

8 Fair Lending Compliance Myths

Fair lending risk management can be complicated by misinformation. Let's take a look at the 8 most common fair lending compliance myths. Is your financial institution's fair lending compliance program built on myths—or realities?

	Myth	Reality
1	OUR WRITTEN POLICIES AND PROCEDURES HAVE US COVERED	Written policies are a great start, but compliance is not a static activity. True 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 STAFF FULLY UNDERSTANDS COMPLIANCE	Staff members may have a working knowledge of fair lending and do not intend to discriminate. However, the complexity of these regulations demand regular training, management reinforcement, and lending pattern monitoring to fully manage compliance risk.
4	WE DON'T HAVE DIVERSITY IN OUR MARKET AREA	The definition of diversity may be broader than you think. 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, familial status and handicap.
5	FAIR LENDING IS PRIMARILY ABOUT HMDA	Most fair lending analysis starts with HMDA, but it doesn't end there. The Interagency Fair Lending Exam procedures clearly outline 7 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.
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 just a department, it is a mindset of 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.

Looking for a better way to manage fair lending compliance?
Contact us for a demo of our solutions today.