

CONSUMER COMPLIANCE AND COMMUNITY REINVESTMENT ACT (CRA) EXAMINATION MANDATES

FREQUENCY FOR STATE MEMBER BANKS

FREQUENCY FOR BANKS WITH ASSETS < \$350 MILLION			
Compliance Rating	CRA Rating	Next Compliance Examination	Next CRA Examination
1 or 2	Outstanding	60 months	No earlier than 60 months
1 or 2	Satisfactory	48 months	No earlier than 48 months
1 or 2	Needs to Improve or Substantial Noncompliance	48 months	12 months
3, 4, or 5	Outstanding	12 months	No earlier than 60 months
3, 4, or 5	Satisfactory	12 months	No earlier than 48 months
3, 4, or 5	Needs to Improve or Substantial Noncompliance	12 months	12 months

FREQUENCY FOR BANKS WITH ASSETS ≥ \$350 MILLION and < \$ 1 BILLION			
Compliance Rating	CRA Rating	Next Compliance Examination	Next CRA Examination
1 or 2	Outstanding or Satisfactory	36 months	36 months
1 or 2	Needs to Improve or Substantial Noncompliance	36 months	12 months
3, 4, or 5	Outstanding or Satisfactory	12 months	36 months
3, 4, or 5	Needs to Improve or Substantial Noncompliance	12 months	12 months

FREQUENCY FOR BANKS WITH ASSETS ≥ \$1 BILLION			
Compliance Rating	CRA Rating	Next Compliance Examination	Next CRA Examination
1 or 2	Outstanding or Satisfactory	24 months	24 months
1 or 2	Needs to Improve or Substantial Noncompliance	24 months	12 months
3, 4, or 5	Outstanding or Satisfactory	12 months	24 months
3, 4, or 5	Needs to Improve or Substantial Noncompliance	12 months	12 months

FREQUENCY FOR STATE MEMBER BANKS UNDER CONTINUOUS SUPERVISION

State member banks that are large (generally with total assets of more than \$10 billion) or complex may be placed under continuous supervision. These banks are continuously monitored with consumer compliance targeted reviews conducted over time. A report summarizing the results of targeted reviews is generally issued at the close of those reviews. A roll-up of those reviews into a comprehensive report is generally provided to the supervised institution once each year. CRA examinations are conducted at a point-in-time based on the bank's asset size and rating.

FREQUENCY FOR STATE MEMBER BANKS DESIGNATED AS SPECIAL PURPOSE BANKS EXEMPT FROM CRA¹

Assessments are conducted to determine whether a special purpose bank engages in activities subject to consumer protection laws and regulations (covered activities), including the CRA. A special purpose bank that did not engage in activities subject to the consumer protection laws and regulations at its most recent consumer compliance assessment will be subject to another assessment in 48 months. If the assessment determines that a special purpose bank does engage in covered activities, the Reserve Bank should conduct a consumer compliance examination within 90 days of the assessment and assign a rating. A special purpose bank that engages in activities subject to consumer protection laws is subject to examination at a frequency based on its asset size and most recent compliance rating.

¹ The CRA regulations provide an exemption from CRA for "special purpose banks," which do not perform commercial or retail banking services by granting credit to the public in the ordinary course of business, other than as incidental to their specialized operations.

FREQUENCY FOR ASSESSMENTS AND EXAMINATIONS FOR DESIGNATED SPECIAL PURPOSE BANKS EXEMPT FROM CRA			
Compliance Rating	Assets < \$350 Million	Assets ≥350 Million and < 1 Billion	Assets ≥ \$1 Billion
Not Rated	48 months	48 months	48 months
1	60 months	36 months	24 months
2	48 months	36 months	24 months
3, 4, or 5	12 months	12 months	12 months

FREQUENCY FOR NON-STATE MEMBER BANK ENTITIES REGULATED BY THE FEDERAL RESERVE²

The following non-state member bank entities are regulated by the Federal Reserve and are subject to assessments and examinations:

U.S. Offices (Branch and Agency) of Foreign Banks

- Uninsured state agencies – USA
- Uninsured state branch – USB

Edge Act Corporations

- Edge Corporation-Banking – EDB
- Edge Corporation-Domestic Branch – EBR
- Edge Corporation-Investment – EDI

Article XII New York Investment Companies – NYI

Agreement Corporations

- Agreement Corporation – Investment – AGI
- Agreement Corporation – Banking – AGB

Non-Deposit Trust Companies – MTC (Members only)

Assessments are conducted to determine whether the non-state member bank entity engages in activities subject to consumer protection laws and regulations, including the CRA.³ A non-state member entity that did not engage in activities subject to the consumer protection laws and regulations at its most recent consumer compliance assessment will be subject to another assessment in 48 months. If the assessment determines that the non-state member entity does engage in covered activities, the Reserve Bank should conduct a consumer compliance examination within 90 days of the assessment and assign a rating. A non-state member bank entity that engages in covered activities is subject to examination based on its asset size and most recent compliance rating.

² In prior guidance (e.g. CA 03-12), U.S. Offices (Branch and Agency) of Foreign Banks, Edge Act Corporations, Article XII Investment Companies, and Agreement Corporations were referred to as foreign banking organizations (FBOs).

³ An uninsured state branch of a foreign banking organization may be subject to the CRA if the branch was acquired from an insured bank and was located in a State in which the FBO does not maintain a branch; and the FBO does not limit its deposit-taking to foreigners (See 12 CFR 228.11(c)).

