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Compliance Strong COVID-19 Series

Small Business Credit: Fair Lending
Guidance for Financial Institutions

**Topics: Regulation B; Compliance Management
Principles; Reaching Minority Businesses; and
Recommendations**

Date: 4/23/2020

Time: 1:00

Mayte Rivera, Deputy Commissioner
Consumer Protection and Outreach Unit
Division of Banks

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Akwasi Agyemang, Supervisory Examiner

Akwasi Agyemang has worked for the Division of Banks for the past 10 years. As a Supervisory Bank Examiner, he has overseen examinations with a focus on CRA, Fair Lending, and HMDA. Akwasi is a CSBS-Certified CRA and Fair Lending Examination Specialist, a Certified Fraud Examiner, and received a BA in Economics from Boston University in 2009.

Mayte Rivera, Deputy Commissioner

Mayte joined the Massachusetts Division of Banks in 2007 as Director of Community Development. In 2008 she was promoted to Deputy Commissioner of the Consumer Protection and Outreach Unit of the Depository Institution Supervision Division. As Deputy Commissioner she has oversight and policy supervision of Consumer Protection and CRA compliance matters. In 2017, she received the FFIEC (Federal Financial Institutions Examination Council) Award of Excellence for her significant contributions in the development of the revised Consumer Compliance Rating System.

The opinions expressed in this presentation are intended for informational purposes, and are not formal or binding opinions of the Division of Banks.

Compliance Considerations: Extending Small Business Credit

- Regulation B
 - Adverse Action Notice: Oral and Written Explanation
 - Risk Areas:
 - Spousal signatures
 - Joint intent and verification of 'intent'
- CMS considerations
 - Policies and procedures as it relates to credit and underwriting process
 - Training of lending and service personnel
 - General 'at-a-glance' complaint processing

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Best Practices: Monitoring and Data Collection

- Monitoring and Data Collection
 - Not a requirement but very useful as self risk assessment and for bridging business community needs.
 - Beneficial when systems can:
 - Capture and retain key business information, including any information relevant to the underwriting, pricing, and servicing decisions in electronic form.

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Best Practices: Self-Testing

Self-testing (two options):

Borrower Demographical information:

- You can collect monitoring information: Follow ECOA guidelines regarding Self-Test procedures, *See 1002.5(b)(1)*.
- You can use Proxy Data: demographical data by majority minority census tract. See Federal Reserve Resource to approximate gender or ethnicity.

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Recommendations

- Ensure communication with Commercial Lending Department- keep them aware and involved.
- Review institution resources for LEP (Limited English Proficiency) individuals within the area.
- Enhance understanding of minority applicants: Build and grow partnerships with community organizations, particularly in majority minority areas.

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Resources



- 12 CFR Part 1002 - Equal Credit Opportunity Act (Regulation B)
 - <https://www.consumerfinance.gov/policy-compliance/rulemaking/regulations/1002/>
- Adverse Action Notice requirements:
 - <https://consumercomplianceoutlook.org/2013/second-quarter/adverse-action-notice-requirements-under-ecoa-fcra/>
- Proxy Tools:
 - <https://consumercomplianceoutlook.org/outlook-live/2013/indirect-auto-lending/> (may be used for small businesses)
- Special Commission's Report: Minority Owned Businesses and Financial Services
 - <https://www.mass.gov/doc/special-commission-report>
- <https://www.forbes.com/sites/allbusiness/2020/04/12/10-frequently-asked-questions-about-cares-act-loans/#5bece0665f8b>

If you have consumer protection
compliance questions,
please email
Deputy Commissioner,
Mayte Rivera, at
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(Slides will be posted on the Division of
Banks' website :

<https://www.mass.gov/info-details/dob-connects>)