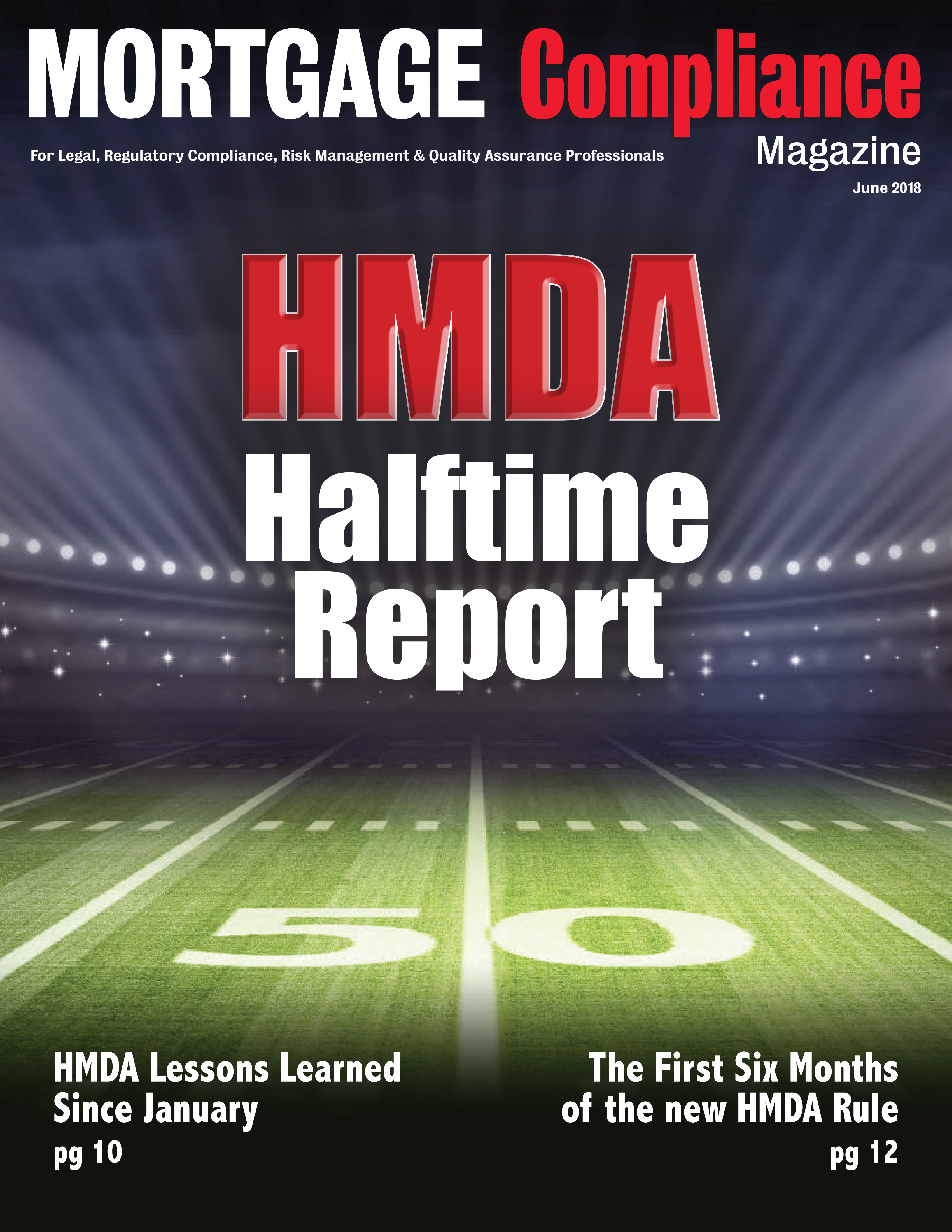
MORTGAGE Compliance Magazine

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

June 2018



HMDA Halftime Report

HMDA Lessons Learned Since January

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The First Six Months of the new HMDA Rule

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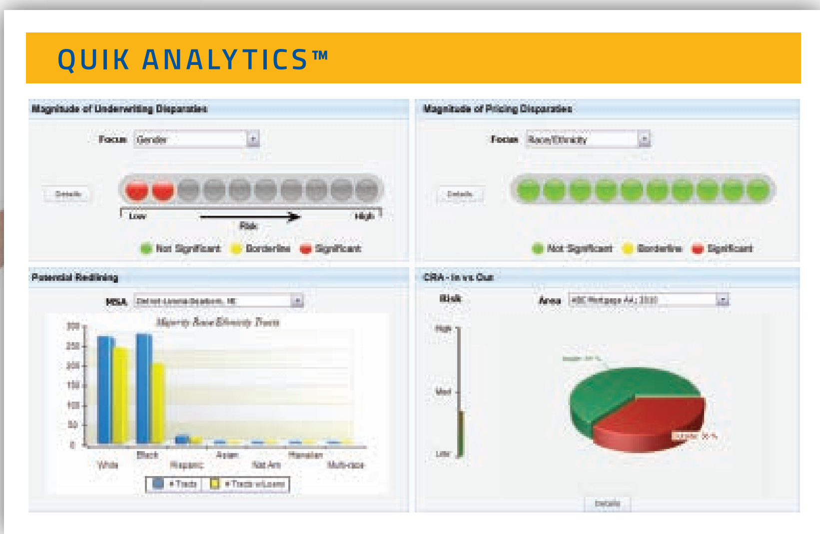

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Leonard Ryan

Fans of televised football know that a centerpiece is when teams leave the field at halftime for the locker rooms. It is 15 minutes filled with excitement from experts–statistics, great plays, missed opportunities, and predictions for the second half of the game. With that in mind, it's HMDA Halftime in Mortgage Land.

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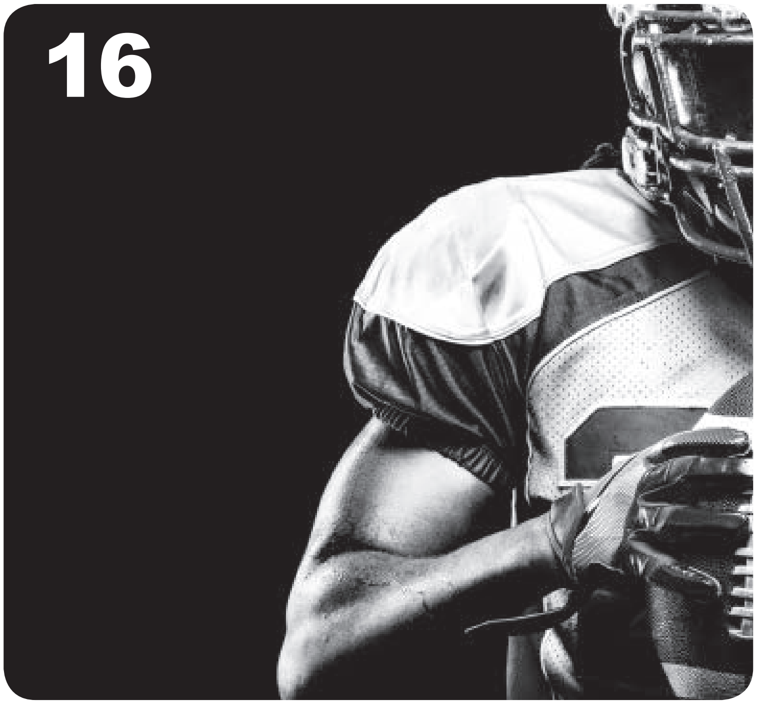

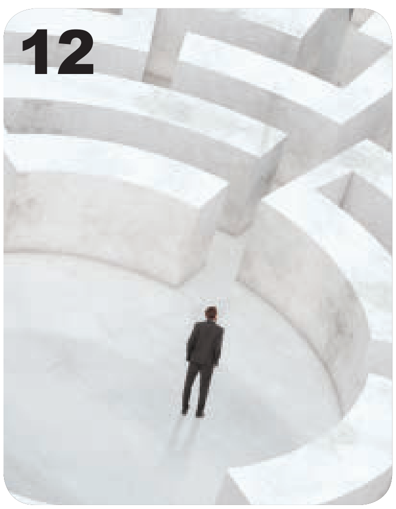

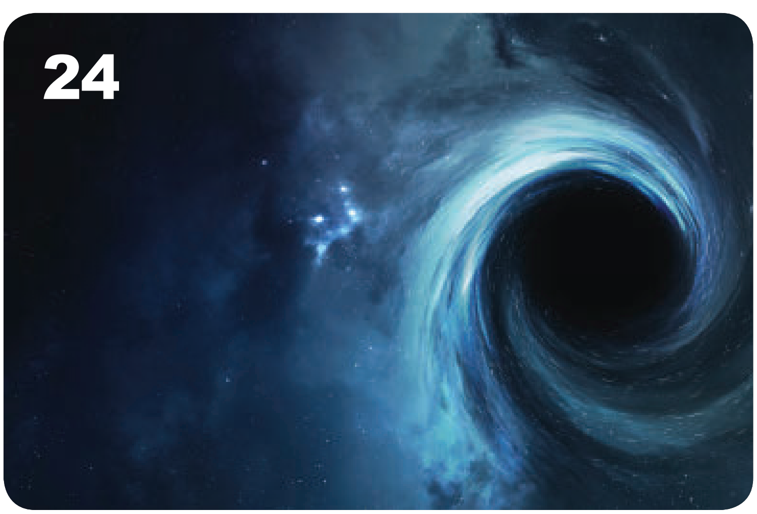

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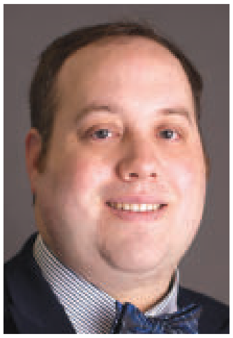

THE HMDA HALFTIME REPORT

We may yet be months off from the next NFL season, but we here at *Mortgage Compliance Magazine* have our minds on the game—well, sort of—as the industry hits the six-month milestone following the implementation of the new HMDA at the start of this year. While many professionals we've talked to have reported a more or less smooth process, that doesn't mean there haven't been a few fumbles here and there.

To review the first 180 days of the new rule, we have a host of fantastic features, starting off with Leonard Ryan's "HMDA Halftime Report," which likens the implementation process to a hard-hitting game of football. His review is supplemented by several predictions about how the rest of the "game" might play out, some of which might spur you to rethink your strategy. Joining Leonard on the analysis side is Joshua Weinberg, who was gracious enough to lend his own insights and experiences regarding the rollout in a Q&A. We're also happy to welcome to the commentary table Leslie Sowers, J. Eric Duncan, and Kathleen Blanchard, who contributed with common challenges and lessons learned over the past few months. Finally, returning for a second month is Richard Horn, who has a few more thoughts to share on TRID 2.0 following some post-publication updates last month.

On the sidelines of this issue, you will of course find the usual all-star lineup of commentators, including "Om-Bobs-Man" Bob Niemi and Mike Taliefero, as well as our panel of experts tackling the latest questions from our readers.

How have your first six months been under the new data requirements? Has implementation been a touchdown for your organization, or do you feel like you've been blitzed by regulations? Let us know about it (or anything else that's on your mind) on our Facebook page or the emails below.

Until next time,

Tory Barringer
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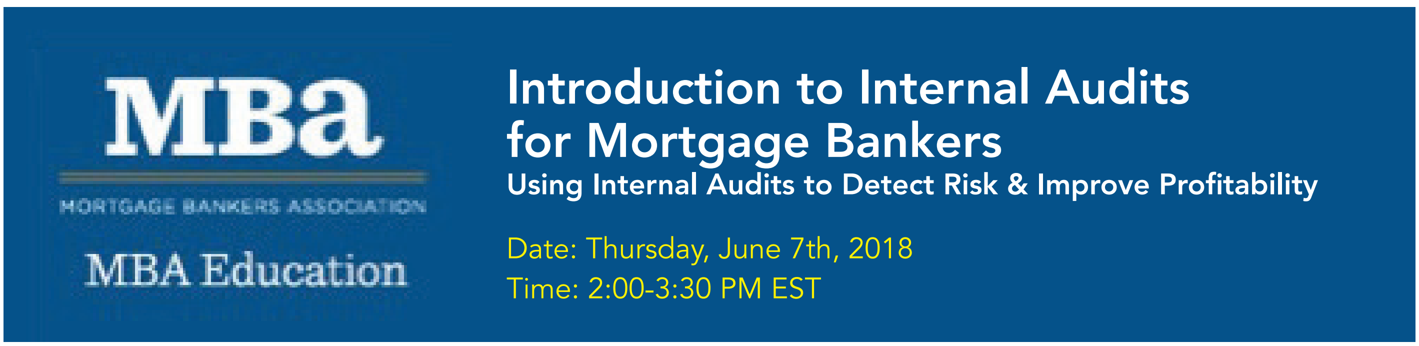
Calendar of Events

2018



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HMDA Lessons Learned Since January

BY KATHLEEN BLANCHARD


Kathleen Blanchard

To succeed in HMDA reporting, attention to detail is key and you cannot be over-prepared.

