

Compliance Management

In general, compliance training is not typical financial institution training. The stakes are generally higher. Failure to implement compliance policies can result in serious consequences. In recognition of today's regulatory environment, fair lending training is a critical component of your compliance management system.



Fair Lending Training Hierarchy

TRUPOINT Partners uses the Fair Lending Training Hierarchy to illustrate industry best practices (see graphic above). Below is a quick synopsis of the training hierarchy levels. We start with the most basic level and move up to create a comprehensive training program.

Level 1 : **General Overview of Fair Lending Training – Focused on Loan Officers, Underwriters and Operations Staff:**
We see many financial institutions provide generic fair lending training (i.e. the laws and regulations like ECOA or HMDA, outline of the prohibited basis groups, and the types of discrimination that may occur) to select groups of employees.

Take it to the Next Level: Even though certain key employees (e.g. loan officers) are the main point of contact most customers have with your institution, it is important to recognize that fair lending is about every aspect of the credit transaction (from cradle to grave). Therefore, it is important that everyone in the organization receive fair lending training including marketing, service team members, etc.

Level 2: General Overview of Fair Lending Training – All Employees: Generic training is a great start. However, we find that it is deficient in making the training relevant for specific employees.

Take it to the Next Level: Role specific training that incorporates your financial institution's policies, procedures and expectations is extremely important. Lenders (e.g. give similar attention to customer explaining product options), Underwriters (e.g. understanding what information can and cannot be considered when reviewing an application), Processors (e.g. understand how to administer adverse action notices), and Service Members (e.g. give similar levels of assistance) all must be able to translate the laws and regulations encompassing fair lending to their daily activities based on your specific institution's policies and procedures.

Level 3: Fair Lending Training with Role Specific Guidance: When designing your fair lending training plan, you should make sure you detail what is permitted in your policies and procedures. If you have outsourced the training to a third party, evaluate the content for relevancy and how they can incorporate your specific policies and procedures. We find that many "off the shelf" fair lending solutions do a good job of explaining the basics; however, these generic solutions tend to fall short on relating job expectations back to key employees (e.g. loan officer). If your chosen solution cannot be customized, look to complement the basic solution with department specific training guides and programs. Are you prepared to answer the examiner questions: "Are all employees trained to understand how fair lending impacts their role? May we interview your employees?" It is especially important to have ample training in those key roles where employee discretion may exist.

Take it to the Next Level: Job aids (e.g. quick reference guides and checklists) that incorporate policies and procedures into the work flow which will help make sure that Fair Lending Compliance is a team sport and a shared responsibility.

Level 4: Tracking Attendance, Completion, Test Comprehension and Report Results: It is important to track and report compliance training attendance and comprehension. Are you prepared to answer the examiners question: "How do you know if everyone attended the training? How do you know if your team members comprehended the materials?"

Take it to the Next Level: It is one thing to track and report on attendance. Best practices hold management and employees accountable for completing the training and demonstrating their knowledge. What are the disciplinary consequences for not completing the Fair Lending training at your financial institution?

Level 5: Board of Directors Fair Lending Training: The board is responsible for aligning the financial institution's strategies with the fair lending laws and regulations. The board may be involved with approving policies, reviewing exception reports, understanding complaint logs, reviewing compliance committee minutes and possibly approving large loans. This level of responsibility requires a working knowledge of fair lending laws and regulations and how it impacts their role as a board member.

Take it to the Next Level: Make sure the board minutes demonstrate the board members in attendance, what was covered in training, and any applicable discussion.

Level 6: New Employee Training: A solid fair lending training plan includes discussion on how to manage new employees. Your institution cannot afford to have a new employee, with their individual systems and beliefs, to operate independent of your financial institution's fair lending program. Too many organizations inadvertently take on risk by waiting and allowing new employees to be educated by the next "fair lending training wave." What happens if this next training session does not occur for another 364 days?

