

THE NEW HMDA RULE: WHAT YOU NEED TO KNOW

Amanda Smith
Jennifer Winston

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Overview

- Review of the New Rule
 - Frequently Asked Questions
 - Multiple Originators – Credit Union/CUSO Relationship
 - Implementation Tips
 - Proposed Rule Containing “Clarifications”
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REVIEW OF THE NEW RULE

Key Changes

- 1. The types of Financial Institutions (FIs) that are subject to Regulation C
 - 2. The types of transactions that are subject to Reg C
 - 3. The data that FIs are required to collect
 - 4. The processes for reporting and disclosing HMDA data.
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Timeline

- By January 2018, plan to report the old data set to the new CFPB tool using the new file format.
- By January 2018, mandatory start for collecting the disaggregated data.
- By January 2019, report the full new data set to the new CFPB tool for 2018 data.
- By January 2020, large institutions (60,000 covered loans) begin quarterly HMDA data reporting.
- http://files.consumerfinance.gov/f/201510_cfpb_hmda-key-dates-timeline.pdf

Is Your Institution Covered?

- Credit Unions
 - Asset-size threshold;
 - Location Test;
 - Loan Activity Test;
 - Federally Related Test; and
 - Loan-Volume Threshold**
 - 25 or more covered closed-end mortgage loans in each of the two preceding years; OR
 - 100 or more covered open-end lines of credit in each of the two preceding years
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Is Your Institution Covered

- CUSOs:
 - Location Test; and
 - Loan-Volume Threshold
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Is the Loan Covered?

- Consumer-purpose, closed-end loans and open-end lines of credit that are secured by a dwelling
 - 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
 - Unsecured loans are no longer covered
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Excluded Transactions

- a FI originates or purchases in a fiduciary capacity
 - Is secured by a lien on unimproved land
 - Is temporary financing
 - The purchase of an interest in a pool of loans, or purchase of a partial interest in a loan/LOC
 - Purchase of solely the right to service
 - The proceeds are primarily used for agricultural purposes
 - Primarily for business or commercial purposes (with exceptions)
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Originations and Purchases

- Origination – FI makes a credit decision approving the application before closing or account opening and that credit decision results in an extension of credit.
 - For transactions involving multiple entities, only one FI reports the origination
 - Purchase – includes a repurchase of a Covered Loan
 - Does not include a temporary transfer of a Covered Loan
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Required Data Points

- Effective January 2018 and applicable to data reporting in or after 2019
- If the FI receives an application in 2017 but takes final action on it in 2018, it is required to collect, record, and report the new and modified data points.
- “Final action” = origination or purchase of a Covered Loan; sale of loan in the same calendar year it was originated or purchased; or denial/withdrawal of an application

Data Point Changes from Reg C

- 9 existing points remain the same, 14 are modified and 25 new data points have been added
- Existing points include Application Date, Loan Type, Action Taken and Date, Property Location, Income and HOEPA Status
- Modified points include LEI, ULA, Loan Purpose, Preapproval, Construction Method, Occupancy Type, Loan Amount, Ethnicity, Race, Sex, Type of Purchaser, Rate Spread, Lien Status, Reason for Denial

New Data Points

- New points include Property Address, Age, Credit Score, Total Loan Costs or Points and Fees, Origination Charges, Discount points and lender credits, DTI Ratio, Combined LTV ratio, Loan Term, Intro Rate Period, NMLSR Identifier, Automated Underwriting System and more
- http://files.consumerfinance.gov/f/201510_cf_pb_hmda-summary-of-reportable-data.pdf

Collection & Reporting of Applicant Information

- Requirement to report how the FI collected the information about the applicant's or borrower's ethnicity, race, and sex.
- Report if it collected on the basis of visual observation or surname if the applicant chose not to provide the information.
- FIs must allow applicants to self-identify using disaggregated ethnic and racial subcategories and report this information.

Timeline

- Application and Final Action are both in 2017:
 - Collect and report aggregate; OR
 - Collect disaggregated and report aggregate. Do not report disaggregated data.
 - Application Date is 2017 and the loan closes in 2018:
 - Collect and report aggregate
 - Collect disaggregated and report aggregate
 - Collect disaggregated and report disaggregated.
 - Application and Final Action are both 2018 and beyond:
 - Collect disaggregated and report disaggregated, AND
 - Report whether ethnicity, race and sex were collected on the basis of visual observation or surname.
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Reporting

- Ethnicity, race, and sex
 - Age
 - Income
 - If only a portion was relied upon in the FIs determination, it reports only the portion it relied upon
 - Do not report income data points if the Application is from your own employee; secured by a multifamily dwelling, applicant is not a natural person; no income was considered
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Recording and Reporting

- FI is required to record the data about a Covered Loan or Application on a LAR within 30 calendar days after the end of the quarter in which the FI takes final action
- Effective 2019, FI must also include in the report: Name, calendar year, name of contact person, FI appropriate Agency, total number of submissions, TIN, and LEI

Annual and Quarterly Reporting

- FI must submit HMDA data to its appropriate Federal agency by March 1st of each year.
- The HMDA agencies have agreed that filing HMDA data collected in or after 2017 with the CFPB will be deemed submission to the appropriate Federal agency. ([CFPB's HMDA FAQs](#))
- Larger-volume reporters will have to electronically submit their HMDA data for each of the first three quarters of the year beginning in 2020.

