

# San Francisco Region Bankers' Forum: *Compliance and CRA Update*

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*September 18, 2018*

# Agenda

- Compliance Updates
  - Consumer Compliance Rating System
  - Managing High-Risk Areas
  - Matters Requiring Board Attention
- CRA Considerations for Mergers/Acquisitions
- Questions and Answers

# Compliance Updates

# Consumer Compliance Rating System

- Effective March 31, 2017
- Reflects current, risk-based supervisory approach
- Recognizes proactive compliance management
- Promotes coordination, communication, and consistency among agencies

# Assessment Factors

- Board and Management Oversight
  - Oversight and commitment
  - Change management
  - Comprehension, identification, and management of risk
  - Corrective action and self-identification

# Assessment Factors *(cont.)*

- Compliance Program
  - Policies and procedures
  - Training
  - Monitoring and/or audit
  - Consumer complaint response

# Assessment Factors *(cont.)*

- Violations of Law and Consumer Harm
  - Root cause
  - Severity
  - Duration
  - Pervasiveness

# Best Practices for Mitigating Risks

- Unfair and Deceptive Acts and Practices
  - Third-party oversight
  - Compliance officer involvement
  - Clear and conspicuous terminology
  - “Reasonable” consumer’s perspective
  - Complaint monitoring
  - Training



# Best Practices for Mitigating Risks *(cont.)*

- Fair Lending
  - Clear and objective underwriting and pricing guidelines
  - Monitor discretion
  - Exception policy and log
  - Documentation of pricing decisions
  - Fair lending monitoring and/or audit

# Best Practices for Mitigating Risks *(cont.)*

- Third-Party Relationships
  - Risk assessments
  - Due diligence
  - Contract structuring
  - Ongoing oversight

# Matters Requiring Board Attention (MRBA)

- Significant matters
- Prompt action by the Board
- Elevated supervisory attention

# MRBA vs. Recommendation

MRBA	Recommendation
<ul style="list-style-type: none"><li>• Significant matter</li><li>• Action to correct</li><li>• Action to prevent consumer harm</li><li>• Prompt action required</li><li>• Supervisory follow-up required</li></ul>	<ul style="list-style-type: none"><li>• Matter warranting attention</li><li>• Action to enhance</li><li>• Lower risk of consumer harm</li><li>• Correctable in the normal course of business</li></ul>

# MRBA Communication

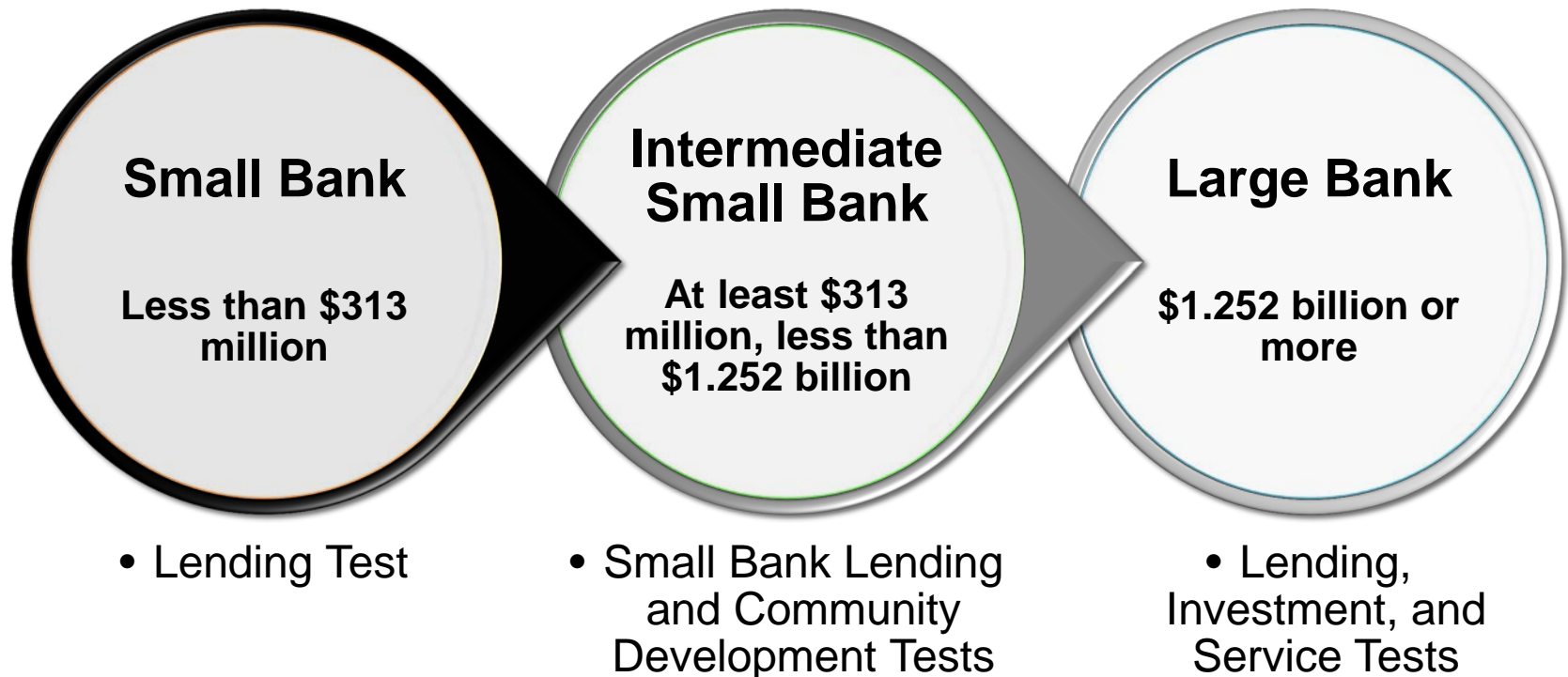
- Report of Examination – MRBA Page
- MRBA comments include:
  - Specific issue
  - Measurable action
  - Benefit of action/consequence of inaction

