

Fair and Responsible Banking

Session 1

Benchmarking your Fair Lending Program

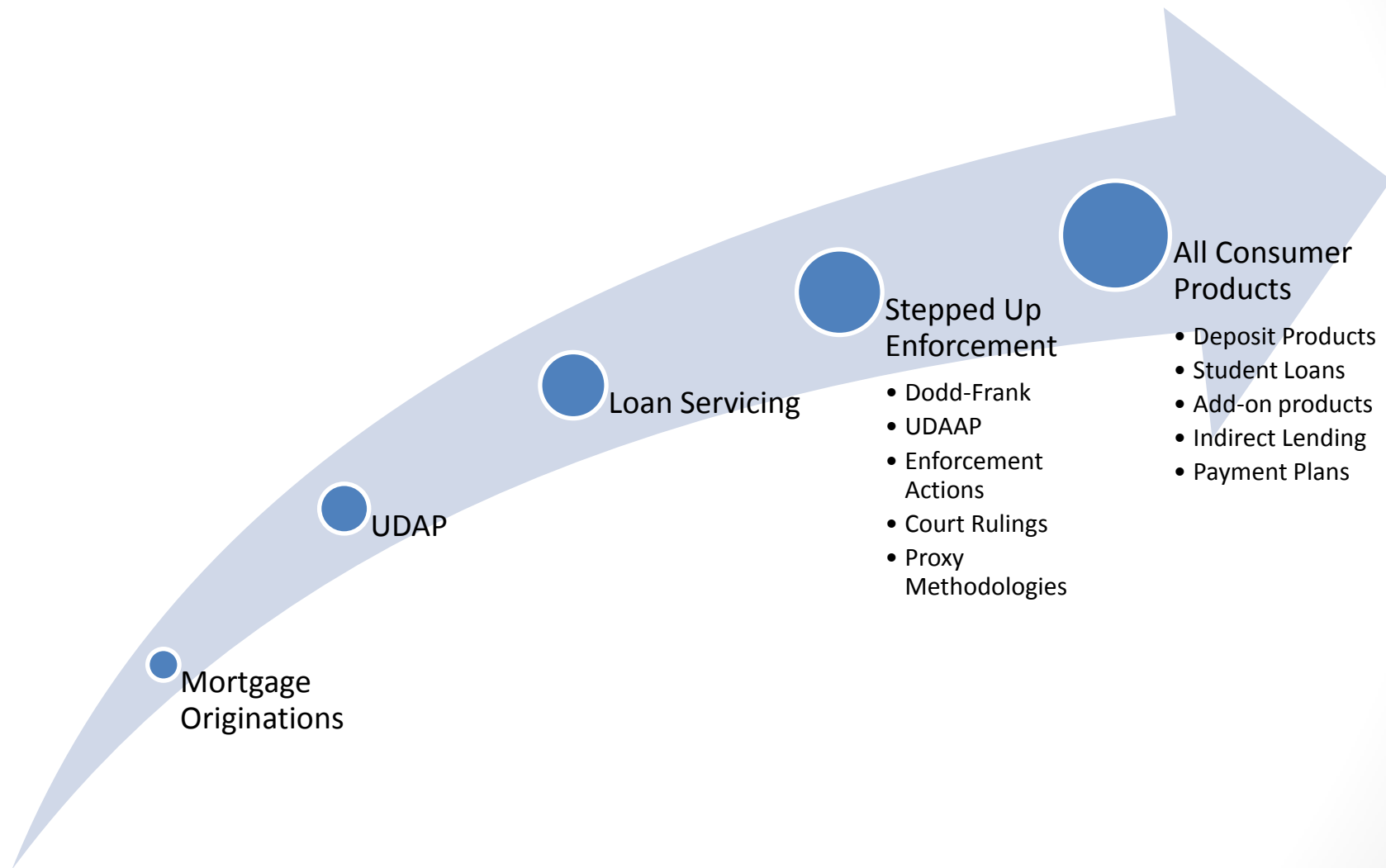
October 6, 2015

Agenda

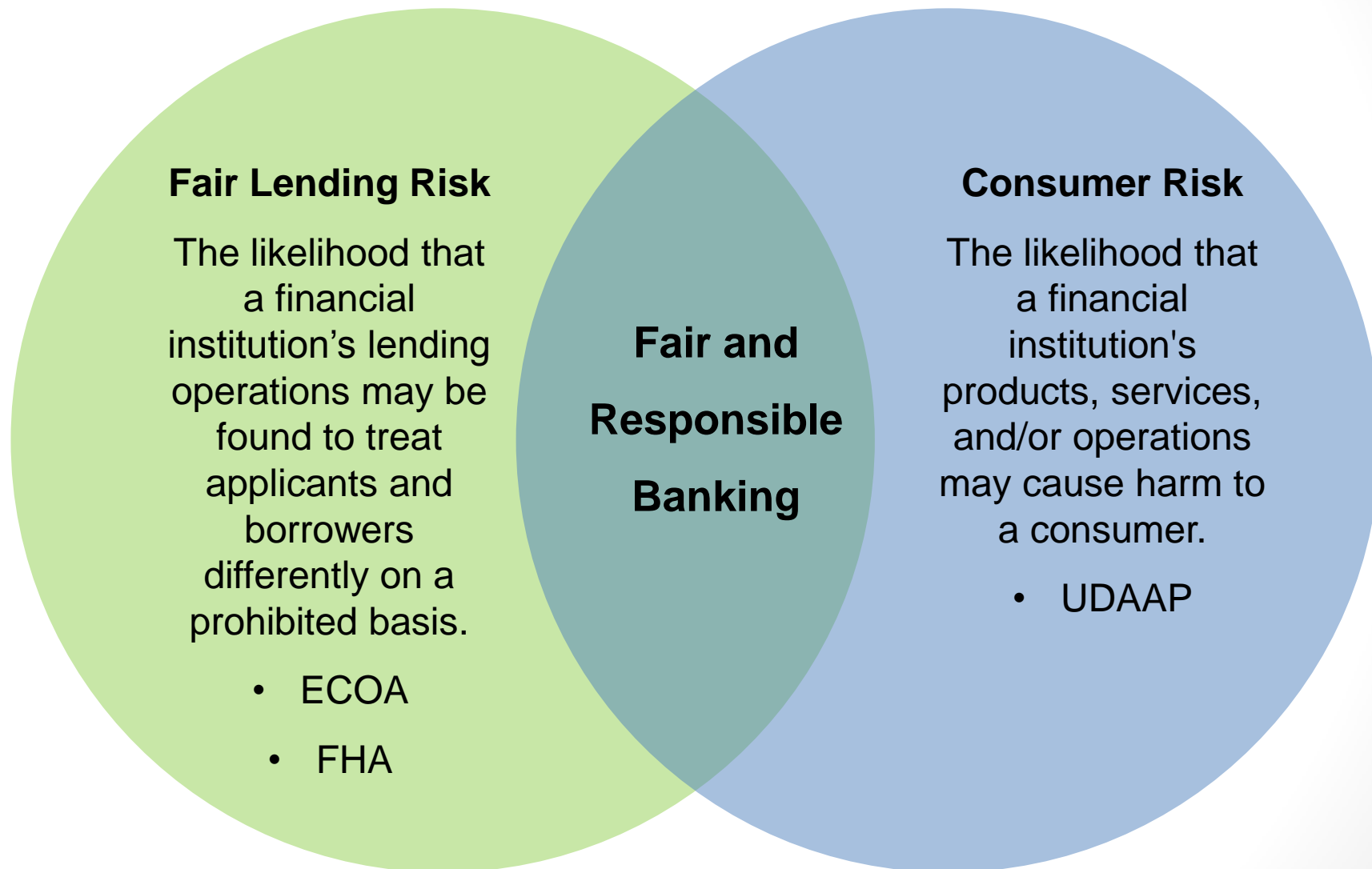
1. How has Fair Lending evolved?
2. What model is right for your institution? Setting up or assessing your program.
3. Key components of a fair and responsible banking program.
4. How to keep your program relevant- What resources are out there to aid with the ongoing management of fair and responsible banking?

