

HMDA Webinar 3 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 the webinar is current as of July 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/>.

Table of contents

Disclaimer.....	2
Table of Contents	3
1. Amendments to HMDA made by the Economic Growth, Regulatory Relief, and Consumer Protection Act.....	8
2. Loan purpose.....	12
3. Loan term.	37
4. Loan type	46
5. Purchaser type.....	49
6. Loan amount.....	63
7. Property value.....	74
8. Prepayment penalty.....	80
9. Pricing information.....	83
10. Total loan costs or total points and fees	90
11. Origination charges.....	93

12. Discount points.....	95
13. Lender credits.....	97
14. Interest rate.....	103
15. Rate spread.....	110
16. Introductory rate period	120
17. Non-amortizing features.....	127
18. HOEPA status.....	133
19. Denial reasons.....	136
20. Transaction indicators.....	146
21. Number of units.....	155
22. Multifamily affordable units.....	166
23. Address of the property.....	174

HMDA

Webinar | August 2019



Hello and welcome to the Consumer Financial Protection Bureau's webinar on Regulation C. This is the third in a series of HMDA-related webinars that the Bureau will present to help institutions understand and comply with the rule.

Consumer Financial Protection Bureau

HMDA Webinars

1. HMDA Webinar Part 1
2. HMDA Webinar Part 2



If you missed the first and/or second webinar where we provided an overview of the HMDA final rule and effective dates; and identifiers and data points that relate to applicants and borrowers, we've provided the links to the webinars [below](#).

General Disclaimer

- This webinar provides a summary of certain requirements and practice examples.
- 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.

Amendments to HMDA made by the Economic Growth, Regulatory Relief, and Consumer Protection Act

Added partial exemptions

Certain transactions



Insured depository
institution

Certain institutions



Insured credit
union



Certain data points

if it originated fewer than
500 **closed-end mortgage**
loans in each of the two
preceding calendar years

if it originated fewer than
500 **open-end lines of**
credit in each of the two
preceding calendar years



As we mentioned in the first HMDA webinar, the Economic Growth, Regulatory Relief, and Consumer Protection Act amended HMDA by adding partial exemptions from HMDA's requirements for institutions that meet certain requirements. To recap, an insured depository institution or insured credit union generally 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. Open-end lines of credit if it originated fewer than 500 open-end lines of credit in each of the two preceding calendar years.

Consumer Financial Protection Bureau HMDA Webinars

For more information about this amendment:
Review [HMDA Webinar Part 1](#)



More information about the amendments to HMDA made by the Economic Growth, Regulatory Relief, and Consumer Protection Act and the Bureau's interpretive and procedural rule is provided in the first HMDA webinar.

Topics

1. Application or covered loan features
2. Pricing information
3. Features of the property
4. Transaction indicators



In today's webinar we will discuss information about reporting certain application or covered loan features, pricing information, features of the property, and transaction indicators. Depending on the amount of closed-end mortgage loans and open-end lines of credit your financial institution originates and other factors, your financial institution may be able to take advantage of the partial exemption for some of the data points discussed in this webinar if it is an insured depository institution or insured credit union.

2018 Rule

Which data points are covered by **partial exemptions** and discussed in this webinar?

Property Address	Introductory Rate Period
Rate Spread	Non-Amortizing Features
Denial Reasons	Property Value
Total Points and Fees	Manufactured Home Land Property Interest
Origination Charges	Manufactured Home Secured Property Type
Discount Points	Multifamily Affordable Units
Lender Credits	Reverse Mortgage
Interest Rate	Open-End Line of Credit
Prepayment Penalty	Business or Commercial Purpose
Loan Term	

Which data points are **unchanged** by the Act and discussed in this webinar?

Loan Type	Lien Status
Loan Purpose	Number of Units
Occupancy Type	
Construction Method	
Loan Amount	
State	
Country	
Census Tract	
Purchaser Type	
HOEPA Status	



This chart lists the specific data points covered in this Webinar and specifies which of these data points are covered by the partial exemptions added to HMDA by the Economic Growth, Regulatory Relief, and Consumer Protection Act. Please use this slide to note which data points mentioned in this Webinar are covered by the partial exemptions. Insured depository institutions and insured credit unions may want to refer to the Bureau's 2018 HMDA interpretive and procedural rule and the HMDA filing instructions guide for information about reporting data points if you believe a covered loan or application may be eligible for a partial exemption.

Loan Purpose

Home Mortgage Disclosure Act (HMDA)

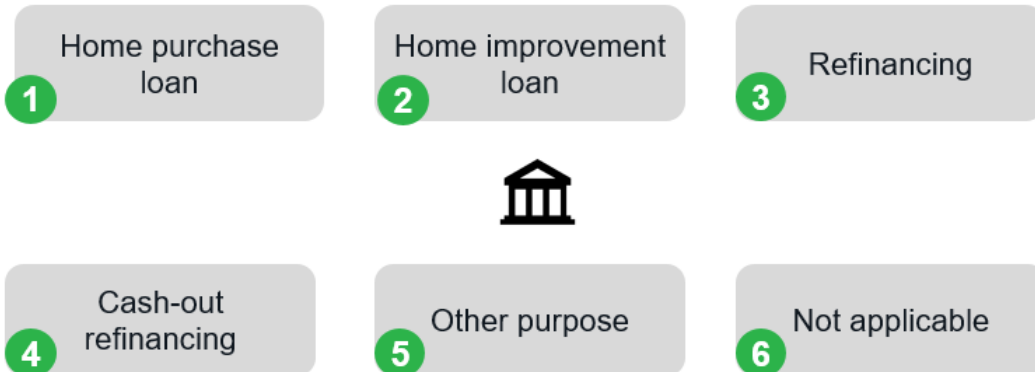


Now let's begin with the Loan Purpose.

Loan Purpose

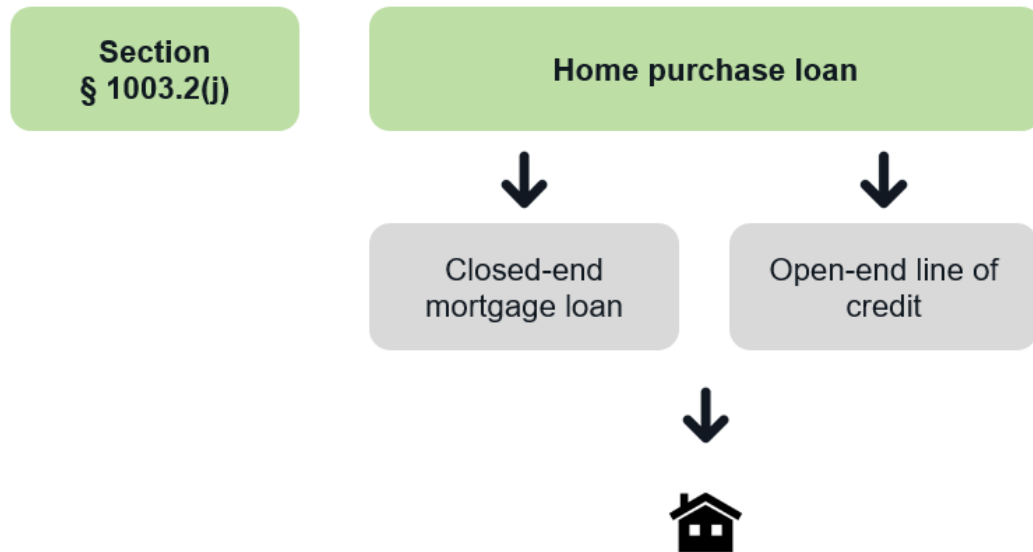
**Section
§ 1003.4(a)(3)**

**Covered loans – Financial
institution reports**



Section 1003.4(a)(3) requires that the financial institution report whether the covered loan is, or in the case of an application would have been, for (1) a “home purchase loan,” (2) a “home improvement loan,” (3) a “refinancing,” (4) a “cash-out refinancing,” (5) for an “other purpose,” or (6) Not Applicable. Determining the loan purpose requires familiarity with how Regulation C defines these terms. Let’s quickly go over the relevant definitions.

Loan Purpose



Section 1003.2(j) defines a home purchase loan as a closed-end mortgage loan or an open-end line of credit that is for the purpose, in whole or in part, of purchasing a dwelling.

Loan Purpose

HMDA webinar
part one



HMDA webinar
part two



Viewers who have watched our other two HMDA Webinars will remember that

Loan Purpose

HMDA webinar
part one

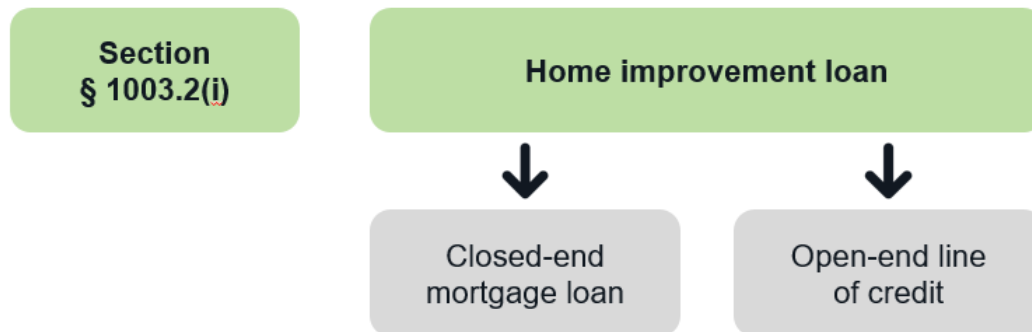


Dwelling definition



we covered the definition of Dwelling in our first webinar. Please refer back to the first webinar for a discussion of the term Dwelling.

Loan Purpose



Section 1003.2(i) defines a home improvement loan as a closed-end mortgage loan or an open-end line of credit that is for the purpose, in whole or in part,

Loan Purpose

**Section
§ 1003.2(i)**

Home improvement loan



Repairing

Rehabilitating



Remodeling

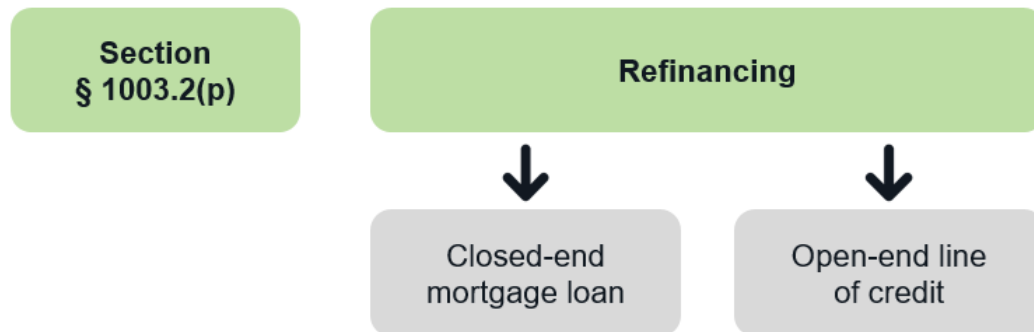
On property where
dwelling is located



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Protection Bureau

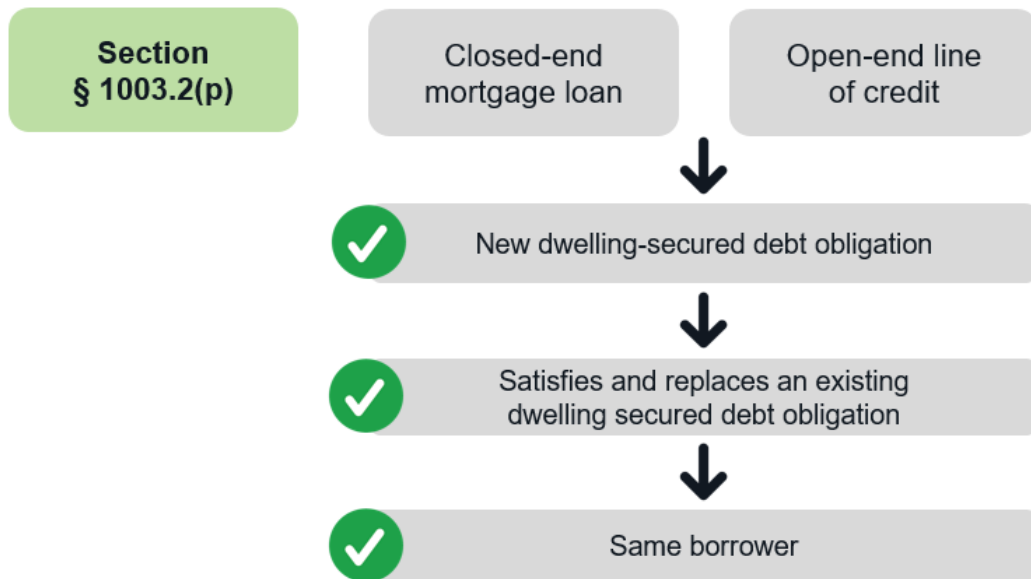
of repairing, rehabilitating, remodeling, or improving a dwelling or the real property on which the dwelling is located

Loan Purpose



Section 1003.2(p) defines refinancing as a closed-end mortgage loan or an open-end line of credit

Loan Purpose



cfpb Consumer Financial Protection Bureau

in which a new, dwelling-secured debt obligation satisfies and replaces an existing, dwelling-secured debt obligation by the same borrower.

Loan Purpose

**Comment
4 (a)(3)-2**

**A Cash-out refinancing
should be reported**



When the loan or application is a refinancing
as defined by section 1003.2(p)

**The financial
institution
considered
the loan or
application:**



to be a cash-out refinancing in
processing the application



or setting the terms under its
guidelines or an investor's guidelines



Comment 4(a)(3)-2 explains that for the purposes of reporting the loan purpose, a cash-out refinancing should be reported when the loan or application is a refinancing, as defined by section 1003.2(p), and the financial institution considered the loan or application to be a cash-out refinancing in processing the application or setting the terms under its guidelines or an investor's guidelines.

Loan Purpose



Application



Cash-out refinancing

Investor's
guidelines

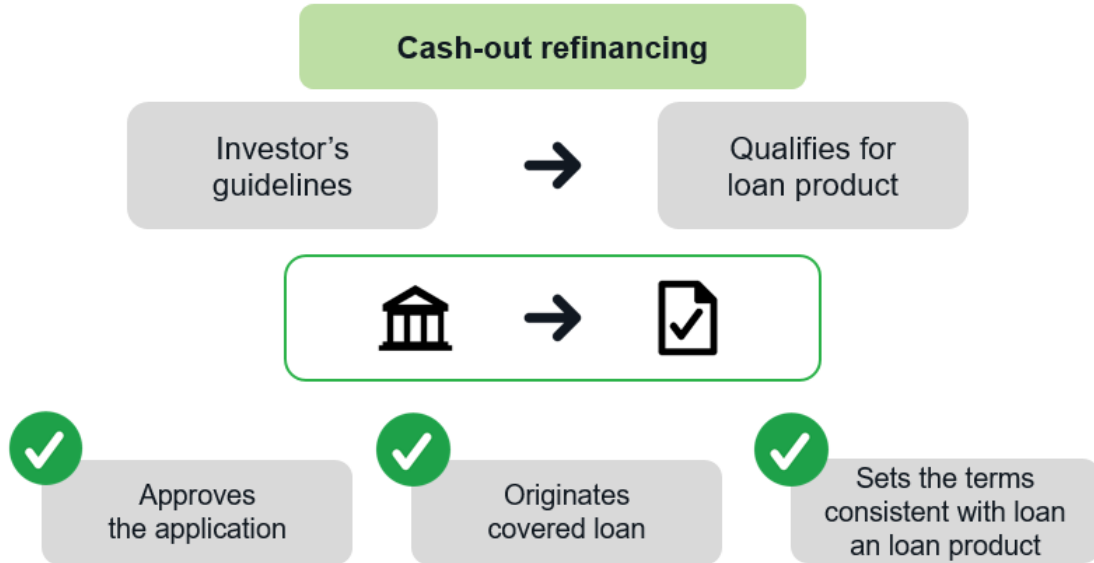


Closing or account
opening



For example, assume a financial institution considers an application for a loan product to be a cash-out refinancing under an investor's guidelines because of the amount of cash received by the borrower at closing or account opening.

Loan Purpose



Assume also that under the investor's guidelines, the applicant qualifies for the loan product and the financial institution approves the application, originates the covered loan, and sets the terms of the covered loan consistent with the loan product.

Loan Purpose

Cash-out refinancing

Example



The financial institution would report the covered loan as a cash-out refinancing for purposes of reporting the loan purpose.



In this example, the financial institution would report the covered loan as a cash-out refinancing for purposes of reporting the loan purpose.

Loan Purpose

**Comment
4(a)(3)-4**



**Other purpose should be reported when
loan purchase must be reported**



Home
purchase loan



Home
improvement loan



Refinancing



Cash-out
refinancing



Other
purpose



Comment 4(a)(3)-4 explains that ,for the purposes of reporting the loan purpose, other purpose should be reported when the loan purpose must be reported, and the loan or application is not for (1) a “home purchase loan,” (2) a “home improvement loan,” (3) a “refinancing,” or (4) a “cash-out refinancing.”

Loan Purpose

**Comment
4(a)(3)-4**



Application

Reporting other purpose

Refinancing



Terms of agreement



Financial institution was unconditionally obligated to refinance the obligation subject to conditions within the borrower's control



Other
purpose

A financial institution should also report “other” for a refinancing, if under the terms of the agreement the financial institution was unconditionally obligated to refinance the obligation subject to conditions within the borrower’s control.

Loan Purpose

**Comment
4(a)(3)-6**



Application

Report purpose as



Not applicable

If, however, the loan purpose does not need to be reported, Comment 4(a)(3)-6 explains that the institution would report the loan purpose as not applicable.

Loan Purpose

**Comment
4(a)(3)-6**



Application



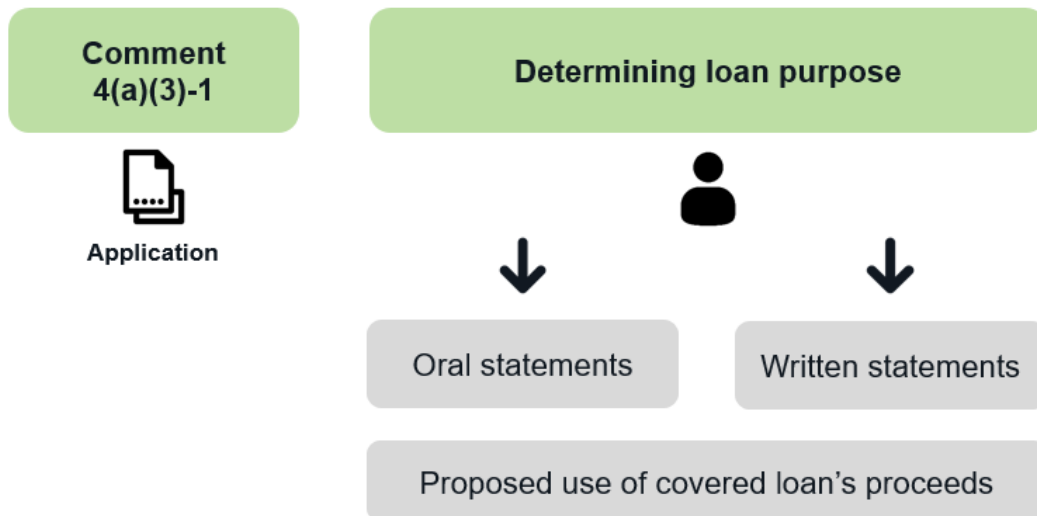
An institution will report NA for a purchased covered loan prior to January 1, 2018

← **January 1, 2018**



For example, an institution will report Not Applicable for a purchased covered loan if the origination took place prior to January 1, 2018.

Loan Purpose



How does a financial institution determine the loan purpose? Comment 4(a)(3)-1 explains that a financial institution may rely on the oral or written statement of an applicant regarding the proposed use of a covered loan's proceeds.

Loan Purpose

**Comment
4(a)(3)-1**

Determining loan purpose



Application

Home improvement



For example, if a lender uses a check box on a loan application to determine whether the applicant intends to use the covered loan's proceeds for home improvement, and the applicant checks that box, the institution may rely on the applicant's assertion and report the loan purpose as home improvement.

Loan Purpose

**Comment
4(a)(3)-1**



Determining loan purpose



Covered loan



No oral
statements



No written
statements



Home
purchase loan



Cash-out
refinancing



Refinancing

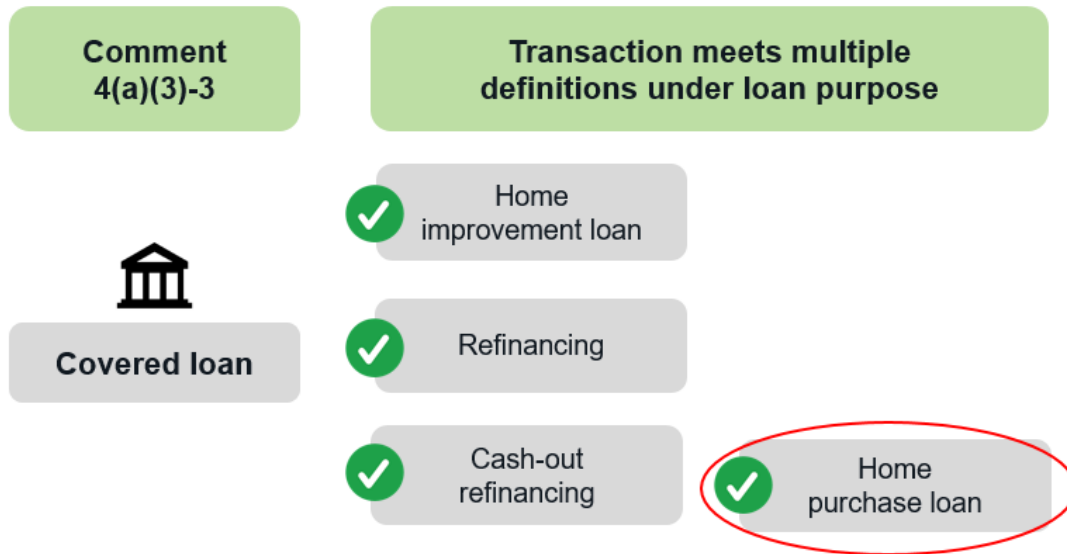


Other
Purpose



If the applicant does not provide a statement as to the proposed use of the covered loan's proceeds and the covered loan is not a home purchase loan, cash-out refinancing, or refinancing, Comment 4(a)(3)-1 explains that the financial institution reports the covered loan as "other purpose."

Loan Purpose



What does a financial institution report for purpose if the covered loan is for multiple purposes? Comment 4(a)(3)-3 provides guidance when a transaction meets multiple definitions under loan purpose. A financial institution reports the purpose as a home purchase loan when the covered loan is a home purchase loan and either a home improvement loan, a refinancing, or a cash-out refinancing.

Loan Purpose

**Comment
4(a)(3)-3**

**Transaction meets multiple
definitions under loan purpose**



Covered loan

Refinancing

Home
improvement loan



Refinancing



A financial institution reports the purpose as a refinancing when the covered loan is a home improvement loan and refinancing.

Loan Purpose

**Comment
4(a)(3)-3**

**Transaction meets multiple
definitions under loan purpose**



Covered loan

Home
improvement loan

Cash-out
refinancing



Cash-out
refinancing



A financial institution reports the purpose as a cash-out refinancing when the covered loan is a home improvement loan and cash-out refinancing.

Loan Purpose

**Comment
4(a)(3)-3**

**Transaction meets multiple
definitions under loan purpose**



Covered loan



Home
improvement loan

and



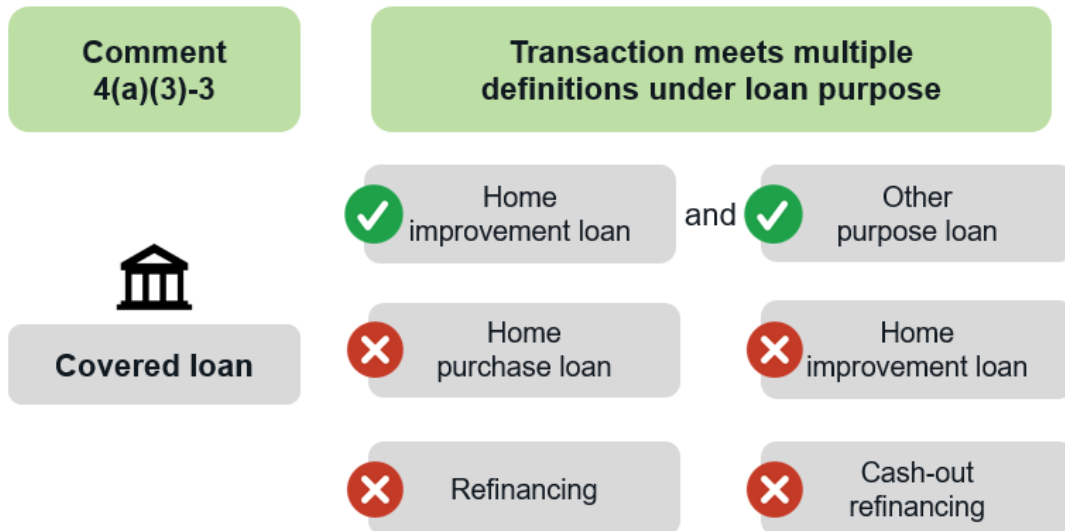
Other
purpose loan



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A financial institution reports the purpose as a home improvement loan when the covered loan is a home improvement loan and other purpose loan,

Loan Purpose



meaning that the covered loan is also not a home purchase loan, , a refinancing, or a cash-out refinancing.

Loan Term

Home Mortgage Disclosure Act (HMDA)



Now that we have discussed how to determine and report the loan purpose, let's discuss some other loan features that need to be reported.

