HMDA Webinar 2
Transcript

Slides and transcript to accompany the webinar video presentation
Disclaimer

The PowerPoint slides and corresponding transcript from the webinar are provided on the following pages. A recording of this webinar is located at https://www.consumerfinance.gov/policy-compliance/guidance/hmda-implementation/webinars/.

The Bureau releases webinars to help institutions comply with the Bureau’s rules. The webinar provides a summary of certain requirements in HMDA and Regulation C and practical examples of those requirements.

The examples provided in the webinar do not illustrate all possible situations that could trigger a particular obligation or satisfy a particular requirement. You can use an alternative approach if the approach satisfies the requirements of HMDA and Regulation C.

The webinar is not a legal substitute for HMDA or Regulation C and its official interpretations (commentary). The content of this webinar is current as of August 2019.

A person who has a specific regulatory question about the HMDA Rule after reviewing the webinar and these materials may submit the question on the Bureau’s website at https://reginquiries.consumerfinance.gov/.
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Hello and welcome to the Consumer Financial Protection Bureau’s webinar on Regulation C.
CFPB HMDA Webinars

1. Overview of the HMDA final rule and effective dates
2. Overview of identifiers, applications and data points

This is the second in a series of HMDA-related webinars that the Bureau created to help institutions understand and comply with the rule.
If you want to view the webinar where we provided an overview of the HMDA rule, we’ve provided a link to it on this page.
In today’s presentation, we will discuss identifiers, including entity, applications or loans, property, and loan originator. In addition, we will discuss data points related to applicants and borrowers.
General Disclaimer

- This webinar provides a summary of certain requirements and practical examples of those requirements.
- The examples provided do not illustrate all possible situations that could trigger a particular obligation or satisfy a particular requirement.
- You can use an alternative approach if the approach satisfies the requirements of HMDA and Regulation C.
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The Bureau releases webinars, like this one, to help institutions comply with the Bureau’s rules. This webinar provides a summary of certain requirements in HMDA and Regulation C and practical examples of those requirements. The examples provided in this webinar do not illustrate all possible situations that could trigger a particular obligation or satisfy a particular requirement. You can use an alternative approach if the approach satisfies the requirements of HMDA and Regulation C. This webinar is not a legal substitute for HMDA or Regulation C and its official interpretations (commentary). The content of this webinar is current as of August 2019.
This webinar was first presented in February 2017, but we have updated certain sections to reflect:

amendments to Regulation C issued by the Bureau in August 2017,

amendments to HMDA made by the Economic Growth, Regulatory Relief, and Consumer Protection Act (The Act), and

the interpretive and procedural rule issued by the Bureau in August 2018, which we will refer to as the 2018 rule.
Before we jump into the data points, recall in the updated version of webinar 1 dated August 2019, we discussed that the Act amended HMDA by adding partial exemptions from some of HMDA’s reporting requirements for certain transactions made by certain insured depository institutions and insured credit unions.

To recap, generally, an insured depository institution or insured credit union does not need to collect or report certain data points with respect to closed-end mortgage loans if it originated fewer than 500 closed-end mortgage loans in each of the two preceding calendar years and open-end lines of credit if it originated fewer than 500 open-end lines of credit in each of the two preceding calendar years.
We also discussed the 2018 interpretive and procedural rule the Bureau issued to implement and clarify changes to HMDA made by the Act. Among other things, the 2018 rule clarified which data points are covered by partial exemptions. Here’s a recap of the data points that are covered by partial exemptions.

<table>
<thead>
<tr>
<th>Category</th>
<th>Data Points</th>
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<tbody>
<tr>
<td>Universal Loan Identifier</td>
<td>Prepayment Penalty Term, Application Channel</td>
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<tr>
<td>Property Address</td>
<td>Debt-to-Income Ratio, Mortgage Loan Originator Identifier</td>
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<tr>
<td>Rate Spread</td>
<td>Combined-Loan-to Value Ratio, Automated Underwriting System</td>
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<td>Credit Score</td>
<td>Loan Term, Reverse Mortgage Flag</td>
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<tr>
<td>Reasons for Denial</td>
<td>Introductory Rate Period, Open-End Line of Credit Flag</td>
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<tr>
<td>Total Loan Costs or Total Points and Fees</td>
<td>Manufactured Home Secured Property Type, Business or Commercial Purpose Flag</td>
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<td>Origination Charges</td>
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<td>Discount Points</td>
<td>Property Value</td>
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<td>Lender Credits</td>
<td>Manufactured Home Land Property Interest</td>
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<tr>
<td>Interest Rate</td>
<td>Multifamily Affordable Units</td>
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</tbody>
</table>
The 2018 rule also clarified that an insured depository institution or insured credit union that qualifies for a partial exemption may report, at its option, exempt data points as long as it reports all data fields that the data point comprises.
More information about the amendments to HMDA made by the Act and the 2018 rule are provided in the first HMDA webinar, which you can find on the Bureau’s HMDA implementation webpage.

