Bank of Anytown

Anytown	**Anycounty**	**Anystate**

Region:	Any Region	Certificate Number:	12345
Examiner in Charge:		Margaret M. Messenger	
Examination Date:		May 11, 2009	

Examiner's Comments and Conclusions	12345

SCOPE OF THE EXAMINATION

Senior Compliance Examiner Margaret M. Messenger conducted a compliance and Community Reinvestment Act (CRA) examination of your institution as of May 11, 2009. The on-site portion of the examination was conducted at the bank's main office in Anytown, Anystate, and at the bank's branch in Othertown, Anystate. The examination included a risk-focused review of the bank's compliance management system (CMS) and included tests to assess the bank's compliance with applicable consumer protection and fair lending laws and regulations. The examination focused on lending and deposit activities conducted since the June 26, 2006, FDIC compliance examination. The bank's CRA performance since its last CRA evaluation dated May 15, 2004, was also assessed.

The scope of the examination was influenced by the previous compliance examination, other internal FDIC reports, and pre-examination materials provided by the bank, including audit reports. Based on this information, the risk profile of the bank indicated a higher degree risk in the lending area of the bank's operations. Examination procedures included a review of all compliance-related policies and procedures, Board of Directors and committee minutes, training records, internal monitoring procedures, internal and external audits, loan files, general disclosures, and other bank records. Interviews with key personnel were conducted to determine the extent to which written and unwritten policies and procedures are implemented. Documentation related to specific loan and deposit transactions was also reviewed to identify operational weaknesses.

The fair lending examination procedures included a review of lending products and distributions, underwriting and pricing practices, lending area demographics, lending policies, and training practices. No significant fair lending risk factors were identified, which resulted in the examination team utilizing low-risk procedures.

The bank's CRA performance was evaluated utilizing Small Bank CRA examination procedures. Examiners reviewed the bank's loan portfolio and public file, as well as interviewed appropriate personnel.

CONSUMER COMPLIANCE RATING

A Consumer Compliance Rating of "2" is assigned. An institution in this category is in a generally strong compliance position.

The bank has maintained a generally effective compliance management system since the previous examination; however, the lack of adequate compliance oversight through loan monitoring reviews and comprehensive training has resulted in a decline in the bank's compliance posture. In addition, the bank's audit scope for loan compliance has not been sufficient to evaluate the bank's compliance with high-risk lending regulations, such as Regulation C (Home Mortgage Disclosure Act (HMDA)) and Part 339 (Flood Insurance). These weaknesses have contributed to a downgrade in the bank's Consumer Compliance Rating of "1" from the previous examination.

COMPLIANCE MANAGEMENT

Board of Directors and Senior Management Oversight

Board of Directors (Board) and senior management oversight is adequate. Sufficient resources have been expended to help ensure a solid compliance posture. However, increased oversight is needed in some areas of compliance monitoring and the audit function as well as additional training. Several significant as well as other-type violations resulted because of these weaknesses.

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Auditing of compliance areas is communicated to the Audit Committee, which is comprised of three of the five external Directors, and these minutes are communicated to the full Board. The Board and senior management appear generally knowledgeable of the compliance regulations and are committed to maintaining a strong compliance management system.

President and Chief Executive Officer John Doe is responsible for overall bank operations. The bank's loan operations manager, Vice President Jane Somebody, and the deposit operations manager, Vice President Mary Anybody, share responsibility as compliance officers for their respective areas. These two compliance officers are responsible for the bank's day-to-day compliance function and report to Senior Vice President Mark Smith, who oversees the bank's CMS. Senior Vice President Smith also serves as the bank's CRA Officer. Ms. Somebody was only recently hired by the bank and has not yet had sufficient time to perform loan compliance monitoring reviews. While the overall organizational and reporting structure of the compliance management system is sufficient, it has not been entirely effective. For example, significant violations were cited regarding HMDA due to the lack of proper oversight over this function. Pursuant to the HMDA, the Board and senior management are reminded that civil money penalties may be assessed against any regulated lending institution that engages in HMDA violations. However, no civil money penalties were recommended at this examination.

