



COMPLIANCE BRIEF

December 2022



Today's Topics:

- HMDA Closed-End Origination Threshold Reset



CFPB Lawsuit

- September 23, 2022 US District Court of Columbia issued order vacating HMDA closed-end threshold
- Closed-End Reporting Threshold increased from 25 to 100 under 2020 Home Mortgage Disclosure Act
- Allowed many community banks to stop collecting and reporting HMDA data (no longer reporters for closed-end credits)
- **Court order reset 100 closed-end mortgage origination threshold back to 25**

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CFPB Blog

- December 6, 2022 CFPB issued blog alerting banks to court order
- Court order erased 100 closed-end threshold, reverting back to the original rule
- Effect - Banks that originated more than 25 closed-end HMDA reportable loans in two preceding calendar years and meet other criteria outlined in rule are required by law to report HMDA data

<https://www.consumerfinance.gov/about-us/blog/changes-to-hmda-closed-end-loan-reporting-threshold/>

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CFPB Blog

- CFPB “recognizes” affected banks may need time to implement:
 - Policies
 - Procedures
 - Systems
 - Operations
- For banks affected by lawsuit related to 2020-2022 data, CFPB:
 - Does not view action regarding these bank’s HMDA data as a priority
 - Does not intend to initiate enforcement action or cite HMDA violations for failure to report data for 2020-2022

Covered Financial Institutions

1. **Asset-size Test:** On the preceding Dec. 31 did your assets exceed the annual threshold amount?
 - \$50 million for 2022; 2023 TBA
2. **Location Test:** On the preceding Dec. 31 did you have a branch or home office in a MSA?
3. **Loan Activity Test:** In the preceding calendar year did you originate at least one home purchase (or refi) loan secured by a 1st lien on a 1-4 family dwelling?

Covered Financial Institutions

4. Loan Volume Test: Did you **originate** closed-end mortgage loans OR dwelling-secured open-end lines of credit in excess of the threshold amount in **both** the of two preceding calendar years?

- Closed-End Threshold = 25
- Open-End Threshold = 200

Separate tests!
Can be exempt from one
& subject to the other!

- If bank meets all four qualifications – You **ARE** a covered HMDA Reporting Institution
- If answered **NO** to **ANY** of these questions, you are **EXEMPT** from HMDA reporting

Closed-End Threshold Example

25 Originated Covered Closed-End Mortgage Loans

- Threshold must be met two consecutive years to trigger reporting

Year	Originations	Report?
2018	21	
2019	24	
2020	26	NO – based on 2018 & 2019
2021	54	NO – based on 2019 & 2020
2022	32	YES – based on 2020 & 2021
2023	19	YES – based on 2021 & 2022



Closed-End Mortgage Definition

Closed-end Mortgage Loan (CeML)

- An extension of credit that is **secured by a lien on a dwelling** and is not an Open-End Line of Credit

- ✓ Consumer loan purpose does NOT matter
- ✓ Business loan purpose DOES matter
- ✓ Collateral DOES matter
- ✓ Lien position does NOT matter



Dwelling Examples

Secured by lien on a “Dwelling”

Single family structures	Multifamily structures	Mixed-use purposes
Dwelling	Dwelling	Dwelling
<ul style="list-style-type: none"> ▪ Principal residences ▪ Second homes ▪ Vacation homes ▪ Manufactured Homes or other factory built homes ▪ Investment properties ▪ Individual condominium units ▪ Detached homes ▪ Individual cooperative units 	<ul style="list-style-type: none"> ▪ Apartment buildings or complexes ▪ Manufactured home communities ▪ Condominium buildings or complexes ▪ Cooperative buildings or complexes 	<ul style="list-style-type: none"> ▪ Mixed-use property if primary use is residential ▪ Properties for long-term housing and related services (such as assisted living for senior citizens or supportive housing for people with disabilities) ▪ Properties for long-term housing and medical care if primary use is residential

Covered Closed-End Loan

Count **Originated Covered** Closed-End Mortgage Loans

- Include only HMDA-reportable loan originations
 - Consumer-purpose
 - Home Purchase
 - Refinance
 - Home Improvement
 - Other – any other purpose
 - Business Purpose
 - Home Purchase
 - Refinance
 - Home Improvement
- Do NOT include transactions that are exempt from reporting
 - Temporary financing
 - Ag purpose
 - Secured by Ag land
 - Secured by unimproved land
 - Loan with original principal amount of less than \$500

Next Steps

- Determine if your bank is a HMDA reporter for 2023
 - Asset Test
 - Location Test
 - Loan Activity Test
 - Loan Volume Test - Identify all covered originated closed-end loans for 2021 and 2022
- Develop HMDA data collection procedures
 - Create data collection form or use [IBA HMDA Data Input Form](#)
 - Identify source documents for data in procedures
 - Use CFPB [LAR Formatting Tool](#) or consider vendor solution for collection & reporting

Next Step

- Identify persons responsible for data collection
- Train staff (MLOs, loan officers, processors, etc.)
 - Covered applications
 - Data points
 - Bank procedures
- Determine who is responsible for LAR input
- Create data & LAR validation process (second review)
- Determine if bank should use outside party to review LAR sample prior to filing

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Next Steps

CFPB

- Resources for HMDA Filers [webpage](#)
 - Filing Instruction Guide
 - LAR Formatting Tool
- CFPB HMDA [Webpage](#)
 - Regulatory & Reporting Overview Reference Chart
 - Small Entity Compliance Guide
 - Executive Summary of Small Filer Partial Exemption

IBA

- Bankers Compliance Resources
 - LAR Data Point Guide
 - HMDA Data Input Sheets
 - Commercial Loan Request Summary & Data Collection doc
 - Covered Loan Guide
 - URLA Demographic Addendum
 - Reportable Income Guide
 - Action Taken Guide
 - And more

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Next Steps

- IBA onsite/virtual HMDA Training
 - Contact Ronette Schlatter at rschlatter@iowabankers.com or Julie Gliha at jgliha@iowabankers.com
 - Banks can incorporate their procedures, if desired
- HMDA sample review
 - Contact Shelley Hardisty at shardisty@iowabankers.com
 - Based on agency exam procedures & sample size recommendations

Got Compliance Questions?

- On IBA website:
 - [Compliance Tools & Resources](#)
 - [Publications](#)
 - Disclosure, Iowa Banking Guide, Check Handling Guide, Record Retention Manual & more
 - [Training](#)
 - Compliance Briefs, On-demand training & more
- Compliance Hotline
 - compliance@iowabankers.com
 - 844-REGS411 (or 844-734-7411)