Now that HMDA reporting financial institutions have been living with the revised HMDA rule for five months, where are we and what lessons have we learned?

First, of course, we will be seeing more HMDA changes with the recently passed "relief" bill. Before the relief, we have to go through more change, which seems to never end. While a number of banks and credit unions will have fewer fields to report, those fields will likely use the revised definitions and reporting rules. Some of the old fields went away, such as property type and MSA, while the reporting of fields like occupancy, preapprovals, and HOEPA status were changed. There are new and revised definitions and exclusions, plus changes to handling conditional approvals and counteroffers. Those who will be able to report a smaller number of fields will most likely still have to work with these changed fields, so the training won't be wasted. When will this latest change be effective? We should be hearing more from the Bureau (CFPB) soon on how this latest change will be implemented.

To succeed in HMDA reporting, attention to detail is key and you cannot be over-prepared. The better the groundwork, the smoother the process. The following comments are based on the many HMDA questions I answer on a daily basis. The primary takeaways on each of these is preparation and standardization.

1. Details are important and researching a topic can, unfortunately, be complex. A full understanding, as best as can be obtained at this point, takes familiarity with the regulation, commentary, overview chart, and FIG, including the edits in the FIG. All of these resources can be accessed from the Bureau's HMDA Implementation page. The Small Entity Guide provides good plain English explanations that can be used with, but not instead of, the other documents.
2. Surprisingly, some information exists only in the Validity Edits. For example, income can be zero or negative (Validity Edit V654) and loan amount can be zero in a small subset of cases (Validity Edit V617). Negative or zero

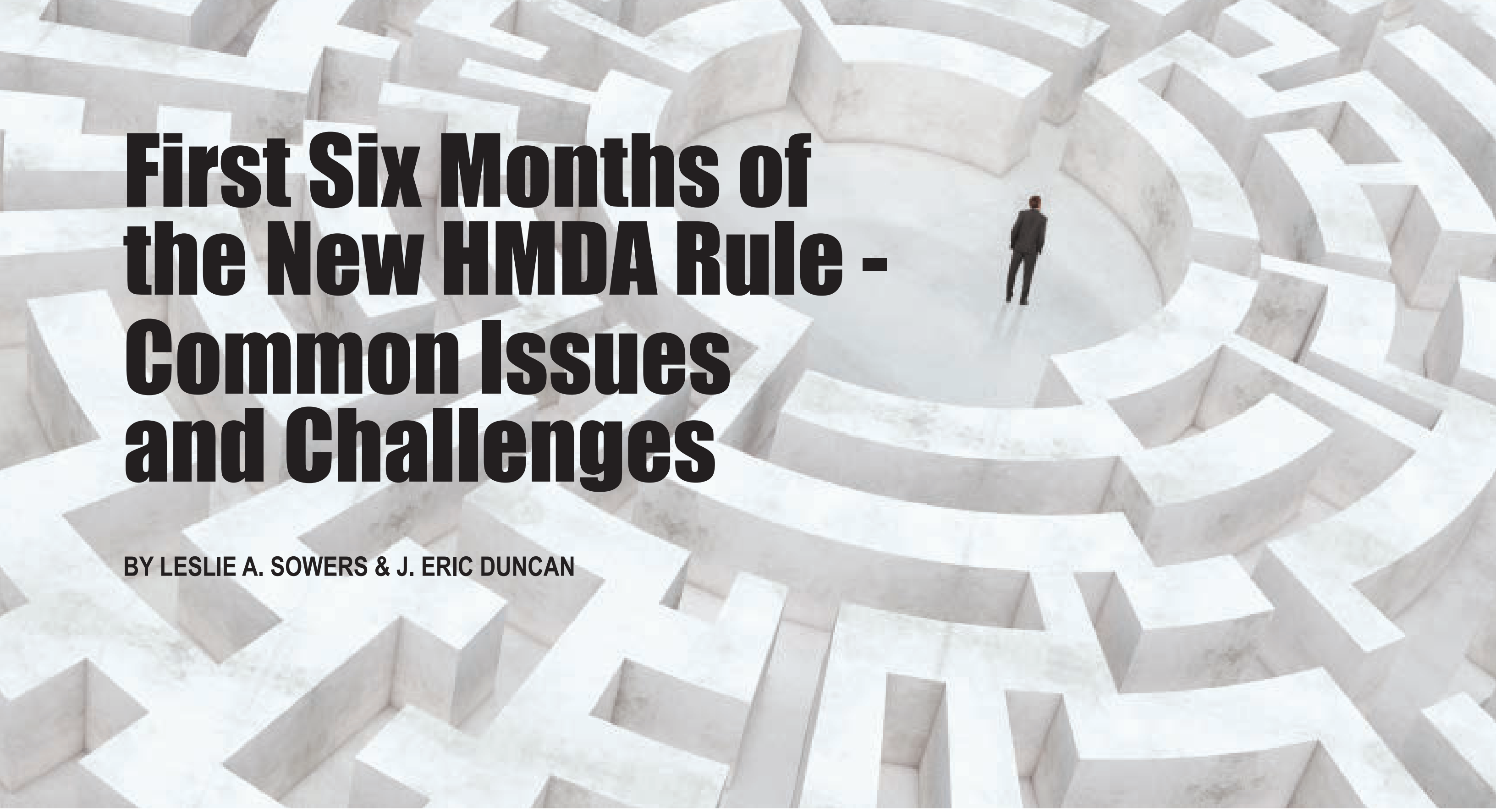
income resolves particular underwriting issues such as when payouts from partnerships and LLCs are deducted from other actual income. A zero-loan amount can be reported for a preapproval or loan application received without a specific amount and denied, withdrawn, or closed for incompleteness prior to the amount being provided. Otherwise, the minimum amount on the LAR is still $500. Both negative income and a loan amount of zero were allowed based upon comments received at the Bureau from HMDA reporters.

3. Don't hesitate to submit questions to the Bureau. A topic questioned frequently signals that clarification is needed and increases the chances for new information being published, benefiting the entire industry.
4. Know what information is being sent between systems to ultimately be reported on the HMDA LAR. Know what data your vendors are pulling and why. Don't be afraid to speak up if you disagree. How an institution completes its HMDA LAR can be limited by how its vendors approached a particular topic. An institution might round to three decimals and rely on that figure in underwriting, but a vendor may limit them to two decimals. We don't know yet if this will be considered a reporting error by exam teams.
5. Some basics still cause confusion. Identifying prequalifications and preapprovals is a constant source of conversation, as well as differentiating between consumer purpose and business purpose loans. The definition of preapproval for HMDA is included in the definition of application, while Regulation Z is the source for determining what is not a consumer purpose loan. It is time well spent for a financial institution to develop a firm understanding of these topics.
6. Accurate reporting begins with the lending areas; they are the originators of the data and should be charged with providing reliable information to the department responsible for reviewing and submitting. It is an expensive waste of time to expect an area removed from the actual lending process to figure out what occurred.

HMDA has always been a source of many questions; that part is not new. The only way to manage a data-driven regulation is through training and written procedures. Any number of firms can provide training and tools on specific topics and serve as resources.

Too often, I speak with institutions that lost everyone trained in HMDA reporting. Don't allow that to happen. While new employees always have to be trained, good reference materials and procedures can greatly shorten the learning curve. Good planning and preparation are important even when a regulation has not been drastically changed. Solid procedures and training are key and worth the investment in time and money. MCM

Kathleen Blanchard is a CRCM and the owner of Key Compliance Services, providing consulting and training services for HMDA and other regulations. She can be reached at KBlanchard@KeyComplianceServices.com or her website, KaybeesComplianceInsights.com.



First Six Months of the New HMDA Rule - Common Issues and Challenges

BY LESLIE A. SOWERS & J. ERIC DUNCAN

Leslie Sowers

J. Eric Duncan

January 1, 2018, marked the official start of a new and complex regulatory era for financial institutions subject to the Home Mortgage Disclosure Act (HMDA) and Regulation C. On that day, the majority of the amendments to Regulation C under the Bureau of Consumer Financial Protection's October 2015 and September 2017 final rules took effect. Those amendments, collectively referred to herein as the "New HMDA Rule," were sweeping. They dramatically altered the coverage of institutions subject to HMDA, the loan transactions and applications that must be reported, and the data points that must be collected, recorded, and reported to the appropriate federal regulator.

In the six months that have passed since these changes went into effect, mortgage lenders and other covered institutions have faced a number of common implementation issues, from open questions and ambiguities not addressed by the New HMDA Rule to challenges caused by the volume and complexity of the new requirements. We discuss some representative examples of these issues below.

MOVING TARGETS

One of the biggest implementation challenges presented by the New HMDA Rule results from the manner in which the Bureau is issuing instruction and guidance. Unlike the Bureau's other rules, the statute, implementing regulation, and official staff commentary do not provide all of the information HMDA reporters need in order to comply. Among various other documents and tools issued by the Bureau, HMDA reporters must also consult the Filing Instructions Guide (FIG), a 151-page document that provides the file, data, and edit specifications required for reporting HMDA data, including the possible values and other information that may be reported for each data point. Before the New HMDA Rule, Appendix

A to Regulation C and the related commentary contained much of this information, including the various "codes" that related to each data point.

Why is this shift in approach noteworthy? Removing this information from Regulation C allows the Bureau to issue and change this information without going through the time-consuming notice and comment rulemaking process. While this approach allows the Bureau to make adjustments timelier, which is beneficial, these adjustments are made without requesting public comments and without helpful explanation as to the purpose of the changes. In fact, the Bureau has revised the 2018 FIG seven times since it was first issued in January 2016, the most recent of which occurred in February. Is your HMDA team keeping up with each of these revisions and how it may impact your HMDA collection and reporting process?

For example, under the New HMDA Rule, institutions must report the name of the automated underwriting system (AUS) used to evaluate the application and the result generated by the system, if applicable. In cases where a company uses more than one AUS to evaluate an application or the system or systems generate two or more results, the New HMDA Rule lays out a complex waterfall approach for deciding which results to report. Additional questions arise in the context of particular AUS types, such as the USDA's Guaranteed Underwriting System (GUS). GUS results can be a challenge to report because GUS generates two separate results for each file, and those results may correspond to more than one code available (e.g., Accept/Unable to Determine), but an institution may report only one AUS result per AUS reported.

The Bureau changed the codes available for reporting AUS results in the most recent revision to allow lenders reporting GUS results to use "Code 16 – Other." The FIG instruction to "Code 16 – Other" states that more than one AUS result may be entered in the free-form text field, as applicable. The Bureau's only explanation of this change was: "Updated allowable codes for AUS results produced by the Guaranteed Underwriting System (GUS)." This comment fails to explain what prompted this change and what it means for reporters; this is particularly troubling since the Bureau previously gave informal advice to report only one of the GUS results before it issued the February FIG revisions.

Will the Bureau continue to modify the FIG this year? All reporters must record the data collected for HMDA on a loan/application register within 30 calendar days after the end of each calendar quarter in which final action is taken. Therefore, if more changes are made to the FIG, each reporter will be required to update its recorded entries and revise its procedures (and/or systems) going forward for each change.

Regardless, you should be expecting additional changes that may impact your recorded entries and your process. We are still awaiting the Bureau's release of additional reporting tools, including the geocoding tool, which provides institutions that use it correctly with a safe harbor when reporting the census tract. In addition, the Bureau announced in December 2017 that it intends to open a rulemaking to reconsider various aspects of the New HMDA Rule such as the institutional and transactional coverage tests and discretionary data points, and the latest regulatory agenda indicates that this process is not scheduled to begin until 2019.

RATE-SET DATE FOR CALCULATING RATE SPREAD

For loans and approved but not accepted applications that are subject to Regulation Z (other than an assumption, a purchased loan, or a reverse mortgage), institutions must report the Rate Spread, which is the difference between the loan's annual percentage rate (APR) and the average prime offer rate (APOR) for a comparable transaction as of the date the interest rate is set. A number of questions arise when trying to determine the appropriate rate-set date to use for purposes of this calculation.

For example, which rate-set date should an institution use for an approved not accepted application that had a floating interest rate? In such cases, the interest rate was arguably never "set." While some institutions have concluded the most defensible approach is to use the date on which the applicant was provided the early disclosures required under Regulation Z, the New HMDA Rule does not directly address the question. Complications can also arise in identifying the rate-set date for "repriced" transactions and transactions in which a borrower changes from one loan program to another program that is subject to different pricing terms. The requirements for these situations are complex and potentially ambiguous and can trip up companies that have not sufficiently thought through their approach to such scenarios.

WHAT DATA TO REPORT

What data an institution must report often depends on the action taken on the file and whether the institution relied on the information as part of the credit decision made. In particular, the reporting requirements associated with counteroffers demonstrate the complexity involved in implementing this aspect of the New HMDA Rule.

