Home Mortgage Disclosure Act

Introduction[1]

The Home Mortgage Disclosure Act (HMDA) was enacted by the Congress in 1975 and is implemented by the Consumer Financial Protection Bureau (Bureau)Regulation C, Home Mortgage Disclosure, 12 CFR Part 1003 (Regulation C). The period of 1988 through 1992 saw substantial changes to HMDA. Especially significant were the amendments to the act resulting from the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA). Coverage was expanded in the FIRREA amendments to include many independent non-depository mortgage lenders, in addition to the previously covered banks, savings associations, and credit unions. Coverage of independent mortgage bankers was further expanded effective January 1, 1993, with the implementation of amendments contained in the Federal Deposit Insurance Corporation Improvement Act of 1991 (FDICIA). For a more detailed discussion of the history of HMDA, *see* the Federal Financial Institutions Examination Council's (FFIEC's) web site at www.ffiec.gov/hmda/history2.htm.

HMDA grew out of public concern over credit shortages in certain urban neighborhoods. The Congress believed that some financial institutions had contributed to the decline of some geographic areas by their failure to provide adequate home financing to qualified applicants on reasonable terms and conditions. Thus, one purpose of HMDA and Regulation C is to provide the public with information that will help show whether financial institutions are serving the housing credit needs of the neighborhoods and communities in which they are located. A second purpose is to aid public officials in targeting public investments from the private sector to areas where they are needed. Finally, the FIRREA amendments of 1989 require the collection and disclosure of data about applicant and borrower characteristics to assist in identifying possible discriminatory lending patterns and enforcing anti-discrimination statutes.

As the name implies, HMDA is a disclosure law that relies upon public scrutiny for its effectiveness. It does not prohibit any specific activity of lenders, and it does not establish a quota system of mortgage loans to be made in any Metropolitan Statistical Area (MSA)[2] or other geographic area as defined by the Office of Management and Budget.

Financial institutions must report data regarding loan originations, applications, and loan purchases, as well as requests under a pre-approval program (as defined in §1003.2) if the pre-approval request is denied or results in the origination of a home purchase loan. HMDA requires lenders to report the ethnicity, race, gender, and gross income of mortgage applicants and borrowers. Lenders must also report information regarding the pricing of the loan and whether the loan is subject to the Home Ownership and Equity Protection Act, 15 USC 1639. Additionally, lenders must identify the type of purchaser for mortgage loans that they sell. Some lenders have the option of indicating the reasons for their decisions to deny a loan application. (Lenders regulated by the Office of the Comptroller of the Currency (OCC) must indicate the reasons for denial.)

Regulation C requires institutions to report lending data to their supervisory agencies on a loan-by-loan and application-by-application basis by way of a "register" reporting format. The supervisory agencies, through the Federal Financial Institutions Examination Council (FFIEC), compile this information in the form of individual disclosure statements for each institution, and in the form of aggregate reports for all covered institutions within each MSA. In addition, the FFIEC produces other aggregate reports that show lending patterns by median age of homes and by the central city or non-central city location of the property. The public may obtain the individual disclosures and aggregate reports from the FFIEC or from central depositories located in each MSA. Individual disclosure statements may also be obtained from financial institutions.

Applicability

The regulation covers two categories of financial institutions. The first category is a "depository institution," which the regulation defines as a bank, savings association, or a credit union that meets the following criteria:

- on the preceding December 31, had assets in <u>excess</u> of the annually published asset threshold; [3]

Asset Threshold Date	$ Threshold of Total Depository Institution Assets
December 31, 2016	$44 million
December 31, 2015	$44 million
December 31, 2014	$44 million

(FFIEC website)

1 These procedures for use in connection with covered loans and applications with respect to which final action is taken before January 1, 2018.

2 The institution may or may not have a physical presence in the MSA per §1003.2(2) of Regulation C.

3 This chart reflects asset threshold information through 2017. The asset threshold for 2018, based on an asset threshold date of December 31, 2017, is $45 million. Other applicability provisions of Regulation C changes effective January 1, 2018.

- on the preceding December 31, had a home or branch office in an MSA;
- in the preceding calendar year, originated at least one first-lien home purchase loan (or a refinancing of such loan) on a one-to-four-family dwelling; and
- meets one of the following criteria: (1) the institution is federally insured or regulated; (2) the mortgage loan referred to is federally guaranteed, insured, or supplemented; or (3) the institution intended to sell the loan to Fannie Mae or Freddie Mac.

The second category is a for-profit, non-depository "mortgage lending institution." A non-depository mortgage lending institution is covered if:

- in the preceding calendar year, it originated home purchase loans (including refinancings of home purchase loans) that either: (1) equaled ten percent or more of its loan origination volume, measured in dollars; or (2) equaled $25 million or more;
- on the preceding December 31, had a home or branch office in an MSA[4], or (2) receive applications for, originate, or purchase five or more home purchase loans, home improvement loans, or refinancings on property located in an MSA in the preceding calendar year; and
- either: (1) on the preceding December 31, had total assets of more than $10 million, counting the assets of any parent corporation; or (2) in the preceding calendar year, originated at least 100 home purchase loans, or refinancings of home purchase loans.

For purposes of this discussion and the examiner procedures, the term "financial institution" will signify both a depository and a non-depository institution.

The definition of mortgage lending institution applies to majority-owned mortgage lending subsidiaries of depository institutions and, since 1990, to independent mortgage companies. Mortgage lending subsidiaries of bank and savings and loan holding companies, as well as savings and loan service corporations, have been covered by HMDA since 1988. Mortgage lending subsidiaries are treated as distinct entities from their "parent," and must file separate reports with their parent's supervisory agency.

The Bureau may exempt from Regulation C state-chartered or state-licensed financial institutions if they are covered by a substantially similar state law that contains adequate provision for enforcement by the state. As of January 1, 2009, no exemptions are in effect.

4 In the case of an MSA divided into Metropolitan Divisions (MDs), the relevant unit for this purpose is the MD.

Compilation of Loan Data

For each calendar year, a financial institution must report data regarding its applications, originations, and purchases of home purchase loans, home improvement loans, and refinancings. Loans secured by real estate that are neither refinancings nor made for home purchase or home improvement are not reported. Data must also be given for loan applications that did not result in originations: applications approved by the institution but not accepted by the applicant, denied, withdrawn, and or closed for incompleteness. Required reporting also includes certain denials of requests for pre-approval of a home purchase loan under a program in which a lender issues a written commitment to lend to a creditworthy borrower up to a specific amount for a specific time.

Loan Information

For each application or loan, institutions are required to identify the purpose (home purchase, home improvement, or refinancing), lien status, and whether the property relating to the loan or loan application is to be owner-occupied as a principal dwelling. As defined by Regulation C, a home purchase loan is a loan secured by a dwelling and made for the purpose of purchasing that (or another) dwelling. A dwelling is a residential structure that may or may not be attached to real property, located in a state, the District of Columbia or the Commonwealth of Puerto Rico. It includes an individual condominium or cooperative units, a mobile or manufactured home, and a multifamily structure such as an apartment building. A home improvement loan is defined by the regulation as one that is at least in part for the purpose of repairing, rehabilitating, remodeling or improving a dwelling or the real property on which the dwelling is located. Home improvement loans may be secured or unsecured. Home improvement loans not secured by a dwelling should be reported only if the institution classifies the loan as a home improvement loan; dwelling secured home improvement loans should be reported without regard to classification. Finally, a refinancing is defined as a transaction in which a new obligation satisfies and replaces an existing obligation by the same borrower. For coverage purposes (i.e., to determine whether or not an institution is covered by the rule HMDA), the existing obligation must be a home purchase loan and both the new and existing obligation must be secured by first liens on dwellings. For reporting purposes, both the existing obligation and the new obligations must be secured by liens on dwellings.

In addition, the regulation requires financial institutions to report data so as to identify the following general loan types: conventional, FHA-insured, VA-guaranteed, and FSA/ RHS guaranteed. Institutions must report the property type as a one-to-four family dwelling, multifamily dwelling, or manufactured housing. The amount of the loan or loan application, application date, action date, and the type of action taken must also be reported.

Property Location

Certain geographic location information must be reported by financial institutions for loans on, and applications for, properties in any MSA where the institution has a home or branch office.[5] This geographic data is optional for loans on properties located outside these MSAs or outside any MSA, except in the case of large financial institutions subject to additional data reporting requirements under the Community Reinvestment Act (CRA). The geographic information consists of the MSA or MD number, state and county codes, and the census tract number of the property to which the loan or loan application relates.

