



**Banker's Compliance
Consulting**

HMDA - Regulation C

October 2019

Turning Regulations into
PLAIN ENGLISH!

Table of Contents

REGULATION C

I. Purpose 1

II. Bank Coverage 1

 2018 HMDA Origination Volume Test..... 3

 HMDA Coverage Flowchart..... 5

III. Demographic Information Collection 6

 Fannie Mae Form 1003 (2018 Version) 12

** Words in Italics are taken directly from the applicable regulations.*

This publication is designed to provide accurate and authoritative information in regard to the subject matter covered. The information contained within this manual pertains to federal regulations. Banker's Compliance Consulting makes every attempt to understand applicable state laws as well; however, this information may not be represented in this manual. If you are aware of state laws that conflict with information presented in this manual, please contact Banker's Compliance Consulting. This publication contains the author's opinion on the subject. All rights reserved. This manual may not be reproduced in whole or in part in any form whatsoever without permission from the publisher. The publisher hereby specifically disclaims any personal liability for loss or risk incurred as a consequence of the advice or information presented in this book.

Copyright © 1997 – 2019
All rights reserved.
Printed in the United States of America

Banker's Compliance Consulting
PO Box 87
Central City, Nebraska 68826
consultants@bankerscompliance.com
800-847-1653

Regulation C – 12 CFR 1003

I. Purpose:

In an effort to determine if banks were meeting their fair lending responsibilities with regard to home loans, the Home Mortgage Disclosure Act, Regulation C, was created. This Act requires banks to collect certain information on loans secured by a dwelling. The Act is also one of the **primary tools used by examiners to measure Fair Lending compliance.**

II. Bank Coverage:

A. Is My Financial Institution Subject to HMDA? [§1003.2(g)]:

1. Asset Test:

Your bank's size exceeds the annual asset threshold; and,

2. Metropolitan Statistical Area (MSA) Test:

Your bank has either a home office or branch office located in an MSA; and,

3. Loan Volume Test:

Your bank **originated** at least:

a. One:

One home purchase loan or refinance of a home purchase loan secured by a first-lien 1-4 family dwelling in the prior calendar year; and,

b. 25:

Closed-end dwelling secured loans ("**loan**") in each of the prior two calendar years; or,

c. 500:

Open-end lines of credit secured by a dwelling ("**line**") in each of the prior two calendar years.

Regulation C – 12 CFR 1003

4. 25 / 500 Calculation:

Do not include any of the following loans or lines of credit:

- a. Denied or withdrawn applications;
- b. Secured by bare land;
- c. Primarily for agricultural purposes;
- d. Secured by a dwelling located on land used primarily for agricultural purposes;
- e. Primarily for business purpose (except Home Purchase, Home Improvement and Refinance);
- f. Temporary Financing;
- g. Less than \$500;
- h. Originated or purchased by the bank acting in a fiduciary capacity;
- i. The purchase solely of the right to service a closed-end loan or open-end line of credit;
- j. Purchased as part of merger or acquisition; or,
- k. Purchased as a partial interest.
- l. The purchase of an interest in a pool of closed-end loans or open-end lines of credit.

Regulation C – 12 CFR 1003

B. What Do I Report?

1. Closed-End Loans vs. Open-End Lines of Credit:

If you originate at least 25 closed-end loans, but not 500 open-end lines of credit, you only report closed-end loans. [Commentary to §1003.3(c)(12) #1] If you originate at least 500 open-end lines of credit, but not 25 closed-end loans, you only report open-end lines of credit. If you originated > 25 loans and > 500 lines, you report both loans and lines. [Commentary to §1003.3(c)(11) #1]

2. Small Filer Data Exemption

If you originate 25-499 closed-end loans, you are subject to HMDA reporting, but you only collect and report limited data. [Economic Growth, Regulatory Relief, and Consumer Protection Act, Pub. L. 115-174, section 104(a) (to be codified at 12 USC 2803)]

*Institutions are not eligible for the Small Filer partial exemption if they received a rating of “needs to improve” during each of their two most recent examinations or a rating of “substantial noncompliance” on their most recent CRA exam.