Suppose an institution makes a counteroffer to lend on terms different from the applicant's initial request. If the applicant declines to proceed with that counteroffer or fails to respond, the institution reports the action taken as a denial based on the original terms requested by the applicant. On the other hand, if the applicant agrees to proceed with consideration of the counteroffer, the institution reports the action taken as the disposition of the application based on the terms of the counteroffer. In such cases, how the file is reported may also depend on whether the institution's conditional approval is subject to only customary commitment or closing conditions or also includes any underwriting or creditworthiness conditions. Companies must have procedures and systems that address all of the potential scenarios to ensure accurate reporting and update them as needed when unique scenarios arise.

COLLECTION OF EXPANDED GMI DATA

The New HMDA Rule significantly expanded and complicated the requirements for collecting Government Monitoring Information (GMI) data regarding an applicant's race, ethnicity, and sex.

As a result, institutions have faced certain issues in updating their collection procedures and forms to ensure they offer applicants appropriate options, such as the ability to select one or more race or ethnicity subcategories even if the applicant has not selected a race or ethnicity aggregate category. These requirements can pose challenges depending on how a company's existing systems or processes were designed, especially in the context of online applications, where forms may be coded to automatically trigger the selection of a main category when a subcategory is selected.

Does the New HMDA Rule require online application forms to allow an applicant to skip these questions entirely? Is it permissible to structure the electronic interface to require the applicant to make at least one selection in order to move on to the next page, even if only by checking a box to specifically indicate they do not wish to provide the information? The New HMDA Rule fails to directly address these questions, and institutions must make decisions on the best way to proceed based on their own operations and the regulatory language and then apply a consistent, reasonable approach.

MLO NMLSR IDENTIFIER

The New HMDA Rule added a requirement to report an individual mortgage loan originator's (MLO) National Mortgage Licensing System & Registry identifier (NMLSR ID) for a loan or application. Questions often arise in this context when multiple MLOs are involved in a single transaction because, for example, an MLO leaves the company or multiple MLOs work on an application together as part of a team. In those cases, which individual's NMLSR ID must be reported? The New HMDA Rule requires the company to report the NMLSR ID of the MLO with primary responsibility for the transaction as of the date of action taken. The regulation does not provide additional guidance with respect to what constitutes primary responsibility, but instead provides a company some discretion to develop reasonable policies to make that determination.

In order to address these situations, an institution should establish and follow a reasonable, written policy for determining which individual MLO has primary responsibility for the reported transaction as of the date of action taken. When creating that policy, companies should also consider the requirements under various other federal and state laws that have requirements for identifying the MLO(s) for a transaction, such as Regulation Z's requirement to disclose the primary loan originator's name and NMLSR ID (if any) on certain loan documents, as those other requirements may influence this determination.

FINAL THOUGHTS

As the common issues described above illustrate, there is still much to consider and work through in implementing the New HMDA Rule during its first year. You should be putting in the extra time and dedicating extra resources to audit your information and to identify questions and pain points. Institutions should have already recorded their first quarter data for 2018 under the new requirements. Use this opportunity to carefully test and review that data and the relevant internal processes for the issues above as well as any other potential gaps or questions unique to your own operations.

In situations where there are open questions and multiple reasonable interpretations, the key is consistency. Develop a well-reasoned, consistent approach based on the language in Regulation C, the commentary, and the FIG. Review the other guidance available on the Bureau's website, submit questions to the Bureau, and consult with counsel. Document your analysis process to demonstrate your good faith efforts to comply. Any identified issues should be addressed as soon as possible so you can have a consistent approach moving forward and only have a few months of past entries to correct. If you wait until 2019 to review, you will have to correct an entire year's worth of entries retroactively should you find any issues. MCM

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The HMDA Halftime Report

By Leonard Ryan

Fans of televised football know that a centerpiece is when teams leave the field at halftime for the locker rooms. It is 15 minutes filled with excitement from experts—statistics, great plays, missed opportunities, and predictions for the second half of the game. With that in mind, it's HMDA Halftime in Mortgage Land.

THE PRE-SEASON SCRIMMAGE

Last year, vendors and mortgage companies worked out hard to be ready for the big game. Millions of dollars were spent beefing up systems, training staff, and asking questions of the powerful referee, the Consumer Financial Protection Bureau (then known as the CFPB), to ensure the tough new rules with three times the data requirements could and would be followed.

The CFPB made a few errors that they tried to correct on the fly. Ultimately, while the submission process was sometimes slower than desired, vendors, lenders, and the CFPB all thought good progress had been made. The fact that 2017 data is public now (about five months before the traditional date) has been very helpful. And lenders actually liked the new submission process.

Recommendations to the CFPB included a need for separation of administrative functions and to have those administrators receive email notifications of uploads—and be the ones that are required/allowed to attest to the submitted data.

THE OPENING DRIVES OF THE 2018 SEASON

The first days of the new CFPB rules contained many dropped passes by loan origination systems and some open holes in the defenses of many lenders. Data collection procedures by lenders for the new disaggregated demographic data (formerly known as Government Monitoring Information) demonstrated that the information had rarely been collected, making the entire loan process that much more complicated.

The CFPB anticipated that about five percent of applicants would collect the data. In our discussion with lenders, we are seeing that number go as high as ten percent, but mostly in areas with higher concentrations of Hispanics, such as California and Texas.

FUMBLES & ERRORS IN THE FIRST HALF OF 2018

Overall, the industry seems to be processing HMDA pretty much the way it did for the last decade, a major fumble. Since this is the first year of the new rules, most of the expanded data will be subject to much higher error rates. The new data elements have not been tested for accuracy.

The CFPB never said they weren't going to enforce the new rules. Their stance was like a referee discussing a play with a coach. The coach still needs to correct the player so they don't get penalized.

Taking advantage of this early transition period is vital to you as a lender. You must set aside time to scrub the new data and ensure its integrity on the expanded fields. Lenders that do not run the risk of incurring penalties from their regulators (OCC, FRB, FDIC, HUD, NCUA, CFPB).

Another comment our support staff has heard is there is no rush to analyze the new data, because no one is being held accountable this year. Believing you're safe from being ejected from the game just because a regulator is not being aggressive with you (yet) is not a good strategy. The current lack of comparable data will catch up to lenders eventually.

CFPB (BCFP) GETS A MIXED GRADE AT HALFTIME

There are many areas where "the Bureau" has proven advantages over former HMDA operations. One such area was the data collection process for 2017. Another has been data accessibility to the industry. Each of these were greatly appreciated and received high marks.

However, the Bureau also fumbled a few times. It seems the same Bureau that thought these changes for HMDA would be easy for the industry to complete in two and a half years has struggled internally to support these changes. The Bureau felt developing software was easy (remember Richard Cordray recommending that vendors be held responsible for TRID delays?). Now, nearly mid-year, the 2018 submission process and geocoding engine are nowhere to be seen.

VALIDATION TOOL AND BUREAU GEOCODER

The Bureau performed a mid-game correction in March by prioritizing a testing and data validation tool for the expanded data. The task of completing this is being complicated by changes at the Bureau and the pending passage and signing by the President of the Regulatory Relief Bill (S 2155). Under that legislation, smaller banks and credit unions will not have to submit the expanded data elements of the new HMDA. If or when it's signed into law, the Bureau will likely need to adjust the submission tool.

The Bureau has a concept for geocoding in which lenders will have loan officers go out to the new site and code records at the point of origination. The new geocoder will be helpful if you use it properly -- you will not have to worry if it provides an errant result. Current systems will jump on this and want to automatically populate these codes. But there is a big, gaping hole in the logic of the geocoder that lenders do not seem to be taking very seriously.

The new geocoder is said to be based on publicly available "free" data sources so that all industries can have unrestricted use. However, there is a reason this data is free.

Companies specializing in geocoding and who pay royalties to ensure accuracy are adding or adjusting as many as 1.5 million records per quarter. New address segments, changed mapping locations, and other adjustments are constantly being made in the systems offered by leading industry vendors.

The Bureau's geocoder cannot keep up with these changes and will be updated less often. Lenders will still be responsible for accurate coding ▻

of ALL records (think CRA), not just the ones the new geocoder will provide.

HMDA REGULATORY RELIEF FOR BANKS AND CREDIT UNIONS IS A TOTAL MYTH

QuestSoft recently completed an extensive study of the effects of the HMDA Regulatory Relief bill before Congress. The complimentary study is available at https://www.questsoft.com/news/white-papers/regulatory-relief-bill-study.

The bill gives banks and credit unions with under 500 originations per year a pass on submitting any new data elements. Since the new regulation only affects a limited population of readers, I recommend you review the study separately. However, here are two main reasons to say the promised "relief" is a myth and that the benefits will not be as great as anticipated:

- Regulators have always wanted the additional data. The problem has been that it was too hard for lenders to provide the data when requested. Now that millions of dollars have been spent retooling loan origination and HMDA management systems, regulators know that the data is easily available. Therefore, the OCC, FRB, FDIC, and NCUA have all said they will ask for it on exams.
- Whenever "relief" from filing has been made in the past by politicians, it has always meant that a filing process has been eliminated, but responsibility for the outcome of the data has continued to be enforced. That will be the case here as well.

BOLD PREDICTION: EXPANDED GMI INFORMATION IS ONE AND DONE

No halftime review is complete without the talking heads making their big second-half predictions.

My prediction is that collection of the new disaggregated demographic information is going to be required for the 2018 submission year but will revert back to the traditional GMI information for loans next year. Here's why:

The collection of expanded demographic has always been a sore spot for everyone in the industry. Since it does not correlate with the census bureau (as did the last change in 2004), its collection has caused issues with how the data could be analyzed. In addition, even the Bureau felt its collection would result in little participation. Also, there is no mechanism in place by the Bureau for analysis of this information if the disaggregated data is rolled back.

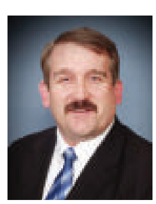
Added to this is the S 2155 HMDA Regulatory Bill, which would exempt small banks and credit unions (not small mortgage lenders) from collection of this data. Creating a two-tiered collection process would heavily favor exempted banks and credit unions, who could claim a simpler application process and greater borrower privacy.

Finally, I believe the Bureau, under interim director Mick Mulvaney, is willing to sacrifice this requirement as part of relaxing regulations.

SECOND HALF ADJUSTMENTS FOR FINANCIAL INSTITUTIONS

The game is not over! There are still many adjustments to come. Lenders will need to make the following efforts to win at HMDA by year end and avoid negative Monday morning quarterbacking:

1. Scrub your data to the new standards and not the old. Even if you think you will be getting "regulatory relief," none of this will happen until 2019. By then, the new expanded data will be provided to all federal and state mortgage regulators.
2. Review your results compared to previous years.
3. Be ready to tell your story. Eight banks were recently targeted for racist lending based on public HMDA data, even though the regulators indicated they were fantastic lenders to available minorities in their assessment areas. The new data will be quickly passed among regulators, so be ready at a moment's notice to justify your lending practices based solely on your public data.



Leonard Ryan is president and founder of QuestSoft Corporation. Ryan has been recognized as a Mortgage Banking Tech All-Star and is a frequent speaker and panelist on the practical implementation of mortgage compliance issues. He can be reached at: Leonard.Ryan@QuestSoft.com.

Affordable Housing Programs

Dream of Ownership

Tools To Get There

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CBC Mortgage Agency

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HMDA IN TRANSITION
What Lenders Should Do in Times of Uncertainty

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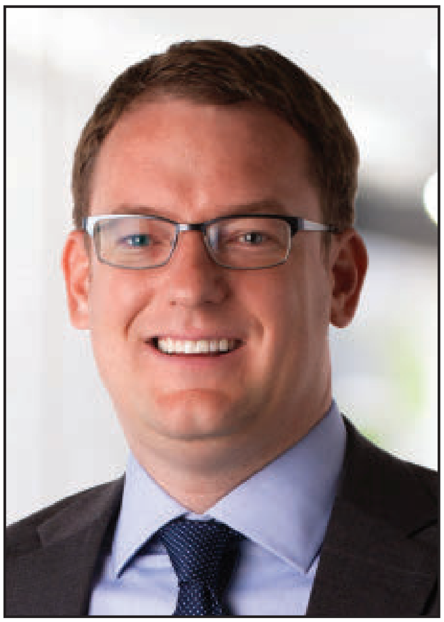

Vincent Urbancic
Associate Director,
Risk & Compliance

HMDA has experienced several changes in the last 40 years, but sweeping updates recently took effect with the implementation of the Consumer Financial Protection Bureau's (CFPB) 2015 HMDA Final Rule. Effective Jan. 1, 2018, lenders became subject to expanded transactional coverage, loan-level reporting requirements, and increased reporting frequency.