# MRBA Follow-up

- Transmittal letter
- Subsequent correspondence
- Next examination

# Mergers and Acquisitions (CRA Considerations)

# Change in Asset Size



***Note:*** Bank must meet asset size threshold as of December 31 of both of the prior two calendar years. Thresholds in effect as of January 1, 2018 are shown.



# Change in Business Model

- CRA Strategic Plan
- Limited purpose designation
- Wholesale designation

# Assessment Area Expansion

- Expansion into unfamiliar market areas
  - Assess community needs
  - Update CRA strategy
  - Provide training

# Assessment Area Expansion (*cont.*)

- Expansion into a new state
  - State/Multistate Metropolitan Statistical Area (MSA) Ratings
  - Compliance with Interstate Banking and Branching Efficiency Act (IBBEA)

# CRA Protest Definition

- Adverse comments on bank's lending-related activity, provision of services, or ability to meet the convenience and needs of the community
- Submitted via letter, email, or online system

# Evaluation of CRA Protests

- CRA Protest Determination Letter
- Request information from protester/bank
- Hold informal/formal meetings

# Evaluation of CRA Protests (*cont.*)

- Review Reports of Examination and CRA Evaluations
- Review complaints
- Analyze bank, demographic, and economic data
- Consider how merger will benefit communities involved or alleviate protester's concerns

# Gaining Community Support

- Proactively meet with community
- Develop CRA plan

# Gaining Community Support (*cont.*)

- Identify community needs
- Identify aspects of application that require additional context
  - Unsatisfactory Compliance Rating
  - Unsatisfactory CRA Performance
  - Unique business model/product



# Community Affairs Branch



# Community Affairs Branch

- Community Affairs Overview
  - Economic Inclusion Ladder
  - Community Affairs Events

The Economic Inclusion Ladder



# Community Affairs Branch

- Community Affairs Resources
  - Community Affairs Training
  - Partnership Opportunities and Benefits

# Community Affairs Contacts

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# Resources

- [FDIC Compliance Manual](#)
- [Managing Third-Party Risks \(FIL-44-2008\)](#)
- [Revised Compliance Examination Manual \(FIL-59-2015\)](#)
  - Includes new guidance on MRBAs
- [Consumer Compliance Rating System \(FIL-75-2016\)](#)

# Resources (cont.)

- [FFIEC Asset Size Thresholds](#)
- [IBBEA Host State Loan-to-Deposit Ratios](#)
- [Part 369 – Prohibition Against Use of Interstate Branches Primarily for Deposit Production](#)
- [CRA Protest and Adverse Comment Definition](#)

# Questions and Answers

Press \*1

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