FAIR LENDING SCOPE AND CONCLUSIONS (FLSC)

General Instructions

During a fair lending review, examiners evaluate a financial institution's compliance with the anti- discriminatory provisions of the Equal Credit Opportunity Act (ECOA) and the Federal Housing Act (FHA) in accordance with the Interagency Fair Lending Examination Procedures. Examiners document their evaluation of fair lending risk by completing the Fair Lending Scope and Conclusions Memorandum (FLSC).

The FLSC is divided into five sections and begins with a series of questions and Examiner Summary sections to develop an institution overview and document the assessment of inherent fair lending risks. If more than minimal inherent risk exists, examiners identify specific product(s) to assess applicable discrimination risk factors and whether any factors help mitigate those risks. If residual risk exists and additional analysis is warranted, examiners identify potential focal point(s) and conduct an in- depth analysis. If an in-depth analysis is conducted, examiners document the steps taken to perform the review. Examiners also document the overall conclusions of the fair lending review, including any findings or recommendations, and considerations for the next examination.

Section 1 of the FLSC is where examiners document the institution overview and the assessment of inherent risk for fair lending. If more than minimal inherent risk exists, examiners will then select products for further analysis and document in Section 2 the evaluation of all applicable discrimination risk factors and whether any factors help mitigate discrimination risk. Examiners may determine that residual risk exists and an in-depth analysis is warranted. In such cases, examiners document in Section 3 all potential focal points, as well as the focal point(s) selected for an in-depth analysis. In Section 4, examiners document the steps taken to perform the focal point analysis or that an underwriting or pricing focal point was converted to a Fair Lending Visitation. The conclusions of the fair lending review are documented in Section 5.

Examiners complete various sections of the FLSC based on the level of analysis conducted:

- **Section 1** must be completed for all examinations. To the extent possible, the majority of Section 1 should be completed during the pre-examination planning process.
- **Section 2** is completed if there is more than minimal inherent risk.
- **Section 3** is completed if examiners conclude there is residual risk and one or more focal points are selected.
- **Section 4** is completed only if a focal point is selected and approved.
- **Section 5** must be completed for all examinations.

Section 1: Develop an Institution Overview

Section 1 of the FLSC is where examiners document the institution overview and any inherent fair lending risk. Section 1 contains seven subsections titled: *Bank and Examination Information*; *Structure and Management*; *Supervisory History*; *Compliance Management System*; *Loan Portfolio*; *Population Demographics* and *Credit and Market Operations* (with five specific areas relating to *Underwriting, Pricing, Steering, Marketing,* and *Redlining*).

The subsections in Section 1 contain questions that examiners answer when assessing inherent risk. The questions do not cover every potential inherent fair lending risk, but rather set out a basic framework that could be supplemented with additional information identified by examiners based on the overall risk profile of the bank. Further, a certain number of "yes" or "no" responses to the questions in Section 1 does not determine the need for a specific level of review. Instead, the questions are meant to ensure that examiners document various risks considered during the fair lending review. Examiners provide supporting detail regarding their evaluation of inherent risk for each subsection within the *Examiner Summary* sections in Section 1.

Section 1 will include a description of inherent fair lending risk identified at the bank, but examiners will not describe any mitigating factors for potential discrimination risk factors, or the results of any product-specific analysis in Section 1. The analysis of any applicable discrimination risk factors, mitigating factors, and results from analyses conducted using fair lending tools are documented in Section 2 of the FLSC.

The following fields represent the information collected by the examiner in Section 1 of the FLSC:

Bank and Examination Information

The *Bank and Examination Information* subsection includes general bank information.

BANK AND EXAMINATION INFORMATION
Bank Name:
City/State:
Region/Territory/FO:
FO Performing Exam:
Cert Number:
Exam Number:
EIC:
Fair Lending Examiner:
HMDA Reporter:
Total Assets(000's) as of Current Call Report:
Start Date of Examination:
Date of Previous Compliance Examination (Rating):
Date of Previous CRA Examination and Type (Rating):
Date of Previous Risk Examination (CAMELS):

Structure and Management

The *Structure and Management* subsection summarizes pertinent details about the bank's structure, management, organizational hierarchy, business strategy, and markets, and any changes since the previous examination.

Structure and Management		**Response**
1.	Have there been any changes in the following areas since the previous examination?	
	a) Control of the bank?	
	b) Management or key personnel (policy makers)?	
	c) Personnel performing compliance functions?	
	d) Business strategy, markets, or delivery channels?	
	e) Main office; branch office(s); deposit-taking remote service facilities, including ATMs; loan production office(s); or deposit production office(s)?	
2.	Does the bank have any subsidiaries or affiliates that offer credit products or services?	
3.	Has the bank been involved with any merger or acquisition activity, or conducted due diligence for any pending, since the previous examination?	
	Examiner Summary • Summarize pertinent details about the bank's structure, management, organizational hierarchy, business strategy, and markets, and highlight any changes since the previous examination. • Name any subsidiaries or affiliates that offer credit products or services, and describe those offerings. • Describe any recent or planned merger or acquisition activity. • Describe any inherent fair lending risks relating to the bank's structure or management.	

Supervisory History

The *Supervisory History* subsection will summarize the bank's recent supervisory history, including details about any investigations or litigation relating to discrimination, and any fair lending-related complaints.