Starting this year, all lenders meeting requirements under the new HMDA rule are mandated to report any originated open-end lines of credit such as home equity lines of credit (HELOC) and reverse mortgages—as opposed to only reporting closed-end credit transactions. Secondly, lenders are required to report 48 data points, amounting to 110 total reporting fields for each record reported on their Loan Application Register (LAR). This expansion is not simply an appendage to the previous reporting requirements, 14 of the 23 legacy data points have been modified in different ways. Lastly, starting in 2019, certain lenders will be required to report their LAR on a quarterly basis instead of annually. As these changes come into effect, significant updates to both technology and processes are required throughout each lender's HMDA Compliance Management System (CMS). Technological updates are especially costly to implement for institutions that utilize their own proprietary Loan Origination Systems (LOS) and require validation from a third party, compliance, and / or legal team.

Changes in Reporting Threshold Requirements

Although there has been significant advancement in the scope of transactional coverage with the rollout of the 2015 HMDA Final Rule, the CFPB has dialed back institutional coverage requirements.

For example, the CFPB mandated that at the beginning of 2018, all *Depository* and *Non-Depository* institutions would be required to report under HMDA if, in each of the two preceding years, the institution originated at least 25 closed-end mortgage loans or 100 open-end lines of credit. In August 2017, however, the CFPB eased requirements on smaller lenders from 100 to 500 open-end mortgages in the last two years.

Since the CFPB's decrease of this reporting threshold, continued consideration of HMDA has occurred in Congress. On January 19, 2018, the US House of Representatives voted in favor of further limiting institutional coverage requirements expanding both closed-end and open-end origination requirements to 500 loans. Most recently, on March 14, 2018, the Senate passed the

Economic Growth, Regulatory Relief, and Consumer Protection Act, which includes provisions that state banks and credit unions that originate fewer than 500 open-end and 500 closed-end mortgages are exempt from the HMDA's expanded data disclosures. These changes relieve smaller institutions of the burdens associated with the intricacies and costs of reporting requirements.

The Cost of Noncompliance

The cost of noncompliance can be severe, as shown by the last year's HMDA enforcement action imposed on Nationstar Mortgage. The CFPB mandated the originator to pay $1.75 million for allegedly failing to accurately report mortgage origination data from 2012 to 2014. The mandate included the implementation of an HMDA CMS and the correction of the HMDA data from the affected period. Although this was the largest HMDA enforcement action to date, the CFPB recently announced the delay of any civil penalties for noncompliance with the new HMDA rule during 2018 and encouraged lenders to use this time to perfect data capture and enhance their compliance program.

Although there are many changes at present, we recommend that institutions continue to enhance their HMDA CMS — especially given that HMDA data is utilized for other areas of compliance such as Fair Lending. Should originator processes fail to properly comply with the regulatory update and incorrect transaction reporting ensues, lenders may run the risk of creating fair lending anomalies when no such problems may exist.

"Should originator processes fail to properly comply… lenders may run the risk of creating fair lending anomalies when no such problems may exist."

What Lenders Should Do Now

We recommend that lenders continue to take measured steps to ensure compliance with the 2015 HMDA Final Rule. In addition to validating that technology updates are properly configured, lenders should maintain a HMDA project plan with set milestones and detailed steps necessary for timely completion. At a minimum, the plan should include the following:

1. Development of a data dictionary inclusive of each LAR reporting field, field definition, and characteristics such as systems/forms used for sourcing the data field, and, if applicable, steps to for calculating the reported value
2. Development of updated policies, procedures, and controls to address rule changes and corresponding process updates
3. Conduct HMDA training and update HMDA quality control program to include detailed testing scripts and recurring sample testing

Focus on these areas is critical and can be easily overlooked should lenders strictly prioritize and rely upon technology updates during this transition. In realizing these initiatives, lenders bridge knowledge gaps across business units, maintain effective monitoring of HMDA reporting, and, in effect, help to mitigate their risk of noncompliance.

To learn more, please visit navigant.com/hmda.

HMDA Questions & Answers with Joshua Weinberg

For an "in the trenches" look at the first six months of the new HMDA, Mortgage Compliance Magazine's Tory Barringer sat down with Joshua Weinberg, executive vice president at First Choice Loan Services and resident compliance expert for the magazine.

Mortgage Compliance Magazine: Let's dive right in with the big question: Six months in, how are things going with HMDA?

Weinberg: Things are going okay. The wheels haven't fallen off of the bus, but there's still a good sense of changing the tires at 80 miles an hour. One of the issues we've been grappling with is ongoing system updates from multiple vendors. We've got our core LOS, we've got systems that do the scrubbing of the data, and we do analyses of not just HMDA data, but Fair Lending data and CRA data, and the system that does those analyses is a different system. Then there are others, like servicing systems that aren't core platforms but are impacted by HMDA.

Where we have seen some indigestion is in the stream across those vendors, the interconnectedness—things like one system exporting the demographic information as multiple values and another expecting one field for each value. One system didn't even account for that at all. It just had "yes" or "no," which wasn't appropriate. This is the first time we're using all of these systems together to be able to see that they work. They worked before in 2017, but now with a greater number of data points and more systems, that's where I've seen some breakdowns or struggles.

What other sorts of issues are we seeing?

Another problem is that we still haven't seen the 2019 submission portal from the CFPB. The system works pretty well for the submission of 2017 data in 2018, but in 2019, we'll submit 2018 data, which is a much broader set of data points. I'm really confident in the system we use, but here we are halfway through the year—they can't build an integration to the portal to be able to validate the submission process because there's nothing to connect to [in order] to validate.

The Bureau is, in essence, creating a weakness in the CMS, because a CMS really needs to be thoughtful of the cradle-to-grave process. Putting out updates in October/November [last year] painted a picture that the Bureau saw 2018 as a testing year, but the rule is really specific: 2018 is a required compliance year. It's great that they've said that those who can demonstrate good faith efforts in compliance aren't going to get beat up so much, but this is the most critical data that we lenders collect, and now there's so much of it, so it's important that it's right. Not only are we reporting it to the government, but it's the same set of data we look at to determine how we're meeting our own metrics of success.

It sounds like one of the major challenges is a lack of standardization. Is that a fair assessment?

The vendors are working really hard, and they've gotten their core requirements out, but what they're building now are fixes to what didn't go quite right. When we're doing customization or automation, we're doing that in the vendor system. As the vendor updates, we then have to update our code. There have been times that we said, "We're going to put this [feature] into place," and by the time we implement it, the vendor releases an update that did the same thing or something similar. It's been a little bit of a moving target in terms of what's "end state." We don't expect that we're going to have an end state until about 2020. We're going to submit data in 2019 about 2018, but I expect that submission is going to be telling, so we're going to want to learn from that and implement changes within 2020 so that submission in 2021 is good and reflective of the solid process we have.

So, we've discussed the hitches so far. What can lenders do to help make sure they're in the regulators' good books? What would be the right vs. wrong actions at this point?

The best thing we can do is document what we've done to prepare. To the point that the Bureau said that if we have good faith efforts to comply, we'll get some relief—how are you going to demonstrate that? Having it documented, having your narrative, and being able to source your work papers—that's going to become really helpful to proving that you've done the best that you can.

Doing little or nothing is wrong. Even though data isn't submitted until the following year, the rule requires that we have the ability to submit a LAR or prepare a LAR quarterly. That's actually an element we documented with our compliance committee; we are mechanically creating a LAR because we physically can do it, but I'm not signing off on the accuracy of the data in the LAR because of all the gaps that are identified. To that point, doing what is right is documenting all of those things, but also identifying what we've found that's wrong or not working as expected or designed, because that is really telling to a CMS as well. That way, it's not "needle in a haystack," it's, "here are the fields we know of that are an issue," and then you can make a plan of attack.

Companies or lenders should plan to invest a lot more time and resources for manual reviews in this year, because for those same fields we identify that may not be working as expected, we're going to have to update those values for any of the files or fields that were created before the final system fixes from the vendors or any customization or automation we've put in place has been complete.

Which questions still remain?

What about the other fields? I think those are the

ones argued about the most. Maybe it's a lot for nothing, but to the extent that you have variation in data that really waters down the reliability or statistical significance of the data—it remains to be seen what will happen there. It will also be interesting to see how the data, once it's published, will be used and by whom. It's not only the regulators and in recent weeks the media who review it, but also community activists. With more data, there's more activity, and we'll see ultimately what is done with the new data.

THE CFPB'S BLACK HOLE FIX FINAL RULE:

ESCAPING THE EVENT HORIZON

BY RICHARD HORN

Richard Horn

The final rule completely eliminates the Black Hole, but as is frequently the case with mortgage regulations, there is a catch.

The CFPB just saved the industry from the TRID rule's Black Hole in a final rule issued on April 26, 2018. The final rule completely eliminates the Black Hole, which you may remember is a limitation on how many days before closing lenders can use the Closing Disclosure (CD) to reset their "tolerance baseline." The CFPB's fix allows lenders to provide revised estimates to reset their tolerance baselines on any initial or corrected CD, regardless of the number of days before closing. The final rule will be effective June 1, 2018, applicable to loans without regard to when the application was received. As the lyrics in one of my favorite Yes songs go, "Soon, oh soon the light…" But as is frequently the case with mortgage regulations, there is a catch.

As you likely already know, the TRID rule's "tolerance" restrictions allow only limited percentages of increases in certain closing costs from their estimates, but allow lenders to "reset" the baseline of these closing costs in certain circumstances (e.g., changed circumstances, borrower-requested changes) by providing consumers revised estimates on a Loan Estimate (LE) or CD. But lenders are not permitted to provide an LE after providing the initial CD, and the Black Hole provision only allows lenders to use the CD to reset the tolerance baseline within a certain number of business days before consummation. There are different interpretations of how many days before closing make up this window, which means that under the Black Hole provision, if the lender provides the initial

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If you're going to the AARMR conference, plan to come a day early and connect with your fellow MCPAOA members! More information on the event will be coming soon.

CD too early in the process, because it cannot go back to the LE, it may not be able to reset the tolerance baseline if there are changes that occur before the loan enters the allowable window before closing. This feature of the Black Hole provision provided a disincentive from providing the CD very early in the process. This disincentive will be eliminated when the Black Hole final rule becomes effective.

But this rule should not be viewed as a license to begin providing the CD very early in the process. Commenters to the CFPB's proposed rule raised this as a possible consequence of the elimination of the Black Hole and voiced concerns about the potential for consumer confusion from such a practice. In response to these concerns, the CFPB stated in the preamble to the Black Hole final rule that it believes the existing accuracy requirement for estimated information on the CD will prevent lenders from providing the CD very early. The CFPB clarified that the accuracy standard that applies to estimated information on the CD is the "best information reasonably available" standard, which requires lenders to perform "due diligence" to obtain information before providing any CD. As the rule's commentary states, "the creditor may not utilize an estimate without exercising due diligence to obtain the actual term for the consumer's transaction." The preamble references an existing commentary example of a lender that does not request the actual cost of the lender's title insurance policy from the title company before providing a CD, and states that the lender has not exercised due diligence, i.e., it has not satisfied the accuracy standard for the CD. Notably, the CFPB stated that it "will continue to monitor the market for practices that do not comply with the rule's Closing Disclosure accuracy standard."

This rule should not be viewed as a license to begin providing the CD very early in the process.

This preamble language should be viewed as a warning against providing the CD very early in the process, before trying to obtain all of the information that is required to be disclosed on the CD under 12 CFR § 1026.38. The CFPB's preamble also signals that the Bureau and other regulatory agencies may examine for compliance with this accuracy standard in TRID examinations. Lenders may need to start considering how they document their compliance with the TRID rule's "due diligence" requirements. In addition, it is possible that a practice of providing the CD very early in the process with information that is substantially different from the final CD could be determined to be an unfair, deceptive, or abusive act or practice (UDAAP) under the Dodd-Frank Act.

Further, the effective date of the final rule is not retroactive, which means that the industry will need to ensure that processes still account for the current Black Hole provision for CDs provided before that date. In addition, liability for failure to comply with the current Black Hole provision before the effective date is still a concern, because neither the TRID 2.0 final rule nor the Black Hole final rule relieved the industry of liability under TRID, and the tolerance requirements are an area of significant risk.

Although the elimination of the Black Hole is certainly a positive change for the industry, there are old and new hazards to avoid after escaping the event horizon. Make sure your organization is prepared to navigate this space in a compliant manner. MCM

Richard Horn is a former senior counsel and special advisor in the Consumer Financial Protection Bureau's Office of Regulations and a former Senior Attorney at the FDIC. He is a founding member of Garris Horn PLLC. He can be reached at Rich@GarrisHorn.com.

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

CrossCheckCompliance

Karen Cullen, Director
Regulatory Compliance
& Fair Lending Practices
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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.

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 controls 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.


MORTGAGE Servicing
Compliance
New Mortgage Servicing Rules

CFPB Suggests That Servicers Do Have to Monitor Whether a Successor in Interest is in Bankruptcy

BY JONATHAN KOLODZIEJ

Jonanthan Kolodziej

As the effective date for the CFPB's successor in interest and bankruptcy billing statement requirements quickly approaches, one question we've heard multiple times is whether a mortgage servicer is required to know when a confirmed successor in interest is in bankruptcy. The question stems from upcoming provisions in Regulations X and Z that will collectively say, in essence, that a confirmed successor in interest must be treated as if he or she is a borrower for the purposes of the mortgage servicing rules. Combine that mandate with specific requirements in the periodic billing statement and early intervention contexts that apply when "any consumer [or borrower] on a mortgage loan is a debtor in bankruptcy" and it becomes clear why many servicers have wondered whether a confirmed successor in interest's bankruptcy might trigger the various bankruptcy-specific requirements in the mortgage servicing rules.

