Management Association for Private Photogrammetric Surveyors
An Association of Photogrammetry, Mapping, and Geospatial Firms ®

October 29, 2014

Monica Jackson
Office of the Executive Secretary
Consumer Financial Protection Bureau
1700 G Street, NW
Washington, DC 20552

RE: Docket No. CFPB-2014-0019

Dear Ms. Jackson:

Formed in 1982, MAPPS (www.mapps.org) is the only national association exclusively comprised of private sector firms in the remote sensing, spatial data and geographic information systems field in the United States. The MAPPS membership spans the entire spectrum of the geospatial community, including Member Firms engaged in satellite and airborne remote sensing, surveying, photogrammetry, aerial photography, LIDAR, hydrography, bathymetry, charting, aerial and satellite image processing, GPS, and GIS data collection and conversion services. MAPPS also includes Associate Member Firms, which are companies that provide hardware, software, products and services to the geospatial profession in the United States and other firms from around the world. Independent Consultant Members are sole proprietors engaged in consulting in or to the geospatial profession, or provides a consulting service of interest to the geospatial profession. MAPPS provides its member firms opportunities for networking and developing business-to-business relationships, information sharing, education, public policy advocacy, market growth, and professional development and image enhancement.

MAPPS is pleased to offer these comments regarding a proposed rule amending Regulation C to implement amendments to the Home Mortgage Disclosure Act (HMDA) made by section 1094 of the "Restoring American Financial Stability Act of 2010," commonly known as "Dodd-Frank." You may already be familiar with the 2009 MAPPS testimony before the House Financial Services Committee advocating a national parcel system which would enable an “early warning system”.

For nearly 40 years, Home Mortgage Disclosure Act (HMDA) has provided the public with information about mortgage lending activity within communities throughout the nation. Public officials use the information available through HMDA to develop and allocate housing and community development investments, to respond to market failures when necessary, and to monitor whether financial institutions may be engaging in discriminatory lending practices. The Consumer Financial Protection Bureau (CFPB, hereafter referred to as the Bureau) also is proposing to require financial institutions to report new data points identified in the Dodd-Frank Act, as well as other data points that the Bureau believes may be necessary to carry out the purposes of HMDA. To improve the quality and timeliness of HMDA data, the Bureau is proposing to require financial institutions with large numbers of reported transactions to submit their HMDA data on a quarterly, rather than an annual, basis. The Bureau is proposing to require financial institutions that report large volumes of HMDA data to submit their data to the appropriate agency on a quarterly, rather than an annual basis. The Bureau believes that quarterly reporting would allow regulators to use the data to effectuate the purposes of HMDA in a more timely and effective manner, would reduce reporting errors and improve the quality of HMDA data, and may facilitate the earlier release of annual HMDA data to the public.

The data points that the Bureau is proposing to add or modify can be grouped into four broad categories, with the best connection within the two following categories:

John M. Palatiello, Executive Director
1856 Old Reston Avenue, Suite 205, Reston, Virginia 20190
P (703) 787-6996 F (703) 787-7550 E info@mapps.org www.mapps.org

- **Information about the property securing the loan, such as construction method, property value, lien priority, the number of individual dwelling units in the property, and additional information about manufactured and multifamily housing**.
- Certain unique identifiers, such as a universal loan identifier, **property address**, loan originator identifier, and a legal entity identifier for the financial institution.

In 2010, Congress passed and President Obama signed into law H.R. 4317, the "Restoring American Financial Stability Act of 2010," commonly known as "Dodd-Frank." P.L. 111-203 contained Section 1094, "Amendments to the Home Mortgage Disclosure Act (HMDA) of 1975." Within this section affecting the Bureau, mapping and surveying data was connected thanks to this language:

> **''(H) as the Bureau may determine to be appropriate, the parcel number that corresponds to the real property pledged or proposed to be pledged as collateral."**

Furthermore, the Senate Banking Committee Report language for the bill added "geocoding" capabilities for the respective parcel number being collected:

> "Section 109[4] makes conforming and other amendments to the Home Mortgage Disclosure Act. The amendments require new data fields to be reported to the Bureau, including...**parcel number to permit geocoding**..."