Large institutions subject to both the CRA and HMDA must collect and report geographic information for all loans and applications (whether located in an MSA or not), not just for loans and applications relating to property in MSAs where the institution has a home or branch office. Under the CRA, a large institution is a bank or savings association that has assets of $1 billion or more; however, this definition threshold is adjusted annually.[6]

Applicant Information

In addition, institutions must report data regarding the ethnicity, race, sex, and annual income of applicants for applications and originated loans; reporting these data is optional for purchased loans. Information regarding the ethnicity, race, and the sex of the borrower or applicant must be requested by the lender, including applications made entirely by telephone, mail, or Internet. If the information is not provided by the applicant and if the application is submitted in person, the lender is required to note the information on the basis of visual observation or surname. Regulation C contains a model form that can be used for the collection of data on ethnicity, race, and sex. Alternatively, the form used to obtain monitoring information under 12 CFR §1002.13 of the Bureau Regulation B (Equal Credit Opportunity) may be used.

If an institution originates or purchases a loan and then sells it in the same calendar year, it must report the type of entity that purchased the loan. Except in the case of large secondary market purchasers, such as Fannie Mae and Freddie Mac, the exact purchaser need not be identified. For example, an institution may indicate that it had sold a loan to a bank, without identifying the particular bank.

Pricing-Related Data

Institutions must report the rate spread between the annual percentage rate (APR) and the average prime offer rate for a comparable transaction as of the date the interest rate is set, if the spread is equal to or greater than 1.5 percentage points for first-lien loans, or equal to or greater than 3.5 percentage points for subordinate-lien loans.[7] The rate-spread reporting is required only on originations of home purchase loans, dwelling-secured home improvement loans, and refinancings. The following are excluded from the rate-spread reporting requirement: (1) applications that are incomplete, withdrawn, denied, or approved but not accepted; (2) purchased loans; (3) home-improvement loans not secured by any dwelling; (4) assumptions; (5) home equity lines of credit; and (6) loans not subject to Regulation Z. To determine the applicable Treasury rate spread, the financial institution must use the table published on the FFIEC's Web site (http://www.ffiec.gov/ratespread/aportables.htm) entitled "Average Prime Offer Rates Tables." The FFIEC also provides two "Rate Spread Calculators." If the loan application date is before October 1, 2009, and the action taken date is before January 1, 2010, use the old calculator. For loans with action taken dates of January 1, 2010, or later, use the "FFIEC Rate Spread Calculator."

Lenders must also report whether the loan is subject to the Home Ownership and Equity Protection Act (HOEPA), 15 USC 1639. A loan becomes subject to HOEPA when the APR or the points and fees on the loan exceed the HOEPA triggers. (Additional information on HOEPA coverage is found in the Truth in Lending Act and HOEPA examination procedures.)

Lenders must also report the lien status of the loan or application (first-lien, subordinate lien, or not secured by a lien on a dwelling).

Optional Data

Finally, financial institutions supervised by the Federal Reserve or FDIC may, at their option, report the reasons for denying a loan application. Financial institutions regulated by the OCC, including subsidiaries of national banks and savings

5 In a county with less than 30,000 in population, the institution may enter NA.

6 The CRA regulations require the federal bank regulatory agencies to adjust the thresholds used to define asset-size classifications. The agencies publish adjustments in the Federal Register. In addition, the agencies post a list of the current and historical asset-size thresholds on the website of the Federal Financial Institutions Examination Council

7 Lenders will use the new rate spread reporting test on loans for which applications are taken on or after October 1, 2009, and for all loans consummated on or after January 1, 2010 (regardless of their application dates). For loans for which applications were taken before October 1, 2009, and that are consummated in 2009, the revised rules do not apply. Lenders will apply the existing rate spread reporting test, using Treasury security yield benchmarks, for those loans. For loans for which applications were taken before October 1, 2009, and that are consummated in 2010 or later, the revised rules apply.

associations, are required to provide reasons for denials. Credit unions regulated by the NCUA are also required to provide reasons for denial. Institutions may also choose to report certain requests for pre-approval that are approved by the institution but not accepted by the applicant and home equity lines of credit made in whole or in part for the purpose of home improvement or home purchase.

Excluded Data

A financial institution should not report loan data for:

- loans originated or purchased by the institution acting as trustee or in some other fiduciary capacity;
- loans on unimproved land;
- temporary financing (such as bridge or construction loans);
- the purchase of an interest in a pool of loans (such as mortgage-participation certificates);
- the purchase of mortgage loan servicing rights; or
- loans acquired as part of a merger or acquisition or acquisition of all the assets and liabilities of a branch office.

Reporting Format

Financial institutions are required to record data regarding each application for, and each origination and purchase of, home purchase loans, home improvement loans, and refinancings on a Loan/Application Register, also known as the HMDA-LAR. Financial institutions are also required to record data regarding requests under a pre-approval program (as defined in §1003.2), but only if the pre-approval request is denied or results in the origination of a home purchase loan. Transactions are to be reported for the year in which final action was taken. If a loan application is pending at the end of the calendar year, it will be reported on the HMDA-LAR for the following year, when the final disposition is made. Loans originated or purchased during the calendar year must be reported for the calendar year of origination even if they were subsequently sold.

The HMDA-LAR is accompanied by a listing of codes to be used for each entry on the form. Detailed instructions and guidance on the requirements for the register are contained in Appendix A to Regulation C. Additional information is available in the FFIEC publication, "A Guide to HMDA Reporting, Getting it Right!" and on the FFIEC web site.

Financial institutions must record data on their HMDA-LAR within 30 calendar days of the end of the calendar quarter in which final action was taken. Financial institutions, however, have flexibility in determining how to maintain the HMDA-LAR since the entries need not be grouped in any prescribed fashion. For example, an institution could record home purchase loans on one HMDA-LAR and home improvement loans on another; alternatively, both types of loans could be reported on one register. Similarly, separate registers may be kept at each branch office, or a single register may be maintained at a centralized location for the entire institution. These separate registers must be combined into one consolidated register when submitted to the relevant supervisory agencies.

For each calendar year, a financial institution must submit to its supervisory agency its HMDA-LAR, accompanied by a Transmittal Sheet. Unless it has 25 or fewer reportable transactions, an institution is required to submit its data in automated form. For registers submitted in paper form, two copies identifying the institution's supervisory agency must be mailed to the Federal Reserve. For both automated and hard-copy submissions, the layout of the register that is used must conform exactly to that of the register published by the Bureau as Appendix A to Regulation C.

The HMDA-LAR must be submitted to the Federal Reserve and reference the financial institution's regulatory agency by March 1 following the calendar year covered by the data. The FFIEC then will produce a disclosure statement for each institution, cross-tabulating the individual loan data in various groupings, as well as an aggregate report for each MSA. The FFIEC posts these disclosure statements at www.ffiec.gov/hmda. The disclosure statements are no longer mailed to the financial institutions.

Disclosure

As the result of amendments to HMDA incorporated within the Housing and Community Development Act of 1992, an institution must make its disclosure statement available to the public at its home office within three business days after it is posted on the FFIEC website. An institution must also either (1) make its disclosure statement available to the public in at least one branch office in each additional MSA or MD where it has offices within ten business days of its posting on the FFIEC website, or (2) post the address for requests in each branch office in each additional MSA or MD where it has offices, and send the disclosure statement within 15 calendar days after receiving a written request.

Also, an institution must make its loan application register available to the public after deleting the following fields which specifically identify a loan: application or loan number, date application received, and date of action taken. These deletions/modifications are required to protect the privacy interests of applicants and borrowers. The modified HMDA-LAR for a given year must be publicly available for the previous calendar year by March 31 of the following year for requests received on or before March 1, and within 30 days for requests received after March 1.

The FFIEC also produces aggregate tables to illustrate the lending activity of all covered financial institutions in each MSA or MD. These tables, and the individual disclosure statements are available on the FFIEC website, http://www.ffiec.gov/hmdaadwebreport/DisWelcome.aspx and through central data depositories, such as libraries, in each MSA or MD. A list of these depositories is also available on the FFIEC website.

