OUTLOOK LIVE

The Federal Reserve System's webinar series on consumer compliance topics

Live webinar event occurred on 11/16/17
Outlook Live: 2017 Interagency Fair Lending Hot Topics

Begin Transcript:

Jean Roark - Facilitator

Good afternoon and welcome to Outlook Live. I am Jean Roark with the Federal Reserve, and I will be your facilitator.

Today we will cover 2017 Interagency Fair Lending Hot Topics. This call is scheduled for 90 minutes.

Joining us today we have speakers from various agencies including the Federal Reserve Board of Governors, the CFPB, OCC, NCUA, FDIC, HUD and DOJ.

Let me start with a big thank you to our presenters, who we will be hearing from in just a moment, but first, let me jump to slide two to cover a couple of call logistics.

If you haven't done so yet, click on the webinar link you received after registering (https://www.webcaster4.com/Webcast/Page/577/23122). Or, you can head over to our website at www.consumercomplianceoutlook.org. There, you can find the session materials and eventually the archive of our call.

A quick note on the webinar: We encourage you to listen to the audio through your PC, but if you need a phone option, we do have a limited number available.

As for questions, please submit them by clicking on the Ask Question button in the webinar.

I would also like to remind you that we are offering Continuing Professional Education credits for attending this session. If you are interested in that, you must do two things. First, be registered for this session. And second, you must complete the post-session survey.

All right, let me cover our legal language before turning it over to our speakers.

The opinions expressed in this presentation are intended for informational purposes and are not formal opinions of, nor binding on, the Board of Governors of the Federal Reserve System or any other agency.

All right, with all that said we are ready to get started, and I will turn our call over to Eric from the CFPB.

Eric Wang – Consumer Financial Protection Bureau (CFPB)

Thank you. My name is Eric Wang and I work in CFPB's Office of Fair Lending and Equal Opportunity. Today I will be providing a brief update on HMDA, the Home Mortgage Disclosure Act, focusing on three specific topics. Can we turn to slide six, please?

First, I will give a summary of the FFIEC HMDA Examiner Transaction Testing Guidelines that was released in August of this year. Then I will talk briefly about what to expect on CFPB's HMDA examinations, and finally, I will speak briefly about HMDA data processing.

I will not be talking about the amendment to Regulation C, but the next speaker will provide an overview of the key changes to Regulation C.

Let's turn to slide seven.

On August 22nd of this year, the Federal Financial Institutions Examination Council, or FFIEC, released the HMDA Examiner Transaction Testing Guidelines that will be used by examiners from all federal banking regulators to examine HMDA data collected beginning in 2018 and reported beginning in 2019. The new Guidelines were written in part to address the industry concern that the collection and reporting of additional HMDA data fields starting in 2018 would increase the likelihood of data errors and the need for HMDA data resubmission.

Before updating the Guidelines, the Bureau sought industry comments by publishing a Request for Information. Then we collaborated closely with other regulators to write the new Guidelines. It is noteworthy that this is the first time the FFIEC published uniform guidelines for all financial institutions that report HMDA data. Before this, each agency had their own guidelines.

When we drafted the guidelines, our main goal was to reduce industry compliance burden while still ensuring HMDA data integrity. Burden reduction is done primarily through three changes. First and foremost, we will no longer require HMDA data resubmission based on file error rates. This was the number one ask from industry, and the new Guidelines no longer have a file error resubmission threshold. However, to ensure HMDA data integrity, resubmission with correction of individual data fields will still be required if individual data fields have error rates above the field error resubmission threshold.

The second thing we changed is establishing allowable tolerances for certain data fields, such as application date and loan amount. So, for example, if an application date in the HMDA data is off by three days, that will not be counted as an application date error.

The third change is that the Guidelines provide a more lenient ten percent field error resubmission threshold for financial institutions with 100 or fewer mortgage applications and originations so that the compliance burden is further reduced for the smaller HMDA reporters.

Let us turn to slide eight.

Next, I would like to say a few words about what to expect on HMDA examinations when the Bureau examines financial institutions for compliance with the revised Regulation C starting in 2019.

First of all, I should note that the CFPB and the other FFIEC agencies are currently updating the HMDA examination procedures and HMDA *Getting It Right Guide*, so be on the lookout for them.

As most of you know, the Bureau has released other significant regulations before, and CFPB's approach in initial examinations for compliance with the revised Regulation C will be similar to the approach taken in the implementation of other statutory and regulatory changes that require significant systems and operational modifications.

Bureau examiners will consider the institution's implementation plan, including actions taken to update policies, procedures, and processes. If transaction testing reveals significant error rates in certain data fields, we would require an institution to resubmit its HMDA data with the problematic data fields corrected per the new Guidelines I just spoke about. Overall, however, we will focus on whether an institution has made a good-faith effort to come into compliance with the revised Regulation C in a timely manner recognizing that the scope and scale of changes necessary to achieve effective compliance will vary for each supervised institution.

One last thing I want to say about the Bureau's approach to HMDA examinations is that the CFPB, unlike several other agencies, did not prioritize any key fields. The reason we did not do that is because we would like to maintain the flexibility to examine all HMDA data fields for accuracy to help ensure the integrity of the entire HMDA dataset.

Let's turn to slide nine.

The last topic that I want to touch upon is HMDA data processing. As most of you know, for many years, the Federal Reserve Board processed HMDA data on behalf of all the agencies. However, beginning with the HMDA data collected in 2017, CFPB will assume the data processing function.

The Bureau has named its HMDA data processing system the HMDA Platform, and it is a brand new system that differs significantly from the Board's system. When we redesigned the system, we reviewed the HMDA reporting process with special focus on improving upon the data collected and released, reducing unnecessary burden on financial institutions, modernizing and streamlining the collection and reporting of HMDA data.

As of last week, the Bureau launched the beta version of the HMDA Platform, and I encourage all HMDA reporters to try out the system before they have to file in 2018.

Let's go to slide ten.

This concludes the presentation by the CFPB. Before I end my presentation, I would like to remind everyone that the Bureau has established a HMDA webpage with many helpful resources for HMDA reporters including a link to the HMDA Platform. I encourage everyone to visit the webpage.

Now I will pass the presentation to Vonda from the OCC.

Vonda Eanes – Office of the Comptroller of the Currency (OCC)

Thank you, Eric. I'm Vonda Eanes from OCC. Today we will be discussing a few of the things banks need to consider when making changes necessary to achieve compliance with the new regulatory requirements. So please turn to slide 12.

