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Comptroller of the Currency  
Administrator of National Banks

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US Department of the Treasury

# OCC Fair Lending Conference 2008

*Statistical Analysis and Modeling for Risk Assessment*

September 9, 2008

The opinions expressed in this paper reflect those of the author only and do not necessarily reflect those of the Office of the Comptroller of the Currency or the Treasury Department.

ENSURING A SAFE AND SOUND  
NATIONAL BANKING SYSTEM  
FOR ALL AMERICANS

An Overview of OCC's Fair Lending  
Process

**The Supervision Process**

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- To assess the level of fair lending risk at each national bank, including mortgage subsidiaries
- To determine each bank's compliance with applicable fair lending laws and regulations
- To obtain corrective action when significant weaknesses or deficiencies are found in bank policies, procedures, or controls
- To take enforcement action when necessary, and where appropriate, to make referrals to DOJ and/or HUD



# Components of OCC's Fair Lending Supervision

- Examiner fair lending risk assessments
- HMDA data
- Examination
- Follow-up



- Bank examiners
- Economists
- Attorneys
- Fair lending specialists
- Information technology specialists



- OCC's supervision starts with the examiner's knowledge about a bank and the examiner's assessment of fair lending risks.



- Examiners seek to understand the bank's credit processes
- Examiners look at history
- Examiners evaluate the bank's fair lending controls



- OCC analyzes HMDA data to identify outliers
- Information is provided to examiners
- HMDA data tell only part of the story



- OCC uses uniform examination procedures
- Available at [occ.treas.gov](http://occ.treas.gov)



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## Fair Lending Examination Procedures

Comptroller's Handbook

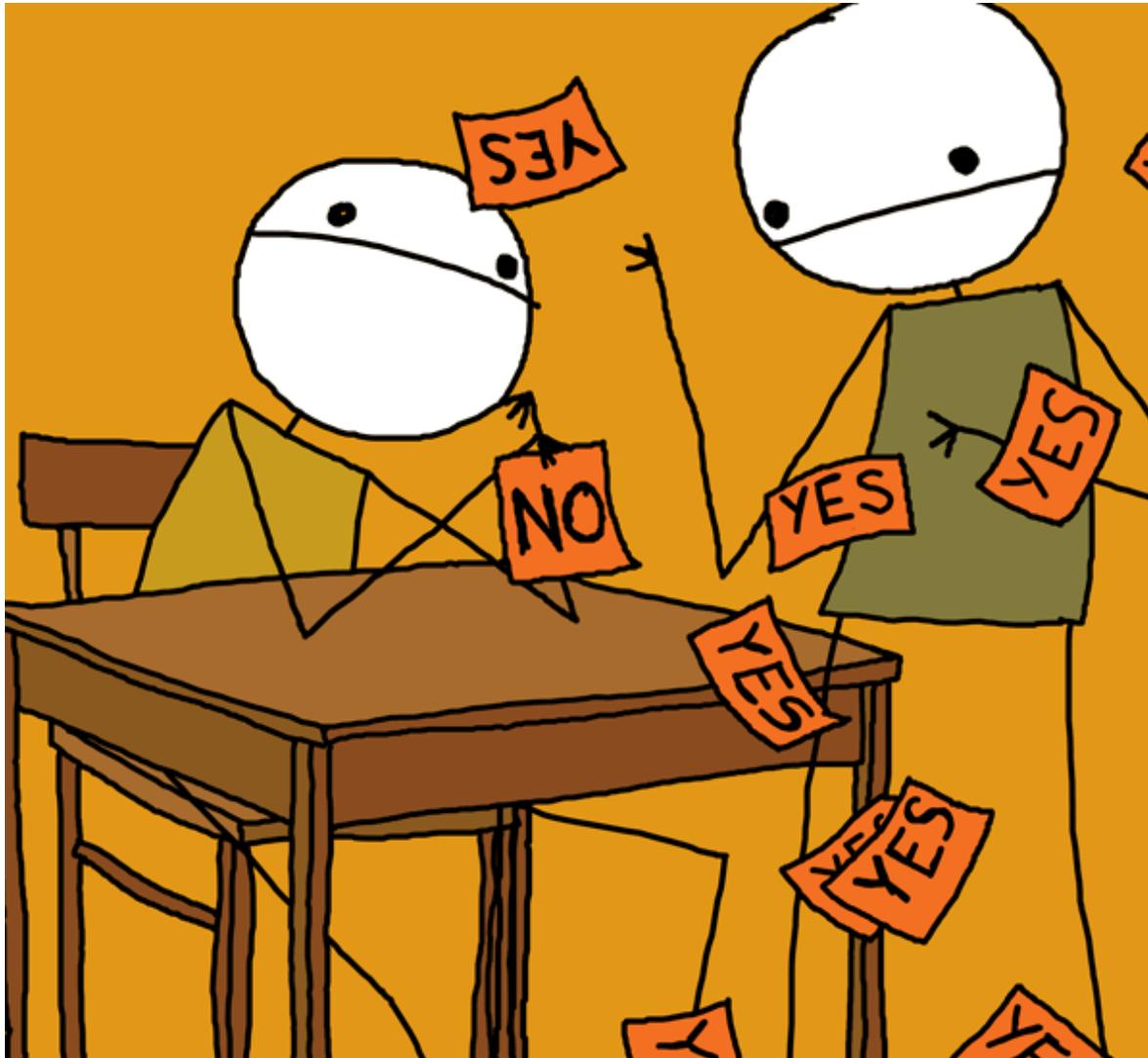
April 2006

# CCE

Consumer Compliance Examination



# Examiners compare similar borrowers





- Referrals to the Department of Justice
- Referrals to HUD
- Fines
- Review to identify harmed consumers
- Compensation to harmed consumers
- Changes in practices



See the Department of Justice website at:

<http://www.usdoj.gov/crt/housing/fairhousing/whatnew.htm>



- OCC has a comprehensive and rigorous fair lending supervision program.
- Examiners use their knowledge of bank processes and HMDA data to evaluate fair lending risk.
- Statistical modeling and regression analysis are important aspects of the supervision process in larger banks.