Via electronic mail: prainfo@occ.treas.gov

August 18, 2025

Chief Counsel's Office
Attention: Comment Processing
Office of the Comptroller of the Currency
Attention: 1557-0345
400 7th Street SW, Suite 3E-218
Washington, DC 20219

RE: OMB Control Number 1557– 0345, Regulation C—Home Mortgage Disclosure

Dear Sir or Madam:

The Independent Community Bankers of America ("ICBA")[1] welcomes the opportunity to respond to the Office of the Comptroller of the Currency's ("OCC") continuing effort to reduce paperwork and respondent burden. Pursuant to the Paperwork Reduction Act of 1995 ("PRA"), the OCC has invited comments on the continuing information collection of Regulation C—Home Mortgage Disclosure Act ("HMDA").

Background

HMDA was enacted in 1975 and requires certain financial institutions (FIs)to provide mortgage data to the public. HMDA's original purpose was to provide the public and public officials with data to help determine whether FIs are serving the housing needs of the communities in which they are located while helping public officials determine if public sector investments are allocated in a way to best improve the private investment environment.[2] Congress later expanded HMDA to require FIs to report racial characteristics, gender, and income information on applicants. Regulation C implements HMDA and establishes specific requirements for the collection, recording, reporting, and disclosure of mortgage lending information.

[1] *The Independent Community Bankers of America® has one mission: to create and promote an environment where community banks flourish. We power the potential of the nation's community banks through effective advocacy, education, and innovation. As local and trusted sources of credit, America's community banks leverage their relationship-based business model and innovative offerings to channel deposits into the neighborhoods they serve, creating jobs, fostering economic prosperity, and fueling their customers' financial goals and dreams. For more information, visit ICBA's website at www.icba.org.*
[2] 12 CFR 1003.1.

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (“DFA” or “Dodd-Frank”)[3] transferred rulemaking authority for HMDA to the Consumer Financial Protection Bureau (“Bureau”), effective July 2011. The DFA also amended HMDA to add new data points and gave the Bureau discretionary authority to require additional information from covered institutions. In July 2014, the Bureau proposed amendments to Regulation C to implement Dodd-Frank changes and new data points deemed appropriate to further HMDA’s purposes. The new HMDA Rule, issued on October 15, 2015, required covered institutions to collect an additional 48 unique data fields on most residential mortgage loan applications. Collection of the new data points began on January 1, 2018, and reporting of that data began in 2019.

In 2018, Congress passed the Economic Growth, Regulatory Relief, and Consumer Protection Act of 2018 (“EGRRCPA”) in which certain insured depository institutions became exempt from reporting the new data fields required under section 304(b)(5) and (6) and added by the 2015 HMDA Rule, provided they originated fewer than 500 closed-end mortgage loans in each of the two preceding calendar years.

The Bureau issued a final rule on April 16, 2020, raising reporting thresholds for closed-end mortgage from 25 to 100 loans. The final rule also raised the reporting threshold for open-end lines of credit (“HELOCs”) from 100 to 200 after the temporary 500-loan threshold expired January 1, 2022.

On September 23, 2022, the United States District Court for the District of Columbia issued an order vacating and remanding the loan-volume reporting threshold for closed-end mortgage loans under the 2020 HMDA Rule. As a result, the threshold for reporting data on closed-end mortgage loans was reduced to 25, the original threshold set by the 2015 HMDA Rule, rather than the 100 loan threshold set by the 2020 HMDA Final Rule.

ICBA Comments

ICBA recognizes the purpose of HMDA reporting and recognizes the significance HMDA data has in showing how FIs are serving the housing needs of their communities. ICBA also understands that the additional requirements established by the DFA were intended to root out and protect consumers from predatory lending tactics which played a significant role in the financial crisis.