FREQUENCY SCHEDULE FOR ASSESSMENT AND EXAMINATIONS OF NON-STATE MEMBER BANK ENTITIES			
Compliance Rating	Assets < \$350 Million	Assets ≥350 Million and < 1 Billion	Assets ≥ \$1 Billion
Not Rated	48 months	48 months	48 months
1	60 months	36 months	24 months
2	48 months	36 months	24 months
3, 4, or 5	12 months	12 months	12 months

GENERAL RULES

Calculating Examination Mandates and Determining When a Bank Becomes Subject to New Frequency Schedules

Mandated consumer compliance and CRA examination start dates for the next examination are calculated after each examination, based on the examination close date. The assets reported as of December 31st of the two year end dates prior to the examination close date will be used to calculate examination frequency. A bank will be placed on the appropriate frequency schedule based on assets reported for the two year end dates and the compliance and CRA ratings.⁴

Generally, a bank will remain on the frequency schedule, based on two consecutive year-end assets, even if assets change between examinations. However, if a bank's assets decrease to less than \$250 million during the interval between examinations, the next CRA examination (and the consumer compliance examination assuming the bank's compliance rating is 1 or 2) should be scheduled to occur no earlier than either 60 or 48 months (depending on the bank's CRA rating) from the date of the last CRA examination. This change should be made immediately to ensure compliance with the Gramm-Leach-Bliley Act of 1999 (GLBA). GLBA set the minimum interval for CRA examinations of banks with assets less than \$250 million rated satisfactory or outstanding at 48 and 60 months, respectively.

Meeting Examination Mandates

An examination mandate will be considered met as long as the start date of the examination is no more than 90 days past the mandated start date. From time to time, Reserve Banks may find it necessary to reschedule a mandated examination event beyond 90 days as a result of various unexpected conditions related to staffing, new state member banks, or other factors affecting resources. These situations should be discussed with the appropriate Division of Consumer and Community Affairs (C&CA) Oversight Analyst. Provided the Oversight Analyst and Reserve Bank staff reach an agreement on the timing of the examination or monitoring event, the mandate will be considered met.

⁴ If the assets from the two prior year-end dates fall into different frequency schedules, the year-end assets for the third year prior will be used to calculate the examination frequency. If assets are unavailable for either of these dates at the close of an examination, the year-end assets for the third year prior to the examination close date will also be used.

Examination Mandate Flexibility

CRA: According to GLBA, a bank with assets less than \$250 million may be subject to more frequent CRA examinations (i.e., earlier than 60 or 48 months) for reasonable cause. Issues that could negatively affect a bank's CRA rating that are identified through ongoing supervision activities or other contact with a bank should be discussed with the Reserve Bank's C&CA Oversight Analyst. A decision to accelerate the date of the next CRA examination for these banks will be rare.

For banks with assets greater than or equal to \$250 million, a Reserve Bank may conduct a CRA examination in advance of the examination mandate date since the GLBA frequency requirements do not apply to banks with assets greater than or equal to \$250 million.

Compliance: A compliance examination may be accelerated, or another supervisory event triggered, for any size bank if significant changes are identified that raise an immediate heightened sense of supervisory concern or that elevates the level of residual risk of a material product or of the institution as a whole.

Synchronization of Examinations

To the extent possible, consumer compliance and CRA examinations should be conducted simultaneously. In certain circumstances, it will not be possible to conduct simultaneous examinations. For example, if a bank with assets less than \$350 million has a compliance rating of 3, 4, or 5 and a CRA rating of Outstanding, the consumer compliance examination will be conducted in 12 months and the CRA examination will be conducted in 60 months. Reserve Banks should determine the best way to resynchronize the examinations and should do so as quickly as possible. The appropriate C&CA Oversight Analyst should be consulted in these cases.

De Novo Banks

The Reserve Bank should conduct an advisory visit as soon as practical, but no later than six months from the date of membership, to develop a preliminary assessment of a de novo state member bank's consumer compliance management program. The results of the advisory visit should be considered when planning the first examination of the startup institution. The Reserve Bank should conduct the first consumer compliance examination within 12 months and the first CRA examination within 24 months of the date the institution becomes a state member bank.

Charter Conversions

Banks and thrifts that convert to Federal Reserve membership are subject to the same frequency rules as existing state member banks. The close date and rating of the last consumer compliance and CRA examinations by the bank's previous regulator should be used to determine the date of the first Federal Reserve consumer compliance examination. The first Federal Reserve supervisory event could be simultaneous consumer compliance and CRA examinations or a separate consumer compliance or CRA examination.

If the previous regulator did not conduct simultaneous consumer compliance and CRA examinations, the Reserve Bank should synchronize the examinations as soon as possible. The current compliance and CRA ratings and the date of the last examinations should be considered and the Reserve Bank's C&CA Oversight Analyst should be consulted when making this determination.

If the due date for the first Federal Reserve examination of a bank converting to Federal Reserve membership has already passed, Reserve Banks should conduct the consumer compliance and/or CRA examination within 12 months of the date on which the institution becomes a state member bank.

In the event the bank's previous regulator never conducted a consumer compliance or CRA examination, the Reserve Bank should conduct the first Federal Reserve consumer compliance and CRA examinations within 12 months of the date on which the institution becomes a state member bank.