FEDERAL RESERVE BANK
OF NEW YORK

[Circular No. 7854
April 7, 1976]

# Proposed New Regulation C

## Implementing the Home Mortgage Disclosure Act of 1975

*To All Institutions That Will be Subject to the Home Mortgage Disclosure Act of 1975, and Others Concerned, in the Second Federal Reserve District:*

Printed below is the text of a statement issued March 26 by the Board of Governors of the Federal Reserve System, proposing a new regulation—Regulation C—to implement the provisions of the Home Mortgage Disclosure Act of 1975.

The Board of Governors of the Federal Reserve System today proposed for public comment a new regulation to implement the Home Mortgage Disclosure Act of 1975—which requires disclosure of mortgage lending by geographic areas.

The Board scheduled a hearing on its proposal for April 22. It will accept comment in writing through May 3. The Act goes into effect June 28, 1976.

In issuing the draft regulation the Board urged the public to comment not only on provisions they believe should be changed or added, but also on provisions they believe should remain in the regulation.

The Board's proposed new Regulation C would require institutions that are subject to the Act to disclose publicly where their mortgage loans are made. The Act grew out of allegations that there are mortgage credit shortages in some parts of large urban areas. The Act and the regulation specify that nothing in them is meant to encourage unsound lending practices or the allocation of credit.

Depository institutions subject to the Act are those with $10 million or more in assets, that have offices in principal metropolitan areas ("standard metropolitan statistical areas"—SMSAs) and that are Federally insured or regulated. The regulation will affect an estimated 4,400 commercial banks, 3,000 savings and loan associations, 470 mutual savings banks and 600 credit unions.

The Act defines depository institutions as commercial banks, savings banks, savings and loan associations, building and loan associations or homestead associations (including cooperative banks), and credit unions.

The principal provisions of the proposed new regulation are:

—Designation of the mortgage loan information to be disclosed.

—Directions for determining what mortgage loan information should be reported by census tract and what should be reported by zip code.

—A sample form, suggesting how required data may be reported.

—Establishment of procedures to be followed by State-chartered depository institutions seeking exemption from the Act.

The data to be disclosed are to be made available at lending institutions subject to the Act. Information to be disclosed includes the following:

—Loans on one-to-four family residences and on family residences of more than four units;

—Loans on individual units of cooperatives and condominiums;

—Secured and unsecured home improvement loans.

Junior mortgages as well as first mortgage loans would be covered, as would participating interests in mortgage loans (to the extent of the participation). Refinancing of a mortgage loan would be covered, but extension of the maturity of a mortgage would not. No temporary financing, such as construction loans, would be included.

Under the Act, the proposed regulation would require the breakdown of the disclosed mortgage loan information into two main categories and several classes under each main category. These are:

(A) Loans made originally by the depository institution.

(B) Loans originated by another institution but purchased by the depository institution.

Within each of these categories data would be divided according to loans on property located within the SMSAs where the headquarters or branches of depository mortgage lenders are located, and

loans outside those SMSAs. In each case the following itemizations of information would be made for loans on one-to-four family residences:

1. Loans insured or guaranteed by the Federal Housing Administration, the Veterans Administration and Farmers Home Administration.
2. Conventional mortgage loans.
3. Home improvement loans.

The lender would also be required to indicate mortgage loans on one-to-four family residences made to borrowers who did not, at the time of execution of the mortgage, intend to live in the mortgaged residence.

To implement a further provision of the Act, the Board proposed that as a general rule, mortgage loan disclosures on properties within SMSAs where the lender is headquartered or has a branch be itemized according to the census tract in which the property is located. However, in certain limited circumstances reporting by zip code would be permissible. Loans on properties not located in SMSAs where the lender has an office would be reported but not itemized either by census tract or zip code.

A census tract is a small geographical territory, containing about 4,000 inhabitants into which counties in SMSAs have been divided for purposes of statistical analysis. Census tracts are laid out with the objective of achieving some uniformity of population characteristics and economic status.

On the basis of the 1970 census, the Census Bureau has issued a series entitled "1970 Census Population and Housing: Census Tracts, Final Reports/PHC(1) Series". This contains tract maps for every portion of all the SMSAs designated at that time and for some adjacent areas. Since 1970, the Office of Management and Budget of the White House has redefined many SMSAs and added others. Tract maps for the new or redefined SMSAs are readily available only to the extent they appear on the PHC(1) series of 1970.

Consequently, the Board proposed:

1. To determine if it is subject to the Act, an institution would refer to currently designated SMSAs.
2. Institutions subject to the Act would determine if itemization by census tract would be required by referring to the 1970 census tract data.
3. Loans in areas not then included in census tracts would be itemized by zip code areas.

The Board will make available, through the Board and Reserve Banks, a list of currently defined SMSAs showing portions for which census tract itemization would be required.

The Board also proposed to permit use of zip code itemization in *initial* disclosure statements for full fiscal years ending before July 1, 1976, (as well as for any portion of the current fiscal year if a disclosure statement for that period is made available by August 31, 1976).

These proposed provisions are intended to give institutions subject to the Act an opportunity to begin keeping a record of mortgage loan by census tract, before the loans must be reported in that way. To code 1975 loans by census tract would be burdensome and difficult, and could result in an unacceptable degree of inaccuracies. Also, a transition period is needed to give time for distribution of census tract maps and materials for converting street addresses to census tracts, and for computer programming and training personnel.

For fiscal years ending by June 30, 1976, where zip code itemization would be permitted, mortgage loan disclosure statements would be due by August 31, 1976. Later year statements, relating loans to census tracts, would be due within 90 days after the end of the fiscal year. For fiscal years straddling June 30, 1976, reporting dates would differ according to whether reporting is done by zip code or by census tract.

Complete mortgage loan data would be made available at the home office of each institution subject to the Act. In addition, at least one branch office in each SMSA would be required to make available mortgage loan data on properties located in that SMSA.

