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Hawaii Attorney General Urges CFPB to Abandon Proposed Rules that Promote Discrimination in Mortgage Lending

HONOLULU – Attorney General Clare E. Connors submitted a comment letter urging the Consumer Financial Protection Bureau (CFPB) not to adopt new rules, which would undermine the ability to enforce fair lending laws and prevent discrimination against communities of color in the mortgage lending market.

“Data is critical to identify discrimination in the lending market,” said Attorney General Connors. “Without complete information, public officials cannot hold mortgage lenders accountable.”

The comment letter, signed by 12 attorneys general, challenges a May 2019 CFPB proposal limiting the data financial institutions are required to report to the CFPB under the Home Mortgage Disclosure Act (HMDA), a 1975 law that requires mortgage lenders to make certain mortgage data publicly available as a check to ensure compliance with fair lending laws. Some of this data includes information which lenders already collect to comply with other regulations as well as their own underwriting standards, such as loan-to-value ratio, origination charges, interest rate, debt-to-income ratio, property interest and the reason for denial.

By hiding important data points, the CFPB gives a windfall to financial institutions who will be able to resume predatory lending practices. Regulations that went into effect in 2018 required financial institutions to report more of the data that they already collect so that more information – including the costs of the loan and any predatory attributes – could be easily viewed in the HMDA data. When these new data fields were set in 2015 to help avoid another subprime lending crisis like the one that led to the 2008 economic recession, the CFPB noted that they struck the proper balance between the burden placed on smaller lenders and the need for data to ensure that mortgage lending is conducted in a non-discriminatory manner.

Now, the CFPB is soliciting comments on which data fields should be eliminated from reporting. The CFPB's attempts to water down the data that financial institutions must report will all but ensure that the United States will not be able to prevent another financial crisis brought about by predatory lending.

The comment letter argues that these changes undermines the core function of the HMDA and would impede the public and public officials' ability to ensure that mortgage lending was being conducted in a non-discriminatory manner in their communities.

Joining in signing the comment letter challenging the proposed rule to limit the data lenders are required to report to the CFPB are the attorneys general of California, Connecticut, Delaware, the District of Columbia, Hawaii, Illinois, Massachusetts, Michigan, Minnesota, Oregon, Pennsylvania, and Rhode Island.

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