Loan Term

**Section
§ 1003.4(a)(25)**



Required to report



Scheduled number of months after which
the legal obligation



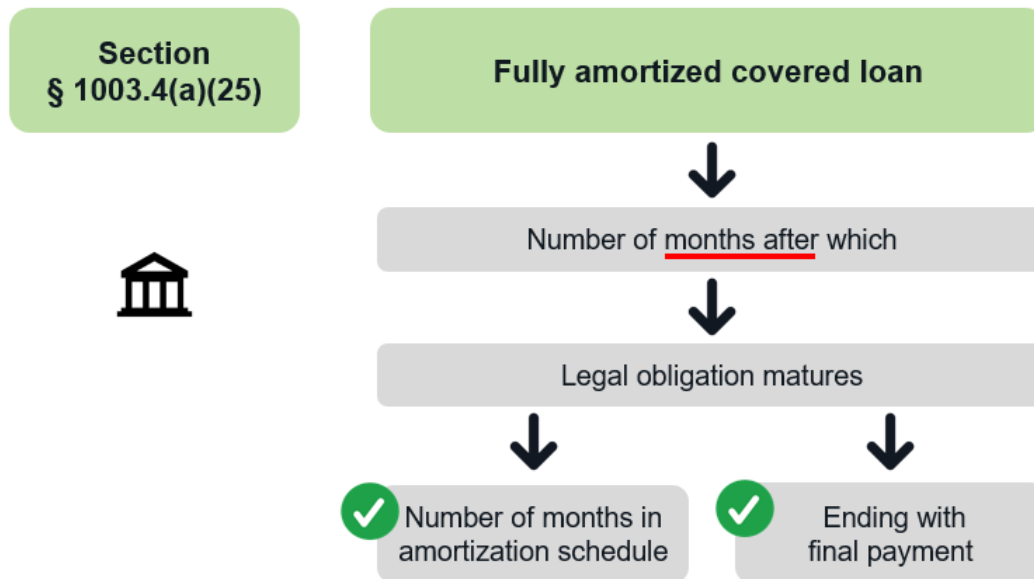
Will mature
or terminate



Or would have
matured or terminated

Section 1003.4(a)(25) requires a financial institution to report the scheduled number of months after which the legal obligation will mature or terminate or would have matured or terminated.

Loan Term



For a fully amortizing covered loan, the number of months after which the legal obligation matures is the number of months in the amortization schedule, ending with the final payment.

Loan Term

**Section
§ 1003.4(a)(25)**

Example

30 Year fully amortized covered loan



Number of months in
amortization schedule



Ending with
final payment

Reported term

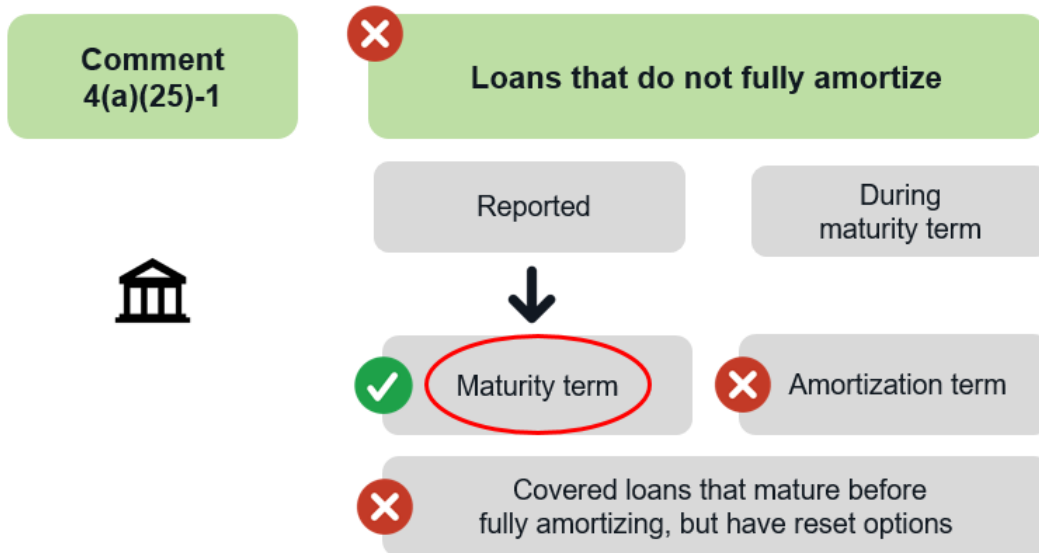


360

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Protection Bureau

For example, a 30-year fully amortizing covered loan would be reported with a term of “360.”

Loan Term



For loans that do not fully amortize during the maturity term, comment 4(a)(25)-1 states that such loans should still be reported using the maturity term rather than the amortization term, even in the case of covered loans that mature before fully amortizing but have reset options.

Loan Term

**Comment
4(a)(25)-2**

Covered loans or applications



Schedule of
repayment periods



Other
than months

Whole months



No remainder



If a covered loan or application includes a schedule with repayment periods measured in a unit of time other than months, comment 4(a)(25)-2 explains that a financial institution must report the loan or application using an equivalent number of whole months without regard for any remainder.

Loan Term

**Comment
4(a)(25)-3**

Purchased covered



Reports the
number of months



Covered loan's
origination



After legal
obligation matures



For purchased covered loans, comment 4(a)(25)-3 provides that a financial institution reports the number of months after which the legal obligation matures as measured from the covered loan's origination.

Loan Term

**Comment
4(a)(25)-4**

**Transaction – Open line of credit
with definite term**



Account opening



Report number
of months after
account opening

until

Account
termination date



Draw period



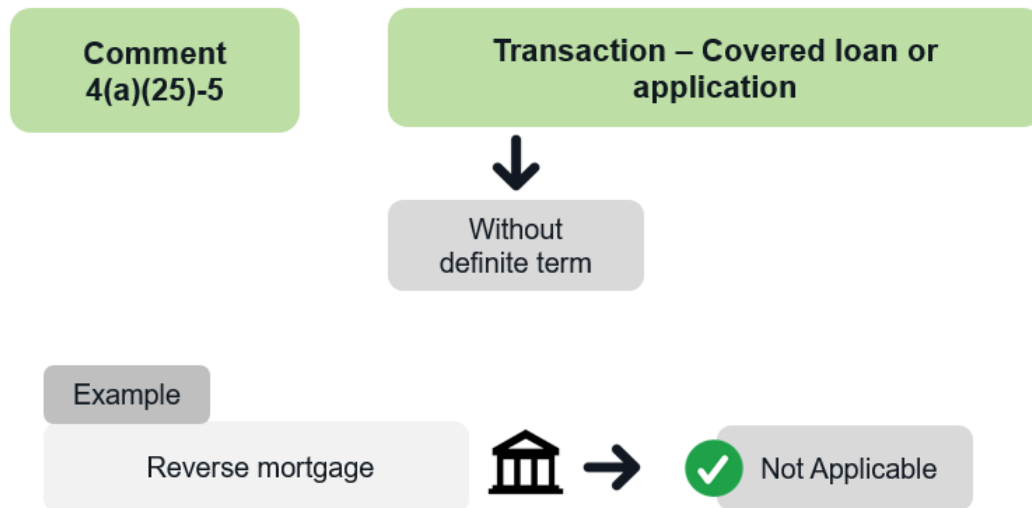
Repayment period



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If the transaction involves an open-end line of credit with a definite term, comment 4(a)(25)-4 provides that a financial institution report the number of months after account opening until the account termination date, including both the draw and repayment period.

Loan Term



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If the transaction involves a covered loan or application without a definite term, for example a reverse mortgage, a financial institution reports not applicable for loan term.

Loan Type

Home Mortgage Disclosure Act (HMDA)



Now we are moving on to Loan type

Loan Type

**Section
§ 1003.4(a)(2)**



**Covered loan
or application**

Report

1

Insured by the Federal Housing Administration



2

Guaranteed by the Department of Veteran Affairs



3

Guaranteed by the Rural Housing Service or
Farm Service Agency



4

Conventional loan



Section 1003.4(a)(2) and the official commentary requires that the financial institution report whether the covered loan is, or in the case of an application would have been, insured by the (1) Federal Housing Administration, (2) guaranteed by the Department of Veteran Affairs, (3) guaranteed by the Rural Housing Service or the Farm Service Agency, or (4) a conventional loan.

Loan Type

Section
§ 1003.4(a)(2)



Determining covered
loan or application

Report

- | | | |
|---|--|---|
| 1 | Insured by the Federal Housing Administration | ✗ |
| 2 | Guaranteed by the Department of Veteran Affairs | ✗ |
| 3 | Guaranteed by the Rural Housing Service or Farm Service Agency | ✗ |
| 4 | Conventional loan | ✗ |



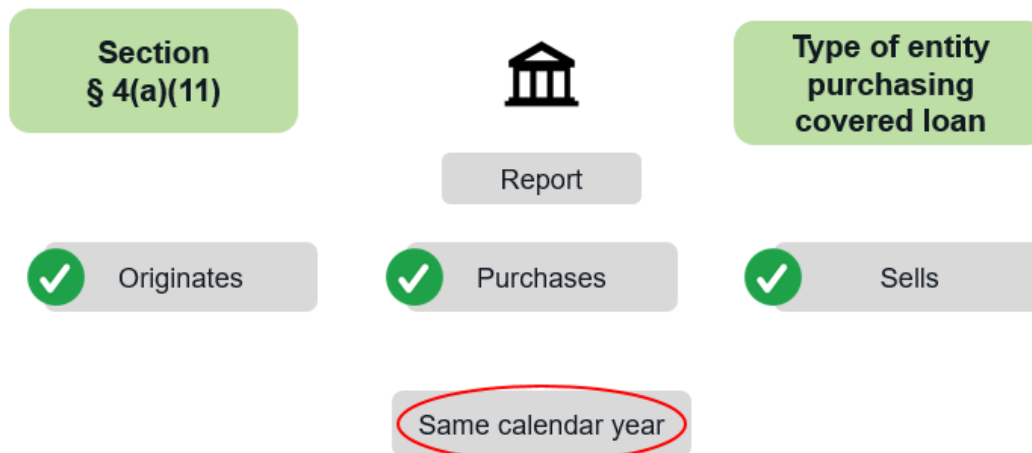
When determining the loan type, keep in mind that if a loan is neither insured by the (1) Federal Housing Administration, (2) guaranteed by the Department of Veteran Affairs, nor (3) guaranteed by the Rural Housing Service or the Farm Service Agency, the institution reports the loan as a “conventional loan.”

Purchaser Type

Home Mortgage Disclosure Act (HMDA)



Purchaser Type



Section 4(a)(11) requires a financial institution to report the type of entity purchasing a covered loan that the financial institution originates or purchases and then sells within the same calendar year.

Purchaser Type

**Section
§ 4(a)(11)**



**Type of
purchaser**

Report



Type of entity



When reporting the type of purchaser, a financial institution reports the type of entity that purchased the covered loan

Purchaser Type

**Section
§ 4(a)(11)**



**Type of
purchaser**

Reports the type of
entity that purchased
the covered loan



from the financial institution, using one of the following:

Purchaser Type

**Section
§ 4(a)(11)**



Reports the type of entity
that purchased the
covered loan

Fannie Mae

Ginnie Mae

Freddie Mac

Farmer Mac

Private securitizer

Commercial bank, savings banks,
or savings association

Credit union, mortgage company,
or finance company

Affiliate institution

Life insurance
company

Other

Not applicable



Fannie Mae, Ginnie Mae, Freddie Mac, Farmer Mac, Private securitizer, Affiliate institution, Commercial bank, savings bank, or savings association. Credit union, mortgage company, or finance company, Life insurance company, Other type of purchaser Or not applicable.

Purchaser Type

**Section
§ 4(a)(11)**



Reports the type of entity
that purchased the
covered loan

**Comment
4(a)(11)-4**

1



Knows the loan it is selling
will be securitized by the entity
purchasing the covered loan



Government
sponsored
enterprises



Private securitizer



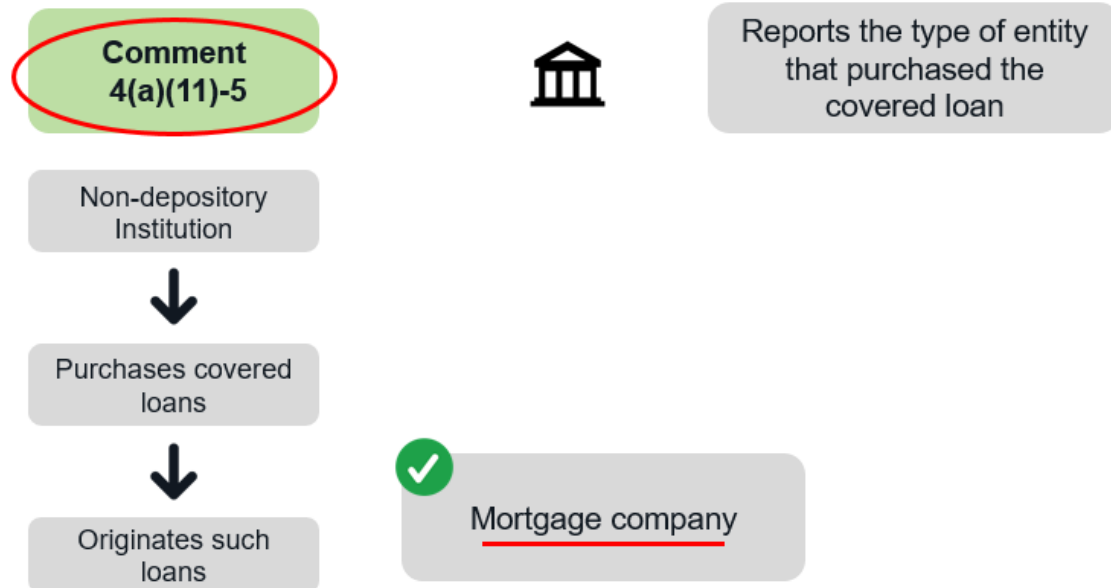
Let's review some of these entity types. A financial institution will report the purchaser type as "private securitizer" when the institution knows or reasonably believes that the covered loan it is selling will be securitized by the entity purchasing the covered loan, unless that purchaser is one of the government-sponsored enterprises. An institution reports the purchasing entity type as a private securitizer regardless of the type or affiliation of the purchasing entity.

Purchaser Type



If, on the other hand, a financial institution does not know or reasonably believe that the purchaser will securitize the loan, and the seller knows that the purchaser frequently holds or disposes of loans by means other than securitization, then the financial institution should report the covered loan as purchased by, as appropriate, a commercial bank, savings bank, savings association, life insurance company, credit union, mortgage company, finance company, affiliate institution, or other type of purchaser.

Purchaser Type



A financial institution will report the purchaser type as “mortgage company” if the loan is purchased by an institution that meets the definition listed in Comment 4(a)(11)-5, which means a nondepository institution that purchases covered loans and typically originates such loans.

Purchaser Type

Comment 4(a)(11)-3

Example

Any company that controls, is controlled by, or is under control with, another company, as set forth in the

Bank Holding
Company Act of 1956
(12 U.S.C. 1841 et seq.)



Affiliate



Seller institution
reports loan as purchased by
an affiliate institution



For example, a mortgage company may be an independent mortgage company. If a mortgage company, however, is an affiliate of the seller institution, the seller institution should report the loan as purchased by an affiliate institution. For purposes of reporting the purchaser type, the term “affiliate” means any company that controls, is controlled by, or is under common control with, another company, as set forth in the Bank Holding Company Act of 1956.

Purchaser Type

**Section
§ 4(a)(11)**



Reports the type of entity
that purchased the
covered loan

**Comment
4(a)(11)-10**



Approved but not
accepted by
applicant



Preapproval requests
that were denied but
not accepted by
applicant



Denied



Withdrawn



Closed for
incompleteness



Not applicable



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A financial institution will report the purchaser type as “Not Applicable” for applications that were denied, withdrawn, closed for incompleteness or approved but not accepted by the applicant; and for preapproval requests that were denied or approved but not accepted by the applicant.

Purchaser Type

**Section
§ 4(a)(11)**



Reports the type of entity
that purchased the
covered loan

**Comment
4(a)(11)-10**

Covered loan



Originated



Purchased



Did not sell it during the
same calendar year



Not applicable



A financial institution also reports that the requirement is not applicable if the institution originated or purchased a covered loan and did not sell it during that same calendar year.

Purchaser Type

**Section
§ 4(a)(11)**



Reports the type of
entity that purchased
the covered loan



Denied



Withdrawn



Closed for
incompleteness



Approved but not
accepted by
applicant



Preapproval
requests that were
denied but not
accepted by
applicant



Other type of
purchaser



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A financial institution will report the purchaser type as “other type of purchaser” if the entity that purchases the covered loan does not fit into any of the categories listed above.

Purchaser Type

**Comment
4(a)(11)-1**

Reports the type of entity
that purchased the
covered loan

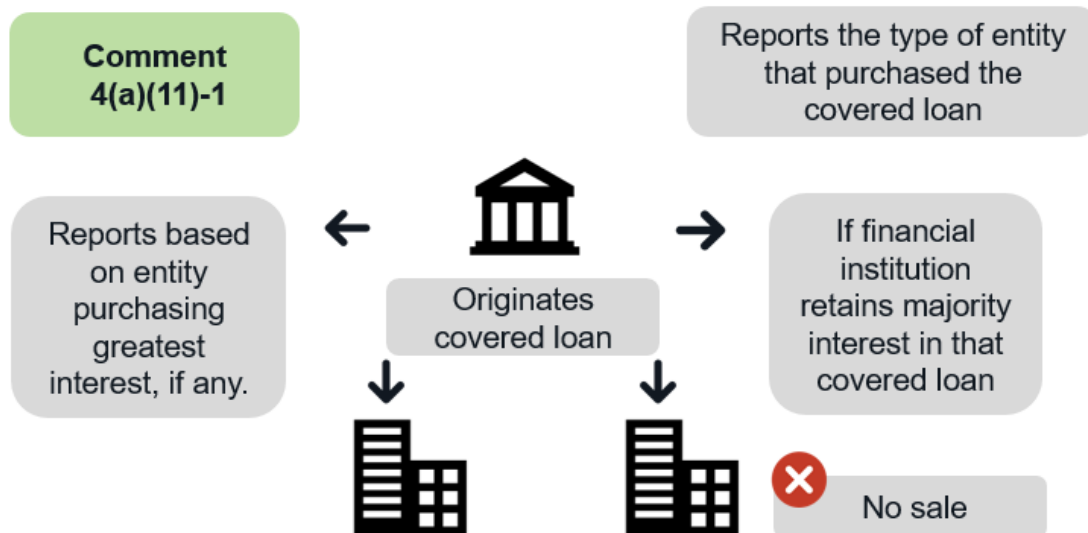


Covered loans



What happens if a financial institution sells the covered loans to more than one entity?

Purchaser Type



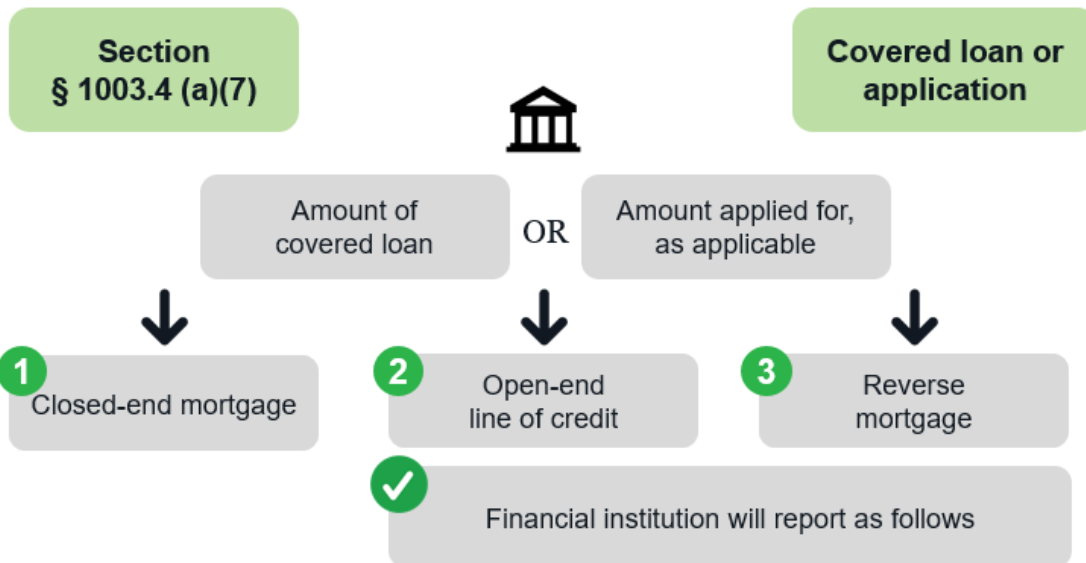
Comment 4(a)(11)-1 states that if a financial institution originates a covered loan and then sells it to more than one entity, the financial institution reports the type of purchaser based on the entity purchasing the greatest interest, if any. If, however, the financial institution retains a majority interest in that covered loan, then it would not report the sale.

Loan Amount

Home Mortgage Disclosure Act (HMDA)



Loan Amount



Section 1003.4(a)(7) requires that the financial institution report the amount of the covered loan or the amount applied for, as applicable. Depending on whether the covered loan or application was for either a closed-end mortgage, an open-end line of credit, or a reverse mortgage, the financial institution will report the loan amount as the following:

Loan Amount

**Section
§ 1003.4 (a)(7)**

**Covered loan or
application**



Closed-end
mortgage



Other than
purchased loan



Assumption, or
reverse mortgage



Amount to
be repaid



Indicated on the legal
obligation



If the transaction is a closed-end mortgage loan, other than a purchased loan, assumption or reverse mortgage, the financial institution reports the amount to be repaid as indicated on the legal obligation.

Loan Amount

Section § 1003.4 (a)(7)

Reporting example



Refinancing

Reports amount of credit extended under terms of new debt obligation



Home improvement loan

Reports entire amount even if only part of the proceeds is intended for home improvement



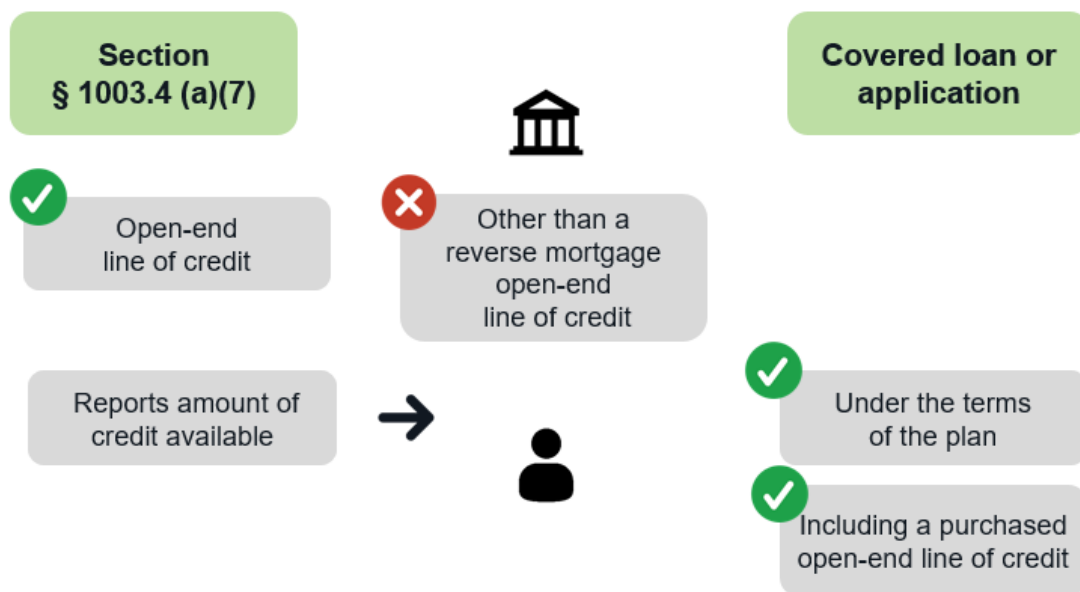
Purchased closed-end mortgage loan

Reports unpaid principal balance at the time of purchase or assumption



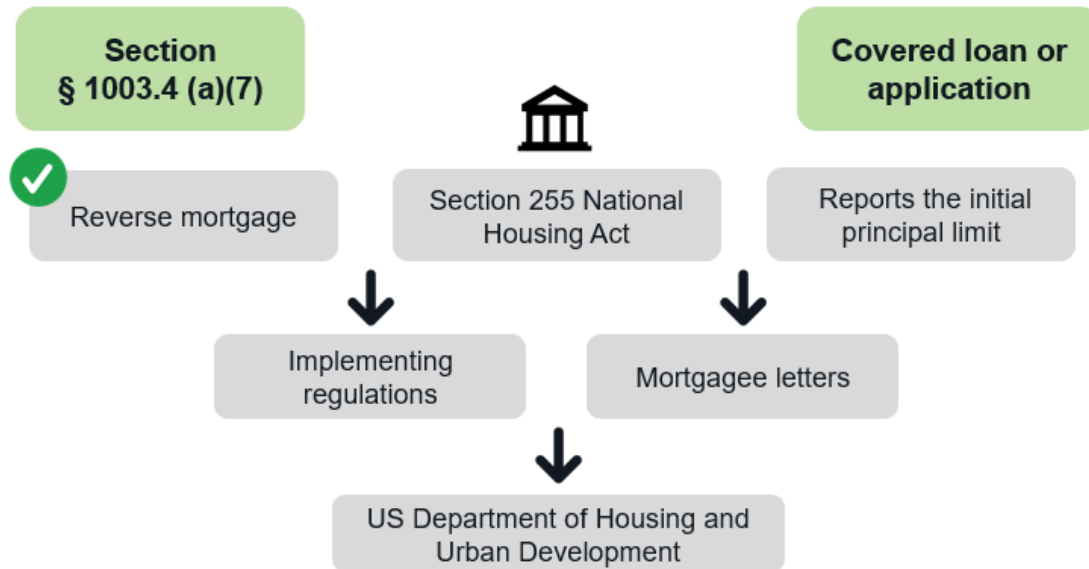
For example, for a refinancing, the institution reports the amount of credit extended under the terms of the new debt obligation. In the case of a home improvement loan, the financial institution reports the entire loan amount even if only a part of the proceeds is intended for home improvement. For a purchased closed-end loan or assumption of a closed-end loan, the financial institution reports the unpaid principal balance at the time of purchase or assumption.

Loan Amount



If the transaction is an open-end line of credit, other than a reverse mortgage open-end line of credit, the financial institution reports the amount of credit available to the borrower under the terms of the plan, including a purchased open-end line of credit.

Loan Amount



If the transaction is a reverse mortgage, the financial institution reports the initial principal limit, as determined pursuant to section 255 of the National Housing Act and the implementing regulations and mortgagee letters issued by the US Department of Housing and Urban Development, known as HUD.

