

## HMDA UPDATE NOTICE

### **Changes to the HMDA Disclosure Reports for 2009**

This notice provides information about changes to the Home Mortgage Disclosure Act (HMDA) Institution Disclosure Statements and Metropolitan Statistical Area (MSA) Aggregate and National Aggregate Reports that have been made for presentation of the 2009 HMDA data. As a consequence of changes to the loan price (rate spread) reporting rules made under Regulation C (the rule that implements HMDA) in 2008, the 2009 HMDA data reflect price information reported under two different methodologies (discussed below). The changes to the disclosure statements and reports described below were made to help ensure the accuracy of the information provided to the public. The changes *only* affect tables that include loan pricing information. The raw data made available to the public by the FFIEC contain pricing information for all loans and include a field that indicates whether or not the application for the loan was taken prior to October 1, 2009.

#### *The Change in Reporting Rules for Higher-Priced Loans*

On July 14, 2008, the Federal Reserve Board announced amendments to Regulation C that revised the rules for reporting price information on higher-priced loans. For loan applications taken prior to October 1, 2009, HMDA required lenders to compare the annual percentage rate (APR) on the loan to the yield on a Treasury security with a comparable term to maturity to determine whether a loan was required to be reported as higher-priced. If the difference exceeded 3 percentage points for a first lien loan or 5 percentage points for a junior lien loan it was classified as higher-priced and the rate spread was reported.

Under the amended rule, lenders instead compare the APR on the loan to a survey-based estimate of APRs currently offered on prime mortgage loans of a comparable type. Lenders then report the spread if the spread is equal to or greater than 1.5 percentage points for a first-lien loan or 3.5 percentage points for a subordinate-lien loan. The revised reporting methodology applies to loan

applications taken on or after October 1, 2009 and for loans that close on or after January 1, 2010, regardless of their application dates.

The new price reporting rule uses a survey-based estimate of market APRs for the lowest-risk prime mortgages, referred to as the “Average Prime Offer Rate” for comparable types of transactions. The Board uses the pricing terms from the Freddie Mac “Primary Mortgage Market Survey” (PMMS), such as interest rate and points, to calculate an APR (consistent with Regulation Z, 12 CFR 226.22) for each of the four types of transactions that the PMMS reports (30-year and 15-year fixed rate loans and 1-year and 5-year adjustable-rate loans). These APRs will be the average prime offer rates for transactions of those types. The Board derives estimated APRs for other types of transactions from the loan pricing terms available in the survey.

#### *Changes to the Disclosure Statements and MSA Aggregate and National Aggregate Reports*

The changes to the Institution Disclosure Statements, MSA Aggregate and National Aggregate Reports only affect tables that include loan pricing information (tables 3-2, 11-1 through 11-10, 12-2, and table B). The tables that include loan pricing information *only* include loans that had application dates prior to October 1, 2009. The only exception is that in these tables the data pertaining to the number or dollar amount of HOEPA loans includes all such loans made in 2009 regardless of the date of application. The information on which applications are covered in each table is included in the title to the table.

For the national aggregate reports an additional report will be available. The report is a special consolidated PDF file that includes all tables with loan pricing information (tables 3-2, 11-1 through 11-10, 12-2, and table B) but these tables are limited to applications taken on or after October 1, 2009. The only exception is that these tables include all loans that met the HOEPA loan reporting criteria regardless of the date of application. This additional report has been included to provide information on loans that were excluded from the standard national aggregate reports because of the change in the rate spread calculation starting October 1, 2009. Footnotes provided with the disclosure statements and reports provide additional information.

The other change that affects the national aggregate reports is the parameters of the columns that show the number and dollar amounts of higher-priced loans by spread amount. For applications taken prior to October 1, 2009 there are no changes from previous years in the thresholds used to portray the amount by which the loan price exceeds the reporting threshold. For applications taken on or after October 1, 2009, new spread ranges are used providing narrower ranges for loans priced closer to the reporting thresholds.