

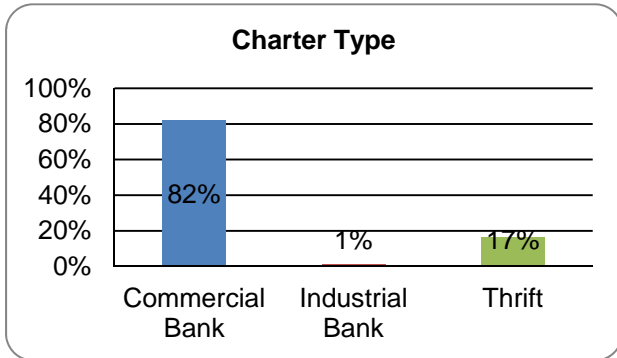
Regulatory Feedback Initiative Summary Report

Thursday, November 14, 2013

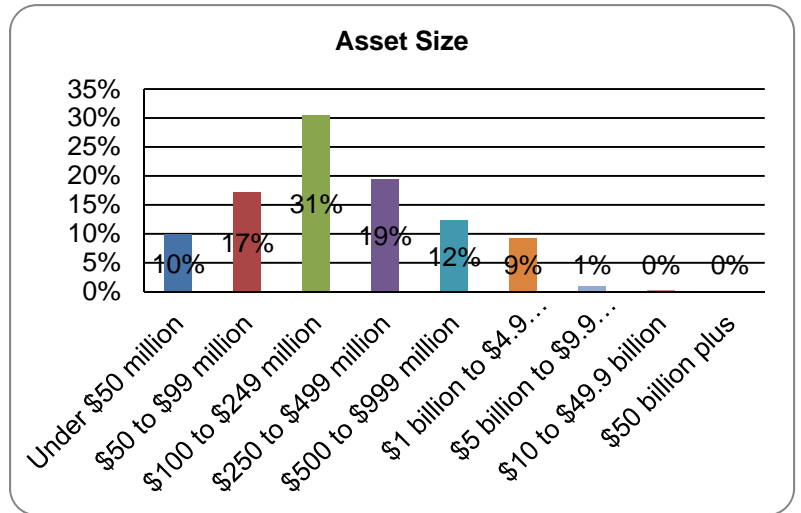
Original: 538 pages, 135,745 words.



