



Comptroller of the Currency
Administrator of National Banks

A Telephone Seminar

The Home Mortgage Disclosure Act: A Regulatory Perspective on Challenges and Opportunities

Thursday, June 23, 2005

**Speaker Biographies
Power Point Presentation**



SAVE THE DATE

Tuesday, August 2, 2005
2:00 p.m. – 3:30 p.m. EDT
and again

Wednesday, August 3, 2005
12:00 p.m. – 1:30 p.m. EDT

Mark your calendar for OCC's next telephone seminar on corporate governance. Program details and registration information will be available July on our Web site, www.occ.treas.gov/up_event.htm.

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Condition of the Banking Industry

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Julie L. Williams

Acting Comptroller of the Currency

Office of the Comptroller of the Currency



Julie L. Williams became Acting Comptroller on October 14, 2004, succeeding John D. Hawke, Jr. at the end of his term of office. Ms. Williams was initially appointed Chief Counsel of the Office of the Comptroller of the Currency in June 1994, with responsibility for all of the agency's legal activities, including legal advisory services to banks and examiners, enforcement and compliance activities, litigation, legislative initiatives, and regulation of securities and corporate practices of national banks. As the agency's statutory "First Deputy," she previously served as Acting Comptroller from April 6, 1998 through December 8, 1998, before Mr. Hawke was sworn in as the 28th Comptroller of the Currency.

As Chief Counsel, Ms. Williams also supervised the Licensing Department and the Community Affairs Department, and served as a member of the OCC's Executive Committee. In her current position, Ms. Williams leads the Executive Committee in providing policy and strategic direction to the agency.

Ms. Williams joined the OCC in May 1993 as Deputy Chief Counsel with responsibility for special legislative and regulatory projects. Before joining the OCC, Ms. Williams served in a variety of positions at the Office of Thrift Supervision and its predecessor agency, the Federal Home Loan Bank Board, culminating in a position as Senior Deputy Chief Counsel at the OTS from 1991 to 1993. Ms. Williams joined the Bank Board in 1983, after working as an attorney with the law firm of Fried, Frank, Harris, Shriver & Kampelman in Washington, D.C. from 1975 to 1983.

Ms. Williams is the author of *National Banks and the Dual Banking System* (Comptroller of the Currency, 2003) and *Savings Institutions: Mergers, Acquisitions and Conversions* (Law Journal Seminars-Press, 1988), and has published numerous articles on the regulation of depository institutions, financial services, securities and corporate law matters.

She was awarded a B.A. in 1971 from Goddard College, Plainfield, Vermont, and a J.D. in 1975 from Antioch School of Law, Washington, D.C., where she was first in her class.

Barry Wides

Deputy Comptroller

OCC Community Affairs



Barry Wides is the OCC's deputy comptroller for Community Affairs where he leads a department of community development professionals located in Washington and the four OCC districts. The Community Affairs staff is responsible for outreach to banks and their community partners, the administration of the "Part 24" public welfare investment authority, the development of policy, and the creation and distribution of educational materials on community development issues.

Prior to joining the OCC in 1999, Mr. Wides was director of Affordable Housing Sales at Freddie Mac where he led a nationwide sales team responsible for developing products and strategies to achieve the company's congressionally-mandated affordable housing goals. He previously served as deputy director of the Resolution Trust Corporation's Affordable Housing Program. Mr. Wides began his career in Washington as a presidential management intern and budget examiner at the Office of Management and Budget.

Barry is a Certified Public Accountant and holds a BS in Accounting and an MBA from Indiana University.

Kathryn Ray

Special Counsel

Community and Consumer Law Division



Kathryn Ray has been with the Community and Consumer Law Division of the Office of the Comptroller of the Currency (OCC) since 1998. Ms. Ray has worked primarily on issues involving fair lending, predatory lending, electronic banking, and the Community Reinvestment Act.

