

HOME MORTGAGE DISCLOSURE ACT (HMDA)

Examination Objectives

- Determine whether the credit union meets the criteria that triggers HMDA reporting (*See HMDA Overview for 2015 and 2018 HMDA Rule changes*)
- Determine whether the credit union complies with the reporting requirements of the Act and Regulation
- Determine whether the credit union has implemented adequate policies, practices, and internal controls to ensure compliance with the Act and Regulation

Examination Procedures

A. Initial Procedures

If there were any **mergers or acquisitions** since January 1 of the preceding calendar year, determine whether all required HMDA data for the acquired financial institutions were reported separately or in consolidation. Examination procedures that follow concerning accuracy and disclosure also apply to an acquired financial institution's data, even if separately reported. Use the following rules to decide if transactions by either institution during the year of the merger must be reported.

- a. If neither institution was required to report under HMDA that year the merged institution does not have to report transactions that occurred during the year of the merger. Data collection should begin on January 1 of the following calendar year.
- b. If a reporting institution merged with a non-reporting institution, and the reporting institution is the surviving institution, for the year of the merger, data collection is required for the reporting institution's transactions; data collection is optional for the transactions handled in offices of the previously exempt non-reporting institution.
- c. If a reporting institution merged with a non-reporting institution, and the non-reporting institution is the surviving institution, or a new institution is formed, for the year of the merger, data collection is required for the reporting institution for transactions that occurred prior to the merger; data collection is optional for transactions that occurred after the merger date.
- d. If both institutions were HMDA reporters, data collection is required for the entire year of the merger. The merged institution may file either a consolidated submission or separate submissions.

B. Evaluation of Compliance Management

Examiners should obtain information necessary to make a reasonable assessment regarding the institution's ability to collect data regarding applications for, and originations and purchases of, home purchase loans, home improvement loans, and refinancings for each calendar year in accordance with the requirements of the HMDA and Regulation C.

Examiners should determine, through a review of written policies, internal controls, the HMDA Loan Application Register (HMDA-LAR), and discussions with management, whether the financial institution adopted and implemented comprehensive procedures to ensure adequate compilation of home mortgage disclosure information in accordance with 12 CFR 1003.4(a)-(e).

The requirements of the 2015 HMDA Rule may affect a number of a Financial Institution's business systems, processes, and policies. Conduct a review of existing business processes, policies, and systems that the Financial Institution, its agents, and other business partners use. Identifying impacts early will allow the Financial Institution to understand what changes will be needed to support ongoing compliance. *See: Home Mortgage Disclosure (Regulation C) CFPB Small Entity Compliance Guide, December 2015.*

Financial Institutions should become familiar with the CFPB's new web-based submission tool and be able to use it to submit data beginning in 2018. The CFPB provides a [Loan/Application Register \(LAR\) Formatting Tool](#) into which filers can enter their HMDA data. This will produce a pipe delimited text file that can be submitted to the HMDA Platform. The filer can then proceed through the HMDA Platform to submit the LAR. This tool may be especially helpful for filers with small volumes of covered loans and applications.

Obtain and review policies and procedures along with any applicable audit and compliance program materials to determine whether:

1. Policies and procedures as well as training are adequate, on an ongoing basis, to ensure compliance with the Home Mortgage Disclosure Act and Regulation C.
2. Internal review procedures and audit schedules comprehensively cover all of the pertinent regulatory requirements associated with HMDA and Regulation C.
3. The audits or internal analysis performed includes a reasonable amount of transactional analysis, written reports that detail findings and recommendations for corrective actions.
4. Internal reviews include any regulatory changes that have occurred since the prior examination. (See 2015 HMDA Rule)
5. The financial institution has assigned one or more individuals responsibility for oversight, data update, and data entry, along with timeliness of the financial institution's data

submission. Also determine whether the Board of Directors is informed of the results of all analyses.

6. The individuals who have been assigned responsibility for data entry receive appropriate training in the completion of the HMDA-LAR and receive copies of Regulation C, Instructions for Completion of the HMDA-LAR (Appendix A), the Staff Commentary to Regulation C, and the FFIEC's "Guide to HMDA Reporting: Getting it Right!" in a timely manner.

7. The institution has ensured effective corrective action in response to previously identified deficiencies.

8. The financial institution performs HMDA-LAR volume analysis from year-to-year to detect increases or decreases in activity for possible omissions of data.

