

# Loan Modification Program Review

### Consulting Services for Evaluating and Addressing Fair Lending Risk

Today's market turmoil means an increased emphasis on foreclosure prevention and loss mitigation. As the volume of loan modifications increases, the potential for disparate workout scenarios increases as front-line staff evaluate collateral and analyze behavior scores. Increased demand for loan modifications signals the coming of increased regulatory scrutiny. Don't wait for formal guidance from regulators for evaluating loan modification programs, act now and be prepared. Wolters Kluwer Financial Services provides consulting services to help institutions evaluate, identify, and mitigate the inherent compliance and fair lending risks associated with loan modifications and services.

#### Loan Modifications are Subject to Fair Lending Regulations

The loan modification is considered a credit transaction under ECOA and any potential discriminatory impact will come under increasing regulatory scrutiny. While modifying loans at risk of default as quickly as possible is paramount, servicers and their borrowers must make sure everyone is treated fairly and equally in the process. Based on current regulatory requirements and common data collection practices, our consulting experts have put together a multi-part consulting services offering to help identify areas that are vulnerable to fair lending risk, evaluate potential instances of disparate treatment or disparate impact, and take corrective measures to promote fairness and avoid fair lending risk.

#### A Pragmatic Approach to Risk Evaluation

Our consultants will help your institution evaluate, identify and mitigate the inherent compliance and fair lending risks associated with loan modifications and services. Our four-part approach will prepare your staff and organization to manage the challenges surrounding loan modifications, avoid fair lending risk, and evaluate the effectiveness and fairness of your programs. For each engagement, we allocate the professional staff and technical support that most efficiently meet a client's needs whether they need help in one or a combination of these areas. Whether you want to evaluate how you are currently approaching loan modifications or you want a complete analysis of all loan modifications to date, we can put together an offering targeted to your needs.

### Our Expertise, Your Leading Edge

Our experienced consulting team includes specialists in all aspects of fair lending. Our highly-skilled team of economists, statisticians, and regulatory professionals has substantial experience with all types of loan modifications and understands the fair lending risks inherent in the modification process. We draw on their expertise to bring a varying combination of skill sets to match the specific requirements of each engagement. Our experienced team will examine your loan modification program and provide practical insights and advice on regulatory compliance best practices. With our blend of regulatory experience, industry knowledge, and state-of-the-art technologies, we are well-positioned to assist you with your fair lending compliance risk management needs. The executive members of our fair lending consulting team are:

**Jeff Robb**, MBA, CRCM, *Vice President and Senior Regulatory Consultant*

**Ed Kramer**, *Executive Vice President, Regulatory Programs*

**Wes Zickefoose**, *Senior Regulatory Consultant*



## Loan Modification Consulting Services

Enlist the services of fair lending experts to help evaluate loan modification practices and evaluate their impact.

### Our services include:

**Program Review:** Our consultants will evaluate loan modification policies and procedures with special emphasis on risk identification. Factors evaluated include: sufficiency of staff training on current regulations, policies and procedures; consistency of process for offering, accepting, reviewing, approving, and declining a loan modification among borrowers with regard to income level, demographic, and census tract; appeals process; and complaint management. Our consultants will: 1) provide a detailed analysis of written policies from fair lending perspective; 2) identify decision making opportunities (DMOs) and their associated risks; and 3) recommend corrective measures including, policy and procedure changes, technology utilization and training.

**Sample File Review:** Our consultants will review a representative sample of loan modifications completed and loan modifications denied. Each file will be evaluated for evidence of disparate treatment and impact. Files will be evaluated for evidence of steering issues and disparate impact based on risk of the client (regression). The review will further emphasize evaluation of credit risk, re-structuring process, and resulting even-handedness of workout scenarios.

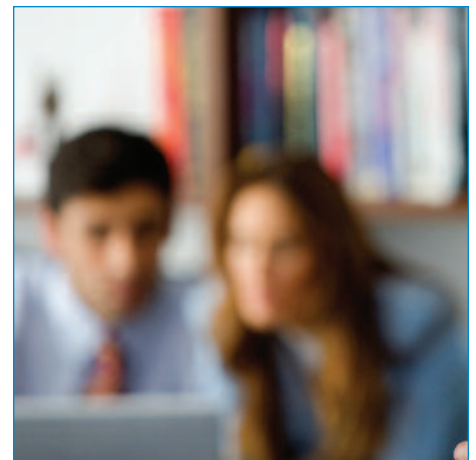
**Complete Portfolio Review:** Our consultants will conduct a statistical analysis of all completed loan modifications and denied applications. The review will compare applicants' race, gender, income, census tract, and ability to repay. The analysis will identify any outliers.

**Statistical Analysis Reports:** Depending on the data provided, our consultants can generate and analyze in-depth statistical reports, emphasizing the following different areas:

- Spatial Analysis
  - ◆ Map by tract income, minority %, etc.
  - ◆ MSA Level
- Focal Point Report (Issues related to income, race, ethnicity, & gender)
  - ◆ Single report to provide overview
  - ◆ Test for statistical significance
- Customized Analysis
  - ◆ Include regression analysis
  - ◆ Increased data requirements

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**Wolters Kluwer Financial Services**  
130 Turner Street, Building 3, 4th Floor  
Waltham, MA 02453  
Toll-free: 800.261.3111  
Phone: 781.663.5333  
Fax: 781.663.5335



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