On March 20, 2018, the CFPB arguably settled the debate when it published a set of Frequently Asked Questions that primarily addressed issues related to the upcoming periodic billing statement requirements for borrowers in bankruptcy. However, towards the end of the FAQ the CFPB includes the following question:

Do servicers have a responsibility to know if a confirmed successor in interest is in bankruptcy for purposes of complying with the early intervention and periodic statement requirements?

The answer, which may be surprising to some, is “yes”:

Under Regulation X, § 1024.30(d) and Regulation Z, § 1026.2(a)(11), confirmed successors in interest are considered “borrowers” for purposes of the early intervention requirements and “consumers” for purposes of the periodic statement provisions. Because confirmed successors in interest are considered to be “borrowers” and “consumers” for the relevant parts of Regulation X and Regulation Z, servicers need to know whether confirmed successors in interest are in bankruptcy and may want to include them in any normal checks they utilize to identify borrowers in bankruptcy.

This means that yes, mortgage servicers do have to monitor whether a confirmed successor in interest is in bankruptcy and will, therefore, have to figure out how to include confirmed successors in interest in their standard bankruptcy checks. This may mean obtaining a confirmed successor in interest’s social security number or figuring out another way to determine whether a confirmed successor in interest is impacted by bankruptcy.

As the CFPB noted, if a borrower or consumer—and now a confirmed successor in interest—is a debtor in bankruptcy, a servicer’s obligations change in terms of early intervention contact and periodic billing statements. Although there are some nuances to the early intervention requirements when someone is in bankruptcy, servicers generally seem much more comfortable in that context as compared to the upcoming billing statement requirements when someone is impacted by bankruptcy. Effective April 19, 2018, there are new billing statement requirements for when someone is in active bankruptcy or has received a discharge. There are certain scenarios where a servicer may be exempt altogether from sending periodic statements, but, when those exemptions do not apply, the law now requires very detailed content and formatting modifications that take into account different chapters of bankruptcy.

In terms of required content on a periodic billing statement and whether a confirmed successor in interest’s status as a debtor in bankruptcy will trigger the modified billing statement obligations, the CFPB posed the following question in its FAQ:

Do the modifications to the periodic statement required for borrowers in bankruptcy apply if the borrower is a confirmed successor in interest in bankruptcy?

Given the CFPB’s response to the first question, you might not be surprised to learn that the answer is “yes”:

Under Regulation Z, § 1026.2(a)(11), confirmed successors in interest are borrowers for purposes of the periodic statement provisions, and so the periodic statement modification requirements for borrowers in bankruptcy in § 1026.41(f) would apply to the periodic statements supplied to that confirmed successor in interest in bankruptcy.

This means that not only will servicers have to figure out how to track whether a confirmed successor in interest is in bankruptcy, they will also have to figure out how to appropriately populate the periodic billing statement, in many cases with information that is specific to the successor’s bankruptcy case.

Together, these two questions and answers shed light on how the CFPB currently interprets the new law. They very clearly do believe that a confirmed successor in interest must be treated as a borrower or consumer for the purposes of all mortgage servicing rules, including those triggered by bankruptcy. Although it is helpful to have some clarity from the CFPB in advance of the rules’ effective date, the timing—approximately just one month before servicers are expected to be fully compliant—is likely to leave some servicers scrambling at the last minute.

Jonathan Kolodziej represents all types of consumer financial service providers in regulatory compliance, examination, and enforcement matters for Bradley Arant Boult Cummings LLP. He can be reached at JKolodziej@Bradley.com.

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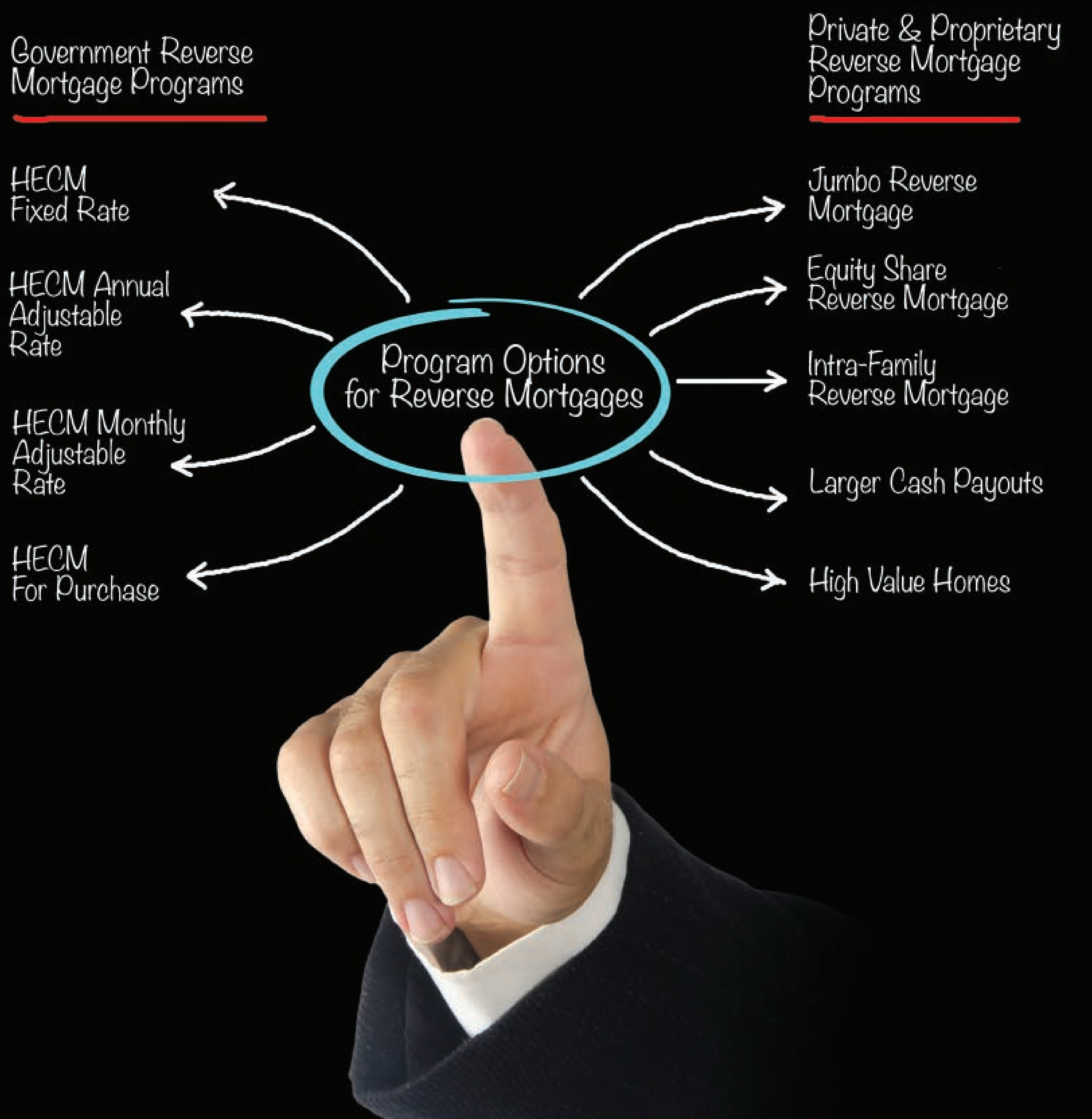

Reverse Mortgage–Specific HMDA Issues

BY JIM MILANO

Jim Milano

There continue to be distinctions for financial institutions reporting on reverse mortgages under HMDA as compared to so-called "forward" mortgages.

The rules for gathering information and reporting on reverse mortgages under the Home Mortgage Disclosure Act (HMDA), and its implementing regulation, Regulation C, historically have been different from those for so-called "forward" mortgages. With the recent changes made to the HMDA rules by the CFPB, some of those differences were addressed; however, there continue to be distinctions for financial institutions reporting on reverse mortgages under HMDA as compared to so-called "forward" mortgages. This article reviews those differences and provides an overview for HMDA reporting for reverse mortgages under the new HMDA rules, including which entities are covered, which loans are covered, and, for covered loans, how information on those loans are to be reported.

Under prior HMDA rules, reverse mortgages were subject to the general rule that applications for such loans were reportable by financial institutions, as were such loans that met the definition of a home purchase loan, home improvement loan, or refinancing, but only for such loans that met the definition of closed-end credit. However, reporting was optional if the reverse mortgage (in addition to qualifying as a home purchase loan, home improvement loan, or refinancing) was an open-end home equity line of credit (HELOC).

With the revised HMDA rules that were finalized in October 2015 with an initial effective date of January 1, 2018, reverse mortgages became more generally reportable by financial institutions under HMDA. When the effective date of the new HMDA rules drew near, many smaller reverse mortgage originators began to ask whether they would be covered by the new rules and subject to HMDA reporting. The answer depends upon whether such an entity is a depository institution, such as a bank, or not. If an entity is a depository institution, the first criteria is its asset size. For data collection in 2018, the asset-size exemption threshold is $45 million. Banks, savings associations, and credit unions with assets at or below $45 million as of

December 31, 2017, are exempt from collecting data for 2018. If the entity is a non-depository institution, it depends on the number of loans originated in the prior two years.

For non-depository institutions, such as for-profit mortgage-lending institutions, such entities are covered and HMDA-reportable if: (i) on the preceding December 31, it had a home or branch office in an MSA; and (ii) it meets at least one of the following criteria: (A) in each of the two preceding calendar years, it originated at least 25 non-excluded closed-end mortgage loans; or (B) in each of the two preceding calendar years, it originated at least 500 non-excluded open-end lines of credit.

Moreover, the recently enacted Economic Growth, Regulatory Relief, and Consumer Protection Act (i.e., S. 2155) also makes further changes to HMDA, including exempting banks and credit unions from reporting certain information on loans if in the prior two-year period: (i) if a bank or credit union originated fewer than 500 closed-end mortgage loans, and (ii) if the bank or credit union originated fewer than 500 open-end lines of credit plans, and (iii) the bank or credit union has a satisfactory Community Reinvestment Act rating. The exempted information includes total points and fees, rate spread information, information on prepayment penalties, the value of the property, the time period of introductory rates on variable rate loans, negative amortization features, and the channel through which the loan was originated. As discussed below, under the revised HMDA rules, reverse mortgages are already exempt from reporting some of these items.

Reportability of loans can further depend upon which entity makes the credit decision and which entity funds the loan. Loan purchases also can be reportable. Loan brokering and Principal-Agent relationships are common in the reverse mortgage industry. If an entity receives an application for a loan and forwards that application to another entity, and the second entity approves and closes the loan in its name with its funds, the second entity reports the transaction as an origination and not as a purchase, and the first entity does not report the transaction.

In an FHA Principal-Agent relationship, typically one mortgagee (the Principal) takes an application and forwards that application to another mortgagee (the Agent) for the Agent to underwrite and approve or deny the loan. Then the loan closes in the name of the Principal with the Principal's funds. In addition, typically, the Agent purchases the loan from the Principal. The reportability of the loan depends upon whether the second mortgagee is acting as the legal agent of the first mortgagee.

In short, a traditional mortgage broker that is not making loans in its name with its own funds generally would not be a HMDA-reportable entity. However, most reverse mortgages today are FHA-insured Home Equity Conversion Mortgage loans (HECMs). And some HECM loans are originated and underwritten under an FHA Principal-Agent relationship. In a FHA Principal-Agent relationship, the answer to which entity reports the application and any resulting loan, and how the entity does so (as an origination or a purchase) depends upon whether the underwriting mortgagee is acting as the legal agent of the first mortgagee or not, and whether the second mortgagee purchases the loan from the first mortgagee. FHA mortgagees must review their underlying contractual relationships with each other in order to properly determine how to report such applications, loans, and loan purchases.

Under the HMDA regulations as revised, a reverse mortgage is defined as a closed-end mortgage loan or an open-end line of credit that is a reverse mortgage transaction as defined in Regulation Z, but without regard to whether the loan or line is secured by a principal dwelling. A financial institution must separately report whether or not a covered loan or an application is for a reverse mortgage.

The loan amount to be reported on a reverse mortgage is the initial principal limit, as determined pursuant to section 255 of the National Housing Act, the implementing regulations, and the mortgagee letters issued by HUD. The initial principal limit is the amount of loan proceeds available to the borrower under the loan, not the initial unpaid principal balance.

Preapproval requests for reverse mortgages are not reportable. Further, many reportable items of information on forward loans need only be reported as "not applicable" for reverse mortgages. Those items are outlined below.

