

Commercial Lending and the

Home Mortgage Disclosure Act ("HMDA")

June 9, 2017

Agenda

- New HMDA Rule
- Current HMDA and Commercial Lending Review
- Quiz and Scenario Discussion

Changes to Home Mortgage Disclosure: Regulation C

- Types of institutions that are subject to Regulation C;
- Types of transactions that are subject to Regulation C;
- Processes for reporting and disclosing data; and
- Specific information that covered institutions are required to collect, record, and report.

Effective/Important Dates for HMDA Final Rule

1/1/2017: Effective date for excluding low volume depository

institutions

1/1/2018: Effective date for most provisions related to

institutional and transactional coverage, data collection,

recording, reporting and disclosure

1/1/2019: Effective date for changes to enforcement provisions

and additional amendments to reporting provisions

3/1/2019: Deadline for "first" submission of HMDA LAR with

expanded data fields

1/1/2020: Effective date for quarterly reporting provisions for large

institutions

Types of institutions that are subject to Regulation C

- Decreases coverage of depository institutions and expands coverage of non-depository institutions
- Uniform loan volume test: Originated either:
 - At least 25 closed-end mortgage loans in each of 2 preceding years OR
 - > At least 100 open-end lines of credit in each of 2 preceding years

Transactional Thresholds (§ 1003.3(c)(11) and (12))

Lending activity	Not required to report data concerning
Originated fewer than 25 closed-end mortgage loans in each of the two preceding calendar years	Closed-end mortgage loans
Originated fewer than 100 open-end lines of credit in each of the two preceding calendar years	Open-end lines of credit



Types of transactions that are subject to Regulation C

Consumer-purpose transactions:

- Dwelling secured, closed or open-end
 - > Ex: consumer purpose home equity, HELOCs, reverse mortgages
- NOT reportable:
 - Unsecured
 - > Renewals, temporary financing

Types of transactions that are subject to Regulation C

Commercial-purpose transactions

- Dwelling-secured closed or open-end extension of credit
 - Ex: commercial revolving line of credit to purchase or improve a multi-family or single-family investment property

Processes for reporting and disclosing data.

- New web-based electronic data submission process
- File specifications available for LOS development
- Institutions no longer required to provide public disclosure statement
 - Instead: provide notice that disclosure statement and modified LAR are available on CFPB web-site

New HMDA Rule Summary

Specific information that covered institutions are required to collect, record, and report

Total of 48 data points (versus 26 data points today)

- 25 NEW data points
 - Pricing Elements: 2 today; 7 tomorrow
 - Underwriting Elements: 5 today; 10 tomorrow
 - Loan Features: 2 today; 9 tomorrow
 - > Applicant Information: expansion and addition of Age
- 23 Existing data points
 - > 14 modified
 - 9 existing

- Fair Lending Analysis
- Fair Lending Training
- Systems Evaluation
- HMDA Data Integrity Health Check

Why is HMDA important?

- HMDA Data is core of Fair Lending Exams
- Data must be reliable and "validated"
- Regulators follow clear HMDA Data Validation procedures
- Regulators follow clear HMDA Completeness Validation procedures
- Unreliable data results in mandated corrections, re-submissions and/or monetary penalties

New HMDA Rule and FAIR LENDING

Three core purposes of HMDA

- To help determine whether financial institutions are serving their communities' housing needs;
- 2. To assist public officials in distributing public investment to attract private investment;
- To assist in identifying potential discriminatory lending patterns and enforcing antidiscrimination statutes.

Fair Lending Data Analysis *Today*

Standard HMDA Data Fields:

- Census Tract
- Loan Type
- Loan Purpose
- Occupancy
- Loan Amount
- Action Type
- Applicant Race and Sex
- Co-applicant Race and Sex
- Applicant Income
- Purchase Type
- Denial Reason

Enhanced Data Fields:

- Note Rate
- APR
- Loan to Value
- Credit Bureau Score
- Custom Credit Score
- Debt to Income Ratio
- Loan Type (Fixed, ARM)
- Loan Term
- Applicant Age or Birth Date
- Pre-paid Finance Charges
- Yield Spread Premium (if applicable)
- Broker Identifier

Fair Lending Data Analysis in the Future

Specific information that covered institutions are required to collect, record, and report

Total of 48 data points (versus 26 data points today)

- 25 NEW data points
 - Pricing Elements: 2 today; 7 tomorrow
 - Underwriting Elements: 5 today; 10 tomorrow
 - Loan Features: 2 today; 9 tomorrow
 - Applicant Information: expansion and addition of Age
- 23 Existing data points
 - > 14 modified
 - > 9 existing

New HMDA Rule and FAIR LENDING

Future?

