



Wednesday, November 17, 2021

The Anti-Discrimination Data Drive

Summary

As [noted](#) yesterday, the CFPB has opened its HMDA rules to a raft of changes. None of these is likely to come fast, but more than a few of them could change mortgage origination, underwriting, and securitization for the better in terms of inclusion and the worse in terms of cost.

Impact

This request for information (RFI) follows a [CFPB study earlier this year](#) which concluded that mortgage finance has considerable discriminatory effect for borrowers of color and, by inference, the communities in which they live. It also reflects the potential data limitations affecting new HUD and FHFA [fair-lending priorities](#) as well as FHFA's own [equitable-finance initiative](#). New data also give Director Chopra the ammunition to go after discrimination not only in traditional lenders, but also via AI as he promised to do in concert with a recent [DOJ anti-redlining enforcement order](#). Should the Bureau follow the path pioneered in its proposed rewrite of [small-business lending](#) data, mortgage lenders will come under far more pressure with regard not just to mortgage denial rates, but also pricing and, by inference, the terms offered throughout the origination and securitization value chain.

Outlook

In our August assessment of the Bureau's HMDA analysis, we forecast new Bureau action addressing its problematic findings. With this RFI, the HMDA rewrite has begun. It won't rev up fast in terms of new data because the Bureau plans a slow process premised on the assessment described in the RFI, but it will clearly start under this director. Where it ends is hard to predict, but a considerably more stringent reporting system covering more lenders and loans seems certain.