InfoSight Newsletter

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League InfoSight Highlights

As we are preparing to launch InfoSight360, we want to provide a quick update on our progress. We're currently in the first phase of testing, where our Leagues and Associations have early access and are providing feedback. Next, we'll be moving into Phase 2, where credit unions who signed up for the beta program will begin their hands-on testing. This is an important step for us as it allows us to gather valuable feedback and make improvements. We will share more information soon, so please stay tuned for updates!

Matters Requiring Immediate Attention (MRIAs)

We have often mentioned that the Consumer Compliance Outlook published by the Federal Reserve System is a great resource. Their fourth issue was released this week, and the main article focuses on the top-issued fair lending matters requiring immediate attention (MRIAs) and matters requiring attention (MRAs). The Federal Reserve produces this publication (and this article specifically) to help their covered institutions assess compliance risk by identifying areas where other financial institutions have faced challenges, how they remediate those challenges, and providing ways to mitigate those risks. This is insight that can benefit us all.

Below are the top Fair Lending MRIAs/MRAs for state member banks that were identified by the Federal Reserve in 2022.

1. **Failing to conduct Fair Lending Risk Assessments**. The goal of a risk assessment is to identify and mitigate the residual risk that remains after identifying fair lending risk and the controls implemented to mitigate the risks.

2. **Failing to conduct Fair Lending Training**. Compliance departments can become complacent and overlook the benefits of recurring fair lending training, especially for board members and management. Training is most effective when it's recurring, often annually.

3. **Failing to Gross Up Nontaxable Income When Underwriting is Based on Gross Income**. The primary reason is policies and procedures are not in place that require underwriters to gross up nontaxable income when underwriting is based on gross income. Banks have been likely to maintain this policy or practice, calculating income for products not subject to investor standards that require gross-up of income, such as the standards of Fannie Mae and Freddie Mac.

4. **Risk Monitoring and Management Information System (Exception Monitoring)**. If loan officers have discretion, it should be monitored, especially in pricing or underwriting. Having clear, written, objective pricing and underwriting criteria helps to limit lender discretion, allowing loan officers to make exceptions to those rules can increase fair lending risk. Oversight should be maintained over loan officers' use of discretion by tracking and monitoring (including the frequency, amount and magnitude) to confirm that exceptions do not result in potential disparities on a prohibited basis.

Make sure to reference the resources available within CU PolicyPro (Policy 7120: Fair Lending) and InfoSight (Fair Lending Laws and Regulations under the Loans and Leasing Channel).

As always, if you have any questions, comments, or concerns, please reach out to us at info@leagueinfosight.com.

Glory LeDu
CEO, League InfoSight & CU Risk Intelligence

News and Alerts!

- **The Fourth Issue 2024 of *Consumer Compliance Outlook* (CCO) is now available**

- **Hill, Scott Lead Effort to Roll Back Biden-Era CFPB Overdraft Rule**

- **Corporate Transparency Act Reporting Requirements Back in Effect with Extended Reporting Deadline; FinCEN Announces Intention to Revise Reporting Rule**

Questions, Comments, Concerns? We are here to help! Email us at
info@leagueinfosight.com