



# ICBA Summary of the Home Mortgage Disclosure Act (HMDA) Revisions to Regulation C

June 2017

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## I. BACKGROUND

The Home Mortgage Disclosure Act (HMDA) enacted in 1975, requires certain financial institutions to provide mortgage data to the public. HMDA's original purpose was to provide the public and public officials with information to help determine whether financial institutions are serving the housing needs of the communities in which they are located, and to assist public officials in their determination of the distribution of public sector investments in a manner designed to improve the private investment environment. Congress later expanded HMDA to require financial institutions to report racial characteristics, gender, and income information on applicants and borrowers. Regulation C implements HMDA and sets out specific requirements for the collection, recording, reporting, and disclosure of mortgage lending information.

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank Act) transferred rulemaking authority for HMDA to the Consumer Financial Protection Bureau (Bureau), effective July 2011. It also amended HMDA to add new data points and authorized the Bureau to require additional information from covered institutions. In July 2014, the Bureau proposed amendments to Regulation C to: 1) implement the Dodd-Frank Act changes; 2) to require collection, recording, and reporting of additional information to further HMDA's purposes; and 3) to modernize the manner in which covered institutions report HMDA data.

The new HMDA Rule issued on October 15, 2015, requires covered institutions to collect 48 unique data fields on most residential mortgage loan applications. Of particular note, under the new reporting rules, a covered institution needs to obtain and include a 20-digit Legal Entity Identifier (LEI) in its HMDA submission. LEIs are issued by the Global LEI Foundation or the LEI Regulatory Oversight Committee. Covered institutions must register at <https://www.gmeiutility.org/> before obtaining a LEI. Registration is available only to current employees authorized on behalf of the institution. General information, such as the legal name of the financial institution, the registered address, and the address in which it is headquartered, is needed to register. GMEI Utility charges \$200 for a registration request and a \$19 surcharge. LEIs must be renewed annually based on registration dates. Renewal fees are<sup>1</sup>determined by the issuing body and subject to a \$19 surcharge. Once the process is complete, it takes about three business days to issue the LEI. **Collection of the new data points begins on January 1, 2018, and with reporting of that data beginning in 2019.**

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<sup>1</sup> See FAQs at <https://www.gmeiutility.org/frequentlyAskedQuestions.jsp>

### Applicability to Community Banks

The HMDA rule adds a new exemption for small-volume lenders. Banks under \$44 million in assets (adjusted annually) and banks with no offices in metropolitan statistical areas (MSAs) will continue to be exempt from HMDA. In addition, banks originating fewer than 25 closed-end loans or fewer than 100 open-end lines of credit secured by a dwelling in the two preceding calendar years will be exempt from reporting requirements.

The Bureau estimates 22 percent of existing HMDA reporters, or about 1,400 institutions, will become exempt due to the small-volume-lender exemption. While other changes under the HMDA Rule will be effective Jan. 1, 2018, the new small-volume-lender exemptions are effective Jan. 1, 2017.

**Link to the Rule and Bureau resource center:** <http://www.consumerfinance.gov/regulatory-implementation/hmda/>

## II. SCOPE

- The HMDA Rule modifies the types of transactions that are covered under Regulation C. In general, the HMDA Rule adopts a dwelling-secured standard for transactional coverage.
- Beginning on January 1, 2018, covered loans under the HMDA Rule generally will include:
  - Closed-end mortgage loans and open-end lines of credit secured by a dwelling;
  - Home improvement loans secured by a dwelling; and
  - Business-purpose loans that are secured by a dwelling if used for home improvement, home purchase, or refinancing.
- The HMDA Rule also changes the scope of covered preapproval requests. Currently, the collection, recording, and reporting of preapproval requests that are approved but not accepted is optional under Regulation C. Beginning January 1, 2018, covered institutions are required to collect, record, and report information for approved but not accepted preapproval requests for home purchase loans.
- Covered loans and lines of credit do not include agricultural-purpose transactions or other specifically excluded transactions, even if they are dwelling-secured.
- Unsecured home improvement loans are not reported.

## III. COVERED LENDERS

- The HMDA Rule revisions add a new exemption for small-volume lenders beginning in 2017 that will become effective in two phases.

