CCE-HMDA

Comptroller of the Currency
Administrator of National Banks

Home Mortgage Disclosure

Comptroller's Handbook

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CCE

Consumer Compliance Examination

Background and Summary

The Home Mortgage Disclosure Act (HMDA) was enacted by the Congress in 1975. It is implemented by the Federal Reserve Board's Regulation C. The act grew out of public concern over credit shortages in certain urban neighborhoods. Congress found that some financial institutions had contributed to the decline of certain geographic areas by their failure to provide adequate home financing to qualified applicants on reasonable terms and conditions. HMDA and Regulation C were created to provide information on whether financial institutions serve the housing credit needs of the neighborhoods and communities in which they are located. They also were designed to aid officials in targeting public investments to attract private funds to needy areas. In 1989, amendments resulting from the Financial Institutions Reform and Enforcement Act of 1989 (FIRREA) strengthened HMDA's importance in detecting lending discrimination by requiring the collection and disclosure of data about applicant(s) and borrower(s) characteristics.

HMDA relies upon public scrutiny for its effectiveness. It neither prohibits any specific lending activity nor establishes a quota system of mortgage loans in any MSA or other geographic area. (An MSA means a metropolitan statistical area or a primary metropolitan statistical area as defined by the U.S. Office of Management and Budget.) HMDA allows the public and the applicable regulatory authority to review a lender's mortgage loan record in a given area by the race, national origin, income, and gender of its applicants or borrowers and gauge its responsiveness in providing adequate home financing.

Covered institutions must report:

- Data on loan applications, originations, and purchases.
- The race, sex, and income of mortgage applicants and borrowers.
- The class of purchaser for mortgage loans.
- The reasons for their decision not to grant credit.

Institutions must report their lending data to their supervisory agencies loan-by-loan and application-by-application in a register-type format. The supervisory agencies, through the Federal Financial Institutions Examination Council (FFIEC), compile that information for all covered institutions within each MSA, in disclosure statements and aggregations reports. Those records are available to the public at central data depositories located in each MSA.

Institutions Covered

The regulation covers two categories of lenders. The first includes banks, savings associations, and credit unions that originated in the preceding calendar year, a first lien home purchase loan, including a refinancing of a home purchase loan, on a one-to-four family dwelling, *if* the institution fits one of the following criteria:

- Is federally insured or regulated.
- Writes loans that are federally guaranteed, insured, or supplemented.
- Intends to sell the loan to Fannie Mae or Freddie Mac.

The second category includes for-profit, nondepository mortgage lending institutions. An entity qualifies as a mortgage lending institution if, in the preceding calendar year, its home purchase loan originations, including refinancings, equaled or exceeded 10 percent of its total loan originations, measured in dollars.

That definition applies to majority-owned mortgage lending subsidiaries of depository institutions and, as a result of FIRREA, to independent mortgage companies. Mortgage lending subsidiaries of bank and savings and loan holding companies and of savings and loan service corporations were first covered under the act in 1988. Under the revised requirements, those subsidiaries are treated as entities distinct from their parents, and both parent and subsidiary must prepare their own separate reports.

Although an institution falls within one of those two categories, it is exempt from the regulation if either of the following apply:

- The home or a branch office was not located in an MSA on the preceding December 31.

- It had total assets of $10 million or less on the preceding December 31.

Data Requirements

For each calendar year, an institution must report data on its originations and purchases of home purchase and home improvement loans and for loan applications that did not result in an origination. Specifically, that information must include loan denials, withdrawn applications, applications that are approved but not accepted by the applicant, and application files that are closed for incompleteness. This applies to every application received.

The regulation requires an institution to supply data to identify the general loan type, purpose, and amount of loan or loan application, and whether the property relating to the loan or loan application will be owner-occupied as a principal dwelling.

Geographic information must also be furnished for loans on, and applications for, properties in any MSA and non-MSA area, if the institution is considered a large bank under the revised Community Reinvestment Act (CRA). That information consists of the MSA number, state and county codes, and the census tract number of the property or for non-MSA areas, state and county codes, and the block numbering area code to which the loan or loan application relates.

Institutions with total assets exceeding $30 million must also report data on the race or national origin, sex, and gross annual income of applicants or borrowers for loans originated and applications received, but not for loans purchased. They must request information on race or national origin, and sex from the applicant on *all* written applications. If it is not provided there in person by the applicant, the lender must note the data from observation or surname. However, if the applicant neglects to furnish the information on telephone or mail applications, the lender would not be in violation of HMDA or Regulation B.

