



Memorandum

Date: January 23, 2008

To: Compliance Officer of Institution Subject to the Home Mortgage Disclosure Act and Vendors to Institutions that Assist in Preparing and Reporting HMDA Data

From: Tamara Wiseman, Executive Secretary
Federal Financial Institutions Examination Council

Subject: Changes to the Home Mortgage Disclosure Act Data Processing System

Background

The Federal Financial Institution's Examination Council's (FFIEC) Home Mortgage Disclosure Act (HMDA) data processing system is being redesigned to improve the efficiency and speed of HMDA data processing and address significant issues that burden the existing legacy processing system. The redesign includes changes to the HMDA Transmittal Sheet (TS) and Loan Application Register (LAR) data submission file formats, and the HMDA data processing logic. These changes will become effective for HMDA data collected as of January 1, 2010, and will affect all HMDA reporting institutions.

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HMDA Submission File Format Changes

Removal of the "transaction code" field from the HMDA TS and LAR data submission file formats

The redesigned HMDA data processing system will no longer require the "transaction code" field that is currently part of the HMDA TS and LAR data submission file formats. The "transaction code" on the TS and LAR HMDA data submission file was used to identify whether a particular LAR was to be added, deleted, or updated if an institution already submitted their initial data. Business processes were changed in 2003 to no

longer allow partial HMDA data resubmissions and institutions were required to provide complete LAR data with each resubmission, making the “transaction code” unnecessary.

Removal of the “timestamp” field from the HMDA LAR data submission file format

The “timestamp” field from the individual LAR records is being eliminated; however, the “timestamp” field will be maintained on the TS record. The “timestamp” field on the current HMDA LAR data submission file was used to verify that a resubmitted file contained a later version of LAR data than previously submitted data. The “timestamp” field is also included on the transmittal sheet file. When business processes were changed and partial HMDA data submissions were no longer accepted, the reporting of the “timestamp” as part of each LAR record was no longer necessary.

Effects of the HMDA submission file format changes on institutions and vendors and actions required prior to the reporting of 2010 HMDA data:

- Institutions using the FFIEC HMDA Data Entry Software (FHDES) for entering and submitting LARs will not be affected by the proposed changes.
- Institutions that use third-party HMDA data collection software and then import data into the FHDES for submission must ensure that their software vendors have changed all exported data file formats to exclude the “transaction code” from the HMDA TS and LAR data submission and to exclude the “timestamp” from the HMDA LAR data submission.
- Institutions that use custom-built software for data submission must modify their software to eliminate the “transaction code” from the HMDA TS and LAR data submission and to exclude the “timestamp” from the HMDA LAR data submission.

Processing Logic Changes

Addition of metropolitan statistical area/metropolitan division (MSA/MD) codes if the state/county/tract code combination is valid and belongs in an MSA/MD

To improve HMDA data quality, the new HMDA processing system will replace any “NA” reported in the MSA/MD field with the valid MSA/MD code if the state/county/tract codes are valid combinations for that MSA or MD. The change will be made for both the depository and nondepository institutions regardless of whether the institution has a home or branch office in the MSA/MD. At present, HMDA reporters that do not have a home or branch office in the MSA/MD are allowed to report “NA” in the MSA/MD field even though the state/county/tract code combination is valid.

Effect of the processing logic changes on the Institution Disclosure, the MSA-level Aggregate, and National Aggregate Reports:

With the revised HMDA processing logic, LAR records reported with “NA” in the MSA/MD field will be changed to a valid MSA/MD *if the state/county/tract combination is valid and belongs within an MSA/MD*. Disclosure reports for depository institutions will be generated for the specific MSA/MDs where the institutions have a home or branch office and have lending activity as reported by the institution and/or modified by replacing “NA” in MSA/MD with the valid MSA/MD as explained above. For nondepository institutions, MSA/MDs will be added to the institution’s MSA/MD list if the institution received applications for, originated, or purchased five or more home purchase or home improvement loans or refinancings (whether or not they had a physical office there), and detailed disclosure tables will be created for all MSA/MDs as determined by this process.¹

The effect on the MSA-level aggregate reports will be insignificant, considering that approximately 2,300 application loan records would have been added to the aggregate reports out of 36.5 million records collected (based on 2006 data). This change will improve the quality of data for certain low volume institutions and geographies. The national aggregate reports will not be affected as these reports already include LARs reported with a valid state/county combination.

Questions about Changes

Questions regarding these changes should be addressed to HMDAHELP@frb.gov or the HMDA Assistance Line (202-452-2016).

¹ Regulation C 203.2(c)(2)