



October 15, 2015

## New Rule Summary: Home Mortgage Disclosure (Regulation C)

The Consumer Financial Protection Bureau (Bureau) has issued a final rule amending Regulation C. This final rule changes the:

1. Types of institutions that are subject to Regulation C;
2. Types of transactions that are subject to Regulation C;
3. Specific information that covered institutions are required to collect, record, and report; and
4. Processes for reporting and disclosing data.

### **Background**

The Home Mortgage Disclosure Act (HMDA) requires certain institutions to collect, report, and disclose information about their mortgage lending activity. This information is important because it:

1. Helps show whether financial institutions are serving the housing needs of their communities;
2. Assists public officials in distributing public-sector investment to attract private investment to areas where it is needed; and
3. Assists with the identification of potentially discriminatory lending patterns and enforcement of antidiscrimination laws.

Regulation C implements HMDA and sets out specific requirements for the collection, recording, reporting, and disclosure of mortgage lending information.

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank Act) transferred rulemaking authority for HMDA to the Bureau, effective July 2011. It also amended HMDA to add new data points and authorized the Bureau to require additional information from covered institutions. In July 2014, the Bureau proposed amendments to Regulation C to implement the Dodd-Frank Act changes, to require collection, recording, and reporting of additional information to further HMDA's purposes, and to modernize the manner in which covered institutions report HMDA data. The Bureau carefully reviewed

and considered comments it received on its proposed amendments, and has issued its final rule amending Regulation C (HMDA Rule).

This document summarizes the HMDA Rule's changes to Regulation C, and the chart at the end of the document provides a snapshot of some of the most important changes. The summary and chart are aids to understanding the HMDA Rule, but are not substitutes for it. The HMDA Rule is the definitive source regarding its requirements.

## **Institutional Coverage**

The HMDA Rule changes institutional coverage in two phases.

First, the HMDA Rule narrows the scope of depository institutions subject to Regulation C in 2017. A bank, savings association, or credit union will not be subject to Regulation C in 2017 unless it meets the asset-size, location, federally related, and loan activity tests under current Regulation C and it originates at least 25 home purchase loans, including refinancings of home purchase loans, (as those terms are defined in current Regulation C) in both 2015 and 2016.

Second, effective January 1, 2018, the HMDA Rule adopts a uniform loan-volume threshold for all institutions. Beginning in 2018, an institution will be subject to Regulation C if it originated at least 25 covered closed-end mortgage loans in each of the two preceding calendar years or at least 100 covered open-end lines of credit in each of the two preceding calendar years, and it meets other applicable coverage requirements. A bank, savings association, or credit union will be subject to Regulation C if it originated at least 25 covered closed-end mortgage loans or at least 100 covered open-end lines of credit in each of the two preceding calendar years, and it meets current Regulation C's asset-size, location, federally related, and loan activity tests. A for-profit lending institution other than a bank, savings association, or credit union will be subject to Regulation C if it originated at least 25 covered closed-end mortgage loans or at least 100 covered open-end lines of credit in each of the two preceding calendar years and it satisfies the existing location test.

## **Transactional Coverage**

The HMDA Rule modifies the types of transactions that are covered under Regulation C. In general, the HMDA Rule adopts a dwelling-secured standard for transactional coverage.

Beginning on January 1, 2018, covered loans under the HMDA Rule generally will include closed-end mortgage loans and open-end lines of credit secured by a dwelling. However, the HMDA Rule only requires covered institutions that originated at least 100 covered open-end lines of credit in each of the two preceding calendar years to collect, record, and report information about open-end lines of credit. Dwelling-secured business-purpose loans and lines of credit will be covered only if they are home purchase loans, home improvement loans, or refinancings. Covered loans and lines of credit will not

include agricultural-purpose transactions or other specifically excluded transactions, even if they are dwelling-secured. Home improvement loans will only be covered loans if they are secured by a dwelling.

The HMDA Rule also changes the scope of covered preapproval requests. Currently, the collection, recording, and reporting of preapproval requests that are approved but not accepted is optional under Regulation C. Beginning January 1, 2018, covered institutions will be required to collect, record, and report information for approved but not accepted preapproval requests for home purchase loans. However, preapproval requests for open-end lines of credit, reverse mortgages, and home purchase loans to be secured by multifamily dwellings will not be covered transactions under the HMDA Rule, effective January 1, 2018.

### **Reportable Data**

For HMDA data collected on or after January 1, 2018, covered institutions will collect, record, and report additional information about originations of, purchases of, and applications for covered loans. The HMDA Rule adds the data points specifically identified in the Dodd-Frank Act as well as data points that the Bureau determined will assist in carrying out HMDA's purposes. The HMDA Rule adds new data points for applicant or borrower age, credit score, automated underwriting system information, unique loan identifier, property value, application channel, points and fees, borrower-paid origination charges, discount points, lender credits, loan term, prepayment penalty, non-amortizing loan features, interest rate, and loan originator identifier as well as other data points. The HMDA Rule also modifies several existing data points. For more information on the new and modified data points, see the HMDA Summary of Reportable Data chart.

### **Collection and Reporting of Applicant or Borrower Information**

For data collected in or after 2018, the HMDA Rule amends the requirements for collection and reporting of information regarding an applicant's or borrower's ethnicity, race, and sex.