The Act authorizes the Board to grant exemptions to State-chartered depositories subject to local mortgage disclosure laws that are substantially similar to the requirements imposed under the Act. Under the Board's proposed regulation, an application for an exemption may be filed by the State or by an affected depository institution, under procedures similar to those for determining such exemptions from the Board's Regulation Z, implementing the Truth in Lending Act.

The Home Mortgage Disclosure Act makes the Board responsible for writing a regulation to implement it. The regulation is to be enforced by the Board, the other Federal bank regulatory agencies, the Federal Home Loan Bank Board and the Administrator of the National Credit Union Administration.

Printed on the following pages is the text of the proposed regulation. Comments thereon should be submitted by May 3, and may be sent to our Bank Regulations Department.

Additional copies of this circular will be furnished upon request. A list of Standard Metropolitan Statistical Areas will also be furnished upon request.

PAUL A. VOLCKER,
*President.*

FEDERAL RESERVE SYSTEM

Board of Governors of the Federal Reserve System

[12 CFR Part 203]

HOME MORTGAGE DISCLOSURE ACT OF 1975

Notice of Proposed Rulemaking

[Docket No. R-0029]

The Board of Governors of the Federal Reserve System is proposing for comment regulations to implement the Home Mortgage Disclosure Act of 1975 (Title III of Pub. L. 94-200; 89 Stat. 1125 et seq.) (hereinafter referred to as "the Act"), which requires the disclosure of mortgage loan data by depository institutions located in standard metropolitan statistical areas that make federally related mortgage loans as determined by the Board. Among other things, the proposed regulations describe the mortgage loan data to be disclosed, indicate the extent to which such data are to be itemized by census tracts or ZIP codes, suggest a guideline mortgage disclosure statement form, specify the dates by which mortgage loan disclosure statements are to be made available to the public, and establish procedures to be followed by State-chartered depository institutions seeking an exemption from the Act.

Institutions subject to the Act. - The Act applies to depository institutions (with assets of more than $10 million) that have home or branch offices in standard metropolitan statistical areas ("SMSAs") and that make "federally related mortgage loans." The term "depository institution" is defined in the Act to mean "any commercial bank,

savings bank, savings and loan association, building and loan association, or homestead association (including cooperative banks), or credit union." Under the proposals, any majority-owned subsidiary of a depository institution would be considered to be part of the depository institution with the result that mortgage loans originated or purchased by such subsidiary would be included in the depository institution's mortgage loan disclosure statement.

Standard metropolitan statistical areas are defined and redefined from time to time by the Office of Management and Budget of the United States Government in terms of entire counties (or independent cities) everywhere except New England where they are defined in terms of cities and towns. As of March 22, 1976, there were 276 SMSAs (including four in Puerto Rico). The OMB definitions in effect on June 28, 1976, will determine which depository institutions are subject to the Act on that date. If a depository institution is not subject to the Act on that date because it is not in a SMSA but the area in which it is located is subsequently designated as a new SMSA or as an addition to an existing SMSA, the depository institution will become subject to the Act (assuming it has assets of more than $10,000,000) on the effective date of the OMB changes; it would be treated the same as a depository institution that is subject to the Act on June 28, 1976, to the extent that its first mortgage loan disclosure statement would relate to its previous fiscal year and itemization of the data where required would be by ZIP codes.

The Act authorizes the Board to determine what are "federally related mortgage loans," and the Board proposes to adopt essentially the definition of that term in the Real Estate Settlement Procedures Act of 1974, as set forth in the proposed regulations. The result would be that every depository institution (with assets of more than $10,000,000) located in a SMSA would be subject to the Act if (i) it makes first lien mortgage loans on one- to four-family residences and (ii) it is federally insured or regulated, or originates loans that are insured or guaranteed by HUD or are intended to be sold to FNMA, GNMA, or the FHLMC.

Mortgage loan data to be disclosed. - Depository institutions subject to the Act would be required to disclose aggregate mortgage loan data in terms of number of loans and total dollar amounts with respect to all mortgage loans ("federally related" and otherwise) that they originate or purchase each year (beginning with the last full fiscal year of the institution prior to July 1, 1976). The term "mortgage loan" is defined in the Act to mean "a loan which is secured by residential real property or a home improvement loan." As the Board proposes to implement this definition, mortgage loan data would include loans on single-family homes, residences for from one to four families, and multi-family dwellings (i.e., residences for more than four families); loans on individual units of condominiums and cooperatives; and both secured and unsecured home improvement loans. Junior mortgages as well as senior mortgages would be covered, and a participating interest in specific mortgage loans would be disclosed to the extent of the participation.

An extension of the maturity of such loans would not be treated as a new loan made at the time of the extension, but a refinancing of a mortgage loan involving an increase in the unpaid principal amount would be treated as a new mortgage loan (in the full amount of the loan) made at the time of the refinancing. Neither temporary financing, such as construction loans, nor investments in pools of mortgages would be included in the mortgage loan data required to be disclosed. Loans on mobile homes would also not be included.

Breakdowns of required mortgage loan data. - The Act requires that mortgage loan data be divided into two categories: (A) originations (i.e., loans originally made by the depository institution) and (B) purchased loans. Within each of these categories, the data must be segregated between loans on property located within the relevant SMSA (i.e., the SMSA where a home or branch office is located) and loans on property located outside the relevant SMSA; and each of these segregations must be itemized to show the number of loans and total dollar amounts of: (1) mortgage loans which are insured under Title II of the National Housing Act (commonly referred to as "FHA loans") or under Title V of the Housing Act of 1949 (commonly referred to as FmHA loans") or which are guaranteed under Chapter 37 of Title 38, United States Code (commonly referred to as "VA loans"); (2) mortgage loans made to mortgagors who did

not, at the time of execution of the particular mortgage, intend to reside in the property securing the mortgage loan; and (3) home improvement loans. The Board proposes to implement these statutory itemizations by requiring that data regarding loans on multi-family dwellings (i.e., residences for more than four families) be separately itemized, and this multi-family dwelling itemization would not be subdivided into FHA, FmHA, VA or home improvement loans or loans to non-occupants. The Board believes that this approach would make the data more meaningful to the public, ease the reporting burden on depository institutions, and be consistent with Congressional intent.

