March 14, 2016

Monica Jackson
Office of the Executive Secretary
Bureau of Consumer Financial Protection
1700 G Street NW.
Washington, DC 20552

RE: Request for Information Regarding Home Mortgage Disclosure Act Resubmission Guidelines; Docket No. CFPB-2015-0058

Dear Ms. Jackson,

The Consumer Bankers Association[1] and the American Bankers Association[2] (collectively, the Associations) appreciate the opportunity to respond to the Bureau of Consumer Financial Protection (Bureau) Request for Information (RFI) Regarding the Home Mortgage Disclosure Act (HMDA) Resubmission Guidelines (Resubmission Guidelines).[3]

Since 1994 when HMDA's implementing regulation, Regulation C, was amended to address data accuracy,[4] our members have maintained strict compliance procedures and some institutions have dedicated entire departments within the bank to ensuring and improving the accuracy of HMDA data. Despite our members' best efforts, however, the complexity of HMDA fields and the inevitability of human and technological error make it impossible for the data to be 100% accurate.

As the Bureau considers updating its Resubmission Guidelines, it is important to keep in mind the breadth of mortgage providers and the wide range of mortgage products they offer to meet consumers' home finance needs. Guidelines that are too restrictive or that do not take into account that variety will constrain the availability of both products and providers, undermining the industry's ability to serve the credit needs of borrowers, particularly less qualified applicants.

---

[1] Founded in 1919, the Consumer Bankers Association is the trade association for today's leaders in retail banking - banking services geared toward consumers and small businesses. The nation's largest financial institutions, as well as many regional banks, are CBA corporate members, collectively holding well over half of the industry's total assets. CBA's mission is to preserve and promote the retail banking industry as it strives to fulfill the financial needs of the American consumer and small business.
[2] The American Bankers Association is the voice of the nation's $16 trillion banking industry, which is composed of small, regional and large banks that together employ more than 2 million people, safeguard $12 trillion in deposits and extend more than $8 trillion in loans.
[3] Federal Register, CFPB Request for Information Regarding Home Mortgage Disclosure Act Resubmission Guidelines, Vol. 81, No. 7 (January 12, 2016), *available at* https://www.gpo.gov/fdsys/pkg/FR-2016-01-12/pdf/2016-00442.pdf.
[4] According to the FFIEC website, "In 1994, Regulation C was amended by the Federal Reserve Board to make HMDA data available to the public earlier, to improve the accuracy of the HMDA data, and to clarify and simplify the reporting requirements." (https://www.ffiec.gov/hmda/history2.htm),

We agree with Director Cordray that HMDA is a "sunlight" statute intended to provide the public and policymakers with information about how lenders are serving the housing needs of their communities,"[5] and our members strive to serve these needs responsibly and fairly. Depository institutions are committed to the purposes of HMDA, which are to: "(1) help determine whether financial institutions are serving the housing needs of their communities; (2) assist public officials in distributing public-sector investment so as to attract private investment to areas where it is needed; and (3) assist in identifying possible discriminatory lending patterns and enforcing antidiscrimination statutes."[6]

Despite our members' commitment to these goals and their best efforts, the current resubmission standards are simply impractical and will become even more unattainable when the revised HMDA rule[7] goes into effect. Equally as important, the current standards demand a level of accuracy that far exceeds what is necessary to achieve HMDA's purpose. More reasonable data integrity standards will underline our members' focus on responsibly providing credit to consumers who meet prudent underwriting standards; they will not detract from these vital purposes. Moreover, adjusting the standards as recommended by the Associations will help reduce burden and, in turn, reduce the costs associated with HMDA for both lenders and consumers.

Change in the standards is essential, given that even stringent compliance procedures and significant resources cannot avoid systems problems or human error. This is critically true for smaller providers with limited resources. Moreover, assembling the information to complete the HMDA Loan Application Register (LAR or HMDA-LAR) often requires downloads from multiple systems and varied business lines within an organization, further complicating the process. In considering resubmission standards, it is also important to recognize that many of the fields in the LAR materially do not impact fair lending and other typical analyses, yet lenders must expend valuable time and resources gathering, refining and fixing these data.