Transitioning to Fair and Responsible Banking

How has Fair Lending evolved



What is Fair and Responsible Banking



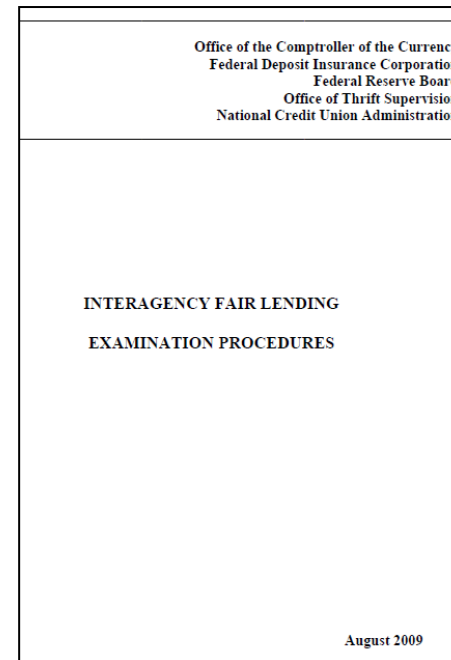
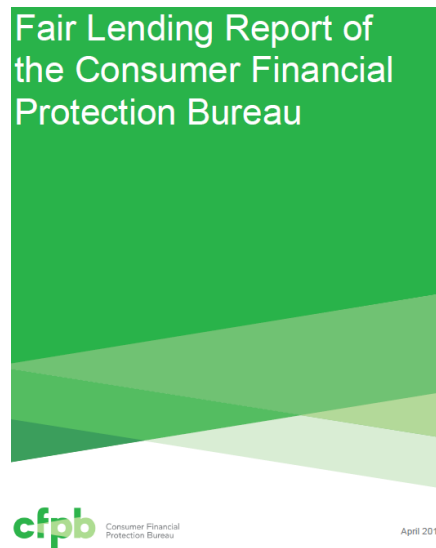
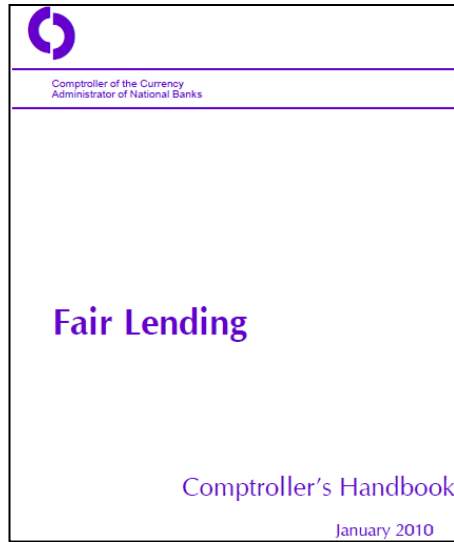
The impact of Fair and Responsible Banking

What is the cost of non-compliance (A Partial List)

Date	Enforcement brought by	Company	Product	Basis of Complaint	Fine
June 2014	CFPB and DOJ	Synchrony Bank, f/k/a GE Capital Retail Bank	Credit Cards	<ul style="list-style-type: none"> • UDAAP 	<ul style="list-style-type: none"> • \$225 million restitution • \$3.5 million CMP
August 2014	DOJ- Referred by HUD	Fifth Third Mortgage Co.	Mortgage	<ul style="list-style-type: none"> • ECOA-Disability Income • FHA 	\$1.52 million restitution
October 2014	CFPB	Flagstar Bank	Mortgage	<ul style="list-style-type: none"> • RESPA Mortgage Servicing • UDAAP 	<ul style="list-style-type: none"> • \$27.5 million restitution • \$10 million CMP
April 2015	CFPB	Regions Bank	Deposit Products-ODP	<ul style="list-style-type: none"> • Reg. E (Opt-in) • UDAAP 	<ul style="list-style-type: none"> • \$49 million restitution • \$7.5 million CMP
July 2015	OCC and CFPB	Citibank	Credit Cards Add-on Products	<ul style="list-style-type: none"> • UDAP • UDAAP • OCC Debt Cancellation • Telemarketing Sales 	<ul style="list-style-type: none"> • \$700 million restitution • \$70 million CMP
July 2015	CFPB and DOJ	Honda Finance	Indirect Auto Lending	<ul style="list-style-type: none"> • ECOA-Discrimination 	<ul style="list-style-type: none"> • \$24 million restitution • \$7.5 million CMP
August 2015	CFPB, FDIC & OCC	Citizens Bank	Deposit Products	<ul style="list-style-type: none"> • UDAAP 	<ul style="list-style-type: none"> • \$11 million restitution • \$20.5 million CMP