To permit classification of the data with the required breakdowns where necessary information may be unavailable, the Board proposes (1) not to require inclusion of loans that were (i) both originated and sold or (ii) both purchased and sold during a full fiscal year ending prior to July 1, 1976; and (2) to establish a presumption, to be relied upon only if the records of the depository institution do not contain information to the contrary, that a loan originated prior to June 28, 1976, or purchased at any time, was made to a mortgagor who intended, at the time of execution of the mortgage, to reside in the property securing the mortgage, if such property is a residential dwelling used or to be used by from one to four families.

To assist in the understanding of the preparation of disclosure statements, the Board is proposing a form to be used as a guideline (which is included below in this notice). Variations in the format are permissible provided that the kind of detailed data required by the proposals are clearly and conspicuously disclosed in the mortgage loan disclosure statement. For example, the order of the columns may be rearranged or each of the columns (i.e., total mortgage loans, home improvement loans, etc.) may be stated as separate schedules; or greater detail than that required may be provided by dividing the "FHA, FmHA, or VA loans" column into separate columns for FHA loans, FmHA loans, and VA loans. Nothing in the proposed regulations is intended to preclude a depository institution from disclosing additional mortgage loan data, provided that any such additional data are stated separately from required data.

To illustrate the operation of these requirements with respect to a depository institution that operates in more than one SMSA, let it be assumed that the home office and the only branch offices of a California bank are located in Los Angeles-Long Beach (a SMSA), San Francisco-Oakland (a SMSA), and Eureka (not a SMSA). The location of the property, not the location of the office initiating the loan, determines how the loan is to be reflected in the mortgage loan disclosure statement. Loans made by the bank (through any of its offices, including the Eureka office) on property in Los Angeles-Long Beach

would be reflected on the disclosure statement in the part pertaining to "mortgage loan data relating to residential real property located within the relevant SMSA," and the relevant SMSA in this case would be identified as Los Angeles-Long Beach. Loans made by the bank on property in San Francisco-Oakland would be grouped separately from the Los Angeles Long Beach property loans; they would also be reflected as "mortgage loan data relating to residential real property located within the relevant SMSA," but, in this case, the relevant SMSA would be identified as San Francisco-Oakland. (Presumably, the bank would use separate pages in the disclosure statement for each SMSA.) Loans made by the bank (through any of its offices) on property located anywhere other than Los Angeles-Long Beach or San Francisco-Oakland (such as in Eureka or any other place in or outside the State) would be reflected in the disclosure statement as "mortgage loan data relating to residential real property located outside the relevant SMSA (or SMSAs)."

Itemization by census tracts or ZIP codes. - Pursuant to section 304 of the Act, itemized mortgage loan data relating to residential real property located within the relevant SMSA must be further itemized "by census tracts, where readily available at a reasonable cost, as determined by the Board, otherwise by ZIP code." Since passage of the Act, the Board has been gathering information on the cost and availability of census tract maps, and directories and computer programs for

matching addresses to census tracts. On the basis of information obtained to date, the Board proposes to require generally that the further itemization of mortgage loan data required by the Act be by census tracts, as discussed below.

On the basis of data gathered in the 1970 Census, the Bureau of the Census prepared a series entitled "1970 Census of Population and Housing: CENSUS TRACTS, Final Reports, PHC(1) Series" that contains tract maps for every portion of all the SMSAs defined at that time and for selected areas adjacent to such SMSAs. Since the preparation of that series, OMB has redefined many of the SMSAs listed in that series to include additional areas and has defined a number of new SMSAs. Tract maps for areas added to SMSAs since the PHC(1) series was prepared and for areas newly defined as SMSAs are readily available only to the extent that they appear on the maps in the PHC(1) series.

To implement section 304 of the Act, the Board proposes the following approach:

(1) For the purpose of determining whether it is subject to the Act, a depository institution refers to the currently defined SMSAs.

(2) If an institution is subject to the Act, the PHC(1) series is the reference point to determine to what extent itemization by census tracts is required. Loans on property located in an area that is tracted in that series as a portion of the then-defined SMSAs or as a selected area adjacent to such SMSAs must be itemized by census tracts. If a portion of a currently defined SMSA is not tracted in that series, loans on property in that portion may be itemized, instead, by ZIP codes. (For the convenience of depository institutions, the Board is making available (through its own offices and through the Federal Reserve Banks) a list of currently defined SMSAs delineating the portions thereof for which census tract itemization would be required and indicating in which PHC(1) series report the tracts of those portions are mapped.)

(3) If new areas are added to the relevant SMSA after the first day of the fiscal year for which the disclosure statement is being prepared, loans on property within that added area would be deemed to be loans on property outside the relevant SMSA and would not have to be itemized by census tracts or ZIP codes. (Of course, the disclosure statement for the following fiscal year would be based on the expanded SMSA.)

To illustrate the operation of these provisions, the following examples are furnished (and are based on the assumption that no changes in SMSA definitions will be made before June 28, 1976):

(1) Chicago, IL SMSA is currently defined as comprising Cook, Du Page, Kane, Lake, McHenry, and Will Counties and is so defined in the PHC(1) series. Depository institutions in the Chicago SMSA would itemize by census tracts all their mortgage loans on property in that SMSA.

(2) Charleston, WV SMSA is currently defined as comprising Kanawha County and Putnam County. It is defined in the PHC(1) series as comprising only Kanawha County, and Putnam County is not tracted in that series. A depository institution in the Charleston SMSA would itemize its mortgage loans on property in Kanawha County by census tracts and loans on property in Putnam County by ZIP codes.

(3) Salt Lake City-Ogden UT SMSA is currently defined as comprising Davis, Salt Lake, Tooele, and Weber Counties. In the PHC(1) series, Salt Lake City, UT SMSA is defined as comprising Salt Lake and Davis Counties; Ogden, UT SMSA is defined as comprising Weber County; and Tooele County is not tracted in the series. A depository institution located in the Salt Lake City-Ogden SMSA would itemize its mortgage loans on property in Tooele County by ZIP codes and loans on property in the other three counties by census tracts utilizing the PHC(1) series maps for Salt Lake City in the case of Salt Lake and Davis Counties and the PHC(1) series maps for Ogden in the case of Weber County.