It is also important to recognize that not all loans fit neatly into HMDA categories. The complexity of the regulation and deciding how a particular loan fits within the definitions are not always simple. For that reason, and to help both bankers and examiners, the Federal Financial Institutions Examination Council (FFIEC) has for many years published *A Guide to HMDA Reporting: Getting it Right.*[8] Still, the greatly expanded data collected under the revised rule will only add to the complexity, and changed definitions are likely to create confusion, especially during the initial months and years the new rule

[5] Richard Cordray, Director, Bureau of Consumer Financial Protection, Prepared Remarks at the Mortgage Bankers Association Annual Convention (October 19, 2015), available at: http://www.consumerfinance.gov/newsroom/prepared-remarks-of-cfpb-director-richard-cordray-at-the-mortgage-bankers-association-annual-convention/

[6] Bureau of Consumer Financial Protection, Bull. No. 2013-11, Home Mortgage Disclosure Act (HMDA) and Regulation C – Compliance Management; CFPB HMDA Resubmission Schedule and Guidelines; and HMDA Enforcement (2013), available at: http://files.consumerfinance.gov/f/201310_cfpb_hmda_compliance-bulletin_fair-lending.pdf

[7] CFPB HMDA Regulation C Rule, 12 CFR §1003 (2015) http://files.consumerfinance.gov/f/201510_cfpb_final-rule_home-mortgage-disclosure_regulation-c.pdf, *Federal Register,* vol. 80, no. 208, October 28, 2015

[8] *See* Federal Financial Institutions Examination Council, "A Guide to HMDA Reporting: Getting it Right!" (2013) *available at:* http://www.ffiec.gov/hmda/guide.htm

is in effect. To that end, the Associations strongly encourage the Bureau to adopt a rational approach and focus their attention on those data points that serve the purpose of the statute – the identification of potential discrimination and facilitating the distribution of public-sector investment - and not be distracted by excessive attention to data points that do not contribute to this analysis.

For these reasons and the additional reasons outlined below, we urge the Bureau to:

- Eliminate the current File Error Rate percentage metric;

- Identify Key and Non-Key fields and assign reasonable Field Error Rate percentage thresholds that reflect their importance to the identification of possible discriminatory lending patterns and distribution of public sector investments;

- Institute reasonable tolerances and rounding guidelines; and

- Require examiners to assess and articulate whether the error rates identified and the nature of the errors would have material impacts on HMDA analysis before requiring resubmission.

In addition, as the Bureau updates its' Resubmission Guidelines, those Guidelines should also ensure that when an institution is required to incur the costs to update and resubmit its HMDA-LAR, the resubmitted data are incorporated into the data that are otherwise made publicly available.[9] Currently, it does not appear that resubmitted data are reflected in the public data, which calls into the question the need for the exercise.

Finally, it is vital that the Bureau coordinate with the prudential regulators to establish a consistent standard across examinations. Neglecting to do so would create confusion in the marketplace, lead to inconsistent analysis, create disparate burdens, and undermine the ultimate integrity of the HMDA data.

Background

The Bureau's existing HMDA examination procedures include parameters to identify when institutions should be required to correct and resubmit their HMDA data. During the HMDA rulemaking, one of the points raised by commenters, including the Small Entity Representatives (SERs) who participated in the Small Business Regulatory Enforcement Act (SBREFA) review, was that the current data accuracy standards, as applied by examiners and auditors, added significantly to the costs and burdens of the existing HMDA rule. These commenters all expressed concern that the potential expansion of the number of data fields would only aggravate the situation. As a result, commenters strongly recommended that the Bureau reconsider the Resubmission Guidelines. Equally important, they recommended that the Bureau incorporate the

[9] The Associations look forward to commenting on the Bureau's proposal on the revisions to the rule that consider the data security and privacy needs of consumers before releasing any of the new data to the public.