Rate spread information is not reported for reverse mortgages, and for reverse mortgages, financial institutions are instructed to report "not applicable" in the rate spread field. For a covered loan or an application without a definite term, such as a reverse mortgage, a financial institution reports that the data point is "not applicable."

For the total loan costs as disclosed on the Closing Disclosure, and total points and fees, financial institutions report these data points as "not applicable" for transactions that are not subject to the Ability-to-Repay provisions of Regulation Z. Reverse mortgages are not subject to the Ability-to-Repay provisions of Regulation Z; thus, total loan costs and total points and fees are reported as "not applicable" for reverse mortgages.

Reverse mortgages historically and traditionally do not carry or impose a prepayment penalty. For covered loans and applications subject to Regulation Z, other than reverse mortgages or purchased covered loans, a financial institution reports the term of any prepayment penalty. The term is reported in months. Since reverse mortgages have no prepayment penalties, financial institutions report this data point as "not applicable."

There have always been differences in how reverse mortgages are reported under HMDA. Even with the recent changes made to the HMDA rules by the CFPB, there continues to be differences for financial institutions reporting on reverse mortgages under HMDA as compared to so-called "forward" mortgages. Entities making reverse mortgages should be aware of these distinctions and should ensure that their policies and procedures address such differences. MCM

Jim Milano is a member at Weiner Brodsky Kider PC. He can be reached at Milano@TheWBKFirm.com.

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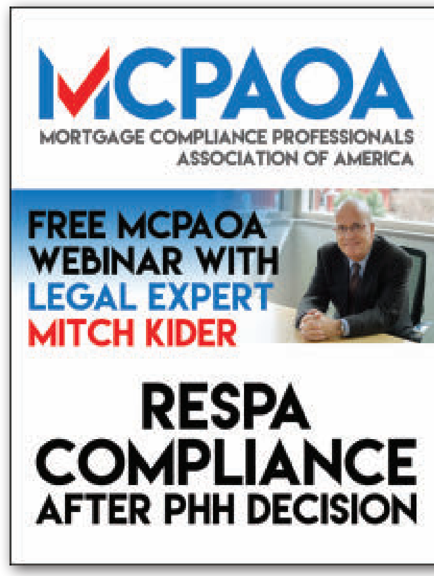

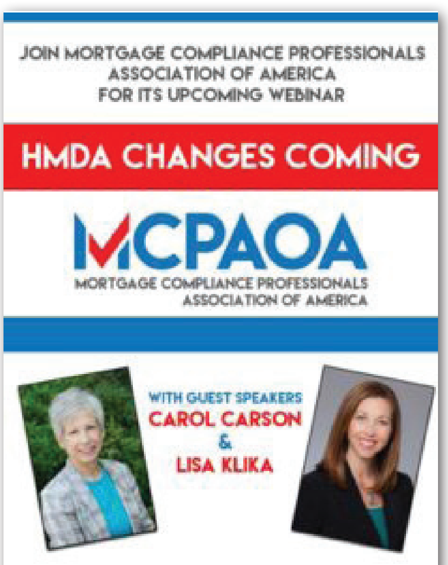

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Regulatory Compliance Lawyers

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In his 35 years as a practicing attorney, Mitch has represented banks, mortgage companies, residential homebuilders, real estate settlement service providers, credit card issuers, and other financial service companies in a broad range of matters. Mitch represents clients in investigations and enforcement actions before the Consumer Financial Protection Bureau, Department of Housing and Urban Development, Department of Veterans Affairs, Department of Justice, Federal Trade Commission, Ginnie Mae, Fannie Mae, Freddie Mac, and various state and local regulatory authorities and Attorneys General offices. In addition, Mitch acts as outside general counsel to smaller companies and special regulatory and litigation counsel to Fortune 500 companies.

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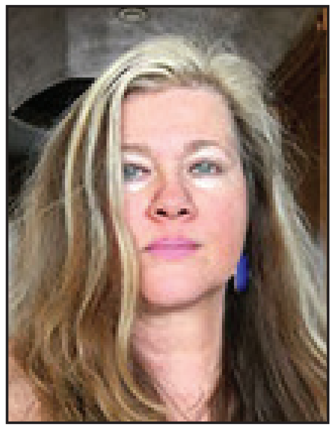

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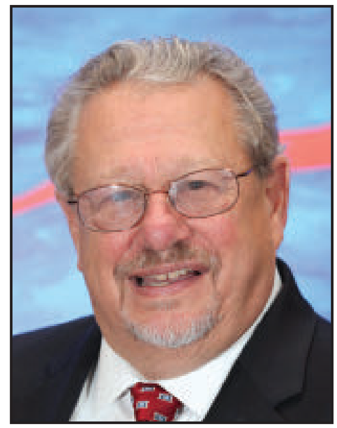
Carolyn Goldman represents mortgage companies, banks and other businesses in regulatory compliance, complex litigation and administrative proceedings. For the past 20 years, Ms. Goldman has provided the service of acting as an Arizona "Responsible Individual (RI)," and in connection with that service, has provided legal advice regarding Arizona laws and regulations and guidance and representation in examinations by the Arizona Department of Financial Institutions (AZDFI). Ms. Goldman also represents mortgage companies, which have not retained her as their RI, and have been charged with violations of laws in administrative proceedings. Ms. Goldman has been honored to be appointed by the Superintendent of the AZDFI to its testing committees and her firm was recently appointed to the AARMR Advisory Council.

KEN MARKISON ADVISORS, LLC



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Ken Markison is President of Ken Markison Advisors, LLC, founded in 2017 to provide legal and advisory services concerning regulatory issues facing the mortgage industry. His clients include industry companies, trade associations and other organizations that draw on Ken's experience and expertise.

Until September 30, 2017, Ken was Vice President and Regulatory Counsel of the Mortgage Bankers Association in Washington, DC. At MBA, he worked on and represented the mortgage industry on the range of legal and regulatory issues facing industry participants. He joined MBA in July 2004 following a thirty-two year career in the Office of General Counsel at the U.S. Department of Housing and Urban Development.

At the time of his retirement, Ken served as HUD's Assistant General Counsel for Government Sponsored Enterprises/ RESPA. He is a frequent speaker and trainer on mortgage compliance and other industry issues. He is honored to be a fellow of the American College of Consumer Financial Services Lawyers.

Regulatory Compliance Lawyers

These attorneys are universally recognized by their peers as setting the highest standard for the legal profession, excelling in all fields – knowledge, analytical ability, judgment, communication, and ethics.

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Richard Horn is the former CFPB Senior Counsel and Special Advisor who led the TRID rule, and the design of the TRID disclosures. Richard is a founding member of Garris Horn PLLC.

Richard has extensive federal government experience from his time at the CFPB and as a Senior Attorney at the FDIC. While at the CFPB, Richard led the final TRID rule and worked on other mortgage regulatory issues. While at the FDIC, Richard worked on supervision and enforcement matters involving many different consumer finance laws, including TILA, RESPA section 8, UDAP, and fair lending. Richard advises clients of all sizes on all federal and state mortgage regulatory compliance and enforcement matters. Richard also provides on-site TRID training and compliance reviews.

Garris Horn PLLC is the next evolution of the financial services law firm. As a "virtual" law firm designed for the information age, we offer a streamlined and cost-efficient approach.

KAUFMAN & CANOLES

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Terry is a partner with Kaufman & Canoles' and Chair of its Consumer Finance Practice Group. She concentrates her practice in litigation and regulatory compliance issues related to mortgage banking and consumer finance, and her clients consist of large national banks, mortgage companies and servicers, investors, regional banks and credit unions. Terry is admitted to practice in all state, federal and bankruptcy courts in Virginia and North Carolina, as well as the Fourth Circuit Court of Appeals, and has defended over 350 cases in state and federal courts. She is a frequent guest speaker and lecturer at consumer finance industry conferences and state and local bar associations. Terry has also published works on finance, mortgage and consumer credit issues.

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Phillip Schulman is a partner in Mayer Brown's Washington DC office and a member of the Consumer Financial Services group. His practice focuses on a range of matters related to real estate finance, mortgage banking and consumer finance in both the primary and secondary markets. He represents companies in the mortgage lending, title insurance and real estate industries in connection with administrative and regulatory compliance matters, including those involving the Consumer Financial Protection Bureau (CFPB), the US Department of Housing and Urban Development (HUD), the US Department of Veterans Affairs (VA), Ginnie Mae, Fannie Mae and Freddie Mac. Mr Schulman also defends False Claims Act matters before the US Department of Justice. Mr Schulman also defends False Claims Act matters before the US Department of Justice. He advises clients on matters related to approval, origination and servicing requirements under the US Federal Housing Administration's single-family loan programs.

Regulatory Compliance Lawyers

These attorneys are universally recognized by their peers as setting the highest standard for the legal profession, excelling in all fields – knowledge, analytical ability, judgment, communication, and ethics.

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John V. Levonick is special counsel in the Financial Services Practice Group of Pepper Hamilton LLP.

Mr. Levonick's practice focuses on consumer financial services regulatory compliance and technology. Specific areas include consumer lending asset origination, servicing, and asset purchase and sale transactions; and assisting creditors, servicers, investors, and service and technology providers with regulatory issues.

Mr. Levonick also supports financial institutions and technology service providers (FinTech and RegTech) with the regulatory compliance implications of emerging technology, such as blockchain technology, artificial intelligence, machine learning, cryptocurrencies and cloud computing.

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Jonice Gray Tucker represents clients in government investigations, enforcement actions, and examinations as well as in private civil litigation. Ms. Tucker also counsels clients on compliance with consumer protection laws and conducts internal investigations. She has been recognized in Chambers USA as a leading lawyer in the area of Financial Services Regulation: Banking (Enforcement & Investigations), where she has been described as "very well connected in the regulatory world", "very knowledgeable in the area," and a "go-to person for matters relating to the CFPB." Ms. Tucker also has been recognized by Best Lawyers in the areas of banking and finance law and has been named to the Super Lawyers list in the areas of banking, consumer law, and civil litigation defense. Ms. Tucker serves on the Board of Regents of the American College of Consumer Financial Services Lawyers and is the incoming Chair of the American Bar Association's Banking Law Committee.

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Richard J. Andreano, Jr., is the Practice Leader of Ballard Spahr's Mortgage Banking Group. He has devoted 30 years of practice to financial services, mortgage banking, and consumer finance law.

Mr. Andreano advises banks, lenders, brokers, home builders, title companies, real estate professionals, and other settlement providers on regulatory compliance and transactional matters, Federal Housing Administration (FHA) issues, and administrative examinations, enforcement actions and investigations. He also works with litigation counsel on devising strategies for defense of class action and other lawsuits involving regulatory claims. Mr. Andreano is the principal contact for the firm in its role as federal consumer regulatory counsel to the Real Estate Services Providers Council, Inc. (RESPRO).

From the Desk of the 'Om-Bobs-man'

"Om-Bobs-Man" is the nickname Bob Niemi earned while serving as the NMLS Ombudsman in 2014 and 2015. Bob is a former Ohio state regulator and now an expert consultant on NMLS and state regulatory matters.

Summer Homework:

Consider this required reading and an assignment before our Boston end-of-summer conference. The next NMLS Ombudsman meeting will occur on July 31, 2018 at the Park Plaza Hotel on the eve of the AARMR Conference. The meeting will set the tone for direction as we await NMLS 2.0 implementation; so now is the time to catalog your topics.

First, check off the Uniform State Test (UST). Minnesota will be the last state to accept on August 1, 2018. This took years of work for the industry and regulators to align all 59 mortgage regulators. Expect a few toasts in Boston to acknowledge the work that has been done by all. But work remains.

State Examination System

Touted as a ''full-service examination management system," the State Examination System (SES) will replace a current lack of examination conformity. The challenge is that no system manages itself, and how states choose to engage will pace the realization of benefits. This challenge is subtly acknowledged on the NMLS 2.0 website, which says, "a state can share the data and records needed within an efficient multistate process, while keeping certain records confidential." States can share or not share; states have the sovereign right to maintain their current process. Expect most to wait and watch as regression testing is completed.

Sponsorship Approvals

Advocates and licensees have been speaking to this challenge since the NMLS first began. Any delay in approval will cause interruption in the mortgage company cash flow. Much worse for the individual, who must cease all origination activities until the state approves the change. This normally translates to a halt in family income as well.

The MBA has been advocating for S.A.F.E. Act amendments to allow transitional authority to bank MLOs when moving to a state licensed mortgage company or licensed MLO's when crossing state lines. This "transitional authority" still has application requirements, and the sponsoring company must accept responsibility while the process is completed. But this does not address the family of the MLO moving across the street in the same state, even though both companies are licensed in good standing.

Foreign Entities

States are challenged when considering the licensing of a company or a branch outside the borders of the United States. Interesting when considering how a foreign entity could be the opposite side of the world or "America Lite," like one regulator once referred to Canada. The reality of tomorrow is that we live in a global world, and how to accommodate foreign entities is crucial.

