

# CRA / HMDA

[ R E P O R T E R ]

OCTOBER 2002

## Amendments to Regulation C

**O**n Jan. 23, 2002, after a comprehensive review of the regulation, the Federal Reserve Board approved amendments to Regulation C, which implements the Home Mortgage Disclosure Act (HMDA). The majority of the amendments were published in the Federal Register on Feb. 15. Three remaining amendments were included in the Federal Register on June 27. The approved regulatory changes are intended to improve the quality, consistency and usefulness of the data. The effective date for the following amendments (except for the monitoring information amendment) was moved from Jan. 1, 2003, to Jan. 1, 2004. (Effective Jan. 1, 2003, lenders are required to ask telephone applicants for monitoring information and are to use the race or national origin categories that currently exist on the sample data collection form in Appendix B of the regulation.)

The amendments:

- Set thresholds for determining the loans for which financial institutions must report loan-pricing data. Institutions will report the rate spread (between the annual percentage rate on a loan and the yield on comparable Treasury securities) if the spread equals or exceeds 3 percentage points for first-lien loans and 5 percentage points for subordinate-lien loans.
- Require lenders to identify loans subject to the Home Ownership and Equity Protection Act (HOEPA).
- Conform the categories for reporting race and ethnicity to government-wide standards established by the Office of Management and Budget. Consistent with those standards, applicants are allowed to record more than one race, and lenders must use the revised race and ethnicity categories when they ask applicants for monitoring information.
- Require lenders to report denials of applications for credit received through certain preapproval programs and identify originated loans initiated through preapproval programs.
- Permit, but do not require, lenders to report requests for preapproval they later approved but were not pursued by the applicants.
- Expand the coverage of non-depository lenders by adding a dollar-volume threshold of \$25 million to the current loan-percentage test.
- Modify the definitions of “refinancing” and “home-improvement loan” to generate more consistent, accurate and useful data.
- Require lenders to report whether the loan or application involves a manufactured home.
- Require lenders to report the lien status of applications and originated loans.
- Require lenders to ask for applicants’ ethnicity, race and sex in telephone applications.

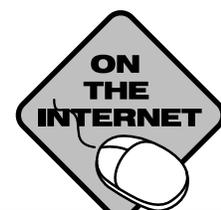
For related Federal Reserve System documents and press releases, see the following links:

<http://www.federalreserve.gov/boarddocs/press/boardacts/2002/20020123/default.htm>

<http://www.federalreserve.gov/boarddocs/press/boardacts/2002/20020207/default.htm>

<http://www.federalreserve.gov/boarddocs/press/boardacts/2002/20020502/default.htm>

<http://www.federalreserve.gov/boarddocs/press/bcreg/2002/20020621/default.htm>



■ [www.ffiec.gov/cra](http://www.ffiec.gov/cra) ■

■ [www.ffiec.gov/hmda](http://www.ffiec.gov/hmda) ■

# Improving HMDA Data Quality

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## Q032

For the majority of originated applications, the application and action-taken dates should be different. A few exceptions are in the manufactured and mobile home markets because the institution may treat them similar to consumer loans.

It is critical to accurately report these two fields in 2002 HMDA data. Rather than completing an ad hoc report at the end of the processing cycle, a new quality edit check (Q032) was added to the 2002 FFIEC mainframe system. The Q032 has been officially included in the 2003 HMDA edits and will be included in the 2003 FFIEC HMDA Data Entry Software.

## When to Report Race/Sex Info as “8/4” vs. “7/3”

Under federal regulations, an institution that receives an application in person is required to collect data on race or national origin and sex. Applicants must be asked for this information; however, the applicant is not required to provide it. When the applicant does not provide this information, institutions should note the race or national origin and sex on the basis of visual observation or surname to the best of their ability.

Report “7/3” (Info Not Provided By Applicant) when an institution:

- originates a loan.
- receives an application that does not result in an origination and the application was made entirely by phone, mail or the Internet.