Disclosure Requirements

- Replaces Reg C's requirements to provide a disclosure statement and modified LAR to the public upon request
- Rule includes sample language that FIs can use to provide notice that HMDA data is available and to comply with the posting requirement

FREQUENTLY ASKED QUESTIONS

Universal Loan Identifier (ULI)

- FI must report a ULI for a Covered Loan or Application
 - ULI is a number the FI assigns to the Loan/App
 - Must begin with the FI's Legal Entity Identifier (LEI)
 - Cannot include information that can ID applicant directly
 - Must be unique within the FI and used with only one Covered Loan/Application
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Legal Entity Identifier (LEI)

- Unique, 20-digit alphanumeric identifier issues by a utility endorsed by the LEI Regulatory Oversight Committee or endorsed or otherwise governed by the Global LEI Foundation
 - LEI uniquely identifies legal entities that engage in financial transactions
 - Some credit unions may already have an LEI
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Obtaining an LEI

- Find a LEI issuing organization endorsed by Global LEI Foundation
- Register your entity and the LEI issuer will verify your information with local authoritative sources (i.e. a Business Register) and issue a compliant LEI
- <https://www.gleif.org/en/about-lei/how-to-get-an-lei-find-lei-issuing-organizations>

MULTIPLE ORIGINATORS — CREDIT UNION/CUSO RELATIONSHIP

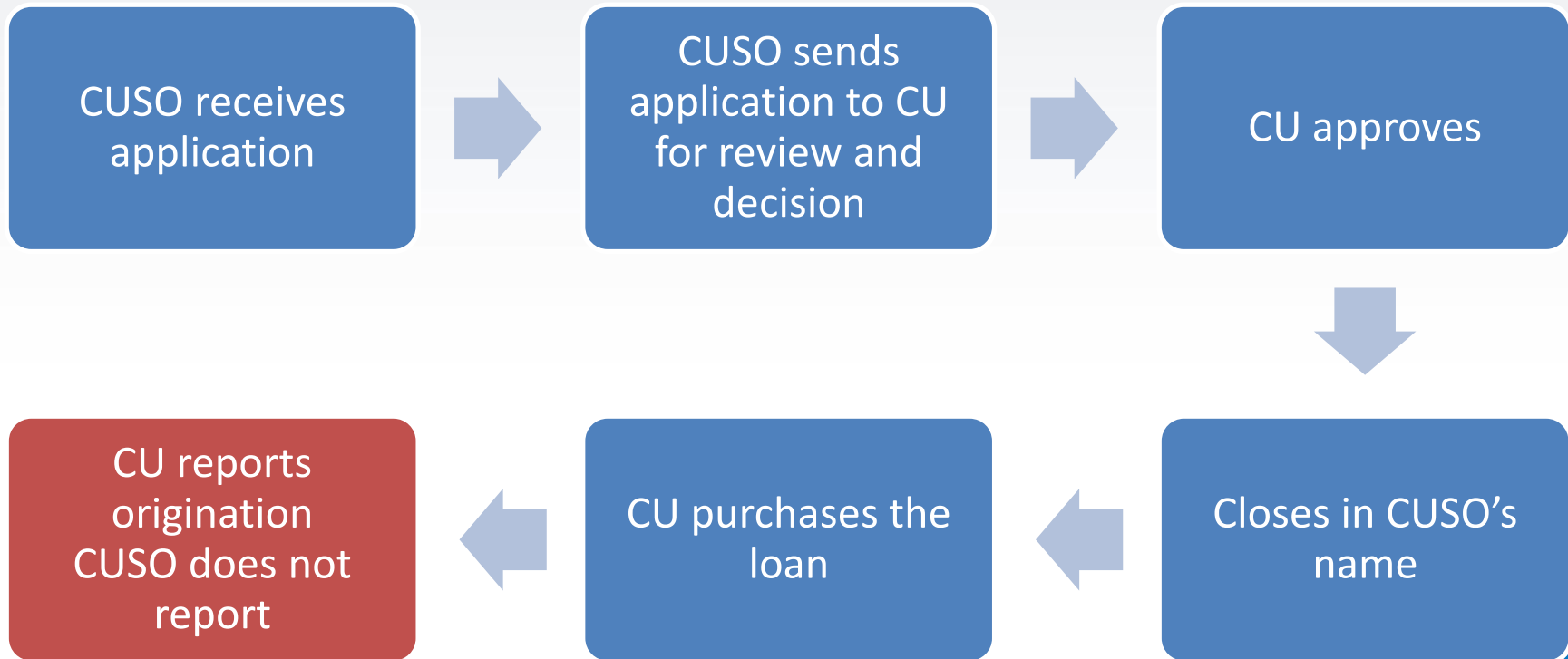
General Rules

- Only one FI reports the covered loan as an origination.
 - If more than one FI originates the covered loan, the one making the credit decision reports.
 - If more than one FI approves an application prior to close, and one purchased the loan after closing, the institution that purchased it reports the origination.
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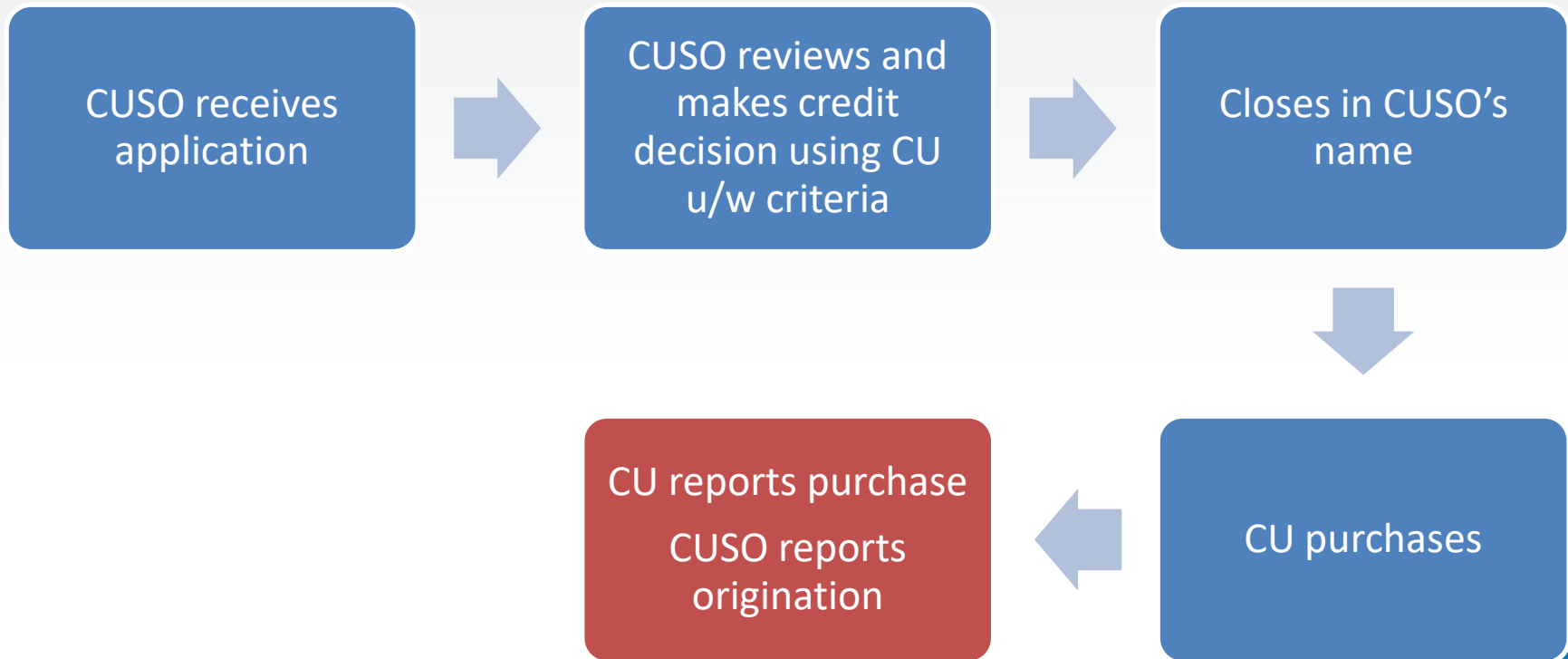
General Rules

- If an FI and others review the same application and it did not result in an origination for the FI, the FI must report the action taken on the application, even if it was reviewing the application when it was withdrawn or closed for incompleteness.
- If an FI made the credit decision through the actions of an agent, the FI, not the agent reports the action taken.
 - To determine if one is acting as an agent, look to state law and the contract.

