



HMDA Compliance

Navigating the "Not Applicable" maze with confidence

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THE REGULATORY PENDULUM often swings, and with current attention from federal regulators partially diverted, some lenders may feel tempted to deprioritize compliance efforts. However, maintaining a robust compliance program is not just about staying on the regulators' good side; it safeguards your institution from potential violations, enhances operational efficiency, and reinforces fair lending practices. Whether federal agency scrutiny is heightened or relaxed, a commitment to compliant lending is non-negotiable, and that commitment should include the Home Mortgage Disclosure Act (HMDA)/Regulation C.

A proactive approach to HMDA enables institutions to stay ahead of regulatory expectations. A strong HMDA compliance program includes 1) board and management oversight, 2) policies and procedures, 3) training, and 4) monitoring and reporting. These four pillars form the foundation of a robust program that ensures institutions accurately collect, report, and disclose HMDA data, fulfilling the Act's purpose of transparency and addressing community housing needs.

The third pillar, training, is crucial for ensuring that all relevant personnel understand their responsibilities under HMDA. Training should be tailored to distinct roles and responsibilities and

should be updated regularly to reflect changes in regulations or business practices. Effective training should include examples, or scenarios, to explain how lenders should accurately report specific fields on their Loan/Application Register (LAR), including when to report a field as not applicable ("NA").

The challenges of reporting "NA"

The HMDA reporting requirements are detailed and nuanced, with specific instructions for each data field. One challenging aspect of HMDA compliance is navigating the complexities around accurately reporting "NA" for specific fields on

the LAR. Lenders must carefully interpret these rules to determine when "NA" is appropriate, which can be difficult without deep familiarity with the regulation.

A particular loan type, purpose, and status (e.g., application, origination, denial, withdrawal) requires different consideration. For example, some LAR fields may not apply to certain loan products such as open-end lines of credit or reverse mortgages, and determining these distinctions can be confusing. Further, despite detailed instructions, some LAR requirements leave room for interpretation. For instance, determining whether a field is truly "NA" or should be left blank can be unclear, leading to potential errors on your LAR.

Many lenders rely on automated systems to populate their LAR. Errors can occur if these systems are not properly configured to account for "NA" scenarios. Manual overrides in loan origination systems may be needed, which increases the risk of inconsistency. Some data points required under HMDA/Regulation C also overlap with other regulatory requirements (e.g., Truth in Lending Act/Regulation Z or Equal Credit Opportunity Act/Regulation B), which can create confusion about when "NA" is appropriate under HMDA versus other rules.

Reporting "NA" versus other field values

Understanding when "NA" is the appropriate entry is vital to achieving accuracy and maintaining consistent reporting of your LAR. Following are six areas where lenders have the opportunity, but may be uncertain as to when, to report "NA" or a different field value on their LARs.

Purchased loans — NA reporting

LAR Field	Report as "NA"	Optional Reporting	LAR Field Code
Application Date	✓		NA
Demographic Information (Ethnicity, Race, Sex)	✓	✓	4/7/4
Demographic Information Obtained	✓		3
Age	✓	✓	8888
Income	✓	✓	NA
Rate Spread	✓		
Credit Score & Model	✓		8888/9999
Total Points & Fees	✓		NA
Debt-to-Income Ratio	✓		NA
Combined Loan-to-Value Ratio	✓		NA
Submission of Application	✓		3
Initially Payable to Your Institution	✓		3
AUS & AUS Results	✓		6/17

1. Property address

If the address of the property securing the loan is unknown or undetermined at closing (e.g., a construction loan for which an address is not assigned to the lot/location as of closing, or a manufactured home without an identified site as of closing), or the property address has not been provided before the application is denied, withdrawn, or closed for incompleteness, Regulation C provides that "NA" should be entered for Property Address.

HMDA reporting is never quite that simple and straightforward, though, and reporting Property Address can be particularly complicated because it includes multiple fields and overlaps with the Property Location data point.

There are four Property Address fields: Street Address, City, State, and Zip Code. Reporting the State field is subject to the requirements both for Property Address under § 1003.4(a) (9)(i) and Property Location under § 1003.4(a) (9)(ii). Even where "NA" should be reported for Property Address (because, for example, the Street Address is unknown), the State field for Property Address should only be reported "NA" if State is also being reported as "NA" for Property Location — there is only one field for reporting State on the LAR.