Loan Amount

**Section
§ 1003.4 (a)(7)**



**Covered loan or
application**

Section 255
National Housing Act

Implementing
regulations

Mortgagee
letters

US Department of Housing
and Urban Development

HUD Sources

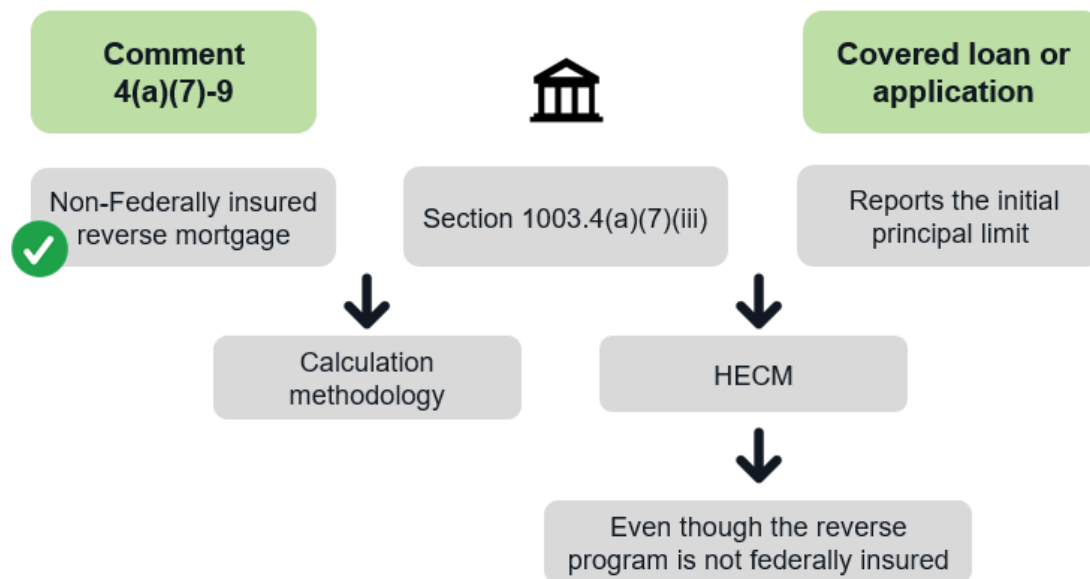


Home Equity Conversion Mortgage Insurance
reverse mortgage program (HECM)



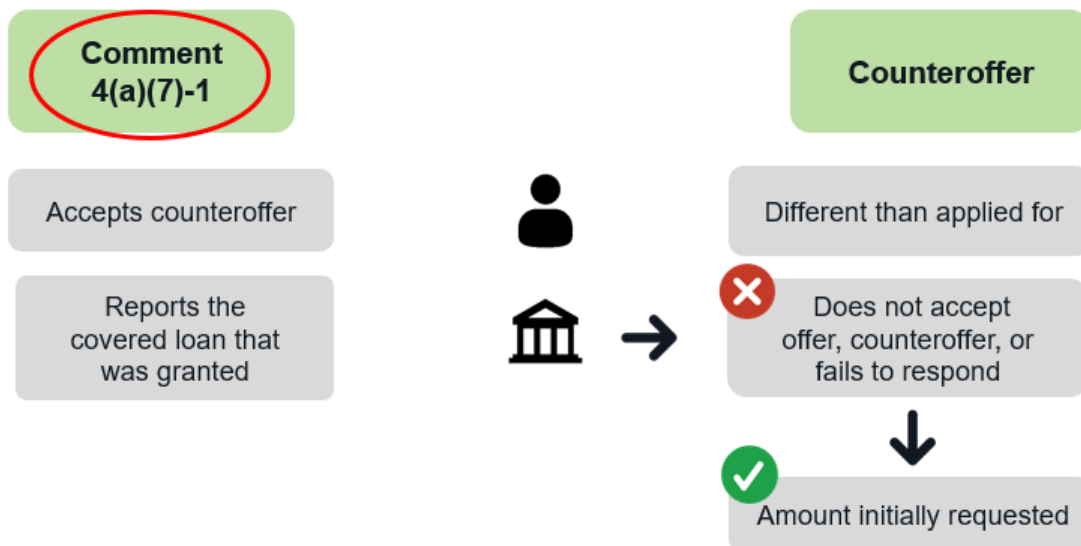
These HUD sources relate to the Home Equity Conversion Mortgage, or HECM, Insurance reverse mortgage program.

Loan Amount



For a non-federally insured reverse mortgage, comment 4(a)(7)-9 states that a financial institution reports the initial principal limit as set forth in section 1003.4(a)(7)(iii) and therefore would apply the calculation methodology of the HECM program even though the reverse mortgage is not federally insured.

Loan Amount



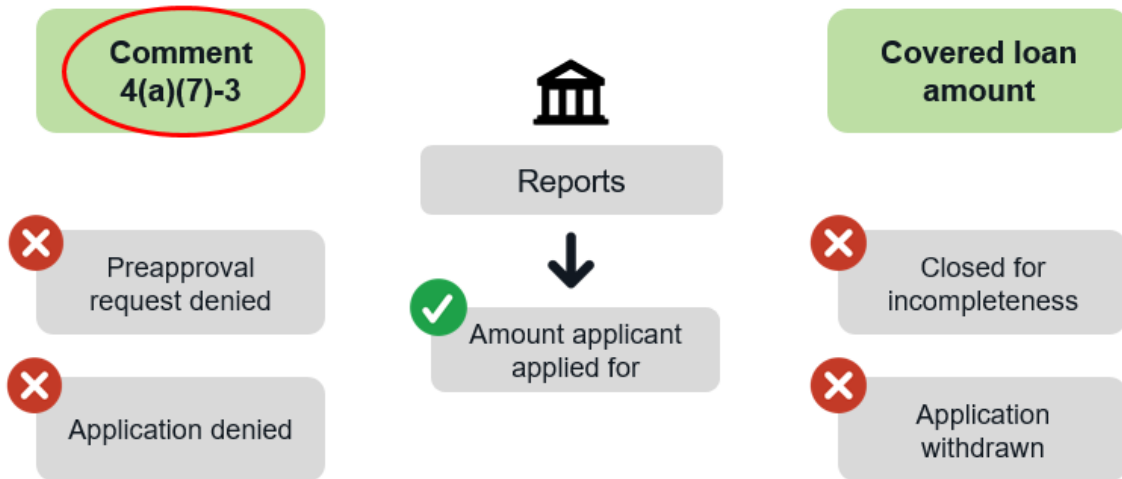
What loan amount does a financial institution report when the transaction involves a counteroffer? When an applicant accepts a counteroffer for an amount that is different from which the applicant applied for, Comment 4(a)(7)-1 explains that the financial institution reports the covered loan amount that was granted. In situations where the applicant does not accept a counteroffer or fails to respond, the institution reports the amount initially requested.

Loan Amount



What about an application that was approved but not accepted or a preapproval request that was approved but not accepted? In this scenario, Comment 4(a)(7)-2 explains that for an application that was approved but not accepted or the transaction involved a preapproval request that was approved but not accepted, a financial institution reports the covered loan amount that was approved for the transaction.

Loan Amount



What loan amount does a financial institution report when a preapproval request is denied, or application is denied, closed for incompleteness or withdrawn? For a preapproval request that was denied or an application that was denied, or for an application that was closed for incompleteness or withdrawn, comment 4(a)(7)-3 states that the financial institution reports the amount for which the applicant applied.

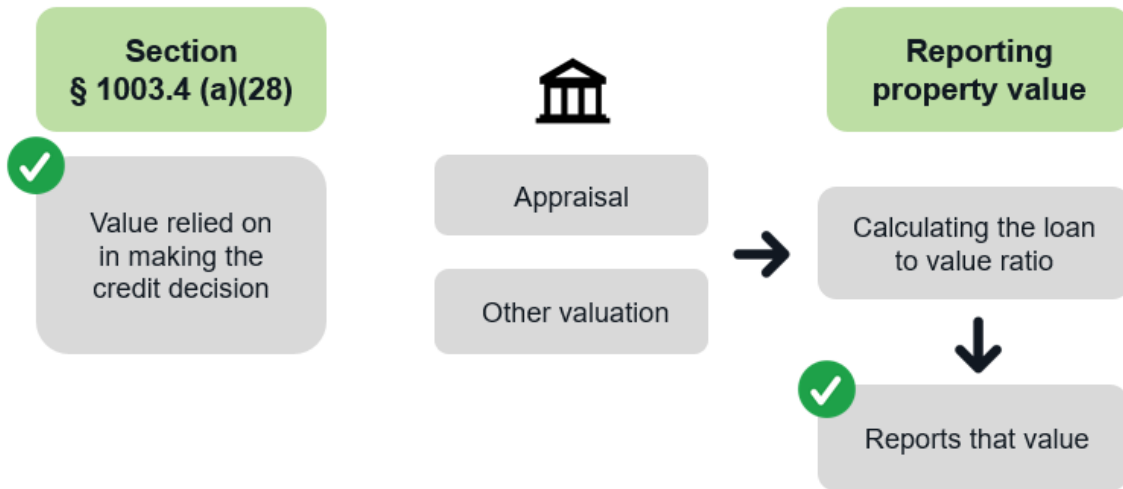
Property Value

Home Mortgage Disclosure Act (HMDA)



Now let's discuss reporting Property Value.

Property Value



Section 1003.4(a)(28) requires that the financial institution report the value relied on in making the credit decision. For example, if the institution relies on an appraisal or other valuation for the property in calculating the loan-to-value ratio, it reports that value.

Property Value

**Section
§ 1003.4 (a)(28)**



**Reporting
property value**

Purchase price
of property



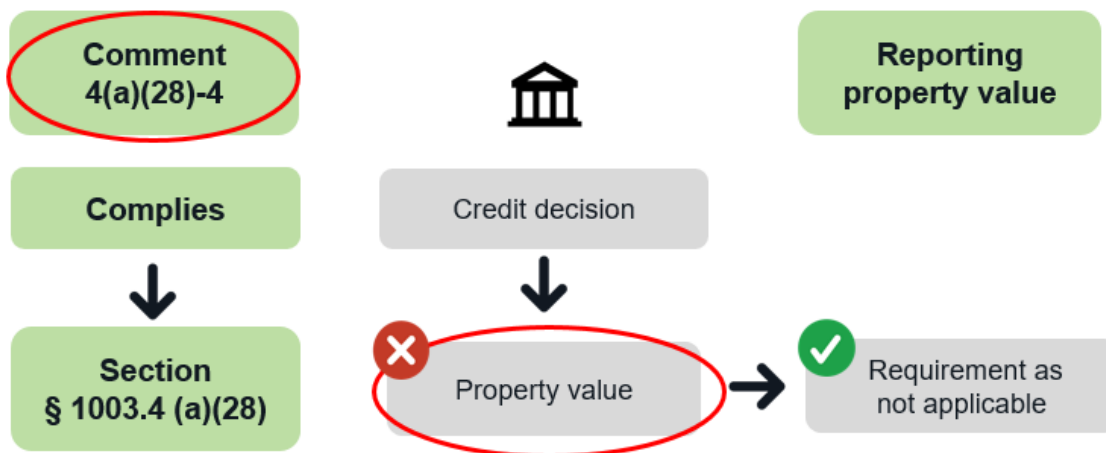
Calculating the loan
to value ratio



Reports purchase
price as property
value

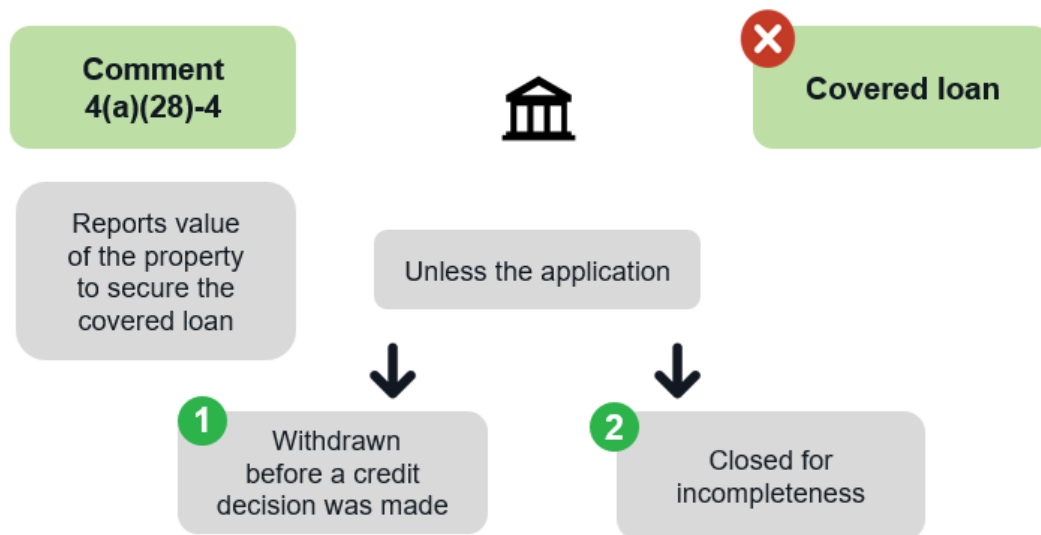
If the institution relies on the purchase price of the property in calculating the loan-to-value ratio, it reports purchase price as the property value.

Property Value



When a financial institution makes a credit decision without relying on property value, Comment 4(a)(28)-4 explains that the financial institution complies with Section 1003.4(a)(28) by reporting that the requirement is not applicable since no property value was relied on in making the credit decision.

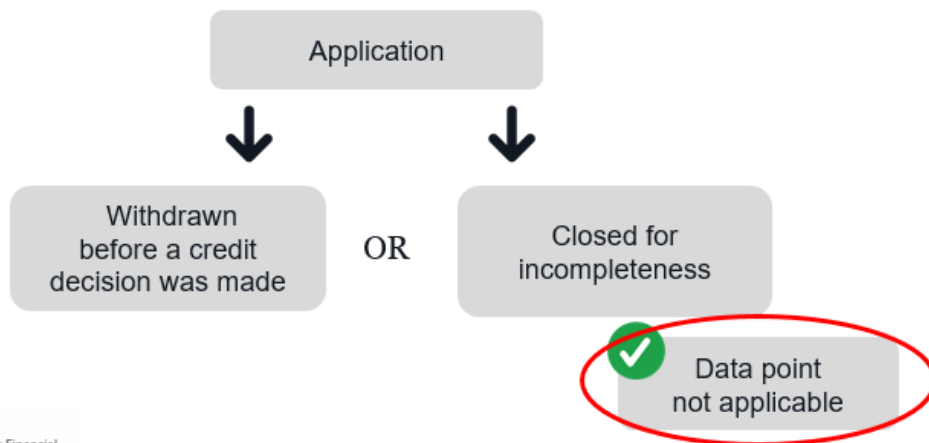
Property Value



For an application that did not result in a covered loan, a financial institution reports the value of the property proposed to secure the covered loan, unless the application was (1) withdrawn before a credit decision was made, or (2) closed for incompleteness.

Property Value

**Comment
4(a)(28)-4**



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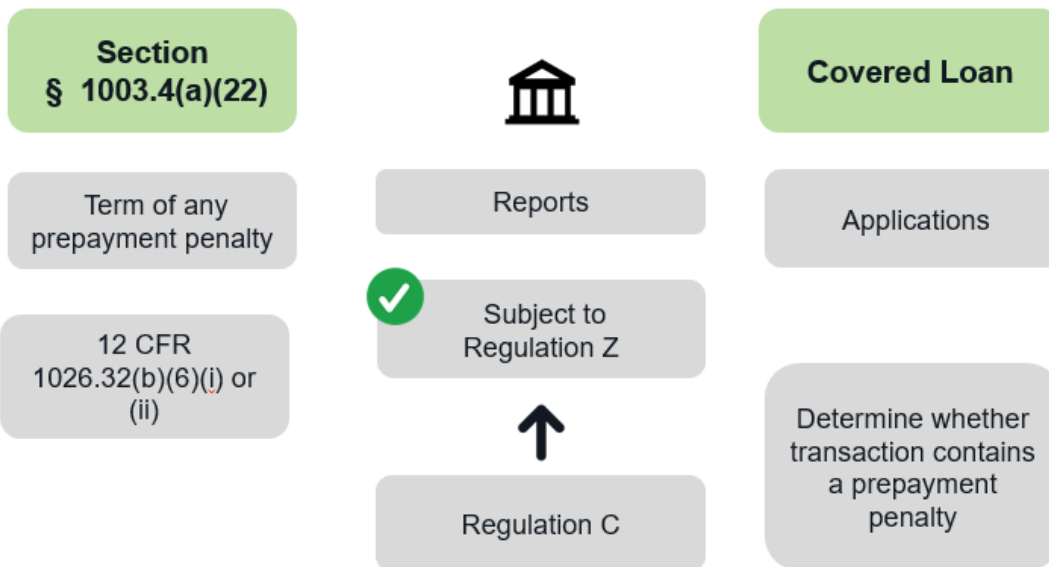
In cases where the application was withdrawn before a credit decision was made or was closed for incompleteness, the financial institution reports that the data point is not applicable, even if the financial institution obtained a property value.

Prepayment Penalty

Home Mortgage Disclosure Act (HMDA)



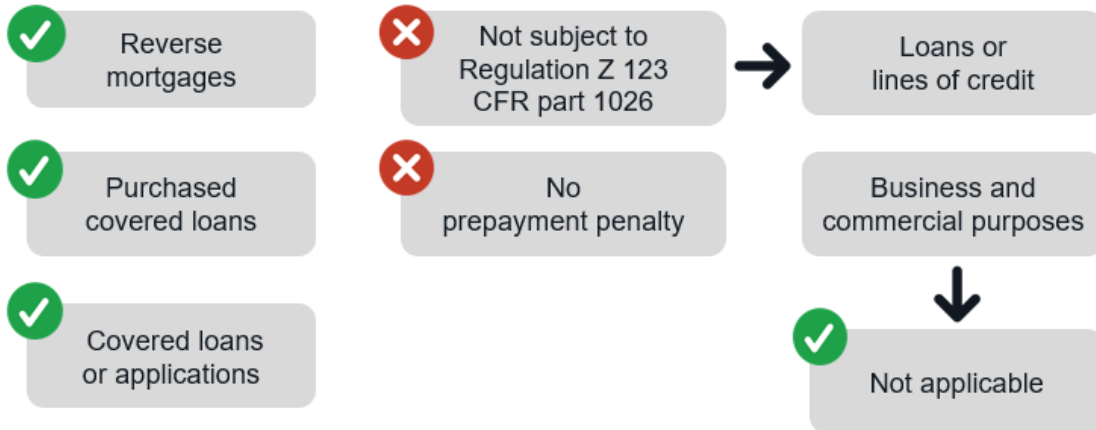
Prepayment Penalty



Section 1003.4(a)(22) requires that the financial institution report the term of any prepayment penalty for covered loans or applications subject to Regulation Z. The term prepayment penalty is defined in Regulation Z, 12 CFR 1026.32(b)(6)(i) and (ii). Regulation C allows a financial institution to rely on the definitions and commentary in Regulation Z to determine whether the terms of a transaction contains a prepayment penalty.

Prepayment Penalty

**Section
§ 1003.4(a)(22)**



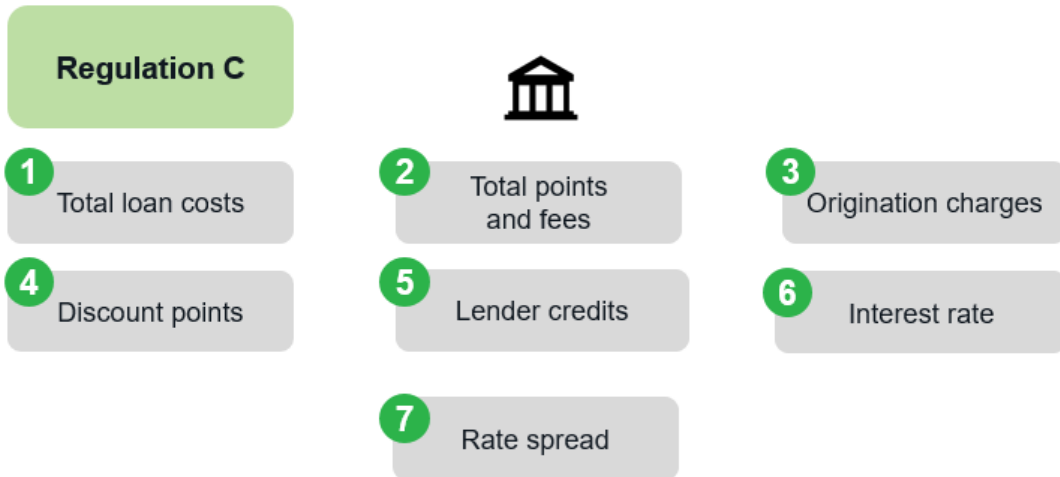
For reverse mortgages, purchased covered loans, covered loans or applications that have no prepayment penalty, and covered loans that are not subject to Regulation Z, such as loans or lines of credit made primarily for business or commercial purposes, the financial institution reports that this data point is not applicable.

Pricing Information

Home Mortgage Disclosure Act (HMDA)

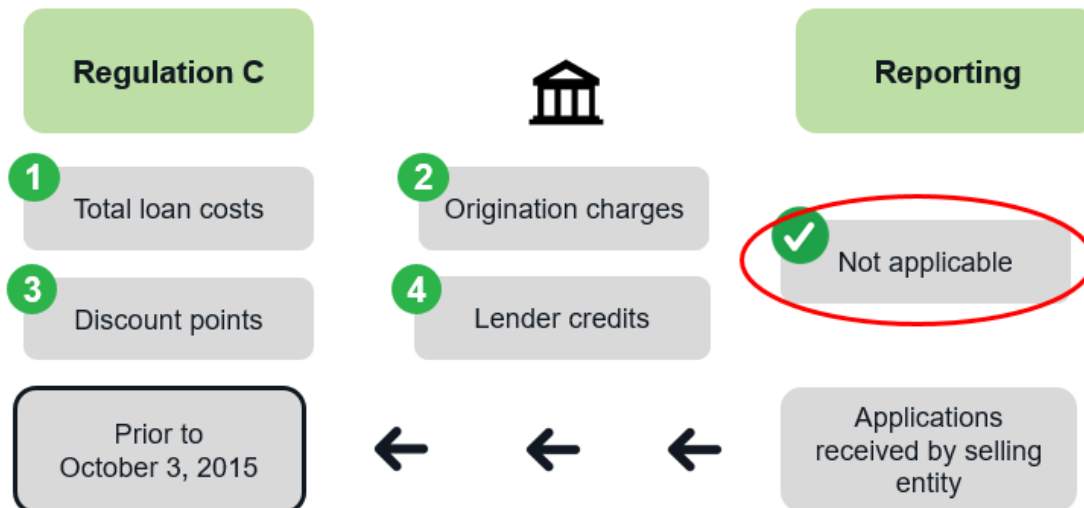


Pricing Information



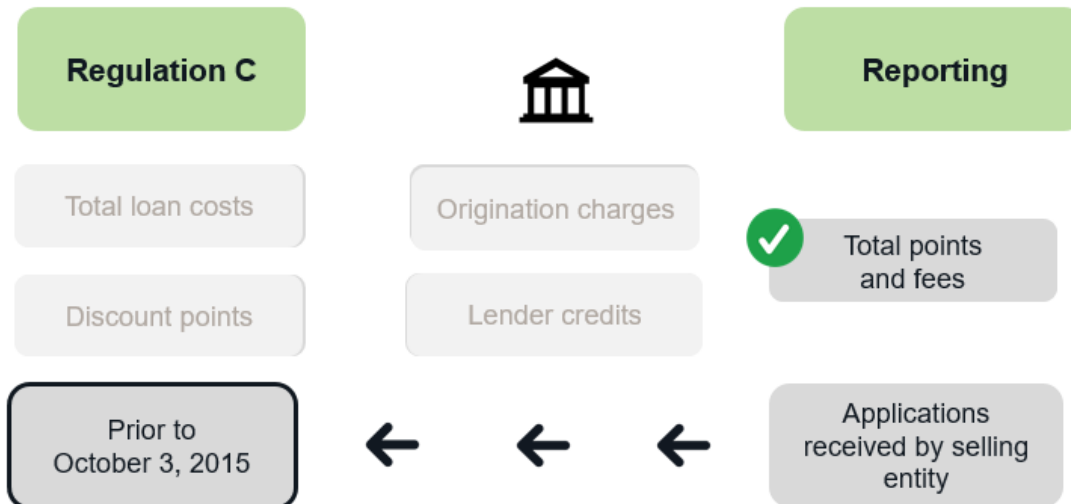
Next we will discuss the pricing information that Regulation C requires a financial institution to report, which includes the (1) total loan costs, (2) total points and fees, (3) origination charges, (4) discount points, and (5) lender credits. After discussing these pricing information data points, we will discuss how to report (6) the interest rate and (7) rate spread. Finally, we will discuss what to report when there is a change in the pricing information previously disclosed.

Pricing Information



Before getting into the pricing information, note that for a purchased covered loan, the commentary clarifies that a financial institution reports (1) the total loan costs (2) origination charges, (3) discount points, and (4) lender credits as not applicable for applications that were received by the selling entity prior to October 3, 2015.

