

MEMORANDUM

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

From: Sheshunoff Information Services

Subject: Highlights

We hope that you found the 06.1 update to be helpful and informative. Enclosed is the 07.1 update to your subscription to *Credit Scoring Management and Compliance Guide*. Credit scoring is an accepted tool in assisting financial institutions with respect to credit underwriting decisions. The financial services industry has leveraged credit scoring in a wide range of methods/ways from predictions and marketing to underwriting.

- *Regulatory considerations*. In this update, a section has been added to Chapter 1 detailing regulatory oversight considerations for evaluating the implementation and usage of credit scoring tools.
- *Credit scoring benefits*. Chapter 2 has been expanded with further insights on the utilization of credit scoring and related benefits for small business lending. With the utilization of automated tools, lending staff have more time available to work with each individual customer.
- *Establishing your credit scoring system*. Since there are various credit scoring systems and score cards available in the marketplace, a sample request for proposal (RFP) has been included in Chapter 3. This type of formal document allows management teams to clearly articulate their requests, and thereafter, closely evaluate the submitted proposals.
- *Internal audit procedures*. Chapter 5 has a new section on looking at credit scoring sampling and audit techniques. With expanded usage of credit scoring systems, financial institution auditors are being challenged to expand their audit coverage of these automated credit decision tools.
- *Training*. An in-depth training segment on Regulation B (Equal Credit Opportunity Act) and the Fair Credit Reporting Act have been provided in Chapter 6 of this update. These two focus areas have a great deal of impact on the utilization and handling of materials with respect to credit scoring.
- *Examination guidance*. Chapter 7 has been expanded with various elements pertinent to fair lending considerations and the usage of credit scoring systems. Management team members will find these insights helpful when evaluating internal credit scoring systems.

If you have questions or comments or would like additional information on Sheshunoff products, please call 1-800-456-2340. Our customer service representatives are happy to help you.