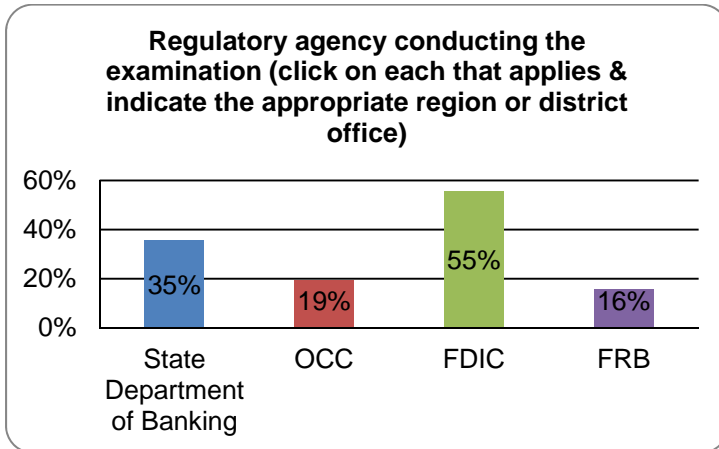
Charter Type



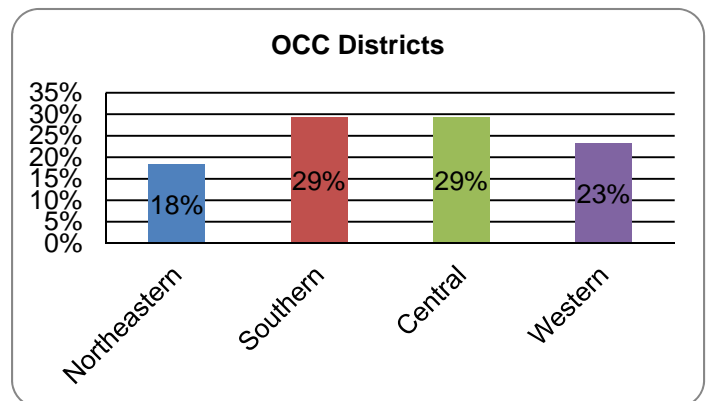
Asset Size



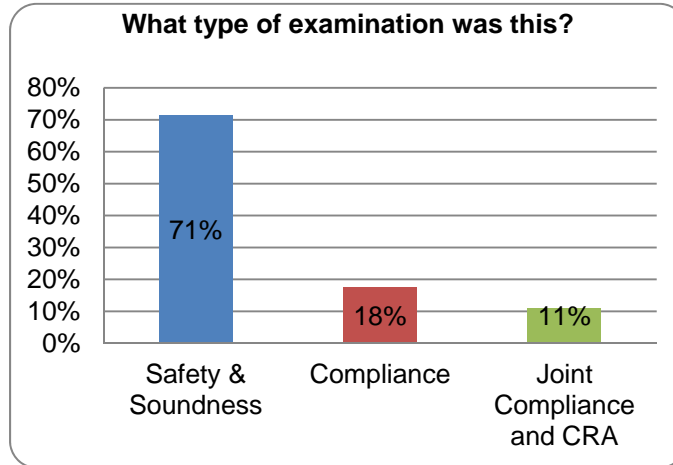
Regulatory agency conducting the examination



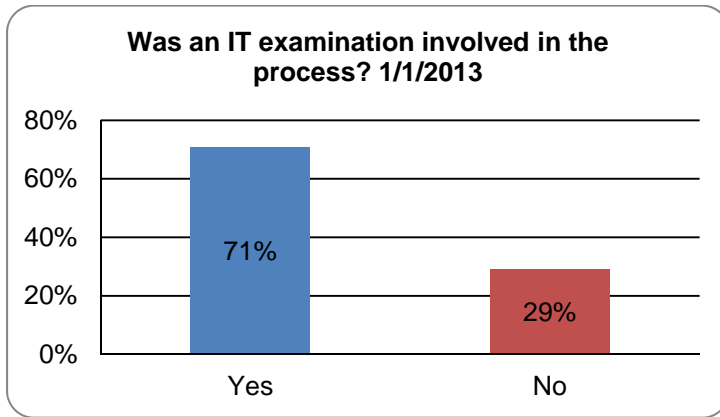
Districts (districts reflected for all regulators)



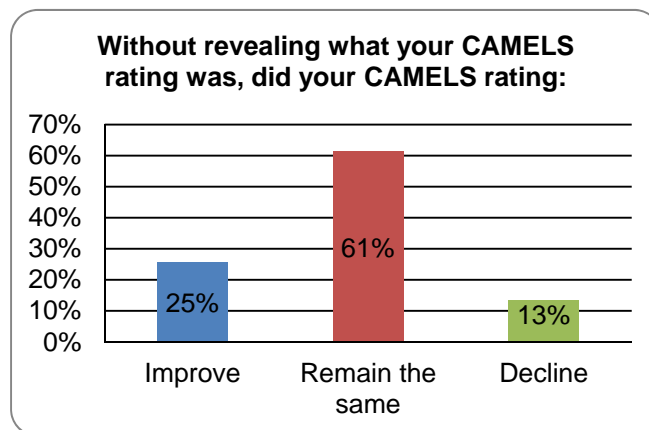
What type of examination was this?



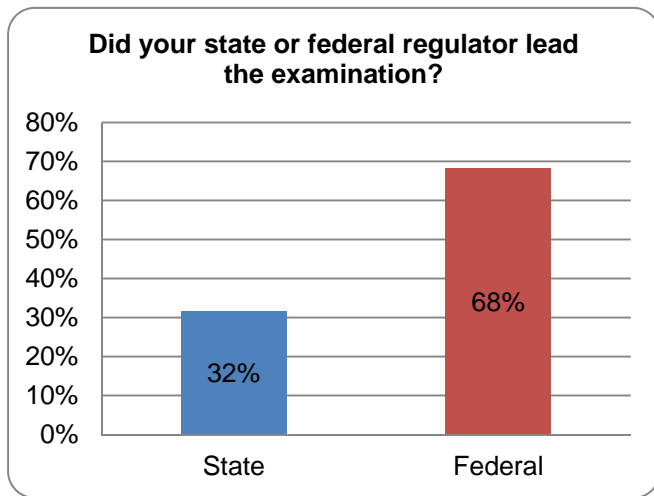
Was an IT examination involved in the process?