The presentation will touch on the amended HMDA rule changes that apply to the types of institutions subject to Regulation C, the types of transactions that are subject to Regulation C, the specific types of information that covered depository institutions are required to collect, record, and report, and the processes for reporting and disclosing data.

The presentation will also briefly touch on steps the federal banking agencies and FFEIC members have undertaken to provide guidance to the industry and regulatory staff as well as a few observations on how OCC may utilize the expanded HMDA data in assessing fair lending risks.

Please turn to slide 13.

The amended HMDA rule redefined the types of institutions that must collect, report, and disclose required data. These changes were intended to more closely align the definitions for depository and non-depository institutions that are required to report under HMDA. Specifically as the rule relates to depository institutions, as of January 1, 2017, a covered depository institution is a bank that on the preceding December 31st had assets in excess of the asset threshold established and published annually by the CFPB, and on the preceding December 31st had a home or branch office in a metropolitan statistical area, or MSA, and in the preceding calendar year originated at least one home purchase loan or refinancing, or a home purchase loan secured by a first lien on a one-to-four-family dwelling.

As of January 1, 2018, a covered depository institution is a bank that meets the asset-size threshold and branch location requirement, as well as, in each of the two preceding calendar years, originated at least 25 closed-end mortgage loans that are not excluded under 12 CFR 1003.3(c)(1) through (10), or 500 open-end dwelling-secured lines of credit that are not excluded under 12 CFR 1003.3(c)(1) through (10).

Please turn to slide 14.

The amended HMDA rule also makes substantial changes to the types of transactions for which data must be collected and reported. Key changes include:

- adding open-end lines of credit secured by a dwelling for home purchase, home improvement, or refinance;
- eliminating unsecured home improvement loans;
- defining reverse mortgages;
- adding multifamily residential structures or communities to the definition of a dwelling;
- adding a multifamily dwelling that is a manufactured home community to the definition of a manufactured home; and
- defining covered loans.

So we have mentioned here the changes to the definitions of a dwelling and a manufactured home. I strongly encourage banks that finance multifamily properties or mobile or manufactured home communities to read and make sure you understand related official interpretations presented in Supplement I to the rule. You can contact your supervisory officer or the HMDA Help Line if you have questions.

Please turn to slide 16.

The amended rule also significantly expands the types of data that covered institutions must collect and report. Banks record and report information on the loan application register, or LAR. For 2017, the LAR is comprised of 29 data elements, or types of information, and 39 data fields. The number of data fields exceeds the number of data elements due to options for loan applicants to select multiple responses to a single question or to bank reporting requirements such as the reason or reasons for denying a loan application.

The amended HMDA rule expands the number of data elements from 29 to 48, and the number of related data fields from 39 to 110. For those interested, the 2018 LAR retains nine and modifies 14 elements represented in the 2017 LAR and added 25 new data elements.

Banks need to ensure they are fully aware of the new data collection and reporting requirements and prepare accordingly. Examples of new data fields are applicant or borrower age, credit score, automated underwriting system information, property value and address, points and fees, borrower-paid origination charges, discount points and lender credits, interest rate, and debt-to-income ratio.

Please turn to slide 15.

So, other things to consider.

Banks must prepare to collect data under the amended HMDA rule on covered transactions for which action is taken on or after January 2018 and to report that data using the web-based submission tool by March 1, 2019. This includes applications received in 2017 on which action is taken after the effective date as well as CFPB transition rules for collecting race and ethnicity data.

Banks should be ready to implement HMDA-compliant applications, tools, and processes for all applications taken beginning on the effective date, and this task includes changes to internal operations and relevant third-party products and services.

It is important that each bank have a transparent change management program that identifies and tracks all the necessary changes, testing, training, and implementation steps that are required to help ensure the bank is ready to meet the new requirements. All key stakeholders, for example, legal, compliance, audit, lending, and information technology, should be included in the bank's board-approved HMDA change management program.

Please turn to slide 17.

Eric mentioned earlier that the FFIEC members developed and issued joint examination transaction testing guidelines this summer. To provide additional clarity to our processes, OCC, the Federal Reserve Board of Governors, and the FDIC followed up with joint supplementary guidance that explains examiners will typically focus on the 37 designated key fields identified in the guidance when testing to determine the accuracy of the HMDA loan application register.

Additionally, these three agencies issued a notice of proposed rulemaking to reconcile the changes to HMDA with applicable references in the Community Reinvestment Act. The comment period for the NPR closed on October 20, and we expect to publish the final rule by the end of the year. (Note: The CRA final rule was issued by the agencies on November 20, 2017.)

Please turn to slide 18.

As Eric also mentioned, the FFIEC members are in the process of developing revised HMDA examination procedures as well as an updated *Getting It Right* guide. Both will be available to the industry at publication.

With regard to supplementary agency guidance, while no timeline has been established, the OCC HMDA Handbook will be updated to reflect the new procedures and recently-issued guidance.

Please turn to slide 19.

With regard to fair lending risk activity, OCC expects to leverage off the additional HMDA data fields to provide a more refined risk screening process. By incorporating such variables as credit scores, debt to income, and loan to value, we expect to be able to reduce the number of false positives in our risk screening process. This may mean more targeted exams for institutions with the highest risk.

Additionally, because much of the data may already be provided in the new HMDA data collection, it may reduce burden associated with the examination process. For example, we may only need to request that banks provide policies and select documents rather than collect additional data fields.

Please turn to slide 20.

Since Eric provided several resources on the earlier slides, the reference materials reflected on this slide are also available on CFPB's website. The hyperlinks, if not available now, should be available after this presentation.

So that concludes our presentation. Now I will turn it over to Matt from NCUA.

Matthew Nixon – National Credit Union Administration (NCUA)

Thanks, Vonda. Good afternoon. I'm Matthew Nixon, and I work in NCUA's Office of Consumer Financial Protection and Access. Today I will discuss credit union use of special purpose credit programs.

Slide 22 please.

The Federal Credit Union Act recognizes three types of federal credit union charters: single common bond (occupational and associational), multiple common bond, and community. As many federal credit unions define their memberships based on defined occupational and associational groups, the NCUA periodically receives questions and inquiries about offering credit incentives, usually in the form of limited-time rate reductions for designated loan products, to one or more of their membership groups. These credit incentives would not be available to the entire membership. For example, a credit union may want to offer a loan rebate to a new occupational or associational group in order to welcome the group to the credit union. Today, I will discuss fair lending risks associated with offering such credit incentives.

Slide 23 please.

Regulation B permits creditors to extend special purpose credit to applicants who meet eligibility requirements under the following types of credit programs.

