

to 2003 to calculate the rate spread. If lenders used the date of application or consummation, they would not have to modify their systems because they already capture these dates for current reporting requirements.

The requirements to report HOEPA status and lien status do not require an exception to the effective date. HOEPA status is required only on originated and purchased loans, and is determined based on the difference between the APR at consummation and the yield on Treasury securities with comparable maturity periods; or on the total points and fees charged for the loan. A lender may have to research Treasury yields from 2003 depending on when the application was received; however, as with the rate spread, historical information on Treasury yields is readily available.

For lien status, the 2002 revisions provide that lenders may rely on the best information readily available to them at the time of final action (in 2004). 67 FR 43218, 43227, June 27, 2002. Thus, lenders will not have to look back to 2003 to report lien status.

V. Form of Comment Letters

Comment letters should refer to Docket No. R-1145 and, when possible, should use a standard typeface with a font size of 10 or 12; this will enable the Board to convert text submitted in paper form to machine-readable form through electronic scanning, and will facilitate automated retrieval of comments for review. Comments may be mailed electronically to regs.comments@federalreserve.gov. If accompanied by an original document in paper form, comments may also be submitted on 3½ inch computer diskettes in any IBM-compatible DOS- or Windows-based format.

VI. Solicitation of Comments Regarding the Use of "Plain Language"

Section 722 of the Gramm-Leach-Bliley Act of 1999 requires the Board to use "plain language" in all proposed and final rules published after January 1, 2000. The Board invites comments on whether the proposed commentary is clearly stated and effectively organized, and how the Board might make the commentary easier to understand.

List of Subjects in 12 CFR part 203

Banks, Banking, Federal reserve system, Mortgages, Reporting and recordkeeping requirements.

For the reasons set forth in the preamble, the Board proposes to amend 12 CFR part 203 as follows:

PART 203—HOME MORTGAGE DISCLOSURE (REGULATION C)

1. The authority citation for part 203 continues to read as follows:

Authority: 12 U.S.C. 2801–2810.

2. In Supplement I to part 203, under Section 203.4—Compilation of Loan Data, under 4(a) *Data Format and Itemization*, a new paragraph 4 is added:

SUPPLEMENT I to PART 203—STAFF COMMENTARY

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Section 203.4—Compilation of Loan Data

4(a) *Data Format and Itemization.*

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► 4. *Transition rules for applications received before January 1, 2004, when final action is taken on or after January 1, 2004.* For applications received before January 1, 2004, on which final action is taken on or after January 1, 2004, data must be collected and reported on the HMDA LAR under the revised Regulation C that takes effect on January 1, 2004, subject to the exceptions for property type, loan purpose, requests for preapproval, and applicant information set forth in this comment.

i. *Property type.* Lenders need not determine whether an application received before January 1, 2004 involves a manufactured home, and may report the property type as 1- to 4-family.

ii. *Loan purpose.* For applications received before January 1, 2004, lenders may use the definitions of a home improvement loan and a refinancing that were in effect in 2003. For example, a lender need not report data on an application received before January 1, 2004, for a dwelling-secured loan made for the purpose of home improvement, if the lender did not classify the loan as a home improvement loan. Similarly, a lender may report data on an application for a refinancing received in 2003 whether or not the existing obligation was secured by a lien on a dwelling.

iii. *Requests for preapproval.* Lenders need not report requests for preapproval (as that term is defined in § 203.2(b)(2) of the revised Regulation C) received before January 1, 2004, that do not result in a loan application. Lenders need not specify whether an application for a home purchase loan application involved a request for preapproval, and should use code 3 (not applicable) in the preapproval field on the LAR. Lenders may at their option, report requests for preapproval that are denied or that are approved but not accepted.

iv. *Applicant information.* For applications received before January 1,

2004, lenders must collect data on race or national origin using the categories in effect in 2003, and must convert the data to the codes in effect in 2004 for reporting purposes, using the following conversion guide:

(A) *Ethnicity.* The revised Regulation C requires lenders to request an applicant's ethnicity first (Hispanic or Latino, Not Hispanic or Latino), and then to request the applicant's race. The HMDA/LAR has been revised accordingly, so that ethnicity and race are distinct fields.

(1) If code 4 (Hispanic) was entered for race under the 2003 codes, use code 1 (Hispanic or Latino) for reporting ethnicity.

(2) If code 1, 2, 3, 5, 6, or 8 was entered for race under the 2003 codes, use code 4 (not applicable) for reporting ethnicity.

(3) If code 7 (information not provided by applicant in mail or telephone application) was entered for race under the 2003 codes, use code 3 (information not provided by applicant in mail, Internet, or telephone application) for reporting ethnicity.

B. Race.

(1) If the applicant's race was identified as American Indian or Alaskan Native, Black, or White under the 2003 codes, use the corresponding code for 2004. For example, if code 3 (Black) was entered for race in 2003, use code 3 (Black or African-American).

(2) If the applicant's race was identified as Asian or Pacific Islander in 2003, use code 2 (Asian).

(3) If the applicant's race was identified as Hispanic in 2003, use code 7 (not applicable).

(4) If the applicant's race was identified as code 6 (Other) in 2003, use code 7 (not applicable).

(5) If the applicant's race was identified as code 7 (Information not provided by applicant in mail or telephone application) in 2003, use code 6 (Information not provided by applicant in mail, Internet, or telephone application).

(6) If code 8 (Not applicable) was used in 2003, use code 7 (Not applicable). ◀

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By order of the Board of Governors of the Federal Reserve System, acting through the Director of the Division of Consumer and Community Affairs under delegated authority, March 3, 2003.

Robert deV. Frierson,

Deputy Secretary of the Board.

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