

Compliance Services

The Compliance Division of Steve H. Powell and Company provides a comprehensive, risk based approach to compliance review by specializing in providing community banks real solutions and guidance through ever changing consumer protection and anti-discrimination regulatory requirements. By evaluating compliance with current regulatory standards and providing on site training, a bank is able to best control its compliance management function. Prompt written reports of our findings as well as recommendations will be provided at the end of the review.

Our company provides a quarterly newsletter that contains a “Compliance Update” section devoted to keeping community banks informed on hot compliance topics and changes in regulations.

The number of weeks that we contract for depends on the asset size of the bank and/or seriousness of the compliance issues. The scope of areas generally reviewed within a 12 – 18 month timeframe is outlined below:

LOAN COMPLIANCE

- *Truth in Lending*
- *Consumer Leasing*
- *Fair Credit Reporting*
- *Real Estate Settlement Procedures*
- *Flood Insurance*
- *Homeowners Protection Act*
- *Fair Debt Collection Practices*
- *Preservation of Consumer Claims and Defenses*
- *Equal Credit Opportunity*
- *Fair Housing*
- *Home Mortgage Disclosure*
- *Credit Practices Rule*

Approved Loans – Samples of each type of open- and closed-end consumer credit offered by your institution will be reviewed for compliance with all applicable aspects of Regulation Z, Real Estate Settlement Procedures, Flood Insurance, Equal Credit Opportunity, Fair Housing, Home Mortgage Disclosure, and Credit Practices Rule. If the bank purchases dealer paper or originates consumer loans to applicants who are regularly referred to the bank by dealers, a sample of these loans will be reviewed for compliance with the FTC’s Rule regarding the Preservation of Consumer Claims and Defenses. All samples will include loans originated by each consumer lender and from each branch office.

The review will in part address the following areas, as applicable:

- Completion of timely and accurate disclosure statements
- Calculation of numeric disclosures

- Review of affiliated business arrangements
- Review of escrow accounts
- Completion and furnishing of rescission notices
- Review of preprinted forms and disclosures that your institution uses when extending consumer credit
- Review of advertising copy for consumer credit
- Regulatory recordkeeping requirements

A small sample of business loans may also be reviewed for compliance with the Flood Insurance regulation.

Loan Applications Not Originated – A sample of adverse action notices will be reviewed for compliance with Fair Credit Reporting, Equal Credit Opportunity, and, when applicable, Truth in Lending, Real Estate Settlement Procedures, and Home Mortgage Disclosure. As with the samples of loans selected for review, samples of adverse action notices from each loan officer and each branch will be reviewed.

Fair Lending – A fair lending review will be conducted using FFIEC fair lending procedures modified for the bank’s asset size and product lines. This self-evaluation, encouraged by regulatory agencies, can provide management with a means of identifying potential fair lending concerns while helping to ensure that all members of the bank’s customer-base receive fair and equal treatment.

Community Reinvestment –Your community reinvestment performance is evaluated using the five performance standards applicable to a “small bank”, an institution with total assets of less than \$250 million and independent or an affiliate of a holding company with total banking assets of less than \$1 billion. These criteria are listed below:

- (1) loan-to-deposit ratio
- (2) the percentage of loans originated inside the bank’s assessment area
- (3) record of lending to borrowers of different income levels and businesses and farms of different sizes
- (4) geographic distribution of the bank’s loans
- (5) record of taking action to written complaints about its performance in helping to meet credit needs in its assessment area.

With a satisfactory CRA review, your regulatory agency will only evaluate your CRA performance every 48-months. However, because a bank’s CRA performance is considered in all branching and merger applications, it is essential for you to keep apprised of your bank’s performance on an ongoing basis.

Miscellaneous – Although smaller institutions rarely offer consumer leasing or collect debts for entities other than itself, if these circumstances are applicable to your institution, we are prepared to include in our review the disclosure statements associated the Consumer Leasing and Fair Debt Collection Practices Regulations.

Training – Training sessions will be provided to loan officers and support staff responsible for the completion of all loan-related documents. Training will be held at the conclusion of each review and will focus foremost on deficiencies uncovered during the review. Fair Lending training will also be provided, as well as training for new lending-related regulations and/or upcoming regulatory changes. Handouts will be distributed providing summary comments relative to the areas covered during training. Loan compliance checklists tailored to your institution’s loan products can be developed to assist your lending staff. If our initial loan review reveals significant problem areas, we will use a risk-based analysis in our approach to your institution. We will initially address those areas that represent the greatest risk to the bank, generally considered to be residential real estate and fair lending.

DEPOSIT COMPLIANCE

- ***Truth in Savings***
- ***Interest on Deposits***
- ***Electronic Fund Transfers***
- ***Expedited Funds Availability***
- ***Bank Secrecy****
- ***Privacy***

*The scope of our Bank Secrecy review covers the requirement of the annual independent BSA / AML program review.

Disclosures, statements, operating procedures, and record-keeping requirements will be evaluated for each of the preceding regulations.

MISCELLANEOUS – In addition to deposit regulations, other areas including non-lending related advertising, financial privacy, web site review, and community reinvestment will be review during the second half of the year.

Advertising – Depending upon the quantity of advertisements which the bank utilizes, all or a sample of general advertisements and advertisements of deposit products will be review for compliance with applicable regulations. Advertisements of loan products are reviewed during the loan review week.

Financial Privacy – We will review the accuracy of your privacy disclosures and assist you in the development of a privacy policy, as necessary.

Web Site Review – We will review your bank's web site and provide you with recommendations relating to your compliance responsibilities in the e-banking area.

Training – Training sessions will be provided to tellers, CSRs, bookkeeping personnel, and any other support staff responsible for various deposit compliance functions. Training will be held at the conclusion of each review and the focus will encompass Regulation CC holds on transaction accounts, NOW account eligibility, excessive activity on money market/savings, and Truth in Savings.