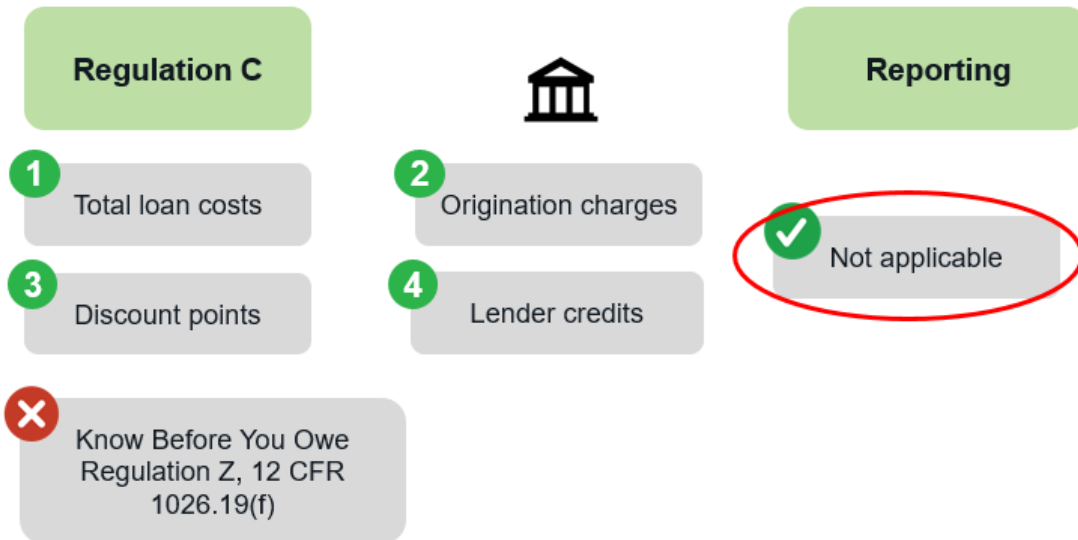
Pricing Information



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Protection Bureau

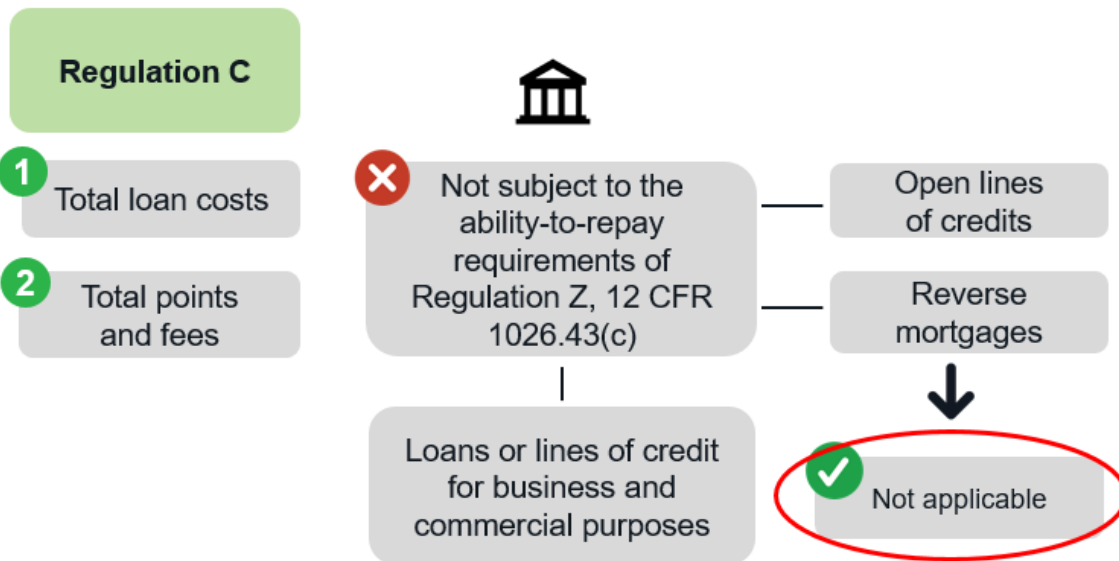
However an institution would report the total points and fees for a covered loan for which an application was received prior to October 3, 2015.

Pricing Information



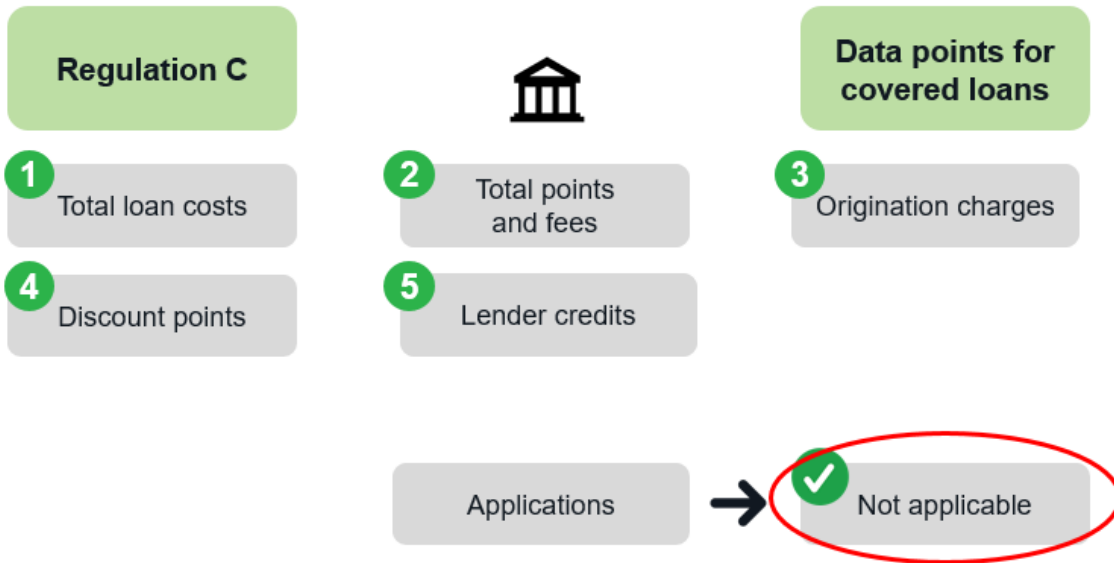
In addition, if a loan is not subject to Regulation Z, 12 CFR 1026.19(f), an institution would report not applicable for (1) total loan costs, (2) origination charges, (3) discount points, and (4) lender credits.

Pricing Information



Similarly, a financial institution would report not applicable for (1) total loan costs or (2) total points and fees when the covered loan was not subject to the ability-to-repay requirements of Regulation Z, 12 CFR 1026.43(c), such as open-end lines of credit, reverse mortgages, or loans or lines of credit made primarily for business or commercial purposes.

Pricing Information



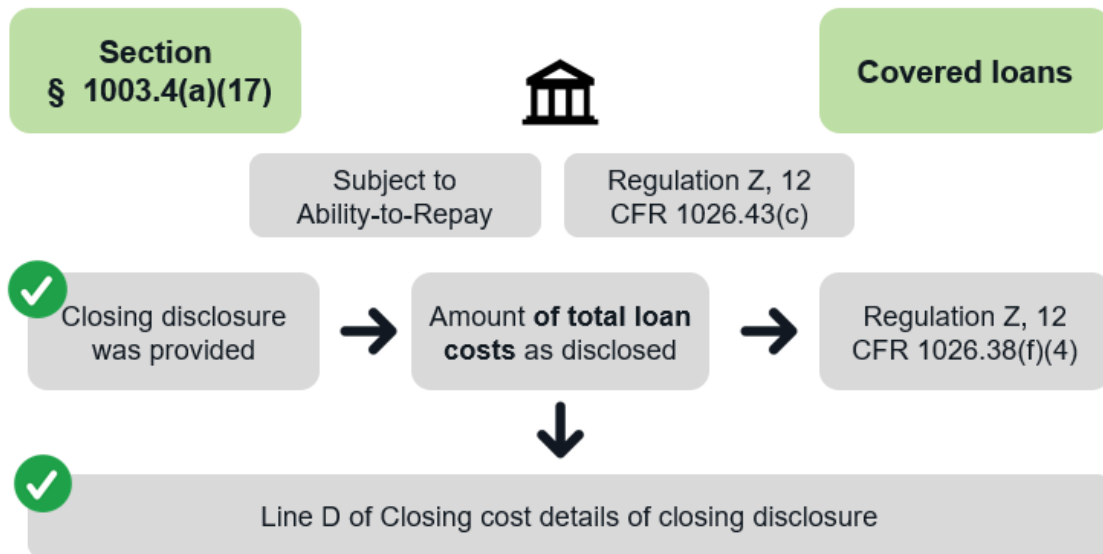
Finally, a financial institution reports the following data points only for covered loans: (1) total loan costs, (2) total points and fees, (3) origination charges, (4) discount points, and (5) lender credits. For applications, a financial institution would report “not applicable, for these data points.

Total Loan Costs or Total Points and Fees

Home Mortgage Disclosure Act (HMDA)

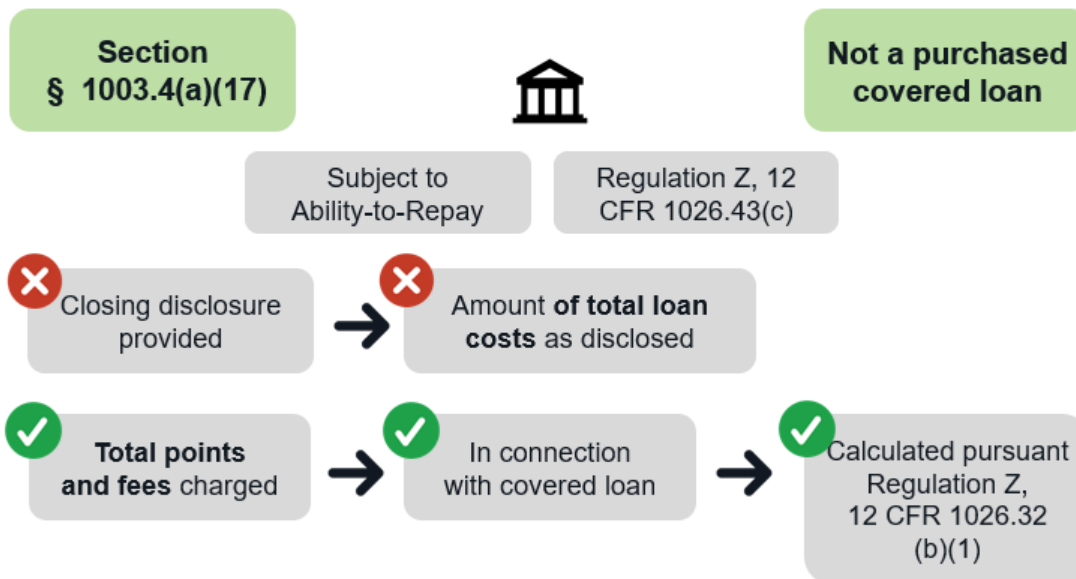


Total Loan Costs or Total Points and Fees



Section 1003.4(a)(17) requires that the financial institution report the following information for covered loans subject to the Ability-to-Repay provisions of Regulation Z, 12 CFR 1026.43(c): If a Closing Disclosure was provided, the amount of total loan costs as disclosed in section 1026.38(f)(4), on Line D of the Closing Cost Details page of the Closing Disclosure, or

Total Loan Costs or Total Points and Fees



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If a Closing Disclosure was not provided and the loan is not a purchased covered loan, the total points and fees charged in connection with the Covered Loan, calculated in section 1026.32(b)(1).

Origination Charges

Home Mortgage Disclosure Act (HMDA)



Origination Charges

Closing Cost Details

Loan Costs	Borrower-Paid	
	At Closing	Before Closing
A. Origination Charges	\$1,802.00	
01 0.25 % of Loan Amount (Points)	\$405.00	
02 Application Fee	\$300.00	
03 Underwriting Fee	\$1,097.00	
04		
05		
06		
07		
08		
B. Services Borrower Did Not Shop For	\$236.55	
01 Appraisal Fee to John Smith Appraisers Inc.		
02 Credit Report Fee to Information Inc.		\$29.80
03 Flood Determination Fee to Info Co.	\$20.00	
04 Flood Monitoring Fee to Info Co.	\$31.75	
05 Tax Monitoring Fee to Info Co.	\$75.00	



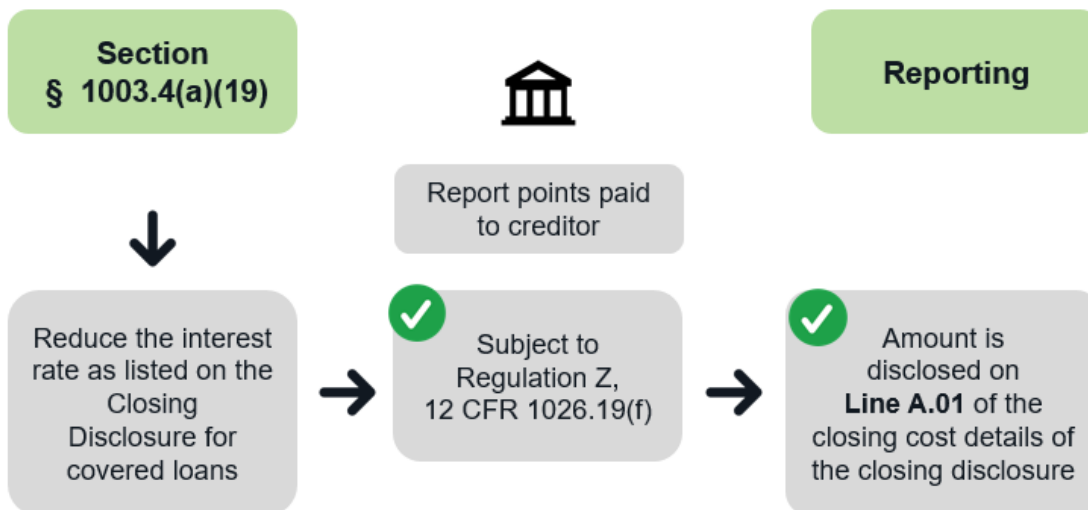
Section 1003.4(a)(18) requires that the financial institution report the total of all itemized origination charges on the Closing Disclosure that are designated borrower-paid at or before closing for covered loans subject to Regulation Z, 12 CFR 1026.19(f). Thus, financial institutions will report the total that is disclosed on Line A of the Closing Cost Details page of the Closing Disclosure.

Discount Points

Home Mortgage Disclosure Act (HMDA)



Discount Points



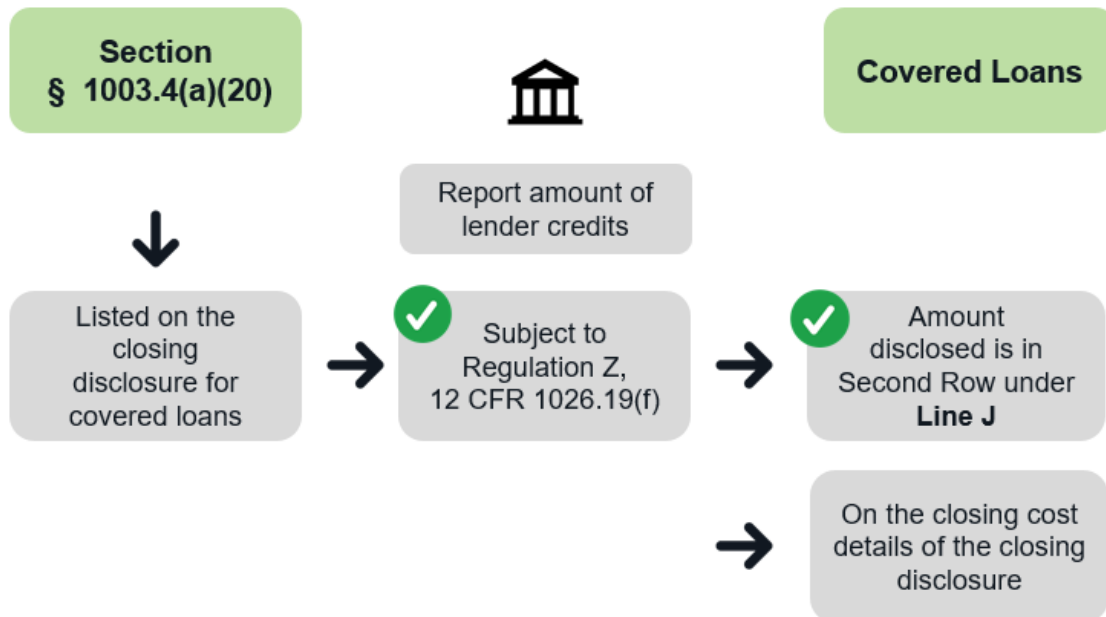
Section 1003.4(a)(19) requires that the financial institution report the points paid to the creditor to reduce the interest rate as listed on the Closing Disclosure for covered loans subject to Regulation Z, 12 CFR 1026.19(f). This amount is disclosed on Line A.01 of the Closing Cost Details page of the Closing Disclosure.

Lender Credits

Home Mortgage Disclosure Act (HMDA)



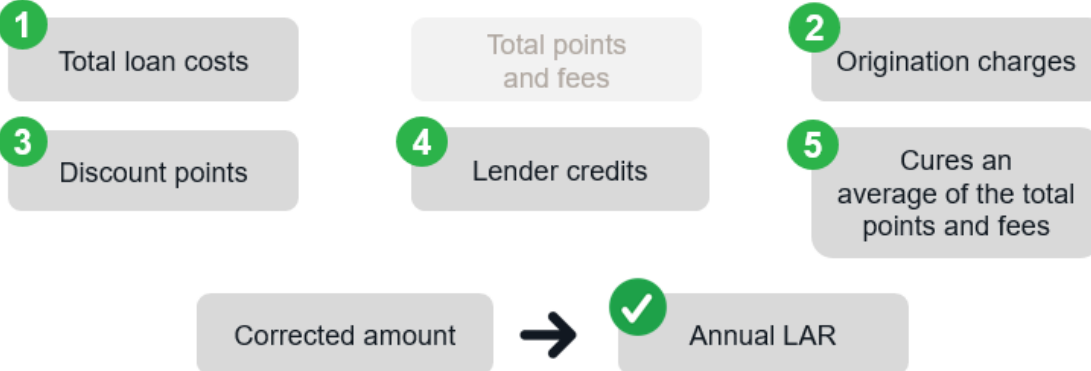
Lender Credits



Section 1003.4(a)(20) requires that the financial institution report the amount of lender credits listed on the Closing Disclosure for covered loans subject to Regulation Z, 12 CFR 1026.19(f). This amount is disclosed in the second row under Line J on the Closing Cost Details page of the Closing Disclosure. Now that we have discussed what information is required to properly report the pricing information for a covered loan, let's discuss what to report if there is a change in the pricing information from what was previously disclosed.

Corrected Disclosures

**Regulation Z, 12
CFR
1026.19(f)(2)**



What is reported when the financial institution issues a corrected disclosure, pursuant to Regulation Z, 12 CFR 1026.19(f)(2)? In general, if a financial institution provides a corrected disclosure for the (1) total loan costs, (2) origination charges, (3) discount points, (4) lender credits, or (5) cures an overage of the total points and fees, it must report the corrected amount on its annual LAR,

Corrected Disclosures

**Regulation Z,
12 CFR
1026.19(f)(2)**



Corrected amount



Annual LAR

Corrected disclosure



Provided to borrower
or cure was made



Before end of calendar
year in which closing
occurred

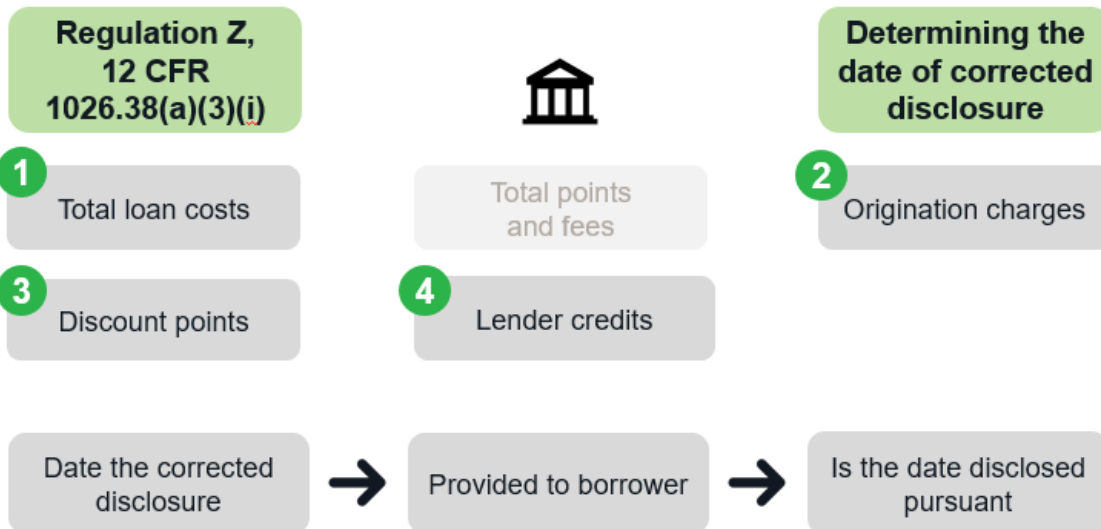
December 31



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Protection Bureau

provided that the corrected disclosure was provided to the borrower or cure was made before the end of the calendar year in which the closing occurred.

Corrected Disclosures



For purposes of determining the date the corrected disclosure was provided to the borrower, when reporting (1) the total loan costs (2) origination charges, (3) discount points, or (4) lender credits for a covered loan, the commentary clarifies that the date the corrected disclosure was provided to the borrower is the date disclosed pursuant to Regulation Z, 12 CFR 1026.38(a)(3)(i).

Recap



1

Total loan costs

2

Total points
and fees

3

Origination charges

4

Discount points

5

Lender credits



This concludes our discussion on (1) total loan costs, (2) total points and fees, (3) origination charges, (4) discount points, and (5) lender credits.

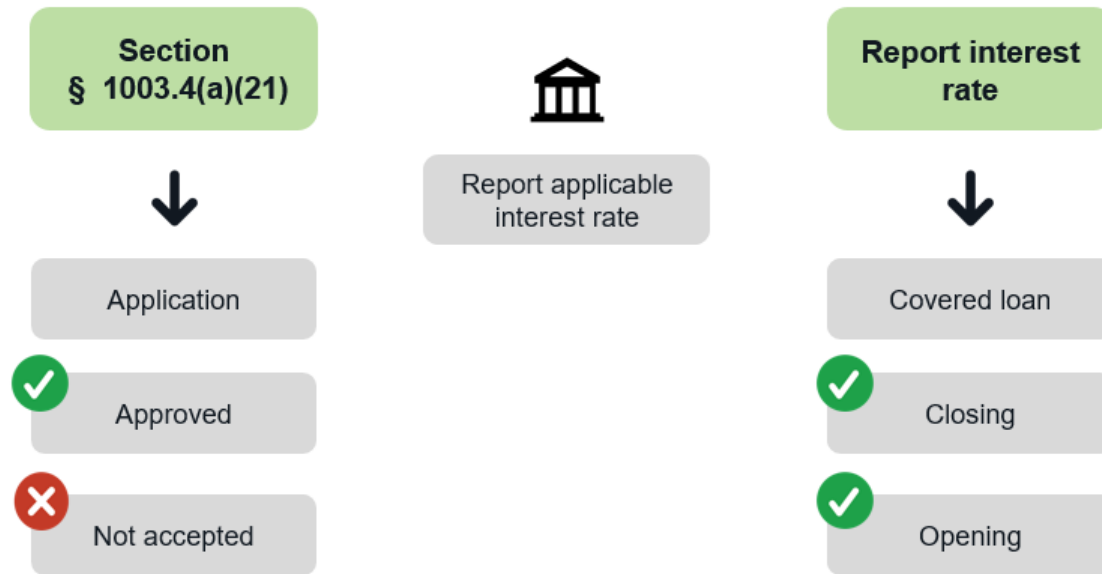
Interest Rate

Home Mortgage Disclosure Act (HMDA)



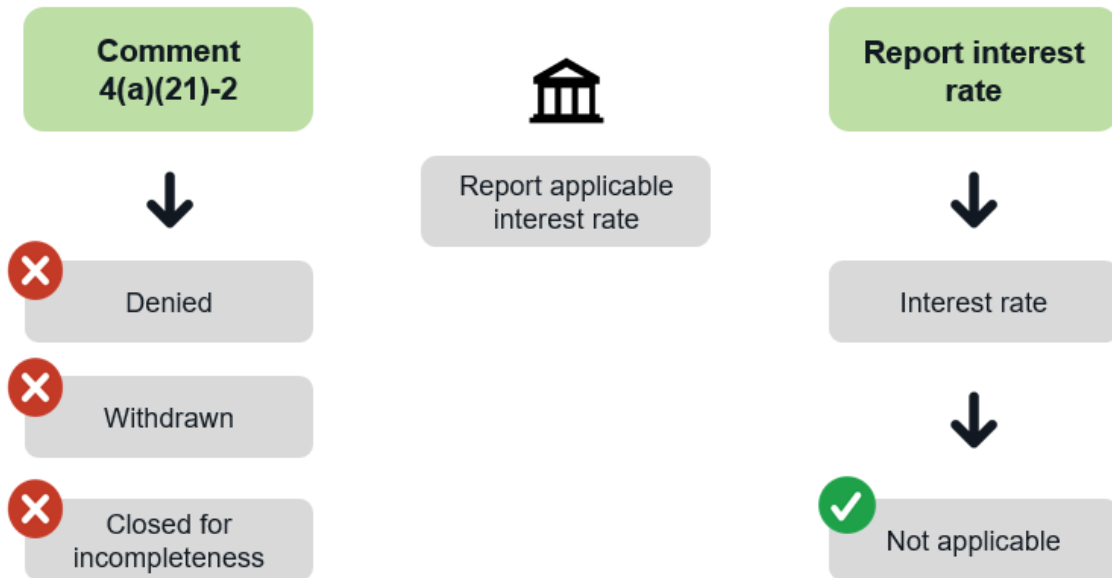
Now let's discuss other pricing information like the interest rate and rate spread.

Interest Rate



Section 1003.4(a)(21) requires that the financial institution report the interest rate applicable to a application that is approved but not accepted, or to a covered loan at closing or account opening.

Interest Rate



In cases where the application was denied, withdrawn, or closed for incompleteness, Comment 4(a)(21)-2 explains that the financial institution reports that the interest rate was not applicable.

Section 5.24 Small Entity Compliance Guide

For an:	Report:
Application approved but not accepted for fixed rate Covered Loan subject to Regulation Z's Loan Estimate and Closing Disclosure requirements	Rate stated in Loan Estimate (if no Closing Disclosure provided) or in Closing Disclosure (if provided), assuming it accurately reflects the rate when Financial Institution approved the Application. If a revised Loan Estimate (but no Closing Disclosure) was provided to the applicant prior to the end of the reporting period in which final action was taken or if a corrected Closing Disclosure was provided to the applicant prior to the end of the reporting period in which final action was taken, the Financial Institution reports the rate stated in the revised or corrected disclosure, as applicable. Otherwise, rate at the time Financial Institution approved the Application. Comments 4(a)(21)-1 and -2.
Application approved but not accepted for a fixed rate Covered Loan not subject to Regulation Z's Loan Estimate and Closing Disclosure requirements	Rate applicable when Financial Institution approved the Application. Comment 4(a)(21)-2.



