

# CRAHMDA REPORTER

NOVEMBER 2004

## 2004 Census Changes

The 2004 census data have been updated from the previous year to reflect changes implemented by the Office of Management and Budget (OMB) in **June 2003** and **February 2004**.

2004 CRA/HMDA data must use the most recent census data to be in compliance. Key features of the 2004 changes are noted below:

- The 2003 definition of Metropolitan Areas (MA) is being expanded to Metropolitan Statistical Areas/Metro-

If your institution has become a HMDA reporter for the first time because of changes in MSA boundaries, you should begin collecting data with applications received on January 1, 2004.

politan Divisions (MSA/MD) in 2004. The Micropolitan Statistical Areas and Combined Statistical Areas are not to be used in CRA or HMDA reporting.

- MSA/MDs are now five-digit numbers. Previously, MAs were four-digit numbers.
- 11 of the largest MSAs (Boston, Chicago, Dallas, Detroit, Los Angeles, Miami, New York, Philadelphia, San Francisco, Seattle, and Washington) have been broken into a total of 29 MDs. The five-digit code for MDs should always be used when available. For further details refer to **OMB Bulletin No. 03-04**.

- Calendar years 2003 and 2004 CRA/HMDA data are geocoded using 2000 census data. Data for calendar year 2002 and prior years are geocoded using 1990 census data.

- If your institution has become a HMDA reporter for the first time because of changes in MSA boundaries, you should begin collecting data with applications received on January 1, 2004. You should not

collect data on applications received in 2003 even if they see final action in 2004. This is a limited exception, only for new reporters, to the general rule that the loan application register (LAR) must include all transactions that see final action in the year of the LAR.

- The **geocoding system**, which allows users to retrieve geocoding combinations, can be accessed from the **CRA** and **HMDA** front pages. Make sure to select the year applicable to the calendar year submission you are working on (e.g. If resubmitting 2002 CRA data, select "Year, 2002"). ■

## Where can I get historical HMDA and Census data?

Beginning in 2004, the FFIEC does not provide HMDA and Census data products on any media type for years prior to 2001. During any one year, the FFIEC will have only the three most recent years of HMDA data available for purchase. HMDA and Census data products for the earliest year in the available three-year supply will generally be removed from the FFIEC Data Order Form during the third quarter of a given year and data products reflecting the most recent data collected and processed will be added to the group. For example, data for the three-year cycle of 2001-2003 were available for purchase from the FFIEC in August 2004. In August/September 2005, data from years 2002-2004 will be available, and so on.

When the FFIEC no longer provides a particular year's HMDA or Census data products, the data can be obtained from the National Technical Information Service (NTIS). Visit the **NTIS web site** to order their products online.

For years 1997 and forward, the Census, National Aggregate, Aggregate and Disclosure Report web reports continue to be available on the **FFIEC web site**. ■

### Additional resources:

**U.S. Census Bureau**  
<http://www.census.gov/>

**FFIEC Census Reports**  
<http://www.ffiec.gov/webcensus/ffieccensus.htm>

## Online Resources for 2004 Regulation C Amendments

Effective January 1, 2004, lenders must collect and report additional data and follow new and modified rules in order to comply with Regulation C amendments. HMDA online resources are outlined in this article to assist lenders in minimizing the risk of reporting errors and misinterpreting the amendments. The online resources will help in reporting accurate and compliant HMDA data. General guidance and web links are referenced below. Additional reporting guidance is provided by the [St. Louis Federal Reserve Bank Supplemental Regulation C web site](#).

### Geocoding Information

Extensive revisions and new Metropolitan Statistical Areas or Metropolitan Divisions (MSA/MD) have been adopted, effective with data collected in calendar year 2004. Key features are outlined in a related newsletter article, "2004 Census Changes."

- [FFIEC HMDA Geocode Information](#)
- [FFIEC HMDA Geocode System](#)
- [2004 HMDA Edits document](#) (page ii)
- [2004 HMDA Guide](#) (pages 12, 14, 18-20, A-4, A-5, and Appendix F)

### Rate Spread

Lenders are required to report the spread between the annual percentage rate (APR) and the applicable Treasury yield for originated loans where the spread equals or exceeds specific thresholds noted in Regulation C.

