

HMDA HUDDLE

**QUESTIONS AND ANSWERS
TACKLING THE INTRICACIES OF HMDA**

AUGUST 2022

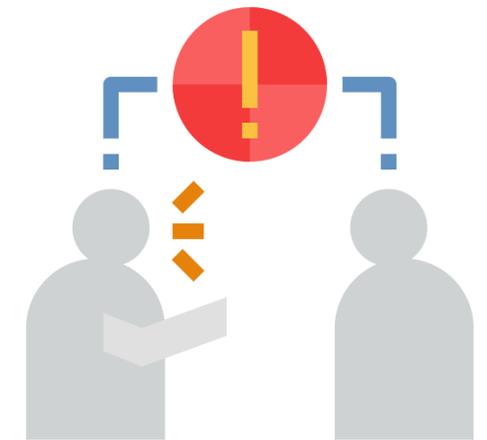




Welcome back to ADI's quarterly HMDA Q&A series, **HMDA Huddle**. Hard to believe we are closing in on the fourth quarter of 2022. HMDA compliance should remain a consistent focus, sharpening procedures and monitoring accuracy of the year-to-date LAR recordings. Many lenders are also working to have their current and previous LAR records and submissions available for regulatory examinations.

ADI assists a wide variety of lender clients with HMDA LAR audits and quality control throughout the year, including preparing for standard submissions, resubmissions, and regulatory examinations. Below, we present questions that highlight nuances and misinterpretations of the HMDA guidance, and our answers to those questions. Please check back for future installments or subscribe to [ADI Insights](#) to automatically receive updates each quarter.

Q: Our correspondent lender, who processes home loan applications for us, sends emails instructing us to withdraw loans from our system. We report these loans as withdrawn on our HMDA LAR, often using the date the correspondent emailed us as the Action Taken Date. Is this the correct way to report these applications?



A: No. These loans are not coded as withdrawn unless the **applicant** expressly communicated to the lender that they wanted to withdraw, or cancel, the application. When the correspondent lender alone requests the withdrawal because the customer stopped responding, that application is reported as **denied** for an incomplete application, or, if a Notice of Incomplete Application was sent, as **closed for incompleteness**. Report the Action Taken Date from the Adverse Action Notice or the Notice of Incomplete Application.

For withdrawn applications, regulators look for an **express withdrawal from the applicant**. The date of that communication is the Action Taken Date. ADI recommends lenders document the **applicant's** reason for withdrawal and how it was communicated (email, phone call, etc.).

Q: May we report “NA” for credit score when the applicant is our employee?



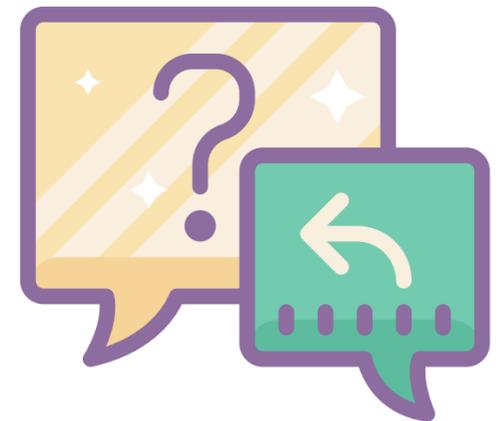
A: HMDA guidelines require the reporting of employees' credit scores if the scores were used in making the credit decision. The institution's employees are not exempt from this requirement. Only the Income field may be reported as “NA” to protect an employee's privacy.

Q: We have an application in which one applicant is a business entity and the co-applicant is a natural person. Should we collect government monitoring information (GMI) for the natural person?

A: ADI recommends collecting and reporting Ethnicity, Race, Sex (and visual observation basis for each) for any natural person on the application and reporting the GMI as “NA” for the business entity.

The ***Guide to HMDA Reporting, Getting it Right*** instructs lenders to report GMI as “Not Applicable” (NA) for “Covered loans or applications when applicant or co-applicant is not a natural person, appendix B.” The Appendix B instructions, however, add an extra “or,” which clarifies the implication and addresses the applicant and co-applicant separately:

*“You must report that the requirement to report the applicant's **or** co-applicant's ethnicity, race, and sex is not applicable when the applicant **or** co-applicant is not a natural person (for example, a corporation, partnership, or trust).”*



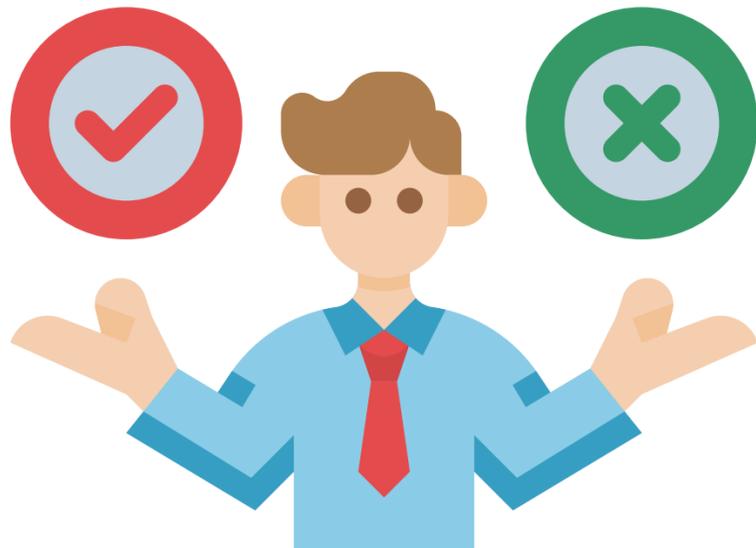


Q: An applicant applied for a \$500,000 home refinance loan, but the appraisal came in lower than expected. To meet our loan-to-value (LTV) guidelines, we approved a loan amount of \$450,000. What loan amount should we report?

A: If the applicant accepted the counter-offer of \$450,000 and you granted credit in that amount, then report the loan amount as \$450,000. If the applicant did not respond to or accept the counter-offered amount, then you should record the loan for the initial amount requested, \$500,000.

Q: While evaluating a loan application, our underwriter calculated an initial DTI and LTV based on the information provided by the applicant but not yet validated. The DTI exceeded our underwriting guidelines' threshold. The applicant withdrew the loan application before we made a final credit decision. Do we report the DTI and LTV known to date?

A: No. If a file was closed for incompleteness or if the application was withdrawn before a credit decision was made, guidance is clear that both the DTI and CLTV should be reported as "not applicable." Similarly, the property value should be reported as "NA" for applications closed for incompleteness or withdrawn prior to the credit decision, even if a property value is recorded in the file.





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