



CALL TO ACTION!

Comments To Consumer Financial Protection Bureau RE: HMDA

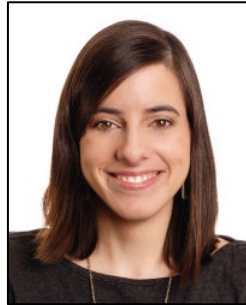
GOVERNMENT RELATIONS COMMITTEE
December 20, 2021



AAPL Government Relations Committee



YOUR PRESENTERS: (MEMBERS OF GRC)



Kat Hungerford
Secretary
AAPL



Cort Chalfant
First Chair
Nexus Private
Capital



Matt Gunter
Legal Chair
RCN Capital

WHY WE'RE HERE:

- ➔ Generate Comments: HMDA Assessment
- ➔ Provide Background Info & Resources
- ➔ Guide: Mechanics of How to Comment
- ➔ Inspire: Encourage Action & Tell a Friend!



HMDA BACKGROUND:

- ➔ 1975 Home Mortgage Disclosure Act ("HMDA") (Title 12, Chapter 29 of the U.S. Code)
 - Congressional Finding:
 - "Some depository institutions contributed to the decline of certain geographic areas by failure to provide financing to qualified applicants on reasonable terms and conditions."
 - Purpose:
 - "To provide sufficient info to determine whether depository institutions are filling their obligations to serve housing needs of communities"; and
 - "To assist public officials in their determination of the distribution of public sector investments in a manner designed to improve the private investment environment"
- ➔ [Original] Exemptions for "Small" Depository Institutions and Credit Unions
 - < 500 Closed-End Loans
 - < 500 Open-End Loans

Note: "Depository Institution" includes "other lending institutions": "any person engaged for profit in the business of mortgage lending"



HMDA BACKGROUND:

The Gist of it:

- Mandates mortgage lenders maintain & report certain records
 - 110 data points including loan data, sex, race, ethnicity, income, etc
- Use data to identify predatory or discriminatory lending practices in residential mortgage market
- Support government-sponsored community investment initiatives by providing a means for analyzing the allocation of resources



HMDA BACKGROUND:

- 1975: Act passed. 22 Data points. Exemptions if < 500 closed or open-end loans
- 1988: Broadened coverage to capture a broader range of depository institutions
- 1989: Added non-depository institutions, captured broader range of applications & loan sales, added data points for race, sex & income
- 2011: Rule-writing transferred to CFPB as part of Dodd-Frank Act
- 2015: New rules drafted by CFPB effective as of January 1, 2018. Distinction between consumer and business purpose mortgages was erased. 110 Data Points. Exemptions reduced to < 25 Open-end or <100 open-end loans.
- 2017: Amended Final Rule - Temp. adjusted Open-End exemption to <500. Drops to 200 on 1/1/22.
- 2018: Added partial exemption of data points for depository & credit unions if < 500 (both open & closed)
- 2022: Voluntary Assessment Report: Effectiveness of 2015 HMDA Rule (Rule does not rise to level under Dodd-Frank where a formal report is required)



OFFICIAL ANNOUNCEMENT:

COMMENT PERIOD FROM 11/16/21 THRU 1/21/22



<https://www.consumerfinance.gov/about-us/newsroom/cfpb-seeks-input-on-detecting-discrimination-in-mortgage-lending/>



AAPL Government Relations Committee

WHAT THEY WANT TO KNOW:

“To Assess The Effectiveness of the 2015 HMDA Rule with a Special Focus on”:

- Institutional Coverage and Transactional Coverage
- Data Points
- Benefits of the New Data and Disclosure Requirements
- Operational and Compliance Costs



THEIR SPECIFIC QUESTIONS:

- Have Rulemakings:
 - Improved upon the data collected?
 - Reduced unnecessary burden on financial institutions?
 - Streamlined and modernized the manner in which institutions collect and report HMDA data?
- Seeking More Robust Evaluation of Costs and Benefits