- Expect increased fair lending scrutiny and claims
- Continued focus on access to credit
- Extensive peer data (Pricing)
- Examples of "unchartered" territory:
 - Broker versus Retail
 - NMLS ID
 - Lender Credits
 - Age
 - HELOCs extensive data
 - Property address versus census tract

- Fair Lending Analysis and Training
 - What are you doing today?
 - Analyze new HMDA Fields
 - Identify gaps and trends
 - Create Training Plan

Systems and Application Evaluation

- Identify Systems: Residential/Consumer/Commercial
 - > Have vendors communicated their dates?
- Create Testing Timeline
 - Expanded fields apply to action taken dates on and after 1/1/2018
 - ➤ Need to be finished with testing in 4th quarter

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Focus on Effective Dates

Collection of new HMDA Data Points

- Action Taken Dates as of 1/1/2018
- Will impact applications taken in 2017

"Applicant Demographic Information" (FKA GMI)

- New collection form effective for applications mandatory on and after 1/1/2018
- Transition rules will apply

Redesigned URLA released by Fannie/Freddie 8/26/2016

Applicant(s) Demographic Information

(previously known as Government Monitoring Information)

TRAINING – Closed End/HELOCs/Commercial

- Effective for Applications on and after 1/1/2018 (can collect earlier)
- Sub-categories added to Ethnicity and Race
- Detail on whether Ethnicity, Race and Sex were each collected based on visual observation or surname

Applicant:	Co-Applicant:
Ethnicity: Hispanic or Latino — Check one or more Mexican Puerto Rican Cuban Other Hispanic or Latino — Print origin, for example, Argentinean, Colombian, Dominican, Nicaraguan, Salvadoran, Spaniard, and so on: Not Hispanic or Latino	Ethnicity: Hispanic or Latino Mexican Puerlo Rican Cuban Other Hispanic or Latino – Print origin, for example, Argentinean, Colombian, Dominican, Nicaraguan, Salvadoran, Spaniard, and so on: Not Hispanic or Latino
 I do not wish to provide this information 	☐ I do not wish to provide this information
Race: Check one or more American Indian or Alaska Native – Print name of enrolled or principal tribe: Asian Asian Indian Chinese Filipino Japanese Korean Other Asian – Print race, for example, Hmong, Lactian, Thai, Pakistani, Cambodian, and so on: Black or African American Native Hawaiian or Other Pacific Islander Native Hawaiian Guamanian or Chamorro Samoan Other Pacific Islander – Print race, for example, Fijian, Tongan, and so on: White	Race: American Indian or Alaska Native — Print name of enrolled or principal tribe: Asian Indian Asian Indian Chinese Filipino Japanese Vietnamese Other Asian — Print race, for example, Hmong, Laotian, Thai, Pakistani, Cambodian, and so on: Black or African American Native Hawaiian or Other Pacific Islander Native Hawaiian Guamanian or Chamorro Samoan Other Pacific Islander — Print race, for example, Fijian, Tongan, and so on: White
Sex: Female Male	Sex: Female Male
☐ I do not wish to provide this information	☐ I do not wish to provide this information

Was the ethnicity of the applicant collected on the	Was the ethnicity of the co-applicant collected on the
basis of visual observation or surname?	basis of visual observation or surname?
□ Yes	□ Yes
□ No	□ No
Was the race of the applicant collected on the basis of visual observation or surname?	Was the race of the co-applicant collected on the basis of visual observation or surname?
□ Yes	□ Yes
I No	□ No
Was the sex of the applicant collected on the basis of visual observation or surname?	Was the sex of the co-applicant collected on the basis of visual observation or surname?
□ Yes	□ Yes
□ <mark>N</mark> o	□ No

Systems and Application Evaluation

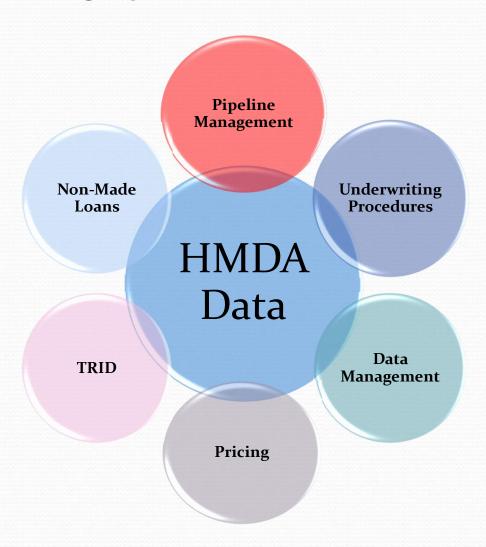
- Web based reporting in the future will make it easier
- BUT... internal IT resources?
 - New 1003
 - UCD implementation 9/2017
 - Demographic parameters: multiple vendors for residential?

Systems and Application Evaluation

- Perform gap analysis: start running expanded field analysis NOW
- Remember: Fair Lending red flags take time to fix!
- Evaluate HMDA software: do you have a Fair Lending component?

HMDA Data Integrity Health Check: Focus Now!

HMDA Data Integrity: Root Cause?



HMDA Data Integrity

- Equal Credit Opportunity Act ("ECOA") and pipeline management
- What controls are in place to stop the data from being changed?
- Who is handling HMDA today: expanded skill set required for new rule
- Include HMDA experts in product development and initiatives
- HMDA CMS is KEY

HMDA Compliance Management System

- > Policies, Procedures, Internal Controls
- Pre-Submission Internal Audits to test accuracy
- One or more individuals assigned to monitor accuracy
- Reviews of any regulatory changes
- Appropriate and sufficient training
- Effective corrective action
- Board and management oversight

Step 1: Write HMDA policy and procedures

- Provide detailed guidance for each of the data fields on the Loan Application Register ("LAR")
- Procedures should reflect LOS functionality
- Should be a custom "HMDA Guide to Getting It Right" for your institution
- Action Taken Dates for Non-made loans!!

