

OCC Update

IBANYS Compliance Conference

March 12th – Rochester

March 13th - Troy

OCC Mission and Vision

- **Mission** – To ensure that national banks and federal savings associations operate in a safe and sound manner, provide fair access to financial services, treat customers fairly, and comply with applicable laws and regulations.
- **Vision** – The OCC is the preeminent prudential supervisor that
 - adds value through proactive and risk-based supervision;
 - is sought after as a source of knowledge and expertise; and
 - promotes a vibrant and diverse banking system that benefits consumers, communities, businesses, and the U.S. economy.

OCC Core Values

- **Integrity** – Firm adherence to a code or standard. We do the right thing by acting in accordance with law and applicable policies and applying the highest ethical standards in our conduct.
- **Expertise** – Mastery in one’s field; unique or specialized knowledge or skill. We continuously enhance our skills and experience, act on careful analysis, and apply our knowledge and capabilities to achieve the agency’s mission.
- **Collaboration** – Working together in a joint effort, sharing a common goal. We include diverse stakeholders in our decision-making process, seek alternative perspectives, and excel in a team environment.
- **Independence** – Freedom from undue influence or control of others. We act without undue external influences and exercise our own judgment in a manner consistent with the agency’s mission and vision.

OCC Role in the Federal Banking System

- National banks and federal savings associations holds \$12.5 trillion in assets, 67 percent of all assets in the U.S.
- The federal banking system includes nearly 1,300 national banks, federal savings associations, and federal branches of foreign banks (banks).
- Community banks with less than \$1 billion in assets make up 80 percent of the banks the OCC supervises.
- OCC-supervised banks hold 71 percent of all credit card balances and service more than 33 percent of first-lien mortgages, helping families meet their credit and housing needs.
- At the end of the third quarter of 2018, these banks held \$283.2 billion in small business loans, \$115.7 billion of these were commercial and industrial loans with original amounts of \$100,000 or less.

OCC Key Facts

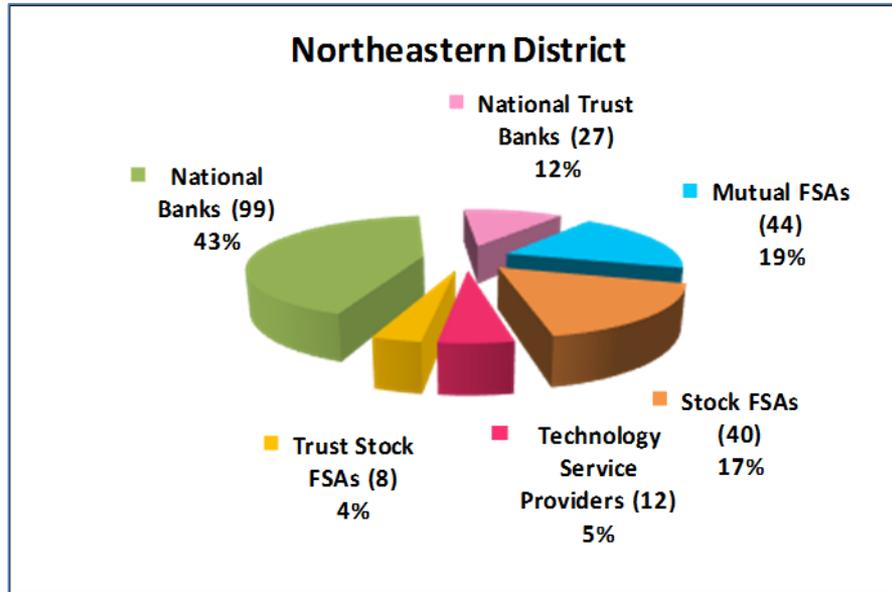
- Established in 1863 as an independent bureau of the U.S. Department of the Treasury
- Number of employees: 3,843
- FY 2019 Operating and Capital Budget: \$1.091 billion
- Number of national bank examiners: 2,527 (1,609 committed to community and midsize bank supervision, 717 to large bank supervision, and 201 devoted to other lines of business)
- Number of operating locations (a location has one or more business units): 96
- Number of national banks, federal savings associations, and federal branches: 1,264
- Number of national banks: 891 (\$11.2 trillion in assets)
- Number of federal savings associations: 316 (\$749 billion in assets)
- Number of federal branches of foreign banks: 57 (\$564 billion in assets)
- Number of banks (national banks and federal savings associations) with more than \$10 billion in assets: 63
- Number of banks with \$1-\$10 billion in assets: 146
- Number of banks with less than \$1 billion in assets: 998

