

Home Mortgage Disclosure Act Program

RESCINDED

This document and any attachments are superseded by Comptroller's Handbook - Consumer Compliance - Home Mortgage Disclosure.

EXAMINATION OBJECTIVES

Appraise the quality of the financial institution's compliance risk management system to ensure compliance with the Home Mortgage Disclosure Act (HMDA) and Regulation C.

Determine the reliance you can place on the financial institution's compliance risk management system, including internal controls, policies, procedures, and compliance review and audit functions for the Home Mortgage Disclosure Act (HMDA) and Regulation C.

Determine the accuracy and timeliness of the financial institution's Home Mortgage Disclosure Act-Loan/Application Register (HMDA-LAR).

To initiate corrective action when policies or internal controls are deficient, or when you identify violations of laws or regulation.

EXAMINATION PROCEDURES

INITIAL PROCEDURES

Depository Institutions

- Determine whether the depository institution is subject to the requirements of HMDA and Regulation C by determining if it meets the regulatory criteria addressed in §§ 203.2(e)(1)(i) – 203.2(e)(1)(iv).

Nondepository Institutions

- Determine whether the depository institution has a majority-owned mortgage subsidiary that meets relevant criteria contained in §§ 203.2(e)(2)(i) - 203.2(e)(2)(iii). If the subsidiary meets all relevant criteria, the subsidiary is subject to the requirements of HMDA and Regulation C.
- Determine whether there were any mergers or acquisitions since January 1 of the preceding calendar year.
- Determine whether the institution reported all required HMDA data for the acquired financial institutions separately or in consolidation. Examination procedures that follow concerning accuracy and disclosure also apply to an acquired financial institution's data, even if separately reported.

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Note: If HMDA and Regulation C are applicable, then you should perform the following examination procedures separately for the depository institution and any of its majority-owned mortgage subsidiaries. Complete a separate checklist for each institution subject to HMDA and Regulation C. Also, when determining whether a financial institution is subject to HMDA, you should remain cognizant of any newly created Metropolitan Statistical Areas (MSAs) and changes in MSA boundaries, including counties which may have been added or deleted from an MSA, thus causing a financial institution either to become a new HMDA reporter. Refer to the FFIECs web site and to the booklet, "A Guide to HMDA Reporting: Getting It Right!" this can be a source of reference, as it lists counties in an MSA by state.

Evaluation of Compliance Management

You should obtain information necessary to make a reasonable assessment regarding the institution's ability to collect data regarding applications for, and originations and purchases of, home purchase loans, home improvement loans, and refinancings for each calendar year in accordance with the requirements of the HMDA and Regulation C.

You should determine, through a review of written policies, internal controls, HMDA-LAR, and discussions with management, whether the financial institution adopted and implemented comprehensive procedures to ensure adequate compilation of home mortgage disclosure information in accordance with § 203.4(a)-(e).

LEVEL I

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1. Review the Matters Requiring Board Attention and Corrective Actions from the three or four previous ROEs to ensure that the board and management have taken appropriate corrective action where necessary and persistent problems have not recurred.
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2. In your review of the financial institution's system for maintaining compliance with HMDA and Regulation C, obtain and review policies and procedures along with any applicable audit and compliance program materials. Determine whether:
 - Policies and procedures as well as training are adequate, on an ongoing basis, to ensure compliance with the HMDA and Regulation C.

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- Internal review procedures and audit schedules comprehensively cover all of the pertinent regulatory requirements associated with HMDA and Regulation C.
- The audits or internal analysis performed include a reasonable amount of transactional analysis, written reports that details findings, and recommendations for corrective actions.
- Internal reviews include any regulatory changes that may have occurred since the prior examination.
- The financial institution has assigned one or more individuals responsibility for oversight, data update, and data entry, along with timeliness of the financial institution's data submission. Also, determine whether the responsible individual informs the Board of Directors of the results of all analyses.
- The individuals who have been assigned responsibility for data-entry receive appropriate training in the completion of the HMDA-LAR and receive copies of Regulation C, Instructions for Completion of the HMDA-LAR (Appendix A of the regulation (Part 203)), the Staff Commentary to Regulation C, and the FFIEC's "A Guide to HMDA Reporting: Getting It Right!" in a timely manner.
- The institution has ensured effective corrective action in response to previously identified deficiencies.
- The financial institution performs HMDA-LAR volume analysis from year-to-year to detect increases or decreases in activity for possible omissions of data.
- The financial institution maintains documentation for those loans it packages and sells to other institutions.