"LENDER" SAMPLE HMDA PROCEDURES

HMDA LAR FIELD	FIELD DETAIL	SOURCE DOCUMENT AND PROCEDURES
Action Taken Type	Application Withdrawn	Source document for detail is the Conversation Log.
		 the applicant expressly withdraws the application for loans that have not been approved yet for loans where a commitment letter has been issued, but there are still credit related conditions outstanding and the applicant expressly withdraws. The file should be documented to indicate the applicant initiated the withdrawal. Do NOT use this if the applicant does not respond to the loan officer; the applicant must indicate their wish to withdraw. Do not use this if the loan is approved and ready to close, and the applicant expressly withdraws. In that case, the loan is approved not accepted.
Action Taken Date	Application Withdrawn	 Indicate the date the Lender was notified by the borrower that they wished to withdraw in the Conversation Log.
Action Taken Type	File Closed For Incompleteness	Source document for detail is the NOI or Conditional Commitment Letter Code 5: File closed for incompleteness is used when: • The "Notice of Incomplete Application" was sent to the applicant requesting additional documentation and the applicant did not send in the items within the specified time frame. ✓ Review the incomplete notice in the file to make sure all documentation was not provided as requested. In some cases, the applicant may have provided outstanding items, and loan should have been a denial. The processor should sign off on each item on the incomplete notice as it is received.
		The loan was approved by Underwriting with credit conditions outstanding. The applicant did not send in outstanding conditions. (assuming the conditional commitment letter contains Reg B language)

Step 2: Identify an employee who will be responsible for overall HMDA quality

- Must have an understanding of lending both Operations and compliance requirements
- Loan Officers and Operations staff should share HMDA responsibilities
- An officer of the institution must monitor HMDA reporting throughout the year, and must certify to its accuracy at year-end.

Step 3: Develop a Comprehensive Training Program

- Online HMDA courses are just the beginning
- Customize training to reflect policies and procedures
- Training should be audience specific:
 Sales/Operations/Closing/Denied/Withdrawn
- Supplement formal training classes throughout the year

Step 4: Perform Compliance Monitoring and Testing

Testing and Monitoring should include:

- Data Integrity Testing
- Omissions Testing

Step 4: Perform Compliance Monitoring and Testing

Data Integrity Testing:

- Choose random sample of loans to test
 - Review larger sample of denied/withdrawn loans
- Compare loan file to the actual LAR or HMDA export file for each of the data fields
- Data integrity testing should be performed monthly
- Retain audit work papers to document the file review
- Expand scope if significant error rate is identified

Step 4: Perform Compliance Monitoring and Testing

Data Integrity Testing:

- Reconcile HMDA data with NMLS Mortgage Call Report
- If data errors are identified during HMDA scrub, NMLS Call Report will need to be re-filed.

HMDA CMS and Best Practices

Step 4: Perform Compliance Monitoring and Testing

Omissions Testing

- Run Loan Production reports off the LOS for the calendar year for all HMDA reportable products
- Run reports for all types of action taken
- Include Loans In Process in your scope
 - Is the Pipeline Management up to date?
 - Has ECOA notification been provided?

HMDA CMS and Best Practices

Step 4: Perform Compliance Monitoring and Testing

- Analyze the error trends: find the source of the problem
- Strengthen Internal Controls
- Revise HMDA procedures if necessary

HMDA CMS and Best Practices

Step 5: Engage external testing of HMDA: Compliance Audit

- A strong compliance management system includes external or internal compliance audit
- HMDA data integrity reviews should be performed internally and externally
- Remember: this is the first step: Use HMDA LAR to conduct internal and external Fair Lending Analysis. Depending on the size of the organization these reviews may need to be conducted more frequently then annually.

HMDA Data Fields

#1,2: Loan Identifier Numbers: Modified

#3: Application Date: Existing

#4: <u>Loan Type</u>: Existing

#5: Loan Purpose: Modified

- Home purchase
- Home improvement
- Refinance
- Cash-out refinance for residential
- Another purpose for residential

HMDA Data Fields

#6: Preapproval: Modified

Changed codes

#7: Construction Method: Modified

Site-built Manufactured

#8: Occupancy Type: Modified

Principal Residence Second Residence Investment Property

#9: Loan Amount: Modified

#10,11: Action Taken and Action Taken Date: Existing

Property Address: New

#13,14,15: <u>Property Location</u>: Existing

#16,17,18: Ethnicity, Race and Sex: Modified

If info was collected by visual observation or

surname

Further breakdown on ethnicity and race

#19: <u>Age</u>: new

In # of years as of date of application

#20: <u>Income</u>: existing

#21: Type of purchaser: Modified

#22: Rate spread: Modified

#23: HOEPA: existing

#24: Lien Status: Modified

1st or subordinate

#25: Credit Score: New

Credit score relied on in making the credit decision Include the name and version of the model used to generate the credit score choosing from a list of 10 codes

