
INFORMATIONAL MEMORANDUM



October 13, 2005

To: Chief Executive Officer
All Farm Credit System Institutions

From: Thomas G. McKenzie, Director and Chief Examiner
Office of Examination

Subject: Regulation C, Home Mortgage Disclosure Act – Reporting Requirements

The purpose of this Informational Memorandum (IM) is to provide Farm Credit System (FCS) institutions additional clarification of the reporting requirements of the Home Mortgage Disclosure Act (HMDA)¹ and Regulation C, its implementing regulation,² as well as to identify the criteria examiners will use for examining this area.³ This IM replaces our IM dated April 13, 2005.

Under §§ 203.4(a) and 203.5 of Regulation C, financial institutions are required to collect and report data regarding applications for, and originations and purchases of, "home purchase loans" and "refinancings" for each calendar year. A *home purchase loan* is defined as "a loan secured by and made for the purpose of purchasing a dwelling."⁴ The commentary explains that a farm loan – that is, a loan to purchase property primarily for agricultural purposes – is not a home purchase loan even if the property includes a dwelling.⁵ Farm loans, therefore, are not reportable, even if there is a dwelling on the property.

In contrast, the *refinancing* of a farm loan is reportable as long as both the new loan and the replaced loan are secured by a dwelling,⁶ even though the farm loan was not reportable when originally made. A refinancing is defined as "a new obligation that satisfies and replaces an existing obligation by the same borrower, in which . . . [f]or reporting purposes, both the existing obligation and the new obligation are secured by liens on dwellings."⁷ In a refinancing, the agricultural purpose of the replaced (or new) obligation is not relevant to whether the new obligation is reportable. Accordingly, FCA examiners will examine for compliance with HMDA all refinancings in which both the existing and new obligations are secured by liens on dwellings.

¹ 12 USC 2081 *et seq.*

² 12 CFR Part 203.

³ In Informational Memorandums dated July 14, 2004, and October 2, 2003, the FCA informed FCS institutions of changes made by the Board of Governors of the Federal Reserve System to Regulation C and to the commentary interpreting the regulation.

⁴ 12 CFR § 203.2(h).

⁵ 12 CFR Part 203, Supp. I, section 203.2(h), commentary 3.

⁶ www.ffiec.gov/hmda/faqreg.htm, the Frequently Asked Questions (FAQ) section of the HMDA page of the Web site of the Federal Financial Institutions Examination Council (FFIEC). A copy of these FAQs were attached to our July 14, 2004 IM.

⁷ 12 CFR § 203.2(k)(2).

In examining your institution for HMDA compliance, FCA examiners will verify that:

- Procedures are in place for collecting and maintaining accurate data regarding each loan application.
- Specific individuals are assigned responsibility for collecting and reporting the data and are given sufficient resources and tools to produce complete and accurate data.
- HMDA data is submitted on time (March 1) and the institution responds promptly to any questions that may arise during processing of the data submitted.

HMDA data must be reported by March 1 each year. Reporting may be done either by regular mail or via the Internet. For regular mail, HMDA data should be sent to:

Federal Reserve Board
Attention: HMDA Processing, HUD
20th and Constitution Avenue, NW
MS N502
Washington DC 20551-0001

HMDA respondents also have the option of sending the data by e-mail using “HMDA Data Entry Software.” Go to <http://www.ffiec.gov/hmda/softinfo.htm> to download the software and obtain specific directions for use. The site also contains a thorough discussion of “Frequently Asked Questions” to assist you in your compliance and submission. The software creates an encrypted file named “HMDAENCR.ENC” located on the hard drive at the following path:
C:HMDADES\int\hmdaencr.enc.

After completing the accompanying directions, attach this file to your e-mail submission addressed to HMDASUB@frb.gov.

If you have any questions about this IM, please call Jennifer A. Cohn, Senior Attorney, Office of General Counsel, at (703) 883-4020, or e-mail her at cohnj@fca.gov.