

Some industry commenters supported the conversion rules, but requested additional guidance. For example, some lenders asked whether they could begin to use the revised ethnicity and race categories to take applications before January 1, 2004. Some of these commenters stated that they wanted to program their systems to collect data using the revised categories in October 2003, because making changes to their data collection and processing systems after November 1, 2003, could result in system disruption and difficulty in generating year-end reports. These lenders stated that if they were not permitted to use the revised categories in the fall of 2003, they would prefer to continue to use the current categories through February 2004, and convert the data using the conversion rules provided by the Board.

Other lenders requested guidance that would allow them to report "NA" for ethnicity and race on applications received during the first quarter of 2004 on application forms that have not been updated to reflect the revised rules on collecting information on ethnicity and race. For example, a lender might receive an application by mail in early 2004 that had been mailed out to an applicant in 2003 using the current format for reporting race or national origin. In addition, some lenders noted that brokers might want to use up all of their old forms and thus might continue to use the current format even for applications received in 2004. These commenters suggested that the Board allow lenders to convert applications taken on the current form to the revised rules through April 1, 2004.

The comment is adopted as proposed. The Board believes that converting data collected under the current rules to the revised OMB standards is necessary to ensure the quality and utility of the data. At the request of commenters, the conversion rules are presented in tabular format in section V of this notice.

The rules for converting information on race and ethnicity apply only to applications received in 2003. In the case of an application provided to an applicant in 2003 that is not returned to the lender until 2004, the existing commentary provides that the lender may consider such an application as received in 2003 if the date shown on

the application is in 2003. *See* 203.4(a)-1. Thus lenders may use the conversion rules provided in the final comment if an application is provided to an applicant in 2003 and is dated in 2003, but is received by the lender in 2004. The conversion rules may not be used, however, where lenders or brokers continue to use loan application forms with the current race format on or after January 1, 2004. Lenders and brokers are responsible for ensuring that applications are taken on the appropriate form.

Sex. A few commenters pointed out that under the current rules lenders must use code 4 (Not Applicable), where the loan is a purchased loan, there is no co-applicant, or the co-applicant is not a natural person. Under the revised rules, code 4 is reserved for applications in which the co-applicant is not a natural person or the information is not available on a purchased loan, and a new code 5 is to be used where there is no co-applicant. The final comment provides that for applications received before January 1, 2004, in which there is no co-applicant, code 4 may be used on the 2004 HMDA/LAR for sex.

Rate Spread

The Board did not propose transition guidance relating to the requirement to report the rate spread between the APR on the loan and the yield on Treasury securities with a comparable maturity. The Board did solicit comment, however, on whether there might be less burdensome alternatives to requiring lenders to use the rate lock date for applications received before and closed on or after January 1, 2004—for example, allowing them to use the date the application was received, the date of consummation, or a date specified by the Board (such as January 1, 2004) that would not require lenders to look back to an earlier period to calculate the rate spread. The Board noted that if lenders used the date of application or consummation, lenders would not have to modify their systems because they already capture these dates for current reporting requirements.

Some industry commenters supported requiring lenders to use the rate lock date to calculate the rate spread. These commenters noted that using the date of application or consummation could

distort the pricing data. Other industry commenters urged the Board to allow lenders to use the date of application or of consummation. A few commenters suggested that the Board require lenders to report the rate spread only if the rate lock occurred on or after January 1, 2004. Still other industry commenters said that the Board should require rate spread information only if the application was received on or after January 1, 2004, because of difficulties in collecting the rate lock date and training personnel before then.

Based on the comments and on the Board's analysis, the final comment provides that lenders need not report the rate spread for any loan in which the rate lock occurs before January 1, 2004. The Board recognizes that lenders may not be able to track and report rate lock dates accurately until the 2002 revisions take effect, in January 2004. Although use of the application or consummation date might reduce burden to some degree because lenders are currently responsible for collecting and reporting them, their use of these dates in the rate spread system nonetheless would require special programming. The comment provides examples to illustrate when lenders must calculate and report the rate spread for applications received before January 1, 2004.

IV. Other Reporting Requirements

The Board did not propose any transition guidance for reporting requirements relating to type of purchaser, HOEPA status, and lien status because these data items do not impose a significant burden on lenders to "look back" to applications received prior to 2004. The majority of comments supported the Board's view. The Board is adopting the comment as proposed, without any exceptions for type of purchaser, HOEPA status, and lien status.

V. Table of Rules for Converting Applicant Information

The rules in the final comment for converting information on race and national origin collected under the current regulation to the revised categories for ethnicity and race under the 2002 revisions are provided in tabular format in response to commenters' requests.

Current category	New category—ethnicity	New category—race
Code 1—American Indian or Alaskan Native	Code 4—Not Applicable	Code 1—American Indian or Alaska Native.
Code 2—Asian or Pacific Islander	Code 4—Not Applicable	Code 2—Asian.
Code 3—Black	Code 4—Not Applicable	Code 3—Black or African American.
Code 4—Hispanic	Code 1—Hispanic or Latino	Code 7—Not Applicable.
Code 5—White	Code 4—Not Applicable	Code 5—White.