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The Purpose of our presentation today:

- **Compliance is HOT**
- **Renovation in the works - Compliance Program**
- **Reorganization in process - Consumer Affairs**
- **Compliance Update – Regs/Policies**



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Compliance is HOT

Since 1-1-2007, executives in DC have performed 37
Speeches or Testimony

–19 speeches/testimony were compliance related

»9 related to testimony in the US House or Representatives

»2 related to testimony in the US Senate



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Compliance is HOT

- Inspector General – BSA audit in 2007
- GAO has begun a study of federal monitoring & enforcement of fair lending laws
 - ECOA, HMDA, FHA and other related laws
 - Federal Reserve, OCC, FDIC, NCUA & OTS
 - Level of resources committed to detecting discrimination
 - HMDA’s effectiveness as a tool to detect discrimination
 - Agency’s compliance with fair lending exam procedures
 - Follow-up on violations and case referrals



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Renovation in the works - Compliance Program

- Staffing – adding compliance staff
- Reorganizing the compliance staff in the regions
- SMAART update



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Renovation in the works - Compliance Program

- As of February 19, 2008, 17 people in Compliance & Consumer Protection in DC
- In the MWR
 - July/Aug 2007 we added 3 new compliance specialist
 - April 29, 2008 we announced two new Reg. Compliance Examiner (Supervisors)
 - May 7, 2008 we announced the MWR compliance teams



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Renovation in the works - Compliance Program

Regional Compliance Examiner (Supervisor) what do they do?

- They report to the AD Compliance
- They plan, direct, and perform risk-focused compliance exams
- They serve as the EIC or compliance lead on the largest exams



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Renovation in the works - Compliance Program

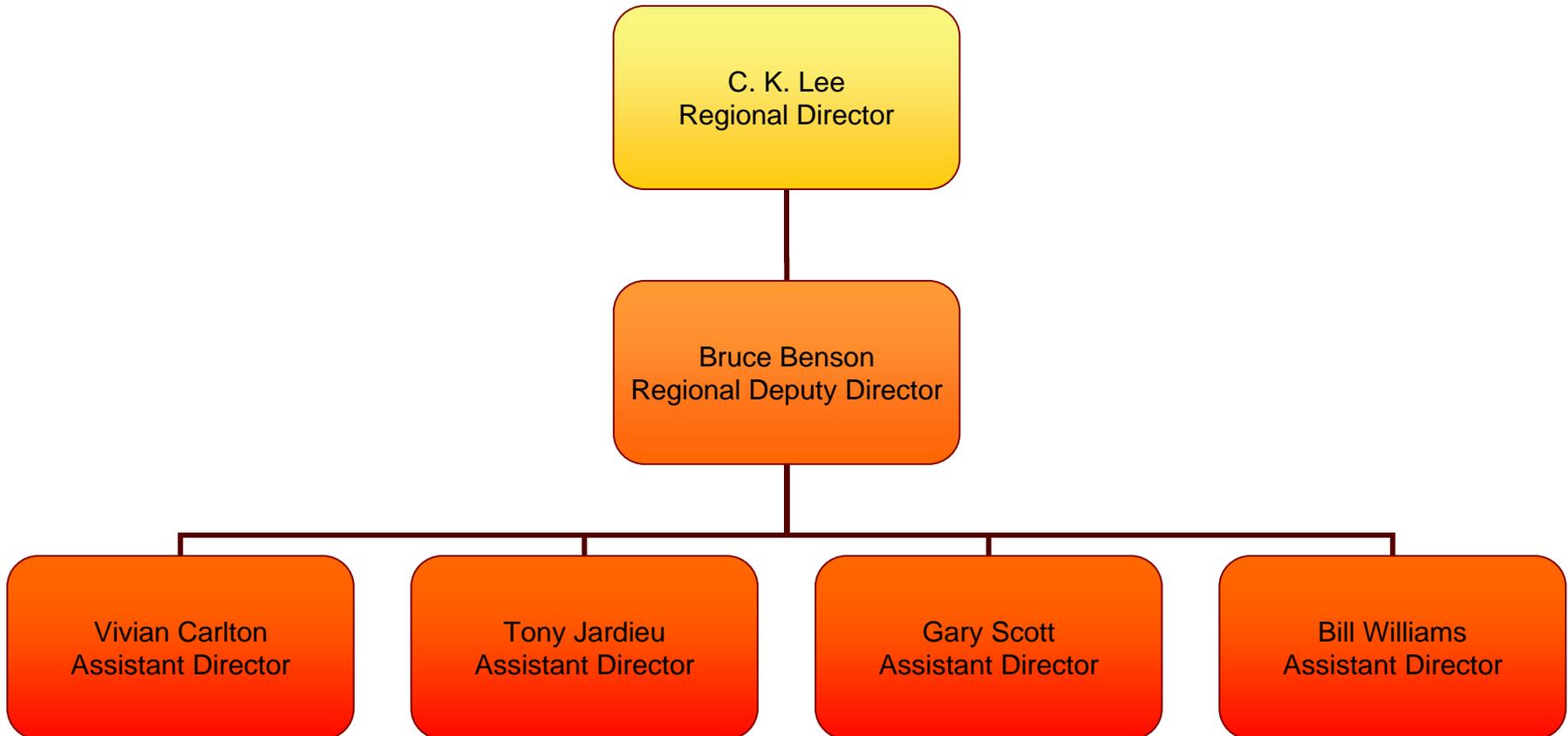
Regional Compliance Examiner (Supervisor) what do they do? continued

