HMDA / Regulation C Amendments
New 1003 Application

January 2017
Mission Statement

• To lead the third party residential mortgage industry by providing products and services that satisfy the needs and exceed the expectations of our business partners through an unrelenting pursuit of our four pillars of customer service; Communication, Consistency, Accessibility and Accountability.
Agenda

• Brief overview of HMDA
• Changes to Law and Regulations
• Effective Date
• Why Kick off Project Now?
• New 1003 Uniform Residential Loan Application
• Next Steps
Home Mortgage Disclosure Act

• Enacted by Congress in 1975, implemented by Board rulemaking in 1976
• Both the statute and the regulation were amended several times over the following four decades
• HMDA’s purposes:
  • Helps show whether financial institutions are serving the housing needs of their communities;
  • Assists public officials in distributing public-sector investment to attract private investment to areas where it is needed; and
  • **Assists with the identification of possible discriminatory lending patterns and enforcement of anti-discrimination laws**
Basic Overview of HMDA Final Rule

• Modifications to . . .
  • Institutional Coverage – Law already applies to NDM/Motive
  • Transactional Coverage – ALL loans submitted to NDM/Motive are covered under HMDA
  • Reporting Requirements
  • Reporting and Release

• What isn’t in the final rule?
  • Extent to which the data will be released to the public
    • Subsequent policy making to include process for public input
    • Balancing test = potential harm to applicant and borrower privacy with the importance of releasing information to fulfill HMDA’s disclosure purposes
Data Reporting Requirements

• Final rule will require financial institutions to collect, record, and report information for a total of 48 data fields:
  • 25 new data points
    • 11 new data points identified in the Dodd-Frank Act
    • 14 new data points using the Bureau’s discretionary authority
  • 23 existing data points
    • 14 modified
    • 9 existing
• The final rule does not include the following proposed data points:
  • QM flag
  • Initial draw
  • RPIR (risk-adjusted, pre-discounted interest rate)
  • MSA/MD
Data Fields

Current data points (including modified and unmodified data points)

- Legal Entity Identifier
- Universal Loan Identifier
- Application Date
- Loan Type
- Loan Purpose
- Preapproval
- Construction Method
- Occupancy Type
- Loan Amount
- Action Taken
- Action Taken Date
- State
- County
- Census Tract
- Ethnicity
- Race
- Sex
- Income
- Type of Purchaser
- Rate Spread
- HOEPA Status
- Lien Status
- Reason for Denial

NEW Data points identified in the Dodd-Frank Act

- Property Address
- Age
- Credit Score
- Loan Term
- Total Loan Costs, or Total Points and Fees
- Property Value
- Prepayment Penalty Term
- Introductory Rate Period
- Non-Amortizing Features
- Application Channel
- Mortgage Loan Originator NMLS Identifier

NEW Data points added under the CFPB’s discretionary authority

- Origination Charges
- Discount Points
- Lender Credits
- Interest Rate
- Debt-to-Income Ratio
- Combined Loan-to-Value Ratio
- Manufactured Home Secured Property Type
- Manufactured Home Land Property Interest
- Total units
- Multifamily Affordable Units
- Automated Underwriting System
- Reverse Mortgage
- Open-End Line of Credit
- Business or Commercial Purpose
Data Fields – Applicant and Applications

- Ethnicity, race, and sex
  - Disaggregation of ethnicity and race
- Age
- Income
- Debt-to-income ratio
- Credit score
- Automated underwriting system
- Application channel
- Reason for denial
- Application date
- Preapproval request
Data Fields - Property

- Property location by state, county, and census tract
- Lien status
- Property value
- Combined loan-to-value ratio
- Construction method
- Manufactured home secured property type
- Manufactured home land property interest
- Total units
- Multifamily affordable units
- Occupancy type
Data Fields—Transaction

- Loan type
- Loan purpose
- Loan amount
- Action taken and action taken date
- Type of purchaser
- Rate spread
- HOEPA status
- Total loan costs or total points and fees
- Origination charges

- Discount points
- Lender credits
- Interest rate
- Prepayment penalty term
- Loan term
- Introductory rate period
- Non-amortizing features
- Reverse mortgage
- Open-end line of credit
- Business or commercial purpose
Data Fields – Identifiers

- Legal Entity Identifier
- Universal Loan Identifier
- Property address
- Mortgage Loan Originator NMLSID Identifier
Reporting Requirements

• Financial institutions are still required to submit data to the appropriate federal agency by March 1 following the calendar year for which data is collected

• Financial institutions are no longer required to make available the disclosure statement and modified loan/application register to the public
  • Instead, financial institutions must provide a notice to members of the public seeking these data that the information is available on the Bureau’s website

• Beginning in 2020, larger-volume financial institutions are required to report HMDA data on a quarterly basis in addition to annually
  • Will apply to lenders who receive at least 60,000 applications
    • Correspondent loans that are purchased do not count towards the 60,000 threshold
Effective Date

• New data collection and reporting requirements are effective on **January 1st, 2018**

• What about applications taken in 2017, but are not reported until 2018, because the action taken does not occur until 2018? Will the new data fields be required to be reported?