Report “8/4” (Not Applicable) when:

- loans are purchased by an institution and the institution opts to not report the applicant’s information,
- the applicant is not a natural person (e.g., a corporation or a partnership).

## 2003 and 2004 Monitoring Information

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Effective Jan. 1, 2003, lenders must ask applicants for their race (or national origin) and sex when they take an application entirely through the telephone. Let’s look at the effect this requirement has on collecting HMDA data for calendar years (CY) 2003 and 2004.

### 2003 Data

**Ethnicity and Race:** The race or national origin categories are identical to those used during CY 2002.

**Refusals:** If telephone applicants refuse to provide their monitoring information, treat their refusals as you would mail or Internet applications. Use code 7 for race or national origin and code 3 for sex.

### 2004 Data

The lender must continue to ask applicants for monitoring information in applications that they take entirely through the telephone, mail and/or Internet.

**Ethnicity and Race:** A separate ethnicity field has been added to the loan application reporting form, and the race categories have been revised. Ethnicity and race *are not* the same. You must report something in *both* fields.

The applicant and co-applicant can each select up to five race categories. If you report:

- options 6 or 7 for the applicant, place the information in the first race column for the applicant and leave the four remaining race columns blank.
- options 6, 7 or 8 for the co-applicant, place the information in the first race column for the co-applicant and leave the four remaining race columns blank.

**Refusals:** If applicants refuse to provide their monitoring information, use code 6 for race, code 3 for ethnicity and code 3 for sex.

## Say “Yes” to Internet E-mail Submissions

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Select Internet e-mail as your first choice for submitting CRA or HMDA data. All e-mail submissions must be prepared using the appropriate data entry software—either FFIEC CRA or FFIEC HMDA. This software guarantees that your institution will meet all reporting file specifications and that your data will be properly encrypted ensuring confidentiality.

To create the encrypted submission file, follow the step-by-step procedures in the software, and then attach that encrypted file to an e-mail message. Please use this format to create your e-mail cover letter.

In the subject field of the message, include:

- the calendar year of the data being submitted,
- your respondent ID/agency code and
- the submission type: “Initial” or “Complete Resubmission.”

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In the body of your e-mail message, include your:

- institution name,
- respondent ID/agency code,
- contact name/phone number.

For HMDA submissions, also include the total number of loan/application records in the attached encrypted file.

Send your completed e-mail with the attached encrypted data file to the e-mail address your regulatory agency has designated for the Internet e-mail submissions:

- For HMDA e-mail addresses sorted per regulatory agency, see <http://www.ffiec.gov/hmda/submit.htm>.
- For CRA data, send Internet e-mail submissions to [crasub@frb.gov](mailto:crasub@frb.gov).

After the processing agency receives your e-mail, it will send you an e-mail acknowledgment stating it received your data submission. If the processing analyst has problems with your encrypted data file, you will receive an e-mail or phone call.

For more information regarding HMDA e-mail submissions, contact [hmdahelp@frb.gov](mailto:hmdahelp@frb.gov) or the HMDA Assistance Line at (202) 452-2016. For CRA e-mail submissions, contact [crahelp@frb.gov](mailto:crahelp@frb.gov) or the CRA Assistance Line at (202) 872-7584.

## FFIEC CRA Data Entry Software

The FFIEC CRA Data Entry Software assists financial institutions in collecting and filing their CRA data. Several useful software features exist, such as reports for data analysis, optional loan categories that institu-

tions may use to collect data for consideration during a CRA exam, and data quality checks. Other important features of the software include:

- *Before you start* help page,
- branch and main office set-ups,
- *Copy Assessment Area* utility.

**Before You Start**—If you are unfamiliar with the CRA Data Entry Software, review the *Before you start* page in the Help section, which provides a quick overview for successfully completing CRA submissions.

**Branch and Main Office Set-Up**—You should install the CRA Data Entry Software at each branch that enters loans. Under the Utilities menu, define the site as a branch using the CRA Configuration Options. This adds a four-character prefix to the loan application number, which distinguishes each branch office's loan entries from the main office's entries.