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3. Where you conclude from this examination that the self-assessment or periodic reviews demonstrate that the institution effectively administers and conducts a comprehensive, reliable, and self-correcting program that adequately ensures compliance with the regulatory requirements of HMDA and Regulation C, you should record the basis for this conclusion in the work papers and proceed to Exam Conclusions.
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LEVEL II – EVALUATION OF POLICIES AND PROCEDURES

4. Evaluate whether the institution's informal procedures and internal controls, not written in a formal policy, are adequate to ensure compliance with HMDA and Regulation C. Consider the following:
- Whether the individual(s) assigned responsibility for the institution's compliance with HMDA and Regulation C possess(es) an adequate level of knowledge and have a method for staying abreast of changes to laws and regulations.
 - If the institution ensures that individuals assigned compliance responsibilities receive adequate training to ensure compliance with the requirements of the regulation.
 - Whether the individuals assigned responsibility for the institution's compliance with HMDA and Regulation C know whom to contact, at the financial institution or their supervisory agency, if they have questions not answered by the written materials.
 - If the institution has established and implemented adequate controls to ensure that separation of duties exists (for example, data entry, review, oversight, and approval).
 - Any internal reports or records documenting policies and procedures revisions as well as any informal self-assessment of the institution's compliance with the regulation.
 - If the institution offers preapprovals, whether the institution's preapproval program meets the specifications detailed in the HMDA regulation. If so, whether the institution's policies and procedures provide adequate guidance for, and reporting of, preapproval requests that the institution approves or denies in accordance with the regulation.
 - Whether the institution's policies and procedures address the reporting of:
 - Nondwelling secured loans that are originated in whole or in part for home improvement and classified as such by the institution; and

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- Dwelling-secured loans that are originated in whole or in part for home improvement, whether or not classified as such.
- Whether the institution established a method for determining and reporting the lien status for all originated loans and applications.
- Whether the institution's policies and procedures contain guidance for collecting ethnicity, race, and sex for all loan applications, including applications made by telephone, mail and Internet.
- Whether the institution's policies and procedures address the collection of the rate spread (difference between the APR and the average prime offer rate for a comparable transaction as of the date the interest rate is set) and whether the institution has established a system for tracking rate lock dates and calculating the rate spread.
- Whether the institution's policies and procedures address how to determine if a loan is subject to the Home Ownership and Equity Protection Act and the reporting of applications involving manufactured home loans.
- Whether the association updates the HMDA-LAR within 30 days after the end of each calendar quarter.
- Whether the association collects data at all branches, and if so, whether the association trains appropriate personnel sufficiently to ensure that all branches report the data under the same guidelines.
- Whether the financial institution's loan officers, including loan officers in the commercial loan department who may handle loan applications reportable under HMDA (including loans and applications for multi-family or mixed-use properties and small business refinances secured by residential real estate), are informed of the reporting requirements necessary to assemble the information.
- Whether the board of directors has established an independent review of the policies, procedures, and HMDA data to ensure compliance and accuracy. Does management advise the Board each year of the accuracy and timeliness of the financial institution's data submissions?
- What procedures the institution has put in place to comply with the requirement to submit data in machine-readable form and whether the institution has some mechanism in place to ensure the accuracy of the data that they submit in machine-readable form.

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- Whether the financial institution's loan officers are familiar with the disclosure, reporting and retention requirements associated with the loan application registers and the FFIEC public disclosure statements.
 - Whether the financial institution's loan officers are familiar with the disclosure statements that will be produced from the data.
 - Whether the financial institution's loan officers are aware that civil money penalties may be imposed when an institution has submitted erroneous data and has not established adequate procedures to ensure the accuracy of the data.
 - Whether the financial institution's loan officers are aware that correction and resubmission of erroneous data may be required when data are incorrectly reported for at least 5 percent of the loan application records.
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5. If the assessment of the institution's compliance under the above sections reveals a substantive weakness in the institution's ability to effectively administer sufficient compliance of the HMDA and Regulation C, then consider conducting the following transactional testing procedures, to provide a more comprehensive assessment of the institution's level of compliance.

6. Where you conclude that the institution's informal internal controls result in effective management of compliance responsibilities associated with HMDA and Regulation C, you should record the basis for this conclusion in the work papers and proceed to Examination Conclusions.

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LEVEL III

TRANSACTION TESTING

7. Verify that the financial institution accurately compiled home mortgage disclosure information on a register in the format prescribed in Appendix A of the regulation (Part 203), by testing a sample of loans and applications.
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8. The review of the HMDA-LAR, for submitted data, should include a sample of the applications represented on the HMDA-LAR to verify the accuracy of each entry. Also review a sample of the current year's data. The samples may include the following:
- Approved and denied transactions subject to HMDA.
 - Housing-related purchased loans.
 - Withdrawn housing-related loan applications.
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9. Based on the results of the sample, determine if it would prove more efficient to have management conduct a more extensive review, correct any self-identified deficiencies and report to the Region a self-assessment of its HMDA compliance.
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DISCLOSURE AND REPORTING

10. Determine whether the financial institution submits its HMDA-LAR to the appropriate supervisory agency no later than March 1 following the calendar year for which the data are compiled and maintains its HMDA-LAR for at least three years thereafter.