- They provide day-to-day contact with exam crews in order to provide Q&A on compliance regs.
- They provide compliance training to the industry and to examiners
- First line supervision over assigned compliance exam staff



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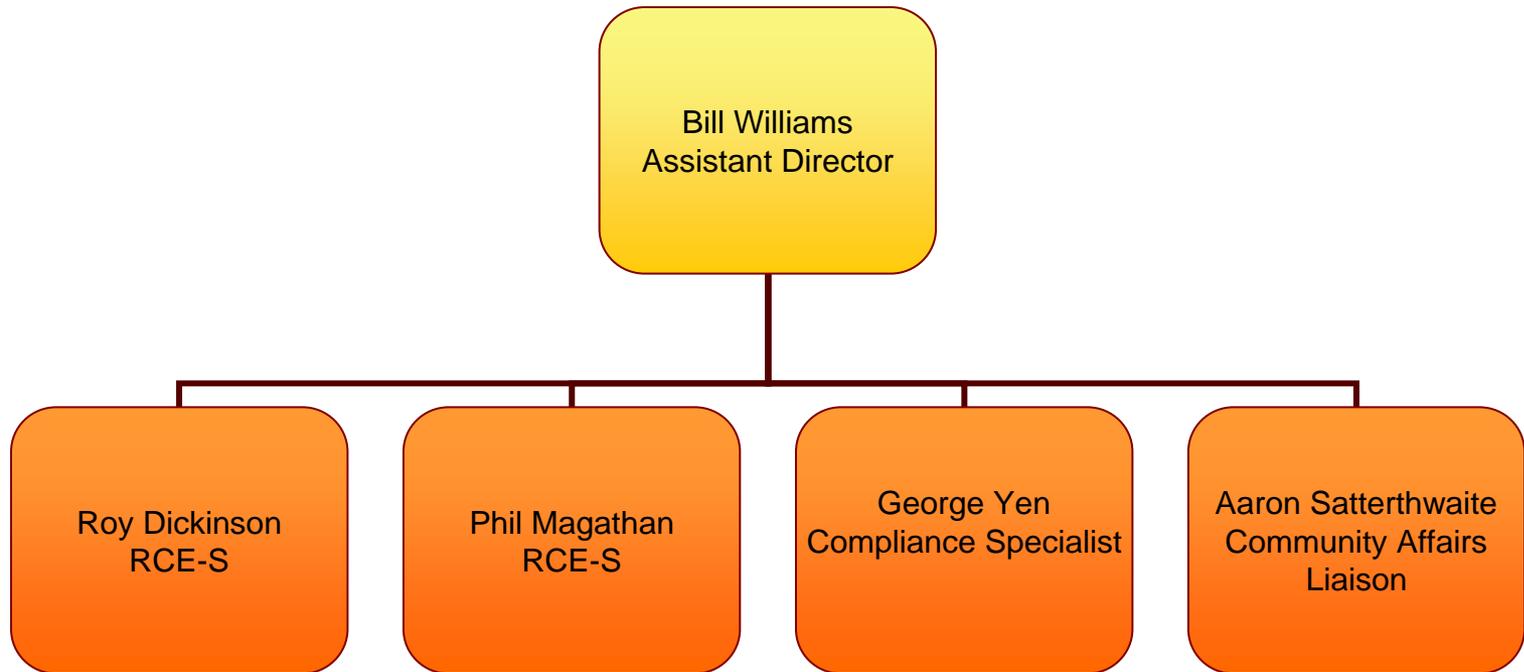