#26: Reason for Denial: Modified

No longer optional

#27: Total Loan Costs or Total Points and Fees: New

#28: Origination Charges: New

#29: <u>Discount Points</u>: New

#30: Lender Credits: New

#31: Interest Rate: New

#32: Prepayment Penalty Term: New

#33: <u>Debt-to-Income Ratio</u>: New

#34: Combined Loan-to-Value Ratio: New

#35: <u>Loan Term</u>: New

#36: Introductory Rate Period: New

#37: Non-Amortizing Features: New

Balloon payment, interest-only payments, negative amortization, or any other type of non-amortizing feature

#38: <u>Property Value</u>: New

Use NA if property value not used in credit decision

#39: <u>Manufactured Home Secured Property Type</u>: New

#40: Manufactured Land Home Property Interest: New

Information about ownership interest in land

#41: Total Units: New

#42: Multifamily Affordable Housing Units: New

of units that are income restricted

#43: Application Channel: New

Indicate whether the application was submitted directly to your institution by answering true or false Indicate whether the loan was initially payable to your institution by answering true or false

#44: LO NMLS ID: New

#45: AU System: New

Multiple codes to choose from Specific rules on which codes are used for which automated underwriting systems

#46: Reverse Mortgage: New

#47: Open-End Line of Credit: New

#48: Business or Commercial Purpose: New

Readiness Recommendations

- **#1:** START NOW!!!
- **#2:** Fair Lending Program
- **#3:** HMDA Compliance Management System
- #4: Data Collection: are you ready across ALL business lines?

Commercial Lending and Current HMDA Requirements

- What is reportable?
- Data integrity challenges
- Best Practices

What is reportable?

Identifying HMDA reportable commercial loans

- High error rate!!
- Review of Commercial Flowchart
- Revolving line of credit/not just line of credit
- Temporary Financing
- Mixed Use Properties

What is considered Temporary Financing?

- Financing is temporary if it is designed to be replaced by permanent financing of a much longer term.
- A loan is not temporary financing simply because the term is short.
- "Splash and Dash" loans are not considered temporary financing.

HMDA Getting It Right: As an example: A lender may make a loan with a 1 year term to enable an investor to purchase a home, renovate it, and re-sell it before the term expires. Such a loan must be reported as a home purchase.

Mixed Use Properties

- If the property is mixed use, the loan is reportable if the primary use of the property is residential.
- Use any reasonable standard to determine the primary usage, such as the amount of income generated or the amount of square footage.
- These standards can be applied on a case-by-case basis.
- Clearly document the file to show the approach

Best Practices for Commercial Omissions/Reportability

- Generate Excel reports quarterly for review
- Reports should cover 100% of commercial loans originated AND 100% of commercial loans that were not made
- Include the following columns:
 - Product Code with clear explanations
 - Detailed description of collateral
 - A "HMDA Reportable" column detailing if it is reportable or not and WHY

Data Integrity Challenges with Commercial Loans

Application Date

- Make sure you use a commercial loan application
- Need to define the date of "customer request for credit"
- Choose a procedure and be consistent in all files

Data Integrity Challenges with Commercial Loans

Government Monitoring Information ("GMI")

- Required for individuals only, not entities
- Watch denied/withdrawn loans: is there enough detail in the file to tell who the applicants were?
- No applicant versus Not Provided codes
- Remember to collect GMI on multi-family properties IF the applicants are individuals, not entities
- Note: If GMI is collected/provided at time of application for individuals because entity at time of closing is not formed or determined, <u>document</u> files accordingly.

- If the application is taken face to face, the applicant completes the GMI box.
- If they indicate "I do not wish to furnish", you must complete the ethnicity, race and sex by visual observation.

X. INFORMATION FOR GOVERNMENT MONITORING PURPOSES

The following information is requested by the Federal Government for certain types of loans related to a dwelling in order to monitor the lender's compliance with equal credit opportunity, fair housing and home mortgage disclosure laws. You are not required to furnish this information, but are encouraged to do so. The law provides that a lender may not discriminate either on the basis of this information, or on whether you choose to furnish it. If you furnish the information, please provide both ethnicity and race. For race, you may check more than one designation. If you do not furnish ethnicity, race, or sex, under Federal regulations, this lender is required to note the information on the basis of visual observation and surname if you have made this application in person. If you do not wish to furnish the information, please check the box below. (Lender must review the above material to assure that the disclosures satisfy all requirements to which the lender is subject under applicable state law for the particular type of loan applied for.)

	mountain type of four appround	••1					
BORROW ER	I do not wish to furni	sh this information.		CO-BORROW ER	I do not wish to fur	nish this information.	
Ethnicity:	Hispanic or Latino	Not Hispanic or Latino		Ethnicity:	Hispanic or Latino	Not Hispanio	or Latino
Race:	American Indian or Alaska Native	Asian Black or African A	merican	Race:	American Indian or Alaska Native	Asian	Black or African American
<u> </u>	Native Haw aiian or Other Pacific Islander	White			Native Haw aiian or Other Pacific Island		
Sex:	Female	Male		Sex:	Female	Male	
To be Complete	ed by Loan Originator:						
This information	was provided:	In a face-to-face interview		By the applicant and	d submitted by fax or n	nail	
		In a telephone interview		By the applicant and	d submitted via e-mail	or the Internet	

- If the application is taken by mail or on-line, the applicant fills out the GMI section. The information should not be altered or edited by the loan officer.
- If the application is taken by phone, the loan officer must read the text in the GMI section and note what the applicant provides. The information should not be altered or edited by the loan officer.

