HMDA FACT SHEET | YOUR MAP TO REGULATORY CHANGE

Regulation C implements the Home Mortgage Disclosure Act (HMDA), which was amended by the Dodd-Frank Wall Street Reform and Consumer Protection Act (DFA). The 2015 HMDA Rule changes: (1) the types of financial institutions that are subject to Regulation C; (2) the types of transactions that are subject to Regulation C; (3) the data that financial institutions are required to collect, record and report; and (4) the processes for reporting and disclosing HMDA data. Most provisions of the 2015 HMDA Rule go into effect on January 1, 2018 and apply to data collected in 2018 and reported in 2019 or beyond. However, an institutional coverage change for depository institutions is effective January 1, 2017. To make sense of the changes and their effective dates, we have outlined a timeline of critical events to help you stay on track, which is based upon the CFPB's HMDA Rule Key Dates Timeline.

	2016	2017	2018	2019	2020
EFFECTIVE DATES	**No new regulatory requirements go into effect**	**JAN 1st** Effective date for excluding low-volume depository institutions from coverage	**JAN 1st** Effective date for most provisions related to coverage, data collection, recording, reporting and disclosure	**JAN 1st** Effective date for changes to enforcement provisions and additional amendments to reporting provisions	**JAN 1st** Effective date for quarterly reporting provisions
DATA COLLECTION	**Quarters 1-4** Collect **2016 data** as required under the **current** rule for **reporting in 2017**	**Quarters 1-4** Collect **2017 data** as required under the **current** rule for **reporting in 2018**	**Quarters 1-4** Collect **2018 data** under the **NEW** rule for **reporting in 2019**	**Quarters 1-4** Collect **2019** data under the **NEW** rule for **reporting in 2020**	**Quarters 1-4** Collect **2020** data under the **NEW** rule for **reporting in 2021** and **if FI is a quarterly reporter, 2020**
DATA SUBMISSION	**JAN 1st – MAR 1st** Submit **2015** data under the **current** rule to the **Federal Reserve Board**	**JAN 1st – MAR 1st** Submit **2016** data under the **current** rule to the **Federal Reserve Board**	**JAN 1st – MAR 1st** Submit **2017** data under the **current** rule to the **CFPB**	**JAN 1st – MAR 1st** Submit **2018** data under the **NEW** rule to the **CFPB**	**JAN 1st – MAR 1st** Submit **2019** data under the **NEW** rule to the **CFPB** **APR 1st – MAY 30th** Quarterly FI reporters report **Q1 2020** data under the **NEW** rule to the **CFPB**

INSTITUTIONAL COVERAGE

The 2015 HMDA Rule[1] changes institutional coverage in two (2) phases:

- **PHASE 1:** The 2015 HMDA Rule narrows the scope of depository institutions subject to Regulation C in 2017. A bank, savings association or credit union is not subject to Regulation C in 2017 unless it meets all of the current coverage criteria and it originates at least 25 home purchase loans (including refinancings of home purchase loans) in both 2015 and 2016.

- **PHASE 2:** Effective January 1, 2018, the HMDA Rule adopts a **uniform loan-volume threshold** for all financial institutions. Beginning in 2018, a financial institution will be subject to Regulation C if it originated at least 25 covered closed-end mortgage loans in each of the two (2) preceding years or at least 100 covered open-end lines of credit in each of the two (2) preceding calendar years, and it meets other applicable coverage requirements.

> The CFPB has provided Institutional Coverage Charts that provide nice flowcharts to determine whether an institution will be covered by Regulation C in 2017 and 2018

For **depository** institution coverage, the 2015 HMDA Rule maintains **current criteria** as follows:

1) **Asset-size threshold:** On December 31, 2016, the financial institution had assets in excess of the asset-size threshold published annual in the Federal Register and posted on the CFPB's website.

2) **Location test:** On December 31, 2016, the financial institution had a home or branch office located in a metropolitan statistical area (MSA).

3) **Federally related test:** The financial institution is federally insured; federally regulated or originated a home purchase loan (including a refinancing of a home purchase loan) that was secured by a 1st lien on a 1-4 family dwelling and that also was insured, guaranteed or supplemented by a federal agency OR was intended for sale to FNMA or FHLMC.

4) **Loan activity test:** During 2016, the financial institution originated at least one home purchase loan (including a refinancing or a home purchase loan) secured by a 1st lien on a 104 family dwelling.