Before joining the OCC, Ms. Ray served as a trial attorney in the Civil Division of the United States Department of Justice for 10 years. Ms. Ray represented the United States in federal litigation involving employment law, administrative law, and constitutional issues. Before that, Ms. Ray worked as an associate in the labor and employment law section of Hunton & Williams in Richmond, Virginia, and clerked for United States District Judge T.S. Ellis, III.

Ms. Ray graduated from the University of Virginia School of Law in 1986. She received a B.A. degree, with highest distinction, from the University of Virginia in 1983.

Calvin R. Hagins

Senior Advisor

OCC Compliance Division



Calvin R. Hagins became Senior Advisor to the Deputy Comptroller in March 2003. In that position, he serves as an expert on the formulation and implementation of a broad range of policies and procedures relating to the efficient and effective supervision of compliance risk. He also advises OCC executive management and examiners throughout the country on complex compliance supervision issues and provides recommendations on a broad range of compliance supervision, operational and planning matters, and reviews of proposed and final policies, advisory letters, and other issuances. In addition, he represents the deputy comptroller at conferences and in meetings with other federal government agencies and banking organizations.

From March 1999 through March 2003, he served as the assistant deputy comptroller (ADC) – Compliance. In that capacity he provided technical expertise and guidance to the Southeast District’s mid-size and community banks on all aspects of consumer compliance, CRA, fair lending and Bank Secrecy Act/ AntiMoney Laundering activities.

Prior to serving as the ADC - Compliance, he served as an examiner in the Compliance Cadre from 1994 to 1999. During that period, Mr. Hagins was active in developing and instructing in the National Basic Consumer Compliance School, the National Fair Lending School, and the National CRA School.

Mr. Hagins joined the OCC in 1987 and was commissioned a national bank examiner in 1993. He holds a BS in finance from the University of South Florida in Tampa.



OCC Teleconference

The Home Mortgage Disclosure Act: *A regulatory perspective on challenges and opportunities*

Office of the Comptroller of the Currency

June 23, 2005



Teleconference Highlights

- Overview of HMDA revisions, common mistakes, and frequently asked questions
- Analyzing the new HMDA data for fair lending performance
- Steps lender can take to address potential problems highlighted by HMDA data
- Reaching more borrowers with affirmative outreach strategies and more inclusive lending products and practices
- Questions and answers



Key Changes to HMDA

- Lenders now report higher-priced loans – rate spread loans
- 3 percent over comparable Treasury for 1st liens
- 5 percent over comparable Treasury for 2nd liens
- Pricing data must be reported for originations of home purchase loans, secured home improvement loans, and refinancings
- Identify HOEPA loans
- Identify manufactured home loans
- Report lien status



Ethnicity Classifications

HMDA Ethnicity Classifications:

- Hispanic or Latino
- Not Hispanic or Latino

Standard definition for ethnicity, as provided by the Office of Management and Budget (OMB):

Hispanic and Latino

- A person of Cuban, Mexican, Puerto Rican, South or Central American, or other Spanish culture or origin, regardless of race.



Race Classifications

Race Fields:

- American Indian or Alaska Native
- Asian
- Black or African American
- Native Hawaiian or Other Pacific Islander
- White

Lenders must inform applicants that they can select one or more of these five race categories, as defined by OMB. Standard classifications can be found in: www.whitehouse.gov/omb/fedreg/1997standards.html



Ethnicity and Race (Cont.)

If lender is face-to-face with applicant and/or co-applicant who:

- Is self-identified as “Hispanic or Latino” or lender identified as “Hispanic or Latino” because applicant declined AND
- Has not identified race, lender must identify whatever race(s) he/she believes applies, based on surname and visual observation.
- Lender may not indicate Code 7 (not applicable) for race.



Ethnicity and Race (Cont.)