	2018 HMDA Origination Volume Test						
	Number of Originations						
Home Purchase or Refinance of Home Purchase 1 st Lien, 1-4 Family, Dwelling-Secured Loans (Prior Calendar Year)	0	≥ 1	≥ 1	≥ 1	≥ 1	≥ 1	≥ 1
Closed-End Dwelling-Secured Loans (Each of the Prior <u>Two</u> Calendar Years)	*	<25	≥ 25 and < 500	≥ 25 and < 500	< 25	≥ 500	≥ 500
Open-End Lines Secured by a Dwelling (Each of the Prior <u>Two</u> Calendar Years)	*	<500	< 500	≥ 500	≥ 500	< 500	≥ 500
Subject to HMDA	No	No	Yes Limited LOAN Data Only	Yes Limited LOAN Data & Full LINE Data	Yes Full LINE Data Only	Yes Full LOAN Data Only	Yes Full LOAN Data & Full LINE Data

*The number of loans is irrelevant because the bank did not make at least one home purchase or refinance of a home purchase loan in the prior calendar year.

Please Note:

- This chart assumes a bank meets the MSA test and exceeds the asset test.
- All banks with less than 500 lines (in either of the two preceding calendar years) are currently exempt from reporting lines in 2018 & 2019. This is scheduled to change to 100 lines effective January 1, 2020. At that time, bank that meet the open-end small filers threshold will begin reporting limited data.

Regulation C – 12 CFR 1003

C. Proposals

1. Coverage (Loan Volume Test)

a. Closed-End Loans:

i. Will remain at 25 for 2020.

ii. New Proposal (7/23/19) = 50 or 100 (beginning mid-year 2020 or January 2021)

b. Open-End Lines:

i. 500 extended through 2021

ii. 200 beginning 2022

2. Data Points



Banker's Compliance Consulting
 www.bankerscompliance.com
 800-847-1653

HMDA Coverage Flowchart



Regulation C – 12 CFR 1003

III. Demographic Information Collection:

A. Coverage:

A financial institution shall (MUST) collect data about the ethnicity, race, and sex of the applicant or borrower... in connection with an application **for a covered loan or line.** [§1003.4(b)]

1. **MUST Collect:**

- a. Purchase
- b. Refinance
- c. Home Improvement
- d. Other (Consumer Purpose Home Equity)

2. **MAY Collect** - Business Purpose Home Equity:

You **MAY also collect the information for business (non-agricultural) purpose home equity loan application, although it's not HMDA reportable.** [§1002.5(a)(4)(v)] For example:

a. Closed-end HMDA Reporters:

May collect information for closed-end business purpose home equity applications even though they are not reportable.

b. Open-end HMDA Reporters:

May collect information for open-end business purpose home equity applications even though they are not reportable.

c. Closed and Open-end Reporters:

May collect information for closed-end and open-end business purpose home equity applications even though they are not reportable.

Regulation C – 12 CFR 1003

B. Timing:

You must request the data **at the time of application** (HMDA). [Appendix B to §1003]:

C. The Request:

You **must ask** the applicant for this information (but you cannot require the applicant to provide it) **whether the application is taken in person, by mail or telephone, or on the internet**. [Appendix B to §1003 #1]

D. Disclaimer (**prior to request**) [Appendix B to §1003 #2]:

The purpose of collecting this information is to help ensure that all applicants are treated fairly and that the housing needs of communities and neighborhoods are being fulfilled. For residential mortgage lending, Federal law requires that we ask applicants for their demographic information (ethnicity, race and sex) in order to monitor our compliance with equal credit opportunity, fair housing and home mortgage disclosure laws. You are not required to provide this information, but are encouraged to do so. You may select one or more “Hispanic or Latino” origins, and one or more designations for “Race”. The Law provides that we may not discriminate on the basis of this information, or on whether you choose to provide it. However, if you choose not to provide the information and you have made this application in person, Federal regulations require us to note your ethnicity, race and sex on the basis of visual observation or surname. If you do not wish to provide some or all of this information please check below.

