November 16, 2015

The Honorable Richard Shelby
Chairman
The Honorable Sherrod Brown
Ranking Member
Committee on Banking, Housing, and Urban Affairs
United States Senate

The Honorable Jeb Hensarling
Chairman
The Honorable Maxine Waters
Ranking Member
Committee on Financial Services
House of Representatives

Subject: Bureau of Consumer Financial Protection: Home Mortgage Disclosure (Regulation C)

Pursuant to section 801(a)(2)(A) of title 5, United States Code, this is our report on a major rule promulgated by the Bureau of Consumer Financial Protection (the Bureau) entitled “Home Mortgage Disclosure (Regulation C)” (RIN: 3170-AA10). We received the rule on November 2, 2015. It was published in the Federal Register as a final rule; official interpretations on October 28, 2015. 80 Fed. Reg. 66,128.

The final rule implements amendments to the Home Mortgage Disclosure Act made by section 1094 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act). The rule adds several new reporting requirements and clarifies several existing requirements. The rule also modifies the institutional and transactional coverage of Regulation C. Additionally, the rule provides guidance regarding compliance with both the existing and new requirements.

Enclosed is our assessment of the Bureau’s compliance with the procedural steps required by section 801(a)(1)(B)(i) through (iv) of title 5 with respect to the rule. Our review of the procedural steps taken indicates that the Bureau complied with the applicable requirements.
If you have any questions about this report or wish to contact GAO officials responsible for the evaluation work relating to the subject matter of the rule, please contact Shirley A. Jones, Assistant General Counsel, at (202) 512-8156.

signed

Robert J. Cramer
Managing Associate General Counsel

Enclosure

cc: Stephen Hayes
    Counsel, Legal Division
    Bureau of Consumer Financial Protection
(i) Cost-benefit analysis

The Bureau of Consumer Financial Protection (the Bureau) stated that it considered the potential benefits, costs, and impacts of this final rule. The Bureau described three major benefits of this rule: (1) improving the usefulness of data in identifying possible discriminatory lending practices, (2) helping determine whether financial institutions are serving the housing needs of their communities and helping public officials target public investment to better attract private investment, and (3) assisting in earlier identification of trends in the mortgage market, including the cyclical loosening and tightening of credit. The Bureau stated that quantifying these benefits is difficult because the size of each particular effect cannot be known in advance.

The Bureau also noted that the final rule will increase ongoing operational costs and impose one-time costs on financial institutions. Accounting for operational improvements, the Bureau estimated the net impact of the final rule on ongoing operational costs for closed-end reporters will be approximately $1,900, $7,800, and $20,000 per year, for representative low-, moderate-, and high-complexity financial institutions, respectively. This translates into a market-level impact of approximately $26,700,000 to $41,400,000 per year. Using a 7 percent discount rate, the net present value of this impact over 5 years across the entire market is an increase in costs of approximately $109,500,000 to $169,800,000. The Bureau estimates that one-time costs due to reporting of closed-end mortgage loans will be approximately $3,000 for low-complexity financial institutions, $250,000 for moderate-complexity financial institutions, and $800,000 for high-complexity financial institutions.

(ii) Agency actions relevant to the Regulatory Flexibility Act (RFA), 5 U.S.C. §§ 603-605, 607, and 609

The Bureau believes that this final rule will have a significant economic impact on a substantial number of small entities. The Bureau prepared a final regulatory flexibility analysis that included (1) a statement of the need for, and objectives of the rule; (2) a statement of the significant issues raised by the public comments in response to the initial regulatory flexibility analysis, a statement of the assessment of the Bureau of such issues, and a statement of any changes made as a result of such comments; (3) a response to the Chief Counsel for Advocacy of the Small Business Administration and statement of any change made in the final rule as a result of the comments; (4) a description and estimate of the number of small entities to which the rule will apply or an explanation of why no such estimate is available; (5) projected reporting, recordkeeping, and other compliance requirements of the rule, including an estimate of the classes of small entities which will be subject to the requirement and the type of professional skills necessary for the preparation of the report; (6) a description of the steps the Bureau has taken to minimize the significant economic impact on small entities; and (7) a description of the steps the Bureau has taken to minimize any additional costs of credit for small entities.
(iii) Agency actions relevant to sections 202-205 of the Unfunded Mandates Reform Act of 1995, 2 U.S.C. §§ 1532-1535

The Act does not apply to independent regulatory agencies.

(iv) Other relevant information or requirements under acts and executive orders

Administrative Procedure Act, 5 U.S.C. §§ 551 et seq.

On August 29, 2014, the Bureau published a proposed rule. 79 Fed. Reg. 51,731. The Bureau received approximately 400 comments to which it responded in the final rule.

Paperwork Reduction Act (PRA), 44 U.S.C. §§ 3501-3520

The Bureau determined that this final rule contains information collection requirements under the Act. The information collection requirements contained in Regulation C are currently approved by the Office of Management and Budget (OMB) under OMB control number 3170–0008; however, the final rule states that its revised information collection requirements have not been approved by OMB. The Bureau estimates that the total number of respondents for the information collection requirements of this rule will be 145 with a total burden of 1,389,000 hours.

Statutory authorization for the rule

The Bureau promulgated this final rule under the authority of sections 2803, 2804, 2805, 5512, and 5581 of title 12, United States Code.

Executive Order No. 12,866 (Regulatory Planning and Review)

The Order does not apply to independent regulatory agencies.

Executive Order No. 13,132 (Federalism)

The Order does not apply to independent regulatory agencies.