

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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HMDA

Webinar | August 2019



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.

CFPB HMDA Webinars

1. Overview of the HMDA final rule and effective dates

<https://www.consumerfinance.gov/policy-compliance/guidance/hmda-implementation/webinars/>



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.

Topics

1. Identifiers
2. Applications or loans
3. Property and loan originator
4. Data points related to applicants and borrowers



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.
- This webinar is not a legal substitute for HMDA or Regulation C and its official interpretations.



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.

Updates

1. 2017 Amendments to Regulation C
2. Amendments to HMDA made by the Economic Growth, Regulatory Relief, and Consumer Protection Act (The Act)
3. Interpretive and Procedural rule (2018 Rule)



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 Protect Act, which we will refer to as The Act, and

the interpretive and procedural rule issued by the Bureau in August 2018, which we will refer to as the 2018 rule.

The Act

Added partial exemptions

Certain transactions



Certain institutions



Insured depository
institution

Insured credit
union



Data points

Closed-end mortgage loans

Open-end lines of credit



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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.

2018 Rule

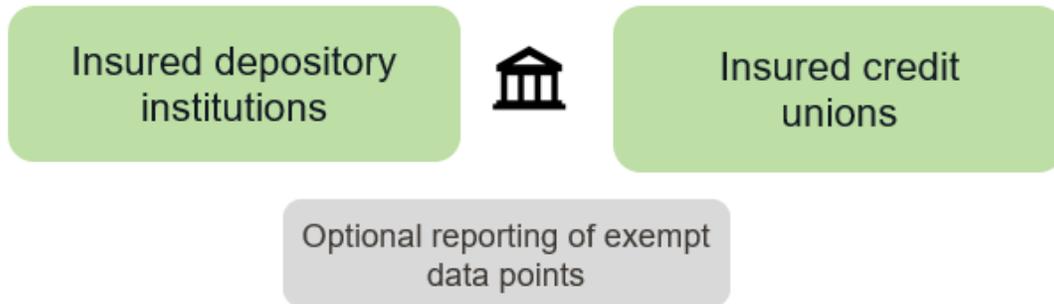
Which data points are covered by partial exemptions?

Universal Loan Identifier	Prepayment Penalty Term	Application Channel
Property Address	Debt-to-Income Ratio	Mortgage Loan Originator Identifier
Rate Spread	Combined-Loan-to Value Ratio	Automated Underwriting System
Credit Score	Loan Term	Reverse Mortgage Flag
Reasons for Denial	Introductory Rate Period	Open-End Line of Credit Flag
Total Loan Costs or Total Points and Fees	Manufactured Home Secured Property Type	Business or Commercial Purpose Flag
Origination Charges	Non-Amortizing Features	
Discount Points	Property Value	
Lender Credits	Manufactured Home Land Property Interest	
Interest Rate	Multifamily Affordable Units	



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.

2018 Rule



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

<https://www.consumerfinance.gov/policy-compliance/guidance/hmda-implementation/webinars/>



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.

Identifiers

HMDA



Now let's begin our discussion of data points, specifically identifiers.

Legal Entity Identifier



LEI

HMDA Data
2018



Federal
Agency

March 1, 2019



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.

Legal Entity Identifier

LEI

20 Digit Code

LEI Regulatory Oversight
Committee

Global LEI Foundation



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.

Legal Entity Identifier

LEI

Global LEI Foundation

www.gleif.org



To obtain an LEI, visit the Global LEI Foundation's website at www.gleif.org.

LEI Implementation



LEI

Universal
Loan Identifier



ULI



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.

LEI Implementation



- Applications received
- Covered loans it originates
- Purchased covered loans



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.

Universal Loan Identifier

ULI

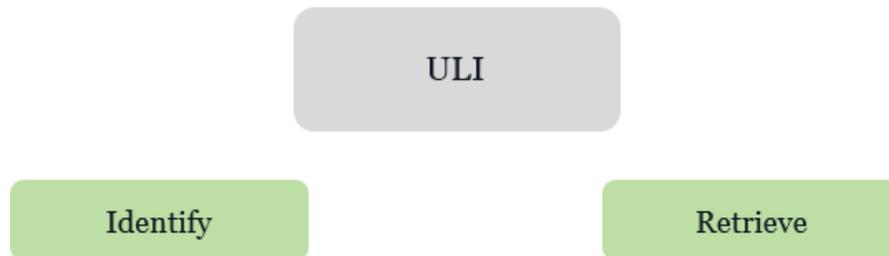
All covered loans and applications

Reported on your HMDA submission



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).

Universal Loan Identifier



What is a ULI?

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

Universal Loan Identifier

ULI

① The Financial Institution's LEI

② 23 Characters For Identification

③ Check Digit



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.

Universal Loan Identifier

ULI

2

23 Characters For Identification

Unique

Assign only one

One Application



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.

Universal Loan Identifier

ULI

2

23 Characters For Identification

Contain no Identifying Information



Name

Date of Birth

SS#

Driver's License



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

Universal Loan Identifier

ULI

② 23 Characters For Identification

Contain no Identifying Information



Passport
number

Alien
Registration

Employer ID

Taxpayer ID



passport number, alien registration number, or employer or taxpayer identification number.

Universal Loan Identifier

Purchased Covered
Loan



ULI

May not have been assigned by the institution
who originated the loan

3

Check Digit



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

ULI

① The Financial Institution's LEI

② 23 Characters For Identification

③ Check Digit



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.

NULI

Non-universal loan identifier

Transaction that
qualifies for partial
exemption



+

Institution chooses not
to assign a ULI



Assign a NULI

- Letters, numerals, or a combination of letters or numerals
- Unique
- No information that can be used to directly identify a borrower



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.

Property Identifier



Information about property location

Property address

Property located in MSA or MD in which the financial institution has a home or branch office

Subject to Community Reinvestment Act

State, county, and census tract



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.

Property Identifier



Information about property location

State, county, and census tract

Census Tract – Population of 30,000 or more

2018 data collection



11 digit number with state, county, and census tract codes



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.

Property Identifier



Information about property location



Property taken as a security



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.

Property Identifier



Information about property location

If...



More than one property taken as a security



If, however, more than one property is taken as security or proposed to be taken as security

Property Identifier



Information about property location

If...