AAPL OFFICIAL POSITION:



HMDA Should Not Apply to Private Lenders

- Distinction between consumer loans & business loans (TILA & RESPA don't apply)
- Our borrowers generally do not occupy the property



Unequal Treatment

- Exemptions and partial exemptions are made available to depository institutions & credit unions but not to non-depository institutions (such as private lenders)
- Smaller balance sheets w/disproportionately higher compliance costs



If Private Lenders Must be Subject to HMDA Then:

- Asset Test: At least \$200 million in assets
- Loan Volume Test: At least 500 closed-end loans in each of the two preceding years



AAPL OFFICIAL POSITION:



Many Data Points Not Applicable to Private Lenders

- We generally lend to entities, not individuals → Extraneous fields re: age, sex, ethnicity, etc.
- If we must be subjected to HMDA, then streamline the fields



Lost Utility & Distorted Data

- Since private lenders answer "N/A" to race, sex, ethnicity & many of the consumer pricing metrics, the HMDA data they report constitutes a substantial burden with little to no utility
- In addition, the incomplete data private lenders report acts to corrupt data-sets that the CFPB otherwise has to work with



COMMENTS YOU MAY CONSIDER:

- Quantify Compliance Cost & Burden on Your Small Business
- Specific Data Points → Are any outdated, unnecessary, or unduly burdensome?
- What's the Point? Legal Entities Can't Be Characterized by Race, Ethnicity or Sex
- Consumer Metrics Such as DTI and Income May Not Apply
- Private Lenders are Predominated by Micro Lenders but are Left Out of Exemption and Partial Exemption Benefits
- Private Lenders Operate in Highly Competitive & Transparent Markets
- Confused and Scared by Risks of Unintended Non-Compliance

Data Points Added by 2015 HMDA Final Rule to Implement Dodd-Frank Act Requirements	Data Points Added by 2015 HMDA Final Rule Pursuant to Discretionary Authority	Data Points Revised by 2015 HMDA Final Rule to Require Additional Information
<ul style="list-style-type: none">• Universal Loan Identifier (ULI)• Property Address• Age (applicant/borrower)• Rate Spread• Credit Score• Total Loan Costs or Total Points and Fees• Prepayment Penalty Term• Loan Term• Introductory Rate Period• Non-Amortizing Features• Property Value• Application Channel• Mortgage Loan Originator Identifier	<ul style="list-style-type: none">• Reasons for Denial• Origination Charges• Discount Points• Lender Credits• Interest Rate• Debt-to-Income Ratio• Combined Loan-to-Value Ratio• Manufactured Home SecuredProperty Type• Manufactured Home LandProperty Interest• Multifamily Affordable Units• Automated Underwriting System• Reverse Mortgage Flag• Open-End Line of Credit Flag• Business or Commercial Purpose Flag	<ul style="list-style-type: none">• Loan Purpose• Occupancy Type• Ethnicity• Race• Legal Entity Identifier

