

THREE TO FIVE DAYS PRIOR

OVERVIEW

During this time frame, a profile of the financial institution is developed through a review of documentation available through FDIC documents and information received from the financial institution. This profile will provide examiners conducting the examination with an understanding of the financial institution and its community. In addition, the examiners will be aware of issues to be investigated during the examination.

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TELEPHONE CALL TO THE FINANCIAL INSTITUTION

This call should be made as early as possible in the PEP process to provide institution management sufficient time to prepare for the beginning of the on-site portion of the examination.

| Call the Financial Institution |
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| <i>NOTE: If concurrent examinations are being conducted, this call should be coordinated with DOS. Ensure coordination with DOS personnel has occurred concerning concurrent examinations.</i> |
| 1. Inform financial institution management of the examination start date. |
| 2. Schedule an entrance meeting with persons responsible for the management of compliance and CRA, such as the president, the compliance and/or CRA officer, and any other personnel identified by financial institution management. |
| 3. Obtain operating hours, directions to the financial institution, and make any other arrangements, as necessary. |

**PEP
PROCEDURES**

| Review the Following | |
|--|---|
| Compliance Examination Report(s) | |
| 1. | <p>Review the most recent Compliance Examination Report(s) (FDIC and State) and any visitations to determine, at a minimum, the following:</p> <ul style="list-style-type: none"> • Number of examiners • CRA and Compliance examination hours • CRA and Compliance ratings • The overall condition of the financial institution's compliance and CRA programs <p><i>NOTE: Determine if there are major weaknesses, and the reasons given.</i></p> <ul style="list-style-type: none"> • Previous recommendations made for improvement • Areas where systemic violations were noted and the reasons given |
| Correspondence | |
| 2. | <p>Review compliance and safety and soundness correspondence to identify and become familiar with the following, as applicable:</p> <ul style="list-style-type: none"> • Consumer complaints received since the previous compliance examination (Nature and Volume) • Institution management's response to the previous compliance examination • Applications in process • Openings and closings of branch locations • Changes in organizational structure (mergers, holding company, etc.) • Changes in management • Formal and informal enforcement action(s) outstanding, effective date, and compliance with such (through the review of progress reports) |
| Data Requested From the Financial Institution | |
| 3. | <p>Analyze information obtained from the financial institution in response to the CIR and, if applicable, the CDR.</p> <p><i>Refer to the Two Months Prior To Scheduled Examination section for details.</i></p> |
| 4. | <p>If the internal/external audit reports were forwarded to the field office, review this information and attempt to determine the thoroughness of the reviews.</p> |

**PEP
PROCEDURES
(cont'd)**

Safety and Soundness Examination Report and Reports of Condition and Income

5. Obtain the most recent FDIC or State safety and soundness CAMELS and composite ratings through either:
- Banking Information Tracking System (BITS) – "Examination Data" field. BITS may be accessed through the FDIC's database
 - The most recent safety and soundness examination report

6. Also from BITS, review the following information from the most recent Report of Condition and Income:
- Total deposits
 - Gross loans
 - Loan portfolio mix
 - Loans-to-assets and loans-to-deposits ratios
 - Quarterly averages
 - Other information, as appropriate

Uniform Bank Performance Report (UBPR)

7. Analyze the data and trends relating to:
- Total assets
 - Gross loans
 - Loan portfolio mix
 - Loan-to-assets and loans-to-deposits ratios
 - Other areas, as appropriate

Additional Sources of Information

8. Review information received from the financial institution identifying the assessment area(s), including census tracts or block numbering area designation(s).

9. Review other available demographic data received from the financial institution.
- The following are examples of demographic data that might be reviewed:
- Median family income
 - Percent owner-occupied households (by race)
 - Number of persons (by race)
 - Percent population (by race)

NOTE: Additional demographic data may be available from the Regional Office, Community Affairs Program (CAP) Staff, and in the field office in hardcopy or spreadsheet form.