Code 7 may be used for race only if:

- Applicant is not a natural person or
- Loan was purchased, not originated or
- Application was received before 1/1/04 and final action was reached on or after 1/1/04

Code 3 may be used for mail, Internet, or telephone applications if:

- Applicant does not provide information



Common Mistakes

Ethnicity and Race:

- A Guide to HMDA Reporting: Getting It Right!
(January 1, 2004)
<www.ffiec.gov/hmda/pdf/2004guide.pdf>
- Letter from FFIEC to Institutions Subject to
HMDA (November 29, 2004)
<www.ffiec.gov/hmda/regc.htm>



Common Mistakes (Cont.)

- Covered pre-approval programs are evidenced by written commitments
(Detailed guidance in 12 CFR 203.2(b))
- For reporting purposes, a refinancing is any dwelling-secured loan that replaces and satisfies another dwelling-secured loan to the same borrower
- The term “canceled” causes confusion



Data Requests from Public

- After March 1, 2005
- Provide within 30 days after request
- Electronic format is decided by lender
- Provide modified LAR
- For guidance see 12 CFR 203.5(c)



Non-HMDA Reporters

- Non-HMDA reporters use Fair Housing Home Loan Data System
- For guidance see OCC Bulletin 94-36: *Fair Housing Home Loan Data System*



Role of Board of Directors

- Ensure bank management provides accurate and complete HMDA data
- Review by internal audit and audit committee
- Thorough and complete data reduce regulatory burden