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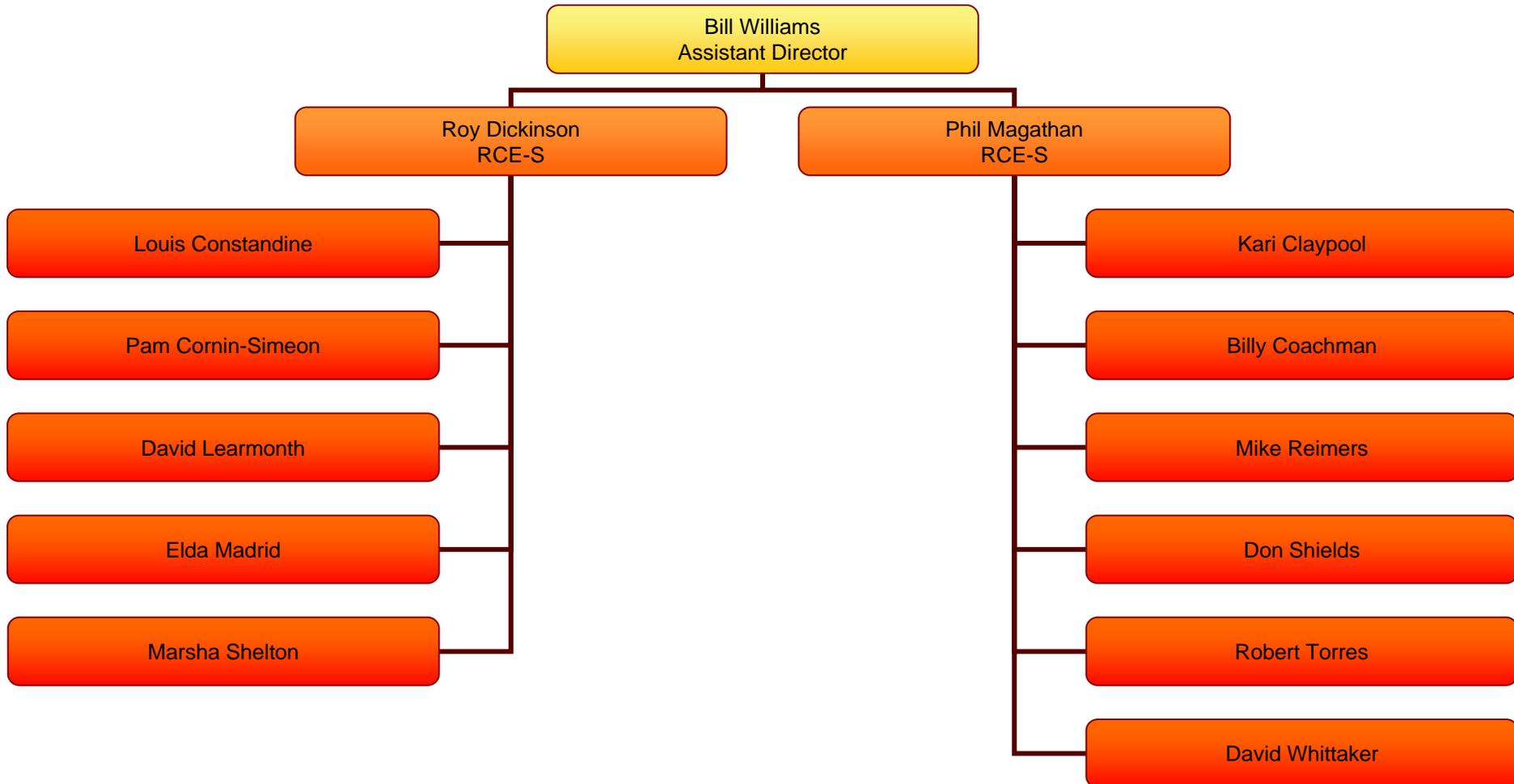
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Renovation in the works - Compliance Program
Regional Compliance Examiner (Supervisor) will
work with the following FM:

- Roy Dickinson
 - Danny Brasseaux
 - Steve Paar
 - David Marslett
 - Brad Danielson
 - 81 institutions
- Phil Magathan
 - Don Kramer
 - Doug Pittman
 - Mike Featherstun
 - Paul Kelly
 - 71 institutions



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Reorganizing the Consumer Affairs

Current Consumer Affairs staff:

- Decentralized in 4 of the 5 regions
- 13 experienced consumer analyst and 4 managers
- Process 16,000 consumer complaints each year



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Reorganizing the Consumer Affairs

May 13, 2008 – OTS announced an enhanced, centralized service for assisting customers of OTS regulated institutions. The Consumer Response Unit (CRU) will

- Intake of all complaints
- Interaction with consumers by phone
 - 1-800-842-6929
- February 15, 2009 – CRU fully operational/transition complete



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Compliance Update – Regs/Policies

- BSA
- Flood
- Fair Lending
- CEO Memo, RB & TB Listing



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Compliance Update – Regs/Policies

Bank Secrecy Act/Anti-Money Laundering:

BSA formal enforcement by the numbers for all banking agencies (as of 5-30-08):

2008 – 17

2004 – 57

2007 – 60

2003 - 25

2006 – 53

2002 - 25

2005 – 62



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Compliance Update – Regs/Policies

Bank Secrecy Act/Anti-Money Laundering:

BSA violations by the numbers for **OTS regulated institutions**
(as of 5-30-08):

2008 – 21	2004 - 202
2007 – 59	2003 - 145
2006 – 118	2002 - 97
2005 – 163	2001 - 113



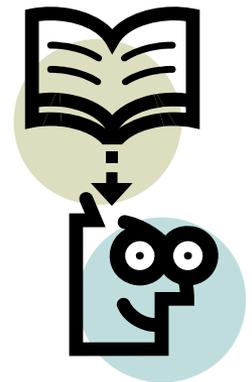
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Compliance Update – Regs/Policies

BSA Case Review – Situation #1

Most recent exam of this bank with assets <\$300 million identified a number of concerns, including the bank's failure to file SARs in those instances where mortgage fraud was suspected. The examiners identified a number of instances where mortgage fraud was strongly suspected and requested the bank review these credits and file the SARs as necessary.





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Compliance Update – Regs/Policies

BSA Case Review – Situation #1

We cited the bank for a violation of 12 CFR 563.180(d)(3) & (5) for failing to have adequate controls and monitoring to detect and report suspicious, criminal, or fraudulent activities and for failure to file the SARs on time.

C&D order was issued.





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Compliance Update – Regs/Policies

BSA Case Review – Situation #2

Bank with assets < \$500 million had their BSA officer retire after many years of service. The current compliance and CRA officer was assigned to be the BSA officer (was not document in the board minutes). During the exam, management agreed to appoint another employee with extensive BSA experience as the BSA officer. The 2006 & 2007 independent tests of the BSA program noted that the scope of the audits did not adequately cover all appropriate areas. In addition, the BOD minutes failed to record the review of the independent tests. The 2007 BSA independent test noted that there were no training records. Finally, a review of the BSA policy noted that several sections of the policy did not reflect actual practices of the bank.