For **non-depository institutions**, the 2015 HMDA Rule retains the **current location test**. Note: A non-depository institution is subject to Regulation C effective January 1, 2018 if it originated at least 25 covered closed-end mortgage loans or at least 100 covered open-end lines of credit in each of the two (2) preceding calendar years and meets the location test.

EXEMPTIONS

Regulation C provides that financial institutions may apply for an exemption from coverage. The 2015 HMDA Rule does not change this provision. The CFPB may exempt a state-chartered or state-licensed financial institution if the CFPB determined that the financial institution is subject to a state disclosure law that contains requirements

[1] Information within this Fact Sheet has been derived from the CFPB's HMDA Compliance Guide.

substantially similar to those posed by Regulation C and adequate enforcement provisions. A financial institution that loses its exemption must comply with Regulation C beginning with the calendar year following the year for which is last reported data under the state disclosure law.

TRANSACTIONAL COVERAGE

Effective **January 1, 2018 for data collected on or after January 1, 2018** (i.e. to be reported in 2019 and thereafter).

Beginning January 1, 2018, Regulation C applies to consumer-purpose, closed-end loans[2] and open-end lines of credit[3] that are secured by a dwelling. Note: A home improvement loan is not subject to Regulation C beginning in 2018 unless it is secured by a dwelling.

Also beginning January 1, 2018, Regulation C applies to business-purpose, closed-end loans and open-end lines of credit that are dwelling-secured and are home purchase loans, home improvement loans or refinancings.

The 2015 HMDA Rule retains existing categories if excluded transactions, clarifies some categories of excluded transactions and expands the existing exclusion for agricultural-purpose transactions. The rule also adds new categories of excluded transactions that are designed to work in tandem with the rule's other changes.

Additionally, the rule expands the types of preapproval requests that are reported, but excludes requests regarding some types of loans from the scope of reportable preapproval requests. The 2015 requires that preapproval requests that are approved but not accepted be reported (previously, this was optional). However, preapproval requests for home purchase loans to be secured by multi-family dwellings, preapproval requests for open-end lines of credit and preapproval requests for reverse mortgages are not reportable.

Regulation C does not apply to transactions specifically excluded from coverage. The 2015 HMDA Rule expands the existing exclusion for agricultural loans and adds new categories of transactions that are excluded from coverage. Effective January 1, 2018, the following transactions are excluded:

EXAMPLES OF DWELLINGS

- Principal residences
- Second or vacation homes
- Investment properties
- Residential structures attached to real property
- Detached residential structures
- Individual condos or cooperative units
- Manufactured homes or other factory-built homes
- Multi-family residential structures or communities (e.g. apartment buildings, condo complexes, cooperative buildings or complexes, manufactured home communities)

[2] An extension of credit, secured by a lien on a dwelling, and not an open-end line of credit

[3] An extension of credit, secured by a lien on a dwelling, and an open-end credit plan for which the lender reasonably contemplates repeated transactions; the lender may impose a finance charge periodically on an outstanding unpaid balance; and, the amount of credit that may be extended to the borrower during the term of the plan is generally made available to the extent that any outstanding balance is repaid.

- A closed-end mortgage or open-end line of credit that you originate or purchase in a fiduciary capacity (e.g. originated or purchased as a trustee).
- A closed-end mortgage or open-end line of credit secured by a lien on unimproved land[4].
- A closed-end mortgage or open-end line of credit that is temporary financing (i.e. designed to be replaced by permanent financing at a later time). A loan or line is not temporary financing merely because its term is short.

Pages 29-31 of the CFPB's HMDA Compliance Guide provide examples of excluded transactions.

REQUIRED DATA POINTS

Effective January 1, 2018 and applicable to data reported in or after 2019.

The 2015 HMDA Rule adds the data points specified in the Dodd-Frank Act as well as data points that the CFPB determined will assist in carrying out the purpose of HMDA (e.g. age, credit sore, automated underwriting information, debt-to-income ratio, unique loan identifier, property value, application channel, points and fees, borrower-paid origination charges, discount points, lender credits, loan term, prepayment penalty, etc.). The rule also modifies existing data points.

A financial institution collects, records and reports the new and modified data points under the 2015 HMDA Rule for applications on which **final action is taken on or after January 1, 2018**. If you receive an application in 2017, but take final action on it in 2018, you are required to collect, record and report the new and modified data points under the 2015 HMDA Rule.

