BUREAU OF CONSUMER FINANCIAL PROTECTION
PAPERWORK REDUCTION ACT SUBMISSION
INFORMATION COLLECTION REQUEST

SUPPORTING STATEMENT PART A
HOME MORTGAGE DISCLOSURE (REGULATION C) 12 CFR 1003
(OMB CONTROL NUMBER: 3170-0008)

OMB TERMS OF CLEARANCE:

None.

ABSTRACT:

The Home Mortgage Disclosure Act (HMDA) requires most mortgage lenders lending in metropolitan areas to collect data about their housing-related lending activity. Annually, lenders must report those data to the appropriate federal agencies and make the data available to the public. The Consumer Financial Protection Bureau's (CFPB) regulation requires covered financial institutions that meet certain thresholds to maintain data about home loan applications (*e.g.*, the type of loan requested, the purpose of the loan, whether the loan was approved, and the type of purchaser if the loan was later sold), to update the information quarterly, and to report the information annually. The purpose of the information collection is: (i) to help determine whether financial institutions are serving the housing needs of their communities; (ii) to assist public officials in distributing public-sector investment so as to attract private investment to areas where it is needed; and (iii) to assist in identifying possible discriminatory lending patterns and enforcing antidiscrimination statutes. The information collection will assist the CFPB's examiners, and examiners of other federal supervisory agencies, in determining that the financial institutions they supervise comply with applicable provisions of HMDA.

PART A. JUSTIFICATION

1. Circumstances Necessitating the Data Collection

Data reported under the Home Mortgage Disclosure Act (HMDA), 12 U.S.C. 2801-2810, represent the primary data source for regulators, industry, advocates, researchers, and economists studying and analyzing trends in the mortgage market for a variety of purposes, including general market and economic monitoring, as well as assessing housing needs, public investment, and possible discrimination. Historically, HMDA has been implemented by Regulation C of the Board, 12 CFR 203, and HMDA data has been collected and reported under OMB control number 7100-0247. Congress has periodically modified the law, and the Board has routinely updated Regulation C, in order to ensure that the data continued to fulfill the HMDA's purposes.

Users of HMDA data, however, have consistently advocated for expansion of HMDA data to keep pace with the mortgage market's evolution, particularly during the market's rapid growth into nontraditional lending products and its subsequent collapse in 2008. In 2010, Congress responded to the mortgage crisis in the Dodd-Frank Act by enacting changes to HMDA as well as directing reforms to the mortgage market and the broader financial system. In addition to transferring rulemaking authority for HMDA from the Board to the Bureau, section 1094 of the Dodd-Frank Act directed the Bureau to implement changes requiring the collection and reporting of several new data points, and authorized the Bureau to require financial institutions to collect and report such other information as the Bureau may require.

HMDA requires financial institutions to report certain information related to covered loans. Financial institutions are required to report HMDA data annually to the Bureau or to the appropriate Federal agency. All reportable transactions must be recorded within 30 calendar days after the end of the calendar quarter in which final action is taken on a loan application register, which must also be disclosed to the public upon request. Financial institutions must also make their disclosure statements, which are prepared by the FFIEC from data submitted by the institutions, available to the public upon request.

The CFPB plans to issue a proposed rule to implement amendments to HMDA included in the Dodd-Frank Act, and to make other changes in the CFPB's Regulation C. The proposed rule would impose new reporting requirements by requiring financial institutions to report additional information required by the Dodd-Frank Act, as well as certain information determined by the Bureau to be necessary and proper to effectuate HMDA's purposes. The proposed rule also modifies the scope of the institutional and transactional coverage thresholds.

2. Use of the Information

The purpose of the information collection is: (1) to help determine whether financial institutions are serving the housing needs of their communities; (2) to assist public officials in distributing public-section investment so as to attract private investment to areas where it is needed; and (3) to assist in identifying possible discriminatory lending patterns and enforcing antidiscrimination statutes. The information collection will assist the CFPB's examiners, and examiners of other federal supervisory agencies, in determining that the financial institutions they supervise comply with the applicable provisions of HMDA.

3. Use of Information Technology

All covered financial institutions regulated by the CFPB have the option to make the required disclosures electronically and most, if not all, disclose electronically.

4. Efforts to Identify Duplication

Substantially all of the information collected is not otherwise available. No privately-produced loan-level mortgage databases with comprehensive national coverage exist that are easily-accessible by the public. Private data vendors offer a few large databases for sale, but these are typically collected via either the largest servicers or securitizers, and therefore none match the near-universal coverage of the HMDA data. Notably, unlike HMDA, almost all the commercially-available loan-level databases provided by vendors are for originated loans only and do not include applications that did not result in an origination.

