HOME MORTGAGE DISCLOSURE ACT (REGULATION C) OVERVIEW

Overview

The Home Mortgage Disclosure Act (HMDA), implemented by Regulation C (12 CFR 203), requires financial institutions, including credit unions, to compile and disclose data about home purchase loans, home improvement loans, and refinancings that it originates or purchases, or for which it receives applications. Data to be recorded on reportable transactions include:

- Application or loan number
- Date application received
- Loan type
- Property type
- Purpose
- Owner occupancy status
- Loan amount
- Request for preapproval
- Type of action taken and date
- Property location (by metropolitan statistical area, state, county, and census tract)
- Applicant information (ethnicity, race, sex, and gross annual income)
- Type of purchaser of loan
- Rate spread (effective January 1, 2004)
- Home Ownership and Equity Protection Act of 1994 (HOEPA) status (effective January 1, 2004)

The purpose of Regulation C is to provide the public with data that can be used to:

- Help determine whether credit unions are serving the housing needs of their communities;
- Assist public officials in distributing public-sector investments so as to attract private investment to areas where it is needed; and,
- Assist in identifying possible discriminatory lending patterns and enforcing compliance with anti-discrimination statutes.

Regulation C is not intended to encourage unsound lending practices or the allocation of credit.

Note: For purposes of HMDA, the term "metropolitan statistical area" (MSA) is interchangeable with "metropolitan area" (MA).

Exempt Institutions

A credit union is exempt from the requirements of the regulation for a given calendar year if on the preceding December 31:

- It had neither a home office nor a branch office in a metropolitan statistical area (MSA); or
- Total assets were at or below the threshold established by the Federal Reserve Board (Board); or
- It made no first-lien home purchase loans (including refinancings of home purchase loans) on one-to-four family dwellings in the preceding calendar year.

The Board adjusts the threshold based on the year-to-year change in the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers, not seasonally adjusted, for each twelve-month period ending in November, with rounding to the nearest million. NCUA notifies credit unions about the asset threshold change each year in a Regulatory Alert.

Disclosure and Reporting

A non-exempt credit union must maintain a loan/application register (LAR) on which it will enter data about each application received and each loan originated and purchased. The credit union must send the LAR to NCUA HMDA Processing (done by the Federal Reserve Board on behalf of the Federal Financial Institutions Examination Council (FFIEC)) by March 1 following the calendar year for which loan data is compiled.

Using data from the LAR, the FFIEC will prepare and send to the credit union a series of tables that will comprise the public mortgage loan disclosure statement for that credit union. The credit union must make its disclosure statement available to the public at its home office no later than three business days after receiving it. In addition, if a credit union has branch offices in other MSAs, it must make the disclosure statement available using one of two options:

- It can make the disclosure statement available in at least one office in each of those MSAs, within ten business days of receipt from the FFIEC; or
- It can send a copy of the disclosure statement if someone makes a written request, within fifteen calendar days of receiving the request. If the credit union chooses

this option, it must post the address for requesting copies in each branch office in an MSA.

The disclosure statements need only contain data relating to the metropolitan area for which the request is made.

Enforcement

NCUA enforces compliance with HMDA for all credit unions required to report and may impose administrative sanctions for failure to comply, including the imposition of civil money penalties. NCUA does not consider an error in compiling or recording required data a violation of the regulation if it was unintentional and occurred despite the credit union's maintenance of procedures reasonably adapted to avoid such errors.

Associated Risks

- Compliance risk can occur when the credit union fails to implement the necessary controls to comply with HMDA,
- Reputation risk can occur when the credit union incurs fines and penalties as a result of failure to comply with HMDA or poor publicity as a result of negative trends displayed by the disclosure statement, and
- Strategic risk can occur when the credit union fails to perform adequate planning and due diligence in regard to HMDA.

Additional Information

Credit unions engaged in mortgage lending should obtain the publication: *A Guide to HMDA Reporting: Getting it Right!* It is available from the NCUA publications office and can be downloaded from the NCUA web site at http://www.ncua.gov/ .

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OPERATIONAL REQUIREMENTS

Disclosures / Notices

Modified Loan Application Register (LAR) [Sections 203.5 (c) and (d)]

A lender must make its LAR available for public inspection upon request after modifying it to protect the privacy interest of applicants and borrowers by deleting:

1. the application or loan number,
2. the date of receipt of the application, and
3. the date of action taken.

The modified LAR must be available following the calendar year for which the data relates, no later than March 31 for requests received on or before March 1 and within 30 days for requests received after March 1. The modified register need only contain data relating to the metropolitan statistical area (MSA) for which the request is made. The lender must make its modified register available for a three year period.

Mortgage Loan Disclosure Statement [Section 203.5 (b)]

The disclosure statement, prepared by the Federal Financial Institutions Examination Council (FFIEC), must be made available to the public for inspection and copying at the lender's home office within three business days after receiving it from the FFIEC.

In addition, a lender must do either one of the following:

- make the statement available in at least one office in each additional MSA where it has offices within ten business days of receipt from the FFIEC, or

- post the address for sending written requests for the statement in the lobby of each branch office in an MSA where it has offices, and mail or deliver a copy of the statement within fifteen calendar days of receipt of a written request.

The lender must make the disclosure statement available to the public for a five year period.

Lobby Notice [Section 203.5 (e)]

The lender must post a general notice about the availability of its HMDA data in the lobby of its home office and of each branch office located in an MSA.

Recordkeeping

Record Retention [Section 203.5]

A copy of the Loan Application Register (LAR) must be retained for a period of at least three years.

The modified LAR must be available to the public for a period of three years.

The disclosure statement must be available to the public for a period of five years.

Reports

Reporting Requirements [Section 203.5 (a)]

A credit union must submit its complete loan application register (LAR) by March 1 following the calendar year for which the loan data is compiled to:

Federal Reserve Board
Attention: NCUA HMDA Processing
Fifth Floor
1709 New York Avenue, NW
Washington, DC 20006

Enforcement / Liability

Administrative Enforcement Authority

The National Credit Union Administration Board has responsibility for enforcement of HMDA for both federal credit unions and state-chartered credit unions.

Penalties and Liabilities

Administrative sanctions, including civil money penalties, may result from violations of the regulation.