Guidelines into the regulation to ensure uniformity and consistency across agencies, since examination for HMDA compliance is not solely the province of the Bureau.

The Bureau's current Resubmission Guidelines vary depending on the volume of data submitted by a filer. If a filer reports fewer than 100,000 loans or applications on its HMDA Loan Application Register (LAR), it must correct and resubmit that information when errors are found in either 10% or more of the entries sampled ***or*** if errors are found in 5% or more of the entries in a single data field. When a filer reports 100,000 or more loans or applications on its HMDA-LAR, it must correct and resubmit the data when errors are found in 4% or more of the entries sampled ***or*** if errors are found in between 2% to 4% of a single data field. In addition, the Resubmission Guidelines permit an examiner to require correction and resubmission of the HMDA data when the error rates are below the thresholds, if the errors make analysis of the institution's lending unreliable.

To determine whether the guidelines should be revised and updated in light of the extensive changes to the HMDA standards, the Bureau has issued this RFI, which states that the Bureau does not anticipate republishing the Guidelines for comment before it finalizes them. The Associations strongly encourage the agency also to consider feedback that was provided during the comment period on the proposal as well as feedback from the SERs which remain relevant to the Guidelines. Moreover, we welcome the opportunity to meet with the Bureau to discuss our recommendations outlined in this letter.

I. HMDA Resubmission Consumes Immense Compliance Resources

While adopting more reasonable Resubmission Guidelines would not affect the integrity of the database nor analysis of the underlying data, it would benefit consumers and institutions by reducing unnecessary burden and freeing compliance resources. Reviewing, checking, and correcting HMDA data is a labor-intensive effort, due largely to the existing data integrity standards and their strict application by examiners. Compliance and lending professionals evaluate and refine the data upfront through the submission process and on the back-end when resubmission is necessary.

Indeed, one mid-size institution, which typically has 15,000 LAR entries, reports that its in-house LAR maintenance involves 15 full-time employees, consumes 20,590 total hours, and costs more than $1 million annually. In other words, the institution spends approximately $62 per record.[10] In addition, the same institution described a resubmission effort that required the institution to retain a consulting firm and to use in-house support throughout the resubmission process. In total, the resubmission required the work of 35 full-time employees over 17,480 hours, and it cost $1.16 million or $73 per record.

[10] Note that this excludes unusual events, such as a regulatory change event when more people are involved. These figures also exclude internal audit and other support functions, such as technology, system analysts, etc.

According to a smaller institution, its HMDA quality assurance team conducts quality reviews on each reportable field, reviewing 270 LAR entries each quarter. The current cost for this quality assurance is approximately $400,000 per year, and involves five associates and software. The final rule will require financial institutions to modify their source systems to allow for multiple combinations with up to 537 data entries. Accordingly, this institution projects that in 2018, its LAR will have between 130,000 and140,000 line records with a total of more than 15,260,000 million data entries. To comply with current data integrity standards, the institution anticipates it will need to hire at least three new employees, which will increase staffing costs by $195,000. Overall, this smaller institution expects the submission costs under the new rule to increase by $600,000.

II. Whether Errors are Systemic or Non-Systemic Should be Considered When Requiring Resubmission

Given the immense costs to maintain compliance, when considering whether a bank should correct and resubmit data under the revised guidelines, the Bureau should consider the effort already undertaken to create the HMDA-LAR, particularly the efforts to ensure the accuracy of the data. Second, in determining whether correction and resubmission should be required, an examiner should be required to identify whether the error is systemic or non-systemic. If the error is systemic and can be identified and corrected by re-writing codes and re-running the data, that simplifies the process. And, if an error is systemic, it is more likely to have an impact on the overall integrity of the data since it will be more widespread.

On the other hand, if an error is non-systemic, it is likely to be the product of human or clerical error and typically is more isolated. Non-systemic errors are unlikely to affect the overall integrity of the HMDA-LAR, and instructions to correct the error *on a prospective basis* should be more than sufficient. Moreover, a manual file search for an error can be an extremely burdensome and expensive undertaking. If there is nothing to indicate that the error is widespread, that effort adds nothing to the information in the HMDA database and can be an exercise in futility. In fact, non-system data scrubs are even more challenging because they involve human judgment.

