



CRAHMDA REPORTER

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Explanations for Macro Quality Edits are Mandatory

Every year, the Home Mortgage Disclosure Act (HMDA) Operations staff receive many questions from institutions about macro quality edits. Below are answers to some of the most common questions about macro quality edits, reasons for providing detailed explanations on the Macro Quality Edit Report, and examples of acceptable macro edit responses.

What is a Macro Quality Edit?

While the more common micro quality edits focus specifically on each institution's individual loan records, macro quality edits look at the overall trends in an institution's report. Some macro quality edits compare the current year's data to the previous year's reported data. Institutions need to provide a detailed response to any macro edit they receive indicating that their data is either correct as reported or needs to be resubmitted.

Why is it necessary to explain a Macro Quality Edit in detail?

HMDA Operations staff require detailed explanations for macro quality edits to ensure that the macro quality edit has been fully analyzed by the compliance officer, and that any detected mistakes are corrected. Furthermore, an edit report cannot be marked complete without a full explanation for all macro quality edits.

Macro Quality Edits and Responses:

Example 1

Q061 THE NUMBER OF LOANS WHERE PROPERTY TYPE = 1, LIEN STATUS = 1, ACTION TAKEN TYPE = 1 AND RATE SPREAD > 5% AND NOT = NA IS > 1% OF THE TOTAL NUMBER OF ORIGINATED LOANS; VERIFY

Acceptable Response

All loans in question for this loan product reflect our policies associated with the collateral. We had a very small number of loans this year, and they all happened to reflect this trend.

Example 2

Q015 MULTIFAMILY LOAN APPLICATIONS >= 10% OF TOTAL LOAN APPLICATIONS AND/OR >= 10% OF THE TOTAL DOLLAR AMOUNT OF THE LOAN APPLICATIONS; VERIFY

Acceptable Response

All loans in question are multifamily loans. Our bank does primarily commercial lending. All loans and corresponding dollar amounts have been verified.

Unacceptable Responses:

- No corrections needed.
- Loans are reported correctly.
- No errors.

E-mail Your Response to the HMDA Edit Report

We encourage HMDA respondents to e-mail a PDF copy of their response to the edit report to HMDAHELP@FRB.GOV. E-mailing the report, rather than faxing, expedites the process of tracking the edit report as complete.

Use the following subject heading: "[institution's agency code, region code and Respondent ID (RID)] HMDA Edit Report Response." For example: 3-2-19652 HMDA Edit Report Response. Ensure that all contact information is in the body of the e-mail. Please attach all appropriate pages of the edit report, including confirmation sheet with signature and date. Use the edit report's checklist (located after the cover sheet) as a guide while you complete the edit report; do not return the checklist to us.

NOTE: Send the edit report response via e-mail or fax, not both.

Understanding Quality Edits Q026, Q067, and Q068

Every April, the Federal Reserve Board's HMDA Operations staff conduct its annual data-quality assessment of the calendar year (CY) HMDA data being processed. The most recent assessment (conducted during April 2012 of the CY 2011 HMDA data) revealed a high rate of misreporting when the following data fields were reported in combination for a single Loan/Application Record (LAR):

- Applicant Ethnicity, Race, and Sex: 4, 7, and 4, respectively
- Co-applicant Ethnicity, Race, and Sex: 4, 7, and 4, respectively
- Applicant Income: numeric value

LARs will be simultaneously "flagged" with quality edits Q026 and Q068 when the Applicant and the Co-applicant's Ethnicity, Race, and Sex are reported as 4, 7, and 4, respectively. Additionally, if this same LAR reports the applicant income as a numeric value, quality edit Q068 will also be listed.

If reporters encounter this particular scenario, they should first confirm the accuracy of the reported applicant data fields. If the applicant information is correct as reported, then the reporter should verify the accuracy of the co-applicant data fields. If the co-applicant informa-

tion remains 4, 7, and 4, then Applicant Income must be corrected to 'NA' since the borrowers or applicants are both either a corporation, partnership, or other entity that is not a natural person. (See 2010 "A Guide to HMDA Reporting," available at www.ffiec.gov/hmda/pdf/2010guide.pdf, pages 15–16.) Alternatively, if it is discovered that there is no co-applicant, then the Co-applicant Ethnicity, Race, and Sex should be revised to 5, 8, and 5, respectively. In this case, the Applicant Income would still need to be corrected to 'NA' because the only applicant is not a natural person.