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State law for the part	ticular type of loan applied for	•)						
BORROW ER	I do not wish to furni	sh this information.		CO-BORROW ER		I do not wish to furnis	h this information.	
Ethnicity:	Hispanic or Latino	Not Hispanic or La	atino	Ethnicity:		Hispanic or Latino	Not Hispani	c or Latino
Race:	American Indian or Alaska Native	Asian	Black or African American	Race:		American Indian or Alaska Native	Asian	Black or African American
	Native Haw aiian or Other Pacific Islander	White				Native Haw aiian or Other Pacific Islander	White	
Sex:	Female	Male		Sex:		Female	M ale	
To be Complete	ed by Loan Originator:							
This information	was provided:	In a face-to-fac	ce interview	By the applicant and	d sub	mitted by fax or ma	il	
		In a telephone	interview	By the applicant and	d sub	mitted via e-mail or	the Internet	

- Collection is required when application is received, or "point of sale"
- Original application is key document, GMI typically should not change
- Watch changes in borrowers during loan process
- How to handle when borrower initiates change

- Watch for trends by loan officer, for example: one loan officer always checks off "do not wish to furnish", along with the sex.
- How to handle reporting with multiple borrowers, some business, some natural persons.
- If the applicants complete the GMI themselves, do not change it, even if they are incorrect
- If the loan officer completes the GMI, for example, by phone, and the information appears incorrect, address this in the file by either correcting it, or confirming it is correct

			X. INFOR	MATION FOR GOV	/ERNM	ENT MONITORIN	G Pl	JRPOSES			·	
and home mortgage information, or on w ethnicity, race, or se wish to furnish the i	e disclosur whether yo ex, under l information	e laws. You are not ou choose to furnish Federal regulations, t	required to furnish it. If you furnish th his lender is require ox below. (Lender i	r certain types of loans r n this information, but a ne information, please pr ed to note the information must review the above m	are encour rovide bot n on the b	raged to do so. The law th ethnicity and race. F basis of visual observat	w pro or rac ion an	vides that a lender m e, you may check mo d surname if you have	ay not d re than e made t	liscriminate e one designat his applicatio	either on th ion. If you on in persor	he basis of this I do not furnish n. If you do not
BORROW ER		do not wish to furnis	h this information.		(CO-BORROW ER		I do not wish to furni	sh this ir	nformation.		
Ethnicity:	Н	lispanic or Latino	Not Hispanio	or Latino		Ethnicity:		Hispanic or Latino		Not Hispanic	or Latino	
Race:	A	merican Indian or laska Native lative Hawaiian or other Pacific Islander	Asian White	Black or African Amer	rican	Race:		American Indian or Alaska Native Native Haw aiian or Other Pacific Islander		Asian White		ick or rican American
Sex:		emale	Male		,	Sex:		Female		<i>I</i> l ale		
To be Complete	ed by L	oan Originator:									,	
This information	was pro	vided:	In a face-t	o-face interview	B	By the applicant and	subr	nitted by fax or ma	ail			
			In a teleph	one interview	В	By the applicant and	subr	nitted via e-mail or	the Int	ternet		

Is the GMI completed correctly for this loan?

X. INFORMATION FOR GOVERNMENT MONITORING PURPOS	ES
he following information is requested by the Federal Government for certain types of loans related to a dwelling in order to monitor the le	nder's

The following information is requested by the Federal Government for certain types of loans related to a dwelling in order to monitor the lender's compliance with equal credit opportunity, fair housing and home mortgage disclosure laws. You are not required to furnish this information, but are encouraged to do so. The law provides that a lender may not discriminate either on the basis of this information, or on whether you choose to furnish it. If you furnish the information, please provide both ethnicity and race. For race, you may check more than one designation. If you do not furnish ethnicity, race, or sex, under Federal regulations, this lender is required to note the information on the basis of visual observation and surname if you have made this application in person. If you do not wish to furnish the information, please check the box below. (Lender must review the above material to assure that the disclosures satisfy all requirements to which the lender is subject under applicable state law for the particular type of loan applied for.)

BORROW ER	I do not wish to furn	ish this information.		CO-BORROW ER	I do not wish to furni	sh this information.		
Ethnicity:	Hispanic or Latino	Not Hispanic or	Latino	Ethnicity:	Hispanic or Latino	Not Hispanio	or Latino	
Race:	American Indian or Alaska Native	Asian	Black or African American	Race:	American Indian or Alaska Native	Asian	Black or African American	
	Native Haw aiian or Other Pacific Islande	white $\mathcal{B}y$	Visual		Native Haw aiian or Other Pacific Islander	White		
Sex:	Female	\square Male Ob .	servation	Sex:	Female	Male		
To be Complete	To be Completed by Loan Originator:							
This information	was provided:	In a face-to-f	ace interview	By the applicant and	d submitted by fax or ma	ail		
		In a telephon	e interview	By the applicant and	d submitted via e-mail or	the Internet		

- Face to Face: Ethnicity and Race should be noted by visual observation
- There should be a note in the file it was noted by visual observation