Consider the following three examples:

- TBD, Atlanta, GA 30305
- Main Street, Culpepper, VA 22701
- Lot #5, Wichita Falls, TX 76302

The specific Street Address is not known; therefore, "NA" should be reported for all of the Property Address fields except State, assuming State is required to be reported for Property Location.

In addition, Property Address, but not Property Location, is a data point covered by the partial exemptions under the Economic Growth, Regulatory Relief, and Consumer Protection Act (EGRRCPA). This means that an institution eligible for a partial exemption could choose to report "Exempt" for only the Street Address, City, and Zip Code fields, as the State field is not covered under the partial exemptions. Even if an institution qualifies for partial exemptions, it may still choose to report the partially exempt Property Address fields (Street Address, City, and Zip Code) voluntarily.

2. Income

Determining when reporting "NA" is acceptable for the Income field can cause uncertainty and confusion for HMDA reporters, as there are multiple scenarios in which this may apply. You should report Income as "NA" when the:

- Income was not considered, or would not have been considered, in making the credit decision (e.g., asset-based lending product, reverse mortgages)
- Applicant or co-applicant is not a natural person (e.g., LLC, corporation, etc.)
- Loan is secured or proposed to be secured by a multi-family dwelling (5 or more units)
- Bank chooses not to report Income for loans it purchased
- Applicant or co-applicant is an employee of the bank, even if the applicant income was used in making the credit decision

The first two bullets above are often areas where lenders can misstep and report "NA" when an income value should be reported. Reporting "NA" for Income is only acceptable if borrower income, in any amount or form, was not considered at all in the credit decision. HMDA guidelines are clear that credit underwriting details such as income, as well as credit score, debt-to-income ratio, and combined loan-to-value ratio need to be reported if they influenced the credit decision in any way, even if they were not the dispositive, or a deciding factor in underwriting the loan. For example, in situations where the primary borrower is an entity and the co-borrower is a natural person, and the co-borrower's income was used in the credit decision, you should report the co-borrower's income.

3. Rate spread

Rate Spread is another LAR field that is a common source of confusion and more susceptible to error because it is a calculated field that relies on other, non-reportable, data being accurate. However, determining when to calculate and report Rate Spread or report that the field is "NA" for a loan or application, can also be challenging. Lenders can report the Rate Spread as "NA" in the following scenarios:

- **Loan types:** If a loan is an assumption, reverse mortgage, or a purchased loan, the Rate Spread is reported as "NA."
- **Loans not subject to regulation Z:** If a loan is not subject to Regulation Z, the Rate Spread is reported as "NA." Such loans include business-purpose loans, agricultural-purpose loans, and loans to non-natural persons.

- **Applications that did not result in origination:** If the application was denied, withdrawn, or closed for incompleteness, except for cases where the application was approved but not accepted, the Rate Spread is reported as "NA."

These rules ensure that lenders only report Rate Spread data when it is relevant and required.

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4. Purchased loans

For purchased loans, many LAR fields should be reported as "NA" and optional reporting is allowed for some fields as detailed in the table below. When a financial institution purchased a loan, they were not involved in the initial application or underwriting process. Consequently, some of the information collected during the origination, particularly personal applicant details like ethnicity, race, and sex, might not be readily available or complete; therefore, some fields are optional to report. Each lender should determine its procedures for reporting optional information and then remain consistent in following those procedures. Of note though, voluntarily reporting optional information that is not accurate does expose your bank to the risk of errors. Following is the list of fields that lenders may choose to report as "NA" for purchased loans or opt to report values in the fields. Note that these rules apply to purchased covered loans (closed-end mortgage or open-end line of credit that is secured by a dwelling) where the financial institution received the application, or the origination took place, on or after January 1, 2018.

5. HOEPA status

Lenders need to indicate the Home Ownership and Equity Protection Act (HOEPA) status of a loan on the LAR. HOEPA loans are subject to additional consumer protections, including additional disclosures. Reporting "NA" for the HOEPA Status is required in specific scenarios. This includes non-originated loans and loans that are not subject to HOEPA evaluation, as implemented in Regulation Z. These are loans that are not secured by a consumer's principal dwelling, such as loans for secondary homes and investment properties.