• CFPB Released a “Transition Rule”
  • Applications taken in 2017 and reported in 2018 can be reported either way; meaning, either with the new data fields, or under the current rules

• NDM/Motive will work with you to let you know which way we will be reporting data
Implementation Guidance and Resources

CFPB Materials
http://www.consumerfinance.gov/hmda/
About the rule
Information for mortgage lenders

See the final rule
To view the final rule for the Home Mortgage Disclosure Act (HMDA) published on October 15, 2015, please visit the link below:

View Regulation C

Resources for HMDA filers
For data submission resources, please visit our Resources for HMDA Filers page:

View resources for filers

For resources to help you implement the final rule published on October 15, 2015, please visit our Regulatory Implementation page:

View regulatory implementation resources
Information For HMDA Filers

The FFIEC and HUD have published the following resources for financial institutions required to file Home Mortgage Disclosure Act (HMDA) data:

Technology Preview
The Technology Preview provides resources for financial institutions preparing their systems to file HMDA data with the CFPB.

Filing Instructions Guide
Separate Filing Instructions Guides (FIG) are now available for data collected in 2017 and 2018. Each FIG includes the previously published HMDA File Specifications.

For data collected in 2017

For data collected in or after 2018

For data collected in or before 2016, please visit the FFIEC website for data submission resources.

Frequently Asked Questions (FAQ’s)
Do you have additional questions? Please check out the FAQs.

Questions?
Technical questions about reporting HMDA data collected in or after 2017 should be directed to hmdahelp@cfpb.gov.
Technology Preview

- **Introduction** - For HMDA data collected in or after 2017, a web-based data submission and edit-check system (the HMDA Platform) is being created to process Home Mortgage Disclosure Act (HMDA) data. It is expected that the HMDA Platform will streamline the HMDA submission process and reduce burden on HMDA filers.

- This web page is intended to provide an initial view into the way HMDA filers will interact with the HMDA Platform. Additionally, this web page describes resources that will be available for filers, developers and the interested public. This web page will be updated on an ongoing basis, to keep stakeholders informed of new developments.

- **Interacting with the HMDA platform** - The HMDA Platform will be available online only and will guide filers through the entire filing process, including the review of any edits and the certification of the accuracy and completeness of the loan/application register. A separate Filing Instructions Guide (FIG) describes the file format and other requirements.

- **User Accounts** – The HMDA Platform will require every HMDA filer to register online for login credentials and establish an account prior to using the system. Once established, a HMDA filer’s account will allow a financial institution to upload its loan/application register, check on which stage it is in the filing process, complete the review and verification steps, and submit the loan/application register. The CFPB will provide details on the registration process in a future update.
Technology Preview (Con’t)

• The HMDA Platform will allow the filer to select the appropriate loan/application register from a local or network file system. The newly uploaded file will supersede any previously uploaded file for which the filer did not complete the submission process.

• The HMDA Platform will confirm the upload of the selected loan/application register, check that the file is pipe delimited and has the correct number of data fields. If the file is not properly formatted, the HMDA Platform will send an error message and require the HMDA filer to correct and refile the loan/application register.

July 21, 2016 - The Bureau published a webinar that provides an overview of the HMDA final rule and addresses institutional and transactional coverage, the data collection and submission process, as well as some key dates found in the final rule.

Watch the webinar ▶

Quick references

Executive summary ▶ - Overview of changes to the rule issued Oct. 15, 2015.

2017 HMDA institutional coverage chart ▶ - Reference tool illustrating the criteria to help determine whether an institution is covered by Regulation C in 2017.

2018 HMDA institutional coverage chart ▶ - Reference tool illustrating the criteria to help determine whether an institution is covered by Regulation C in 2018 and thereafter.

2018 HMDA transactional coverage chart ▶ - Reference tool illustrating one approach to help determine whether a transaction is reportable under HMDA.