(4) Nassau-Suffolk, NY SMSA is currently defined as comprising Nassau and Suffolk Counties. It is not defined as a SMSA in the PHC(1) series; but both of the component counties are tracted in the series

as portions of the New York, NY SMSA. Depository institutions in the Nassau-Suffolk SMSA must itemize all their mortgage loans on property in that SMSA by census tracts.

(5) Florence, AL SMSA is currently defined as comprising Colbert and Lauderdale Counties. It is not defined as a SMSA in the PHC(1) series; and neither of the component counties is tracted in the series. Depository institutions in the Florence SMSA would itemize their mortgage loans on property in that SMSA by ZIP codes.

The PHC(1) series reports containing the tract maps may be ordered through the U. S. Government Printing Office at prices ranging from $.45 to $12.75,(with 97 per cent of the reports priced at less than $4.00). There has been some difficulty in the past in obtaining the reports for certain SMSAs. To assure that maps will be available, the Bureau of the Census has undertaken to become another public source of the maps at a similar price range. (Inquiries should be addressed to Customer Services Branch, Data User Services Division, Bureau of the Census, Washington, D.C. 20233.) Census block maps, providing greater geographical detail for urbanized core areas of SMSAs, may also be ordered through the Government Printing Office or the Bureau of the Census . There are also commercial firms that produce the maps, frequently with special overlay features, including at least one company that publishes an atlas for all SMSAs.

Materials are available for use in conjunction with census tract maps that will facilitate itemization of loans by census tracts for each SMSA. The Census Bureau provides address coding guides for matching street addresses to census tracts (at $65 per reel to produce a printed copy and $80 per reel of computer tape). Directories similar to ZIP code directories may be available for this purpose from some local governmental agencies or from commercial firms. In addition, there are data processing firms in the business of furnishing computer services for automatically matching addresses to census tracts.

The Board proposes, however, to permit ZIP code itemization, rather than census tract itemization, in all cases with respect to the initial mortgage loan disclosure statement relating to full fiscal years ending prior to July 1, 1976 (as well as to the portion of the current fiscal year for a period that ends on June 30, 1976, if a statement for such period is made available by August 31, 1976, and to the initial statement due from a depository institution that becomes subject to the Act in the future). The Board proposes this approach for two principal reasons:

First, the Board believes that depository institutions should be given the opportunity to record census tracts manually as loans are made (most likely, by the pinpointing of the location of the property on census tract maps by the appraiser who visits the property or an employee with the aid of the borrower). Obviously, most depository institutions have not

had the occasion to code loans by census tracts on an ongoing basis with respect to loans made in the past. To code 1975 loans manually at this time may be difficult and burdensome and result in an unacceptable degree of inaccuracy. To code 1975 loans through automated programs may require much processing of the data, thereby disproportionately increasing costs; and, in view of apparent shortcomings in such programs (e.g., certain areas of some SMSAs have not been indexed by street addresses, and many of the existing indexes need updating or correction), much of the data may have to be coded manually with the problems attendant in that procedure.

Second, time is needed to permit (1) the production of sufficient quantities of census tract maps and materials for matching street addresses to census tracts; (2) resolution of some of the shortcomings in directories and computer programs for coding loans by census tracts; (3) in the case of depository institutions that intend to code loans manually, the establishment of procedures and training of personnel to assure a high degree of accuracy in the data; and (4) in the case of depository institutions that intend to utilize automated programs, the development of adequate programs.

Dates when mortgage loan disclosure statements are due. - Since the mortgage loan disclosure statement for a fiscal year ending prior to July 1, 1976, would involve only ZIP code itemization, the Board proposes to require that such statements be made available to the public by August 31, 1976. Statements relating to later fiscal years would

be made available, under the proposals, within ninety days of the end of the relevant fiscal year. With respect to a fiscal year that straddles June 30, 1976, a partial year statement for the period of that year through June 30 would be required by August 31, 1976, if the depository institution wishes to itemize loans during that period by ZIP codes, and a separate statement for the remaining period of the fiscal year would be required within ninety days of the end of that year with itemization of loans during that remaining period by census tracts to the extent discussed above; if the depository institution does not wish to prepare separate statements for the two portions of such a straddle fiscal year, a single statement for the entire fiscal year would be required within ninety days of the end of the fiscal year with all mortgage loan data itemized by census tracts to the extent discussed above.

Offices at which mortgage loan data would be made available. - In the case of a depository institution that has offices in only one SMSA, complete mortgage loan data would be made available at the home office of the depository institution and at least at one branch office in that SMSA. In the case of a depository institution that has offices in more than one SMSA, at least one branch office in each SMSA would be required to make available the data relating to mortgage loans on property in that particular SMSA. For example, in the illustration discussed above concerning a multi-SMSA California bank, the home office would be required

to make available data on: (i) mortgage loans on property in Los Angeles-Long Beach itemized by census tracts; (ii) mortgage loans on property in San Francisco-Oakland itemized by census tracts; and (iii) mortgage loans on property located anywhere other than Los Angeles-Long Beach or San Francisco-Oakland not further itemized by census tracts or ZIP codes. A branch office of the bank in Los Angeles-Long Beach would be required to make available only the data described in (i) and (iii) in the preceding sentence; and a branch office of the bank in San Francisco-Oakland would be required to make available only the data described in (ii) and (iii) in the preceding sentence.

In the case of limited access depository institutions (such as credit unions located in restricted Government areas or in private industrial plants), provisions are proposed permitting disclosure of the data by mail or through a designated place conveniently accessible to the general public.