- First, the new rule narrows the scope of depository institutions subject to Regulation C in 2017.
- Second, effective January 1, 2018, the HMDA Rule adopts a uniform loan-volume threshold for all institutions. Beginning in 2018, an institution will be subject to Regulation C if it originated at least 25 covered closed-end mortgage loans in each of the two preceding calendar years **OR** at least 100 covered open-end lines of credit in each of the two preceding calendar years, and it meets other applicable coverage requirements.
  - **Note: The triggers for mortgages and open-end lines of credit operate independently. A community bank will report closed-end and reverse mortgages only if it meets the 25-mortgage threshold and will report open-end lines of credit only if it meets the 100 open-end lines of credit threshold.**
- Starting in 2020, institutions with more than 60,000 combined reportable loans and applications will report on a quarterly basis.

#### Coverage Criteria

|  |   |
|--|---|
| <p>From Jan. 1-Dec. 31, 2017, a community bank is subject to HMDA reporting requirements if it meets all of the following requirements:</p> <ul style="list-style-type: none"> <li>• On the preceding December 31 assets were above the HMDA reporting threshold<sup>2</sup>;</li> <li>• On the preceding December 31 operated a home or branch office in an MSA;</li> <li>• Originated at least one home purchase loan or refinanced a home purchase loan secured by a first lien on a 1-4-family dwelling in the preceding year;</li> <li>• The institution was federally insured or regulated; the mortgage loan was insured, guaranteed or supplemented by a federal agency, or it was intended for sale to Fannie Mae or Freddie Mac; and</li> <li>• In each of the two preceding calendar years the institution originated at least 25 home purchase loans<sup>3</sup>, including refinancing of home purchase loans.</li> </ul> | <p>From Jan. 1, 2018, onwards, a community bank is subject to HMDA reporting requirements if it meets all of the following requirements:</p> <ul style="list-style-type: none"> <li>• On the preceding December 31 year assets are above the HMDA reporting threshold<sup>2</sup>;</li> <li>• On the preceding December 31 operated a home or branch office in an MSA;</li> <li>• Originated at least one home purchase loan or refinanced a home purchase loan secured by a first lien on a 1-4-family dwelling in the preceding year;</li> <li>• The institution was federally insured or regulated; the mortgage loan was insured, guaranteed or supplemented by a federal agency, or it was intended for sale to Fannie Mae or Freddie Mac; and</li> <li>• In each of the two preceding calendar years the institution originated at least 25 closed-end mortgage loans<sup>2</sup> or 100 open-end lines of credit secured by a dwelling.</li> </ul> |
|--|---|

<sup>2</sup> The threshold is adjusted annually, for 2016 and 2017 it is \$44 million.

<sup>3</sup> A home purchase loan is a closed-end mortgage loan or an open-end line of credit that is for the purpose, in whole or in part, of purchasing a dwelling.

## IV. REPORTABLE DATA

For HMDA data collected on or after January 1, 2018, covered institutions will collect, record, and report 48 unique data points for each loan application, of which 25 are new, 14 are modified from the current rule, and 9 are mostly unchanged.

### Existing Data Points

|                                  |                            |                           |
|----------------------------------|----------------------------|---------------------------|
| Action Taken                     | Action Taken Date          | Application Date          |
| HOEPA Status                     | Income of the Borrower     | Loan Type                 |
| Property Location – Census Tract | Property Location – County | Property Location – State |

### Modified Data Points

|                     |                                 |                               |
|---------------------|---------------------------------|-------------------------------|
| Construction Method | Ethnicity of Borrower           | Legal Entity Identifier (LEI) |
| Lien Status         | Loan Amount                     | Loan Purpose                  |
| Occupancy Type      | Pre-Approval                    | Race of Borrower              |
| Rate Spread         | Reason for Denial               | Sex of Borrower               |
| Type of Purchaser   | Universal Loan Identifier (ULI) |                               |

### New Data Points

|  |   |   |
|--|---|---|
| Age of Borrower                          | Application Channel                     | Automated Underwriting System               |
| Business or Commercial Purpose           | Combined Loan-to-Value Ratio            | Credit Score                                |
| Debt-to-Income Ratio                     | Discount Points                         | Interest Rate                               |
| Introductory Rate Period                 | Lender Credits                          | Loan Term                                   |
| Manufactured Home Land Property Interest | Manufactured Home Secured Property Type | Mortgage Loan Originator / NMLSR Identifier |
| Multifamily Affordable Units             | Non-Amortizing Features                 | Open-End Line of Credit                     |
| Origination Charges                      | Pre-Payment Penalty Term                | Property Address                            |
| Property Value                           | Reverse Mortgage                        | Total Loan Costs or Total points and Fees   |
| Total Units                              |   |   |