		V INFORMATION FOR COVERN	IMENT MONITORING	C BURDOCES	
		X. INFORMATION FOR GOVERN	IMENT MONITORING	G PURPUSES	
and home mortgage information, or on v ethnicity, race, or so wish to furnish the i	e disclosure laws. You are not whether you choose to furnish ex, under Federal regulations, t	t required to furnish this information, but are end it. If you furnish the information, please provide this lender is required to note the information on t box below. (Lender must review the above materia	couraged to do so. The law both ethnicity and race. Fo he basis of visual observatio	monitor the lender's compliance with equal credit opportunity, fair w provides that a lender may not discriminate either on the basi for race, you may check more than one designation. If you do no ion and surname if you have made this application in person. If you ures satisfy all requirements to which the lender is subject under a	is of this ot furnish ou do not
BORROW ER	I do not wish to furnis	sh this information.	CO-BORROWER [I do not wish to furnish this information.	
Ethnicity:	Hispanic or Latino	Not Hispanic or Latino	Ethnicity:	Hispanic or Latino Not Hispanic or Latino	
Race:	American Indian or Alaska Native	Asian Black or African American	Race:	American Indian or Alaska Native Asian Black or African A	merican
	Native Haw aiian or Other Pacific Islander	White		Native Haw aiian or Other Pacific Islander White	
Sex:	Female	Male	Sex:	Female Male	
To be Complet	ed by Loan Originator:				
This information	was provided:	In a face-to-face interview	ceil By the applicant and $:$	submitted by fax or mail	
		In a telephone interview	By the applicant and	submitted via e-mail or the Internet	

Is the GMI completed correctly for this loan?

		X. INFORMATION F	OR GOVERNMENT MONITO	RING PURPOSES	}	
and home mortgage information, or on v ethnicity, race, or s w ish to furnish the	e disclosure laws. You are no whether you choose to furnis ex, under Federal regulations,	ot required to furnish this informat h it. If you furnish the information, this lender is required to note the i box below. (Lender must review th	of loans related to a dwelling in order ion, but are encouraged to do so. T please provide both ethnicity and ra nformation on the basis of visual obs e above material to assure that the d	he law provides that a ace. For race, you may servation and surname i	lender may not discrimina check more than one desi f you have made this applic	ate either on the basis of this gnation. If you do not furnish cation in person. If you do not
BORROW ER	I do not wish to furn	ish this information.	CO-BORROW	ER I do not wi	sh to furnish this informatio	n.
Ethnicity:	Hispanic or Latino	Not Hispanic or Latino	Ethnicity:	Hispanic or	Latino Not Hispa	anic or Latino
Race:	American Indian or Alaska Native Native Haw aiian or Other Pacific Islande	Asian Afr	ck or ican American Race:	A merican I Alaska Nat Native Haw Other Pacif	ndian or Asian	Black or African American
Sex:	Female	Male	Sex:	Female	Male	
To be Complet	ed by Loan Originator	:				
This information	was provided:	In a face-to-face interv	riew By the applicant	and submitted by	fax or mail	
		In a telephone intervie	w By the applicant	and submitted via	e-mail or the Internet	

- Taken by phone: ethnicity is blank.
- Either loan officer did not complete it, or borrower indicated they did not wish to provide
- Either check off "I do not wish to provide" or have loan officer correct the application

	X. INFORMATION FOR GOVERN	MENT MONITORIN	G PURPOSES					
The following information is requested by the Federal Government for certain types of loans related to a dwelling in order to monitor the lender's compliance with equal credit opportunity, fair housing and home mortgage disclosure laws. You are not required to furnish this information, but are encouraged to do so. The law provides that a lender may not discriminate either on the basis of this information, or on whether you choose to furnish it. If you furnish the information, please provide both ethnicity and race. For race, you may check more than one designation. If you do not furnish ethnicity, race, or sex, under Federal regulations, this lender is required to note the information on the basis of visual observation and surname if you have made this application in person. If you do not wish to furnish the information, please check the box below. (Lender must review the above material to assure that the disclosures satisfy all requirements to which the lender is subject under applicable state law for the particular type of loan applied for.)								
BORROW ER I do not wish to fur	nish this information.	CO-BORROW ER	I do not wish to furnish this information.					
Ethnicity: Hispanic or Latino	Not Hispanic or Latino	Ethnicity:	Hispanic or Latino Not Hispanic or Latino					
Race: American Indian or Alaska Native Native Haw aiian or Other Pacific Island	African American	Race:	American Indian or Alaska Native Asian Black or African American Native Haw aiian or Other Pacific Islander White					
Sex: Female	Male	Sex:	Female Male					
To be Completed by Loan Originato	r:							
This information was provided:	In a face-to-face interview	By the applicant and	submitted by fax or mail					
	In a telephone interview	By the applicant and	submitted via e-mail or the Internet					

Is the GMI completed correctly for this loan?