Procedures for obtaining State exemptions. - The Act authorizes the Board to grant exemptions for State-chartered depository institutions subject to local mortgage disclosure laws that are substantially similar to the provisions of the Act and contain adequate provisions for enforcement. There are only a few jurisdictions that presently have mortgage loan disclosure laws. Under the proposals, an application for an exemption may

be filed by the State or an affected depository institution subject to State or local mortgage disclosure laws; while that application is pending before the Board, the time for the filing of the initial mortgage loan disclosure statement would be stayed. The procedures to be followed in determini such exemptions would be similar to those followed under Regulation Z ("Truth-in-Lending") with respect to requests for exemptions for certain classes of transactions.

Pursuant to the authority granted in the Home Mortgage Disclosure Act of 1975 (Title III of Pub. L. 94-200, 89 Stat. 1125 et seq.), the Board proposes to adopt the following regulations:

1. A new Part 203 (Regulation C) would be added, as follows:

INDEX TO SECTIONS



SECTION 203.1 - AUTHORITY, SCOPE, AND ENFORCEMENT

(a) Authority and scope. - This Part comprises the regulations issued by the Board of Governors of the Federal Reserve System pursuant to the Home Mortgage Disclosure Act of 1975 (Title III of Pub. L. 94-200; 89 Stat. 1125 et seq.). This Part applies to depository institutions which make federally-related mortgage loans. Nothing in the Act or this Part is intended to, nor shall it be construed to, encourage unsound lending practices or the allocation of credit.

(b) Administrative enforcement. - As set forth more fully in sections 305 and 306 of the Act, compliance with the provisions of the Act and this Part shall be enforced by the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Board of Directors of the Federal Deposit Insurance Corporation, the Federal Home

Loan Bank Board (acting directly or through the Federal Savings and Loan Insurance Corporation), and the Administrator of the National Credit Union Administration.

SECTION 203.2 - DEFINITIONS

For the purposes of this Part, the following definitions apply unless the context indicates otherwise:

(a) "Act" means the Home Mortgage Disclosure Act of 1975 (Title III of Pub. L. 94-200; 89 Stat. 1125 et seq.).

(b) "Branch office" means any office approved as a branch of the depository institution by that depository institution's federal or State supervisory agency.

(c) "Depository institution" means any commercial bank, savings bank, savings and loan association, building and loan association, or homestead association (including cooperative banks) or credit union which makes federally related mortgage loans; and shall include any majority owned subsidiary of a depository institution.

(d) "Federally related mortgage loan" means any loan (other than temporary financing such as a construction loan) which (A) is secured by a first lien on residential real property (including individual units of condominiums and cooperatives) designed principally for the occupancy of from one to four families; and (B)(i) is made in whole or in part by a depository institution the deposits or accounts of which are insured by any

agency of the Federal Government, or is made in whole or in part by any depository institution which is regulated by any agency of the Federal Government; or (ii) is made in whole or in part, or insured, guaranteed, supplemented, or assisted in any way, by the Secretary of Housing and Urban Development or any other officer or agency of the Federal Government or under or in connection with a housing or urban development program administered by any other such officer or agency; or (iii) is intended to be sold by the depository institution that originates the loan to the Federal National Mortgage Association, the Government National Mortgage Association, the Federal Home Loan Mortgage Corporation, or a financial institution from which it is to be purchased by the Federal Home Loan Mortgage Corporation.

(e) "FHA, FmHA, or VA loans" means mortgage loans which are insured under Title II of the National Housing Act or under Title V of the Housing Act of 1949 or which are guaranteed under Chapter 37 of Title 38, United States Code.

(f) "Home improvement loan" means a loan, secured or unsecured, the proceeds of which are to be used for the purpose of repairing, rehabilitating, or remodeling an existing residential dwelling as stated by the borrower at the time of the loan transaction and as recorded on the books of the depository institution.

(g) "Mortgage loan" means a loan which is secured by residential real property or a home improvement loan; and shall include (i) a refinancing

of an existing loan involving an increase in the outstanding balance of the principal due, and (ii) a loan secured by a junior lien undertaken for any purpose (such as financing of a college education), but shall not include (i) temporary financing (such as a construction loan), or (ii) purchase of an interest in a pool of mortgage loans (such as mortgage participation certificates issued by the Federal Home Loan Mortgage Corporation, the Government National Mortgage Association, or the Farmers Home Administration), or (iii) an extension of the maturity of an existing mortgage loan involving no increase in the unpaid principal due.

(h) "Residential real property" means improved real property used or to be used for residential purposes, including single-family homes, multi-family dwellings, and individual units of condominiums and cooperatives.

SECTION 203.3 - EXEMPTIONS

(a) The following categories of depository institutions are exempt from the compilation of data and disclosure requirements of sections 203.4 and 203.5 of this Part:

(1) Any depository institution that has total assets as of the last day of its last full fiscal year of $10,000,000 or less; or

(2) any depository institution that has neither a home office any branch office located in a standard metropolitan statistical area ("SMSA" as currently defined by the Office of Management and Budget of the United States government; or

(3) any State-chartered depository institution subject to the mortgage loan disclosure laws (statutes or regulations) of a State or subdivision thereof that the Board determines, in accordance with the procedures set forth in the Supplement to this Part, contain (i) requirements substantially similar to those imposed under the Act, and (ii) adequate provisions for enforcement.

(b) A depository institution that was exempt on or after the effective date of this Part on the basis of paragraph (a) of this section and that subsequently becomes no longer exempt shall compile the data described in section 203.4 of this Part for each fiscal year beginning with its last full fiscal year ending prior to the date it was no longer exempt, and that last full fiscal year shall be deemed to be a "full fiscal year ending prior to July 1, 1976" for the purposes of section 203.4 of this Part.