**PEP
PROCEDURES
(cont'd)**

10. Obtain information from the following sources:

- HMDA Disclosure Statements
- HMDA Metropolitan Statistical Area (MSA) Aggregation Reports
- Federal Reserve Board (FRB) Analysis Reports
- HMDA Late Reporter Listing
- Community Contact Forms
- Demographic Data
- Internet

11. Request Regional Office assistance to obtain HMDA reports, if necessary.

The DCA Washington Office provides the following data to the Regional and DCA field offices on CD-ROM:

- Financial Institution HMDA-LARs, Transmittal Sheets, and Disclosure Statements
- MSA Aggregation Reports

DCA Washington Office provides the HMDA Late Reporter Listings to the Regional Offices. The Regional Offices will distribute the late reporter listings to the field offices.

12. Review, at a minimum, the HMDA Disclosure Statements during PEP for all applicable financial institutions.

NOTE: Review these reports early in the PEP process to determine if FRB HMDA Analysis Reports should be ordered and reviewed.

13. Consult the Regional Office and CAP staff for assistance in analyzing HMDA data, particularly when the financial institution is:

- A large HMDA reporter (more than 100 LAR lines filed)
- Has significant HMDA reporting problems
- Further analysis is required after the review of the HMDA Disclosure Statements

**COMMUNITY
CONTACT
INTERVIEWS**

Conduct Community Contact Interviews

1. Conduct Community Contact Interviews, if feasible, based on geographic distances and contact(s) schedules.

If conducting contact(s) during PEP is not feasible, schedule the contact(s) early in the on-site examination.

2. Detail contacts made or reviewed that were previously conducted and summarize information contained therein.

**PEP
MEMORANDUM
DATASHEET
AND PEP
MEMORANDUM**

| Complete Data Sheet and Memorandum | |
|---|---|
| 1. | Complete the Pre-Examination Planning Memorandum Data Sheet (Refer to Sample Documents section) |
| 2. | <p>Complete the PEP Memorandum</p> <ul style="list-style-type: none"> • The PEP Memorandum should address the following: <ul style="list-style-type: none"> • Proposed scope of examination • Interim activity pertinent to scoping strategy • Issues to be investigated or areas to be targeted and reasons why • Areas where only limited testing is deemed necessary and reasons why • The information needed for preparing the PEP Memorandum is available from the following sources: <ul style="list-style-type: none"> • FDIC Regional Office • FDIC field office • FDIC database • Financial Institution <p><i>NOTE: The PEP Memorandum should be completed following the review of demographic data and the conclusion of any community contact interviews, if performed during PEP.</i></p> |
| 3. | <p>Distribute a copy of the PEP Memorandum Data Sheet and PEP Memorandum as follows:</p> <ul style="list-style-type: none"> • EIC and assisting examiners • Field Office Supervisor • Examination workpapers |

**MATERIALS
FOR ON-SITE
EXAMINATION**

| Prepare Materials for the On-site Visit | |
|--|--|
| 1. | <p>Assemble the following materials to take to the financial institution:</p> <ul style="list-style-type: none"> • Materials developed in pre-examination planning, including the PEP Data Sheet and Memorandum (See the Sample Documents section) • Prior Compliance Examination Report(s) • Correspondence file • Prior examination workpapers |



**FDIC LAW,
REGULATIONS,
& RELATED
ACTS**

Applicable Rules

None

**Advisory
Opinions**

None

**Statement of
Policy**

None

**DCA
MEMORANDA**

Pre-Examination Planning (PEP) Procedures, Transmittal No. DCA-96-013,
dated 1/31/96
Examination Procedures for Verifying Truth in Lending Restitution
Disbursements, Transmittal #DCA-96-005, dated 1/19/96
Regional Manager Memorandum, Community Contacts and Community
Reinvestment Act, Transmittal #94-35, dated 3/1/94

**FINANCIAL
INSTITUTION
LETTERS(FIL)**

None

OTHER

FFIEC Community Contact Procedures, Community Reinvestment Act
Examination Procedures -and- Performance Evaluations, "Red Book", Tab K