Compliance Program

The existing compliance program is adequate, but some deficiencies are noted.

Policies and Procedures

Compliance related policies and procedures are adequate. The bank has written compliance policies and procedures for all consumer protection laws and regulations. In addition, the Board has regularly approved revisions and updates to policies as needed to reflect changes in laws and regulations. All policies and procedures are available to bank employees through the bank's intranet. However, personnel do not appear to be adhering to bank policies and procedures in all areas. Specifically, the bank's compliance manual addresses the proper reporting of home mortgage applications on the HMDA (Loan Application Register) LAR; nevertheless, several significant HMDA violations occurred. Management should ensure that all policies and procedures are consistently followed.

Monitoring

The bank's monitoring process is generally adequate. The bank employs various methods of informal monitoring for consumer compliance regulations both in the loan administration and deposit operations areas. However, weaknesses in compliance monitoring efforts were evident during the examination. As a result, violations have occurred, including significant violations of HMDA and flood insurance regulations. Loan monitoring decreased through the review period after the departure of the previous loan operations manager. However, the bank has recently hired a new loan operations manager and implemented a new loan processing system that should help minimize violations going forward. Internal monitoring in the deposit operations area has been effective with regular reviews performed. The Board should ensure that monitoring procedures for loan products is strengthened appropriately.

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Training

The bank's training program is adequate, but deficiencies are noted. Compliance training is conducted primarily through in-house staff meetings; however, training has not encompassed all consumer compliance regulations, including new regulations or revisions to existing regulations. Several significant violations identified during the examination are attributed to unfamiliarity with or misunderstanding of regulatory requirements. The bank is developing a more formalized training program and schedule encompassing all compliance laws and regulations. Prior to the examination, the bank purchased a computer-based compliance training system which includes periodic testing and mandatory minimum test scores. The high volume of violations identified in this report indicates a need for additional training in certain areas, especially HMDA.

Consumer Complaints

There have been consumer complaints received since the last examination. These complaints were reviewed and used in appropriately scoping this examination. One complaint resulted in a Significant Violation, which is included in this Report of Examination. The complaint was acted upon in a timely manner, and procedures have been revised to ensure future compliance. Overall, management's processes and procedures with respect to complaint resolution are adequate.

Audit Function

Bank of Anytown's overall audit function is adequate. The bank contracts with an external firm to conduct compliance audits. Deposit and lending compliance audits are conducted annually, and audit reports have been routinely reported to the Board's Audit Committee. While the deposit audits have provided good coverage of the deposit operations area, the lending operations audits have not been entirely effective as the reviews for compliance with consumer lending regulations have not included HMDA and flood insurance, which are high-risk areas. Significant violations have been noted during this examination but could have been prevented by a more comprehensive compliance audit program.

Please refer to the Significant Violations and Other Violations pages for details on all violations cited during the examination.

RECOMMENDATIONS FOR CORRECTIVE ACTION

As noted above, while the bank is in a generally strong compliance position, the Board should take action in the following areas to enhance the bank's compliance management system.

- Implement additional internal compliance monitoring and review procedures in the lending area, particularly HMDA and flood insurance monitoring and review procedures. These reviews should include transaction sampling, standard disclosure and forms review, and evaluating internal controls for compliance. *Management's Response: Senior Vice President Smith stated management will implement additional review procedures and that the recent hiring of Vice President Somebody will facilitate this process.*

- Provide additional training where violations were noted and ensure personnel receive sufficient training in their areas of responsibility. *Management's Response: Senior Vice President Smith agreed to increase compliance training for all bank personnel, and stated the bank purchased training software for this purpose.*

Examiner's Comments and Conclusions (Continued)	12345

- Expand the audit scope to ensure compliance with all loan-related regulations that includes reviews of documentation, HMDA reporting, and flood insurance regulation compliance. *Management's Response: President Doe stated the bank will ensure that HMDA and flood insurance compliance is included in the audit program.*

