

## MEMORANDUM

To: Subscribers to *Credit Scoring Management and Compliance Guide*

From: Sheshunoff Information Services

Subject: Highlights

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Enclosed is the current update to your manual *Credit Scoring Management and Compliance Guide*. In managing a credit scoring process, detailed management reporting systems are a basic requirement. Credit scoring systems are dynamic systems that react over time to economic conditions, competition, and reflect the knowledge, beliefs, and assumptions that existed at the point of inception. In this update, Chapter 4, Managing a Credit Scoring System, has been updated with discussions regarding the following topics:

- *Model validation policies.* The establishment of a validation policy will help ensure that an institution is meeting the standards of Regulation B, FACT Act, the Equal Credit Opportunity Act, and the Fair Housing Act. This updated section discusses the three integral elements of a validation policy.
- *Reviewing output results.* During the validation process, the output results must be reviewed carefully. The updated section discusses the fair lending examination's recommendations for front-end, back-end, account management, and any disparate-impact analyses
- *Override reports.* The section regarding credit risk reports has been updated with information regarding override reports. These are reports that generate information on all high-side and low-side overrides and can provide management with an early indication of needed adjustments.

If you have questions or comments or would like additional information on Sheshunoff products, please visit our Web site at [www.sheshunoff.com](http://www.sheshunoff.com) or call 1-800-456-2340. Our customer service representatives are happy to help you.

By updating your *Credit Scoring Management and Compliance Guide* with the enclosed materials, you can continue to rely on your manual as a definitive source of information regarding the management and compliance aspects of credit scoring systems.

### FILING INSTRUCTIONS

- Remove 12/08 title page through page xxiv. Insert 10/09 title page through page xxiv.

### Tab: Managing a Credit Scoring System

- Remove old Chapter 4, pages 4-i through 4-36. Insert updated Chapter 4, pages 4-i through 4-36.