There are two primary reasons to take the time to determine “what do these HMDA changes mean to our financial institution”.

First, if the institution is a lower volume reporter, it might not have to report due to the new loan volume test.

The second reason is to assess the impact of the new reporting on the volume to be reported so that you can estimate staffing needs for managing the HMDA process and LAR preparation and submission.

All dwelling secured consumer purpose loans, both closed and open end, will be reported starting 1/1/2018. Business purpose loans that are dwelling secured will continue to be reported if for purchase, improvement or refinance, but business purpose open end lines for those purposes will also be reported, so there is an impact on commercial lending along with the expanded fields.

Pay attention to the changes in definitions when conducting your assessment. There are major changes in the definition of dwelling, such as any dwelling on land primarily used for agricultural purposes is not a dwelling for HMDA purposes regardless of the purpose of the loan. Additionally, non-standard housing such as boats, floating homes, and RVs will not be considered dwellings for HMDA purposes.

This all means that you need to assess:

- The impact of the broader coverage for consumer purpose loans (no longer purpose driven, if the loan is dwelling secured it is reportable);
- The increase in volume of consumer and business purpose reporting due to the addition of dwelling secured open end lines of credit;
- The impact of changes to the definition of dwelling;
- The impact of the many new fields to be reported.

The new fields definitely affect the process. If a smaller financial institution has had one employee manually creating the HMDA LAR, that process must be reassessed. Sources of the new data must be determined, and the fields must be understood as some are a bit tricky and will take thought to apply to each transaction. HMDA testing will also take longer because of the new fields.

I have written about HMDA topics and the new rule; these articles should help your understanding of the changes.

Loan volume test

Agricultural purpose changes
Loan purpose changes

Definition of dwelling

Multi-family properties

If you want help with these changes, we have webinars and, of course, The HMDA Academy, which includes training webinars, charts to help you learn and understand the changes, and answers to your questions that you can post at any time. If you have questions about how we can help, get in touch here.

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