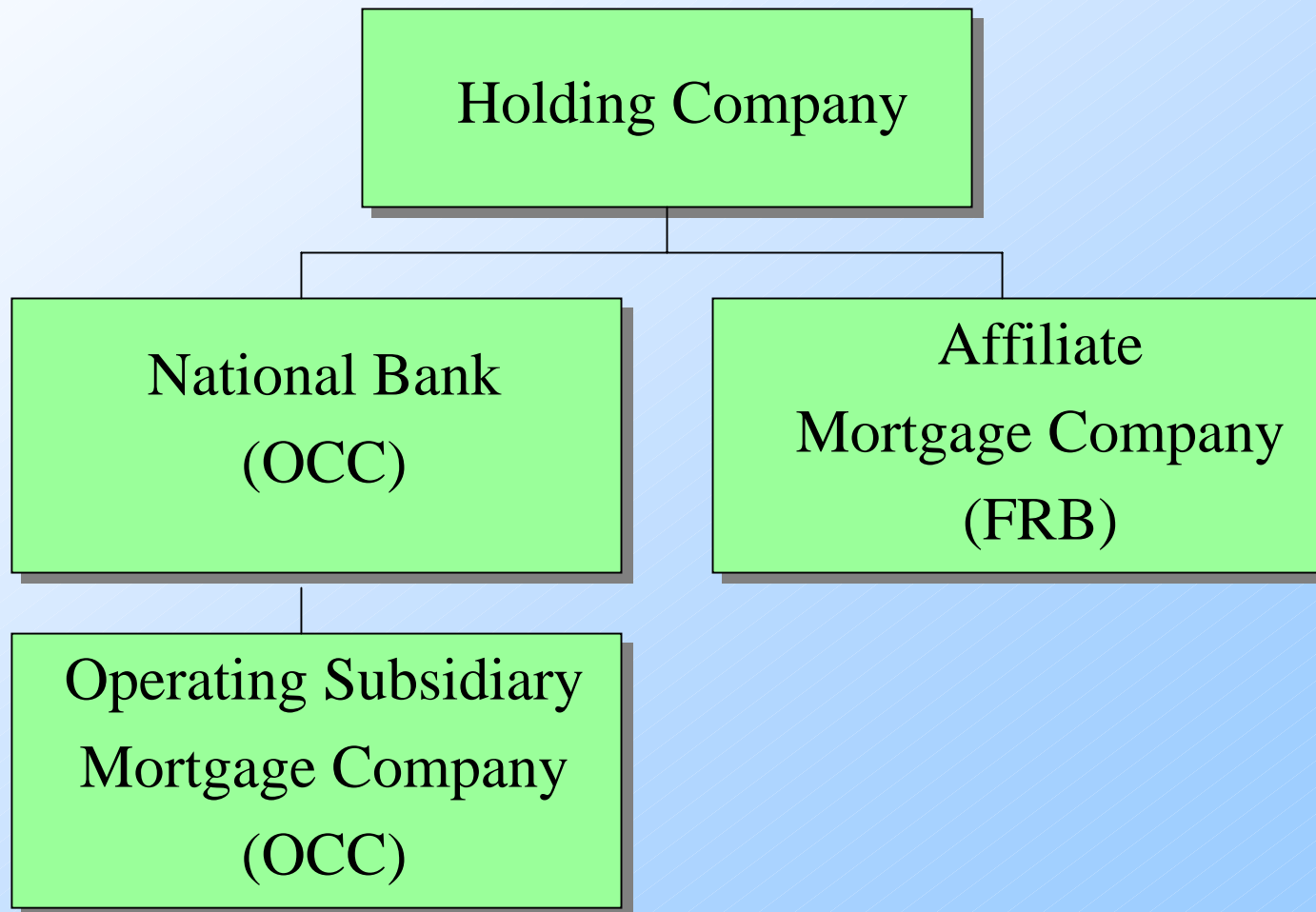


Monitoring Fair Lending Performance

- Select focal point
- Compare similar customer pools
- Compare one control group with one prohibited basis group
- Example: Compare “White, non-Hispanic, or Latino” with “Black”
- Refer to *Comptroller’s Handbook for Compliance, Fair Lending Examination Procedures*



Operating Subsidiaries and Affiliates





Analysis of Pricing Data

- Look at rate spread loans and HOEPA loans
- For each group (e.g., White, Hispanic, Black or African American), look at:
 - The frequency of receiving these types of loans
 - The average rate spread
- Look for disparities or patterns that raise concern
- Further refine analysis to take into account, at a minimum, those factors that are most important to the pricing decision



Lenders Without Rate Spread Loans

- OCC has always had the authority to look at pricing in fair lending exams
- Lenders not reporting any rate spread loans should still conduct internal analysis
- Look for pricing variances
- Even small rate differences can be significant



Risk Factors in Pricing Policies

- Loan officer or broker compensation systems
- Broad discretion in pricing
- Risk-based pricing that is not well supported
- Substantial disparities in prices quoted or charged on a prohibited basis
- Consumer complaints
- Predatory lending practices



Additional Pricing Policy Risks

- Steering borrowers to higher-rate products based on a prohibited basis
- Borrowers “referred down” to subprime lender
- Location of prime vs. subprime lending outlets
- Lack of clear and objective standards for products to be offered or recommended
- Targeting predatory or abusive products to minority neighborhoods



Risk-Based Pricing and Automated Underwriting Systems

- Understand and validate your systems
- OCC considers variables justified by business necessity if they are statistically related to loan performance and have an understandable relationship to a person's creditworthiness
- Be careful with exceptions and overrides



Risk-Based Pricing (Cont.)

- Lenders should be compensated for taking more risk
- Responsible subprime lending can expand access to credit for some consumers with special credit needs (see OCC Bulletin 2001-6: *Expanded Guidance on Subprime Lending Programs*)
- Pricing differentials should be documented through analysis illustrating that returns are adequate to compensate for various levels of risk assumed



Loan Officer and Mortgage Broker Considerations

- Risk of overages or yield spread premiums being marked-up on a prohibited basis
- Lender needs adequate controls on compensation and discretion in setting prices
- Carefully monitor and control compensation to loan officers and brokers so it does not result in discrimination



