

COMMON HMDA REPORTING ERRORS



Loan Purpose - Refinance vs. Cash-Out Refinance

The Home Mortgage Disclosure Act (HMDA) requires a lender to report whether a loan or application is for a refinancing or a cash-out refinancing. The lender must report the latter if the institution considered it to be a cash-out transaction in processing the application or setting the terms under its own guidelines or an investor's guidelines. There are no edit checks for this field, and it can easily be miscoded.



Annual Income

Two common issues with Annual Income are the reporting of zeroes and low values. Lenders can submit a LAR with any positive or negative number, zero or NA for Income. This latitude enables bad data to slip through edit checks. In the 2019 HMDA Snapshot, 315,830 applications, from over half of all covered lenders, reported income of 10 or below (including zeroes and negatives).



Action Taken - Counteroffers

Counteroffers can often confuse lenders with regard to the Action Taken. If the applicant rejects the counteroffer, the application should be reported as Denied on the original terms requested. If the applicant accepts the offer, lenders should report the action taken as Originated, or Approved Not Accepted if the loan does not ultimately close.



Credit Score - Reporting "NA"

For Approved and Approved Not Accepted loans or applications, lenders should report only the credit score used in making the credit decision. Report "NA" if the application or loan was Withdrawn, Closed for Incompleteness or Purchased. Also report "NA" if the applicant(s) are not natural persons or if no score was used in the credit decision.



Automated Underwriting System and Result

Lenders must report AUS data if they ran it - even on Withdrawn and Closed for Incompleteness applications - whether or not a decision was made. "NA" is reported only for manual underwrites or when both applicant and co-applicant are not natural persons.