FIVE OUTCOMES,
ONE COMPREHENSIVE STORY
WHAT AUTOMATION GIVES YOUR HMDA REPORTING

BY DON SMITH – LOANHD® PRODUCT MANAGER, LOANLOGICS

The expanded Home Mortgage Disclosure Act (HMDA) rules that went into effect earlier this year were cited as the single biggest compliance challenge for lenders according to a 2017 Wolters Kluwer survey of U.S. banks and credit unions.[1] Implementation strategy and resource constraint are at the forefront of those concerns with most industry lenders relying on manual processes, seemingly as old as the regulation itself.

Instead, Banks should consider an automation first strategy so they can report with greater confidence, free resources to analyze the data and interpret the story it tells to improve their operations. This can be achieved when the HMDA reports produced are more:
Consistent | Complete | Accurate | Efficient | Traceable

AUTOMATE UP TO 90% OF HMDA AUDIT TASKS **90%**

CONSISTENT

Regulators want to know your HMDA reporting process. They want to see that the policies and procedures you have in place are followed consistently on every loan, every time. That consistency assures them that the report they are reviewing is accurate.

Automated processes perform the same tasks over and over. People are inherently programmed to be inconsistent - from the post-lunch energy drop, to eyes glossing over after reviewing hundreds of data elements, to simple distractions that take them off task. Systems are programmed to be consistent and can produce the auditable, repeatable process that regulators demand.

COMPLETE

Current manual processes do not allow time for a complete data quality analysis. In fact, some banks are only pulling data from their loan origination system (LOS), hoping it contains everything required for HMDA reporting. This is, in essence, doing a check on a subset of loan file data, that may be error prone, with nothing to validate it against. Automation can power a more comprehensive collection of not only LOS data, but also the data in the loan file documents. Comparing multiple sources of information ensures the completeness of what is reported.

ACCURATE

People resources are often the most expensive part of any process, including HMDA reporting. Banks should consider how to set up their HMDA auditors to do what they do best, clear conditions. Auditors are well-trained, specialized, highly compensated resources and should not be used for rote tasks. Data entry or manual validation of information (aka the dreaded and clichéd “Stare and Compare”) wears down their focus and simply isn’t satisfying work.

An automated system can cull through thousands of data points across hundreds of pages in a loan file, match up all that data with the LOS and flag anything that is inconsistent between the two. Auditors then need only to focus their time making decisions about those errors or discrepancies. Not only does it result in higher quality outcomes, but it’s a far more efficient way for them to work.

COMPLETE FILE REVIEWS IN ABOUT

5 Minutes

EFFICIENT

Once the data is accurate, the review process is inherently more efficient. Automation presents only the inconsistent data an auditor needs to address. Guided by a workflow that flags items for review, auditors can greatly reduce their time in file to about five minutes.

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TRACEABLE

Automation enhances your traceability. With verified, validated data, cross-referenced across documents and systems, and all defects cited in the file, banks have an audit trail to easily call upon when requested by regulators. The identified data discrepancies can then be corrected in the LOS so the system of record is accurate.

Producing a consistent, complete, accurate and traceable HMDA report results in more than just a quality report to submit to regulators. It also gives banks a clearer picture of their lending story. Rest assured, the CFPB will be painting a picture of your lending practices, you should know what your data communicates before they do.

Leveraging your rich repository of HMDA data to track trends from month to month and profile your borrower engagement across branches, regions, underwriters and processors can provide great insight. Feeding this back into your processes can help you support the markets you serve better.

The fundamental principles of the Home Mortgage Disclosure Act were designed to create fair access to credit. By understanding the results of your strategies, you may uncover even more opportunity to create stories that start in a home.

Read more about LoanLogics' technology for HMDA Audit.

[1] *: Regulatory and Risk Management Indicator, Wolters Kluwer, 2017*

About the Author — Don Smith – LoanHD® Product Manager, LoanLogics

Don Smith directs and leads the development efforts for LoanHD®, LoanLogics' loan quality management platform. In addition to its data-driven, digital technology and cloud-based functionality for greater quality control, the LoanHD platform includes compliance modules specific to HMDA and TRID.

Don has been adding market driven capabilities to LoanHD since 2010. Prior to that, Don learned the mortgage industry during the boom and bust period from 2003 to 2007.

He is also a law school graduate and "recovering attorney," which helps him understand the regulatory landscape while designing solutions for the mortgage industry.

About LoanLogics

LoanLogics was founded to improve the transparency and accuracy of the mortgage process and improve the quality of loans. With the industry's first Enterprise Loan Quality and Performance Analytics Platform we serve the needs of residential mortgage lenders, servicers, insurers, and investors that want to improve loan quality, performance and reliability throughout the loan lifecycle. Our advanced solutions help clients validate compliance, improve profitability, and manage risk during the manufacture, sale and servicing of loan assets. Our technology is supported by compliance and risk expertise that aligns with our customers' need to address their own highly regulated environments.