



3138 10th Street North  
Arlington, VA 22201-2149  
703.522.4770 | 800.336.4644  
f: 703.524.1082  
nafcu@nafcu.org | nafcu.org

**National Association of Federally-Insured Credit Unions**

May 23, 2017

Monica Jackson  
Office of the Executive Secretary  
Consumer Financial Protection Bureau  
1275 First Street NE,  
Washington, DC 20002

**RE:** Technical Corrections and Clarifying Amendments to the Home Mortgage Disclosure (Regulation C) October 2015 Final Rule.  
Docket No. CFPB-2017-0010

On behalf of the National Association of Federally-Insured Credit Unions (NAFCU), the only national trade association focusing exclusively on federal issues affecting the nation's federally-insured credit unions, I would like to share with you NAFCU's thoughts on the Consumer Financial Protection Bureau's (CFPB) proposed amendments to its Home Mortgage Disclosure (Regulation C) October 2015 final rule ("the Final Rule").

As not-for-profit, member-owned financial institutions, credit unions have served a vital role as affordable and responsible lenders in their communities. NAFCU and our members support the intended purpose of the Home Mortgage Disclosure Act (HMDA), which is to promote fair lending and ensure that consumers receive equitable access to credit in the housing market. Yet the CFPB's Final Rule is not entirely suitable for achieving this statutory purpose, particularly where data collection demands are so costly that they impede lending activity. Furthermore, NAFCU's concerns regarding the Final Rule remain largely unaddressed, and the proposed changes to Regulation C do little to mitigate the burdens arising from collection of increasingly granular HMDA data points. While NAFCU appreciates the Bureau's efforts to offer technical corrections and additional clarifications, the proposed amendments do not offset the tremendous operational challenges created by the Final Rule.

Credit unions are different than most other types of financial institutions. Since the Great Depression, the credit union industry has defined itself as "not for profit, not for charity, but for service," and that shared philosophy has endured to this day. As financial cooperatives directed by volunteer boards, credit unions exist for the primary purpose of serving their membership. Under current reporting thresholds, the collection of a vastly expanded HMDA dataset from credit unions that do not originate a significant number home mortgage loans would be counterproductive and ultimately harm access to credit. Accordingly, NAFCU urges the Bureau

to consider amendments that would raise the reporting threshold for close-end mortgage loans in Section 1003.2(g) of the Final Rule.

NAFCU believes that by raising the reporting threshold, smaller credit unions will be spared unreasonable compliance costs that would otherwise impact their capacity to originate affordable mortgages. Furthermore, NAFCU believes that the minimal data received from institutions reporting just above the thresholds in Section 1003.2(g) would be statistically insignificant and yield minimal insight about the communities they serve. NAFCU believes that the resources of small lenders should be spent in their communities, originating the loans that members need rather than satiating the CFPB's appetite for data.

With respect to the technical corrections contained in the proposal, NAFCU welcomes the Bureau's efforts to fix drafting errors in the Final Rule. In addition, the proposed transitional rules for reporting the loan purpose and unique identifier data points may aid compliance efforts by logically extending the effective date for these provisions. Nonetheless, NAFCU believes that a one year delay of the general effective date of the Final Rule represents the optimal solution for reducing disruption while loan origination systems are upgraded and would avoid confusion arising from parallel reporting standards. In the alternative, the Bureau must act quickly to finalize this proposal for the amendments to achieve their intended effect of easing burden. NAFCU has heard from some of our members that scheduled updates to loan origination software (LOS) cannot proceed as scheduled until the CFPB finalizes the proposed amendments. If the CFPB is not willing to extend the effective date of the Final Rule by one year, NAFCU urges the CFPB to act quickly to ensure that LOS updates can resume and that credit unions have enough time to test new software before the January 1, 2018 effective date.

Separately, NAFCU remains concerned that the CFPB has yet to provide access to the check-digit tool mentioned in the preamble of the Final Rule, which would aid in the creation of the Unique Loan Identifier (ULI) data point. In the Final Rule, the CFPB clarified that "[t]o reduce burden, the Bureau plans to develop a tool that financial institutions may use, at their option, to assist with check digit generation." Unfortunately, credit unions and other institutions are still waiting for access, and with only several months left before the effective date of the Final Rule, the window of opportunity for reducing burden appears relatively narrow. Consequently, NAFCU urges the Bureau to make the tool available as soon as possible. Likewise, NAFCU asks that the CFPB avoid a similar delay when deploying its proposed geocoding tool for identifying census tract information.

We would also like to reiterate our concern that the vastly expanded HMDA data collection raises serious privacy concerns. HMDA reports currently include the name of the credit union, mortgage amount, year of transaction, and census tract of the property. This information already provides an opportunity to identify the majority of mortgagors being reported under HMDA. Because there is little privacy protection in HMDA data—and because the Bureau has so far offered only future assurances that a balancing test will be developed to determine the extent of public disclosure—adding more sensitive and non-public information, such as debt-to-income ratios, credit scores, creditworthiness, or borrower age, will leave members less secure and potentially more vulnerable to targeted scams. NAFCU asks that the Bureau provide clarification

Consumer Financial Protection Bureau

May 25, 2017

Page 3 of 3

as soon as possible about how data security concerns will be mitigated through controls on public disclosure of HMDA data.

In conclusion, NAFCU suggests that the Bureau exercise restraint with respect to its demands for greater quantities of granular mortgage loan data. NAFCU and our members worry that the Bureau has failed to adequately consider the net cost of requiring credit unions that originate relatively few mortgage loans to expend considerable resources on reporting new data that would not aid in fulfilling the statutory objectives of HMDA. Additionally, NAFCU believes that the CFPB has not provided satisfactory justification for requiring collection of new data points that were not specifically mandated by the *Dodd-Frank Wall Street Reform and Consumer Protection Act*. Although there may be academic interest in numerous, marginally significant data points, the Bureau has yet to show that these inputs actually achieve HMDA's stated purpose, which is to ensure fair lending and nondiscrimination in the housing market.

NAFCU appreciates the chance to submit comments regarding the CFPB's proposed amendments to the HMDA Final Rule. Should you have any questions or concerns, please do not hesitate to contact me at [amorris@nafcub.org](mailto:amorris@nafcub.org) or (703) 842-2266.

Sincerely

Andrew Morris  
Regulatory Affairs Counsel