OCC Supervisory Priorities

- The OCC provides information to supervised institutions so they can manage emerging risks and meet supervisory expectations.
 - The OCC is transparent about its supervisory priorities and publishes its bank supervision operating plan each year.
 - **Supervisory strategies for FY 2019 focus on**
 - **cybersecurity and operational resiliency.**
 - **commercial and retail credit loan underwriting, concentration risk management, and the allowance for loan and lease losses.**
 - **Bank Secrecy Act/anti-money laundering (BSA/AML) compliance management.**
 - **compliance-related change management to address regulatory requirements.**
 - **internal controls and end-to-end processes necessary for product and service delivery.**
 - The OCC's Semiannual Risk Perspective promotes awareness of risks in the banking system.

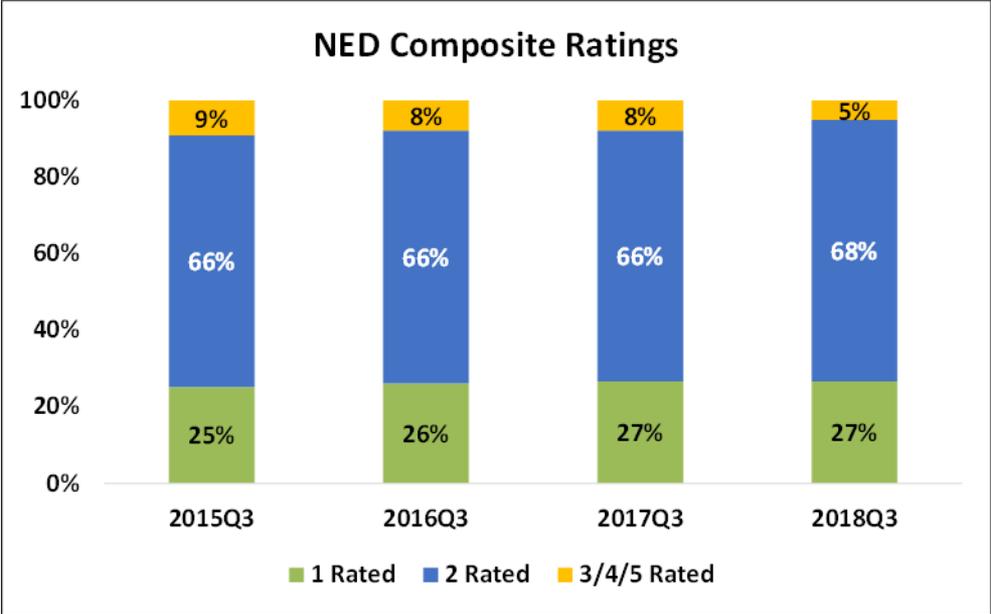
Northeastern District

- The NED is responsible for the supervision of 230 institutions with \$180 billion in assets as of September 30, 2018.