CFPB Proposal Highlights Parcel Number

Section 1094(3)(A)(iv) of the Dodd-Frank Act amended HMDA to authorize the Bureau, as it may determine to be appropriate, to collect the parcel number that corresponds to the real property pledged or proposed to be pledged as collateral. This parcel number would specifically identify the property securing or, in the case of an application, proposed to secure each covered loan. As amended by the Dodd-Frank Act, HMDA also directs the Bureau, with the assistance of certain other agencies and persons as the Bureau deems appropriate, to "develop or assist in the improvement of, methods of matching addresses and census tracts to facilitate compliance by depository institutions in as economical a manner as possible with the requirements of [HMDA]." The Bureau proposes to implement the Dodd-Frank Act authorization to collect a parcel number as discussed below.

Currently, Regulation C does not require financial institutions to report information specifically identifying the property securing or, in the case of an application, proposed to secure the covered loan. Rather, as discussed in detail below, Regulation C requires financial institutions to report the MSA or MD, State, county, and census tract of the property related to most reported loans or applications. The Dodd-Frank Act amended HMDA to authorize the Bureau to collect the "parcel number that corresponds to the real property" securing the covered loan or, in the case of an application, proposed to secure the covered loan. As discussed below, there is no universal parcel number system; therefore, the Bureau believes it is reasonable to interpret the Dodd-Frank Act amendment to refer to information that uniquely identifies a dwelling pledged or proposed to be pledged as collateral (parcel identifier). Proposed § 1003.4(a)(9)(i) is also authorized pursuant to the Bureau's HMDA section 305(a) authority to provide for adjustments because, for the reasons given below, the Bureau believes the proposal is necessary and proper to effectuate HMDA's purposes and facilitate compliance therewith. For the reasons discussed below, the Bureau proposes to require financial institutions to report the postal address of the property securing the covered loan or, in the case of an application, proposed to secure the covered loan. The Bureau also is exploring operational improvements that it can achieve using the reported postal address to reduce financial institutions' property-location reporting burden.

Including a parcel identifier in the HMDA data would provide many benefits that would further HMDA's purposes. Researchers and community advocates urged the Board to adopt a parcel identifier during the Board's 2010 Hearings. Collecting a parcel identifier linked to the property's location, like postal address, may address many of the challenges associated with the current property location information reported in HMDA. Currently, census tract is the most granular property location information reported in HMDA. Census tract information enables public officials and members of the public to identify lending trends in geographic areas. Census tracts, however, present challenges as a unit of analysis because they vary in geographic size and may change every ten years. In addition, analysts are not able to evaluate the HMDA data using geographic divisions other than those reported in HMDA (*e.g.,* census tract block) and, as a result, experience difficulty identifying more localized lending trends.

With more specific information about the location of a property, the Bureau and other agencies would be able to evaluate and, for example, issue publicly available summary reports evaluating HMDA data based on different geographic divisions than census tract. These data and reports may facilitate a better understanding of lending trends in geographic divisions smaller than census tract. Geographic areas that would benefit from special public or private sector investment may be identified with greater precision. These data and reports may also enable more precise analysis of lending patterns to identify potential fair lending redlining concerns.

Including a parcel identifier linked to the location of a property, like postal address, in the HMDA data may also present opportunities for the Bureau to reduce the burden for financial institutions associated with the current property location reporting. The Bureau understands from industry feedback that “geocoding,” (*i.e.*, providing the census tract, MSA or MD, county and State of a property) is a challenging and costly aspect of HMDA reporting. Financial institutions report frequent examination errors relating to geocoding. The Bureau believes that the Dodd-Frank Act's authorization to collect a parcel identifier and directive to facilitate economical compliance with matching addresses and census tracts may provide a unique opportunity to improve the reporting process. The Bureau is exploring operational changes that it may achieve using the reported postal address that would reduce the burden associated with geocoding. For example, the Bureau may create a system where a financial institution reports only the postal address and the Bureau provides the financial institution with the census tract, county, MSA or MD, and State. The Bureau believes that these potential operational changes, if achieved, would be a significant benefit to collecting postal address. If the Bureau is not able to achieve these operational changes, the Bureau may not elect to finalize the proposal to collect postal address, but likely would finalize the proposal discussed below in the section-by-section analysis of proposed § 1003.4(a)(9)(ii) to continue to collect the currently required property location information (State, MSA or MD, County, and census tract).

