

Community Investments Vol. 11, Issue 1 FFIEC Releases Fair Lending Exam Procedures

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The Federal Financial Institutions Examination Council (FFIEC) has published **Interagency Fair Lending Examination Procedures**, establishing a uniform set of procedures to be used by FFIEC member agencies in their examinations for compliance with the nondiscrimination requirements of the Equal Credit Opportunity Act and the Fair Housing Act.¹

The new procedures are the culmination of two years of effort by the FFIEC Consumer Compliance Task Force. They reflect a determination that fair lending compliance examinations should be conducted using a risk-based approach that considers each institution's particular loan-product mix, market demographics, and past performance, as well as the nature and quality of data available from or about the institution.

The core procedures provide a basic and flexible framework to be used for the majority of fair lending examinations. While increasing interagency consistency, they also offer extensive flexibility for examiners and managers to exercise judgment in tailoring their analyses to meet specific circumstances encountered in each examination.

The key areas of focus include:

- Pre-examination scoping and documentation requests;
- Documentation of findings;
- The institution's self-assessment; and,
- Targeted products, commercial lending, and credit scoring.

Links to the CRA

CRA ratings can be affected by adverse fair lending findings. CRA examination procedures direct examiners to review the results of the fair lending component of the compliance exam to determine whether or not the findings should lower the institution's overall CRA rating. If evidence of discrimination is uncovered, the examiner is directed to consider:

1. The nature and extent of the evidence;
2. The policies and procedures the institution has in place to prevent discriminatory or other illegal credit practices;
3. Any corrective action the institution took or committed to take, particularly voluntary corrective action resulting from a self-assessment conducted prior to the examination;
4. and, Other relevant information, such as the institution's past fair lending performance.

The Interagency Fair Lending Examination Procedures are available on the FFIEC's web site, www.ffiec.gov/fairlend.pdf. The appendix to the publication is available at www.ffiec.gov/fairappx.pdf.

For additional information regarding the **Interagency Fair Lending Examination Procedures**, please contact the Federal Reserve Bank of San Francisco's Consumer Compliance Liaisons, Gregory Imm, at (415) 974-2953 or Christiane Price, at (415) 974-2955.

The agencies are developing one-day training sessions on the new Fair Lending Exam Procedures. Sessions will be held during the months of May and June in seven cities throughout the Federal Reserve's 12th District. Detailed information will be distributed as soon as dates and locations are finalized. For more information, please contact one of the Consumer Compliance liaisons listed above.

¹ FFIEC Members: Office of the Comptroller of the Currency, the Federal Deposit Insurance Corporation, the Office of Thrift Supervision, the Federal Reserve System and the National Credit Union Administration.