More than one property taken as a security

Report property that contains a dwelling



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.

Property Identifier



Information about property location

If...

Application



Origination

Report property used to secure the 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.

Property Identifier



Information about property location

Report property proposed to secure the loan

Report physical location of property securing loan

Information related to physical location

Address

City Name

State Code

Zip code



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.

Property Identifier



Property Address

Address not known or provided

Denied

Withdrawn

Incomplete



Reports not applicable



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.

Mortgage Loan Originator Identifier



Report the mortgage loan originator's unique identifier



NMLSR ID

Assigned by the
**Nationwide Mortgage
Licensing System and
Registry**



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.

Mortgage Loan Originator Identifier

If...



More than one mortgage loan originator



If there is more than one mortgage loan originator involved in a transaction,

Mortgage Loan Originator Identifier



NMLSR ID



Primary responsibility
for the transaction

the financial institution reports the NMLSR ID of the individual mortgage loan originator that had primary responsibility for the transaction as of the date of action taken.

Mortgage Loan Originator Identifier

If...



Assigned 

OR

Required 

NMLSR ID

Mortgage loan originator



=

Not applicable



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.

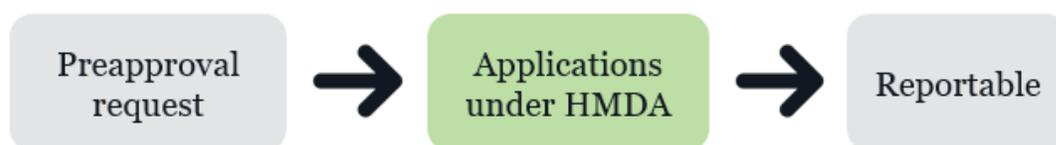
Applications

HMDA



Let's move on to applications.

Preapproval Requests



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

Preapproval Requests



Section 1003.4(a)(4)

Report if the application involves a request for preapproval of a home purchase loan under preapproval program.



Section 1003.4(a)(4) requires that the financial institution report whether the application or covered loan involved a request for a preapproval of a home purchase loan under such a preapproval program.

Preapproval Requests



Section 1003.2(b)

An application that contains a request for a preapproval

Reviewed under a program with a comprehensive analysis of creditworthiness

Issues a written commitment to the applicant



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.

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



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...



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

Preapproval Requests

Section 1003.4(a)(4)

IF...

Application

Covered Loan



Request under
a preapproval
program



Preapproval
request

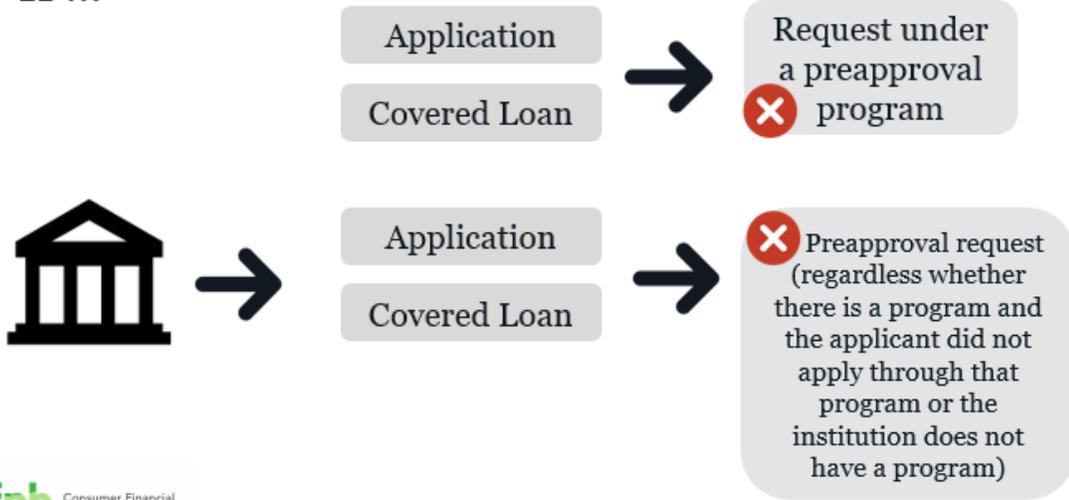


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Protection Bureau

a financial institution reports it under section 1003.4(a)(4).

Preapproval Requests

IF...



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.

Preapproval Requests

Transactions



Application

Covered Loan



Preapproval
request

Certain types of applications and covered loans are always reported as not involving a request for a preapproval. For all of the following

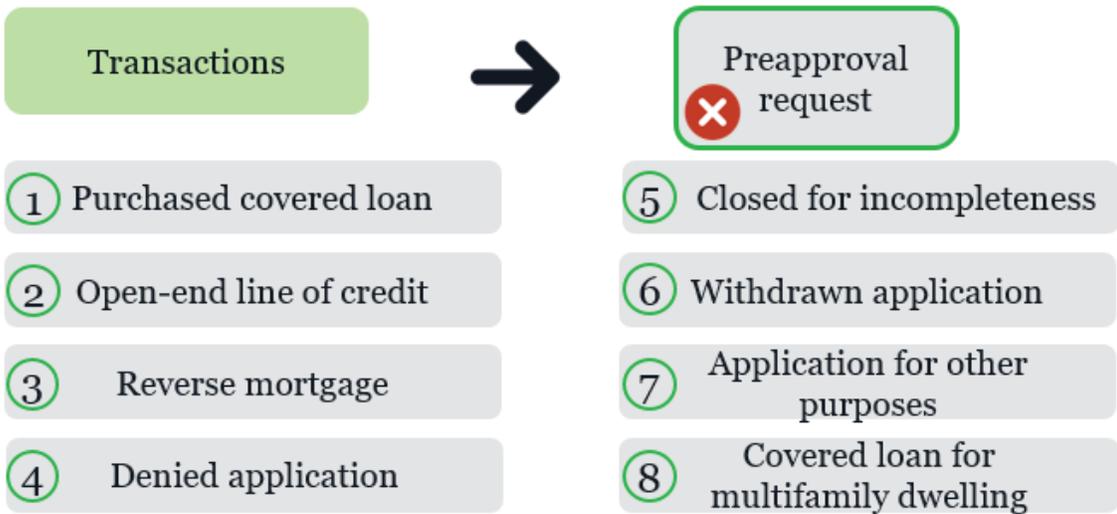
Preapproval Requests

Transactions



a financial institution reports that the application or covered loan did not involve a preapproval request

Preapproval Requests



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

Dates

① Application date

② Action taken date



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)

Date application
received

Date shown on
application

Application

=

Oral or written request for a
covered loan that is made with
procedures used by a financial
institution for the credit requested

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 type of 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.