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Compliance Update – Regs/Policies

BSA Case Review – Situation #2

Violations

563.177 (c)(3) – BSA Officer

563.177(c)(2) – Independent test

563.177(c)(4) – BSA training

563.177(b)(1) – BSA Policy

C&D issued





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Compliance Update – Regs/Policies

FLOOD Regulations

Homes in a Special Flood Hazard Area have a 26% chance of flooding over a 30 year period versus a 4% chance of fire damage.





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Compliance Update – Regs/Policies

FLOOD Regulations

We would like to cover three areas of the flood regulations:

1. Mandatory Purchase Requirements
2. Lender Penalties
3. Flood Zone Disputes





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Compliance Update – Regs/Policies

FLOOD Regulations

- Lenders must use the Standard Flood Determination Form
- Mandatory purchase requirements are required for the term of the loan.
- Mandatory purchase requirements must cover the **LESSER** of the outstanding loan balance **OR**
- The maximum limit of coverage available



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Compliance Update – Regs/Policies

FLOOD Regulations

Maximum Limits of Coverage:

Type	Residential	Non-Residential
Building	\$250,000	\$500,000
Contents	\$100,000	\$500,000



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Compliance Update – Regs/Policies

FLOOD Regulations

Acceptable at Closing:

- Copy of the flood application with proof of payment
- Follow-up with declaration page
- Certificate of insurance will be recognized as proof as of May 1, 2008 on renew



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Compliance Update – Regs/Policies

FLOOD Regulations

Force Placement of Flood Insurance:

- Failure to comply or insufficient amount of insurance
- Premium may be considerable higher than a voluntary policy
- Requires 45-day written notification



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Compliance Update – Regs/Policies

FLOOD Regulations

Lender Penalties:

- \$350 per violation
- \$125,000 maximum fine per year
- Must be a “pattern or practice” of non-compliance





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Compliance Update – Regs/Policies

FLOOD Regulations

Flood Zone Disputes

–Additional Documentation

–Letter of Determination Review Process (LODR) within 45-
days of notice between lender and property owner

–Letters of Map Change (LOMA & LOMR)

–Different zone than insurance agent shows



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Compliance Update – Regs/Policies

FLOOD Regulations

Notes on Letter of Map Changes

- Elevation Certificates do not change flood zones
- Elevation Certificates are not LOMAs or LOMRs
- Elevation Certificates do not waive federal requirements



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Compliance Update – Regs/Policies

FLOOD Regulations

Notes on Letter of Map Changes

- Only FEMA can change NFIP flood maps
- A local community official cannot change a NFIP flood map
- If a map change has superseded the LOMA/LOMR then the LOMA/LOMR has to be re-validated by FEMA



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Compliance Update – Regs/Policies

FLOOD Regulations

Notes on Letter of Map Changes

–1-877-336-2627

–www.fema.gov





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Compliance Update – Regs/Policies

Fair Lending

The US Attorney General's 2007 Report to Congress on ECOA was submitted on April 2, 2008.

- In 2007 DOJ received 27 fair lending referrals
 - 15 from the FDIC
 - 9 from the FRB
 - 3 from the OTS





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Compliance Update – Regs/Policies

Fair Lending

FDIC's 15 referrals in 2007

- 11 involved marital status discrimination
- 2 involved age discrimination
- 1 involved race discrimination
- 1 involved religious discrimination





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Compliance Update – Regs/Policies

Fair Lending

FRB made 9 referrals in 2007

- 4 involved marital status
- 4 involved race or national origin discrimination
- 1 involved age discrimination

Board of Governors of the Federal Reserve System

The Federal Reserve, the central bank of the United States, provides the nation with a safe, flexible, and stable monetary and financial system.



