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CA 13-8

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**TO THE OFFICERS AND MANAGERS IN CHARGE OF CONSUMER AFFAIRS
SECTIONS:**

SUBJECT: Guidance on the Use of 2010 Census Data in Fair Lending Examinations

This letter provides information about the Federal Reserve's use of 2010 census data when conducting fair lending examinations.

BACKGROUND

The Federal Financial Institutions Examination Council (FFIEC) publishes census data as part of the Home Mortgage Disclosure Act (HMDA) aggregate and disclosure data and as a separate census file, both of which are publicly-available on the FFIEC website. The census data are used to provide context when assessing HMDA and Community Reinvestment Act (CRA) data and in conducting fair lending reviews. Historically, the census data base file was developed by the FFIEC every 10 years and was updated annually to reflect any changes, such as changes to the Metropolitan Statistical Area (MSA) and Metropolitan Division (MD) boundaries announced by the Office of Management and Budget (OMB).

There are three changes related to the Census Bureau's release of the 2010 decennial census data that affect fair lending examinations. First, there are changes to the census tracts. Certain census tract boundaries changed and some census tracts were eliminated or created to reflect changes in population and physical structures, such as new highways. Further, the racial and ethnic makeup of census tracts may have changed.

Second, the source of detailed population and housing data is now based on the American Community Survey (ACS) rather than the census. Unlike the previous decennial census that counted the nation's population and surveyed a smaller segment of the population to collect detailed information, the 2010 Census was used only to count the nation's population while the ACS was used to collect more detailed information. The ACS is a nationwide survey designed to provide local communities with reliable and timely demographic, social, economic, and housing data each year. Geographic areas with populations of 60,000 and greater have data released annually for one-, three-, and five-year estimates; areas with populations greater than 25,000 have data released for three- and five-year estimates; and all areas down to the census tract level have data released for five-year estimates. The U.S. Census Bureau first released ACS data for geographies of all sizes (the "five-year estimate data") in 2010 and will continue to publish the five-year estimate data as a rolling average on an annual basis.

Third, the FFIEC will now update the census data file every five years. In response to the change by the U.S. Census Bureau, the FFIEC announced in October 2011 that it was incorporating the 2006-2010 ACS five-year estimate data into the FFIEC-published census data file. The FFIEC plans to update the census information in the base file every five years. The data is to be utilized for consumer compliance and CRA examination purposes in the same manner that the decennial data has been used in the past.

In 2011 and 2012, the FFIEC took a number of steps to address the 2010 census data changes. In October 2011, the FFIEC released the MSA, state, county and tract list based on the geocode information published by the U.S. Census Bureau. The FFIEC also announced that HMDA and CRA data collected in 2012 should be geocoded using the updated census tracts. In January 2012, the FFIEC updated its online Geocoding System using 2010 census tract listings. In June 2012, the FFIEC released the updated census demographic file, including population and housing characteristics based on the 2006-2010 ACS five-year estimate data.

FAIR LENDING EXAMINATIONS

The updated data from the 2010 census will result in changes to some aspects of fair lending examinations conducted by the Federal Reserve. Fair lending examinations often include reviews of HMDA data for mortgages, CRA data for small business loans, and other data for non-mortgage loans. For many fair lending reviews, there is a need to geocode the data by census tract. Given the changes to the FFIEC census data base file, 2010 and 2011 loan data should be analyzed using 2000 census information, and loan data from January 1, 2012 forward should be analyzed using 2010 census data. With the transition from one decennial census to another, some examinations will include a review of performance that spans data from both the 2000 and 2010 censuses. For example, in the case of an examination that includes both 2011 and 2012 loan data, the examination will apply census 2000 data to the 2011 loan data and will apply census 2010 data to the 2012 loan data. This is an important distinction as institutions and Reserve Banks evaluate the loan data for indicators of fair lending risk.

For questions related to use of the 2010 census data when conducting fair lending examinations, please contact Maureen Yap, Special Counsel/Manager, Fair Lending Enforcement, at (202) 452-2642, or Lynn Gottschalk, Senior Economist, Fair Lending Enforcement, at (202) 452-5099.

Sincerely,



Cross References:

CA Letter 12-4, "Guidance on the Usage of 2010 Census Data in Community Reinvestment Act Examinations."

FFIEC 2010 Census Update **Notice**.

FFIEC Press Release dated October 19, 2011 announces use of American Community Survey (ACS) data into the FFIEC-published census data file,
http://www.ffiec.gov/press/pr101911_ACS.htm.

FFIEC releases 2010 census tract **listing** including MSA and Tract Median Family Income data.