Use of the Federal Financial Institutions Examination Council (FFIEC) HMDA Data Entry Software's Error Report function allows you to identify these possible cases of misreporting and correct them prior to transmitting your CY 2012 HMDA LAR.

To obtain a copy of the CY 2012 HMDA Edits to further review the quality edits discussed above and to download a copy of the FFIEC HMDA Data Entry Software, visit page 6 for links to the FFIEC HMDA website.

Consumer Financial Protection Bureau Reporters: A Year in Review

In 2012, entities reported their first calendar year of HMDA data under the new provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act. The Dodd-Frank Act, enacted in July 2010, created new financial regulatory processes that enforce transparency and accountability, and implement rules for consumer protection.

The Dodd-Frank Act also established the Consumer Financial Protection Bureau (CFPB) to consolidate in one agency the consumer protection responsibilities of several government agencies. The functions of the CFPB include being the agency with HMDA reporting responsibility for very large banks, thrifts, credit unions (those with more than \$10 billion in assets), and their affiliates (including affiliates that are themselves banks, thrifts, or credit unions regardless of asset size, and subsidiaries of such affiliates). In this first calendar year of reporting, 273 CFPB reporters submitted 8,376,772 loan records for 2011 HMDA reporting. CFPB-regulated institutions

reported more HMDA loan application registers than any other regulatory agency. The CFPB relies on HMDA data to determine whether credit is being provided fairly; therefore, institutions should take extra measures to ensure the accuracy of their data.

CFPB reporters should transmit validity-free HMDA data to the Federal Reserve Board (FRB) for processing on behalf of the Federal Financial Institutions Examination Council by March 1 of the year following the collection of the HMDA data. The following are helpful tips that will assist CFPB institutions in reporting their HMDA data.

1. To ensure all required institutions are reporting HMDA data, large depository institutions should provide FRB staff with a listing of their mortgage subsidiaries and affiliates that are expected to report HMDA data.

(continued on pg. 3)

| Agency | Agency Code | Lender Type | HMDA Respondent ID (RID) | Institution Type |
|--------|-------------|---------------|--------------------------|---|
| CFPB | 9 | Depository | RSSD ID number | National bank, state member bank, state non-member bank, state-chartered thrift, federal-chartered thrift, credit union, federal branch or agency of foreign banking organization (FBO), branch or agency of FBO |
| CFPB | 9 | Nondepository | Federal Tax ID number | Mortgage banking subsidiary (MBS) of national bank, MBS of state member bank, MBS of state non-member bank, MBS of bank holding company, MBS of credit union, MBS of state-chartered thrift, MBS of Savings & Loan holding company, MBS of federal-chartered thrift |

2. To ensure institutions are reporting under the correct Respondent ID number and agency code, institutions should use the information in the table above.
3. To improve the efficiency and speed in which HMDA data is processed, reporters with advanced loan operating systems should ensure their systems are using the required formats for submitting HMDA data as outlined in the HMDA File Specifications (available at www.ffiec.gov/hmda/fileformats.htm).
4. To ensure a validity-free data submission, institutions should use the free FFIEC HMDA Data Entry Software (available at www.ffiec.gov/hmda/softinfo.htm) for collecting and reporting HMDA data. The software includes editing features to help verify and analyze the accuracy of the data.
5. To prevent Transmittal Sheet data errors or exceptions on submitted HMDA data, institutions should verify all fields on their Transmittal Sheet to include the Institution Name, Contact Name, E-mail Address, and Federal Tax Identification Number.
6. To prevent e-mail size restrictions and web submission failures, large institutions should notify the Federal Reserve Board via e-mail (at HMDAHELP@FRB.GOV), and arrange a day/time in which to send their large HMDA data file.

What Triggers a Recreated HMDA Disclosure Report?

Many institutions resubmit their HMDA data after the initial March 1 deadline for a reporting year. A resubmission of data can generate a Recreated Disclosure Report (a “recreate”) depending on the date the data is resubmitted. If an institution resubmits before the last Wednesday of April for the current reporting year, a recreate will not be generated.

The resubmitted data will be reflected in the public disclosure reports released the following September on the Federal Financial Institutions Examination Council’s (FFIEC) HMDA website (at www.ffiec.gov/hmdaadwebreport/DisWelcome.aspx). Any resubmission for that year that takes place after the April cutoff date will not be reflected in the public disclosure report, but a recreate will be e-mailed to the institution.

