

**CONSUMER FINANCIAL PROTECTION BUREAU
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:

When the Office of Management and Budget (OMB) last approved these information collections on May 17, 2016, there were no terms of clearance imposed by OMB.

ABSTRACT:

The Home Mortgage Disclosure Act (HMDA) requires certain depository institutions and for-profit nondepository institutions to collect, report, and disclose data about originations and purchases of mortgage loans, as well as mortgage loan applications that do not result in originations (for example, applications that are denied or withdrawn). The Consumer Financial Protection Bureau's (Bureau) Regulation C, 12 CFR part 1003, implements HMDA. 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 also assist the Bureau's examiners, and examiners of other federal supervisory agencies, in determining that the financial institutions they supervise comply with applicable provisions of HMDA.

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.

In 2010, Congress enacted the Dodd-Frank Act Wall Street Reform and Consumer

Protection Act (Dodd-Frank Act), which amended HMDA and transferred rulemaking authority from the Federal Reserve 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. In October 2015, the Bureau issued a final rule modifying Regulation C to implement amendments made to HMDA by the Dodd-Frank Act and add new data points pursuant to the Bureau's discretionary authority (October 2015 Rule). In October 2017, the Bureau issued a final rule further amending Regulation C to make technical corrections and clarify and amend requirements adopted by the October 2015 Rule. In 2018, HMDA was further amended by the Economic Growth, Regulatory Relief, and Consumer Protection Act (EGRCCPA). The Bureau issued an interpretive and procedural rule in August 2018 to implement and clarify changes made to HMDA by the EGRCCPA (August 2018 Rule).

HMDA and Regulation C require financial institutions to report certain information related to covered loans and applications. Financial institutions are required to report HMDA data annually to the Bureau or to the appropriate Federal agency and beginning in 2020, certain financial institutions will be required to report HMDA data quarterly to the Bureau or appropriate Federal agency. All reportable transactions must be recorded on a loan/application register 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 Bureau is issuing a Notice of Proposed Rulemaking (Proposal) to amend Regulation C to adjust the coverage thresholds and implement further the EGRCCPA. The Proposal provides two alternatives to increase the closed-end institutional and transactional coverage threshold to either 50 or 100 closed-end mortgage loans in each of the preceding two calendar years. Also under the Proposal, the current temporary threshold of 500 open-end lines of credit for open-end institutional and transactional coverage would extend to January 1, 2022, and then once that temporary extension expires, the open-end threshold would be set at 200 open-end lines of credit in each of the preceding two calendar years¹. In addition, the Bureau is proposing to incorporate into Regulation C the interpretations and procedures from the August 2018 Rule and implement further the amendments made to HMDA by the EGRCCPA.

2. Use of the Information

HMDA's purposes are as follows:

- (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

¹ The effects on the burden of this change will be reflected in an updated submission to OMB after those change are effective in 2022

antidiscrimination statutes.

The information collections, which include reporting, recordkeeping, and disclosure requirements, will assist community groups, academics, public officials in determining whether financial institutions are serving the housing needs of their communities, targeting public investment to attract private investment in communities, and identifying possible discriminatory lending patterns and enforce antidiscrimination statutes. The information collections will also assist in earlier identification of trends in the mortgage market, including the cyclical loosening and tightening of credit.

Recordkeeping

Section 1003.4(a) of Regulation C requires an entity that meets the definition of *financial institution* under § 1003.2(g) to collect data regarding applications for covered loans that it receives, covered loans that it originates, and covered loans that it purchases for each calendar year.² The data to be collected are provided in Regulation C, 12 CFR 1003.4(a)(1) – 38 and (b).

Reporting

Section 1003.5(a) of Regulation C requires that by March 1 following the calendar year for which data are collected and recorded as required by § 1003.4(a), a financial institution must submit its loan/application register in electronic to the *appropriate federal agency*. Section 1003.5(a)(4) provides that *appropriate federal agency* means the appropriate agency for the financial institution as determined pursuant to section 304(h)(2) of HMDA (12 U.S.C. 2803(h)(2) or, with respect to a financial institution subject to the Bureau's supervisory authority under section 1025(a) of the Consumer Financial Protection Act of 2010 (12 U.S.C. 5515(a)), the Bureau. Effective January 1, 2020, § 1003.5(a)(1)(ii) requires that within 60 calendar days after the end of each calendar quarter except the fourth quarter, a financial institution that reported for the preceding calendar year at least 60,000 covered loans and applications, combined, excluding purchased covered loans, must submit to the appropriate federal agency its quarterly loan/application register required to be recorded for that quarter.