If an institution originates or purchases a loan and sells it in the same calendar year, it must indicate the type of entity (e.g., a bank, affiliate institution, life insurance company) that purchased the loan.

Excluded Data

An institution should not report loan data for:

- Loans originated or purchased by it 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 solely of the right to service loans.
- Loans that, although secured by real estate, are not intended for home purchase, home improvement, or refinancing.

Reporting Format

An institution must record data on each application for, and originations and purchases of, home purchase loans and home improvement loans, including refinancings. Transactions must be reported on a Loan/Application Register, also known as the HMDA-LAR, for the year in which a final action was taken. Loans originated or purchased during the calendar year are reported even if subsequently sold. Detailed instructions and guidance on the requirements for completing the register are contained in Appendix A to Regulation C and the staff commentary in Supplement I. Additional information is available in the FFIEC publication, "A Guide to HMDA Reporting: Getting It Right!"

Entries do not have to be grouped on the HMDA-LAR in any particular order. An institution may record home purchase loans on one register and home improvement loans on another or report both types of loans together. Separate registers could be completed at each branch office or one set used for the entire institution.

For each calendar year, a covered institution must submit to its supervisory or processing agency the registers in one complete package accompanied by a transmittal sheet. The sheet must state the total number of line entries in the accompanying data submission. If the register is submitted in paper form, two copies must be mailed to the institution's supervisory agency. However, only institutions that report 25 or fewer entries may collect and report the data in paper form. Whatever method is used, the layout must conform exactly to that of the register, including the order of columns and column headings.

Disclosure

The FFIEC produces a public disclosure statement for each institution once the HMDA-LAR is submitted to the regulatory agency (by March 1 following the calendar year of the report). The statement cross tabulates the individual loan data within each MSA for which data was reported. Those statements are mailed to the institutions. The FFIEC also produces aggregate tables to illustrate the lending activity of all covered institutions in each MSA. The disclosure statements and the aggregation tables are sent to central data depositories, such as public libraries, in each MSA.

Within three business days of its receipt from the FFIEC, an institution must make its disclosure statement available to the public at its home office. A complete copy also must be available within 10 business days in at least one branch office in each additional MSA where it has offices. However, the statement at branch offices needs only to contain data for the MSA in which the branch is located.

An institution must also release its most recent annual HMDA-LAR (modified to protect the privacy of applicants and borrowers) to the public by March 31 for requests received on or before March 1, and within 30 days for a request received after March 1. The modified HMDA-LAR must be made available to the public for three years, and the disclosure statements must be made available to the public for five years.

An institution must allow anyone to inspect or copy its mortgage disclosure statements and/or its loan application register during normal office hours. It may impose a reasonable photocopying charge.

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

Administrative Enforcement

Compliance with the act and regulation is enforced by the Office of the Comptroller of the Currency (OCC) for national banks and their subsidiaries and federal branches and federal agencies of foreign banks. Administrative sanctions, including civil money penalties, may be imposed by the OCC for noncompliance.

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 adapted to avoid such errors.

Accuracy in Preparing HMDA-LAR

The modified HMDA-LAR and the FFIEC-issued disclosure statement are principal sources of information for mortgage lending analysis conducted by the OCC, media, bank customer groups, and others. These analyses are often cited in CRA protests. Therefore, institutions must create procedures to ensure that HMDA-LAR information is accurate.

Institution procedures and verification systems could include internal testing to verify HMDA-LAR information to loan applications and property location sources (MSA, census tract, state, and county codes). Data for inclusion in the annual HMDA-LAR submission should be verified for accuracy and submitted according to Federal Reserve Board (FRB) reporting instructions. Institutions should also ensure reporting systems exist to include all HMDA reportable transactions from all lending areas within the institution (e.g, mortgage department, instalment loan department, private banking, and commercial lending).

1. To appraise the quality of the bank's compliance management system for the Home Mortgage Disclosure Act.

2. To determine the reliance that can be placed on the bank's compliance management system, including practices and procedures performed by the person(s) responsible for monitoring the bank's compliance for the Home Mortgage Disclosure Act.

3. To determine the bank's compliance with Home Mortgage Disclosure Act.

4. To initiate corrective action when policies, practices or procedures are deficient, or when violations of law or regulation are identified.