Application Date



Comment 4(a)(1)(ii)

Date application
received

OR

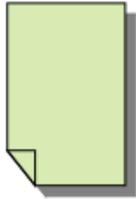
Date shown on
application

Generally be consistent



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.

Application Date



Not submitted directly to
the financial institution

Date the application was
received by the party that
initially received it



Date received by
financial institution

Date shown on the
application form



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.

Action Taken Date



Section 1003.4(a)(8)(ii)

Action taken date



Section 1003.4(a)(8)(ii) requires that the financial institution report the date of the action taken by the financial institution.

Action Taken Date



Comment 4(a)(8)(ii)

Date of closing or
account opening

Loan
originations



For loan originations, including a preapproval request that led to an origination, the financial institution reports the date of closing or account opening

Action Taken Date



Comment 4(a)(8)(ii)

Funds disbursed
later than closing
or account
opening

Date funds
disbursed



If funds were disbursed on a date later than closing or account opening, the institution may report the date the funds were disbursed.

Action Taken Date



Comment 4(a)(8)(ii)

Date of closing or
account opening

Date acquired from
third party

Acquires
application
from another
party



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.

Action Taken Date



Comment 1003.4(a)(8)(ii)

Date of closing or
account opening

Construction to
permanent
covered loans

Date the covered
loan converts to
permanent
financing



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.

Action Taken Date



Comment 4(a)(8)(ii)

Withdrawn applications

Date express withdrawal received

Date shown on the notification form



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.

Action Taken Date



Comment 4(a)(8)(ii)

Date action was
taken

Denied
applications
and files closed
for
incompleteness

Date notice was
sent to applicant



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.

Action Taken Date



Comment 4(a)(8)(ii)

Covered loan
purchased by
the financial
institution

Date of the
purchase



For a covered loan that was purchased by the financial institution, the financial institution reports the date of the purchase.

Ethnicity, Race, and Sex



Section 1003.4(a)(10)(i)

Ethnicity

Race

Sex

Visual
observation

OR

Surname

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.

Ethnicity, Race, and Sex



Ethnicity

Race

Sex

Questions

Loan
application
forms

OR

Separate form
that refers to
application

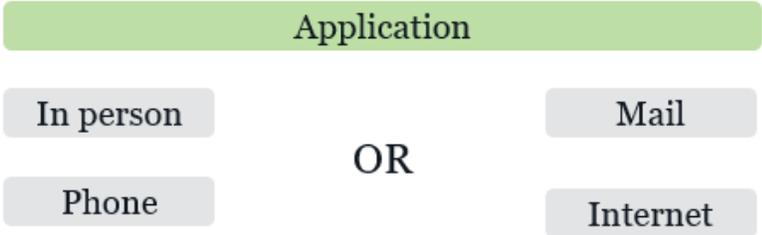
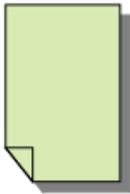
Appendix B of Regulation C – Sample Form



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.

Ethnicity, Race, and Sex



Whether the application is taken in person, by mail or by telephone, or on the Internet

Ethnicity, Race, and Sex



Ethnicity

Race

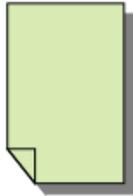
Sex

Must ask but cannot require applicant to provide it



a financial institution must ask for the applicant's ethnicity, race, and sex, but cannot require the applicant to provide it.

Ethnicity, Race, and Sex



Application

In person

Mail

OR

Phone

Internet

Information must be stated orally

Appendix B of Regulation C – Sample form



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



Federal law requires

Ethnicity

Race

Sex

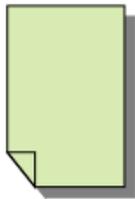
Collected to protect consumers

Prohibit discrimination on these bases



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.

Ethnicity, Race, and Sex



Application

In person

Mail

OR

Phone

Internet

Does not provide the information

Visual
observation

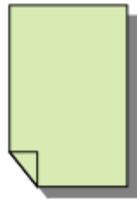
OR

Surname



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.

Ethnicity, Race, and Sex



Application

In person

Mail

OR

Phone

Internet

Declines to answer these questions

Ethnicity

Race

Sex

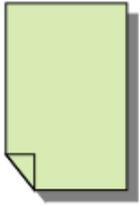


“I do not wish to provide this information”



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



Application

In person

Mail

OR

Phone

Internet

Declines to provide the information

Ethnicity

Race

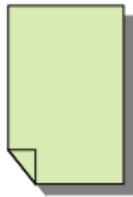
Sex

OR

He or she does not wish to provide information

in mail, internet, or telephone application.

Ethnicity, Race, and Sex



Application

In person

Mail

OR

Phone

Internet

Does not provide the information

Ethnicity

Race

Sex

But...

“I do not wish to provide this information”



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

Ethnicity, Race, and Sex



Applicant

Phone

Mail

Internet

1 Does not provide the information

2 Does not check the box “I do not wish to provide this information”



In person

3 Request ethnicity, race, and sex



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.

Ethnicity, Race, and Sex



Applicant

In person

Mail

OR

Phone

Internet

Does not provide the information

Visual
observation

OR

Surname



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.

Ethnicity, Race, and Sex



Application

In person

Mail

OR

Phone

Internet



Occurs after application process is complete

Ethnicity

Race

Sex



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.

Ethnicity, Race, and Sex



Application

In person

Mail

OR

Phone

Internet

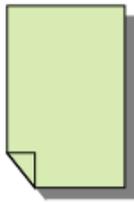


Provides some information

Reports information provided

If an applicant provides only some of the information requested a financial institution reports the information the applicant provided.

Ethnicity, Race, and Sex



Application

In person

Mail

OR

Phone

Internet

Provides some or all information

BUT

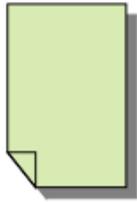


“I do not wish to provide this information”



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

Mail

OR

Phone

Internet



Reports information provided by the applicant

reports the information on ethnicity, race, and sex that was provided by the applicant.