For purchased loans, a financial institution collects, records and reports the new and modified data points, to the extent they apply to purchased loans, for purchases of covered loans that occur on or after January 1, 2018.

REPORTABLE DATA BREAKDOWN

We have outlined the reportable data as changed or modified by the 2015 HMDA Rule in our Reportable Data Breakdown, which is based on the CFPB's Summary of Reportable HMDA Data - Regulatory Reference Chart.

COLLECTION AND REPORTING OF APPLICANT INFORMATION

Effective January 1, 2018 for data collected in or after 2018 (to be reported in or after 2019).

The 2015 HMDA Rule amends the requirements for collection and reporting of information regarding an applicant's or borrower's ethnicity, race and sex.

- A requirement has been added to report how you collected the information about the applicant's or borrower's ethnicity, race and sex (e.g. visual observation or surname. You are required to collect

[4] However, if you know at the time the application is received or the credit decision is made that the proceeds or the loan or line will be used within 2 years after closing or account opening to construct a dwelling or to purchase a dwelling to be placed on the land, it is no longer an excluded transaction.

information about an applicant's ethnicity, race and sex on the basis of visual observation or surname when an applicant chooses not to provide the information for an application taken in person.

- You must permit applicants to self-identity using disaggregated ethnic and racial subcategories and must report the disaggregated information applicants provide. However, you are not permitted to use disaggregated categories when identifying the applicant's ethnicity and race based on visual observation or surname.

RECORDING DATA

The 2015 HMDA Rule requires you to record the data about a covered loan or application o a LAR within 30 calendar days after the end of the calendar quarter in which you take final action on the application or covered loan. You may maintain your quarterly records in electronic or other format, provided you can make the information available to your regulatory agencies in a timely manner upon request.

ANNUAL REPORTING

Effective January 1, 2018 for changes requiring electronic submission of 2017 HMDA data in 2018; effective January 1, 2019 for changes requiring electronic submission of HMDA data in 2019 and later years.

The 2015 HMDA Rule retains the requirement that you submit your HMDA data to your appropriate Federal agency by March 1st following the calendar year for which you collected the data, but **requires electronic submission** of the data. The CFPB is in the process of developing a new web-based tool for electronically submitting HMDA data. You are required to submit data electronically using the new tool beginning in 2018 for data collected in 2017.

QUARTERLY REPORTING

Effective January 1, 2020 for data collected and reported in or after 2020.

The new rule imposes a quarterly reporting requirement for larger-volume reporters. In addition to their annual submission, these larger volume reporters will also electronically submit their HMDA data for each of the first three quarters of the year on a quarterly basis beginning in 2020. The rule provides that inaccuracies or omissions in quarterly reporting are not violations of HMDA or Regulation C if the financial institution makes a good faith effort to report quarterly data timely, fully and accurately and then corrects or completes the data prior to annual submission.

DISCLOSURE REQUIREMENTS

Effective January 1, 2018 for data collected on or after January 1, 2017 (to be reported in or after 2018).

The 2015 HMDA Rule replaces Regulation C's requirements to provide a disclosure statement and modified LAR to the public upon request with new requirements to provide notices that the institution's disclosure statement and modified LAR are available on the CFPB's website. The rule includes sample language[5] that you can use to provide notice that your HMDA data is available on the CFPB's website to comply with the posting requirement.

ENFORCEMENT PROVISIONS

A violation of Regulation C, both before and after the effective date of the 2015 HMDA Rule, is subject to administrative sanctions, including civil money penalties. Compliance can be enforced by the Federal Reserve Board, Federal Deposit Insurance Corporation, the Office of the Comptroller of the Currency, the National Credit Union Administration, HUD or the CFPB.

An error in compiling or recording data for a covered loan or application is not a violation of HMDA or Regulation C if the error was unintentional and occurred despite maintenance of procedures reasonable adapted to avoid such errors. Note however, that if you obtain property information for applications or covered loans from third parties, you are responsible for ensuring the reported information is correct.

If you make a good faith effort to record all data fully and accurately within 30 calendar days after the end of the calendar quarter, but some data are inaccurate or incomplete, the inaccuracy or omission is not a violation of HMDA or Regulation C if you correct or complete the data prior to your annual submission.

[5] Page 109 of the HMDA Compliance Guide