In its amendments to Regulation C issued in December 1994, the Board deferred a final determination on whether and how lenders ought to report prequalifications (or preapprovals). Instead, the Board provided that institutions need not include data about prequalifications (or preapprovals) in their HMDA submissions for calendar year 1994 or 1995.

The Board believes that prequalification requests (as that term is used in the proposed commentary) are not applications for purposes of Regulation C, even though they may be applications under Regulation B. Proposed comment 2(b)–2 provides guidance so that institutions can distinguish a request for a prequalification from an application under Regulation C.

The Board may consider proposing amendments to Regulation C to address prequalifications and preapprovals, including whether institutions should be required to report some or all preapproval requests. (A preapproval request is generally considered to be a request by an applicant for a commitment from an institution to lend a specific amount, subject to the applicant's selection of residential property that is satisfactory to the institution. A preapproval program may be part of or separate from the institution's mortgage loan application program.) If, for example, coverage included all preapprovals, the Board might consider adding to the purpose codes "code 5. Preapproval" to distinguish preapprovals from other application procedures. The Board may also consider adding a new action taken code, such as "code 7. Loan preapproved" to distinguish situations where a loan is preapproved but not originated from other actions taken on applications.

2(e) Financial Institution

Foreign banks

Proposed comments 2(e)-1 and -2 discuss coverage of various types of branches and other offices of foreign banks for purposes of Regulation C. The definition of a covered institution in HMDA refers, in part, to banks as defined in the Federal Deposit Insurance Act (FDI Act). The FDI Act definition of "bank" includes certain types of branches and offices of foreign banks, and excludes other types. Accordingly, certain branches and offices of foreign banks, which meet the FDI Act definition of "bank," are covered by HMDA as depository institutions (assuming they are not

excluded by some other exemption). Other branches and offices of foreign banks, which do not meet the FDI Act definition, are covered by HMDA only if they meet the tests for coverage of nondepository institutions.

2(g) Home-purchase Loan

Home Equity Lines

Under Regulation C, institutions have the option to report that portion of a home equity line of credit that the borrower indicates, at the time of application or when the account is opened, will be used for home improvement purposes. Proposed comment 2(g)-6 sets forth the same position with regard to home equity lines to be used for home purchase purposes. As in the case of home equity lines for home improvement, the institution may choose not to report home equity lines at all. If the institution reports home equity originations, the institution must also report home equity applications that did not result in originations. If the institution chooses to report a home equity line, it should report only the amount indicated at time of application or establishing the credit line, to be used for purposes of purchasing a dwelling.

Section 203.3—Exempt Institutions

3(a) Exemption Based on Location, Asset Size, or Number of Homepurchase Loans

Mergers

Proposed comment 3(a)–2 deals with reporting responsibilities in situations where two financial institutions merge. The proposed comment is based on material in the *Guide to HMDA Reporting*, but additional detail has been added concerning mergers involving a covered and an exempt institution. (Other material from the section of the *Guide* relating to mergers and changes in supervisory agencies appears in proposed comments 3(a)–3 and 5(a)–1.)

Section 203.4—Compilation of Loan Data

4(a) Data Format and Itemization Paragraph 4(a)(6)

Location of Property—BNAs

Proposed comment 4(a)(6)–4 allows institutions to report block numbering areas (BNAs) for properties located in counties for which census tracts have not been established. This option would provide more detailed information that may be used to examine and assess an institution's housing-related lending.

Paragraph 4(a)(7)

Income of Applicants

Proposed comment 4(a)(7)–5 provides guidance regarding data reporting requirements for applicant income. The comment clarifies that institutions must report all income used to make the credit decision. This figure would include any income the institution considers in qualifying the applicant, even if the funds are not factored into the debt-to-income ratio analysis.

III. Form of Comment Letters

Comment letters should refer to Docket No. R-0881. The Board requests that, when possible, comments be prepared using a standard courier typeface with a type size of 10 or 12 characters per inch. This will enable the Board to convert the text into machinereadable form through electronic scanning, and will facilitate automated retrieval of comments for review. Comments may also be submitted on computer diskettes, using either the 3.5" or 5.25" size, in any IBM-compatible DOS-based format. Comments on computer diskettes must be accompanied by a hard copy version.

List of Subjects in 12 CFR Part 203

Banks, banking, Consumer protection, Federal Reserve System, Mortgages, Reporting and recordkeeping requirements.

For the reasons set forth in the preamble, the Board proposes to amend 12 CFR part 203 as follows:

PART 203—HOME MORTGAGE DISCLOSURE (REGULATION C)

1. The authority citation for part 203 continues to read as follows:

Authority: 12 U.S.C. 2801–2810.

2. Part 203 would be amended by adding a new Supplement I—Staff Interpretations after the Appendices to read as follows:

Supplement I to Part 203—Staff Interpretations

Introduction

1. *Status.* This commentary in this supplement is the vehicle by which the staff of the Division of Consumer and Community Affairs of the Federal Reserve Board issues staff interpretations of Regulation C (12 CFR part 203).

Section 203.1—Authority, Purpose, and Scope

1(c) Scope.

1. *General.* The comments in this section address issues affecting coverage of institutions, exemptions from coverage, and data collection requirements. (Paragraphs I., II., IV. and V. of Appendix A of this part.)