- [Regulation C](#) (Section 203.4(a)(12))
- [2004 HMDA Guide](#) (pages A-9 and A-10)
- [FFIEC HMDA Rate Spread Calculator](#)
- [Rate Spread Calculator Help Files](#)
- ["Treasury Securities of Comparable Maturity Under Regulation C" table](#)
- [HMDA FAQs](#)

### HOEPA Status

Lenders are required to identify high cost loans covered by the provisions of the Home Ownership and Equity Protection Act (HOEPA), as implemented by Regulation Z (Sections 32 and 34). Loans that exceed the annual percentage rate or point and fee thresholds must be reported.

- [Regulation C](#) (Section 203.4(a)(12))
- [2004 HMDA Guide](#) (pages 17 and A-10)

### Lien Status

Lenders are required to report lien status on loan applications and originations, but not on purchased loans.

- [Regulation C](#) (Section 203.4 (a)(14))
- [2004 HMDA Guide](#) (pages 17, A-10, and D-14)

### Ethnicity, Race and Sex

Lenders are required to collect and report data on ethnicity, race and sex of the applicant as requested by the federal government for monitoring purposes. The Office of Management and Budget (OMB) has provided [standard definitions](#) for five race categories and Hispanic ethnicity. Lenders and applicants are encouraged to read the OMB definitions when unsure of the ethnicity and/or race(s) category selections. Lenders must inform applicants they have the option of selecting up to five categories. When an applicant meets in person with the lender to complete an application process that began by mail, Internet, or telephone, the ethnicity, race and sex information should be collected under the rules for an application taken in person. For applicants who choose not to self-identify for applications taken in person, lenders must inform applicants that the lender is required by Regulation C to choose ethnicity,

race and sex for them based on visual observation and surname.

- [Regulation C](#) (Section 203.4(a)(10))
- [Official Staff Commentary on Regulation C](#), (Section 203.4(a)(4)(iv))
- [2004 HMDA Guide](#) (pages A-6, A-7 and Appendix B)
- [HMDA FAQs](#)

### Preapprovals

Lenders are required to report preapproval requests for home purchase loans initiated under a covered preapproval program as established in Regulation C. Lenders will not report preapproval requests that are withdrawn or incomplete.

- [Regulation C](#) (Section 203.2 (b)(2))
- [2004 HMDA Guide](#) (pages A-3, C-1, C-2 and D-3)
- [HMDA FAQs](#)

### Refinancing

The definition has been modified for reporting purposes as a dwelling-secured loan that replaces and satisfies another dwelling-secured loan, made to the same borrower. The purpose of the loan being refinanced is no longer relevant.

- [Regulation C](#) (Section 203.2(k)(2))
- [2004 HMDA Guide](#) (page 28)
- [HMDA FAQs](#)

### Home Improvement Loans

The definition has been modified to eliminate the classification test for dwelling-secured loans. The classification test has been retained for loans unsecured by a dwelling.

- [Regulation C](#) (Section 203.2 (g))
- [2004 HMDA Guide](#) (pages 8, 27 and D-5)

➔ *continued on p. 5*

# FAQs for Submitting via Internet e-mail

## Where do I begin?

- Perform a “Batch Edit”. This function is located on the Front Page. By performing a “Batch Edit”, you will ensure that your institution’s data are error free. An encrypted file cannot be created with outstanding validity edits!

## I’ve followed the instructions provided in the internal Help files in the 2004 HMDA Data Entry Software for creating an encrypted file.

### Am I done?

- Once you have created the encrypted file, you must **attach** it to an e-mail.
- To do this, enter your e-mail software and create a new memo addressed to [HMDASUB@frb.gov](mailto:HMDASUB@frb.gov). Be sure to include the necessary information in the body of the e-mail:

- |                       |                   |
|-----------------------|-------------------|
| • Respondent ID (RID) | • Contact Name    |
| • Agency Code         | • Contact Phone   |
| • Institution Name    | • Number of Loans |
| • Tax ID              | • Activity Year*  |

In the subject line of the e-mail indicate: Activity Year\*, RID, and Agency Code

\* Activity year is the calendar year for which the HMDA data are being collected.

