

8 Fair Lending Compliance Myths - and the Realities!

FAIR LENDING RISK MANAGEMENT IS OFTEN COMPLICATED BY MISINFORMATION. We're busting the 8 most common Fair Lending compliance myths we've heard through years of experience with financial institutions:

	MYTH	REALITY
1.	OUR WRITTEN POLICIES AND PROCEDURES HAVE US COVERED.	>> Great written policies are a great start, but compliance is not a static activity. Real risk management requires that you regularly monitor and evaluate written policies to ensure that they are effective in practice.
2.	FAIR LENDING COMPLIANCE IS ABOUT UNDERWRITING	>> ECOA states that creditors may not discriminate on a prohibited basis during any aspect of the credit transaction, from start to finish. Regulators consider marketing practices, redlining risk and service areas, in addition to underwriting, when evaluating compliance.
3.	OUR BANKERS FULLY UNDERSTAND COMPLIANCE	>> Our observations indicate that bank officers have a working knowledge of Fair Lending and do not intend to discriminate. However, the complexity of these regulations means that without regular training, management reinforcement, and lending pattern monitoring, lenders have unmanaged compliance risk.
4.	WE DON'T HAVE DIVERSITY IN OUR MARKET AREA	>> All markets have diversity. Combined, the Fair Housing Act and ECOA prohibit discrimination based on race or color, religion, national origin, sex, marital status, age, applicant's receipt of income, familiar status and handicap - a broad definition of diversity.
5.	FAIR LENDING IS PRIMARILY ABOUT HMDA	>> The Interagency Fair Lending Exam procedures clearly outline seven steps to review; step 6 includes Consumer Lending and step 7 reviews Commercial Lending. ECOA is about all types of credit transactions, not just mortgages and HMDA. Most Fair Lending analysis starts with HMDA, but it doesn't end there.
6.	OUR CONSULTANT MANAGES COMPLIANCE	>> Good consultants are worth their weight in gold, but effective Fair Lending compliance actively engages senior management, compliance departments, and the front line.
7.	THE COMPLIANCE DEPARTMENT OWNS COMPLIANCE	>> Compliance is not a department, it is a mindset about day-to-day execution. This is especially true for Fair Lending. While senior management and the compliance department play a key leadership role, the entire organization must assume responsibility.
8.	FAIR LENDING DOESN'T APPLY TO SMALL LENDERS.	>> ECOA, FHA and other pertinent acts do not offer equal treatment exceptions. An assessment will consider loan volumes, market diversity, and product complexity, but Fair Lending compliance applies to all lenders.

>> **DON'T NEGLECT YOUR FAIR LENDING COMPLIANCE.** Managing your Fair Lending program means understanding your compliance risk and minimizing it. Our team of experts can help you identify risk and support your compliance programs. **CONTACT TRUPOINT PARTNERS TODAY!**

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