S. HRG. 117–589

OVERSIGHT OF REGULATORS: DOES OUR FINANCIAL SYSTEM WORK FOR EVERYONE?

HEARING

BEFORE THE

COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS UNITED STATES SENATE

ONE HUNDRED SEVENTEENTH CONGRESS

FIRST SESSION

ON

EXAMINING THE FINANCIAL SYSTEM TO MAKE SURE IT WORKS FOR EVERYONE

AUGUST 3, 2021

Printed for the use of the Committee on Banking, Housing, and Urban Affairs

Available at: https://www.govinfo.gov/

U.S. GOVERNMENT PUBLISHING OFFICE

51–112 PDF WASHINGTON : 2023

COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS

SHERROD BROWN, Ohio, *Chairman*

JACK REED, Rhode Island	PATRICK J. TOOMEY, Pennsylvania
ROBERT MENENDEZ, New Jersey	RICHARD C. SHELBY, Alabama
JON TESTER, Montana	MIKE CRAPO, Idaho
MARK R. WARNER, Virginia	TIM SCOTT, South Carolina
ELIZABETH WARREN, Massachusetts	MIKE ROUNDS, South Dakota
CHRIS VAN HOLLEN, Maryland	THOM TILLIS, North Carolina
CATHERINE CORTEZ MASTO, Nevada	JOHN KENNEDY, Louisiana
TINA SMITH, Minnesota	BILL HAGERTY, Tennessee
KYRSTEN SINEMA, Arizona	CYNTHIA LUMMIS, Wyoming
JON OSSOFF, Georgia	JERRY MORAN, Kansas
RAPHAEL WARNOCK, Georgia	KEVIN CRAMER, North Dakota
	STEVE DAINES, Montana

LAURA SWANSON, *Staff Director*
BRAD GRANTZ, *Republican Staff Director*

ELISHA TUKU, *Chief Counsel*
TANYA OTSUKA, *Counsel*
COREY FRAYER, *Professional Staff Member*

DAN SULLIVAN, *Republican Chief Counsel*
HALLEE MORGAN, *Republican Counsel*

CAMERON RICKER, *Chief Clerk*
SHELVIN SIMMONS, *IT Director*
CHARLES J. MOFFAT, *Hearing Clerk*

C O N T E N T S

TUESDAY, AUGUST 3, 2021

WITNESSES

OVERSIGHT OF REGULATORS: DOES OUR FINANCIAL SYSTEM WORK FOR EVERYONE?

TUESDAY, AUGUST 3, 2021

U.S. SENATE,
COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS,
Washington, DC.

The Committee met at 10:07 a.m., via Webex and in room 538, Dirksen Senate Office Building, Hon. Sherrod Brown, Chairman of the Committee, presiding.

OPENING STATEMENT OF CHAIRMAN SHERROD BROWN

Chairman BROWN. Thank you all for your cooperation in showing up on time.

The hearing itself now will to come to order. We will hear testimony from the heads of three agencies responsible for protecting our financial system, and for making sure it serves everyone: the National Credit Union Administration, NCUA, the Federal Deposit Insurance Corporation, FDIC, and the Office of the Comptroller of the Currency, the OCC.

Because of the work we have done with the Rescue Plan, putting money in people's pockets and making progress against this pandemic, our economy is starting to recover, adding more jobs every month. For the first time, workers are starting to reclaim a little bit of power in our economy. As we build on this progress, we need to make sure those gains end up in the pockets of working families, the people who made this progress possible. We need to make sure their money is protected.

Together, those of you before us today embody the public backing of our banking system. Yet most people, frankly, do not know these agencies even exist, let alone know what you do. They see the letters NCUA and FDIC on the signs outside credit unions and banks, or emblazoned on the backs of credit cards. They do not think much about what they mean. And they should not have to. People are busy, working hard to support their families and raise their kids. They are supposed to be able to trust you, their watchdogs, to keep their money safe.

When I talk to Ohioans, though, I hear the same message: people do not trust banks, especially the largest banks. They remember after the Great Recession, when we called it a "recovery" around here, workers did not get much of a raise and entire neighborhoods and towns were left behind. They have been burned by exorbitant fees, high minimum balances, and segregated second-chance accounts. They watch bigger banks buy up the smaller ones and close the local branches, making it harder and harder for small busi-

nesses and working families to get an affordable small business loan or a mortgage.

It is happening in my home State, and it is happening across the country, in rural communities, in Black and Brown communities, and in all the communities that Wall Street has trampled over.

And we know what happens when people do not have a credit union or a bank they trust in their community. They turn to expensive check cashers and shady payday lenders that prey too often on working families.

Last week, before our hearing on extending the military's 36 percent interest rate cap to everyone, I talked to a mother from Lorain, Ohio, who had to take out a payday loan to pay her bills. She ended up trapped in a cycle of debt. We know that story is all too common. Or people turn to so-called fintechs that claim to make banking easier and cheaper, but have few protections and put people's money at risk.

I urged the CFPB to look into the risks of these kinds of fintechs like Chime, after customers were locked out of their accounts and could not get access to their own money, putting their ability to buy groceries, pay their bills, or make the rent at risk.

These issues people have may not seem connected, but they all stem from the same big problem: big banks and corporations have too much unchecked power over our community and over our economy. We need no-fee accounts that allow everyone to open a bank account and have control over their money. We need to close the loopholes that allow so-called fintech firms to play by a different set of rules than banks and credit unions, leading to unfair competition and putting consumers' money at risk. And we need strong financial watchdogs that hold financial institutions accountable, and ensure that these institutions serve their customers and communities, instead of lining their own pockets.

For too long we have had regulators who did not seem to think standing up to Wall Street was part of their job. They rolled back the rules that industry had spent years begging for. They rewarded themselves, instead of investing in the people they are supposed to serve.

There are a lot of community-based institutions in my State and in all of your States, like CDFIs, MDIs, small credit unions, and community banks. They are the ones that are making the small business loans. They are the ones working with borrowers when they might miss a mortgage payment because of a sudden medical expense or a lost job. They stepped up to help their neighbors during the pandemic. It is your job, as the regulators, to make sure that all financial institutions, from Wall Street to Main Street, do the same.

Regulators like the FDIC must change their approach to bank mergers—no more rubber-stamping every merger, leaving towns in Ohio and across the country with no branches. When mergers do happen, you need to make sure that banks live up to the promises that they made to the community. We should be cracking down on risky shadow banks that use the allure of shiny new "financial technology" to distract us from the fact that they are just payday lenders with a fancy app. And we need stronger capital require-

ments, so that banks and credit unions can continue to lend to and invest in their communities, in good times and bad times.

We now have new leadership at the NCUA with Chair Harper, who is working on a bipartisan basis to strengthen the NCUA and ensure that credit unions serve their members and communities.

I applaud Acting Comptroller Hsu for rescinding the misguided changes to the CRA that former Comptroller Otting rushed through. The legacy of Black codes and Jim Crow and redlining still holds back too many communities, and the OCC's rule did not serve CRA's core purpose, to ensure that banks are serving low-income communities and communities of color.

I am glad that all three bank regulators—the Fed, OCC, and FDIC—are finally listening to feedback, and developing a proposal that will make sure banks serve everyone.

And thankfully, President Biden is replacing Trump-era regulators with leaders who understand that their job is to stand up for working Americans, not for Wall Street. We need diverse regulators who know first-hand how our financial system has not delivered for large portions of the country.

The people who oversee our country's economy need to reflect the Americans who make it work—Black and Brown communities, low-income communities, other underrepresented communities, and working families, from the rural South to the industrial Midwest, not just the wealthiest Washington insiders.

If financial regulators do their jobs, working Americans should be able to trust that Government is looking out for them. They will not have to worry they will fall victim to a debt trap, or have their bank accounts zeroed out because of unfair overdraft fees. You are all public servants, and you are responsible for making sure that this economy and the financial system works for the American people.

I look forward to hearing from you today.

Senator TOOMEY.

OPENING STATEMENT OF SENATOR PATRICK J. TOOMEY

Senator TOOMEY. Thank you, Mr. Chairman. Today we will hear from the OCC, FDIC, and the NCUA about their recent regulatory actions. I want to welcome all the witnesses, with a special welcome to Chairman McWilliams, for whom this a homecoming of sorts, given her distinguished career as a senior staffer on this Committee.

Throughout the pandemic, I have been encouraged by certain modest targeted regulatory changes to support the financial system. However, as the pandemic recedes, I am now concerned that the Biden administration is seeking to use financial regulation to advance social goals that are unrelated to banking, and its agency heads are contributing to the politicization of banking regulation without providing independent analysis. Such a shift would erode the longstanding nonpartisan objective of having independent regulatory agencies.

As one example, the Administration's Executive order, or EO, on climate risks seeks to use financial regulation to further environmental policy objectives. Under the guise of "assessing risk," the

EO directs the regulatory agencies to undertake a range of actions, including the consideration of new or revised regulatory standards.

But if the actual purpose was to assess risk, would it not it logically follow that actual analysis occur before jumping ahead to a policy response? This is the crucial point: the EO does not seek a neutral inquiry. Instead, it presupposes the conclusion that there is, in fact, specific climate-related financial stability risk that is not being properly accounted for by either institutions or regulators, and it pressures supposedly independent agencies to enact backdoor environmental policy without appropriate accountability, and while these agencies lack any expertise in environmental matters.

I am concerned some agency heads are willingly participating in this politicized effort. For example, last week, Acting Comptroller Hsu announced the OCC would join the Network for Greening the Financial System, or the NGFS. an international organization whose stated aim is to, and I quote, “mobilize mainstream finance to support the transition toward a sustainable economy,” end quote. In other words, to have Government-allocated credit, which is antithetical to a free enterprise system.

At a recent FSOC meeting, NCUA Chairman Harper helpfully ceded the point by asserting that credit unions, and I quote, “will need to consider adjusting their fields of membership or altering lending portfolios,” end quote, as a result of climate risk. But most credit unions are small institutions that serve their local communities. The suggestion that their fields of membership need to change because of climate change does not result from any actual risk assessment. It is simply based on politics.

I am also deeply troubled by the Administration’s apparent unwillingness to nominate an individual, perhaps at any point, to serve as Comptroller on a full-time basis. By installing Mr. Hsu as Acting Comptroller with no nominee in sight, the Administration appears to have every intention of indefinitely bypassing constitutionally required Senate confirmation.

Four years ago, some Democrats expressed outrage that an Acting Comptroller was appointed. They wrote that, and I quote, “The Comptroller must be nominated by the President and confirmed by the Senate,” end quote. Now in that instance, the Acting Comptroller had only served for a grand total of 1 month before a permanent nominee was, in fact, sent to the Senate. In contrast, Mr. Hsu has served as Acting Comptroller for nearly 3 months and we have not heard anything about any permanent nominee. Yet, I have heard no complaints from my Democratic colleagues about this fact.

Rather than pursue social goals unrelated to banking, regulators should be looking for ways to increase competition and improve regulatory efficiency. Last month, the Administration issued an EO that is purportedly intended to increase competition. But upon closer look, the EO would only make it more difficult for small and medium-sized banks to merge, when doing so actually presents opportunities to compete more effectively against very large banks. The EO would, therefore, actually decrease competition within the banking system.

If the Administration were serious about promoting competition, it would seek to reduce the regulatory burdens imposed by Dodd-

Frank, which have contributed to an unbelievable decline in de novo banking activity over the past decade.

According to the FDIC, between 1985 and 2011, the first full year under the Dodd-Frank Act, 183 new institutions were chartered every year on average—183. In the period from 2012 to 2019, prior to the pandemic, we averaged 4 new charters per year.

Now I am encouraged by the FDIC's work in this space under Chairman McWilliams, including revisions to the agency's process for reviewing deposit insurance proposals. These changes, I believe, have contributed to an uptick in de novo banks before the onset of the pandemic, but I think more can be done.

And I am concerned that rather than facilitating de novo activity and encouraging innovation, Acting Comptroller Hsu has suggested that he will reconsider the OCC's recent approvals for national trust banks that provide digital asset custody services. Now these approvals were granted after extensive engagement and analysis, and they bring digital asset into the regulated financial system.

The reality is the banking system is changing, banking is changing, and new products and services offered by innovative companies offer tremendous potential benefits for consumers. Regulators should want these innovative financial institutions to enter the regulated financial system, which would make it easier for them to become banks, for instance, add consumer protections, increase safety and soundness, and reduce risk.

