

Regulators Issue Examination Guidance for New HMDA Requirements

October 25, 2017

Federal regulators have issued important guidance on how they will examine financial institutions under the revised Home Mortgage Disclosure Act (“HMDA”) requirements that take effect on January 1, 2018. The guidance includes HMDA Examiner Transaction Testing Guidelines (the “Guidelines”) and Designated Key HMDA Data Fields (the “Key HMDA Data Fields”).

Regulation C, the regulation that implements HMDA, has been amended to significantly change the collection and reporting requirements for covered dwelling-secured loans. The Regulation C amendments were issued in October 2015, with most of its provisions taking effect on January 1, 2018. With the effective date approaching, regulators have now begun issuing guidance on how they will determine whether financial institutions are complying with the new requirements.

HMDA Examiner Transaction Testing Guidelines

The Federal Financial Institutions Examination Council (“FFIEC”) has issued the Guidelines to provide a basis for examiners to assess the accuracy of HMDA data that financial institutions record and report. The Guidelines describe how examiners should validate HMDA data and the circumstances under which examiners may direct institutions to correct and resubmit HMDA data.

The Guidelines direct examiners to select a random sample of entries from an institution’s HMDA Loan Application Register (“LAR”), the size of which will depend on the size of the institution’s LAR. Examiners will then verify the accuracy of the entries on an initial set of LAR samples against the corresponding loan files. Any differences that cannot be explained are to be identified as errors. If the number of errors falls below a certain threshold, no further transaction testing is required; however, if the number of errors exceeds the applicable threshold, then examiners must review all LAR entries in the sample files, and depending on the results, the financial institution may be required to resubmit its HMDA data.

The Consumer Financial Protection Bureau, the agency with authority over Regulation C, has noted that the Guidelines include certain provisions intended to reduce the regulatory burden on financial institutions, such as the following:

- Elimination of the file error resubmission threshold under which a financial institution would be directed to correct and resubmit its entire LAR if the total number of sample files with one or more errors equaled or

exceeded a certain threshold;

- Establishment, for the purpose of counting errors toward the field error resubmission threshold, of allowable tolerances for certain data fields;
- A more lenient 10% field error resubmission threshold for financial institutions with LAR counts of 100 or less.

The Guidelines may be obtained [here](#).

Key HMDA Data Fields

Separate-but related-guidance on how regulators will examine banks for compliance with the new HMDA requirements is the Key HMDA Data Fields. Issued jointly by the FDIC, OCC and the Federal Reserve Board on October 17, 2017, the Key HMDA Data Fields identify and designate 37 specific HMDA data fields which will be the primary focus of examiners in connection with the new HMDA requirements.

The Key HMDA Data Fields identified by the three agencies include: the universal loan identifier; application date; loan type; loan purpose; occupancy type; loan amount; action taken; action taken date; census tract; the ethnicity, race, sex, age and credit score of the applicant/borrower and the first co-applicant/co-borrower; lien status; income; certain fields for loans subject to Regulation Z; debt-to-income ratio; combined, loan-to-value ratio; loan term; property value; and total units.

Although examiners will focus on the Key HMDA Data Fields, the agencies have noted that in certain circumstances examiners may determine that it is necessary to review additional HMDA data fields, as appropriate.

The Key HMDA Data Fields may be obtained [here](#).

Further Information

Please note that this advisory is a general overview of the Guidelines and Key HMDA Data Fields and is not intended as a comprehensive explanation of those documents or as formal legal advice. If you have any questions regarding HMDA, Regulation C or mortgage compliance issues in general, please feel free to contact Joseph D. Simon at 516-357-3710 or via email at jsimon@cullenanddykman.com, Kevin Patterson at 516-296-9196 or via email at kpatterson@cullenanddykman.com, or Mandy Xu at 516-357-3850 or via email at mxu@cullenanddykman.com.

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