2012
Compliance Supervisory Perspectives
SEMINAR

Assessing Your Bank's Fair Lending Risk

Agenda

- Discuss Key Fair Lending Risk Factors
- Share Common Issues Found in Examinations
- Discuss an Effective Fair Lending Compliance Risk Management Program
- Discuss Hot Topics and Fair Lending Trends

Fair Lending Risk Factors

Discrimination Risk Factors:

- Compliance Program:
  - Board and Senior Management Involvement
  - Training
- Overt Discrimination:
  - Policies
  - Training

Fair Lending Risk Factors (Cont.)

- Disparate Treatment in Underwriting:
  - Vague Guidelines
  - Lack of Documentation
- Disparate Treatment in Pricing:
  - Pricing by Market
  - Concentration of Prohibited Basis Group in a Product

Fair Lending Risk Factors (Cont.)

- Discriminatory Redlining:
  - New Branches or Markets
  - Pricing on What Market Will Bear?
- Disparate Treatment in Marketing:
  - Marketing Distribution
- Disparate Treatment by Steering:
  - Channels
  - Higher Priced Products

Common Issues Found in Examinations

- Discretionary Pricing
- Underwriting Guidelines
- Risk Assessments
- Vendor Relationships:
  - Dealer Paper
  - Secondary Market Loans

Effective Compliance Risk Management

- Board and Management Oversight
- Policies, Procedures, and Limits
- Internal Controls:
  - Adverse Actions
  - Monitoring Exceptions
  - Signature Provisions/Joint Intent

Effective Compliance Risk Management (Cont'd)

- Risk Monitoring:
  - Management Information Systems, e.g. trial balance, HMDA and CRA data
  - FFIEC.gov/hmdaadwebreport
  - Marketing Materials
- Risk Assessment Document

Fair Lending Hot Topics and Trends

- Census Changes
- Urban Communities
- Recent Referrals
- Oversight:
  - Department of Justice
  - Board of Governors

QUESTIONS?