

FEDERAL RESERVE BANK OF SAN FRANCISCO
101 MARKET STREET, SAN FRANCISCO, CALIFORNIA

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**BANKING SUPERVISION AND REGULATION:
NEW HMDA DATA QUESTIONS AND ANSWERS**

To State Member Banks, Bank
Holding Companies, U.S. Branches
and Agencies of Foreign Banks,
and Others Concerned,
in the Twelfth Federal Reserve District

Agencies Announce Answers to Frequently Asked Questions About New Home Mortgage Disclosure Act (HMDA) Data

The federal bank, credit union, and thrift supervisory agencies, along with the Department of Housing and Urban Development (HUD), have released a set of “Answers to Frequently Asked Questions” (FAQs) that address the new home loan price data disclosed this year for the first time under the Home Mortgage Disclosure Act (HMDA). The FAQs will aid users of the data with their evaluation and interpretation of the data, and will be posted on each of the agencies’ websites.

The new loan price data are intended to advance enforcement of consumer protection and anti-discrimination laws and improve mortgage market efficiency. Loan price data and other HMDA data can be used by the agencies and others as a screening tool to identify aspects of the higher-priced mortgage market that warrant a closer look to determine whether there is abuse or discrimination. Also, lenders, community groups, government agencies, and others can use the data to identify opportunities for private or public investment.

A full understanding of the data, including its limitations, will help ensure that the data are used effectively to advance the goals of HMDA. The data, for example, do not include certain determinants of credit risk that may explain higher loan prices, such as the borrower’s credit history, loan-to-property-value ratio, and consumer debt-to-income ratio. Consequently, the HMDA data are not, by themselves, a basis for definitive conclusions regarding whether a lender discriminates unlawfully against particular borrowers or takes unfair advantage of them.

The FAQs are part of a larger effort by the Federal Reserve Board, Federal Deposit Insurance Corporation, National Credit Union Administration, Office of the Comptroller of the Currency, Office of Thrift Supervision, and Department of Housing and Urban Development to promote the informed use of the 2004 data. The agencies will also engage in educational outreach to state and local agencies, trade associations, and consumer- and community-based organizations.

In September, the Federal Financial Institutions Examination Council will release the annual summary statistical reports for each lender and an aggregate report for each Metropolitan Statistical Area. Concurrently, staff of the Federal Reserve Board will publish an article analyzing the 2004 data in the *Federal Reserve Bulletin*.

HMDA, which was enacted by Congress in 1975, requires most mortgage lenders located in metropolitan areas to collect data about their housing-related lending activity, report the data annually to the government, and make the data publicly available. Initially, HMDA required reporting

of the geographic location of originated and purchased home loans. In 1989, Congress expanded HMDA data to include information about denied home loan applications and the race, sex, and income of applicants and borrowers. In 2002, the Federal Reserve Board amended the HMDA regulations to require lenders to report price data for certain higher-priced home mortgage loans, and other new data.

Additional Information

All circulars and documents are available on the Internet through the Federal Reserve Bank of San Francisco's Internet site, at <http://www.frbsf.org/banking/letters>.

For additional information about new HMDA data, please contact our Banking Supervision and Regulation Department at (415) 974-3028.

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Attachment: *FAQs on New HMDA Data*