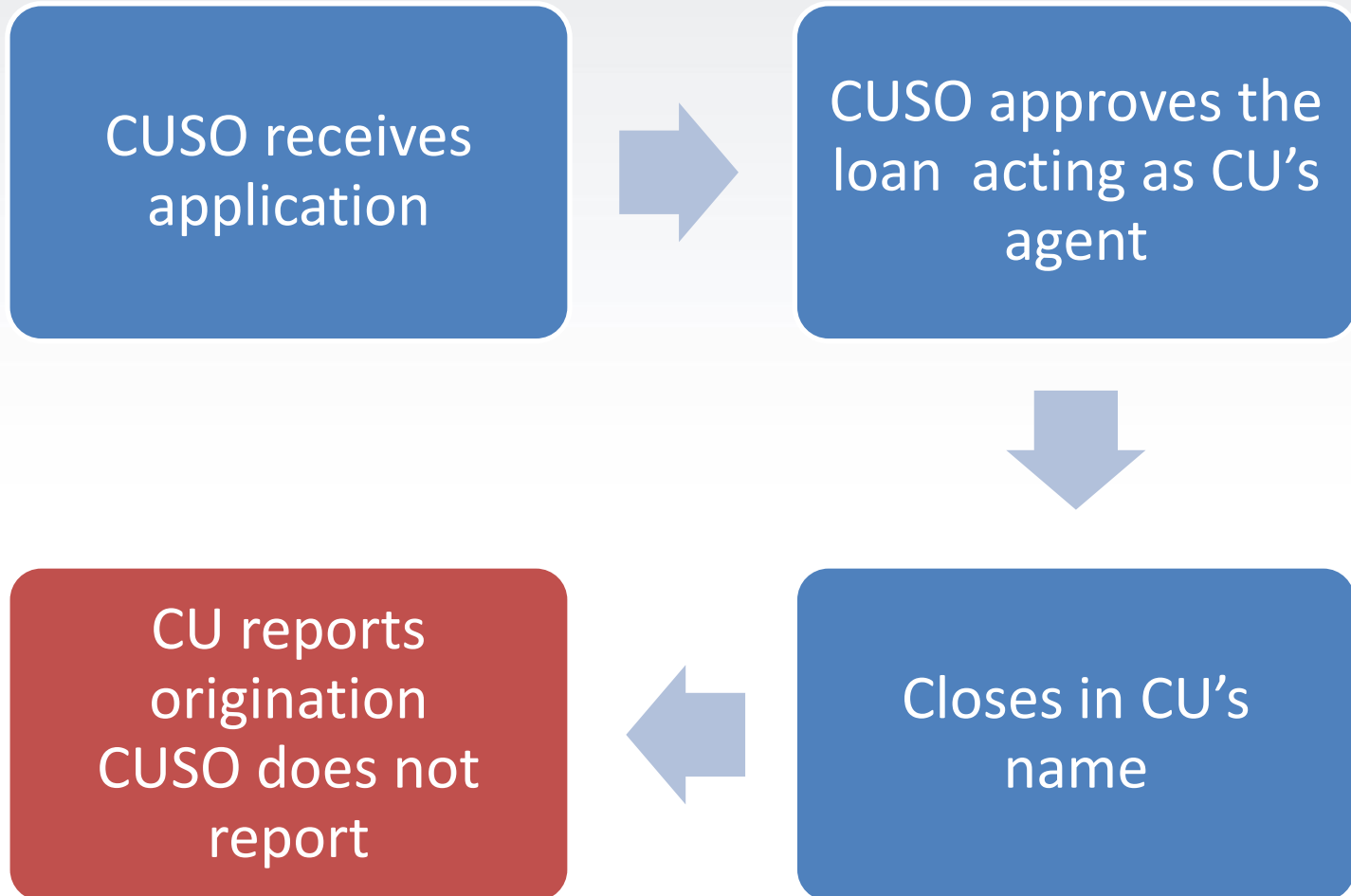
Example One



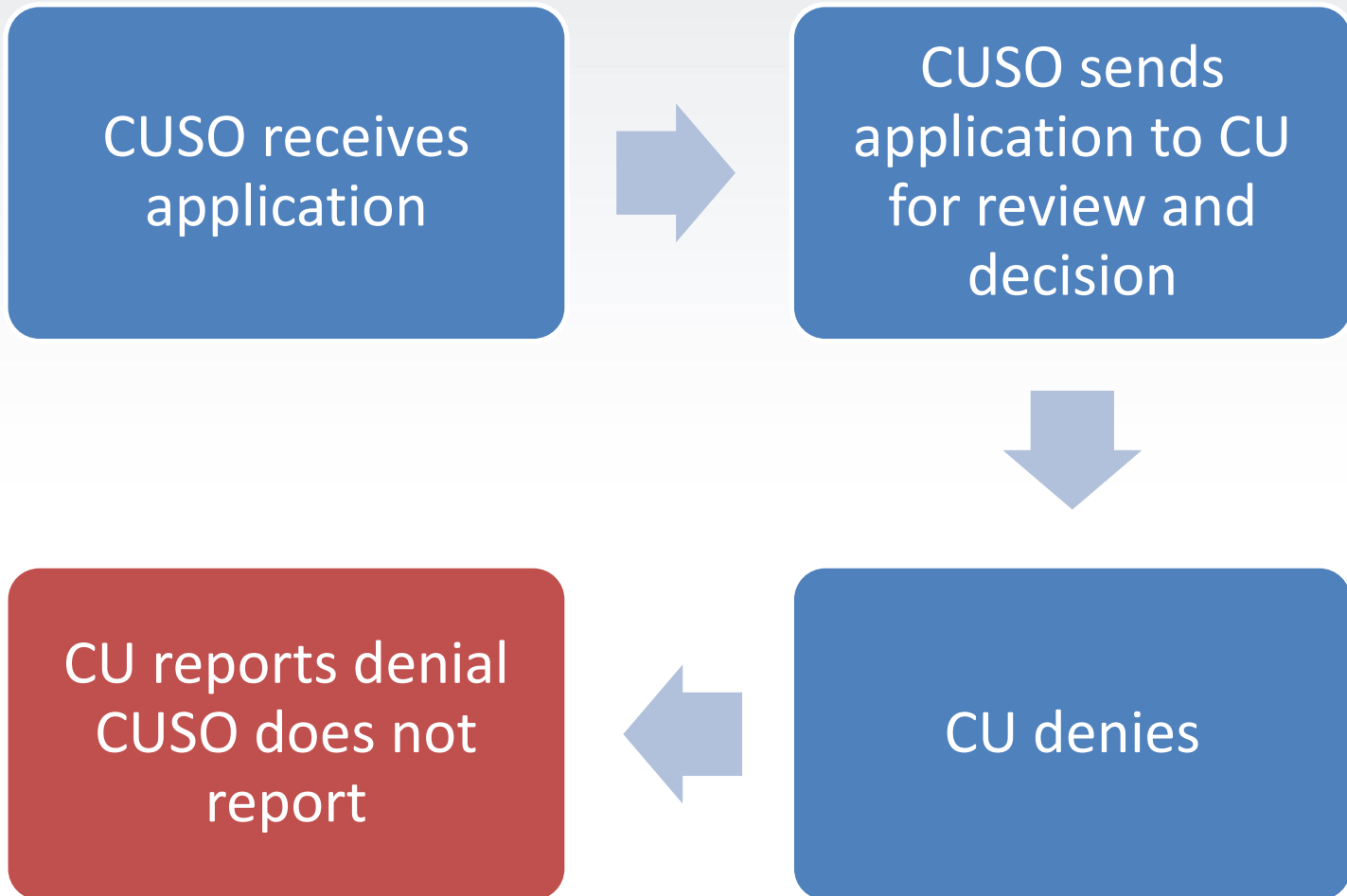