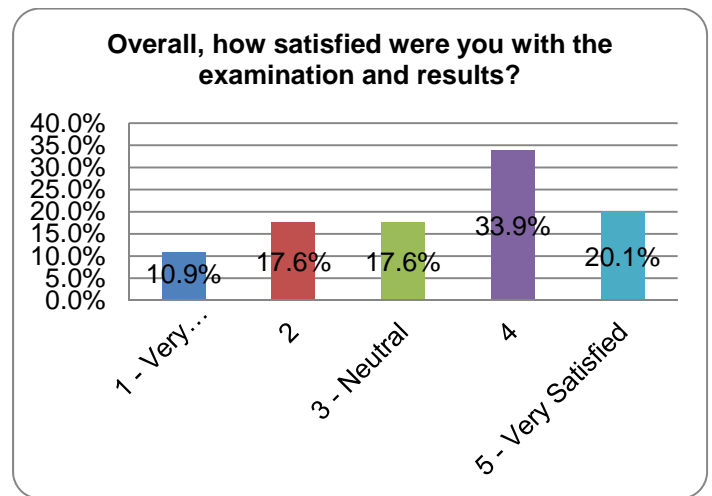
Without revealing what your CAMELS rating was, did your CAMELS rating:



Did your state or federal regulator lead the examination?



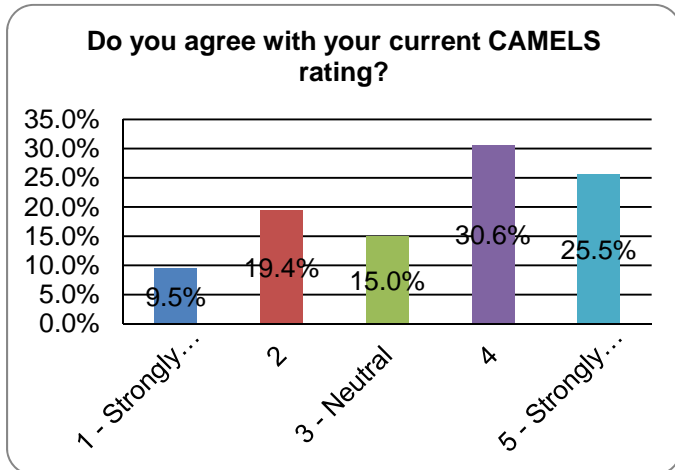
Overall, how satisfied were you with the examination and results?



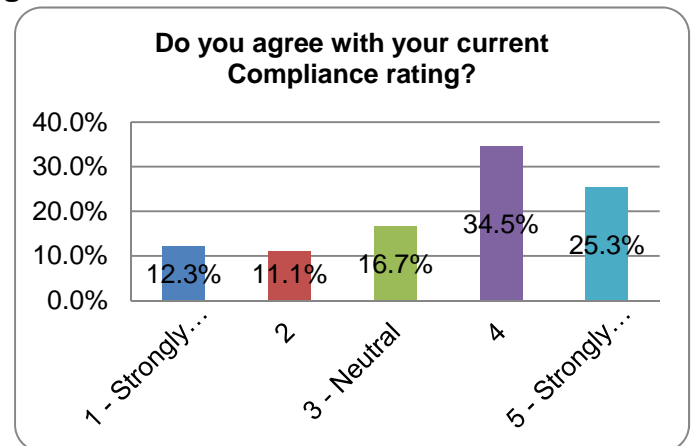
How long did your "on-site" examination last? (Please state the number of business days):

Mean	16.14
Median	12.00
Standard Deviation	21.61
Min	1.00
Max	330.00

Do you agree with your current CAMELS rating?



Do you agree with your current Compliance rating?