Supervisory History		**Response**
4.	Has the bank been involved in any investigations by other agencies (e.g., DOJ, HUD, EEOC, or state or local authorities) since the previous examination?	
5.	Has the bank received any fair lending-related complaints (including complaints against third parties such as appraisers, brokers, or other third-party service providers) since the previous examination?	
6.	Were any fair lending violations identified at (or since) the previous examination?	

7.	Were any fair lending recommendations made at (or since) the previous examination?	
	Examiner Summary • Summarize the bank's recent supervisory history, including details about any investigations or litigation related to discrimination, and any fair lending-related complaints. • Describe the scope of the previous fair lending review. • Describe any findings or recommendations from the previous fair lending review and how those recommendations were communicated to the bank. • Describe what the bank has done to address any findings or recommendations. • Describe any inherent fair lending risks relating to the bank's supervisory history.	

Compliance Management System

The *Compliance Management System* subsection will include a description of the bank's compliance management system (CMS) as it relates to fair lending (e.g., Board and management oversight, policies and procedures, training, monitoring or audits, and consumer complaint response) and note any changes since the previous examination.

NOTE: Examiners document in Section 1 a <u>description</u> of the bank's CMS as it relates to fair lending. For example, examiners may describe how the bank's compliance officer reviews all underwriting exceptions on a quarterly basis. Otherwise, examiners should not document in Section 1 any *assessment* of the bank's CMS. For example, examiners would not describe how the compliance officer's review of underwriting exceptions helps mitigate risk. If more than minimal inherent risk exists, examiners will then document in Section 2 all applicable discrimination risk factors, including an assessment of the effectiveness of the bank's CMS in mitigating those discrimination risks.

Compliance Management System		**Response**
8.	Does the bank maintain fair lending-related policies and procedures?	
9.	Do the Board, management, and employees receive fair lending training?	
10.	Does the bank conduct fair lending-related monitoring?	
11.	Have there been any internal or external fair lending audits conducted since the previous examination?	
12.	Have there been any fair lending risk assessments completed since the previous examination?	
13.	Do any Board minutes, policies and procedures, training material, or other CMS-related documents relating to any aspect of credit operations include overtly discriminatory statements?	

	Examiner Summary • Describe the bank's compliance management system (CMS) as it relates to fair lending and highlight any changes since the previous examination. This should include a description of specific CMS elements that relate to fair lending, such as steps the bank takes to control risks in the credit application and decision-making process, the property valuation process, the pricing of credit, resolving consumer complaints, and oversight of third-party relationships. • Note: Examiners document in Section 1 a description of the bank's CMS as it relates to fair lending. A description of the effectiveness of the bank's CMS in mitigating fair lending risk is documented in Section 2, as applicable.	

Loan Portfolio

The *Loan Portfolio* subsection will include a description of the bank's loan product offerings and summarize pertinent details regarding loan portfolio composition or loan growth since the previous examination. Examiners will indicate whether any new loan products or programs were introduced since the previous examination, and describe any third-party lending relationships (e.g., indirect lending, broker arrangements, secondary market loans). Examiners will describe any inherent fair lending risks relating to the bank's loan portfolio.

Within the *Loan Portfolio* subsection there are two tables that reflect pertinent information about the bank's loan portfolio composition and loan activity. The first table, "Change in Loan Composition since the Previous Examination," reflects differences in the number and percentage of loans by Call Report categories between the previous examination and the current examination.

The second table, "Loan Activity" reflects the bank's loan activity in-between two date ranges. Since examiners will likely review lending for a one-year period, this table would reflect lending for the 12 months preceding the examination start date. Examiners will enter in the applicable dates that the table data will reflect and extract the information from the bank's loan trial balance.

While the use of the "Loan Activity" table is optional, examiners should provide a description of any loan portfolio changes since the previous examination within the *Examiner Summary*. For example, examiners could note significant growth in a particular product line. In addition, if more than minimal inherent risk exists in Section 1, knowing the loan volume may assist an examiner when selecting products for further review in Section 2 or determining which focal point(s) to evaluate in Section 3. If this particular table is not completed by the examiners, documentation of the bank's loan volume and composition would need to be captured and evaluated by some other means.

Loan Portfolio		**Response**
14.	Has the bank introduced any new loan products, programs, services, or features (e.g., escrow, private mortgage insurance, add-ons, skip-a-payment), including any offered through a third party, since the previous examination?	
15.	Has the bank experienced significant growth in any particular loan product type?	
16.	Excluding loan participations, has the bank purchased any loans or loan portfolios since the previous examination?	
17.	Are any of the bank's loan products or programs offered, originated, or serviced through, or jointly with, a third party?	

18.	Has the bank offered any loss mitigation options (e.g., loan modifications, payment forbearance plans, short sales, or deeds-in-lieu of foreclosure) to mortgage borrowers since the previous examination?	
19.	Does the bank operate a Special Purpose Credit Program (as defined by ECOA), either internally or through a third party?	
20.	Does the bank offer any of the following products?	
	a) Non-traditional loans (e.g., interest-only, excluding construction loans; negative amortization; step payment; seasonal payment)	
	b) Reverse mortgages	
	c) Subprime program	
	d) Mortgages with prepayment penalties	
	Examiner Summary • Describe the bank's loan product offerings and summarize pertinent details regarding loan portfolio composition or loan growth since the previous examination. • Describe any third-party lending relationships (e.g., indirect lending, broker arrangements, secondary market loans) and explain the role of the third party in the lending process. • Describe any Special Purpose Credit Program, including the loan type(s), population(s) served, and change(s) to the bank's standard pricing or underwriting criteria. • Describe any inherent fair lending risks as it relates to the bank's loan servicing or loss mitigation efforts. • Describe any inherent fair lending risks relating to the bank's loan portfolio.	

