

HMDA HUDDLE

QUESTIONS AND ANSWERS
TACKLING THE INTRICACIES OF HMDA

JULY 2023





We are halfway through another year of collecting and recording HMDA data. Remember, LAR data files must be kept current and edit-free within 30 calendar days after each quarter's end. For example, by April 30, 2023, financial institutions should have an accurate record of all reportable applications with an Action Taken Date of 01/01/2023 to 03/31/2023. By the end of this month, the second quarter should also be finalized.

Below, we present questions and answers about some nuances of the HMDA requirements. Have a HMDA compliance issue we haven't addressed yet? Submit your own! Just open the **ASK ADI** form and send us your question. An ADI HMDA compliance professional will reply with guidance in short order. Please subscribe to **ADI Insights** to automatically receive updates each quarter.

Q: Our lending department denied an application and provided a Statement of Credit Denial showing the reason for denial as “insufficient collateral for the amount requested.” We reported the Reason for Denial as Code 9–Other, and we recorded a description in the Freeform text box, “Insufficient collateral for amount requested.” Is this the best way to report the Reason for Denial?



A: In this scenario, we recommend recording the Reason for Denial as Code 4–Collateral. The FFIEC instructs that Code 9–Other is to be used when the Reason for Denial is not addressed by any of the other codes, 1 through 8. Since Code 4–Collateral, effectively covers the Reason for Denial disclosed to the applicant, Code 4 should be reported.

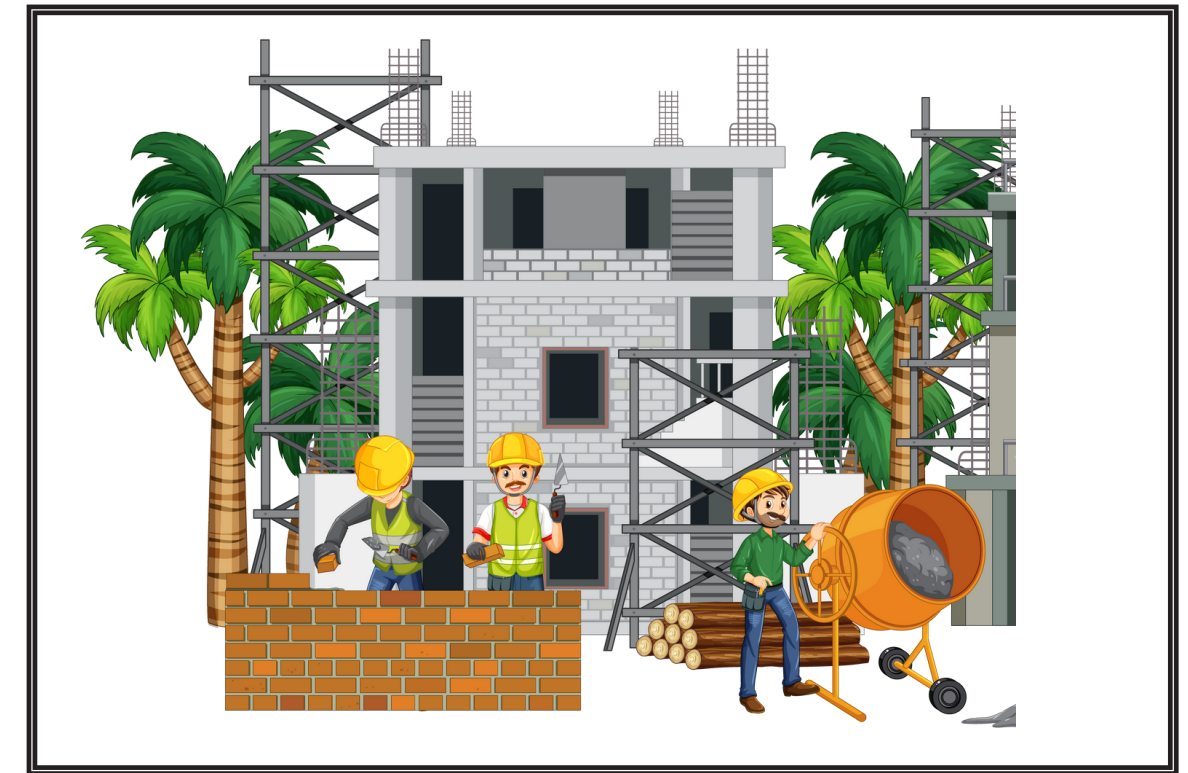
Q: Is it acceptable to report “NA” for the NMLSR ID for all loans originated in the commercial loan department by commercial lenders?



