

# The Regulation Where Everybody Knows Your Name

*Thursday, September 7, 2017*

CrossCheckCompliance



**Loretta Kirkwood**  
Managing Director



## Session Objectives

- New HMDA
- Increased Risk
- Managing Risk
- Examination Process

CrossCheckCompliance



13

## Overview... *Questions*

- What data will be made public?
- Will there be a grace period for accuracy?
- Will data be reported by multiple entities?
- What data will be requested during an exam?
- How will exam samples be selected?
- How will data be used for fair lending analysis?

## Overview... *Big Data*

### ***Changes:***

- Data
- Lenders
- Products
- Transactions

Description	Data Points	Data Fields
<b>Current LAR</b>	<b>24</b>	<b>39</b>
- Unchanged	9	10
- Modified	14	25
- Deleted	1	4
- Added	25	75
<b>New LAR</b>	<b>48</b>	<b>110</b>

## Overview... *New Data*

- **Identifiers**

Legal Entity Identifier (LEI), Mortgage Loan Originator NMLS Identifier

- **Applicant**

Disaggregated Race and Ethnicity, Age

- **Credit**

Credit Score, DTI, CLTV

- **Property**

Property Address, Property Value, MH Secured Property Type, MH Land Property Interest, Total Units, MF Affordable Units

## Overview... *New Data*

- **Loan**

Channel, Open-End Line of Credit, Reverse Mortgage, Business or Commercial Purpose

- **Pricing**

Total Loan Costs or Total Points and Fees, Origination Charges, Discount Points, Lender Credits, Interest Rate, Prepayment Penalty Term, Loan Term, Introductory Rate Period, Non-Amortizing Features

## Increased Risk ...

---

- Regulators
  - Federal
  - State
  - Local
- Activities
  - Outlier Analysis
  - Examination
  - Enforcement

## Increased Risk ... *Focus*

---

- Levels of Assistance
- Underwriting
- Pricing
- Steering
- Redlining

## Increased Risk ... *Approach*

- Institution
- Peers
- Market
- Geography
- Aggregate

## Increased Risk ... *Methodology*

- Applicant Demographic Information (ADI)
  - Race / Ethnicity
    - *Aggregated vs. Disaggregated*
  - Gender
  - Age
- Analysis
  - Regression
  - Matched Pairs

## Increased Risk ... *Reputation*

- Increased Consumer Complaints
- Targeted Community Group Analysis
- Media Studies
- Renewed Class Action Activity

## Increased Risk ... *Redlining*

- Focus
  - Majority Minority Tracts
  - Majority Black Tracts
  - Majority Hispanic Tracts
- Geographic Delineation
  - Offices / Loan Officers
  - Market / Service Area
  - Predominant Distribution of Loans
- Credit Needs
  - Demographics
  - Socioeconomic Conditions
  - Housing Needs / Challenges

## Managing Risk ...

- 3 Lines of Defense
  - Front Line / Operations
  - Compliance Management
  - Internal Audit
- FL Program
  - Board / Management Oversight
  - Roles & Responsibilities
  - Risk Assessment
  - Controls
  - Communication
  - Corrective Action

## Managing Risk ... *Controls*

- Preventive
  - Policies / Procedures
  - Operational / System Controls
  - Training / Education
  - Communication
- Detective
  - Performance Analysis
  - Monitoring & Testing
  - Complaint Management
  - Internal Audit

## Examination ...

---

- Data Integrity
  - Errors
  - Omissions
- Regulatory Interpretation
  - Application vs. Preapproval vs. Prequalification
  - Final Disposition / Action

## Contact Information

---

### **Loretta Kirkwood**

*Managing Director*

[lirkwood@crosscheckcompliance.com](mailto:lirkwood@crosscheckcompliance.com)

Office 312-239-8535

Cell 870-405-8486

[www.crosscheckcompliance.com](http://www.crosscheckcompliance.com)