Change in Loan Composition since the Previous Examination:

Previous Exam Call Report Date:
Current Call Report Date:

Loan Type	$ of Loans	% of Gross Loans	$ of Loans	% of Gross Loans	Difference ($ of Loans)	% Difference
Construction						
Consumer						
Commercial						
Farm						
Multi-Family Residential						
1-4 Family Residential						
Other						
Gross						

Loan Activity within the Previous 12 Months:

Start Date:

End Date:

Loan Type	Loan Count (#)	% of Total Count	Loan Amount ($)	% of Total Amount

Construction and Land Dev				
Secured by Farmland				
1-4 Family Residential				
Multi-Family Residential				
Commercial Real Estate				
Total Real Estate Loans				
Commercial and Industrial				
Agricultural				
Consumer				
Other Loans				
Gross Loans				

Population Demographics

The *Population Demographics* subsection will include a description of the demographic composition of the population residing within the bank's CRA assessment area or market area. This section is for population demographics and not for census tract demographics, which would instead be described in the *Redlining* subsection.

Population Demographics		Response
	Examiner Summary Describe the demographic composition of the population residing within the bank's CRA assessment area and market area (e.g., racial and ethnic composition of the population, or other demographic characteristics).	

Credit and Market Operations – Underwriting

The *Credit and Market Operations – Underwriting* subsection will include a description of the bank's method of underwriting for each product type offered and note any differences by lending channel, as well as the role of any third party.

Examiners will describe any inherent fair lending risks relating to the bank's underwriting. As noted above, examiners will not document any mitigating factors to potential discrimination risk factors or any product-specific analyses in Section 1. Any analysis, such as a denial disparity calculation, or strengths of the CMS that mitigate the presence of significant disparities, would be documented in Section 2.

Credit and Market Operations - Underwriting	Response

21.	Do underwriting systems or processes vary by product, lending channel, or subsidiary/affiliate?	
22.	Is loan decision-making centralized?	
23.	Does the bank use an automated system, either in-house or through a third-party, for credit underwriting?	
	a) Are overrides of the system allowed?	
	b) Does the automated system use artificial intelligence/machine learning models to make credit underwriting decisions?	
24.	Are any third parties directly involved in the bank's underwriting process?	
25.	Has the underwriting process for any product changed since the previous examination?	
26.	Have the underwriting criteria for any product changed since the previous examination?	
27.	Is any guidance regarding underwriting criteria absent, vague, or subjective?	
28.	Does the bank allow discretion in residential real estate loan underwriting (including secondary market activity)?	
29.	Does the bank allow discretion in consumer loan underwriting?	
30.	If the bank allows discretion, does it track exceptions to underwriting criteria?	
31.	Does the bank conduct secondary reviews of loan denials, including any evaluation of a loan application from an underwriting perspective before it is officially denied?	
32.	Does the bank allow discretion in how appraisals or collateral valuations, including reconsiderations of value, are obtained or used during the credit underwriting process?	
33.	Does a review of the bank's policies and processes raise any overt concerns with respect to underwriting?	
	Examiner Summary • Describe the bank's method of underwriting for each product type offered (e.g., residential real estate, consumer, commercial). • Describe any differences in underwriting by lending channel and the role of any third party. • Describe whether discretion or exceptions are permitted in any aspect of the credit underwriting process, how any underwriting guidance (including that which relates to allowing exceptions) is provided to lending staff, and how discretion or exceptions are documented and tracked. • Describe any inherent fair lending risks relating to the bank's underwriting practices.	

Credit and Market Operations – Pricing

The *Credit and Market Operations – Pricing* subsection will include a description of the bank's method of pricing for each product type offered, including details on how interest rates, points, and fees are established, and note any differences in pricing by lending channel, as well as the role of any third party.

Examiners will describe any inherent fair lending risks relating to the bank's pricing. As noted above, examiners will not document any mitigating factors to potential discrimination risk factors or any product-specific analyses in Section 1. Any analysis would be documented in Section 2.

Credit and Market Operations - Pricing		Response
34.	Do credit pricing systems or processes vary by product, lending channel, subsidiary/affiliate, or market?	
35.	Does the bank's pricing (e.g., rates and fees) vary by region, office, or branch?	
36.	Does the bank use an automated system, either in-house or through a third party, for credit pricing?	
37.	Are any third parties directly involved in the bank's pricing process?	
38.	Has the pricing process for any loan product changed since the previous examination?	
39.	Has the bank changed any terms or fees on any loan products or services since the previous examination?	
40.	Does the bank provide loan officers with a rate sheet, matrix, or written guidance for pricing loans?	
41.	Is any guidance regarding pricing criteria absent, vague, or subjective?	
42.	Does the bank allow discretion in the setting of loan terms and conditions (including interest rates or fees) for residential real estate lending (including secondary market activity)?	
43.	Does the bank allow discretion in the setting of loan terms and conditions (including interest rates or fees) for consumer lending?	
44.	If the bank allows discretion, does it track exceptions to pricing criteria and other loan terms and conditions?	
45.	Does the bank or any person (e.g., consumer, third party) pay mortgage loan originators, directly or indirectly, any compensation beyond salaries?	
46.	If the bank originates loans through indirect lending relationships, are dealers allowed to add a mark-up to the bank's buy rate?	
47.	Does a review of the bank's policies and processes raise any overt concerns with respect to pricing?	