These three points do not even cover the updates and new questions to the Mortgage Call Report(MCR). MCR questions and concerns are frequent topics appearing for the Ombudsman. Questions linger on state access to other state requirements and the permissions or authority to review, let alone the document retention implications. And the ELEPHANT in the room will be the culmination of NMLS 2.0, rollout dates, training and policy for regulators, harmonization of state utilization, and policy and training for the industry and more.

Make your list, check it twice. Showing up in Boston would make this twice as nice. MCM

THE FAIR LENDING GUIDE

The Fair Lending Guide is designed to give you up-to-date information on fair lending regulations; the common fair lending regulatory exam findings; how to conduct fair lending reviews of your company; and what you should be doing to ensure that you are in compliance with fair lending regulations. Michael Taliefero is co-founder of ComplianceTech and is known nationwide in the mortgage industry as one of the leading authorities on fair lending.

Five Ways to Use HMDA Data in a Non-Fair Lending Context

I have always been shocked by the reluctance of lenders to use HMDA data for reasons other than fair lending. Too often the mention of the four letters, H-M-D-A, causes heartburn among lenders. I suppose this is understandable because HMDA is associated with compliance, regulation, race, and lawsuits. HMDA data are really a blessing to the mortgage lending industry by providing a national digital trail of every mortgage application and its underwriting outcome. Can you think of another private industry that makes public the who, what, and where of every transaction with consumers? I can't think of any.

So I thought it might be helpful to tick off a few of the ways HMDA data analysis could be used, operationally, to help lenders strategize, plan, compete, and make managerial decisions.

1. Sizing the market. Before a lender enters a market, it needs to gauge the size of the business opportunity. An accurate understanding of historical loan production in each metro area, county, state, city, and even census tract can help size the opportunity and the amount or location of resources needed to seize it. All of this is available in the HMDA data.

2. Penetrating the market. Demand for mortgage credit is likely to vary not only by geography, but also by the profile of the applicant. The HMDA data, with its associated census data, allows lenders to discern such profiles based on income, loan amount, product, race/ethnicity, and gender.

3. Assessing the competition. Some people might debate whether lenders really compete or whether consumers really shop. The public HMDA data creates the ability to do both. HMDA data can tell a lender how they rank in performance among their peers overall or for a specific type of lending. It can also reveal a competitor's product mix and whether they sell their production in the secondary market or retain it in portfolio. Consumers who have access to HMDA data can see whether a lender has a high or low approval rate, among other things.

4. Evaluating loan origination efficiencies. Another great thing about HMDA data is that it can inform a lender (and the public) how efficient it is processing and closing mortgage applications. The HMDA "Action" field can be used to calculate origination, denial, and fallout rates for applications. The lender is in business to make originations. Any outcome other than an origination is a loss. HMDA data provides operating metrics to manage non-origination expense.

5. Anticipating the impact of business combinations. Suppose a lender is considering acquiring another lender. Wouldn't it be great to have some idea about the lending distribution of the combined entities? This can easily be done with HMDA data by simply merging the institutions' loan application registers.

These points are just a few of the many ways the existing HMDA data can be used for business purposes, without regard to fair lending. Lenders would be well-served to incorporate the use of HMDA data into departments other than compliance. In the end, although not the focus, fair lending will still be furthered by making the lender more efficient. Tell me what you think at MTaliefero@ComplianceTech.com.

Compliance Alphabet Soups

Each month we will serve up cans of Alphabet Soup applicable to the mortgage industry. Each flavor of Alphabet Soup will include the soup's acronym and its actual name, and a hyperlink to the regulation, law, or rule from the agency that administers it. It's all right here; relax and enjoy reading your favorite bowl of Mortgage Compliance Alphabet Soup.

FAIR CREDIT REPORTING ACT

The Fair Credit Reporting Act (FCRA) was enacted in 1970 and was administered by the Federal Reserve Board until 2011 when rulemaking authority for it and several other federal consumer protection regulations were transferred to the Consumer Financial Protection Bureau (CFPB) by the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank Rules). The CFPB established the new Regulation V for Fair Credit Reporting. The primary purpose of the FCRA was to provide guidance to consumer reporting agencies about collecting and disseminating information about consumers to be used in credit evaluations and for other purposes, including insurance applications and employment. The FCRA also has rules for users of consumer reports and consumer information.

Credit Reporting Agencies – Credit bureaus (credit reporting agencies) are common types of consumer reporting agencies. Under FCRA, credit bureaus must verify the accuracy of credit records they maintain when consumers dispute the accuracy. Credit bureaus must notify the consumer if it reinserts negative information that it had removed because of the consumer's dispute. Under the Fair and Accurate Credit Transactions Act of 2003 (FACTA), which amended the FCRA, consumers may obtain a free credit report once every 12 months. Consumers must request the reports, and they may be obtained from three national consumer credit reporting agencies – TransUnion, Experian, and Equifax.

Creditors – A creditor is covered by the FCRA because it provides information to consumer reporting agencies. Under FCRA, if a creditor provides information to consumer reporting agencies, it must:

- Provide complete and accurate information;
- Investigate information disputed by the consumer and correct the error or provide an explanation about its accuracy within 30 days of receiving the dispute; and
- Inform consumers about negative information reported or about to be reported to a consumer reporting agency within 30 days.

http://www.ecfr.gov/cgi-bin/text-idx?c=ecfr&tpl=/ecfrbrowse/Title12/12cfr1022_main_02.tpl

More soups to come …

The Compliance GAMES

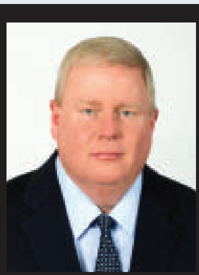
Find these words that Compliance Professionals use on a daily basis. Who says compliance can't be fun?

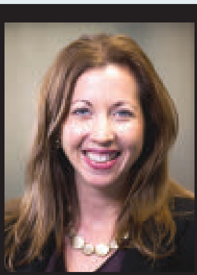
R V J D A D M H O N Q L N J Z C E I E
W B L B Y Q O C V G L R Q O Q L L X J
C I A A D S S E R G N O C D B S P D W
S S N N K U X M D E W W A A A E B R L
M I Q V E G G T G I E V N P R X E L G
X Z Z Z E D G A Z M S O Z T F V E Y N
P E I K G S G S I T S C S E E J J P I
R L P M F T T T C A C T L R X U W J C
X O O Z R H F M E R P K S O U Y I P I
X H A O V L X R E N U E T H S T Z M V
P K M L A F H T E N I T C N U U X K R
I C E H C W H V J Q T A I R V V R Y E
G A B T S Q I T P S J L E N E U J E S
T L L J R D O H X A A Y A G Y D S X Z
P B D C G Y E O J J L E P D O X I C N
Y E K T C V A Y M N R D I R T Y Y T F
D M Z S U Z O G E R F P E E D Q V K C
X B K T Z Y N Z I C I E X U D E U L F
Q E G Y P K T F S R O S S E C C U S X

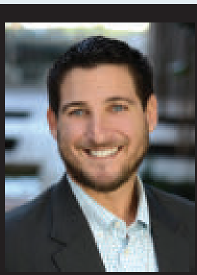
BLACKHOLE
CONGRESS
CREDIT
DEEP
DISCLOSURE
DIVE
EXPERTS
FIRREA
HALFTIME
HMDA
INVESTMENT
MORTGAGE
MSA
REASONABLE
REVERSE
SCRUTINY
SERVICING
SUCCESSORS
TRID

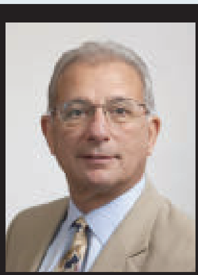
ASK THE COMPLIANCE EXPERTS

MOST READ MARCH 2017


Burton Embry


Lisa Klika


Josh Weinberg


Sam Morelli

Good Morning, I am a director of sales at a regional mortgage banker in the northeast. I interview a lot of branch managers and loan officers. I am finding more and more people telling me they are paid differently for loans that close in their companies names vs, loans that are brokered on a wholesale level. So in essence they may be on a 100 bp comp program but on a loan that is brokered instead of closed and sold, they can get paid differently, usually less as these are usually jumbo loans.

My question is, how is this compliant? My understanding is lo comp has to remain consistent regardless of product. Their comment is usually, because its closed in a another lenders name there can be different comp. Can you add some clarity to this conversation?

Paying differently based on whether the file is brokered, or in-house is almost always a proxy for loan terms. The only possible exception may be associated to Jumbo loans, since you asked, as many lenders impose compensation caps, which could have the effect of limiting the comp an LO would receive on a jumbo deal.

For example, if the LO gets 100 bps x loan amount, but with a cap of $6k on any one transaction, if they did a loan for $1,000,000, instead of being paid $10,000, they'd be paid $6,000, because of the cap in their agreement. Obviously, this would all have to be spelled out in their comp agreement prior to the origination activity or payment being made.

Got Questions? We Got Answers!

Send your compliance questions to questions@mortgagecompliancemagazine.com

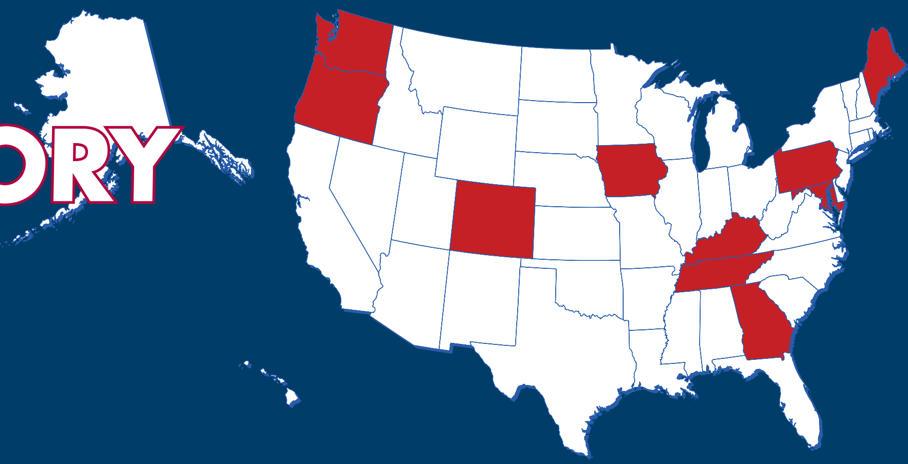
The Compliance Experts are not lawyers and the answers which are given are not to be taken, construed or interpreted as legal advice. You should consult with your attorney for your legal advice. The answers the Compliance Experts provide are based upon their own professional experience, knowledge, and expertise, which they have acquired while working as leaders in the mortgage compliance field for many years. All answers herein are the answers of the collective group of experts and not just one individual expert answering each question.

Congratulations, **Felecia Bowers**, on being selected ***Mortgage Compliance Magazine*'s Mortgage Compliance Professional of the Month – June 2018**!

Felecia is the compliance manager of Homeowners Financial Group, Scottsdale, Arizona. She is responsible for developing and updating Homeowners Financial Group's compliance program to ensure that all departments comply with applicable laws and regulations as related to mortgage lending.

Not only does Felecia have the skill and background to oversee all aspects of compliance for Homeowners Financial Group, she has the work ethic and drive to roll up her sleeves and get into the trenches on day-to-day compliance issues. She is a voracious consumer of every blog, article, and opinion on where new laws and regulations are going, and she has a great understanding of how to build systems and processes to better manage compliance activities. Because of Felecia's diligence, Homeowners has been able to get months ahead when it comes to implementing new laws like the 2018 HMDA changes. She is a leading example of a compliance manager that works together with the business units to find a compliance friendly path to generating revenue. MCM

STATE REGULATORY ISSUES UPDATE



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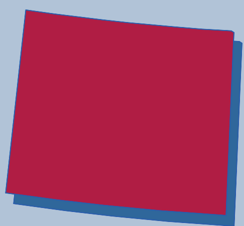
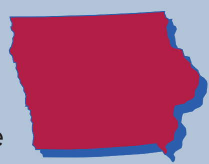


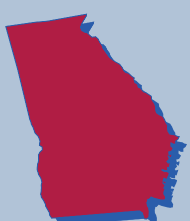
Foreclosure Process – Colorado amended several of its provisions concerning modification of the foreclosure process on property that is encumbered by a deed of trust. (HB 1254)

IOWA



Redemption of Property – Effective July 1, 2018, the state of Iowa amended its provisions relating to the redemption of property that include reducing the time for redeeming real property from foreclosure. (HF 2234)

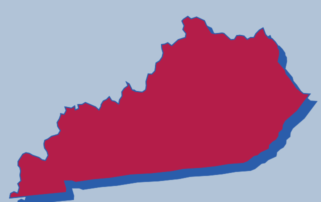
GEORGIA



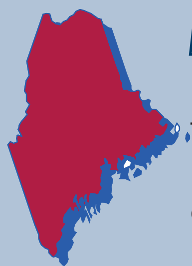
Power of Attorney Act – The state of Georgia has modified provisions under its Power of Attorney Act, Revised Trust Code, and Uniform Fiduciary Access to Digital Assets Act. These provisions are effective as of July 1, 2018. (HB 897)