1. Obtain from the examiner, who completed the Compliance Management System program, information pertinent to the area of examination (historical examination findings, complaint information and significant findings from compliance review/audit).

2. Through discussions with management and review of the following documents, determine whether the bank's internal controls are adequate to ensure compliance in the area under review. Identify procedures used daily to detect errors/violations promptly. Also review the procedures used to ensure compliance when changes occur (e.g., changes in software programs or census tracts).

   - ☐ Organizational charts.
   - ☐ Process flowcharts.
   - ☐ Policies and procedures.
   - ☐ Loan documentation and disclosures.
   - ☐ Checklists/worksheets and review documents.
   - ☐ Computer programs.

3. Review compliance review/audit work papers and determine whether:

   a. The procedures used address all regulatory provisions (see Transactional Testing section).

   b. Steps are taken to follow-up on previously identified deficiencies.

   c. The procedures used include samples that cover all product types and decision centers.

   d. The work performed is accurate (through a review of some transactions).

   e. Significant deficiencies, and the root causes of the deficiencies, are included in reports to management/board.

   f. Corrective actions are timely and appropriate.

   g. The area is reviewed at an appropriate interval.

Transactional Testing

4. From the most recent quarterly updated HMDA-LAR, select a sample of approved, denied, and withdrawn loan applications for review.

5. Compare the sample of HMDA-LAR entries to corresponding loan application files to determine that it was completed accurately in accordance with Regulation C requirements. Coordinate efforts with the examiners conducting the Fair Lending and Truth-In-Lending [home improvement loans and home equity loans (if bank reports portions for improvement)] areas of the examination to use the same file sample when possible.

6. Determine from the records of departmental, division, or decision centers that all HMDA reportable loans have been entered on the bank's HMDA-LAR.

7. Verify compliance with HMDA disclosure (FFIEC disclosure and bank's modified HMDA-LAR), public notification (signage in main office and branch locations), and record retention requirements in accordance with Regulation C.

8. Complete the HMDA worksheet. Retain documentation of your findings in the work papers.

Conclusions

9. Summarize here *all* violations of law, regulation, or ruling and use when making SMS entries. Refer to EC 263, “SMS Documentation Policy.”

Citation	Department	Violation	Recommendation	Policy Guide	Reference
a. ________	__	__	__	__	__
b. ________	__	__	__	__	__
c. ________	__	__	__	__	__
d. ________	__	__	__	__	__
e. ________	__	__	__	__	__

10. If the violation(s) noted above represents a pattern or practice, determine the root cause by identifying weaknesses in internal controls, compliance review, training, management oversight, or other factors. Consider whether civil money penalties (CMP) or an enforcement action should be recommended (see CMP matrix).

11. Identify action needed to correct violations and weaknesses in the bank's compliance system, as appropriate. Form a conclusion about the reliability of the compliance system for the area under review and provide conclusions to the examiner performing the Compliance Management System program.

12. Determine in consultation with the examiner-in-charge if violations or deficiencies in the compliance system are significant enough to merit bringing them to the board's attention in the report of examination. If so, prepare items for inclusion under the heading Matters Requiring Board Attention and under a Type 75 Follow-up Analysis.

13. Determine whether any items identified during this examination could materialize into a supervisory concern before the next examination using the examination procedures examination (consideration should be given to any planned increase in activity in this area, planned personnel changes, planned policy changes, planned changes to outside auditors or consultants, planned changes in business strategy, etc.). If so, summarize your concerns and assess the potential risk to the institution and discuss with the examiner-in-charge and/or appropriate bank personnel.

14. Discuss findings with bank management and obtain commitment(s) for corrective action.

Worksheet

The worksheet should be answered with a ''yes'' or a ''no.'' Every ''no'' answer indicates a potential violation or internal control deficiency and must be explained fully in the work papers.

