



HMDA Update

Panel Discussion: Ongoing Challenges & Solutions

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Our Agenda Today

- HMDA Partial Exemption
- Common Data Collection Exceptions
- Panel Discussion
- The future of HMDA



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Panel Members

Brittany Fessler

- GNB Bank
- Grundy Center
- 8 branches
- Mortgage subsidiary
- ~300 2017 LAR lines (bank & mortgage co.)

Jamie Frett

- Fidelity Bank
- Dubuque
- 20 branches
- Loan Production Office
- ~ 552 2017 LAR lines

Alex Orozco

- Bankers Trust
- Des Moines
- 16 branches
- ~1800 2017 LAR lines

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HMDA Partial Exemption

- Effective May 24, 2018
- BCFP Interpretive & Procedural Rule issued Aug. 31
- Provides “partial exemption” for certain reporters:
 - Originated fewer than 500 closed-end mortgage loans in each of the two preceding calendar years
 - Originated few than 500 dwelling-secured open-end lines of credit in each of the two preceding calendar years
 - Exemptions operate independent of each other
 - AND received at least a satisfactory CRA rating in last 2 exams

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HMDA Partial Exemption

- When “counting” to qualify for partial exemption
 - Use current Regulation C definitions of covered transactions
 - Closed-end mortgage loans
 - Include home equity (“other”)
 - Open-end lines of credit
 - Count only originated loans
 - Do NOT count exempted transactions
 - Ag purpose or secured by Ag land
 - Temporary financing (definition slightly different in 2018)
 - Business for purpose other than purchase, refi or HI
- Must be below threshold two consecutive years!

Can't rely solely on 2016 & 2017 LAR lines!



Data Covered by Partial Exemption

Universal Loan Identifier	Property Address	Rate Spread
Credit Score/Model	Reasons for Denial	Total Loan Costs (Pts & Fees)
Origination Charges	Discount Points	Lender Credits
Interest Rate	Prepayment Penalty Term	DTI Ratio
CLTV Ratio	Loan Term	Introductory Rate Term
Non-Amortizing Features	Property Value	Manufactured Home Secured Property Type
Manufactured Home Land Property Interest	Multifamily Affordable Units	Application Channel
MLO Identifier	AUS	Reverse Mortgage
Open-end LOC	Business or Commercial Loan	



Data that MUST still be Reported

Application Date	Action Taken	Age*
Loan Type	Action Taken Date	Income
Loan Purpose*	State	Purchaser Type
Preapproval	Census Tract	Lien Status
Construction Method*	Race*	Number of Units
Occupancy Type*	Ethnicity*	Legal Entity Identifier*
Loan Amount	Sex*	NULI – Non-Universal Loan Identifier*

- Data must be reported using revised HMDA rules*
 - E.g., Loan purpose: home purchase, refi, cash-out refi, home improvement and other



HMDA Partial Exemption

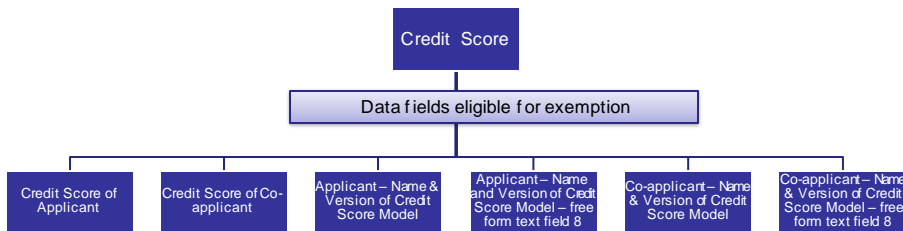
- May voluntarily report ALL/some exempt data points, but:

If you voluntarily report...	You must report data fields:
Property Address	Street address, City, Zip code
Credit Score	Score & Name/Version of scoring model
Reasons for Denial	All reasons (up to 4)
Loan Costs	Total Loan Costs or Points & Fees, Origination Charges, Discount Points, Lender Credits
Non-Amortizing Features	Balloon payment, Interest-only payments, Negative Amortization, Other Non-amortizing
Application Channel	Submission of Application, Initially Payable To
AUS	AUS Result, AUS System