Disclosure

Section 1003.5(b)(2) of Regulation C requires that a financial institution provide at its offices a written notice that conveys that the institution's disclosure statement may be obtained on the Bureau's web site. In addition, § 1003.5(c) requires that a financial institution provide at its offices a written notice that conveys that the institution's loan/application register, as modified by the Bureau to protect applicant and borrower privacy, may be obtained on the Bureau's web site.

3. Use of Information Technology

² An entity may be exempted from Regulation C requirements as an exempt institution described in § 1003.3(a).

Regulation C requires financial institutions to submit HMDA data in electronic form. The Bureau implemented several operational improvements in the past few years to facilitate this process. For example, the Bureau developed the HMDA Platform, a web-based submission tool that enables financial institutions to upload their HMDA data, review edits, certify data accuracy and submit data for the filing year. The Bureau also improved the points of contact processes for help inquiries. In addition, the Bureau developed a tool that financial institutions with small volumes of HMDA data can use to create an electronic for submission to the HMDA Platform and streamlined the submission and validation process to make it more efficient..

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 of 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. Efforts to Minimize Burdens on Small Entities

In February 2014, the Bureau convened a Small Business Review Panel regarding burden minimization. The Bureau also solicited feedback through the public comment period on the October 2015 Rule. Regulation C, in its current form, reflects several changes designed to further this purpose. First, the Bureau provided substantial relief to small entities by increasing the loan volume threshold applicable to closed-end mortgage loans and open-end lines of credit. Second, the Bureau provided that financial institutions shall make available to the public notices that clearly convey that the institution's disclosure statement and modified loan/application register may be obtained on the Bureau's website.³ This approach relieves all financial institutions, including small entities, of the obligation to provide the disclosure statement and modified loan/application register to the public directly. Third, the Bureau adopted revisions to transactional coverage criteria that benefits small entities. As one example of this benefit, the revisions to the transactional coverage criteria eliminated reporting of unsecured home improvement loans. This change reduced reporting burden to small entities to the extent that these entities offer unsecured home improvement products. Finally, the Bureau made operational enhancements and modifications to improve the data submission process, as described in number 3 above. However no, bureau respondents are small entities

The Proposal, for which the Bureau is seeking feedback, reflects proposed changes to the coverage thresholds that would further relieve the burden of HMDA reporting on lower-volume institutions if finalized as proposed.

³ <https://www.consumerfinance.gov/data-research/hmda/>

6. Consequences of Less Frequent Collection and Obstacles to Burden Reduction

HMDA provides for information to be collected annually. The rule also requires financial institution that reported for the preceding calendar year at least 60,000 covered loans and applications, excluding purchased covered loans, to submit their HMDA data for the first three quarters of the calendar year on a quarterly basis in addition to submitting their HMDA data for the entire calendar year on an annual basis. This quarterly reporting requirement will become effective on January 1, 2020. The Bureau believes 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. Because quarterly reporting would permit the Bureau to process a significant volume of HMDA data throughout the year, the Bureau believes that quarterly reporting may allow for the earlier release to the public of HMDA data products. As an alternative to the adopted approach, the Bureau in 2015 considered requiring semi-annual reporting rather than quarterly reporting. Under this approach, large volume reporters would submit their “final” HMDA data for the first and second quarters of the calendar year within 60 days after the end of the second quarter, and their “final” HMDA data for the third and fourth quarters by March 1 of the following year. This alternative approach would not provide data to the agencies that was as timely as the quarterly reporting approach, thus reducing the utility of the data to the agencies as well as the disclosure benefit to the public. The Bureau did not adopt this alternative approach in the October 2015 HMDA Rule.

7. Circumstances Requiring Special Information Collection

No special circumstances require the collection to be conducted in a manner inconsistent with the guidelines in 5 CFR 1320.5(d)(2).

Regulation C requires that all reportable transactions be recorded on the financial institution’s loan/application register within thirty calendar days after the end of the calendar quarter in which final action is taken. Regulation C further specifies that a financial institution shall retain a copy of its submitted loan/application register for its records for at least three years. These retention provisions are required by Congress, which are 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. Consultation Outside the Agency

In addition to consultations described above in item 5; in accordance with 5 CFR 1320.8(d)(1), the Bureau has published a notice in the *Federal Register* allowing the public 60 days to comment on the information collections in the proposed rule. Concurrently, the Bureau will publish an Advance Notice of Proposed Rulemaking soliciting comments related to Regulation C’s data points and the requirement for institutions to report certain business or

commercial purpose transactions. Further and in accordance with 5 CFR 1320.5(a)(1)(iv), the Bureau will publish a notice in the *Federal Register* upon publication of the final rule.