A financial institution must retain its full (unmodified) HMDA-LAR for at least three years for examination purposes. It must also be prepared to make each modified HMDA-LAR available for three years and each FFIEC disclosure statement available for five years. Institutions may impose reasonable fees for costs incurred in providing or producing the data for public release.

Finally, institutions must post a notice at their home office and at each branch in an MSA, to advise the public of the availability of the disclosure statements.

Enforcement

As set forth in §305 of HMDA (12 USC 2804), compliance with the act and regulation is enforced by the OCC, the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the National Credit Union Administration, the Bureau, and the U.S. Department of Housing and Urban Development. Administrative sanctions, including civil money penalties, may be imposed by the supervisory agencies.

An error in compiling or recording loan data is not a violation of the act or the regulation if it was unintentional and occurred despite the maintenance of procedures reasonably adopted to avoid such errors.

Examination Objectives

1. To appraise the quality of the financial institution's compliance management system to ensure compliance with the Home Mortgage Disclosure Act and Regulation C.
2. To determine the reliance that can be placed on the financial institution's compliance risk management system, including internal controls, policies, procedures, and compliance review and audit functions for the Home Mortgage Disclosure Act and Regulation C.
3. To determine the accuracy and timeliness of the financial institution's submitted HMDA-LAR.
4. To initiate corrective action when policies or internal controls are deficient, or when violations of law or regulation are identified.

Examination Procedures[8]

A. Initial Procedures

Depository Institutions

1. Determine whether the depository institution is subject to the requirements of HMDA and Regulation C by determining if the regulatory criteria addressed in §1003.2, Financial institution, (1)(i) - §1003.2 , Financial institution, (1)(iv) are met.

Non-depository Institutions

2. Determine whether the depository institution has a majority- owned mortgage subsidiary that meets relevant criteria contained in §1003.2 , Financial institution ,(2)(i) – §1003.2 , Financial institution, (2)(iii). If all relevant criteria are met, then the subsidiary is subject to the requirements of HMDA and Regulation C.
3. Determine whether there were any mergers or acquisitions since January 1 of the preceding calendar year.
    a. 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.

NOTE: If HMDA and Regulation C are applicable, then the following examination procedures should be performed separately for the depository institution and any of its majority-owned mortgage subsidiaries. Complete a separate checklist for each institution subject to HMDA and Regulation C. Also, when determining whether a financial institution is subject to HMDA, the examiner should remain cognizant of any newly created MSAs and changes in MSA boundaries, including counties which may have been added or deleted from an MSA, thus causing a financial institution either to become a new HMDA reporter or no longer be a HMDA reporter. Refer to the FFIEC's web site and to the booklet, "A Guide to HMDA Reporting, Getting It Right!" This can be a source of reference, as it lists counties in an MSA by state.

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

[8] These reflect the interagency examination procedures in their entirety.

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 has adopted and implemented comprehensive procedures to ensure adequate compilation of home mortgage disclosure information in accordance with §1003.4(a)-(e).

During the review of the financial institution's system for maintaining compliance with HMDA and Regulation C obtain and review policies and procedures along with any applicable audit and compliance program materials to determine whether:

1. Policies and procedures and 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 include a reasonable amount of transactional analysis, written reports that detail findings and recommendations for corrective actions.
4. Internal reviews include any regulatory changes that may have occurred since the prior examination.
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 pre-approvals, whether the institution's pre-approval 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 pre-approval requests that are approved or denied in accordance with the regulation.
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.
8. Whether the institution established a method for determining and reporting the lien status for all originated loans and applications.
9. 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.
10. 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.

11. 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.
12. Whether the HMDA-LAR is updated within 30 days after the end of each calendar quarter.
13. 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.
14. 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.
15. 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.
16. What procedures the institution has put in place to comply with the requirement to submit data in machine-readable form and whether the institution has some mechanism in place to ensure the accuracy of the data that are submitted in machine-readable form.
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 familiar with the disclosure statements that will be produced from the data.
19. 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.
20. Whether the financial institution's loan officers are aware that correction and resubmission of erroneous data may be required when data are incorrectly reported.

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. (See HMDA Validation Procedures)

E. Disclosure and Reporting

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.

      NOTE: Financial institutions that report twenty-five or fewer entries on their HMDA-LAR may collect and report HMDA data in a paper form. Any financial institution opting to submit its data in such a manner must send two copies that are typed or computer printed. They must use the format of the HMDA-LAR, but need not use the form itself.

   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.

   c. Either (1) makes its FFIEC disclosure statement available to the public in at least one branch office in each additional metropolitan area MSA or MD where the financial institution has offices within ten business days after receiving the disclosure statement from the FFIEC; or (2) posts the address for sending written requests for the disclosure statement in the lobby of each branch office in additional MSAs or MDs where the institution has offices and mails or delivers a copy of the disclosure statement within 15 calendar days of receiving the written request.

   d. Makes its modified HMDA-LAR (loan application number, date application received, and date action taken excluded from the data) available to the public by March 31 for requests received on or before March 1, and within 30 days for requests received after March 1.

   e. Maintains its modified HMDA-LAR for 3 years and its disclosure statement for 5 years, and has policies and procedures to ensure its modified HMDA-LAR and disclosure statement are available to the public during those terms.

   f. Makes available the modified HMDA-LAR and disclosure statement for inspection and copying during the hours the office is normally open to the public for business. If it imposes a fee for costs incurred in providing or reproducing the data, the fee is reasonable.

   g. 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.

   h. Provides promptly upon request the location of the institution's offices where the statement is available for inspection and copying, or includes the location in the lobby notice.

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. (Appendix A) Note: If the HMDA-LAR was submitted via the Internet, this signature should be retained on file at the institution.
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.

   NOTE: Significant errors should be corrected and resubmitted to:

   Federal Reserve Board
   Attention: FDIC HMDA Processing
   20th and Constitution Avenue, NW
   MS N402
   Washington, DC, 20551-0001

   (202) 452-2016 (HMDA Assistance Line)

   Adequate notation of errors and omissions should be made on all records currently available to the public. Financial institution controls should be revised and corrected to prevent recurrence. The institution should review 1-3 years of HMDA-LAR data to correct significant inaccuracies.

5. Determine if the financial institution has the necessary tools to compile the geographic information.
   a. Determine if the financial institution uses the , the Census Bureau's 2000 Census Tract Outline Maps, LandView 5 equivalent materials available from the Census Bureau or from a private publisher, 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. For example, if the financial institution usually uses property appraisals to determine census tract numbers, it must have procedures to obtain this information if an appraisal is not received; such as in cases where a loan application is denied before an appraisal is made.
   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 "FIPS PUB 8-6, Metropolitan Statistical Areas" (as updated periodically), or "A Guide to HMDA Reporting, Getting it Right!"
6. For banks and savings associations required to report data on small-business, small-farm, and community development lending under the CRA, verify that they also collect accurate data on property located outside metropolitan areas MSAs or MDs in which the institution has a home or branch office, or outside any metropolitan area MSAs or MDs.

HMDA Validation Procedures

A. Purpose and Scope of Review

Purpose of HMDA Validation

The financial regulatory agencies rely on HMDA data reported by financial institutions to conduct fair lending and Community Reinvestment Act (CRA) examinations for all HMDA reporters. Each agency relies on the data provided by the examined institution and on aggregate data provided by all institutions. Moreover, HMDA disclosures provide the public with information on the home mortgage lending activities of particular reporting entities and on activity in their community. These disclosures are used by community organizations to monitor institution performance and by local, state or federal officials to evaluate housing trends and issues. Because HMDA data serve these important purposes, HMDA validation is essential to the FDIC's responsibilities for promoting fair lending, encouraging community investment as well as for ensuring compliance with the Home Mortgage Disclosure Act.

Objectives of Validation Procedures

These procedures provide examiners details on FDIC requirements for HMDA validation and elaborate on, but do not replace, the Interagency Examination Procedures for the Home Mortgage Disclosure Act. The objectives of these procedures are primarily to:

- validate whether the institution has controls reasonably designed to ensure the Loan Application Register (LAR) is complete and reportable loans are not omitted, given the size and complexity of its mortgage business;
- validate whether all reportable loans are on the filed LAR;
- validate whether the data fields on the LAR are accurate; and
- determine whether the LAR is reported in a timely manner.