1. Any credit assistance program expressly authorized by federal or state law for the benefit of an economically disadvantaged class of persons;

2. Any credit assistance program offered by a not-for-profit organization as defined under Section 501(c) of the Internal Revenue Code for the benefit of its members or for the benefit of an economically disadvantaged class of persons; or

3. Any special purpose credit program offered by a for-profit organization or in which such organization participates to meet special social needs if (a) the program is established and administered pursuant to a written plan that identifies the class of persons that the program is designed to benefit and sets forth the procedures and standards for extending credit pursuant to the program, and (b) the program is established and administered to extend credit to a class of persons who, under the organization's customary standards of creditworthiness, probably would not receive such credit or would receive it on less favorable terms than are ordinarily available to other applicants applying to the organization for a similar type and amount of credit.

Federal and state chartered credit unions are not-for-profit organizations. Therefore, for the purpose of today's discussion, my comments about Regulation B Special Purpose Credit Programs apply only to coverage under the second bullet on the slide.

Slide 24, please.

According to the official interpretations to Regulation B, section 1002.8(a), CFPB does not determine whether individual programs qualify for special purpose credit status or whether a particular program benefits an economically disadvantaged class of persons. The agency or creditor administering or offering the loan program must make these decisions regarding the status of its program.

Programs qualify as special purpose credit programs only if they were established and administered so as not to discriminate against applicants on any prohibited basis. However, all program participants may be required to share one or more common characteristics, for example, race, national origin, or sex, so long as the program was not established and is not administered with the purpose of evading the requirements of the Equal Credit Opportunity Act or Regulation B.

If participants in a special purpose credit program are required to possess one or more common characteristics, for example, race, national original, or sex, and if the program otherwise satisfies the requirements of Regulation B standards for special purpose credit, a creditor may request and consider information regarding the common characteristics in determining the applicant's eligibility for the program. For example, a creditor may request and consider an applicant's minority status when the program is part of a minority enterprise small business investment corporation.

If financial need is one of the criteria under a special purpose credit program, the creditor may request and consider, in determining an applicant's eligibility for the program, information regarding the applicant's marital status; alimony, child support, and separate maintenance income; and the spouse's financial resources. In addition, a creditor may obtain the signature of an applicant's spouse or other person on an application or credit instrument relating to a special purpose credit program if the signature is required by federal or state law. For example, a creditor may have to consider the spouse's or parents' financial resources for student loan programs based on the family's financial need.

While many credit unions offer programs under the requirements prescribed in Regulation B for special purpose credit, others seek to provide credit incentives to groups that are not, by definition, economically disadvantaged. Such programs present heightened fair lending risks. To credit unions seeking to offer such programs, NCUA offers the following guidance.

Slide 25.

For credit unions seeking to offer credit programs or credit incentives only to select groups within their fields of membership, and the programs do not meet the Regulation B requirements for special purpose credit, we remind them that ECOA's nondiscrimination requirements apply. They may not discriminate on any prohibited basis, and standards for evaluating disparate treatment and disparate impact both apply. Credit programs that appear nondiscriminatory on the surface may not be permissible if they disproportionately burden applicants or prospective applications on a prohibited basis and the credit union is unable to demonstrate the practice is justified by a business necessity that cannot be accomplished by a less discriminatory alternative.

Before program implementation, a credit union should fully understand any demographic differences between the group targeted for credit incentives and the remaining field of membership. In the absence of a Regulation B compliant special purpose credit program, a credit union should generally avoid loan programs that provide incentives to groups that are significantly different than the credit union's membership at large when prohibited-basis characteristics are compared.

Credit unions should adopt written policies for targeted credit programs. Written policies should be documented and in sufficient detail to convey board and management expectations. Credit unions should ensure policies serve legitimate business needs and do not have an illegal disparate impact. Further, policies should be clear and consistently applied.

Finally, credit unions should monitor credit programs throughout their program life. Monitoring should identify changes in demographic characteristics and should lead to timely corrective actions where appropriate.

That concludes the presentation from NCUA. Now I will pass it to Katrina Blodgett from the FRB.

Katrina Blodgett – Federal Reserve Board (FRB)

Thanks, Matthew. I am Katrina Blodgett with the Federal Reserve, and I am going to talk about compliance management for consumer loans.

Slide 27, please.

Since our time is short today, I am going to move quickly through the slides, but they do contain useful information, and I encourage you to look back at them.

My focus today will be on fair lending risks for consumer loan pricing.

Slide 28, please.

Slide 29, please.

If the Board has reason to believe that there is a pattern or practice of discrimination in violation of ECOA, the Board must refer that matter to the Department of Justice and has done so for a variety of violations.

Slide 30, please.

The Federal Reserve conducts examinations through risk-focused supervision. As mentioned, I will focus on risk and compliance management in consumer loan pricing, but the principles that I am discussing would apply to underwriting and pricing any kind of loans.

Slide 31, please.

Fair lending risks in pricing consumer loans arise in general when there is discretion. Exceptions can also carry fair lending risk, particularly if the bank has not articulated clear reasons for the exceptions on when they are appropriate and how much the pricing exception should be.

We hear sometimes that banks think that if a loan policy permits exceptions that their exceptions aren't really exceptions and there is no risk. However, exceptions to pricing decisions, even if the loan officer is allowed by policy to do that, can bring risks and warrant monitoring. To give a very general definition of discretion, discretion is pricing outside the rate sheet or pricing where there is no clear guidance on how to price.

Slide 32, please.

The Federal Reserve examines compliance according to the four pillars listed on this slide and in detail on the next slides. For risk monitoring and MIS, the key issue is that the amount of risk management should be commensurate with the amount of risk. For consumer lending, that risk is correlated with discretion.

Slide 33, please.

Slide 34, please.

I will make one point from this slide, which is that rate sheets are a tool that can be used to ensure consistent outcomes and to prevent discrimination on a prohibited basis. Training for loan officers should include training on how to use the rate sheet. Another element of training can be emphasis that fair lending concerns apply beyond just mortgage loans. Any lending product can carry fair lending risks.

Slide 35, please.

Slide 36, please.

For risk monitoring and MIS, one best practice is to develop risk monitoring systems that are commensurate with the level of discretion that is permitted by the bank. I am going to go into more detail on best practices for monitoring that go along with various levels of discretion in the next several slides.

A practice tip here is that monitoring and reporting can be integrated into existing compliance structures. For example, the bank can time the generation and review of the spreadsheets we will discuss with monthly loan meetings or compliance meetings.

Slide 37, please.