In addition, a parcel identifier would allow for the identification of multiple loans secured by the same property, which would allow for better understanding of the amount of equity retained in that property over time. Had these data been available leading up to the financial crisis, public officials may have been able to see the extent to which borrowers used up their equity through rapid refinancings. In addition, they would have been able to identify which financial institutions were offering these refinancings, which were often unsound.

Collecting a parcel identifier presents a number of practical challenges. Currently, no universal standard exists for identifying a property so that it can be linked to related mortgage data. There is no single authoritative source that delivers or maintains parcel numbering. Parcel data are collected and maintained by individual local governments with limited State or Federal involvement. Local jurisdictions do not use a standard way to identify properties. In addition, local parcel data are not easily linked to the location of the property, which, as discussed above, substantially amplifies the usefulness of a parcel identifier. Both the postal address and geospatial coordinates of a property are linked to the location of the property and uniquely identify most properties. However, there may be inaccuracies associated with both postal address and geospatial coordinates. For example, neither the postal address nor the geospatial coordinates may be available at the time of origination for properties located in new developments. In addition, both postal address and geospatial coordinates present standardization issues. Financial institutions may not collect and record postal address in the same format. Likewise, financial institutions may not use the same methods for collecting and recording geospatial coordinates. The Bureau understands that financial institutions currently collect postal address during the mortgage origination and application process if the postal address is available, but that not all financial institutions collect geospatial coordinates.

In addition to the practical challenges discussed above, the Bureau recognizes that including a parcel identifier in the HMDA data raises privacy concerns because a parcel identifier, like a postal address, can easily be used to identify a borrower. The Bureau is sensitive to the privacy implications of including postal address in the HMDA data and has considered these implications carefully.

The Bureau believes that it may be appropriate to collect a parcel identifier linked to the location of a property, given the potential benefits of such information to the purposes of HMDA. Collecting postal address may be the least burdensome way to obtain a parcel identifier because financial institutions generally collect postal addresses during the application and origination process.

Accordingly, pursuant to its authority under HMDA sections 305(a) and 304(b)(6)(H), the Bureau proposes § 1003.4(a)(9)(i), which provides that a financial institution is required to report the postal address of the property securing or, in the case of an application, proposed to the covered loan. Proposed § 1003.4(a)(9)(i) applies to all reported covered loans and applications secured by or, in the case of an application, proposed to be secured by any type of manufactured housing. As the Bureau explains further in the section-by-section analysis of proposed § 1003.4(a)(29), the Bureau believes that it is reasonable to implement HMDA through Regulation C to treat mortgage loans secured by all manufactured homes, regardless of the dwelling's legal classification under State law, consistently. The Bureau further believes that collecting the postal address of all covered loan secured by (and applications for covered loans proposed to be secured by) any manufactured home is necessary and proper to effectuate HMDA's purposes and facilitate compliance therewith. The Bureau solicits feedback regarding whether to collect a parcel identifier generally and whether postal address is the appropriate way to collect a parcel identifier.

During the Small Business Review Panel process, small entity representatives expressed concerns about the challenges of implementing a parcel identifier for entries that do not result in an origination. Consistent with that feedback, the Bureau proposes instructions in appendix A that allow a financial institution to omit certain of the required data fields if aspects of the property's postal address are not known. The Small Business Review Panel recommended that the Bureau solicit feedback on whether to require reporting of a parcel identifier for all entries or only for originations and purchases. Consistent with that recommendation, the Bureau solicits feedback on whether to require reporting of a parcel identifier for all entries.