- Correct all violations noted and implement procedures to ensure future compliance. Significant violations noted require prompt corrective action, as well as, a formal written response outlining the steps taken to correct and prevent future violations from recurring. *Management's Response: President Doe stated action will be taken to correct all violations. Corrective action for many of the violations was initiated during the examination.*

COMMENTS AND CONCLUSIONS ON COMMUNITY REINVESTMENT ACT EXAMINATION

A CRA rating of "Satisfactory" is assigned. An institution in this group has a satisfactory record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

The bank's average loan-to-deposit ratio of 88.5 percent is reasonable, and the bank extends a majority of its loans within its assessment area. The geographic distribution of home mortgage loans represents an excellent penetration in the bank's assessment area, and the geographic distribution of small business loans represents an adequate penetration throughout the assessment area, including low- and moderate-income areas. A review of the bank's loans reflects a reasonable distribution among borrowers of different income levels and among businesses of different sizes. There were no CRA-related complaints against the bank since the prior evaluation. Consequently, this component was not evaluated.

Please refer to the CRA Performance Evaluation for a complete discussion of the bank's CRA performance.

MEETING WITH MANAGEMENT

On April 29, 2009, Senior Compliance Examiner Messenger and Financial Institution Specialist Christy Compliant met with management to discuss the results of the examination and recommended compliance and CRA ratings. Representing the bank were President Doe, Senior Vice President Smith, Vice President Somebody, and Vice President Anybody.

The scope of the examination, strengths and weaknesses of the compliance management system, noted deficiencies and violations, and the bank's performance under CRA were discussed. In addition, all recommendations stated in the report were thoroughly discussed. Ms. Smith also discussed the results of the Fair Lending review and disclosed the proposed compliance and CRA ratings. Additionally, management was informed that repeat significant violations of HMDA could subject the institution to the imposition of civil money penalties. Management was receptive to the examiner's comments regarding the findings of the compliance and CRA examinations, concurred with the assigned ratings, and agreed to implement all recommendations.

Examiner (Signature)	Reviewing Official (Signature) and Title
_____	_____

Significant Violations	12345

Violations cited below are of supervisory concern that individually or collectively represent serious concern for the financial institution. These violations result from material deficiencies in the financial institution's compliance management system; affect, or could affect a large number of transactions or consumers in a way that has, or could have harmful consequences for the consumers or the financial institution; or represent a willful act or omission to defeat the purpose of, or circumvent law or regulation.

HOME MORTGAGE DISCLOSURE ACT

Examiners reviewed the 2007 and 2008 Home Mortgage Disclosure Act (HMDA) Loan Application Registers (LARs) for accuracy. The 2007 HMDA LAR included 191 entries and the 2008 LAR included 226 entries. A sample of 16 HMDA reportable applications from 2007 and 24 from 2008 were reviewed. This review noted several significant violations as identified below.

Section 1003.4(a) of Regulation C requires a nonexempt financial institution to collect certain data on applications for, and originations and purchases of, home purchase loans, home improvement loans, and refinancings for each calendar year. These transactions shall be recorded, within thirty calendar days after the end of the quarter in which the final action is taken. [370101]

A review of the 2007 and 2008 HMDA LARs revealed that the bank failed to report all of the applicable loan applications for each year. A review of 40 HMDA reportable applications revealed the bank failed to report two mobile home loans during 2007 and three mobile home loans and one denied application during 2008. Examples of these violations are listed in the following table.