After the branch exports its data via the *Export to Home Office* option, the main office can import and consolidate the data into the bank's CRA submission. The main office defines the assessment area and inputs the community development and consortium/third party information for the institution.

**Copy Assessment Area Utility**—You may copy your bank's assessment area information from one submission to another by using the *Copy Assessment Area* utility. After you copy the assessment area records, edit them by using the *Batch Edit* option.

## CRA Data Quality Checks

If you use the default settings of the FFIEC's CRA Data Entry Software, your data will be checked by a set of validity and quality assessments. Correcting errors helps ensure data accuracy when you submit your data to the Board.

Two common quality error types are often overlooked:

- **Small-business and small-farm loan amounts (Q300, Q305, Q400 and Q405).** These must be corrected. Keep in mind that the Call Report—or the TFR if you are a thrift—limits small business loans to original amounts of \$1 million or less and small farm loans to original amounts of \$500,000 or less. For CRA purposes, any loan amounts that exceed those caps are not small-business or small-farm loans.
- **Community development total loan amount (Q600, Q605, Q610 and Q615).** The total loan amount field is in *thousands*. Be sure to enter this number correctly or your community development loan amount will appear exorbitantly high. For example, if your total loan amount is \$1 million, you should enter "1000," not "1000000," which would be interpreted as \$1 billion.

After the Board receives your data, additional data checks are performed. Staff members may contact you if they determine the data you submitted contains potential errors.

Common items found during this stage of data analysis are:

- **All reported small-business loans went to businesses with revenues less than or equal to \$1 million.** Small-business and small-farm loans are determined by Call Report (or TFR) definitions, which are not based on the *revenue* of a business, but rather on the *origination amount* of a given loan. For example, a CRA small-business loan can go to a business with revenues greater than \$1 million so long as the loan amount is less than \$1 million.
- **Lending amounts fluctuate greatly from year-to-year.** Finan-

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# Q & A

**Q.** If the FFIEC Geocoding System does not provide me with MSA/State/County/Census Tract-BNA information, should I send in my HMDA submission without including this information?

**A.** The FFIEC Geocoding System is only one of the many available resources. If this software does not provide the geographical information for a property location (e.g., responds with “Address not found”), there are several other tools for obtaining the correct geocoding information.

Additional resources include—but are not limited to—the 1990 Census Tract/Block Numbering Area Outline Maps, an up-to-date local reference map and TIGER/Census. These resources are available from the Census Bureau. For more information, refer to Pages 13-17 of the *Guide to HMDA Reporting: Getting It Right!* or contact the Census Bureau at [www.census.gov](http://www.census.gov) or (202) 457-4100.

Ultimately, it is the reporter’s responsibility to exhaust all available resources for obtaining valid property location information for every record in the HMDA report that requires geocoding. Remember, if you report CRA and HMDA data,

all of your loans must be geocoded, regardless of whether the loans are located in an MSA where your institution has a home or branch office.

**Q.** Our main and branch offices maintain their respective HMDA Loan Application Registers (LARs). In addition, sometimes departments in each office maintain separate HMDA LARs. Can each office submit a separate HMDA register?

**A.** According to Regulation C of the Home Mortgage Disclosure Act (Appendix A, paragraph III.B), institutions must submit all data to their supervisory agency in **one complete package** with the prescribed transmittal sheet. Therefore, you must merge your separately maintained HMDA LARs into one consolidated report. Submissions received in a non-consolidated format are not acceptable and may not be processed correctly. A consolidated HMDA report ensures that all of your institution’s data are received and processed properly by the processing agency.

**Q.** We are a depository institution that originates closed-end, home-equity loans (not the same as home-equity lines of credit). The loaned funds are used to pay off an existing obligation at another institution; the existing obligation was secured by a lien on the dwelling. If the stated purpose of the loan is to “pay off an

existing obligation,” would the originated home-equity loan qualify as a refinancing? If the stated purpose of the loan is unrelated to home improvement or home purchase, would the home-equity loan qualify as a refinancing?