	X. INFORMATION FOR GOVERN	IMENT MONITO	RING PURPOSES
and home mortga information, or or ethnicity, race, or w ish to furnish th	ormation is requested by the Federal Government for certain types of loans related age disclosure laws. You are not required to furnish this information, but are end in whether you choose to furnish it. If you furnish the information, please provide sex, under Federal regulations, this lender is required to note the information on the information, please check the box below. (Lender must review the above material particular type of loan applied for.)	couraged to do so. Th both ethnicity and rac he basis of visual obse	he law provides that a lender may not discriminate either on the basis of this ace. For race, you may check more than one designation. If you do not furnisl ervation and surname if you have made this application in person. If you do no
BORROW ER	I do not wish to furnish this information.	CO-BORROW E	ER I do not wish to furnish this information.
Ethnicity:	Hispanic or Latino Not Hispanic or Latino	Ethnicity:	Hispanic or Latino Not Hispanic or Latino
Race:	American Indian or Alaska Native Asian African American Native Haw aiian or Other Pacific Islander White	Race:	American Indian or Alaska Native Asian African American Native Haw aiian or Other Pacific Islander White
Sex:	Female Male	Sex:	Female Male
To be Comple	eted by Loan Originator:	-	
This informatio	n was provided: In a face-to-face interview	☐ By the applicant	and submitted by fax or mail
	In a telephone interview	Dy the emplicant	and submitted via e-mail or the Internet

- Method of taking application is blank, cannot verify if GMI was collected correctly
- If application was face to face, information should be noted by visual observation

		X. INFORMATION FOR GOVERN	MENT MONITORING	PURPOSES	
and home mortga information, or on ethnicity, race, or w ish to furnish the	ge disclosure laws. You are not whether you choose to furnish sex, under Federal regulations, t	leral Government for certain types of loans related trequired to furnish this information, but are encorned it. If you furnish the information, please provided this lender is required to note the information on the box below. (Lender must review the above materials.)	ouraged to do so. The law both ethnicity and race. Fo le basis of visual observatio	provides that a lender may r race, you may check more on and surname if you have	not discriminate either on the basis of thi e than one designation. If you do not furnis made this application in person. If you do no
BORROW ER	I do not wish to furnis	·	CO-BORROWER	I do not wish to furnish	n this information.
Ethnicity:	Hispanic or Latino	Not Hispanic or Latino	Ethnicity:	Hispanic or Latino	Not Hispanic or Latino
Race:	American Indian or Alaska Native Native Haw aiian or Other Pacific Islander	Asian Black or African American	Race:	American Indian or Alaska Native Native Haw aiian or Other Pacific Islander	Asian Black or African American
Sex:	Female	Male	Sex:	Female	Male
To be Comple	eted by Loan Originator:				
This informatio	n was provided:	In a face-to-face interview	By the applicant and s	submitted by fax or mai	I
		In a telephone interview	l <u> </u>	submitted via e-mail or t	

is the Givil completed correctly for this loan?

	X. INFORMATION FOR GOVERNA	IENT MONITORIN	G PURPOSES
and home mortgage information, or on w ethnicity, race, or se w ish to furnish the in	nation is requested by the Federal Government for certain types of loans related to disclosure laws. You are not required to furnish this information, but are encounted to hether you choose to furnish it. If you furnish the information, please provide be ex, under Federal regulations, this lender is required to note the information on the information, please check the box below. (Lender must review the above material toticular type of loan applied for.)	uraged to do so. The law oth ethnicity and race. F basis of visual observat	w provides that a lender may not discriminate either on the basis of this For race, you may check more than one designation. If you do not furnish ion and surname if you have made this application in person. If you do not
BORROW ER	I do not wish to furnish this information.	CO-BORROWER	I do not wish to furnish this information.
Ethnicity:	Hispanic or Latino Not Hispanic or Latino	Ethnicity:	Hispanic or Latino Not Hispanic or Latino
Race:	American Indian or Alaska Native Asian Black or African American Native Haw aiian or Other Pacific Islander White	Race:	American Indian or Alaska Native Asian African American Native Haw aiian or Other Pacific Islander White
Sex:	Female Male	Sex:	Female Male
To be Complete	ed by Loan Originator:		
This information			submitted by fax or mail submitted via e-mail or the Internet
•	Nothing is wrong with this. Borrower of	completed it	;, so do not change it.
•	Ethnicity would be "Not Provided"		
	Report multiple races		

Data Integrity Challenges with Commercial Loans

Loan Purpose

- A refinance is a new obligation that satisfies and replaces an existing obligation by the same borrower
- The existing obligation must be secured by a dwelling
- Cash out to pay down debt is not considered a refinance
- To use home improvement, the proceeds must be used FOR the home improvement, not to replenish cash
- Partially constructed homes: are they purchase or home improvement? Rule of thumb: cannot improve a dwelling that does not exist yet.

Data Integrity Challenges with Commercial Loans

Odds and Ends

- For multi-family properties, 5+ units, the owner occupancy code can be actual occupancy or 3.
- Report NA for income if any of the applicants are not individuals AND/OR if the property is a multi-family (5+ units)

Best Practices for Commercial HMDA

Develop written procedures JUST for Commercial Loans

Detail for each HMDA field, for example:

HMDA Field	Detail	Source Document
Income	Gross Annual Rounded	For originated and approved loans: use Loan Summary For all other loans use cash flow worksheet
Action Taken Date	Can enter guidance for each action taken type	For originated loans, use closing date For approved not accepted loans, use date of Loan Committee approval on the Loan Summary sheet Etc.

Best Practices for Commercial HMDA

Non-made Loans

- " Maintain complete files for cancelled loans
- " Should have database for loan activity
- " Where are these files now?
- " Are the action taken dates documented?

