



FEDERAL RESERVE BANK  
OF DALLAS

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

March 17, 1993

DALLAS, TEXAS 75222

Notice 93-35

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

**SUBJECT**

**Final Rule Amending Regulation C  
(Home Mortgage Disclosure)**

**DETAILS**

The Federal Reserve Board has published a final rule to amend Regulation C (Home Mortgage Disclosure) to carry out the provisions of the Housing and Community Development Act of 1992.

The act contains amendments to HMDA, which requires financial institutions to make their loan application register data available to the public beginning March 31, 1993. This register must be modified in accordance with Board regulations before release to the public.

The act also requires institutions to make their disclosure statement available to the public within three business days of receiving it from the Federal Financial Institutions Examinations Council. Currently, they have 30 days to do so.

The revised rules will apply beginning with loan and application data collected for calendar year 1992. The new rule became effective March 1, 1993.

**ATTACHMENT**

A copy of the Board's notice (Federal Reserve System Docket No. R-0789) 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 press release



For immediate release

March 2, 1993

The Federal Reserve Board today published a final rule to amend Regulation C (Home Mortgage Disclosure) to carry out provisions of the Housing and Community Development Act of 1992.

That act contains amendments to HMDA that require financial institutions to make their loan application register data available to the public beginning March 31, 1993. This register must be modified in accordance with Board regulations before release to the public.

The act also requires institutions to make their disclosure statement available to the public within three business days of receiving it from the Federal Financial Institutions Examinations Council. Currently, they have 30 days to do so.

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The Board's notice is attached.

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Attachment

# **FEDERAL RESERVE SYSTEM**

## **12 CFR Part 203**

**[Regulation C; Docket No. R-0789]**

### **Home Mortgage Disclosure**

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

**ACTION:** Final rule.

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**SUMMARY:** The Board is publishing a final rule to amend Regulation C, which implements the Home Mortgage Disclosure Act (HMDA), to incorporate new statutory provisions. The Housing and Community Development Act of 1992 contains amendments to HMDA that require financial institutions to make their loan application register data available to the public beginning March 31, 1993; the register must be modified in accordance with Board regulations before release to the public. The act also requires institutions to make their disclosure statement -- as compiled by the Federal Financial Institutions Examination Council later in the year -- available to the public within three business days of receiving it from the Examination Council; they currently have 30 days to do so.

**EFFECTIVE DATE:** March 1, 1993. The revised rules apply to the disclosure of the loan and application data collected for calendar year 1992.

**FOR FURTHER INFORMATION CONTACT:** Jane Jensen Gell or W. Kurt Schumacher, Staff Attorneys, or John C. Wood, Senior Attorney, 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:**

### **(1) Background**

The Home Mortgage Disclosure Act (HMDA) requires certain depository and nondepository mortgage lenders that have offices in metropolitan areas to disclose their housing-related lending activity each year. The Housing and Community Development Act of 1992 (Pub. L. 102-550, 106 Stat. 3672) amended HMDA in several respects.

The statutory amendments require institutions to make a modified version of their loan application register, modified in accordance with Board regulations, available in response to requests from the public. The requirement applies beginning with data submitted for the 1992 calendar year. Institutions will have a 30-day period in which to respond. The modified registers for 1992 must be available by March 31 for requests received on or before March 1, 1993, and within 30 days for requests made after March 1. The amendments direct the Board to specify deletions or modifications from institutions' registers to protect the privacy interests of applicants and borrowers, and to protect institutions from liability under federal or state privacy laws.

The statutory revisions also amend HMDA to require institutions to make their mortgage loan disclosure statements publicly available, upon request, within three business days after receiving them from the Federal Financial Institutions Examination Council (FFIEC) later this year. Regulation C previously required financial institutions to make their disclosure statements publicly available no later than 30 calendar days after they received them from the FFIEC.

The statutory provisions also address the time periods within which the federal supervisory agencies must complete processing the HMDA data for 1993 and subsequent years so that disclosure statements and aggregate tables can be made available to the public. For HMDA data

collected in 1993, disclosure statements must be available before September 1, 1994. The aggregate data that are compiled by the FFIEC for each metropolitan area are to be available (in central data depositories) before December 1, 1994. For data collected in 1994 and subsequent years, the statute directs the federal supervisory agencies to make every effort to ensure that disclosure statements are available before July 1 (and that aggregate disclosure reports before September 1) following the year for which the data are compiled.