So I hope to hear from today's witnesses about how they will maintain independence in the face of pressure to politicize banking regulation, and I look forward to discussing steps their agencies are taking to increase competition, promote innovation, and improve regulatory efficiency, which will ultimately result in a stronger banking and financial system for all Americans.

Thank you, Mr. Chairman.

Chairman BROWN. Thank you, Senator Toomey. I will introduce today's witnesses. We will hear from NCUA Chair Todd Harper, FDIC Chair Jelena McWilliams, and Acting Comptroller of the Currency Michael Hsu. The leaders of these agencies are central to making sure our banking and financial systems work for everyone, for consumers, small businesses, and their communities.

Mr. Harper, please proceed for 5 minutes. Thank you for joining us.

STATEMENT OF TODD M. HARPER, CHAIRMAN, NATIONAL CREDIT UNION ADMINISTRATION

Mr. HARPER. Chairman Brown, Ranking Member Toomey, and Members of the Committee, thank you for inviting me to discuss the credit union industry's performance and the NCUA's operations.

Despite the COVID–19 pandemic's many economic blows, the credit union system has remained on a solid footing with strong capital levels and liquidity. As of the first quarter of 2021, the NCUA's credit union system had almost $2 trillion in assets and nearly 126 million members.

If past recessions are indicative, it seems like that credit union performance will trail any labor market improvements by up to 2

years. The NCUA and credit unions should, therefore, prepare for that eventuality.

Once pandemic relief efforts end, we will likely experience decreases in credit quality and increases in delinquencies and chargeoffs, which would affect credit union financial statements and could, if failures occur, impact the share insurance fund.

Unfortunately, the pandemic has disproportionately affected low-income households, communities of color, and minority-owned businesses. The NCUA has encouraged credit unions to work with members experiencing hardship, and we, like my fellow regulators here at this table, have instructed examiners to refrain from criticizing a credit union's efforts to provide prudent relief for members.

Through the Community Development Revolving Loan Fund, the NCUA is supporting low-income credit unions during these uncertain times. Although relatively small, these grants and loans make a big difference. Last year, the NCUA awarded $3.7 million to 162 credit unions to assist in their pandemic response efforts. Although many more applied for the grant, the agency could not fund the demand because of limited appropriations. As such, I request that Congress consider increasing the fund's appropriations to $10 million.

The pandemic has also prompted a heightened cybersecurity stance at our agency. In 2021, the NCUA will continue to provide guidance and resources to assist credit unions with strengthening their cyberdefenses, including funding grants and continuing pilot projects—for parallel grammar structure to harmonize information technology and cybersecurity exam procedures.

The NCUA is further working to strengthen its consumer financial program and to ensure fair and equitable access to credit. This year, there is an increased emphasis on fair lending compliance, and agency staffers studying methods for improving consumer financial protection supervision for the largest credit unions, not primarily supervised by the CFPB.

Additionally, since opening our Office of Minority and Women Inclusion one decade ago, we have made steady progress in advancing diversity. Two out of every five new hires in 2020 at the NCUA were people of color, and the agency achieved parity in executive gender diversity.

The NCUA will continue to invest in diversity and inclusion by enhancing support for minority depository institutions and fostering initiatives to close the wealth gap. These efforts will advance economic equity and justice within the system and ensure a more equitable recovery.

Finally, I would like to highlight three areas where legislative action would aid the agency in fulfilling its mission. First, FSOC, GAO, the NCUA's inspector general, and every NCUA chairman over the last decade have called for the agency to have examination and enforcement authority over third-party vendors. The continued transfer of operations to credit union service organizations and other third parties diminishes the NCUA's ability to assess risk within the system. To protect thousands of credit unions, millions of credit union members, and billions of dollars in assets potentially exposed to unnecessary risk, Congress should close this growing regulatory blind spot.

Second, Congress should provide the NCUA with greater authority to proactively manage the Share Insurance Fund. Adopting a countercyclical approach to charging premiums would allow for an increase in insurance reserves during economic upturns to cover losses during downturns.

And third, Congress should permanently adopt the temporary enhancements granted in the NCUA's Central Liquidity Facility as part of the CARES Act. The CLF's filing capacity has quadrupled with these reforms, and four out of five credit unions now have access to liquidity if other sources freeze up. Permanence would strengthen the shock absorbers for future liquidity events.

In conclusion, in navigating the pandemic's economic fallout, the NCUA remains focused on addressing the needs and best interests of credit union members. We are also ensuring the safety and soundness of credit unions and protecting the Share Insurance Fund. I look forward to working with the Committee in support of these endeavors.

Thank you.

Chairman BROWN. Thank you, Chair Harper. Chair McWilliams, you are recognized for 5 minutes.

STATEMENT OF JELENA MCWILLIAMS, CHAIRMAN, FEDERAL DEPOSIT INSURANCE CORPORATION

Ms. MCWILLIAMS. Thank you, Senator. Chairman Brown, Ranking Member Toomey, and Members of the Committee, thank you for the opportunity to testify today about the FDIC's supervisory, regulatory, and consumer protection efforts.

Senator Toomey, I want to thank you personally for keeping the emphasis on de novo banks. In fact, between 2011 and until I assumed my chairmanship in June 18, we had eight true de novo approved, and we have had 43 since I assumed chairmanship, and we have 16 applications in the process, so thank you for emphasizing that.

As my written testimony describes in more detail, we have made tremendous strides in these areas under my chairmanship, and especially during an unprecedented shock caused by the COVID–19 pandemic and the ensuing economic stress. We have worked hard to promote and preserve the Nation's minority depository institutions (MDIs), provide flexibility to banks to assist their communities during historic economic stress, and encourage responsible use of technology and innovation to reach the last mile of unbanked Americans, while maintaining our supervisory activities, regulatory process, and resolution preparedness.

As the pandemic began to unfold in the United States, supervised institutions took steps to help consumers, well before Government support arrived, by allowing loan modifications with no fees, waiving fees on accounts, offering curbside services, providing digital options to customers, and instituting branch sanitation and employee health check procedures. Banks of all sizes originated the overwhelming majority of approximately $800 billion in Paycheck Protection Program loans.

While we continue to be encouraged by the state of the banking sector as we enter our new normal, uncertainty remains and we

are carefully monitoring conditions, from commercial real estate to agriculture to consumer lending to cybersecurity.

Although we have focused heavily on ensuring that consumers have access to credit during the pandemic and that banks continue to operate in a safe and sound manner, we have continued our ongoing supervision, examination, and regulatory activities along the way. Last December, the FDIC updated our brokered deposit regulations to address the evolution of how banks offer services and products since the original rule was promulgated 30 years ago. We codified legally enforceable commitments of Industrial Loan Companies (ILCs) and their parent companies to ensure that the parent company serves as a source of financial strength for the ILC while providing clarity about our supervisory expectations of both the ILC and the parent.

In January, we finalized guidelines establishing a new Office of Supervisory Appeals to help promote consistency among examiners and ensure accountability at the FDIC. And last month, we issued a proposal to simplify the deposit insurance rules for trust accounts and rationalize such rules for mortgage servicing accounts.

The pandemic has only amplified how critical innovation is in our everyday activities. Our focus on innovation is aimed at ensuring that American banks remain competitive in our rapidly changing world, that American consumers have access to a broad array of financial products and services, that we can bring unbanked Americans into the financial fabric of this country, and do so in a way that will provide a path to economic and social inclusion.

My focus on economic inclusion is informed in no small part by my personal experience. Last Thursday marked my 30th anniversary in the United States. For years, putting food on my table and having a roof over my head required working three to four minimum-wage jobs, and so the uneven impact of the pandemic and its recovery on different populations throughout the United States has been especially worrisome and, frankly, personal.

I can assure you that the FDIC is using its authorities to support a safer, fairer, and more inclusive banking system, including novel approaches such as the creation of the Mission-Driven Bank Fund, that will channel private sector investments to support MDIs and Community Development Financial Institutions (CDFIs), a tech sprint to explore new technologies and techniques that can expand community banks' capabilities to meet the needs of unbanked households, a targeted public awareness campaign to inform consumers about the benefits of being banked, and a new diversity strategic plan with actionable steps that will help measure our progress over the next few years and support economic inclusion in our communities.

As the FDIC makes progress on these issues, the dedicated public servants of the FDIC will continue to fulfill the agency's critical mission of maintaining stability and public confidence in the Nation's financial system.

Thank you again for the opportunity to testify today, and I look forward to your questions.

Chairman BROWN. Thank you, Chair McWilliams. Welcome back. Acting Comptroller Hsu, welcome.

STATEMENT OF MICHAEL J. HSU, ACTING COMPTROLLER, OFFICE OF THE COMPTROLLER OF THE CURRENCY

Mr. HSU. Thank you, Chairman Brown, Ranking Member Toomey, and Members of the Committee, thank you for the opportunity to testify today.

I am honored by Secretary Yellen's confidence to appoint me to this post of Acting Comptroller of the Currency. I am a career public servant and a bank supervisor at my core. My 19 years of experience at multiple agencies have spanned periods of growth, crisis, reform, and recovery.

My written testimony shares in more detail my priorities. I see four urgent problems requiring immediate attention: guarding against complacency, reducing inequality, adapting to digitalization, and acting on climate change. Let me briefly describe each.

First, I believe the banking system is at risk of becoming complacent. Banks deserve credit for weathering the pandemic well thus far. I am concerned, however, that as the economy recovers and pressure to grow returns, overconfidence leading to complacency is a risk when prudent risk management is set aside in pursuit of profit. I see the losses related to Archegos, the froth in SPACs and crypto, and the recent buzz around buy now, pay later as potential warning flags. Today, bank leaders, boards of directors, and we supervisors must be especially vigilant.

Second, reducing inequality must be a national priority, as reflected by the theme of this hearing. The pandemic has had a disproportionate impact on vulnerable groups, and the recovery threatens to leave them even further behind. Historically, many low-income individuals have been treated by banks as either credits to be avoided or credits to be exploited.

I am committed to changing this, starting with strengthening the Community Reinvestment Act, or CRA. Last month, I announced that the OCC would propose rescinding the agency's 2020 rule and commit to working with the Federal Reserve and the FDIC to put forward a joint rulemaking that strengthens and modernizes the CRA. In doing so, we will make sure to seek public comment on any changes so that all voices are heard and considered.

In addition, I recently encouraged participants in the OCC's Project REACh to aim higher in addressing barriers to financial inclusion, such as using alternative data to help bring those without credit scores into the financial mainstream.

Preventing predatory lending is just as important as increasing financial inclusion. Following Congress' repeal of the True Lender rule, I instructed staff to gather and analyze data on bank–fintech partnerships in order to explore how we can identify and differentiate between harmful rent-a-charter arrangements and healthy partnerships that expand access to credit. That analysis will inform the development of future options to protect consumers and expand financial inclusion.

Third, we financial regulators must collectively adapt to the digitalization of banking and finance and determine how fintechs, payment platforms, and digital assets fit into the regulated system. When I took office, I paused approvals of novel charters pending an internal review of the OCC's licensing framework and of recent interpretive letters.

In June, the OCC, FDIC, and Federal Reserve established a sprint team to provider greater clarity and collaboration around digital assets and cryptocurrencies. In July, we were excited to join the President's working group in evaluating the risks of stablecoins and developing policy recommendations. These efforts seek to adapt to a rapidly changing landscape in a coordinated manner across agencies to facilitate responsible innovation while limiting regulatory arbitrage and races to the bottom.

Fourth, we must recognize that climate change is a safety and soundness issue, and we must act accordingly. Banks, especially large banks, are exposed to both physical and transition risks from climate change. Identifying, measuring, and managing these risks is challenging.

The OCC is taking a two-pronged approach. The OCC recently joined the Network for Greening the Financial System, NGFS, a group of central banks and supervisors from across the globe who share best practices. Second, we must support the development and adoption of effective climate change risk management practices at banks. I have asked staff to review and evaluate the current range of practices with an eye toward identifying best practices and laggards. The OCC recently appointed a Climate Change Risk Officer to lead this effort and to expand the agency's capacity to collaborate with stakeholders.