	Examiner Summary • Describe the bank's method of pricing for each product type offered (e.g., residential real estate, consumer, commercial). Include details regarding how interest rates and fees are established. • Describe any differences in pricing by lending channel and the role of any third party. • Describe whether discretion or exceptions are permitted, how any pricing guidance (including that which relates to allowing exceptions) is provided to lending staff, and how discretion or exceptions are documented and tracked. • Describe any inherent fair lending risks as it relates to loan officer or broker compensation. • Describe any inherent fair lending risks relating to the bank's pricing practices.	

Credit and Market Operations – Steering

Examiners should document any inherent risks relating to the potential for steering to occur.

Credit and Market Operations - Steering		Response
48.	Can loan officers exercise discretion in referring consumers to alternative loan products offered within the same area of the bank or through multiple channels (e.g., a consumer seeking to apply for a particular loan is referred by the loan officer to apply for another type of loan offered in the same area of the bank or through a different lending channel such as a mortgage division, subsidiary, or affiliate)?	
49.	Can an application that is denied for a specific product then be referred and underwritten for a different product?	
50.	Does the bank document an applicant's choice of loan product/lending channel?	
51.	Does a review of the bank's policies and processes raise any overt concerns with respect to steering?	
	Examiner Summary • Describe the application process and whether loan officers are permitted discretion in referring consumers to alternative products offered within the same area of the bank or through a different lending channel such as a mortgage division, subsidiary, or affiliate. • Describe the process by which denied loan applications may be referred to another product. • Describe any inherent fair lending risks relating to the potential for steering.	

Credit and Market Operations – Marketing

The *Credit and Market Operations – Marketing* subsection will include a description of the bank's credit marketing efforts and methods used to promote the bank's products and services. Examiners will describe any inherent fair lending risks relating to the bank's marketing.

Credit and Market Operations - Marketing		Response
52.	Does the bank, either directly or through a third party, actively market/advertise through any medium?	

53.	Does the bank use digital advertising (e.g., search engine marketing, display advertisements, social media, etc.) to market any products or services?	
	a) Does the bank use any targeting categories or filters?	
54.	Does the bank have any marketing service arrangements or other agreements with real estate agents?	
55.	Do any of the bank's marketing or outreach efforts focus on a specific product, geographic area, or demographic group?	
56.	Does the bank review marketing plans and advertisements for fair lending compliance?	
57.	Does the bank provide guidance to employees conducting marketing and outreach to ensure that outreach efforts reach all areas of the bank's market area?	
58.	Are there any inherent risks based on the bank's market area population demographics?	
	Examiner Summary • Describe the bank's credit marketing efforts and methods used to promote the bank's products and services (e.g., print advertisements, radio, online marketing, marketing service arrangements, and outreach activities). • Describe any targeted efforts, including prescreened marketing, that focus on particular loan products or segments of the bank's market. Indicate whether any targeting categories or filters are used for digital advertisements. • Describe any inherent risks based on the bank's market area population demographics. • Describe any inherent fair lending risks relating to the bank's marketing efforts.	

Credit and Market Operations – Redlining

The *Credit and Market Operations – Redlining* subsection will include a description of the demographic composition of the geographies that make up the bank's CRA assessment area and market area, and note any changes since the previous examination.

Examiners will describe any inherent fair lending risks relating to the bank's CRA assessment area and market area.

Credit and Market Operations - Redlining		**Response**
59.	Does the bank's CRA assessment area or market area contain areas with relatively high concentrations of minority group residents or majority-minority census tracts?	
60.	Does the area immediately surrounding the bank's CRA assessment area or market area include areas with relatively high concentrations of minority group residents or majority-minority census tracts?	
61.	Have there been any changes in the bank's assessment area since the previous CRA evaluation?	
62.	Does the bank's CRA assessment area contain any partial political subdivisions (i.e., the CRA assessment area excludes portions of a town, county, or city)?	
63.	Does the bank's CRA assessment area reflect potential irregularities or have potential gaps of concern?	
64.	Is the bank's market area different than the CRA assessment area?	

65.	Do services, loan products, or hours of operation vary by branch or office location?	
66.	Do any of the bank's appraisal or valuation processes vary by geographic location?	
67.	Does the bank have branches or offices in or near areas with relatively high concentrations of minority group residents or majority-minority census tracts?	
68.	Does a review of the bank's policies and processes raise any overt concerns with respect to redlining?	
69.	After mapping the bank's loan dispersion, are there any conspicuous gaps in lending?	
	Examiner Summary • Describe the demographic composition of the bank's CRA assessment area and market area. • Describe any changes to the bank's CRA assessment area or market area since the previous examination. • Explain any differences in the bank's CRA assessment area and market area. • Describe whether the bank took partial political subdivisions and detail any concerns. • Describe any inherent risks that relate to changes in the bank's business or branching strategy. • Describe any differences in hours, products, or services by branch or office location. • Describe any inherent risks that relate to the bank's appraisal or valuation process. • After mapping the bank's loan dispersion, describe any conspicuous gaps in lending. • Describe any inherent fair lending risks relating to the bank's CRA assessment area and market area.	