9. The financial institution maintains documentation for those loans it packages and sells to other institutions.

C. Evaluation of Policies and Procedures

Evaluate whether the institution's informal procedures and internal controls are adequate to ensure compliance with HMDA and Regulation C. Consider the following:

1. Whether the individual(s) assigned responsibility for the institution's compliance with HMDA and Regulation C possess(es) an adequate level of knowledge and has established a method for staying abreast of changes to laws and regulations.

2. If the institution ensures that individuals assigned compliance responsibilities receive adequate training to ensure compliance with the requirements of the regulation.

3. Whether the individuals assigned responsibility for the institution's compliance with HMDA and Regulation C know whom to contact, at the financial institution or their supervisory agency, if they have questions not answered by the written materials.

4. If the institution has established and implemented adequate controls to ensure that separation of duties exists (e.g., data entry, review, oversight, and approval).

5. Any internal reports or records documenting policies and procedures revisions as well as any informal self-assessment of the institution's compliance with the regulation.

6. If the institution offers preapprovals, whether the institution's preapproval program meets the specifications detailed in the HMDA regulation. If so, whether the institution's policies and procedures provide adequate guidance for the reporting of preapproval requests that are approved or denied in accordance with the regulation. Under the 2015 HMDA Rule, reporting of preapproval requests that are approved but not accepted is required instead of

optional. However, preapproval requests regarding home purchase loans to be secured by multifamily dwellings, preapproval requests for open-end lines of credit, and preapproval requests for reverse mortgages are not reportable.

7. Whether the institution's policies and procedures address the reporting of (1) non-dwelling secured loans that are originated in whole or in part for home improvement and classified as such by the institution; and (2) dwelling-secured loans that are originated in whole or in part for home improvement, whether or not classified as such. [Beginning on January 1, 2018, Regulation C generally applies to consumer-purpose, closed-end loans and open-end lines of credit that are secured by a dwelling. 12 CFR 1003.2(d), (e), and (o). A home improvement loan will *not* be subject to Regulation C unless it is secured by a dwelling.]

8. Whether the institution's policies and procedures address business-purpose loans that are dwelling secured. [Beginning on January 1, 2018, Regulation C applies to business-purpose, closed-end loans and open-end lines of credit that are dwelling-secured and are home purchase loans, home improvement loans, or refinancings. 12 CFR 1003.3(c)(10)].

9. Whether the institution established a method for determining and reporting the lien status for all originated loans and applications.

10. Whether the institution's policies and procedures contain guidance for collecting ethnicity, race, and sex for all loan applications, including applications made by telephone, mail, and Internet.

11. Whether the institution's policies and procedures address the collection of the rate spread (difference between the APR and the average prime offer rate for a comparable transaction as of the date the interest rate is set) and whether the institution has established a system for tracking rate lock dates and calculating the rate spread.

12. Whether the institution's policies and procedures address how to determine if a loan is subject to the Home Ownership and Equity Protection Act and the reporting of applications involving manufactured home loans.

13. Whether the HMDA-LAR is updated within 30 days after the end of each calendar quarter.

14. Whether data are collected at all branches, and if so, whether the appropriate personnel are sufficiently trained to ensure that all branches are reporting data under the same guidelines.

15. Whether the financial institution's loan officers, including loan officers in the commercial loan department who may handle loan applications reportable under HMDA (including loans and applications for multi-family or mixed-use properties and small business refinances secured by residential real estate), are informed of the reporting requirements necessary to assemble the information.

16. Whether the Board of Directors has established an independent review of the policies, procedures, and HMDA data to ensure compliance and accuracy, and is advised each year of the accuracy and timeliness of the financial institution's data submissions.

17. Whether the financial institution's loan officers are familiar with the disclosure, reporting and retention requirements associated with the loan application registers and the FFIEC public disclosure statements.

18. Whether the financial institution's loan officers are aware that civil money penalties may be imposed when an institution has submitted erroneous data and has not established adequate procedures to ensure the accuracy of the data.

19. Whether the financial institution's loan officers are aware that correction and resubmission of erroneous data may be required when data are incorrectly reported for at least 5 percent of the loan application records.

D. Transaction Testing

Verify that the financial institution accurately compiled home mortgage disclosure information on a register in the format prescribed in Appendix A, by testing a sample of loans and applications.

Complete AIRE Questionnaire, updated May 29, 2018: The review of the HMDA-LAR, for submitted data, should include a sample of ten applications represented on the HMDA-LAR to verify the accuracy of each entry.

