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Office of Thrift Supervision

Department of the Treasury

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MEMORANDUM FOR: CHIEF EXECUTIVE OFFICERS

FROM:

Montrice Godard Yakimov *Montrice Godard Yakimov*
Managing Director, Compliance and Consumer Protection

SUBJECT:

Revised Interagency Fair Lending Examination Procedures

Background

OTS has modified its Fair Lending Examination Procedures to address more effectively disparate treatment through loan pricing, broker activity, redlining, and steering borrowers to higher cost loans. The modifications are responsive to significant changes in lending, especially in the mortgage market, since the procedures were developed. The revised procedures also reflect increased utilization of statistical analysis in fair lending examinations.

Primary Changes to the Procedures

The changes update the pricing, redlining, and steering risk indicators and examination procedures (and substitute the term “institution” for “lender” and “applicant” for “borrower” throughout the document). In addition, they provide additional guidance to examiners. However, the proposed revisions do not represent a departure from the intent and purpose of the current procedures. We describe them below.

Part I: Examination Scope Guidelines

Understanding Credit Operations

1. In determining the examination scope, OTS has added comments intended to ensure that examiners gather adequate background information on the types of credit products offered (including special purpose credit programs), officer or broker compensation, and the policies and procedures in place to prevent borrowers from being inappropriately steered to high cost lending channels.

2. OTS also added language on broker relationships and their impact on an institution's credit environment. As revised, the procedures note that broker activity and fair lending compliance can be a focus point of an underwriting, pricing, redlining, or steering review.

Evaluating the Potential for Discriminatory Conduct: Step Four: Residential Lending Discrimination Risk Factors

OTS has updated this section of the examination procedures by adding and modifying:

1. Indicators of potential disparate treatment through pricing;
2. Indicators of potential disparate treatment through inappropriate steering; and
3. Indicators of potential redlining.

Part III: Examination Procedures

OTS has updated this section of the examination procedures by:

1. Adding a new section to explain how the accuracy of data should be verified;
2. Clarifying the comparative file examination steps for evaluating pricing disparities; and
3. Clarifying the description of the examination procedures on steering.

These procedures were developed on an interagency basis. They reflect a risk-focused approach to compliance examinations. For more information, please contact OTS Fair Lending Specialist David Adkins at (202) 906-6716 or at David.Adkins@ots.treas.gov.

Link: [Section 1201 – Revised Interagency Fair Lending Procedures](#)