Safety & Soundness Examination Questions

	(A) no/few problems noted	(B) received criticism	(C) required evaluation by a third party	(D) required action by your bank	(E) not applicable to my bank	Total Responses
Adversely classified asset levels	721 54%	501 37%	16 1%	228 17%	12 1%	1478
Allowance of loan & lease loss calculation/level	959 71%	272 20%	30 2%	211 16%	7 1%	1479
Bank's strategic plan or planning processes	1056 78%	206 15%	9 1%	115 9%	19 1%	1405
Capital levels	1064 79%	210 16%	3 0%	119 9%	7 1%	1403
Commercial real estate risk management	933 69%	272 20%	12 1%	108 8%	82 6%	1407
Credit administration practices	874 65%	389 29%	17 1%	166 12%	13 1%	1459
Credit underwriting practices	1029 76%	258 19%	12 1%	105 8%	11 1%	1415
Dividend distribution levels	968 72%	44 3%	7 1%	36 3%	300 22%	1355
External loan review firm or process	1040 77%	120 9%	30 2%	52 4%	143 11%	1385
Interest rate risk management approaches	949 70%	301 22%	29 2%	143 11%	9 1%	1431
Investment portfolio	1192 88%	119 9%	6 0%	39 3%	15 1%	1371
Liquidity concerns	1106 82%	189 14%	11 1%	79 6%	6 0%	1391
Loan concentrations	1036 77%	266 20%	5 0%	74 5%	9 1%	1390
Loan policies	1003 74%	257 19%	11 1%	137 10%	7 1%	1415
Non-core funding dependence (volatile) levels	1163 87%	117 9%	3 0%	37 3%	40 3%	1360
Other real estate owned management processes	1067 79%	153 11%	7 1%	79 6%	79 6%	1385
Problem loan management	1048 78%	230 17%	13 1%	101 8%	23 2%	1415
Qualifications of board, lenders or management	1203 89%	112 8%	14 1%	39 3%	10 1%	1378
Real estate appraisal and evaluation processes	966 72%	293 22%	11 1%	115 9%	26 2%	1411
Risk rating processes	1066 79%	226 17%	15 1%	79 6%	13 1%	1399
Other areas not mentioned above	592 61%	132 14%	10 1%	79 8%	193 20%	1006
Total Responses	21035	4667	271	2141	1024	29138

Deposit-Related Regulations and Statutes:

	(A) no/few problems noted	(B) received criticism	(C) required evaluation by a third party	(D) required action by your bank	(E) not applicable to my bank	Total Responses
Regulation E (Electronic Funds Transfers)	416 78%	86 16%	4 1%	41 8%	16 3%	563
Regulation Q and D (Interest on Demand Deposits/Reserve)	489 93%	15 3%	2 0%	4 1%	19 4%	529
Regulation CC (Availability of funds/collection of)	431 81%	72 14%	2 0%	22 4%	16 3%	543
Regulation DD (Truth in Savings)	407 77%	84 16%	2 0%	51 10%	13 2%	557
Regulation GG (Illegal Gambling)	494 94%	8 2%	2 0%	5 1%	22 4%	531
FDIC Advertising Rules	413 79%	80 15%	1 0%	32 6%	13 2%	539
Total Responses	2650	345	13	155	99	3262

Credit Related Regulations and Statutes:

	(A) no/few problems noted	(B) received criticism	(C) required evaluation by a third party	(D) required action by your bank	(E) not applicable to my bank	Total Responses
Flood Disaster Protection Act	336 63%	145 27%	4 1%	75 14%	8 2%	568
Regulation V (Fair Credit Reporting Act)	428 82%	68 13%	3 1%	27 5%	10 2%	536
Fair Debt Collection Practices Act	501 95%	7 1%	1 0%	2 0%	18 3%	529
Homeownership Counseling	482 91%	17 3%	1 0%	9 2%	24 5%	533
Real Estate Settlement Procedures Act (RESPA)	311 59%	157 30%	8 2%	71 13%	16 3%	563
Servicemembers Civil Relief Act	471 90%	35 7%	1 0%	19 4%	9 2%	535
Regulation Z (Truth in Lending Act)	335 63%	141 27%	7 1%	67 13%	14 3%	564
Regulation AA (Unfair and Deceptive Act and Practices/Credit Practices)	469 89%	37 7%	3 1%	16 3%	9 2%	534
Regulation FF (Obtaining and using Medical Information in connection with Credit)	474 90%	0 0%	1 0%	2 0%	49 9%	526

