



39th Annual

FBA Consumer Compliance Conference

Fair Lending Analytics and Benchmarking (No Matter Bank Size)

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Meet the Panelists



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Agenda

- Questions
- First Steps
- Redlining
- Pricing
- Underwriting
- Exceptions
- Processing times
- Steering
- Challenges
- Additional Monitoring



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Questions?

First Step: Assess the Risk

- Redlining: # of MMCT's in your markets
- Pricing: Use of rate sheets or guidelines, amount of discretion, # of pricing exceptions
- Underwriting: Depth of policies or guidelines, amount of discretion, # of credit exceptions
- Portfolio composition (Consumer vs business purpose, by product type, also consider application volume)

Redlining:

- HMDA: No matter the size
- Non-HMDA: Largest portfolios, business purpose (1071)
- Peers/benchmarking
 - FDIC recently indicated this should be done annually
 - 50-200% standard for each AA
 - Custom peers could include those with locations within the AA
 - Peers - manual "across the street" and pulling public LAR from CFPB site
- Frequency: Depends on inherent risk, past performance

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Pricing

- Average interest rate by protected class vs. control group
- Rate spreads for HMDA data
- Statistical significance
- Comparative file reviews

Underwriting

- Denial and withdrawn ratios: % of protected class / % of control group
 - Generally, 1.5 or higher, but tailor to individual risk tolerance
- Statistical significance
- Comparative file reviews

Exceptions

- Volume of exceptions: % of exceptions based on originated loan volume
 - KRI or trend analysis
- Discretion or policy approved exceptions vs. exceptions: all must be considered for fair lending
- Who are getting the exceptions? Protected class vs control group, representative of the applications received
- Adequately supported by mitigating factors
 - Best practice: Standard well defined mitigating factors

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Processing Times

- May be addressed in monitoring reviews of non-originated applications
- Addresses level of support
- Complaint process

Steering

- Depends on the products offered and number of channels available to applicants
- Wholesale = poll the audience?
 - Accurately included in exceptions reporting
- Complaint analysis by AA, branch, etc.
- Review of policies and procedures and changes

Challenges

- Completely manual processes / lack of data
 - Policies and procedures become even more important
 - Monitoring to ensure adherence to policy and procedures
- Getting the right data and having reliable data
- Pivot tables vs. software, excel sorting

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Additional Monitoring

- Second reviews
 - Decision adequately supported vs. any additional options
 - Timing (pre or post AA notification)
All consumer or just mtg?
- Non-originated (Adverse Actions, Withdrawals, Incomplete)
 - Decision adequately supported
 - Accuracy and completeness of the notice
- Comparative File reviews
 - Ensure the target file did not have the same mitigating factors as the control file that had an exception
 - Ensure decisions are properly supported and well documented (no guessing)
 - Can even review regardless of protected class (low volume, no software to assist with proxy, etc.)
- Exceptions
 - Accuracy and completeness of exception listing
- Policies and procedures

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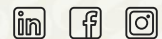
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QUESTIONS and DISCUSSION



Thank You!



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