The Associations also urge the Bureau to recognize that there are times when classification of a data element is a judgment call. Bankers have reported instances when an examiner has provided guidance or instructions for reporting data that are questioned or even criticized in a subsequent exam. If a bank has followed examiner instructions for submitting data, the bank should not be penalized or expected to correct and resubmit.

Finally, there are instances where the value reported may be correct even though it appears inconsistent with the underlying source documentation. Our members report that this can occur when the error was discovered during data entry, the correct value entered on the HMDA-LAR but the underlying document not changed. Therefore, errors where there appear to be discrepancies with an underlying source document should not be given the same weight as errors where the value reported is incorrect.

The New HMDA Electronic Submission Will not Eliminate Errors

As noted in the interagency *2016 HMDA Edits*,[11] there are different types of errors, and each requires different actions.[12] While we appreciate the Bureau's creation of the new online HMDA submission process, we do not believe the tool will solve resubmission issues addressed by the Guidelines. First, the online tool will not address quality or validity edits. Second, it is only likely to serve as an upfront "check" that will not replace current HMDA software and internal validation processes. Indeed, after testing the new submission tool, one institution found it was only useful as a HMDA edit "check" prior to submission and reassurance that the file was accepted. As a result, significant additional validation still would be necessary.

More importantly, the vast majority of errors that require correction and data resubmission result from errors that are not detected by either existing software or the Bureau's new online submission software. Rather, most errors are caused by incorrect data reported, and are not syntactical, validity, or quality errors detected by the edit process. For example, completion of the "Action Taken" field presents institutions with significant challenge, especially since there is a variety of options to complete this field. To illustrate, an error may occur if a bank selects Action Code 2 ("application approved but not accepted") when the correct code should have been Code 4 ("application withdrawn by applicant"). In some cases, these errors can be caused by interpretation or guidance from an examiner. Other errors are based on inconsistencies between the data reported and the documentation in the loan file. As a result, since many of these errors are undetectable through most software programs, and require extensive file reviews to identify and correct the data, it is very important that the costs associated with these exercises be justified by the impact the error has on the integrity of the data and whether it will materially impact the HMDA analysis.

Therefore, the Associations strongly encourage the Bureau to consider the relevance that the data correction and resubmission will have on the information shared publicly. For example, our members report that examiners sometimes require the bank to go back through several years of HMDA data to identify, correct, and resubmit the LAR. If that corrected information is not reflected in published analyses or other public records, the validity of the exercise is called into question.[13]

---

[11] *See* Federal Financial Institutions Examination Council, "2016 HMDA Edits," (2015), *available at*: https://www.ffiec.gov/hmda/pdf/edit2016.pdf

[12] *Id.* Errors can be categorized as follows: (1) Syntactical (S): The loan applications will not be loaded to the FFIEC database. If they are included on the FFIEC database, the data must be corrected. Some examples are incorrect activity year or initial LAR data already on file, which indicates that a LAR with a duplicate loan application number was submitted; (2) Validity (V): The specified data are reported incorrectly and must be corrected. The most common example is an incorrect census tract; (3) Quality (Q): The data in question are inconsistent with an expected value. Review for correctness and change only if erroneous data has been reported. An example is reported application date is equal to action taken date.

[13] This does not reflect the pending discussion about the new data fields and the privacy implications of sharing the information from those new data fields, which is to be the subject of a future rulemaking. "The Bureau will provide at a

The Associations recommend that correction and resubmission only be required if the new data will be incorporated into all existing records. If not, then the Associations believe it would be preferable to require the filer to take appropriate steps to adjust policies and procedures to ensure the error does not recur in future submissions. We also believe this should be the preferred approach for any errors that do not impact the overall integrity of the HMDA database or the statutory purposes for which the data is collected.