If after completing the institution overview and assessing the level of inherent risk, the examiner concludes that the institution exhibits minimal inherent fair lending risk, no further analysis is required. In such instances, the examiner only completes Sections 1 and 5 of the FLSC. However, if the examiner believes that the institution has more than minimal inherent fair lending risk, the examiner should select one or more products and evaluate any applicable discrimination risk factors and assess whether any factors mitigate those risks. Examiners document the analysis of applicable discrimination risks and any mitigating factors in Section 2 of the FLSC.

The decision to end the scoping process after completing Section 1 must be clearly supported and documented in the FLSC and is only appropriate if the institution exhibits minimal inherent fair lending risk.

Section 1 Checkpoint		**Response**
70.	Based on the information in the institution overview, does the bank exhibit more than minimal inherent fair lending risk?	
	If yes, proceed to Section 2 "Identification of Discrimination Risk Factors" to document the product(s) that warrant further analysis.	
	If no, proceed to Section 5 "Fair Lending Conclusions and Recommendations" to document the conclusions of the fair lending review and any findings or recommendations.	

Section 2: Identification of Discrimination Risk Factors

Once examiners determine there is more than minimal inherent risk, Section 2 of the FLSC is where examiners document any applicable discrimination risks and mitigating factors for the product(s) selected for further analysis. If mitigating factors exist, examiners document how the mitigating factors help reduce identified discrimination risk or whether residual risk remains after considering the mitigating factors.

Documenting the Evaluation of Risk When No Discrimination Risk Factor is Identified

If a discrimination risk factor is not applicable for the product(s) selected for further analysis, examiners need not determine whether the risk is mitigated. That is, if a discrimination risk factor is not applicable, the examiner does not check the box for the discrimination risk factor and does not document any mitigating factors. For example, if the examiner does not identify discrimination risks with respect to guidance on making exceptions to underwriting criteria, the examiner would not check the box for *U5: Lack of clear guidance on making exceptions to underwriting criteria, including credit scoring overrides.* Further, there would be no need to describe any mitigating factors relating to this risk, as the discrimination risk factor was not applicable.

Products		**Response**
	Identify each product selected for further analysis.	
	Products	
	Residential Real Estate	
	Consumer Secured	
	Consumer Unsecured	
	Automobile Secured	
	Credit Card	
	Commercial Credit	
	Agriculture/Farm Credit	
	Other	
	Other (Description)	

Potential Discrimination Risk Factors: Residential Real Estate		**Response**
	For each product selected, provide support for the applicable discrimination risk factors. Describe any mitigating factors and explain how those factors directly mitigate (i.e., offset or minimize) any applicable discrimination risks. Note that mitigating factors apply to discrimination risk factors, not the inherent risks previously identified in Section 1. If the mitigating factor is the strength of the bank's CMS, describe how.	
	Compliance Program Discrimination Risk Factors (C1-C7)	
	C1: Overall institution compliance record is weak. **Support for Risk Factors** **Mitigating Factors**	

	C2: Prohibited basis monitoring information required by applicable laws and regulations is nonexistent or incomplete. **Support for Risk Factors** **Mitigating Factors**	
	C3: Data and/or recordkeeping problems compromised reliability of previous examination reviews. **Support for Risk Factors** **Mitigating Factors**	
	C4: Fair lending problems were previously found in one or more institution products or in institution subsidiaries. **Support for Risk Factors** **Mitigating Factors**	
	C5: The size, scope, and quality of the compliance management program, including senior management's involvement, designation of a compliance officer, and staffing is materially inferior to programs customarily found in institutions of similar size, market demographics and credit complexity. **Support for Risk Factors** **Mitigating Factors**	
	C6: The institution has not updated compliance policies and procedures to reflect changes in law or in agency guidance. **Support for Risk Factors** **Mitigating Factors**	
	C7: Fair lending training is nonexistent or weak. **Support for Risk Factors** **Mitigating Factors**	
	Overt Discrimination Risk Factors (O1-O5)	
	O1: Including explicit prohibited basis identifiers in the institution's written or oral policies and procedures (underwriting criteria, pricing standards, etc.). **Support for Risk Factors** **Mitigating Factors**	

	O2: Collecting information, conducting inquiries or imposing conditions contrary to express requirements of Regulation B. **Support for Risk Factors** **Mitigating Factors**	
	O3: Including variables in a credit scoring system that constitute a basis or factor prohibited by Regulation B or, for residential loan scoring systems, the FHAct. (If a credit scoring system scores age, refer to Part E of the Considering Automated Underwriting and Credit Scoring section of the Appendix.). **Support for Risk Factors** **Mitigating Factors**	
	O4: Statements made by the institution's officers, employees or agents which constitute an express or implicit indication that one or more such persons have engaged or do engage in discrimination on a prohibited basis in any aspect of a credit transaction. **Support for Risk Factors** **Mitigating Factors**	
	O5: Employee or institutional statements that evidence attitudes based on prohibited basis prejudices or stereotypes. **Support for Risk Factors** **Mitigating Factors**	
	Underwriting Discrimination Risk Factors (U1-U9)	
	U1: Substantial disparities among the approval/denial rates for applicants by monitored prohibited basis characteristic (especially within income categories).* **Support for Risk Factors** **Mitigating Factors** **Briefly describe the results of any fair lending tools used as applicable.**	
	U2: Substantial disparities among the application processing times for applicants by monitored prohibited basis characteristic (especially within denial reason groups).* **Support for Risk Factors** **Mitigating Factors** **Briefly describe the results of any fair lending tools used as applicable.**	