Ethnicity, Race, and Sex



Application

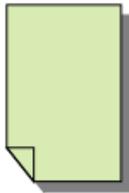
In person

Mail

OR

Phone

Internet



Does not provide information

Note this on the collection form



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

Mail

OR

Phone

Internet



Does not provide information

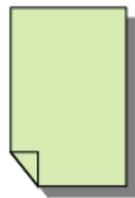
Visual
observation

OR

Surname

ethnicity, race, and sex based on visual observation or surname.

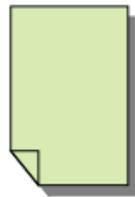
Ethnicity, Race, and Sex



Electronic media with
video component



In person



Electronic media
without video
component



Mail



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.

Ethnicity, Race, and Sex

Applicant



Option to select more than one ethnicity or race



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.

Ethnicity, Race, and Sex

Applicant



Selects more than one ethnicity or race



Report each designated selection within certain limits



If an applicant selects more than one ethnicity or race, then the financial institution must report each selected designation within certain limits.

Ethnicity, Race, and Sex

Ethnicity

Hispanic or Latino

AND

Not Hispanic or Latino

1 Mexican

2 Puerto Rican

3 Cuban

4 Other Hispanic or Latino



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

Ethnicity, Race, and Sex



Ethnicity category

Ethnicity subcategory



A financial institution must report each aggregate ethnicity category and each ethnicity subcategory selected by the applicant. If the applicant

Ethnicity, Race, and Sex

Ethnicity

Hispanic or
Latino

OR

Not Hispanic or
Latino

1 Mexican

2 Puerto Rican

3 Cuban

4 Other Hispanic or Latino



Ethnicity
subcategory
not listed



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.

Ethnicity, Race, and Sex



Other Hispanic or Latino

Additional information
provided by the applicant

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.

Ethnicity, Race, and Sex

Race

American Indian
or Alaska Native

Asian

Black or African
American

Native Hawaiian
or Other Pacific
Islander

White



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

Ethnicity, Race, and Sex

Race

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

Korean

Chinese

Vietnamese

Filipino

Other Asian

Japanese



Asian Indian

Chinese

Filipino

Japanese

Korean

Vietnamese

Other Asian

Ethnicity, Race, and Sex

Race

American Indian
or Alaska Native

Asian

Black or African
American

Native Hawaiian
or Other Pacific
Islander

White



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

Samoan

Guamanian or Chamorro

Other Pacific Islander



Native Hawaiian

Guamanian or Chamorro

Samoan

Other Pacific Islander

Ethnicity, Race, and Sex



Race category

Race subcategory



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.

Ethnicity, Race, and Sex

Applicant



Other Asian or Other Pacific
Islander



Ethnicity
subcategory
not listed



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

Ethnicity, Race, and Sex



Report selection as applicable up to five-race maximum

Other Asian ✓

Other Pacific Islander ✓

Additional information provided by the applicant



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.

Ethnicity, Race, and Sex



No co-applicant



Report
no co-applicant



If there are no co-applicants, a financial institution reports that there is no co-applicant.

Ethnicity, Race, and Sex



More than one co-applicant

Ethnicity

Race

Sex

First co-applicant on application form



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.

Ethnicity, Race, and Sex



When do you **not** report?

Ethnicity ❌

Race ❌

Sex ❌

Applicants or borrowers who are not natural persons

Corporation

Partnership

Trust

If covered loan or application includes a guarantor



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.

Ethnicity, Race, and Sex



When do you **not** report?

Ethnicity 

Race 

Sex 

Purchased covered loans

Not applicable if financial institution chooses
not to report

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.

Ethnicity, Race, and Sex



Detailed requirements

Ethnicity

Race

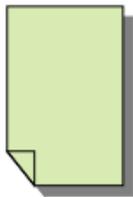
Sex

Appendix B of Regulation C



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)

Received prior
to
January 1, 2018

AND

Final action on
application
occurs on or
after
January 1, 2018



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



Collects

Ethnicity

Race

Sex

In accordance with the requirements at the time the information was collected



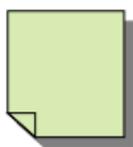
the financial institution collects race, ethnicity, and sex in accordance with the requirements at the time the information was collected.

Ethnicity, Race, and Sex

December 1, 2017

January 1, 2018

Application
received



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

Ethnicity, Race, and Sex

December 1, 2017

January 1, 2018

Final action
taken



Collects

Ethnicity

Race

Sex

In accordance with the requirements in effect
on December 1, 2017



until January 1, 2018, the financial institution may collect race, ethnicity, and sex according to the requirements in effect on December 1, 2017.

Ethnicity, Race, and Sex

2017

2018

Final action
taken



Report

Ethnicity

Race

Using the disaggregated categories



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

2017

2018 →

Final action
taken



Collect

Ethnicity

Race

Visual
observation

OR

Surname

cfpb Consumer Financial
Protection Bureau

was collected based on visual observation or surname.

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.

Ethnicity, Race, and Sex

2017

2018

Final action
taken



Report

Ethnicity

Race

Using the disaggregated categories



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.

HMDA

Age

Credit score

Income

Debt-to-income ratio



Let's move on to age, credit score, income and debt to income ratio.

Age



Section 1003.4(a)(10)(ii)

Report the applicant's age



Section 1003.4(a)(10)(ii) requires that the financial institution report the applicant's age.

Age



Comment 4(a)(10)(ii)

Age



of whole years based
on date of birth as of
application date

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.

Age



Comment 4(a)(10)(ii)-2

If...



Co-applicant



Report no co-applicant

If there are no co-applicants, the financial institution reports that there is no co-applicant.

Age



Comment 4(a)(10)(ii)-2

If...



Report age for first
co-applicant on
application form

More than one
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.

Age



Comment 4(a)(10)(ii)

Reports Not Applicable for age

① The covered loan was purchased and institution chose not to report age

② The applicant is not a natural person

Corporation

Partnership

Trust

Do not report guarantor's age



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.

Credit Score



Section 1003.4(a)(15)

Report the credit score(s) relied on in making credit decision

Report the name and version of the scoring model used for credit score



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.

