

CFPB Issues Proposal to Amend Regulation C

Following its typical “MO,” the Bureau has issued a 573-page proposal to amend Regulation C to implement revisions made to the Home Mortgage Disclosure Act (HMDA) by the Dodd-Frank Reform Act. The proposed amendments would, among other things, increase the types of data required to be collected and reported by banks, credit unions and other financial institutions. And while the authors of the Reform Act were able to limit the revisions to the statute to four pages, the Bureau for some reason cannot resist the temptation to be verbose! The following provides a brief overview of the Bureau’s proposed rule, which is broader than the revisions made under the Reform Act. We will discuss the proposal in more detail at an upcoming BCG Monthly Telephone Briefing.

Proposed Changes to Determining HMDA Coverage. Currently, Regulation C bases coverage, in part, on whether a depository institution originated a home purchase loan (or refinanced a home purchase loan) secured by a first-lien on a one- to four-family dwelling in the preceding calendar year. Depository institutions include national banks, state banks, state and federal savings associations, and state and federal credit unions.

Non-depository mortgage lenders are subject to HMDA if, in general, their home purchase loan originations (including refinancings of home purchase loans) equal or exceed 10 percent of the total loan origination volume or if they make at least 100 HMDA-covered loans.

The Bureau proposes to provide uniformity in determining coverage. Specifically, provided other criteria are met, both depository institutions and non-depository mortgage lenders would be subject to HMDA’s data collection and reporting requirements if they made 25 or more closed-end loans or reverse mortgages in the preceding calendar year.

Proposed Expansion of Reportable Loans. Currently, Regulation C requires reporting of three categories of loans: home purchase, home improvement and refinancings. Reverse mortgages that are home purchase loans, home improvement loans, or refinancings also are reported under Regulation C, but they are not separately identified. Lenders have the option to report data on home equity lines of credit.

The CFPB proposes to expand the types of loans to reported. Under the proposal lenders would be required to report all closed-end loans, open-end lines of credit and reverse mortgages secured by dwellings. Thus, rather than focusing on the purpose of the loan, that is whether it is for home purchase or home improvement, the proposal would basically require lenders to report any dwelling-secured loan. The CFPB notes that the proposal would, however, still require lenders to itemize dwelling-secured loans by different purposes when reporting.

Proposed Quarterly Reporting. Yes, really! The Bureau is proposing to require covered lenders with “large numbers” of reportable transactions to submit their HMDA data on a quarterly, rather than an annual, basis. Specifically, under the proposal a lender that reported at least 75,000 covered loans, applications and purchased covered loans, combined, for the preceding calendar year would be required to submit its loan application register within 60 calendar days of the end of each calendar quarter.

Proposed Data to be Reported. The Reform Act specifically expanded that type of information to be reported, including additional information regarding loan pricing and other loan terms. The Bureau was also given discretion to require other information it deems relevant. The Bureau proposes to add more information. It has grouped the data that it proposes to require, including that mandated by the Reform Act, into four broad categories:

- Information about applicants, borrowers and the underwriting process, such as age, credit score, debt-to-income ratio, reasons for denial if an application was denied, the application channel, and automated underwriting system results.
- Information about the property securing a loan, such as the construction method, property value, lien priority, the number of individual dwelling units on the property and additional information about manufactured and multifamily housing.
- Information about the features of a loan, such as additional pricing information, loan term, interest rate, introductory rate period, non-amortizing features and the type of loan.
- Certain unique identifiers, such as a universal loan identifier, property address, loan originator identifier and a legal entity identifier for the financial institution.

Proposed Modifications to Disclosure Requirements. Currently, Regulation C requires a lender to make its disclosure statement available to the public in its home office and, in addition, to either make it available in certain branch offices or to post notice of its availability and provide it in response to a written request. The Bureau proposes to permit lenders to make their disclosure statements available by referring the requestor to a publicly available website where the disclosure statement can be downloaded.

All 573 pages of the proposed rule is available on the CFPB’s website at http://files.consumerfinance.gov/f/201407_cfpb_proposed-rule_home-mortgage-disclosure_regulation-c.pdf.