Timing of Validation

HMDA reporters with LAR entries in excess of 500 LAR lines are considered to be significantly involved in the mortgage business and the data they report may have a more significant impact on the aggregate data and/or our examination findings, if inaccurate or incomplete. Consequently, HMDA validation testing for these reporters should be conducted in advance of scheduled fair lending and CRA examinations, so that institutions can resolve data errors and the examination can proceed without significant delay. In addition, validation testing for Outlier reviews must also be conducted prior to the start of the onsite review. For all other reporters (those with less than 500 LAR lines), the validation testing will generally occur during the onsite portion of the examination. Validation prior to the onsite review for any reporter is permissible, based upon resources.

Scope of Validation

In general, for each HMDA reporter, the examiner should review the most recent LAR submitted as final and any part-year LAR (for the completed quarters only) that will be used in a fair lending or CRA examination. If validation results reveal the types and levels of violations that require resubmission (for a submitted LAR), the examiner should then consider expanding the review to cover LARs from prior years that will be used to conduct fair lending and/or CRA reviews. The transaction testing approach is tailored to address risks differently for institutions with few mortgage loan applications (a Loan Application Register containing fewer than 100 loan applications) than for institutions with a higher level of mortgage lending activity. Based on the results of the validation and a review of the institution's compliance management system for HMDA, the examiner should determine, in consultation with their Field Supervisor or Supervisory Examiner, whether it is necessary to validate additional LARs submitted since the last examination. These sampling and review procedures are tailored to the size of the mortgage lending activity of the institution and include review approaches and sampling guidance for validating LAR completeness (the omissions review) and LAR data field accuracy. Three key assessments must be completed for each examination:

- Determine whether there are procedures reasonably designed to avoid errors by evaluating the compliance management system for HMDA;
- Determine the completeness of the HMDA data by reviewing and testing management processes and identify applications from a range of sources that may be missing from the LAR in violation of HMDA reporting requirements; and
- Determine LAR accuracy by reviewing the universe of what is reported by the institution on the LAR and assessing whether the data accurately represent the related loan file documentation.

These assessments are further explained below.

Key data fields

The LAR validation procedures focus primary attention on fields identified as "key data fields." These data fields are associated with the evaluation of compliance with fair lending laws and CRA performance. As of the issuance of these procedures, the FDIC has identified the following as key data fields: Loan Type; Loan Purpose; Property Type; Owner Occupancy; Loan Amount; Action Taken; Census Tract; Ethnicity, Race and Sex (for applicant and co-applicant); Income; Type of Purchaser; Rate Spread; Home Ownership and Equity Protection Act ("HOEPA") Status; Lien Status; State; MSA; and County.

B. Assessing the Compliance Management System for HMDA

Review Mortgage Lending Activity, Procedures, Controls and Monitoring. An institution should develop and implement procedures that are reasonably designed to avoid HMDA errors. Examiners should fully consider the adequacy of such procedures when conducting the examination. The scope and focus of a HMDA examination should assess the institution's policies, procedures, monitoring and corrective action processes for ensuring that applications are properly recorded on the LAR and in its records. Also, identify the size of the institution's mortgage lending business and the number of lines on its most recently filed LAR. The review should include:

- Reviews of documented policies, procedures and systems flow charts for identifying reportable loans, capturing loan data, ensuring data accuracy, and assuring system data integrity;
- Reviews of the call report, recently filed LAR(s) and discussions with management to identify the scope and organizational structure of the mortgage lending activities and whether controls are consistent with the size and scope of the business;

- Interviews with management or other relevant personnel such as compliance and loan officers, focusing on how they actually manage and implement the HMDA data collection and reporting process, and whether practices conform to the bank's formal policies and procedures. Particular attention should be paid to identifying the sources for key data elements; and
- Review and validation of the institution's monitoring activities. For example, corrective action on errors found by compliance monitoring or audits should be reviewed.

If deficiencies are noted in the bank's monitoring for completeness and/or accuracy, and errors are identified, examiners should require corrective action to improve the compliance management system. In addition, if the institution fails to record HMDA data on the LAR within 30 days after quarter-end, as required by 12 C.F.R. § 203.4, a violation should be cited and corrective action required.

C. Assessing HMDA LAR Completeness

Data Requests and Approach

Data requests for each compliance examination should be structured to provide the examiner with the information needed to determine the likelihood that reportable loans are being omitted from the LAR. The specific testing approach to evaluate the completeness of the LAR will vary based on the scale, organization, and complexity of the institution's mortgage business as well as its compliance practices.

LAR omissions generally fall into two categories: originated loans that were not identified as HMDA-reportable, and non-originated loans (applications that have been declined, withdrawn, closed for incompleteness, or approved but not accepted).

Examiners can often identify reportable originated loans missing from the LAR using the institution's loan trial balance. For example, for institutions that reported 100 loans or more, or that have a readily available electronic file, the examiner may request:

- a complete loan trial balance that includes all commercial, consumer and mortgage loans;
- an explanation of the codes used by the institution to identify specific loan categories; and
- the codes used to identify the type of collateral securing the loan.

Using standard Excel functions such as sort and filter tools, data from the LAR and the loan trial balance can be organized to compare entries and identify originated loans that were omitted from the LAR. Other reports can also be used in this manner, such as the loans sold report that may be obtained for CRA purposes.

If an institution maintains reports of all applications from a loan application processing system, reconciliation or "pipeline" reports to ensure compliance with ECOA notification timelines, or a list of non-originated applications, these can be important tools in evaluating completeness. For example, cross-referencing the pipeline reports to the LAR will provide the examiner with data needed to identify whether declined, withdrawn, or approved applications were inappropriately omitted from the LAR.

Procedures for Review

The procedures in this section provide guidance on approaches that are generally helpful in determining whether a LAR is complete and whether any omissions are significant enough to require corrective action, including correction and resubmission when appropriate. However, the procedures should be tailored to the size and complexity of the institution's mortgage business. Often, reviewing a random sample of a universe of likely reportable applications will be helpful in identifying omission errors. The procedures below outline reasonable steps to be adapted to reflect the mortgage business complexity of the institution.

1. ***Identify scope.*** Based on the compliance management system review for HMDA as described in Section B above, determine which loan products, systems or departments could be involved in the purchase or refinance of residential properties or for home improvement. Reportable products may be offered by commercial and consumer as well as in residential lending departments. Based on this assessment, consider how to target test for completeness and determine a reasonable method to compile a list of applications to sample for a completeness review. For example, to identify a universe for review, the examiner should consider:
   a. If there is an origination system report listing all applications for consumer and/or housing credit, the universe will be loans where action was taken during the time period reflected on the LAR under review. (The institution may need to explain the codes used on the report, which may vary from standard LAR data formats.)
   b. If there is no such system, the examiner should request a report from a loan trial balance as well as a list of non-originated applications from the LAR reporting period.
   c. If an automated report of loan applications is available, the examiner may choose to select a sample from those that are not already on the LAR, but are in departments with loans that have a significant likelihood of being reportable.

d. If the bank sells mortgage loans that are not on the trial balance, consider requesting a list of all loans sold, by loan type.

2. ***Select a Sample.*** Sampling approaches recognize differences between larger and smaller reporters.

Small Reporters

For an institution that reported fewer than 100 applications on its most recent LAR, select a judgmental sample for review of no fewer than 10 applications, including non-originated applications. If a review of this sample indicates there are files missing from the LAR that should have been reported, discuss the issues with management to determine the cause and scope of the error(s). If the omissions appear to be significant, evaluate an additional sample of 10 applications to further identify missing files.

Large Reporters

For an institution with a significant level of mortgage lending activity that filed a LAR with 100 or more applications listed, select a random sample size adequate to determine an error rate using the HMDA Sampling and Validity Review Matrix (Sampling Matrix) included as Attachment A. Based on the size of the total application list to be reviewed, the universe would be identified as indicated in Column 1 of the matrix, and the examiner would select an initial sample that totals the number of applications in Column 3. EXAMPLE: If the applications in the identified universe total 109, then select a random sample of 28 applications for review. If, after the examiner reviews the initial sample of 28, the number of applications improperly omitted is equal to or greater than the number in Column 4, then the examiner may stop there and proceed with procedures below including requiring the bank to evaluate and correct the LAR to ensure completeness. Supplemental sampling may be needed if errors are found concentrated in one loan type, department or are primarily non-originated.

