

CrossCheckCompliance



HMDA Hub

Q&A: Navigating HMDA Compliance

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Ask CrossCheck

If you are grappling with a HMDA compliance issue, we invite you to send your query via [Ask CrossCheck](#). Our team of HMDA compliance experts are ready to provide the guidance and support you need.

In the following sections, we delve into questions surrounding certain HMDA requirements. These insights aim to clarify ambiguities and ensure adherence to regulatory standards.

It is important to maintain meticulous procedures and practices to ensure an accurate LAR filing for your institution. The accuracy of HMDA data remains paramount for conducting realistic fair lending analysis. Effective management of HMDA data demands careful record-keeping, continuous training and vigilant monitoring efforts.

Reporting Short-Term Rentals and Vacation Properties under HMDA



We have commercial loans secured by properties exclusively used as short-term vacation rentals. Should these be excluded from our LAR and treated as transitory residences? What about if the owner also uses the property occasionally, but primarily rents it to others?



If the property is exclusively used as short-term vacation rentals by people (other than the owner) who reside elsewhere, these are generally considered transitory residences, such as hotels, and as such, are not reportable on the HMDA LAR. If the owner uses the property occasionally, (two weeks or more) it becomes a second residence, secured by a residential dwelling, and therefore reportable for HMDA. Occupancy would be reported as a second residence, and it would be reported as primarily for business or commercial purpose.

Source: <https://www.consumerfinance.gov/rules-policy/regulations/1026/interp-3/>

Reporting Repurchased Loans on HMDA LAR



Our bank had a loan that was funded in May of 2023 and was reported on our 2023 LAR. The loan was repurchased by the Bank in June of 2024. Do we need to report this transaction on our LAR for 2024?



The loan should be reported on your bank's 2024 LAR as a purchased transaction. A purchase includes a repurchase of a covered loan, regardless of whether the financial institution chose to repurchase the covered loan or was required to repurchase it because of a contractual obligation and regardless of whether the repurchase occurred within the same calendar year that the covered loan was originated or in a different calendar year.





Reporting Rate Spread for Approved but Not Accepted Loans



Are we required to create a Closing Disclosure (CD) on a loan that was approved but not accepted if we did not get to the point of processing the CD or can we report “NA” for Rate Spread?



You cannot report Rate Spread as “NA” for an Approved but not Accepted application that is subject to Regulation Z disclosures. Instead, you would report the rate spread using the APR included on the Loan Estimate. If no disclosures were required by Regulation Z, you would report “NA”.

Reporting Loans for Dwellings Purchased for College Students



Our bank has branches in multiple college towns. Parents often purchase dwellings for their children to live in while attending school. Should we report this property as an investment property and therefore a business-purpose loan? Or is it not for business-purpose? We have been reporting these loans as investment properties and likewise for business-purpose and have followed the exemptions for business-purpose loans set forth in Reg Z including coding the Rate Spread as “NA” and HOEPA as “NA”.



Buying a dwelling for a child, or relative, to live in while away at college and not charging rent is not necessarily a business or commercial purpose transaction. It depends on the circumstances as outlined in Regulation Z 1026.3 (a)-3. Alternatively, if the borrowers intend to charge rent, the loan should be reported as "Primarily for business or commercial purpose." HOEPA, however, can only apply if the dwelling is the consumer's principal dwelling, and therefore should be coded as “NA” in this circumstance.

In both cases, the occupancy should be reported as investment property. Rate spread should be reported if it is determined to be a consumer purpose loan, but would be reported as "NA" if the loan is determined to be a commercial or business purpose.



Sources: <https://www.consumerfinance.gov/rules-policy/regulations/1003/4/#a-6>

<https://www.consumerfinance.gov/rules-policy/regulations/1003/3/#3-c-10-Interp-3>

No hidden fees

Including Seller-Paid Fees in HMDA Reporting

- ❓ Should we include seller-paid fees in the amounts reported for the LAR fields related to loan charges (e.g., Origination Charges, Discount Points, Total Loan Costs)?
- ✅ HMDA clarifies that when reporting Origination Charges, only borrower-paid origination charges should be reported. When reporting Discount Points, include all points paid to the creditor to reduce the interest rate, regardless of who paid them. When reporting Total Loan Costs or Total Points and Fees - also include all amounts paid to the lender regardless of who paid them.

Contact Us

CrossCheck Compliance LLC is a nationwide regulatory compliance and risk management consulting firm focused on providing regulatory compliance, internal audit, fair lending, loan review, due diligence, and litigation support services for the financial services industry. The firm's professionals have deep regulatory understanding and operations experience to develop effective compliance strategies and deliver high impact outcomes for clients.



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