The simplest case for monitoring consumer loan pricing, or any type of pricing, is where there is no discretion. The bank uses rate sheets or automated pricing software, and these tools are created based on clear written pricing criteria. The bank does not permit loan originators any discretion to deviate from the pricing. And an important point is that this includes fees. Where there is discretion to waive, reduce, or increase fees – that raises the risk. It is not just about the rate, it is also about the fees.

For this bank that has no discretion, risk monitoring is pretty simple. The bank needs to validate that loan officers are following the rate sheet or that the automated pricing software is operating correctly and does not allow for deviation.

Slide 38, please.

Slide 39, please.

The next case study is a bank with minimal discretion. This bank has clear written pricing criteria, but the new twist for this case study is that the bank also has clear written pricing exception criteria. The only discretion to deviate from pricing is through the stated pricing exceptions. An example would be the bank giving a pricing exception for a customer with a deposit relationship. A clear policy would state that if a consumer has X amount of money on deposit with the bank for Y period of time, they will get X price departure.

Even in this matter, it is important to look at the exception rate. A large number of exceptions may raise the risk. And a large number of exceptions may indicate that the bank might consider revising its pricing policies and revising the rate sheet to closer match its actual practices.

Slide 40, please.

Although the bank needs to collect the exception data, it does not need to be a complicated, expensive solution. The bank can collect exception data on a simple spreadsheet, and I will show an example of that on the next slide. The bank can use the spreadsheet to monitor what percentage of the target and control groups received exceptions, as well as the average amount of the pricing exceptions received by each group. The greater the difference in the number or size of exceptions between the groups, the greater the risk. The importance of documentation is highlighted by the fact that the bank should be able to explain any difference in the frequency or amount of exceptions based on factors that are documented in the loan file and that are consistent with the pricing policy.

Slide 41, please.

Here is an example of a spreadsheet for tracking clearly-defined exceptions. The spreadsheet includes the loan number, the prohibited basis group designation, whether there was an exception, the amount of the exception, and then the three right-hand columns are this hypothetical bank's exception criteria. That is, the years of deposit relationship, the amount of deposit relationship, and whether the borrower has paid as agreed loans with the bank for the past five years.

A practice tip here is that by having the loan officers enter this information themselves into the spreadsheet, the loan officers can develop a better understanding of the need for consistency in loan pricing.

Slide 42, please.

Now we get to the really challenging case of broad discretion. The bank is this case study permits loan originators discretion in the pricing criteria and in the pricing exceptions. There may be some written pricing criteria and exceptions, but not all of the criteria or exceptions are fully captured in the bank's policies and procedures.

The risk monitoring for this bank needs to be more robust. The bank should collect data on the interest rate, discretionary fees, exceptions, and all of the pricing criteria that are used by the loan officers. This can be challenging where all of the pricing criteria have not been articulated in the loan policy.

The bank should then monitor the pricing, including the fees, for potential disparities on a prohibited basis.

Slide 43, please.

Now this bank can still use an Excel spreadsheet, but it will be challenging because the criteria has not been articulated. So there can be an infinite number of fields on the right-hand side of the spreadsheet. A major risk to this bank is that if there is a gross disparity in the interest rate or the fees, the bank may not have all the data needed to explain this disparity. For example, some loan officers may look at 60-day lates and some may not. The more discretion the loan officers have, the more data should be collected and analyzed on the spreadsheet. But without clear criteria, some of the explanatory factors may be missed. So the more that the bank can do to articulate the criteria for pricing and exceptions, the better the bank will be able to explain any disparities.

In addition to collecting the data, the bank can also monitor the average interest rate and average discretionary fees for each of the target and control groups. The greater the difference between the groups, the greater the risk.

Slide 44, please.

So here is an example of a spreadsheet that could be used by a bank with broad discretion. Again, we have the loan number, the prohibited basis groups, the interest rate, and the discretionary fees, but now we add in all of the pricing factors. Given that the pricing factors of this bank are not fully articulated and documented in the loan policy, we are facing that infinite number of factors that can be added to the right-hand side of this spreadsheet.

In this example, the pricing factors listed are credit score, amount of deposit relationships, and paid-as-agreed loans. But as I mentioned, we could also see loan officers that look at 60-day lates, current outstanding loan balances, debt-to-income ratio, and many other factors. To have effective monitoring, the bank needs to record each of these factors in its monitoring spreadsheet so that it can explain any disparities that may arise.

Slide 45, please.

A question you might have is how to determine prohibited basis groups for consumer loans. The Fed provided a step-by-step guide to coding for gender and ethnicity in our 2013 Consumer Compliance Outlook Live webinar, which is available online. That webinar focused on indirect auto lending, but the method can be applied to any non-mortgage consumer lending.

Slide 46, please.

Slide 47, please.

I appreciate your attention. For more in-depth information, here are some resources that the Fed provides for use at our banks. Other institutions can, of course, use these as a resource, but should also consult agency-specific guidance.

And now I will turn it over to Tara Oxley at the FDIC.

Tara Oxley, Federal Deposit Insurance Corporation (FDIC)

Thanks, Katrina. My name is Tara Oxley, and I am from the FDIC. Today I will be providing some information relating to fair lending monitoring programs. If you turn to slide 49, you will see the agenda for today's discussion.

I will first discuss what a fair lending monitoring program is and why it is important. Next, I will provide some best practices relating to pricing, underwriting, and third-party data analyses. I will also briefly discuss the challenges associated with analyzing non-mortgage loans and provide some possible data sources that can affect such an analysis.

Then I will explain the importance of reviewing exceptions and overrides. These are used and are often overlooked but provide great insight into an institution's fair lending program and highlight areas of risk.

My last slide contains some FDIC references which I encourage you to review when setting up your monitoring program.

With that, I will get started. Now turning to slide 50.

An effective compliance management system, or CMS, is comprised of two components: board and management oversight, and a compliance program which consists of an institution's policies and procedures, training, monitoring, auditing, and consumer complaint response processes. As such, a strong CMS includes monitoring.

Monitoring is defined in the FDIC's Compliance Manual as a proactive approach that is used to identify procedural or training weaknesses in an effort to preclude regulatory violations. It also includes reviews at the transaction level so that management can identify potential problems in a timely manner.

With respect to fair lending, monitoring helps inform a bank about weaknesses in the bank's fair lending program. It helps identify fair lending risks and assists the bank in determining if changes or additional guidance or training is needed.

Now we will turn to slide 51 to discuss some best practices relating to lending data analysis.

Though components of a fair lending monitoring program will differ from institution to institution, today I will discuss two components that should be part of every institution's monitoring program, a lending data analysis and an exceptions and overrides review.

