



Privacy Impact Assessment of the CHAT Suite of Analysis Tools

Program or application name.

Community Reinvestment Act (CRA) /Home Mortgage Disclosure Act Analysis (HMDA) Tool (CHAT) Suite of Analysis Tools

System Owner.

Board of Governors' of the Federal Reserve Systems' (Board of Governors)
Division of Consumer and Community Affairs

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Description of the IT system.

CHAT is a suite of analysis tools used to analyze lending and demographic data gathered from regulated financial institutions. (Appendix A contains a list of these analysis tools along with brief descriptions). CHAT is utilized by the Consumer Compliance Supervision (CCS) function throughout the Federal Reserve System (FRS). Federal Reserve CCS staff use CHAT on all

consumer compliance examinations of financial institutions for the purpose of CRA and fair lending data analysis and compliance with applicable laws and regulations. CHAT is also used by Federal Reserve staff to analyze merger and acquisition applications submitted to the Board of Governors by financial institutions.

1. Information concerning individuals that is being collected and/or maintained.

Some of the information collected in CHAT can directly identify a person. The majority of the data fields do not contain personally identifiable information; however, they can be combined to create personally identifiable information. Certain of the data elements, as indicated below, are required for analysis, while others are optional. The optional data fields are those that the institutions opt to provide to the examiner. The following data fields represent the potentially personally identifiable information (directly or indirectly) stored in CHAT.

- a. Borrower name (optional);
- b. Borrower identification number (optional);
- c. Home address (optional);
- d. Borrower gender (required);
- e. Borrower ethnicity (required);
- f. Borrower race (required);
- g. Loan identification/application number (required);
- h. Application date (required);
- i. Action date (required);
- j. Geographic identifiers such as city, state, county, Metropolitan Statistical Area (MSA)/Metropolitan Division (MD Code), tract code, latitude, and longitude(required); and
- k. Complainant name, complaint description and complaint control number from the Board's Web CAESAR consumer complaint database

2. Source(s) of each category of information listed in item 1.

The personally identifiable information listed in item 1 is generally obtained from two sources. First, Federal Reserve examiners may obtain personally identifiable information from CRA, Consumer and HMDA data collected either in electronic form directly from the financial institution or manually

from its loan files during the course of a consumer compliance examination. HMDA data may also come from data submitted to the Federal Financial Institutions Examination Counsel (FFIEC). Regulation C (HMDA) requires financial institutions to submit their HMDA lending data to the FFIEC on an annual basis. Submitted data, which do contain personally identifiable information, is used by the FFIEC regulators (Federal Deposit Insurance Corporation, Office of the Comptroller of the Currency, Office of Thrift Supervision, and the Board of Governors) to assess compliance with the HMDA and CRA regulations. CHAT is the Federal Reserve's software product designed to conduct such an analysis. Consequently, CHAT collects personally identifiable information from the submitted data as part of its overall HMDA data analysis processes.

CHAT may also collect personally identifiable information from complaint data compiled in the Board of Governors' Web CAESAR system, a web-based application that supports the Federal Reserve's business processes for receiving, responding, monitoring and reporting consumer complaints and inquiries that are filed against state member banks and other financial institutions supervised by the Board of Governors. The data are acquired by providing CHAT with an institution's name and/or regulatory identification number (RSSD ID). CHAT then communicates with CAESAR to retrieve the complaint data. The complaint data are not aggregated. The data items necessary for the reports are those that are pulled and stored in a CHAT database table. The data elements are then used to populate pre-defined report formats.

3. Purposes for which the information is being collected

Federal Reserve CCS staff use CHAT on all consumer compliance examinations of financial institutions for the purpose of CRA and fair lending data analysis and compliance with applicable laws and regulations. Analysis of applicable data during the course of a consumer compliance examination allows the Federal Reserve to determine if an institution is meeting the credit and lending needs of its defined market. If an institution's performance is below satisfactory or in non-compliance, in-depth record by record data analysis can provide insight to the problem areas and possible corrective action.

CHAT is also used by Federal Reserve staff to analyze merger and acquisition applications submitted to the Board of Governors by financial institutions.