**For additional information on the Regulation C data points see the Appendix of this document.**

## V. DATA SUBMISSION PROCESS

The Bureau is developing a new web-based submission tool for reporting HMDA data which will replace the current FFIEC tool. Covered institutions will report data using the new web-based submission tool beginning in 2018. As of November 2015, details of the new data submission tool have not been shared with the industry or the general public.

## VI. DISCLOSURE REQUIREMENTS

Beginning in 2018, covered institutions will no longer have to provide a disclosure statement or a modified loan/application register (LAR) to the public upon request. Instead, in response to a request, a covered institution will provide a notice that its disclosure statement and modified LAR are available on the Bureau's website. The HMDA Rule includes sample language that covered institutions can use for these purposes. These revised disclosure requirements will apply to data collected on or after January 1, 2017, and reported in or after 2018. For data collected in or after 2018 and reported in or after 2019, the Bureau has indicated it will use a balancing test to determine whether and, if so, how HMDA data should be modified prior to its disclosure in order to protect applicant and borrower privacy while also fulfilling HMDA's disclosure purposes. It is expected that at a later date, the Bureau will provide a process for the public to provide input regarding the application of this balancing test to determine the HMDA data to be publicly disclosed.

## APPENDIX OF DATA POINTS REQUIRED BY REVISED HMDA RULE

### Existing Data Points

| Data Point                       | Status   | Description   | Regulation C Reference  |
|----------------------------------|----------|---|---|
| Action Taken                     | Existing | Type of action taken on loan, application, or preapproval request   | § 1003.4(a)(8), Comments 4(a)(8)(i)-1 through -14 and 4(a)(8)(ii)-1 through -6            |
| Action Taken Date                | Existing | Date action taken   | § 1003.4(a)(8), Comments 4(a)(8)(i)-1 through -14 and 4(a)(8)(ii)-1 through -6            |
| Application Date                 | Existing | Date the application was received or the date on the application form   | § 1003.4(a)(1)(ii), Comments 4(a)(1)(ii)-1 through -3                                     |
| HOEPA Status                     | Existing | Whether the loan is a high-cost mortgage under the Home Ownership and Equity Protection Act (HOEPA)   | § 1003.4(a)(13), Comment 4(a)(13)-1   |
| Income                           | Existing | If credit decision is made, gross annual income relied on in making the credit decision; OR, if a credit decision was not made, the gross annual income relied on in processing the application | § 1003.4(a)(10)(iii), Comments 4(a)(10)(iii)-1 through -10                                |
| Loan Type                        | Existing | Whether the loan or application is insured by the Federal Housing Administration, guaranteed by the Veterans Administration, Rural Housing Service, or Farm Service Agency                      | § 1003.4(a)(2), Comment 4(a)(2)-1   |
| Property Location - Census Tract | Existing | Location of the property securing the loan (or proposed to secure a loan)   | § 1003.4(a)(9)(ii), Comments 4(a)(9)-1 through -5, 4(a)(9)(ii)(B)-1, and 4(a)(9)(ii)(C)-1 |

| <b>Data Point</b>          | <b>Status</b> | <b>Description</b>  | <b>Regulation C Reference</b>   |
|----------------------------|---------------|---|---|
| Property Location - State  | Existing      | Location of the property securing the loan (or proposed to secure a loan) | § 1003.4(a)(9)(ii), Comments 4(a)(9)-1 through -5, 4(a)(9)(ii)(B)-1, and 4(a)(9)(ii)(C)-1 |
| Property Location - County | Existing      | Location of the property securing the loan (or proposed to secure a loan) | § 1003.4(a)(9)(ii), Comments 4(a)(9)-1 through -5, 4(a)(9)(ii)(B)-1, and 4(a)(9)(ii)(C)-1 |