Clearly, an institution's program will consist of other areas as well, but because these apply to all banks, regardless of its size or complexity, I thought it would be a good topic to discuss here today.

In terms of timing, banks should conduct a periodic analysis of their data for fair lending risk. Generally, we see banks conduct an analysis on a quarterly basis, but I suggest that if you have significant loan volume, you may consider doing it more regularly.

Additionally, the analysis should be conducted portfolio wide so that the bank can identify which policies are resulting in potentially significant differences. The analysis should generally not be conducted at the branch level unless the bank can demonstrate that the bank's practices and procedures differ by branch. Thus, they should be able to support any branch-by-branch analysis with written policies that show a difference in pricing or underwriting by the branch.

Now I am moving on to slide 52.

With respect to a pricing data analysis, a separate analysis should be conducted for loans with and without pricing discretion. For loans with no discretion, a sample review should be conducted to confirm that any loans that allegedly do not have discretion in actuality do not. It is not uncommon for a bank to realize that an alleged nondiscretionary process does, in fact, contain some degree of discretion.

For those loans where discretion is permitted, you should understand where that discretion exists and determine whether there are any pricing disparities. For example, if a bank engages in indirect auto lending and allows its dealers to mark up the buy rate up to 200 basis points, the bank should conduct an analysis that specifically focuses on the market rates.

Similarly, if there is also discretion in the buy rate, this should be analyzed too, although separately, so you can determine if any disparities exist with respect to the buy rate. In such a situation, it would not be appropriate to conduct an analysis of solely the contract rate given that discretion exists in both the buy rate and the market rates.

If significant raw disparities are found in the bank's pricing, the bank should then consider the factors used by the bank to price such loans and determine whether such factors account for the difference in outcome. For example, if the bank considered credit score and debt-to-income when it priced its loans, these factors, and only these factors, should be considered in determining whether the difference in outcome is explained by the difference in the applicants' credit score and debt-to-income.

Finally, if the bank finds that statistically-significant disparities persist, even after taking into account the bank's pricing criteria, the bank should take corrective action. This could include restitution, a change of procedures, training, or disciplinary action. Complete corrective action should insure that the issue has been fully corrected and will not occur again.

Moving on to slide 53.

Similar to your analysis with pricing, when conducting the underwriting data analysis, you should first understand where there is discretion in underwriting and where there is not. Where there is allegedly no discretion, you should conduct a review of loans to confirm that is true. Where discretion is permitted, you should conduct a raw disparity analysis to see if there is a denial rate disparity. When conducting this analysis, you should not separate out loans into groups based on loan amount, age of collateral, and the like. Rather, if these are underwriting factors that were considered by bank staff, these will be taken into account later. For example, if there is a denial rate disparity between male and female applicants, the bank should then conduct a regression analysis that takes into account the bank's underwriting factors. This will help determine if such factors were the reason for the difference in denial rates.

Finally, if the bank finds that statistically-significant disparities persist, even after taking into account the bank's underwriting criteria, the bank should take complete corrective action as discussed before.

Now on to slide 54.

An institution's board of directors and management are ultimately responsible for managing activities conducted by third parties. As such, institutions should periodically review third-party data to verify that the third party is operating in compliance with the law.

For fair lending, a third-party data analysis should focus on where the third party is exercising discretion. As for brokers, this might be the amount of compensation each broker receives. For dealers, it might be the amount of discretion exercised in the market rates for the bank's indirect auto portfolio.

Regardless of the type of third party, this analysis should be conducted portfolio-wide and by individual third party. This will not only identify disparities on an overall basis, but also allow the institution to focus in on why such disparities are occurring.

Now on to slide 55.

Data analysis can be difficult when the race, ethnicity, or gender of a credit applicant is unknown. For non-mortgage loans, banks should implement a reasonable method to assess credit applicant characteristics so that an analysis can be conducted. The U.S. Census has developed lists that can be used to assist with identifying gender and ethnicity. For gender, you can rely on the U.S. Census lists of common female and male first names. And for ethnicity, you can rely on the U.S. Census list of common Spanish surnames. Provided here are links to such lists.

Using this information, you can then conduct an analysis of your loan data as I previously discussed.

Now on to slide 56.

Finally, a monitoring system should also include a review of a bank's exceptions and overrides. To the extent a bank makes exceptions to its policies and procedures, these circumstances should be well defined and in writing to ensure that the institution is treating similarly-situated individuals the same. The bank's monitoring should include a review of such guidelines. If policies are vague or allow for discretion, fair lending risk is heightened.

A bank should also conduct a sample review of such exceptions and overrides to ensure that such guidelines are being followed. This will ensure that the bank's policies match up with the bank's actual practice and are well documented.

Now on to slide 57.

A bank should also require documentation for each exception that is sufficient to effectively monitor compliance, including providing the basis for granting the exception, and details or documentation of the particular circumstances supporting use of the exception. The bank should review the tracking spreadsheet to determine if there are differences on a prohibited basis.

Finally, based on the bank's findings, the bank should determine if any policy changes, additional procedures, or trainings are needed.

Now on to slide 58.

This slide provides a list of FDIC references that I encourage you to further review in developing your fair lending monitoring program.

Thank you, and I hope you found this information helpful. Now I will pass it on to Jacy from HUD.

Thanks, Tara.

Jacy Gaige, Department of Housing and Urban Development (HUD)

My name is Jacy Gaige. I am the Director of the Office of Systemic Investigations in the Office of Fair Housing and Equal Opportunity at HUD.

We can go ahead and turn to slide 60.

Today I am going to talk about recent common issues in consumer complaints. I chose this topic because I think HUD has a relatively unique perspective among federal agencies because we receive and investigate complaints directly from the public. So we see the full panoply of everyday lending interactions that drive consumers to come to HUD and file fair housing complaints.

So I wanted to give you an overview of the types of cases that we are seeing recently to help inform your compliance focus going forward.

For context, HUD and the local agencies that it funds, called FHAPs, investigate several thousand complaints under the Fair Housing Act in an average year on all topics. I don't have the exact number of lending-related complaints, but it is in the high hundreds or a thousand per year. Of these, the most common basis by far is disability, followed by race, color, and national origin, familial status, sex, and religion.

Turning to page 61.

I will go into more detail on some of these through the next slides, but as an overview there are two main categories of complaints from consumers that we receive.

The first is allegations that a policy is discriminatory against members of a protected class as a whole. And the second are allegations that a member of a protected class has been treated differently than others on the basis of their protected status.

In the category of polices, by far the most common complaints we receive are about policies placing unnecessary documentation requirements on disability-related income, like SSI, SSDI, or Workers Compensation.