Finally, my testimony reiterates the OCC's commitment to fostering well-managed community banks and allowing them to grow and thrive. We are mindful of the importance of tailoring our regulatory requirements and mitigating the burden our examination process can have on smaller institutions. We are leveraging technology and blending our onsite and offsite work and studying ways to further reduce fees charged to community banks in order to level the playing field with State-chartered and unregulated competition.

Thank you again for this opportunity to testify, and I look forward to your questions.

Chairman BROWN. Thank you, Mr. Hsu.

Chair Harper, recently Senator Reed and I introduced the Veterans and Consumers Fair Credit Act with Senators Van Hollen, who is here today, Senator Smith, and Senator Warnock. Our bill would extend the Military Lending Act's 36 percent APR cap when consumer loans to those left out of the original legislation—veterans, essentially all other consumers. What impact would this legislation have on loan products offered by federally chartered credit unions?

Mr. HARPER. Generally, Senator, currently there is a cap on interest rates with financial credit unions. It is 18 percent for most loans, except for our payday alternative loan product, which is a short-term, low-dollar loan product, and that goes up to 28 percent. Both of those figures are below the 36 percent, so my answer is not at all.

Chairman BROWN. Thank you, Chair Harper.

The FDIC has the authority to take action against anyone who misrepresents that it is an FDIC-insured bank. I understand, Chair McWilliams, that FDIC recently proposed a rule, because this has been happening more often. Is that correct?

Ms. MCWILLIAMS. That is correct. There is a lot of confusion——

Chairman BROWN. Thank you. OK. Good. I hope the FDIC cracks down on nonbank companies that mislead consumers, yet during your tenure, Ms. McWilliams, you have expanded the reach of nonbank financial tech firms into the banking sector, rolling back rules that make it easier for nonbanks to engage in predatory lending and edge out small banks and credit unions. You have approved two industrial loan charters at the height of the pandemic. One of these companies, Square, has a poor track record on consumer complaints, but it just announced it will buy installment lender Afterpay for $29 billion, significantly expanding its lending business.

We always hear promises about how financial technology and innovation will help the underbanked and foster financial inclusion, yet these promises always go unmet. Instead of doing favors for big business it is your job to protect consumers and depositors whose hard-earned money is ultimately at stake.

Now, Mr. Hsu, a question for you. Over the last several years, the Fed's Vice Chair of Supervision, Mr. Quarles, led the effort to weaken capital requirements, as you know, for the largest banks through changes to stress-test models and so-called tailoring of the stress capital buffer. The Fed has also announced that it plans to seek comment on changes to leverage requirements at the biggest banks.

Will you work to reverse the damage, Mr. Hsu, the Fed has done and urge for higher capital requirements in the biggest banks?

Mr. HSU. Maintaining strong capital requirements is an imperative. It is important that the banking system remain a source of strength for the economy and that they are held to the highest standards.

Chairman BROWN. OK. I will take that as a yes. Let me ask you one other question. Thank you again—as I mentioned in opening remarks—for starting the process of rescinding your predecessor's misguided Community Reinvestment Act rule. When Chair Powell was before this Committee recently, and a number of times over the last month, and then a number of times he said the Fed was committed to interagency comprehensive CRA modernization, and that the Fed and the OCC were jointly reviewing comments on the Fed's proposal.

So two questions. Does the OCC share the Fed's commitment to comprehensive CRA modernization, and second, what do you think the timing will be for this proposal?

Mr. HSU. We do share the commitment, with the Fed and with the FDIC. We have all committed together, publicly, that we will be working together to strengthen and modernize the CRA.

In terms of timing, it is hard to give any exact set of dates around that. There is a lot of urgency. I can share that the teams are working very quickly. We have given internal, kind of aggressive timelines on that. But it is a complicated rule, and we want to make sure that we do it right. And so that—we will be working with all deliberate speed.

Chairman BROWN. It is important that you do it. It is important that you do it right, of course. Thank you.

Senator Toomey.

Senator TOOMEY. Thank you, Mr. Chairman. Mr. Hsu, in statements to the press you suggested that the OCC's regulatory review would include the three conditional approvals the agency issued to national trust banks that provide digital asset custody services, approvals that, according to the OCC itself, can only be revoked if there is a material change to the information on which the agency relied. These approvals, which were granted only after extensive engagement analysis, would presumably improve safety and soundness and reduce risk by bringing digital asset activity into the regulated banking system.

In recognition of these benefits, just last week the U.S. Marshal selected one of these institutions, Anchorage Digital, as its provider of digital asset custody for seized digital assets. Shouldn't we be encouraging more innovative financial institutions, including those that provide digital asset custody services, to enter into the regulating banking system if they choose, and would not that tend to result in increased oversight?

Mr. HSU. So I am very supportive of responsible innovation. The purpose of the review is to make sure that we are taking a holistic approach to both chartering and to the regulatory perimeter, to ensure that there is not regulatory arbitrage across different agencies and that there is not a race to the bottom and a shadow banking system. So we are trying to weigh all of these things.

There are currently, on an interagency basis, we have this digital asset sprint initiative——

Senator TOOMEY. I have got very limited time. I want to stress this, though. It seems to me companies operating in this space, in many cases they want to play by rules, they want to be regulated, they want to comply. I think it does a lot of damage to the credibility of the OCC, damages economically, when an institution receives an approval, stands up an operational business, complies with the conditions under which the approval was granted, and then it is subject to being pulled out from under them.

Are you saying that the career staff at the OCC got it wrong and did not take these things into consideration when they issued this approval?

Mr. HSU. No. We are reviewing this cognizant of the standards and the practices of the past. We are doing this in order to be holistic and to ensure that we are making this decision in coordination with other agencies.

Senator TOOMEY. Well, I would just urge you to keep very much in front of mind that they went through a full-blown, due process, bona fide process, and people ought to be able to plan on, when they get approval they can actually engage in the business that was approved.

I would also want to just say, briefly, the CRA review, I think it was a big mistake to be reconsidering the CRA. It had been 25 years, and the updates were mostly about providing clarity, objectivity, and transparency. Can you commit to retaining those principles—clarity, objectivity, and transparency—in whatever direction this new rule goes?

Mr. HSU. Yes. In addition to strengthening and modernizing, as part of strengthening and modernizing the CRA, yes, I can commit to that.

Senator TOOMEY. Very quickly, you have made several references to climate risks and eventually banks having to have new capital rules, which presumably means increased capital requirement to deal with climate risk. As you know, capital requirements are designed to absorb losses that can occur in the short run, but climate scenario analysis is really about 50- and 100-year scenarios.

Do you know of a single expert who can tell any of us how climate change is going to affect banks in, say, Lancaster County, Pennsylvania, next year?

Mr. HSU. Our focus right now is on risk management, the safety and soundness related to risk management. And really it is about recognizing that climate change presents risk management challenges and that banks need to prepare for both the physical and the transition risks related to climate change.

Senator TOOMEY. OK. Well, let me put it this way. Are you aware of any banks that have failed in the United States due to Superstorm Sandy, Hurricane Andrew, California wildfires? Can you name a bank that failed as a result of not having planned for extreme weather events?

Mr. HSU. I cannot think of any at this time.

Senator TOOMEY. Neither can I, and we have had a lot of extreme weather events over recent decades. So I would suggest that banks are probably aware of risks that they run.

Chairman McWilliams, I was glad to see the FDIC's recent request for information on digital assets. I think there is tremendous potential benefits to consumers, to our economy, that comes from this distributed ledger technology, which could have all kinds of really constructive applications. Could you just share for us, what have you learned from banks and other financial institutions about some of the ways in which they are using this technology?

Ms. MCWILLIAMS. Thank you, Senator Toomey, for that question. As you may know, the comment period closed on July 16th. We are reviewing comments. And there is a lot of encouraging information, frankly, on how technology can benefit our banking system. One of the main responses we have gotten so far is about the benefits of the interbank payment network and the benefits that it can provide to entities that are within the network.

I also think, if I may just add a personal note to this, the 20th century was America's century. The 21st century will not be America's century if we are not open to innovation and allowing our companies to compete with international competitors.

Senator TOOMEY. Thanks, Mr. Chairman.

Chairman BROWN. Thanks, Senator Toomey. Senator Tester of Montana is recognized.

Senator TESTER. Thank you, Mr. Chairman, and thank you, Ranking Member Toomey, and I will tell you, Senator Toomey, we do agree. I do think we need a nominee for the OCC so we can vote on it and confirm. And since I am a Democrat you can put that down in the book. OK?

For extreme weather events, I would also say this. This is an interesting year to talk about extreme weather. West of the Mississippi we are pretty much generally in a drought. East of the Mississippi, generally we have got more rain than we need. And we have burnt 3 million acres so far in the West, and the fire season

has just started. I would hope that folks look at extreme weather events, because they are happening with more regulatory, and I think it would just be improper for them not to take a look at it, because it is getting to be a fact of life every year. Something weird is happening.

I have said this before, maybe not in this Committee, but I have been—this will be our 44th harvest. It will be our worst harvest, by far—by far. Not just a little bit, but by far. It if gets any worse I will not even take the combine out of the shed. That is how bad it is.

I want to thank you all for being here and for your testimony. This is for Ms. McWilliams for you, Mr. Hsu. You were talking about the Community Reinvestment Act. You were talking about how you are going to work together to update it. Will each of you commit to consider the unique needs in rural America as you update the CRA?

Ms. MCWILLIAMS. Absolutely, Senator. That was one of my focal points last time around.

Senator TESTER. Thank you.

Mr. HSU. Yes.

Senator TESTER. And will you also incorporate the needs of Indian country, because it is kind of a different world when we are talking rural. And could I get your commitment for that?

Ms. MCWILLIAMS. Absolutely, and we are also working on how to help Native American minority depository institutions, because we know that they are a lifeline in these communities.

Senator TESTER. I appreciate that.

Mr. HSU. Likewise, yes.

Senator TESTER. Thank you very much. I live in a little town that has got about 600 people in it. We had a bank called Wells Fargo. They pulled their branches out of a lot of small towns around. We were lucky. We got a community bank that stepped in and took over that portfolio. But the truth is we all know that capital is pretty important for a small community, and as I said, if we would not have been so lucky it certainly would have been another death knell in our small community.

So as regulators, how will you ensure that financial institutions that you regulate will continue to serve rural and frontier communities, or do you not think that is part of your job?

Ms. MCWILLIAMS. I am happy to go first. It is, I would say, the focal point of my job. I consider my job at the FDIC not just to preserve the safety and soundness of our banking system and financial stability and protect depositors and make sure we can resolve banks, but to ensure that community banks can survive, especially in communities of 600 people.

We have done a number of things to make sure that the regulatory burden is commensurate with the risk profile of those institutions. We have focused on institutions in terms of their size, and making sure that our examiners appropriately examine them. These small banks have a staff of ten, and we send the examiners in the States as three, they have six people sitting there for 3 weeks looking at their books.

So Senator, I am more than happy to give you a briefing on all the efforts we have done, but we have focused specifically on capital liquidity and regulation.

Senator TESTER. I appreciate that, and I hope you are doing that in the cyberrealm too?

Ms. MCWILLIAMS. Yes.

Senator TESTER. Thank you. Go ahead, NCUA.

Mr. HARPER. Absolutely. I think we are doing a number of things. First of all, you have to remember that one in two credit unions are low-income credit unions, and many low-income credit unions are located in rural areas, and we work to support them with grants and other activities.

Too, like the FDIC, we also scale our regulations based on size, as well as our supervision program. And then finally, one thing that we have been doing very recently is strongly encouraging all credit unions that are eligible to step up and step in and be part of the Emergency Capital Investment Program that is being put together by Treasury. We have had about 50 credit unions that have applied for secondary capital. That low-collar capital, over a period of time, has the potentially really to help rural areas as well as urban areas.

Senator TESTER. And how do you ensure that they have a physical branch? Some people are locked in the 1970's like I am, and I like to walk into a brick-and-mortar place.

Mr. HARPER. I completely understand that, and I certainly remember, as a kid, walking to my local branch in order to make some deposit of money.

One of the things we do is, again, by making sure that we right-scale our regulations so that they can continue to have that branch. But also, too, for underserved areas in particular, we have a requirement, under the service facilities requirement, that you have to have a physical location in the area. So if you want to serve it, you need to have a branch. That is one way we work to do that.

