

PUBLICATION

Next Steps for Residential Lenders in Light of CFPB Approval to Collect Borrowers' Disaggregated Ethnic and Racial Categories

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Lending institutions can implement the use of disaggregated ethnic and racial categories in their home loan applications beginning January 1, 2017, an entire year ahead of HMDA's original deadline.

Overview: The CFPB has issued guidance stating that "at any time from January 1, 2017, through December 31, 2017, a creditor may, at its option, permit applicants to self-identify using disaggregated ethnic and racial categories." As widely reported, previous amendments to the Home Mortgage Disclosure Act (HMDA) will **require** financial institutions to permit applicants to self-identify using disaggregated ethnic and racial categories beginning January 1, 2018.

The CFPB states that "for purposes of submitting HMDA data for applications received from January 1, 2017, through December 31, 2017, and on which final action is taken during the 2017 calendar year, a financial institution shall submit the information concerning ethnicity and race pursuant to § 1003.4(a)(10), using only aggregate categories and the codes provided in the filing instructions guide for HMDA data collected in 2017, even if the financial institution has permitted applicants to self-identify using disaggregated categories pursuant to this Bureau official approval."

Reminder: HMDA currently states that prior to January 1, 2018, the use of disaggregated ethnic and racial categories inquiries are not required by Regulation C, and aren't even allowable under Regulation B – which means that until this CFPB announcement, creditors have been prohibited from requesting applicants to self-identify using the disaggregated ethnic and racial categories.

What the CFPB has done: In issuing this guidance, the CFPB has allowed for lenders to take advantage of 2017 by collecting the aforementioned data while not being required to be report it. This should afford lenders the ability to get a level of comfort with the collection process prior to January 1, 2018 when financial institutions will be required to permit applicants to self-identify using disaggregated ethnic and racial categories.. The CFPB, believes the increased implementation period will actually reduce the compliance burden on lenders while furthering the goals of HMDA and Regulation C.

Key Takeaway: We agree that any advantage your institution can take with the implementation of the amended HMDA rules would be extremely useful, but be mindful as to how you are collecting the information and how said collection will affect your 2017 reporting cycle. If you have not already done so, It would be wise to familiarize yourself with the revised and redesigned Uniform Residential Loan Application (URLA) issued by FHLMC & FNMA on August 23, 2016. A PDF of the final form can be found in this guidance [here](#).