In January 1993 the Board published a proposal to implement these amendments (58 FR 31, January 4, 1993). The Board received 85 comment letters on its proposal. After review of these comments and upon further analysis, the Board has adopted a final rule.

## **(2) Summary of Regulatory Amendments**

The following material discusses the amendments to Regulation C section by section.

### **Section 203.5 Disclosure and Reporting**

#### **Section 203.5(a) Reporting to Agency**

As revised, this section requires institutions to retain copies of their complete loan application register for a minimum of three years, instead of two years. This change is consistent with the statute.

#### **Section 203.5(b) Public Disclosure of Statement**

The amended statute requires an institution to make its disclosure statement publicly available, upon request, no later than three business days after its receipt from the FFIEC. Although many commenters believed that three business days is not sufficient time in which to ensure public availability, the statutory language requires the adoption of this rule in lieu of the 30 calendar days previously allowed. The Board proposed applying this three-business-day rule only to disclosures made available at an institution's home office. Lenders also must make statements available in at least one branch office in each additional MSA where they have

physical offices, regarding loan activity for that MSA. However, because institutions receive only one set of disclosures and must produce copies for public release and for their own use, the Board proposed allowing 10 business days for availability at branch offices.

Based on review of the comments and its own analysis, the Board believes that it is reasonable to allow the longer time period for availability of disclosure statements at branch offices. Commenters representing several large institutions (with disclosure statements between 6,000 and 8,000 pages long) stated that applying a three-business day rule to availability at branch offices would be extremely difficult, because of the number of pages to be duplicated and distributed. Smaller institutions also voiced concerns with a three-business day requirement, due to limited staff and resources. Moreover, community organizations and other members of the public are likely to want an institution's full disclosure statements, which lenders may but are not required to make available at branch offices. For this reason, most requests may in any event be directed to the home office.

#### **Section 203.5(c) Public Disclosure of Loan Application Register**

The statutory revisions require institutions to make their loan application registers available to the public upon request, modified to protect the privacy interests of applicants and borrowers and to protect institutions from liability under federal or state privacy laws. The statute specifies three items to be deleted -- application or loan number, date application received, and date of action taken. The Board's rule conforms to this provision.

Under the final rule, an institution must make its modified register available to the public at its home office beginning March 31, 1993. They will have the option of preparing a modified loan application register for public disclosure prior to receiving a request for the data. Alternatively, they may wait until they actually receive a request, as long as they are able to make necessary modifications in time to meet the 30-calendar-day requirement.

**Section 203.5(d) Availability of Data**

In keeping with the statutory changes, this section requires institutions to retain modified loan application register information and to make it publicly available for a period of three years.

The Board has incorporated statutory language regarding the imposition of fees by an institution. The final rule makes clear that institutions may impose a reasonable fee for any cost incurred in providing or reproducing the modified loan application register or the disclosure statement.

**Section 203.5(e) Notice of availability**

Given the fact that there is no required or model language for the lobby notice that institutions must display at home and branch offices, the Board has not modified this section. However, if they so desire, institutions are free to modify the notice to reflect the fact that the modified loan application register data will be available to the public.

**Appendix A to part 203 -- Form and Instructions for Completion of HMDA**

**Loan/Application Register**

**III. Submission of HMDA-LAR and Public Release of Data**

**D. Availability of disclosure statement.**

The instructions incorporate the new rule that an institution must make its disclosure statement available at its home office within three business days of receiving it from the FFIEC. The Board has also specified that disclosure statements must be made available in at least one branch office in each additional MSA within ten business days after receipt from the FFIEC. In the proposal, the Board solicited comment on whether the rule could state that copies of disclosure statements must be made available at a branch office within ten business days or within a "reasonable time". The majority of commenters who addressed the issue stated that they would need additional time to ensure availability at branch offices and favored a precise rule to provide

certainty.

