

**STATEMENT OF CHAIRMAN SPENCER BACHUS
SUBCOMMITTEE ON FINANCIAL INSTITUTIONS AND
CONSUMER CREDIT
“HOME MORTGAGE DISCLOSURE ACT: NEWLY COLLECTED
DATA AND WHAT IT MEANS”**

Good morning. The subcommittee will come to order. Today’s hearing, which was requested by Ranking Members Frank and Sanders, Congresswomen Waters and Lee and Congressman Watt, will focus on the recently implemented Federal Reserve Board regulation under the Home Mortgage Disclosure Act that requires mortgage lenders to collect, report and make public new mortgage pricing data and what this data means to consumers and lenders. The possibility of racial discrimination in the mortgage industry is a serious issue that deserves our attention, and I am hopeful that today’s hearing will shed some light on the issue. Owning a home is part of the American dream, and all Americans should be treated fairly when they try to make that dream a reality.

The Home Mortgage Disclosure Act (HMDA) was enacted by Congress in 1975 to provide the public with information to determine whether lenders are serving their communities, to enhance enforcement of laws prohibiting discrimination in lending, and to provide private investors and public agencies with information to guide investments in housing. HMDA, which is implemented by the Federal Reserve Board, requires most mortgage lenders located in metropolitan areas to collect data about their housing-related lending activity, report the data annually to the government, and make the data publicly available.

In 2002, the Federal Reserve Board required additional information to be reported for its 2004 HMDA data collection in order to improve the

quality, consistency, and utility of the data reported. Most importantly for high cost loans, lenders must now disclose pricing, which includes interest rates and fees, for higher priced loans. Other newly required information now being reported includes whether the loan is a first lien, a junior lien, or unsecured; whether it is secured by a manufactured home; and whether it is subject to the protections of the Home Ownership Equity Protection Act (HOEPA).

However, it should be pointed out that HMDA data does not include or take into consideration certain risk-evaluation factors used by lenders in determining whether to make a loan and at what price. Specifically, HMDA data does not include: the borrower's asset level or credit scores; the loan-to-value ratio of the property; the borrower's debt-to-income ratio; or the level of documentation submitted. Because of the limitations of HMDA data, I along with many Members of this Subcommittee signed a letter requesting that the Federal Reserve examine more comprehensive data to assess the extent to which loan pricing is correlated with risk. With this enhanced data, HUD, the Federal Reserve and Department of Justice should be able to make a determination as to whether any disparity in loan pricing is based on discrimination or risk-based pricing.

Today's hearing will consist on two panels. First we will hear from Federal Reserve Board Governor Mark W. Olson. On the second panel we will hear from Dr. Douglas G. Duncan, Senior Vice President and Chief Economist, Research and Business Development, Mortgage Bankers Association; Ms. Janis Bowdler, Housing Policy Analyst, National Council of La Raza; Mr. Bill Himpler, Executive Vice President, Federal Affairs, American Financial Services Association; Mr. Keith Ernst, Senior Policy

Counsel, Center for Responsible Lending; Mr. Calvin Bradford, President, Calvin Bradford & Associates, Ltd., on behalf of the National Fair Housing Alliance; and Dr. Michael E. Staten, Director, Credit Research Center, McDonough School of Business, Georgetown University. I look forward to hearing from today's witnesses and thank them for taking time from their busy schedules to join us.

In closing, I would like to thank Ranking Members Frank and Sanders and their staffs for working with us on this hearing. They are strongly committed to these issues, and I admire their efforts in ensuring that lenders comply with fair lending laws and that discrimination does not occur in the marketplace. I also believe that violations of our fair lending laws should not be tolerated and look forward to working with them and Members of this subcommittee as we continue to examine HMDA and predatory lending practices.

The chair now recognizes the Ranking Member of the Subcommittee, Mr. Sanders, for any opening statement that he would like to make.