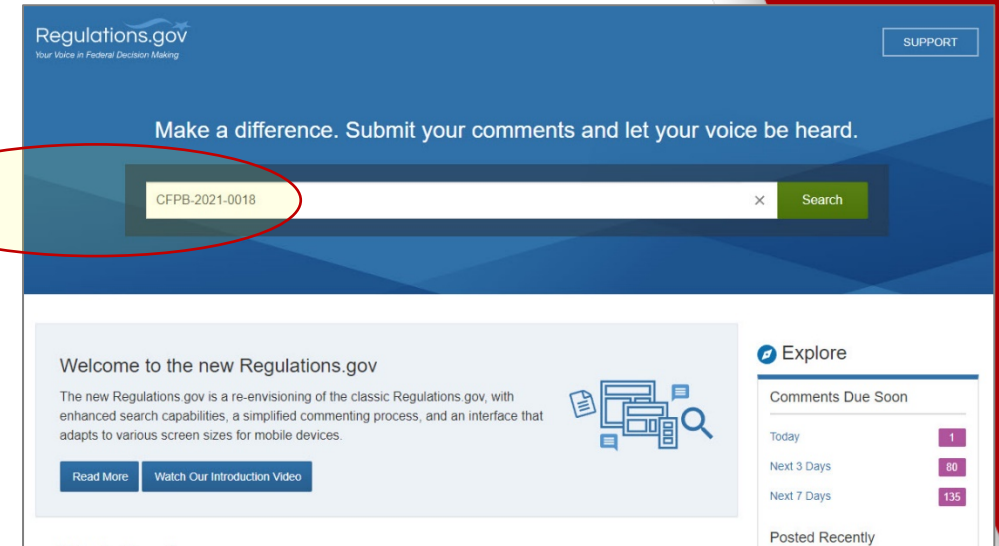


HOW TO COMMENT:

➔ Google Search: "regulations.gov"

➔ Type In: "CFPB-2021-0018"

➔ Click "Comment"



Regulations.gov
Your Voice in Federal Decision Making

SUPPORT

Make a difference. Submit your comments and let your voice be heard.

CFPB-2021-0018 x Search

Welcome to the new Regulations.gov
The new Regulations.gov is a re-envisioning of the classic Regulations.gov, with enhanced search capabilities, a simplified commenting process, and an interface that adapts to various screen sizes for mobile devices.

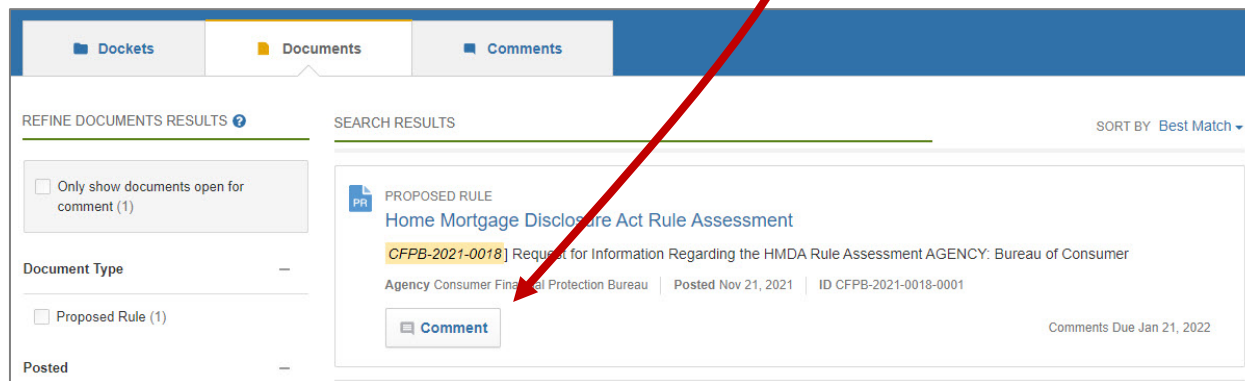
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Comments Due Soon

Today	1
Next 3 Days	60
Next 7 Days	135

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Dockets Documents Comments

REFINE DOCUMENTS RESULTS ?

☐ Only show documents open for comment (1)

Document Type

☐ Proposed Rule (1)

Posted

SEARCH RESULTS

PROPOSED RULE

Home Mortgage Disclosure Act Rule Assessment

CFPB-2021-0018 Request for Information Regarding the HMDA Rule Assessment AGENCY: Bureau of Consumer

Agency Consumer Financial Protection Bureau Posted Nov 21, 2021 ID CFPB-2021-0018-0001