Not All Data is Readily Available in Other Records

It is important to recognize that the information required by the new data fields is not easily pulled from other systems within an institution. On the contrary, all the data cannot be remapped from others systems, making them "easy" to enter correctly.[14] There seems to be a mistaken assumption that the data are retrieved from a single loan origination system, but even community banks may use a number of different loan origination systems that must be converted into appropriate data for the HMDA-LAR. Moreover, data in internal systems often require calculations or conversions in order to generate the standard values required for the LAR. For example, an internal system may have a code of "FHA" for loan type that must then be converted to a value of "2" for the LAR. Rate spreads also typically require calculation and adjustment.

In addition, the Associations strongly urge the Bureau to bear in mind that while some data used to complete the HMDA-LAR may be pulled from loan origination systems, other data, including some of the new data fields, must be identified within loan files and entered manually. Since this will be a manual process, it is open to clerical and data-entry errors, and once the data have been entered into the LAR, identifying the source of the error may be difficult. Further, if the information comes from a loan file, it may require conversions or calculations to fit specific data reporting requirements, which increases the possibility of human error.

It is also important to recognize that some data fields may remain fluid during the loan origination process. For example, an applicant's income may be updated several times during the underwriting process as additional information becomes available or verified. As a result, even though the information entered into the HMDA-LAR is correct, it may not be consistent with information in the original loan application, making it appear as though there is an error when none has occurred. This will be especially true when the loan involves an application that did not result in an origination.

Clearly, the creation of the information that produces the HMDA-LAR is *not* a simple process, even for community banks with simple operations. The Associations believe

later date a process for the public to provide input on the application of the balancing test to determine the HMDA data to be publicly disclosed." 80 Fed. Reg. 66130 (October 28, 2015)

[14] For example, an institution that collects the information at origination, but reports at servicing, cannot easily transfer information from system to system.

that it is critical to reflect that complexity in the final data Resubmission Guidelines and ask the Bureau to adopt the following recommendations.

<u>Common Sense Solutions that Preserve HMDA Analysis</u>

I. Eliminate the File Error Rate

We understand the Bureau is trying to ensure the HMDA-LAR maintains the proper accuracy and integrity to permit meaningful analysis. We agree that accuracy and integrity of data are important standards and clearly, the ability to analyze the data is important to carry out the purposes for which Congress enacted HMDA. However, the File Error Rate is not a meaningful measurement of accuracy or a meaningful benchmark that will help achieve those goals. Ensuring meaningful data would be better achieved by focusing on Key fields that affect analysis.

Not only is the File Error Rate metric unnecessary, meeting it when there are 110 data fields will be virtually impossible. Increasing the number of reportable fields and maintaining file error rate standards would greatly increase costs with no demonstrated improvement to the overall integrity of the data.

To illustrate the flaws of this metric, we provide the following calculations to demonstrate how the current standards approach an irrational zero tolerance level and why commenters were so concerned about the expanded number of data fields:

- For example, as currently calculated, a record with errors in all 110 data fields, which is a 100% error rate, would be deemed the same as one with only one incorrect data field, even though the latter is less than 1% of the overall record.

- Using current Resubmission Guidelines with the new rule, an institution reporting fewer than 100,000 records would be required to scrub its data and resubmit despite having up to 99.91% of the data fields reported accurately.
- Using the existing Resubmission Guidelines with the new rule, an institution reporting 100,000 loans/applications or more would be required to scrub its data and resubmit despite having up to 99.96% of the data fields reported accurately.

The Bureau has established error rate thresholds at the field level. Set appropriately, such standards are sufficient to ensure that the HMDA data utilized in analyses can be relied upon to draw accurate conclusions. There is no need for a separate file level error rate. Therefore, we recommend they be eliminated. Using the purposes in the HMDA statute as a foundation for revising the Resubmission Guidelines, the true focus should be the information in specific fields that is used to determine whether lenders are meeting the HMDA goals.

