



NATIONAL CREDIT UNION ADMINISTRATION  
Washington, D.C. 20456

April 19, 1990

Office of General Counsel

Ms. Kathy Thompson  
Credit Union National Association, Inc.  
805 15th Street, N.W.  
Suite 300  
Washington, D.C. 20005-2207

Re: Home Mortgage Disclosure Act

Dear Ms. Thompson:

You have asked whether the recent revisions to the Home Mortgage Disclosure Act (Regulation C) have any effect on a CUSO making mortgage loans. Under some circumstances, a CUSO will be required to comply with the revised regulation.

BACKGROUND

The Home Mortgage Disclosure Act, before the recent revisions, required large financial institutions located in urban areas to report on their mortgage lending activities. The purpose of the regulation is to identify and stop "redlining" practices. The revisions to Regulation C require the collection of additional information and cover more mortgage lenders. As of January 1, 1990, all for-profit mortgage lenders (other than a bank, savings association, or credit union) are subject to Regulation C if they meet the size and location definitions, unless their home purchase originations in the preceding year totaled less than 10% of total loan volume. Banks, savings associations and credit unions need only make one home purchase loan in order to be subject to Regulation C if they meet the size and location definitions.

ANALYSIS

For a CUSO to be covered by the new requirements, it must meet the definitional requirements in Section 203.2(e) of Regulation C. A credit union is covered under Section 203.2(e)(1) if it meets the size and location requirements, makes one home purchase loan in the preceding year and:

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(i) the institution is federally-insured or regulated; or

(ii) the loan is insured, guaranteed, or supplemented by any Federal agency; or  
(iii) the institution intended to sell the loan to the Federal National Mortgage Association, the Government National Mortgage Association, or the Federal Home Loan Mortgage Corporation.

A CUSO would qualify under 203.2(e)(2) as:

a for-profit mortgage lending institution (other than a bank, savings association, or credit union) whose home-purchase loan originations equaled or exceeded ten percent of its loan volume, measured in dollars, in the preceding calendar year.

If a CUSO meets the above definitional requirements, it still may be exempt from Regulation C under the Section 203.3(a) exemption if:

(1) the institution had neither a home office nor a branch office in an MSA; or  
\* \* \*

(3) the total assets of the institution [CUSO] and any parent entity were \$10 million or less, on a consolidated basis, in the case of a for-profit mortgage lending institution (other than a bank, savings association, or credit union).

A branch office is defined under Section 203.2(c) and includes:

(2) any office of a mortgage lending institution (other than a bank, savings association, or credit union) that takes applications from the public for home-purchase or home-improvement loans. A mortgage lending institution is also deemed to have a branch office in an MSA if, in the preceding calendar year, it received applications for, originated, or purchased five or more home-purchase or home improvement loans located on property located in that MSA.

Under this section, a CUSO that meets the five-or-more loan

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rule will be classified as having a branch office within the MSA even though there may be no physical branch office within the MSA.

Thus, if the CUSO and its parent entity has either 10 million dollars or less in assets or the CUSO is neither located in an MSA, nor has a branch office in a an MSA, then it is exempt from the requirements of Regulation C. Otherwise, a CUSO meeting the definitional requirements will be covered by Regulation C. We recommend that individual CUSO's obtain an opinion from counsel to determine if they must comply with Regulation C. If a CUSO must comply with the Home Mortgage Disclosure Act, it must report the information to the National Credit Union Administration.

Sincerely,



HATTIE M. ULAN  
Associate General Counsel

GC/MM:sg  
SSIC 3233  
89-1208A

cc: Marty Kusher, Examination & Insurance