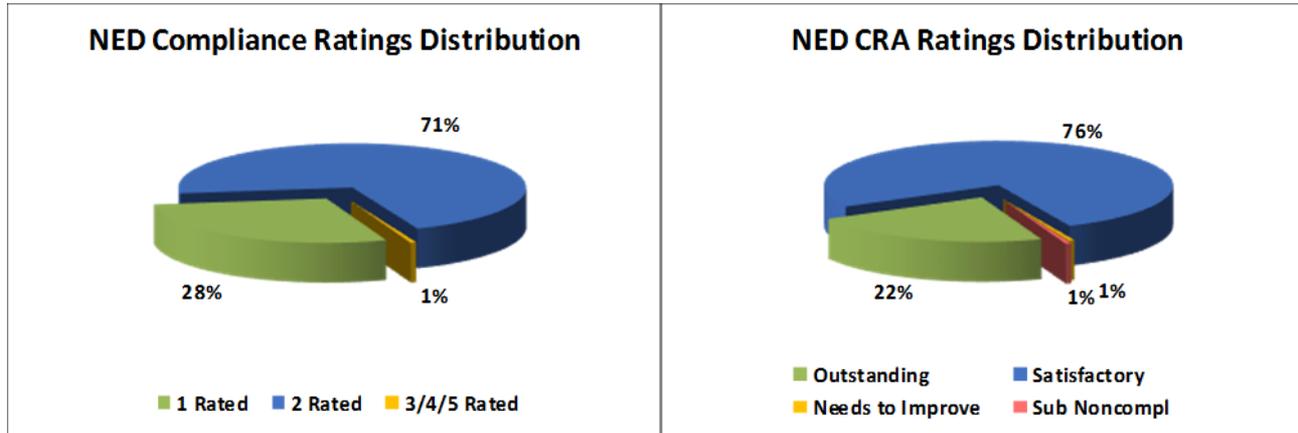
Northeastern District

- The majority of institutions in the district have an overall composite rating of 1 or 2



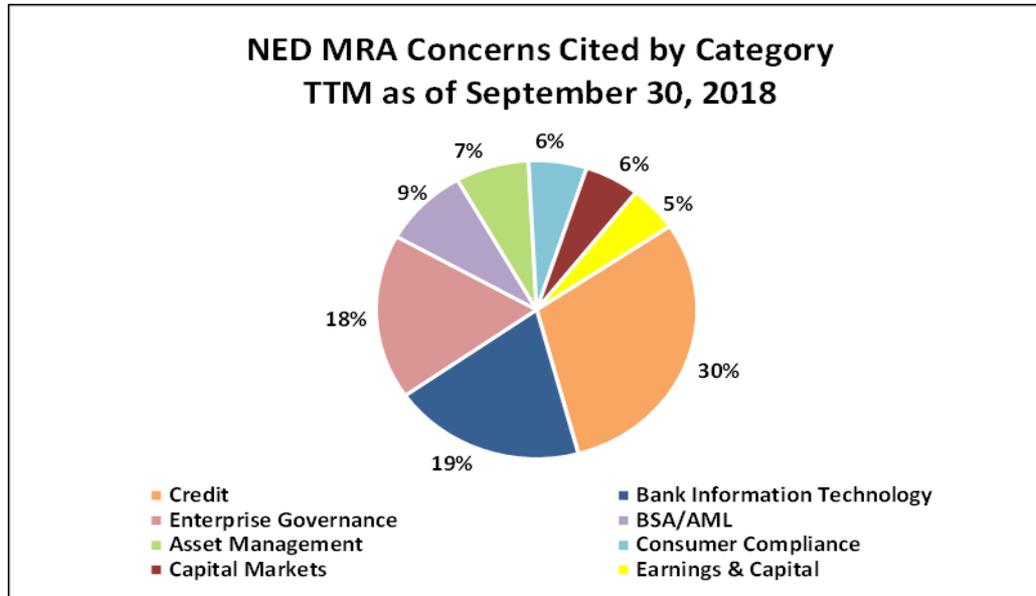
Northeastern District

- The majority of institutions in the district have a compliance component rating and a CRA component rating of 1 or 2



