

5 Simple Questions: Rate Your Fair Lending Compliance Program

FAIR LENDING IS THE MOST IMPORTANT REGULATORY COMPLIANCE TOPIC FOR FINANCIAL INSTITUTIONS. TAKE 5 MINUTES TO REVIEW 5 KEY COMPLIANCE PROGRAM ATTRIBUTES, AND DETERMINE YOUR FAIR LENDING POSITIONING. SCORING IS BELOW.

5=EXCELLENT, 4=ABOVE AVERAGE, 3=AVERAGE, 2=BELOW AVERAGE, 1=POOR, 0=INCOMPLETE

1. DO YOU PERFORM A FAIR LENDING RISK ASSESSMENT REGULARLY?

Are you examining your risks based on your bank's market, products offered, and day-to-day operations? Are you assessing your pre-application activities, underwriting and pricing, and servicing activities by market, delivery channel and product line? This process should include an evaluation of how your compliance management program is managing the Fair Lending risk.

CIRCLE SCORE: 5 / 4 / 3 / 2 / 1 / 0

2. DO YOU HAVE CLEAR AND EXPLICIT UNDERWRITING, PRICING AND SERVICING POLICIES AND PROCEDURES?

Is there an annual review to ensure the policies and procedures are keeping up with market, bank and regulatory changes? Do your policies have subjective language (e.g. "character") that may allow for individual interpretation and subsequent discretion? Is the exception management process explicit?

CIRCLE SCORE: 5 / 4 / 3 / 2 / 1 / 0

3. DO YOU CONDUCT ANNUAL FAIR LENDING TRAINING?

Consider your approach for employees, officers, management and the Board of Directors. Is there regular reinforcement on the policies and procedures to increase employee awareness and ownership for compliance? Is there role-specific training for key employees that are involved with your credit products?

CIRCLE SCORE: 5 / 4 / 3 / 2 / 1 / 0

4. ARE YOU ANALYZING AND MONITORING YOUR LOAN DATA ON A REGULAR BASIS?

Data analysis is the cornerstone of your Fair Lending compliance. Start with macro views and look to define where disparities in your lending patterns may exist. Are you statistically evaluating the data consistent with the Interagency Fair Lending Exam Procedures (including: market, redlining, product steering, pricing, underwriting risks)?

CIRCLE SCORE: 5 / 4 / 3 / 2 / 1 / 0

5. DO YOU ACTIVELY EVALUATE EXCEPTIONS TO POLICY?

When evaluating exceptions, there are four primary items to consider: 1. Why are exceptions being requested, 2. What is the frequency of these exceptions, 3. What are the reason codes, and 4. Does compliance and management have documentation and reporting for these exceptions?

CIRCLE SCORE: 5 / 4 / 3 / 2 / 1 / 0

YOUR PROGRAM'S TOTAL FAIR LENDING SCORE: _____

20-25 points: Nice job! There may be just a few places to review and improve your program.

13-19 points: Risks likely exist. Consider investing more in Fair Lending compliance this year.

0-12 points: Serious risks may exist. Based on your score, there may be compliance management gaps and areas of risk. Consider reevaluating your time and resource allocation.

>> REGARDLESS OF WHERE YOU ARE IN YOUR FAIR LENDING JOURNEY, OUR TEAM OF EXPERTS CAN HELP YOU ACHIEVE YOUR COMPLIANCE GOALS. **CONTACT TRUPOINT PARTNERS TODAY!**
704.401.1730 // WWW.TRUPOINTPARTNERS.COM // INFO@TRUPOINTPARTNERS.COM