Most commenters believed that ten business days was an insufficient time for delivery at the branch offices. Many requested that the Board retain the previous 30-calendar-day rule, and a few believed that no fewer than 15 business days would be necessary for them to reproduce and deliver the required copies. Other commenters, however, objected to allowing longer than three business days for disclosure at branch offices. The Board considered all of these views. Given the clear Congressional intent to require availability without undue delay, but at the same time seeking to minimize costs and burdens associated with disclosure, the Board has retained the ten-business-day rule for the disclosure statements at an institution's branch offices. Finally, in the interest of certainty the Board has defined "business day."

**E. Availability of modified loan application register.**

Paragraph 1 specifies the deletions that an institution must make to its register to protect the privacy interests of applicants and borrowers. These deletions conform to the amended statute, and correspond to those that the FFIEC removes in creating the public tapes of the edited raw data that it makes available.

**F. Location and format of disclosed data.**

The statutory amendments strongly encourage institutions to make their modified register data available in census tract order. They allow the public release of this information (and of disclosure statements) in any media -- including hard copy or in automated form -- that is not prohibited by the Board. The statute makes clear that aside from the specified deletions, institutions are not required to change the format of the data from that used by institutions to internally maintain this information. However, the Board strongly encourages institutions, when feasible, to provide these data in the format requested by the public and in census tract order.



The agencies make free software available to covered institutions for collecting and maintaining their data. To facilitate compliance with the disclosure requirement in future years, the software for use in collecting and reporting 1993 data allows institutions to produce modified loan application registers suitable for public release; it deletes the applicable fields to protect the privacy interests of applicants and borrowers. The software does not sort the data by census tract, however. Plans are under way to add this sorting feature to the software version that will be available for data collection in 1994. (Software developed by some private vendors may already offer this capability.)

The revisions to HMDA require a clear and conspicuous notice on disclosure statements that they are subject to final review and revision, if necessary. Given that the FFIEC compiles the disclosure statements of financial institutions for public release by the institutions, the FFIEC plans to add this notice to the disclosure statements, thus eliminating the need for financial institutions to supply the notice.

Several commenters suggested that a similar notice should be provided on the modified loan application registers released by financial institutions, which too are subject to review and revision. Institutions may provide such a notice on the modified registers, if they wish.

### **(3) Regulatory Flexibility Analysis**

HMDA does not cover small depository institutions (those with assets of \$10 million or less), or small nondepository mortgage lenders (those with fewer than 100 home purchase loan originations and assets of \$10 million or less). HMDA also exempts from coverage institutions that have neither a home nor a branch office in an MSA. Covered institutions must provide their loan/application registers to their supervisory agencies by March 1 for the preceding calendar year. Under this final rule, they are now also required to make a modified version of their register available to the public in the manner specified by the Board. Additionally, institutions

must now make their disclosure statements available at home offices within 3 business days of their receipt (and at branch offices, within 10 business day of receipt). Any incremental burdens associated with this final rule result from these statutory requirements. Small financial institutions will likely have fewer modifications to make to their registers, and less lengthy registers and disclosure statements to make publicly available (based on their fewer numbers of reportable transactions). This rule is therefore not expected to have a significant impact on the costs of small institutions.

#### **(4) Paperwork Reduction Act**

In accordance with section 3507 of the Paperwork Reduction Act of 1980 (44 U.S.C. ch. 35; 5 CFR 1320.13), these revisions have been reviewed by the Board, under the authority delegated to the Board by the Office of Management and Budget, after consideration of the comments received during the public comment period. The final rule's requirements do not exceed those of the statute. Where appropriate, steps have been taken to minimize any increase in burden caused by the implementation of the statute.

#### **List of Subjects in 12 CFR Part 203**

Banks, banking, Federal Reserve System, Mortgages, Reporting and recordkeeping requirements.

For the reasons set forth in the preamble, the Board is amending 12 CFR part 203 as follows. The Board is publishing only those sections of the regulation and instructions that are affected by the changes.

#### **PART 203 -- HOME MORTGAGE DISCLOSURE**

##### **1. The authority citation for part 203 continues to read as follows:**

Authority: 12 U.S.C. 2801-2810.