	U3: Substantially higher proportion of withdrawn/incomplete applications from prohibited basis group applicants than from other applicants.* **Support for Risk Factors** **Mitigating Factors** **Briefly describe the results of any fair lending tools used as applicable.**	
	U4: Vague or unduly subjective underwriting criteria. **Support for Risk Factors** **Mitigating Factors**	
	U5: Lack of clear guidance on making exceptions to underwriting criteria, including credit scoring overrides. **Support for Risk Factors** **Mitigating Factors**	
	U6: Lack of clear loan file documentation regarding reasons for any exceptions to standard underwriting criteria, including credit scoring overrides. **Support for Risk Factors** **Mitigating Factors**	
	U7: Relatively high percentages of either exceptions to underwriting criteria or overrides of credit score cutoffs. **Support for Risk Factors** **Mitigating Factors**	
	U8: Loan officer or broker compensation based on loan volume (especially loans approved per period of time). **Support for Risk Factors** **Mitigating Factors**	
	U9: Consumer complaints alleging discrimination in loan processing or in approving/denying residential loans. **Support for Risk Factors** **Mitigating Factors**	
	Pricing Discrimination Risk Factors (P1-P7)	

	P1: Financial incentives for loan officers or brokers to charge higher prices (including interest rate, fees and points). Special attention should be given to situations where financial incentives are accompanied by broad pricing discretion (as in P2), such as through the use of overages or yield spread premiums. **Support for Risk Factors** **Mitigating Factors**	
	P2: Presence of broad discretion in loan pricing (including interest rate, fees and points), such as through overages, underages or yield spread premiums. Such discretion may be present even when institutions provide rate sheets and fees schedules, if loan officers or brokers are permitted to deviate from those rates and fees without clear and objective criteria. **Support for Risk Factors** **Mitigating Factors**	
	P3: Use of risk-based pricing that is not based on objective criteria or applied consistently. **Support for Risk Factors** **Mitigating Factors**	
	P4: Substantial disparities among prices being quoted or charged to applicants who differ as to their monitored prohibited basis characteristics.* **Support for Risk Factors** **Mitigating Factors** **Briefly describe the results of any fair lending tools used as applicable.**	
	P5: Consumer complaints alleging discrimination in residential loan pricing. **Support for Risk Factors** **Mitigating Factors**	
	P6: In mortgage pricing, disparities in the incidence or rate spreads of higher-priced lending by prohibited basis characteristics as reported in the HMDA data.* **Support for Risk Factors** **Mitigating Factors** **Briefly describe the results of any fair lending tools used as applicable.**	

	P7: A loan program that contains only borrowers from a prohibited basis group, or has significant differences in the percentages of prohibited basis groups, especially in the absence of a Special Purpose Credit Program under ECOA.* **Support for Risk Factors** **Mitigating Factors**	
	Steering Discrimination Risk Factors (S1-S8)	
	S1: Lack of clear, objective and consistently implemented standards for (i) referring applicants to subsidiaries, affiliates, or lending channels within the institution (ii) classifying applicants as "prime" or "sub-prime" borrowers, or (iii) deciding what kinds of alternative loan products should be offered or recommended to applicants (product placement). **Support for Risk Factors** **Mitigating Factors**	
	S2: Financial incentives for loan officers or brokers to place applicants in nontraditional products (i.e., negative amortization, "interest only", "payment option" adjustable rate mortgages) or higher cost products. **Support for Risk Factors** **Mitigating Factors**	
	S3: For an institution that offers different products based on credit risk levels, any significant differences in percentages of prohibited basis groups in each of the alternative loan product categories. **Support for Risk Factors** **Mitigating Factors**	
	S4: Significant differences in the percentage of prohibited basis applicants in loan products or products with specific features relative to control group applicants. Special attention should be given to products and features that have potentially negative consequences for applicants (i.e., non-traditional mortgages, prepayment penalties, lack of escrow requirements, or credit life insurance).* **Support for Risk Factors** **Mitigating Factors**	

	S5: For an institution that has one or more sub-prime mortgage subsidiaries or affiliates, any significant differences, by loan product, in the percentage of prohibited basis applicants of the institution compared to the percentage of prohibited basis applicants of the subsidiary(ies) or affiliate(s).* **Support for Risk Factors** **Mitigating Factors**	
	S6: For an institution that has one or more lending channels that originate the same loan product, any significant differences in the percentage of prohibited basis applicants in one of the lending channels compared to the percentage of prohibited basis applicants of the other lending channel.* **Support for Risk Factors** **Mitigating Factors**	
	S7: Consumer complaints alleging discrimination in residential loan pricing or product placement. **Support for Risk Factors** **Mitigating Factors**	
	S8: For an institution with sub-prime mortgage subsidiaries, a concentration of those subsidiaries' branches in minority areas relative to its other branches.* **Support for Risk Factors** **Mitigating Factors**	
	Redlining Discrimination Risk Factors (R1-R12)	