Be careful when reporting "NA" for HOEPA status, though. A common mistake is reporting "NA" — Code 3, for a loan that is subject to HOEPA evaluation but is not a high-cost mortgage. These loans should instead be reported as "Not a high-cost mortgage" — Code 2.

6. Credit score and credit score model

In certain scenarios lenders may report a borrower's credit score as "NA" and subsequently the credit score model as "NA" rather than providing a numerical value or leaving it blank. These scenarios include:

- Purchased covered loans
- If the loan application file was closed for incompleteness, or if an application was withdrawn before a credit decision was made (even if a credit score was obtained or created)
- If the financial institution did not use or rely on a credit score when making the credit decision
- If the applicant or co-applicant are not natural persons (e.g., a business entity like an LLC)

Note, for loans where the primary borrower is an entity and the co-borrower is a natural person,

and the co-borrower's credit score was relied on in any way to make the credit decision, the lender should report the co-borrower's credit score on the LAR. "NA" is used when the reporting requirement is not applicable or when the credit score was not a factor in the credit decision process for specific and valid reasons.

Fields that must never be reported as "NA"

While most fields on the LAR allow for "NA" as a valid response under certain circumstances, there are some data points that must always be reported with specific values or codes. Following is the list of fields that should never be reported as "NA" or left blank under HMDA reporting rules. These rules apply to purchased covered loans where the financial institution received the application, or the loan was originated, on or after January 1, 2018.

- Legal Entity Identifier (LEI)
- Universal Loan Identifier (ULI)
- Loan Type
- Loan Purpose
- Preapproval
- Construction Method
- Occupancy Type
- Loan Amount
- Action Taken
- Action Taken Date
- Lien Status
- Non-Amortizing Features
- Total Units
- Reverse Mortgage
- Open-End Line of Credit
- Reverse Mortgage
- Open-End Line of Credit
- Business or Commercial Purpose

Beyond LAR submission: Seamless HMDA compliance

While recording accurate data in all LAR fields, including fields that can or should be reported as "NA" is particularly important, an effective HMDA compliance program goes beyond just meeting reporting requirements; it cultivates a proactive, vigilant approach to mitigating risks within your institution. Lenders should implement best practice strategies to maintain a strong and effective HMDA compliance program.

1. Comprehensive training programs: Conduct regular training sessions to ensure that all relevant employees understand HMDA requirements. Tailor the training to specific roles, such as compliance staff, loan officers, and senior management. Use regulatory guides, such as the CFPB's Filing Instructions Guide and Small Entity Compliance Guide, and create customized job aids, such as a source document guide, for internal teams.

2. Frequent testing and monitoring: Establish ongoing tests to identify gaps or inaccuracies before the LAR is submitted. Automated auditing and systemic data integrity tools can streamline this process.

3. Quality control file reviews: Conduct detailed reviews of a sample of loans to verify data accuracy. Pay special attention to fields prone to errors, including the areas discussed previously.

4. Policy and procedure updates: Review internal procedures periodically, at a minimum annually, to ensure alignment with the latest products offered and regulatory guidelines. Incorporate updates to your HMDA policy document and source document guide as soon as changes, including those identified in monitoring and audit results, are identified,

regulations are revised, and procedures are implemented.

5. Leverage technology: Utilize HMDA compliance software to ensure accurate data collection and reporting. Many platforms include real-time error detection to assist compliance teams.

6. Leverage peer learning: Join compliance community webinars or forums to discuss practical challenges and solutions.

Achieving HMDA compliance is more than just a regulatory requirement — it is a commitment to

transparency, fair lending, and operational excellence. By mastering the nuances of reporting, particularly when and how to report "NA" on your HMDA LAR, lenders can avoid time-consuming and costly errors and maintain trust with regulators and communities alike. A robust HMDA compliance program built on comprehensive training, proactive monitoring, and the strategic use of technology ensures accuracy and mitigates risks. It also reflects a lender's commitment to transparency, fair and responsible lending, and promotion of equitable community home ownership.

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