

InfoSight Newsletter

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League InfoSight Highlight:

Examination Principles Related to Valuation Discrimination and Bias in Residential Lending

Just this week (February 12, 2024) [the Federal Financial Examination Council \(FFIEC\) issued a statement](#) to communicate principles for examination of residential property appraisal and evaluation (valuation) practices to mitigate risks that may arise due to potential discrimination or bias in those practices; and to promote credible valuations.

Within the article, examiners are instructed to assess financial institutions' compliance management systems and risk management practices for identifying and mitigating potential discrimination or bias in residential property valuation practices.

To promote compliance with statutory and regulatory requirements, the guidance instructs credit unions to establish a formal valuation review program. A review program could help address any identified deficiencies due to potential valuation discrimination or bias before making a credit decision.

When it comes time for your exam, whether it is a safety and soundness exam or specific consumer compliance exam, expect a review of risk management processes for residential lending activity. Below are more details to help your credit union prepare!

Consumer Compliance Exam

Examiners will look to see if the credit unions' compliance management system is inclusive of processes to consider whether the risk management practices for residential real estate valuations are appropriate to identify and address valuation discrimination.

Board and Management Oversight. Examiners will look to ensure that the credit union implements and maintains compliance management systems, including third-party oversight based on the risk profile for residential lending. They will also look to ensure information is being provided to the Board to communicate the strength of the consumer compliance program.

Third-party risk management. Examiners will evaluate the credit unions' oversight of residential real estate valuation third parties' consumer compliance related policies, procedures, internal controls, and training. Also, the evaluation of the credit unions' due diligence and ongoing monitoring of those third parties, including those entities/persons preparing valuation reports, appraisals, and appraisal management companies.

Consumer Compliance Program. Examiners will review policies, procedures, training, monitoring, and audit practices all with the focus on ensuring the credit union is identifying potentially discriminatory valuation practices or results. The credit unions' complaint response system and processes will also be reviewed, along with the ability for the credit union to identify and resolve incidences of potential valuation discrimination.

Safety and Soundness Exam

Examiners will review credit unions' residential real estate collateral valuation programs, including consideration of whether risk management practices for valuations are appropriate to identify and address valuation discrimination or bias and promote credible valuations. This will include a review of consumer protection issues, risk assessments, governance, collateral valuation program, third-party risk management, valuation review function, credit risk review function, and the credit unions' training program.

Resources:

- [Compliance and Complaint Management](#)
- [Policies and Procedures](#)
- [Vendor Management](#)
- [Independent Audits](#)

Glory LeDu
CEO, League InfoSight and CU Risk Intelligence

Continuing the Celebration of Black History Month

How to celebrate and support:

Educate
yourself about
black history



Find volunteer
opportunities in
your community

Engage family
and friends in
conversation



Support
black-owned
businesses

News and Alerts!

CFPB Secures \$12 Million From Ringleaders of Foreclosure Relief Scam

The Consumer Financial Protection Bureau (CFPB) announced that it resolved an appeal in a long-running [enforcement suit](#) against a foreclosure relief scam operation for \$12 million in consumer redress and penalties. Consumer First Legal Group, LLC and four attorneys, Thomas G. Macey, Jeffrey J. Aleman, Jason Searns, and Harold E. Stafford, charged millions of dollars in illegal advance fees to financially-distressed homeowners for legal representation the defendants promised but did not provide.

[Read More](#)

FFIEC Issues Statement on Examination Principles Related to Valuation Discrimination and Bias in Residential Lending

The Federal Financial Institutions Examination Council issued a [statement of principle](#) related to valuation discrimination and bias for member entities to consider in their consumer compliance and safety and soundness examinations. The principles aid member entities in assessing whether their supervised institutions' compliance and risk management practices are appropriate to identify and mitigate discrimination or bias in their residential property valuation practices.

[Read More](#)

NCUA and CDFI Fund to Co-Host Feb. 29 Webinar on Certification Application

Credit unions interested in certification as Community Development Financial Institutions (CDFI) can learn about the application process on a February 29 webinar hosted by the National Credit Union Administration and the Community Development Financial Institutions Fund. [Online registration for this webinar](#), “The Revised CDFI Certification Application,” is now open. The webinar is scheduled to begin at 2 p.m. Eastern and run approximately 60 minutes.

[Read More](#)

As Nationwide Fraud Losses Top \$10 Billion in 2023, FTC Steps Up Efforts to Protect the Public

Recently released [Federal Trade Commission](#) data show that consumers reported losing more than \$10 billion to fraud in 2023, marking the first time that fraud losses have reached that benchmark. This marks a 14% increase over reported losses in 2022.

[Read More](#)

“Love Stinks” – when a scammer is involved

*I've had the blues, the reds, and the pinks.
One thing's for sure: Love stinks.*

Far be it from the FTC to criticize love on Valentine’s Day, but “Love Stinks” – the 80s hit by the J. Geils Band – describes what the [FTC Consumer Sentinel Data Book](#) tells us about the injury inflicted by romance scammers. And one statistic is particularly surprising.

[Read More](#)

We



our credit unions.

And we want to make things easier for you.
So we made state content easier to find, with

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Questions, Comments, Concerns? We are here to help! Email us at
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