

REGULATORY ALERT

NATIONAL CREDIT UNION ADMINISTRATION
1775 DUKE STREET, ALEXANDRIA, VA 22314

DATE: February 2004

NO.: 04-RA-02

TO: All Credit Unions

SUBJECT: Regulation C (Home Mortgage Disclosure Act)

Dear Board of Directors:

The purpose of this regulatory alert is to inform you of changes to Regulation C and the annual Home Mortgage Disclosure Act (HMDA) reporting threshold.

The Board of Governors of the Federal Reserve System (FRB) announced the exemption threshold for depository institutions required to report data under HMDA will increase to \$33 million in assets effective January 1, 2004.

The FRB annually adjusts the asset-size exemption threshold for depository institutions based on annual percentage changes in the consumer price index. A copy of the information is available on the FRB website at:

<http://www.federalreserve.gov/BoardDocs/Press/bcreg/2003/20031219/default.htm>

The following questions should be answered to determine if your credit union is required to collect HMDA data in 2004:

1. Did total assets exceed \$33 million as of December 31, 2003?
2. Did the credit union have a home or branch office in a metropolitan statistical area (MSA) on December 31, 2003?
3. During 2003, did the credit union originate at least one home purchase loan or refinancing of a home purchase loan secured by a first lien on a one-to-four-family dwelling?

If the answer to all three questions is 'YES,' then HMDA data collection and reporting requirements apply. If the answer to any one of the questions is 'NO,' then the credit union is exempt from filing HMDA data.

[HMDA Data Entry Software](#)

For those credit unions required to collect HMDA data, the FFIEC HMDA Data Entry Software, version 3, may be downloaded and is available on the FFIEC web site at: <http://www.ffiec.gov/crahmdacf/default2.cfm>

Due to significant changes in HMDA data required by the amendments to Regulation C, the 2004 HMDA Data Entry Software will not update previous versions of the software. To ensure continued access to prior year data, the 2004 software must be installed in a separate directory.

HMDA Data Requirements

To comply fully with HMDA, a credit union must be familiar with Regulation C, the Staff Commentary to Regulation C, and informal guidance published on the FFIEC web site.

Effective January 1, 2004, significant changes to Regulation C took effect, which expand the type and quantity of data collected by lenders.

Key changes impacting HMDA data collection are listed below:

- Lenders must now collect and report information on pre-approval requests. Regulation C continues to exclude prequalification requests.
- Information regarding the pricing of loan data is now required under Regulation C. The rate spread between a loan's APR and the yield on a comparable maturity Treasury must be reported when the rate spread exceeds certain thresholds.
- Lenders must report whether a loan is covered by HOEPA.
- Manufactured home has been added under property type, as a required reporting option.
- Applicant information has been updated to include ethnicity as a separate field.
- Racial characteristics have been revised to comply with current OMB guidance.
- Revision of the Loan/Application Register (LAR) to include lien status for applications and loan originations.
- Elimination of the classification test for reporting home improvement loans secured by dwellings.
- Definition of refinancing has been changed.

For further guidance concerning the new provisions, you may wish to review the list of frequently asked questions and answers posted on the Federal Reserve Bank of St. Louis' web site at: <http://www.stlouisfed.org/hmdaregcamendments/pages/faqs.html>

Guide to HMDA Reporting, Getting It Right!

To reflect the significant changes in the type of data collected, a new edition of the **Guide to HMDA Reporting, Getting It Right!** (Guide) was published in December 2003. The Guide summarizes management's responsibilities for the collection and report of HMDA information.

You may obtain a copy of the 2004 Guide from the FFIEC web site at: <http://www.ffiec.gov/hmda/guide.htm>. Printed copies of the Guide are also available by

contacting the NCUA publications department at (703) 518-6340. There is a charge for printed copies and limited quantities are available.

Please note the Guide no longer contains a "Question and Answer" section. This supplementary information is now posted on the FFIEC web site at:
<http://www.ffiec.gov/hmda/faq.htm>

Loans Originated by Credit Union Service Organizations (CUSOs)

CUSOs must comply with HMDA data collection and reporting requirements. For purposes of HMDA compliance, a CUSO is a credit union subsidiary if it is more than 50% owned by a credit union. Subsidiary CUSOs use the credit union's charter number for identification purposes when reporting HMDA data.

CUSOs that do not qualify as subsidiaries should submit their HMDA data to the Department of Housing and Urban Development (HUD). Non-subsidiary CUSOs may obtain an identification number from HUD for reporting purposes.

HMDA Data Reporting

Regulation C requires quarterly updates of the LAR. Once final action is taken on a transaction, it must be appropriately recorded on a LAR within 30 days after the end of a calendar quarter. Credit unions should be able to produce a current LAR at the request of federal or state examiners.

Following the end of a calendar year, a credit union must submit its LAR to the Federal Reserve Board processing center at the following email address: hmdasub@frb.gov Internet e-mail is the preferred method for transmitting LAR information. Other acceptable transmission methods are listed at:
<http://www.ffiec.gov/hmda/contactNCUA.htm>

For 2004 HMDA data, all LARs must be submitted and received by the FRB no later than March 1, 2005. To ensure data can be successfully read by the FRB, a credit union should use the edit check feature contained in the HMDA data entry software prior to submitting transmission data.

Credit Unions required to comply with HMDA reporting requirements should carefully review the updated text of Regulation C and the changes in data collection and filing requirements.

Sincerely,

/S/

Dennis Dollar

Chairman