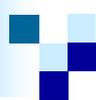


FDIC's HMDA Data Validation Procedures





Objectives

- Purpose and Importance of Data Accuracy
- HMDA Data Validation Procedures
- Preventing Errors and Maintaining Compliance
- Questions

Purpose and Importance of Data Accuracy

- Essential for fair lending and CRA examinations:
 - To draw conclusions about the institution
 - For peer comparisons
- Used by officials to evaluate housing activity
- Used by private investors to identify areas in need of investment

Purpose and Importance of Data Accuracy

- Benefits of maintaining accurate data and ensuring compliance:
 - Fair lending perspective
 - Be aware of application and origination activity and pricing practices
 - Identify potential discriminatory trends
 - Take steps to mitigate fair lending risks
 - CRA perspective
 - Analyze lending patterns
 - Understand strengths and weaknesses of CRA performance
 - Respond to community credit and community development needs

Purpose and Importance of Data Accuracy

- Inaccurate or incomplete data can result in negative consequences for your institution, such as:
 - Reputational risk
 - Misrepresentation of lending performance
 - Resubmission of data
 - Civil money penalties

HMDA Data Validation Procedures

- To ensure completeness of reported data
 - Checking for omissions of HMDA-reportable transactions
 - Correction and resubmission may be required if the percent of omissions exceeds 10% for reporters with fewer than 100 entries or if the percent of omissions is greater than or equal to 5% for reporters with 100 or more entries

HMDA Data Validation Procedures

- To ensure accuracy of reported data
 - Checking the accuracy of reported data
 - Importance of key data fields
 - Loan Type; Loan Purpose; Property Type; Owner Occupancy; Loan Amount; Action Taken; Census Tract; Ethnicity, Race, and Sex (for both applicant and co-applicant); Income; Type of Purchaser; Rate Spread; HOEPA Status; Lien Status; State, MSA, and County codes
 - Applications reported that are not HMDA-reportable are violations

HMDA Data Validation Procedures

- To ensure accuracy of reported data
 - Correction and resubmission may be required if:
 - For reporters with fewer than 100 entries, key data field errors are identified in 20% or more of the files sampled or if there is an error rate generally above 10% in any one key data field
 - For reporters with 100 or more entries, key data field errors are identified in an estimated 10% or more of files sampled or if there is an error rate of generally 5% or more in any one key data field



HMDA Data Validation Procedures

- Timing of validation
- Scope of validation
- Sampling approaches
- Standards for accuracy
- Revalidation after correction

Preventing Errors and Maintaining Compliance

- Pertinent considerations:

- How many business lines are involved?
- Are reporting processes centralized or decentralized?
- Does the institution evaluate audit and examination findings to identify processes requiring improvement?
- Does the institution monitor changes in bank structure, staff, software systems, and regulations that may increase the risk of data collection errors and adjust procedures accordingly?

Preventing Errors and Maintaining Compliance

- Tips for ensuring completeness
 - Implement tracking procedures for denied, withdrawn, and incomplete applications
 - Ensure automated systems appropriately identify HMDA-reportable transactions
 - Compare loan origination reports from all business lines against the loan register

Preventing Errors and Maintaining Compliance

- Tips for ensuring accuracy
 - Provide the appropriate level of training to personnel
 - Implement clearly defined data collection procedures
 - Properly document the facts and progressions of each transaction in the loan file
 - Update your data collection software and ensure the software settings are properly configured for appropriate coding
 - Implement effective internal controls, such as secondary reviews
 - Ensure any internal monitoring or auditing efforts compare the reported data to source documents

Resources

- **<http://www.ffiec.gov>**
 - A Guide to HMDA Reporting
 - HMDA/CRA Newsletter
 - FAQs
 - Rate Spread Calculator/Geocoding System
- **<http://www.consumerfinance.gov>**
 - Regulation C – Home Mortgage Disclosure
 - Staff Commentary
- **<http://www.fdic.gov>**
 - FDIC Compliance Manual – Section V-9.1 Home Mortgage Disclosure Act



Questions

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