



Consumer Financial Protection Bureau
1700 G Street NW
Washington, DC 20552
January 21, 2022

Re: Request for Information, HMDA Rule Assessment, Docket No. CFPB-2021-0018

To Whom It May Concern:

Please find below the comments of HOPE (Hope Enterprise Corporation, Hope Credit Union and Hope Policy Institute) in response to the Consumer Financial Protection Bureau (CFPB)'s Request for Information on the proposed Home Mortgage Disclosure Act (HMDA) Rule Assessment. HOPE appreciates the opportunity to provide information on two critical areas of HMDA reporting that should be included in the assessment: inconsistent adherence to race reporting requirements across financial institutions and how the CFPB's 2020 change to increase the reporting threshold affects rural, persistent poverty areas.

HOPE exists to mitigate the extent to which factors such as race, gender, birthplace and wealth limit one's ability to prosper. The family of HOPE organizations is comprised of a credit union, a loan fund and a policy institute that provide financial services; leverage private and public resources; engage in policy advocacy; and otherwise act as a catalyst to fulfill its mission of strengthening communities, building assets, and improving lives throughout Alabama, Arkansas, Louisiana, Mississippi and Tennessee. Since 1994, HOPE has generated more than \$3 billion in financing that has benefitted nearly two million people in the Deep South, while shaping policies and practices that have improved conditions in opportunity-starved communities nationwide.

The vestiges of historic patterns of discrimination and the work that still remains to ensure fair housing opportunities are evident in the homeownership gaps between Black and white households in the Deep South. Disparities persist at every stage: originations, denials, pricing, and foreclosures. In each one of HOPE's five states, there is more than a 25% gap between Black and white homeownership.¹ This gap has widened between 2009 and 2019, with Mississippi and Tennessee experiencing a seven percentage point increase during this time.² Mississippi's Black homeownership rate has not only not recovered from the Great Recession, it has steadily fallen every year in the decade since to its lowest point in 14 years.³ As just one reason why, in Mississippi, Black borrowers earning over \$150,000 experience a denial rate (34%) that is higher than for white borrowers earning between \$31,000 and \$50,000 (21%).⁴

In this comment, HOPE focuses on two discrete areas for improved HMDA reporting given the experiences of analyzing this data in our region: inconsistent race reporting by financial institutions, and lower levels of reporting due to the higher threshold triggering reporting requirements.

Inconsistent race reporting: The racial disparities in homeownership throughout the Deep South illustrate why HMDA data is critical to monitoring and addressing disparities in credit access for homeowners. Through analysis of HMDA data, HOPE has unearthed stark racial disparities in Mississippi, where much of the state also qualifies geographically as low-income. While nearly 40% of Mississippi's population is Black, an examination of 2018-2020 HMDA data shows that only 17% of mortgage originations during that time went to Black borrowers and 11% of mortgage loans did not have race data reported. Similar patterns persist in Louisiana as well, where 32.8% of the population is Black and only 14% of mortgage



loans reported to HMDA from 2018-2020 went to Black borrowers and 13% of loans had missing race data. This means that in Louisiana, for 2018-2020 in the number of loans with missing race data was almost equal to the number of loans made to Black borrowers.

While the reporting of race data through HMDA is critical to fair lending, HOPE has found that race data actually reported is often inconsistent among financial institutions. In fact, in an analysis of HMDA reported mortgage lending among CDFI banks and credit unions in Mississippi and Louisiana, the percent of mortgage loans with missing data varied widely among financial institutions, in several cases of specific lenders more than half of loans did not have reported race data. In Louisiana, several financial institutions had more than 100 loans in a single year with no race data reporting. In contrast, several others in both states had close to 100% race data reported. This suggests that collecting and reporting race data is in fact feasible and possible. HOPE encourages the CFPB to look further into the inconsistent adherence to the race reporting requirements and how to improve compliance in race reporting.

Changes to loan threshold for reporting: Much of the Deep South is considered a banking desert. For example, of the 20 largest banks in the Southeast, analysis conducted by the Federal Reserve Bank of Atlanta, found that only one bank has branches in the Mississippi Delta.⁵ Of the banks headquartered in our five-state footprint, nearly 60% are considered small banks with less than \$330 million in assets.⁶ As such, the CFPB's 2020 change in the threshold for reporting from 25 to 100 loans is likely to have a disproportionate effect in these areas as the financial institutions that are active in areas of rural, persistent poverty may be more likely to have smaller loan volumes. Critical to understand in this context is that in HOPE's five-state footprint, 37 of the 38 rural, majority Black counties are also considered to be in persistent poverty, meaning poverty rates over 20% for more than 30 years.

In an analysis of HMDA data for CDFI banks and credit unions headquartered in Mississippi, HOPE found that in 2020, after the increased threshold for reporting took effect, the number of financial institutions reporting dropped. For credit unions, in 2018 and 2019 there were 10 reporting their mortgage lending while in 2020, only seven reported. For CDFI banks, in 2018 and 2019 there were 27 banks reporting mortgage lending while only 21 reported lending in 2020. HOPE encourages the CFPB to look further at how the threshold has affected reporting in rural and persistent poverty areas in the Deep South and beyond.

Data on how lending activities contribute to the widening wealth gap are only possible due to required HMDA reporting. Therefore, without ensuring robust and accurate reporting, patterns of discriminatory and uneven lending practices in the Deep South will be obscured.

For any questions or additional information in regards to HOPE's comments, please contact Hope Policy Institute's Sara Miller, Sr. Policy Analyst at sara.miller@hope-ec.org.

Sincerely,

A handwritten signature in cursive script that reads "Sara Miller".

Sara Miller
Senior Policy Analyst

¹ Calandra Davis, “Shifting The Narrative: How Homeowners and Renters of Color are Navigating Arkansas’s Housing Crisis,” Nov. 21, 2021, <http://hopecpolicy.org/reports/shifting-the-narrative-how-homeowners-and-renters-of-color-are-navigating-arkansass-housing-crisis/>

² Id.

³ Calandra Davis and Ed Sivak, Testimony before Mississippi Senate Housing Committee, Nov. 13, 2020, <http://hopecpolicy.org/presentations/mississippi-senate-housing-committee-testimony/>

⁴ Bill Bynum, Testimony before U.S. Senate on Banking, Housing, and Urban Affairs, ““An Economy that Works For Everyone: Investing in Rural Communities,” April 20, 2021, available at <http://hopecpolicy.org/manage/wp-content/uploads/Senate-Banking-Committee-Bynum-Written-Testimony-042021.pdf>. See also, HOPE, Comments to the Federal Reserve on Community Reinvestment Act regulations, Feb. 16, 2021, at page 16-17, available at <http://hopecpolicy.org/manage/wp-content/uploads/HOPE-Federal-Reserve-CRA-Comment-FINAL.pdf>

⁵ Federal Reserve Board of Atlanta, “Community Reinvestment Act: Geographies and Strategies in the Southeast,” Aug. 2015, <https://www.atlantafed.org/community-development/publications/partners-update/2015/04/150824-cra-geographies-and-strategies-in-southeast>

⁶ HOPE, Comments to the Federal Reserve on Community Reinvestment Act regulations, Feb. 16, 2021, at page 11, available at <http://hopecpolicy.org/manage/wp-content/uploads/HOPE-Federal-Reserve-CRA-Comment-FINAL.pdf>