Senator TESTER. Well, I just want to thank you all for the work you do, and I did not get into my cyberquestions so I will probably submit some for the record. Thank you all very, very much.

Chairman BROWN. Thank you, Senator Tester.

Senator Shelby, who is recognized, who told me earlier today this is his 35th year on the Committee. So Senator Shelby—and some of those years were as Chairman.

Senator SHELBY. Thank you, Mr. Chairman.

Despite the challenges caused by the pandemic, our banking system overall has remained resilient, with strong capital and liquidity levels. But from 2008 to 2013, during the midst of the financial crisis, 489 FDIC-insured banks failed. In comparison, since March 20, it is my understanding that only 3 banks have failed during that period.

So, Chairman McWilliams, you deserve some credit, you and the FDIC board, much credit for the efforts here, I believe. What is your assessment, ma'am, on banks' resiliency during the COVID–19 and now, and what do you credit for the ability to withstand the effects of the pandemic?

Ms. MCWILLIAMS. Thank you, Senator Shelby, and I want to congratulate you on your 35th anniversary.

Senator SHELBY. A long time.

Ms. MCWILLIAMS. I would like to think that the years I spent on the Committee supporting you count for two, but we will go with 35.

I will say that I was guided by my experience as a consumer protection attorney at the Federal Reserve during 2007, 2008, 2009, and 2010, and we fielded hundreds of consumer calls during that time. So when the pandemic came upon us, I was not going to wait for the same volume of calls to come through. And so we started placing calls early to banks, asking them to work with their customers. We were, in fact, the first agency to issue a statement encouraging banks to work with their borrowers.

Then we worked with our fellow regulators to negotiate with the Financial Accounting Standards Board (FASB), to make sure that loans that are modified in response to the pandemic, which were performing prior to the pandemic, were not then classified as troubled debt. And I would say that was the single most important thing we did early on in the pandemic—this was early March—to make sure that banks can modify loans and work with their customers.

We have done a number of things to allow banks to dip into their capital buffers, to make sure that their is access to capital and that credit flows to local economies. We were concerned about small businesses shutting down as the Government shutdowns around the country became prevalent. And so I would say we were all hands on deck, to make sure that the lessons learned from 2008 do not get repeated, and that we are proactively engaged in what I subsequently use the professional term for, I call it the "regulatory Whack-A-Mole." We tried to whack it before it showed up, and as a result of that we actually have been able to prevent bank failures, and we only had three banks fail during the pandemic and none due to the pandemic.

Senator SHELBY. Do you know of any bank that has been well capitalized, well managed, and well regulated, that has failed?

Ms. MCWILLIAMS. Not to my best knowledge, Senator.

Senator SHELBY. What do you think is currently, that you are monitoring, that you can tell us here, could be potential problems for the banking system in the economy?

Ms. MCWILLIAMS. So we are looking, Senator, at a number of factors that are, frankly, unprecedented in the nature of the pandemic. We saw, in Q2 of last year, about a 33 percent drop in our gross domestic product, on an annualized basis. That was a tremendous shock to our economy and to our banking system. We are also looking at unprecedented congressional actions to make sure that different packages of stimulus get distributed into the economy. We are cognizant of the potential for inflation down the road, and as somebody who came from a country where hyperinflation in the early 1990s was, I think, 113 trillion percent, I am personally very sensitive to this issue.

We are also looking at cybersecurity risk, and we are also looking at commercial real estate. And with the new normal in how the pandemic changes the ability of people to work, what does that mean for the bottom line for banks and the commercial properties.

Senator SHELBY. If the threat, specter of inflation is a threat to our economy, is it also a threat to the banking system?

Ms. MCWILLIAMS. Well, certainly it is a complex picture for banks. I would say that with the rising interest rates, the net interest margin on banks would probably fare better than it does with low interest rates, but the asset quality may deteriorate because people may not be able to make their payments, especially low- and moderate-income communities that we have been trying to help, especially hard during the pandemic.

Senator SHELBY. What is the status of FDIC reserve fund?

Ms. MCWILLIAMS. So it has never been healthier. It is close to $120 billion. Because so much money flowed to the banks, our deposit-reserve ratio is below the statutory mandate, and we are on a path to get back to where we need to be, at 1.35 percent. But I will tell you that the fund has never been healthier than it is today.

Senator SHELBY. Thank you. Thank you, Mr. Chairman.

Ms. MCWILLIAMS. Thank you, Senator.

Chairman BROWN. Thanks, Senator Shelby. Senator Warner is recognized for 5 minutes, from Virginia.

Senator WARNER. Thank you, Mr. Chairman. You know, one of the issues from my work on the Banking Committee and on the Intel Committee, I want to thank you Chairman and particularly Senator Crapo. I think we did some good work last session on anti-money laundering act, which I know all of you have mentioned in your testimoneys. Maybe I will start with you, Mr. Hsu, and then go down the list.

How would you characterize the implementation to date? I mean, this is a big bill. You know, we also got lots and lots of questions around beneficial ownership. How are we going to get this prioritized at an appropriate time? And also if you could talk, I think, Mr. Hsu, you probably have the most on this, but I would love to hear from the other panelists as well. How do we make sure the examiners are going to have the skill, knowledge? Will there be additional training? So talk about implementation and then talk about it down to the level of examiners, particularly since there is going to be so much more interaction with FinCEN now.

Mr. HSU. Sure. So there has been a lot of collaboration with FinCEN, the FDIC and other agencies, particularly on identification of the priorities, defining those priorities, and then that cascades through to how are the examiners going to approach that, and there are a lot of training manuals. There is a lot of work being done to ensure that——

Senator WARNER. Will there actually be additional training for the examiners?

Mr. HSU. I believe so. I would have to check with staff exactly how that is going to get played out. But I know right now there is a lot of focus on getting these priorities out and ensuring that these pending deadlines that are coming up to get these things done are met, to the ability that we can.

It is complex. There is some complexity there. But we have been working on an interagency basis with FinCEN to get those things done.

Senator WARNER. I would like to get a more regular update. Maybe I can reach out to all of you.

Mr. HSU. Absolutely.

Senator WARNER. This is something I am very concerned about. Chair McWilliams, it is great to see you again.

Ms. MCWILLIAMS. Nice to see you.

Senator WARNER. Could you and Chairman Harper also comment on this?

Ms. MCWILLIAMS. Sure. Like Acting Comptroller Hsu said, we are working collaboratively. We understand the importance. I can tell you the banks, especially small banks, really desperately want to comply. Rules are very complex. We will provide whatever examination training we need to provide to our workforce, to make sure that they can work with our supervised entities to reduce some of the regulatory burden while providing clarity and a path to get a better system in place.

Senator WARNER. Chair Harper.

Mr. HARPER. And I would just add that in addition to what all my fellow regulators have said, we are meeting on a monthly basis, at the principals' level, along with staff, in order to make sure that coordination continues to go on. Staff is working and meeting at least weekly on different work streams. We too will conduct the necessary education. We certainly make BSA and AML compliance a priority for us. It is a supervisory priority this year, and I imagine it will continue to be in the future.

Senator WARNER. Well, I may follow up for the record with some specific questions about this implementation, and I want to make sure we stay on this, get it right, and I very much appreciate all your actions.

I am going to start at the other end now with you, Chair Harper. You know, one of the things back from the December COVID relief bill, that I was very proud of, and again, worked with many Members of the Committee, particularly Senator Crapo, on, was making sure that we make additional investments in CDFIs and MDIs, the so-called ECIP program. A lot of credit unions fall into this category, and, you know, I do appreciate the attention that you have played with credit unions in educating them and making sure they are aware of the ECIP program, how we are able to participate.

And I think particularly, because since credit unions cannot take Tier 1 capital, you are taking secondary capital. I just, on an overall basis, as we try to get additional capital into these institutions, that, you know, CDFIs serve low- and moderate-income communities, they have been disproportionately hit by COVID, speak to me as to how we can make sure that you can continue to lean forward without violating the safety and soundness requirements.

And then, so I can get my question in, at least get from you and Chair McWilliams, one of the things I really enjoyed when we met and spent time together, if you could give me a quick update on your Mission Fund efforts. So Chair Harper and then Chair McWilliams.

Mr. HARPER. Certainly the entire board has been committed to getting education out on the ECIP. And, in fact, last time I checked we had about 47 credit unions that applied for secondary capital, at $1.6 billion. We are working hand in glove with the Treasury

Department, which has to approve, on its side, the grant, but then we need to take and make sure that the capital can be used for secondary capital purposes. That is the way we are able to, if you will, accommodate the ECIP within the system.

This is low-dollar, low-interest, long-term stable capital. We recognize that in the last crisis, credit unions that leaned in and lent out to low-income communities actually recovered more quickly, and that is one of the messages we have been carrying.

Senator WARNER. My time is up, but Chair McWilliams, could speak briefly about Mission Fund? Thank you, Mr. Chairman.

Ms. MCWILLIAMS. Thank you Senator. The Mission Driven Bank Fund is actually a novel approach. It took some thinking outside of the box to come up with the idea of a private fund that would be backed by the FDIC in name and reputation, but would basically get private investments from companies, banks, et cetera, to support minority institutions, whether CDFIs or minority depository institutions and banks.

Early on in my tenure I realized capital is what these entities need the most, plus technical assistance, and the fund will provide both. We are in the process of rolling out the fund. Everything moves slowly through the Government procurement process, but we are looking forward to having it up and standing by the end of the year, and we already have close to $200 million in private commitments.

Chairman BROWN. Thank you, Senator Warner. Senator Tillis from North Carolina is recognized.

Senator TILLIS. Thank you, Chairman. Welcome, everybody.

Chair McWilliams and Acting Comptroller Hsu, I really do believe that risk-based pricing, powered by data analytics, enables an accurate assessment of a consumer's creditworthiness, which I think is critical for lenders who want to seek or provide quality credit options, to safeguard against the risk of default. The less creditworthy, who previously have been denied credit, can now receive appropriately price credit, in my opinion.

I believe the Chamber of Commerce recently reported that historically underserved populations, including people of color, have seen greater access to credit under a risk-based system. So I also think it is good for the banking system to have a risk-based assessment for properly pricing the product.

We saw the damage that can occur when we have lax regulations. It was, at least in part, responsible for the 2008 financial crisis. So Chair McWilliams, as a regulator charged with resolving banks that fail, do you believe risk-based pricing is a very important tool?

Ms. MCWILLIAMS. Yes, I do, and frankly, Senator, when I got my first credit card in the United States 30 years ago that probably would not have been possible if that was not in place.

Senator TILLIS. And Acting Comptroller Hsu.

Mr. HSU. I do, and I think one of the exciting developments and innovations is using additional data to inform those risk-based assessments.

Senator TILLIS. Chairman Harper, we talked just before the hearing. It is amazing that the 2 years have moved by on your

term. I know you are in the chairman role and your underlying term has expired. Is that correct?

Mr. HARPER. Yes.

Senator TILLIS. I am kind of curious about your posture, moving ahead. Will you commit to hold any significant regulations, such as climate change, until your successor is nominated and confirmed?

Mr. HARPER. So, you know, certainly we, as a board, I view it that we are a board and that we need to develop consensus in interacting with one another. In fact, since I have joined the board with board member Hood, we have voted together more than 90 percent of the time, and that is the way in which I operate.

I think we do need to gather education and information. I am not looking to move quickly toward any regulation here, but I believe a proper first step would be for a request for information on the area of climate change before we would move anywhere.

Senator TILLIS. Thank you.

Another topic that has come up recently, as an independent agency do you plan to follow President Biden's Executive order to require NCUA staff to get vaccinated or submit to regular testing?

Mr. HARPER. So actually I think it is a recommendation of a task force, not an Executive order, and we are currently evaluating it. I do respect our independence, however.

Senator TILLIS. Thank you. Thank you, Mr. Chair.

Chairman BROWN. Thank you, Senator Tillis. Senator Warren from Massachusetts is recognized.

Senator WARREN. Thank you, Mr. Chairman.

So in recent years our banking sector has become more and more dominated by the largest banks. Community banks are being gobbled up by larger competitors or forced to shut down because they cannot compete on a level playing field. This results in more concentration and higher costs for consumers, and it increases systemic risks for our financial system, and fewer total banks.

These transactions are happening in plain view of the Federal agencies whose job it is to keep our systems safe and competitive. In fact, every single bank merger requires affirmative approval from the Department of Justice and a banking regulator, banking regulators like the people we have in front of us today.