Now let’s begin our discussion of data points, specifically identifiers.
Let’s start with the LEI. Regulation C requires that all financial institutions report their legal entity identifier, known as the LEI, prescribed in section 1003.4(a)(1)(i)(A), beginning with their HMDA data collected in 2018 to be submitted to the appropriate Federal agency by March 1st, 2019.
Legal Entity Identifier

HMDA reporter’s ID #

LEI

The LEI replaces the entity identifier in the HMDA reporter’s identification number.
The LEI is a 20-digit code issued by a utility endorsed by the LEI Regulatory Oversight Committee or endorsed or governed by the Global LEI Foundation.
To obtain an LEI, visit the Global LEI Foundation’s website at www.gleif.org.
For implementation purposes, a financial institution may want to consider obtaining the LEI as early as possible because as we will discuss in the next section, the LEI is a critical component of the universal loan identifier, known as the ULI.
A financial institution will need its LEI number in order to create a ULI for each application received, for each covered loan it originates, and where applicable, purchased covered loans.
Unless a partial exemption applies, all covered loans and applications reported on your HMDA submission must include a universal loan identifier, known as the ULI, prescribed in Regulation C, section 1003.4(a)(1)(i).
What is a ULI?

A ULI is an identifier that can be used to identify and retrieve the covered loan or application file.
The ULI contains three components.

The first component is the financial institution’s LEI.

The second component represents a set of up to 23 characters assigned by the financial institution to identify the covered loan or application. The characters can be letters or numerals or a combination of letters and numerals. These characters must be unique within the financial institution and must not include information that could be used to directly identify the applicant or borrower.

The third component is the check digit, which we will discuss in a moment.
What does “unique” mean for purposes of the ULI? It means that the ULI is unique within the institution and used only for the covered loan or application.

A financial institution should assign only one ULI to any covered loan or application, and each ULI should correspond to a single application and ensuing loan in the case that the application is approved and a loan is originated.
As mentioned, the ULI must not contain information that could be used to directly identify the borrower or applicant.

This includes but is not limited to the applicant or borrower’s name, date of birth, social security number, government issued driver’s license.
passport number, alien registration number, or employer or taxpayer identification number.
For a purchased covered loan, the financial institution reports the ULI that was assigned by the institution that originated the loan.

In some instances, a ULI may not have been assigned by the institution that originated the loan. This could occur if the institution that originated the loan was not subject to Regulation C at the time the loan was originated or the loan was originated prior to the effective date of this provision, which was January 1st, 2018. In these instances, the financial institution that purchases the loan assigns a ULI using its LEI and assigns a sequence of characters to identify the covered loan or application and generates a check digit.
**Universal Loan Identifier**

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<table>
<thead>
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<tbody>
<tr>
<td>1</td>
<td>The Financial Institution’s LEI</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>23 Characters For Identification</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Check Digit</td>
<td></td>
</tr>
</tbody>
</table>

Speaking of the check digit, the third and last component of the ULI is the check digit, which represents the two rightmost characters. Appendix C of Regulation C provides the requirements for generating the check digit.
The ULI data point is covered by the Act’s partial exemptions. If an insured depository institution or insured credit union chooses not to assign and report a ULI for a partially exempt transaction, the 2018 rule provides that the insured depository institution or insured credit union will need to assign and report a non-universal loan identifier for that transaction instead. The non-universal loan identifier may be referred to as a NULI. The 2018 rule provides that a NULI may be composed of up to 22 characters to identify the covered loan or application, which:

May be letters, numerals, or a combination of letters and numerals;

Must be unique within the insured depository institution or insured credit union; and

Must not include any information that could be used to directly identify the applicant or borrower.
Section 1003.4(a)(9) requires that the financial institution report information about property location for the property securing the covered loan or proposed to secure the covered loan in the case of an application.

Section 1003.4(a)(9)(i) provides that the property address must be reported and section 1003.4(a)(9)(ii) provides that if the property is located in a Metropolitan Statistical Area or Metropolitan Division in which the financial institution has a home or branch office, or if the institution is subject to the Community Reinvestment Act, the financial institution must also report the state, county, and census tract.
Census tract is reported if the property is located in a county with a population of 30,000 or more according to the US Census Bureau’s most recent decennial census.