Section 5.24 of the Small Entity Compliance Guide provides an excellent summary of the rate a financial institution will report for various types of lending scenarios. In the interest of time, we will not be discussing each scenario, but wanted to provide the Small Entity Compliance Guide summary in this webinar. Viewers may download a copy of the slides to this webinar in the link below.

Section 5.24 Small Entity Compliance Guide

Application approved but not accepted for a variable-rate Covered Loan subject to Regulation Z's Loan Estimate and Closing Disclosure requirements

Rate stated in Loan Estimate (if no Closing Disclosure provided) or in Closing Disclosure (if provided), assuming it accurately reflects the rate when Financial Institution approved the Application. If a revised Loan Estimate (but no Closing Disclosure) was provided to the applicant prior to the end of the reporting period in which final action was taken or if a corrected Closing Disclosure was provided to the applicant prior to the end of the reporting period in which final action was taken, the Financial Institution reports the rate stated in the revised or corrected disclosure, as applicable. Comments 4(a)(21)-1 and -2.

Otherwise, if rate was known when Financial Institution approved the Application, the rate applicable when Financial Institution approved the Application. Comment 4(a)(21)-2.

Otherwise, if rate was unknown when Financial Institution approved the Application, the fully-indexed rate based on the index applicable when the Financial Institution approved the Application. Comment 4(a)(21)-3.



Section 5.24 Small Entity Compliance Guide

Application approved but not accepted for a variable-rate Covered Loan not subject to Regulation Z's Loan Estimate and Closing Disclosure requirements

If rate was known when Financial Institution approved the Application, the rate applicable when Financial Institution approved the Application. Comment 4(a)(21)-2.
If rate was unknown when Financial Institution approved the Application, the fully-indexed rate based on the index applicable when the Financial Institution approved the Application. Comment 4(a)(21)-3.

Application denied, withdrawn, or closed for incompleteness

Not applicable. Comment 4(a)(21)-2.

Fixed-rate Covered Loan subject to Regulation Z's Loan Estimate and Closing Disclosure requirements

Interest rate set forth in Closing Disclosure. If a corrected Closing Disclosure was provided to the borrower prior to the end of the reporting period in which final action was taken, the Financial Institution reports the rate stated in the corrected disclosure. Comment 4(a)(21)-1.

Fixed-rate Covered Loan not subject to Regulation Z's Loan Estimate and Closing Disclosure requirements

Interest rate applicable at loan closing or account opening. Comment 4(a)(21)-1.

Variable-rate Covered Loan subject to Regulation Z's Loan Estimate and Closing Disclosure requirements

Interest rate set forth in Closing Disclosure. If a corrected Closing Disclosure was provided to the borrower prior to the end of the reporting period in which final action was taken, the Financial Institution reports the rate stated in the corrected disclosure. Comment 4(a)(21)-1.



Section 5.24 Small Entity Compliance Guide

Variable-rate Covered Loan not subject to Regulation Z's Loan Estimate and Closing Disclosure requirements

If rate was known when Financial Institution closed loan or opened account, rate applicable at loan closing or account opening. Comment 4(a)(21)-1.
If rate was unknown when Financial Institution closed loan or opened account, the fully-indexed rate based on the index applicable to the Covered Loan at loan closing or account opening. Comment 4(a)(21)-3.



Rate Spread

Home Mortgage Disclosure Act (HMDA)



Rate Spread

**Section
§ 1003.4(a)(12)**

**Regulation Z, 12
CFR part 1026**

Covered loans and applications



Approved



Not Accepted



Reports the difference between the covered loans' annual percentage rate and the average prime offer rate for a comparable transaction as of the date the interest rate is set



Section 1003.4(a)(12)(i) requires that for covered loans and applications that are approved but not accepted, and that are subject to Regulation Z, 12 CFR part 1026, other than assumptions, purchased covered loans, and reverse mortgages, a financial institution reports the difference between the covered loans' annual percentage rate and the average prime offer rate for a comparable transaction as of the date the interest rate is set.

Rate Spread

**Section
§ 1003.4(a)(12)**

**Comment
4(a)(12)-4**

Comparable transaction

covered loan's amortization
type and loan term

Fixed rate covered loan

the term for identifying the
comparable transaction is the
transaction's maturity

Open-end lines of credit

identify the most closely
comparable closed-end
transaction

Variable rate covered loan

the term for identifying the
comparable transaction is the
initial, fixed-rate period



Comment 4(a)(12)-4 explains that a comparable transaction is determined according to the covered loan's amortization type and loan term. For open-end lines of credit, a financial institution identifies the most closely comparable closed-end transaction. For fixed rate covered loans, the term for identifying the comparable transaction is the transaction's maturity. For variable rate covered loans, the term for identifying the comparable transaction is the initial, fixed-rate period.

Rate Spread

Section
§ 1003.4(a)(12)

Comment
4(a)(12)-4

Covered loan term to maturity



is not in whole years, the financial institution uses the number of whole years closest to the actual loan term



actual loan term is exactly halfway between the two whole years, then the financial institution uses the shorter loan term



If a covered loan's term to maturity is not in whole years, the financial institution uses the number of whole years closest to the actual loan term. If the actual loan term is exactly halfway between the two whole years, then the financial institution uses the shorter loan term.

Rate Spread

Section
§ 1003.4(a)(12)

Comment
4(a)(12)-4

Amortization period of a covered loan



If the amortization period of a covered loan is longer than the term of the transaction to maturity



financial institution uses the loan term to determine the applicable average prime offer rate.



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If the amortization period of a covered loan is longer than the term of the transaction to maturity, comment 4(a)(12)-4.iv states that a financial institution uses the loan term to determine the applicable average prime offer rate. For example, if a financial institution originates a closed-end, fixed-rate loan that has a term to maturity of five years and a thirty-year amortization period that results in a balloon payment, the financial institution would use the five-year loan term to determine the average prime offer rate.

Rate Spread

Section
§ 1003.4(a)(12)

Comment
4(a)(12)-5

Determine the rate-set date



is the date on which the interest rate was set by the financial institution for the final time before final action is taken.



Application
approved



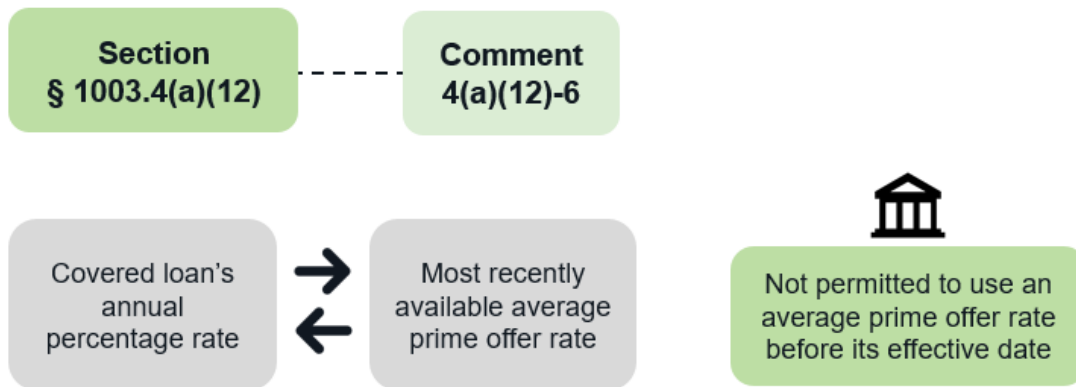
Not accepted OR

Covered loan
originated



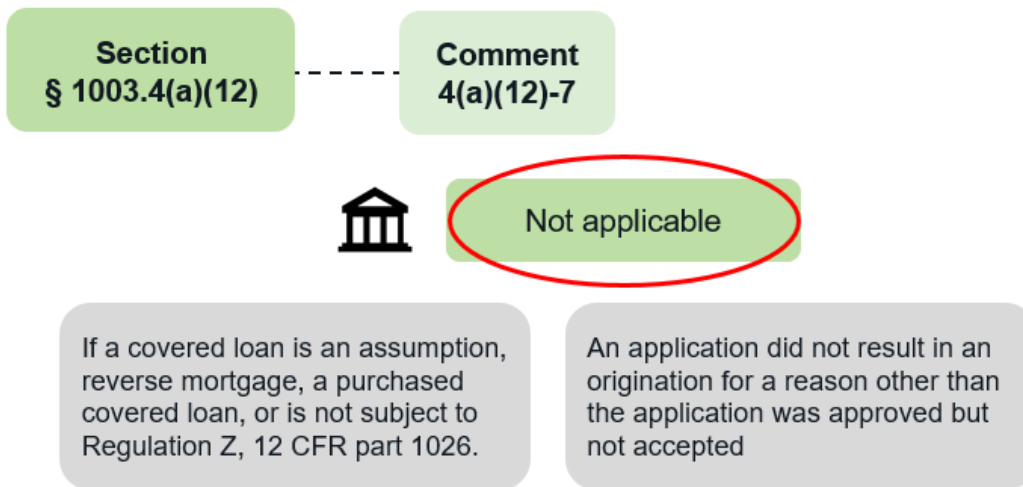
To determine the rate-set date, comment 4(a)(12)-5 states that the relevant date to use to determine the average prime offer rate for a comparable transaction, use the date on which the interest rate was set by the financial institution for the final time before final action is taken--for example, when the application was approved but not accepted or when the covered loan was originated. Institutions will want to consult the commentary to section 4(a)(12) for more information on determining the rate-set date.

Rate Spread



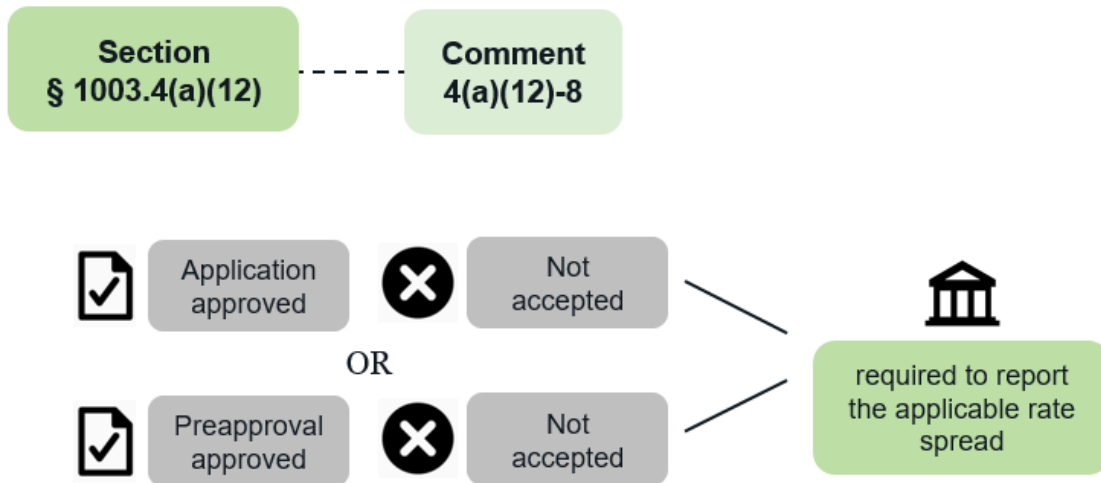
Comment 4(a)(12)-6 provides that a financial institution compares the covered loan's annual percentage rate to the most recently available average prime offer rate that was in effect for the comparable transaction as of the rate-set date, but a financial institution is not permitted to use an average prime offer rate before its effective date.

Rate Spread



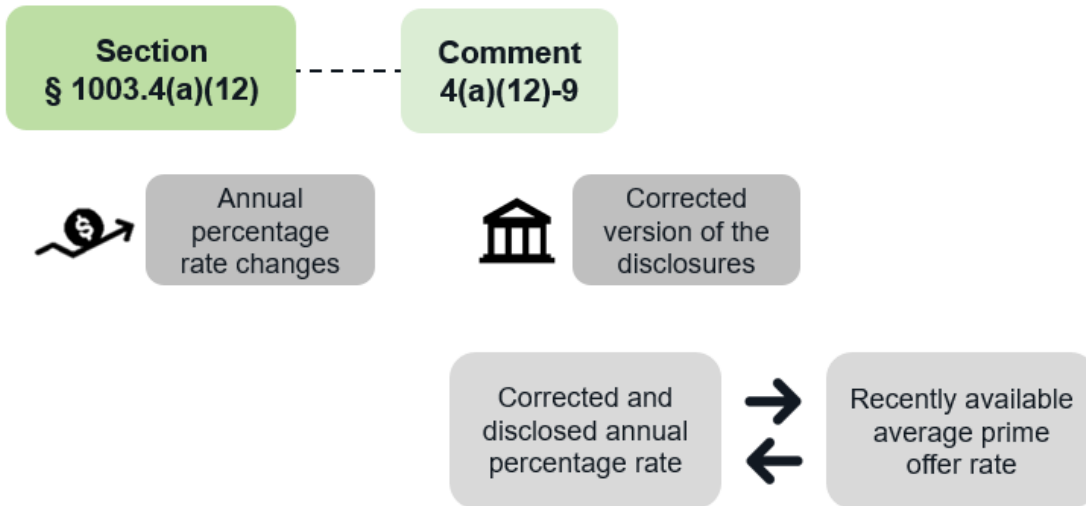
Comment 4(a)(12)-7 states that a financial institution reports not applicable for the following transactions : If a covered loan is an assumption, reverse mortgage, a purchased covered loan, or is not subject to Regulation Z, An application did not result in an origination for a reason other than the application was approved but not accepted.

Rate Spread



If an application was approved but not accepted or a preapproval request was approved but not accepted, a financial institution is required to report the applicable rate spread, according to comment 4(a)(12)-8.

Rate Spread



Finally, Comment 4(a)(12)-9 clarifies that, if the annual percentage rate changes because a financial institution provides a corrected version of the disclosures required under Regulation Z, a financial institution compares the corrected and disclosed annual percentage rate to the most recently available average prime offer rate that was in effect for a comparable transaction as of the rate-set date, provided that the corrected disclosure was provided to the borrower prior to the end of the reporting period in which final action is taken.

Introductory Rate Period

Home Mortgage Disclosure Act (HMDA)



Let's spend a little bit of time talking about how to report the introductory rate period.

Introductory Rate Period

**Section
§ 1003.4(a)(26)**

Covered Loans and Applications



Number of months



Proposed number of
months

Until the first date the
interest rate may
change after closing
or account opening

Adjustable
rate mortgage



Introductory
period of 7 years



Report introductory
period as 84



Section 4(a)(26) requires a financial institution to report the number of months, or proposed number of months in the case of an application, until the first date the interest rate may change after closing or account opening. For example, if reporting an adjustable rate mortgage with an introductory period of 7 years, after which the interest rate may vary, the financial institution would report the introductory period as 84.

Introductory Rate Period

**Section
§ 1003.4(a)(26)**

**Comment
4(a)(12)-5**

**Interest rate period measured in
a unit of time other than months**

Use an equivalent
number of whole
months without
regard for any
remainder

Must report one
month for any rate
period that totals
less than one whole
month



If the covered loan or application includes an introductory interest rate period measured in a unit of time other than months, Comment 4(a)(26)-5 explains that a financial institution reports the introductory interest rate period for the covered loan or application using an equivalent number of whole months without regard for any remainder. The financial institution must report one month for any introductory interest rate period that totals less than one whole month.

Introductory Rate Period

**Section
§ 1003.4(a)(26)**

**Comment
4(a)(26)-1**



Required to report
number of months

Interest rate adjustment
is not required to occur

The rates that will apply are
not known at closing or
account opening



As explained in Comment 4(a)(26)-1, a financial institution is required to report the number of months based on when the first interest rate adjustment may occur, even if an interest rate adjustment is not required to occur at that time and even if the rates that will apply, or the periods for which they will apply, are not known at closing or account opening.

Introductory Rate Period

**Section
§ 1003.4(a)(26)**

**Comment
4(a)(26)-2**



Not required to report the introductory rate period based on preferred rates

Unless the terms provide that the preferred rate will expire at a certain defined date



Comment 4(a)(26)-2 provides that a financial institution is not required to report the introductory rate period based on preferred rates unless the terms of the legal obligation provide that the preferred rate will expire at a certain defined date.

Introductory Rate Period

**Section
§ 1003.4(a)(26)**

**Comment
4(a)(26)-2**



Not required to report the introductory rate period based on preferred rates

Preferred rates

Initial underlying rate is fixed but may increase or decrease upon the occurrence of a future event

Borrower revokes automated payments



Not known at closing or account opening

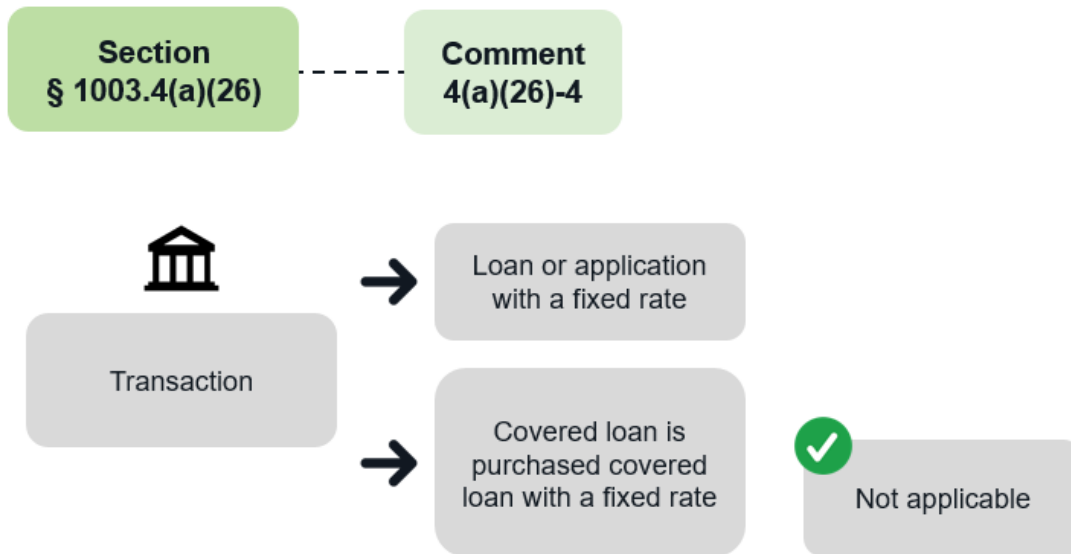


Reporting of introductory rate period not required



Preferred rates include the terms of the legal obligation that provide that the initial underlying rate is fixed but that it may increase or decrease upon the occurrence of some future event, such as the borrower revoking an election to make automated payments. In such a case, because it not known at the time of closing or account opening that the future event will take place and when, the reporting of the introductory rate period is not required.

Introductory Rate Period




A financial institution reports not applicable when the transaction involves a loan or application with a fixed rate or the covered loan is a purchased covered loan with a fixed rate.

Non-amortizing Features

Home Mortgage Disclosure Act (HMDA)



Non-amortizing Features

Section § 1003.4(a)(27)		Required to report whether contractual terms include or would have included
A balloon payment	→	Regulation Z, 12 CFR 1026.18(s)(5)(i)
Interest only payment	→	Regulation Z, 12 CFR 1026.18(s)(7)(iv)
Contractual term causes covered loan to a negative amortization	→	Regulation Z, 12 CFR 1026.18(s)(7)(v)



Section 1003.4(a)(27) requires a financial institution to report whether the contractual terms include or would have included: a balloon payment, defined in Regulation Z, 12 CFR 1026.18(s)(5)(i); an interest only payment, defined in Regulation Z, 12 CFR 1026.18(s)(7)(iv); a contractual term that would cause the covered loan to be a negative amortization loan, defined in Regulation Z, 12 CFR 1026.18(s)(7)(v);

Non-amortizing Features

**Section
§ 1003.4(a)(27)**



**Required to report whether contractual terms
include or would have included**

Any other
contractual that
allows payments
other than fully
amortizing
payments



Regulation Z, 12 CFR 1026.43(b)(2)

During the loan term



or any other contractual term that would allow for payments other than fully amortizing payments defined in Regulation Z, 12 CFR 1026.43(b)(2), during the loan term.

Non-amortizing Features

**Section
§ 1003.4(a)(27)**

**Comment
4(a)(27)-1**

**Defines the contractual features by reference to Regulation Z part 1026,
but without regard to whether the covered loan is**

Consumer credit



As defined in section
§ 1026.2(a)(12)

Extended by a
creditor



As defined in section
§ 1026.2(a)(17)

or



Comment 4(a)(27)-1 states that section 1003.4(a)(27) defines the contractual features by reference to Regulation Z, but without regard to whether the covered loan is consumer credit, as defined in section 1026.2(a)(12); is extended by a creditor, as defined in section 1026.2(a)(17);

Non-amortizing Features

**Section
§ 1003.4(a)(27)**

**Comment
4(a)(26)-2**

**Defines the contractual features by reference to Regulation Z part 1026,
but without regard to whether the covered loan is**

Extended to a
consumer



As defined in section
§ 1026.2(a)(11)

and

Without regard as
to whether the
property is a
dwelling

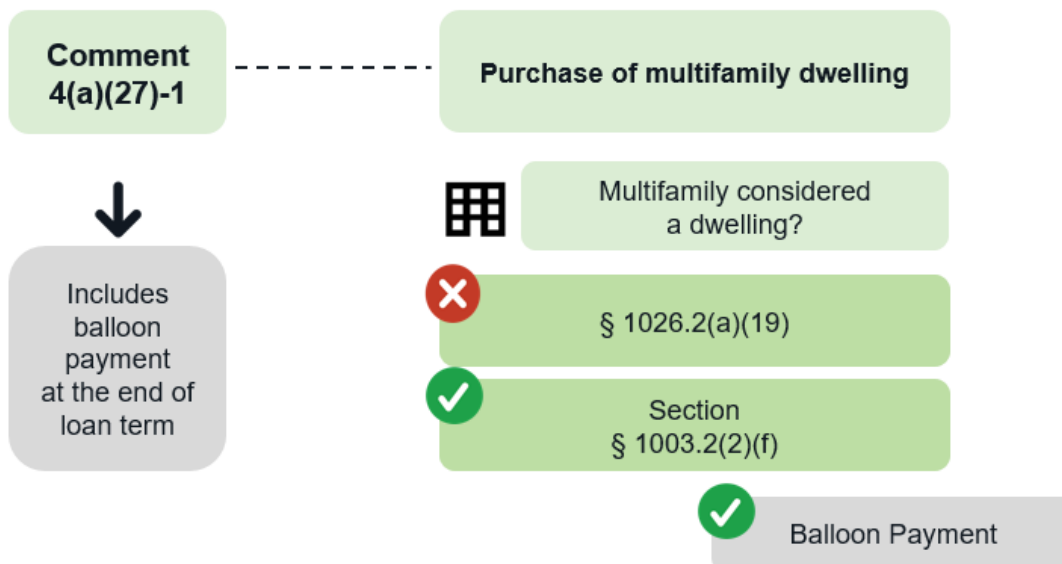


As defined in section
§ 1026.2(a)(19)



or is extended to a consumer, as defined in section 1026.2(a)(11); and without regard to whether the property is a dwelling as defined in section 1026.2(a)(19).

Non-amortizing Features



Comment 4(a)(27)-1 provides an example involving the purchase of a multifamily dwelling where the transaction includes a balloon payment at the end of the loan term. Although the multifamily dwelling would not be considered a dwelling under section 1026.2(a)(19) it would be considered a dwelling under section 1003.2(f). Thus, the financial institution would report the balloon payment.

HOEPA Status

Home Mortgage Disclosure Act (HMDA)



HOEPA Status

**Section
§ 1003.4(a)(13)**



**Report Covered
Loans**

Subject to:

High-Cost Mortgage



Regulation Z, 12 CFR
1026.32(a)

Home Ownership and Equity
Protection Act of 1994

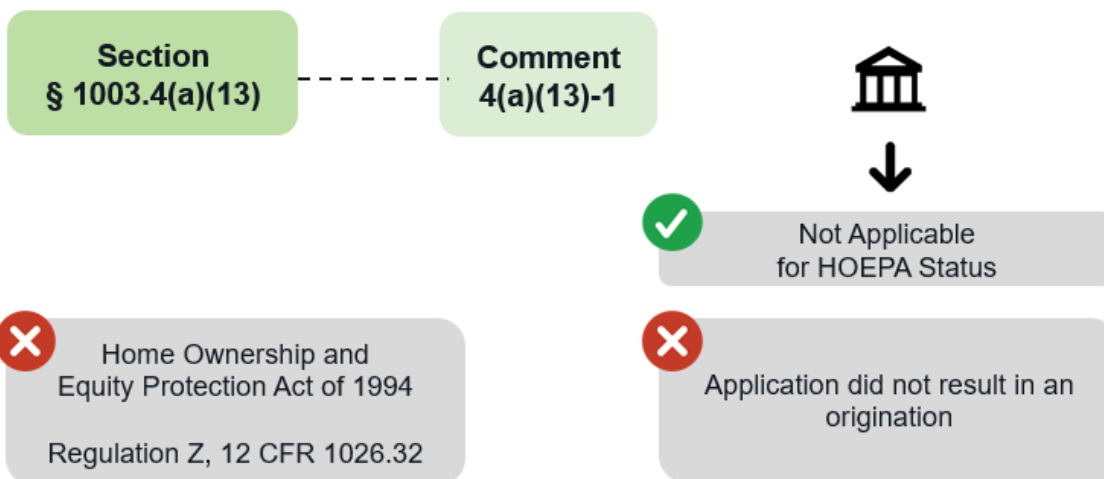


Regulation Z, 12 CFR 1026.32



Section 1003.4(a)(13) requires a financial institution to report whether the covered loan is a high-cost mortgage under Regulation Z, 12 CFR 1026.32(a) for covered loans subject to the Home Ownership and Equity Protection Act of 1994, as implemented in Regulation Z, 12 CFR 1026.32.