A recreate will be e-mailed to an institution once it has been successfully marked complete and after the public data have been posted to the FFIEC HMDA website. To be marked complete and receive a recreate, an institution must indicate the reason for resubmission (such as a bank exam or internal audit) on the Confirmation Sheet. If a resubmission was due to a bank exam, the institution must specify what type(s) of error was discovered that warranted a resubmission.

Once the above information is verified, an institution will be marked complete and its recreated disclosure report will generate overnight. It will be e-mailed the next day or following the September public release to the contact person listed on the Transmittal Sheet.

Signing up for E-mail Alerts

Q: How can I be notified when the HMDA Aggregate and Disclosure Reports have been released to the public?

A: HMDA Alerts are distributed when updates or revisions about HMDA data are posted to the FFIEC HMDA website; this includes the public release of the HMDA Aggregate and Disclosure Reports.

To sign up, go to www.ffiec.gov/hmda and click on the “E-mail Alert Sign-Up” icon. You will be asked to enter and confirm your e-mail address. (Subscribers can also update or remove e-mail addresses using this same link and selecting “Subscriber Preferences.”)

The Definition of a Parent Company

The HMDA Transmittal Sheet contains a “parent” field that you should complete if it is applicable to your institution. The parent listed must be the depository institution’s direct parent – the entity directly above the depository institution, subsidiary of the depository institution, or independent mortgage company that has more than 50 percent ownership interest.

Not all institutions have parent companies; if your institution does not have a parent company, leave this field blank. A Q033 quality error may appear on the edit report of an institution without a parent; this error may be disregarded. Do not enter the respondent information

pertaining to your home office in the parent information fields if no parent company exists.

Parent companies are primarily financial institutions, although a parent company could be a non-banking financial institution. Never report parent information if you are a National Credit Union Administration- (NCUA-) regulated depository institution because those institutions do not have parent companies. (The parent company should match the structural data from the Federal Reserve’s National Information Center website, www.ffiec.gov/nicpubweb/nicweb/nichome.aspx.) If you have questions, contact HMDAHELP@FRB.GOV.

Determining Your Institution’s HMDA Respondent ID

The table below includes information about the Respondent ID (RID) and agency code numbers that should be used by depository and nondepository entities reporting 2012 HMDA data.

| Agency | Depository Institution Respondent ID (RID) | Nondepository Institution RID | Agency Code |
|--------|--|--|-------------|
| CFPB | RSSD ID number | Federal Tax ID number (include hyphen) | 9 |
| FDIC | FDIC certificate number | Federal Tax ID number (include hyphen) | 3 |
| FRS | RSSD ID number | RSSD ID number | 2 |
| HUD | N/A (has no depository institutions) | Federal Tax ID number (include hyphen) | 7 |
| NCUA | Charter number | Federal Tax ID number (include hyphen) | 5 |
| OCC | Charter number | Federal Tax ID number (include hyphen) | 1 |

Community Reinvestment Act: Assessment Area Common Mistakes and Questions

The assessment area is one of the required elements of a Community Reinvestment Act (CRA) submission. The “2010 CRA Guide to Data Collection and Reporting” (available at www.ffiec.gov/cra/pdf/2010_CRA_Guide.pdf) defines an assessment area as one or more geographical area(s) delineated by an institution; these areas are used by its regulatory agency in evaluating the institution’s record of helping to meet the credit needs of its community. When institutions create their assessment area, they encounter two common problems.

First, institutions do not know how large one assessment area can or should be. The “Interagency Questions and Answers Regarding Community Reinvestment” (available at www.ffiec.gov/cra/pdf/2010-4903.pdf) directly addresses this question (see page 11667). The Interagency Questions and Answers states that an institution should not designate one assessment area “beyond the bounds of a metropolitan statistical area (MSA).” In other words, an institution should designate a separate assessment area for each MSA it intends to include, whether the entire MSA or only a segment of the MSA makes up an assess-

ment area. When an institution uses the FFIEC CRA Data Entry software to submit CRA data, the software allows more than one assessment area to be added. This tool should be used to accommodate the guidance issued in the Interagency Questions and Answers regarding the maximum size of one assessment area.