5. <u>Efforts to Minimize Burdens on Small Entities</u>

The CFPB convened a Small Business Review Panel pursuant to the Small Business Regulatory Enforcement Fairness Act (SBREFA) to assess the potential impacts of that rule on such small entities. The CFPB has made improvements to certain elements of the proposal based on SBREFA feedback, such as commentary to address particular small entity representative concerns. The CFPB has also incorporated the Panel recommendations and other SBREFA feedback into the preamble in order to solicit broader feedback from all stakeholders on issues raised by the SERs. However, the CFPB is not planning in the proposal to abandon any major element that was included in from the SBREFA outline in the proposal. This is consistent with the Panel Report, which did not recommend withdrawing any specific proposals.

6. <u>Consequences of Less Frequent Collection and Obstacles to Burden Reduction</u>

HMDA provides for information to be collected annually. For large financial institutions engaging in 75,000 or more transactions, the CFPB is proposing a quarterly reporting requirement. The Bureau is concerned that less frequent reporting for the highest-volume institutions would impair the ability of the appropriate agencies to use HMDA data to effectuate the purposes of the statute in a timely manner. Furthermore, as quarterly reporting would require financial institutions with larger transaction volumes to edit smaller batches of reportable data several times throughout the year, the Bureau believes that quarterly reporting will facilitate and enhance compliance with HMDA, reduce reporting errors, and improve the quality of HMDA data. Finally, because quarterly reporting would permit the Bureau to process a significant volume of HMDA data throughout the year, the Bureau believes the proposal would allow for the earlier release to the public of HMDA data products, including the disclosure statements, aggregates and tables, and loan-level data currently released on the FFIEC website.

7. <u>Circumstances Requiring Special Information Collection</u>

Regulation C requires financial institutions to retain and make available to the public the modified loan application register for a period of three years and the disclosure statement for a period of five years. These retention provisions are required by Congress, which provided in HMDA section 304(c) that information required to be compiled and made available under HMDA section 304, other than loan application register information required under section 304(j), must be maintained and made available for a period of five years. HMDA section 304(j)(6) requires that loan application register information for any year shall be maintained and made available, upon request, for three years.

8. <u>Consultation Outside the Agency</u>

In preparing the notice of proposed rulemaking, the CFPB conducted outreach on implementing the Dodd-Frank Act amendments to HMDA and other potential changes to Regulation C by soliciting comments in Federal Register notices and by meeting with a variety of stakeholders, including trade associations, financial institutions, community groups, and other Federal agencies. The Bureau also convened a Small Business Review Panel to obtain feedback from small financial institutions as well as the general public. To prepare the proposal, the Bureau considered both the comments presented to the Board during its public hearings and feedback provided to the Bureau during its outreach.

The notice of proposed rulemaking was published in the Federal Register which provides the public 90 days to comment on the proposed rule, including the revised information collection requirements. Comments in response to this notice as well as CFPB's response to those comments will be summarized in the preamble to the final rule.

9. Payments or Gifts to Respondents

Not applicable.

10. Assurances of Confidentiality

Respondents are financial institutions for which CFPB provides no assurances of confidentiality. The records kept under this collection are maintained by financial institutions and reported annually. Regulation C requires this information to be made available to the public except for three fields that are redacted to protect the identities of the individual applicants. The Bureau's proposal would require that financial institutions release on the modified loan application register only the data that is currently released under Regulation C.

11. Justification for Sensitive Questions

The information collection includes personally identifiable information regarding mortgage applicants or mortgagors. The information collected includes loan number and information that may indirectly identify an individual such as address, race/ethnicity, sex, annual income, and credit score associated with their mortgage.

A system of records notice is not applicable because information is not retrieved by direct identifier.

Privacy impacts are evaluated throughout the proposed rule and specifically highlighted in Privacy Considerations under Part II.B and the discussion of the modified loan application register in Part V of the supplementary information.

The information contains material that might be considered sensitive in nature, such as the race or national origin, gender, and income of loan applicants. When the information is disclosed to the public, it is redacted to omit the dates of application, dates of decisions on applications, and application numbers to prevent identification of individual applicants.

Additionally, the Bureau is proposing to "freeze" the modified loan application register so that it contains only the information currently reported under Regulation C. If the modified loan application register contains no new data points, the risk of the modified register interacting with the agencies' loan-level release of those data in ways that create additional privacy risk is removed, providing the agencies with increased flexibility to apply any necessary privacy protections in a way that maximizes utility of the loan-level data to users and to adjust those protections as risks evolve.