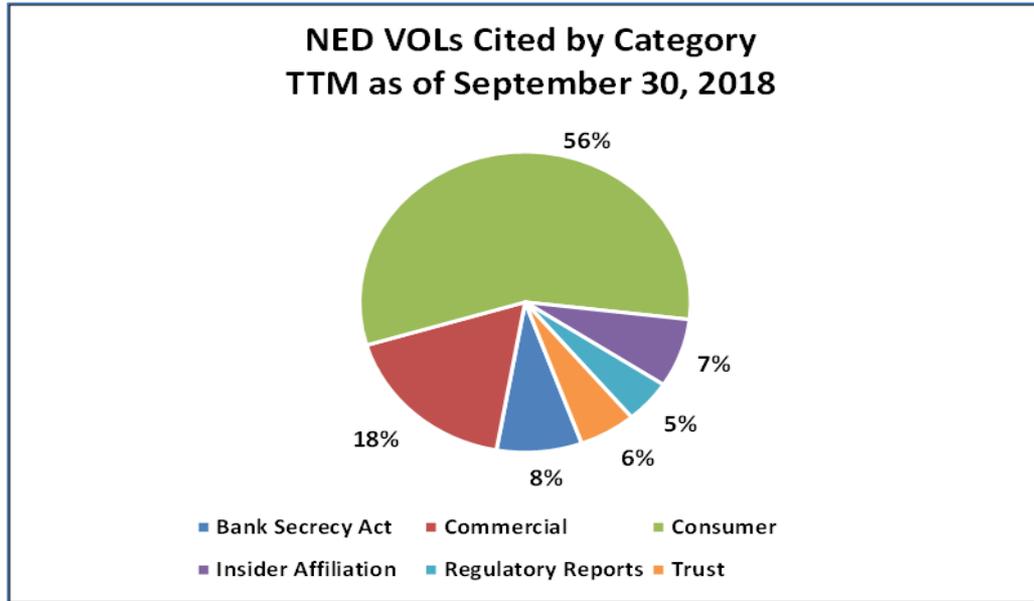
Northeastern District

- The majority of Matters Requiring Attention (MRAs), 30%, are credit related. BSA/AML and compliance related MRAs represent 9% and 6% of the total over the trailing twelve months.



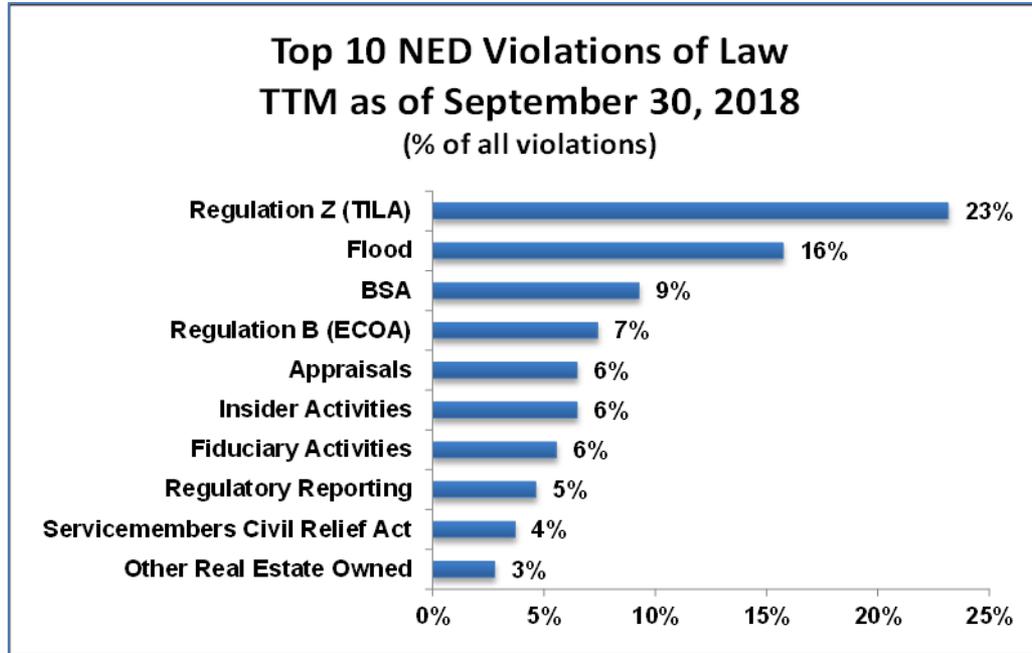
Northeastern District

- Consumer and Commercial VOLs represent the largest categories of violations cited during the TTM period ending September 30, 2018, with 56 percent and 18 percent, respectively.



Northeastern District

- Regulations Z (TILA) was the most frequently cited individual VOL at 23 percent followed by Flood at 16 percent.