MAPPS Emphasizes Importance of Parcel Layer

MAPPS believes the parcel layer is much more detailed and includes the information required for an ‘early warning system’. It contains information about the value, improvements, taxes, and something that none of the current mortgage datasets, including HMDA, maintain – the physical location of the property. The parcel layer is collected at a local level primarily for tax purposes which means that each local jurisdiction has the ability to define their own data standard based on their unique needs. There are some 3200 counties in the United States and as a result, when it comes to parcel data, there are 3200 plus puzzle pieces that do not fit together. However, with the proper coordination, they could. While millions of dollars are spent on the creation and maintenance of this data at the local level, the investments are not being realized at the Federal level due to a lack of coordination.

There is increasing discussion in international political, financial and professional forums that the failure of the United States to utilize a national parcel system resulted in the lack of an early warning system that could have prevented the worldwide financial crisis. In 2009, the Honorable Gary Nairn, Australian MP and a professional surveyor, said:

> *“The financial crisis is impacting worldwide … it could have been avoided or at least better contained if the United States had a better land administration system that was truly spatially enabled.” (Coordinates Magazine July 2009)*

When faced with a crisis it is important to look back, not to point fingers or play the blame game, but to determine how we got here, ascertain if it could have been prevented or minimized, and how we could learn from it in order to recover and prevent future crisis. A study for Washington, DC’s Department of Insurance, Securities, and Banking by the Center for Responsible Lending, the Urban Institute, The National Reinvestment Coalition, Capital Area Asset Builders, and The Reinvestment Fund did just that and discovered that if you have the right tools and the right data in place you could build predictive models using very basic statistical analysis that accurately forecast where foreclosure and delinquency hotspots are likely to occur, thus providing an early warning system.

The “right data” is the most important element in that statement. Today, many analysis and decisions are being made using the wrong level of geography. The Census tract data that is currently being used under Section 2803 of HMDA was created by forming blocks and tracts that were logical for counting people. They were divided by cultural features such as roads, creeks and natural boundaries. There was not a need to have very accurate block boundaries since they were just a representation for the purpose of grouping information about people. If you overlay the Census blocks on an accurate parcel layer, you can quickly see that the Census blocks are off by as much as 150 feet or more. This puts individual parcels in the incorrect census block for analysis purposes.

White House Action on Parcels

Thanks to the efforts of MAPPS in bringing this issue before the Office of Management and Budget, the Federal Geographic Data Committee (FGDC) convened a summit to address an early warning system. As a result of this meeting, the final report, “Land Parcel Data for the Mortgage Crisis: Results of the Stakeholders Meeting,” issued the following recommendations:

1) Add the local Parcel ID to Home Mortgage Disclosure Act (HMDA) data
   - The Federal Reserve is moving toward adding the parcel number to the HMDA

2. Develop a Parcel Early Warning System
   - Early Warning Level
   - Triage Monitoring Level
   - Response Level

3. Complete the standardization and availability of parcel data nationwide

MAPPS Recommendations for Next Steps

The Consumer Financial Protection Bureau (CFPB) should:

- Fully implement Section 1094(3)(A)(iv) of the Dodd-Frank Act;
- Join the FGDC;
- Hire a land records consultant;
- Identify states/counties for pilot projects;
- Review existing datasets and perform a gap analysis and cost analysis;
- Draft a database design for a national dataset with appropriate attributes defined; and
- Identify tasks and costs of data conversion for the 25% of local governments (mostly rural) where parcel records are not being kept in a digital format.

MAPPS Conclusion

Nearly 30 years of reports and research have called for the parcel layer, yet it remains unfunded and incomplete. The problem is not technical, it is political and institutional (The Need for a Multipurpose Cadastre, *National Academy of Sciences*, 1980; National Land Parcel Data: A Vision for the Future, *National Academy of Sciences*, 2007; and Issues Regarding a National Land Parcel Database, *Congressional Research Service*, 2009). MAPPS requests the inclusion of geospatial data gathering and coordination within your final rulemaking proposal because an 'early warning system' will be based upon the geographic and property data, to be collected at the parcel level.

Thank you for this opportunity to comment. Should you have a question or need additional information, please contact me at 703-787-6996 or john@mapps.org.

Sincerely Yours,

John M. Palatiello
MAPPS Executive Director