- Next, attach the encrypted file by utilizing your e-mail software’s attachment feature. This brings up a dialog box to help locate your file. If you have followed the directions provided in the internal Help files of the 2004 HMDA Data Entry Software, the file is located at C:\HMDADES\INT\HMDAENCR.ENC (This is the path for finding the encrypted file. Click on the C drive, followed by the HMDADES folder, then the INT folder, and lastly, click on the HMDAENCR.ENC file. This is your encrypted file!) From this point, follow the prompt in the dia-

logue box (if applicable) to attach the file.

- You should see that a file has been attached; it may appear below the subject line, or as an icon in the text of the message, etc. If you can see the file name of the attachment, it should be HMDAENCR.ENC. **Do not** open or view the attachment.

## I submitted via Internet e-mail but did not receive an auto-reply confirming receipt.

### What should I do now?

- First, verify that you submitted the e-mail to [HMDASUB@frb.gov](mailto:HMDASUB@frb.gov) and not an alternate address. The most common mistake in this situation is to submit inadvertently to HMDAHELP. The encrypted HMDA data file will only be accepted at [HMDASUB@frb.gov](mailto:HMDASUB@frb.gov).
- If you did submit to [HMDASUB@frb.gov](mailto:HMDASUB@frb.gov), you will receive an automated response providing additional information about the submission. If you do not receive this e-mail

within 48 hours, please e-mail [HMDAHELP@frb.gov](mailto:HMDAHELP@frb.gov) or call the HMDA assistance line at (202) 452-2016 to inquire about your submission. Be sure to reference your institution’s Respondent ID number and Agency Code when contacting the above resources. The information allows us to reply more quickly to your inquiry.

## I need more detailed information on how to “Export to Regulatory Agency via Internet e-mail”.

### Where can I locate it?

- If you have downloaded the 2004 HMDA Data Entry Software, detailed instructions are available in the internal Help files. From the Front Page of the software, choose “Help” (subtopic “Contents”) from the toolbar at the top of the screen. From the list that will appear on the left side of the screen, choose “Exporting”, followed by “Exporting to Regulatory Agency via Internet e-mail”. Detailed instructions follow. ■

## File Format/Specification and Edit Requirements

The FFIEC provides free CRA and HMDA data entry software products, containing internal file format/specifications and edit validation processes that help ensure successful data submissions. To download the software products, please visit the “How to File” sections of the FFIEC’s [CRA](#) and [HMDA](#) web sites.

Submitting accurate and error-free data is your responsibility. Therefore, if you choose not to use the FFIEC software products and instead opt for vendor-provided tools or internally developed data entry systems, you must verify that all electronic file format/specification requirements have been met and that all predetermined edit checks have been performed before submitting your annual CRA and HMDA data files. You can also find the file formats/specifications and edit rules in the “How to file” sections of the FFIEC’s [CRA](#) and [HMDA](#) web sites.

## HMDA Data Entry Software Version 3.10

The next scheduled release of the **HMDA Data Entry Software**, Version 3.10, for the collection and reporting of CY 2005 data will be available by download from the FFIEC HMDA web site in Fall 2004. The software is **free** and can be utilized for editing, reporting and submission purposes.

Version 3.10 for CY 2005 data collection contains several edit updates and the addition and deletion of one edit listed below. Your HMDA data must be edited **prior** to submission using the **FFIEC HMDA edits**. **Regulation C requires all HMDA data submissions to be free of validity errors prior to submission. You must submit a validity-free submission or your institution is at risk of noncompliance.**

### Deleted Edits

- Loan Application Register  
V305 Replaced with Q049 (See *New Edits*).

### New Edits

- Q049 Checks for valid MSA/MD, State, County, and Census Tract if action taken type = 7 or 8.

### Revised Edits

- Transmittal  
S100 Edit test language modified to check for valid activity year.
- Loan Application Register  
V317 Edit test language modified to include check of first co-applicant race field.  
V326 Edit test language modified to include check of first co-applicant race field.  
V463 Edit test language modified to include check of first co-applicant race field.  
Q006 Edit test modified to include loan application tolerance of 25.  
Q027 Edit test modified to include check of property type = 1 and 2.  
Q039 Edit test and explanation modified to remove reference to date, 20030901.
- END-OF-CYCLE Macro Quality Edit Reports (For FFIEC Use Only)  
Q011 Edit test modified to increase total number of loan applications to 1,000.  
Q016 Edit test and explanation modified to decrease total loan application percentage.  
Q028 Edit test modified to include check of property type = 1 or 2.  
Q029 Edit check modified to remove reference to split tracts.

