The agencies should collaborate on clearly communicating to the public in order to ensure that users are aware of the full range of pre-formatted tables and customizable tables and charts available. The agencies should create links connecting the websites and describe how they complement each other.

The agencies should also use consistent data analysis methodologies and updating schedules, to ensure consistent results for users. Quality control will be a key part of coordination between the two websites. For example, when users select the same search specifications on the CFPB website that replicates a pre-formatted table available on FFIEC’s website, they should receive the same results. Descriptions of HMDA data, user instructions, and other information also need to be consistent on the two websites.

The CFPB and FFIEC must also coordinate their use of census data provided in the HMDA data. Currently, the census data on race and income included in HMDA can be more than ten years old, depending on when the last Census was conducted. The American Community Survey (ACS) conducts more frequent surveys that offer the possibility of making regular updates to census tract information in the HMDA data. The CFPB and FFIEC need to consult carefully on this issue to ensure that census data are uniform in the HMDA data they provide.

The CFPB and FFIEC should also coordinate with agencies that use or require grantees to use HMDA data. For example, the Department of Housing and Urban Development (HUD) recently issued proposed regulations implementing its Affirmatively Furthering Fair Housing requirement for jurisdictions that receive CDBG and HOME funding to develop an Assessment of Fair Housing (AFH) document. The AFH identifies barriers to fair housing choice and then offers recommendations for eliminating these barriers. Jurisdictions have used HMDA data analysis to help identify disparities in lending and barriers to fair housing. The CFPB and FFIEC should therefore collaborate with HUD to ensure their HMDA websites are informative in the AFH process.

**Recommendations for Queries, Tables and Charts on the CFPB Website**

The CFPB’s beta HMDA database offers HMDA users critical new tools, including the ability to generate queries, charts and tables via a web interface. The CFPB needs to refine the tools, however, to ensure that users get the results they expect and that the database output is useful for
all HMDA users. In particular, the CFPB needs to improve how the database handles searches by lender and by neighborhood.

**Searching for HMDA Data by Lender**

The CFPB’s beta HMDA database lender search function does not generate complete loan application data for bank holding companies, continuing a long-standing problem with the HMDA LAR application that needs correction. The database generates HMDA data only according to queried lender names. Instead, the database should provide data for bank holding company affiliates and subsidiaries, or, at a minimum, inform people that a particular lender might be part of a larger bank holding company with affiliates and subsidiaries.

This flaw in the search tool will substantially impair community groups’ and the general public’s ability to analyze mortgage lending patterns in their neighborhoods, particularly for large bank holding companies. People new to HMDA research will likely draw incorrect and potentially misleading conclusions about the company’s mortgage lending patterns.

Consider Wells Fargo, as one example of many. Wells Fargo makes and reports mortgage loans not only as Wells Fargo Bank and Wells Fargo Funding, but also as the parent company of subsidiary and affiliated lenders, DE Capital Mortgage, First Allied Home Mortgage and Thoroughbred Mortgage, among others. These companies would not appear in a keyword search for loans made by Wells Fargo. HMDA database users interested in Wells Fargo’s lending would have to possess in-depth knowledge of the mortgage market or of the company to know to search for both Wells Fargo Bank and Wells Fargo Funding, not to mention the bank’s subsidiaries and affiliates.

Since the CFPB has released the database, the agency will need to address this problem incrementally. The CFPB should include a warning on the lender search user interface that conducting a lender search by name will not necessarily include all loans made by bank holding companies and other lenders that make loans through subsidiaries and affiliates. The warning should include a link to an easily accessible database or query that identifies subsidiaries, affiliates and parent companies. The CFPB should then address the problem directly, as soon as possible, by improving the lender search tool so that users can easily choose whether their search includes all loans made by the selected lender’s parent company and its subsidiaries and affiliates or only loans made by the selected lender itself.

1 Advanced users can use the Transmittal Sheet and Reporter Panel data that is on the FFIEC website, and a link should connect users to this resource. However, novice users may need an easier method such as a query tool for identifying all affiliates or subsidiaries of a parent company. For example, a user should be able to type in the name of any bank or a mortgage company in a query tool and the query would automatically list all affiliates and subsidiaries. The CFPB website would then give the user the option of combining all affiliates and subsidiaries for further data analysis.
Identifying Neighborhood Lending Patterns

Neighborhood groups were among the earliest and most fervent advocates for HMDA data, and it is important that the CFPB HMDA website provide an easy way to analyze data at a neighborhood level.

Census tracts are the smallest unit of geography in HMDA data and a single tract may adequately describe a distinct neighborhood. Neighborhoods, however, may also extend over two or more census tracts. A novice user will most likely not know which census tracts correspond to his or her neighborhood(s) of interest. The CFPB website should provide a link to a geo-coding mapping tool in which users can draw boundaries using streets to describe neighborhoods of interest and receive the corresponding census tracts as output to use in a HMDA database query.

HMDA users should also have the option to build queries using categorical variables for neighborhood-level income and racial categories. Users should be able, for example, to query how many loans were made in low- or moderate-income neighborhoods. To ensure consistent results, the CFPB’s HMDA website should use the FFIEC’s standard definitions for low- and moderate-income neighborhoods and communities of color in constructing variables for applicant income and race categories. These additional data fields will allow users to compare results across HMDA websites and use the CFPB’s database to build on data presented in the FFIEC’s pre-formatted tables.

