

REAL ESTATE LENDING EXAMINATION TECHNIQUES (RELET)

Type of Participant Targeted

Real Estate Lending Examination Techniques (RELET) is designed for Federal Reserve System consumer compliance examiners with six to twelve months of examination experience and **responsibility for reviewing residential real estate loans for compliance in at least two examinations.** *All assistant examiners involved in the consumer affairs specialty must complete this course before being commissioned.*

Prerequisites

Participants should have:

- Completed the Introduction to Consumer Compliance Examinations (CA I) course
- Read SR 06-15/CA 06-12, “Interagency Guidance on Nontraditional Mortgage Products”
- Read CA 99-14, “TIL Restitution Policy Guide Q’s & A’s”
- Read CA 07-3, “Statement on Subprime Lending”
- Completed the following Compliance Coach (CC) online training modules:
 - TILA Closed-End for Mortgage Lenders (*60 minutes**)
 - TILA High-Cost for Mortgage Lenders (*20 minutes**)
 - TILA Home Equity Lines of Credit (*45 minutes**)
 - RESPA for Mortgage Lenders (*30 minutes**)
 - Flood Insurance Requirements (*30 minutes**)

This total **three hour time estimate** is from CC. Your actual time to complete a module may vary.

- Completed a written pre-course assignment using your Reserve Bank’s calculation tool to calculate payment streams/amortization schedules for the following loan types: fixed rate real estate, adjustable rate mortgage (ARM) real estate and temporary/permanent construction loans. The estimate to complete this assignment is **three hours**.
- Completed scenario questions for Regulation B, RESPA, Flood Insurance, Regulation Z, and the Homeowners Protection Act (HPA). The questions relate to a scenario about the particular regulation or Act. Specifically, the questions will focus on the basic regulatory requirements during the application phase, pre-closing phase, closing phase, and post-closing phase of a fixed rate purchase money real estate transaction. The estimate to complete these scenario questions is **10-12 hours**.

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- **Proficiency with the OCC APR calculation software program.** This microcomputer program should be loaded on their laptop computer or on a disk.

Course Overview

RELET will provide assistant examiners with the fundamental skills necessary to determine a bank's compliance with consumer laws and regulations as applied to real estate products. Participants will also learn about System policies and regulatory requirements associated with the residential real estate lending examination, including annual percentage rate calculations.

In place of a formal, paper-based assessment, participants will be evaluated through pre-course assignments, online learning modules, and in-class exercises.

Course Objectives

After completing this 4 1/2-day course, the participant, at a minimum, will be able to complete the following objectives.

- Apply analytical skills to the examination of real estate lending.
- Recognize critical regulatory issues related to real estate lending (e.g., identify acts or practices that may be considered unfair or deceptive).
- Apply System policies and procedures to assess compliance with consumer laws and regulations related to open- and closed-end real estate lending
- Perform complex calculations related to real estate lending.
- Identify and cite violations of consumer laws and regulations using the Federal Regulatory Service and other System resources
- Conduct the real estate lending portion of a consumer compliance examination of institutions supervised by the Federal Reserve.

Post-Course Intervention

After completing RELET, the participant should be given on-the-job assignments that will increase the retention of the competencies presented during class. Such on-the-job assignments may include the following:

- Evaluate compliance focusing on the regulations covered during this course.
- Prepare examination reports and workpapers.
- Participate in examination interviews.

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Overview of RELET Curriculum

Subject	Approximate Class Hours	Homework Hours
Course Overview/Icebreaker	.75	*
Real Estate Loan File	.25	--
Fixed Rate Purchase Money Products	15.00	--
Non-Purchase Money Real Estate Loans & HOEPA	3.50	--
Non-Purchase Money Reverse Mortgage Loan	2.00	--
Nontraditional Mortgage Products (e.g., interest only)	2.00	--
Unfair or Deceptive Acts or Practices	2.00	--
Adjustable Rate Mortgages	6.00	--
Multiple Advance Construction Loans	2.00	--
Open-end, Home Equity Lines of Credit	2.00	--
Reimbursement Policy Guide	3.00	--
Total	37.50	—

*Homework for this course consists of daily unfinished in-class exercises

Class Size

The optimal class size for RELET is 15 participants. To provide sufficient variety of interaction among class participants, the minimum class size is 10 participants. Because RELET incorporates many in-class exercises and some topics require specialized subject matter expertise to present instructional material, sufficient instructors are available to assist individuals and small groups. Accordingly, to ensure a manageable instructor workload and maintain a reasonable participant-to-instructor ratio, a maximum class size is 25 participants.

Instructors

RELET includes one lead instructor and four additional instructors with consumer compliance examination experience. Other instructors may include Board staff and other System examiners who have expertise in specific topics.