HOEPA Status



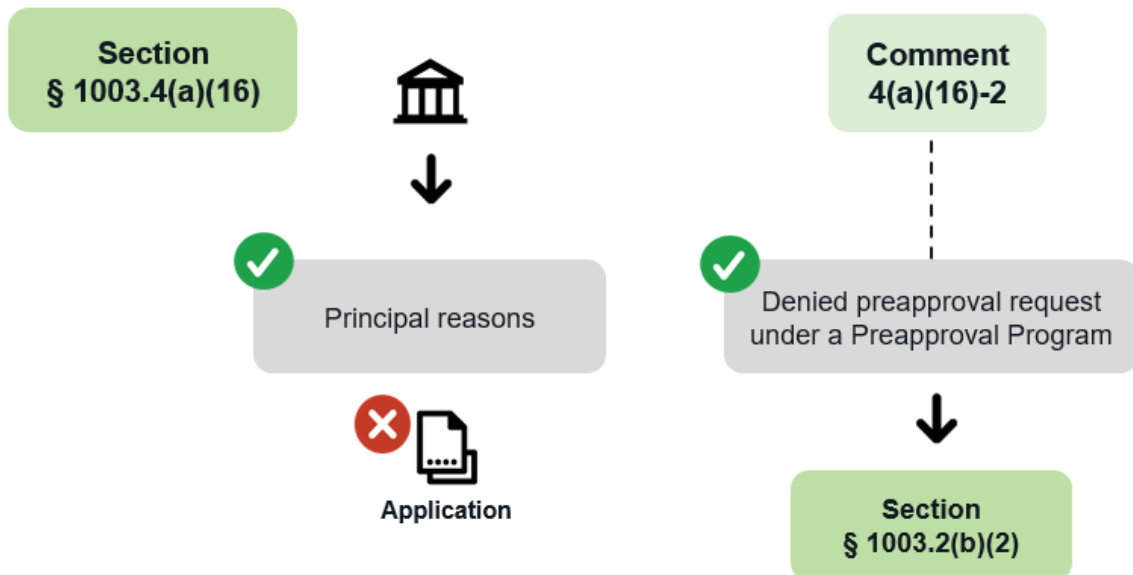
Comment 4(a)(13)-1 provides that a financial institution reports “not applicable” for HOEPA status in the following scenarios: the covered loan is not subject to HOEPA or the application did not result in an origination

Denial Reasons

Home Mortgage Disclosure Act (HMDA)

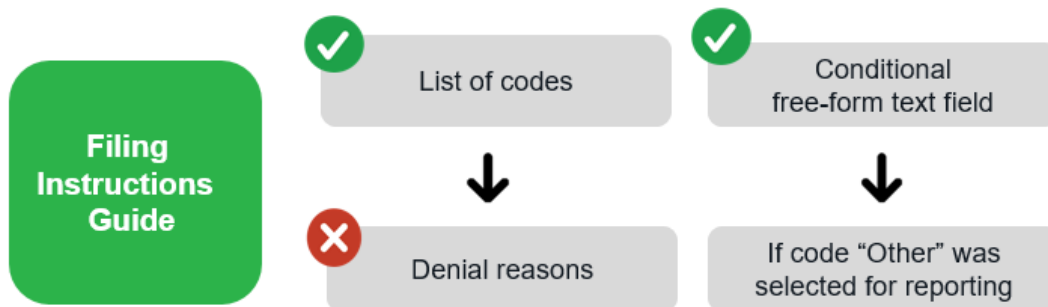


Denial Reasons



Section 1003.4(a)(16) requires the financial institution to report the principal reasons it denied an application. Comment 4(a)(16)-2 clarifies that this requirement extends to denied preapproval request under a Preapproval Program, as defined under 1003.2(b)(2).

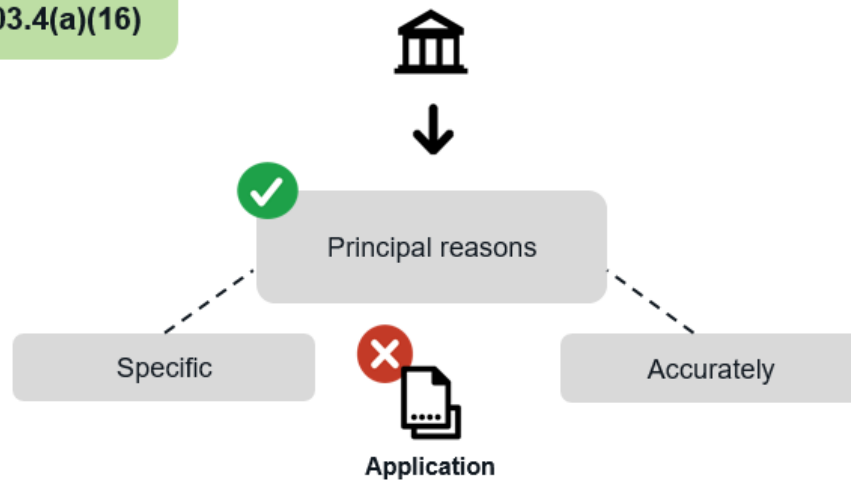
Denial Reasons



The Filing Instructions Guide provides a list of codes for denial reasons, as well as a free-form text field if the code for other is selected for reporting.

Denial Reasons

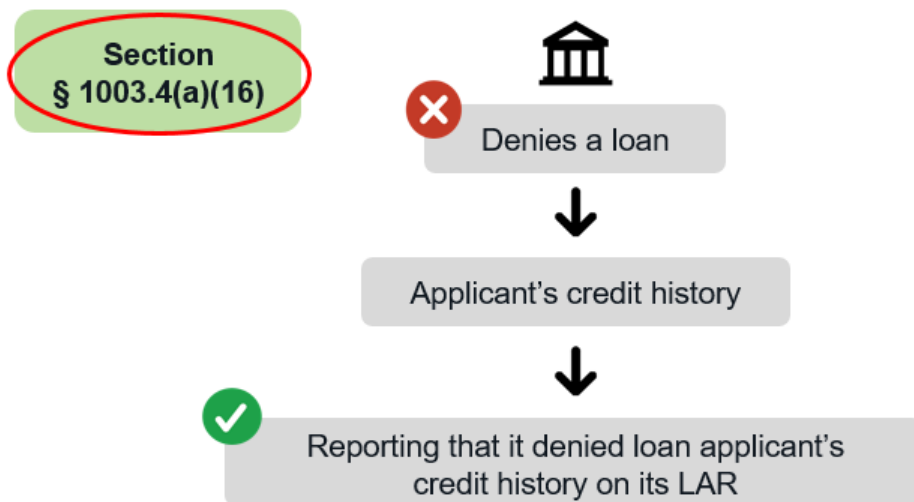
Section
§ 1003.4(a)(16)



cfpb Consumer Financial
Protection Bureau

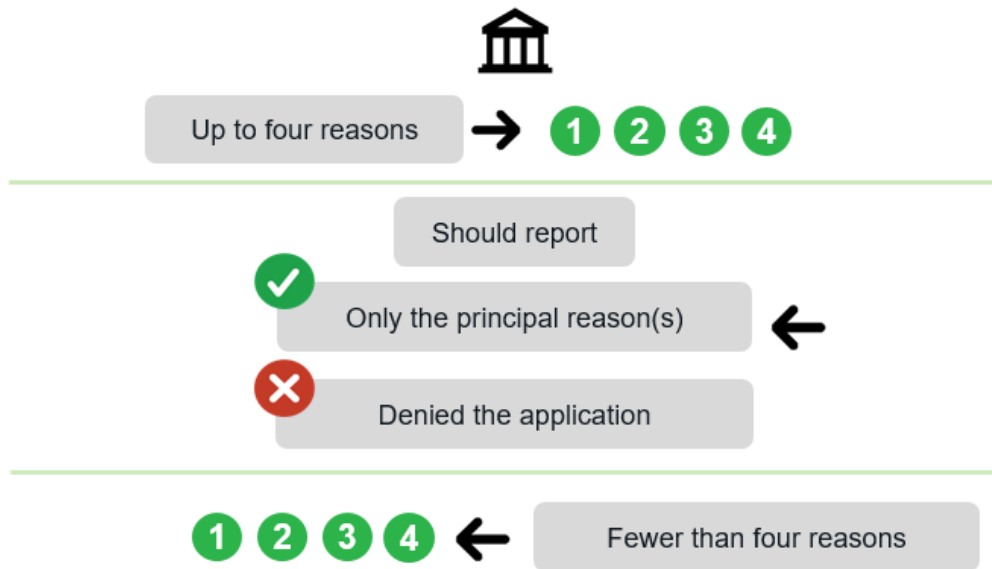
The reasons reported must specifically and accurately describe the principal reason or reasons the financial institution denied the application.

Denial Reasons



For example, if the financial institution denies a loan because of the applicant's credit history, it complies with Section 1003.4(a)(16) by reporting that it denied the loan based on the applicant's credit history.

Denial Reasons



For an application that was denied, the financial institution should report only the principal reason or reasons it denied the application, even if there are fewer than four reasons. For example, if the financial institution denied the application

Denial Reasons



Denied the application



Applicants
debt-to-income ratio

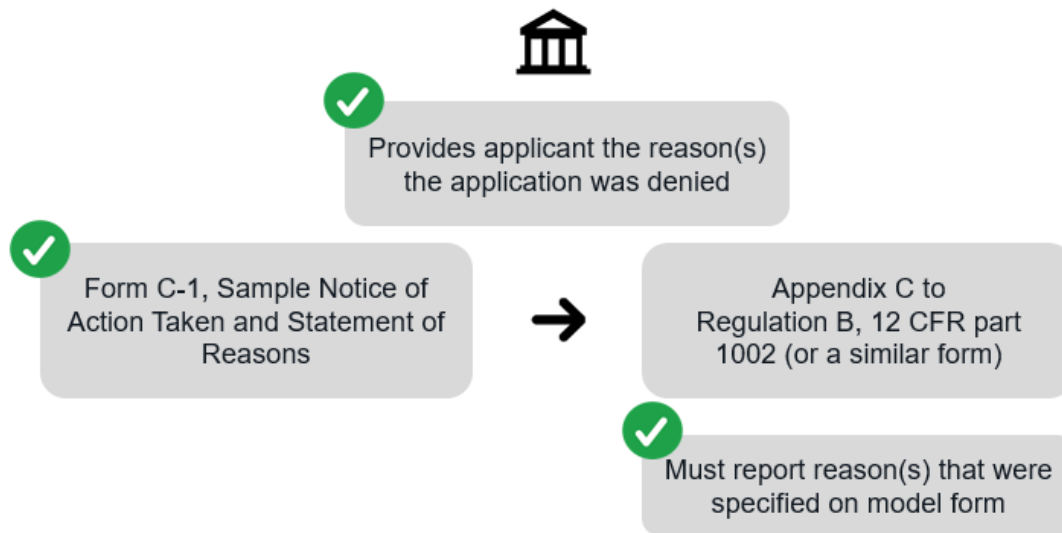


Only report
on LAR



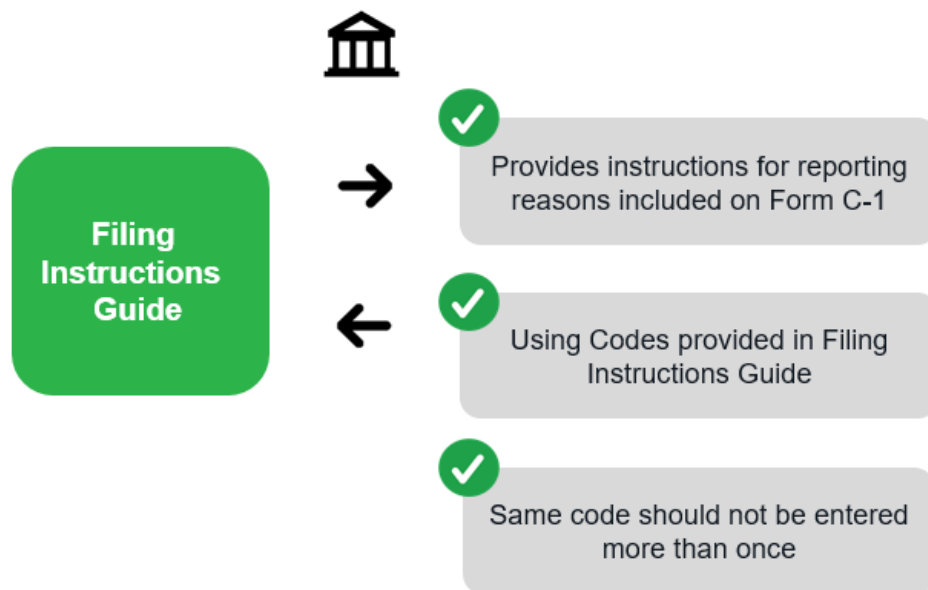
only because of the applicant's debt-to-income ratio, it will only report that reason on its LAR.

Denial Reasons



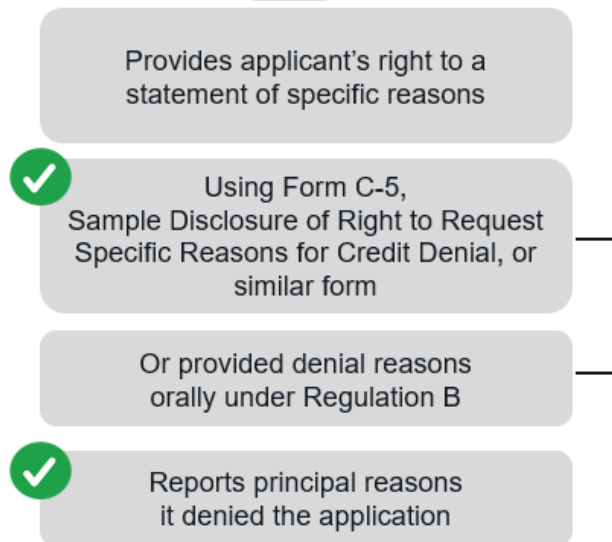
If a financial institution chooses to provide the applicant the reason or reasons it denied the application using “Form C–1, Sample Notice of Action Taken and Statement of Reasons,” which is found in Appendix C to Regulation B, 12 CFR part 1002, or a similar form, the financial institution must report the reason or reasons that were specified on the model form.

Denial Reasons



The Filing Instructions Guide provides instructions for reporting the reasons included on Form C-1 using the codes provided in the Filing Instructions Guide. The Filing Instructions Guide also notes that the same code should not be entered more than once.

Denial Reasons



Similarly, if a financial institution chooses to provide the applicant a disclosure of the applicant's right to a statement of specific reasons using "Form C-5, Sample Disclosure of Right to Request Specific Reasons for Credit Denial" or a similar form, or provided the denial reasons orally under Regulation B, the financial institution reports the principal reasons it denied the application.

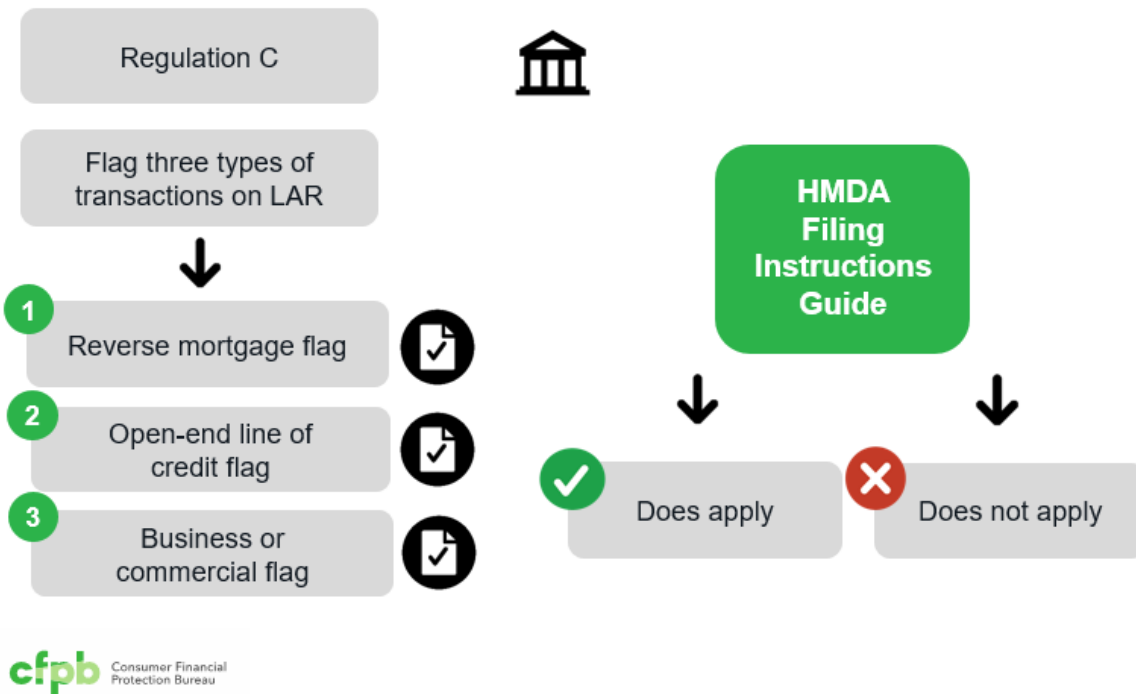
Transaction Indicators

Home Mortgage Disclosure Act (HMDA)



Let's move on to transaction indicators.

Transaction Indicators



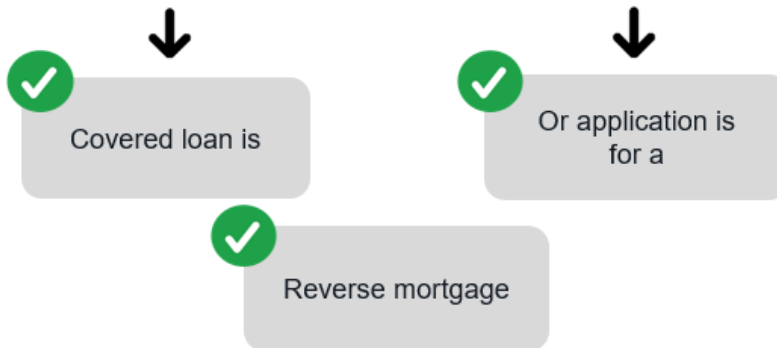
Generally, Regulation C requires financial institutions to flag three types of transactions on their LAR: (1) reverse mortgage flag, (2) open-end line of credit flag, and (3) business or commercial purpose flag. When reporting transaction indicators, the HMDA Filing Instructions Guide requires the financial institution to either report that the flag applies or doesn't apply. Let's quickly look at the three flags.

Transaction Indicators

Section
§ 1003.4(a)(36)

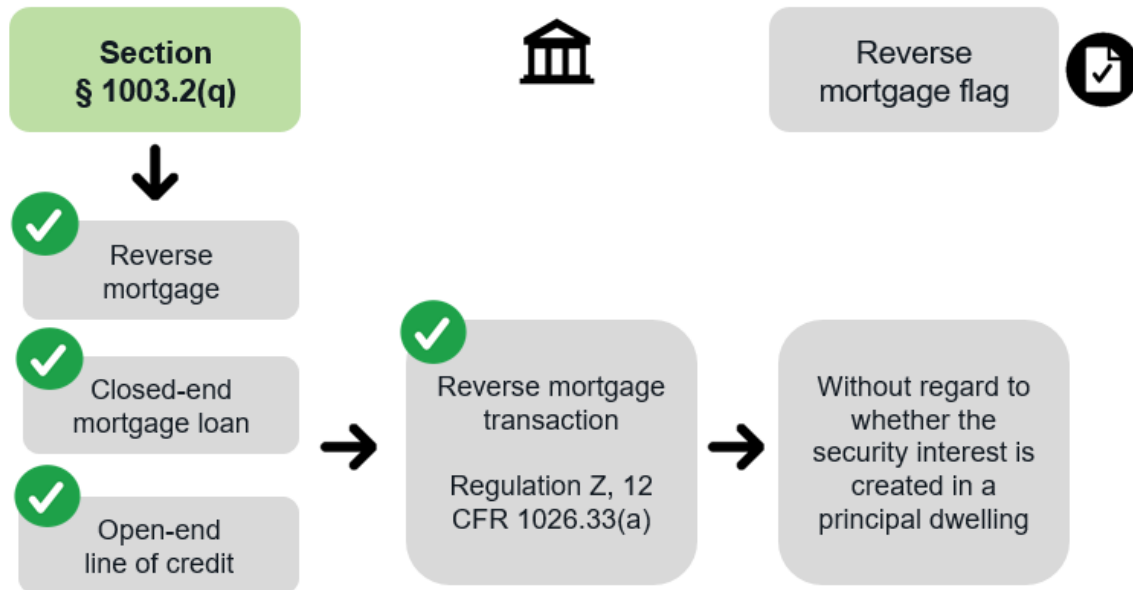


Reverse
mortgage flag



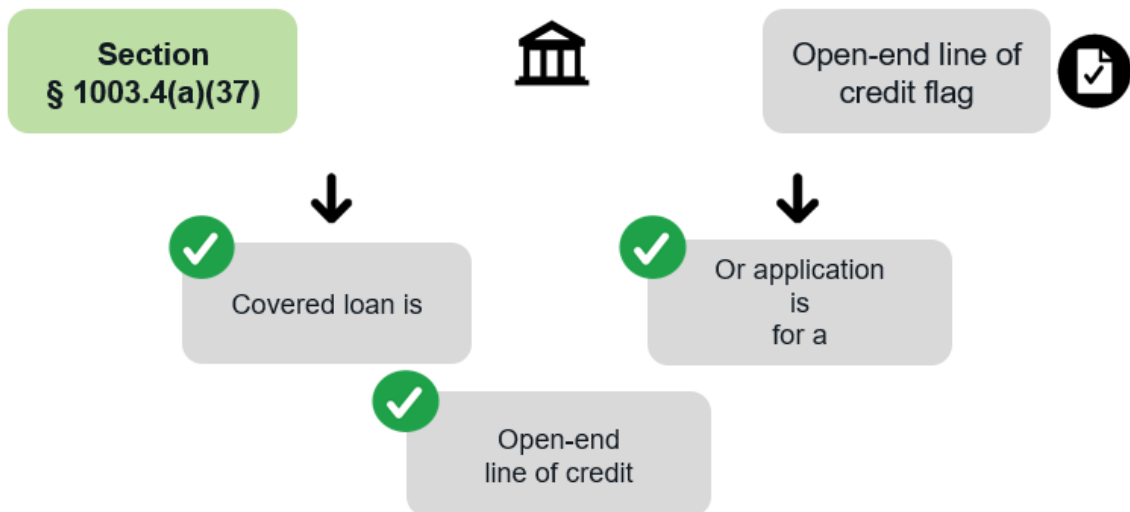
Section 1003.4(a)(36) requires a financial institution to report whether the covered loan is, or the application is for, a reverse mortgage.

Transaction Indicators



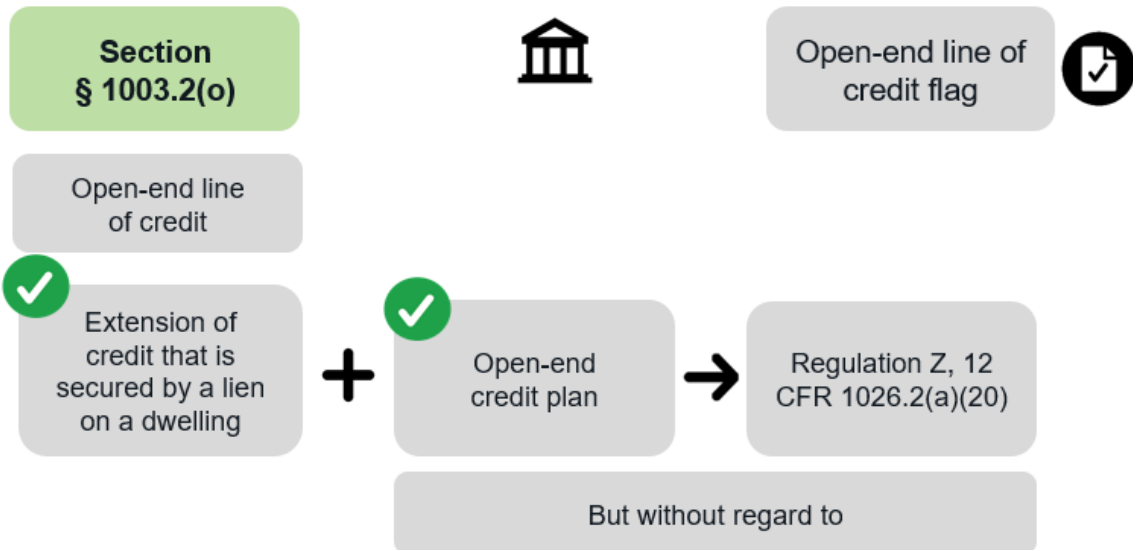
A reverse mortgage is defined under section 1003.2(q) as a closed-end mortgage loan or an open-end line of credit that is a reverse mortgage transaction as defined in Regulation Z, 12 CFR 1026.33(a), but without regard to whether the security interest is created in a principal dwelling.

Transaction Indicators



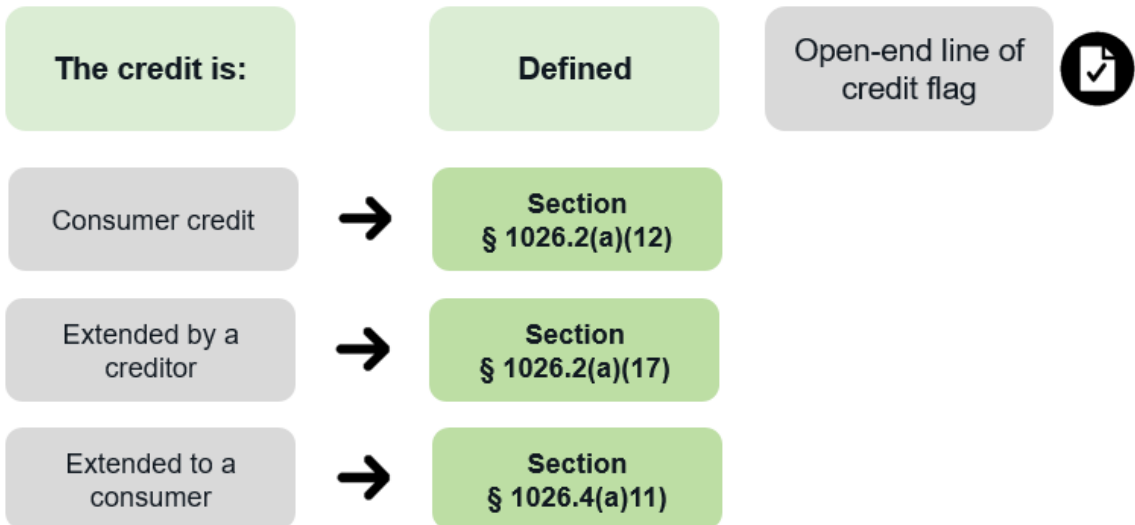
Section 1003.4(a)(37) requires a financial institution to report whether the covered loan is, or the application is, for an open-end line of credit.