So Chair McWilliams, the FDIC has a searchable data base of all merger applications the agency has received since 2013. That is over 7 years now. Do you know how many merger applications the FDIC has received in that time?

Ms. MCWILLIAMS. I do not have the exact number.

Senator WARREN. I do. It is 1,124. Chair McWilliams, how many mergers, out of those 1,124, did the FDIC deny, total number of denials for any reason whatsoever?

Ms. MCWILLIAMS. I do not have that number, Senator, but I know that we go through the statutory process requirements——

Senator WARREN. I do have the number. It is zero.

So this is not just a problem at the FDIC. The FDIC, the Federal Reserve, and the OCC combined have not formally denied a single bank merger in 15 years. Merger review has become the definition of a rubber stamp, and the banks know it. And it is time for some changes.

So just saying we are going to get tougher on this is not likely to persuade anyone, and certainly not a multibillion-dollar bank. Bright lines could help set a new tone.

So let me ask you, Acting Comptroller Hsu, are banking agencies like yours currently required to reject mergers when the resulting bank will be bigger or more complex than our banking rule are set up to handle?

Mr. HSU. Are they required?

Senator WARREN. That is my question.

Mr. HSU. I believe one the statutory factors for bank merger review involves financial stability.

Senator WARREN. I am not asking the question, may you consider. I am looking for bright lines here. Are you required to reject a merger?

Mr. HSU. I do not believe so but I would have to check with my——

Senator WARREN. Well, I think the answer is no, you are not required, so you might want to look again.

Let me ask about another possible bright line. What if the banks trying to merge do not receive the highest ratings in their community reinvestment act exams to measure how well they are serving their communities? Are you required to reject a merger then?

Mr. HSU. I do not believe so.

Senator WARREN. No, you are not.

So how about one more bright line. What if the merger could result in increased costs for consumers because of a lack of competition? Are you required to reject the merger then?

Mr. HSU. I do not believe so.

Senator WARREN. So the data here show that regulators have no credibility on mergers, and sure, there are rules under which you review mergers, but in practice, for 15 years now, this has turned into a check-the-box exercise, where the outcome has been predetermined. Merger review has become a rubber stamp.

That is why I was happy to see that President Biden's Competition Executive order called on the banking agencies to revamp their merger review guidelines to put an end to rubber stamping. And soon I will be introducing my Bank Merger Review Modernization Act, with Congressman Garcia, to revamp the bank merger process and strengthen and modernize the standards under which mergers are considered.

Our regulators have a job to do, and it is our job here in Congress to make sure that they do it.

Thank you, Mr. Chairman.

Chairman BROWN. Thank you, Senator Warren. Senator Cortez Masto is recognized from Nevada for 5 minutes.

Senator CORTEZ MASTO. Thank you, Mr. Chairman and Ranking Member Toomey. Let's talk about extreme weather. It is happening all over the West, particularly, right now, if not the rest of the country.

Chairman Harper, let me start with you. In your written testimony you noted that climate change may exacerbate concentration risks for some credit unions. How is NCUA identifying and working with these credit unions to reduce concentration risks that could be

affected by wildfires, floods, or other extreme weather events, and what are these concentration risks that you mention?

Mr. HARPER. So when you go in and we look in—supervise a credit union, we will take a look at where its loans are, and one of the areas where you want to take a look at is maybe there are a number of homes within the floodplain, or primarily within a floodplain, or maybe it is an area that is more prone to wildfires. Is the credit union taking risk mitigation techniques to make sure that there is insurance there behind the product in order to protect their interest in the equity for which they have made the loan to? That is a little bit of the way that we are looking at it.

I tend to think about extreme weather events in a slightly different way in climate change as it is happening, and it is my hometown that I think about. I grew up two miles from a major refinery in this country. There is a credit union tied to that refinery. What happens over time as that refinery perhaps changes its product line or moves on to something else? Does the credit union need to change its base on its field membership? Or just two blocks from where I grew up there was a major cornstarch processor, taking corn and turning it. What happens when the communities that are affected by the weather events, what happens to the credit union that is connected with that cornstarch processor?

So I am taking a look at the micro and the macro level as we approach this issue.

Senator CORTEZ MASTO. That is wonderful, and I look forward to the work that you are doing, because in Nevada, in the West, as you well know, wildfires are just—it is a daily thing now——

Mr. HARPER. No, and I know that——

Senator CORTEZ MASTO. ——and it having a devastating impact to our families, their structures, their businesses, our small businesses that are farmers and ranchers on the rangeland. So I am hoping that is part of your focus as well.

Mr. HARPER. Absolutely, and I know last year when we had the wildfires we had a number of credit unions that applied for Urgent Needs grants, because, for example, their HVAC systems were completely destroyed as a result of the wildfire and they need it, and we helped to fund and make sure that those small credit unions could have access to that.

Senator CORTEZ MASTO. Great. Thank you.

Acting Comptroller Hsu, in your written testimony you recommend the OCC adopt a two-pronged approach to climate change. My question to you is how will you implement your two-pronged approach, and I am curious, what is your vision for the climate change risk officer?

Mr. HSU. So the first prong is to work with our partners and to share best practices. So we joined NGFS, as I mentioned earlier, the Network for Greening the Financial System. There is a lot to learn. Banks have lots of different kinds of exposures, and so it helps to work together with other agencies and our partners to learn what are the best practices, and the NGFS is a good forum. It is the leading forum by which to share those best practices. So we do not have to reinvent the wheel. That is a very important thing.

We are also working with our interagency partners, particularly the Federal Reserve, which has a climate officer there as well.

The vision for the climate officer is to really expand our capacity to work with those stakeholders and to work with banks, because the bank's risk management practices, some are developed, some are underdeveloped. We need resources to help accelerate the development and adoption of effective climate change risk management practices, and the new risk officer, Darrin Benhart, will help with that.

Senator CORTEZ MASTO. OK. Thank you. I appreciate that. And you mentioned—I guess this is my question for Ms. McWilliams—what are you doing to address the climate crisis? Acting Comptroller Hsu just talked about joining the Network for Greening the Financial System. Is that something you are considering? Can you talk a little bit about your thoughts around that?

Ms. MCWILLIAMS. Sure. I am happy to. Thank you, Senator. So as you know we are a primary regulator of small banks in the United States. As a matter of fact, 84 percent of our banks, regulated entities, fall under $1 billion in assets, and a lot of them are actually, frankly, serving small communities like the rural communities in Nevada.

For decades—I cannot even take credit for this—but for decades our supervisors have taken into account weather-related events, and as Chairman Harper mentioned, to the extent that you are in a flood zone or a perilous wind zone or fire zone, our examiners expect banks to take that into their underwriting practices. We do a risk council. We have six regional offices and in each office we have a regional risk council. They look at this issue based on that region. So in your region, in Nevada, California, et cetera, fires, earthquakes, et cetera, would be a prevalent issue to consider, and droughts as well, for agricultural lending, et cetera.

So we are cognizant of the issues here. We know what our entities need to do. Our entities know what they need to do, and if they are not following prudent underwriting practices, protecting the collateral, making sure there is appropriate cash-flow resulting from their loans and the businesses that they support, they would be cited in the examinations. We are a part of the Basel Task Force on Climate Change, and we are also working through FSOC with our sister agencies on understanding how best to attack that.

Senator CORTEZ MASTO. Thank you. Thank you to all three of you. I appreciate the conservation.

Chairman BROWN. Thank you, Senator Cortez Masto. Senator Scott from South Carolina is recognized.

Senator SCOTT. Thank you, Chairman Brown. Thank you all for being here with us today, and I want to ask a couple of questions.

Chairman McWilliams, the FDIC has a long history of working with banks, including mission-driven institutions, to develop policies that support broader access to the financial system. Late last year, your agency announced efforts to develop a revolutionary Mission-Driven Bank Fund to create a streamlined pathway for private sector and philanthropic investment in FDIC-insured MDIs and CDFIs. This novel approach has the potential to affect positively millions of folks.

Can you provide us with a brief update on the Mission-Driven Bank Fund and other recent economic inclusion developments at your agency?

Ms. MCWILLIAMS. Thank you, Senator, and thank you for calling it revolutionary, because I sometimes feel that is literally what it took to get it set up at the FDIC. After I watched an episode of "Shark Tank" on a plane and thought, why don't we have a "Shark Tank" for minority banks, and that is how the idea about this Mission-Driven Fund really was born.

We had to search statutory authorities to make sure that we stayed within our preserve and promote mandate for MDIs and CDFIs, and this Mission-Driven Bank Fund is in the process of being set up. We have a fund advisor. We are going to be able to actually commence the opening of the fund before the year end. We have over $100 million in private commitments, and I will be relentlessly advocating for investments in this fund through the rest of my tenure, because, frankly, it may be one of the most significant things we have done for minority banks, especially for African American banks, that have lacked access to capital, and this is going to be huge to move the needle for those banks.

I can also tell you that I have taken the issue of minority depository institutions very seriously. We increased representation of minority banks on our Community Bank Advisory Council. We created an MDI subcommittee, so that they can share best practices. We have created, I call it speed dating from MDIs and non-MDIs, to basically highlight the benefit of teaming up with an MDI. We clarified that investments in MDIs for non-MDIs result in CRA credit. We have created a marketing campaign to promote the nature and the scope of minority banks in the United States, and I can assure you that until the day I am in no longer chairman I will focus on this as one of my main issues at the FDIC.

Senator SCOTT. Well, you have done a really good job of making sure that (a) we stay in consistent communication about the important issues about MDIs and CDFIs, to make sure that there is greater access for folks who are creditworthy to find a path forward. And that is one of the things that we can do better, and you have, frankly, been a champion of doing it better, which is to find ways, from a creditworthy perspective, to pull resources to create access to small business. Entrepreneurs like myself depend on that access, and you are doing it in the most effective way possible, and I really appreciate that approach.

Ms. MCWILLIAMS. Thank you.

Senator SCOTT. For all three of you all on the panel, it was a couple of years ago when I led the Republican Banking Committee colleagues on a letter encouraging regulatory harmonization and coordination from the CFPB, OCC, Fed, FDIC, and NCUA to create a consistent small-dollar lending framework across all institutions in order to promote and expand small-dollar lending and credit options. That is why I am especially excited today by our agencies' issuance of joint small-dollar lending principles last year.

Is there an update to that approach, and can I get more information about what you all are doing on the very important issue of small-dollar lending for folks throughout the Nation?

Mr. HARPER. I will start there. First of all, within the NCUA we allow Federal credit unions to make what we call payday alternative loans. These are low-dollar loans, up to $2,000, up to 1 year to pay it back, generally done at no higher than 28 percent interest rate, plus a fee of up to $20 in it.

What we have found is that these loans are performing generally well. I believe that the delinquencies in the last quarter were approximately 2.6 percent, and that the chargeoffs were in the neighborhood of about 5 percent overall on these loans.

For us, these small-dollar loans are often a gateway in order to get people into the financial system. And I would also make one other observation. When the crisis first hit, we saw many credit unions step up and do zero percent, small-dollar loans for 90 days, then rising up to perhaps 5 percent, because they were so focused on serving their members.

Senator SCOTT. Excellent. Thank you. Mr. Hsu.

Mr. HSU. Yeah. So the issue is extremely important for us. Under Project REACh, which I believe you had a role in sponsoring——

Senator SCOTT. Yes.

Mr. HSU ——a couple of workstreams there really hit on this. So the first is on credit invisibles, 45 million people who do not have a credit score. That workstream has really taken off, and so there are both banks, community groups, civil rights groups have gotten together and really worked to figure out what are the alternative data sources that can bring them into the mainstream financial system. So that has been a huge effort.

The other is on MDIs, on small businesses. Those are two other workstreams. So MDIs, 23 banks have signed the MDI Pledge, half-a-billion dollar technical assistance partnerships, and on small businesses consortium lending, other efforts to basically make these dollars available.

Senator SCOTT. Thank you.

Ms. MCWILLIAMS. If we have the time I would be happy to tell you that——

Senator SCOTT. That is good idea, but we will keep talking until Chairman Brown says stop.

[Laughter.]