4. Who will have access to the information.

For the most part, access to data by a user within the Federal Reserve is limited to authorized employees within the Federal Reserve who have a need for the information for official business purposes. The information maintained in CHAT may be subject to disclosure under the Freedom of Information Act or in connection with fair lending cases that may be referred to the U.S. Department of Justice. The information contained in CHAT may also be used as follows—

- a. Disclosure for Enforcement, Statutory and Regulatory Purposes. Information may be disclosed to the appropriate federal, state, local, foreign, or self-regulatory organization or agency responsible for investigating, prosecuting, enforcing, implementing, issuing, or carrying out a statute, rule, regulation, order, policy, or license if the information is relevant to a potential violation of civil or criminal law, rule, regulation, order, policy or license within the jurisdiction of the receiving entity.
- b. Disclosure to a Member of Congress. Information may be disclosed to a congressional office in response to an inquiry from the congressional office made at the request of the individual to whom the record pertains.
- c. Disclosure to the Department of Justice, a Court, an Adjudicative Body or Administrative Tribunal, or a Party in Litigation. Information may be disclosed to the Department of Justice, a court, an adjudicative body or administrative tribunal, a party in litigation, or a witness if the Board determines that the information is relevant and necessary to the proceeding and that such disclosure is compatible with the purpose for which the records were collected.

- d. Disclosure to Contractors, Agents, and Others. Information may be disclosed to contractors, agents, or others performing work on a contract, service, cooperative agreement, job, or other activity for the Board and who have a need to access the information in the performance of their duties or activities for the Board.

- e. Disclosure Where Security or Confidentiality Has Been Compromised. To appropriate agencies, entities, and persons when it is suspected or confirmed that the security or confidentiality of information in the system of records has been compromised; the Board of Governors' has determined that as a result of the suspected or confirmed compromise there is a risk of: harm to economic or property interests, identity theft or fraud, or harm to the security or integrity of this system or other systems or programs (whether maintained by the Board of Governors' or another agency or entity) that rely upon the compromised information; and the disclosure is made to such agencies, entities, and persons who are reasonably necessary to assist in connection with the Board of Governors' efforts to respond to the suspected or confirmed compromise and prevent, minimize, or remedy such harm.

5. Whether the individuals to whom the information pertains will have an opportunity to decline to provide the information or consent to particular uses of the information (other than required or authorized uses).

Individuals do not have an opportunity to decline to provide the information or consent to particular uses of the information.

6. Procedure(s) for ensuring that the information maintained is accurate, complete and up-to-date.

As previously discussed, the identifiable information maintained in CHAT is collected either directly from the lending records of financial institutions-- not from the individual loan applicants—or from consumer complaints filed with Web CAESAR. CHAT is designed to use the most current and complete CRA and HMDA data available. CRA data is collected from the

institution at the start of an examination. The HMDA data are updated on a weekly basis with the most current data submissions from financial institutions.

The CHAT data import process incorporates FFIEC data verification edits that check for quality and validity errors. Quality edits check for missing income, revenue and loan amount information. Validity edits check for missing or invalid geographic identification information. Records that fail either or both edit checks can be manually corrected during the import process or written to an error file for correction. CHAT also includes sampling functionality that creates a random sample of loan records based on CRA and HMDA loan sampling requirements. Randomly selected loan records are used to verify content of loan records in accordance with established data verification procedures. Corrections to incomplete or inaccurate records are either made by the institution or by the examiners on-site at the institution.

7. The length of time the identifiable information will be retained and how it will be purged.

Lending data in CHAT that contains identifiable information is retained for the duration of an examination. Once the examination is concluded, the lending data is retained in accordance with examination frequency and trend analysis requirements. Upon termination of the applicable timeframe, the lending data is removed from the CHAT databases and archived as part of the examination record. Storage, retention and/or disposal of these files are compliant with Federal Reserve System policies governing the use of electronic examination data.

8. The administrative and technological procedures used to secure the information against unauthorized access.

CCS staff are not granted access to CHAT until their request for access process has been completed. Only potential users with a legitimate business need are granted approval for access to the software product. CHAT installations conform to Federal Information Security Management Act and Board authentication requirements applicable to mobile applications and data. This technology ensures that only the authorized user or system administrator has access to the CHAT software product and associated lending data.

9. Whether a new system of records under the Privacy Act be created. (If the data is retrieved by name, unique number, or other identifier assigned to an individual, then a Privacy Act system of records may be created).

CHAT does not require publication of a system of records under the Privacy Act since identifiable information about an individual is not retrieved by reference to an individual's name or other personal identifier.

Reviewed:

<u>(signed) Elaine Boutilier</u>	12/13/06
Elaine Boutilier	_____
Chief Privacy Officer	Date

<u>(signed) Marianne Emerson</u>	12/13/06
Marianne Emerson	_____
Chief Information Officer	Date

Appendix A – CHAT Suite of Analysis Tools, Modules and Descriptions

- CRA Analysis Module – This module is the primary analysis tool for use on CRA examinations. The CRA Analysis Module is used to analyze lending performance and to determine compliance with the Community Reinvestment Act
- CHAT Web – This module is the primary tool for the analysis of HMDA data for fair lending and institution merger / acquisition applications analysis