SECTION 203.4 - COMPILATION OF MORTGAGE LOAN DATA

(a) Data to be included. - (1) Each depository institution shall aggregate, separately for each standard metropolitan statistical area ("SMSA") in which it has a home office or branch office, its mortgage loan data for each fiscal year beginning with its last full fiscal year ending prior to July 1, 1976. Mortgage loan data relating to residential real property located within the relevant SMSA (i.e., the SMSA where a home or branch office is located) shall be segregated from mortgage loan data relating to residential real property located outside the relevant SMSA

and shall be itemized by the census tract in which the principal residential property securing the mortgage loan is located (except as provided in subsection (2) of this paragraph) according to the following classifications (in a format similar to guideline Form HMDA-1, which is set forth in the Appendix to this Part):

(i) home improvement loans (except on multi-family (i.e., more than four-family) dwellings), subdivided as to those loans (A) originated and (B) purchased by the depository institution;

(ii) FHA, FmHA, or VA loans (except on multi-family dwellings), subdivided as to those loans (A) originated and (B) purchased by the depository institution;

(iii) mortgage loans (except on multi-family dwellings) other than home improvement loans or FHA, FmHA, or VA loans, subdivided as to those loans (A) originated and (B) purchased by the depository institution;

(iv) all mortgage loans (home improvement; FHA, FmHa, or VA loans, and other) on multi-family dwellings, and

(v) all mortgage loans (home improvement; FHA, FmHA, or VA loans; and other) except on multi-family dwellings made to mortgagors who did not, at the time of execution of the particular mortgages, intend to reside in the property securing the mortgage loans, subdivided as to those loans (A) originated and (B) purchased by the depository institution.

Mortgage loan data relating to residential real property located outside the relevant SMSA (or relevant SMSAs in the case of a depository institution with home or branch offices in more than one SMSA) shall also be itemized according to the classifications set forth above, but further itemization of that data by census tracts or United States Postal Service ZIP codes is not required.

(2) Mortgage loan data relating to residential real property located within the relevant SMSA may be itemized, according to the classifications specified in subsection (1) of this paragraph, by United States Postal Service ZIP codes for the area in which the principal residential property securing the mortgage loan is located, in lieu of census tracts, to the extent that such data relate to:

(i) a full fiscal year ending prior to July 1, 1976; or

(ii) a part of a fiscal year if that part ends on June 30, 1976, provided that a mortgage loan disclosure statement for that part of the fiscal year is made available by the depository institution by August 31, 1976, and a separate mortgage loan disclosure statement for the remaining part of that fiscal year (itemizing mortgage loan data relating to residential real property within the relevant SMSA by census tracts) is made available by the depository institution within ninety days of the end of that fiscal year; or

(iii) residential real property located in an area of the currently defined relevant SMSA that is not tracted on the maps (as a portion of then-defined SMSAs or otherwise) in the series "1970 Census of

Population and Housing: CENSUS TRACTS, Final Reports, PHC(1) Series" prepared by the Bureau of the Census of the United States Department of Commerce.

(3) Mortgage loan data to be compiled as described in this paragraph shall be in terms of number of loans and total dollar amounts (original amounts of loans originated by the institution to the extent of its interest, where the loan is made jointly or cooperatively, and unpaid principal balances of loans purchased by the depository institution, to the extent of its interest in such purchased loans); and the compilations shall be on an annual basis and relate to mortgage loans originated or purchased solely during the relevant fiscal year.

(4) It is not required that mortgage loan data to be compiled pursuant to paragraph (a) of this section include any mortgage loan that was (i) both originated and sold or (ii) both purchased and sold during a full fiscal year ending prior to July 1, 1976.

(b) Applicable SMSAs, census tracts and ZIP codes. (1) For the purpose of determining whether a mortgage loan is to be included in the classifications relating to residential real property within the relevant SMSA as described in paragraph (a) of this section (but not for the purpose of determining exemptions pursuant to section 203.3(a)(2) of this Part), the applicable areas of the relevant SMSA shall be those as defined by the Office of Management and Budget of the United States Government and in effect on June 28, 1976, or the first day of the fiscal year to which the mortgage loan disclosure statement relates, whichever is the later date.

(2) Applicable census tract numbers and boundaries shall be those appearing on the census tract maps in the series "1970 Census of Population and Housing: CENSUS TRACTS, Final Reports, PHC(1) series" prepared by the Bureau of the Census, United States Department of Commerce. If the number itself would be duplicated in the mortgage loan disclosure statement for the relevant SMSA, the county, city, or town that uniquely identifies the census tract shall be identified in that disclosure statement.

(3) An applicable ZIP code shall be that for the area in which the principal residential property securing the mortgage loan is located. No depository institution is obligated to revise its mortgage loan data to reflect official changes of ZIP code numbers or boundaries made after the ZIP code for a particular loan is recorded.

(4) Nothing contained in this paragraph is intended to prohibit the use of maps, directories, computer programs, or the like that have more recent definitions of the applicable SMSA areas than those specified in subsection (1), provided that every mortgage loan relating to residential real property within the applicable areas of the relevant SMSA as specified in subsection (1) of this paragraph or within the areas of the relevant SMSA as more recently defined shall be included in the data to be itemized by census tracts or ZIP codes as required by paragraph (a) of this section. If such updated revisions are utilized, the mortgage loan disclosure statement shall indicate the source of the revision.

(c) Applicable presumption. - For the purpose of compiling mortgage loan data described in paragraph (a) of this section, a depository institution may presume (unless its records relating to that loan contain information to the contrary) with respect to any mortgage loan originated prior to June 28, 1976, or purchased at any time that the mortgagor intended, at the time of execution of the mortgage, to reside in the property securing the mortgage, if such property is a residential dwelling used or to be used by from one to four families.

SECTION 203.5 - DISCLOSURE REQUIREMENTS

(a) Dates disclosure statements due. - (1) Each depository institution shall make available to the public by the following dates mortgage loan disclosure statements required to be compiled pursuant to section 203.4 of this Part:

(i) August 31, 1976, in the case of a disclosure statement relating to a full fiscal year ending prior to July 1, 1976, except as provided in subsection (2) of this paragraph;

(ii) within ninety days of the end of the relevant fiscal year in the case of a disclosure statement that relates to a full fiscal year ending subsequent to June 30, 1976; and

(iii) within sixty days of the date a depository institution becomes no longer exempt in the case of the initial disclosure statement required pursuant to section 203.3(b) of this Part.