In addition, if you utilize a third party vendor's software package, you can still take advantage of the benefits of the HMDA Data Entry Software by using the editing and reporting features.

Sending your submission via Internet e-mail remains the most efficient process for submitting your HMDA data. Submit your valid encrypted file via e-mail to [HMDASUB@frb.gov](mailto:HMDASUB@frb.gov) on or before March 1, 2005. ■

## When MSA/MD = 99999; How to Report

Various geocoding resources available for reporting CRA and HMDA data provide a numeric code of 99999 for non-MSA/MD property locations. For reporting purposes, entering 99999 into the MA field will generate a validity edit on an institution's Edit Report. Likewise, if an institution chooses vendor software to collect CRA and HMDA data but imports the data into the respective FFIEC data collection software for submission, the batch edit function will flag loans with a validity edit when MSA/MD has been entered as 99999. This type of validity edit needs to be corrected **before** preparing the CRA or HMDA data for submission.

## Join the Crowd - - Submit via Internet E-mail

Bill and Bob are brothers as well as bankers. But that is where the similarities stop. You see, Bill filed his HMDA data the same way he always has -- mailed a diskette. Bob thought he would try submitting via Internet e-mail. Bill and Bob filed their bank's HMDA LAR the week prior to March 1. It is March 2<sup>nd</sup> and Bob is leaving early for the day; he does not have to worry about HMDA reporting since he submitted it last week, received the edit report, and faxed back the signed and dated confirmation sheet. Bill, on the other hand, is too worried to leave early as it is March 2<sup>nd</sup> and he just received a phone call telling him that his bank's HMDA submission has not been received. He mailed the file last week and is wondering what happened to the submission!

The moral of this story is that, when done properly, submitting via Internet e-mail is the best way to go! And here are just some of the great reasons why...

- 10 No calls/trips to the mail carrier to overnight the diskette/CD-ROM
- 9 No **second** trips to the mail carrier to overnight a resubmission or missing diskette/CD-ROM
- 8 No shipping/postage fees
- 7 No sleepless nights wondering if the bank's HMDA report was lost in the mail!
- 6 Data is more secure—the file must be properly encrypted to be sent via Internet-email
- 5 Much more efficient—the file is received almost instantly!
- 4 Confirmation within 48 hours that the submission was received
- 3 Quicker turn-around for edit reports/corrections
- 2 Everybody's doing it! (Over 80% of 2003 reporters submitted via Internet e-mail.)

and the **Number ONE** reason for submitting via Internet e-mail is...

**1 No lost or damaged diskettes/  
CD-ROMs!!!**

## HMDA Data Processing Lifecycle

During 2004, institutions required to report HMDA data should have collected and entered on a quarterly basis its 2004 HMDA information. Institutions may submit a correctly formatted, edit-checked and validity-free calendar year 2004 HMDA data as early as January 1 and no later than March 1, 2005. An initial 2004 HMDA-LAR submitted after March 1 is considered late by your regulator agency; extensions are not granted.

An institution may **e-mail** their 2004 HMDA data as an encrypted data file or **overnight** a HMDA.dat file on CD-ROM or PC diskette. Once a valid submission is received by the HMDA processing staff at either address it is loaded to the FFIEC database and edit checks are performed against the submission. The following business day, the resulting edit report and cover letter is faxed to the facsimile number of the contact person listed on the Transmittal Sheet. The cover letter of this faxed correspondence includes a due date that the institution must submit their appropriate reply; extensions are not granted. Once the appropriate completed paperwork has been received, the institution is marked "complete" for filing their 2004 HMDA data.

During the month of April after all data from the universe of HMDA reporters have been received and loaded to the FFIEC HMDA database, several end-of-cycle reports are reviewed by Federal Reserve HMDA Operations staff. Institutions appearing on these reports will be contacted via fax or phone by HMDA Operations staff. An institution must respond immediately as action may warrant corrections to the data file and

necessitate a complete resubmission of its entire 2004 HMDA-LAR.

