



Office of Thrift Supervision
Department of the Treasury

Scott M. Albinson
Managing Director

1700 G Street, N.W., Washington, DC 20552 (202) 906-

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MEMORANDUM FOR: CHIEF EXECUTIVE OFFICERS

FROM:

Scott M. Albinson

SUBJECT:

HMDA Reporting Changes

As you are aware, changes to Regulation C implementing the Home Mortgage Disclosure Act will impact how you report your 2004 data. To assist you in this transition, we are enclosing a copy of the latest version of "Getting It Right: A Guide to HMDA Reporting." This version is also available on the Federal Financial Institutions Examination Council's website at www.ffeec.gov/hmda. In addition, interpretive FAQs are available at the same website.

The following is a summary of the significant changes affecting thrifts:

Preapprovals – The use of preapprovals has grown since the early 1990s and HMDA data on preapprovals must now be included. Lenders now have to track preapprovals that result in loans or that are denied.

Manufactured Homes – Lenders now have to identify whether an application or loan involves a manufactured home. Institutions should now use the Department of Housing and Urban Development's definition of manufactured homes to capture these loans.

Refinancings – The new definition (for reporting purposes) for refinancing is a new loan that satisfies and replaces an existing loan and where both the existing loan and the new loan are secured by a lien on a dwelling. Inasmuch as the "purpose test" is being eliminated, the new definition will likely capture entirely new categories of loans, such as the refinancing of business loans where there continues to be a security interest in a dwelling.

Home Improvement Loans – The new definition of a home improvement loan is a dwelling secured loan in which any part of the proceeds will be used for home improvement.

Home Equity Lines of Credit (HELOCs) – Reporting HELOCs made in whole or in part for home improvement or home purchase continues to be optional, and at the lender's discretion. For reporting purposes, an institution should report only the amount of the line used.

Multiple Purpose Loans – The regulation discusses how to report multiple purpose loans. In general, the rules are: (1) if a loan qualifies as both a home purchase loan and either a home improvement loan or a refinancing, report it as a home purchase loan as *home purchase overrides home improvement and refinancing*; and (2) if a loan qualifies as both a home improvement loan and a refinancing, report it as a home improvement loan as *home improvement overrides refinancing*.

New racial and ethnic designations – In conformance with Office of Management and Budget guidance, applicants will now be asked to report race and ethnicity and may report more than one race.

Rate Spread – Pricing data on mortgage loans will be captured if the spread between the rate and the applicable Treasury yield exceeds set thresholds. This information is used to evaluate fair lending concerns as it relates to loan pricing and to better understand the mortgage market, especially in the subprime market. Rate spreads should not be reported for purchased loans or for unsecured home improvement loans. For assistance in calculating the rate spread see www.ffiec.gov/ratespread/default.aspx.

HOEPA Status (Home Owners' Equity Protection Act) – HOEPA triggers include APR or “points and fees.” HOEPA status should be reported for originations and purchased loans. Please remember that HOEPA does not apply to “residential mortgage transactions,” as defined by Regulation Z.

Lien Status – This information is captured to help explain pricing discrepancies because interest rates vary according to lien status. Institutions are encouraged to use the best information available at the time of final action. Lien status is not required for purchased loans.

If you have questions regarding the interpretation of HMDA, Regulation C, or any of these changes, you may contact the Federal Reserve Board's HMDA Assistance Line at hmdahelp@frb.gov or (202) 452-2016. If you have specific questions for OTS staff, please contact your regional supervisory representative, or you may call the OTS HMDA line at (202) 906-6342 or send an e-mail to HMDAdata@ots.treas.gov.

Enclosure

(Note: The brochure was distributed on a limited distribution. Please refer to the FFIEC website at www.ffiec.gov/hmda.)