Ms. MCWILLIAMS. Thank you. I will speak very fast. This has been one of the focuses, or foci, I should say, when I joined the FDIC, because, frankly, we had a disjointed agency approach. The Fed had supervisory letters, OCC had a bulletin from 2018, FDIC had a rule from 2015, and then there was a CFPB rule. And when you have so much uncertainty in the regulatory framework, you know what the regulated entities do? They do not do it. And so it was important for us to hold hands together and be willing to sit at a table and come up with a joint process we issued as guidance, which, frankly, I am so grateful was commenced back in 2018, when I joined the FDIC, because by 2020, we were able to issue that guidance and encourage small-dollar lending when the pandemic was upon us. So thank you for your support of this.

Senator SCOTT. I will just finish with this, Mr. Chairman, the fact that Mr. Hsu is alluding to the fact that there is a way to find those who are credit invisible and bring them to light. And one of

the things I want to note is that oftentimes those who are credit invisible may be creditworthy. So the question really is not a question about whether or not they deserve access to the opportunity to be banked and have access to the loans. To question this, can we, through the breadcrumbs in their portfolio, find the rent payment and the other things that would tell us that they will have a high success rate as it relates to helping those who are creditworthy become credit-visible. And in South Carolina, I think the number was around 17 to 20 percent of the folks in my State find themselves credit-invisible. So thank you for your work.

Chairman BROWN. Thank you, Senator Scott. I will take Mr. Hsu's head nodding as his answer, if that is OK with you.

Senator Smith is recognized.

Senator SCOTT. I would like another 3 minutes, sir.

[Laughter.]

Chairman BROWN. Next hearing, Senator Scott.

Senator SMITH. Point of order, Senator Scott.

[Laughter.]

Senator SMITH. Thank you. Thank you, Chair Brown, and thanks so much to our panelists. And I actually appreciate the questions that Senator Scott is asking, and maybe I will follow up on this a little bit, just tilted a little bit more toward the CRA.

So we all know, of course, that COVID has not been the great equalizer. We have seen it has hit hardest those that are already struggling with the inequities in our country, including frontline workers and elders and Black and Brown and indigenous communities, communities of color.

I read a number today that I thought demonstrates this, and was so surprising to me. The National Bureau of Economic Research says that since the start of the pandemic the number of Black business owners dropped by 41 percent, compared to a 17 percent decline for White business owners. So clearly we need to take intentional steps to address this challenge.

So I am glad to see the OCC and the FDIC and the Fed are all coming together, committed to working jointly on a CRA final rule. And I want to just ask you, Mr. Hsu, if you could talk to us a little bit about how the CRA can be strengthened to specifically help address this gap in minority business ownership that we see in this data.

Mr. HSU. OK. So one thing I have learned is that the CRA is a very important law. I think there are many things that we can do. We currently have groups that are working pretty much around the clock on coming up with options to strengthen the CRA, to make sure that low- and moderate-income communities have their needs met. I am happy to have further briefings with you, kind of walk through some of those details.

I have found the complexity to be both interesting, and I think this is why, on an interagency basis, it is so important that we do this together, so there is clarity and consistency in how it is done, so that banks and community groups have those needs met.

Senator SMITH. Thank you. And, Ms. McWilliams, I am going to come back to you. I am going to dive in a little bit deeper on something here. Earlier this year, in May, I chaired a Subcommittee hearing focused on housing needs of Native Americans, and we saw

here, in this Committee, that one of the major barriers to accessing affordable home ownership, and housing in general, on Tribal lands, is the lack of lending on Tribal lands. There is, of course, a lot of complexity about lending on Tribal lands, and bank and credit institutions have many fewer branches on Tribal lands, leading to a high percentage of unbanked households in these communities.

According to a 2016 report, commissioned by Treasury, CRA funds are rarely directed to Native communities, even though Native CDFIs would meet the CRA criteria. So could you comment on this and what more we could do in this area? And I would love to hear from both Mr. Hsu and also Ms. McWilliams.

Mr. Hsu, would you like to go first?

Mr. HSU. Sure. So there have been some studies indicating that CRA requirements have slowed the debranching, if you will, in certain areas. So I think that is an interesting factor that is being taken into account as the teams are kind of working through how to strengthen and modernize the CRA.

You know, branching is very, very important. There was an interesting meeting that we have had—we have been meeting with lots of different groups, and there was the head of a bank that serves those populations, and noted that it is a blend. Branches are necessary, but also digital, because of the geographic distances involved with those communities, improving kind of digital technology is equally important. So we were trying to find ways to meet all of the needs of those communities through all the different options.

Senator SMITH. Thank you. Ms. McWilliams.

Ms. MCWILLIAMS. Thank you, Senator, for that question. Frankly, it is something that I have taken to heart, and in large part because I had an opportunity to drive through a number of Native American lands throughout the United States and saw the communities and the economic impact in those communities, and I did so actually during the pandemic, which was staggering in many cases.

I believe that the CRA can be a great equalizer here. We can assign different formulas for investments in Native American businesses, in minority businesses in general, in MDIs that are Native American. We have worked extensively to make sure that they can sustain themselves and support their communities. I believe that the Mission-Driven Bank Fund that we are setting up is going to be an opportunity to, I would say, be a great equalizer in this space, and we hope to solicit and be able to get even more investments in the fund so that there is more capital to be distributed. We call it patient capital, because the point is not the return on the capital. The point is the impact of the capital in the communities, and we want to make sure that it gets compounded and magnified through different investments.

We have also done a public relations campaign on the origin story about what MDIs, including Native American MDIs, do in their communities. I think people quite often forget that they are at the forefront of making sure those communities have access to credit. And given, I would say, the rural nature of those communities, it is essential—it is absolutely essential for us, as regulators, to have utmost focus on this issue and to make sure there is fund-

ing, capital, credit, and investments flowing to these communities. So thank you for your support.

Senator SMITH. Thank you. Well, Senator Scott talks about invisible communities, invisible when it comes to credit. This is clearly the case for many families living on Tribal lands. And then you layer on top of that the complexity of lending when land is held in trust, and it exacerbates the housing crisis that we see on Tribal lands. So thank you. I think this is something important for us to work on as we look toward these new CRA rules. Thank you.

Chairman BROWN. Thank you, Senator Smith. Senator Moran from Kansas is recognized for 5 minutes.

Senator MORAN. Thank you, Mr. Chairman. Chairman McWilliams, I have been an advocate for a long time, without sufficient success, for more transparency in financial regulators' examination frameworks. I have introduced a bill in numerous Congresses that we worked to get enacted into law, exam fairness legislation. We have had conversations about that. I have had conversations with your predecessor about that.

I am looking for a robust, independent, supervisory appeal process, and last fall I was really pleased to see that the FDIC announced approval of a proposal to replace the current Appeals Review Committee with an independent, standalone Office of Supervisory Appeals staff with individuals external to the FDIC. You are taking the FDIC in a direction that I have been pursuing all regulatory agencies to pursue.

Would you elaborate for me where the FDIC currently stands on this implementation of this plan?

Ms. MCWILLIAMS. Thank you, Senator Moran, and I would say that you have been plenty successful in many ways during your tenure.

I would say that when I joined the FDIC I focused on the appeals process because, frankly, I was a little bit shocked by the number. Between 2007 and 2020, over 13 years, we had over 110,000 exams, and we only had about 50 appeals filed on those, which, when I did my math and I did have to pull the calculator out for this one, was 0.00045 percent. And so the number was just so staggeringly low that I said either something is wrong with our process or we are that good, and nobody is that good.

And so we solicited input on how to improve the process. We held listening sessions through our Office of the Ombudsman, the external ombudsman, through our regional offices. We had roundtables. We talked to banks. We talked to stakeholders, just to understand what all goes into the bank's decision to appeal a supervisory decision. And we have set up this new Office of Supervisory Appeals that is currently is in the process of being staffed. As I mentioned earlier, the Government procurement process and the Government hiring process takes a while, so we are hoping to have this office staffed before the year end and fully operational and running.

But I am hoping to have a more robust process, whatever numbers may come out of it, but I just did not think that 0.00045 percent of appeals over 13 years was a good representation of a robust appeals process.

Senator MORAN. Well, it has been disappointing to me the number of financial institutions who are fearful of appealing, find the

process not workable, as your evidence, as your statistics demonstrate, but just nervous about being somebody who appeals to the FDIC or to any other regulator, based upon what the consequences might be in a future exam.

Mr. Hsu, anything that you would add for what is happening at the OCC?

Mr. HSU. I would start off by saying I believe our examiners are very, very good. I mean, we have a very intense process for examiners to get credentialed. It is a long training process. We have extensive trainings, manuals that are published to ensure there is fairness.

We do have processes for dealing with appeals. It is a little bit different than what is at the FDIC, but I believe it is fair. I believe it is effective. We have oversight by multiple bodies to respond to complaints and things like that.

So I believe, overall, we have got a pretty good system, but we are always open to improvements, and so open to working with your staff on suggestions.

Senator MORAN. I thank you for that. Until you said that I had forgotten that, I do not know, 40 years ago I applied and took the FDIC examiner's examination to become one. Thank you for the reminder.

Let me ask Chairman McWilliams another question. First of all, I would applaud your leadership in prioritizing modernization of the outdated broker deposit standard, dictating relationships between insured depository institutions and third parties, such as fintech companies. This has occurred in the FDIC's final December rule.

Can you explain to me and my colleagues the importance of amending Section 29 of the FDIC Act to provide FDIC's authority to modernize the broker deposit framework for community banks?

Ms. MCWILLIAMS. Thank you, Senator. The brokered deposit regulations have not been updated in 40 years, before this most recent update, and the statute basically does not define brokered deposit. It defines broker of deposits. And so it becomes a little bit complex for us, on the regulatory side, with all the technological changes to accommodate everything that is happening in that space, especially with online banking channels, et cetera. So it was important for us to take a look at the regulations that are four decades old with a fresh eye, and we did.

No matter how much we tried to make sure that our regulations on brokered deposits keep up to date with technological innovation, they are not going to be able to do so. And so one of the things that I, frankly, the only recommendation I have made to Congress, has been to update the rules themselves and perhaps put a limit on the growth of troubled institutions that is not tied to brokered deposits, but to allow them to grow a certain percentage, if any, once they reach a troubled condition, and not necessarily tied to a definition of assets, because they could get brokered deposits or they could get bad loans, and that could happen irrelevant of what our rules say. But a cap, basically asset growth cap for troubled institutions would solve that issue, and it would be a much easier tool for us versus us having to analyze a multitude of factors to ascertain if a new and novel product is a brokered deposit or not.

Senator MORAN. It would require legislation.

Ms. MCWILLIAMS. It would require legislation, yes. Thank you.

Senator MORAN. Thank you very much.

Chairman BROWN. Thank you, Senator Moran. Senator Van Hollen of Maryland is recognized.

Senator VAN HOLLEN. Thank you, Mr. Chairman. Thank all of you for your testimony today.

Mr. Hsu, I have some questions for you about overdraft fees, because this has become very big business for banks. In fact, the numbers I have seen show that in 2020 alone, banks generated $31 billion from overdraft fees, tens of millions of American families, and a lot of these folks are living paycheck to paycheck.

One issue that I have been focused on for a long time is getting to real-time payments. I support the FedNow system, because some people deposit their checks but they take time to clear, and in the meantime they get hit with overdraft fees.

I think there was a time when people used their debit cards and if there were not enough funds in their account it would just say "insufficient funds," but now, as you know, the funds can be made available and the consumer may have no idea that they have overdrawn on their account.

So I have a question for you. I have been looking at some of the banks, and under OCC's jurisdiction seeing that there are three financial institutions that make 100 percent of their profit on overdraft fees. And my question is very simple. Is a bank that makes 100 percent of its profits on overdraft fees a bank that is a safe and sound financial institution?

Mr. HSU. So concentrations in which revenues are derived, in any form, whether overdrafts or others, is a supervisory concern. So in those situations we take a very close look at that. That factors into our safety and soundness assessment. I cannot share those. That is confidential supervisory information. But that is certainly something we take a very close look at.

Senator VAN HOLLEN. But let me ask you this. I mean, this is a pretty extraordinary situation, right? We are talking about 100 percent. And I want to credit Aaron Klein at Brookings Institution who has done work in this. There are others that shockingly make about 50 percent of their profits on overdraft, which is a huge number, but my question is, if a financial institution is relying entirely on overdraft fees to stay a going concern, are they a safe and sound institution, by definition?