Talent Amendment: Limitations on terms of consumer credit extended to service members and dependents	454	14	1	5	49	523
	87%	3%	0%	1%	9%	
Total Responses	4261	621	30	293	206	5411

Other Regulations, Rules, Policies and Statutes:

	(A) no/few problems noted	(B) received criticism	(C) required evaluation by a third party	(D) required action by your bank	(E) not applicable to my bank	Total Responses
Regulation M (Consumer Leasing)	242	0	1	1	282	526
	46%	0%	0%	0%	54%	
Regulation P (Privacy of Consumer Financial)	496	11	2	7	2	518
	97%	2%	0%	1%	0%	
COPPA (Children's Online Privacy Protection Act)	441	1	1	1	80	524
	84%	0%	0%	0%	15%	
Right To Financial Privacy Act	501	5	1	5	12	524
	96%	1%	0%	1%	2%	
Protecting Tenants in Foreclosure Act	445	14	1	8	60	528
	85%	3%	0%	2%	11%	
2005 Interagency Guidance on Overdraft	430	49	2	18	33	532
	82%	9%	0%	3%	6%	
Consumer Protections in Sales of Insurance	367	18	3	13	125	526
	70%	3%	1%	2%	24%	
TCPA (Telephone Consumer Protection Act)	425	5	2	3	86	521
	82%	1%	0%	1%	17%	
CAN-SPAM Act (Controlling the Assault of Non-Solicited)	417	2	2	2	97	520
	81%	0%	0%	0%	19%	
Handling of Consumer Complaints	53	3	1	2	0	59
	93%	5%	2%	4%	0%	
Total Responses	3817	108	16	60	777	4778

Fair Lending:

	(A) no/few problems noted	(B) received criticism	(C) required evaluation by a third party	(D) required action by your bank	(E) not applicable to my bank	Total Responses
Re HMDA/Regulation C (Home Mortgage Protection Act)	277	127	12	94	57	567
	52%	24%	2%	18%	11%	
Regulation B (Equal Credit Opportunity Act)	388	101	8	55	7	559
	74%	19%	2%	10%	1%	
Fair Housing Act	475	22	4	14	11	526
	92%	4%	1%	3%	2%	
Total Responses	1140	250	24	163	75	1652

Bank Secrecy Act:

	(A) no/few problems noted	(B) received criticism	(C) required evaluation by a third party	(D) required action by your bank	(E) not applicable to my bank	Total Responses
Bank's Risk Assessment	1580	152	13	73	60	1878
	86%	8%	1%	4%	3%	
Suspicious Activity Report Filings	1622	127	5	49	62	1865
	88%	7%	0%	3%	3%	
Currency Transaction Report Filings	1635	100	2	34	76	1847
	89%	5%	0%	2%	4%	
Level of board involvement	1616	127	6	51	59	1859
	88%	7%	0%	3%	3%	
Providing services to Money Service Businesses	1391	33	1	19	382	1826
	76%	2%	0%	1%	21%	
Total Responses	7844	539	27	226	639	9275

Information Technology:

	(A) no/few problems noted	(B) received criticism	(C) required evaluation by a third party	(D) required action by your bank	(E) not applicable to my bank	Total Responses
IT Audit Program	127	20	2	4	1	154
	84%	13%	1%	3%	1%	
Business Continually Planning	118	23	2	9	2	154
	78%	15%	1%	6%	1%	
Development and Acquisition	120	4	0	1	26	151
	79%	3%	0%	1%	17%	
E-Banking	140	4	1	0	5	150
	93%	3%	1%	0%	3%	
Information Security	129	16	2	6	1	154
	85%	11%	1%	4%	1%	
IT Management	129	18	1	5	1	154
	85%	12%	1%	3%	1%	
IT Operations	129	17	1	3	2	152
	85%	11%	1%	2%	1%	
Outsourcing Technology Services	136	10	0	1	4	151
	91%	7%	0%	1%	3%	
Retail Payment Systems	133	2	0	0	12	147
	90%	1%	0%	0%	8%	
Supervision of Technology Service Providers	133	11	0	4	2	150
	89%	7%	0%	3%	1%	
Wholesale Payment Systems	109	0	0	0	38	147
	74%	0%	0%	0%	26%	
Customer Authentication	142	3	0	1	3	149
	95%	2%	0%	1%	2%	
Total Responses	1545	128	9	34	97	1813