Name	Loan Number	Loan Date	Loan Amount	Purpose of Loan
Ferguson, Wade & Susie	6831203701	01/22/08	$14,064	Purchase Mobile Home
Hampton, Julie	6831224408	11/13/07	$68,750	Purchase Mobile Home
Jackson, Andrew	6841207205	04/25/08	$11,500	Refinance Mobile Home

The bank failed to report on its 2007 HMDA LAR 12.5 percent (2 of 16) of the sampled loan applications and 16.7 percent (4 of 24) of those sampled from 2008. These error rates are excessive and illustrate ineffective management oversight of the loan operations area. These errors resulted from the absence of monitoring procedures, turnover in key positions, and inadequate HMDA training. Increased HMDA training and internal monitoring procedures are recommended to ensure complete data collection and reporting. During the examination, the bank revised its HMDA data capture process.

Section 1003.4(a) of Regulation C requires a nonexempt financial institution to collect data regarding applications for, and originations and purchases of, home purchase loans, home improvement loans, and refinancings for each calendar year. An institution is required to collect data regarding requests under a preapproval program (as defined in § 1003.2(b)) only if the preapproval request is denied or results in the origination of a home purchase loan. These data must be collected on a register in the format prescribed in Appendix A. The data recorded shall include the following items:

(1) An identifying number for the loan or loan application, and the date the application was received.
(2) The type of loan or application.
(3) The purpose of the loan or application.

Significant Violations (Continued)	12345

(4) Whether the application is a request for preapproval and whether it resulted in a denial or in an origination.
(5) The property type to which the loan or application relates.
(6) The owner-occupancy status of the property to which the loan or application relates.
(7) The amount of the loan or the amount applied for.
(8) The type of action taken, and the date.
(9) The location of the property to which the loan or application relates, by MSA or by Metropolitan Division, by state, by county, and by census tract, if the institution has a home or branch office in that MSA or Metropolitan Division.
(10) The ethnicity, race, and sex of the applicant or borrower, and the gross annual income relied on in processing the application.
(11) The type of entity purchasing a loan that the institution originates or purchases and then sells within the same calendar year (this information need not be included in quarterly updates).
(12) For originated loans subject to Regulation Z, 12 CFR part 1026, the difference between the loan's annual percentage rate (APR) and the yield on Treasury securities having comparable periods of maturity, if that difference is equal to or greater than 3 percentage points for loans secured by a first lien on a dwelling, or equal to or greater than 5 percentage points for loans secured by a subordinate lien on a dwelling. The lender shall use the yield on Treasury securities as of the 15th day of the preceding month if the rate is set between the 1st and the 14th day of the month and as of the 15th day of the current month if the rate is set on or after the 15th day, as prescribed in appendix A to this part.
(13) Whether the loan is subject to the Home Ownership and Equity Protection Act of 1994.
(14) The lien status of the loan or application (first lien, subordinate lien, or not secured by a lien on a dwelling). [370102]

A total of 14 entries from the bank's 2007 HMDA LAR were reviewed. In one of the six (16.7 percent) lines from the LAR in which a rate spread was reported, the bank improperly included a rate spread on an application that was not subject to Regulation Z. In addition, a review of 20 entries on the 2008 HMDA LAR identified four instances out of ten that had rate spreads reported (40 percent) where a rate spread was reported and was not applicable and one loan (5 percent) where the owner-occupancy status of the property was incorrect. As a result, 7.1 percent (1 out of 14) of the LAR entries reviewed in 2007 and 25 percent (5 of the 20) in 2008 contained errors. This violation was caused by insufficient monitoring and unfamiliarity with the more technical requirements of the regulation which highlights training deficiencies. Examples of the HMDA errors are listed below.

Name	Loan Number	Loan Date	Loan Amount	Incorrect Data Item
Belks, James & Juanita	6831203701	12/22/2007	$132,000	Rate Spread – Should be NA
Cathey, Joel	6831224408	04/14/2008	$ 56,240	Occupancy
Roberson, Myra	6841207205	10/24/2008	$100,000	Rate Spread – Should be NA

Increased monitoring of the LAR data prior to submission and additional training is recommended. Loan Compliance Officer Somebody stated training will take place by August 1, 2009. She also stated she will review the LAR prior to submission to help ensure the accuracy of the data being reported.