(2) If an application for an exemption is filed by August 31, 1976, pursuant to section 203.3(a)(3) of this Part, a State-chartered depository institution subject to the mortgage disclosure laws of a State or subdivision thereof being considered in the application shall not be required to compile and make available to the public a mortgage loan disclosure statement relating to a full fiscal year ending prior to July 1, 1976, while the application is pending before the Board. If the State-chartered depository institution is not granted an exemption by the Board's determination on the application, that depository institution shall make the disclosure statement for that fiscal year available within sixty days of the date of the Board's determination.

(3) Any mortgage loan disclosure statement required to be made available shall be maintained and made available for a period of five years after the close of the first fiscal year during which that disclosure statement is required to be maintained and made available.

(b) Offices at which disclosure statements to be made available. - (1) Except as provided in subsection (2) of this paragraph, each depository institution shall make available to the public disclosure statements required to be compiled pursuant to section 203.4 of this Part, at the times specified in paragraph (a) of this section, at home or branch offices of the depository institution, as follows:

(i) in the case of depository institutions that have home or branch offices in only one SMSA, the entire mortgage loan disclosure

statement shall be made available at the home office and at least at one branch office (if there is such a branch office) within that SMSA; and

(ii) in the case of depository institutions that have home and branch offices in more than one SMSA, (A) the entire mortgage loan disclosure statement (relating to all SMSAs with respect to which the depository institution is required to compile mortgage loan data) shall be made available at the home office and (B) those portions of the entire mortgage loan disclosure statement relating to mortgage loans on property within a particular SMSA (including the SMSA in which the home office is located) and relating to mortgage loans on property located outside the relevant SMSAs in which the depository institution has home and branch offices shall be made available at least at one branch office within that particular SMSA.

(2) Any depository institution all of whose offices (home and branch) are located where there is no general public access shall make available mortgage loan disclosure statements required to be compiled pursuant to section 203.4 of this Part, at the times specified in paragraph (a) of this section, in either of the following ways:

(i) it shall designate a place convenient and accessible to the public within the SMSA of its home office where the entire mortgage loan disclosure statement (relating to all SMSAs with respect to which it is required to compile mortgage loan data) will be available at

reasonable times, and shall designate a convenient and accessible place within every other SMSA where it has a branch office, at which designated place will be made available those portions of the entire mortgage loan disclosure statement relating to mortgage loans on property located within that other SMSA and relating to mortgage loans on property located outside the relevant SMSAs in which the depository institution has home or branch offices; or

(ii) it shall promptly furnish by mail to anyone requesting the information a copy of a required mortgage loan disclosure statement, imposing no more than a reasonable charge for the cost of reproduction of the data.

(3) Upon request, any office of a depository institution shall promptly provide information regarding the location of any office or designated place of the depository institution at which mortgage loan disclosure statements are available.

(c) Manner of making disclosure statements available. - Each office or designated place of a depository institution that is required pursuant to paragraph (b) of this section to make a mortgage loan disclosure statement available shall make such a mortgage loan disclosure statement available to anyone requesting it for inspection or copying during the hours in which such office or designated place is normally open to the public for business. If a depository institution makes reproduction facilities available, it may impose a reasonable charge for the cost of reproduction of the data.

SECTION 203.6 - SANCTIONS FOR VIOLATIONS

(a) A violation of the Act or this Part is subject to sanctions as provided in section 305 of the Act.

(b) An error in compiling or disclosing required mortgage loan data shall not be deemed to be a violation of the Act or this Part if the error was unintentional and resulted from a bona fide mistake notwithstanding the maintenance of procedures reasonably adopted to avoid any such error.

SECTION 203.7 - EFFECTIVE DATE

This Part shall be effective on June 28, 1976.

2. A new Supplement to Part 203 (Regulation C) would be added, as follows:

PROCEDURES FOR AN APPLICATION FOR EXEMPTION PURSUANT TO PARAGRAPH (a)(3) OF SECTION 203.3

(a) Application. - Any State or subdivision thereof,[1/] State-chartered depository institution, or association of State-chartered depository institutions, may make application to the Board pursuant to the terms of this Supplement and the Board's Rules of Procedure (12 CFR 262) for a determination that, under the laws of that State or municipality,[2/] a State-chartered depository institution is subject to requirements substantially similar to those imposed by Regulation C (12 CFR 203) and that there is adequate provision for enforcement of such requirements.

(b) Supporting documents. - The application, which may be made by letter, shall be accompanied by (1) a copy of the full text of the laws of the State or municipality which are claimed by the applicant to impose requirements substantially similar to those imposed by this Regulation; (2) a statement of reasons to support the claim that

1/ Hereinafter referred to as a municipality.
2/ Any reference to the laws of a State or municipality in this Supplement includes a reference to any regulations which implement such laws and official interpretations thereof, and to regulations of a State or municipal agency or department having jurisdiction over a class or classes of depository institutions.

applicable requirements of the laws of the State or municipality are substantially similar to all requirements imposed under this Regulation including an explanation of reasons as to why any differences are not significant; (3) a copy of the full text of the laws of the State or subdivision thereof which provide for enforcement of the State laws referred to in subparagraph (1) of this paragraph; and (4) an undertaking to inform the Board within 30 days of the occurrence of any change in the applicable law or regulations of the State or municipality.

(c) Public notice of filing. - In connection with any application which has been filed in accordance with the requirements of paragraphs (a) and (b), notice of such filing will be published by the Board in the Federal Register, and a copy of such application will be made available for examination by interested persons during business hours at the Board and at the Federal Reserve Bank of each Federal Reserve District in which the applicant is situated. A period of time will be allowed from the date of such publication for the Board to receive written comments from interested persons with respect to that application. Should multiple applications be received with respect to the laws of the same State or municipality, the Board may, in its discretion, (1) consolidate the notice of receipt of all such applications in one Federal Register notice, and (2) dispense with publication of the notice of applications received after the publication of an application relating to the laws of the same State or municipality.