Note that beginning with the 2018 data collection, census tract is the full 11 digit number, which contains the state, county, and census tract codes.
The financial institution reports only the property location information for the property that is taken as security even if the covered loan relates to more than one property.
If, however, more than one property is taken as security or proposed to be taken as security
then the financial institution reports one of the properties taken as security that contains a dwelling. The property address should correspond to the property identified on the legal obligation related to the covered loan.
If an application did not result in an origination, the financial institution reports the location of the property proposed to secure the loan as identified by the applicant.
The financial institution reports the physical location of the property as securing the loan or proposed to secure the loan.

Information related to physical location of the property are the street address, city name, state code and zip code.
If the property address is not known or the applicant did not provide the property address before the application was denied, withdrawn, or closed for incompleteness, the financial institution reports that the requirement is not applicable.
Section 1003.4(a)(34) requires that the financial institution report the mortgage loan originator’s unique identifier assigned by the Nationwide Mortgage Licensing System and Registry.

This unique identifier is also known as the NMLSR ID.
If there is more than one mortgage loan originator involved in a transaction,
the financial institution reports the NMLS ID of the individual mortgage loan originator that had primary responsibility for the transaction as of the date of action taken.
If a mortgage loan originator has not been assigned or is not required to obtain an NMLSR ID, the financial institution reports that the requirement is not applicable.
Applications

HMDA

Let’s move on to applications.
First, let’s discuss preapproval requests.

In the first webinar, we discussed that requests under certain preapproval programs are considered applications under HMDA and are therefore reportable.
Section 1003.4(a)(4) requires that the financial institution report whether the application or covered loan involved a request for preapproval of a home purchase loan under such a preapproval program.
Section 1003.2(b) provides that an application that contains a request for a preapproval is one where the application is reviewed under a program which the financial institution performs a comprehensive analysis of the applicant’s creditworthiness and then issues a written commitment to the applicant that is a valid for a period of time to extend a home purchase loan up to a certain amount.
The written commitment may not be subject to conditions other than conditions that require the identification of a suitable property; conditions that require no material change has occurred in the applicant’s creditworthiness or financial condition prior to closing.
Preapproval Requests

Section 1003.2(b)

Issues a written commitment to the applicant

May not be subject to conditions other than

- Suitable property
- No material change in creditworthiness or financial condition
- Limited conditions

and limited conditions that are not related to the financial condition or creditworthiness of the applicant that the institution traditionally attaches to home mortgage applications
Preapproval Requests

IF...

- Application
- Covered Loan

→ Request under a preapproval program

If the application or covered loan involved a request under such a preapproval program
Preapproval Requests

**IF...**

- Application
- Covered Loan

→

Preapproval request

→

Request under a preapproval program

Section 1003.4(a)(4)

A financial institution reports it under section 1003.4(a)(4).
If an application or covered loan did not involve a request for a preapproval under such a preapproval program, a financial institution reports that the application or covered loan did not involve a preapproval request, regardless of whether the institution has such a program and the applicant did not apply through that program or the institution does not have such a preapproval program.
Certain types of applications and covered loans are always reported as not involving a request for a preapproval. For all of the following
a financial institution reports that the application or covered loan did not involve a preapproval request
purchased covered loans
open-end lines of credit or applications for an open-end line of credit
reverse mortgages or applications for a reverse mortgage
applications that are denied
applications that are closed for incompleteness
applications that were withdrawn by the applicant
applications or covered loans for any purpose other than a home purchase loan
a covered loan for home purchase secured by a multifamily dwelling or an application for such a loan
Let’s talk about dates. First, we’ll discuss the application date and then talk about action taken date.
Application Date

Section 1003.4(a)(1)(ii) requires that the financial institution report the date the application was received or the date shown on the application form.

As discussed in the first webinar, Regulation C defines an application as an oral or written request for a covered loan that is made in accordance with procedures used by a financial institution for the credit requested.
Application Date

Section 1003.4(a)(1)(ii)

- Application Date
  - Required for all loans and applications
  - Purchased covered loans

The application date is required for all covered loans and applications, except for purchased covered loans.
The financial institution can choose to use the date the application was received or the date shown on the application form, however, it must generally be consistent in its approach.
If the application was not submitted directly to the financial institution, the institution may choose one of the following:

- report the date the application was received by the party that initially received the application,
- the date the application was received by the financial institution,
- or the date shown on the application form.
Section 1003.4(a)(8)(ii) requires that the financial institution report the date of the action taken by the financial institution.
For loan originations, including a preapproval request that led to an origination, the financial institution reports the date of closing or account opening.
If funds were disbursed on a date later than closing or account opening, the institution may report the date the funds were disbursed.
For an origination that a financial institution acquires from another party that initially received the application, the financial institution reports either the closing or account opening date or the date the institution acquired the application from the other party.
For construction to permanent covered loans, the institution reports either the closing or account opening date or the date the covered loan converts to the permanent financing.
For withdrawn applications, the financial institution reports either the date the express withdrawal was received or the date shown on the notification form for a written withdrawal.
For applications denied and files closed for incompleteness, the financial institution reports either the date the action was taken or the date the notice was sent to the applicant.
For a covered loan that was purchased by the financial institution, the financial institution reports the date of the purchase.
Now, let’s discuss the collection of ethnicity, race, and sex information of the applicant or borrower.

Section 1003.4(a)(10)(i) requires that financial institutions report the ethnicity, race, and sex of the applicant or borrower and whether the information was collected based on visual observation or surname.
A financial institution may provide the questions regarding ethnicity, race, and sex on its loan application form or on a separate form that refers to the application.

Appendix B of Regulation C contains a sample data collection form.
Whether the application is taken in person, by mail or by telephone, or on the Internet
a financial institution must ask for the applicant’s ethnicity, race, and sex, but cannot require the applicant to provide it.
For an application that is taken by phone, the information stated on the loan application form or the separate form that refers to the application must be stated orally, unless the specific information is unique to applications taken in writing.

An example of this is the italicized language provided in the sample data collection form in Appendix B.
### Ethnicity, Race, and Sex

<table>
<thead>
<tr>
<th>Federal law requires</th>
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<tbody>
<tr>
<td>Ethnicity</td>
</tr>
<tr>
<td>Race</td>
</tr>
<tr>
<td>Sex</td>
</tr>
<tr>
<td>Collected to protect consumers</td>
</tr>
<tr>
<td>Prohibit discrimination on these bases</td>
</tr>
</tbody>
</table>

Applicants must be informed that federal law requires race, ethnicity, and sex to be collected in order to protect consumers and monitor compliance with Federal statutes that prohibit discrimination against applicants on these bases.
For applications that are taken in person, applicants must be informed that if they do not provide the information, the financial institution is required to note the information based on visual observation or surname.
If the applicant declines to answer these questions by checking the “I do not wish to provide this information” box on an application taken by mail or internet, or declines to provide the information on an application taken by telephone by stating that he or she does not wish to provide the information, then the financial institution must report “information not provided by applicant.”
Ethnicity, Race, and Sex

<table>
<thead>
<tr>
<th>Application</th>
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<tbody>
<tr>
<td>In person</td>
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<tr>
<td>OR</td>
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<tr>
<td>Mail</td>
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<tr>
<td>OR</td>
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<tr>
<td>Phone</td>
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<tr>
<td>OR</td>
</tr>
<tr>
<td>Internet</td>
</tr>
<tr>
<td>Declines to provide the information</td>
</tr>
<tr>
<td>Ethnicity</td>
</tr>
<tr>
<td>Race</td>
</tr>
<tr>
<td>OR</td>
</tr>
<tr>
<td>Sex</td>
</tr>
<tr>
<td>OR</td>
</tr>
<tr>
<td>He or she does not wish to provide information</td>
</tr>
</tbody>
</table>

in mail, internet, or telephone application.
If an applicant begins an application by mail, internet, or by telephone, and the applicant does not provide the information but does not check or select the “I do not wish to provide this information” box on the application...
and the applicant subsequently meets with the financial institution in person to complete the application then the financial institution must request the applicant’s ethnicity, race, and sex.
If during the in-person meeting, the applicant does not provide the information then the information must be collected based on visual observation or surname.
If the meeting occurs after the application process is complete, such as at account opening or closing, the financial institution is not required to obtain the applicant’s ethnicity, race, and sex.
If an applicant provides only some of the information requested a financial institution reports the information the applicant provided.
If an application is taken by mail, internet, or telephone and an applicant provides some or all information related to ethnicity, race, and sex but also checks the “I do not wish to provide this information” box on an application that is taken by mail or on the internet, or makes that selection when applying by telephone, the financial institution...
Ethnicity, Race, and Sex

Application

In person

OR

Phone

Mail

Internet

Reports information provided by the applicant

reports the information on ethnicity, race, and sex that was provided by the applicant.
If an application is taken in person and the applicant chooses not to provide the information, note this fact on the collection form and then the financial institution must collect the applicant’s
Ethnicity, Race, and Sex

Application

In person
OR
Mail
Phone
OR
Internet

Does not provide information

Visual observation
OR
Surname

ethnicity, race, and sex based on visual observation or surname.
Applications that are accepted through electronic media with a video component are treated like applications taken in person.