**A.** The home equity loan meets the meaning of a refinancing—the satisfaction and replacement of an existing obligation by a new obligation by the same borrower. There are four alternative criteria for determining whether a transaction is a refinancing. You have to determine which refinancing (data collection) alternative you will use and then be consistent in how you report the data. Refer to Pages 25, D-1 and D-2 in the *Guide to HMDA Reporting: Getting it Right!* for the refinancing (data collection) alternatives.

For instance, you could choose the alternative under 4.ii. on Page D-2—because the existing obligation was secured by a lien on a dwelling, you would report both as refinancings. However, if you choose one of the alternatives under 4. and 4.i. on Page D-1 and decide that the purpose of the existing obligation has to be for home purchase or home improvement before you will report the new obligation as a refinancing, then it’s possible that neither of them would be reported as a refinancing because of the stated purpose.

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cial institutions that show this sort of pattern are often contacted to ensure institutions reported their data correctly.

- **Large community development loan amounts.** Institutions are contacted if their community development loan amounts appear high when compared to the institu-

tion’s assets and/or lending from previous years. This additional check ensures that the institution has reported the amount in thousands and did not mistakenly report loans as community development that met other lending definitions. (For further guidance, see Interagency Q&A [\\_42\(b\)\(2\)-2.](#))

- **Unusually patterned or large assessment areas.** Some institu-

tions include all tracts in which they made loans as part of their assessment areas. This does not meet the requirements of an assessment area, as defined by the regulations. (For further guidance, see section [\\_41](#) of the Interagency Qs&As on assessment area delineation.)

# BULLETIN BOARD

## FFIEC REPORTING RESOURCES

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

### HMDA

FFIEC Data Entry Software

[www.ffiec.gov/hmda/softinfo.htm](http://www.ffiec.gov/hmda/softinfo.htm)

FFIEC Geocoding/Mapping System

[www.ffiec.gov/geocode/default.htm](http://www.ffiec.gov/geocode/default.htm)

A Guide to HMDA Reporting & Guide Information Letter Updates

[www.ffiec.gov/hmda/guide.htm](http://www.ffiec.gov/hmda/guide.htm)

Frequently Asked Questions (FAQs)

[www.ffiec.gov/hmda/faq.htm](http://www.ffiec.gov/hmda/faq.htm)

How to File

[www.ffiec.gov/hmda/howtofile.htm](http://www.ffiec.gov/hmda/howtofile.htm)

Where to Submit

[www.ffiec.gov/hmda/submit.htm](http://www.ffiec.gov/hmda/submit.htm)

### CRA

FFIEC Interagency Q & A's

[www.ffiec.gov/cra/qnadoc.htm](http://www.ffiec.gov/cra/qnadoc.htm)

FFIEC Data Entry Software

[www.ffiec.gov/cra/softinfo.htm](http://www.ffiec.gov/cra/softinfo.htm)

FFIEC Geocoding/Mapping System

[www.ffiec.gov/geocode/default.htm](http://www.ffiec.gov/geocode/default.htm)

A Guide to CRA Data Collection and Reporting

[www.ffiec.gov/cra/guide.htm](http://www.ffiec.gov/cra/guide.htm)

How to File

[www.ffiec.gov/cra/howtofile.htm](http://www.ffiec.gov/cra/howtofile.htm)

Where to Submit

[www.ffiec.gov/cra/submit.htm](http://www.ffiec.gov/cra/submit.htm)

## NEED ASSISTANCE?

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

### HMDA

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

### CRA

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

## 2004 SOFTWARE DISTRIBUTION

The 2003 version of the CRA and HMDA Data Entry Software will be the last version to be mailed directly to your institution. Starting with the 2004 version, which will be available in December 2003, the primary distribution method will be downloading the software from the FFIEC web site. Look for more details regarding future software availability in fall 2003.