Hot Topics

- **Customer Due Diligence/Beneficial Ownership Rule & Fair Credit Reporting Act**
 - Are you pulling credit reports as a verification tool? FCRA limits the purposes for which credit reporting agencies may furnish consumer reports. In cases where the beneficial owner is not also a bank customer, the bank may not have a permissible purpose for obtaining a credit report on the beneficial owner.
- **Marijuana-Related Banking**
 - Although marijuana remains illegal at the Federal level, the decision to provide financial services to customers directly or indirectly involved with marijuana-related businesses in states in which it is permitted is a business decision. The OCC expects banks to assess the risks posed by individual customers on a case-by-case basis and implement appropriate controls to manage those relationships.
- **Community Reinvestment Act/Fair Lending/HMDA**
 - The OCC issued an advanced notice of proposed rulemaking for CRA. The OCC also issued Bulletin 2018-23, “Revisions to Impact of Evidence of Discriminatory or Other Illegal Credit Practices on CRA Ratings” to outline the policy and framework for determining the effect of evidence of discriminatory or other illegal credit practices on CRA evaluations. In September 2018, CFPB amended certain provisions of the HMDA. The 2018 HMDA Filing Instructions Guide was revised to implement these changes.
- **Regulation Z**
 - Regulation Z was amended, effective October 1, 2018, to provide for a tolerance for the Total of Payments (TOP) calculation. The TOP will be treated as accurate if the amount disclosed is understated by no more than \$100 or is greater than the amount to be disclosed. The TOP calculation is the total the consumer will have paid after making all payments of principal, interest, mortgage insurance, and loan costs, as scheduled.

TRID Evolution

- **Final Rule: December 31, 2013**
- Applied to most closed-end transactions secured by real property (including construction-only loans, loans secured by vacant land or by 25 or more acres, and credit extended to certain trusts for tax or estate planning purposes)
- Introduced the Loan Estimate (LE) and Closing Disclosure (CD)
 - LE combined the Good Faith Estimate and the initial TIL disclosure
 - CD combined the Settlement Statement and the final TIL disclosure
- **Original Effective Date: August 1, 2015**

TRID Amendments

- **January 20, 2015**
 - Extends timing requirement for revised disclosures when consumers lock a rate or extend a rate lock after the LE is provided.
 - Permits certain language on the LE related to construction loans for transactions involving new construction.
 - Amends 2013 Loan Originator Final Rule to provide NMLSR ID on the integrated disclosures
- **July 21, 2015**
 - Delayed effective date of TRID Final Rule and related TILA-RESPA Amendments until October 3, 2015

TRID Amendments

- **July 7, 2017**

- Memorializes informal guidance on various issues and makes additional clarifications and technical amendments
- Creates tolerances for the total of payments, adjusts a partial exemption mainly affecting housing finance agencies and nonprofits, extends coverage of the TRID requirements to all cooperative units, and provides guidance on sharing the integrated disclosures with various parties involved in the mortgage origination process.
- Effective October 1, 2018

- **April 26, 2018**

- Amends mortgage disclosure requirements under RESPA and TILA that are implemented in Regulation Z.
- Amendments relate to when a creditor may compare charges paid by or imposed on the consumer to amounts disclosed on a CD, instead of a LE, to determine if an estimated closing cost was disclosed in good faith.

2017 TRID Changes

- Effective date and mandatory compliance date
- Coverage
 - Cooperatives
 - Trusts
 - Housing Assistance Loans
- Good faith requirement and revised disclosures
 - Good faith requirement and written list of service providers
 - Other good faith requirements
 - Revised loan estimates
 - Corrected closing disclosures

2017 TRID Changes

- Shopping for settlement services
- Disclosure of principal reductions (aka principal curtailments)
- Total of payments disclosure
- Simultaneous subordinate lien loans
- Construction loans
 - Timing of LE when separate disclosures for construction phase and permanent phase
 - Disclosure of sales price
 - Disclosure of loan term

2017 TRID Changes

- Construction loans
 - Timing of LE when separate disclosures for construction phase and permanent phase
 - Disclosure of sales price
 - Disclosure of loan term
 - Disclosure of product
 - Disclosure of interest rate
 - Disclosure of increases to the periodic payment
 - Projected payments
 - Construction costs and construction holdbacks
 - Disclosure of disbursement date
 - Disclosure of inspection and handling fees
- Use of positive and negative numbers for certain disclosures in the LE and CD

2017 TRID Changes

- Rounding
 - On the LE
 - On the CD
- Calculating cash to close
 - On the LE
 - On the CD
- Disclosure of payoffs of existing liens, and unsecured debt
- Disclosure of estimated value when no sales price or appraised value

2017 TRID Changes

- Separation of consumer and seller information on CD
- Other disclosures
 - On the LE
 - On the CD

2018 TRID Changes

- Effective date June 1, 2018
- Use of CD to reset tolerances

Examiner Findings

- CFPB
 - September 2018 Supervisory Highlights – no TRID findings
 - September 2017 Supervisory Highlights
 - April 2017 Supervisory Highlights
- OCC Findings

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