Credit Score



Section 1003.4(a)(15)

Report the credit score(s) relied on in making credit decision

Report the name and version of the scoring model used for credit score

What does “relied on” mean?



First, what does “relied on” mean with respect to credit score?

Credit Score



Comment 4(a)(15)-1

Relies on a credit scores in making the credit decision

If...

Credit score was a factor in the credit decision

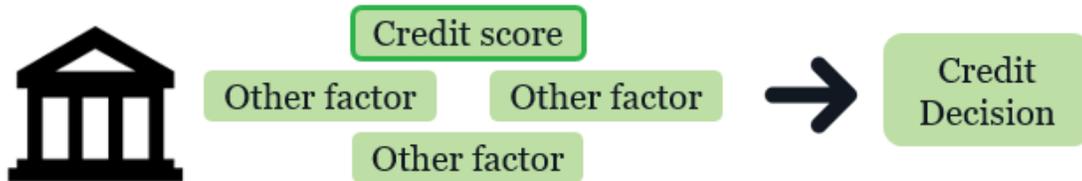
Even if...

Credit score was not a dispositive factor



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.

Credit Score



For example, if the financial institution used the credit score as one of many factors in making the credit decision,

Credit Score



“Relied on” credit score to make credit decision



Even if application denied due to underwriting factor other than credit score

then the financial institution relied on it, even if the financial institution denies the application on an underwriting factor other than the credit score.

Credit Score



What happens if the financial institution obtains or creates two or more credit scores for a single applicant or borrower?



Second, what happens if the financial institution obtains or creates two or more credit scores for a single applicant or borrower?

Credit Score

Comment 4(a)(15)-2



Obtained two or more credit scores for a single applicant or borrower, but relied only on one score in making the credit decision



Reports credit score it “relied on” in making the credit decision and information about the scoring model used



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.

Credit Score



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?



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?

Credit Score

Comment 4(a)(15)-2

Obtained two or more credit scores for a single applicant or borrower, but relied on multiple scores in making the credit decision



Report one of the credit score(s) relied on 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.

Credit Score



In choosing which credit to report

Need not use the same approach for
entire HMDA submission

But general consistency



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).

Credit Score



Report the name and version of the credit scoring model for the score reported

In instances such as these, the financial institution should report the name and version of the credit scoring model for the score reported.

Credit Score



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?

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?

Credit Score



Comment 4(a)(15)-3

Reports credit score for either applicant

OR

Reports credit score for first co-applicant

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.

Credit Score



Reports the credit score(s) for the applicant that it relied on in making credit decision, if any

AND

the credit score for the first co-applicant that it relied on in making the credit decision, if any



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.

Credit Score



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

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

Income



Section 1003.4(a)(10)(iii)

Report the gross annual income
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

Report income to the nearest thousand



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.

Income



What does “relied on” mean?

Income evaluated as part of a credit decision

Report the gross annual income it relied on in making the credit decision



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.

Income



“Relies on” applicant’s salary and bonus
for creditworthiness



Report the salary and bonus



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.

Income



“Relies on” a portion of the gross annual income for credit decision

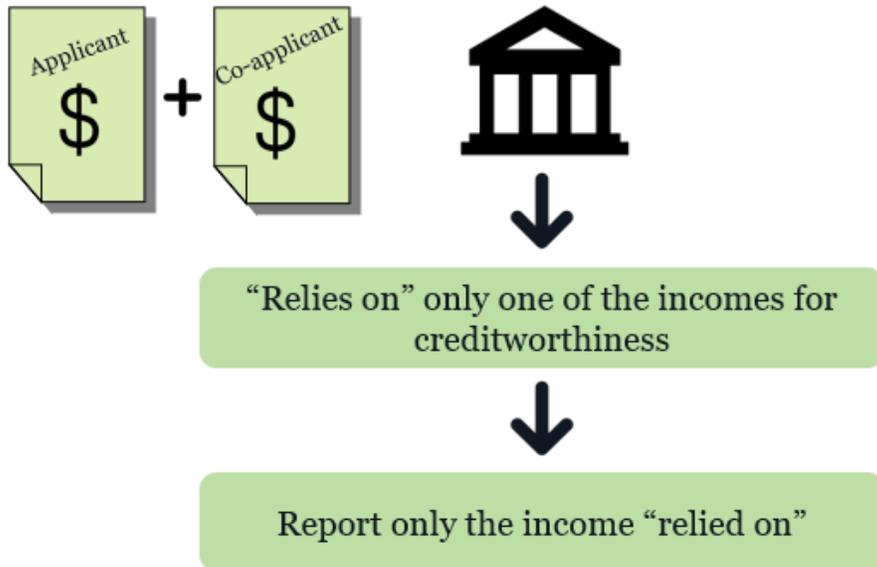


Report only the portion of the income “relied on”



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.

Income



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.

Income



What if an application is withdrawn before a credit decision?



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?

Income



Report the income “relied on” in processing the application at the time the application was withdrawn or file closed for incompleteness



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.

Income



✗ Does not include amount in addition to income



✗ Annuitized assets or depletion of applicant's remaining assets



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.

Income



Comment 4(a)(10)(iii)

Reports “Not Applicable” for the income data point

③ Covered loan or application is secured by a multifamily dwelling

④ Covered loan is a purchased loan and the financial institution chose not to report income

⑤ Applicant or borrower is the financial institution’s employee



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.

Debt-to-Income Ratio (DTI)



Section 1003.4(a)(23)

Report the DTI of the applicant or borrower if “relied on” in making credit decision



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.

