



## 2018 HMDA PARTIAL EXEMPTION FACT SHEET | YOUR MAP TO REGULATORY CHANGE

### BACKGROUND

On July 5, 2018, the Consumer Financial Protection Bureau (Bureau) released a statement on implementation of the Economic Growth, Regulatory Relief and Consumer Protection Act (Act) amendments to the Home Mortgage Disclosure Act. The statement essentially paves the way for additional guidance<sup>1</sup> from the Bureau on how the Act will impact HMDA data collected in 2018, and how HMDA data will be formatted and submitted. The statement also noted that the agencies are retaining their diagnostic examination approach to evaluating the accuracy of HMDA data and adequacy of HMDA compliance processes for data collected in 2018 and reported in 2019. Let's keep in mind: It's not the clean break many thought it might be.

### THRESHOLDS ADJUSTED

The Economic Growth, Regulatory Relief and Consumer Protection Act<sup>2</sup> provides partial exemption for some insured depository institutions from reporting certain data points. The partial exemptions are generally available to depository institutions and insured credit unions that meet the following thresholds:

- The institution originated fewer than **500 closed-end mortgage loans** in each of the two preceding calendar years.
- The institution originated fewer than **500 open-end lines of credit** in each of the two preceding calendar years. *(Open-end lines of credit remain fully exempt if the threshold is not met. The open-end lines of credit threshold reverts to 100 open-end lines of credit beginning January 1, 2020 if no other action is taken by the CFPB.)*

### DETERMINING QUALIFYING THRESHOLDS

The 2018 Rule clarifies that, for purposes of the partial exemptions, "closed-end mortgage loan" and "open-end line of credit" mean only those loans or lines of credit that would otherwise be reportable under HMDA. The 2018 Rule specifies that a "closed-end mortgage loan" is any closed-end mortgage loan as defined in 12 CFR § 1003.2(d) that is not excluded under § 1003.3(c)(1) through (10) or (13), and that "open-end line of credit" is any open-end line of credit as defined in § 1003.2(o) that is not excluded under § 1003.3(c)(1) through (10). Such loans are counted towards the respective thresholds to determine whether an insured depository institution or insured credit union's closed-end mortgage loans or open-end lines of credit qualify for a partial exemption.

<sup>1</sup> Anticipated for later this summer

<sup>2</sup> Enacted 5/24/2018

Partial exemptions are not available to insured depository institutions that do not meet certain Community Reinvestment Act performance evaluation rating standards. This particular regulatory relief provision does not apply if your institution received a “Needs to Improve” CRA rating during each of its two most recent examinations or a rating of “Substantial Noncompliance” on its most recent CRA exam.

## NULI

Instead of the Universal Loan Identifier, you have the option of creating a Non-Universal Loan Identifier (NULI) if you qualify for the partial exemption. It would not require the inclusion of the Legal Entity Identifier (LEI) or the two-character check digit. The NULI can be up to 22 characters, alpha-numeric, must still be unique to the transaction and cannot contain any personal identifying information.

## PARTIAL EXEMPTION FIELDS

The list of exempt fields and the required exemption codes to be reported for each under the partial exemption are as follows:

Exemption Codes	"1111"	"Exempt"
	• Credit Score, Name and Version of scoring model	• Total Points and Fees and related fields (origination fees, discount points, lender credits)
	• Reason for denial ( <i>leave remaining reason fields blank</i> )	• Interest Rate
	• Non-amortizing features (balloon, negative amort, other)	• Rate Spread
	• Manufactured Home Property Type and Land Property Interest fields	• Prepayment Penalty Term
	• Application Channel and Initially Payable	• DTI
	• AUS and result	• CLTV
	• Reverse Mortgage	• Property Value
	• Open-End Line of Credit	• Loan Term
	• Business or Commercial Purpose	• Introductory Rate Period
		• Multifamily Affordable Units
		• NMLS #

### **ADDITIONAL CAUTIONS AND CONSIDERATIONS**

If you voluntarily report any exempt data point, you must report each of the associated data fields. For example, if you opt to report credit scores, you must also report the credit scoring model. Also, it is advisable to continue to collect and record the information for most of the data fields, even if you can exempt them for filing purposes, as they can significantly aid in your internal fair lending analysis. In most institutions, there is a simple process for converting the exempt data fields to the appropriate exemption code (“1111” or “Exempt”) when the LAR is filed, while still retaining the data for internal analysis purposes.