Note: Financial institutions that report twenty-five or fewer entries on their HMDA-LAR may collect and report HMDA data in a paper form. Any financial institution opting to submit its

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data in such a manner must send two copies that are typed or computer printed. They must use the format of the HMDA-LAR, but need not use the form itself.

11. Determine whether the financial institution makes its FFIEC disclosure statement available to the public at its home office no later than three business days after it is posted on the FFIEC website.
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12. Determine whether the financial institution either:
- Makes its FFIEC disclosure statement available to the public in at least one branch office in each additional MSA or Metropolitan Division (MD) where the financial institution has offices within ten business days of its posting on the FFIEC website.
 - Posts the address for sending written requests for the disclosure statement in the lobby of each branch office in additional MSAs or MDs where the institution has offices and mails or delivers a copy of the disclosure statement within 15 calendar days of receiving the written request.
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13. Determine whether the financial institution makes its modified HMDA-LAR (loan application number, date application received, and date action taken excluded from the data) available to the public by March 31 for requests received on or before March 1, and within 30 days for requests received after March 1.
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14. Determine whether the financial institution maintains its modified HMDA-LAR for 3 years and its disclosure statement for 5 years. Determine whether it has policies and procedures to ensure its modified HMDA-LAR and disclosure statement are available to the public during those terms.
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15. Determine whether the financial institution makes available the modified HMDA-LAR and disclosure statement for inspection and copying during the hours the office is normally open to the public for business. If it imposes a fee for costs incurred in providing or reproducing the data, ensure the fee is reasonable.

16. Determine whether the financial institution posts a general notice about the availability of its HMDA data in the lobby of its home office and of each branch office located in an MSA.

17. Determine whether the financial institution provides promptly upon request the location of the institution's offices where the statement is available for inspection and copying, or includes the location in the lobby notice.

18. If the financial institution has a subsidiary covered by HMDA, determine that the subsidiary completed a separate HMDA-LAR and either submitted it directly or through its parent to the parent's supervisory agency.

19. Determine that the institution accurately completes the HMDA-LAR transmittal sheet and that an officer of the financial institution signed and certified to the accuracy of the data contained in their register. See Appendix A of the regulation (Part 203). *Note: If the institution submitted the HMDA-LAR on the Internet, the institution should retain this signature on file at the institution.*

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20. Review the financial institution's last disclosure statement, HMDA-LAR, and any applicable correspondence, such as notices of noncompliance. Determine what errors occurred during the previous reporting period. If errors did occur, determine what steps the financial institution took to correct and prevent such errors in the future.

21. Determine if the financial institution has the necessary tools to compile the geographic information:

- Determine if the financial institution uses the U.S. Census Bureau's Census Tract Street Address Lookup Resources for 2000, the Census Bureau's 2000 Census Tract Outline Maps, LandView5 equivalent materials available from the Census Bureau or from a private publisher, or an automated geocoding system in order to obtain the proper census tract numbers.
 - If the financial institution relies on outside assistance to obtain the census tract numbers (for example, private "geocoding" services or real estate appraisals), verify that adequate procedures are in place to ensure that census tract numbers are obtained in instances where they are not provided by the outside source. For example, if the financial institution usually uses property appraisals to determine census tract numbers, it must have procedures to obtain this information if an appraisal is not received; such as in cases where a loan application is denied before an appraisal is made.
 - Verify that the financial institution has taken steps to ensure that the provider of outside services is using the appropriate 2000 Census Bureau data.
 - Verify that the financial institution uses current MSA and MD definitions to determine the appropriate MSA and MD numbers and boundaries. MSA definitions and numbers (and state and county codes) are available from the supervisory agency, the "FIPS PUB 8-6, Metropolitan Statistical Areas" (as updated periodically) or "A Guide to HMDA Reporting: Getting it Right!"
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22. For banks and savings associations required to report data on small-business, small-farm, and community development lending under the CRA, verify that they also collect accurate data on property located outside MSAs or MDs in which the institution has a home or branch office, or outside any MSAs or MDs.
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PROGRAM CONCLUSIONS

1. Summarize the findings, supervisory concerns, and regulatory violations.
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2. For the violations noted, determine the root cause by identifying weaknesses in internal controls, audit and compliance reviews, training, management oversight, or other factors; also, determine whether the violation(s) are repetitive or systemic.
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3. Identify action needed to correct violations and weaknesses in the institution's compliance system.
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4. Discuss findings with the institution's management and obtain a commitment for corrective action.
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EXAMINER'S SUMMARY, RECOMMENDATIONS, AND COMMENTS

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