HMDA Partial Exemption

- Example Data Point: Credit Score



HMDA Partial Exemption

- Credit Score example – Errors in red would trigger a validity edit (710)

Data POINT: Credit Score					
Data field	Data field	Data field	Data field	Data field	Data field
Credit Score of Applicant	Credit Score of Co-Applicant	Applicant – Name & Version of Credit Score Model	Applicant – Name & Version of Credit Score Model – free form field 8	Co-Applicant – Name & Version of Credit Score Model	Co-Applicant – Name & Version of Credit Score Model – free form field 8
1111	9999	2		10	



HMDA Partial Exemption

- Credit Score example – with corrected Errors

Data POINT: Credit Score					
Data field	Data field	Data field	Data field	Data field	Data field
Credit Score of Applicant	Credit Score of Co-Applicant	Applicant – Name & Version of Credit Score Model	Applicant – Name & Version of Credit Score Model – free form field 8	Co-Applicant – Name & Version of Credit Score Model	Co-Applicant – Name & Version of Credit Score Model – free form field 8
1111	1111	1111		1111	

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HMDA Partial Exemption

- If you use partial exemption, report new “Exempt” code
 - For alphanumeric fields: Exempt
 - For numeric fields: 1111
 - Leave blank fields blank
- Partial exemption overrides no co-applicant codes
- Updated Filing Guide Instructions (FIG) & other resources

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Partial Exemption Data Fields & Exempt Code

1111	Exempt	Blank field
<ul style="list-style-type: none"> Credit Score Credit Score Model & Version Reasons for Denial: 1 Balloon Payment Interest-only Payment Negative Amortization Other Non-amortizing Manufactured Home Sec. Prop. Type Manufactured Home Land Prop. Interest Submission of App Initially Payable to AUS: 1 AUS Result: 1 Reverse Mortgage Open-end LOC Business or Commercial Purpose 	<ul style="list-style-type: none"> Street Address City Zip Code Rate Spread Total Loan Costs Total Points & Fees Origination Charges Discount Points Lender Credits Interest Rate Prepayment Penalty Term DTI CLTV Loan Term Intro Rate Period Property Value Multifamily Affordable Units MLO NMLS ID Number 	<ul style="list-style-type: none"> Name & Version of Credit Score Model Free Form Text Field for Code 8 Reasons for Denial: 2-4 Reasons for Denial: Free From Text Field for Code 9 AUS: 2-4 AUS: Free Form Text Field for Code 5 AUS Result 2-5 AUS Result: Free Form Text Field for Code 16



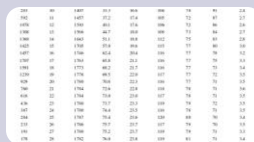
Partial Exemption Impacts on 2018 LAR



Partial exemption can be taken at any point in 2018 & is retroactive back to Jan. 1, 2018



Partial exemption can be applied to one LAR record, some LAR records, or all LAR records.



Partial exemption can be applied to one exempted data point, some exempted data points or all exempted data points.



Panel Discussion

- Partial Exemption Impact on Your Bank
 - Do you plan to use it for 2018?
 - Who makes the decision for your bank?



Panel Discussion

- Partial Exemption Impact on Your Bank
 - Will you report “exempt” for all eligible data points or some?
 - For entire year or partial year?
 - Will you still collect data for exempt points?





Panel Discussion

- Partial Exemption Impact on Your Bank
 - Do your investors expect you to collect and forward all data points to them on loans you sell?
 - Has your vendor updated software to accommodate partial exemption codes yet? Scheduled release date?



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Common Data Collection Exceptions

- **Loan Purpose – Refi vs. Cash-out Refi**
 - Cash-out refi - refinancing as defined by § 1003.2(p) and the FI considered it to be a cash-out refinancing in processing the application or setting the terms (such as the interest rate or origination charges) under its own or an investor's guidelines
 - Many FI's do not have "cash-out" refis for portfolio loans
 - May vary for portfolio to investor loans, 1st to sub. liens
 - Common occurrence
 - Reporting "cash-out" when borrower gets cash back but FI does not price or underwrite differently

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Common Data Collection Exceptions

