



Business Impact

Fair lending information that used to take a top 10 lender three to four days to gather is now available on demand using SAS®.

Challenges

- **Manual and semi-manual data processes.** Gathering and preparing HMDA and CRA data for submission and investigating inconsistencies takes tremendous effort and can mean costly resubmissions and painful audits.
- **Inconsistent information.** There's no single version of the truth; the same report run twice gets different results, and nobody has the right answer.
- **Undetected fair lending issues.** Existing systems aren't transparent and aren't robust enough to surface complex fair lending risks.
- **Inadequate match file testing.** Long hours spent creating regressions and looking for the best files for side-by-side comparisons are costly and result in too many false positives.
- **Unmet reporting needs.** Producing on-demand, customized lending performance reports for senior management consumes significant resources.
- **Lack of transparency.** Difficulty tracing data errors and auditing conclusions leads to suspect business processes and failure to comply in examinations.

How can we ensure that our fair lending compliance efforts satisfy heightened regulatory scrutiny?

YOUR GOAL: Uncover fair lending exposures before anyone else does.

Compliance regulations surrounding home mortgage and community reinvestment lending are unique in that the law dictates that data related to the Home Mortgage Disclosure Act (HMDA) and Community Reinvestment Act (CRA) be made available to the public as well as regulators. As a result, you never know who may be reviewing your lending data and what their intentions may be, since regulators, customers, competitors and local community organizations all have access to your corporate information.

With so many unknowns, it's not surprising that lenders have been blindsided by highly publicized accusations of discriminatory lending practices. Some organizations have been forced to close because of inadequate foresight into the status of their lending portfolios. And in today's economic climate, lenders cannot afford to lose a good business reputation to civil money penalties, enforcement actions and class-action law suits. In response, lenders are assessing their enterprisewide compliance processes to find ways to streamline and optimize all activity. To minimize public relations fiascos and regulatory fines, lenders must continually evaluate their lending performance and readily address any fair lending issues *before* they are identified by regulators or the public.

OUR APPROACH

Staying a step ahead requires ongoing status monitoring in order to identify, understand and act on any discrepancies in lending performance. But data preparation is often a daunting task, with valuable resources often spending the majority of their time cleaning data, rather than acting on it. And budget and resource constraints often put the best practices and analytic techniques of industry thought leaders completely out of reach. SAS approaches the problem by delivering software and services to help you:

- **Modernize your data environment** into a single, consistent source, with automated, secure data collection and preparation processes that are fully traceable and tracked with detailed audits.
- **Identify your fair lending risks quickly** using our patent-pending Global Risk Indicator, which can be rolled up and reported along multiple dimensions.
- **Understand and visualize your lending performance** with detailed reports that can dynamically address 80 percent of all queries – at the click of a button.
- **Find the most glaring matched pairs** without having to create regressions, so investigators can keep their focus where it needs to be.
- **Systematically document the qualification process** of all Community Development loans, investments and services to ensure ongoing compliance.

SAS has a 30-plus-year track record of profitable growth and sustained industry leadership in R&D investment. Our on-staff industry experts and development partnerships with lenders have helped define and set the direction for our solution, ensuring that it fully meets lender and regulatory expectations – and will do so for years to come.



APPROACH: A reliable, comprehensive HMDA/CRA compliance solution

SAS has merged years of HMDA and CRA experience with our award-winning data management and business analytics framework to deliver a compliance solution that is unmatched in the industry. Only SAS addresses all aspects of data management required for compliance and changing regulations, and our patent-pending risk indicators help you understand your fair lending risks faster and better than regulators and the public. Our solution helps ensure regulatory compliance by:

- **Automating and documenting the entire data management process** from all loan source systems, embedding all federal and custom edits in the processing with full transparency of every field in every record.
- **Creating a credible, consistent loan repository** for any and all submission needs by building data quality routines into the process.
- **Automating all regulatory and business reports updates** and providing unparalleled flexibility for ad hoc queries and reports to link directly to Microsoft Office products.
- **Calculating key risk indicators** with patent-pending technologies that uncover fair lending issues quickly and let you identify like files for match file testing more easily.
- **Delivering interactive matched pair reports and comparisons** with easy-to-use, interactive menu selections.

Not every lender has industry and analytical experts on staff; that's why we incorporated fair lending best practices and equations into the solution, with easy-to-use interfaces that don't require analytic expertise. Online documentation of your entire compliance process – from source loan files, data quality and validation routines to interactive reporting and visualization – diminishes your audit burden, so when auditors arrive with questions, you'll have the answers.

CASE STUDY: A top 10 US mortgage lender

Situation

The bank had outgrown its PC-based HMDA and CRA monitoring system, and poor data management processes led to inconsistent information. As a result, senior managers couldn't reach internal agreement on their fair lending performance.

Solution

SAS provided a complete HMDA/CRA compliance solution that helped the bank:

- Streamline and automate their data management processes.
- Create a single version of all loan data for consistent reporting.
- Provide instantaneous access to their fair lending performance.

Result

- Fair lending information that once took three to four days to gather is now available on demand.
- The bank can respond quickly when a community action group complains about a perceived fair lending issue.

The Vision

Modernized data environment

What if your HMDA and CRA data were collected, cleansed and validated automatically, creating one version of your loan portfolio status – and could be readily adjusted to any new government requirement with minimal intervention – with complete transparency and behind-the-scenes documentation of the entire process?

Reporting risk identification

What if you could access any report you needed without breaking internal controls by duplicating data with importing and exporting – and without waiting on anyone else to give you the data or create a customization for you?

Community development and CRA performance evaluation

What if you could document your community development loans, investments and services completely and systematically – and ensure that all qualified records were accounted for in a standard CRA performance report that also enabled you to drill down to specific geographies of interest?

Analytic best practices

What if you could know your fair lending risks and drill down to find the source of the greatest risk – at the click of a mouse? And what if analytic expertise were embedded in your matched-pair identification and accessible via an easy-to-use interface that let you quickly find anything worthy of investigative time?

SAS FACTS

- More than 2,900 financial institutions worldwide are SAS customers.
- 96 percent of banks in the FORTUNE Global 500® use SAS.
- SAS has more than three decades of experience working with financial institutions all over the world.

Learn more about SAS software and services for banking at:
www.sas.com/industry/fsi



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