

area, and other reports. These disclosure statements and reports are available to the public.

II. The 2002 Revisions to Regulation C

The Board published final revisions to Regulation C on February 15, 2002, and June 27, 2002 ("the 2002 revisions"). 67 FR 7222; 67 FR 43218. The 2002 revisions include a requirement that lenders report the difference between a loan's annual percentage rate (APR) and the yield on Treasury securities with comparable maturity periods, if the difference equals or exceeds thresholds set by the Board; whether a loan is subject to the Home Ownership and Equity Protection Act; the lien status of applications and loans; and whether an application or loan involves a manufactured home. Certain definitions have also been revised. The definition of an application has been revised to include a request for preapproval as defined in the regulation, for purposes of reporting denials of such requests and identifying loan originations that result from a request for preapproval. The definition of a home improvement loan and the definition of a refinancing have been revised. In addition, the 2002 revisions require lenders to request information on applicants' ethnicity, race, and sex in applications taken by telephone, and conform the collection of data on ethnicity and race to standards established by the Office of Management and Budget (OMB) in 1997.

The 2002 revisions were initially scheduled to take effect on January 1, 2003. In May 2002 the Board delayed the effective date, with two exceptions, to January 1, 2004. 67 FR 30771, May 8, 2002. The Board based its decision to delay the effective date on a determination that some HMDA reporters, especially the largest ones, would not be able to fully implement the revised rule by January 1, 2003, without jeopardizing the quality and usefulness of the data and incurring substantial additional implementation costs that could be avoided by a postponement. The two exceptions related to telephone applications and to census tract data: (1) For all applications taken on or after January 1, 2003, lenders must ask telephone applicants for information on the applicant's race or national origin and sex; and (2) for all applications and loans reported on lenders' 2003 LARs, lenders must use the census tract numbers and corresponding geographic areas from the 2000 Census.

III. Proposed Guidance for Transition from the Current to the Revised Rule

Proposed staff comment 4(a)—4 addresses the collection and reporting of certain data items for applications received before January 1, 2004, for which final action is taken on or after January 1, 2004. Under the proposed transition rules, lenders (1) Would not have to indicate whether an application or loan involved a request for preapproval or related to a manufactured homes; and (2) could at their option continue to apply the current definitions of a home improvement loan and a refinancing. They would follow special rules for reporting applicants' race and ethnicity, to take account of the changed categories. No transition rules are provided for reporting the purchaser type, rate spread, whether a loan is subject to HOEPA, and the lien status of applications and originated loans, because information about these items is available at the time of final action.

In each case, the Board weighed the burden and benefit of applying the effective date to applications received before January 1, 2004. The proposed comment seeks to preserve the integrity of the HMDA data to the extent possible, while minimizing lender burden. For example, the Board believes that the benefit of data that meet revised definitions is not sufficient to warrant the burden on lenders to begin applying the revised definitions before January 1, 2004, or to "look back" in 2004 to determine if data should be reported. The proposed rule is discussed below in the order that the affected data items appear on the revised HMDA/LAR. For all other data items, the January 1, 2004, effective date applies, including the data items reported under "type of purchaser" and "other data," as discussed in Part IV.

Property Type

Currently lenders must report in the "loan purpose" field whether an application or loan involves a one- to four-family or a multifamily dwelling; and manufactured homes are reported as one- to four-family dwellings. The 2002 revisions add a new field for "property type" and require lenders to identify applications and loans that involve manufactured housing. The proposed comment provides that lenders may but need not indicate whether an application received before January 1, 2004, involves manufactured housing. Lenders may report the property type as a one- to four-family dwelling.

Purpose of Loan—Home Improvement and Refinancing

Regulation C requires lenders to report home improvement loans and refinancings. The definitions of a home improvement loan and a refinancing were substantially revised in the final rules adopted in 2002. At the time an application is taken, lenders must apply these definitions (and the definition of a home purchase loan, which has not been revised) to determine whether and how the application or loan must be reported under HMDA.

A home improvement loan is currently defined in § 203.2(f) as a loan that is intended in whole or in part for home improvement *and* that the lender classifies as a home improvement loan. Under the 2002 revisions, dwelling-secured loans for home improvement purposes must be reported as home improvement loans, without regard to whether the loans are classified as home improvement loans. Loans for home improvement purposes that are not dwelling-secured will continue to be reported only if the lender classifies the loans as home improvement loans.

A refinancing is defined as a transaction in which a new obligation satisfies and replaces an existing obligation by the same borrower. Currently, the commentary to § 203.1(c) allows lenders to select from among four scenarios in deciding which refinancings to report:

(1) The existing obligation was a home purchase or home improvement loan, as determined by the lender (for example, by reference to available documents);

(2) the applicant states that the existing obligation was a home purchase or home improvement loan;

(3) the existing obligation was secured by a lien on a dwelling; or

(4) the new obligation will be secured by a lien on a dwelling.

Under the 2002 revisions, reportable refinancings are those in which both the existing and the new loans are secured by a lien on a dwelling.

The proposed transition rule will not require lenders to "look back" in reporting home improvement loans and refinancings. The proposed comment provides that for applications received before January 1, 2004, but for which final action is taken on or after January 1, 2004, lenders may continue to apply the current definitions. For example, if a lender receives an application in 2003 for a loan that the lender does not currently classify as a home improvement loan, the lender need not report that application on its 2004 LAR. Similarly, if a lender receives an