

FEDERAL RESERVE BANK
OF NEW YORK

[Circular No. 8968]
December 9, 1980]

AMENDMENTS TO REGULATION C

Changes in Certain Reporting Requirements Under the Home Mortgage Disclosure Act

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

The Board of Governors of the Federal Reserve System has amended, effective December 5, 1980, its Regulation C, "Home Mortgage Disclosure," in order to require financial institutions to change from a fiscal to a calendar year basis for reporting 1980 mortgage loan data under the Home Mortgage Disclosure Act.

The following is quoted from the text of a statement issued by the Board of Governors announcing the amendments to Regulation C:

The Board's actions implement a portion of the amendments to the Home Mortgage Disclosure Act contained in the Housing and Community Development Act of 1980. Proposed amendments to implement other statutory provisions are expected to be published next January.

The Board's action requires institutions to compile and disclose mortgage loan data for 1980 on a calendar year basis. In addition, institutions that previously compiled data on a non-calendar year basis are required to prepare a separate disclosure statement for that portion of 1979 not covered by the fiscal year ending prior to January 1, 1980. The Board established March 31, 1981, as the due date for the 1980 disclosure statement and the separate disclosure to cover the odd period prior to calendar year 1980.

In addition, the Board noted that previously granted exemptions to the regulation will remain in effect for the present. However, exempted states, including New Jersey and New York, may be required to reapply at a later date in order to retain their exemptions.

Enclosed is a copy of the text of the amendments to Regulation C. Questions thereon may be directed to our Consumer Affairs and Bank Regulations Department (Tel. No. 212-791-5914).

ANTHONY M. SOLOMON,
President.

Board of Governors of the Federal Reserve System

HOME MORTGAGE DISCLOSURE

AMENDMENTS TO REGULATION C

(effective December 5, 1980)

FINAL RULE

AGENCY: Board of Governors of the Federal Reserve System.

ACTION: Final rule.

SUMMARY: The Board is amending Regulation C (12 CFR Part 203) which implements the Home Mortgage Disclosure Act of 1975: (1) to require institutions to compile and disclose mortgage loan data for 1980 on a calendar year basis, and (2) to establish March 31, 1981, as the due date for 1980 disclosure statements. These changes implement a portion of the amendments to the Home Mortgage Disclosure Act contained in the Housing and Community Development Act of 1980 (Pub. L. 96-399). The Board expects to publish proposed regulatory amendments to implement the other amendments to HMDA in January 1981.

EFFECTIVE DATE: December 5, 1980.

FOR FURTHER INFORMATION CONTACT: Regarding the regulation: John C. Wood, Senior Attorney (202-452-2412), or Claudia Yarus, Staff Attorney (202-452-3667), Division of Consumer and Community Affairs, Board of Governors of the Federal Reserve System, Washington, D.C. 20551. Regarding the regulatory analysis: Glenn Canner, Economist, Division of Research and Statistics, Board of Governors of the Federal Reserve System, Washington, D.C. 20551 (202-452-2503).

SUPPLEMENTARY INFORMATION: (1) General. Regulation C implements the Home Mortgage Disclosure Act (HMDA) and requires financial institutions to make annual disclosure of their mortgage lending activity. On October 8, 1980, provisions of the Housing and Community Development Act were signed into law that extended and amended HMDA. The 1980 amendments to HMDA require (1) that depository institutions change their data compilation and disclosure from a fiscal to a calendar year basis, beginning with 1980 data; (2) that disclosures be made by census tract and county, rather than by census tract and ZIP code; (3) that the Board prescribe a standard format for disclosures; (4) that disclosure statements be made available at central depositories; and (5) that aggregate data tables, covering all institutions in each SMSA, be prepared and made available.

As required by the act, the Board is amending Regulation C now to implement calendar year reporting for 1980. This means that institutions must convert their data compilation and disclosure from a fiscal to a calendar year basis beginning with 1980 data. In addition, an institution that previously compiled data on a non-calendar year basis will need to prepare a separate disclosure statement for that portion of 1979 not covered by the fiscal year ending prior to January 1, 1980.

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Regulation C remains otherwise unchanged for the present, in order to minimize the burden on depository institutions. The Board plans to publish a proposed revision of Regulation C in January 1981 to implement the other statutory amendments.

Because of the statutory requirement regarding aggregation of data, institutions will be subject to certain reporting requirements with respect to data for 1980 and subsequent years. Reporting procedures will be published in early 1981, after policy and operational details are worked out among the Board, the Federal Reserve Banks, the Federal Financial Institutions Examination Council, and the Department of Housing and Urban Development.

While the Board is not mandating the use of a standard disclosure format for 1980 data, it is strongly recommended that institutions use a format that is consistent with existing Form HMDA-1, to facilitate the aggregation of data required by the act. (Form HMDA-1 is contained in an appendix to Regulation C.)

The Board notes that previously granted state exemptions remain in effect for the present, although exempted states may be required to reapply at some later date in order to retain their exemptions. This matter will be considered in more detail in the proposed revision of Regulation C.

Because of the short time remaining before institutions must begin action to comply with the statutory amendments, the Board finds for good cause that notice of proposed rulemaking, receipt of public comments, and delayed effective date, generally required by 5 U.S.C. § 553(b) and (d), are impracticable and contrary to the public interest. For the same reasons, the expanded rulemaking procedures set forth in the Board's policy statement of January 15, 1979 (44 FR 3957), will not be followed in connection with this proceeding, except that the Board is publishing a regulatory analysis in section (3) below.

