

# PUBLICATION

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## Proposed Data Reporting Rule Issued

August 6, 2014

If you are looking for some light reading these last few weeks of summer, you might want to take a look at the recently released proposed rule regarding changes to the Home Mortgage Disclosure Act (HMDA) also known as Regulation C. HMDA data provides information regarding home mortgage lending activity, and the proposed CFPB rule appears to significantly expand data reporting requirements for mortgage industry participants. The proposed rule itself is 573 pages long. The deadline for comments to the rule is on or before October 22, 2014.

Each year HMDA data is reported for the vast majority of residential mortgage loans originated in the U.S. In 2012, information came from 7,400 financial institutions that reported data for approximately 18.7 million mortgage applications and loans. The information that institutions report includes: the name of the lender; the type and general location of the property; and the race, ethnicity, and sex of the applicant. Reported HMDA data also includes information about the loan amount and whether the loan is for purchasing a home, refinancing an existing mortgage or home improvement.

HMDA data has been considered a "mixed bag" of information as a result of the failure to include certain types of information, such as the age of the borrower or even property value. The CFPB was given direct authority via Dodd-Frank to revise HMDA regulations and the 573-page proposed rule is the agency's attempt to do just that. This rule includes a number of new categories of data to be collected, including the property value, term of the loan, total points and fees, the duration of any teaser or introductory interest rates, and the applicant's or borrower's age and credit score.

In addition to market information, the CFPB is also using the proposed rule to gain data regarding access to credit. The rule would require financial institutions to provide more information about underwriting and pricing, such as an applicant's debt-to-income ratio, the interest rate of the loan, and the total discount points charged for the loan. The CFPB believes that such data would help the Bureau observe how the Ability-to-Repay rule is impacting the market, and would also help the Bureau monitor developments in specific markets such as multi-family housing, affordable housing and manufactured housing. The proposed rule would also require that lenders report, with some exceptions, all loans related to dwellings, including reverse mortgages and open-end lines of credit.

In developing the proposed rule, the CFPB states that it aimed to:

- Standardize the reporting threshold. Depository institutions, such as banks, satisfying HMDA's general reporting requirements must submit HMDA data, even if they make only a single home-purchase loan or refinancing in a given year. However, non-depository mortgage lenders may be required to report only if they make at least 100 loans. The proposal would generally require that institutions report HMDA data if they make 25 or more closed-end loans or reverse mortgages in a year.
- Ease reporting requirements for some small banks. With the proposed standardized reporting threshold, small depository institutions that have a low loan volume—fewer than 25 mortgages a year—would not have to report HMDA data.

In announcing the proposed rule, the CFPB stated that in addition to more robust reporting, the proposed rule furthered the Bureau's goals related to:

- Aligning reporting requirements with industry data standards. Using established industry data standards would mitigate the burden on lenders in providing the new data.
- Improving the electronic reporting process. The CFPB is analyzing new technological tools to make the data submission process more efficient, ease the data formatting requirements and help financial institutions prevent errors.
- Improving data access. Despite significant privacy concerns already being raised, the CFPB specifically stated that it is looking at ways to improve how the public can securely use HMDA data.