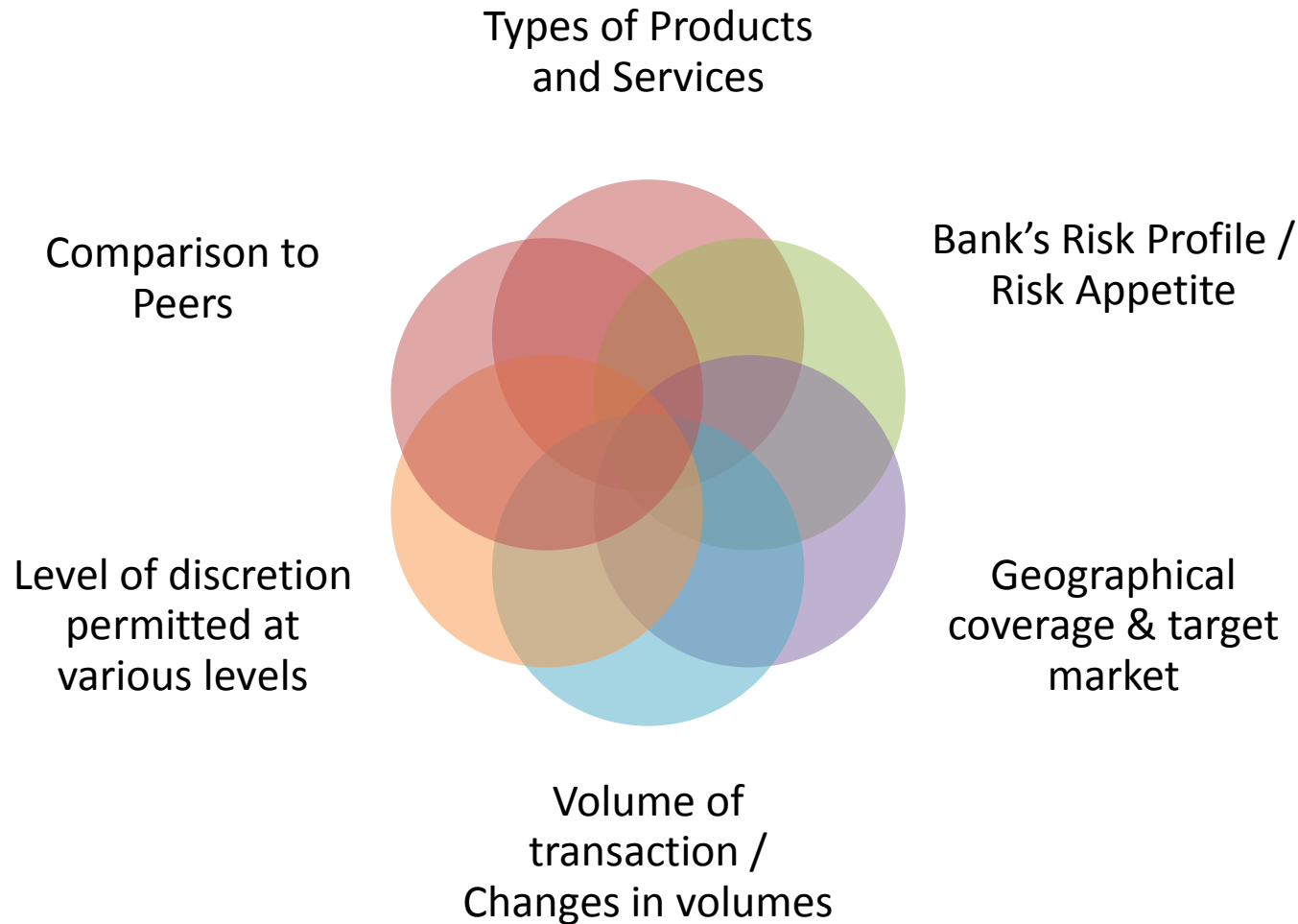
Framework of Fair and Responsible Banking