Standards for Residential Mortgage Lending

- OCC Part 30 Guidance (incorporates AL 2003-2 and AL 2003-03, issued February 2003)
- Actively manage third-party relationship with mortgage brokers
- Standards for total compensation, maximum rates, points, overages, and yield spread premiums
- Identifies loan features to be avoided
- Lender may correct problems with submission of compliance plan
- If necessary, OCC can bring enforcement actions



Fair Lending Handbook

- Self-assessments:
 - Self-tests (do create new data not available in loan, application, or other records)
 - Self-evaluations (do not create new data or factual information)
- Risk screening process will include new HMDA pricing data



Market Share Analysis

- Compare your bank against competitors
- Use individual and aggregate data
- Conduct analysis by MSA
- Use demographic data on FFIEC Web site
- Data are useful for targeted marketing efforts



Affirmative Marketing

- Establish partnerships with housing counseling agencies
- Establish “referral-up” programs between mortgage lending affiliates
- Utilize new secondary market flexible mortgage products
- Consider use of special purpose credit programs under Regulation B



Subprime/Near Prime Market Products

- Some subprime borrowers can qualify for prime or near prime rates
- Knowledge of mortgage products is key
- Secondary market products reduce rate after 24 months of on-time payments
- Greater use of government programs that serve to credit-enhance higher risk mortgage transactions



Establish Partnerships

- Form partnerships with community-based housing counseling organizations
- Non-profit partners can reach segments of market that lenders cannot reach
- Non-profits can refer new customers once they are “home buyer ready”
- Find counseling agencies on HUD Web site
- Goal is to provide borrowers with best products suited to their needs



Non-Traditional Credit

- 50 million without traditionally established credit
- Development of non-traditional mortgage credit reports for “pay-as-you-go” customers
- Mortgage products available for homebuyers with non-traditional mortgage credit reports



Questions and Answers

OCC's HMDA Teleconference Resource Guide

Fannie Mae

My Community Mortgage

- www.efanniemae.com/hcd/pdfs/mcm_lik.pdf

Expanded Approval with Timely Payment Rewards

- www.efanniemae.com/singlefamily/pdf/eaqaq.pdf

Non-Traditional Mortgage Credit Report

Fannie Mae Selling Guide

Part X: Underwriting Guidelines (06/30/02)

Chapter 1: Loan Application Package (07/03/00)

Section 103: Verification of Credit History (06/30/02)

Section 103.04: Nontraditional mortgage credit report (06/30/02)

Chapter 8: Credit History (06/30/02)

Section 804: Using Nontraditional credit history to assess credit risk (06/30/02)

Federal Housing Administration (FHA)

FHA Section 203(b) Mortgage Insurance Program

- www.hud.gov/offices/hsg/sfh/ins/sfh203b.cfm

FHA Section 203(k) [Property Rehabilitation Mortgages]

- www.hud.gov/offices/hsg/sfh/203k/203kmenu.cfm

Non-Traditional Mortgage Credit Report

HUD Manual 4155.1 REV-5: Mortgage Credit Analysis for Mortgage Insurance, One- to Four-Family Properties

CHAPTER 2: MORTGAGE CREDIT ANALYSIS (10/03)

CHAPTER 2, SECTION 1: CREDIT HISTORY (10/03)

2-3: ANALYZING THE BORROWER'S CREDIT (10/03)

2-4: CREDIT REPORT REQUIREMENTS (10/03)

FFIEC 2004 HMDA Edit Guide (Syntactical, Validity and Quality)