The second common mistake is that an institution reports an assessment area that is not contiguous. Institutions cannot simply identify the MSAs, states, cities, or counties they had small business or small farm loans in the activity year and then designate those specific geographical areas as their assessment area. The “2010 CRA Guide to Data Collection and Reporting” quotes Regulation BB, stating that “[f]or institutions other than those designated as wholesale or limited purpose, assessment areas must consist generally of one or more metropolitan statistical divisions or one or more contiguous political subdivisions such as counties, cities, or towns.” Therefore, an assessment area should be a contiguous geographical region.

Reporting Community Development Loans Accurately

One of the most common errors in the CRA data series is the overstating of community development loan amounts. This error occurs when the reporting institution does not recognize that the loan amount is to be recorded in thousands of dollars. Small business and small farm loan amounts are also reported in thousands; however, a Community Development loan is more susceptible to

error because there is no limitation on the size of the loan. For example, if an institution reports a Community Development loan for \$5,000 by inputting "5000" into the FFIEC's CRA Data Entry Software, the loan will be reported as \$5,000,000. To accurately report a \$5,000 loan, only a "5" should be input into the loan amount field.

Multifamily Affordable Housing: Loans Reportable for both CRA and HMDA

A loan for multifamily affordable housing is unique because it is the only loan type that is reportable under both the CRA and HMDA data series. A multifamily affordable housing loan would be reported as a home mortgage loan for HMDA and as a community development loan for CRA. To avoid double counting, all other loans that meet the definition of home mortgage, small business, or small farm can

be reported only in those respective categories, even if they also meet the definition of a community development loan. The FFIEC CRA site directly addresses this in the "Interagency Questions and Answers Regarding Community Reinvestment" (available at www.ffiec.gov/cra/pdf/2010-4903.pdf on page 11670).

E-mail Your Response to the CRA Edit Report

We encourage CRA respondents to e-mail a PDF copy of their response to the edit report to CRAHELP@FRB.GOV. E-mailing the response, rather than faxing, expedites the process of tracking the edit report as complete.

NOTE: Send the edit report response via e-mail or fax, not both.

Determining Your Institution's CRA Respondent ID

The table below includes information about the Respondent ID (RID) and agency code numbers that should be used by depository entities reporting 2012 CRA data.

| Agency | Depository Institution Respondent ID (RID) | Agency Code |
|--------|--|-------------|
| FDIC | FDIC certificate number | 3 |
| FRS | RSSD number | 2 |
| OCC | Charter number | 1 |

FFIEC Reporting Resources

Below are links to reporting publications and filing resources produced by the Federal Financial Institutions Examination Council (FFIEC), and made available on the FFIEC CRA and HMDA websites.

CRA

CRA Aggregate Reports

www.ffeic.gov/craadweb/aggregate.aspx

CRA Disclosure Reports

www.ffeic.gov/craadweb/DisRptMain.aspx

Interagency Questions & Answers

www.ffeic.gov/cra/qnadoc.htm

FFIEC CRA Data Entry Software

www.ffeic.gov/cra/softinfo.htm

FFIEC CRA Edits

www.ffeic.gov/cra/edits.htm

FFIEC Geocoding System

www.ffeic.gov/Geocode/default.aspx

Submitting CRA Data

www.ffeic.gov/cra/submit.htm

HMDA

HMDA Aggregate Reports

www.ffeic.gov/hmdaadwebreport/AggWelcome.aspx

HMDA Disclosure Reports

www.ffeic.gov/hmdaadwebreport/DisWelcome.aspx

HMDA National Aggregate Reports

www.ffeic.gov/hmdaadwebreport/NatAggWelcome.aspx

Frequently Asked Questions

www.ffeic.gov/hmda/faq.htm

FFIEC HMDA Data Entry Software

www.ffeic.gov/hmda/softinfo.htm

FFIEC HMDA Edits

www.ffeic.gov/hmda/edits.htm

FFIEC Geocoding System

www.ffeic.gov/Geocode/default.aspx

FFIEC Rate Spread Calculator

www.ffeic.gov/ratespread/default.aspx

Mailing Addresses for

HMDA Data Submission

www.ffeic.gov/hmda/submit.htm

NEED ASSISTANCE?

Contact CRA and HMDA staff through their websites or via e-mail.

CRA

www.ffeic.gov/cra
CRAHELP@FRB.GOV

HMDA

www.ffeic.gov/hmda
HMDAHELP@FRB.GOV