Trust Provisions – The state of Georgia amended its provisions relating to trusts under its Revised Trust Code. These provisions are effective on July 1, 2018. (HB 121)

KENTUCKY

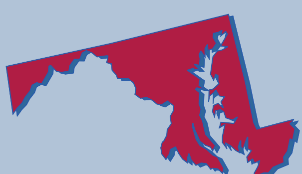


Uniform Power of Attorney Act – The Commonwealth of Kentucky enacted provisions relating to its Uniform Power of Attorney Act, these provisions are effective on July 13, 2018. Kentucky Revised Statutes Chapter 457 is established and adopts portions of the Uniform Power of Attorney Act of 2006. (HB 11)



MAINE

Probate Code Provisions – The state of Maine modified provisions under its Probate Code including its Uniform Power of Attorney Act. Maine repealed Sec. A-1. 18-A MRSA and enacted Sec. A-2. 18-C MRSA to recodify and revise the Maine Probate Code. These provisions are effective on July 17, 2018. (MRSA)



MARYLAND

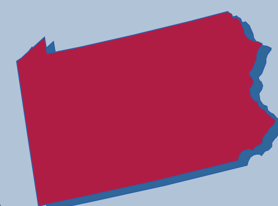
Financial Consumer Protection Act Provisions – The state of Maryland enacted multiple bills relating to its Financial Consumer Protection Act as well as other consumer loans and credit. Provisions in these bills range from effective on October 1, 2018 to effective on January 1, 2019. (HB 1297)

Uniform Real Property Electronic Recording Act – Effective October 1, 2018, the state of Maryland enacted provisions relating to its Uniform Real Property Electronic Recording Act. (HB 1098)

OREGON

Mortgage Servicer Licensing – The Oregon Department of Consumer and Business Services, Finance, and Securities Regulation adopted rules relating to mortgage servicer licensing that include: application, liquidity, surety bond or irrevocable letter of credit, and fees. These provisions are effective immediately. (441-850-0005)

PENNSYLVANIA

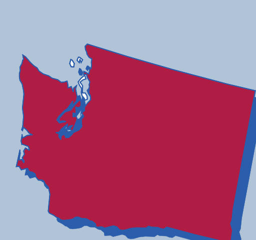


Chapter 59 – The Pennsylvania Department of Banking and Securities has amended Title 10 of the Pennsylvania Code by adding Chapter 59. This chapter is effective immediately. (Chapter 59)

TENNESSEE

Notary Public Act Provisions – The state of Tennessee enacted provisions relating to its Online Notary Public Act. These provisions are effective on July 1, 2019. (TN SB 1758)

WASHINGTON



Residential Real Property Provisions – Effective June 6, 2018, the state of Washington amended its provisions relating to the services and processes that are available when a residential real property is abandoned or is in foreclosure. (HB 2057)

THE MORTGAGE COMPLIANCE DRAGNET

Ladies and gentlemen, the story that you are about to read is true. The names of the perpetrators are the names of real people that used to be in our industry. Let's all take notice and learn from their high disregard of the law and the respect of our industry. When you see something, Say something. Report it to the FBI - Phone: 1-800-CALLFBI (225-5324)

IF YOU COMMIT THE CRIME, BE PREPARED TO DO THE TIME!

Months In Prison For Role In $6 Million Mortgage Fraud Scheme

NEWARK, N.J. – A Jackson, New Jersey, man was sentenced today to 18 months in prison for his role in a large-scale mortgage fraud scheme that used phony documents and straw buyers to acquire more than $6 million in loans, U.S. Attorney Craig Carpenito announced.

Joseph DiValli previously pleaded guilty before U.S. District Judge Susan D. Wigenton to a superseding information charging him with one count of conspiracy to commit wire fraud, one count of wire fraud and one count of tax evasion. Judge Wigenton imposed the sentence today in Newark federal court.

According to documents filed in this case and statements made in court:

From March 2011 through November 2012, DiValli and other conspirators agreed to fraudulently obtain mortgage loans for properties located in North Jersey. After recruiting "straw buyers" to purchase the properties, DiValli and others submitted false and fraudulent loan applications and supporting documents so the straw buyers could qualify for the loans. DiValli and others also used another conspirator, who worked at a bank, to create misleading certifications showing certain bank accounts held more money than they actually had. DiValli and other conspirators also submitted false appraisal reports, backdated deeds and used unlicensed title agents to close transactions and disburse the mortgage proceeds...

Man Accused Of Defrauding Seniors Wants Out Of Jail

CHICAGO (CBS) — It's back to jail, at least for now, for a man accused of defrauding more than 100 Chicago seniors.

CBS 2's Jim Williams reports a federal judge hasn't yet decided if Mark Diamond should be released on bond.

Barbara Bailey's mother was a victim.

She says she wants the man responsible to stay in jail.

"If Mr. Diamond is out, he can still go into the neighborhood or contact people to still scheme and defraud people," says Bailey.

Mark Diamond is accused of stealing from 120 seniors by convincing them to take out reverse mortgages, then pocketing millions in equity.

He has been in custody for more than a year.

His attorney argues Diamond should be eligible for bond.

"He's 61-years-old with no criminal background," says Diamond's attorney James Tunick. "He's made attempts to rectify some of his wrongdoings. Just like any defendant he should be entitled to a bond."

In court, Tunick said Diamond is transitioning from male to female and was abused by other inmates at the Metropolitan Correctional Center.

Later outside of court, Tunick said Diamond is actually not transitioning but is still suffering in custody.

He is now at the Livingston County Jail... MCM

MORTGAGE Compliance Magazine

Compliance WHIZ

WHAT DID YOU LEARN ABOUT REGULATORY COMPLIANCE?

Win the New Google Home! *There will be a drawing every three months. Each month every person who scores 100% gets their name placed into the drum for the drawing. This means that it's possible for one of our readers to have their name placed into the drum three (3) times for each quarterly drawing. A reader who scores 100% on each Quiz during the quarter could have an advantage over others by having their name placed into the drum 3 times. The winner will be featured with their photo and bio published in Mortgage Compliance Magazine along with a photo of the prize. Send a copy of this page along with your answers to Whiz@MortgageComplianceMagazine.Com.*

Circle the best answer to each question based on the articles in this month's *Mortgage Compliance Magazine:*

1. Regarding the 2018 HMDA Rule, a full understanding of the details is important using resources such as the regulation, commentary, overview chart, and _______. (Pages 10-11)
A. GIF
B. FIG
C. IGF
D. GFI

2. One of the challenges of implementing the 2018 HMDA Rule is determining the appropriate rate-set date to use for the rate spread calculation. (Pages 12-15)
A. True
B. False

3. The CFPB has revised the 2018 Filing Instructions Guide _____ times since it was first issued in January 2016. (Pages 12-15)
A. Four
B. Five
C. Six
D. Seven

4. The CFPB's geocoding tool was released in May 2018, and it provides institutions that use it correctly with a safe harbor when reporting the census tract. (Pages 12-15)
A. True
B. False

5. According to the article, the CFPB received high marks for ______________. (Pages 16-18)
A. Data collection process for 2017 and geocoding engine
B. 2018 submission process and geocoding engine
C. Data collection process for 2017 and 2018 submission process
D. Data accessibility to the industry and data collection process for 2017

6. One important step to take to "win" at HMDA by year end is to scrub data to the ______ standards. (Pages 16-18)
A. Old
B. New
C. "Regulatory Relief"
D. None of the above

7. The elimination of the Black Hole is a negative setback for the industry. (Pages 24-26)
A. True
B. False

8. Confirmed successors of interest are considered borrowers for the _____________ and consumers for the ____________________. (Pages 30-31)
A. Bankruptcy proceedings, early intervention requirements
B. Periodic statement provisions, loss mitigation provisions
C. Loss mitigation provisions, bankruptcy proceedings
D. Early intervention requirements, periodic statement provisions

9. The loan amount to be reported on a reverse mortgage is the initial principal limit. (Pages 34-36)
A. True
B. False

10. Which state amended its provisions relating to trusts under its Revised Trust Code? (Page 48-49)
A. Iowa
B. Georgia
C. Kentucky
D. Oregon

Send Answers to: Whiz@MortgageComplianceMagazine.Com

Name:__________________________ Title: __________________________
Company: __________________________ State: __________
Phone: __________________________ Mobile: __________________________
Email: __________________________

BUSINESS SERVICES DIRECTORY

Chenoa fund, Offered by CBC Mortgage Agency	Michael Whipple *Vice President* *michael.whipple@ chenoafund.org* *208.250.9132*	Chenoa Fund is an affordable housing program provided through CBC Mortgage Agency ("CBCMA"), a uniquely created and organized government institution. CBCMA is a public-purpose driven governmental entity specializing in providing 100% financing for loans guaranteed by the FHA, with a focus on under-served borrowers. Our mission is to provide funding for affordable housing opportunities in communities nationwide. CBCMA partners with quality mortgage lenders on a correspondent basis to provide down payment assistance for qualified home buyers in the form of second mortgages and gifts. All assistance is provided in compliance with FHA guidelines.
COMPLIANCETECH, All Lenders Are Not Alike	Mike Taliefero *Practice Leader* *info@compliancetech.com* *202.832.3800*	ComplianceTech delivers superior tools and insights to manage fair lending compliance and maximize the penetration of untapped markets through industry intelligence. Lenders and federal agencies use our cloud-based software products, LendingPatterns™ and Fair Lending Magic™ , to identify, monitor, and mitigate fair lending compliance risk. LendingPatterns™ easily provides fair lending performance of a single lender against its peers. Fair Lending Magic™ combines HMDA with LOS "Plus" data to generate descriptive statistics, regression and matched pair reports.
DocMagic	Steven Fox *Director of Sales Operations* *sales@docmagic.com* *800.204.4255*	For over 25 years, DocMagic has been a leading provider of end-to-end Document Preparation, Delivery and Compliance Solutions for the Mortgage Industry. With over 10,000 customers spanning community banks, credit unions, mortgage banks, and national depository banks in fifty states, DocMagic has built its reputation on innovation, quality, and service.
HQ Vendor Management	Britt Haven *Business Development* *info@hqvendormanagement. com* *818.940.1200 Ext. 104*	HQVM provides vendor management oversight to mitigate risks inherent with the use of third party vendors. HQVM's audit and monitoring process, combined with its customized technology solutions, enables a lender to easily assess its vendor's compliance with applicable regulations and to ensure a vendor conducts its business in a manner consistent with the lender's core values.

BUSINESS SERVICES DIRECTORY

GLOBALDMS	productinfo@globaldms.com www.globaldms.com 877.866.2747 – option 5	Global DMS is a leading provider of commercial and residential real estate valuation solutions catering to lenders, servicers, AMCs, appraisers, and other real estate entities. The company's solution set is cost effectively delivered on a Software-as-a-Service (SaaS) transactional basis that ensures compliance adherence, reduces costs, increases efficiencies, and expedites the entire real estate appraisal process. The solution set includes its eTrac® Enterprise valuation management platform, eTrac Web Forms, Global Kinex®, AVMs and data analytics products, BPO management platform, the Mismo Appraisal Review System (MARS®), ATOM (Appraisal Tracking on Mobile), and AMCmatch.com.
QUEST ADVISORS MORTGAGE QUALITY ASSURANCE EXPERTS	Matthew Reich *Vice President, Business Development* *mreich@questadvisors.com* *919.747.8197*	Quest Advisors is an outsourcing quality assurance company engaged or contracted by lenders to conduct quality assurance services concerning their residential mortgage loans. In support of the lender, we provide loan quality control audits required by HUD, FHA, VA, Fannie Mae, Freddie Mac, other investors, and government regulatory agencies. We also provide a host of solutions that aid client's overall goals of profitability and success.
ShareDiligence	Leslie Benjamin *VP, Business Development* *lbenjamin@StrategicCompliancePartners.com* *646.418.6635*	ShareDiligence Vendor Management, developed by Strategic Compliance Partners, provides Lenders with the ability to share information and mitigate risk as they vet and manage Vendors with an affordable due diligence platform that's simple and easy to use.
STRATEGIC COMPLIANCE PARTNERS	Leslie Benjamin *VP, Business Development* *lbenjamin@StrategicCompliancePartners.com* *646.418.6635*	Strategic Compliance Partners (SCP) provides compliance management to oversee and assist in the development and implementation of a Lender's compliance program. SCP's fixed-price, attorney-driven compliance solutions include a wide variety of services and technologies. Services include: Pre-audit assistance, assessment and review, fair lending analysis and interpretation, customized federal and state policies, employee training, vendor management, advertising and social media reviews and more.
WEINER BRODSKY KIDER PC	Mitchel H. Kider *Managing Partner* *kider@thewbkfirm.com* *202.557.3511*	Weiner Brodsky Kider PC is a Washington, D.C.-based firm with a national practice focused on compliance, regulatory, transactional and litigation matters related to financial services concerns. We represent a broad client base, from start-up businesses to Fortune 500 companies, throughout the United States.

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