(2) Description of amendments. The amendments adopted by the Board are as follows. Section 203.4, concerning compilation of loan data, is amended by the addition of language that (1) changes the basis of data compilation from fiscal year to calendar year, beginning with 1980 data, and (2) requires a separate disclosure of data for any period between the end of the institution's last fiscal year prior to calendar year 1980 and January 1, 1980.

Section 203.5, concerning procedures for disclosure, is being amended to establish March 31, 1981, as the due date for disclosure statements for both the 1980 disclosure and the disclosure covering any 1979 odd period.

(3) Regulatory analysis. The 1975 Home Mortgage Disclosure Act (HMDA) was extended and amended in October 1980. It is expected that a revised Regulation C, implementing the various statutory changes, will be published early in 1981. In the interim, certain amendments to Regulation C are adopted in final form.

First, the regulatory amendments require lenders to establish a calendar year reporting period. Second, they specify that covered institutions disclose their 1980 calendar year disclosure statements by March 31, 1981. Regulation C previously allowed lenders to report their disclosure data on a

non-calendar fiscal year basis. A switch to a calendar year reporting period is essential for aggregation requirements imposed by the 1980 Home Mortgage Disclosure Act.^{1/} Aggregation requires considerable uniformity among the HMDA reports. Without a uniform reporting period, it would be impossible to aggregate data from different institutions on a consistent basis. A uniform reporting period is also important to other users of the data, such as community groups, so that they may prepare meaningful comparisons among institutions in an SMSA.

Adopting a uniform calendar reporting period will impose a one-time cost on those institutions currently disclosing data on other than a calendar year basis. This one-time cost has two components. The first is the cost associated with changing operating methods to conform with a calendar year reporting requirement. This cost will involve additional training of institution personnel responsible for preparing the disclosure reports and some computer programming adjustments for some institutions to reflect the new reporting data requirements. These costs are not expected to be significant. The second component of these one-time costs is the cost associated with preparing a separate disclosure statement, containing data for any period prior to calendar year 1980 that is not covered by the last full year report prior to the 1980 calendar year report. This requirement will impose a cost on those institutions whose prior disclosure period did not end on December 31, 1979, because it will force them to duplicate the portion of their 1980 disclosures that falls between January 1, 1980, and the end of their 1980 fiscal year.

Although no specific cost estimate of these required changes is made, the FDIC/FHLBB study of the 1975 HMDA found that 85 percent of the covered institutions in the study currently use a calendar year reporting period. As a result, it is unlikely that this regulatory change will impose a significant burden on the majority of reporting institutions.

In addition to imposing a calendar year reporting period, the amendment requires covered institutions to disclose their 1980 calendar year disclosure statements by March 31, 1981. The imposition of this requirement will give institutions approximately 4 months in which to prepare their disclosure statements. This period appears adequate and should not impose a significant burden on the institutions. Moreover, because of the congressional mandate to aggregate the 1980 HMDA data by December 31, 1981, a considerable lead time is required by the Board's staff to perform the aggregation and produce the accompanying tables. A March 31, 1981, deadline should provide the necessary lead time to meet the aggregation requirements.

In summary, both changes appear necessary to satisfy the congressional mandate to aggregate HMDA data. Neither change will impose a significant burden on the reporting institutions.

^{1/} The Federal Financial Institutions Examination Council (FFIEC) is required by the act to aggregate HMDA data for covered institutions in each Standard Metropolitan Statistical Area. The Federal Reserve Board is directed by the act to provide the staff and data processing resources to the Council to enable it to carry out the aggregation.

(4) Pursuant to the authority granted in 12 U.S.C. 2804(a), the Board hereby amends 12 CFR Part 203, effective December 5, 1980, as follows:

1. Section 203.4 is amended by adding a new paragraph (d), to read as follows:

Section 203.4 -- Compilation of mortgage loan data.

* * * * *

(d) Calendar year basis. (1) Notwithstanding the requirements set forth elsewhere in this section, each depository institution shall aggregate its mortgage loan data on a calendar year basis beginning with data relating to calendar year 1980. For this purpose, references in this section to a fiscal year shall be deemed to refer to a calendar year.

(2) Each depository institution shall also aggregate mortgage loan data for the period, if any, between the end of its last fiscal year prior to calendar year 1980 and January 1, 1980.

2. Section 203.5 is amended by adding new paragraphs (d) and (e), to read as follows:

Section 203.5 -- Disclosure requirements.

* * * * *

(d) Special rule on due dates. Notwithstanding the provisions of paragraph (a) of this section, each depository institution shall make available by March 31, 1981, the disclosure statement that relates to calendar year 1980 and any statement relating to the period between the end of its last fiscal year prior to calendar year 1980 and January 1, 1980.

(e) Calendar year disclosure. For purposes of disclosure of data relating to calendar year 1980 and thereafter, references in this section to a fiscal year shall be deemed to refer to a calendar year.

By order of the Board of Governors, November 28, 1980.

(signed) Barbara R. Lowrey
Barbara R. Lowrey
Assistant Secretary of the Board

[SEAL]