

Multiple Dwellings to be Treated as Multifamily Collateral

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<http://www.kaybeescomplianceinsights.com/multiple-dwellings-treated-multifamily-collateral/>

The CFPB issued proposed clarifications what will cause multiple dwellings securing a loan to be treated as multifamily dwellings for HMDA reporting as well as a number of other sections of the revised HMDA rule and Commentary on April 13, 2017. The Bureau will be soliciting comments on the proposal once it has been published in the Federal Register. There are a number of large and small changes proposed. One major change is the treatment of 5 or more individual dwellings of fewer than 5 units as multifamily collateral.

The Bureau believes that such a loan should be reported as secured by a multifamily dwelling. As with loans that are secured by multifamily dwellings in one location, the information that would be excluded from reporting under revised § 1003.4(a), such as the debt-to-income ratio discussed above, might also not be easily available, relevant, or useful for loans secured by five or more separate non-multifamily dwellings in more than one location. Consequently, to facilitate implementation and ensure the relevance and usefulness of the data collected, the Bureau proposes to add language to comment 2(f)-2 making clear that a loan secured by five or more separate dwellings in more than one location is a loan secured by a multifamily dwelling and providing an example. The Bureau solicits comment on this added language.

To implement this clarification, the revision to the Commentary on the definition of Dwelling is proposed to state:

“In addition, a loan secured by five or more separate dwellings in more than one location is a loan secured by a multifamily dwelling. For example, assume a landlord uses a covered loan to improve five or more rental property dwellings located in different parts of a town, and the loan is secured by those properties. The loan should be reported as secured by a multifamily dwelling.”

A loan secured by or proposed to be secured by such a group of dwelling would follow multifamily rules when completing the HMDA LAR. These multiple dwellings will not necessarily be treated as multifamily for Community Reinvestment Act purposes, which will present challenges for financial institutions subject to CRA.

The complete proposed clarification can be found [at this link](#).

We will review other proposed changes in future articles over the new few weeks. Two of the additional major changes are adjustments to reporting of race and ethnicity and the welcome exemption for builder construction financing.

Watch for the proposal in the Federal Register and submit your comments on the suggested changes.

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