



Levittown and HMDA

by [Steve Brown](#)

Q: What do Bill O'Reilly, Sterling Morrison and the movie Born on the Fourth of July have in common?

A: Levittown. Sterling Morrison, guitarist of the Velvet Underground, once lived there. TV host Bill O'Reilly was raised in a house close to Levittown. The 2 marine recruiters of Born on the Fourth of July come from a station there. Levittown is the name of 4 large housing developments and symbol of the postwar suburb. Dotted with small houses, these developments were built by Levitt & Sons in NY, NJ, PA and PR. They were designed for veterans returning from World War II in an assembly line manner so families could quickly settle into affordable homes.

In the banking world, in order to make sure home loans are also available to all in an assembly like fashion, regulators from time to time will look closely at practices to ensure discriminatory lending is not occurring in the industry.

That is one reason why the CFPB finalized a rule in October 2015 that expands the Home Mortgage Disclosure Act (HMDA) data set. Recall that HMDA was enacted by Congress in 1975 and requires certain financial institutions to collect, record, report, and disclose information about their mortgage lending activity. The goal of the new rule is to capture more information on consumer access to mortgages. This all comes from Dodd-Frank, where Congress directed the CFPB to update HMDA and have lenders report certain new information. The goal is to use the data to improve public understanding, identify emerging risks, and surface potential discriminatory lending practices.

The new rule captures new data points (for data collected from Jan 1, 2018, forward) that include: applicant or borrower age, credit score, automated underwriting system information, unique loan identifier, property value, application channel, points and fees, borrower-paid origination charges, discount points, lender credits, loan term, prepayment penalty, non-amortizing loan features, interest rate, and loan originator identifier as well as other data points. Of note, the rule adds a requirement to report how the institution collected the information about the applicant's or borrower's ethnicity, race, and sex (visual observation or surname) when an applicant chooses not to provide the information for an application.

The timeline for impacted banks is as follows: 2016 - no new regulatory requirements go into effect; 2017 - Jan 1 is the effective date for excluding low volume depository institutions from coverage; 2018 - Jan 1 is the effective date for most provisions related to institutional and transactional coverage, and data collection, recording, reporting, and disclosure; 2019 - Jan 1 is the effective date for changes to enforcement provisions and additional amendments to reporting provisions; and 2020 - Jan 1 is the effective date for quarterly reporting provisions.

The new rule applies to institutions subject to Regulation C in 2017. An institution would not have to do this if it does not meet all of the criteria under current Regulation C and it originates less than 25 home purchase loans (including refinancing home purchase loans) in both 2015 and 2016. Also, beginning in 2018, financial institutions are subject to Regulation C if they originated at least 25

covered closed-end mortgage loans in each of the two preceding years or at least 100 covered open-end lines of credit in each of the two preceding calendar years, and it meets other applicable coverage requirements.

It remains to be seen how this all works out over time, but suffice it to say bankers will be impacted. Consider a Wolters Kluwer survey on the subject that found the biggest concerns of bankers who responded were: 64% cited accurately capturing the new data fields; 42% said upgrading their systems; 39% said staff training; and 33% said time/cost to implement such a big change.

BANK NEWS

M&A Activity

1) First State Bank of DeKalb County (\$99mm, AL) will acquire First Bank of the South (\$84mm, AL) for an undisclosed sum. 2) Citizens Community Federal (\$582mm, WI) will acquire Community Bank of Northern Wisconsin (\$153mm, WI) for about \$17mm in cash or roughly 1.02x tangible book. 3) Mohave State Bank (\$325mm, AZ) will acquire Country Bank (\$206mm, AZ) for about \$29.6mm in cash (50%) and stock (50%). 4) Lakeland Bank (\$4.3B, NJ) will acquire Harmony Bank (\$295mm, NJ) for about \$32mm in stock.

No Taxes

Congress finally permanently banned states and localities from charging taxes on Internet access.

Not Aligned

Info-Tech research finds 62% of executives believe the CIO does not clearly understand their business goals and only 23% believe their CIO has developed an IT strategy that is effectively aligned with their corporate strategy and desired capabilities.

CMBS

Rule changes required under Dodd-Frank are impacting the biggest banks due to the amount of capital they must hold against securitizations. As such, the extra yield relative to benchmarks needed to sell commercial mortgage-backed securities has surged to the highest level in 5Ys.

No More

A push is underway by some to eliminate the \$100 bill in an effort to reduce crime and boost tax collections. We will have to wait and see if this gets any traction.

Recession Odds

Bank of America Merrill Lynch said the market is pricing in a 50% change of a recession in the next 12 months, but its own data shows only a 25% chance. The firm said investor fear is currently trumping the fundamentals, as global risks rise and oil price weakness continues.

Decisions

It is estimated the average person makes between 5,000 and 35,000 decisions every single day.

No Passwords

USAA indicates it has 1.3mm members actively enrolled in and using biometric authentication. Of this group, 88% are using fingerprint recognition, 7% are using facial recognition, and a smaller percentage is using voice. USAA also sees a time coming soon when people will not need passwords or user IDs.

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