And secondly, we continue to receive a large number of complaints about the treatment of parental leave income. Both of these issues have been the subject of settlements and guidance. They are not new. They are also not going away. So there is probably more work to be done on developing effective policies and training employees in this area.

Next we continue to receive a number of complaints about collateral policies that may have discriminatory intent or impact and denials of reasonable accommodations.

The last bullet in this category is relatively new, and it is about new targeting tools available for marketing through social media, such as Facebook, Google, or Twitter, where lenders and other housing providers are suddenly able to segment an audience for advertising in ways that may prove problematic under the Fair Housing Act.

In the category of individual treatment, the two largest groups of complaints that we continue to receive are about inferior assistance in overcoming deficiencies in a loan application, whether it is a credit issue or a simple paperwork error; and about foreclosure rescue scams targeted at protected classes – either charging excessive fees for promised loan modification or tricking vulnerable homeowners into signing short sale documents.

Turning to page 62.

On the issue of disability-related income, the complaints we continue to see often allege that lenders are requiring some form of verification of a person's disability through, for instance, a doctor's note indicating that the disability is likely to continue for a period of time; allegations that lenders are requiring verification of continuation of the actual income, which often the agency or entity providing the income is unable to issue; as well as allegations around lenders requiring cosigners in certain situations where it may not be necessary.

I would also note that even when a loan is not denied for these reasons, if confusion around the issue creates significant delay in the loan process, a lender may still have some liability under the Fair Housing Act.

The other category under disability that we continue to see is for denial of reasonable accommodations such as missed deadlines or other non-fundamental alternations where they are necessary to afford a person with a disability an equal opportunity to apply for credit.

Turning to page 63.

On the issue of parental leave, the types of allegations that we have seen in the past year are policies that require a parent to actually return to work before the income of a parent who is on parental leave can be counted for the loan; policies requiring a letter from an employer that the employer expects the employee to return to work before the income can be counted for the loan; and for lending employees making statements such as many women don't return to work, you may change your mind about going to work after you have the baby, etc. The other thing I would note on this is that damages can be elevated in these cases because in addition to losing a home loan, parents may suffer emotional distress from returning to work earlier than they otherwise would have.

Turning to page 64.

Another common – relatively common – category of complaints we receive at HUD is allegations that the exclusion of certain types of collateral is either discriminatory in intent or in effect. The types of cases we have seen here are policies that allow investor loans for small rental properties but not if the purpose is to set up a group home, which are often occupied by persons with disabilities; not lending on Native American reservations even when the legal system may be similar to the rest of the state; not lending on collateral below a certain amount, like $500,000.00 or $1 million; or not lending in specific communities recently, for instance, because fraud is considered to be prevalent or some other general assumption that may not be born out from actual data when a closer look is taken.

Turning to slide 65.

On the more recent issue, a number of new internet social media tools allow advertisers to specify very specific geographic selection for the target audience for their ads, as well as more direct criteria that may align with protected classes under the Fair Housing Act, such as parents or non-parents or on the basis of gender. So be wary when advertising for home mortgage lending services.

Turning to slide 66.

On the issue of individual treatment, I think many of you know that lending discrimination can manifest in the little extra help that some people receive, either quicker call-back times, friendlier service, or just extra guidance in fixing errors in the application. And so one strategy for compliance on this front is to have detailed customer service practices and policies and to be very clear when recording the reasons why lending actions are taken and what efforts were made to assist the applicant in overcoming any deficiencies.

And the final one I will mention is we continue to receive complaints about foreclosure rescue scams targeted at protected classes. Often, these are targeted at limited English-proficient communities, but they can target any vulnerable group.

This concludes the presentation from HUD. I will now pass the presentation on to Marta from the DOJ.

Marta Campos – Department of Justice (DOJ)

Thanks, Jacy.

Good afternoon. I am Marta Campos from the Civil Rights Division at the Department of Justice. I am happy to be here to talk about denials of credit applications and the implications for fair lending enforcement.

Slide 68, please.

I am going to focus my comments on our settlement with BancorpSouth Bank. This is a Tupelo, Mississippi bank that has branches in eight states throughout the South and Midwest.

As of June 30, 2017, the bank had total assets of over $14 billion and is subject to the supervision of the Consumer Financial Protection Bureau.

Slide 69, please.

This matter was investigated jointly between my office and the Civil Rights Division and the CFPB.

The case was filed and settled in June of last year.

The allegations in the government's complaint include redlining, pricing, and underwriting. However, my remarks today are focused on the underwriting claim only, and I should add that the underwriting claim includes denials as well.

Our complaint alleges that the bank discriminated against African-American applicants in underwriting of mortgage loans by rejecting their applications at significantly higher rates than similarly-situated non-Hispanic white applicants.

The court entered the consent order settling the case on July 25, 2016, and the case is currently in compliance.

Slide 70, please.

These are the monetary terms of the settlement. The one I will be referring to is the $2.78 million fund, which is to be used in part to compensate applicants identified by the government as having been unlawfully denied credit.

The balance of the fund is designated to compensate victims of the pricing discrimination claim.

The other relief that you see on the slide, the loan subsidy fund, the new physical location, and the outreach-related relief, are all related to the redlining claim in the case.

Slide 71, please.

As part of the injunctive relief, the bank has taken and continues to take various steps to bring it into full fair lending compliance as you see on this slide.

In terms of amended policies, the bank agreed to review and revise its mortgage lending policy and implement consistent use of rate sheets and objective credit characteristics, as well as exceptions procedures and secondary reviews.

In terms of further improved controls, the bank agreed to assess its compliance management system to identify weaknesses and make proposals to strengthen its CMS. The bank is also conducting periodic statistical analyses of loan pricing.

And in addition to this, the bank paid a $3 million civil money penalty under the CFPB's authority.

Slide 72, please.

Focusing now on the denial claim, our analysis found that the bank discriminated against African-American applicants in the underwriting process of its Community Banking Department. This department originates loans that are retained in the bank's internal portfolio rather than sold on the secondary market. We allege that the bank did so by directing its employees to deny minority applicant loans at a faster pace than those from similarly-qualified white applicants. And by that I mean applicants with similar credit characteristics.

Slide 73, please.

In an audio recording of a branch meeting, a manager is heard instructing his employees to deny applications from minority applicants within 21 days. We alleged this policy of requiring employees to deny applications from minorities more quickly than similarly-situated white applicants was discriminatory.

Also discriminatory is the practice of not providing credit assistance to "borderline" applicants that other applicants may have received.

Slide 74, please.