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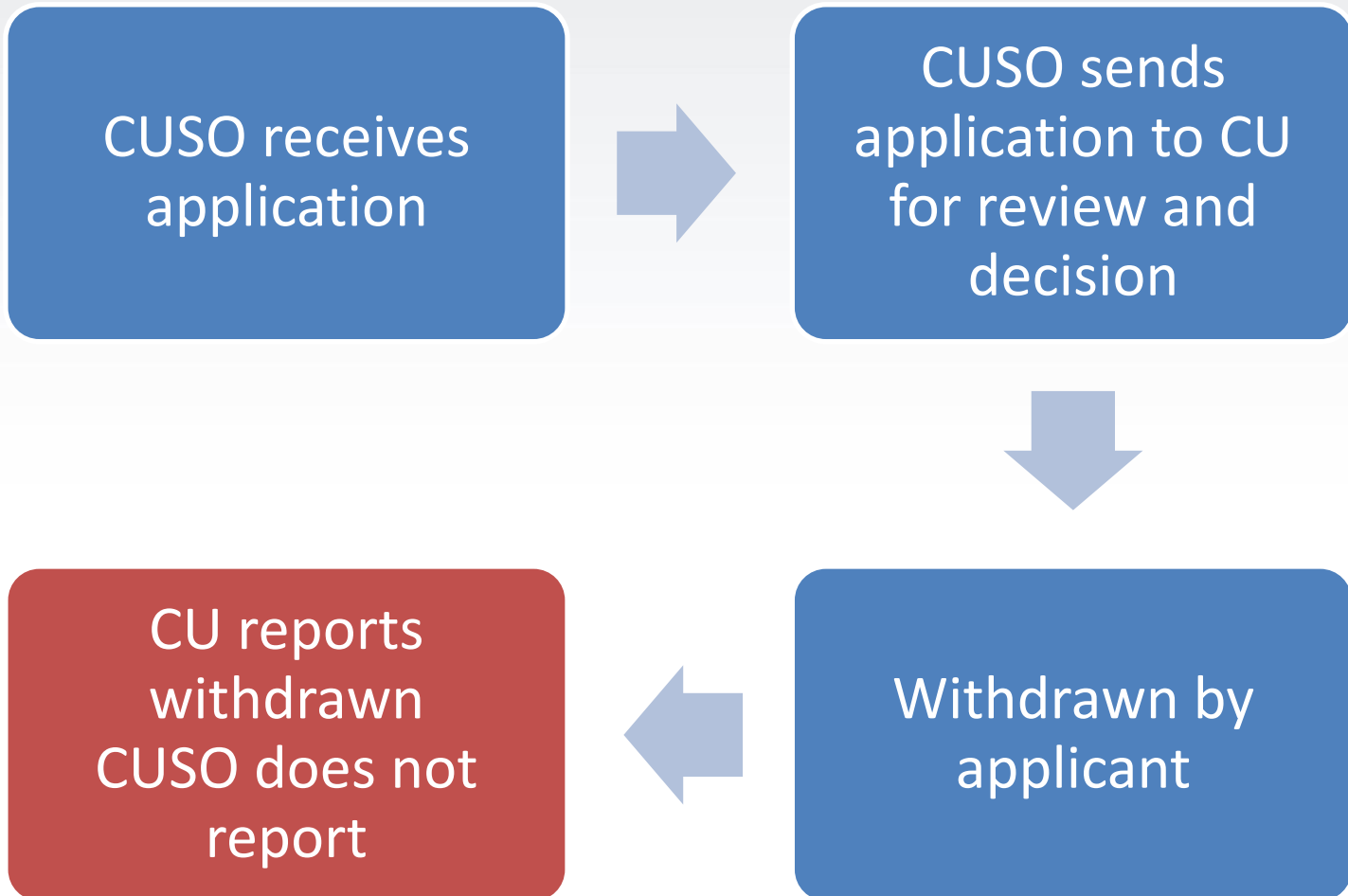
Example Three



