

Action Date for HMDA Transition

by kblanchard@keycomplianceservices.com - Monday, March 20, 2017

<http://www.kaybeescomplianceinsights.com/action-date-hmda-transition/>

Is It Application Date or Action Date for HMDA in 2018?

Recently, a number of questions have been asked about whether the revised HMDA rules going into effect 1/1/2018 apply only to applications taken in 2018.

Following normal HMDA reporting practices, and the instructions in the preamble to the final HMDA rule published in the [Federal Register of October 28, 2015](#), the revised rule applies to all applications with an **action taken date of January 1, 2018** and onward. Refer to Page 22657 of the Federal Register:

“This final rule applies to covered loans and applications with respect to which final action is taken beginning on January 1, 2018. Data on these covered loans and applications are submitted to the appropriate Federal agency pursuant to § 1003.5(a) beginning on January 1, 2019. For example, if a financial institution described in 2(g) of this part receives an application on January 1, 2018 and takes final action on that application on March 1, 2018, data about that application will be collected and recorded pursuant to § 1003.4, and submitted to the appropriate Federal agency by March 1, 2019 pursuant to § 1003.5(a). Similarly, **if a financial institution described in 2(g) of this part receives an application on December 1, 2017 and does not take final action on that application until January 1, 2018, data about that application would be collected and recorded pursuant to § 1003.4 and submitted to the appropriate Federal agency by March 1, 2019 pursuant to § 1003.5(a).**⁴⁴¹ The final rule also applies to purchases that occur on or after January 1, 2018. For example, a financial institution described in 2(g) of this part that purchases a HMDA reportable loan on February 1, 2018 would collect and record data about that purchase pursuant to § 1003.4, and submit the data to the appropriate Federal agency by March 1, 2019 pursuant to § 1003.5(a).

⁴⁴¹The Bureau understands that final action taken on an application may not occur until a few months after the application date. A financial institution may receive an application at the end of a calendar year but may not determine the final disposition of the application until the following calendar year.

Why Isn't the Revised Rule Implemented Only for Applications Taken in 2018?

HMDA reporting involves an aggregation of data for applications with final action taken in a single calendar year. Applying the new rule only to applications taken in 2018 would leave applications taken in 2017 (or previously) and final action in 2018 unreported. There would have to be a special filing for those transactions, and what if some were not originated until 2019? That would be yet another separate submission. What would that do to fair lending analysis?

It truly makes more sense to apply the rule based upon action date.

Some have asked why HMDA reporting is not based on application date. If HMDA data was gathered by application date, you would be including applications that have not yet reached a final processing stage and therefore would not yet have all required data available (including an action taken type or action taken date). Until final action is taken, many aspects of the transaction can change including applicant names, loan amount, collateral address, interest rate, etc. Additionally, reported transactions must be geocoded using the same annual year census data in order to allow for meaningful comparisons and analysis.

TRID implementation could be done by application date because the TRID rules are applied on an application by application basis, and not aggregated together systemically in the manner of HMDA data.

Historical Reporting

HMDA has always been reported by action date. The current HMDA **Getting It Right Guide** states (Page 7):

“A LAR for a given calendar year must contain all reportable applications that reached final action (e.g., origination of a loan, denial of an application) in that year, regardless in which year the application was submitted. The LAR should exclude applications that have not yet reached a final action; those applications should appear on the LAR for the calendar year in which they reach final action.”

Planning for the Transition

Transitioning to the new HMDA rule will take planning and pipeline management. Be prepared to capture the new fields on applications taken prior to 2018 and already in the pipeline. As year end 2017 approaches, it might be possible to finalize open applications prior to year end provided regulatory and safety and soundness considerations are observed (don't deny all open applications on December 31, 2017!) Some applications simply will not be ready for final action. For those, be prepared to have all data available to report for the revised HMDA LAR.

There are nine months left in 2017 – start planning for the transition.

Ethnicity, Race and Sex Transition Rule

There is a special transition rule for using and reporting the expanded ethnicity and race information on applicants. The CFPB has issued a [chart](#) that explains the process well. The aggregate ethnicity data means "Hispanic or Latino" or "Not Hispanic or Latino". Aggregate race refers to the major categories now in use (American Indian or Alaska Native; Asian; Black or African American; Native Hawaiian or Other Pacific Islander; and White).

Disaggregated data refers to the subcategories that can be selected by applicants for 2018 reporting, such as Mexican, Puerto Rican or Cuban, for ethnicity.

For 2017, only aggregate data will be reported even if the financial institution voluntarily collected the disaggregated data. The disaggregated data is not "official" until 2018.

Application Year	Final Action Year	Ethnicity and Race Collection and Reporting Requirements
2017	2017	Collect aggregate and report aggregate, OR
		Collect disaggregated and report aggregate
2017	2018	Collect aggregate and report aggregate, OR
		Collect disaggregated and report aggregate, OR
2018 and beyond	2018 and beyond	Collect disaggregated and report disaggregated
		Collect disaggregated and report disaggregated, AND Report whether ethnicity, race, and sex were collected on the basis of visual observation or surname**



GET HELP WITH HMDA
Training Tools Support

[Learn More](#)