Significant Violations (Continued)	12345

HOME MORTGAGE DISCLOSURE ACT (Continued)

Section 1003.4(d) of Regulation C requires that a nonexempt financial institution shall not report:
(1) Loans originated or purchased by the financial institution acting in a fiduciary capacity (such as trustee);
(2) Loans on unimproved land;
(3) Temporary financing (such as bridge or construction loans);
(4) The purchase of an interest in a pool of loans (such as mortgage-participation certificates, mortgage-backed securities, or real estate mortgage investment conduits);
(5) The purchase solely of the right to service loans; or
(6) Loans acquired as part of a merger or acquisition, or as part of the acquisition of all of the assets and liabilities of a branch office as defined in § 1003.2(c)(1). [370302]

Of the 20 reviewed lines from the bank's 2008 LAR, two (10 percent) line entries were identified that should not have been reported. Both loans were temporary financing (construction loans), which are excluded from HMDA reporting. Vice President Somebody concurred that the loans should not have been reported. The violation was caused by a lack of monitoring and audit of the LAR. Ms. Somebody committed to strengthening the bank's HMDA monitoring procedures. Similar violations were not noted on the bank's 2007 HMDA LAR. Below are the two loans cited.

Name	Loan Number	Loan Date	Loan Amount	Purpose of Loan
Bailey, Justin	2007014012	04/10/2008	$212,000	Temporary Construction Loan
Cox, Andy & Tammy	2070180345	03/27/2008	$386,000	Temporary Construction Loan

Due to the extensive HMDA violations, especially the high percentage of errors for 2008, management should re-submit the 2008 HMDA LAR. Management is advised that HMDA errors of this magnitude may result in the imposition of civil money penalties.

The HMDA violations were discussed in detail with Senior Vice President Smith, Vice President and Loan Compliance Officer Somebody, and Loan Clerk Claire Clark. During the examination, management initiated steps to ensure future compliance through the implementation of procedures for reporting and monitoring loan applications on the HMDA LAR. In addition, management stated that additional training will be conducted. Vice President Somebody agreed to review and re-file the 2008 HMDA data.

FLOOD INSURANCE

Section 339.3(a) of FDIC rules and regulations prohibits a financial institution from making, increasing, extending, or renewing a designated loan secured by a building, a mobile home, or personal property unless the underlying security is covered by flood insurance. [150101]

Examiners reviewed ten loans originated, renewed, or extended since the last examination that the bank tracked for flood insurance purposes. These ten loans were secured by buildings located in Special Flood Hazard Areas. The bank originated two (20 percent) of the ten loans without having the required flood insurance in place at time of closing. Flood insurance was obtained on both loans subsequent to the loan date. The following are the two loans.

Significant Violations (Continued)	12345

Name	Loan Number	Loan Date	Insurance Date	Loan Amount
Elder, Bill & Susan	6812244008	11/13/07	11/23/07	$168,750
Norman, Greg & Phyllis	6712072007	4/25/08	5/06/08	$110,500

This violation is attributed to a lack of management oversight and insufficient internal monitoring procedures. This is a repeat violation from the June 26, 2006 examination. Management is reminded that flood insurance violations may result in the imposition of civil money penalties if a pattern or practice is present. It is recommended management immediately implement procedures to ensure adequate flood insurance is in place on all applicable loans prior to origination. President Doe stated that the bank would not close any future loans requiring flood insurance without having flood insurance in place at time of closing.