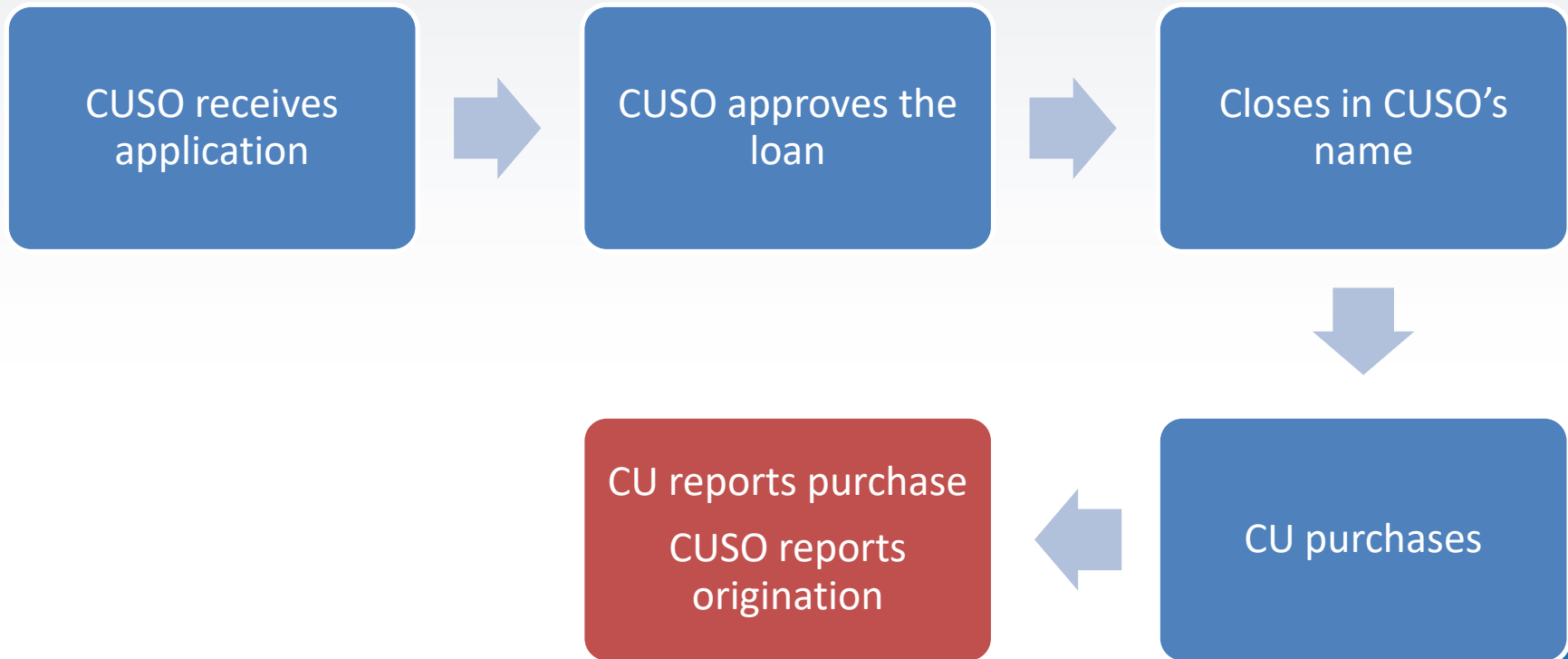
Example Four



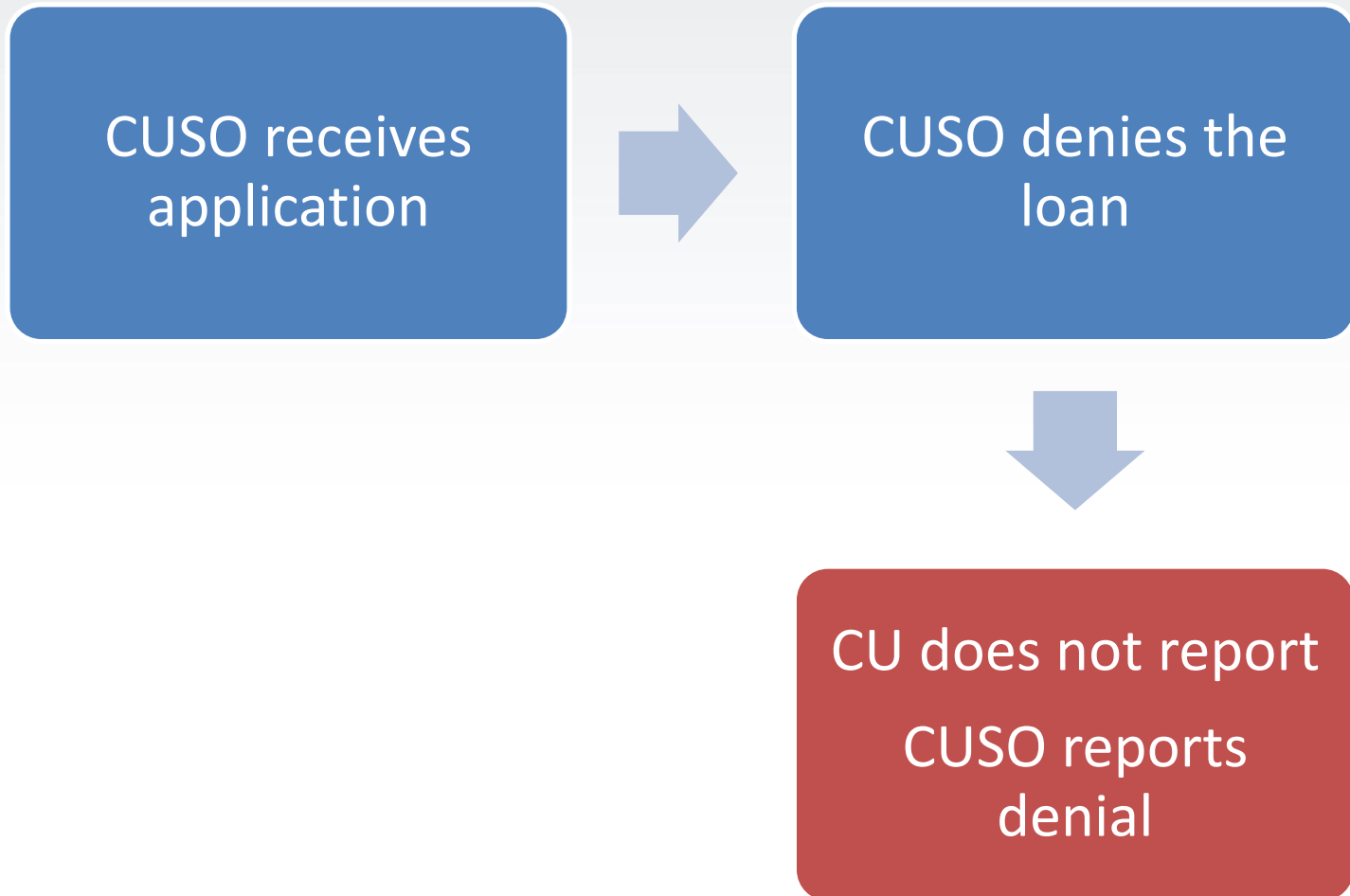
Example Five



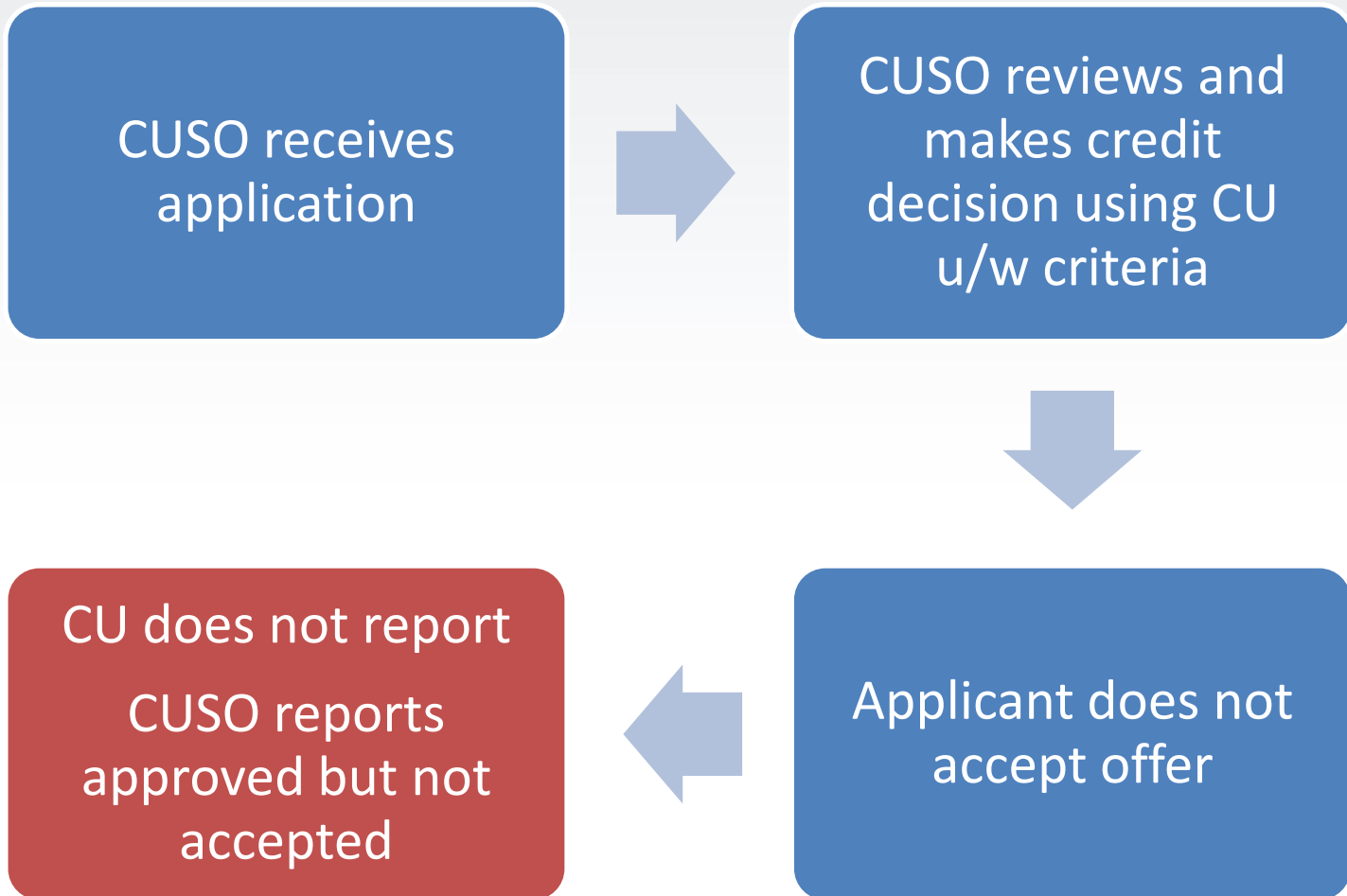
Example Six



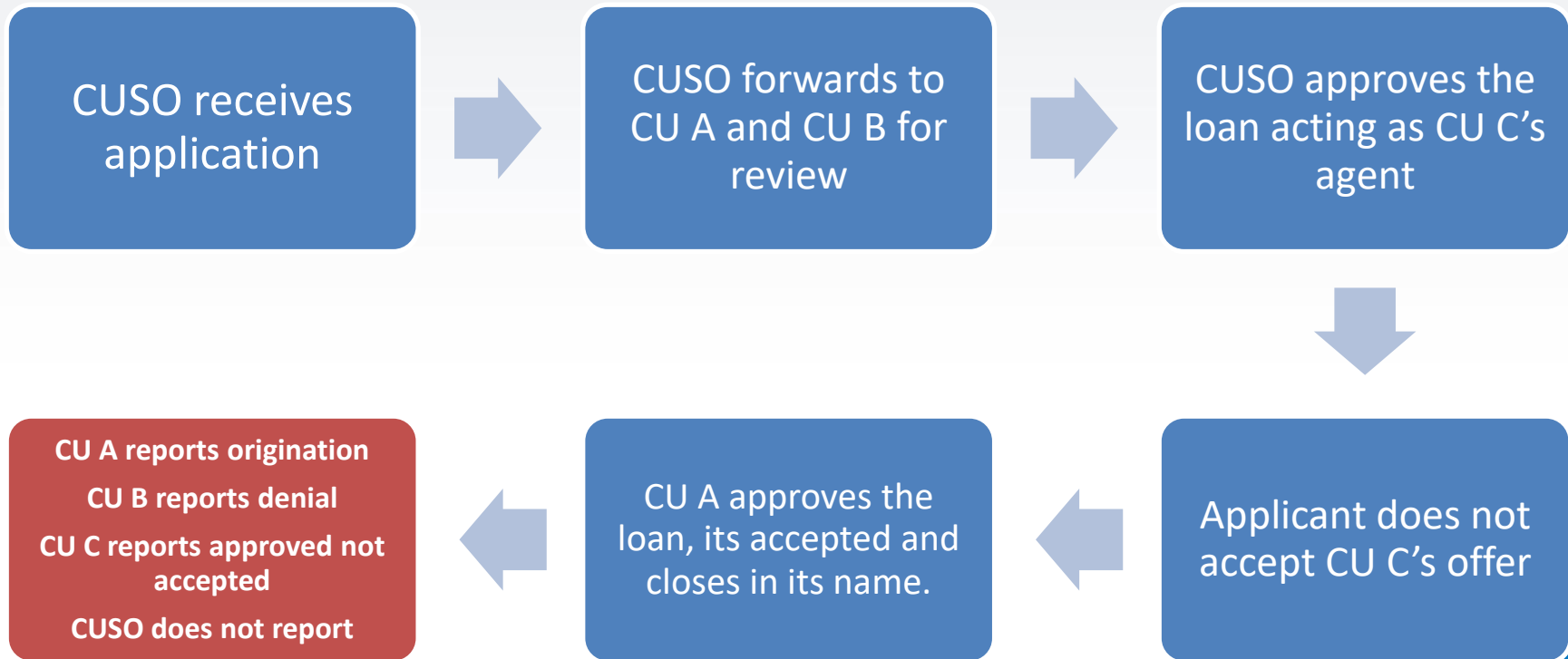
Example Seven



Example Eight



Example Ten



IMPLEMENTATION TIPS

Implementation Tips

- Understand the rule
 - Aggregate the right people
 - Assess your current process
 - Manage vendors and other third parties
 - Test, train and train some more
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PROPOSED RULE

Proposed Rule

- “Clarify” the Final HMDA Rule
- Published in the Federal Register April 25, 2017
- Comments Due May 25, 2017

Proposed Rule

- Establish transition rules for two data points, loan purpose and the unique identifier for the loan originator.
- Clarify terms – temporary financing and automated underwriting system
- Create a new reporting exception for certain transactions associated with New York State consolidation, extension, and modification agreements.
- Facilitate the reporting of the census tract of a property with the CFPB’s geocoding tool.
- Other technical corrections.

MESSICK LAUER & SMITH P.C.

asmith@cusolaw.com

jwinston@cusolaw.com

610-891-9000

www.cusolaw.com

THANK YOU
