

OCT 15 2015

# CFPB Finalizes Rule to Improve Information About Access to Credit in the Mortgage Market

## *Bureau Takes Steps to Simplify the Reporting Process for Financial Institutions*

**WASHINGTON, D.C.** — Today, the Consumer Financial Protection Bureau (CFPB) finalized a rule to improve information reported about the residential mortgage market. The rule will shed more light on consumers' access to mortgage credit by updating the reporting requirements of the Home Mortgage Disclosure Act (HMDA) regulation. The Bureau is working with other federal agencies to streamline the reporting process for financial institutions.

“The Home Mortgage Disclosure Act helps financial regulators, the public, housing officials, and even the industry itself keep a watchful eye on emerging trends and problem areas in the nation’s mortgage market – the largest consumer financial market in the world,” said CFPB Director Richard Cordray. “With today’s final rule we are shedding more light to foster better understanding of the market, and also ensuring that lenders have sufficient time to come into compliance.”

HMDA, which was originally enacted in 1975, requires many lenders to report information about the home loans for which they receive applications or that they originate or purchase. The public and regulators can use the information to monitor whether financial institutions are serving the housing needs of their communities, to assist in distributing public-sector investment so as to attract private investment to areas where it is needed, and to identify possible discriminatory lending patterns.

Congress passed the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) in 2010 in response to the mortgage market crisis. The Dodd-Frank Act directed the CFPB to expand the HMDA dataset to include additional information about applications and loans that would be helpful to better understand the mortgage market. The CFPB convened a panel of small businesses to provide feedback on potential changes to the rule in February 2014, and issued a proposed rule in July 2014.

In 2014, 7,062 financial institutions reported information about approximately 11.9 million mortgage applications, preapprovals, and loans. While the HMDA dataset is the leading source of information about the mortgage market, it has not kept pace with the market’s evolution. For example, the HMDA data do not provide adequate information about certain loan features that helped contribute to the mortgage crisis, such as adjustable-rate mortgages and non-amortizing loans.

The final rule issued today will improve the quality and type of HMDA data. The CFPB is also working to reduce the reporting burden for lenders, by streamlining and

modernizing the submission of the data.

## Better Information About the Mortgage Market

The final rule changes what data financial institutions are required to provide in order to improve the quality of HMDA data in today's housing market. The changes include:

- **Improving market information:** In the Dodd-Frank Act, Congress directed the Bureau to update the HMDA regulation by having lenders report specific new information that improves public understanding of market conditions and could help identify emerging risks and potential discriminatory lending practices in the marketplace. This new information includes the property value, term of the loan, and the duration of any teaser or introductory interest rates.
- **Monitoring fair lending compliance and access to credit:** Financial institutions will be required to provide more information about mortgage loan underwriting and pricing, such as an applicant's debt-to-income ratio, the interest rate of the loan, and the discount points charged for the loan. This information will enhance the ability to screen for possible fair lending problems, helping both institutions and regulators focus their attention on the riskiest areas where fair lending problems are most likely to exist. This information will also help the Bureau and other stakeholders monitor developments in specific markets such as multifamily housing, affordable housing, and manufactured housing. The rule also requires that covered lenders report, with some exceptions, information about all applications and loans secured by dwellings, including reverse mortgages and open-end lines of credit.

## Simplifying Reporting Requirements

One of the goals in updating the reporting requirements is to identify opportunities to streamline reporting and make it easier for financial institutions to comply with the law. The final rule issued today will:

- **Ease reporting requirements for some small banks and credit unions:** The final rule retains the existing provisions that ease the burden on small banks and credit unions. For example, small depository institutions that are located outside a metropolitan statistical area remain excluded from coverage. In addition, under a new standardized reporting threshold in the rule, small depository institutions that have a low loan volume will no longer have to report HMDA data. For small lenders with few staff members, this change could make a significant impact in easing compliance costs. The new threshold will reduce the overall number of banks and credit unions required to report HMDA data by an estimated 22 percent. However, because those lenders receive a low volume of applications and originate a low volume of mortgage loans, the change will not compromise the usefulness of the dataset.
- **Align reporting requirements with industry data standards:** In addition to collecting data under HMDA, many financial institutions are collecting the same or similar data for their own processing, underwriting, and pricing of loans, or to facilitate the sale of loans on the secondary market. Many of the amended requirements align with well-established industry data standards, including definitions that are already in use by a significant portion of the mortgage market. The Bureau anticipates that this alignment will mitigate the burden on many lenders, and improve the quality and the value of the information reported.

The Bureau is working with the other members of the Federal Financial Institutions

Examination Council and the Department of Housing and Urban Development to modernize the HMDA data submission process to collect information more efficiently. Feedback from financial institutions and their vendors has helped the Bureau identify ways to reduce the burden of this information collection on industry. The Bureau has completed a pilot of a new web-based tool to collect HMDA information more efficiently. Industry stakeholders have tested the pilot and the feedback has been very positive – the new tool is simple and easy to use. Implementing this technology will reduce manual and paper-based systems currently used by regulators and reporting financial institutions. These changes will ultimately reduce associated compliance costs.

The final rule adopts many of the provisions proposed in 2014. However, a number of changes were made after considering comments received from the public. For example, the final rule does not include several of the data points proposed by the Bureau (such as the “risk-adjusted, pre-discounted interest rate”), and does not adopt the proposal to require reporting of all dwelling-secured transactions made for commercial purposes.

The CFPB is looking at ways to improve public access to HMDA data that has been modified to protect applicant and borrower privacy. The CFPB is exploring various strategies and techniques to address both borrower and applicant privacy and users’ interests in public disclosure and market transparency. The Bureau continues to update an online tool that helps the public better use available mortgage loan data. The tool allows users to filter information, create summary tables, download the data, and save their results.

Most of the provisions of the final rule will take effect on January 1, 2018. Lenders will collect the new information in 2018 and then report this information by March 1, 2019.

**A copy of the final rule is available at:**

[http://files.consumerfinance.gov/f/201510\\_cfpb\\_final-rule\\_home-mortgage-disclosure\\_regulation-c.pdf](http://files.consumerfinance.gov/f/201510_cfpb_final-rule_home-mortgage-disclosure_regulation-c.pdf)

**Resources that explain and facilitate implementation of the rule are available at:**

[consumerfinance.gov/regulatory-implementation/hmda/](http://consumerfinance.gov/regulatory-implementation/hmda/)

**The CFPB’s online HMDA tool is available at:**

[consumerfinance.gov/hmda/](http://consumerfinance.gov/hmda/)

###

*The Consumer Financial Protection Bureau is a 21st century agency that helps consumer finance markets work by making rules more effective, by consistently and fairly enforcing those rules, and by empowering consumers to take more control over their economic lives. For more information, visit [consumerfinance.gov](http://consumerfinance.gov).*