

# Supporting Statement for Paperwork Reduction Act Submissions

## Home Mortgage Disclosure Act (HMDA) Loan/Application Register OMB Control Number 2502-0539

### A. Justification

1. The Board of Governors of the Federal Reserve System, with approval from the Office of Management and Budget (OMB), had reallocated the burden of this information collection for the HMDA Loan/Application Register. The Board has enforcement responsibility for only State-chartered banks that are members of the Federal Reserve System, their mortgage banking subsidiaries, and mortgage banking subsidiaries of bank holding companies. Other lenders report to their respective supervisory agencies, the Comptroller of the Currency, Federal Deposit Insurance Corporation (FDIC), the Office of Thrift Supervision, and the National Credit Union Administration (all member agencies of the Federal Financial Institutions Examination Council (FFIEC), and the Department of Housing and Urban Development (HUD). This submission constitutes HUD's reallocated share of the information collection burden. OMB has approved all other agencies involved in HMDA's data collection. Annual completion of the register, submission to the appropriate Federal supervisory agency, and disclosure to the public on request are mandatory.

The Board of Governors of the Federal Reserve System amended Regulation C, 24 CFR 203 – Home Mortgage Disclosure, which implements the Home Mortgage Disclosure Act (HMDA) of 1975, to conform to provisions of the Economic Growth and Regulatory Paperwork Reduction Act of 1996 (1996 Act). A copy of the regulation is attached.

The HMDA Loan/Application Register collects information from mortgage lenders on application for, and originations and purchases of, mortgage and home improvement loans. Non-depository mortgage lending institutions send the information to HUD. The information is needed in order to monitor the mortgage lenders that have assets of \$250 million or more and for agencies to collect and report geographic information on loans and loan applications relating to property located outside metropolitan statistical areas (MSAs).

2. The Board's Regulation C requires mortgage lenders in metropolitan statistical areas (MSAs) to make annual disclosures of their mortgage and home improvement lending.

HUD receives a report that collects information from mortgage lenders on application for, and originations and purchases of, mortgage and home improvement loans. Non-depository mortgage lending institutions are required to use the report as a running log throughout the calendar year, and send the report to HUD by March 1 of the following calendar year.

Mortgage Lenders are also required to provide disclosure of data about completed applications for mortgage and home improvement loans, whether or not the loans are granted; previously, only loans originated and loans purchases were disclosed. In addition, the disclosure of the number and dollar amount of mortgage loans and completed applications, "grouped according to census tract, income level, racial characteristics, and gender" must be provided.

Also, banks and savings associations having assets of \$250 million or more are required to report data about their home mortgage lending pursuant to HMDA. If banks and savings associations are subsidiaries of companies with total banking and thrift assets of \$1 billion or more, they also have to collect and report geographic information on loans and loan applications relating to property located outside the MSAs in which the institution has a home or branch office, or outside any MSA.

Depository institutions and other covered lenders must report information each year showing a geographic breakdown of their residential mortgage applications and loans made and purchased. The data must be

reported by census tract, except for counties that had a population of 30,000 or less, and areas that are not census-tracked, for which the data are reported by county code. Also included is information about the type of loan (whether FHA, VA, conventional, etc.) and the type of dwelling (1- to 4-family or multifamily). Lenders are also required to report information about the race or national origin, sex, and income of loan applicants, and the type of purchaser for loans that they sell.

Supervisory agencies, local public officials, and members of the public use data from the disclosure statements produced by the FFIEC. The agencies use the data to aid in the enforcement of the CRA, the Equal Credit Opportunity Act, and the Fair Housing Act. Local public officials use the data to aid in identifying target areas for residential redevelopment and rehabilitation. Members of the public use the data to help evaluate the extent to which mortgage lenders are serving local housing needs.

There are approximately 9,000 depository institutions that participate in the HMDA. Depository institutions are covered if they have a home or branch office in an MSA and meet the asset test. Other covered lenders also file the HMDA Loan/Application Register. All of these lenders report to other agencies.

For-profit mortgage lenders that are not depository institutions are covered if they have a home or branch office in a MSA, and (1) they and any parent corporation have assets greater than \$12 million, or (2) they originated 100 or more home purchase loans (including re-financings) during the previous year. Currently, HUD only collects HMDA data from approximately 1,100 financial mortgage companies. These numbers may change as MSAs are added, as institutions increase in asset size, or as mergers occur. Currently, lenders are no longer required to report HMDA data to HUD, and so the number of respondents has been reduced.

The Federal Reserve Board increased the number of reported data elements from 19 to 38. A screenshot of the data elements is attached. Although little new data is collected, it is reported differently.

3. Mortgage lenders are provided the Federal Reserve System HDMA Data Entry Software that is designed to help automate the filing of the HDMA data. The software includes editing and reporting features to verify, complete, and analyze the data. Data created using this software can be transmitted via Internet e-mail to the regulatory agency. To comply with statutory requirements, each covered lender enters data on the HMDA Loan/Application Register and submits the completed register to its supervisory agency, which in turn transmits the data to the FFIEC for cross-tabulation. The FFIEC sends the lender a mortgage loan disclosure statement (showing cross-tabulations of the lender's HMDA Loan/Application Register data). On occasion, the lender makes this data available to the public at its home office, and if it has branches in other MSAs, in one branch office per MSA, or upon request. The data is also made available at a central data depository in each MSA. In addition, the lender must make its HMDA Loan/Application Register, stripped of information that could identify the application or borrower, available upon request. The Register need only contain data relating to the MSA for which the request is made.
4. There is no duplication of the data. Several agencies are involved in the use of this information, but no duplication of the information occurs on the part of the public.
5. The collection of this information will not have a significant impact on small businesses or other small entities.
6. The information is needed in order to monitor the mortgage lenders that have assets of \$250 million or more. This information is needed in order for the agencies to collect and report geographic information on loans and loan applications relating to property located outside metropolitan statistical areas (MSAs).
7. There are no special circumstances involved in the collection of this information on the respondents.