EQUAL CREDIT OPPORTUNITY ACT

Section 1002.9(c) of Regulation B requires a creditor within 30 days of receipt of an incomplete application to either notify an applicant of action taken in accordance with Section 1002.9(a) or request the information necessary to complete the application. [337801]

Examiners determined from a consumer complaint received by the FDIC's Consumer Affairs area that management failed to either notify an applicant of action taken on an incomplete application or to request the information necessary to complete the application. On January 14, 2009, Thomas Thompson submitted a home equity loan application at the Othertown Branch. Upon review, it was determined that insufficient information was provided to make a credit decision (income information was not provided). Branch Manager John Johnston indicated that he thought Mr. Thompson would be bringing in the proof of income at a later date, and filed the application. On March 16, 2009, Mr. Thompson sent a complaint to the FDIC regarding the Bank's lack of response to his application, indicating it was due to his race. Upon FDIC notifying the Bank of the complaint, management immediately contacted Mr. Thompson with an apology and request for additional information.

Examiners discussed the consumer complaint and subsequent violation with President Doe. He stated the bank is in the process of updating its Loan Policy to include procedures for incomplete applications. In addition, President Doe has discussed with personnel the appropriate procedures to handle this type of transaction should it happen again. From all the evidence, management has satisfactorily resolved this situation.

Although isolated, this violation is attributed to the lack of effective monitoring of all applications, including those not originated, and insufficient training. As a result of these CMS deficiencies, this customer was adversely impacted as he was not able to obtain the loan funds in a timely manner. In addition, other customers could have been similarly adversely affected had the customer not complained.

Section 1002.13(a) of Regulation B requires a creditor to request prescribed data on home purchase residential loan applications (including refinancings). [339750]

Required government monitoring information (GMI) was not collected for all five mobile home loans reviewed. This violation is attributed to a lack of sufficient training and insufficient internal monitoring procedures. Examples of the violation follow.

Name	Loan Number	Loan Date	Loan Amount	Purpose of Loan
Bender, John & Barbara	6836733234	2/24/08	$30,000	Purchase Mobile Home
McMann, Ernest	6721531243	5/20/08	$42,000	Purchase Mobile Home
Pender, Daniel & Anita	6816273062	5/27/08	$12,640	Purchase Mobile Home

Management should ensure that GMI is obtained for each applicable loan. Management indicated that they had established an application package for mobile home loans that specifically includes a separate request for GMI. Management promised to retrain loan staff and strengthen ongoing monitoring procedures.

Other Violations	12345

Violations cited below represent deficiencies of a less serious nature that neither individually nor collectively represent significant concern for the financial institution, but require corrective action where appropriate.

FAIR CREDIT REPORTING ACT

Section 609(g) of the Fair Credit Reporting Act requires that any person who makes or arranges loans and who uses a consumer credit score as defined in subsection (f), in connection with an application initiated or sought by a consumer for a closed end loan or the establishment of an open end loan for a consumer purpose that is secured by 1 to 4 units of residential real property shall provide the credit score and certain other information required by this section including the Notice to Home Loan Applicant, as soon as is reasonably practicable. [110808]

Several instances were noted where the bank did not provide the Notice to Home Loan Applicant (Notice) along with the credit score. No problems were noted at the bank's main office. However, the Othertown office was not providing the Notice to customers whose applications were denied. This violation highlighted a break down in training. The following are examples of the denied applications reviewed at the Othertown office.

Name	Application Date	Purpose of Loan	Action Taken
Deloise, Rodney	02/08/2008	Purchase	Denied
Frampton, Blake	08/01/2008	Purchase	Denied
Johnson, Jeff and Susan	04/21/2008	Purchase	Denied

Additional training was recommended for appropriate loan personnel. Loan Compliance Officer Somebody committed to conducting the training by the end of next quarter. Management said all offices will immediately begin providing the Notice to all consumer purpose residential loan applicants.

Section 615(a)(2) of the Fair Credit Reporting Act requires the user of a consumer report to provide the consumer against whom adverse action is taken: (A) the name, address, and telephone number of the consumer reporting agency, and (B) a statement that the consumer reporting agency did not make the decision to take the adverse action and is unable to provide the consumer the specific reasons why the adverse action was taken. [111302]

A total of 20 denied applications were reviewed. Fourteen of the applications were denied due to information on a consumer report. However, the adverse action notice for one applicant (7 percent) was not marked to indicate this fact. The violation was due to oversight.