3. ***Evaluate the applications.*** Review completeness by comparing and validating loan application number, loan purpose and action taken code. A loan passes the completeness review if it is on the LAR and is a reportable home purchase, home improvement or refinance loan. Note whether the loan also has the proper action taken code and report omissions by action taken code to support any further review that may be needed by the bank. It is not necessary to validate other data fields during a completeness review except insofar as it is necessary to determine whether the loan should have been reported.

4. ***Request investigation and explanation of any errors/omissions found.*** If applications are registered in the origination system that are missing from the HMDA-LAR for the LAR time period, the reasons for these omissions should be investigated by the institution and reported to the examiner. Errors that indicate over-reporting should be similarly reviewed and responded to by the institution. If the loans are reportable (and are not excluded transactions), but are not on the LAR, then these are errors of omission. The root cause should be assessed to determine the likely scope of errors; for example, whether they affect particular departments, loan types or action codes.

5. ***Document results and calculate the percent of omissions.*** Based on the completeness validation results, the percent of LAR omissions should be calculated. The goal is to evaluate whether the number of omissions is material in proportion to the total number of all reportable applications and could affect the CRA or fair lending examination. For smaller HMDA reporters, if the percent of omissions is significant (more than 10%) the LAR should be corrected and resubmitted. For large reporters, the threshold for correction and resubmission is an omission error rate of 5%. The omission error rate calculation is as follows:

- The numerator is the total number of reportable applications omitted in error.
- The denominator is all reportable applications (e.g. those on the LAR minus improperly reported applications plus applications omitted in error).

Note that the percentage may be estimated based on the sampling results. If the omissions are primarily non-originated loan applications, further testing of non-originated loans is advisable. An omission error rate for non-originated applications may be separately computed if the sample size for the non-originated review is at least the initial sample size from Column 3. The numerator is the number of improperly omitted non-originated applications and the denominator is all reportable non-originated applications -- those on the LAR, minus any inappropriately reported, plus the ones identified as inappropriately omitted through the testing and research of the examiner and the bank.

6. ***Consider standards for accuracy and request corrective action.*** For an institution with fewer than 100 reportable applications, omissions of more than 10% are assumed to affect fair lending or CRA examinations and are considered significant and resubmission is required. For larger reporters with more than 100 LAR lines if the percent of applications missing from the reported LAR is 5% or more of reportable applications (or the number in Column 7) it is a significant omission error rate and resubmission is required. If the omission rate for non-originated applications alone exceeds these proportions, resubmission is also required.

All loan applications found to be improperly omitted during the examination should be added to the LAR that is required to be made publicly available from the bank. If the error rate is significant, and the Federal Reserve Board, on behalf of the Consumer Financial Protection Bureau (CFPB), is still accepting re-filed LAR data from that reporting year, the examiner should also require the bank to resubmit the LAR. However, corrective action, including resubmission should not be requested until after completing the data field validation.

D. Assessing LAR Data Field Accuracy

The procedures outlined below are designed to determine the accuracy of the HMDA LAR. Procedures for verifying data accuracy and calculating error rates are consistent for all institutions and are discussed first. Procedures related to sample sizes and threshold for corrections and resubmission will vary based on the complexity and scale of the institution's mortgage business as represented by the size of the reported LAR. Those procedures are discussed later.

Verify Data Accuracy

Assemble the proper file information and source documents for review. Confirm with the institution and by review of its procedures that the data fields should correspond to the source documents selected. For example, an examiner could confirm that the race and ethnicity would be captured from the last signed loan application from the applicant and confirm that income would be documented on the last dated underwriting worksheet. The guide in Attachment C is designed to assist a reviewer in identifying data sources but is not a required source list. Confirm the institution's approach to establishing the action taken date and the application date.

Compare the data in each loan application file to all of the corresponding data fields on the LAR and note any errors. An error is defined as inaccurate data in any of the fields on the HMDA-LAR. Reason for Denial is an optional data field for FDIC-supervised institutions. It is therefore not considered an error if the Reason for Denial is not reported for an application on the LAR; however, it is an error if it is improperly reported.

Validate Rate Spread

To evaluate the accuracy of the reported HMDA rate spread fields, a supplemental targeted sample may be needed. For a small reporter, if there are a significant number of loans with reported rate spread, the examiner should assure the initial judgmental sample includes loans with rate spread reported. If a larger reporter has reported loans with rate spreads, but the random sample does not include at least ten first-lien and ten subordinate-lien loans with a reported rate spread, then a targeted sample of that size should be selected from the loans with reported rate spreads (if fewer loans have reported rate spreads, all the loans with reported spreads should be reviewed). The sample should include loans with smaller rate spreads as such loans reported "at the margin" may be a better test of the controls and accuracy of rate spread reporting. Note that the errors identified solely through a targeted review of Rate Spread should not be included in the random sample error rate calculation in Attachment B. If the error rate identified in the Rate Spread analysis appears to be above 5%, correction and, if applicable, resubmission should be required for this key data field.

Calculate Error Rates

Document the error rates for each key data field and the overall file error rate for those key data fields. First, calculate the error rates (number of errors/total number of files reviewed) for each key data field. The key data fields are the fields particularly important to fair lending and CRA analysis. For that reason, error rates above the specific thresholds established for small and larger reporters require correction and resubmission. EXAMPLE (Attachment B): In the example, the error rate for the "Ethnicity (applicant)" key data field is 7.1% and the rate for "Race (applicant)" and "Income" are 3.57%. Other fields with one error have error rates of 1.79%. In this example, the key data field error rate of 7.1% indicates that a large reporter should review and resubmit the LAR as Race is a key data element for fair lending reviews.

Document the line error rate for key data fields (number of files with key data field errors/total number of files reviewed), including all errors identified. Regardless of whether there are multiple errors found within one loan application, the application itself is counted as one line error. EXAMPLE: In the Attachment B example, the number of files with key data field errors is 7 out of 56 or 12.5%.

Applications reported on the LAR that are not actually reportable are considered a line error, but are not counted as key data field errors. Errors of omission should be separately calculated as described above in Section C of these procedures. The line error and key data field error percentages developed in the accuracy review, together with the omission error rates, also may be used in evaluating the advisability of an enforcement action.

Distinct Procedures for Small and Large Reporters

1. Sampling and Review Procedures for Small Reporters.

A. ***Select a Sample for Small Reporters.*** For an institution with a most recently reported LAR that contains fewer than 100 applications, select for review a judgmental sample of 10 applications from the LAR, including non-originated and originated applications.

B. ***Evaluate Initial Sample and Consider Next Steps.*** Upon completion of the initial file review, no further review is necessary if there are no more than 2 errors identified in key data fields. If there are more than 2 errors in key data fields, select an additional judgmental sample of 10 applications to review. Isolated or minor errors need not trigger further review. For example, the use of "NA" instead of "No Co-applicant" is a minor error and not significant. See below under Section 2 b) "Verify the Data" and 2 d) "Validate Rate Spread", for additional guidance on file reviews.

C. ***Discuss Issues with Management.*** All errors found by the examiner should be discussed with the institution to determine the cause of the error and to obtain confirmation of the conclusions reached.

D. ***Require Correction and Resubmission.*** If the second sample of 10 confirms key data field errors in 20% or more of the files sampled (excluding minor errors) or an error rate above 10% in any one key data field, the institution should be required to correct and, if the Federal Reserve Board is accepting resubmissions, to resubmit the LAR. If the institution has failed to implement procedures reasonably designed to prevent errors, such weaknesses in the compliance management system should be noted in the examination report for follow up at the next examination.

2. Sampling and Review Procedures for Large Reporters

A. ***Select a Sample for Large Reporters.*** For an institution with 100 or more loan applications on the most recent LAR, select a sample based on the size of the universe using the Sampling Matrix (Attachment A).

The data from a single year's LAR is the universe from which the sample is to be taken. EXAMPLE**:** If there are 150 loan applications on a single year's LAR, the universe for that particular year is 150. See Column 1 of the Sampling Matrix for the universe.

Using Column 2 of the Sampling Matrix, determine the number of loan applications that are to be sampled for the universe represented by the selected LAR. EXAMPLE: If the size of the LAR is 150 total applications reported, then the number of loan applications to be randomly selected for review is 56.

Using the HMDA automated download, randomly select the loan applications to review. Complete this step using either the selection procedures in Chapter XI of the Compliance Examination Manual or CRA Wiz to identify the random sample. Review the number of applications specified in the Sampling Matrix in the order selected. After the total random sample of loan applications has been determined, select the loan applications for the initial file review as indicated in Column 3 of the Sampling Matrix. EXAMPLE: If the universe is 150, and 56 loan applications are to be randomly selected for review, 29 loan applications must be reviewed for the initial file review.