12. Estimated Burden of Information Collection

Hours:

The CFPB estimates that the reporting, ongoing recordkeeping, and third party disclosure requirement costs allocated to the CFPB under Regulation C is currently approximately 1,787,000 hours per year, excluding the proposed changes. Including the proposed changes and operations modernization, the time burden for annual and quarterly CFPB reporters would be 1,694,000 and 183,000 hours per year, respectively, for a total estimate of 1,877,000 burden hours per year. This represents an increase of approximately 90,000 burden hours per year for HMDA reporters that report to the CFPB. The Bureau estimates that, including the proposed changes, the proposed burden would be approximately 4,654,000 hours per year for all HMDA reporters.[1] This represents an increase of approximately 311,000 hours per year over the current burden for all HMDA reporters of 4,343,000 hours.

This proposed rule has three Information Collections under the PRA: (1) Reporting Requirements, (2) Recordkeeping Requirements, and (3) Third Party Disclosure Requirements Each of these Information Collections is discussed in turn.

Given that HMDA is a data collection statute, the Bureau views most tasks that financial institutions undertake to gather and report data as covered by the Reporting Requirements. Based on initial outreach efforts, the Bureau identified 18 tasks that financial institutions conduct when gathering and reporting data under HMDA[2]. These outreach efforts also determined that the time and monetary cost of conducting these 18 tasks differed by financial institutions' level of complexity. To capture the relationships between institutions' complexity and reporting costs for each of these 18 tasks, the Bureau developed three representative financial institutions reflecting low-, moderate- and high-complexity. (In the following discussion, these are referred to as tier 3, 2, and 1 financial institutions respectively.) For the PRA burden analysis, we estimated the time each of the three representative lenders spend on each of the 18 tasks. We

[1] The Bureau estimates that, for all HMDA reporters, the burden hours will be approximately 3,356,000 to 5,953,000 hours per year. 4,654,000 is approximately the mid-point of this estimated range.

[2] These are transcribing data, resolving reportability questions, transferring data to HMDA Management System (HMS), geocoding, standard annual edit and internal checks, researching questions, resolving question responses, checking post-submission edits, filing post-submission documents, creating public loan application register, distributing public loan application register, distributing disclosure report, using vendor HMS software, training, internal audits, external audits, exam preparation, exam assistance, training, internal audits, and external audits.

then took these institution-level estimates and aggregated up to the market level. All of these time estimates assume all aspects of the proposed rule, as well as the operations modernization improvements being separately considered, will be adopted.

The Reporting Requirement covers 14 of the 18 operational tasks.[3] Four of these 14 operational tasks are variable-cost tasks, which vary by the number of applications.[4] With all the proposed changes and operational modernization, we estimate that tier 3, tier 2, and tier 1 financial institutions spend approximately 26, 67, and 371 hours per year, respectively, on these four tasks. The estimated hours spent on these four variable tasks will be the same for annual and quarterly reporters, because the proposed adoption of quarterly reporting does not affect any of the variable cost tasks. For the ten fixed-cost operational tasks covered by the Reporting Requirements, we estimate that tier 3, tier 2, and tier 1 financial institutions required to report annually spend approximately 36, 593, and 4,777 hours per year, respectively, on these tasks. Financial institutions with 75,000 or more transactions that would be required to report quarterly are most likely tier 1 institutions. For these institutions, we estimate 669 burden hours in addition to the burden hours associated with annual reporting. Combining these results yields estimates of 63, 660, and 5,148 hours per year that tier 3, 2, and 1 annually-reporting financial institutions spend to gather and report data under HMDA each year. The estimated burden hours for quarterly-reporting financial institutions are approximately 5,817 hours per year.

In 2012, 197 financial institutions reported HMDA data to the CFPB. These 197 financial institutions are depository institutions with over $10 billion in assets.[5] Given their large asset size, these depository institutions are likely comparable to the representative tier 1 institution. Therefore, to calculate burden hours, we assume that all 197 financial institutions that reported HMDA data to the CFPB are tier 1 institutions. Eighteen of these 197 institutions reported over 75,000 loan application register records, and would therefore be required to report data quarterly. We estimate that the time burden for annual and quarterly reporters under the Reporting Requirements Information Collection would be approximately 921,000 and 105,000 hours per year, respectively, for a total estimated burden hours of 1,026,000 per year.

