

YOUR MONTHLY COMPLIANCE NEWSLETTER



FINDINGS FROM OUR CONSULTING WORK

This month we want to talk about a regulation that doesn't apply to everyone, and for those it does not apply to, don't be sad – it's the Home Mortgage Disclosure Act (HMDA). Tory always says that if you don't know what HMDA is, that's a good thing. HMDA is a four-letter word, or really a four-letter acronym, that is a massive regulatory burden.

When you are reviewing HMDA data, or doing a scrub as many call it, you should be doing both an errors and omissions review. Most third-party consultants or auditors typically do an errors review, and that's a key part and the most work, but an omissions review is also critical.

HMDA's implementing Regulation C requires you to report accurate data on your Loan Application Register, or LAR, each calendar year. That

means that the source data in your loan files needs to match the data on your LAR.

Whenever you scrub your data, do not compare the LAR to an internal checklist. Many of you have a HMDA data boarding sheet that is generated by your software. Don't compare your LAR to that either. Why? All that does is verify if you properly transferred the data from your checklist/data sheet to your LAR. That doesn't verify if the data used in the loan decision is what ended up on your checklist/data sheet and ultimately ended up on your LAR.

Actually go to the application and see what data the customer filled out. Get the underwriting documents to find the final income used. Make sure you look at

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FDIC CONSUMER COMPLIANCE SUPERVISORY HIGHLIGHTS

Every year, the FDIC releases this information that can be a great resource for what they are finding. Even if the FDIC is not your primary regulator, it's still valuable information on what regulators are seeing in the industry. This edition has a summary of 2024 compliance evaluations, most frequently cited violations, and an overview of complaint trends. You can find the letter and past issues [HERE](#).



AGENCIES ISSUE EXEMPTION ORDER TO CUSTOMER IDENTIFICATION PROGRAM REQUIREMENTS

The regulatory agencies, along with FinCEN, have released new guidance that you can now use third-party sources to verify a customer's Tax Identification Number (TIN). This will allow for greater flexibility in verifying their TIN. You do not have to follow this new guidance, but if you choose to, be sure and update your procedures and train your staff. You can find the new guidance and more information [HERE](#).

AGENCIES RELEASE LIST OF DISTRESSED OR UNDERSERVED NONMETROPOLITAN MIDDLE- INCOME GEOGRAPHIES

Federal bank regulatory agencies today released the 2025 list of distressed or underserved nonmetropolitan middle-income geographies where certain bank activities are eligible for Community Reinvestment Act (CRA) credit.

Under the CRA, the agencies assess a bank's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operations. The list released by the agencies includes distressed or underserved nonmetropolitan middle-income geographies where revitalization or stabilization activities are eligible to receive CRA consideration. The designations reflect local economic conditions, including unemployment, poverty, and population changes. Previous years' lists and criteria for designating these areas are available [HERE](#).

FREE FAIR LENDING TRAINING

Attention Fair Lending Expert (FLE) certification holders – Crowe is putting on a free fair lending webinar on August 14th. This will count for 1.25 credit hours toward your FLE. You can register [HERE](#).

COMMUNITY REINVESTMENT ACT, FAIR HOUSING ACT, AND EQUAL CREDIT OPPORTUNITY ACT: OCC CONTACT INFORMATION FOR CERTAIN NOTICES AND POSTERS

If you are an OCC bank, take some time to review OCC Bulletin 2025-6 and ensure all of your addresses on your notices are correct. This affects your CRA notice, Fair Housing Act posters, and ECOA notices. Follow the link [HERE](#) to find the updated addresses for all OCC banks.

FYI, the FDIC had a change to the old Consumer Response Center within the last two

years. Essentially, the name on the address changed, but the address itself remained the same. When we do audits, we STILL find organizations that have not updated their notices. This is low-hanging fruit for violations that FDIC supervised banks had to navigate through. If you are an OCC bank, we highly recommend you double check to make sure you don't follow the same path.

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the credit bureau reports to ensure the right bureau and score was reported. Get the source document and verify the correct information made it on the LAR. That's the "errors" review. You are looking for errors.

Then there is the "omissions" review. That is where you look for other files that appear to be dwelling secured, and you make sure they are reported on your LAR if they are supposed to be. There are two areas you should start with to find if you are missing applications on your LAR – your loan download and your denial file.

Regulators often ask for a loan download, and we do too when we do a fair lending review. Your loan download is essentially an excel spreadsheet with all of the loans you have originated in a certain period. It has customer names, collateral codes, dates, addresses, and lots of other great information. When you look at your download, you cross reference it with your LAR to make sure that anything dwelling secured that should be on your

LAR is. Most dwelling secured loans are HMDA reportable, but certain ones can be excluded like temporary financing or commercial purpose home equity loans.

The other area to look is your denials. It's common that dwelling secured denied applications are never added to the LAR. Go through your denial file, find anything that appears to be dwelling secured and HMDA reportable, and make sure those are also on your LAR.

A quality HMDA review should include both an errors and omissions review. It's fine to outsource your error review as external third parties are great at finding errors. Tory has personally scrubbed thousands of files over the years, and when you do that many, you get good at it. An omissions review is better done by someone in the organization. You have easier access to files and can do a better job at finding those applications or loans that should be on the LAR but were omitted.

YOUR MONTHLY FAIR LENDING CORNER NEWSLETTER



REDLINING – NOT JUST A HOME LOAN PROBLEM

Check out our monthly fair lending short video first and then come back here for some additional thoughts.

[Redlining – Not just a home loan problem | Tuscan Club University](#)

The topic of this month's fair lending newsletter is redlining – not just a home loan problem. Be sure you watch the short video along with reading this article.

Redlining is essentially a lender avoiding high minority neighborhoods for loan products. While it's often seen as a home loan problem, it can happen in any area of your organization. Where many lenders forget to analyze is their commercial loans.

For those of you that are Large Banks under the Community Reinvestment Act, you already have a lot of this data available. You know where your small farm and small business loans are originating, so rather than look at the income levels of the census tracts where your loans originate, you can look at the minority levels and see if you are lending in high minority areas.

It's always great to utilize software whenever available, and for HMDA reporters, many of

you use fair lending software to ensure you are lending to all parts of the communities in which you operate. However, commercial, consumer, or credit card data may be more of a manual process to analyze.

Essentially, you can take the addresses where the customer resides, geocode it, and find the minority level of the census tract. Once you know what percent of census tracts in your area are at that minority level, you simply compare the two.

If you operate in areas with higher percentages of majority-minority census tracts, this may be worth the effort to find out your performance. It's always better to find your problems before the regulators do.

If you haven't already, you can check out Tory's TEDx Talk which focuses specifically on redlining. It has already been viewed over one million times.

[TEDx Talk Link](#)

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