#### Modified Data Points

| <b>Data Point</b>             | <b>Status</b> | <b>Description</b>  | <b>Regulation C Reference</b>                                    |
|-------------------------------|---------------|---|--|
| Construction Method           | Modified      | Whether the dwelling is site-built or a manufactured home   | § 1003.4(a)(5), Comments 4(a)(5)-1 through -3                    |
| Ethnicity                     | Modified      | Applicant's or borrower's ethnicity and if information was collected by visual observation or surname                                   | § 1003.4(a)(10)(i), Comments 4(a)(10)(i)-1 and -2 and appendix B |
| Legal Entity Identifier (LEI) | Modified      | Identifier issued to the financial institution by a utility endorsed by the Global LEI Foundation or LEI Regulatory Oversight Committee | § 1003.4(a)(1)(i)(A)   |
| Lien Status                   | Modified      | Whether the property is a first or subordinate lien   | § 1003.4(a)(14), Comments 4(a)(14)-1 and -2                      |



| <b>Data Point</b> | <b>Status</b> | <b>Description</b>  | <b>Regulation C Reference</b>                                    |
|-------------------|---------------|---|--|
| Loan Amount       | Modified      | Amount of the loan or the amount applied for  | § 1003.4(a)(7), Comments 4(a)(7)-1 through -9                    |
| Loan Purpose      | Modified      | Whether the transaction is for home purchase, home improvement, refinancing, cash-out refinancing, or another purpose | § 1003.4(a)(3), Comments 4(a)(3)-1 through -5                    |
| Occupancy Type    | Modified      | Whether the property will be used as a principal residence, second residence, or investment property                  | § 1003.4(a)(6), Comments 4(a)(6)-1 through -5                    |
| Preapproval       | Modified      | Whether the transaction involved a preapproval request for a home purchase loan under a preapproval program           | § 1003.4(a)(4), Comments 4(a)(4)-1 and -2                        |
| Race              | Modified      | Applicant's or borrower's race and if information was collected by visual observation or surname                      | § 1003.4(a)(10)(i), Comments 4(a)(10)(i)-1 and -2 and appendix B |
| Rate Spread       | Modified      | Difference between the annual percentage rate and average prime offer rate for a comparable transaction               | § 1003.4(a)(12), Comments 4(a)(12)-1 through -8                  |
| Reason for Denial | Modified      | Reason(s) the application was denied  | § 1003.4(a)(16), Comments 4(a)(16)-1 through -4                  |

| <b>Data Point</b>               | <b>Status</b> | <b>Description</b>   | <b>Regulation C Reference</b>                                       |
|---------------------------------|---------------|--|---|
| Sex                             | Modified      | Applicant's or borrower's sex and if information was collected by visual observation or surname  | § 1003.4(a)(10)(i), Comments 4(a)(10)(i)-1 and -2 and appendix B    |
| Type of Purchaser               | Modified      | Type of entity purchasing the loan   | § 1003.4(a)(11), Comments 4(a)(11)-1 through -10                    |
| Universal Loan Identifier (ULI) | Modified      | Identifier assigned to identify and retrieve a loan or application that contains the FI's LEI, an internally generated sequence of characters, and a check digit | § 1003.4(a)(1)(i), Comments 4(a)(1)(i)-1 through -5, and appendix C |

#### New Data Points

| <b>Data Point</b>   | <b>Status</b> | <b>Description</b>   | <b>Regulation C Reference</b>  |
|---|---------------|--|--|
| Age   | New           | Applicant's or borrower's age  | § 1003.4(a)(10)(ii), Comments 4(a)(10)(ii)-1 through -5                            |
| Application Channel (Submission of Application and Initially Payable to Your Institution) | New           | Indicators of whether the application was submitted directly to the FI, and whether the obligation was initially payable to the FI | § 1003.4(a)(33), Comments 4(a)(33)-1, 4(a)(33)(i)-1, and 4(a)(33)(ii)-1 through -2 |
| Automated Underwriting System   | New           | Name of the automated underwriting system used by the FI to evaluate the application and the result generated by that system       | § 1003.4(a)(35), Comments 4(a)(35)-1 through -6                                    |