The samples may include the following:

1. Approved and denied transactions subject to HMDA;
2. Housing-related purchased loans;
3. Withdrawn housing-related loan applications.

E. Disclosure and Reporting

The 2015 HMDA Rule replaces Regulation C's requirements to provide a disclosure statement and modified LAR to the public upon request with new requirements to provide notices that the institution's disclosure statement and modified LAR are available on the

Bureau's website. 12 CFR 1003.5(b) (2) and (c). *Effective January 1, 2018 for data collected on or after January 1, 2017.*

1. Determine whether the financial institution:
 - a. Submits its HMDA-LAR to the appropriate supervisory agency no later than March 1 following the calendar year for which the data are compiled and maintains its HMDA-LAR for at least three years thereafter.
 - b. Makes its FFIEC disclosure statement available to the public at its home office no later than three business days after receiving its statement from the FFIEC (which effectively occurs when the FFIEC posts its disclosure statement on the FFIEC website and provides notice of that fact to the institution).
 - c. Maintains its modified HMDA-LAR for three years and its disclosure statement for five years and has policies and procedures to ensure its modified HMDA-LAR and disclosure statement are available to the public during those terms.
 - d. Posts a general notice about the availability of its HMDA data in the lobby of its home office and of each branch office located in an MSA. Effective January 1, 2018 for data collected on or after January 1, 2017, provide notice that modified HMDA – LAR is available on CFPB website. Sample notice is at 12 CFR 1003.5(b)(2);
2. If the financial institution has a subsidiary covered by HMDA, determine that the subsidiary completed a separate HMDA-LAR and either submitted it directly or through its parent to the parent's supervisory agency.
3. Determine that the HMDA-LAR transmittal sheet is accurately completed and that an officer of the financial institution signed and certified to the accuracy of the data contained in their register. See Appendix A.
4. Review the financial institution's last disclosure statement, HMDA-LAR, modified HMDA-LAR, and any applicable correspondence, such as notices of noncompliance. Determine what errors occurred during the previous reporting period. If errors did occur, determine what steps the financial institution took to correct and prevent such errors in the future.
5. Determine if the financial institution has the necessary tools to compile the geographic information.
 - a. Determine if the financial institution uses the U.S. Census Bureau's Census Tract Street Address Lookup Resources and Outline Maps for 2010, or an automated geocoding system in order to obtain the proper census tract numbers.
 - b. If the financial institution relies on outside assistance to obtain the census tract numbers (for example, private "geocoding" services or real estate appraisals), verify that

adequate procedures are in place to ensure that the census tract numbers are obtained in instances where they are not provided by the outside source.

c. Verify that the financial institution has taken steps to ensure that the provider of outside services is using the appropriate 2010 Census Bureau data.

d. Verify that the financial institution uses current MSA and MD definitions to determine the appropriate MSA and MD numbers and boundaries. MSA definitions and numbers (and state and county codes) are available from the supervisory agency, the Office of Management and Budget, or the FFIEC's publication "A Guide to HMDA Reporting: Getting it Right!"

References

HMDA Reporting – Getting It Right January 2018 Edition

<https://www.ffiec.gov/hmda/pdf/2018guide.pdf>

Bureau of Consumer Fin. Prot., "Statement with Respect to HMDA Implementation" (Dec. 21, 2017)

https://files.consumerfinance.gov/f/documents/cfpb_statement-with-respect-to-hmda-implementation_122017.pdf.

Final Rule. Partial Exemptions from the Requirements of the Home Mortgage Disclosure Act under the Economic Growth, Regulatory Relief, and Consumer Protection Act (Regulation C)

https://s3.amazonaws.com/files.consumerfinance.gov/f/documents/bcfp_hmda_interpretive-procedural-rule_2018-08.pdf

Filing Instruction Guide for HMDA 2018

<https://s3.amazonaws.com/cfpb-hmda-public/prod/help/2018-hmda-fig-2018-hmda-rule.pdf>

Reportable HMDA Data Overview Reference Chart - August 2018

https://s3.amazonaws.com/files.consumerfinance.gov/f/documents/201710_cfpb_reportable-hmda-data_regulatory-and-reporting-overview-reference-chart.pdf

NCUA Consumer Financial Protection Update 18-01 Information on the 2018 HMDA Interpretive Rule

Revised November 2018

<https://www.ncua.gov/regulation-supervision/Documents/consumer-financial-protection-update-18-01.pdf>