Most community banks are, by definition, locally owned and operated institutions with strong ties to the customers and communities they serve. Historically, community banks have worked hard to ensure local communities have access to deposit and lending solutions, especially those communities that have been overlooked. One of the reasons community banks continue

[3] Public Law 111-203, 124 Stat. 1376, 1980, 2035-38, 2097-101 (2010)

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to thrive is because they provide loans to all eligible customers. Community bank residential mortgage lending enables many first-time home buyers to achieve the American dream of homeownership. As relationship-based lenders, community banks also explore all loan options—including HELOCs—to find the best fit for each borrower. Yet, the disproportionate burden of regulatory and paperwork requirements placed on community banks, resulting from the 2015 Final Rule, has diminished their ability to maintain acceptable economies of scale, support the credit needs of the customers who rely on these banks as a primary source for financial products and services, serve their communities, and contribute to their local economies.

Although the Bureau attempted to provide regulatory relief in 2020,[4] the regulatory challenges of the Rule's additional data collection requirements still proved difficult. Bank executives, loan and compliance officers, managers, and other bank staff spend a significant number of hours complying with regulatory requirements to provide information to regulators, document banking transactions, and deliver correct and timely disclosures to consumers. The cumulative effect of all the consumer regulations, particularly with regard to mortgage lending, has been tremendous, especially for smaller community banks.

Activities undertaken by community banks to comply with HMDA

As HMDA reporting has become more complex, it has increased the need for staffing within loan operations and IT departments. In conversations with our members, the number of full-time employees ("FTEs") required to comply with new and revised data points has increased drastically and continues as the loan volume increases. Community banks have also had to invest more in their software applications to accommodate annual system updates for filing and reporting and troubleshooting.

Client interaction has also suffered as a result of the additional data points. Many community banks have had to undertake additional measures to combat adverse impacts on the application process – such as processing delays, working with customers concerned about privacy, and requiring enhanced staff training on the nuances that define a HMDA-covered loan. Community banks expend considerable time and resources to ensure that appropriate data is collected and to avoid errors that may result in false fair lending violations.

Furthermore, community banks have undertaken a number of measures to comply with new HMDA requirements, including enhanced and extensive record keeping, transaction recording, data validation, and compilation for filing. Prior to the 2015 HMDA Rule, many community banks engaged third-party consultants to review and validate their HMDA data. That trend has not only continued after the new HMDA Rule but has caused community banks to increase

[4]2020-08409.pdf

their budgets to accommodate more frequent third-party reviews.

Large banks typically have dedicated legal and consulting resources, separate underwriting and loan processing departments or centers, and larger compliance staff, which position them to easily address changes and absorb regulatory costs. Many community banks do not have these same capabilities. This uneven playing field places community banks, especially the smaller banks, at a severe competitive disadvantage with some of the same entities responsible for the predatory lending practices that helped cause the financial crisis. Such a disadvantage impedes community banks' ability to serve their customers and communities.

Costs associated with data points and revised thresholds

The increased compliance burdens associated with Dodd-Frank's requirements were immediately apparent during the proposed rule phase of the rulemaking process. However, the Bureau's decision to tap into its discretionary authority to add fourteen additional data points[5] was a step too far that provides no additional value to HMDA's original purpose or Dodd-Frank's subsequent amendments. Further, the data fields required by Dodd-Frank, in conjunction with those fields already mandated prior to the 2015 HMDA Rule amendments, provide more than sufficient information to detect any evidence of potential fair lending violations. Prior to 2015, the Bureau possessed the data and tools to identify discrimination and discriminatory practices in mortgage lending. Nevertheless, the decision to require additional fields was not supported with data to justify the decision. These additional requirements place exorbitant and unreasonable costs on many community banks without the commensurate benefit of DFA's purpose.

In a 2019 ICBA survey, nearly 80% of the respondents were required to report HMDA data.[6] The survey revealed that on average, survey respondents originated just over 300 closed-end mortgage loans per year. ICBA members indicated that new HMDA data collection requirements often resulted in excessive costs, onerous time investment, and confusion on how to correctly input data. These burdens are exacerbated among smaller community banks, typically those that make 25 to 350 closed-end loans every year and have relatively small staffs.