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[3] These are resolving reportability questions, transferring data to HMDA Management System (HMS), geocoding, standard annual edit and internal checks, researching questions, resolving question responses, checking post-submission edits, filing post-submission documents using vendor HMS software, training, internal audits, external audits, exam preparation, exam assistance, training, internal audits, and external audits. As discussed below, transcribing data falls under the record keeping requirement, and creating the public LAR, distributing the public LAR, and creating the notice for obtaining the disclosure statement all fall under the Third Party Disclosure Requirement.

[4] The four variable cost tasks are transferring data to HMS, resolving reportability questions, geocoding, and researching questions.

[5] Note even though CFPB had supervisory authority over all non-depository institutions on all consumer financial protection related matter, nondepository institutions report HMDA data to HUD.

Total Burden, Reporting Requirements-Financial Institutions Reporting to the CFPB

	Number of Respondents	Total Burden per Respondent	Total Burden (Rounded to Thousands)
Tier One: Annual Reporter	179	5,148 hours	921,000 hours
Tier One: Quarterly Reporter	18	5,817 hours	105,000 hours
Tier Two	0	660 hours	0 hours
Tier Three	0	63 hours	0 hours
Total Estimated Burden for CFPB Respondents			**1,026,000 hours**

The Record Keeping Requirement covers the requirements that financial institutions maintain HMDA data for three years and disclosure statements for five years, maintain loan application register information for three years, and update information regarding reportable transactions quarterly. To maintain data, disclosure statements, and loan application register information, the primary time burden is the time needed to copy this information to electronic data storage devices, such as a hard drive or disk. Given the prevalence and low cost of modern computer technology, The Bureau believes that this time burden is negligible. We regard the task of transcribing data as the key operational task that is directly related to recordkeeping. This task is not affected by whether the financial institution is required to report annually or quarterly, since transcribing data for reportable transactions under HMDA is not affected by reporting frequency. We calculate the burden hours for record keeping requirement based on the estimated cost of transcribing the data. The Bureau estimates that tier 3, tier 2, and tier 1 financial institutions would spend approximately 19, 86, and 4,277 hours per year transcribing data, respectively.

Total Burden, Recordkeeping Requirements-Financial Institutions Reporting to the CFPB

	Number of Respondents	Total Burden per Respondent	Total Burden (Rounded to Thousands)
Tier One: Annual Reporter	179	4,277 hours	766,000 hours
Tier One: Quarterly Reporter	18	4,277 hours	77,000 hours
Tier Two	0	86 hours	0 hours
Tier Three	0	19 hours	0 hours
Total Estimated Burden for CFPB Respondents			**843,000 hours**

The Third Party Disclosure Requirement covers the requirements that financial institutions create a public loan application register, distribute the public loan application register upon request, and provide a notice that the disclosure statement can be obtained from the FFIEC website. These requirements correspond to three operational tasks: creating the public loan application register, distributing the public loan application register, and creating the notice for obtaining the disclosure statement. The Bureau estimates that tier 3, tier 2, and tier 1 financial institutions would spend approximately 8, 18, and 40 hours per year, respectively, on these operational tasks. All financial institutions would conduct all of these steps, so the estimated time burden would be the same for quarterly reporters and annual reporters.

Total Burden, Third Party Disclosure Requirements-Financial Institutions Reporting to the CFPB

	Number of Respondents	Total Burden per Respondent	Total Burden (Rounded to Thousands)
Tier One: Annual Reporter	179	40 hours	7,000 hours
Tier One: Quarterly Reporter	18	40 hours	1,000 hours
Tier Two	0	18 hours	0 hours
Tier Three	0	8 hours	0 hours
Total Estimated Burden for CFPB Respondents			**8,000 hours**

Combining the three Information Collections, the Bureau estimates that the total burden hours for financial institutions required to report HMDA data to the CFPB is approximately 1,877,000.

To estimate the burden hours for all HMDA reporters, we follow the mapping approach used for the discussion of the potential benefits, costs, and impacts of the proposed rule, described in Section VI of the supplementary information. Specifically, we allocate financial institutions across tiers using the two distributions described in the benefit-cost discussion to provide upper and lower bounds for our estimates.[6] After assigning each of the 7,400 HMDA reporters[7] to a tier using the two distributions, we then make two adjustments. First, we adjust the number of financial institutions to account for the estimated 1,600 depository institutions that would no longer be required to report under the proposed coverage changes, as well as the 450 nondepository institutions that would have to begin reporting. Given the small volume of transactions processed by these financial institutions, we assume all financial institutions described under the first adjustment are most closely comparable to a representative tier 3 institution. Therefore, we reduce the number of tier 3 financial institutions by 1,150. Second, in the 2012 HMDA data, 28 financial institutions submitted a HMDA loan application register with 75,000 or more records, and would therefore be required to report quarterly. Given the high

[6] The first distribution assumes the following composition among financial institutions: 96% tier 3, 0% tier 2, and 4% tier 1. The second distribution assumes the following composition among financial institutions: 31% tier 3, 66% tier 2, and 3% tier 1.

