

ZIONS BANCORPORATION

*Corporate Compliance
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Filed via E-Mail to: regs.comments@federalreserve.gov

Jennifer J. Johnson, Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Ave, NW
Washington, DC 20551

RE: Regulation C; Docket No.OP-1388

Ms. Johnson:

Zions Bancorporation appreciates this opportunity to provide comments related to HMDA Reporting as requested in the June 21, 2010 Federal Register Home Mortgage Disclosure Act; Notice of public hearings; request for comments.

Zions Bancorporation is a \$52 billion-dollar financial services company with banking offices located in Arizona, California, Colorado, Idaho, Nevada, New Mexico, Oregon, Texas, Utah, and Washington.

We would like to submit comments as follows:

Additional Data Elements and Error Tolerance Levels

We believe that the addition of more data elements would improve the usefulness of HMDA data. However, we are concerned that the addition of data fields will make it virtually impossible for a financial institution to meet regulatory accuracy expectations unless specific error tolerance levels by type of error are established and included within the regulatory requirements.

For example, some examiners use line errors as a measure for determining accuracy and have established a very small benchmark for line errors – 2 to 5% depending on the agency. If line errors exceed the benchmark, you generally fail your exam and are then required to scrub and resubmit your HMDA LAR. When you consider that each line entry contains between 25-30 data elements per loan, one error on a line entry counts as much as if you had made several errors on that line. We believe that a more realistic error rate calculation methodology would be to eliminate the line error calculation and establish a 5% error limit for each individual data field and an overall 2% error limit for total data elements.

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Coverage

We believe that the board should require mortgage brokers to report HMDA data.

Scope:

HMDA reporting should be limited to primary dwelling, owner occupied mortgage transactions for home purchase, home improvement and refinancing. That way the focus is on ensuring consumers have access to mortgage financing to provide the basic necessity of housing. That would mean exempting/excluding secondary/vacation home reporting and could ease the reporting burden, but continue to report the critical data for homeowners and those seeking to become homeowners. Loans to non-consumers/entities for the purpose of creating housing i.e. > 1-4 Family Dwelling, non-owner occupied should be reported under CRA and not HMDA.

A purpose test for loans should also be added to avoid reporting loans that are truly not consumer loans. For example, SBA or Commercial purpose loans where the consumer's home is taken only as an "abundance of caution" for a loan, the loan is then "refinanced" and the loan and property being held as collateral then becomes HMDA reportable because of the definition of "refinance".

Clarification of Gross Income:

We request that the board provide clarification on the definition of gross income for HMDA reporting purposes. We have been challenged by examiners who think that the definition of gross income under both CRA and HMDA are the same. We maintain that the rules are different and that the income that is used in making the credit decision as calculated by the underwriter is the income that should be used for HMDA reporting purposes.

For example, we have been told that gross income amounts from supporting tax return schedules (e.g. from rentals, sales) must be used and included in our income calculation rather than the amount the underwriter used in making the credit decision. In this example, the applicant is a consumer who happens to own a rental house. After the consumer pays the fixed expenses for maintaining the property (which may not reflect as debts on a credit report) from the rent received on the property, there is \$300 left that the consumer could use to repay the loan we are underwriting. The underwriter adds that \$300 to the consumer's other income when determining their DTI ratio. In the past, we have reported the income that was used in the DTI calculation for HMDA purposes. We have been told that we should use the gross rent amount before any expense deductions for reporting this to HMDA regardless of what we used to calculate DTI.

Exams:

The accuracy of HMDA data is generally tested by examiners every three to four years when they come into a financial institution to do a CRA Performance Evaluation. We believe that testing HMDA data on this delayed frequency presents an unnecessary and excessive regulatory burden. After this length of time, it is very difficult to answer questions on loans when personnel could be gone and adverse action or non-funded loan files are usually well past their retention times. We recommend that HMDA data integrity should be required to be tested during routine compliance exams and not as part of CRA Performance Evaluation exams.

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Collateral

In accordance with a Purchase transaction, the Bank is to report “any loan secured by and made for the purpose of purchasing a dwelling.” In the Official Staff Commentary on Regulation C, 203.2(h)1 it states that “a home purchase loan includes a loan secured by one dwelling and used to purchase another dwelling.”

What is unclear in HMDA is whether the loan purpose must include an identified property, or if the stated purpose is all that is required. This is a current exam issue for us and the regulatory agency is struggling because we didn't identify the specific property to be purchased as part of the lending transaction. It would be helpful if HMDA could clarify and outline the parameters for which these loans should or should not be included and then everyone would have the same interpretation of the regulation.

Again, thank you for providing us with an opportunity to comment. If you have any questions concerning our comments, please contact me at 801.844.7955.

Sincerely,

Norman Merritt
Executive Vice President and Corporate Compliance Director