Prologue

In this set of reports, I explore several of the interesting and challenging analytical issues I encountered during my career as a fair lending economist. I present each report primarily through the lens of a fair lending exam with only brief references to overall risk management. The reason for this is simple, over my entire career I provided statistical support to fair lending exams and developed expertise in this area, which I do not have for overall risk management. In addition, I minimize discussions of legal theory, which is challenging given how heavily intertwined statistical and legal analyses are in fair lending work. Again, the reason for this is simple, as an economist, I know just enough about the law to be dangerous, and therefore should not be writing about legal issues. In instances where I do discuss legal issues, let me offer a universal apology here to lawyers everywhere.

My overall objective for these reports is to improve statistical fair lending analyses, and subsequently the accuracy of conclusions based on these analyses. My overall strategy for achieving this objective is to raise analytical issues that often get overlooked during fair lending work, explore potential options for addressing these issues, and then discuss the trade-offs of each option. Although I propose potential best practices in some instances, I generally avoid doing so, since I firmly believe that the appropriate statistical choices are analysis specific. As a result, readers hoping to find clear proposals on exactly how to conduct statistical fair lending analysis may be left wanting.

Overall, I expect no one will agree with, or find useful, every part of every report. Instead, I expect everyone will find something they have not thought of before and find useful, something they already knew, and something they disagree with or feel is incorrect. To a large extent, that would be a great outcome, since my hope is that these reports initiate discussions

about the analytical details of fair lending statistical analyses, so that each reader can better understand, apply, and explain their own specific statistical fair lending analyses.