Processing of 2004 HMDA data resubmissions is temporarily suspended in May as the FFIEC database is used to create a variety of data products, including the annual disclosure statement. The creation, testing and distribution of the various 2004 HMDA data products will occur from May through July. Institutions should receive the complimentary Aggregate and Disclosure Reports Software on CD-ROM during the month of August. From this CD-ROM or the FFIEC HMDA web site, institutions may print their **disclosure statement**. Additionally, a **general notice** informing the public of the availability of the institution's disclosure statement should be posted by the institution where appropriate.

When an institution resubmits its data during the collection period – January through April -- of a given reporting year, the resubmitted data are used in the creation of the institution's disclosure report that is mailed to all institutions on CD-ROM and made available to the public via the FFIEC web site. However, if your institution resubmits data after the end of April, the resubmitted data are not reflected in the public record. Depending on the reasons for the resubmission, an institution who resubmits their data after the end of April may receive an updated disclosure statement for public disclosure.

Steps for resubmitting your HMDA data after the end of April are primarily the same as those used in making the initial submission. After including all the necessary corrections to your institution's data, you export and transmit the data, receive an edit report and sign off on the confirmation sheet. However, please make sure to mark

your resubmission as a "Complete Resubmission of CCYY data".

Your institution's disclosure statement will be recreated and mailed automatically if any of the following occurs as a result of your resubmission:

- 1 Any change in the LAR count
- 2 Any MSA/MD additions or deletions
- 3 Institution name change
- 4 Respondent ID change
- 5 10% or more of the data or 100 or more applications are revised

An institution may also request that their disclosure statement be recreated. ■

→ *continued from p. 2*

### Online Resources for 2004 Regulation C Amendments

#### Manufactured Loans

Lenders are required to identify whether an application or loan involves a "manufactured home." Manufactured home means any residential structure as defined under regulations of the Department of Housing and Urban Development (HUD) that establish manufactured home construction and safety standards (24 CFR 3280.2).

- [Regulation C](#) (Section 203.2(i))
- [2004 HMDA Guide](#) (pages 27 and A-1)
- [HMDA FAQs](#)

#### Transition Rules

The transition rules guide lenders in collecting and reporting HMDA data on loan applications received prior to 2004, where final action is taken on or after January 1, 2004.

- [Transition Rules](#)
- [Sex, Race and Ethnicity Guidance](#)
- [2003 CRA/HMDA Reporter](#) ■

## Don't Forget the Transition Rules!

Loan applications taken in 2003 that see final action in 2004 are reported on the 2004 HMDA report. Due to regulation changes, transition rules were established to help institutions translate information from the 2003 loan application into the 2004 loan application for purposes of HMDA. If your 2004 LAR does not correctly follow the transition rules for reporting applications taken in 2003 with final action in 2004, your data could produce validity edits. V452 and V462 are two validity edits that are generated by not properly following the transition rules for reporting applicant/co-applicant ethnicity.

The transition rules state that when an applicant has chosen the 2003 race field of Hispanic (code 4), the 2004 application translation is to report ethnicity as 1 (Hispanic or Latino) and to enter 7 (not applicable) in the race field. In addition, the 2004 ethnicity field is reported as code 4 (not applicable) for 2003 race codes reported as:

- 1 American Indian/Alaska Native
- 2 Asian
- 3 Black/African American
- 5 White
- 6 Other
- 8 Not applicable.

If race information was not provided in a mail, Internet, or telephone application (code 7) in 2003, report code 3 for ethnicity on the 2004 HMDA LAR. Refer to the **Official Staff Commentary on Regulation C**, (Section 203.4(a)(4)(iv)) for guidance on converting race information reported in 2003 to the 2004 HMDA LAR. ■

## BULLETINBOARD

# FFIEC Reporting RESOURCES

Below is a list of the more popular FFIEC reporting publications and filing resources available on the FFIEC CRA and HMDA web sites.