As a result of your exam, do you anticipate any impact on your institution's ability to lend

Yes, it is anticipated that lending will be more restricted and difficult. We are in a worse position to lend.	9%
Yes, it is anticipated that lending will be easier and less restricted. We are in a better position to lend.	4%
No changes are anticipated	88%
Total Responses	152

Rank Lead Representative

	1 - Poor	2	3 - Neutral	4	5 - Excellent	Total Responses
Pragmatism	9%	12%	30%	35%	15%	1880
Professionalism	3%	6%	16%	42%	32%	1891
Helpfulness	6%	10%	22%	38%	24%	1888
Fairness	8%	12%	19%	37%	23%	1887
Objectivity	9%	14%	22%	35%	20%	1884
Total Responses	683	1009	2050	3539	2149	9430

How many years has the examiner-in-charge been supervising bank examinations?**Rank CFPB participation – Survey has quantified responses on:**

Pragmatism	Fairness
Professionalism	Objectivity
Helpfulness	

Examination Guidance

	1 - Strongly Disagree	2	3 - Neutral	4	5 - Strongly Agree	Total Responses	Mean
Examiners applied "guidance" as if it were enforceable	133 7%	271 14%	931 50%	285 15%	254 14%	1874	2.86
Total Responses	133	271	931	285	254	1874	

If you answered yes (4 or 5) please state which guidance was treated as a regulation**SAMPLE RESPONSES OUT OF: 424**

We have a large investment portfolio and they plainly knew little about today's investment structures but insisted on lots of new policies and procedures.

Interest Rate risk simulation frequencies and durations.

The Joint Agency Policy Statement on Interest Rate Risk requires annual interest rate risk reviews. The bank did it less than annually. This was cited in the examination report under the section Violations of Laws and Regulations. The Joint Agency Policy Statement is neither a law nor a regulation.

Guidance for commercial real estate and C&D and land concentrations were portrayed as maximum standards.

This is my single greatest complaint with examiners. Every time we are visited / examined a new team comes in with totally different opinions on how things should be done...usually in relation to ALLL. They always tell us we are doing something they disagree with (and its always something a previous team has told us to do) and they tell us to make changes to our methodology.

Survey also has quantified responses on:**Unshared Standards or Assumptions**

Examiners applied supervisory standards or economic assumptions that were not shared with the bank prior to the examination.

If you answered yes (4 or 5) please state which standards or assumptions were applied that were not shared with the bank prior to the examination**SAMPLE RESPONSES OUT OF: 212**

ALLL metrics and comparisons - while on site the examiners compared our ALLL methodology to that of other institutions with completely different business models. We felt this was inappropriate.

FDIC Changed their statistical analysis in regards to lender's discretion in consumer pricing. They no longer accept any lender discretion in consumer loan pricing, regardless of a lack of evidence of discrimination or disparate treatment.

Examiners did not fully take into account management's knowledge of local market conditions especially as relates to real estate value. Loss history would indicate management is aware of market conditions

Survey also has quantified responses on:**Comply with Laws & Regulations**

The examination and recommendations enhanced my bank's ability to comply with applicable laws and regulations.

What do you wish you knew before your bank was examined? (If none, please enter 'N/A')**SAMPLE RESPONSES OUT OF: 928**

Liquidity contingency funding issues. Blown way out of proportion by examiners

That the examiners did absolutely no pre-exam preparation, did not read any prior work papers and did not know much about our bank/company, despite previous visits.

We wish we had realized that according to the Travel Rule, on outgoing wire transfers, the account number of the originating customer must travel with the wire.

What examination processes/procedures were not meaningful to determining the condition of your bank and should be changed?(If none, please enter 'N/A')**SAMPLE RESPONSES OUT OF: 631**

They consider appraisals right up there with the 10 commandments. If we don't review the appraisals to their satisfaction they criticize. I was told to feel free to criticize the appraisal and reduce the amount if I thought it deserved it. I asked if could I increase the value if it deserved it and was told "no." We are rural and many of our appraisals are poorly done. We had a storage facility with appraisals between \$1.6MM and \$2.6MM

There needs to be a tiered system; one for the much riskier bigger banks and another (similar to what we had) for the smaller community banks. Why did a crisis caused by the bigger banks results in so many changes in the community banks?