B. ***Evaluate Initial Sample and Consider Next Steps.*** Upon completion of the initial file review, no further review is necessary if the total number of loan applications with errors in key data fields is less than the number in Column 4 of the Sampling Matrix. In that case, the results are indicative of the universe, the LAR data are considered sufficiently accurate, the validation process is complete, and no further loan application review based on the LAR sample is warranted.

NOTE: Even though the data are considered sufficiently accurate, the institution's management must be informed of the need to correct all errors identified during the examination. Also, if the only errors involve non-substantive errors, for example, a one-day difference in date or a transposed number or the use of Not Applicable instead of No Co-applicant, the examiner need not continue the review.

Upon completion of the initial file review, examiners must review the additional number of loan applications indicated in Column 5 if the total number of loan applications with errors in key data fields is equal to or greater than the number in Column 4 of the Sampling Matrix. EXAMPLE: If, based on a universe of 150, 29 loan applications were reviewed during the initial file review and there were 2 loan applications with key data field errors, the examiner may conclude the review. However, if the number is 3 or higher, the additional 27 loan applications indicated in Column 5 must be reviewed.

Upon completion of the additional file review, if the total number of loan applications with errors in key data fields is less than the number in Column 6, of the Sampling Matrix, and the total errors in any one key data field is less than the number in Column 7, then the results are indicative of the universe, the validation process is complete, and the HMDA data reported on the LAR are considered accurate. EXAMPLE (based on Attachment A): If, for the universe of 150 loan applications, the examiner reviewed the total random sample of 56 loan applications and found 2 key data field errors in the "Race" field and 2 key data field errors in the "Income" field (in four separate files), there would be a total of 4 line errors in key data fields and the data would be considered accurate.

If at any point during the initial file review or during the review of additional files, the total number of loan applications with errors in key data fields is equal to or greater than the number in Column 6 of the Sampling Matrix, or the number of errors in any one key data field is equal to or greater than the number in Column 7, the HMDA data are considered inaccurate. However, the sample review process must be continued until the number of files in Column 2 has been reviewed to obtain a statistically valid error rate and a strong basis for determining whether there are particular problems with an institution's HMDA processes, or whether the problems are widespread. If there are other non-key data fields (e.g. date fields) with high error rates, the examiner may use judgment in determining whether they are significant enough to require resubmission. All errors found during the examination must be corrected on the institution's public LAR.

C. ***Discuss Issues with Management.*** All errors found by the examiner should be discussed with the institution to determine the cause of the error and to obtain confirmation of the conclusions reached.

D. ***Require Correction and Resubmission for Large Reporters (100 or more LAR lines) if:***

- The number of files reviewed with key data field errors is equal to or greater than the number in Column 6, or an estimated 10% of the files reviewed; or
- The number of errors in any one key data field is equal to or greater than the number in Column 7 of the Sampling Matrix (or an estimated 5% of the total reviewed for that field); or
- The number of reportable files omitted from the LAR total 5% or more of the total LAR applications; or
- Examiners conclude there is other evidence that a disproportionate number of non-originated files or files from under-represented racial or ethnic minorities have been omitted or reported with errors such that the fair lending or CRA examination would be affected.

For error rates noted above, examiners should require an institution to review and correct the LAR. Generally, a HMDA reporter should be encouraged to correct its data within 60 days. If resubmission is appropriate, as described below, it should also be completed within 60 days. However, the Regional Office may use its discretion to establish a timeline for the institution's management to correct, review, and verify the data.

Institutions should be required to resubmit corrected HMDA LARs covering the most recent two calendar years to the extent the data can be resubmitted, generally before October 31 of the calendar year following the submittal year. The FRB will not accept data outside those parameters. For omissions and significant errors beyond the two most recent years, as needed for a CRA or fair lending review, require the institution to correct, review, and verify the data and maintain the corrected data for public disclosure in accordance with Regulation C.

When required to resubmit data, the HMDA reporter should follow procedures designed to address the control weaknesses and errors identified including:

- Review the problem data fields or departments where errors were identified at unacceptable levels to correct them and, as appropriate, review other fields or business departments where controls were similarly weak to assure there are no additional errors and omissions;
- Correct all errors and omissions; and
- Before resubmitting the data to the FRB, acknowledge to the Regional Office that its management has verified that the data have been corrected.

E. ***Revalidation after Correction.*** Examiners should focus their re-validation of bank corrections on the errors identified initially in the examination. If there were errors of omission, the review should consider the documentation by the bank of its corrective actions. Examiners should review the LAR for data from the affected products, departments or activities to test for evidence of the corrective actions.

For errors in LAR data, follow-up validation should be conducted according to the original testing procedures applicable to the bank based on the size of its (corrected) LAR. If the original errors were pervasive across a wide range of data fields, all the affected fields should be reviewed according to the sampling guidance. However, if only a few fields contained all of the errors, only those fields need be re-validated.

F. ***Persistent Issues.*** If the issues have not been corrected and the errors remain, the bank should be required to make the corrections again. In addition, the bank should provide the examiner with a monitoring or audit report documenting the results of an independent review of the corrections, including any follow-up. The examiner should discuss with the bank expectations for the scope and documentation of the independent monitoring review. The examiner should review the audit or monitoring findings, and conduct follow-up review of individual loans to test the effectiveness of the correction and results of the independent monitoring. Any further problems should be discussed with the appropriate Review Examiner and field and regional management, including consideration of potential enforcement actions.

Examination Conclusions

1. Summarize the findings, supervisory concerns, and regulatory violations.
2. For the violations noted, determine the root cause by identifying weaknesses in internal controls, audit and compliance reviews, training, management oversight, or other factors; also, determine whether the violation(s) are repetitive or systemic.
3. Identify action needed to correct violations and weaknesses in the institution's compliance system.
4. Discuss findings with the institution's management and obtain a commitment for corrective action.

References

Home Mortgage Disclosure Act

Many of the following reference links can be found at the FFIEC HMDA website.

Census Products

- *Census Data; Counties Located in Non-Metro Area Listing; and HUD estimated Metropolitan Area Median Family Income Listing*

Job Aids

Examination Checklist
HMDA Sampling Matrix
Key Data Field Error Rate Calculations (Examples)
HMDA Source Document Reference Tool

FFIEC HMDA Site—Interagency aspects of HMDA

A Guide to HMDA Reporting: Getting It Right!
A summary of requirements and instructions for reporting HMDA data. The 2004 version will be available on the HMDA web site by January 1, 2004, and will be mailed to HMDA reporting institutions shortly thereafter.

HMDA Data Entry Software:
Designed by the FRB on behalf of the FFIEC, the HMDA Data Entry Software assists respondents in automating the filing of their HMDA data. Provided free of charge to HMDA lenders, the software includes editing features to help verify and analyze the accuracy of the data. The current version is available only by download at the FFIEC HMDA web site.

Rate Spread Calculator

Data Submission:
Encrypted HMDA data should be emailed annually by March 1st.

HMDA 2004: Revisions to Reg C—A Training Presentation in various formats

FFIEC Geocoding System:
Allows the user to retrieve Metropolitan Area (MA), State, County, and Census Tract codes for street addresses.

Disclosure Statements:
Annually each July, the FFIEC mails a complimentary copy of the FFIEC HMDA Aggregate & Disclosure CD-ROM that contains ALL HMDA reporters' individual Disclosure Statements. Institutions may access and print a copy of their Disclosure Statement from this CD-ROM or from the FFIEC's web site.

National Aggregate Reposts

Aggregate Reports by state, MSA

Census Information

HMDA Glossary

CRA/HMDA Reporter Newsletter:
Annual on-line publication that provides information on various topics to assist in the collection and reporting of CRA and HMDA data, informing readers of new developments and changes, as well as answering commonly asked questions.