**2. Section 203.5 is amended by redesignating paragraphs (c) and (d) as (d) and (e), by adding a new paragraph (c), and by revising paragraphs (a) through (e) to read as follows:**

**§ 203.5 Disclosure and reporting.**

(a) Reporting to agency. By March 1 following the calendar year for which the loan data are compiled, a financial institution shall send two copies of its complete loan application register (if submitted in paper form) to the agency office specified in appendix A of this regulation, and shall retain a copy for its records for a period of not less than three years. A financial institution need only submit one copy when the submission is on computer tape or diskette.

(b) Public disclosure of statement. A financial institution shall make its mortgage loan disclosure statement (to be prepared by the Federal Financial Institutions Examination Council) available to the public at its home office no later than three business days after receiving it from the Examination Council. A financial institution shall also make its disclosure statement available to the public within ten business days in at least one branch office in each additional MSA where it has offices. The disclosure statement at a branch office need only contain data relating to properties in the MSA where the branch office is located.

(c) Public disclosure of loan application register. A financial institution shall make its loan application register available to the public after modifying it in accordance with appendix A. An institution shall make its modified register available following the calendar year for which the data are compiled, by March 31 for a request received on or before March 1, and within 30 days for a request received after March 1. The modified register made available at a branch office need only contain data relating to properties in the MSA where the branch office is located.

(d) Availability of data. A financial institution shall make its modified register available to the public for a period of three years and its disclosure statement available for a period of five years. An institution shall make the data available for inspection and copying during the hours the office is normally open to the public for business. It may impose a reasonable fee for any cost incurred in providing or reproducing the data.

(e) Notice of availability. A financial institution shall post a general notice about the availability of its disclosure statement in the lobbies of its home office and any physical branch offices located in an MSA. Upon request, it shall promptly provide the location of the institution's offices where the statement is available. At its option, an institution may include the location in its notice.

**3. Appendix A to part 203 is amended by revising the heading of section III., by revising section III.D., and by adding new sections III.E., F., and G., to read as follows:**

**Appendix A to Part 203 -- Form and Instructions for Completion of HMDA**

**Loan/Application Register**

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**III. Submission of HMDA-LAR and Public Release of Data**

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D. Availability of disclosure statement. The Federal Financial Institutions Examination Council (FFIEC) will prepare a disclosure statement from the data you submit. Your disclosure statement will be returned to the name and address indicated on the transmittal sheet. Within three business days of receiving the disclosure statement, you must make a copy available at your home office for inspection by the public. You also must make the disclosure statement available, within ten business days after receiving it from the FFIEC, in at least one branch office in each additional MSA where you have physical offices. For these purposes, a business

day is any calendar day other than a Saturday, Sunday, or legal public holiday.

**E. Availability of modified loan application register.**

1. To protect the privacy of applicants and borrowers, an institution must modify its loan application register by removing the following information before releasing it to the public: the application or loan number, date application received, and date of action taken.

2. A financial institution must make its modified register available following the calendar year for which the data are compiled, by March 31 for a request received on or before March 1, and within 30 days for a request received after March 1.

**F. Location and format of disclosed data.** A financial institution must make a complete copy of its disclosure statement and modified register available to the public at its home office. Institutions may make these data available in hard copy or in automated form (such as by floppy disk or computer tape). Although you are not required to make the modified loan application register available in census-tract order, you are strongly encouraged to do so in order to enhance its utility to users. If you have physical branch offices in other MSAs, you must make available, in at least one branch office in each of those MSAs, either a complete copy of the disclosure statement or the portion of it that relates to properties in that MSA. Similarly, a modified register at a branch office need only reflect data concerning properties within the MSA where the branch is located.

You are not required to prepare a modified loan application register in advance of receiving a request from the public for this information, but must be able to respond to a request within 30 days.

**G. Posters.** Your agency can provide you with HMDA posters that you can use to inform the public of the availability of your disclosure statement, or you may print your own posters.

By order of the Board of Governors of the Federal Reserve System, March 3, 1993

(signed) William W. Wiles

William W. Wiles,  
Secretary of the Board.