

FHFA Update About the National Mortgage Database August 1, 2014

On April 16, 2014 the Federal Housing Finance Agency (FHFA) published a System of Records Notice (SORN)¹ in the Federal Register about the National Mortgage Database (NMDB). Following the publication of the SORN, FHFA received a number of comments about the NMDB and the information the SORN indicated could come into FHFA's possession in connection with the development of the NMDB.

FHFA is continuing to consider input received in response to the SORN and to conduct an intensive review of the NMDB, including its intended scope and operational controls and whether all the information listed in the SORN will be necessary and consistent with the scope of the project. Based on our review, FHFA is providing the following update.

FHFA is overseeing the NMDB Project, which will require several years to complete. The NMDB will provide comprehensive information about the U.S. mortgage market based upon a five percent sample of residential mortgages. Without the NMDB, such comprehensive data does not exist and regulators lack a comprehensive tool to help ensure that the residential mortgage market is safe, sound, and stable.

When completed, the NMDB will serve the following purposes:

- The NMDB will enable FHFA to meet the statutory requirement of section 1324(c) of the Federal Housing Enterprises Financial Safety and Soundness Act to complete a monthly mortgage market survey.² Additionally, it will assist FHFA in carrying out its responsibilities to supervise the safety and soundness of Fannie Mae and Freddie Mac (Enterprises) and the Federal Home Loan Banks and as conservator of the Enterprises; and
- The NMDB will be a resource for research and analysis of the U.S. residential mortgage market, including assessing trends and systemic risks, which will assist FHFA and the Consumer Financial Protection Bureau (CFPB) in forecasting and helping to prevent future mortgage-related crises such as the crisis that crippled the economy in 2008.

¹ 79 FR 21460 (April 16, 2014).

² 12 U.S.C. § 4544(c).

FHFA's legal authority for the project is based on section 1324(c), as noted above, and the larger grant of authority to the agency under this statute to supervise the regulated entities and to "foster liquid, efficient, competitive, and resilient national housing finance markets."³

The NMDB will contain only de-identified data and will not identify particular borrowers. The statutory mandate for a monthly mortgage survey requires FHFA to survey the full breadth of the mortgage market, including mortgages purchased by Fannie Mae and Freddie Mac and those that are not. Under this statutory mandate, FHFA is required to collect data on the characteristics of individual mortgages including, among other items, the price of the property, the terms of mortgages, and the creditworthiness of borrowers. This is a challenging task since a single data source covering all of these items does not exist. Consequently, in developing the NMDB to meet this requirement it is necessary to draw data from different data sources and to merge them together.

Since issuing the revised SORN on April 16, 2014, FHFA's review has concluded that a number of the data fields listed in the revised SORN were never intended by FHFA to be included in the NMDB Project. They were included in the revised SORN because they were provided to FHFA by the credit bureau with whom FHFA is working as part of a commercially available data set. Based on the agency's evaluation, FHFA has worked with the credit bureau to exclude data fields that are not needed – e.g., religion, language, census block, and latitude and longitude – from the data sets provided to FHFA. As FHFA continues the process of developing the NMDB, the agency will engage in an ongoing process to determine what data fields are necessary for the NMDB and to exclude those that are not.

The NMDB is designed to provide sufficient data to examine the pre-crisis market. Typically, historical data over a period of ten years is needed to cover a range of economic environments. Consequently, the NMDB will include a five percent sample of active mortgages as of 1998 (ten years prior to the 2008 enactment date of the statutory mandate). FHFA will supplement the data in the NMDB with a mail survey to new mortgage borrowers.

FHFA has established strong information security systems and protocols and will maintain an ongoing review and evaluation of every aspect of these systems and protocols. FHFA will also retain a third-party consultant to ensure the reliability of those systems and protocols.

In light of the interest in the NMDB Project generated by the most recent SORN and the revisions we are making based on responses to the revised SORN and our ongoing, intensive review, FHFA expects to publish a new SORN with a new comment period and effective date. FHFA will provide a longer comment period for this new SORN than the standard 30-day comment period typically provided for these notices.

³ Safety and Soundness Act § 1313(a)(1), 12 U.S.C. § 4513(a)(1).