	R1: Significant differences, as revealed in HMDA data, in the number of applications received, withdrawn, approved not accepted, and closed for incompleteness or loans originated in those areas in the institution's market that have relatively high concentrations of minority group residents compared with areas with relatively low concentrations of minority residents.* **Support for Risk Factors** **Mitigating Factors** **Briefly describe the results of any fair lending tools used as applicable.**	
	R2: Significant differences between approval/denial rates for all applicants (minority and non-minority) in areas with relatively high concentrations of minority group residents compared with areas with relatively low concentrations of minority residents.* **Support for Risk Factors** **Mitigating Factors** **Briefly describe the results of any fair lending tools used as applicable.**	
	R3: Significant differences between denial rates based on insufficient collateral for applicants from areas with relatively high concentrations of minority residents and those areas with relatively low concentrations of minority residents.* **Support for Risk Factors** **Mitigating Factors**	
	R4: Significant differences in the number of originations of higher-priced loans or loans with potentially negative consequences for borrowers, (i.e., non-traditional mortgages, prepayment penalties, lack of escrow requirements) in areas with relatively high concentrations of minority residents compared with areas with relatively low concentrations of minority residents.* **Support for Risk Factors** **Mitigating Factors**	
	R5: Other patterns of lending identified during the most recent CRA examination that differ by the concentration of minority residents. **Support for Risk Factors** **Mitigating Factors**	

	R6: Explicit demarcation of credit product markets that excludes MSAs, political subdivisions, census tracts, or other geographic areas within the institution's lending market or CRA assessment areas and having relatively high concentrations of minority residents. **Support for Risk Factors** **Mitigating Factors**	
	R7: Difference in services available or hours of operation at branch offices located in areas with concentrations of minority residents when compared to branch offices located in areas with concentrations of non-minority residents. **Support for Risk Factors** **Mitigating Factors**	
	R8: Policies on receipt and processing of applications, pricing, conditions, or appraisals and valuation or on any other aspect of providing residential credit that vary between areas with relatively high concentrations of minority residents and those areas with relatively low concentrations of minority residents. **Support for Risk Factors** **Mitigating Factors**	
	R9: The institution's CRA assessment area appears to have been drawn to exclude areas with relatively high concentrations of minority residents. **Support for Risk Factors** **Mitigating Factors**	
	R10: Employee statements that reflect an aversion to doing business in areas with relatively high concentrations of minority residents. **Support for Risk Factors** **Mitigating Factors**	

	R11: Complaints or other allegations by consumers or community representatives that the institution excludes or restricts access to credit for areas with relatively high concentrations of minority residents. Examiners should review complaints against the institution filed either with their agency or the institution; the CRA public comment file; community contact forms; and the responses to questions about redlining, discrimination, and discouragement of applications, and about meeting the needs of racial or national origin minorities, asked as part of obtaining local perspectives on the performance of financial institutions during prior CRA examinations. **Support for Risk Factors** **Mitigating Factors**	
	R12: An institution that has most of its branches in predominantly non-minority neighborhoods at the same time that the institution's sub-prime mortgage subsidiary has branches which are located primarily in predominantly minority neighborhoods. **Support for Risk Factors** **Mitigating Factors**	
	Marketing Discrimination Risk Factors (M1-M7)	
	M1: Advertising patterns or practices that a reasonable person would believe indicate prohibited basis customers are less desirable. **Support for Risk Factors** **Mitigating Factors**	
	M2: Advertising only in media serving non-minority areas of the market. **Support for Risk Factors** **Mitigating Factors**	
	M3: Marketing through brokers or other agents that the institution knows (or has reason to know) would serve only one racial or ethnic group in the market. **Support for Risk Factors** **Mitigating Factors**	

	M4: Use of marketing programs or procedures for residential loan products that exclude one or more regions or geographies within the institutions assessment or marketing area that have significantly higher percentages of minority group residents than does the remainder of the assessment or marketing area. **Support for Risk Factors** **Mitigating Factors**	
	M5: Using mailing or other distribution lists or other marketing techniques for pre-screened or other offerings of residential loan products that explicitly exclude groups of prospective borrowers on a prohibited basis or exclude geographies (e.g., census tracts, ZIP codes, etc.) within the institution's marketing area that have significantly higher percentages of minority group residents than does the remainder of the marketing area. **Support for Risk Factors** **Mitigating Factors**	
	M6: Proportion of prohibited basis applicants is significantly lower than that group's representation in the total population of the market area.* **Support for Risk Factors** **Mitigating Factors** **Briefly describe the results of any fair lending tools used as applicable.**	
	M7: Consumer complaints alleging discrimination in advertising or marketing loans. **Support for Risk Factors** **Mitigating Factors**	
	Note: For risk factors above that are marked with an asterisk (*), examiners need not attempt to calculate the indicated ratios for racial or national origin characteristics when the institution is not a HMDA reporter. However, consideration should be given in such cases to whether or not such calculations should be made based on gender or racial-ethnic surrogates.	

Potential Discrimination Risk Factors: Consumer Secured	Response

Potential Discrimination Risk Factors: Consumer Unsecured	Response

Potential Discrimination Risk Factors: Automobile Secured	Response

Potential Discrimination Risk Factors: Credit Card	Response

Potential Discrimination Risk Factors: Commercial Credit	Response

Potential Discrimination Risk Factors: Agriculture/Farm Credit	Response

Potential Discrimination Risk Factors: Other	Response

After assessing each of the applicable discrimination risk factors and any mitigating factors, examiners determine if enough residual risk exists to warrant the selection of one or more focal points. Examiners document in Section 3 **all** potential focal points that could be reviewed and then document the focal point(s) selected for an in-depth analysis.