Debt-to-Income Ratio (DTI)



Comment 4(a)(23)

“Relies on” the applicants DTI in making credit decision if it was a factor in credit decision

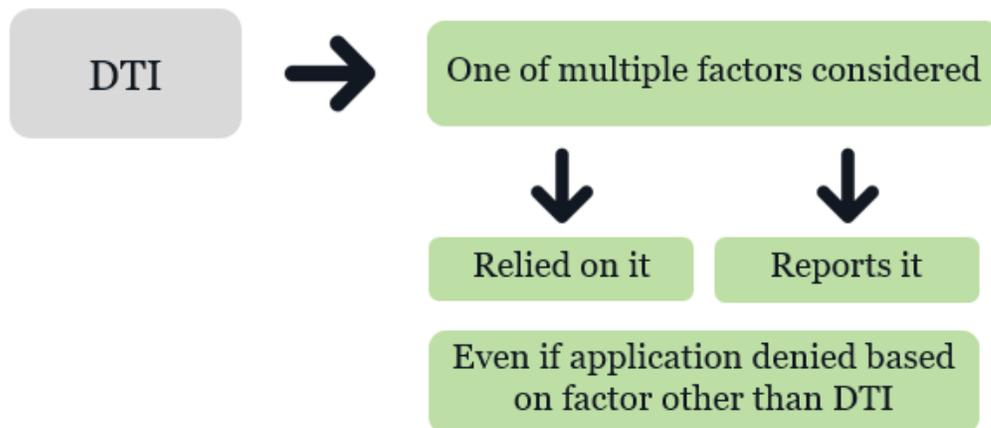
Even if...

It was not a dispositive factor



Comment 4(a)(23)-2 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.

Debt-to-Income Ratio (DTI)



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.

Debt-to-Income Ratio (DTI)



Comment 4(a)(23)

Reports “Not Applicable” for DTI

- 1 Credit decision was made without relying on DTI
- 2 File closed for incompleteness or application withdrawn before credit decision, even if DTI was calculated
- 3 The applicant and co-applicant, if applicable, are not natural persons



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

HMDA

Combined loan-to-value ratio

Application channel



Moving on. Let's discuss combined loan-to-value ratio and application channel

Combined Loan-to-Value Ratio (CLTV)



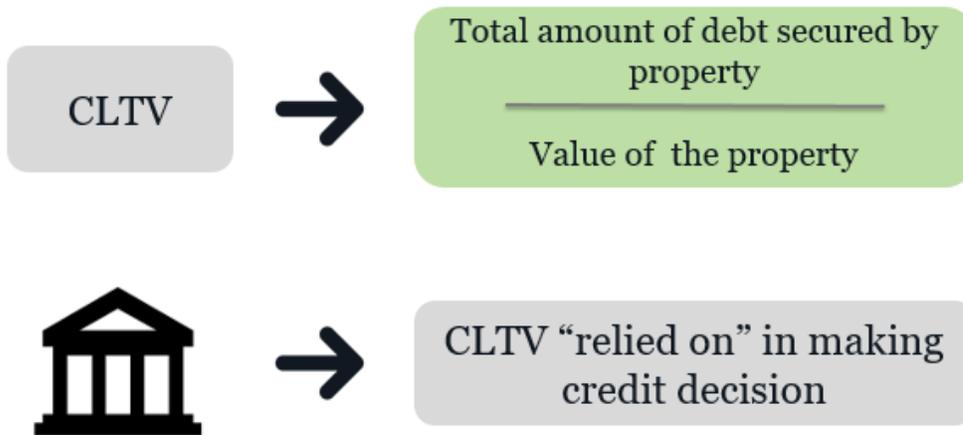
Section 1003.4(a)(24)

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.

Combined Loan-to-Value Ratio (CLTV)



This is known as the combined loan-to-value ratio or CLTV ratio.

Combined Loan-to-Value Ratio (CLTV)



Comment 4(a)(24)

“Relies on” the CLTV in making credit decision if the CLTV was a factor in credit decision

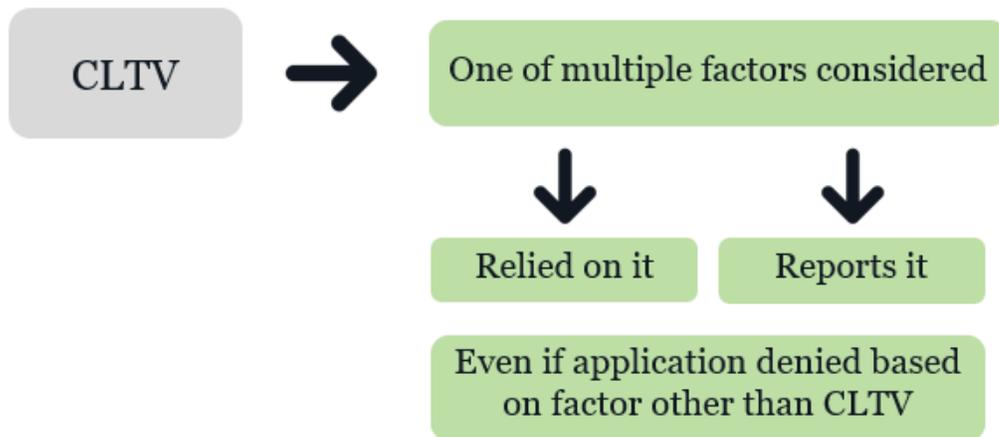
Even if...

It was not a dispositive factor



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.

Combined Loan-to-Value Ratio (CLTV)



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.

Combined Loan-to-Value Ratio (CLTV)



Comment 4(a)(24)

Reports “Not Applicable” for CLTV

① Credit decision was made without relying on CLTV

② File closed for incompleteness or application withdrawn before credit decision, even if CLTV was calculated

③ The covered loan is a purchased loan



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

Application Channel



Section 4(a)(33)(i) and (ii)

Report if application was submitted directly to the financial institution

AND

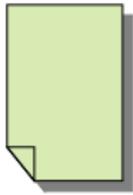
Report whether the obligation was or would have been initially payable to the financial institution



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.

Application Channel

Scenario 1



IF

Mortgage loan originator was employee of financial institution at the time activities were performed

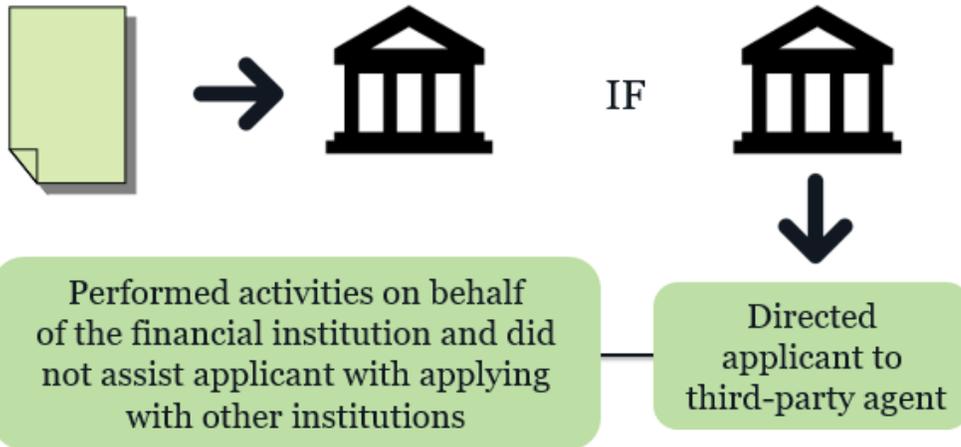


First, let's discuss a couple of scenarios where the application is submitted directly to the financial institution.