E. Telephone Applications:

For applications taken by telephone, you **must state the information in the collection form orally**, except for that information which pertains uniquely to applications taken in writing, for example, the italicized language in the sample data collection form. [Appendix B to §1003 #1]

F. Applicant \neq Natural Person Alert:

Report ...the applicant’s or co-applicant’s ethnicity, race, and sex is **not applicable** when the applicant or co-applicant is not a natural person (for example, a corporation, partnership, or trust). [Appendix B to §1003 #7]

Regulation C – 12 CFR 1003

G. Applicant Data:

*You **must report** the ethnicity, race, and sex of an applicant as provided by the applicant.* [Appendix B to §1003 #8]

1. Ethnicity and Race:

*You **must offer the applicant the option of selecting more than one ethnicity or race.** If an applicant selects more than one ethnicity or race, **you must report each selected designation, subject to the limits** described below.* [Appendix B to §1003 #9]

a. Ethnicity:

The total number of **ethnicity main and subcategories reported cannot exceed five.** All main ethnicity categories must be reported prior to reporting an ethnicity subcategory. [Appendix B to §1003 #9(i)]

i. Main Ethnicity Categories:

Report either Hispanic or Latino; or, Not Hispanic or Latino:

ii. Ethnicity Sub Categories:

Report up to 4 ethnicity sub categories. [Appendix B to §1003 #9(i)] *Only an applicant may self-identify as being of a particular Hispanic or Latino subcategory (Mexican, Puerto Rican, Cuban, Other Hispanic or Latino)...* [Appendix B to §1003 #8]

iii. Other Ethnicity Subcategories:

Other + Write In = One Subcategory and must be reported subject to the limitations. [Appendix B to §1003 #9(ii)]

b. Race:

The total number of **race main and subcategories reported cannot exceed five.** All main race categories must be reported prior to reporting a race subcategory. [Appendix B to §1003 #9(iii)]

i. Main Race Categories:

...report every aggregate (main) race category selected by the applicant. [Appendix B to §1003 #9(iii)]

ii. Race Sub Categories:

If the applicant also selects one or more race subcategories, you must report each race subcategory selected by the applicant... [Appendix B to §1003 #9(iii)]

iii. American Indian or Alaska Native and Other Sub Race Categories:

Other + Write In = One Subcategory and must be reported subject to the limitations. [Appendix B to §1003 #9(iv)]

Regulation C – 12 CFR 1003

2. Sex [§1003.4(a)(10)(i)]:

- a. Male
- b. Female

H. Information Not Provided:

1. Information Not Provided – In Person Application:

*If the applicant chooses not to provide the information... **note this fact on the collection form and then collect the applicant's ethnicity, race, and sex on the basis of visual observation or surname.** You must report whether the applicant's ethnicity, race, and sex was collected on the basis of visual observation or surname. When you collect an applicant's ethnicity, race, and sex on the basis of visual observation or surname, you must select from the following aggregate categories: [Appendix B to §1003 #10]*

- a. Ethnicity:
 - i. Hispanic or Latino
 - ii. Not Hispanic or Latino

- b. Race:
 - i. American Indian or Alaska Native
 - ii. Asian
 - iii. Black or African American
 - iv. Native Hawaiian or Other Pacific Islander
 - v. White

- c. Sex:
 - i. Male
 - ii. Female

Note: Do not identify subcategories on the basis of visual observation or surname. Only an applicant may self-identify as being of a particular... subcategory... [Appendix B to §1003 #8]

Regulation C – 12 CFR 1003

2. Information Not Provided – Mail, Telephone or Internet Application:

a. Did Not Wish to Provide – **Confirmed by the Applicant:**

*If the applicant declines to answer these questions by checking the “I do not wish to provide this information” box on an application... or declines to provide this information by stating orally that he or she does not wish to provide this information on an application that is taken by telephone, you must **report “information not provided by applicant in mail, internet, or telephone application.”** [Appendix B to §1003 #11]*

b. Did Not Wish to Provide – **Not Confirmed by the Applicant:**

i. In Person Meeting Prior To Closing:

*If the applicant begins an application by mail, internet, or telephone, and does not provide the requested information on the application but does not check or select the “I do not wish to provide this information” box on the application, and the applicant meets in person with you to complete the application, **you must request** the applicant’s ethnicity, race, and sex. **If the applicant does not provide** the requested information during the in-person meeting, you must **collect the information on the basis of visual observation** or surname. [Appendix B to §1003 #12]*

ii. In Person Meeting at Closing:

*If the meeting occurs **after the application process is complete**, for example, at closing or account opening, **you are not required to obtain (visual observation)** the applicant’s ethnicity, race, and sex. [Appendix B to §1003 #12]*

I. No Co-Applicant(s):

*If there are no co-applicants, you must **report that there is no co-applicant.** [Appendix B to §1003 #5]*

J. Multiple Co-Applicants:

*If there is more than one co-applicant, you **must provide (report)** the ethnicity, race, and sex **only for the first co-applicant** listed on the collection form. [Appendix B to §1003 #5]*

Regulation C – 12 CFR 1003

K. Absent Co-Applicant:

*A co-applicant may provide an absent co-applicant's ethnicity, race, and sex on behalf of the absent co-applicant. **If the information is not provided** for an absent co-applicant, you must **report "information not provided** by applicant in mail, internet, or telephone application" for the absent co-applicant. [Appendix B to §1003 #5]*

L. Guarantors:

...do not report the guarantor's ethnicity, race, and sex. [Appendix B to §1003 #4]

M. Partial Applicant Completion:

*When an applicant provides the requested information for some but not all fields, you **report the information that was provided by the applicant**, whether partial or complete. If an applicant provides partial or complete information on ethnicity, race, and sex and also checks the "I do not wish to provide this information" box on an application that is taken by mail or on the internet, or makes that selection when applying by telephone, you must report the information on ethnicity, race, and sex that was provided by the applicant. [Appendix B to §1003 #13]*

N. Applicant Only Completes Subcategory:

*An applicant may select an ethnicity or race subcategory... only ...even if the applicant does not select an aggregate (main) ethnicity or aggregate (main) race category. For example, if an applicant selects only the "Mexican" box, the institution reports "Mexican" for the ethnicity of the applicant but does not also report "Hispanic or Latino" (i.e. **report only the subcategory, no main**) [Appendix B to §1003]*

O. Applicant Write-in Only (No Main):

If the applicant provides only a particular... "write-in" subcategory ...in the space provided, you are permitted, but are not required, to report Other (includes any of the "Other" options)... or American Indian or Alaska Native (i.e. the main category) in addition to reporting the particular... "write-in" subcategory ...provided by the applicant. [Appendix B to §1003]

Regulation C – 12 CFR 1003

P. Fannie Mae Form 1003 (2018 Version):

Demographic Information Addendum. This section asks about your ethnicity, sex, and race.

Demographic Information of Borrower

The purpose of collecting this information is to help ensure that all applicants are treated fairly and that the housing needs of communities and neighborhoods are being fulfilled. For residential mortgage lending, Federal law requires that we ask applicants for their demographic information (ethnicity, sex, and race) in order to monitor our compliance with equal credit opportunity, fair housing, and home mortgage disclosure laws. You are not required to provide this information, but are encouraged to do so. You may select one or more designations for "Ethnicity" and one or more designations for "Race." **The law provides that we may not discriminate** on the basis of this information, or on whether you choose to provide it. However, if you choose not to provide the information and you have made this application in person, Federal regulations require us to note your ethnicity, sex, and race on the basis of visual observation or surname. The law also provides that we may not discriminate on the basis of age or marital status information you provide in this application. If you do not wish to provide some or all of this information, please check below.

Ethnicity: *Check one or more*

- Hispanic or Latino
 Mexican Puerto Rican Cuban
 Other Hispanic or Latino - *Print origin:* _____

For example: Argentinean, Colombian, Dominican, Nicaraguan, Salvadoran, Spaniard, and so on.

- Not Hispanic or Latino
 I do not wish to provide this information

Sex

- Female
 Male
 I do not wish to provide this information

Race: *Check one or more*

- American Indian or Alaska Native - *Print name of enrolled or principal tribe:* _____
 Asian
 Asian Indian Chinese Filipino
 Japanese Korean Vietnamese
 Other Asian - *Print race:* _____

For example: Hmong, Laotian, Thai, Pakistani, Cambodian, and so on.

