

# **MORTGAGE** **Compliance**

For Legal, Regulatory Compliance, Risk Management & Quality Assurance Professionals

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# **HMDA**

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Since January**

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## Controlling the Narrative: Now is the Time to Understand Your Data

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### UNDERSTANDING HOW DATA RELATES TO YOUR BUSINESS

Start by ensuring your data has integrity. The expanded HMDA data requirements present the challenge of not only extracting the data from your system, but compiling it with integrity. Organizations need to develop ways to ensure that the data reported is aligned with the data in the operating system and the loan file. This is no small task. You should ensure that you are able to compare your loan application register (LAR) with your loan origination (LOS) system so anomalies can be analyzed.

Once integrity is affirmed, evaluation can start and an institution can build an understanding of its lending story. Consider your institution's demographics, marketing, and distribution of your applications and loans. Ask questions including:

- What are the communities you serve? Have they changed?
- How do you market and are those methods still effective based on market changes?
- Where and to whom are you lending?
- How many applications are you receiving?
- How long is it taking to process each loan and how many are successfully originated?
- For those loans that do close, how are they priced, what is the cost to the customer?

### PROACTIVE RISK MANAGEMENT EQUALS GROWTH

You should use your newfound knowledge to create an environment of proactive risk management that con-

trols your risk appetite. This enables you to not only mitigate risk that is outside of your tolerance, but to create business growth. Evaluating what your lending numbers mean provides an understanding of how effective your marketing and loan processes are, helps you determine how you are serving the community, and identifies areas of opportunity.

Consider these key elements when evaluating your data.

- Understand your distribution. Determine if your lending aligns with your marketing and if the distribution is as anticipated.
- Work with your marketing partners. They know and understand the demographics used to develop marketing campaigns.
- Measure the application cycle to loan closing and determine if you need to re-evaluate the process at processing center or team levels.
- Understand how you are serving your community.
- Ask yourself how you compare to your peers and analyze where your competitors are having success.

Most importantly, in today's transparent world, has your data indicated a disparity? You should understand if you have disparity rates outside of institution and industry tolerances by evaluating each stage of your lending process, including; marketing, processing time, underwriting decisions, and originations. If your data has disparities, you can be certain that others, including regulators, will see it, too. Based on your results, you can develop ideas on how to fill the gaps while building both your product and customer base.

It seems that everywhere we turn today there is reference to the ever-growing world of data. In mortgage lending, nowhere is that more apparent than with the 2018 changes to the Home Mortgage Disclosure Act (HMDA). There is a new level of transparency that comes with the expanded public HMDA data and institutions need to keep up and be prepared to explain what their data articulates about their performance in real time.

Where do you begin and how do you unlock ways to use data to not only mitigate risk, but to grow your business? There are key elements every institution needs to consider.