Over-emphasis on zero tolerance BSA examination. The onyl real BSA risk to a bank is from it's regulator.

The focus on compensation was new to this exam. This has not been discussed in previous examinations. This may be a relevant issue if the bank was unprofitable or had significant asset quality issues. This appeared to be a new directive coming from the Regional Office.

What examination processes/procedures were not meaningful to determining your bank's compliance with applicable laws and regulations?**SAMPLE RESPONSES OUT OF: 221**

The amount of time and resources devoted to flood insurance and HMDA is out of line. Especially HMDA which was designed for a completely different purpose and the accuracy of data (one day before or after) is not a significant error.

They asked for pre-exam documents and info from most areas of the bank but decided on-site to look at lending only. Much wasted time and paper.

3rd party relationships were not totally understood from the examiners viewpoint and the additional income generated for the bank.

Examiners tend to dwell on items that bank management takes care of such as checking car titles owned by bank and safe deposit boxes that need drilled and locks changed. They apparently don't review past records they have received from previous exams.

What hot topics or issues do you see the banking industry facing during the next 12-18 months? Please be specific. Examples are: Ag lending 'bubble', Fair Lending, Real estate (appraisals, valuation of OREO, appraisal reviews), Flood Protection Act,...**SAMPLE RESPONSES OUT OF: 1336**

There will clearly be a much higher emphasis on appraisal technicalities, especially as it relates to being USPAP qualified. Calculations of ALLL, TDR evaluations and documenting credit administration rationale was a focus, but shouldn't be a huge surprise to any banker at this point. The regulatory 'flavor of the month' appeared to be the 3rd party vendor review process and procedures. Also, a considerable amount of time was spent gauging the impact of interest rate risk to the organization. Again, shouldn't be a huge surprise, regulators have been extremely vocal on this. Core earnings, and the ability to generate future earnings, was a main driver behind this exam. Apparently, examiners used to be concerned about the survival of banks from a credit quality standpoint. Now the concern appears to have shifted largely to "Okay you survived, how are you going to keep surviving?"

Being squeezed out by Ag. Star and Farm Credit Services as they continue to offer rates on loans that are illegal. Needs immediate attention.

As regulations that apply to larger organizations get applied to smaller organizations, the examiners of smaller banks do not have the training to apply them appropriately. This also includes the CFPB policies being applied by the other agencies to smaller banks.

What is the #1 issue you would like your Bankers Association representatives to focus on to reduce your bank's regulatory compliance burden or to increase the success of your next examination?

SAMPLE RESPONSES OUT OF: 1308

Rein in CFPB and changes to consumer regulations. Enforcing what revs we have with the players that aren't regulated institutions is what is needed.

Very little from the standpoint of Safeness & Soundness. We received a fair exam. From the Bankers association, focus should be directed to the compliance & CRA side of these examinations. Specifically, the allowable error rate while operating within the appropriate rules and regulations (ex. fair lending, HMDA, Reg Z, etc). Brain surgery allows for a higher acceptable margin of error than I'm allowed in my HELOC portfolio. That has to stop.

More efforts to educate regulators regarding interest rate risk. There seems to be a disconnect with what I hear from professionals on this topic vs. the regulator's ideas. Someone is wrong, as the views are quite far apart. Also, I have now noticed that regulators in the field can barely cough without having to first ask the home office for permission. Seems that everyone is now very concerned about covering their backside.

The exam request list we received included 108 items. That was comparable to other exam lists we have received in the past. After they came in, they requested another 268 items. One examiner said it was partially because they are prohibited from asking for the additional items up front so it doesn't get counted into the data regarding "regulatory relief." When assessing the sincerity of those claiming to support regulatory relief, this game should be taken into account.

How can this Regulatory Feedback Initiative be made more beneficial?

SAMPLE RESPONSES OUT OF: 146)

Get something done. I feel like I am spitting into the wind. These examiners have been reduced to zero thought process and it gets worse the younger the examiner. We are a highly rated bank but it is nearly a useless process the way it is being done now.