II. Distinguish Key Fields and Non-Key Fields and Assign Appropriate Thresholds for Each

The Associations urge the CFPB to distinguish “Key” and “Non-Key” fields and tailor the regulatory accuracy standards to reflect the fact that certain fields are more critical than others in determining compliance with applicable law. We recommend a 5% or fewer threshold for Key fields and 10% or fewer threshold for Non-Key fields.

In addition, institutions should not be required to re-file due to inaccuracies in Non-Key fields unless the error rates exceed the threshold and the nature of the errors are likely to impact common analyses performed using HMDA data. Similarly, we suggest that examiners take into account the nature of errors reported by other filers within a Metropolitan Statistical Area (MSA) to verify that the error is not caused by some factor external to the institution.

We suggest that the data integrity standards distinguish among the following types of fields and provide for appropriate standards for each type of field:

- **Key Field - Borrower Characteristics:** These fields include Race,[15] Ethnicity, Sex, and Age and fields that identify low-to-moderate income borrowers and geographies. We believe these are Key fields, and lower error rates are necessary to have a reliable unbiased analysis of the protected class or LMI impact.

- **Key Fields - Loan Attributes:** These fields include fields that relate to pricing, loan terms, and the action taken and reflect the underwriting decision. An analysis of HMDA data will generally assess how outcomes differ for different protected classes or LMI borrowers or households. Random errors in outcome fields will not be biased because the distribution of the errors would also be random. We suggest that a 5% error rate for outcome fields would be sufficient for valid analytical results.

- **Define All Other Fields as Non-Key Fields** – subject to a 10% threshold.

Adopt a More Flexible Approach to Rounding Errors

One of the challenges identified by our members, particularly smaller institutions, is the problem faced when certain data points must be rounded. There is no consistent approach to rounding and minor variations in certain data fields will not affect analysis of the HMDA data. Some data points must be truncated, some are rounded using standard rounding methods, and still other fields are to be reported without rounding.

[15] We welcome the opportunity to discuss with the Bureau whether sub-categories of race would be treated as Key or Non-Key fields as there is confusion about how to analyze these fields and the how the free-form text option will be used. While the information provides value, the complexity involved with collecting this particular data due to multiple options and applicant choice requires further discussion.

Similarly, minor fluctuations or variations in numerical fields are treated the same as an error in another field where the latter may be significant for analysis of the HMDA data. Therefore, we recommend that the Bureau adopt tolerance ranges in the Resubmission Guidelines for numerical values and dates. For example, a slight variance in income should not affect the debt-to-income ratio and therefore should not be deemed an error. Under this approach, if a value is within the established tolerance, it would not be deemed an error. To that end, the Associations recommend that when an error is due to a problem with rounding, the significance of the error and the clarity of the instructions should be considered. In most instances, it may be more appropriate to direct the institution to correct the error in future filings instead of requiring a full data scrub, correction of the errors and resubmission of the entire HMDA-LAR.[16]

Give Examiners Discretion to Decide Whether Resubmission is Necessary and Appropriate

Simply because HMDA data errors exceed an arbitrary threshold does not automatically mean the entire HMDA-LAR is so impaired that it necessitates that the institution scrub its data and resubmit. Instead, exceeding a target threshold should be viewed as an indicator that requires examiners to assess the impact. A final determination should depend on the *types* of errors, the nature of the differences, the range of exceptions, and the number of fields above targeted thresholds. In short, the examiner should consider the entirety of the error, the significance it has for the individual institution's HMDA-LAR, and the significance that the identified error has for the integrity of the entire HMDA database and analysis of the information.

I. Examiners Should Require Resubmission Only if Errors Impact HMDA Analysis

While institutions will continue to strive to meet accuracy standards, there will inevitably be mistakes. When that occurs, we assert the error should act as a "flag" for examiners, instead of requiring automatic resubmission. We urge the Bureau to allow examiners to exercise discretion to decide whether resubmission is necessary by considering whether the effect of the error is material to analysis of the data and also take into account the resources necessary to identify and fix the errors. Essentially, the Associations believe that a cost-benefit analysis should be reflected in the requirement to resubmit data.