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Compliance Update – Regs/Policies

Fair Lending

OTS made 3 referrals in 2007

- All 3 referrals involve the following allegations:
 - 2 lenders discriminated on the basis of race in the pricing of mortgage loans
 - 1 lender discriminated on the basis of age in its student credit card programs



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Compliance Update – Regs/Policies

- **CEO Ltrr 274 – 5-5-08** – Proposed Rule on Unfair & Deceptive Acts or Practices
- **CEO Ltrr 273 – 4-24-08** – Compliance with TIS & Electronic Transfer Act Rules; GAO Report 08-21
- **CEO Ltrr 270 – 4-1-08** - Identity Theft Red Flags & Address Discrepancies – Final Rule & Guidelines
- **CEO Ltrr 268 – 3-4-08** – Strategic Plan & Wholesale/Limited Purpose Designations Under the CRA



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Compliance Update – Regs/Policies

- CEO Ltrr 267 – 3-3-08** – Statement on Reporting of Securitized Subprime ARMs – New Hope
- CEO Ltrr 265 – 12-20-07** – FCRA Affiliate Marketing Rule
- CEO Ltrr 262 – 9-24-07** – DOD Final Rule on Consumer Credit Extended to Service Members & Dependents
- CEO Ltrr 257 – 7-11-07** – Statement on Subprime Mortgage Lending



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Compliance Update – Regs/Policies

- **CEO Ltrr 255 – 4-17-07** – Guidance on Working with Mortgage Borrowers
- **CEO Ltrr 254 – 2-28-07** – Guidance on Gift Card Programs
- **CEO Ltrr 253 – 2-5-07** - Reminder on Interagency Supervisory Guidance for Financial Institutions Affected by Hurricane Katrina



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Compliance Update – Regs/Policies

Regulatory Bulletins issued since 1-1-2007 (Directives issued by the Office of Thrift Supervision to its regulatory staff providing clarification of regulations and/or specifying guidelines and procedures.):

- **RB 37-22 – 5-7-2008** – Fair Credit Reporting Act, Controlling the Assault of Non-Solicited Pornography & Marketing Act, Telephone Consumer Protection Act, & Junk Fax Prevention Act
- **RB 37-19 – 7-2-07** – Community Reinvestment Act
- **RB 37-17 – 3-8-07** – Interagency Fair Lending Examination Procedures



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Compliance Update – Regs/Policies

Thrift Bulletins Issued since 1-1-07 (Directives issued by the Office of Thrift Supervision to thrift institutions providing clarification of regulations or laws and/or specifying guidelines and procedures.)

–TR 411 – 4-21-08 – Reg CC amendment announced

–TR 409 – 1-31-2008 – Proposed amendment to Reg. Z which implements TILA & HOEPA



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Compliance Update – Regs/Policies

- TR 407 – 1-31-08** – Final Rule Amending Reg. CC – Check Processing Restructuring at the Fed.
- TR 406 – 1-31-07** – Final Rule amending staff commentary on HMDA
- TR 405 – 12-4-07** – Final Rule amending Reg. DD Concerning the Electronic Delivery of Disclosures
- TR – 404 – 12-4-07** – Final Rule amending Reg. Z Concerning the Electronic Delivery of Disclosures



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Compliance Update – Regs/Policies

- TR 403 – 12-4-07** – Amend to Reg. M which implements rules concerning electronic delivery of disclosures
- TR 402 – 12-4-07** – Amend to Reg. E which implements rules concerning electronic delivery of disclosures
- TR 401 – 12-4-07** - Amend to Reg. B which implements rules concerning electronic delivery of disclosures
- TR 396 – 10-3-07** – Amend to Reg. CC
- TR 395 – 10-3-07** – Annual Adj. for HOEPA rates



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Compliance Update – Regs/Policies

- TR 393 – 8-9-07 – Amendment to Reg. E
- TR 391 – 8-9-07 – Amendment to Reg. CC
- TR 390 – 8-9-07 – Amendment to Reg. CC
- TR 387 – 2-2-07 – Amendment to Reg. C
- TR 385 – 2-2-07 – Amendment to Reg. E



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Q&A



Q&A

Q&A



Q&A