Comment

Comments Due Jan 21, 2022



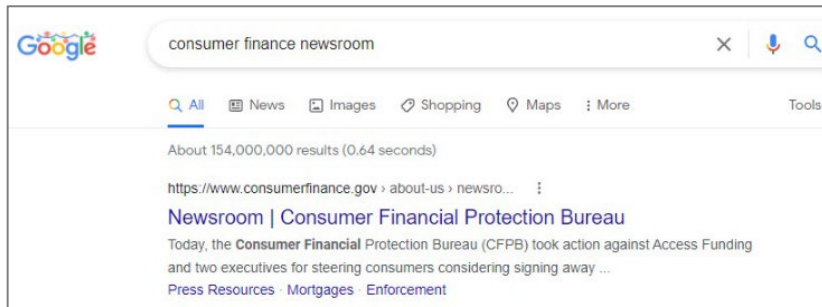
A NOTE ABOUT YOUR COMMENTS:

- ➔ Comments are supposed to be posted without change
- ➔ All comments, including attachments will become part of the public record

Due by January 21, 2022!

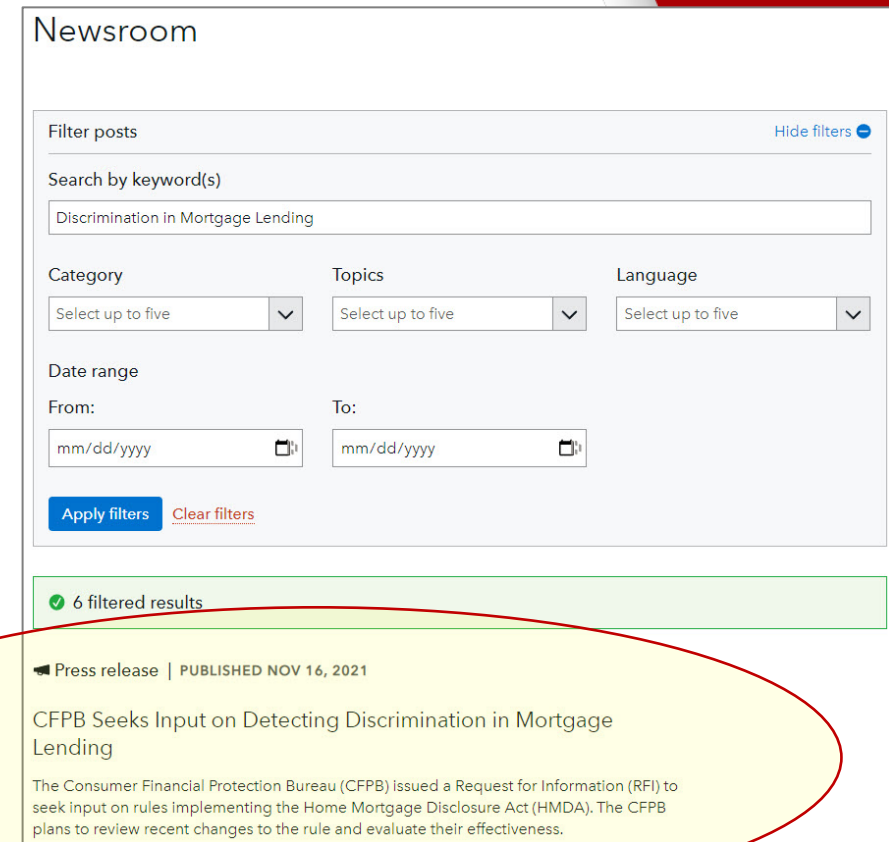
WANT MORE INFO?

➔ Google Search: "Consumer Finance Newsroom"



➔ Click on "Newsroom" and Search by "Discrimination in Mortgage Lending"

➔ Click Link to Article



QUESTIONS & ANSWERS



Eddie Wilson
President
AAPL



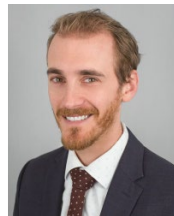
Linda Hyde
Vice President
AAPL



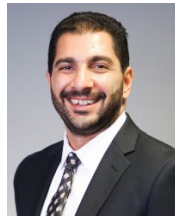
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