

January 22, 2002

To: Board of Governors

Subject: Minor modifications
to Regulation C proposal.

From: Staff¹

Supplemental recommendations regarding Regulation C

As part of the final rule revising Regulation C, staff recommended in its January 16 material that, for each home purchase loan and home improvement loan originated by a lender, the Board require the lender to collect and report the rate spread between the Annual Percentage Rate (APR) on the loan and the rate on the comparable Treasury security if the loan has an APR above a certain threshold. Staff also recommended that the Board invite public comment on a proposal that would establish the reporting threshold at 3 percent above the comparable Treasury rate for first lien loans and 5 percent above the comparable Treasury rate for second lien loans. Based on comments received regarding the threshold, the Board would expect to complete the rulemaking on reporting APRs by mid-year 2002 so that reporting of APRs could begin with loans originated in 2003.

In addition to requesting comment on the appropriate rate thresholds, staff recommends that the Board invite public comment on two additional items. The first item relates to collection of data regarding the lien status of loans and the second mandates that lenders request information about race, ethnicity and gender for applications made entirely by telephone.

While these two matters were encompassed in the original HMDA proposal, the Board did not specifically propose these two changes in that proposal. In view of the fact that the Board is seeking public comment on the rate thresholds for collecting APR data, staff believes that it is appropriate to provide the public with an additional opportunity to comment on the collection of lien data and, for telephone applications, race, national origin and gender data. Staff would work to complete review of comments on these two items along with the rate spread comments and recommend changes to Regulation C as appropriate.

¹ Mss. Smith, Hurt, Gell and Ryan and Messrs. Wood and Sokolov, Division of Consumer and Community Affairs. Messrs. Mattingly, Alvarez and Hannah, Legal Division.