

Fair Lending Training

AT OUR LAST SESSION we released our inner compliance officer through a series of developmental stretches. We talked about being more effective at our jobs through up-to-date industry knowledge and good writing and speaking skills. We also discussed the importance of developing proficiency with influence management.

Talk about timing! Compliance officers have an amazing opportunity to flex their influence management aptitude while helping to address one of the biggest issues our country faces right now: the lending crisis.

In the September/October issue, the Regulatory Insider column reminded us that the crisis has edged fair lending up to the top of Washington's hot spots. While training on that topic has always been important, dispensing the knowledge is now imperative. With that in mind, let's spend this session discussing the ins and outs of a solid fair lending training program. Because we will be covering what is fair and what is foul, it seems only natural that we should come up swinging for some good old-fashioned baseball. Batter up!

Defining the Playing Field

Let's start by setting the playing field for a comprehensive fair lending training program. It probably goes without saying that it must cover traditional elements such as technical Regulation B and Fair Housing Act rules as well as an explanation of the types of prohibited discrimination. Mortgage lenders must also include HMDA requirements.

Given today's environment, you probably will want to add some new players to the fair lending roster. Employees now need to know how to work fairly with customers to ensure they understand the terms of their loan

products. You should also include tips on avoiding fouls such as unfair, deceptive, abusive, and predatory lending.

Who's on First?

Imagine having the full set of bank employees around you and getting to pick your fair lending team to train. The most obvious eligible players would be your lenders, be they in retail, mortgage, or commercial loans. (We know that commercial lenders are always a little shocked at being draft picks but if we keep assuring them that these rules really do apply to them, it is bound to sink in.) These star players should be the focus of your program. When designing training, make sure that you detail what is permitted by your policies—i.e., action do's and don'ts—including the following:

- how not to discourage applicants, even those who mention having bad credit (don't prejudge—just get the facts)
- rules for obtaining signatures on debt instruments and guarantees as well as when co-signers are allowed
- rules for declining and counteroffering customers as needed
- how to document the file, including proof of intent to apply in the case of married couples when only one applies

Because lenders may be the main point of contact the customer has with your institution, remind them to

always be consistent in how they greet, advise, and encourage customers. The bottom line is that fair lending is basically good customer service and you can present your training along those lines by providing some very specific examples of what is expected:

- Greet everyone similarly and in the order in which they arrived.
- Offer marketing materials and brochures to all potential applicants.
- For all applicants, offer to assist in completing their applications.
- If someone has to wait, provide an estimate of the wait time or see if they would like to make an appointment to come back.
- Give similar attention to customers in explaining product options, and help customers find the products that best meet their needs.
- Provide equal and adequate information about application fees, available terms, and approval times. Also spend the same amount of time covering all documents associated with the application process.
- Obtain complete information on all applicants. Promptly request any additional information needed, and offer a similar degree of advice and assistance with any problem areas on an application.
- Keep the applicant up to date on the status of his or her request.

Rounding out the Team Roster

While your lenders may be the stars in the outfield, your underwriters are your key players in the infield. They need training on what information they must, can, and cannot consider when reviewing an application. If you can get this often elite group together for a rally, it will support more consistent underwriting results. Be sure to cover how to underwrite alimony and child support payments, immigration status, age, marital status, grossing up

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protected income, and credit history. Remind them to provide the same service levels to all customers and consistently apply all guidelines including those related to exceptions, fee waivers, rates, consideration of derogatory credit and explanations of adverse credit report information.

While they may not be your star players, don't forget to select the other players who round out the lending team—the employees who process applications and close, service, and collect loans. They may not need the same level of detail as your star fair lending players but you should remind them of the basic fair lending playbook: to follow all guidelines to ensure they are applying consistent criteria when handling customer inquiries and issues. For example, remind them that they should process all applications or respond to calls in the order received and allow exceptions only when allowed by policy.

Finally, don't forget to train teams that might be fielding stray questions about loan applications, including customer service units and even your tellers. These functions need even fewer details but should not be omitted from your training program. Lob them a few easy pitches about the need to treat everyone equally and to never discourage a loan applicant.

Hitting Home Runs

You can absolutely deliver fair lending training effectively either through e-learning or in a classroom. While the Training Room doesn't often suggest one type of training is better than another, we do recommend that e-learning solutions be supplemented by classroom training for lenders every few years if you want to knock it out of the park. We know it isn't easy, given the pressures of a lender's daily work and their desire to remain on the line. However, it is too easy to read about fair lending and leap to the conclusion that you would never discriminate.

While most of us would not intentionally do such a thing—especially while working on a commission that offers incentives for bringing in as many potential borrowers as possible—it is important to give lenders time to think about and discuss how intent and appearance can sometimes differ.

For classroom training, consider incorporating fair lending videos that provide an opportunity to watch various scenes play out, then discuss them as a group. For example, one scene might show the story of a female lender who is abrupt with her first applicant, a minority. She curtly provides an application without instructions, disparages the chance of obtaining a loan, and then dismisses the applicant. The lender then confesses to her assistant that she is upset that her husband forgot their anniversary. By the time she gets back from lunch, however, a stunning bouquet of flowers has arrived and her mood is much improved. Enter the white male applicant who is given the royal treatment, i.e., he gets help completing the application and has all questions patiently answered. Did the lender mean to discriminate? Absolutely not. However, if the two applicants had compared notes, the minority applicant would have been left with that impression. Participants can discuss how they would have felt as the applicant and then consider whether daily life can impact how they treat their customers and the impression it might create. Most people have felt discrimination at some point in their lives, so this is an easy topic to tap into.

Well, that's all the time we have for now. Tune in next time when the Training Room will take a field trip to visit the regulators to ensure we all have an equal

understanding of their technical requirements around training. We'll also respond to the questions we've been receiving on that topic. See you then. **BC**

ABOUT THE AUTHOR

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