Transaction Indicators



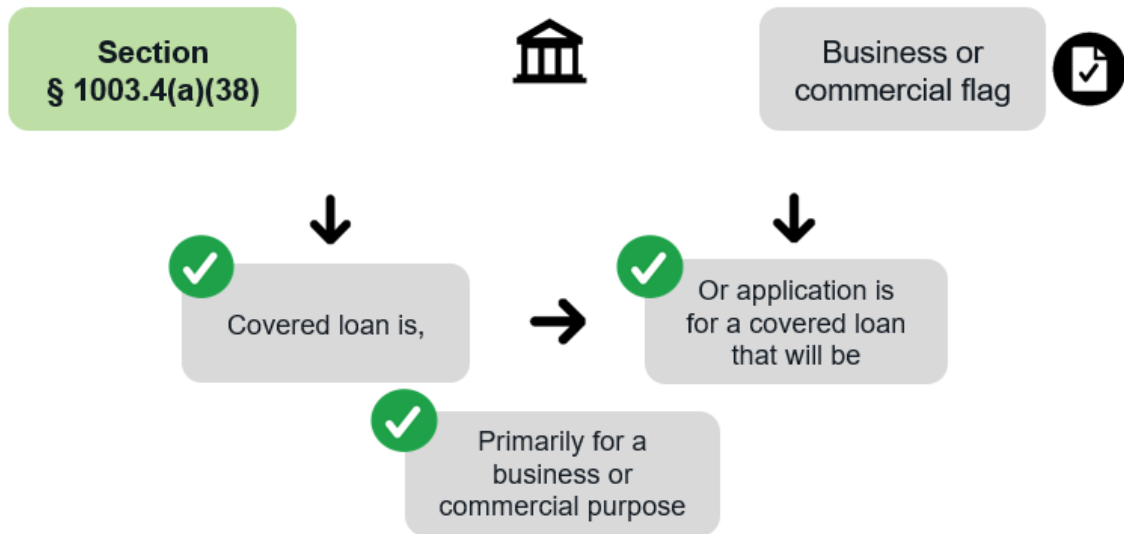
Section 1003.2(o) defines an open-end line of credit as an extension of credit that is secured by a lien on a dwelling and is an open-end credit plan as defined in Regulation Z, 12 CFR 1026.2(a)(20), but without regard to:

Transaction Indicators



whether the credit is consumer credit, as defined in section 1026.2(a)(12), is extended by a creditor, as defined in section 1026.2(a)(17), or is extended to a consumer, as defined in section 1026.2(a)(11).

Transaction Indicators



Section 1003.4(a)(38) requires a financial institution to report whether the covered loan is, or the application is, for a covered loan that will be made primarily for a business or commercial purpose.

Transaction Indicators

Section
§ 1003.2(o)



Business or
commercial flag



Business or
commercial purpose



Considered primarily
for business or
commercial purpose



Regulation Z, 12 CFR
1026.3(a)



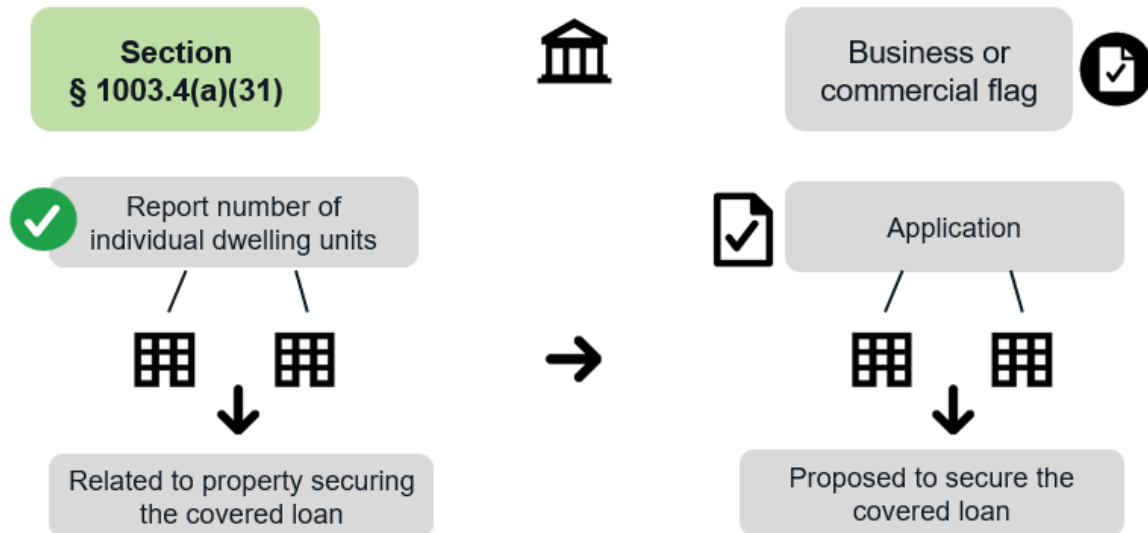
A covered loan or application is considered to be for a business or commercial purpose if it is considered primarily for a business or commercial purpose under Regulation Z, 12 CFR 1026.3(a) and its official commentary. Let's move on to the data points related to the property itself.

Number of Units

Home Mortgage Disclosure Act (HMDA)

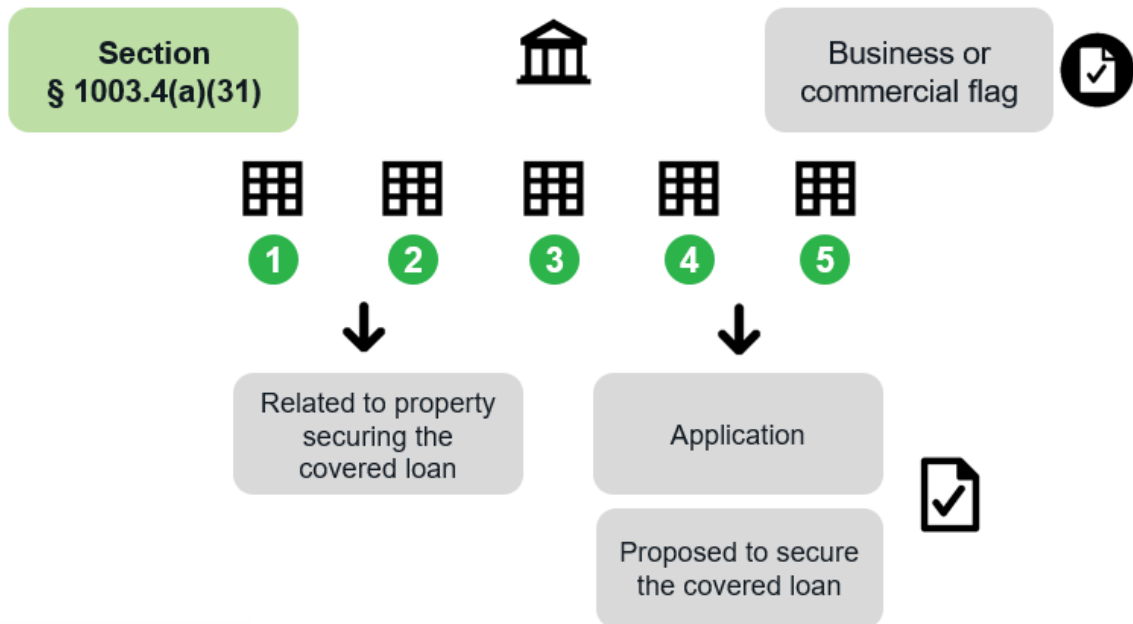


Number of Units



Section 1003.4(a)(31) requires that the financial institution report the number of individual dwelling units related to the property securing the covered loan or, in the case of an application, proposed to secure the covered loan.

Number of Units



cfpb Consumer Financial
Protection Bureau

For example, if there were five individual dwelling units related to the property securing the covered loan or, in the case of an application, proposed to secure the covered loan, the financial institution

Number of Units

Section
§ 1003.4(a)(31)



Business or
commercial flag



1



2



3



4



5



Report five individual
dwelling units

the financial institution would report five individual dwelling.

Number of Units

**Section
§ 1003.4(a)(31)**



Application or
covered loan
secured by



1

Manufactured home
community



2

Condominium or
cooperative property

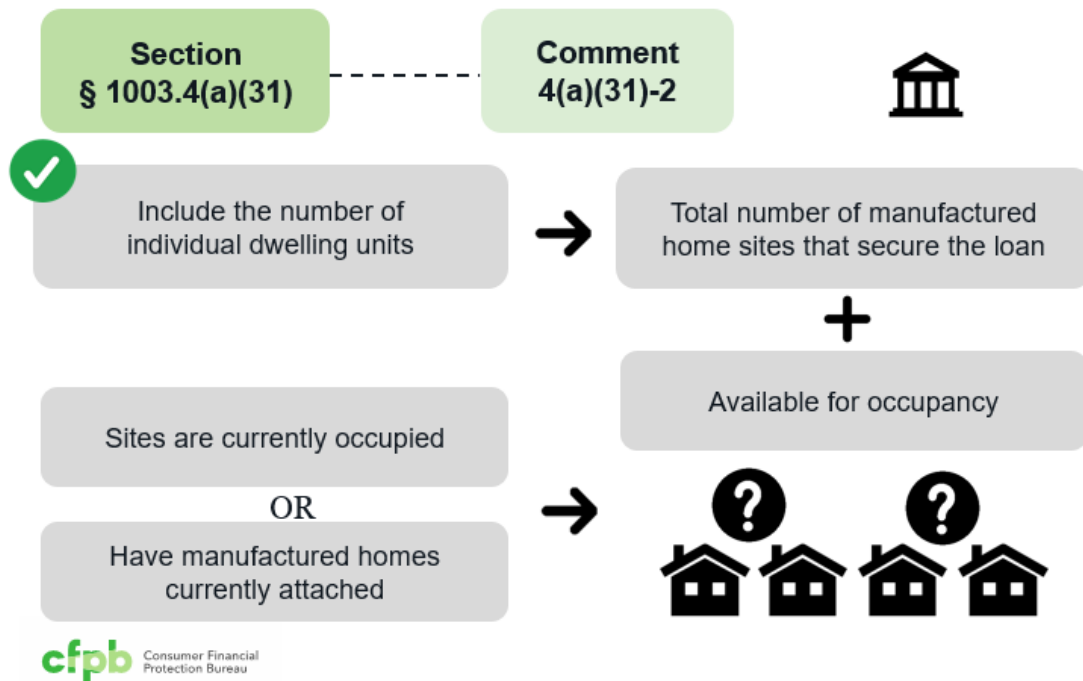


Commentary provides additional guidance as to the number of individual dwellings must be reported



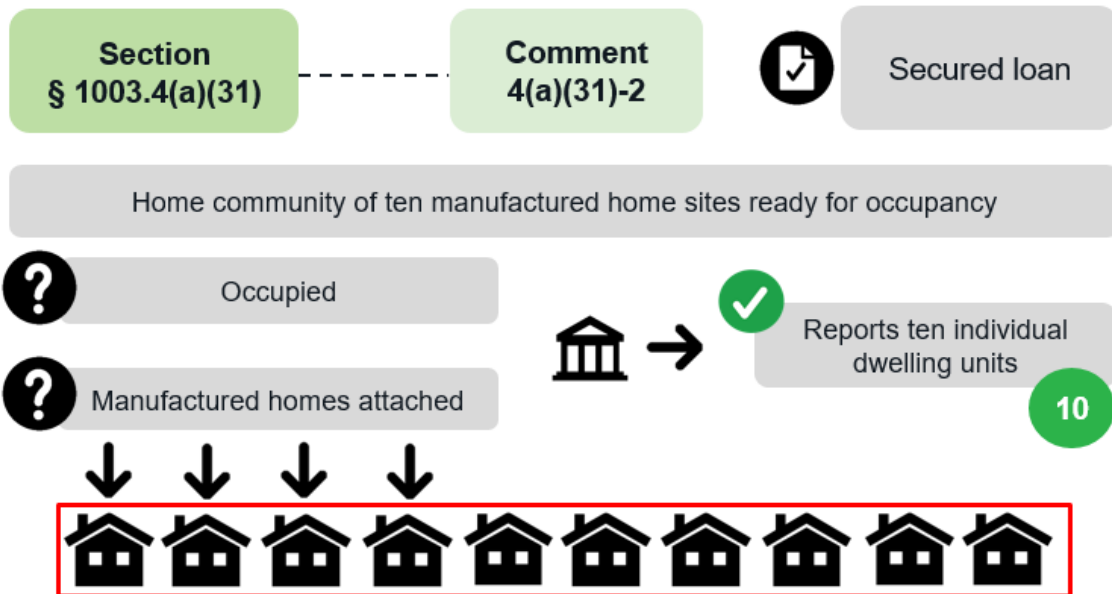
For an application or covered loan secured by a (1) manufactured home community, or (2) condominium or cooperative property, the commentary provides additional guidance as to the number of individual dwelling units a financial institution will report.

Number of Units



With regard to a manufactured home community, Comment 4(a)(31)-2 explains that the financial institution must include in the number of individual dwelling units the total number of manufactured home sites that secure the loan and are available for occupancy, regardless of whether the sites are currently occupied or have manufactured homes currently attached.

Number of Units



Thus, for example, if a loan is secured by a manufactured home community consisting of ten manufactured home sites available for occupancy, the financial institution will report ten individual dwelling units, even if four of those sites are not currently occupied or do not have manufactured homes currently attached.

Number of Units

Section
§ 1003.4(a)(31)

Comment
4(a)(31)-2



Secured loan

Single manufactured home

That is or will be in a
manufactured home community



Reports one individual
dwelling unit

1



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Protection Bureau

In contrast, for a loan secured by a single manufactured home that is or will be located in a manufactured home community, the financial institution should report one individual dwelling unit.

Number of Units

Section
§ 1003.4(a)(31)

Comment
4(a)(31)-2



Application or
Secured loan



It may include in number of individual dwelling units other units



Recreational
vehicle pads



Site built homes



Manager apartments



Rental apartments

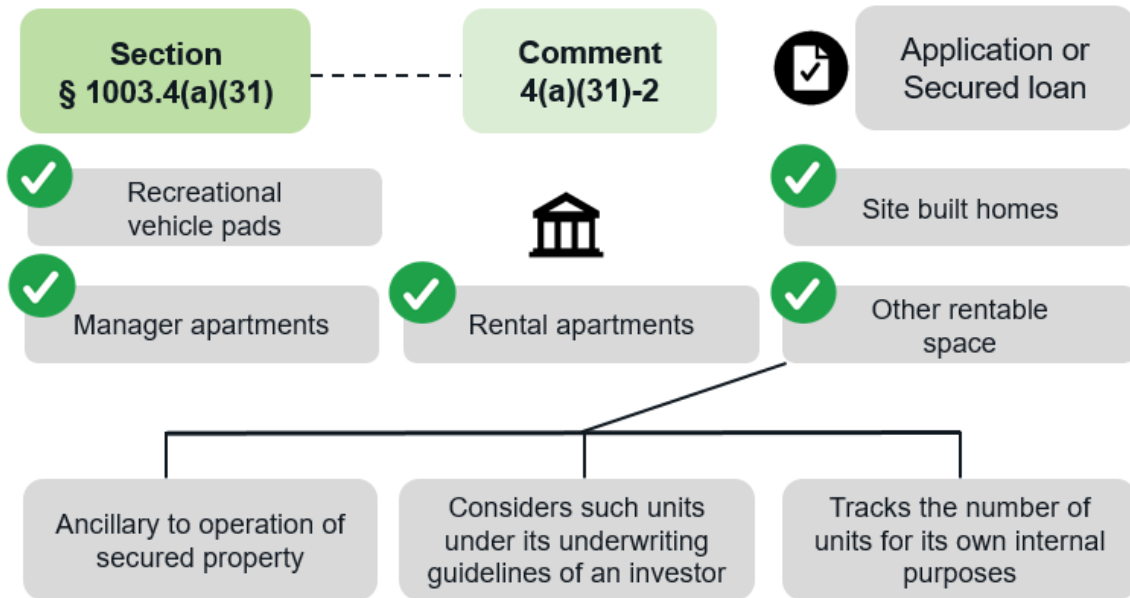


Other rentable
space



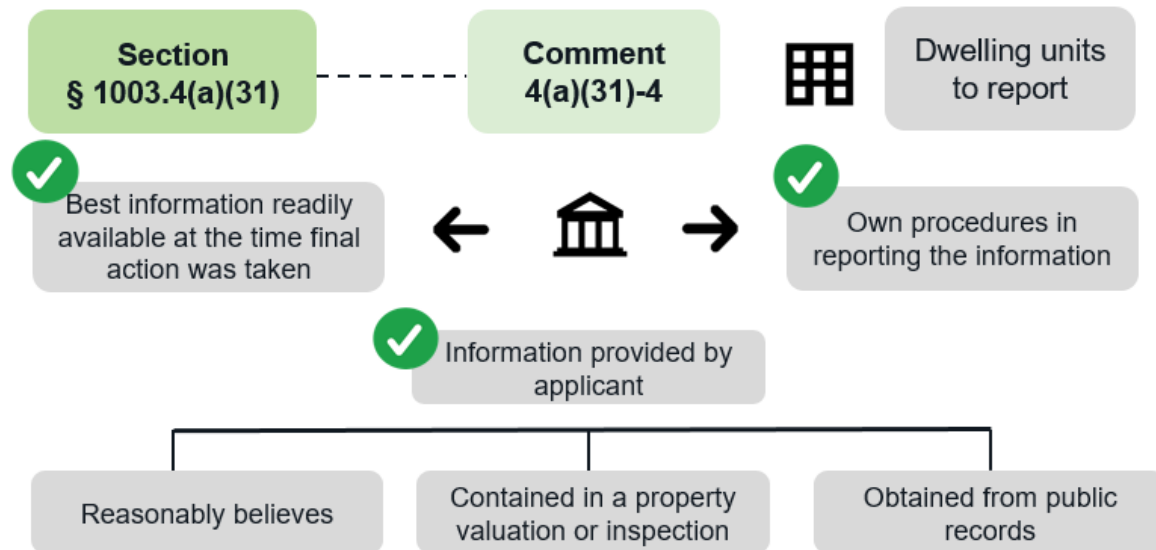
For an application or covered loan secured by a manufactured home community, a financial institution, at its option, may include in the number of individual dwelling units other units such as recreational vehicle pads, manager apartments, rental apartments, site-built homes or other rentable space that are ancillary

Number of Units



to the operation of the secured property if it considers such units under its underwriting guidelines or the guidelines of an investor, or if it tracks the number of such units for its own internal purposes.

Number of Units



With regard to condominium or cooperative properties, a financial institution reports the total number of individual dwelling units securing the covered loan or in the case of an application, proposed to secure the covered loan. Comment 4(a)(31)-3 provides additional scenarios involving such properties. In determining the number of individual dwelling units to report, a financial institution may rely on the best information readily available to the financial institution at the time final action is taken, and on the financial institution's own procedures in reporting the information. As explained by Comment 4(a)(31)-4, information readily available could include, for example, information provided by an applicant that the financial institution reasonably believes, information contained in a property valuation or inspection, or information obtained from public records.

Multifamily Affordable Units

Home Mortgage Disclosure Act (HMDA)



Multifamily Affordable Units

**Section
§ 1003.4(a)(32)**



Individual
dwelling units
to report



Number related to
the property that are
income-restricted
pursuant



Federal

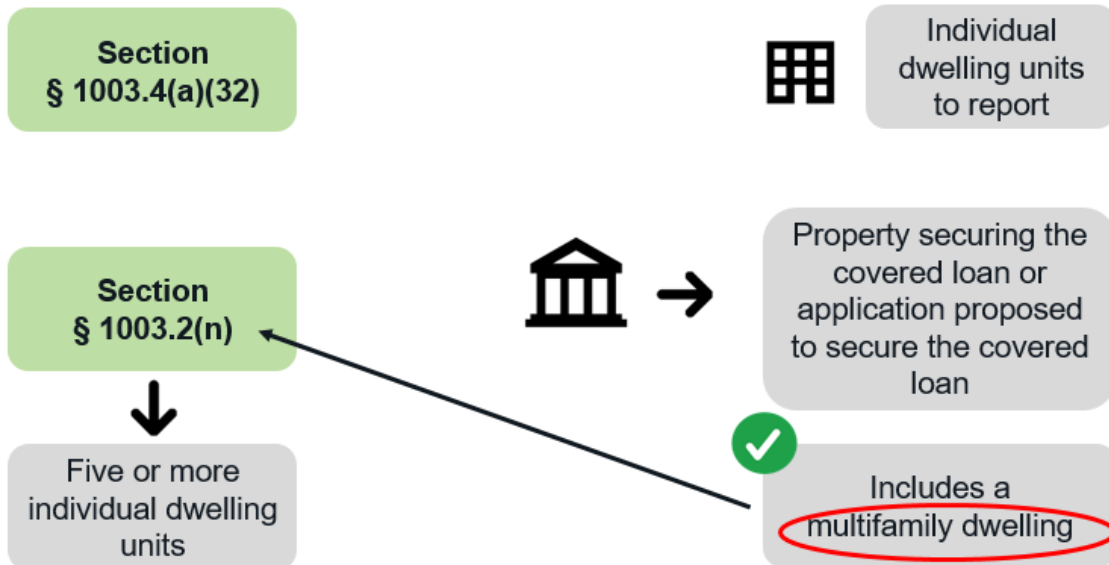
State

Local



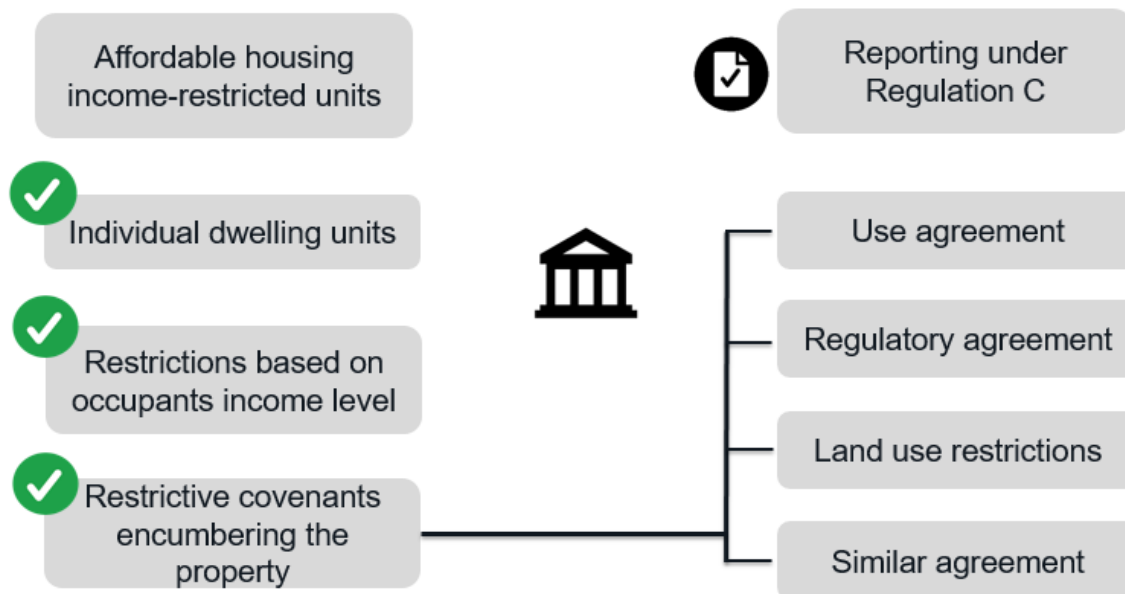
Section 1003.4(a)(32) requires the financial institution to report the number of individual dwelling units related to the property that are income-restricted pursuant to Federal, State, or local affordable housing programs

Multifamily Affordable Units



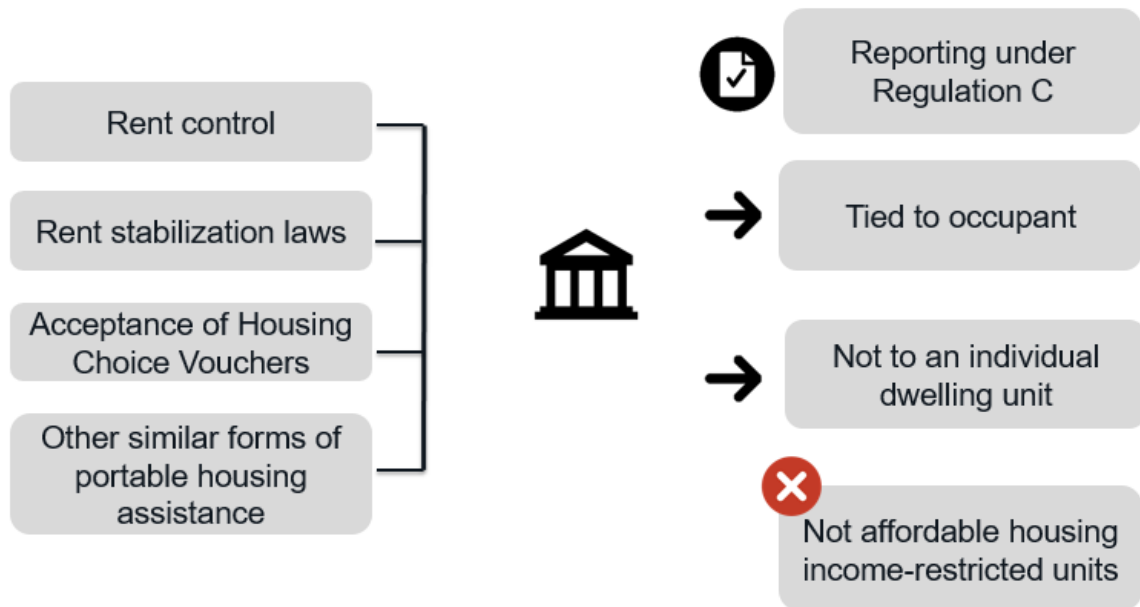
if the property securing the covered loan or, in the case of an application, proposed to secure the covered loan includes a multifamily dwelling. As explained earlier in this presentation, the term multifamily dwelling is defined in section 1003.2(n) as a dwelling that contains five or more individual dwelling units.