HMDA Worksheet	Yes	No
1. Does the bank collect data on home purchase, refinancings, and home improvement loans for each calendar year? Are these transactions recorded within 30 days of the quarter end in which final action was taken (12 CFR 203.4(a)) for: a. Applications? b. Originations? c. Purchases?		
2. Does the bank collect the following data: a. A unique number for the loan or loan application and the date the application was received (12 CFR 203.4(a)(1))?		
b. The type and purpose of the loan, using the applicable codes (12 CFR 203.4(a)(2))? **Note:** Residential multifamily dwellings regardless of the number of units and if owner-occupied must be included on the HMDA-LAR (e.g., an application to purchase or rehabilitate a 50-unit apartment building).		
c. The owner-occupancy status of the property to which the loan relates, using the applicable codes (12 CFR 203.4(a)(3))?		
d. The amount of the loan or application, rounded up to the nearest thousand (12 CFR 203.4(a)(4))?		
e. The loan amount correctly reflects accepted counteroffers. If not accepted, the original amount the applicant requested is entered onto the HMDA-LAR (12 CFR 203.4 (a); and 12 CFR 203, Appendix A, (V)(A)(8)(f))?		
f. The type of action taken and the date (12 CFR 203.4(a)(5))?		

HMDA Worksheet	Yes	No
g. The location of the property to which the loan or application relates, by MSA number, state and county codes, and census tract (12 CFR 203.4(1)(6))? For banks considered to be large under the revised CRA, the location of the property on applications or loans received from both MSA and non-MSA areas outside the MSAs in which the home office or branch office(s) is located (12 CFR 203.4(e) and OCC 95-25, May 19, 1995)?		
h. The race or national origin, and sex of the applicant or borrower (using applicable codes) (12 CFR 203.4(a)(7))? Is it collected in the format prescribed in Appendix B (12 CFR 203.4(b))? Does the bank note race, national origin, and sex data on the basis of visual observation if the applicant chooses not to provide that information (12 CFR 203.4(b))? **Note:** Reporting of this information is optional for loans purchased or if the bank had assets of $30 million or less on the preceding December 31. If the applicant fails to provide this information in mail or telephone applications, the race or national origin and sex need not be recorded; however, an applicable code number is provided for this situation (do not use "N/A"). Collection of this information is not applicable, if the applicant or borrower is not a natural person (corporation, etc.).		
i. The gross annual income relied upon in making the credit decision (rounded up to the nearest thousand) (12 CFR 203.4(a)(7))?		
j. The type of entity purchasing a loan that the bank originates or purchases and sells within the same calendar year (12 CFR 203.4(a)(8))?		
k. The bank's reasons for denial of an application, using up to three appropriate codes (12 CFR 27)?		
3. Is the loan data presented in the format prescribed in Appendix A of the regulation (or in electronic form as prescribed in agency instructions) (12 CFR 203.4(a)); and is the most current HMDA-LAR format used for the reporting period?		
4. Does the bank avoid reporting data on transactions excluded by section 203.4(d) of the regulation?		
5. Did the bank send two copies of its loan register, or one machine-readable copy to the appropriate agency office by March 1 following the year for which the loan data are compiled (12 CFR 203.5(a))?		
6. Does the bank retain a copy of its loan application register for at least three years (12 CFR 203.5(a))?		

HMDA Worksheet		Yes	No
7.	Does the bank make its mortgage loan disclosure statement available to the public at its home office within three business days and in at least one branch office in each MSA within 10 business days of receipt from the FFIEC (12 CFR 203.5(b))?		
8.	Does the bank make its FFIEC mortgage loan disclosure statement available to the public for five years and its modified HMDA-LAR for three years (12 CFR 203.5(d))?		
9.	Are the FFIEC and HMDA disclosure statements and modified HMDA-LAR available for inspection and copying during normal business hours (12 CFR 203.5(d))?		
10.	Does the bank avoid charging a fee for obtaining a copy of its disclosure statement, other than a reasonable charge for photocopying (12 CFR 203.5(d))?		
11.	Are requests from the public for a modified HMDA-LAR provided within 30 calendar days of the request? Requests made on or prior to March 1 for the preceding year-end the modified HMDA-LAR must be filed by March 31 (12 CFR 203.5(c)); Appendix A,(III)(F).		
12.	Does the bank post a general notice about the availability of its disclosure statement in the lobbies of its home office and any branch offices located in an MSA (12 CFR 203.5(e))? **Note:** Suggested language is contained in Regulation C as revised in 1995.		
13.	Does the bank promptly, upon request, provide the location of offices where the statement is available (12 CFR 203.5(e))? (The bank may comply with this requirement by including such locations in its notice.)		
14.	Are HMDA training programs made available to affected personnel continuously to ensure compliance with the Home Mortgage Disclosure Act?		
15.	If the bank has received correspondence from the Federal Reserve Board identifying HMDA errors, has it instituted procedural changes to prevent future errors?		
16.	Does the bank have the necessary tools to compile the geographic information?		
17.	Does the bank use the U.S. Census Bureau's Outline Maps, or equivalent materials available from the Census Bureau or from a private publisher to obtain the proper census tract numbers?		