- www.ffiec.gov/hmda/pdf/edit2004.pdf

FFIEC 2005 CRA and HMDA Data Entry Software

- www.ffiec.gov/crahmdacf/default2.cfm

FFIEC Additional Guidance Letter

- www.ffiec.gov/hmda/regc.htm

FFIEC *A Guide to HMDA Reporting: Getting It Right!*

- www.ffiec.gov/hmda/pdf/2004guide.pdf

FFIEC Changes to Regulation C –

- www.ffiiec.gov/hmda/RegC.htm

FFIEC Frequently Asked Questions about the New HMDA

- www.ffiiec.gov/hmda/faq.htm

FFIEC Interagency CRA Questions and Answers

- www.ffiiec.gov/cra/qnadoc.htm

FRB – Changes to Public Disclosure Tables

- www.federalreserve.gov/boarddocs/press/bcreg/2004/20041210

FRB – Equal Credit Opportunity Act (ECOA) – Regulation B

- www.federalreserve.gov/boarddocs/press/bcreg/2003/20030305/attachment.pdf

FRB – HMDA: Exemption Threshold for Depository Institutions

- www.federalreserve.gov/boarddocs/press/bcreg/2004/200412212/default.htm

FRB – Home Mortgage Disclosure Act: Regulation C

- www.ffiiec.gov/hmda/pdf/regulationc2004.pdf

FRB – Home Mortgage Disclosure Act: Exemption Threshold for Depository Institutions under Regulation C

- www.occ.treas.gov/fr/fedregister/69fr77139.pdf

FRB – Truth in Lending Act - Regulation Z

- www.federalreserve.gov/regulations/default.htm#z

Freddie Mac –

Home Possible

- www.freddiemac.com/sell/factsheets/pdf/hp100.pdf

Affordable Merit Rate

- www.freddiemac.com/sell/factsheets/merit_rate.htm

Non-Traditional Mortgage Credit Report

Freddie Mac Single-Family Seller/Servicer Guide, Volume 1

Chapter 37: Underwriting the Borrower

37.4: Establishing Borrower credit reputation (3/26/04)

37.11: Verification of payment history (2/7/03)

HUD-Approved List of Housing Counseling Agencies

- www.hud.gov/offices/hsg/sfh/hcc/hccprof14.cfm

NeighborWorks America Housing Counseling Organizations

- www.nw.org/network/Utilities/NWOLookup.asp

Office of Management and Budget – Revisions to the Standards for the Classification of Federal Data on Race and Ethnicity

- www.whitehouse.gov/omb/fedreg/1997standards.html

OCC Guidance

Avoiding Predatory and Abusive Lending Practices in Brokered and Purchased Loans

- www.occ.treas.gov/ftp/advisory/2003-3.doc

Credit Scoring Models: Examination Guidance

- www.occ.treas.gov/ftp/bulletin/97-24.wpw

Fair Credit Reporting Act (FCRA)- Final rule: Prescreen Opt-Out Disclosure

- www.occ.treas.gov/ftp/bulletin/2005-7.doc

Fair Housing Home Loan Data System - Final Rule

- www.occ.treas.gov/ftp/bulletin/94-36.doc

Fair Lending Exam Procedures

- www.occ.treas.gov/handbook/fairlep.pdf

Guidance on Unfair or Deceptive Acts or Practices

- www.occ.treas.gov/ftp/advisory/2002-3.doc

Guidelines for National Banks to Guard Against Predatory and Abusive Lending Practices

- www.occ.treas.gov/ftp/advisory/2003-2.doc

Large Bank CRA Examiner Guidance

- www.occ.treas.gov/ftp/bulletin/2000-35a.pdf

Revision to Reporting Requirements

- www.occ.treas.gov/ftp/bulletin/2002-36.doc

Standards for National Banks' Residential Mortgage Lending Practices: Appendix C to 12 CFR Part 30

- www.occ.treas.gov/ftp/bulletin/2005-3.doc

Sub prime Lending – Expanded Guidance for Subprime Lending Programs

- www.occ.treas.gov/ftp/bulletin/2001-6.doc

The Special Purpose Credit Program: A Valuable Tool When Carefully Implemented

- www.occ.treas.gov/cdd/summer2001.pdf

Third Party Relationships: Risk Management Principles

- www.occ.treas.gov/ftp/bulletin/2001-47.doc

Updated Interagency HMDA Examination Procedures

- www.occ.treas.gov/ftp/bulletin/2005-17a.pdf