Mr. HSU. It certainly raises a lot of flags, and we follow up on those flags to ensure that firms are safe and sound.

Senator VAN HOLLEN. Well, there are three institutions we have seen. One is doing business as First Texas, the other is Academy Bank, and then there is Wood Forest. Wood Forest National Bank has 12 branches in the State of Maryland, including locations in Landover, Laurel, and Hanover. They are all, to my knowledge, located in Walmarts. And these are people who are paying a huge amount of money, not knowing that they have exceeded their balance. And it seems to me that if a financial institution is relying on overdraft fees for 100 percent of its profits, that is a huge area of concern. In fact, it seems, by definition, that it is not safe and sound.

What is in your toolbox now to prevent this kind of problem?

Mr. HSU. So I should state up front, I share your concern. I think excessive fees on overdrafts, predatory lending, high-cost debt traps, all these things should be prohibited. They do not have a place in the Federal banking system. We are looking very closely at overdrafts right now. We have got a review going on. These particular institutions have been identified, as well as other practices. We are going to use the full range of our toolkit, within our supervisory toolkit, to address it, some of these have been identified for some time, and we have been working on it. So there is a time element to different cases. I cannot speak to specific cases. I would be happy to follow up with your staff to kind of walk through all the different things that we are going through as we conclude this review.

Senator VAN HOLLEN. OK, and I appreciate that. As I said, we are talking about $31 billion a year, mostly impacting families who are going paycheck to paycheck. And it just seems to me that beyond these institutions you and your fellow regulators should be really digging down on this, because, as you know, there is some justification possibly for some small fee, but for the most part this is profit for every bank that is engaging in large charges for overdraft fees.

And as you know, in many cases I can go to my 7-Eleven, not knowing I have overdrawn, buy a cup of coffee, a $35 overdraft fee, and then I can go down the road, in the same visit, still not knowing I have tripped my credit, and pay another overdraft fee. And I could do that ten times a day without even knowing it.

Can you look at ways that people can be protected from this?

Mr. HSU. Yes. There is actually an interagency effort to address exactly that. They call it the $35 coffee. There is an effort, kind of draft work to address precisely that particular issue. More generally, though, I think one positive thing that has happened over the past year, and really picked up over the past several months, is some of the larger banks have really started reforming their overdraft programs and policies, to make them less punitive, more flexible. There are some leaders in that space. We encourage that, and we are encouraging all of the large banks to do exactly that, is to kind of rethink that so that it is both fair and it provides the flexibility that people need.

Senator VAN HOLLEN. Thank you. Thank you, Mr. Chairman.

Chairman BROWN. Thank you, Senator Van Hollen. Senator Menendez from New Jersey is recognized.

Senator MENENDEZ. Thank you, Mr. Chairman. This is an incredibly important hearing. I want to thank you and the Ranking Member for holding it. Those financial institutions work for everyone, for everyone.

As regulators, you oversee those financial institutions, and it is vital that your organizations look like the communities, the institutions you regulate and ultimately serve. So I appreciate some of the responses you have given, but I want to make clear that it is not enough to hire a diverse workforce, but you must ensure your leadership and senior staff are also diverse.

Currently, only 8 percent of NCUA's senior staff, 3.9 percent FDIC's executive management, and 5.6 percent of the OCC's sen-

ior-level positions, for example, are Latino. I think we can all agree the largest minority population in America, growing exponentially, that does not work.

So can you all commit to significantly increasing Latino representation in your senior positions?

Mr. HARPER. I will start, Senator, and absolutely. For me, inclusion is highly important, having diverse views and perspectives need to be brought to the table. And we recognize that our Hispanic hiring is a weakness for the agency. We are underperforming there, and we are going to be working on that to bring more people in.

Senator MENENDEZ. All right. Chair McWilliams.

Ms. MCWILLIAMS. Absolutely, Senator, and I can tell you also that I have some numbers in front of me, that we have an overall 2.6 percent increase in minority workforce, overall numbers, since I assumed my chairmanship, compared to 2.4 percent over the 8 years prior, and 34 percent of our 2020 examiner new hires were minorities, and our examiners represent about 50 percent of our workforce. And 31 percent of our overall workforce are minorities. The numbers speak——

Senator MENENDEZ. I was talking about senior staff——

Ms. MCWILLIAMS. I understand, Senator, and I——

Senator MENENDEZ. ——and I appreciate those numbers. But the people in the corporate boardrooms and senior executive management suites and the people in your senior executive management are critical players in developing policies and having sensitivities to communities, so I hope you can do better.

Mr. Hsu.

Mr. HSU. So we recently had a town hall where I talked about exactly this issue. In terms of progress for Latinos and Hispanics within the OCC, senior leadership, tone at the top, these things I emphasize to the entire staff. We need to do better at the OCC.

Senator MENENDEZ. Well, each of your agencies have an impact on capital formation and allocation, financial regulation, consumer protection issues, all of which impact, of course, every single community in the Nation. But if we have learned anything from the financial crisis, and now the pandemic, it is that its economic turmoil disproportionately harms minority communities. And if your workforce, particularly at senior levels, does not have adequate representation, the needs of those communities will continue to be overlooked and underserved, and that is why I raise this issue.

Comptroller Hsu, I was very happy to read your proposal to rescind the Trump-era Community Reinvestment Act rule, which, in my view, would have gutted an important civil rights law, and I hope your work on a revamped CRA is going to help address minority small business owners' lack of access to credit, a problem that played a major role in how unequally the pandemic impacted minority communities.

Now as part of all of your annual Office of Minority and Women Inclusion reports, each of your agencies report the results from diversity self-assessments submitted by the financial institutions you regulate. However, the submission rates for these voluntary reports seem extremely low—19 percent for FDIC, 9.8 percent for OCC,

and at NCUA only 188 credit unions submitted such an assessment.

Now, Chair McWilliams, as part of your diversity, equity, and inclusion strategic plan you propose to streamline and enhance your diversity self-assessment to increase submissions. What does "streamline" mean, because I hope "streamline" here does not mean we are cutting down on useful information. I believe your agency should work toward increased participation rates in these diversity assessments, and increased participation should not come at the cost of critical information.

Ms. MCWILLIAMS. Senator, actually I am glad you mentioned the number. The number is 19.5 percent response rate, which is the highest response rate, frankly, because I pushed for it, and 2020 is the year when we achieved the highest response rate from our institutions. As you are probably aware, the statute prevents us from mandating disclosures, so we are working through other means. We have, I would say, the best director on the planet, Nikita Pearson, and she has made this her priority. She is just a phenomenal addition to our team. And we are going to do whatever it takes to make sure that our expectations of banks are known and that we are working together in this area, both to increase our hiring of diverse candidates as well as to making sure that our institutions focus on this effort, especially to mirror the communities that they serve.

Senator MENENDEZ. But streamlining does not mean, I hope, giving up critical information. The reason we ask for this information is to be able to have the science and the facts to make the case when, in fact, institutions are not being diverse. So I hope that when—you know, sometimes I hear reform and I get nervous, because reform ends up being bad, worse than what we reformed. And when hear "streamlining" I get a sense that maybe we are cutting out critical information.

Ms. MCWILLIAMS. Well, I will put your concerns to rest. Streamlining in this case meant creating an online portal that makes it easier for the institutions to comply and working with small banks to know how to comply.

Senator MENENDEZ. OK. And if I can have one final question, Mr. Chairman, do all of you, as leaders of your agency, have you set internal targets for the response rate of these voluntary self-assessment reports?

Mr. HSU. We do not have an internal target. I am disappointed by the response rate. We would be supportive of mandatory reporting.

Senator MENENDEZ. Do you have an internal——

Ms. MCWILLIAMS. We do not have it because of the statutory language which prevents us from requiring this self-assessment.

Senator MENENDEZ. But you could still have an internal response rate goal, and try to make it clear to the institutions underneath you that it would be desirable for them to——

Ms. MCWILLIAMS. We have done so.

Senator MENENDEZ. Uh-huh. So you have an internal response rate?

Ms. MCWILLIAMS. Well, we have a response rate that is 19.5 percent. That is an actual rate. And every year we strive to get that up.

Senator MENENDEZ. Is that what you have set as your goal, 19.5 percent?

Ms. MCWILLIAMS. I do not know, Senator, that we can set a goal, given that we cannot require it. But I can——

Senator MENENDEZ. You can always set a goal, even if something is not required. That is not an excuse.

Comptroller, what can you tell me? I mean, I am sorry. Mr. Harper.

Mr. HARPER. Absolutely. No, we do not have a goal set, although we do seek to achieve to improve it year after year. I, and each of the board members, regularly speak about it. We will be having a diversity, equity, and inclusion summit where we will be emphasizing the need to increase——

Senator MENENDEZ. Well, diversity starts by a commitment at the top, by setting goals, and having entities and individuals that pursue those goals. So I look forward to working with all of you more intensely on this. Thank you, Mr. Chairman.

Chairman BROWN. Thank you, Senator Menendez. Senator Reed from Rhode Island is recognized for 5 minutes.

Senator REED. Thank you very much, Mr. Chairman. Let me thank the witnesses for their testimony.

Mr. Hsu, along with Chairman Brown, Senator Merkley, and nine of my colleagues, I have once again reintroduced S. 2508, the Veterans and Consumer Fair Credit Act. Our legislation would very simply extend the existing Military Lending Act's 36 percent annual percentage rate cap to all consumers. And it is my understanding that the Nation's largest banks, most of which you regulate, do not charge anywhere near 36 percent interest on any of their consumer credit products, and this would include JPMorgan, Bank of America, Citigroup, and Wells Fargo.

And they are all supervised by OCC. So does OCC view charging a reasonable rate for consumer credit as indicative of strong and effective lending practices?

Mr. HSU. Yes.

Senator REED. That makes sense to me. Now small-dollar, short-term loans that are typically not made by these institutions are extended at exorbitant triple-digit rate interests that trap borrowers in cycles of debt. I note that 18 States and the District of Columbia have strong interest rate caps that stop predatory loans. Seven of those States are represented by Members of this Committee on both sides of the aisle, and these States have successfully experimented with the APR caps and consumers, and our belief is that all Americans should have these protections.

Does the OCC consider it abusive to set the practice for a bank to frequently make loans that borrowers cannot repay, because it appears to us that the business model of many of these institutions is to get them in, make the interest so crippling that they cannot get out and they are trapped. Would you consider that an abusive and deceptive practice?

Mr. HSU. Yes, and I think that this is actually written into the interagency guidance on small-dollar lending. The first factor is

that borrowers can meet the initial terms of the obligation. So I think these instances that you raise of being rolled over continually at high fees are inconsistent with that guidance.

Senator REED. Thank you. And Chairman Harper, we had a testimony from a credit union official from Louisiana who testified that they have a loan called a PALs loan, which is designed to aid people who need short-term credit. And they do not typically charge that lending. I think you have an interest rate cap, don't you?

Mr. HARPER. We do.

Senator REED. What is it, sir?

Mr. HARPER. The general interest rate cap is 18 percent. For the PALs product, which you were speaking of, it is 28 percent.

Senator REED. Twenty-eight percent overall, 18 except for the PAL?

Mr. HARPER. Correct.

Senator REED. And your institutions are able to thrive and to multiply?

Mr. HARPER. I will say that we have done some looking at the PALs product over time. Credit unions have been using it, but many more offer rates that are below the 18 percent cap for short-term dollar, and they have certainly been able to make it work.

Senator REED. Thank you. Well again, I think if we can move this legislation it will make immense progress in terms of helping those who really do need help to access credit at a reasonable rate. So I thank you all for your comments. Thank you.

Thank you, Mr. Chairman.

Chairman BROWN. Thank you, Senator Reed, and Senator Toomey, thank you, and thanks to our witnesses for being here today and providing testimony. For Senators who wish to submit questions for the record, those questions are due 1 week from today, Tuesday, August 10. To the witnesses, you have 45 days, please, to respond to any questions.

Thank you again. With that the hearing is adjourned. Thank you so much.

[Whereupon, at 11:52 a.m., the hearing was adjourned.]