Multifamily Affordable Units



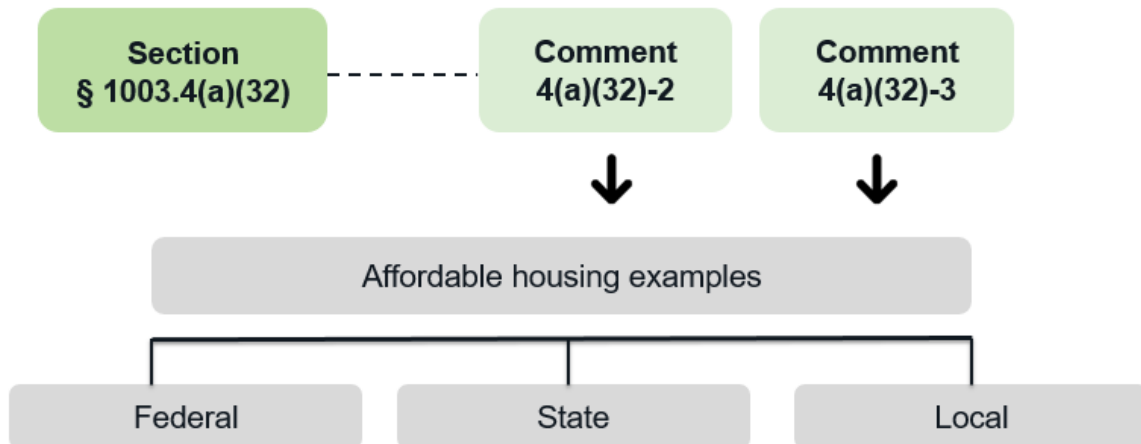
For purposes of reporting under Regulation C, affordable housing income-restricted units are individual Dwelling units that have restrictions based on the occupants' income level pursuant to restrictive covenants encumbering the property. The restrictive covenants may be evidenced by a use agreement, regulatory agreement, land use restrictions, or a similar agreement.

Multifamily Affordable Units



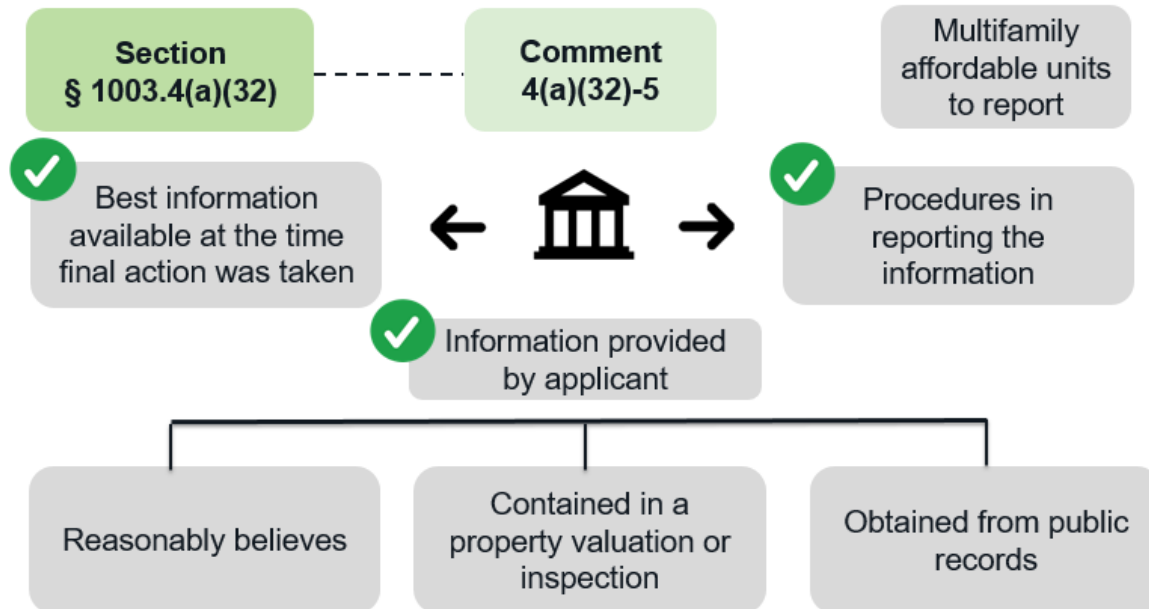
Rent control or rent stabilization laws, the acceptance of Housing Choice Vouchers, and other similar forms of portable housing assistance that are tied to an occupant and not an individual dwelling unit are not affordable housing income-restricted dwelling units for purposes of reporting.

Multifamily Affordable Units



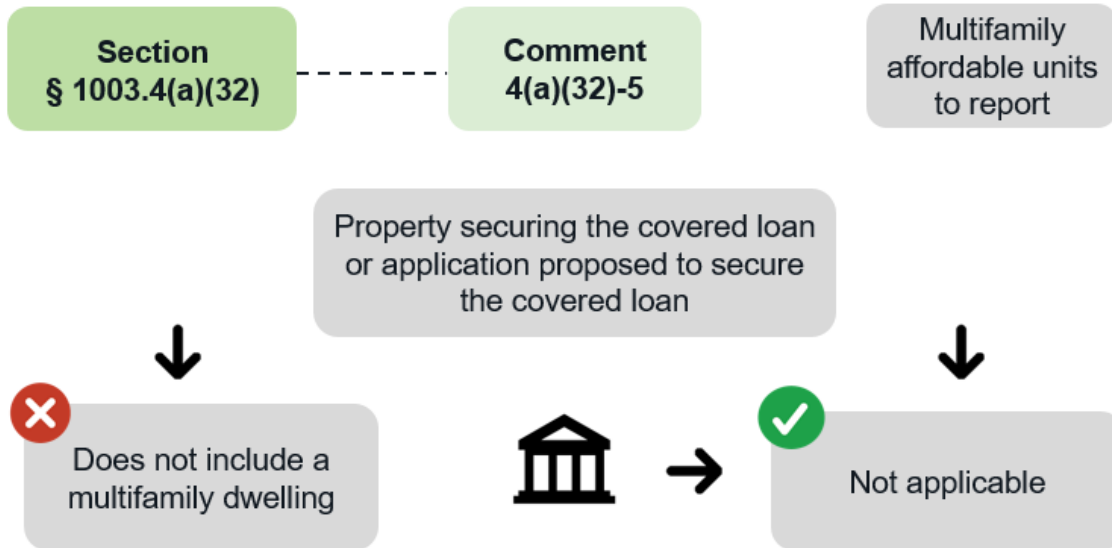
Comments 4(a)(32)-2 and 4(a)(32)-3 provide examples of Federal, state, and local affordable housing sources. In determining the number

Multifamily Affordable Units



of multifamily affordable units to report, the financial institution may rely on the best information readily available to the financial institution at the time final action is taken and on the financial institution's own procedures in reporting the information. As explained by Comment 4(a)(32)-5, information readily available could include, for example, information provided by an applicant that the financial institution reasonably believes, information contained in a property valuation or inspection, or information obtained from public records.

Multifamily Affordable Units



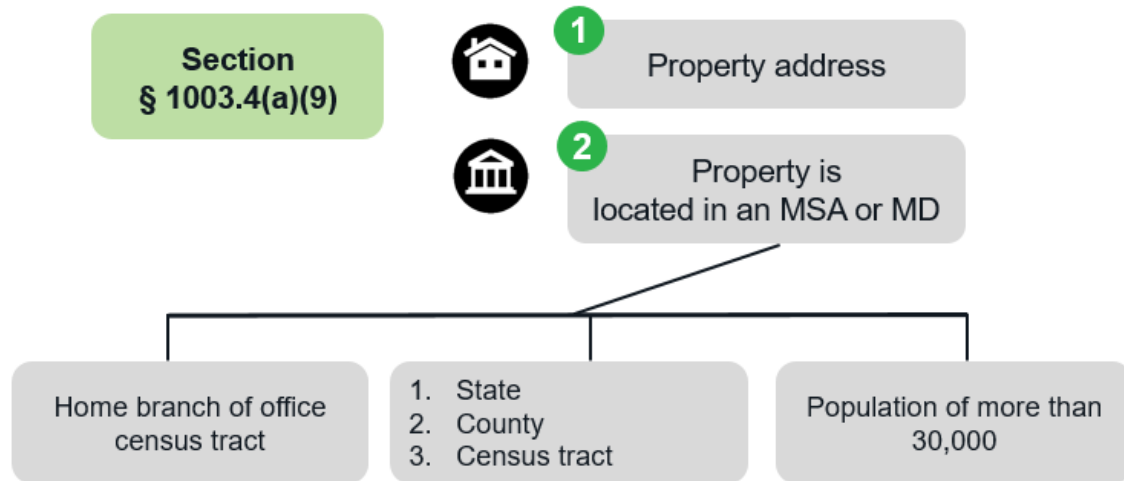
If a property securing the covered loan or, in the case of an application, proposed to secure the covered loan does not include a multifamily dwelling, the financial institution will report that the requirement is not applicable.

Address of the Property

Home Mortgage Disclosure Act (HMDA)



Address of the Property



Section 1003.4(a)(9) requires the financial institution to report the (1) property address, and (2) if the property is located in a MSA or MD in which the financial institution has a home branch or office census tract, the (a) state, (b) county, and (c) census tract if the property is located in a county with a population of more than 30,000 according to the most recent decennial census conducted by the U.S. Census Bureau.

Address of the Property

**Section
§ 1003.4(a)(9)**



1

Property address



2

Property is
located in an MSA or MD

More than one property may
secure the covered loan

Case of an application, have
secured the covered loan

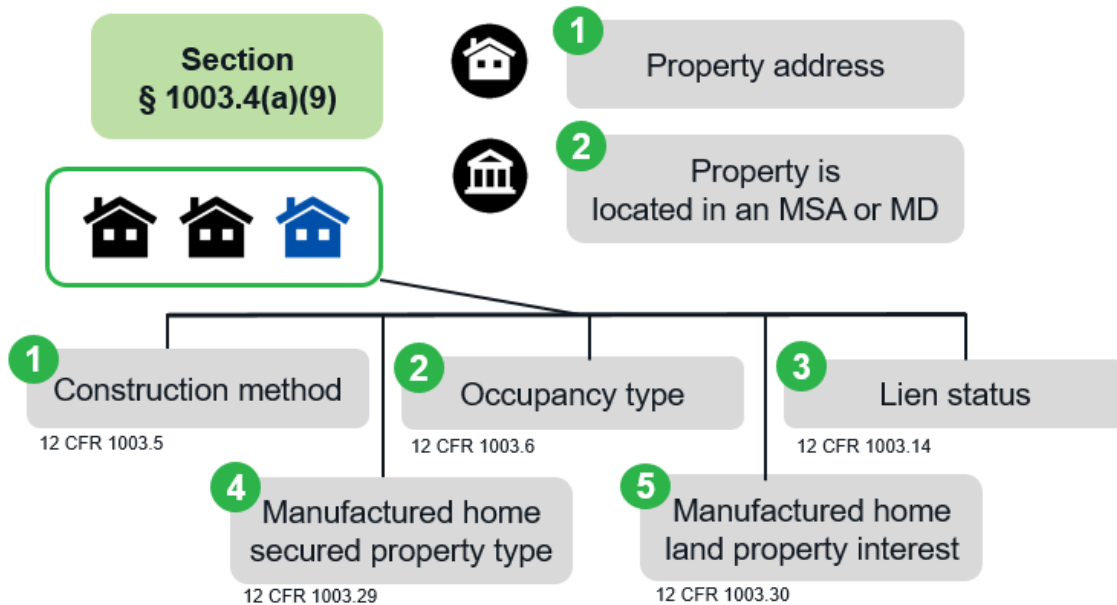


Report the covered loan or
application as a single entry on
its LAR



In some circumstances, more than one property may secure the covered loan, or in the case of an application, would have secured the covered loan. For example, a covered loan is secured by Property A, B, and C, of which each contains a dwelling. In this circumstance, a financial institution would report the covered loan or application as a single entry on its LAR.

Address of the Property



cfpb Consumer Financial Protection Bureau

In doing so, a financial institution provides the property address and location for only one property. Thus, in looking back to our example, the institution would report the property address for either Property A, B, or C. In addition to reporting the property address and location for one property, the financial institution also reports the (1) construction method, (2) occupancy type, (3) lien status, (4) manufactured home secured property type, and (5) manufactured home land property interest, using the information about the property whose address is listed on the LAR.

Address of the Property

**Section
§ 1003.4(a)(9)**

All other data points



Covered loan

Application



Report the number of individual dwelling units related to the properties securing the covered loan

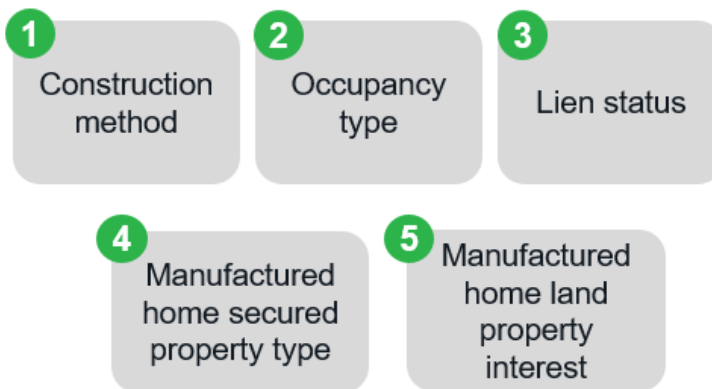


For all other data points, the institution will report the information that relates to the covered loan or application. For example, when reporting the total units for a covered loan that is secured by multiple properties, each with a dwelling, the institution would report the number of individual dwelling units related to the properties securing the covered loan.

Data Points

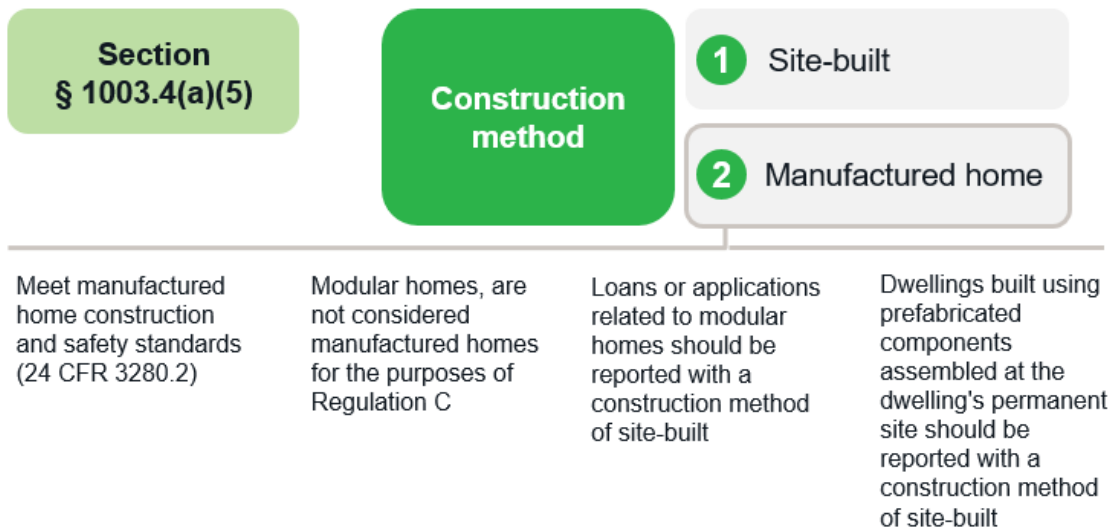
**Section
§ 1003.4(a)(5)**

All other data points



Now that we have identified the five data points that will be reported for the property listed when more than one property secures the covered loan, let's discuss these five data points. Note that the following discussion also applies to a covered loan or application that is secured, or would have been secured, by only one property.

Construction Method Data Point



Section 1003.4(a)(5) requires that the financial institution report the construction method for a property is either (1) site-built or (2) a manufactured home. The term “manufactured home” is defined in Section 1003.2(l), and means any residential structure as defined under U.S. Department of Housing and Urban Development regulations establishing manufactured home construction and safety standards, which are found at 24 CFR 3280.2. Homes that do not meet the HUD code standards, for example modular homes, are not considered manufactured homes for the purposes of Regulation C. In addition, Comment 4(a)(5)-1 provides that (1) loans or applications related to modular homes should be reported with a construction method of site-built, regardless of whether they are on-frame or off-frame modular homes, and that (2) dwellings built using prefabricated components assembled at the dwelling's permanent site should also be reported with a construction method of site-built. For purposes of Regulation C, the term “manufactured home” also includes a multifamily dwelling that is a manufactured home community.

Occupancy Type Data Point

**Section
§ 1003.4(a)(6)**

**Occupancy
type**

1 Principal residence

2 Second residence

3 Investment property



Section 1003.4(a)(6) requires that the financial institution report whether a property is or will be used by the applicant or borrower (1) as a principal residence, (2) as a second residence, or (3) as an investment property. Let's take a closer look at each of these three occupancy types. Under the first occupancy type, the financial institution must identify whether the property will be used as a residence that the applicant or borrower physically occupies and uses, or will occupy and use, as his or her principal residence.

Occupancy Type Data Point

**Section
§ 1003.4(a)(6)**

**Occupancy
type**

1 Principal residence

An applicant or borrower can have only one principal residence at a time

Vacation or other second homes would not be a principal residence, for purposes of occupancy type

Buys or builds a new dwelling that will become their principal residence within a year or upon the completion of construction, the new dwelling is considered the applicant's or borrower's principal residence



For purposes of reporting occupancy type as principal residence, an applicant or borrower can have only one principal residence at a time. Therefore, vacation or other second homes would not be a principal residence, for purposes of occupancy type. However, Comment 4(a)(6)-2 explains that when an applicant or borrower buys or builds a new dwelling that will become their principal residence within a year or upon the completion of construction, the new dwelling is considered the applicant's or borrower's principal residence.

Occupancy Type Data Point

**Section
§ 1003.4(a)(6)**

**Occupancy
type**

2 Second residence

Property is occupied by the applicant or borrower for a portion of the year

Property is not the applicant's or borrower's principal residence

- Occupies a property near their place of employment on weekdays
- Returns to their principal residence on weekends
- Property near the couple's place of employment is a second residence for purposes of occupancy type



With regard to second residences, a property is a second residence of an applicant or borrower if the property (1) is or will be occupied by the applicant or borrower for a portion of the year and (2) is not the applicant's or borrower's principal residence. For example, Comment 4(a)(6)-3 explains that if a couple occupies a property near their place of employment on weekdays, but the couple returns to their principal residence on weekends, the property near the couple's place of employment is a second residence for purposes of occupancy type.

Occupancy Type Data Point

**Section
§ 1003.4(a)(6)**

**Occupancy
type**

3 Investment property

Property is occupied by the applicant or borrower for a portion of the year

Property is not the applicant's or borrower's principal residence

- Occupies a property near their place of employment on weekdays
- Returns to their principal residence on weekends
- Property near the couple's place of employment is a second residence for purposes of occupancy type



Last, a property is an investment property if the borrower does not, or the applicant will not, occupy the property. For example, Comment 4(a)(6)-4 explains that if a person purchases a property, does not occupy the property, and generates income by renting the property, the property is an investment property for purposes of occupancy type. A financial institution must identify a property as an investment property when the borrower does not, or the applicant will not, occupy a property, even if the borrower or applicant does not consider the property to be owned for investment purposes.

Occupancy Type Data Point

**Section
§ 1003.4(a)(6)**

**Occupancy
Type**

1 Principal residence

2 Second residence

3 Investment property

Comment 4(a)(6)-5

Financial institution may report principal residence unless the loan documents or application indicate that the property will not be occupied as a principal residence.



When determining the occupancy type for purchased covered loans, Comment 4(a)(6)-5 explains that a financial institution may report “principal residence” unless the loan documents or application indicate that the property will not be occupied as a principal residence.

Manufactured Home Data Point

**Section
§ 1003.4(a)(29)**

**Manufactured
home secured**

1 Home and Land

2 Home and Not Land

The financial institution should report a covered loan secured by a manufactured home and not land as secured by a manufactured home and not land

Even if the manufactured home is considered real property under applicable State law

If a property loan does not include a manufactured home, the financial institution will report that the requirement is not applicable

If the property includes a multifamily dwelling, including a manufactured home community, the financial institution will report that the requirement is not applicable



Section 1003.4(a)(29) requires that the financial institution report whether the covered loan or application is, or would have been, secured (1) by a manufactured home and land, or (2) by a manufactured home and not land. Under certain state laws, a manufactured home by itself without any land may be considered real property in some circumstances. However, Comment 4(a)(29)-1 explains that for purposes of Regulation C, the financial institution should report a covered loan secured by a manufactured home and not land as secured by a manufactured home and not land, even if the manufactured home is considered real property under applicable State law. If a property securing the covered loan or, in the case of an application, proposed to secure the covered loan does not include a manufactured home, the financial institution will report that the requirement is not applicable. Similarly, if the property includes a multifamily dwelling, including a manufactured home community, the financial institution will report that the requirement is not applicable. The term multifamily dwelling is defined in section 1003.2(n) as a dwelling that contains five or more individual dwelling units.

Manufactured Home Data Point

**Section
§ 1003.4(a)(30)**

**Manufactured
home,
estate type**

- 1** Direct ownership
- 2** Indirect ownership
- 3** Paid leasehold
- 4** Unpaid leasehold



Section 1003.4(a)(30) requires that the financial institution report the applicant's or borrower's land property interest in the land on which a manufactured home is, or will be, located as either (1) direct ownership, (2) indirect ownership, (3) paid leasehold, or (4) unpaid leasehold. Let's discuss the four types of interests outlined in Regulation C.

Manufactured Home Data Point

**Section
§ 1003.4(a)(30)**

**Manufactured
home,
estate type**

1 Direct ownership

Comment 4(a)(30)-5

Direct ownership interest in the land on which the dwelling is or is to be located when it has a more than possessory real property ownership interest in the land

Fee simple ownership



For purposes of Regulation C, Comment 4(a)(30)-5 explains that an applicant or borrower has a direct ownership interest in the land on which the dwelling is or is to be located when it has a more than possessory real property ownership interest in the land. For example, fee simple ownership.

Manufactured Home Data Point

**Section
§ 1003.4(a)(30)**

**Manufactured
home,
estate type**

2 Indirect ownership

Member of a resident-owned community structured as a housing cooperative in which the occupants own an entity that holds the underlying land of the manufactured home community

Applicant or borrower may have a lease and pay rent for the lot where manufactured home is or will be located, but the property interest type for such an arrangement should be reported as indirect ownership

An applicant resides or will reside in such a community but is not a member, the property interest type should be reported as a paid leasehold



An indirect ownership can occur when the applicant or borrower is or will be a member of a resident-owned community structured as a housing cooperative in which the occupants own an entity that holds the underlying land of the manufactured home community. In such communities, the applicant or borrower may have a lease and pay rent for the lot where the manufactured home is or will be located, but the property interest type for such an arrangement should be reported as indirect ownership if the applicant is or will be a member of the cooperative that owns the underlying land of the manufactured home community. If, however, an applicant resides or will reside in such a community but is not a member, the property interest type should be reported as a paid leasehold.

Manufactured Home Data Point

**Section
§ 1003.4(a)(30)**

**Manufactured
home,
estate type**

3 Paid leasehold

Comment 4(a)(30)

Where a borrower has a written lease for a lot and the lease specifies rent payments



Comment 4(a)(30) provides examples of paid leasehold and unpaid leasehold arrangements and how they would be reported under Regulation C. One example of a paid leasehold is where a borrower has a written lease for a lot, and the lease specifies rent payments.

Manufactured Home Data Point

**Section
§ 1003.4(a)(30)**

**Manufactured
home,
estate type**

4 Unpaid leasehold

Comment 4(a)(30)

Borrower does not have
a written lease and does
not have an agreement
as to rent payments



In contrast, one example of an unpaid leasehold is where a borrower does not have a written lease and does not have an agreement as to rent payments

Manufactured Home Data Point



If a property securing the covered loan or, in the case of an application, proposed to secure the covered loan does not include a manufactured home, the financial institution will report that the requirement is not applicable. Similarly, if the property includes a multifamily dwelling, including a manufactured home community, the financial institution will report that the requirement is not applicable.

Lien Status

**Section
§ 1003.4(a)(16)**



**Lien status
of the property**

First lien

Subordinate lien

Best information available
at the time final action is
taken and to the financial
institution's own
procedures



Section 1003.4(a)(16) requires the financial institution to report the lien status of the property securing the covered loan, or in the case of an application, proposed to secure the covered loan, as either a first lien or a subordinate lien. Lien status is determined by reference to the best information readily available to the financial institution at the time final action is taken and to the financial institution's own procedures. For example, a financial institution may rely on the title search it performs as part of their underwriting procedures. In addition, financial institutions may rely on other information that is readily available to them at the time final action is taken and that they reasonably believe is accurate, such as the applicant's statement on the application or the applicant's credit report. Furthermore, when determining the lien status for an application that did not result in an origination,

Lien Status

**Section
§ 1003.4(a)(16)**



Lien status application that
did not result in an origination

Consider their established procedures to
determine the lien status

Comment 4(a)(14)-1.ii

Refinance first
mortgage

Open-line
of credit

First-lien position
through a subordination agreement

Report application as
an application for
first-lien covered loan



a financial institution may also consider their established procedures to determine the lien status. Comment 4(a)(14)-1.ii provides the following example: assume an applicant applies to a financial institution to refinance a 100,000 dollar first mortgage; the applicant also has an open-end line of credit for 20,000 dollars. If the financial institution's practice in such a case is to ensure that it will have first-lien position—through a subordination agreement with the holder of the lien securing the open-end line of credit—then the financial institution should report the application as an application for a first-lien covered loan.

Lien Status

**Section
§ 1003.4(a)(16)**



Purchases a covered loan

Comment 4(a)(14)-1.i

Lien status reported

determined by reference to the best information readily available to
the financial institution at the time of purchase



When a financial institution purchases a covered loan, Comment 14(a)(14)-1.i clarifies that the lien status the financial institution reports is determined by reference to the best information readily available to the financial institution at the time of purchase.

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. These are available on the Bureau's website at

For more information

www.consumerfinance.gov/policy-compliance/guidance/implementation-guidance



These are available on the Bureau's website at www.consumerfinance.gov/policy-compliance/guidance/implementation-guidance/. Click on the link for the HMDA rule. You can also submit feedback via a link on that web page.

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