

# Rules and Regulations

Federal Register

Vol. 68, No. 248

Monday, December 29, 2003

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## FEDERAL RESERVE SYSTEM

### 12 CFR Part 203

[Regulation C; Docket No. R-1178]

#### Home Mortgage Disclosure

**AGENCY:** Board of Governors of the Federal Reserve System.

**ACTION:** Final rule; staff commentary.

**SUMMARY:** The Board is publishing a final rule amending Regulation C (Home Mortgage Disclosure) and the staff commentary that interprets the requirements of Regulation C. The regulation and staff commentary are amended to conform them to changes in the Standards for Defining Metropolitan and Micropolitan Statistical Areas published by the U.S. Office of Management and Budget (OMB) in December 2000. The staff commentary also is amended to increase the asset-size exemption threshold for depository institutions based on the annual percentage change in the Consumer Price Index for Urban Wage Earners and Clerical Workers. The adjustment from \$32 million to \$33 million reflects the increase of that index by 2.30 percent during the twelve-month period ending in November 2003. Thus, depository institutions with assets of \$33 million or less as of December 31, 2003, are exempt from data collection in 2004.

**DATES:** Effective January 1, 2004.

**FOR FURTHER INFORMATION CONTACT:** John C. Wood or Kathleen C. Ryan, Counsels, or Dan S. Sokolov, Senior Attorney, Division of Consumer and Community Affairs, at (202) 452-3667; for users of Telecommunications Device for the Deaf (TDD) only, contact (202) 263-4869.

**SUPPLEMENTARY INFORMATION:** The Home Mortgage Disclosure Act (HMDA; 12 U.S.C. 2801 *et seq.*) requires most mortgage lenders located in metropolitan areas to collect data about their housing-related lending activity.

Annually, lenders must report that data to their federal supervisory agencies and make the data available to the public. The Board's Regulation C (12 CFR part 203) implements HMDA.

#### Metropolitan Statistical Areas

The Board is making revisions to Regulation C to conform it to OMB's Standards for Defining Metropolitan and Micropolitan Areas issued in December 2000 under the Metropolitan Area program (the 2000 Standards). 65 FR 82228 (December 27, 2000). The purpose of the Metropolitan Area program is to provide nationally consistent definitions for the federal government to use in collecting, tabulating, and publishing statistics for a set of geographic areas.

Regulation C has incorporated OMB's definitions of a Metropolitan Statistical Area (MSA) and a Primary Metropolitan Statistical Area (PMSA) for determining coverage under HMDA, reporting property location, providing disclosures and reports of lending activity, and posting notices about the availability of HMDA data. OMB's 1990 standards defined an MSA as an urbanized area with at least 50,000 population. *See, e.g.,* 63 FR 70526, 70531 (December 21, 1998). Large MSAs of 1 million or more population were called Consolidated Metropolitan Statistical Areas (CMSAs); CMSAs were subdivided into two or more PMSAs (generally a county or group of counties with at least 100,000 population). Regulation C provided that the relevant geographic unit was the PMSA; if the lender or the property was located in an MSA that was not large enough to be a CMSA, then the MSA was the applicable geographic unit. CMSAs were not used under HMDA.

The 2000 standards supersede OMB's 1990 standards, necessitating a change to Regulation C. Although the 2000 standards retain the concept of an MSA as an urbanized area of 50,000 or more population, the standards no longer designate areas as CMSAs and PMSAs. Instead, the 2000 standards provide that a large MSA (with a population of at least 2.5 million) is divided into "Metropolitan Divisions." Each Metropolitan Division consists of one or more counties that represent an employment center within an MSA.

In June 2003, OMB released the list of MSAs and Metropolitan Divisions, Micropolitan Statistical Areas, and Combined Statistical Areas, based on

the application of the 2000 standards to data from the 2000 Census. Each MSA and Metropolitan Division is assigned a 5-digit number (previously, all MSAs and PMSAs were assigned 4-digit numbers). OMB Bulletin No. 03-04, June 6, 2003. In July 2003, the FFIEC instructed lenders to use the newly released MSAs and Metropolitan Divisions for collecting and reporting HMDA data beginning January 1, 2004. *See* <http://www.ffiec.gov/hmda/pdf/spec2004.pdf>. Regulation C refers to the MSA and the PMSA for determining coverage under HMDA, reporting property location, providing disclosures and reports of lending activity, and posting notices about the availability of HMDA data. The MSA, and in the case of large MSAs, the Metropolitan Division, are the geographic units most analogous to MSAs and PMSAs under the 1990 standards. Thus, their use minimizes any disruption in HMDA data caused by the changes to OMB standards.

The revisions to Regulation C formalize the FFIEC's July 2003 guidance. The regulation, Appendix A, and the staff commentary are amended to use the terms "MSA" and "Metropolitan Division." Additionally, references to obsolete Census materials have been deleted from Appendix A.

#### Asset Threshold

Provisions of the Economic Growth and Regulatory Paperwork Reduction Act of 1996 (codified at 12 U.S.C. 2808(b)) amended HMDA to expand the exemption for small depository institutions. Prior to 1997, HMDA exempted depository institutions with assets totaling \$10 million or less, as of the preceding year-end. The statutory amendment increased the asset-size exemption threshold by requiring a one-time adjustment of the \$10 million figure based on the percentage by which the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPIW) for 1996 exceeded the CPIW for 1975, and provided for annual adjustments thereafter based on the annual percentage increase in the CPIW. The one-time adjustment increased the exemption threshold to \$28 million for 1997 data collection.

Section 203.2(e)(1)(i) of Regulation C provides that the Board will adjust the threshold based on the year-to-year change in the average of the CPIW, not