Principles for Tables and Charts

HMDA database users should be able to create tables and charts using the results from any database query. The CFPB should also provide examples of useful charts to help users understand the full capabilities of the HMDA website.

Tables

The table application should accept query results or raw HMDA data as its input. It should provide clear instructions on how to specify variables to be used as row and column headers and which variable, or variables, will be summarized in the table. The table application should also allow users to select whether a table displays counts, sums or averages of the variable(s) summarized in the table. The table application (and chart application) should provide flexibility in the geographical areas analyzed. The applications should allow the user to analyze data for a county or counties, a city, a metropolitan area, a state, or groupings of census tracts.

The table application should allow users to construct tables cross-tabulating as many as variables as can be summarized in a reasonably sized table. The CFPB will need to limit the number of rows and columns displayed, and a limit of about 90 rows and 10 columns per table will allow the user to create tables summarizing, for example, application approvals and denials by applicant race, loan type and applicant income level—a table that many community groups
would be interested in creating. The CFPB should not limit table sizes to a single row and column header.

The table application should allow users to select which values of row and column variables a table displays. For example, users should be able to create a table that displays application outcomes for African-American applicants but excludes applicants of any other race.

**Charts**

The chart application should accept query results or raw HMDA data as its input. Users should be able to select a bar, column, or pie chart, and should have the option to generate multiple charts in one step for borrower race and neighborhood-level race and income information (i.e., automatically generate the same chart for borrowers of each race category). The bar or column charts should also include the option of displaying either a single value or multiple values (as a sum or percentage) within a single bar. For example, a chart might display application outcomes in a series of bars representing originations, denials, purchases, and other action, or it could display those outcomes in a single bar as percentages.

The data selection process needs to be clear and simple. After querying the database to filter the data or choosing to use the full database, users should be able to select a variable for the first level of the X-axis (for example, applicant gender, omitting records where the gender of the applicant is not specified). If users want to consider lending by gender and some other demographic characteristic such as race, they should be able to filter for a second, or even third, demographic category on the X-axis.

Users should then choose a single variable to be displayed on the Y-axis, such as conventional loans originated or denied, with the values displayed as either the count or amount (or percentages of count and amount).

To help new users create useful charts, the CFPB should pre-format various combinations of X-axis variables and then allow users to select different Y-axis variables to display. For example, the pre-formatted X-axes could include:

- Census tract income level by census tract racial composition;
- Applicant race;
- Applicant race and ethnicity;
- Applicant income level;
- Applicant income level by applicant race; and
- Applicant gender by applicant race.
The CFPB should also provide sample charts that users can use as a basis for their own charts.

Sample Bar Charts

The CFPB graphing interface should be flexible enough to allow users to construct a variety of charts. Providing sample charts ranging from very simple to complex will help users take advantage of the full potential of the new HMDA database. The CFPB should, at a minimum, include the following examples as chart templates on the HMDA website:

*Sample One: Mortgage Originations by Borrower or Neighborhood Characteristics:*

![Percent of loans to Latino Borrowers](image)

Basic bar charts are an effective way to compare banks’ lending practices. In this example, the bars represent the percentage of each bank’s mortgage loans made to Latino borrowers (a user would select individual banks he or she wishes to compare). A bar representing all lenders shows the percentage of all loans in the market that were made to Latino borrowers. This chart illustrates potential disparities in lending to Latino borrowers, and could easily be adapted to illustrate lending disparities in communities or color, or in low and moderate income neighborhoods.
Sample Two: Percentage of Applications Approved, by Borrower or Neighborhood Characteristics

Another sample bar chart should display approval or denial rates by race and/or income level of borrowers or neighborhoods for a single lender or groupings of lenders selected by users. This type of bar chart would help users identify if lenders approve or deny applications from applicants of certain racial, ethnic or income groups at rates that suggest anti-discrimination investigations are warranted.
The CFPB should also create a sample bar chart displaying FHA lending by borrowers’ race or ethnicity and income level. HMDA users will want to investigate lending disparities by race while controlling for income to assess the possibility of illegal steering. When the pricing data becomes available for all loans, not just high-cost loans, the CFPB should develop some sample graphs investigating disparities by race in pricing (categories in terms of basis points could be created for loans with APRs above and below the Average Prime Offer Rate).

Conclusion

The CFPB’s new HMDA database is an exciting new tool that has the potential to expand the public’s use of HMDA data significantly. We urge the CFPB to adopt the proposals we suggest in this letter to ensure that community and neighborhood groups will have the clear documentation, database functionality and informative sample charts and tables needed to make full use of the new database. Please contact the undersigned organizations with any questions about this letter.
Respectfully,

Association for Neighborhood and Housing Development, Inc.

Empire Justice Center

NAACP

National Community Reinvestment Coalition

National People's Action

New Economy Project (formerly NEDAP)

Ohio Fair Lending Coalition

Reinvestment Partners

Woodstock Institute