

Brooklyn Law School

From the Selected Works of David J Reiss

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FHFA Proposed Collection for National Survey of Mortgage Originations

David J Reiss



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David J. Reiss
Professor of Law

November 10, 2016

Federal Housing Finance Agency
400 Seventh Street SW., 8th floor
Washington DC, 20219

Re: Proposed Collection; Comment Request:
National Survey of Mortgage Originations, (No. 2016-N-06)

To Whom It May Concern:

The Federal Housing Finance Agency has issued a [request for comments](#) on the National Survey of Mortgage Originations (NSMO). I write to support this proposed collection, but also to raise some concerns about its efficacy.

The NSMO is very important to the health of the mortgage market. We need only look at the Subprime Boom of the late 1990s and early 2000s to see why this is true: subprime mortgages went from “making up a tiny portion of new mortgage originations in the early 1990s” to “40 percent of newly originated securitized mortgages in 2006.”¹ During the Boom, subprime lenders like Countrywide changed mortgage characteristics so quickly that information about new originations became outdated within months.² Policymakers and academics did not have good access to the newest data and thus were operating, to a large extent, in the dark. The information in the NSMO will therefore not only help regulators, but will also assist outside researchers to “more effectively monitor emerging trends in the mortgage origination process . . .” (81 F.R. 62890)

The FHFA is also looking for comments on ways “to enhance the quality, utility, and clarity of the information collected.” (81 F.R. 62890) While I am no expert on survey design, I worry that the length of the NSMO will try the patience of many a borrower and that those who do complete the survey will look very different from the typical borrower. Given that the NSMO is intended to solicit otherwise unavailable information from borrowers, it is worrisome that the typical respondent will not be representative of the typical borrower. I

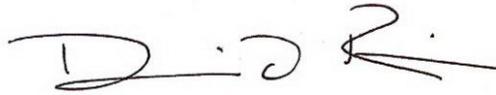
¹ David Reiss, *Regulation of Subprime and Predatory Lending*, INTERNATIONAL ENCYCLOPEDIA OF HOUSING AND HOME (2010).

² See generally FINANCIAL CRISIS INQUIRY COMMISSION, FINANCIAL CRISIS INQUIRY REPORT 105 (2011) (“Countrywide was not unique: Ameriquest, New Century, Washington Mutual, and others all pursued loans as aggressively. They competed by originating types of mortgages created years before as niche products, but now transformed into riskier, mass-market versions”)

wonder if there would be some way to further incentivize survey-takers to spend the half an hour it will take to collect the relevant documents and complete the survey itself. I also wonder whether survey respondents could choose to take a shorter version of the survey, if they are not willing to answer the 93 questions contained in the full survey. Getting answers to ten questions from 12,000 respondents (and some smaller number of responses to the full survey) could be more valuable than getting answers to 93 questions from 6,000 of the most diligent respondents.

Notwithstanding this concern, there is no question that this “collection of information is necessary for the proper performance of FHFA functions . . .” (81 F.R. 62890) Given the likely changes to the federal role in the mortgage markets over the next four years, the NSMO can provide critical insight into whether homeowners feel that that market serves their needs.

Sincerely,

A handwritten signature in black ink, appearing to read "D. Reiss". The signature is fluid and cursive, with a large initial "D" and a stylized "R".

David Reiss