## PUBLIC DISCLOSURE OF 2001 CRA DATA

On July 26, 2002, the FFIEC released the 2001 CRA Aggregate and Disclosure Reports on CD-ROM. The CD-ROM contains CRA data for each institution reporting under CRA in 2001. Institutions should make their disclosure statements on this CD-ROM available to the public within three business days of receipt. You also can find the disclosure report data on the FFIEC CRA web site, [www.ffiec.gov/cra](http://www.ffiec.gov/cra).

## PUBLIC DISCLOSURE OF 2001 HMDA DATA

On July 26, 2002, the FFIEC released the 2001 HMDA Aggregate and Disclosure Reports on CD-ROM. The CD-ROM contains each institution's 2001 HMDA Disclosure Report, as well as the 2001 HMDA aggregate data. Institutions should make their disclosure statements on this CD-ROM available to the public at the institutions' home offices within three business days of receipt. Alternatively, institutions' complete disclosure statements and aggregate reports are available at the FFIEC HMDA web site, [www.ffiec.gov/hmda](http://www.ffiec.gov/hmda). If your institution has not received its copy of the CD-ROM, contact the HMDA Assistance Line at (202) 452-2016.

## BACKING UP YOUR CRA DATA

The For Other Purpose export option exports the data in micro data format,<sup>1</sup> which represents all individual loans that were entered into the software for a given year. It differs from the data format sent to the Federal Reserve Board, which is composite data.

Composite data are aggregated at the census tract level. No individual loan information is provided and no optional loan information (except Consortium/Third Party data, if collected) is exported in the composite, Federal Reserve Board format.

Because the data you submit to the Federal Reserve Board are aggregated data, it is not sufficient to rely on a copy of this data as a backup. If you attempt to import the Federal Reserve Board format into the CRA application, composite records will be ignored because the aggregated data do not contain individual loans. However, since the micro data represents the individual loans that your institution entered into the application, you can import the For Other Purpose format back into the data entry software.

<sup>1</sup> See file formats on the FFIEC's CRA web site at [www.ffiec.gov/cra](http://www.ffiec.gov/cra).

## The 2000 Census: How and When Will it Affect My CRA and HMDA Data Collection?

Institutions are to continue using 1990 census tract and demographic information when they report and analyze calendar year (CY) 2002 CRA and HMDA data. These data are due March 1, 2003.

The requirement to use 2000 census data, rather than 1990 census information, becomes effective Jan. 1, 2003, and was mandated by an interim amendment to Regulation C. Using

the 2000 census for CY 2003 data will further enhance the disclosure and aggregate reports, which will identify more accurate demographic and lending patterns for data analysis and fair lending purposes.

In addition, the 2000 census:

- assigns census tract numbers to all areas,
- eliminates Block Numbering Areas (BNAs) and
- changes the Metropolitan Statistical Area (MSA) reference to Metropolitan Area (MA).

All CRA and HMDA loan applications taken in CY 2002, but with an action taken date in 2003, must be

geocoded using the 2000 census information. Institutions can find the 2003 CRA and HMDA file specifications, edits and Regulation C amendments that discuss the 2000 census issues in their entirety on the FFIEC CRA and HMDA web sites, [www.ffiec.gov/cra](http://www.ffiec.gov/cra) and [www.ffiec.gov/hmda](http://www.ffiec.gov/hmda).

The census products are also published by the FFIEC as a reporting tool to guide and assist institutions when they prepare and submit CRA and HMDA data. This information is available on the FFIEC web site, [www.ffiec.gov/hmda/censusproducts/htm](http://www.ffiec.gov/hmda/censusproducts/htm).

This newsletter is designed to aid CRA and HMDA lenders in the collection and reporting of their data. The publication provides assistance, guidance and information on various topics, including data-entry software, regulatory issues and frequently asked questions. The articles in the *CRA/HMDA Reporter* are written by staff at the Federal Reserve Board and the Federal Reserve Bank of St. Louis.



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