First, the HMDA Rule adds a requirement to report how the institution collected the information about the applicant's or borrower's ethnicity, race, and sex. A covered institution will report whether or not it collected the information on the basis of visual observation or surname. Both the HMDA Rule and current Regulation C require a covered institution to collect information about an applicant's ethnicity, race, and sex on the basis of visual observation or surname when an applicant chooses not to provide the information for an application taken in person.

Second, for applicant or borrower information collected on or after January 1, 2018, covered institutions must permit applicants to self-identify their ethnicity and race using disaggregated ethnic and racial subcategories. Covered institutions will report disaggregated information applicants provide. However, the HMDA Rule will not require or permit covered institutions to use the disaggregated subcategories when identifying the applicant's ethnicity and race based on visual observation or surname. The HMDA

Rule includes a new sample data collection form in appendix B that provides the required aggregated categories and disaggregated subcategories for ethnicity and race.

## **Data Submission Process**

The Bureau is developing a new web-based submission tool for reporting HMDA data. Covered institutions will report data using the new web-based submission tool beginning in 2018.

Appendix A, which provides instructions for completing and submitting the HMDA loan/application register (LAR), is amended effective January 1, 2018 to include new transition requirements for data collected in 2017 and reported in 2018. In particular, amended appendix A requires that a covered institution electronically submit its LAR. In 2018, covered institutions will report 2017 data required under current Regulation C, but will use the new electronic submission tool and will submit data in accordance with amended appendix A and procedures that will be available at <http://www.consumerfinance.gov/hmda>.

Effective January 1, 2019, appendix A is removed from Regulation C. Beginning in 2019, covered institutions will report the new dataset required by the HMDA Rule, using the new electronic submission tool and revised procedures that will be available at <http://www.consumerfinance.gov/hmda>.

## **Quarterly Reporting**

Beginning in 2020, the HMDA Rule requires quarterly reporting for covered institutions that reported a combined total of at least 60,000 applications and covered loans in the preceding calendar year. When determining whether it is required to report on a quarterly basis, an institution will not count covered loans that it purchased in the preceding calendar year. In addition to their annual data submission, these larger-volume reporters will submit HMDA data for the first three quarters of the year on a quarterly basis. The first quarterly submission will be due by May 30, 2020.

## **Disclosure Requirements**

Beginning in 2018, covered institutions will no longer be required to provide a disclosure statement or a modified LAR to the public upon request. Instead, in response to a request, a covered institution will provide a notice that its disclosure statement and modified LAR are available on the Bureau's website. The HMDA Rule includes sample language that covered institutions can use for these purposes. These revised disclosure requirements will apply to data collected on or after January 1, 2017 and reported in or after 2018.

For data collected in or after 2018 and reported in or after 2019, the Bureau will use a balancing test to determine whether and, if so, how HMDA data should be modified prior to its disclosure in order to protect applicant and borrower privacy while also fulfilling HMDA's disclosure purposes. At a later date, the Bureau will provide a process for the public to provide input regarding the application of this balancing test to determine the HMDA data to be publicly disclosed.

## Home Mortgage Disclosure Rule Summary of Changes

Change type	The final rule
Uniform loan-volume threshold for institutional coverage	Modifies which institutions are subject to Regulation C and adopts a uniform loan-volume threshold for depository and nondepository institutions. Excludes institutions that did not originate at least 25 closed-end mortgage loans in each of the two preceding calendar years or at least 100 open-end lines of credit in each of the two preceding calendar years from institutional coverage.
Dwelling-secured transaction test	Changes Regulation C's transactional coverage from a purpose-based test to a dwelling-secured test for consumer-purpose loans and applications. Maintains a purpose-based test and adds a dwelling-secured test for business-purpose loans and applications. Broadens the exclusion for agricultural-purpose loans and applications.
Covered open-end lines of credit	Requires covered institutions that originated at least 100 covered open-end lines of credit in each of the two preceding calendar years to collect, record, and report data for open-end lines of credit secured by a dwelling, unless the lines of credit are otherwise excluded. A business-purpose line of credit is excluded, unless it is secured by a dwelling and is a home purchase loan, home improvement loan, or refinancing.
Covered preapproval requests	Changes Regulation C's transactional coverage for preapproval requests. Includes preapproval requests that are approved but not accepted within the scope of covered preapproval requests. Excludes requests for open-end lines of credit, reverse mortgages, and loans to be secured by multifamily dwellings from the scope of covered preapproval requests.
Additional and modified data points	Adds and modifies data points. Additional data points include, but are not limited to: applicant or borrower age, credit score, automated underwriting system information, unique loan identifier, property value, application channel, points and fees, borrower-paid origination charges, discount points, lender credits, loan term, prepayment penalty, nonamortizing loan features, interest rate, and loan originator identifier. Rate spread will be collected, recorded, and reported for a broader range of loans.
Collection and reporting of information regarding ethnicity, race, and sex	Requires covered institutions to report when they collect information about an applicant's or borrower's ethnicity, race, and sex based on visual observation or surname. Allows applicants and borrowers to self-identify using ethnicity and race subcategories.
Data submission process	Requires electronic submission of HMDA data using new procedures.
Quarterly reporting	Adds a quarterly reporting requirement for larger-volume reporters.