

### ***Compliance Issues, Lenders & Managers***

***A young man wants to purchase his first home. He has been employed for 15 months at the same firm. His case looks great but you know from his boss, that the factory where he works will be closing for about 3 months. Can you use this reliable source of knowledge when making your loan determination?***

- a) Yes this information may be used, and may be cited as a reason if the loan is declined, so long as it is a part of the entire package.
- b) You may use this information to decline the loan, but you must then decline all loan applications of employees of this factory.
- c) You may use this information to decline the loan, but only if the rest of package indicates that the 3 month closure is problematic. You must maintain this standard for all applicants employed at this factory.
- d) This knowledge may not be used in your lending decision in any way.

#### ***Commentary:***

The Fair Lending Act demands that consistency of standards be maintained. Each institution may determine its own standards. If you factor this information into your calculations, you must do so consistently for each applicant. In this way the knowledge of the factory shutdown may be used, but will not be the sole factor in loan approval.

#### ***Discussion Points:***

- 1) How do you ensure that your institution's policies are applied consistently?
- 2) While this information may be reliable, what do you do if it proves later to be incorrect, but was used in your approval process?