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.

Application Channel

Scenario 2

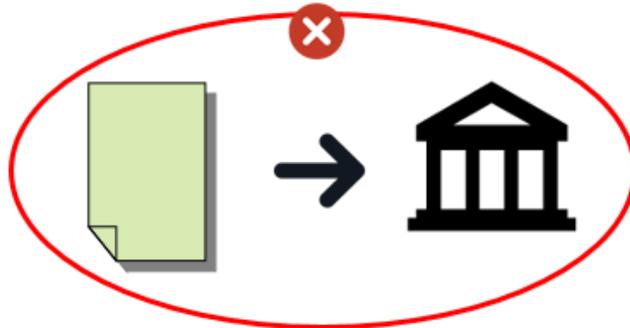


2. An application is submitted directly to the financial institution if the financial institution directed the applicant to a third-party agent who performed activities related to the origination on behalf of the financial institution and that third-party agent did not assist the applicant with applying for a covered loan with other institutions.

Application Channel



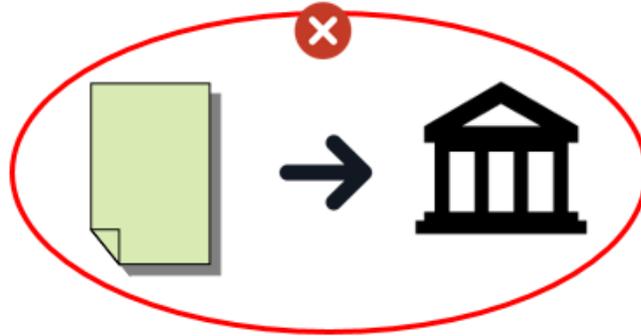
When is an application not submitted directly to the institution?



When is an application not submitted directly to the institution?

Application Channel

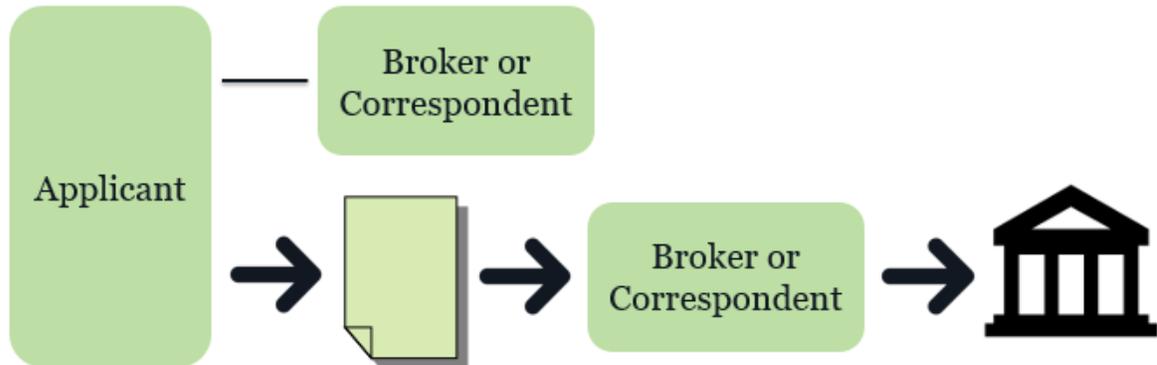
Example



An example of when an application is not submitted directly to the institution

Application Channel

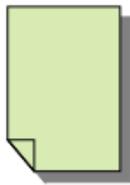
Example



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.

Application Channel

Obligation initially payable to financial institution



IF...

Payable on the face of the note or contract to financial institution that is reporting



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



Section 1003.4(a)(33) and Comment
4(a)(33)(ii)

Reports “Not Applicable” for application
channel data point

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

② The covered loan is a purchased loan



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, at the time it took final action on the application, whether the loan would initially be payable to the financial institution
2. The covered loan is a purchased loan

Automated Underwriting Systems (AUS)



Section 4(a)(35)(i)

Report the name of the AUS used in evaluating the application and the result generated by AUS

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?



What is an AUS?

Automated Underwriting Systems (AUS)



Section 4(a)(35)(ii)

AUS is an electronic tool developed by...

