

E. Restructuring of AMA—Proposed § 955.6

The Finance Board is proposing to add new § 955.6 to the AMA regulation. This provision would prohibit a Bank from using or selling AMA that it has already purchased and is holding on its books to create alternative asset structures, including those assets described in § 955.3(c) of the proposed rule, without first obtaining Finance Board approval. Actions taken by a Bank with the intent to alter the putative or actual rating of its existing AMA or otherwise change the form of an asset or an asset's existing credit risk-sharing structure, would be covered by this provision. Among the factors the Finance Board would consider in reviewing a request for approval under this proposed section would be: How a Bank intends to unwind an existing credit enhancement structure or incorporate the credit enhancement into the structure of the new asset; whether, after the proposed repackaging is complete, a Bank would be holding an asset that it would not be authorized to purchase under Finance Board rules; and whether the new asset would advance or enhance the housing finance mission embedded in the AMA rule.

F. Reporting Requirements for AMA—Proposed § 955.7

Under the proposed rule, the reporting requirements for AMA, which currently are contained in § 955.4, would be revised and relocated to § 955.7.

The proposed rule would clarify, in new § 955.7(a), that each Bank that has members or housing associates that have provided the initial credit enhancement for AMA, would be responsible for collecting and maintaining the loan-level and pool-level data required by § 955.7 for all residential mortgage loans that constitute or otherwise back such AMA, including assets described in § 955.3(c). The Bank would have this responsibility regardless of whether the AMA is participated in whole or in part to other Banks. Although the Bank would be responsible for collecting and maintaining this data and reporting the data to the Finance Board, the Bank could arrange by contract with another Bank to have this responsibility carried out by the other Bank.

The proposed rule is intended to reduce the overall burden of AMA data collection on the Banks while improving the informational content of the data that are collected. The burden would be lessened by reducing the number of data elements to be collected, by eliminating reporting redundancies,

and by eliminating a requirement that the Banks aggregate data prior to reporting. Informational content would be improved by increasing the frequency of loan-level data reporting, codifying in the proposed rule the current practice of reporting certain data elements added since the implementation of the current rule, and adding a few more data elements needed to satisfy updated credit risk modeling requirements and to comply with revised Office of Management and Budget (OMB) reporting classifications.

Conforming the requirements to existing practice. In consultation with the Banks, the Finance Board designed a reporting format for the semi-annual loan-level mortgage reports. In the course of these consultations, non-substantive changes were made to the data requirements of § 955.4, including refining the definitions of some of the reporting elements, and adding new elements to improve database management and enhance monitoring.⁶ In addition, while the current rule only requires reporting on loans acquired year-to-date, it was determined that for purposes of safety and soundness monitoring, certain variables should be required to be reported for all outstanding AMA residential mortgage loans, not just for AMA residential mortgage loans acquired during the calendar year. Thus, program-to-date data are currently collected along with data on loans acquired in the calendar year in order to track the performance of each loan and enhance the ability to track delinquencies. The proposed amendments to the data reporting structure and content would reflect the current reporting system in this regard.

Proposed elimination of data elements. Since the current rule went into effect, loan-level data have been reported for four semi-annual reports,

⁶ The definition of "County" was changed from the county name to the 3-digit Federal Information Processing Standard (FIPS) code for the county. The definition of "PMI Percent" was changed from percent of private mortgage insurance to percent of primary mortgage insurance, including mortgages insured by government agencies. The definition of "Credit Enhancement" was changed from the numeric code indicating the type of credit enhancement to the dollar value of the calculated loan-level credit enhancement. "Prepayment Penalty Terms" was changed to "Prepayment Penalty Date" and defined as the date that the application of the prepayment penalty ends. "Default Status" was changed to "Delinquency Status" and represented the delinquency status of the loan at the end of the reporting period. "Pool Rating" for the letter credit rating of the loan pool was added to the loan-level data reporting requirement. "Interest Rate" was defined as the note rate on the loan at the time of loan origination. New variables added for database management purposes were: "Program Type" and "Pool Number."

and this reporting experience has revealed that some fields required in the current rule are either very sparsely populated or are relatively difficult to collect and provide little information relative to the housing finance mission of the Banks or safety and soundness monitoring. The proposed rule would eliminate these fields.⁷

The current rule also has resulted in reporting duplication. Basic information on loans acquired during the first two quarters of the year is reported twice—first in the second quarter loan-level report and again in the fourth quarter loan-level report. Under proposed § 955.7, loan-level data on the loan, borrower and property characteristics would be required to be reported only once—at the end of the calendar quarter in which the loan is acquired. See proposed Appendices A and B, part I.

Proposed reduction in reporting burden. Proposed § 955.7 would reduce the reporting burden on the Banks by eliminating the requirement that the Banks generate aggregate data reports from the loan-level data they collect. Instead, the proposed rule would require that the Banks submit loan-level data in place of the aggregate data. Because the loan-level data are collected and maintained by the Banks in any event, eliminating the aggregate reporting requirement would reduce the Banks' computational burden of aggregating the loan-level data.

In addition, the proposed rule would relieve the Banks from reporting elements that are already collected elsewhere by the Finance Board. Specifically, elements the Banks would no longer report are those that describe the acquiring lender, or member selling the AMA to the Bank, and those containing census level demographic information related to the property.⁸ These elements are collected now by the Finance Board through its membership data collection and directly from the Department of Housing and Urban Development (HUD). The proposed rule

⁷ Fields that were found to provide little information were the geographic indicator "Place Code," and mortgage identifiers "Cooperative Unit Mortgage," "Mortgage Purchased under the Banks' Community Investment Cash Advances (CICA) Programs" (for single-family AMA), and "Bank Real Estate Owned." "Acquisition Type" would be eliminated due to the addition of the "Program Type" data element.

⁸ The eliminated elements include "Acquiring Lender Institution," "Acquiring Lender City," "Acquiring Lender State," "Type of Acquiring Lender Institution," "Census Tract—Percent Minority," "Census Tract—Median Income," "Local Area Median Income," "Tract Income Ratio," "Area Median Family Income," "Borrower Income Ratio," "Unit—Affordable Category," "Unit Type XX—Affordability Level" (for multi-family AMA), and "Geographically Targeted Indicator."