8. In accordance with 5 CFR 8(d), the agency’s notice soliciting public comments was announced in the *Federal Register* on Monday, December 16, 2014; (Page 74762, Vol. 79; No. 241) No comments were received.

Consultations Outside the Agency – The Federal Reserve Board consulted with member agencies of the FFIEC and HUD about the HMDA Loan/Application Register. All of the Federal Reserve’s rulemaking activities under HMDA are subject to the notice and comment requirements of the Administrative Procedure Act. In implementing amendments to the regulation, the Federal Reserve published the proposals for comment in the *Federal Register*.

9. No payments or gifts will be provided to the respondents.
10. Lenders must ask credit applicants to provide voluntarily information about their sex and race or national origin to help the supervisory agencies monitor compliance with fair lending laws in residential lending transactions. Lenders must tell the applicants that if they do not respond, the information will be collected by visual observation and surname.
11. The Board’s Legal Division has determined that 12 U.S.C. at 2801 and 12 CFR Part 203 authorizes the Board to require the HMDA Loan/Application Register. Completion of the Register, submission to the appropriate Federal supervisory agency, and disclosure to the public upon request are mandatory. The data, as modified according to Appendix A of the regulation (paragraph III.E), are made publicly available and are not considered confidential. Information that might identify individual borrowers or applicants is given confidential treatment under Exemption 6 of the Freedom of Information Act (5 U.S.C. 552(b)(6)).

12. Estimate of Respondent Burden:

Public reporting, recordkeeping, and disclosure burden for collecting the HMDA Loan/Application Register is estimated to vary from 10 to 1,100 hours per respondent per year, with an average of 120 hours, including time to gather and maintain the data needed, and to review instructions and complete the register. The estimated number of respondents has decreased from the previous submission due to the elimination of non-FHA lender, primary brokers and correspondents who no longer are required to report HMDA data to HUD. Therefore the number of respondents has decreased. The hourly cost has increased due to 1) inflation and 2) a higher technically qualified preparer of the HMDA data by the financial firms. The reporting of HMDA is fully electronic. Financial companies have opted to purchase and implement software that fully automates the mortgage application process and creates HMDA records as a secondary product and service. This results is less labor required but at a higher hourly cost due to the more demanding skills required to work with software, systems and databases.

On occasion, the lender makes this data available to the public at its home office, to one branch office per MSA, or at a central data depository in each MSA.

Information Collection	Number of Respondents	Frequency of Response	Responses Per Annum	Burden Hour Per Response	Annual Burden Hours	Hourly Cost Per Response	Annual Cost
<b>Register/Disclosure</b>	<b>1,100</b>	<b>1</b>	<b>1,100</b>	<b>120</b>	<b>132,000</b>	<b>\$27.00</b>	<b>\$3,564,000</b>

The hourly rate is based on an estimate of the average annual salary of clerical/technical staff to compile and transmit the reports.

13. There is no additional cost to respondents. The previous submission erroneously reported \$1.7 million total for producing the individual disclosure statements for institutions and the aggregation tables for each MSA. That expense is actually borne by the FFIEC, and not by the lender institutions.
14. The cost is shared by member agencies of the FFIEC and HUD. HUD’s cost is approximately \$700,000 for their portion of the Interagency Agreement. HUD also spends approximately \$20,000 to load HMDA data into its Single Family Data Warehouse. HUD’s annualized cost is approximately \$720,000.

15. This is a reinstatement without change of a currently approved collection.  
Work began to renew HUD's portion of OMB 2502-0539 in November 2012. HUD's internal review found discrepancies in the draft resubmission package including an apparent conflict in the way HUD records and reports ethnicity and race. HMDA LAR is governed by the Federal Reserve Board and Regulation C. Other factors contributing to a delay in filing the renewal submission to OMB included staff shortages, priorities involving the HUD Budget to OMB, the Actuarial Review, the Annual Report to Congress and high priority acquisitions. The HMDA LAR is submitted to OMB for approval under six different agencies as enumerated in A. Justification 1. above. FRB processes the electronic submissions all HMDA LARs submitted directly by the lenders for all 6 agencies. Other than the FRB's intent to reallocate burden hours to the other 5 agencies it is not clear why the same form has 6 different submissions for OMB Information Collection approval. All 6 forms are subject to the FRB's Regulation C. Efficiency, effectiveness and lowering the cost of government processes and policies are not reflected in the ICB process.
16. The results of this information collection will not be published.
17. HUD is not seeking approval to avoid displaying the OMB expiration date.
18. There are no exceptions to the certification statement identified in item 19 of the OMB 83-I.

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## **B. Collections of Information Employing Statistical Methods**

This information collection does not employ statistical methods.