Take it to the Next Level: Require managers to review the institution's fair lending expectations in a 1:1 setting. Consider having new employees sign/acknowledge/attest to your firm's fair lending statement. Consider requiring new employees to take some form of fair lending training within the first 30 days.

Level 7: Reinforcement: Post-training reinforcement is an imperative component to any effective training program. Some studies imply that participants in training forget half of what is taught within five weeks. In comparison, when managers are used to reinforce training, retention increases by over 50%. Based on our travels and observations, the key to training success is the implementation of creative reinforcement techniques that deepen the learning for participants. Timely refreshers can keep the material front and center. Said in a different way, no matter how great your training program, it will not become an important part of your organization without reinforcement. Is fair lending an annual training event or part of your firm's fabric?

Take it to the Next Level: Management must be proactive in facilitating the sharing of best practices. Consistently share best practices and success stories, which are important to ensure staff buy-in along with building confidence in the policies and procedures that have been set forth by your financial institution. Another best practice is to syndicate the reinforcement message by using various mediums (e.g. email, newsletters, team meetings, internal posters, homework case studies, etc.) to help make sure the message is heard.

Bottom Line: A solid training program is one of the primary pillars of a well-designed fair lending compliance management system. Effective fair lending compliance requires that everyone, from the board to management to the front line, understand and embrace the organization's approach to being fair and equitable. Financial institutions should regularly review and enhance their fair lending training programs by comparing their current training activities with the best practices associated with the training hierarchy described above.

How do you compare? See the attached self-assessment form and compare your program to industry best practices



The image shows a 'Fair Lending Training Self-Assessment' form. It features a pyramid diagram with seven levels, each corresponding to a row in the assessment table. The levels are: Level 1: General Overview of Fair Lending Training - Limited Staff; Level 2: General Fair Lending Training - All Employees; Level 3: Fair Lending Training with Role Specific Guidance; Level 4: Tracking Attendance, Completion, Reporting & Results; Level 5: Board of Directors Fair Lending Training; Level 6: New Employee Training; and Level 7: Reinforcement. Each row has a 'Score' column with a scale from 0 to 10 and a 'Comments' column. The form also includes a 'Scale' at the bottom: 0-5: Training Not Done, 6-10: Training Done, 11-15: Training Done with Detail, 16-20: Training Done with Expertise. A 'Self-Assessment Total' box is at the bottom right.

Fair Lending Training Self-Assessment

Score Your Program

No | Yes

No	Yes
0	1

Successful Fair Lending compliance programs have regular and intentional “tone from the top” that reinforces commitment. Does management consistently reinforce fair lending principles?

Level 7: Executive Reinforcement

No | Yes

No	Yes
0	1

New employees should not wait for the next training cycle to be exposed to fair lending. Does your onboarding of new employees include fair lending training?

Level 6: New Employee Training

No | Yes

No	Yes
0	1

Board of Directors training may be more detailed depending on committees and involvement in credit transactions. Does your financial institution conduct fair lending board training?

Level 5: Board of Directors Fair Lending Training

No | Yes

No	Yes
0	1

Successful programs track training attendance, course completion, and test comprehension. Does your institution track/report training completion including consequences for not completing?

Level 4: Tracking Attendance, Completion, Reporting & Results

No | Yes

No	Yes
0	1

Best practice is to train all employees with role specific practices and application. Does your institution host role specific training?

Level 3: Fair Lending Training with Role Specific Guidance

No | Yes

No	Yes
0	1

All employees need to be familiar with fair lending basics. Does your training plan cover all employees?

Level 2: General Fair Lending Training – All Employees

No | Yes

No	Yes
0	1

At the most basic level, are loan officers, underwriters and other key employees trained annually?

Level 1: General Overview of Fair Lending Training – Limited Staff

Scale: 0-2: Training Gaps Exist
5-6: Almost There

3-4: On Right Track
7: Keep Up the Great Work!

Self-Assessment Total:
(sum total scores from above)

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