Best Practices for Commercial HMDA

- Consider a sub-HMDA file source documents for each loan
- Supplement written HMDA Procedures with FAQs /Frequently Ask Questions for commercial lending staff with specific examples.
- Remember to test Data Integrity quarterly!!

Questions?

Thank You!

A Lender refinances a blanket loan secured by a 3-family property and a 4-family property. What property type should be reported on the LAR?

- 1. Code 1 for 1-4 Family
- 2. Code 3 for Multi-Family

Question #2

A dentist purchases a 2 family dwelling to convert to office space for his dental practice. Is this loan HMDA reportable?

- 1. Yes
- 2. No

A builder gets a construction loan to purchase a single family dwelling, demolish the dwelling and construct a new dwelling to be sold upon completion. Is this HMDA reportable?

- 1. Yes
- 2. No
- 3. Maybe

Question #4

A builder gets a construction loan to purchase vacant land and construct a single family dwelling to be sold upon completion. Is this HMDA reportable?

- 1. Yes
- 2. No
- 3. Maybe

A borrower is refinancing his property which is held in a Trust. The Lender requires the borrower to sign the Note as an individual and also requires the Trustee to sign the Note on behalf of the Trust. The Trust is not on the application and the income was not considered in qualifying. Should the qualifying income be reported on the LAR, or NA?

1. Qualifying Income

2. NA: GRAY AREA!

Question #6

A borrower is refinancing his property which is held in a Trust. The Lender requires the borrower to sign the Note as an individual and also requires the Trustee to sign the Note on behalf of the Trust. The Trust is not on the application and the income was not considered in qualifying. Is the Trust considered a co-borrower for the purposes of reporting GMI?

- 1. Yes
- 2. No

A bank did a cash-out refinance secured by a 1-4 family investment property. Applicants indicated on the application that the cash out funds would be used to pay off a lien secured by the property and to purchase additional investment property in the future. What purpose should be reported on the HMDA LAR?

- 1. Purchase: confirm new property is a dwelling
- 2. Refinance
- 3. Home Improvement

Question #8

An applicant owns a piece of land free and clear. They apply for a construction/permanent loan to finance the construction of the home. What is the loan purpose?

- 1. Purchase
- 2. Home Improvement
- 3. Refinance

An applicant owns a piece of land with a foundation and a partially built home. They apply for a construction/permanent loan to finance the completion of the home. They are paying off a construction/permanent loan that was still in the construction phase. What is the loan purpose?

- 1. Purchase
- 2. Home Improvement
- 3. Refinance

Question #10

A bank makes a construction permanent loan to purchase a piece of property that has a dwelling on it. The borrower intends to raze the dwelling and build an office building on the site. Is this loan HMDA reportable?

- 1. Yes
- 2. No
- 3. Maybe

A builder is purchasing a 6 unit apartment building and converting it into 6 condominium units. How should the bank report the property type?

Code 1: 1-4 family
 Code 3: Multi-family

Question #12

A conditional loan approval expires on 4/3/2016. The borrower withdraws the loan on 4/25/2016. What action taken type should be used?

- 1. Application withdrawn
- 2. Application Approved Not Accepted
- 3. Application Incomplete: Gray Area

A lender issues a commitment letter stating that the application is approved subject to receipt of an appraisal for a specified amount. The customer asks that the application be withdrawn before the appraisal is received. What action taken should be reported?

- 1. Application Approved But Not Accepted
- 2. Application Denied
- 3. Application Withdrawn
- 4. File Closed for Incompleteness

Question #14

A lender issues a commitment letter stating that the application is approved subject to receipt of an appraisal for a specified amount. The customer does not respond. What action taken should be reported?

- 1. Application Approved But Not Accepted
- 2. Application Denied
- 3. Application Withdrawn
- 4. File Closed for Incompleteness: make sure letter has sufficient language to indicate loan will be cancelled if no response

A commercial loan request is made for \$1,500,000. The Loan Committee approves the request for \$1,100,000. The applicant withdraws the loan prior to closing. What action type should be reported?

- 1. Application Approved But Not Accepted
- 2. Application Denied
- 3. Application Withdrawn
- 4. File Closed for Incompleteness

Question #16

An applicant applies for a mortgage to purchase a property for investment. The bank issues an approval subject to an appraisal with an LTV of 75% or less. The appraisal comes in low and the applicant attempts to renegotiate with the seller. However, the seller will not come down low enough and the applicant subsequently notifies the bank that they wish to withdraw their request. What action taken type should be reported on the LAR?

- 1. Expressly Withdrawn
- 2. Approved Not Accepted
- 3. Denied
- 4. Incomplete

A Lender increases the interest rate and/or loan fees due to loan terms that have changed during the process, such as LTV, ratios or credit score. Does this constitute a counteroffer?

- 1. Yes
- 2. No

Question #18

A builder owns land with a single family dwelling on it. He obtains a construction/permanent loan to finance the demolition of the dwelling and construction of a 38 unit apartment building. What is the purpose of this loan?

- 1. Home Purchase
- 2. Home Improvement

Refinance

A builder owns land with a single family dwelling on it. He obtains a construction/permanent loan to finance the demolition of the dwelling and construction of a 38 unit apartment building. What is the property type for this loan?

- 1. 1-4 family dwelling
- 2. Multi-family dwelling