[7] The estimate of 7400 HMDA reporters is derived from the 2012 HMDA data.

volume of transactions reported by these financial institutions, they are likely to be most closely comparable to the representative tier 1 financial institution. We therefore separately itemize the burden hour estimates for tier 1 financial institutions that would be required to report quarterly. Using both the distribution assumptions and the institution-level hour estimates described above, we estimate that the time burden for all institutions to gather and report data under HMDA is approximately 3,400,000 to 6,000,000 hours per year. The mid-point of this range is approximately 4,700,000.

Total Burden, all Information Collections- All Regulated Entities

	Lower Bound Estimate			Upper Bound Estimate		
	Number of Respondents	Total Burden per respondent	Total Burden (Rounded to Thousands)	Number of Respondents	Total Burden per respondent	Total Burden (Rounded to Thousands)
Tier One Annual Reporter	268	9,464 hours	2,536,000 hours	194	9,464 hours	1,836,000 hours
Tier One Quarterly Reporter	28	10,133 hours	284,000 hours	28	10,133 hours	284,000 hours
Tier Two	0	764 hours	0 hours	4,884	764 hours	3,730,000 hours
Tier Three	5954	90 hours	536,000 hours	1,144	90 hours	103,000 hours

Total Estimated Burden for all Respondents (Rounded to 100 Thousands)
4,700,000 hours[8]

Associated Labor Costs:

To estimate the associated labor costs, we use the burden hours described above, along with a wage rate of $28 per hour, which is the national average wage for compliance officers based on most recent National Compensation Survey from the Bureau of Labor Statistics (BLS). Based on these figures, the Bureau estimates that the ongoing record keeping and reporting costs allocated to the CFPB under Regulation C is approximately $52,500,000. For all HMDA reporters, the estimated costs are between $130,000,000.[9]

13. Estimated Total Annual Cost Burden to Respondents or Recordkeepers

[8] The Bureau estimates that, for all HMDA reporters, the burden hours will be approximately 3,400,000 to 6,000,000 hours per year. 4,700,000 is approximately the mid-point of this estimated range.
[9] The Bureau estimates that the labor costs will be approximately $94,000,000 to $167,000,000. $130,000,000 is the mid-point of this estimated range.

The non-labor-specific costs specific to complying with the Reporting, Recordkeeping, and Third Party Disclosure Requirements include the annual fee for HMS software, and the annual fee for the LEI. The Bureau estimates that this annual fee for HMS software is approximately $0 for tier 3 institutions, $8,000 for tier 2 institutions and $13,000 for tier 1 institutions The estimated annual fee for the LEI is approximately $200. Therefore, the total estimated cost is $2,600,000 for CFPB-regulated entities and $24,200,000 for all regulated entities.[10]

14. Estimated Cost to the Federal Government

There are no additional costs to the Federal Government.

15. Program Changes or Adjustments

Summary of Burden Changes

Burden Hours		**Cost Burden (O & M)**	
Total Annual Hours Requested	1,877,000	Total Annual Costs Burden Requested	$2,600,000
Current OMB Inventory	154,000	Current OMB Inventory	0
Difference (+/-)	+1,723,000	Difference (+/-)	+$2,600,000
Program Change	87,600	Program Change	$2,500,000
Discretionary	34,400	Discretionary	$965,000
Due to New Statute	53,200	Due to New Statute	$1,500,000
Violation	0	Violation	0
Adjustment	1,635,400	Adjustment	$100,000

16. Plans for Tabulation, Statistical Analysis, and Publication

The information is collected for use by the CFPB's examination program and for disclosure to the public after deletion of certain sensitive data elements.

17. Display of Expiration Date

The OMB number will be displayed in the PRA section of the notice of final rulemaking and in the codified version of the Code of Federal Regulations. Further, the OMB control number and expiration date will be displayed on the Federal government's electronic PRA docket at www.reginfo.gov.

18. Exceptions to the Certification Requirement

The Bureau certifies that this collection of information is consistent with the requirements

[10] The Bureau estimates that the annual non-labor costs will be approximately $5,100,000 to $43,200,000. $24,200,000 is the mid-point of this estimated range.

of 5 CFR 1320.9, and the related provisions of 5 CFR 1320.8(b)(3) and is not seeking an exemption to these certification requirements.