HMDA Reporting Questions and Answers (refer to the FFIEC website)

- *HMDA Processing*
- *HMDA Data Entry Software*
- *HMDA Public Data*
- *Geocoding*
- *Property Type*
- *Action Taken*
- *Loan Purpose*
- *Pre-approvals*
- *Sex, Race & Ethnicity – General*
- *Sex, Race & Ethnicity – Transition Guidance*
- *Rate Spread*
- *Purchaser*
- *Temporary Financing*

Examination Checklist	Yes	No
Applicability: Depository Institutions		
1. Is the depository institution a bank, savings association, or credit union that originated in the preceding calendar year at least one home purchase loan (or refinancing of a home purchase loan) secured by a first lien on a one-to-four family dwelling? (§1003.2)		
2. Does the depository institution meet at least one of the criteria below?		
a. The depository institution is a federally insured or regulated institution (§1003.2);		
b. The depository institution originated a mortgage loan (reference checklist question #1) that was insured, guaranteed, or supplemented by a federal agency (§1003.2); or		
c. The depository institution originated a mortgage loan (reference checklist question #1) intending to sell it to Fannie Mae or Freddie Mac (§1003.2).		
3. Did the depository institution have either a home or branch office in an MSA on December 31 of the preceding calendar year? (§1003.2,)		
4. On the preceding December 31 did the depository institution have assets in excess of the that is adjusted annually and published annually by the Bureau? (§1003.2)		
If the answers to Applicability/Depository Institutions bullets 1 through 4 are "Yes", then the depository institution is subject to the requirements of HMDA and Regulation C, and the examiner should complete the remaining portion of the checklist.		
Applicability: Non Depository Institutions		
5. Is the depository institution a majority owner of a for-profit mortgage subsidiary? If the answer to question #5 is "Yes," then complete questions #6 through #8; otherwise proceed to question #9.		
6. In the preceding calendar year, did the mortgage subsidiary either:		
a. Originate home purchase loans, including or refinancings of home purchase loans, that equaled at least 10 percent of its total loan-origination volume, measured in dollars? (§1003.2) or,		
b. Originate home purchase loans, including or refinancings of home purchase loans, that equaled at least $25 million? (§1003.2)		
7. Did the mortgage subsidiary have a home or branch office in an MSA as of December 31 of the previous year? (§1003.2) and,		
8. Does the mortgage subsidiary meet at least one of the criteria below? (§1003.2)		
a. The mortgage subsidiary had total assets (when combined with the assets of the parent corporation) exceeding $10 million on the previous December 31, or		
b. The mortgage subsidiary originated at least 100 home purchase loans (including refinancings of home purchase loans) in the preceding calendar year.		
If the answers to bullets 6 through 8 are "Yes," then the mortgage subsidiary is subject to the requirements of HMDA and Regulation C. If the depository institution that has a majority interest in the mortgage subsidiary is also subject to HMDA and Regulation C, then the examiner should complete a separate checklist for each entity beginning with question #9 for the mortgage subsidiary. If the depository institution that has a majority interest in the mortgage subsidiary is not subject to Regulation C and HMDA, the examiner should use the remaining portion of this checklist for the mortgage subsidiary. The examiner should note to which financial institution the remaining checklist questions apply.		

Examination Checklist	Yes	No
Compilation of Loan Data		
9. Does the financial institution collect the following data in accordance with §1003.4(a) and Appendix A?		
a. An identifying number (that does not include the applicant's name or social security number) for the loan or loan application, and the date the application was received? (§1003.4(a)(1))		
• b. The type of the loan or application? (§1003.4(a)(2))		
c. The purpose of the loan or application? (§1003.4(a)(3))		
d. Whether the application is for a pre-approval and whether it resulted in a denial or an origination. (§1003.4(a)(4))		
e. The property type to which the loan or application relates? (§1003.4(a)(5))		
f. The owner-occupancy status of the property to which the loan or application relates? (§1003.4(a) (6))		
g. The loan amount or the amount requested on the application? (§1003.4(a)(7))		
h. The type of action taken? (§1003.4(a)(8))		
i. The date such action was taken? (§1003.4(a)(8))		
j. The location of the property to which the loan or application relates by (§1003.4(a)(9)):		
i. MSA or MD number (5 digits)?		
ii. State – (2 digits)?		
iii. County – (3 digits)?		
iv. Census tract number (6 digits)?		
k. The ethnicity and race of the applicant or borrower? (§1003.4(a)(10))		
l. The ethnicity and race of the co-applicant or co-borrower? (§1003.4(a)(10))		
m. The sex of the applicant or borrower? (§1003.4(a)(10))		
n. The sex of the co-applicant or co-borrower? (§1003.4(a)(10))		
o. The gross annual income relied on in processing the applicant's request? (§1003.4(a)(10)) *Note: Collection of data concerning ethnicity, and race, and sex is mandatory for all transactions unless the financial institution purchased the loans or the borrower is not a natural person (a corporation or partnership). Data on annual income is mandatory for all transactions) unless the financial institution purchased the loan, the borrower is not a natural person, one of the exceptions for ethnicity, race, and sex applies, or unless the loan is for a multifamily dwelling, income was not relied upon in the credit decision, or the loan is to an employee.*		
p. The type of entity purchasing a loan that the financial institution originates or purchases and then sells within the same calendar year? (§1003.4(a)(11))		
q. For originated loans subject to Regulation Z, the difference between the loan's APR and the average prime offer rate for a comparable transaction as of the date the interest is set, if that difference is equal to or greater than 1.5 percentage points for first lien loans or equal to or greater than 3.5 percentage points for subordinate lien loans on a dwelling. (§1003.4(a)(12))		

Examination Checklist	Yes	No
r. Whether the loan is subject to the HOEPA? (§1003.4(a)(13)		
s. The lien status of the loan or application? (§1003.4(a)(14))		
t. Does the financial institution provide the reasons for denial of an application? (§1003.4(c)(1)) If yes, are the reasons accurate?		
u. Is the HMDA-LAR updated within 30 calendar days after the end of the quarter in which final action is taken? (§1003.4(a))		
10. Does the institution request ethnicity, race, and sex data for all telephone, mail and Internet applications in accordance with Appendix B? (§1003.4(b)(1))		
11. For applications taken face-to-face, does the financial institution note data concerning ethnicity, race, and sex on the basis of visual observation or surname if the applicant chooses not to provide this information? (§1003.4(b)(1)) *Note: If the applicant fails to provide this information in mail, telephone, or Internet applications, the ethnicity, race and sex are not recorded; instead, an applicable code number is provided (ethnicity 3, race 6, and sex 3; NA should not be used for these three situations).*		
Disclosure and Reporting		
12. Is the loan or applicant data presented in the format prescribed in Appendix A of the regulation? (§1003.4(a))		
13. Has the institution reported all applications for, and originations of and purchases of home-purchase loans, home-improvement loans, and refinancings? (§1003.4(a))		
14. Has the financial institution refrained from reporting: (§1003.4(d))		
a. Loans originated or purchased by the financial institution acting in a fiduciary capacity (such as trustee)?		
b. Loans on unimproved land?		
c. Temporary financing (such as a bridge or construction loan)?		
d. Purchase of an interest in a pool of loans (such as mortgage-participation certificates, mortgage-backed securities, or real estate mortgage investment conduits)?		
e. Purchase solely of the right to service loans?		
f. Loans originated prior to the recording year and acquired as part of a merger or acquisition or as part of the acquisition of all assets and liabilities of a branch office?		
g. A refinancing if, under the loan agreement, the financial institution is unconditionally obligated to refinance the obligation, or is obligated to refinance the obligation subject to conditions under the borrower's control? (Appendix, I.A.5a)		