If an application is accepted through electronic media without a video component, then the application is treated like an application accepted by mail.
Applicants must be provided the option of selecting more than one ethnicity or race. An applicant is not required to select an aggregate race or ethnicity category as a precondition to selecting one of the race or ethnicity subcategories.
If an applicant selects more than one ethnicity or race, then the financial institution must report each selected designation within certain limits.
For ethnicity – Hispanic or Latino and Not Hispanic or Latino are the ethnicity categories.

The applicant may also select up to 4 Hispanic or Latino subcategories:

- Mexican
- Puerto Rican
- Cuban
- Other Hispanic or Latino
A financial institution must report each aggregate ethnicity category and each ethnicity subcategory selected by the applicant. If the applicant
also selects one or more ethnicity subcategories, a financial institution must report each ethnicity subcategory selected by the applicant, except that an institution must not report more than a total of five aggregate ethnicity categories and ethnicity subcategories combined.
An applicant may select the Other Hispanic or Latino ethnicity subcategory, an applicant may provide a particular Hispanic or Latino ethnicity not listed in the standard subcategories, or an applicant may do both. For the purposes of the maximum of five reportable ethnicity categories and ethnicity subcategories combined, the Other Hispanic or Latino ethnicity subcategory and additional information provided by the applicant constitute only one selection.
For race – There are five aggregate race categories:

- American Indian or Alaska Native
- Asian
- Black or African American
- Native Hawaiian or Other Pacific Islander
- White
The Asian race category has seven subcategories.
Ethnicity, Race, and Sex

Race

Asian

Asian Indian

Chinese

Filipino

Japanese

Korean

Vietnamese

Other Asian

Asian Indian
Chinese
Filipino
Japanese
Korean
Vietnamese
Other Asian
The Native Hawaiian or Other Pacific Islander race category has four subcategories.
Ethnicity, Race, and Sex

Race

Native Hawaiian or Other Pacific Islander

Native Hawaiian

Guamanian or Chamorro

Samoan

Other Pacific Islander

Native Hawaiian

Guamanian or Chamorro

Samoan

Other Pacific Islander
A financial institution must report every aggregate race category selected by the applicant.

If the applicant also selects one or more race subcategories, a financial institution must report each race subcategory selected by the applicant, except that an institution must not report more than a total of five aggregate race categories and race subcategories combined.
An applicant may select the Other Asian race subcategory or the Other Pacific Islander race subcategory, an applicant may provide a particular Asian race or Pacific Islander race not listed in the standard subcategories.
or an applicant may do both. For the purposes of the maximum of five reportable race categories and race subcategories combined, the Other race subcategory and additional information provided by the applicant constitute only one selection.
If there are no co-applicants, a financial institution reports that there is no co-applicant.
If there is more than one co-applicant, the financial institution reports the ethnicity, race, and sex only for the first co-applicant listed on the application form.
When would a financial institution report not applicable for ethnicity, race, and sex? The most common situations would be when the applicants or borrowers are not natural persons for example, a corporation, partnership or trust.

If the covered loan or application includes a guarantor, a financial institution does not report the guarantor’s race, ethnicity, and sex.
For purchased covered loans, if the financial institution chooses not to report the applicant or co-applicant’s ethnicity, race, and sex, the financial institution reports that the requirement is not applicable.
For detailed instructions on the collection of ethnicity, race, and sex, refer to Appendix B of Regulation C.
Ethnicity, Race, and Sex

Comment 4(a)(10)(i) provides that an application received prior to January 1, 2018 and where final action on that application occurs on or after January 1, 2018.
Ethnicity, Race, and Sex

The financial institution collects race, ethnicity, and sex in accordance with the requirements at the time the information was collected.
For example, if an application was received on December 1, 2017 and the financial institution collects the applicant’s ethnicity, race, and sex on that date but final action was not taken
until January 1, 2018, the financial institution may collect race, ethnicity, and sex according to the requirements in effect on December 1, 2017.
For an application received in 2018 and beyond and where final action is taken in 2018 and beyond, the financial institution collects ethnicity and race information using the disaggregated categories discussed earlier. The financial institution must report ethnicity and race information using the disaggregated categories if the applicant provided it. In addition, the financial institution must report whether the information
Ethnicity, Race, and Sex

