

Community groups generally opposed the comment, arguing that it would delay the effective date of the 2002 revisions. A few industry commenters opposed the comment on the grounds that flexibility could pose training problems for lenders and could impose additional programming costs if lenders must distinguish between applications received in 2003 and all other applications. Some of these commenters believed that the 2002 revisions should apply only to applications received on or after January 1, 2004.

The Board is adopting the comment substantially as proposed. Under the comment, lenders (1) will not have to indicate whether a loan applied for in 2003 involved a request for preapproval or related to a manufactured home; and (2) may, at their option, apply the current definitions of a home improvement loan and a refinancing in reporting loans applied for in 2003 and acted upon in 2004. The Board believes that the benefit of obtaining data on these items does not warrant the burden associated with revising systems to begin recording the necessary information before January 1, 2004. A lender may, however, opt to begin recording the information before January 1, 2004. If it does, the lender must be generally consistent in its approach; for example, a lender that opts to apply the revised definition of a home improvement loan must do so for all applications received in 2003 and reported in 2004.

The comment provides that lenders must follow special rules for reporting applicants' race and ethnicity for transitional applications, to take account of the changed categories. One technical clarification relating to the sex of a co-applicant has been made, as discussed below.

The Board proposed no transition rules for reporting the type of purchaser, whether a loan is subject to HOEPA, the lien status of applications and originated loans, and the rate spread, because information about these items is available at the time of final action. The final comment provides some flexibility in the case of the rate spread. For the reasons discussed below, lenders will not be required to report the rate spread for loans in which the rate lock occurs before January 1, 2004.

The affected data items are discussed below, in the order in which they appear on the revised HMDA/LAR.

#### 203.4(a)

##### Property Type

Currently lenders must report in the "loan purpose" field whether an

application or loan involves a one-to-four-family dwelling 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 homes. The final comment provides, as proposed, that for applications received before January 1, 2004, and acted upon in 2004, lenders may, but need not, indicate whether an application involves a manufactured home; lenders may report the property type as one-to four-family.

##### 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. A home improvement loan is defined in § 203.2(f) as a loan 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 beginning in 2004, whether or not 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 loan and the new loan are secured by a lien on a dwelling.

The proposed comment provided 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. Based on comments received and its own analysis, the Board is adopting the guidance as proposed. The comment permits lenders, at their option, to apply the revised definitions to applications received before January 1, 2004.

##### Requests for Preapproval

Under the 2002 revisions, beginning in 2004, lenders must identify whether an application for a home purchase loan is a request for preapproval as defined in the revised regulation. Lenders must also report information on requests for preapproval that are denied; lenders may, but are not required to, report requests for preapproval that are approved but not accepted by the applicant.

The proposed comment provided that lenders may, but need not, report requests for preapproval received before January 1, 2004, that do not result in a traditional loan application. In addition, the proposed comment provided that lenders may, but need not, identify requests for preapproval as such if they were received before January 1, 2004. The Board is adopting the comment as proposed. Thus, for applications received before January 1, 2004, lenders will be permitted to use the code for "Not Applicable" in the preapproval field on the HMDA/LAR.

##### Applicant Information

*Ethnicity and Race.* The 2002 revisions included changes to the requirement to collect information about an applicant's ethnicity and race, and to the codes that must be used to report this information on the HMDA/LAR. These changes were made to conform collection of information under Regulation C to standards established by OMB in 1997. Under the proposed transition rules, lenders would report monitoring data collected during 2003 on the 2004 LAR in accordance with conversion rules set forth in proposed comment 4(a)–4(iv).

Most commenters supported the proposed comment requiring lenders to convert the data on ethnicity and race to the new OMB standards. Some lenders suggested that the Board provide a table showing the conversion rules for information on ethnicity and race. Community groups, on the other hand, believed that the proposed comment was an unwarranted delay in the effective date of the 2002 revisions. In addition, a few lenders believed that transition rules are unnecessary, if the 2002 revisions are applied only to applications received on or after January 1, 2004.