



Notice of Public Hearings & Request for Comment

July 27, 2010

FEDERAL RESERVE SYSTEM
[Docket No. OP-1388]
Home Mortgage Disclosure Act; Notice of Hearings

Background:

The Home Mortgage Disclosure Act (HMDA), requires depository institutions and certain for-profit, non-depository institutions to collect, report to federal agencies, and disclose to the public data about originations and purchases of home mortgage loans (home purchase and refinancing) and home improvement loans, as well as loan applications that do not result in originations (for example, applications that are denied or withdrawn). HMDA data has three purposes: helps determine whether institutions are serving the housing needs of their communities; helps public officials target public investment to attract private investment where it is needed; and assists in identifying possible discriminatory lending patterns and enforcing antidiscrimination statutes.

The Federal Reserve Board's Regulation C implements HMDA. The information reported under Regulation C includes, among other items: application date; loan type, purpose, and amount; property location and type; race, ethnicity, sex, and annual income of the loan applicant; action taken on the loan application (approved, denied, withdrawn, etc.), and date of that action; whether the loan is covered by the Home Ownership and Equity Protection Act (HOEPA); lien status (first lien, subordinate lien, or unsecured); and certain loan price information.

HMDA and Regulation C have been amended numerous times since they were adopted in 1975 with the last comprehensive review conducted in 2002. The Federal Reserve Board (Board) will hold four [public hearings](#) this year on potential revisions to Regulation C. Phil Greer of State Employees' Credit Union testified at the first hearing held in Atlanta on Thursday, July 15. The hearings will serve three objectives:

1. The Board will gather information to evaluate the effectiveness of the 2002 revisions to Regulation C in providing useful and accurate information about the mortgage market.
2. The hearings will provide information that will assist the Board in its pending review of Regulation C and help assess the need for additional data.
3. The hearings will help identify emerging issues in the mortgage market that may warrant additional research.

In conjunction with these hearings, the Board has requested public comment on the various issues described in detail below. A proposal may then be issued later in the year which incorporates changes that were addressed in these hearings and in the comments received.

How to submit comments:

Please submit your comment letter by **August 20, 2010** through the League at regcomments@ncleague.org. Your response will be forwarded to the Federal Reserve Board. Please address your letter to Jennifer J. Johnson, Secretary, Board of Governors of the Federal Reserve System, 20th Street and Constitution Avenue, NW., Washington, DC 20551.

Data Elements:

As part of its review of Regulation C, the Board is seeking to identify ways to improve the quality and usefulness of HMDA data. The Board therefore is considering whether any data elements should be added, modified, or deleted.

- What, if any, additional data should be collected? What are the costs, benefits, and privacy issues associated with requiring lenders to report, for example: 1) underwriting data such as the borrower's credit score, loan-to-value ratio, combined loan-to-value ratio (that includes both the loan and other debts), and the borrower's debt-to-income ratio; 2) borrower's age; 3) loan originator channel (whether the loan is originated directly by the lender or through a third-party, such as a broker or correspondent); and 4) rate spreads for all loans, instead of only for higher-priced loans, as currently required?
- Should any existing data elements be modified? If so, how? For example, what are the costs, benefits, and privacy issues associated with requiring lenders to report total income, rather than income relied on by the lender? Do you believe that measuring total income in a way that generates consistent, meaningful data would be difficult since lenders may not collect information on applicants' total income in all cases and do you believe that this information may be questionable since it may not be verified?
- Should any existing data element be eliminated? If so, why?

Coverage:

Whether a depository institution or other mortgage lender is required to report depends on its size, the extent of its business in a metropolitan statistical area and the extent to which it engages in residential mortgage lending.

- Should mortgage brokers and non-lender loan purchasers be required to report HMDA data? What other types of institutions should be required to report?
- Should any types of institutions be exempt from reporting?

Scope:

Regulation C currently requires lenders to report information about home purchase loans, home improvement loans and refinancings of home purchase loans.

- Should any other types of mortgage loans be reported?
- Should any types of mortgage loans be excluded from reporting?
- Should the rules governing which mortgage loans are subject to reporting be revised in other ways? If so, how?

Preapproval Programs:

Regulation C currently requires lenders to collect and report data regarding requests under a preapproval program if the preapproval request is denied; preapproval requests that are approved but not accepted may be reported at the lender's option. A preapproval program is defined as a program when the lender, after a comprehensive review of the creditworthiness of the applicant, issues a written commitment to the applicant to extend a home purchase loan up to a specified amount, which is valid for a specific period of time.

- Do you use preapproval programs under this definition?
- Is there a benefit to requiring lenders to report on these programs?
- How could this definition be modified so that it is easier to apply and would make reporting more useful?

Compliance and Technical Issues:

The Board seeks to clarify and simplify Regulation C in order to facilitate compliance and resolve technical issues.

- What are the most common compliance issues you face under HMDA and Regulation C?
- What parts of Regulation C would benefit from clarification or additional guidance?
- Are there technical issues regarding Regulation C that should be resolved?

Other Issues:

As part of the review, the Board is seeking to identify emerging issues in the mortgage market that may warrant additional research, respond to technological and other developments, reduce undue regulatory burden on the industry and delete obsolete provisions.

- The Board therefore requests comment on any emerging issues likely to affect the usefulness and accuracy of HMDA data and on any other changes to Regulation C the Board should consider.

Sources:

[Federal Reserve Board's Notice of Public Hearings & Request for Comment](#)