The same manager also instructed the loan officers not to provide assistance to marginally-qualified minority applicants. This policy led to denial disparities, meaning minority borrowers were more likely to have their applications denied than similarly-situated white borrowers.

As far as the settlement, the bank will compensate those African-American applicants whose applications were unlawfully denied under this policy, and will adopt policies that restrict or eliminate discretion in making underwriting decisions.

In addition, the bank will monitor its underwriting activity to ensure that discrimination does not recur, and if the pattern does recur, the bank will take corrective action.

The settlement also requires the bank to extend offers of credit to every African-American applicant whose loan application was denied during this period. The credit offers will be in the form of an invitation to apply for a mortgage loan at a reduced interest rate.

Slide 75, please.

If you would like to find a copy of the complaint and consent order in this case or any of our other cases, you may visit our website at www.usdoj.gov/fairhousing, and navigate to the cases link under the Housing and Civil Enforcement section tab.

Thank you very much. This concludes my presentation. I will now turn it over to Maureen Yap for the question-and-answer period.

Maureen Yap, FRB

Great. Thanks, Marta. This is Maureen Yap from the Federal Reserve and now we will move to the questions-and-answer portion of the presentation.

It looks like the first question is for the CFPB, and we got a number of questions about this. The question is the CFPB did not choose a list of key fields, does this mean it will examine all HMDA data fields?

Eric Wang - CFPB

Hi. This is Eric. The new transaction testing guidelines that I spoke about state that all data fields may be reviewed or the supervisory agency may prioritize designated fields for review. So, examining all data fields is certainly a possibility. The Bureau has not decided whether we will examine all data fields on every HMDA exam or we will examine different subset of data fields on different examinations. Since we don't even have the data yet at this moment, it is too early for us to decide. The decision that we made so far is that we are not going to prioritize the same set of data fields for every exam.

Maureen Yap – FRB

Thanks, Eric. The next question we have is for the OCC. And the question is, will the OCC and the other agencies have access to all data or only what is made public?

Vonda Eanes – OCC

Okay, thanks Maureen.

So, in short, the agencies have access to all of the HMDA data, and that is in order to carry out our responsibilities to ensure the banks we supervisor or have enforcement authority for are complying with the HMDA.

Maureen Yap – FRB

Okay. thanks, Vonda.

And the next question we have is for the NCUA. We had a couple of questions about indirect auto lending. And the question here is, do NCUA fair lending examinations include a review of indirect auto lending?

Matthew Nixon – NCUA

Thanks, Maureen. NCUA's fair lending examinations are risk focused, so whether or not indirect auto lending is reviewed is based on the risk profile of a particular credit union's indirect auto lending program relative to its other lending programs and activities. Decisions about including indirect auto lending as a focal point are influenced by such things as the indirect auto dealers' compensation structure, complaints received, input from the credit union's NCUA district examiner, and credit union oversight and monitoring practices. I believe in 2017, fewer than ten percent of NCUA's fair lending examinations included indirect auto lending focal points, but virtually all exams included at least a cursory review of indirect auto lending when credit unions offered such programs as part of the exam scoping process.

Maureen Yap – FRB

Okay. Thanks, Matt. And the next question we have is for the Federal Reserve. The question is, how should a bank that has a pricing sheet and does not allow deviation, but has a more flexible underwriting process, how should that type of bank do monitoring?

Katrina Blodgett – FRB

Thanks for that. That is a great question.

As I mentioned at the beginning of my presentation, the principles I discussed relating to discretion also apply in any kind of underwriting decision. So even though the bank that we are talking about in this question doesn't have pricing discretion, it sounds like it does have underwriting discretion. So the best practice for that bank would be to use a tool like the spreadsheets we discussed that has information about the loan and the borrower characteristics and that also lists the underwriting factors that are used to make the underwriting decisions. The spreadsheet can be used to monitor disparities between prohibited-basis groups and control groups on a regular basis in underwriting decisions – approve or deny – and that can be integrated into the bank's existing processes like we discussed, you know, a monthly review, at the monthly loan meeting or something like that.

So the process would be very similar to what I discussed in the presentation. The risk level, of course, rises the more judgmental the underwriting process is – so the higher the level of discretion in underwriting, the higher the level of risk.

If all of the underwriting factors are included in a bank's written policies and procedures, the monitoring is going to be a little bit easier than if the bank's underwriters are using their judgment about what to consider and how to weigh it.

Maureen Yap – FRB

Okay, thank you, Katrina. And the next question we have is for the FDIC. And the question is, during the presentation, the FDIC said that banks should review their tracking spreadsheet to determine if there are differences on a prohibited basis. A couple of questions here. What information should be contained on the tracking spreadsheet? This person says they work at a bank that considers multiple factors when deciding whether to originate a loan. And the follow-up question is, do we need to track all of them?

Tara Oxley – FDIC

Banks should track all the factors that the bank uses to determine whether to originate a loan. This will allow the bank to better identify any issues. And with respect to what you track, I want to make sure it is clear that you should track any deviation from your institution's stated policy. So this would include any adjustment, variance, override, or what the bank says qualifies for a true exception. Any time a deviation from the bank's policy occurs, the bank should ensure the stated reason is fully documented in the loan file and then listed on the tracking spreadsheet. The more the bank can standardize this process, the better the tracking sheet will be.

Maureen Yap – FRB

Great. Thanks, Tara. And now we have a question for HUD. And the question is, what changes has HUD seen in complaints received or in enforcement actions following the Supreme Court's decision in Inclusive Communities?

Jacy Gaige – HUD

Thank you. HUD's approach to fair housing enforcement hasn't changed since the Supreme Court's ruling. The agency has long used this for impact analysis in appropriate circumstances when conducting fair lending investigations, and the Court's opinion was consistent with HUD's long-held understanding of the Fair Housing Act's requirements. And likewise, the number and type of complaints in the fair lending context has not significantly changed.

Maureen Yap – FRB

Thanks, Jacy. The next question we have is for the DOJ, and the question is, from the presentation, are you saying that 21 days is too quick a period of time to process and make a decision on an application?

Marta Campos – DOJ

No, not at all. Lenders need to give each application appropriate review. So the underwriting process takes as long as it takes. But our point is it has to be the same process for all applicants, and that includes without regard to race, national origin, color, or any other protected class, either under ECOA, the Equal Credit Opportunity Act, or under the Fair Housing Act. That is our message. So if it is 21 days, then it is 21 days for everyone. If it is 30 or 45, then it is that. The number of days is not what we take issue with. What we take issue with is the difference in treatment based on protected-class characteristics.