9. Payments or Gifts to Respondents

Not applicable.

10. Assurances of Confidentiality

Respondents are financial institutions for which the Bureau provides no assurances of confidentiality. In December 2018, the Bureau issued final policy guidance describing modifications the Bureau intends to apply to the HMDA data reported by financial institutions in or after 2018 before the data are made available to the public on a loan level beginning in 2019. The Bureau stated in the final policy guidance it intends to modify the public loan-level HMDA data by excluding certain fields and reducing the provision of the other fields. The Bureau believes that these modifications will reduce risks to applicant and borrower privacy and appropriately balance them with the benefits of disclosure in light of HMDA's purposes. Data not made publicly available are considered confidential under the Bureau's confidentiality regulations, 12 CFR part 1070 *et seq.*, and the Freedom of Information Act. Information that is not disclosed is protected by from unauthorized disclosure by several data security safeguards, including privacy and security awareness training for each individual with internal access to the system, technical access controls, and breach notification processes and plans. More information regarding the privacy and security of the HMDA dataset can be found in the current Privacy Impact Assessment published by the Bureau.⁴

11. Justification for Sensitive Questions

The information collection includes personal information regarding mortgage applicants or borrowers, such as unique loan identifier, address, race/ethnicity, sex, age, annual income, and credit score. This information is necessary to realize the benefits of HMDA and to fulfill the statutory purposes: (1) to help determine whether financial institutions are serving the housing needs of the communities in which they are located; (2) to assist public officials in their determination of the distribution of public sector investments in a manner designed to improve the private investment environment; and (3) to assist in identifying possible discriminatory lending patterns and enforcing antidiscrimination statutes.

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

12. Estimated Burden of Information Collection

A. Information Collections under the Proposal and Existing Rule

⁴ Home Mortgage Disclosure Act (HMDA) Data Collection, https://s3.amazonaws.com/files.consumerfinance.gov/f/documents/cfpb_hmda-data-collection-pia_022018.pdf.

This rule is also enforced by the Bureau’s partner financial regulators. These agencies are the Office of Comptroller of the Currency (OCC), the Federal Deposit Insurance Company (FDIC) the Federal Reserve System (FRS), the Department of Housing and Urban Development (HUD) and the National Credit Union Administration (NCUA). These agencies are responsible for accounting for the burden on the regulated entities that report to them. To see the estimated Burden and number of respondents for each agency, please consult their supporting statements that can be found under the following OMB control numbers ⁵: OCC - 1557-0159, FDIC - 3064-0046, FRS - 7100-0247; HUD – 2502-0529; NCUA – 3133-0166.

The Bureau estimates that the total burden of information collection for its respondents is as follows:

Exhibit 1: Burden Hour Summary

Information Collection Requirement	No. of Respondents	Type of IC	Frequency	Annual Responses	Average Response Time (hours)	Annual Burden Hours	Hourly Costs ⁶
HMDA Reporting Requirements	105	Reporting	1	105	7,829	822,000	\$45,842,940
Recordkeeping Requirements	105	Recordkeeping	1	105	4,448	467,000	\$26,044,590
Third Party Disclosure requirements	105	Third party disclosures	1	105	26	2,700	\$150,579
CFPB Totals:	105	//////////	//////////	105⁷	//////////	1,291,700	\$72,038,109

Reporting:

⁵ <https://www.reginfo.gov>

⁶ Calculated using occupational data from the Bureau of Labor Statistics on the mean hourly wage for compliance officers in the financial service sector (occupation code 13-1041) of \$34.86 per hour and assuming a “fully loaded” rate of \$55.77. BLS statistics can be found here https://www.bls.gov/oes/current/oes_nat.htm#13-0000

⁷ For purposes of estimation of the time burden, the Bureau has disaggregated the recordkeeping, disclosure and reporting requirements, but all three tasks together constitutes a single annual response by each respondent

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.⁸ These outreach efforts also determined that the time and monetary cost of conducting these 18 tasks differed by financial institutions' level of complexity. For the PRA burden analysis for the Bureau the Bureau estimated the time that the largest lenders, who are most likely to be Bureau respondents spend on each of the 18 tasks. The Bureau then took these institution-level estimates and aggregated up to the market level.

The Bureau estimates that under the Proposal, the 50 closed-end mortgage coverage threshold,⁹ the partial exemptions pursuant to the EGRCCPA, and the temporary extension of the open-end coverage threshold at 500 open-end lines of credit, the number of Bureau respondents would be about 105, the total burden hours for reporting requirements would be about 822,000 hours (rounded to thousands) per year.