Securitizer

Federal
government
insurer

Federal
government
guarantor

Credit risk of applicant

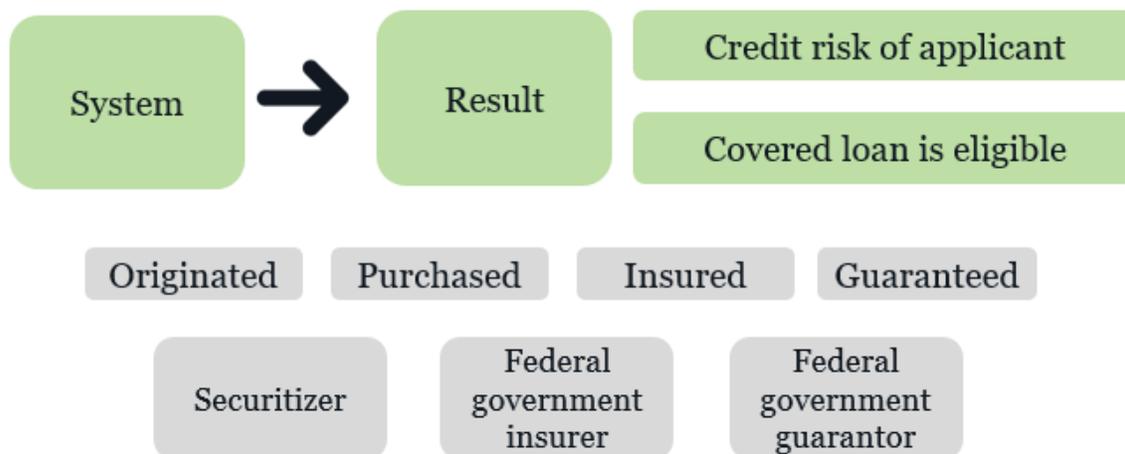
AND

Covered loan is eligible



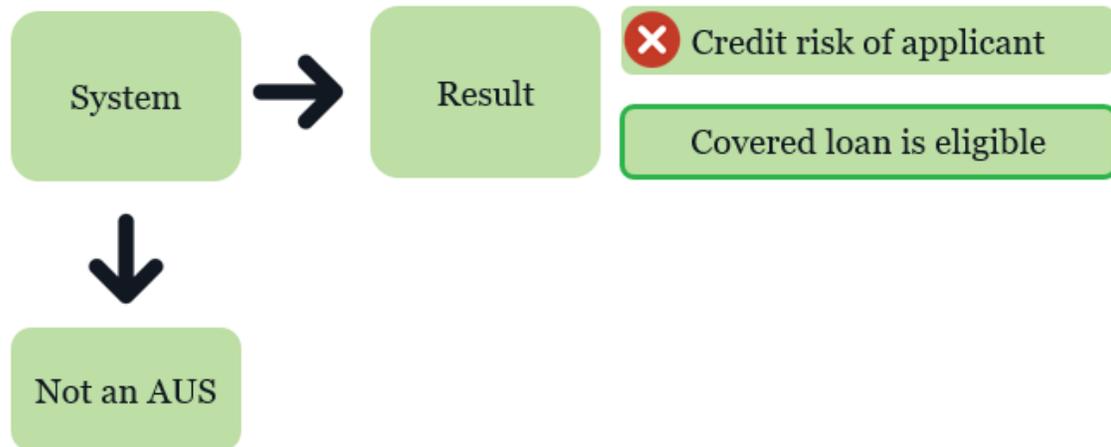
Section 4(a)(35)(ii) provides that an AUS is an electronic tool developed by a securitizer, Federal government insurer, or Federal government guarantor of closed-end mortgage loans or open-end lines of credit that provides a result regarding both the credit risk of the applicant

Automated Underwriting Systems (AUS)



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.

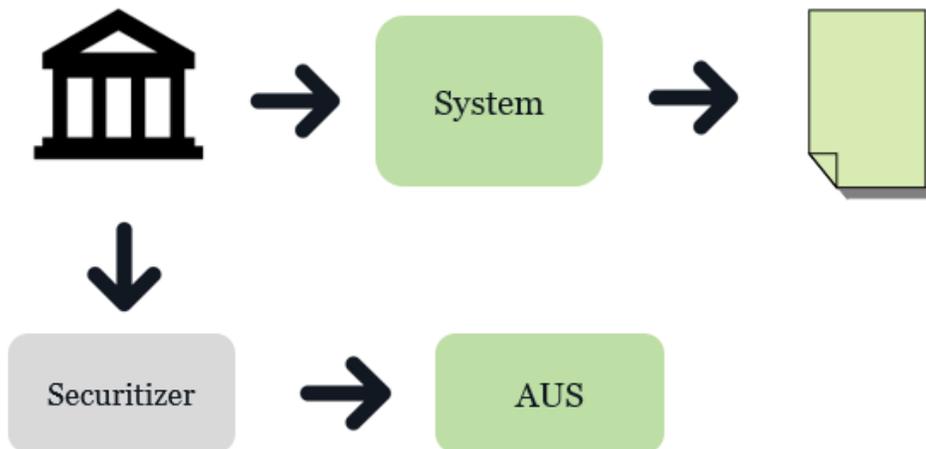
Automated Underwriting Systems (AUS)



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.

Automated Underwriting Systems (AUS)



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.

Automated Underwriting Systems (AUS)



Used more than one AUS

OR

Used one AUS with multiple results



Determine
which AUS(s)
and result(s)
to report



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.

Automated Underwriting Systems (AUS)



Comment 4(a)(35)

Determine which AUS(s) and result(s) to report

① Determine if AUS used to evaluate application matches loan type it reported

② If AUS matches loan type, determine if the result was obtained from one AUS

Report AUS that matches the loan type

Report result obtained from AUS



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.

Automated Underwriting Systems (AUS)



Comment 4(a)(35)

Determine which AUS(s) and result(s) to report

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 matches the purchaser, insurer, or guarantor for the covered loan



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.

Automated Underwriting Systems (AUS)



Comment 4(a)(35)

Determine which AUS(s) and result(s) to report

4

If AUS matches purchaser, insurer, or guarantor, determine whether only one result was obtained from that AUS

Report AUS that matches the purchaser, insurer, or guarantor

Report result obtained from that AUS



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.

Automated Underwriting Systems (AUS)



Comment 4(a)(35)

Determine which AUS(s) and result(s) to report

5

If no AUS was used that matches purchaser, insurer, or guarantor, or if multiple results were obtained from an AUS that matches purchaser, insurer, or guarantor or loan type

Report result generated closest in time to credit decision

Report AUS that generated that result



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.

Automated Underwriting Systems (AUS)



Comment 4(a)(35)

Determine which AUS(s) and result(s) to report

⑥ If multiple results were obtained at the same time

Report the name of all
AUS(s) used

Report results from
each of those systems

Do not report more than a total
of five AUS(s) and results



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.

Automated Underwriting Systems (AUS)



Comment 4(a)(35)

Reports “Not Applicable” for AUS data point

① Did not use AUS to evaluate application

② Applicants are not natural persons

③ The covered loan is a purchased loan



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/>



These are available on the Bureau's website at [http: www.consumerfinance.gov/policy-compliance/guidance/implementation-guidance/](http://www.consumerfinance.gov/policy-compliance/guidance/implementation-guidance/).

Submit questions

Regulatory questions:

reginquiries.consumerfinance.gov

Technical questions:

hmdahelp@cfpb.gov



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.

Technical questions about collection or reporting HMDA data should be directed to hmdahelp@cfpb.gov.

Thank you for joining us in this webinar.