| <b>Data Point</b>              | <b>Status</b> | <b>Description</b>  | <b>Regulation C Reference</b>                   |
|--------------------------------|---------------|---|---|
| Business or Commercial Purpose | New           | Indicator of whether the transaction is primarily for a business or commercial purpose                            | § 1003.4(a)(38), Comment 4(a)(38)-1             |
| Combined Loan-to-Value Ratio   | New           | Ratio of the total amount of debt that is secured by the property to the value of the property that was relied on | § 1003.4(a)(24), Comments 4(a)(24)-1 through -5 |
| Credit Score                   | New           | Credit score(s) relied on and the name and version of the credit scoring model                                    | § 1003.4(a)(15), Comments 4(a)(15)-1 through -7 |
| Debt-to-Income Ratio           | New           | Ratio of the applicant's or borrower's total monthly debt to total monthly income relied on                       | § 1003.4(a)(23), Comments 4(a)(23)-1 through -7 |
| Discount Points                | New           | Points paid to the creditor to reduce the interest rate   | § 1003.4(a)(19), Comments 4(a)(19)-1 through -3 |
| Interest Rate                  | New           | Interest rate on the approved application or loan   | § 1003.4(a)(21), Comments 4(a)(21)-1 through -3 |
| Introductory Rate Period       | New           | Number of months until the first date the interest rate may change  | § 1003.4(a)(26), Comments 4(a)(26)-1 through -4 |
| Lender Credits                 | New           | Amount of lender credits  | § 1003.4(a)(20), Comments 4(a)(20)-1 through -3 |
| Loan Term                      | New           | Number of months after which the legal obligation will mature or terminate  | § 1003.4(a)(25), Comments 4(a)(25)-1 through -5 |

| <b>Data Point</b>                         | <b>Status</b> | <b>Description</b>  | <b>Regulation C Reference</b>  |
|---|---------------|---|--|
| Manufactured Home Land Property Interest  | New           | Information about the applicant's or borrower's ownership or leasehold interest in the land where the manufactured home is located                | § 1003.4(a)(30), Comments 4(a)(30)-1 through -6                              |
| Manufactured Home Secured Property Type   | New           | Whether the covered loan is secured by a manufactured home and land or a manufactured home and not land   | § 1003.4(a)(29), Comments 4(a)(29)-1 through -4                              |
| Mortgage Loan Originator NMLSR Identifier | New           | National Mortgage Licensing System & Registry (NMLSR) identifier for the mortgage loan originator   | § 1003.4(a)(34), Comments 4(a)(34)-1 through -3                              |
| Multifamily Affordable Units              | New           | Number of individual dwelling units related to the property that are income-restricted under federal, state, or local affordable housing programs | § 1003.4(a)(32), Comments 4(a)(32)-1 through -6                              |
| Non-Amortizing Features                   | New           | Whether the transaction involves a balloon payment, interest-only payments, negative amortization, or any other type of non-amortizing feature    | § 1003.4(a)(27), Comment 4(a)(27)-1  |
| Open-End Line of Credit                   | New           | Indicator of whether the transaction is for an open-end line of credit  | § 1003.4(a)(37), Comment 4(a)(37)-1  |
| Origination Charges                       | New           | Total borrower-paid origination charges   | § 1003.4(a)(18), Comments 4(a)(18)-1 through -3                              |
| Prepayment Penalty Term                   | New           | Term in months of any prepayment penalty  | § 1003.4(a)(22), Comments 4(a)(22)-1 through -2                              |
| Property Address                          | New           | Address of the property securing the loan (or proposed to secure a loan)  | § 1003.4(a)(9)(i), Comments 4(a)(9)-1 through -5 and 4(a)(9)(i)-1 through -3 |

| <b>Data Point</b>                         | <b>Status</b> | <b>Description</b>   | <b>Regulation C Reference</b>  |
|---|---------------|--|--|
| Property Value                            | New           | Value of the property relied on that secures the loan          | § 1003.4(a)(28), Comments 4(a)(28)-1 through -4                                  |
| Reverse Mortgage                          | New           | Indicator of whether the transaction is for a reverse mortgage | § 1003.4(a)(36)  |
| Total Loan Costs or Total Points and Fees | New           | Either total loan costs, or total points and fees charged      | § 1003.4(a)(17), Comments 4(a)(17)(i)-1 through -3 and 4(a)(17)(ii)-1 through -2 |
| Total Units                               | New           | Number of individual dwelling units related to the property    | § 1003.4(a)(31), Comments 4(a)(31)-1 through -4                                  |