- **DTI Ratio**
 - Report DTI ratio "relied upon" in credit decision
 - Report decimal places only if ratio relied upon uses decimals
 - E.g., if DU shows 43.98, report 43.98 (not 44)
 - Common occurrence:
 - DU shows 43.98 was used for credit decision
 - LOS uses income & debts entered & calculates 43.985
 - HMDA software pulls from LOS and reports 43.99 (rounded up from 43.985)
 - Bank reported 43.99 not the 43.98 used in DU

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Common Data Collection Exceptions

- CLTV

- Report CLTV relied upon in credit decision
 - CLTV may include more than one collateral property
 - May include value of non-real property **if** used in CLTV
 - Report decimal places only if ratio relied upon uses decimals
 - Rule does NOT require use of particular CLTV calculation method; but requires to report what is relied upon



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Common Data Collection Exceptions

- CLTV

- Common occurrence
 - Same decimal & LOS-HMDA software interface as DTI
 - FI reports "NA" when only one property secures loan
 - LTV = CLTV if only one property secures the loan
 - FI cross collateralizes, but bases credit decision on LTV of application loan amount & property being purchased, but then does additional CLTV calculation just for HMDA reporting purposes (not what was relied upon in credit decision)

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Common Data Collection Exceptions

- **Property Value**
 - Report value of property securing the covered loan relied upon in making the credit decision
 - Can use purchase price, appraised value, lender's estimated value, AVM, etc. if that is what was relied upon
 - Common occurrence
 - Reporting NA when application was denied
 - Including non-real property value if CLTV included it
 - Credit decision uses lesser of purchase price or appraised value but FI always reports purchase price

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Common Data Collection Exceptions

- **Credit Scores**
 - Report credit score(s) relied on in making credit decision & the name and version of the scoring model
 - Common occurrences
 - Score reported is not consistent w/ FI's underwriting procedures
 - Score is reported for incomplete or withdrawn files
 - Score is NOT reported when file is denied for reason other than the credit history
 - Co-applicant score is reported as "8888" (NA) when it should be "9999" – No Co-applicant

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Common Data Collection Exceptions

- Application & Action Taken Dates
 - Date application was received by FI or provided by applicant on the application form
 - Date of final action taken on application
 - Common occurrences
 - Inconsistent information in file
 - Date on LAR not supported in the file
- **Not a NEW data point issue!**



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Panel Discussion

- What data points do you find most challenging to collect/report/document or feel like you need more guidance on how to report?
- Have you found the need to adjust your HMDA process or program since the beginning of the year?
 - What adjustments have you made?
 - Where are the adjustment suggestions coming from?
 - Who is making those final decisions?

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Panel Discussion

- All that data!!!
 - Have you done any data validation yet?
 - Do you plan to use the data?
 - How?
 - Using HMDA software, FFIEC tools...
 - For what purpose?
 - Fair Lending testing
 - Market comparison
 - Other...



IBA Resources

www.iowabankers.com > Bankers Compliance Resources

- LAR Data Point Guide
- Data Input Sheets
- LAR Loan Tracker
- Reportable Income Guide
- Temporary Financing Guide
- Covered Loan Guide
- Commercial Loan Request Summary
- And more!





Bureau Resources

FFIEC Home Mortgage Disclosure Act

HOME FILING DATA PUBLICATION TOOLS

The Home Mortgage Disclosure Act

HMDA requires many financial institutions to maintain, report, and publicly disclose information about mortgages.

Updated website: <https://ffiec.cfpb.gov/>

- Filing Instruction Guide
- Getting It Right Guide
- File Formatting Verification Toll
- Video webinar on Partial Exemption: <https://www.youtube.com/watch?v=4yWzv7fqWZ8&feature=youtu.be>
- LAR Formatting Tool
- Data Publications

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Future of HMDA



- 2019 Rulemaking
 - Revisiting coverage and exemptions
 - Not likely to provide more guidance on specific data points
- S. 2155 “Lookback Study”
 - Not earlier than 2 years after enactment of S.2155 to study impact of HMDA partial exemption at national and local levels
 - Report to Committee on Banking, Housing & Urban Affairs not later than 3 years after S. 2155 enactment
- Still waiting for final word on what data will be made public

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thank you!

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