Action Training

HMDA Helpful Hints

Through the years while performing HMDA scrubs, we have run across some frequently overlooked HMDA-reportable transactions. Make sure you haven't missed these common problems by performing a cross-check using your core loan system's detailed Call Report schedules with new loan dates in 2014 or special query reports. There are a gold mine of collateral codes that may tell a different story than your typical HMDA scrub reports.

1. Refinances secured by a Dwelling are reportable. **Refinances** of a loan secured by a **commercial dwelling (e.g. rental house) or consumer dwelling** is reportable, **regardless of purpose –** even if original loan was not HMDA-reportable. HMDA defines refinance as an old note replaced by a new note, both old and new note secured by a dwelling, not necessarily the same dwelling for both old and new notes. **Be sure you haven't overlooked these by identifying any refinances with a collateral code for dwelling!**

2. Loans secured by Mobile Homes (with or without real estate attached) might be HMDA reportable.

- Generally report if the **purpose** of the loan was to purchase, repair or refinance (PRR) the mobile home. Depending on how you code these, they can lurk unidentified in your **commercial or consumer loan systems** when not secured by a mortgage (with real estate attached). Check your non-mortgage collateral codes for any mobile home loans!

3. Unsecured loans might be HMDA reportable if they were classified by the bank as Home Improvement Loans.

- **Report consumer or commercial** loans if the purpose of these loans is to repair/improve a dwelling. The **documented purpose and classification** as a dwelling improvement loan will determine reporting status. **Classification** could be anything - coding for quarterly Call Report, special color file folders, loan purpose codes on core system, etc.

4. Real Estate Non-Farm Non-Residential (Commercial Property) loans might be HMDA Reportable if secured by a mortgage on property considered a dwelling.

- Report if the **purpose** of the loan was to **PRR a** commercial dwelling, such as a multi-family apartment complex. If the loan was to <u>**purchase**</u> **a commercial dwelling**, it must be **secured by a dwelling to be HMDA reportable**. If the <u>**purchase**</u> **money loan** was secured by a commercial office building (not a dwelling) or a CD, it is not reportable even though the purpose was to purchase an apartment building or a rental property.

5. Real Estate Residential (1 – 4 Family Property) loans might be HMDA Reportable if secured by a mortgage on property considered a dwelling.

- Report if the loan **purpose** was to **PRR** the residential dwelling, such as a single family home or a single condominium. Check new loan reports for dwelling collateral codes!
- **If the loan was to purchase a residential dwelling, it must be secured by a dwelling to be HMDA reportable.** If the <u>**purchase**</u> **money loan** was <u>not</u> secured by a residential dwelling, it would not be reportable even though the purpose was to purchase a primary home, vacation home, or a rental home.
- Loans to purchase **rental property** (1-4 family or manufactured home) are reportable if the loan is not temporary financing. T**emporary financing** is <u>**not**</u> determined based on the term of loan alone. A short term loan that is made with the intention of being replaced with longer term financing (specific examples include bridge loans or construction only loans) is considered temporary financing.

6. Real Estate Residential Construction and Land Development loans might be HMDA Reportable if secured by a mortgage on a dwelling (or a dwelling to be constructed) and the loan is NOT a construction-only loan.

- **If the loan was to <u>purchase or construct</u> a residential dwelling, it must be secured by a dwelling to be HMDA reportable.** If the **construction-perm loan** (you committed to both phases upfront) was secured by a residential dwelling, it would be reportable even though the **purpose** was to construct/purchase a spec-house or a rental home. Builder loans that are construction-only loans would not be reportable.
- **If you committed <u>only</u> to finance the construction of the dwelling in the initial transaction**, but later agreed to do a new loan (new note) to replace the temporary construction financing for the dwelling, don't report the construction-only loan. The **new loan** for **permanent financing** would be reportable at the time you close on the permanent financing.