HMDA Worksheet		Yes	No
18.	If the bank uses vendor supplied software to generate MSA, census tract, state and county codes, has it verified whether the most current version is in use?		
19.	Does software contain the most recent Federal Reserve Board HMDA edits for data compilation?		
20.	Does the bank test the accuracy of data provided by outside sources? If the bank relies on outside assistance to obtain the census tract numbers (for example, private "geocoding" services or real estate appraisals), do adequate procedures exist to test vendor supplied data for accuracy? Do procedures exist to ensure that census tract numbers are obtained when they are not provided by the outside source? (For example, if the bank usually uses property appraisals to determine census tract numbers, how does it obtain this information if an appraisal was not received, as in the case of loan applications that are denied before an appraisal is made?)		
21.	Does the bank use current MSA definitions (as of January 1 of the reporting year) to determine the appropriate MSA numbers and boundaries? MSA definitions and numbers (and state and county codes) are available either from the supervisory agency, from the "FIPS PUB 8-5, Metropolitan Statistical Areas" (as updated periodically), or from the most recent edition of "A Guide to HMDA Reporting: Getting It Right!"		
22.	Does the compliance officer or person responsible for updating the HMDA-LAR quarterly and completing the annual HMDA-LAR submission have a procedure to ensure that it is done in accordance with the format requirements?		
23.	Does a procedure exist to communicate HMDA-LAR format changes received from the OCC or FFIEC to personnel responsible for creating the bank's HMDA-LAR?		
24.	Does the person responsible for preparing the HMDA-LAR complete the pre-submission checklist contained in the most recent FFIEC publication, "A Guide to HMDA Reporting, Getting It Right!"?		

Questions and Answers

1. Would a bank that refers mortgage applications to a mortgage company for a credit decision include such referrals on the bank's HMDA-LAR?

   No. A covered institution should include on its HMDA-LAR only those applications for which it made a credit decision.

2. What if a bank accepted the application and forwarded it to the mortgage company to determine if the mortgage company would purchase it at or after closing?

   The answer is still no. If, under a preclosing arrangement, the bank delivers loan applications to the mortgage company that evaluates the application, makes a credit decision, and informs the bank whether it is willing to acquire the loan and subsequently does so from the bank if the bank approves and closes the loan, the loan is reported by the mortgage company as an origination. Additionally, the mortgage company reports data for all applications that did not result in originations.

3. Must a bank that prequalifies an applicant for a residential mortgage loan report such credit decision on its HMDA-LAR?

   No. The bank need not report a prequalification.

4. Must a HMDA reporter acquire and enter data for applicant gross annual income on a "no doc" or "streamlined" loan application?

   No, if income was not relied on in the credit decision, "N/A" should be entered into the data field for income.

5. Is a bank required to enter the income of the applicant who applies for a mortgage loan to purchase a multifamily dwelling?

   No, for loans on multifamily dwellings, the bank should enter "NA."

6. What qualifies as a home improvement loan reportable on the HMDA-LAR?

A home improvement loan is any loan or portion of a loan that is stated by the borrower to be used to repair, rehabilitate, remodel, or improve a dwelling or the real property upon which it is located; *and* is classified/coded/reflected on bank records as a home improvement loan.

7. What determines if a multipurpose home improvement loan is reportable on the HMDA-LAR?

   A loan for home improvement and other purposes is treated as a home improvement loan, even if less than 50 percent of its proceeds will be used for improvement, provided the institution classifies the loan as a home improvement loan.

Laws

12 USC 2801, et seq., Home Mortgage Disclosure Act of 1975

Regulations

12 CFR 203, Home Mortgage Disclosure Regulation
12 CFR 203, Supplement I, Staff Commentary
12 CFR 27, Fair Housing Home Loan Data System

OCC Issuances

Examining Circular 263, SMS Documentation Policy
OCC Bulletin 95-25, Home Mortgage Disclosure Act – Final rule (requires, commencing in 1996, banks considered large under the revised CRA to include property location codes on HMDA-LARs for property located in any MSA and non-MSA area)
OCC Bulletin 96-27, A Guide to HMDA Reporting: Getting it Right!