Name	Application Date	Denial Date
Taylor, Brad & Monica	08/11/2008	08/27/2008

A closer review of denials is recommended. Compliance Officer Somebody stated these transactions will be closely scrutinized.

Other Violations (Continued)	12345

TRUTH IN LENDING

Section 1026.18(m) of Regulation Z requires disclosure of the fact that a creditor has or will acquire an interest in property purchased as part of the transaction, or in other property identified by item or type. [085901]

The bank failed to properly disclose the security interest on the following Truth in Lending Disclosure Statement (Disclosure Statement). The Disclosure Statement did not reference the collateral by item or type. This violation is attributed to oversight.

Name	Loan Number	Loan Date	Loan Amount	Purpose of Loan
Collins, Omar	7300123789	11/9/2007	$24,080	Purchase of Car

It is recommended that consumer loans be reviewed by someone other than the originating officer before the loan is closed. Senior Vice President Smith stated this was an inadvertent error. Corrective action was promised.

Section 1026.18(q) of Regulation Z requires, in a residential mortgage transaction for initial construction or acquisition, that the bank provide a statement as to whether or not a subsequent purchaser of the dwelling may assume the obligation on its original terms. [086101]

Two instances of home construction loans were noted where the appropriate statement was omitted from the Truth in Lending Disclosure Statement. The two loans are noted below.

Name	Loan Number	Loan Date	Loan Amount	Purpose of Loan
Gaston, Marie	6812345678	2/22/07	$100,000	Home Construction
Brandon, Daniel	6834567891	6/13/08	$162,050	Home Construction

The violation resulted from oversight and the lack of monitoring. Management stated they would strengthen monitoring controls and provide training to loan staff.

EQUAL CREDIT OPPORTUNITY ACT

Section 1002.9(a)(2) of Regulation B requires a creditor to provide an applicant against whom adverse action is taken a written notice of such action that includes disclosure of the name and address of the Federal Deposit Insurance Corporation's Consumer Response Center. [337201]

A review of twenty denied applications found that one (5 percent) of the adverse action notices did not have the correct FDIC address. The reason for this error was oversight. The item in question is noted below.

Name	Application Date	Denial Date
Reed, Frank & Judy	02/03/2007	02/09/2007

This omission was discussed with Vice President Somebody and the loan software was checked to verify the current FDIC address. Vice President Somebody also noted internal monitoring procedures will be modified to ensure future compliance.

Other Violations (Continued)	12345

COMMUNITY REINVESTMENT ACT

Section 345.43(a) of FDIC regulations requires a financial institution to maintain a public file that includes the following information: (1) written comments received from the public; (2) a copy of the public section of the most recent CRA Performance Evaluation; (3) a list of its branches; (4) a list of branches opened or closed; (5) a list of services generally offered; and (6) a map of each assessment area. [442201]

A review of the bank's CRA Public File revealed that certain required items were missing. These items included: (1) a listing of branches opened during the current year and each of the two prior calendars; (2) a listing of the geographies comprising the assessment area; (3) the 2007 HMDA Disclosure Statement; and (4) the bank's loan-to-deposit ratio for each quarter of the prior calendar year.

The above-cited violation is attributed to procedural weaknesses. This violation was discussed with CRA Officer Smith who indicated that the missing information was added to the CRA Public File during the examination.

ADVERTISEMENT OF MEMBERSHIP

Section 328.3 of the FDIC regulations requires each insured bank to include, with certain exceptions, the official advertising statement in all advertisements. [800301]

A review of print advertisements revealed that two did not contain the official advertising statement. The advertisements were printed in the Anytown Daily News several times during February 2008 and the Anycounty Gazette twice in March 2008. The violation is attributed to a lack of monitoring and oversight.

It is recommended that all advertisements be reviewed by the compliance staff prior to publishing. Management promised to implement advertising monitoring procedures to ensure all advertisements are reviewed prior to being placed.

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