



FEDERAL RESERVE BANK  
OF DALLAS

ROBERT D. McTEER, JR.  
PRESIDENT  
AND CHIEF EXECUTIVE OFFICER

February 12, 1993

DALLAS, TEXAS 75222

Notice 93-23

**TO:** The Chief Executive Officer of each  
member bank and others concerned in  
the Eleventh Federal Reserve District

**SUBJECT**

**Regulation C (Home Mortgage Disclosure) and  
Use of MSA Designations**

**DETAILS**

The Federal Reserve Board has announced that lenders covered by Regulation C (Home Mortgage Disclosure) should continue to use, through 1993, the metropolitan statistical area (MSA) designations that were in place most of 1992.

The Office of Management and Budget issued new designations before year-end 1992, and lenders covered by the HMDA ordinarily would be required to use the new MSA boundaries for identifying property locations beginning January 1, 1993. The Board, however, has decided to delay implementing this change in MSA designations so that lenders may have adequate time to make the necessary programming changes for data collection.

**ATTACHMENT**

A copy of the Board's notice (Federal Reserve System Docket No. R-0794) is attached.

**MORE INFORMATION**

For more information, please contact Marion White at (214) 922-6155. For additional copies of this Bank's notice, please contact the Public Affairs Department at (214) 922-5254.

Sincerely yours,

*Robert D. McTeer, Jr.*

# FEDERAL RESERVE SYSTEM

## 12 CFR Part 203

[Regulation C; Docket No. R-0794]

### Home Mortgage Disclosure; Use of MSA Designations for 1993 Data Collection

**AGENCY:** Board of Governors of the Federal Reserve System.

**ACTION:** Notice of MSA designations to be used for collecting 1993 HMDA data.

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**SUMMARY:** The Federal Reserve Board announces that lenders should continue to use, through 1993, the MSA designations that were in place prior to the Office of Management and Budget's recent redesignation of areas boundaries, in order to provide adequate time for lenders to implement the necessary changes for data collection.

**EFFECTIVE DATE:** January 1, 1993.

**FOR FURTHER INFORMATION CONTACT:** Jane Jensen Gell or W. Kurt Schumacher, Staff Attorneys, Division of Consumer and Community Affairs, Board of Governors of the Federal Reserve System, Washington, DC 20551, at (202) 452-2412 or (202) 452-3667. For the hearing impaired only, contact Dorothea Thompson, Telecommunications Device for the Deaf (TDD), at (202) 452-3544.

**SUPPLEMENTARY INFORMATION:**

The Board's Regulation C (12 CFR Part 203) implements the Home Mortgage Disclosure Act of 1975 (HMDA) (12 U.S.C. 2801 et

seq.). HMDA requires lenders located in metropolitan statistical areas (MSAs) to annually report information on the geographic distribution of their home mortgage and home improvement loans, and to provide information on the race or national origin, sex, and income of applicants and borrowers for such loans.

Regulation C requires institutions covered by HMDA to give the location of the property to which the loan or application relates (MSA, state, county, and census tract) for MSAs in which they have an office. These requirements apply to depository institutions that have more than \$10 million in assets and to nondepository lenders that either meet the \$10 million asset test or that originated 100 or more home purchase loans in the preceding calendar year.

The instructions to the HMDA loan application register (HMDA-LAR) direct lenders to use the MSA boundaries that are in effect on January 1 of the calendar year covered by the data. On December 28, 1992, the Office of Management and Budget (OMB) issued a revised list of metropolitan areas, having redefined their boundaries based on changes in population and economic patterns revealed in the 1990 decennial census. Given that OMB's designations were issued before year-end 1992, lenders covered by HMDA ordinarily would be required to use the new designations beginning on January 1, 1993.

The Federal Reserve Board has decided to delay implementing the numerous boundary changes in OMB's new MSA designations until calendar year 1994 because of the general difficulty that lenders

would have in doing so for 1993 in a timely and orderly fashion. Because of the need to provide guidance to lenders as quickly as possible, this Board action is being taken without notice and comment rulemaking.

This delayed implementation of reporting and coverage requirements will reduce the overall compliance burden for lenders. Many lenders use software packages that have built-in edit-checks to help catch erroneous entries by identifying all "valid" codes for counties and census tracts located in MSAs. The HMDA software developed and distributed by the FFIEC is among those that incorporate these edit-checks.

The software already distributed by the agencies for lenders to use in the geocoding of 1993 loan activity does not reflect the revised MSA designations. Comparable software packages provided by vendors also may not reflect the new boundaries. Modifying and replacing geocoding software is a costly and time-consuming process. Moreover, lenders and appraisers who rely on census tract maps for geocoding purposes would face difficulties in obtaining the necessary information from the Government Printing Office as quickly as they need it.

Given the importance of data quality in the collection and reporting of HMDA data, the Board believes it is necessary to provide adequate time for lenders to implement the required changes to ensure that data are accurate and complete. When the regulatory provision was first enacted, geocoding typically was done at year-end. Covered lenders are now encouraged (and in the

case of one agency are required) to geocode as loan and application information is entered in the HMDA-LAR. It would be difficult for lenders to obtain the necessary information to begin coding immediately, and inefficient to delay coding until the information became available.

The new MSA designations also affect lenders who were previously exempt from HMDA because they did not have an office in an MSA. Under HMDA, an institution with an office in a newly-designated MSA on December 31, 1992, would be required to begin collecting data on January 1, 1993. Because the HMDA data collected and compiled by lenders for 1993 will be based on previous MSA designations and not the newly-designated boundaries, the Board sees little purpose in covering for 1993 institutions whose coverage came about as a result of the new designations. These institutions will be required to collect data beginning January 1, 1994. This delay in coverage applies only in regard to newly designated areas. Institutions that established or acquired offices during calendar year 1992 in other MSAs are required to comply beginning January 1, 1993.

By order of the Board of Governors of the Federal Reserve System, January 19, 1992.

(Signed)

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William W. Wiles  
Secretary of the Board