Beginning with 2018 applications where final action is taken in 2018 and beyond, the financial institution must note the ethnicity, race, and sex of an applicant for an application taken in person if the applicant chose not to furnish the information, and the financial institution must also report whether ethnicity, race, and sex were collected on the basis of visual observation or surname.
Only an applicant may self-identify using the disaggregated ethnicity and race categories. A financial institution cannot use disaggregated categories when collecting ethnicity and race information on the basis of visual observation or surname, but instead must select from the aggregate categories.
Let’s move on to age, credit score, income and debt to income ratio.
Section 1003.4(a)(10)(ii) requires that the financial institution report the applicant’s age.
Age is calculated as of the application date as the number of whole years based on the date of birth provided on the application form.
If there are no co-applicants, the financial institution reports that there is no co-applicant.
If there is more than one co-applicant, the financial institution reports the age for only the first co-applicant provided on the application form.
A financial institution reports Not Applicable for age for the following:

1. the covered loan was purchased by the financial institution and the institution chooses not to report the applicant or co-applicant’s age

2. the applicant or co-applicant is not a natural person, such as a corporation, partnership, or trust

If the covered loan or application includes a guarantor, a financial institution does not report the guarantor’s age.
Section 1003.4(a)(15) requires that the financial institution report the credit score or scores the financial institution relied on in making the credit decision.

The financial institution also reports the name and version of the scoring model that was used to generate each credit score.
First, what does “relied on” mean with respect to credit score?
Comment 4(a)(15)-1 provides that a financial institution relies on a credit score in making the credit decision if the credit score was a factor in the credit decision even if it was not a dispositive factor.
For example, if the financial institution used the credit score as one of many factors in making the credit decision,
then the financial institution relied on it, even if the financial institution denies the application on an underwriting factor other than the credit score.
Second, what happens if the financial institution obtains or creates two or more credit scores for a single applicant or borrower?
Comment 4(a)(15)-2 provides that when a financial institution obtains or creates two or more credit scores for a single applicant or borrower but relies on only one score in making the credit decision (for example, by relying on the lowest, highest, most recent, or average of all the scores), the financial institution complies with section 1003.4(a)(15) by reporting that credit score and information about the scoring model used.
What happens if the financial institution obtains or creates two or more credit scores for a single applicant or borrower but relies on multiple credit scores in making the credit decision?
Comment 4(a)(15)-2 explains that when a financial institution obtains or creates two or more credit scores for an applicant or borrower and relies on multiple scores for the applicant or borrower in making the credit decision (for example, by relying on a scoring grid that considers each of the scores obtained or created for the applicant or borrower without combining the scores into a composite score), § 1003.4(a)(15) requires the financial institution to report one of the credit scores for the applicant or borrower that was relied on in making the credit decision.
In choosing which credit score to report in this circumstance, this comment explains that a financial institution need not use the same approach for its entire HMDA submission, but it should be generally consistent (such as by routinely using one approach within a particular division of the institution or for a category of covered loans).
In instances such as these, the financial institution should report the name and version of the credit scoring model for the score reported.
Third, what does a financial institution report if there are two or more applicants or borrowers for which it obtained or created a single credit score and it “relied on” it?
In this case, comment 4(a)(15)-3 explains that the financial institution reports the credit score for either the applicant or first co-applicant.
Otherwise, the financial institution reports the credit score for the applicant that it relied on in making the credit decision, if any, and the credit score for the first co-applicant that it relied on in making the credit decision, if any.
Finally, under what circumstances would a financial institution report Not Applicable for credit score information?
Credit Score

What circumstance would a financial institution report Not Applicable for credit score information?

1. File closed for incompleteness or withdrawn before credit decision, even if the financial institution obtained or created a credit score
2. Financial institution did not rely on a credit score
3. Covered loan was purchased by financial institution
4. Applicant and co-applicant, if applicable, are not natural persons

1. The file was closed for incompleteness or the application was withdrawn before a credit decision was made, even if the financial institution obtained or created a credit score

2. The financial institution did not rely on a credit score in making the credit decision, such as when no score was available for the applicant

3. The covered loan was purchased by the financial institution

4. The applicant and, if applicable, the co-applicant are not natural persons
Section 1003.4(a)(10)(iii) requires that the financial institution report the gross annual income it relied on in making the credit decision, or if a credit decision was not made, the gross annual income relied on in processing the application. Income information must be rounded to the nearest thousand.
What is meant by “relied on?” When a financial institution evaluates income as part of a credit decision, it reports the gross annual income relied on in making the credit decision.
For example, if a financial institution relies on an applicant’s salary to compute a debt-to-income ratio but also relies on the applicant’s annual bonus to evaluate creditworthiness, the financial institution reports the salary and the bonus.
If the financial institution relies only on a portion of the gross annual income for its credit decision, then the financial institution reports only that portion of the income that it relied on.
If there is an applicant and co-applicant on the application form and both of them provided their income on the application form, but the financial institution relied only on one of the incomes to evaluate creditworthiness, whether it is the applicant’s or co-applicant’s, then the financial institution reports only the income it relied on.
What happens if an application is withdrawn before a credit decision is made and therefore the financial institution did not have the opportunity to use the income it relied on with respect to evaluating an applicant’s creditworthiness?
In this case, the financial institution reports the income information it relied on in processing the application at the time the application was withdrawn or the file was closed for incompleteness.
A financial institution does not include as income amounts considered in making a credit decision based on factors that an institution relies on in addition to income, such as amounts derived from underwriting calculations of the potential annuitization or depletion of an applicant’s remaining assets.
Income

