Complete Compliance, inc.

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TOP TRENDS BY CCI

## Fair Lending Program

The FDIC conducts a fair lending review as part of every consumer compliance examination, evaluating the Bank's compliance with the anti-discrimination laws and regulations, such as the Equal Credit Opportunity Act (ECOA) and the Fair Housing Act (FHA). The fair lending environment has experienced uncertainty and fluctuations at both the federal and state levels due to the new administration's focus, leaving banks uncertain about where to direct their efforts, as they must continue to comply with existing fair lending regulations.

Now is the time to be sure your Bank has a strong Fair Lending Program, which includes the following:

- Board and Management Oversight
- Policies and Procedures
- Training
- Monitoring and Audit Efforts
- Complaint Response Procedures

The Bank's fair lending focus is to ensure that all applicants are treated fairly and that prohibited basis characteristics are not considered in the credit decision. Fair lending mitigation should be considered in each area of your Fair Lending Program to ensure success.

Your Bank needs to identify and understand your current fair lending risk. Examiners use a risk-focused approach in each fair lending examination. They will also review your program to determine your Bank's highest risk area, which will then be the focus of your Bank's examination.

Prior Fair Lending examinations have highlighted the following areas to consider:

### Home Mortgage Disclosure Act (HMDA)

The Home Mortgage Disclosure Act (HMDA) requires the collection of key data based on home loans. Not all Banks are HMDA reporters; however, if your Bank does report HMDA data, your Bank needs to ensure the data is accurate and complete.

### Redlining

Redlining reviews whether a creditor is treating applicants differently on a prohibited basis based on their place of residence. Each year, banks are referred to the Department of Justice (DOJ) on matters involving discrimination related to redlining, typically in the context of home loans. If your Bank offers home mortgages, ensure there is proper mitigation in your program to decrease your Bank's redlining risk.

**Community Reinvestment Act (CRA)**

The Community Reinvestment Act (CRA) emphasizes the importance of serving all community sections, specifically low- to moderate-income individuals. Each Bank identifies an assessment area where it will concentrate its lending efforts. It is essential to understand the Bank's assessment area geographically and the demographics of the communities within it.

Even though the regulatory environment is ever-changing, Fair Lending will continue to be a focus in every consumer compliance examination. A Fair Lending Risk Assessment is a tool that can be utilized as a guide to identify areas of higher risk at your Bank. If your Bank has not conducted a Fair Lending Risk Assessment, we have provided a sample risk assessment to initiate the process, which can be found **here**. This sample can be modified and tailored to your Bank. The ultimate goal is to identify the areas of higher risk that require initial monitoring and review. This tool will assist your Bank's management in allocating the appropriate resources to strengthen your program. A robust Fair Lending Program is an excellent first step in mitigating these risks.

CCI now has a Fair Lending Expert (FLE) who can assist with Fair Lending reviews. CCI suggests you forward this information to your Compliance and Lending staff. As always, CCI is happy to help with any of your compliance-related questions.

Jackie Smith, CRCM, FLE

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