- Black or African American
 Native Hawaiian or Other Pacific Islander
 Native Hawaiian Guamanian or Chamorro Samoan
 Other Pacific Islander - *Print race:* _____

For example: Fijian, Tongan, and so on.

- White
 I do not wish to provide this information

To Be Completed by Financial Institution (for application taken in person):

- Was the ethnicity of the Borrower collected on the basis of visual observation or surname? NO YES
Was the sex of the Borrower collected on the basis of visual observation or surname? NO YES
Was the race of the Borrower collected on the basis of visual observation or surname? NO YES

The Demographic Information was provided through:

- Face-to-Face Interview (*includes Electronic Media w/ Video Component*) Telephone Interview Fax or Mail Email or Internet

Borrower Name: _____

Uniform Residential Loan Application
Freddie Mac Form 65 o Fannie Mae Form 1003
Revised 09/2017

Regulation C – 12 CFR 1003

1. Property Address and Location:

- a. Report the address of the **property that secures** (or is proposed to secure) **the loan or line**.
[§1003.4(a)(9)]

- b. Property Within Your MSA:

Include the following **if the property is located in a metropolitan statistical area (MSA) where the bank has a home or branch office**. [§1003.4(a)(9)(ii)] *...financial institutions may report that the requirement is not applicable... (N/A) [Commentary to §1003.4(a)(9)(ii) #1]*

- i. Street Address (*Small Filers – “Exempt”)
- ii. City (*Small Filers – “Exempt”)
- iii. Zip Code (5 or 9 digit) (*Small Filers – “Exempt”)
- iv. State
- v. County (5-digit code)
- vi. Census Tract (only counties with populations of 30,000+)

- c. Property Outside Your MSA

*Small Filers are exempt from reporting address information for properties outside an MSA; however, if data is voluntarily provided for any field (e.g. street address), Small Filers must complete all fields for the data point (i.e. street address, city, zip, and state).

If the property is located **outside a metropolitan statistical area (MSA) where the bank has a home or branch office**, you need only report the following. You *...may voluntarily report the...county, or census tract information* [§1003.4(a)(9)(i)].

- i. Street Address
- ii. City
- iii. Zip Code (5 or 9 digit)
- iv. State

- d. CRA - Large banks

If the property is located outside any MSA, you must provide all information (6 items) in 1.b. for small business and community development loans, even if you qualify as a Small Filer.
[§1003.4(e)]

Regulation C – 12 CFR 1003

Data Field Number	Data Field Name	Data Field Type	Valid Values	Descriptions and Examples	Data Point Name
13	Street Address	Alphanumeric		Example: 456 W Somewhere Ave Apt 201 (or) NA (or) Exempt	Property Address
14	City	Alphanumeric		Example: Anytown (or) NA (or) Exempt	Property Address
15	State ²	Alphanumeric		Example: CA (or) NA	Property Location & Property Address
16	ZIP Code	Alphanumeric		Example: 90049-9998 (or) NA (or) Exempt	Property Address
17	County	Alphanumeric		Example: 06037 (or) NA	Property Location
18	Census Tract	Alphanumeric		Example: 06037264000 (or) NA	Property Location

e. Address Unknown:

*A financial institution complies... by reporting that the requirement is **not applicable (N/A)** if the property address of the property securing the covered loan is not known. For example, if the property did not have a property address at closing or if the applicant did not provide the property address of the property to the financial institution before the application was denied, withdrawn, or closed for incompleteness... [Commentary to §1003.4(a)(9)(i) #3]*

f. Manufactured Homes:

*If the site of a manufactured home has not been identified, a financial institution complies by reporting... **not applicable (N/A)**. [Commentary to §1003.4(a)(9) #5]*

g. 3rd Party Data:

*An **institution** that obtains the property-location information for applications and loans from third parties (such as appraisers or vendors of “geocoding” services) is **responsible for ensuring that the information reported on its HMDA/LAR is correct**. [Commentary to §1003.6(b) #1]*