Table of Contents

Chapter 1 Introduction

[Sample Client] is committed to the highest standards of federal consumer compliance and requires all management, employees, and third-party vendors to follow these policies and adhere to these standards.

1.1 Goals and Objectives

The standards set out in this policy represent minimum requirements based on applicable legal and regulatory guidance and apply throughout [Sample Client]'s operations. These requirements are intended to prevent [Sample Client], its employees, and third-party vendors from violating federal regulations related to mortgage banking and consumer compliance with respect to fair housing and fair lending laws, regulations, and practices.

1.2 Required Review

[Sample Client] requires this policy be reviewed no less than annually. The review will include the compliance of this policy with current law, regulation or directive, the procedural implementation of this policy within the then-current scope of [Sample Client]'s business lines and operations, internal or external audit results received during the previous year, and then-current industry trends or regulatory guidance.

1.3 Applicability

The purpose of this policy is to implement consumer protection mechanisms as required by the United States statutes and related federal regulations administered by the Consumer Financial Protection Bureau (CFPB) and other prudential regulators as identified by the CFPB including the Board of Governors of the Federal Reserve System (FRS), the Federal Deposit Insurance Corporation (FDIC), the National Credit Union Administration (NCUA), and the Office of the Comptroller of the Currency (OCC).

Wherever state or local regulations overlap and are stricter than the requirements set out in this policy, the more conservative approach will be applied. If any applicable laws or prudential regulator requirements conflict with this policy, [Sample Client] must consult with the appropriate legal counsel to resolve the conflict and to set forth [Sample Client]'s policies and procedures for compliance.

Chapter 4 Home Mortgage Disclosure Act and Regulation C

Regulation C implements the Home Mortgage Disclosure Act, which is intended to provide the public with loan data that can be used

- to help determine whether financial institutions are serving the housing needs of their communities;
- to assist public officials in distributing public-sector investment to attract private investment to areas where it is needed; and
- to assist in identifying possible discriminatory lending patterns and enforcing anti-discrimination statutes.

Neither the act nor the regulation is intended to encourage unsound lending practices or require the allocation of credit by [Sample Client].

In the years since HMDA was originally enacted, it has shifted from being a statute aimed at monitoring and preventing overt discrimination (such as redlining) to one widely used by the regulators as a fair lending assessment tool.

HMDA data is typically submitted annually to the appropriate federal regulator using a Loan Application Register (LAR) format, and institutions like [Sample Client] must make their LAR data available to the public upon request via the CFPB website for three years. Quarterly submission may be required beginning in 2020.

Regulation C includes detailed, specific requirements on the collection, recording, reporting, record retention, and disclosure of HMDA data by institutions like [Sample Client]. Violations of HMDA can result in substantial compliance, reputational and financial risk, as they subject [Sample Client] to potential administrative sanctions, including the correction and resubmission of the data and/or imposition of civil money penalties. In cases involving a pattern or practice of discouraging or denying applications in violation of ECOA, the CFPB is required to report the matter to the U.S. Department of Justice for further action.

Each HMDA reporting entity should have a rigorous, documented data collection process and a data quality control program that can withstand scrutiny by [Sample Client]'s prudential regulator and the CFPB.

Chapter 5 HMDA Lifecycle/Process

The HMDA process can be summarized in six steps:

1. Coverage Assessment
2. Data Collection
3. Data Quality Control
4. Preparing for Submission
5. Submission of the LAR
6. Post-Submission, Resubmission, and Disclosures

Each step is covered separately in this chapter.

5.1 Coverage Assessment

In an attempt to lessen the regulatory burden for smaller organizations, regulators developed institutional and transactional coverage tests. These tests assist in determining whether an organization is “covered” by HMDA and therefore, required to comply with Regulation C. To be subject to HMDA, [Sample Client] must meet the requirements specified in both coverage tests.

5.1.1 Institutional Coverage

[Sample Client] must use the following tests to determine whether it is subject to HMDA reporting requirements. Tests differentiate between banks, savings associations, credit unions, and other for-profit mortgage lending institutions. The following chart details requirements for depository or non-depository lenders as of January 1, 2018, effective through December 31, 2019.