Recordkeeping:

The Recordkeeping 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. The Bureau regards the task of transcribing data as the key operational task that is directly related to recordkeeping. The Bureau calculates the burden hours for the Recordkeeping Requirement based on the estimated hour burden of transcribing the data.

The Bureau estimates that under the Proposal, the 50 closed-end mortgage coverage threshold, the partial exemptions pursuant to the EGRCCPA, and the temporary extension of the open-end coverage threshold at 500 open-end lines of credit, the number of Bureau respondents would be about 105, the total burden hours for reporting requirements would be about 467,000 hours (rounded to thousands) per year.

⁸ 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, and exam assistance.

⁹ The Bureau is also proposing an alternative threshold of 100 closed-end mortgage loans. In order not to under-represent the burden for this rule in our estimates no matter which proposal is adopted, the numbers reflected in this Estimated Burden section for Reporting, Recordkeeping, and Disclosure reflect only the estimates at the proposed threshold set at 50 closed-end mortgage loans. The bureau will update its burden estimates in the final rule if the alternative threshold is adopted

Third Party Disclosure:

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 under the Proposal, the 50 closed-end mortgage coverage threshold, the partial exemptions pursuant to the EGRCCPA, and the temporary extension of the open-end coverage threshold at 500 open-end lines of credit, the number of Bureau respondents would be about 105, the total burden hours for third party disclosure requirements would be about 500 hours per year.

Third Party Disclosure Requirements Information Collection is 2,700 hours per year.

Total Burden:

Combining the three Information Collections, the Bureau estimates that the total reporting, ongoing recordkeeping, and third party disclosure requirement costs allocated to the Bureau under Regulation C are 822,000, 467,000, and 2,700 hours per year, respectively, for a total estimate of 1,291,700 burden hours per year, for 105 Bureau respondents.

13. Estimated Total Annual Non-Labor Cost to Bureau Respondents or Recordkeepers**Exhibit 2: Cost Burden**

Description of Costs (O&M)	Per Unit Costs	Quantity	Costs
Annual Software Licensing Fees for HMS software	\$9224	105	\$9,68500
Obtaining a LEI (one time cost)	\$200	105	21,000
LEI Annual Renewal	\$100	105	10,500
Total	//////////	105	\$1,000,000

The non-labor-specific costs specific to complying with the Reporting, Recordkeeping, and Third Party Disclosure Requirements include the annual fee for HMDA Management System (HMS) software and the annual fee for the Legal Entity Identifier (LEI)¹⁰. The Bureau estimates that under the Proposal, the 50 closed-end mortgage coverage threshold, the partial

¹⁰ The Legal Entity Identifier is an identifier issued to the financial institution by a utility endorsed by the Global LEI Foundation or LEI Regulatory Oversight Committee.

exemptions pursuant to the EGRCCPA, and the temporary extension of the open-end coverage threshold at 500 open-end lines of credit, the number of Bureau respondents would be about 105, the total annual non-labor cost to Bureau respondent would be about \$1 Million.

14. Estimated Cost to the Federal Government

The collection, storage and reporting of the data in this information collection requires the services of three full-time Bureau employees and approximate \$633,000 dollars in annual costs for contracting and O&M support.

15. Program Changes or Adjustments for Bureau Reporters

Exhibit 3: Burden Changes

	Total Respondents	Annual Responses	Burden Hours	Cost Burden (O & M)
Total Annual Burden Requested	105	105	1,291,700	\$1,000,000
Current OMB Inventory	145	145	690,000	\$0
Difference (+/-)	-40	-40	+601,700	\$1,000,000
Program Change	0	0	+1,072,220	\$1,370,000
Discretionary	0	0	0	\$0
New Statute	-40	-40	-470,520	-\$370,000
Violation	0	0	0	\$0
Adjustment	0	0	0	0

While the Proposal would implement burden reductions associated with this rule, the previous burden inventory for this rule did not capture certain burden increases from revisions to Regulation C caused by the October 2015 Rule in as much as many of those provisions had effective dates in 2018 or beyond. The increases in reporting burden created by the October 2015 Rule, as well as burden reductions that would be caused by the Proposal, are captured here. In addition, the Bureau has also aggregated, for the purposes of these estimates, the reporting, recordkeeping, and disclosure requirements for this rule into a single annual response for reporters.

16. Plans for Tabulation, Statistical Analysis, and Publication

The information is collected for use by the Bureau'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 published in the *Federal Register* and all appropriate forms and instructions and guidance documents for collection this information. 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 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.

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