Comment 4(a)(10)(iii)

Reports “Not Applicable” for the income data point

1. Income is not required to be considered

2. The applicant or co-applicant is not a natural person

- Corporation
- Partnership
- Trust

Actual distributions from retirement accounts or other assets that are relied on by the financial institution as income should be reported as income.

A financial institution reports “Not Applicable” for the income data point in the following scenarios:

1. Under the financial institution’s policies and procedures, income is not required to be considered.

2. The applicant or co-applicant is not a natural person.

Examples include a corporation, partnership or trust.

Note that if the applicant is a natural person and is the beneficiary of a trust, then the financial institution is required to report income information.
3. The covered loan or application is secured by or proposed to be secured by a multifamily dwelling.

4. The covered loan is a purchased loan and the financial institution chooses not to report income.

5. The applicant or borrower is the financial institution’s employee.
Section 1003.4(a)(23) requires that the financial institution report the debt to income ratio, also known as DTI, of the applicant or borrower if the financial institution relied on it in making its credit decision.
Debt-to-Income Ratio (DTI)

DTI is the ratio of the applicant’s or borrower’s total monthly debt to total monthly income.
Comment 4(a)(23) provides that a financial institution relies on the applicant’s or borrower's DTI ratio in making the credit decision if it was a factor in the credit decision even if it was not a dispositive factor.
For example, if DTI was one of multiple factors the financial institution considered, it relied on it and reports it, even if the financial institution denied the application based on a factor other than DTI.
A financial institution reports “Not Applicable” for DTI in the following scenarios:

1. a credit decision was made without relying on DTI

2. the application was closed for incompleteness or the application was withdrawn before a credit decision was made, even if DTI was calculated

3. the applicant and co-applicant, if applicable, are not natural persons
Debt-to-Income Ratio (DTI)

Comment 4(a)(23)
Reports “Not Applicable” for DTI

4. The covered loan or application is secured by a multifamily dwelling

5. The covered loan is a purchased loan

4. the covered loan or application is secured or proposed to be secured by a multifamily dwelling

5. the covered loan is a purchased loan
Moving on. Let’s discuss combined loan-to-value ratio and application channel.
Combined Loan-to-Value Ratio (CLTV)

Section 1003.4(a)(24)

Report the ratio of the total amount of debt secured by the property to the value of the property relied on in making the credit decision.

Section 1003.4(a)(24) requires that the financial institution report the ratio of the total amount of debt secured by the property to the value of the property relied on in making the credit decision.
This is known as the combined loan-to-value ratio or CLTV ratio.
Comment 4(a)(24)-2 provides that a financial institution relies on the CLTV ratio in making the credit decision if the CLTV ratio was a factor in the credit decision even if it was not a dispositive factor.
For example, if CLTV ratio was one of multiple factors the financial institution considered, it relied on it and reports it, even if the financial institution denied the application based on a factor other than CLTV ratio.
A financial institution reports “Not Applicable” for CLTV ratio in the following scenarios:

1. a credit decision was made without relying on the CLTV ratio
2. the application was closed for incompleteness or the application was withdrawn before a credit decision was made, even if the CLTV ratio was calculated
3. the covered loan is a purchased loan
Let's talk about application channel. Section 4(a)(33)(i) and (ii) requires that the financial institution report whether the applicant or borrower submitted the application directly to the financial institution and whether the obligation arising from the covered loan was, or if it was an application, would have been initially payable to the financial institution.
First, let’s discuss a couple of scenarios where the application is submitted directly to the financial institution.

1. An application is submitted directly to the financial institution if the mortgage loan originator was an employee of the financial institution when the loan originator performed activities related to the origination for the covered loan.
2. An application is submitted directly to the financial institution if the financial institution directed the applicant to a third-party agent who performed activities related to the origination on behalf of the financial institution and that third-party agent did not assist the applicant with applying for a covered loan with other institutions.
When is an application not submitted directly to the institution?
An example of when an application is not submitted directly to the institution
occurs when an applicant contacts a broker or correspondent and the applicant completes the application, and then the broker or correspondent forwarded the application to the financial institution for approval.
Let's discuss when an application is initially payable to the financial institution.