What model is right for your institution



Framework of Fair and Responsible Banking

How do I assess the size and complexity of my organization



Framework of Fair and Responsible Banking

What are key components of the program



Key Components of a Fair & Responsible Banking Program

How does each component enhance the program

Policies and Procedures

- Clearly articulates the institution's commitment to Fair and Responsible Banking
- Communicates roles and responsibilities
- Establishes accountability
- Defines business practices to reduce risk

Key Components of a Fair & Responsible Banking Program

How does each component enhance the program

Advice

Ensures Fair Lending and Consumer Risks are identified and appropriately mitigated in the following:

- New Products & Services
- Changes in marketing strategies and distribution models
- Changes in underwriting, account acceptance or pricing criteria
- New and updated policies and procedures

Key Components of a Fair & Responsible Banking Program

How does each component enhance the program

Training

- Ensures commitment to Fair and Responsible Banking is clearly communicated
- Ensures staff is aware of business and regulatory expectations
- Allows board of directors to stay current on regulatory requirements
- Can be completed in a variety of formats
 - Instructor lead
 - Online
 - Self Study

Key Components of a Fair & Responsible Banking Program

How does each component enhance the program

Risk Assessments

- Assesses both Fair Lending and Consumer risk in the bank's products and services
- Identifies and evaluates both risks and mitigating controls
- Results are used to determine how to focus testing & monitoring activities

Key Components of a Fair & Responsible Banking Program

How does each component enhance the program

Testing

- Confirms policies and procedure designed to mitigate risks are being followed
- Provides a point in time review
- May target the whole life cycle of a product, or just one component
- Regression Analysis and Comparative File Reviews can be used to look for instances of disparate treatment
- Statistical Analysis can be used to identify potential risks of disparate impact

Key Components of a Fair & Responsible Banking Program

How does each component enhance the program

Monitoring

- Helps identify trends or emerging risks
- May include monitoring of:
 - Pricing and credit exceptions
 - Complaints
 - Loss mitigation efforts
 - Overdraft fee income
 - Fee waivers
- Helps identify inconsistencies between branches, geographical areas, processing centers, etc.

Key Components of a Fair & Responsible Banking Program

How does each component enhance the program

Corrective Action and Reporting

- Provides management and key stakeholder the ability to monitor fair and responsible banking activities, risks and mitigation efforts
- Improves collaboration across multiple business lines
- Satisfies regulatory requirements
- Increases accountability
- Provides documentation of efforts