A: Lenders should report “NA” for the NMLSR ID for “Covered loans or applications in which the mortgage loan originator is not required to obtain AND has not been assigned an NMSLR ID.” Therefore, if a commercial lender has an assigned NMSLR Identifier, even if one is not required, that ID should be reported for commercial applications and loans.

Q: For the preapproval requests that our institution denies or approves but are not accepted by the applicant, we often do not have a street address. We report the street address as “TBD”; however, the applicant provides address information for the city, state, and zip code. How should we report the four Property Address fields?

A: Enter “NA” in each Property Address field when the property address, more specifically the Street Address, is not known. This applies not only to preapprovals, but also to any application or origination when the property address is not known at the time of Action Taken. In this case, since one piece of information is unknown, each Property Address field should be recorded and reported as “NA.”



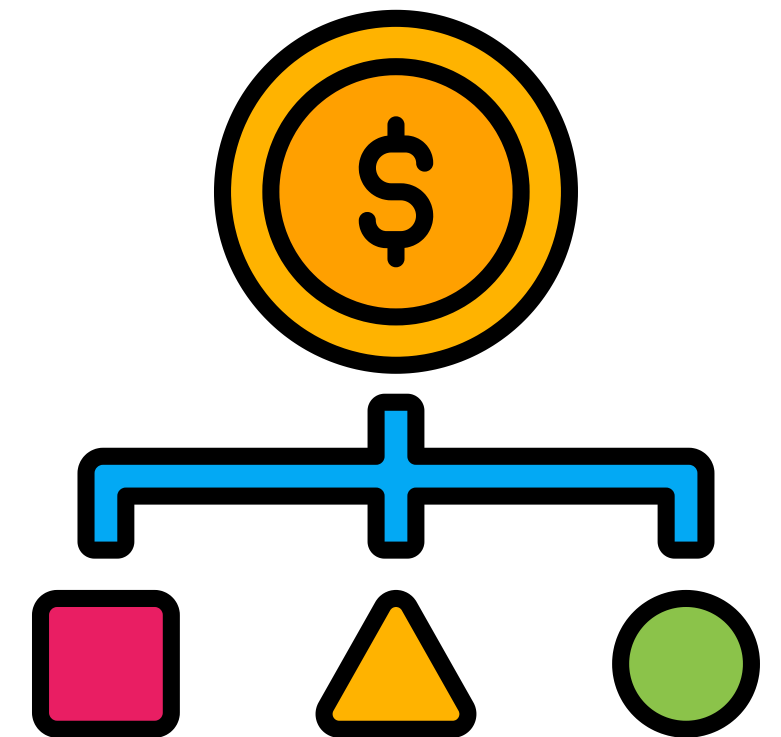
Q: We work with a mortgage broker who notifies us when an application has been withdrawn. Sometimes, the broker does not communicate immediately, but sends an email to notify us of the withdrawal a few days after receiving the applicant's express withdrawal. For Action Taken Date, should we report the date we received the email notifying us that the applicant withdrew the application?



A: It is important to have procedures in place with your mortgage brokers to prevent this scenario. A lender's agreement with the broker should include the requirement to accurately record and report to the lender *the date of the express withdrawal from the applicant*, as this is the Action Taken Date that should be reported for withdrawn applications.

Q: My institution, by policy, does not originate high-cost mortgage loans. We maintain a worksheet, or compliance report, in each file to support that our loans are not high-cost mortgages under Section 32 of Regulation Z. Should we code all HMDA-reportable loans as “Code 2–Not a high-cost mortgage?”

A: Lenders should report Code 3–Not Applicable for loans that are not subject to the Home Ownership and Equity Protection Act (HOEPA), as implemented by Regulation Z. Report Code 3–Not Applicable for any loans that are (1) secured by property which is not the borrower’s primary residence, OR (2) for a business purpose, even if you have determined the loan is not a high-cost mortgage.





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