Maureen Yap – FRB

Okay. Thank you, Marta. And now we have another question for the CFPB. Based on the presentation, you mentioned that the CFPB's approach to HMDA examinations on the new rule will be the same as the approach taken with respect to other new regulations. Could you please give us more details?

Eric Wang - CFPB

Thank you. The Bureau wants financial institutions to be in compliance with the revised Regulation C, but we also recognize that doing so requires significant systems and operational modifications. The Bureau's current principal focus is on providing regulatory implementation support to financial institutions. After the revised rule takes effect, our approach will generally be diagnostic and corrective, not punitive.

As I mentioned earlier, when we examine compliance with the rule, we intend to consider whether financial institutions have made good-faith efforts to come into compliance with the rule in a timely manner. If errors are identified, we will work with the institutions to determine the root cause and to determine what corrective actions, if any are necessary. Once again, the approach here is going to be diagnostic and corrective, not punitive.

Maureen Yap – FRB

Thank you, Eric.

And now we have a question for the OCC, and the question is how will changes to the way home mortgage loans are recorded under HMDA impact the CRA exam process?

Vonda Eanes – OCC

Thanks, Maureen. This is a question we get often.

The CRA evaluation process in and of itself will not change. However, the agencies with supervisory authority for CRA recognize that the data we use to evaluate performance under CRA will reflect different loan types in 2018 forward than represented in 2017 and prior years. And the OCC, the FDIC, and the Federal Reserve Board are aware of banker concerns, and we are discussing on an interagency basis, our current practices and how we might approach the data analysis going forward, but no final decisions have been made at this point.

Maureen Yap – FRB

Okay. Thanks, Vonda.

And now we have a question for the NCUA, and this is a broader question. Will NCUA do any examinations focused on particular areas in 2018?

Matthew Nixon – NCUA

Thanks, Maureen. NCUA's fair lending examination approach assesses risk individually at each credit union and does not necessarily focus on hot topic issues. That said, probably beginning in late-spring or early-summer 2018, NCUA plans to assess credit unions' good-faith efforts to comply with new HMDA reporting requirements. And we plan to initiate reviews in 2018 in an effort to assist credit unions with possible reporting errors before 2018 information is filed in 2019.

Regarding the part of the question about focus or focal points, I think in 2017 approximately 45 percent of our fair lending examination focal points related to specific concerns noted by either district examiners or regional offices. Twenty percent related to decisioning or pricing disparities. Thirty percent related to HMDA data integrity issues. And the remaining five percent represented follow-on work from the previous year. So in 2018, I anticipate focal point percentages will likely be similar to what they were in 2017.

Maureen Yap – FRB

Okay. Thanks, Matt.

And now we have a question for the Federal Reserve. This is based on the presentation. So if a disparity does show up in the data, how should the bank handle that?

Katrina Blodgett – FRB

That's an excellent question. The purpose of the recordkeeping and monitoring that I discussed, and that Tara brought up as well, is to be able to address that exact question. So if a gross disparity shows up when comparing a prohibited basis group to a control group, the question is, where is this disparity coming from? And depending on the level of discretion, the bank should have data about the frequency and the amount of the exceptions and all of the bank's pricing criteria. And then that data can be used for a more fine-tuned analysis to determine whether the gross disparity can be explained by legitimate pricing factors. The bank should ensure that the data is appropriately analyzed and that it documents its analysis.

Maureen Yap – FRB

Thanks, Katrina. And now we have a question for the FDIC, again based on the presentation. The question is, is monitoring required, and a follow-up question, what if a bank chooses not to have a monitoring program?

Tara Oxley – FDIC

Monitoring is not required but rather strongly encouraged so that a bank can operate in a compliant manner. Like I had mentioned during the presentation, the extent of a bank's monitoring will differ from bank to bank, but please make sure you think about setting up a monitoring program that is appropriate for you. The idea is to really develop a program that proactively identifies weaknesses in your program such that if you don't do it, there is likely to be a higher risk of a fair lending violation.

Maureen Yap – FRB

Thanks, Tara.

And now we have a question for HUD. If an individual files a complaint alleging they were discriminated against, how does HUD decide whether to expand an investigation to all loans or a relevant subset of loans?

Jacy Gaige – HUD

Thanks. That's a good question. I talked in my presentation about the range of consumer complaints that we get at HUD. Some are obviously closed with just a determination of a violation. Some are settled. And some stay small investigations. And some become much larger. And the scope of an investigation depends on early findings. We will investigate the facts in the complaint. And then often review public data and HMDA data. We have economists and statisticians on staff and on contract. And if the further we go we continue to see evidence suggesting that a violation may be occurring, we may expand as appropriate.

Maureen Yap – FRB

Thanks, Jacy.

And now we have a question for the DOJ. The question is, are there more cases like BancorpSouth coming down the pike?

Marta Campos – DOJ

There may be, but that is not anything I can discuss here. But all lenders should be thinking about carefully looking at their compliance management systems. The reason for that is that it is the way to identify red flags, and if those red flags are coming up in the areas of redlining, underwriting, and pricing – or pricing, I would say it is possible, if not downright probable, that those red flags will also be apparent to regulators or other enforcement agencies. So the important takeaway is to be proactive in identifying and correcting the issues before they are identified by your own regulator or an enforcement agency.

Maureen Yap – FRB

Thanks, Marta.

And we have a question for the FDIC. It is related to the presentation. And the question is, developing a fair lending monitoring program does sound like a lot of work. Where should we start?

Tara Oxley – FDIC

One resource we did not talk about today were the interagency fair lending examination procedures. I know both the FDIC and Fed had slides that listed possible resources, but I want to make sure it is clear that starting with the interagency procedures is key. They are available online and they include an appendix that discusses self-tests and self-evaluations. A self-evaluation is an example of a monitoring system that could be used by a bank to proactively identify issues. Thus, please refer to the interagency procedures when you start thinking about developing your fair lending monitoring program.

Maureen Yap – FRB

Thanks, Tara, and thanks, everyone. This concludes the question-and-answer session and the presentation. We very much appreciate your time and attention to these important matters. And now I will turn it over to Jean.

Jean Roark – Facilitator

Okay. Thanks so much, Maureen.

I would like to thank our presenters for sharing their time and expertise with us. We will be sending an email with a link to our survey. Please just take a moment to fill that out. We read every response and strive to make our sessions better based on your feedback.

And I would also like to thank the Outlook Live team for all of their time.

As a quick reminder, remember to check our website, www.consumercomplianceoutlook.org, for the archive of this call and for information on upcoming sessions.

Thanks so much for joining us today. This concludes today's Outlook Live webinar. Enjoy the rest of your day.