### CRA

[CRA Aggregate Reports](#)

[CRA Disclosure Reports](#)

[Interagency Questions & Answers](#)

[FFIEC CRA Data Entry Software](#)

[FFIEC Geocoding System](#)

[How to File](#)

[Where to Submit](#)

### HMDA

[HMDA Aggregate and Disclosure Reports](#)

[Frequently Asked Questions \(FAQs\)](#)

[FFIEC HMDA Data Entry Software](#)

[FFIEC Geocoding System](#)

[FFIEC Rate Spread Calculator  
\(for use beginning with 2004 HMDA data\)](#)

[How to File](#)

[Where to Submit](#)

## NEED ASSISTANCE?

For further assistance with CRA and HMDA, visit the following web sites, send an e-mail, or call the phone numbers listed below:

### CRA

<http://www.ffiec.gov/cra>  
[crahelp@frb.gov](mailto:crahelp@frb.gov)  
(202) 872-7584

### HMDA

<http://www.ffiec.gov/hmda>  
[hmdahelp@frb.gov](mailto:hmdahelp@frb.gov)  
(202) 452-2016

## ALERT:

### Revised 2003 HMDA Disclosure Statement Deadline

2003 HMDA resubmissions warranting a revised disclosure statement will be accepted up to November 30, 2004. We strongly recommend that institutions e-mail their HMDA resubmissions to [hmdasub@frb.gov](mailto:hmdasub@frb.gov) for expedited processing. Institutions will receive a 2003 Edit Report for their review and confirmation. When warranted a revised paper copy of the disclosure statement will be provided to the institution. Resubmissions of 2003 data received after this date will be processed but a revised disclosure statement will not be available.

## Type of Purchaser Reporting Issues

Type of purchaser (TOP) is a required reporting field on all HMDA Loan Application Register (LAR) records. Institutions often fail to report originated or purchased loans that are sold to a secondary market entity within the same calendar year.

Institutions are to report code zero (0) in the TOP field in the following situations:

- Loan was originated but **not sold** in the calendar year covered by the HMDA/LAR activity year;
- Loan was purchased from another entity but **not sold** in the calendar year covered by the register; or
- Application was denied, withdrawn, approved but not accepted by the applicant; or closed for incompleteness.

Important reminders regarding the reporting of TOP:

- ▶ If you sell originated or purchased loans at a later time in the same calendar year that were recorded on the HMDA LAR, collect the TOP information and update the field to reflect the sale of them; also make sure that the correct TOP data are submitted to the HMDA processing agency.
- ▶ If you sell originated or purchased loans in a succeeding year, do not report the loan sale on that year's LAR. Additionally, do not go back and update the TOP column on the LAR for the year in which the loans were originated or purchased; in this case the type of purchaser will never be reported.
- ▶ If your institution purchases an interest in a loan (such as a mortgage participation certificate, a mortgage-backed security or a real mortgage investment conduit), you have purchased an interest in a security that is not reported under HMDA. ■

## Submitting One Data File from Multiple Workstations

Collecting and maintaining loan records from more than one computer is possible with the FFIEC CRA and HMDA Data Entry Software. The software is not network compatible but that does not stop an institution from having multiple users enter data.

First, designate the computer that will act as the central point of collection as *main workstation*. Install the data entry software on that computer's local drive. Create a data file by completing the information on the transmittal sheet screen of the installed data entry software.

Collecting and maintaining loan records from more than one computer is possible with the FFIEC CRA and HMDA Data Entry Software.

Next, install the software on the local drive of other workstations. Once installed, follow these steps:

- ▶ Open the software to the Front Page and input the transmittal sheet information
- ▶ Click on Save (You are then taken back to the Front Page.)
- ▶ Choose Utilities from the menu bar
- ▶ Click on (CRA or HMDA) Configuration Options
- ▶ Check the box "This is a branch site" (A loan number prefix box will appear. Type a four-character prefix of your choice for your workstation(s) to distinguish between each one or all.)
- ▶ Click on Save

In order to consolidate the loan records, first export the data from each "branch site":

- ▶ Open the software to the Front Page
- ▶ Click on Export
- ▶ Choose "For Other Purpose"
- ▶ Select your Target File and click Begin

Once the export is complete, import the data into the *main workstation*:

- ▶ Open the software to the Front Page
- ▶ Click on Import
- ▶ Choose "From External File"
- ▶ Type your Target File and click Begin

When the process is complete, run the Batch Edit feature (also located on the Front Page) to scan the loan records for edit violations and errors. Before submitting one data file from the *main workstation* -- correct data containing validity errors and verify data with quality edits and correct, as appropriate.

Please note that for CRA data collection, all loan information, including community development composite records, third/party consortium composite records, and assessment area information may be entered in the *main workstation*. The other workstations (ie., the "branch sites") only allow for the entry of small business, small farm, and optional loan data.

For HMDA data collection, loan/application data may be entered at all workstations. ■