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M E M O R A N D U M

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To Our Clients and Friends

Re: Updated Frequently Asked Questions on HMDA Price Data

The federal banking agencies and the Department of Housing and Urban Development have issued updated answers to frequently asked questions (“FAQs”) regarding the interpretation of home loan data required to be reported and disclosed by mortgage lenders under the Home Mortgage Disclosure Act (“HMDA”) for 2005. The 2005 data include price information for mortgage loans priced above the required HMDA reporting thresholds. The agencies indicate that the data are expected to show that the proportion of such higher-priced loans increased from 2004 to 2005.

The FAQs add a new Question 27 and answer explaining that the greater proportion of mortgage loans with prices above HMDA reporting thresholds in 2005 compared to 2004 could be attributable to the flattening of the yield curve in 2005, which reduced the spread between short-term and long-term interest rates. Because lenders typically use short-term rates to set mortgage rates but are required to use long-term rates to determine whether to report a loan as higher-priced, a flattened yield curve may result in more loans being reported as high-priced loans. Changes in lenders’ business practices or in the risk profiles or borrowing practices of borrowers may also explain the greater proportion of loans reported by lenders as higher-priced mortgage loans in 2005.

Lenders’ HMDA data became available to the public upon request as of March 31. The Federal Financial Institutions Examination Council will release statistical reports for each lender as well as an aggregate report for each Metropolitan Statistical Area in September.

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A copy of the updated frequently asked questions can be found on our web site at http://www.schwartzandballen.com/whats_new.html.

If you have any questions, please call Gilbert Schwartz, Robert Ballen Tom Fox or Heidi Wicker at (202) 776-0700.