If the examiner determines that the discrimination risk factors identified in Section 2 were sufficiently mitigated, the examiner would then document in Section 5 the conclusions of the fair lending review.

Section 2 Checkpoint		Response
71.	Based on the applicable discrimination risks for each product evaluated, does residual risk warrant the selection of one or more potential focal points to consider for an in-depth analysis?	
	If yes, proceed to Section 3 "Description of Potential Focal Points" and obtain Field Supervisor or designee approval to proceed with analysis of selected focal point(s).	
	If no, proceed to Section 5 "Fair Lending Conclusions and Recommendations" to document the conclusions of the fair lending review and any findings or recommendations.	

Section 3: Description of Potential Focal Points

Section 3 of the FLSC is where examiners describe the potential focal point(s) that could warrant further analysis during the examination. From the list of potential focal points, FOCUS provides an option to select the focal point(s) chosen for analysis. Specifically, examiners would select "Y" for "Selected As Focal Point?" and then input the numbers for "Control Group Sample Size" and "Target Group Sample Size" for any focal point selected for an in-depth analysis. See image below.

NOTE: Examiners do not document sample sizes if the potential focal points are not selected for an in-depth analysis. Sample sizes are only captured for any selected focal points.

Potential Focal Points		Response
	Document all potential focal points that may be reviewed. From that list, select the focal point(s) chosen for analysis. **Potential Focal Points:** • Loan Product; Fair Lending Analysis; Market; Decision Center; Prohibited Basis; Control Group; Target Group; Control Group Sample Size; Target Group Sample Size	

Examiner Summary of Focal Point Selection		Response
	Focal Points: • Loan Product; Fair Lending Analysis; Market; Decision Center; Prohibited Basis; Control Group; Target Group; Control Group Sample Size; Target Group Sample Size **Examiner Summary** • Describe the rationale for considering the potential focal point(s). • Identify the focal point(s) ultimately selected for an in-depth analysis and provide support for the selection.	

Section 4: Description of Focal Point Analysis

Section 4 of the FLSC is where examiners document the details of how the analysis was conducted for each focal point. This section will include a summary of the methodology used to conduct the analysis. For example, if a comparative file review was conducted, examiners would describe the steps taken to complete the comparative file analysis (e.g., explain how the loan sample was selected, the creation of the applicant profile spreadsheet, the identification of benchmark applicants, and the corresponding analysis). These summaries would include information discovered during the examination, including responses or details provided by bank staff or management. Examiners should also reference any statistical analyses conducted or fair lending-related consultations opened during the examination. If an underwriting or pricing focal point is pursued through statistical analysis, examiners should document this in the section by stating “The (underwriting/pricing) focal point was converted to a separate Fair Lending Visitation.”

Description of Focal Point Analysis		Response
	• DESCRIPTION OF FOCAL POINT ANALYSIS • **Did examiners conduct a criteria interview with the bank?** • **Did the focal point analysis include a comparative file review?** • **Did the focal point analysis include a statistical analysis?** • **Examiner Summary** • Describe the specific steps taken to analyze the approved focal point(s). • Provide details regarding target group and control group selections, criteria interview, comparative file review, statistical analysis, and any other relevant information.	

Section 5: Fair Lending Conclusions and Recommendations

Section 5 of the FLSC is where examiners summarize the results of the fair lending review and document all fair lending-related conclusions and recommendations. The discussion should include, as applicable:

- Support for stopping the scoping process after completing Section 1 or 2 of the FLSC
- Overall conclusions of the fair lending analysis and support for the conclusions
- Recommendations provided to bank management
- Recommendations discussed in the report of examination
- Considerations for the next examination

The length of the conclusion section will vary depending on the depth of the fair lending analysis conducted, conclusions of the review, and the nature of any findings or recommendations. If fair lending violations were cited, examiners should summarize those violations. Examiners will not discuss technical violations, such as issues with timing of adverse action notifications, in the FLSC. If no violations were cited, but recommendations were provided to the bank, examiners would summarize these recommendations (including an explanation as to how and to whom the recommendation was communicated). Recommendations to strengthen the bank's fair lending program based on risks identified during scoping, in instances where the focal point was pursued through a Fair Lending Visit, should also be summarized. Alternatively, for situations where the scoping sections of the FLSC were completed, but no focal points were selected, examiners would provide clear support for the decision not to select a focal point.

Conclusions and Recommendations		Response
78.	Was an isolated violation of discrimination cited in the report of examination?	
79.	Was a practice or pattern of discrimination violation cited in the report of examination?	
80.	Did the examiner provide recommendations to bank management to correct any fair lending violation(s) or to enhance the bank's compliance management system as it relates to fair lending?	
	Examiner Summary • Summarize the overall conclusions of the fair lending review and describe any findings. • If applicable, provide support for ending the scoping process after evaluating inherent risk or for not selecting a focal point after evaluating applicable discrimination risk factors. • Include any considerations for the next examination.	
	Recommendations Provided to the Bank • Provide specific language for any recommendations to be considered for the report of examination. • If any recommendations are not going to be included in the report of examination, but were provided to the bank, describe those recommendations and indicate how they were communicated to the bank.	

FIELD SUPERVISOR/DESIGNEE APPROVAL
NOTE: The final, e-signed FLSC Word document is required to be retained in FOCUS with the examination documents.
Field Supervisor/Designee Name:
Date of Approval: