



3138 10th Street North
Arlington, VA 22201-2149
703.522.4770 | 800.336.4644
f: 703.524.1082
nafcu@nafcu.org | nafcu.org

National Association of Federally-Insured Credit Unions

November 9, 2017

The Honorable J. Mark McWatters
Chairman
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314

RE: Request for NCUA to consider Home Mortgage Disclosure Act (HMDA) “good faith efforts” in the examination process

Dear Chairman McWatters:

On behalf of the National Association of Federally-Insured Credit Unions (NAFCU), the only national trade association focusing exclusively on federal issues affecting the nation’s federally-insured credit unions, I am writing to request confirmation that the National Credit Union Administration (NCUA) is planning to consider credit unions’ “good faith efforts” to comply with the soon-to-be-implemented changes to the *Home Mortgage Disclosure Act* (HMDA) during the examination process. In a recent Consumer Financial Protection Bureau (CFPB) Supervisory Highlights report, the Bureau stated its intent to consider “good faith efforts to come into compliance with the rule” during initial examinations for compliance. NAFCU believes that NCUA adopting a similar examination policy would help mitigate credit unions’ pressing HMDA compliance concerns.

Consideration of HMDA “Good Faith Efforts”

The Bureau publicly acknowledged its plan to consider “good faith efforts” in its initial examinations for HMDA compliance within its Supervisory Highlights report for Summer 2017 (Issue 16, Sept. 2017). Specifically, regarding HMDA examinations, the Bureau stated the following:

As noted above, the 2015 Final Rule’s new data requirements will apply to data collected beginning on January 1, 2018. Given the recent updates to the rule, the Bureau’s current principal focus is on providing regulatory implementation support to financial institutions, to assist them in operationally implementing the recent changes to the HMDA requirements. After the rule takes effect, consistent with our approach to the implementation of other Bureau rules requiring significant systems and operational changes, our approach will generally be diagnostic and corrective, not punitive. In our initial examinations for compliance with the rule, we intend to consider whether companies have made good faith efforts to come into compliance with the rule in a

timely manner. Specifically, we will be evaluating a company's overall efforts to come into compliance, including assessing the compliance management system and conducting transaction testing. If errors are identified, we will work with the institution to determine the root cause of the issue and determine what corrective actions, if any, are necessary. (Emphasis added).

This policy reflects lessons learned from the shaky implementation of major CFPB rules, such as the TILA-RESPA Integrated Disclosures (TRID) rule. NAFCU appreciates the Bureau's recognition that HMDA requires significant systems and operational changes and that the initial examination process should be "diagnostic and corrective, not punitive."

Credit unions have been working tirelessly in collaboration with vendors to navigate through the expansive requirements of the new HMDA final rule. However, given the rule's complexity and unprecedented scope, NAFCU and our members respectfully request that NCUA adopt the same approach and consider credit unions' "good-faith efforts" to comply with HMDA during the examination process. Further, we recommend that NCUA take this approach to HMDA compliance for an open-ended period of time – but no less than one year after the January 1, 2018, effective date.

Conclusion

We appreciate the opportunity to share our thoughts on this matter. Should you have any questions or concerns, or if you would like to discuss this issue further, please feel free to contact me at amonterrubio@nafcuh.org or (703) 842-2244.

Sincerely,



Alexander Monterrubio
Director of Regulatory Affairs