If the obligation was initially payable on the face of the note or contract to the financial institution that is reporting the covered loan or application, then the obligation was initially payable to the financial institution.
Application Channel

There are certain scenarios when a financial institution reports that the application channel data point is not applicable.

1. If the application was withdrawn, denied, or closed for incompleteness, the financial institution had not determined if the loan would have been initially payable to the financial institution

2. The covered loan is a purchased loan
Our final topic for today is automated underwriting systems. Section 4(a)(35)(i) requires that the financial institution report the name of the automated underwriting system, also known as AUS, that it used to evaluate the application as well as the result that was generated by the AUS.
Automated Underwriting Systems (AUS)

What is an AUS?
Section 4(a)(35)(ii) provides that an AUS is an electronic tool developed by a securitizer, Federal government insurer, or Federal government guarantor of closed-end mortgage loans or open-end lines of credit that provides a result regarding both the credit risk of the applicant and whether the covered loan is eligible.
and whether the covered loan is eligible to be originated, purchased, insured, or guaranteed by that securitizer, Federal government insurer, or Federal government guarantor. A person is a securitizer, Federal government insurer, or Federal government guarantor of closed-end mortgage loans or open-end lines of credit, respectively, if it has ever securitized, provided Federal government insurance, or provided a Federal government guarantee for a closed-end mortgage loan or open-end line of credit. A person may be a securitizer, Federal government insurer, or Federal government guarantor even if it is not actively securitizing, insuring or guaranteeing closed-end mortgage loans or open-end lines of credit at the time a financial institution uses the AUS to evaluate an application.
Note that the system must provide a result regarding the credit risk of the applicant and the eligibility of the loan to be originated, purchased, insured, or guaranteed by the securitizer, Federal government insurer, or Federal government guarantor that developed the system.

If a system is an electronic tool that provided a determination of the loan’s eligibility for purchase, for example, but the system does not provide an assessment of the creditworthiness of the applicant, then the system is not an AUS for the purposes of HMDA reporting.
A financial institution that uses its own proprietary automated underwriting system to evaluate an application must report AUS information, but the financial institution must also be a securitizer in order for the system to meet the definition of an AUS.
If a financial institution used more than one AUS to evaluate an application or used a single AUS that generated multiple results, the financial institution must determine which AUS or AUSs and which result or results to report.
Here are six steps, in order, that the financial institution must follow to make that determination.

Step # 1. Determine whether the AUS it used to evaluate the application matches the loan type it reported for the application or covered loan.

Step # 2. If the AUS matches the loan type, determine whether the result was obtained from only one AUS.

If so, then report the AUS that matches the loan type and the result obtained from that AUS.
Step # 3. If no AUS was used that matches the loan type or if more than one result matches the loan type generated by a system that corresponds to the loan type reported, determine whether the AUS used matches the purchaser, insurer, or guarantor for the covered loan.
Step # 4. If an AUS matches the purchaser, insurer, or guarantor, determine whether only one result was obtained from that AUS.

If only one result from the AUS that matches the purchaser, insurer, or guarantor was obtained, report the AUS that matches and the result obtained from that AUS.
Step # 5. If no AUS was used that matches the purchaser, insurer, or guarantor, or if multiple results were obtained from an AUS that matches the purchaser, insurer, or guarantor or loan type, report both the result obtained closest in time to the credit decision and the AUS that generated the result.
Step # 6. If multiple results were obtained at the same time and the steps above do not apply, report all of the results from each of the multiple AUSs obtained and the name of the AUSs that generated each of the results, up to a total of five results and five AUSs. If more than five systems and five results meet the final step, then the financial institution chooses any five among them to report.
There are certain scenarios where a financial institution reports Not Applicable for the AUS data point:

1. The financial institution did not use an AUS to evaluate the application

2. The applicant and co-applicant, if applicable, are not natural persons,

or

3. The covered loan is a purchased loan
Closing

Home Mortgage Disclosure Act (HMDA)

We hope you found this webinar helpful. The Bureau has additional resources to help you understand and comply with the final rule.
For more information

http://www.consumerfinance.gov/policy-compliance/guidance/implementation-guidance/
Submit questions

Regulatory questions:
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If you have specific regulatory interpretation questions, you may submit them to the Bureau at reginquiries.consumerfinance.gov. Please select Regulation C/HMDA from the pull down box on the website, and provide regulatory cites to indicate the topic of the question.

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Thank you for joining us in this webinar.