Keeping your program relevant

Group Discussion

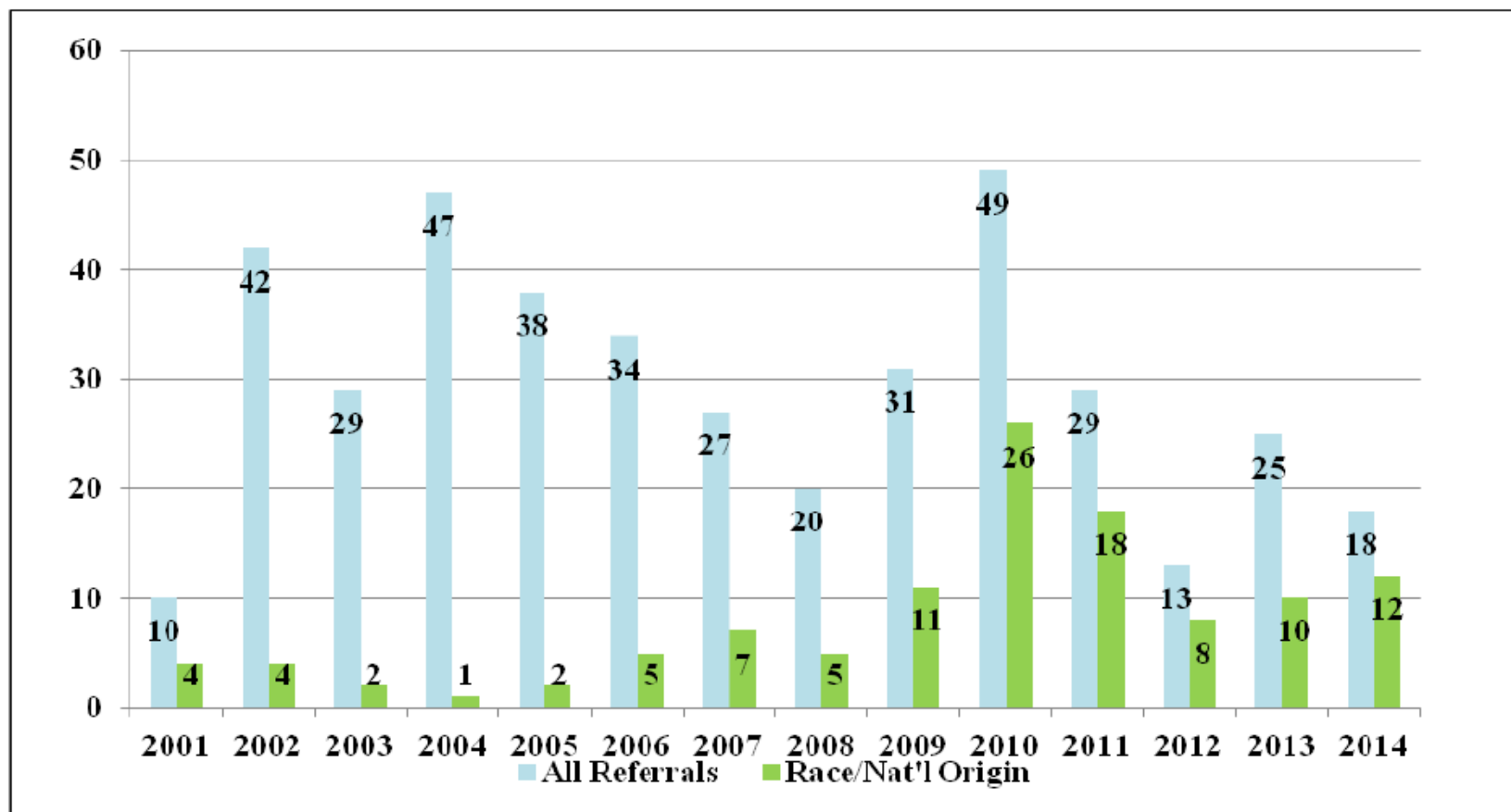
Topic	Recommendations
<p>Staying up to date on changes</p>	<ul style="list-style-type: none"> • Attend Conferences (CBA, ABA, etc.) • Analyze Enforcement Actions and regulatory updates • Sign up for industry updates (Regulator, Industry Experts, etc.) • Engage Peers in Best Practice discussions
<p>Communications to Key Stakeholders</p>	<ul style="list-style-type: none"> • Create Fair and Responsible Banking Working Groups or Committees • Be an active business partner: <ul style="list-style-type: none"> • Forward relevant fair and responsible banking related topics (enforcement actions, changes to regulations, etc.) • Actively engage business partners to identify changes to products, policies, etc. • Create and update Fair and Responsible Banking Policy which outlines corporate duties.
<p>Be involved in new and changes to products and services</p>	<ul style="list-style-type: none"> • Complete and share any disparate impact analysis • Review Marketing Initiatives (Content and distribution lists) • Provide advice to relevant policies and procedures

Appendix

The impact of Fair and Responsible Banking

What is the trend of enforcement actions

2001- 2014 Fair Lending Referrals to DOJ



The impact of Fair and Responsible Banking

What is the trend of enforcement actions

2001- 2014 All Lending Discrimination Referrals by Other Agencies to DOJ

ALL DISCRIMINATION REFERRALS	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001	Total
<i>Bank regulatory agencies</i>															
CFPB*	15	6	1	0	—	—	—	—	—	—	—	—	—	—	22
FDIC	3	11	8	14	33	21	12	15	29	35	42	29	33	5	290
FRB	0	6	2	7	6	6	3	9	5	2	3	0	6	1	56
NCUA	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
OTS*	—	—	—	4	6	4	4	3	0	0	1	0	0	1	23
OCC	0	1	1	1	2	0	1	0	0	0	0	0	1	3	10
<i>Other partners</i>															
HUD	0	1	1	1	2	0	0	0	0	1	1	0	2	0	9
FTC	0	0	0	2	—	—	—	—	—	—	—	—	—	—	2
Total	18	25	13	29	49	31	20	27	34	38	47	29	42	10	412

June 25, 2015 US Supreme Court upholds disparate impact claims in Fair Housing Act Cases