Examination Checklist	Yes	No
15. Did the financial institution submit its completed HMDA-LAR to the appropriate supervisory agency in automated machine-readable format by March 1 following the calendar year for which the data are compiled? (§1003.5(a)) *Note: Financial institutions that report twenty-five or fewer entries on their HMDA-LAR may collect and report their HMDA data in a paper form. Any financial institution opting to submit its data in such a manner must send two copies that are typed or computer printed. The institution must use the format of the HMDA-LAR, but need not use the form itself.*		
16. Has an officer of the financial institution signed the HMDA-LAR transmittal sheet certifying the accuracy of the data contained in the register? (Appendix A)		
17. Is the transmittal sheet accurately completed? (Appendix A)		
18. Has the financial institution maintained its HMDA-LAR in its records for at least three years? (§1003.5(a))		
19. Has the financial institution made its FFIEC prepared disclosure statement:		
a. Available to the public at its home office no later than three business days after receiving it from the FFIEC? AND		
b. Available within ten business days in at least one branch office in each additional MSA or MD where the financial institution has offices; or posted the address for sending written requests in the lobby of each branch office in other MSAs or MDs where the institution has offices and delivered a copy of the disclosure statement within fifteen calendar days of receiving a written request? (§1003.5(b))		
20. Has the financial institution made its modified HMDA-LAR (loan application number, date application received, and date action taken excluded from the data) for the preceding calendar year available to the public, by March 31 for requests received on or before March 1, and within 30 days for requests received after March 1? (§1003.5(c))		
21. Has the financial institution maintained its modified HMDA-LAR for three years? Does the financial institution have policies and procedures to ensure its modified HMDA-LAR is available to the public during that term? (§1003.5(d))		
22. Has the financial institution maintained its disclosure statement for 5 years? (§1003.5(d))		
23. Does the financial institution have policies and procedures to ensure its disclosure statement is available to the public during that term? (§1003.5(d))		
24. Does the financial institution make available the modified HMDA-LAR and disclosure statement for inspection and copying during the hours the office is normally open to the public for business? If it imposes a fee for costs incurred in providing or reproducing the data, is it reasonable? (§1003.5(d))		
25. Has the financial institution posted a general notice about the availability of its disclosure statement in the lobby of its home office and in each branch office located in an MSA? (§1003.5(e))		
26. Does the institution provide promptly, upon request, the location of the institution's offices where the statement is available for inspection and copying, or include the location in the lobby notice? (§1003.5(e))		
27. Did errors occur in the previous reporting period? (Review the financial institution's last disclosure statement, HMDA-LAR, modified HMDA-LAR, and any applicable correspondence from the regulatory agency, such as notices of noncompliance.)		

Examination Checklist	Yes	No
28. If errors did occur, has the financial institution taken appropriate steps to correct and prevent such errors in the future?		
a. Have individuals who are responsible for all data-entry:		
i. Received appropriate training in the completion of the HMDA-LAR?		
ii. Been provided copies of Regulation C, including the instructions for completion of the HMDA-LAR, and the "A Guide to HMDA Reporting, Getting it Right!?"		
iii. Know whom to contact, at the financial institution or their the institution's supervisory agency, if they have questions not answered by the written materials?		
b. Are the financial institution's loan officers (including loan officers in the commercial loan department who may handle loan applications for HMDA reportable loans (such as multi-family or mixed-use properties and small business refinances secured by residential real estate):		
i. Informed of the reporting requirements so they can assemble the necessary information, and do they understand the importance of accuracy?		
ii. Familiar with the disclosure statements that are produced from the data and cognizant of the ramifications for the financial institution if the data are wrong?		
iii. Maintain appropriate documentation of the information entered on the HMDA-LAR?		
c. If data are collected at more than one branch, are the appropriate personnel sufficiently trained to ensure that all branches are reporting data using the same guidelines?		
d. Does the financial institution have internal control processes to ensure that the persons who capture and code the data are doing so accurately and consistently?		
e. Does the financial institution have controls established to ensure separation of duties (e.g. data entry, review, oversight approval, etc.)?		

HMDA Sampling Matrix

Column 1 Application Universe	Column 2 Total Random Sample	Column 3 Initial File Review from Random Sample	Column 4 Complete review of Total Random Sample if the Number of Files with Key Data Field Errors is This Number or Greater	Column 5 Additional File Review from Random Sample if Initial File Review Number of Key Data Field Errors* is Equal to or Greater than Number in Column 4	Column 6 Resubmission Required if Number of Files with Key Data Field Errors (based on full sample) is This Number or Greater	Column 7 Resubmission Required if the Number of files with Errors in Any One Key Data Field (based on full sample) is This Number or Greater
Less than 100	20	10	3	10	4	3
100 – 110	39	28	3	11	4	3
111 – 130	47	29	3	18	5	3
131 – 140	47	29	3	18	5	3
141 – 170	56	29	3	27	6	3
171 – 190	57	30	3	27	6	3
191 – 270	59	30	3	29	6	3
271 – 380	68	30	3	38	7	4
381 – 750	69	31	3	38	7	4
751 – 1,100	79	31	3	48	8	4
1,100+	79	32	3	47	8	4

*Key data fields include: Loan Type; Loan Purpose; Property Type; Owner Occupancy; Loan Amount; Action Taken; Census Tract; Ethnicity, Race and Sex (for applicant and co-applicant); Income; Type of Purchaser; Rate Spread; Home Ownership and Equity Protection Act ("HOEPA") Status; Lien Status, State, MSA, and County.

Key Data Field Error Rate Calculations (Examples)

	Error Rate Calculation			Result
	Total Number of Application Files Reported			**150**
	Total Number Sampled			**56**
	Total Number Sampled with Errors in Key Data Fields or Reported in Error			**7**
	Line Error Rate: Number of files sampled with Key Data Field errors divided by total number sampled multiplied by 100			**12.5%**
	Key Data Field Error Rate Calculation	**Number Sampled**	**Number in Error**	**Error Rate+**
1.	Ethnicity – Applicant	56	4	7.14%
2.	Ethnicity – Co-Applicant	56		
3.	Race – Applicant	56	2	3.57%
4.	Race – Co-Applicant	56		
5.	Sex - Applicant	56		
6.	Sex – Co-Applicant	56		
7.	Income	56	2	3.57%
8.	Census Tract	56	1	1.79%
9.	Loan Type	56	1	1.79%
10.	Loan Purpose	56	1	1.79%
11.	Owner Occupancy	56	1	1.79%
12.	Loan Amount	56	1	1.79%
13.	Property Type	56		
14.	Action Taken	56	1	1.79%
15.	Purchaser Type	56		
16.	Rate Spread	56	1	1.79%
17.	HOEPA Status	56		
18.	Lien Status	56		
19.	State	56		
20.	MSA	56		
21.	County	56	2	3.57%

+Key Data Field Error Rate Calculation: Number of key data fields sampled with errors divided by total number sampled multiplied by 100

HMDA Source Document Reference Tool

The documents shown below are common sources of information needed to verify HMDA data. The numbers before a document name reflect the related HMDA Action code. However, before relying on any of these documents to verify an institution's HMDA data, the examiner must determine what the institution uses as its source for the data. It should not be assumed that an institution uses a particular document as the basis for the information on its LAR.

These documents do not constitute a recommended or required list. However, if the institution uses a standardized set of source documents, such as the ones listed below, the HMDA validation process will be streamlined (whether it is conducted by the bank or an examiner) and consistency will improve. When examiners find an institution that does not have a consistent set of source documents and errors result they may suggest that one be adopted.

HMDA Field	**Funded**	**Non-Funded** 2 – Approved Not Accepted 3 – Denied 4 – Withdrawn 5 – Incomplete
Application Date	Application (highly dependent on bank policy)	Application (highly dependent on bank policy)
Loan Type	Latest Underwriting Analysis	Earliest Signed Application Earliest Underwriting Analysis
Property Type	Appraisal Latest Underwriting Analysis	Appraisal (1004) Latest Underwriting Analysis Latest Application
Purpose	Latest Application Underwriting Analysis	Latest Application Underwriting Analysis
Owner Occupancy	Latest Application Latest Underwriting Analysis	Earliest Application Earliest Underwriting Analysis
Loan Amount	Note	2. Underwriting Analysis 3. Application or Counter Offer 4. Application 5. Application or Underwriting Analysis
Action Taken	Note	2. Correspondence 3. Adverse Action Notice or Counter Offer 4. Correspondence 5. Notice of Incompleteness
Action Date	Note	2. Correspondence 3. Adverse Action Notice 4. Correspondence 5. Notice of Incompleteness

HMDA Field	Funded	**Non-Funded** 2 – Approved Not Accepted 3 – Denied 4 – Withdrawn 5 – Incomplete
Property Address	Appraisal Note Latest Application Latest Underwriting Analysis	Appraisal Latest Application Latest Underwriting Analysis
Applicant / Co-Applicant GMI (Race, Ethnicity and Sex)	All Applications	All Applications
Income	Latest Underwriting Analysis	Latest Underwriting Analysis Application
Lien Status	Latest Underwriting Analysis	Latest Underwriting Analysis Title
Term	Note	Not Applicable
APR	Final TIL	Not Applicable
Rate Lock Date	Rate Lock Agreement Note Date	Not Applicable
Denial Reasons	Not applicable	3A. Optional Reporting 3B. Adverse Action Notice