We suggest the Bureau incorporate in the final Resubmission Guidelines a mandate that requires examiners to assess the materiality of errors on a case by case basis. Before an examiner requires a full data scrub to correct errors and the a resubmission of the HMDA-LAR, an examiner should be required to clearly articulate the nature of the error, some estimation of the extent of the error, how the error affects the overall integrity of the HMDA data, why correcting the error is needed to meet the statutory

[16] The Associations will provide the Bureau with our recommended tolerances for rounding and minor variances in a subsequent document.

purposes of HMDA, and why addressing the problem going forward is insufficient. Under this approach, an examiner would require resubmission only if the error would impact the integrity and analysis of the HMDA data.

When determining whether there is an error, the examiner should also be required to consider whether other institutions have made similar errors. If the problem is not limited to a single institution, it suggests that greater instructional clarity is needed to address the problem instead of correction and resubmission of data from a single institution. To be truly effective, the examiner should also discuss these findings with the affected institution and encourage additional feedback to explain those findings. Ideally, any revised guidance would be issued for public comment before it is finalized.

II. Examiners Should Consider the Cost Associated with the Type of Error

When determining whether resubmission is necessary, we ask that examiners also be permitted to take into account the disproportionate amount of resources needed to find and remediate errors. This includes whether the root causes are systemic versus non-systemic errors. Systemic and non-systemic errors require different remediation resources that should be reflected in resubmission decisions. A systemic error is caused by an application or system error that affects a significant number of files while a non-systemic error requires file-by-file scrubbing, which takes immense resources. Our members report that it takes much more time to look for a random error—as much as a half an hour per loan. On the other hand, an application or systemic error often can be identified more readily.
Performing this assessment instead of mandating an automatic trigger has the potential to reduce dramatically compliance costs without impacting the usability and reliability of HMDA data for analysis. For these reasons, we ask the Bureau to provide guidance to examiners on how to assess whether the data need to be resubmitted based on the materiality of the errors and the likely costs of remediation. However, absent some critical necessity clearly articulated and validated by the examiner, correction and resubmission of data going back multiple years should not be required.

Interagency Coordination is Critical to Ensure Consistency

As the Bureau develops Resubmission Guidelines, we stress the importance of coordination with the prudential regulators. Inconsistency between the regulators would produce differing standards for institutions based on their regulator and could lead to unequal treatment.

Conclusion

The Associations appreciate the opportunity to provide feedback as the Bureau considers how to update existing examination guidelines for determining when a filer should be required to correct and resubmit its HMDA-LAR. Fundamentally, we believe that the best approach is a cost-benefit analysis, taking into consideration the nature of the error, the extent of the error, the impact the error has on the HMDA-LAR as a whole and, whether the error affects the purpose for which the data are being collected. As explained in the letter, we urge the Bureau to base the Resubmission Guidelines on meaningful metrics be evaluating Field Error Rates, allowing reasonable tolerances where appropriate, particularly for numeric fields, while eliminating the flawed File Error Rate metric.

If and when it is necessary, an examiner should also be required to articulate the reasons that a HMDA-LAR must be updated and corrected, and the Bureau should ensure that a corrected HMDA-LAR is included in other data that are otherwise publicly available. The Bureau should also provide notice on its website so users of the HMDA database are aware that the information has been updated and revised. Finally, to ensure consistency and the overall integrity of the HMDA database, it is critical that the Bureau take all necessary steps to coordinate with the prudential regulators to ensure all agencies that examine HMDA-LARs adhere to the same guidelines for correction and information. The Associations welcome the opportunity to work with the Bureau on this important issue to minimize unnecessary burdens while maintaining reliable data to fulfill the purposes for which Congress enacted HMDA.

Sincerely,

K Larson

Kate Larson
Regulatory Counsel
Consumer Bankers Association

Robert G. Rowe

Robert G. Rowe, III
Vice President & Associate Chief Counsel, Regulatory Compliance
American Bankers Association