According to the survey, 50 percent of community banks reported over $10,000 in estimated

[5] HMDA section 304(b)(5) and (6) reasons for denial; total origination charges; discount points; amount of lender credits; interest rate; debt-to-income ratio; combined loan-to-value ratio; manufactured home secured property type; manufactured home land property interest; number of multifamily affordable units; the automated underwriting system used in evaluating an application and the result generated; whether the loan is a reverse mortgage; whether the loan is an open-end line of credit, and whether the loan is primarily for a business or commercial purpose.

[6] ICBA 2019 HMDA Survey

annual data collection costs, while 25 percent reported costs exceeding $25,000. The results painted a very clear picture of the financial burden associated with data collection. Common themes and challenges surrounding HMDA data collection included the general difficulties of data collection, the cost of subsequent compliance reviews conducted by consultants, general monetary costs, and staff training.[7] Since our survey and six years later, our members have continued to express the same sentiments related to regulatory burden.

Data Points

The Bureau significantly expanded and complicated the requirements for collecting data regarding an applicant's race, ethnicity, and sex without adequately explaining how the collection would aid in determining the housing needs of a particular community. The Bureau also failed to justify how this additional information could not be obtained by the data already required prior to the 2015 HMDA Rule change.

This expansion also presented community banks with challenges in updating their data collection procedures and applications to ensure they offer applicants appropriate options, such as the ability to select one or more race or ethnicity subcategory. The expansion also includes an option for applicants to utilize the free-form text fields, which lenders are then required to submit. This requirement has resulted in the deployment of extra resources to ensure accurate information is obtained due to the inherent complexity and subjectivity involved.

While the Bureau views this expansion as beneficial, our members have indicated that the revised race and ethnicity data points are specifically problematic, excessive, and overwhelming. Our members report that the number of data fields required on each loan is overwhelming; many of their customers are confused by the options; customers often use the free-form text fields incorrectly, and many customers enter information that is not accurate.

Given these challenges, banks are nevertheless required to submit the information, even though, absent adequate justification for such data, the effectiveness of the data is questionable. The collection and reporting of these two data points could unintentionally result in a false pattern of discrimination, and expose community banks to legal and reputational risk.

Reporting Threshold

ICBA consistently advocates for relief for community banks by emphasizing the complexity, redundancy, expense, and excessive burden of data collection and reporting requirements.

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[7] ICBA's HMDA survey asked community banks to specify the ongoing costs of HMDA data collection.

While ICBA has advocated instituting higher thresholds for closed-end mortgages and HELOCs, we nonetheless applauded the Bureau for slightly increasing thresholds in 2020 that provided some relief to community banks, especially those in rural and small markets striving to meet the needs of local customers and communities. However, such appreciation was radically suppressed by a court's decision that restored the 2015 threshold.

Notwithstanding the increase in 2020, ICBA has never waned in our position that higher reporting thresholds delivers the best relief for community banks. Higher thresholds provide the most effective and efficient way to maintain a balanced approach that promotes the purposes of DFA with the limited resources of community banks.

Conclusion

Community banks take pride in supporting their communities in countless ways, ranging from tailoring a unique mortgage loan that larger banks do not consider, to working with someone of limited means who wants to open their first checking account. Community banks want to see their towns and cities grow and flourish. The onerous costs of HMDA data collection and reporting prevent small banks from doing what they do best – connecting and lending to customers who otherwise might not have access to banking, much less a mortgage.

ICBA appreciates the opportunity to respond to OCC's request for comment. If you have any questions or would like additional information, please contact Rhonda Thomas-Whitley (Rhonda.Thomas-Whitley@icba.org) at 202-659-8111.

Sincerely,

/s/

Rhonda Thomas-Whitley
Senior Vice President, Regulatory Counsel