(d) Exemption from requirements. If the Board determines on the basis of the information before it that under the laws of a State or municipality some or all State-chartered depository institution(s) are subject to requirements substantially similar to those imposed by this Regulation, and that there is adequate provision for enforcement of such requirements, the Board will exempt those State-chartered depository institutions in that State or municipality that are subject to such requirements from the requirements of the Act and the Board's regulations in the following manner: (1) Notice of the exemption will be published in the Federal Register and the Board will furnish a copy of such notice to the applicant, to each State or municipal authority responsible for administrative enforcement of the laws of the State or municipality and to the regulatory authorities specified in section 305(b)(1) of the Act. (2) The Board will inform the appropriate official of any State or municipality in which State-chartered depository institutions that have received an exemption are located of any subsequent amendments of the Act (including the implementing provisions of this Part and published interpretations of the Board) which might call for amendment of the law, regulations or official interpretations of the State or municipality.

(e) Revocation of exemption. - (1) The Board reserves the right to revoke any exemption if it at any time determines that the laws of a State or municipality do not in fact impose requirements which are substantially

similar to those imposed by this Regulation or that there is not in fact adequate provision for enforcement. (2) Notice of the Board's intention to revoke any exemption previously granted shall be published in the Federal Register and shall be transmitted to the appropriate official of the State or municipality. A period of time will be allowed from the date of publication for the Board to receive written comments from interested persons with respect to the proposed revocation. (3) In the event of revocation of such exemption, notice of such revocation shall be published by the Board in the Federal Register and a copy of such notice shall also be furnished to the appropriate official of the State or municipality and to regulatory authorities specified in section 305(b)(1) of the Act.

3. A new Appendix to Part 203 (Regulation C) would be added, as follows:

FORM HMDA-1

(Pursuant to Public Law 94-200)



# MORTGAGE LOAN DISCLOSURE STATEMENT

Name of Depository Institution_____

Relevant SMSA_____

Reporting Period_____

## PART A ORIGINATIONS

Section I Mortgage loan data relating to residential real property located within the relevant SMSA

| CENSUS TRACT or ZIP CODE | TOTAL MORTGAGE LOANS | | HOME IMPROVEMENT LOANS (except on multi-family dwellings) | | FHA, FmHA, or VA LOANS (except on multi-family dwellings) | | OTHER MORTGAGE LOANS (except on multi-family dwellings) | | LOANS ON MULTI-FAMILY DWELLINGS | | NON-OCCUPANT LOANS (except on multi-family dwellings) | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | No. of Loans | Principal Amount | No. of Loans | Principal Amount | No. of Loans | Principal Amount | No. of Loans | Principal Amount | No. of Loans | Principal Amount | No. of Loans | Principal Amount |
| | | | | | | | | | | | | |

Section II Mortgage loan data relating to residential real property located outside the relevant SMSA (or SMSAs)

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MORTGAGE LOAN DISCLOSURE STATEMENT (cont.)

PART B PURCHASED LOANS

Section I Mortgage loan data relating to residential real property located within the relevant SMSA

| CENSUS TRACT or ZIP CODE | TOTAL MORTGAGE LOANS | | HOME IMPROVEMENT LOANS (except on multi-family dwellings) | | FHA, FmHA, or VA LOANS (except on multi-family dwellings) | | OTHER MORTGAGE LOANS (except on multi-family dwellings) | | LOANS ON MULTI-FAMILY DWELLINGS | | NON-OCCUPANT LOANS (except on multi-family dwellings) | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | No. of Loans | Principal Amount | No. of Loans | Principal Amount | No. of Loans | Principal Amount | No. of Loans | Principal Amount | No. of Loans | Principal Amount | No. of Loans | Principal Amount |
| | | | | | | | | | | | | |

Section II Mortgage loan data relating to residential real property located outside the relevant SMSA (or SMSAs)

| | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | | | |

Instructions:

1. Data may be rounded to nearest thousands of dollars.
2. If more than one SMSA is involved, the relevant SMSA should be indicated next to the tract number or, preferably, separate pages should be used.
3. If the tract number is duplicated within a SMSA, the county, city or town that uniquely identifies the number should be stated next to the number.
4. Whenever a ZIP code number is permitted to be used, it should be preceded by the letter "Z".
5. If the statement is prepared on the basis of the definition of the relevant SMSA that is more recent than that in effect on the first day of the reporting period, so indicate.
6. Census tract numbers are those appearing on the maps in the Bureau of the Census 1970 PHC(1) series, but computer coding is permissible if explained on the statement.
7. "Multi-family dwellings" means residential dwellings for more than four families.
8. The column "Total Mortgage Loans" should equal the sum of the next four columns (except for rounding).
9. This statement must be retained and made available for a period of five years from the last day of the reporting period.

* * *

To aid in the consideration of the proposed regulations, interested persons are invited to submit relevant data, views, and arguments, regarding those proposals with which they agree as well as those with which they disagree. Any such material should be submitted in writing to the Secretary, Board of Governors of the Federal Reserve System, Washington, D.C. 20551, to be received not later than May 3, 1976. All material submitted should include the docket number R-0029. Such material will be made available for public inspection and copying upon request, except as provided in section 261.6(a) of the Board's Rules Regarding Availability of Information (12 CFR 261.6(a)).

For the benefit of those who wish to make an oral presentation regarding the proposals, a hearing will be held before available members of the Board at the Federal Reserve Building, 20th and C Streets, N.W., Washington, D.C., on April 22, 1976, beginning at 10:00 a.m. Any persons desiring to give testimony, present evidence, or otherwise participate in the hearing should file with the Secretary of the Board on or before April 16, 1976, a written request containing the names and identity of witnesses who propose to appear, the amount of time desired for testimony, and a summary of the matters concerning which petitioner wishes to give testimony or submit evidence. If possible, prepared statements in writing should be presented at the time of the hearing. It is anticipated that a schedule of witnesses will be announced prior to the date of the hearing.

This notice is published pursuant to section 553(b) of Title 5 of the United States Code and section 262.2(a) of the Board's Rules of Procedure (12 CFR 262.2(a)).

By order of the Board of Governors, March 24, 1976.

(Signed) Theodore E. Allison

Theodore E. Allison
Secretary of the Board

[SEAL]