Summary of reportable data ▶ - Reference tool for HMDA data required to be collected, recorded, and reported.

Reporting “Not Applicable” ▶ - Reference tool for when to report HMDA data as "not applicable".
Why Kick-Off Project Now?

- Rule is important and will require considerable resources to comply:
  - New lines are covered. Collection and reporting to CFPB and public of much more data than currently required;
  - Systems and operational changes take time;
  - Potentially requires changes in reporting methodology for 2017 data and reported in 2018; and
HMDA Considerations Going Forward

Roadmap:

All regulatory changes require rule analysis and assessment across 4 domains: Process, Systems, Data, Organization.
This analysis drives your planning efforts.
The questions on the following slides, are a starting point to understanding the change for your organization.

Rule Analysis
Analyze the rule to understand it and its impact on your institution’s business model.

PROCESS
- Transactional Business Process
- HMDA Data Reporting Process

TECHNOLOGY
- Transactional Business Process
- HMDA Data Reporting Process

DATA
- Quality
- Controls
- Fair Lending Trends

ORGANIZATION
- Training
- Communication
Implementation Tools

• Process

PROCESS

Transactional Business Process
• How is data collected and modified through the business process?
• What are the implications of a new definition of an existing data element to the business process?
• Are there additional data controls or QC required?
• What 3rd parties are creating/changing data? Brokers? Correspondents?
• What does the ULI mean for your business process? What are the downstream impacts on purchased loans?

HMDA Reporting Process
• What new data sourcing is required?
• What data scrubbing enhancements are needed?
• How will the file format be created? 2017...2018?
• What 3rd party vendors are involved? Will they need to make process changes?
• What policies and procedures are affected?
Implementation Tools

• Systems

All regulatory changes require assessment across 4 domains: Process, Systems, Data, Organization.
The new HMDA rule is no different. It is not just about the data.

SYSTEMS

Transactional Systems
• What are the data sources for the new data?
• Does the modification of existing elements have an impact on how data will be managed in your systems?
• What is the impact on upstream and downstream systems?
• Are additional automated data controls needed?
• Are 3rd party system vendor tools affected? Are there changes required?
• How will the ULI flow through systems? How does it affect purchased loans?
• Are data analysis tools provided sufficient?
• Are other systems used for multifamily, chattel and HELOCs?

HMDA Reporting System
• What system changes are required to aggregate new data?
• Are there additional data systems that need to be integrated?
• Is there a need for additional automated data scrubbing prior to submission?
• How will the file format be created? 2017...2018?
• Will third party vendor tools require change?
Implementation Tools

• Data and Organization

All regulatory changes require assessment across 4 domains: Process, Systems, Data, Organization. The new HMDA rule is no different. It is not just about the data.

DATA

Data Quality
• What is the quality of the current data that will be in the new data set? Does it vary by product type...by channel?
• What are they and how should they be remediated?
• What additional controls might be needed either in transaction or data reporting process?

Fair Lending Data Assessment
• Is there anything in your company’s current data that when aggregated might raise a fair lending concern?
• Are there credit policy and/or process issues that need to be reviewed and/or changed?
• What needs to be done to remediate any issues?

ORGANIZATION
(Communication & Training in this case)
• What communications are necessary? Internal/External?
• Publications? On line training? Webinars?
• Vendor supplied? Help desk?
• What about QC?
New Uniform Residential Loan Application

Revisions to 1003
New 1003 Application

• Most of the data required to be collected and reported to comply with HMDA comes from the 1003 loan application
• August 23rd, 2016 – Fannie Mae and Freddie Mac published the redesigned Uniform Residential Loan Application (URLA)
• There is NO effective date for the new Application
• Lenders and Brokers MAY begin using it on 1/1/18, and not earlier
• If a lender or broker does NOT use the new application form starting on 1/1/18:
  • The Demographic Information Addendum must be used along with the current 1003
  • The Addendum contains the questions necessary to obtain the new required data elements for HMDA compliance
• Please refer to attached samples of new 1003 for purchase loans, and for refinance loans
Next Steps

• NDM/Motive is your lender of choice!
• We will work with you every step of the way, to ensure that you are ready to comply with the new rules to collect data for HMDA reporting, and to comply with use of the new 1003 application
• Throughout the year, we will provide you with:
  • Tools and Resources to help you comply
  • Updates on NDM/Motive Implementation
  • Additional rounds of training
  • Assistance anytime with questions!

• NDM/Motive will help you get all of your loans through compliantly, and efficiently!