[Prepared statements and responses to written questions supplied for the record follow:]

PREPARED STATEMENT OF CHAIRMAN SHERROD BROWN

Today we'll hear testimony from the heads of three agencies responsible for protecting our financial system, and for making sure it serves everyone—the National Credit Union Administration or NCUA, the Federal Deposit Insurance Corporation or FDIC, and the Office of the Comptroller of the Currency or OCC.

Because of the work we've done with the American Rescue Plan, putting money in people's pockets and making progress against this pandemic, our economy is starting to recover, adding more jobs every month. And for the first time, workers are starting to reclaim a little bit of power in our economy.

As we build on this progress, we need to make sure those gains end up in the pockets of working families—the people who made this progress possible. And we need to make sure their money is protected.

Together, those of you before us today embody the public backing of our banking system.

Yet most people, frankly, don't know these agencies even exist—let alone know what they do. They may see the letters NCUA and FDIC on the signs outside credit unions and banks, or emblazoned on the backs of debit cards—but they don't think much about what they mean

And they shouldn't have to. People are busy, working hard to support their families and raise their kids. They're supposed to be able to trust you, their watchdogs, to keep their money safe.

But when I talk to Ohioans, I hear the same message: people don't trust banks—especially not the biggest ones.

They remember after the great recession—when we called it a "recovery," but workers didn't get much of a raise and entire neighborhoods and towns were left behind.

And they've been burned by exorbitant fees, high minimum balances, and segregated second chance accounts. They watch bigger banks buy up the smaller ones and close the local branches, making it harder and harder for small businesses and working families to get an affordable small business loan, or a mortgage.

It's happening in my home State, and it's happening across the country—in rural communities, in Black and Brown communities, and in all the communities that Wall Street has trampled over.

And we know what happens when people don't have a credit union or a bank they trust in their community—they turn to expensive check cashers and shady payday lenders that prey on working families.

Just last week, before our hearing on extending the military's 36 percent interest rate cap to everyone, I talked to a mother from Lorain, Ohio, who had to take out a payday loan to pay her bills. She ended up trapped in a cycle of debt.

We know her story is all too common.

Or people turn to so-called fintechs that claim to make banking easier and cheaper, but have few protections and put people's money at risk.

I urged the CFPB to look into the risks of these kinds of fintechs like Chime, after customers were locked out of their accounts and couldn't access their own money—putting their ability to buy groceries, pay their bills or make the rent at risk.

These issues people have may not seem connected—but they all stem from the same big problem: big banks and corporations have too much unchecked power in our economy.

We need to change that.

We need No-Fee Accounts that allow everyone to open a bank account and have control over their hard-earned money.

We need to close the loopholes that allow so-called fintech firms to play by a different set of rules than banks and credit unions, leading to unfair competition and putting consumers' money at risk.

And we need strong financial watchdogs that hold financial institutions accountable, and ensure that these institutions serve their customers and communities, instead of lining their own pockets.

For too long we have had regulators who didn't seem to think standing up to Wall Street was part of their job. They rolled back the rules that industry had spent years begging for. They rewarded themselves, instead of investing in the people they are supposed to serve.

There are a lot of community-based institutions in Ohio, like CDFIs, MDIs, small credit unions, and community banks. They are the ones that are making the small business loans and working with borrowers when they might miss a mortgage payment because of a sudden medical expense or a lost job.

They stepped up to help their neighbors during the pandemic. It's your job to make sure that all financial institutions—from Main Street to Wall Street—do the same.

Regulators like the FDIC must change their approach to bank mergers—no more rubber-stamping every merger, leaving towns in Ohio and across the country with no branches. And when mergers do happen, you need to make sure that banks live up to the promises they made to the community.

We should be cracking down on risky shadow banks that use the allure of shiny new "financial technology" to distract us from the fact that they are just payday lenders with a fancy app.

And we need stronger capital requirements, so that banks and credit unions can continue to lend to and invest in their communities, in good times and bad.

We have new leadership at the NCUA with Chair Harper, who is working on a bipartisan basis to strengthen the NCUA and ensure that credit unions serve their members and communities.

And I applaud Acting Comptroller Hsu for rescinding the misguided changes to the Community Reinvestment Act that former Comptroller Otting rushed through.

The legacy of Jim Crow and redlining still holds back too many communities, and the OCC's rule did not serve CRA's core purpose—to ensure that banks are serving low-income communities and communities of color.

I'm glad that all three bank regulators—the Fed, OCC, and FDIC—are finally listening to feedback, and developing a proposal that will make sure banks are serving everyone.

And thankfully President Biden is replacing Trump-era regulators with leaders who understand that their job is to stand up for working Americans, not Wall Street.

We need diverse regulators who know first-hand how our financial system hasn't delivered for large portions of the country.

The people who oversee our country's economy need to reflect the Americans who make it work—Black and Brown communities, low-income communities, other underrepresented communities, and working families, from the rural South to the industrial Midwest—not just the wealthiest Washington insiders.

If financial watchdogs do your jobs, working Americans should be able to trust that Government is looking out for them. They won't have to worry they'll fall victim to a debt trap, or have their bank accounts zeroed out because of unfair overdraft fees.

You are all public servants, and you are responsible for making sure that this economy and financial system works for the American people.

I look forward to hearing from you today, and working with you and your agencies, to make that promise a reality.

PREPARED STATEMENT OF SENATOR PATRICK J. TOOMEY

Thank you, Mr. Chairman.

Today we will hear from the OCC, FDIC, and NCUA about their recent regulatory actions. Throughout the pandemic, I have been encouraged by certain targeted regulatory changes to support the financial system. However, as the pandemic recedes, I am now concerned the Biden administration is seeking to use financial regulation to advance social goals unrelated to banking, and its agency heads are contributing to the politicization of banking regulation without providing independent analysis. Such a shift would erode the longstanding nonpartisan objective of having independent regulatory agencies.

As one example, the Administration's Executive order—or EO—on climate risks seeks to use financial regulation to further environmental policy objectives. Under the guise of "assessing risk," the EO directs the regulatory agencies to undertake a range of actions, including the consideration of new or revised regulatory standards.

But if the actual purpose was to assess risk, wouldn't it logically follow that actual analysis occur before jumping ahead to policy responses? This is the crucial point: the EO doesn't seek a neutral inquiry. Instead, it presupposes the conclusion that there is, in fact, climate-related financial stability risk that's not being properly accounted for by either institutions or regulators, and it pressures supposedly independent agencies to enact backdoor environmental policy without appropriate accountability and while these agencies lack any expertise in environmental matters.

I'm concerned some agency heads are willingly participating in this politicized effort. For example, last week, Acting Comptroller Hsu announced the OCC would join the Network for Greening the Financial System—or NGFS—an international

organization whose stated aim is to "mobilize mainstream finance to support the transition toward a sustainable economy"—in other words, Government-allocated credit, which is antithetical to a free enterprise system.

At a recent FSOC meeting NCUA Chairman Harper helpfully ceded the point by asserting that credit unions "will need to consider adjusting their fields of membership or altering lending portfolios" as a result of climate risk. Most credit unions are small institutions that serve their local communities. The suggestion that their fields of membership need to change because of climate change does not result from any actual risk assessment; it's simply based on politics.

I'm also deeply troubled by the Administration's apparent unwillingness to nominate an individual—perhaps at any point—to serve as Comptroller on a full-time basis. By installing Mr. Hsu as Acting Comptroller with no nominee in sight, the Administration appears to have every intention of indefinitely bypassing constitutionally required Senate confirmation.

Four years ago, some Democrats expressed outrage that an Acting Comptroller was appointed. They wrote that "the Comptroller must be nominated by the President and confirmed by the Senate." In that instance, the Acting Comptroller had only served for a grand total of one month before a permanent nominee was sent to the Senate. In contrast, Mr. Hsu has served as Acting Comptroller for nearly 3 months and we have not heard anything about a permanent nominee. Yet, I've heard no complaints from Democrats about this fact.

Rather than pursue social goals unrelated to banking, regulators should be looking for ways to increase competition and improve regulatory efficiency. Last month, the Administration issued an EO that's purportedly intended to increase competition. Upon closer look, however, the EO would only make it more difficult for small and medium-size banks to merge when doing so actually presents opportunities to compete more effectively against very large banks. The EO would actually decrease competition within the banking system.

If the Administration were serious about promoting competition, it would seek to reduce the regulatory burdens imposed by Dodd-Frank, which have contributed to a dramatic decline in de novo banking activity over the past decade.

According to the FDIC, between 1985 and 2011—the year after Dodd-Frank was enacted—183 new institutions were chartered per year on average, compared with 4 per year between 2012 and 2019.

I'm encouraged by the FDIC's work in this space under Chairman McWilliams, including revisions to the agency's process for reviewing deposit insurance proposals. These changes contributed to an uptick in de novo banks before the onset of the pandemic. However, I believe more can be done.

And I'm concerned that rather than facilitating de novo activity and encouraging innovation, Acting Comptroller Hsu has suggested that he will reconsider the OCC's recent approvals for national trust banks that provide digital asset custody services. These approvals were granted after extensive engagement and analysis, and bring digital asset into the regulated financial system.

The reality is banking is changing, and new products and services offered by innovative companies offer tremendous potential benefits for consumers. Regulators should want these innovative financial institutions to enter the regulated financial system and should make it easier for them to become banks, which adds consumer protections, increases safety and soundness, and reduces risk.

I hope to hear from today's witnesses about how they will maintain independence in the face of pressure to politicize banking regulation. And I look forward to discussing steps their agencies are taking to increase competition, promote innovation, and improve regulatory efficiency—which will ultimately result in a stronger banking and financial system that better serves all Americans.

PREPARED STATEMENT OF TODD M. HARPER

CHAIRMAN, NATIONAL CREDIT UNION ADMINISTRATION

AUGUST 3, 2021

Chairman Brown, Ranking Member Toomey, and Members of the Committee: Thank you for inviting me to discuss the state of the credit union industry and to provide an update on the operations, programs, and initiatives of the National Credit Union Administration (NCUA).

After more than 20 years of working on financial services policy issues, I have come to believe that effective financial institutions regulators, like the NCUA, need to be:

- fair and forward-looking;

- innovative, inclusive, and independent;
- risk-focused and ready to act expeditiously when necessary; and
- engaged appropriately with all stakeholders to develop effective regulation and efficient supervision.

This regulatory philosophy is my North Star, and it is guiding the agency's response to the COVID–19 pandemic's economic fallout and positioning the NCUA for future challenges. This regulatory philosophy has also informed my priorities for the agency, which include capital and liquidity, consumer financial protection, cybersecurity, diversity and inclusion, and economic equity and justice.

In my testimony today, I will first focus on the state of the credit union industry and the National Credit Union Share Insurance Fund before turning to the NCUA's response to the COVID–19 pandemic's economic fallout, with a particular emphasis on the road ahead. [1] I will also highlight several recent rulemakings, as well as the agency's efforts to advance diversity and inclusion, improve consumer financial protection, and further economic equity and justice. I will then conclude with several legislative requests related to vendor authority, flexibility in managing the National Credit Union Share Insurance Fund, additional funding for the Community Development Revolving Loan Fund, and permanently extending the temporary enhancements of the Central Liquidity Facility.

State of the Credit Union System

Although the pandemic and its associated contraction in economic activity influenced credit union performance throughout 2020 and into the first quarter of 2021, the credit union system, as a whole, has remained on a solid footing.

As of March 31, 2021, the number of Federal credit unions declined by 2.7 percent over the year ending in the first quarter of 2021, to 3,167, and the number of State-chartered credit unions declined 2.0 percent to 1,901. The decline in the number of credit unions mainly resulted from the long-running trend of consolidation across all depository institutions. This trend has remained relatively constant across all economic cycles for more than 30 years. During the last year, membership at all federally insured credit unions increased 3.6 percent to 125.7 million. [2]

Total assets in federally insured credit unions rose by $311 billion, or 19.0 percent, over the year ending in the first quarter of 2021, to $1.95 trillion. Credit union shares and deposits rose by $318 billion, or 23.1 percent, to $1.69 trillion, reflecting the boost to income from Federal emergency relief payments to individuals and the sharp economywide increase in personal saving. The credit union system's net worth increased by $14.9 billion, or 8.3 percent, over the year to $195.3 billion in the first quarter of 2021.

Strong asset growth led to a decline in the aggregate net worth ratio—net worth as a percentage of assets—from 11.00 percent in the first quarter of 2020 to 10.01 percent in the first quarter of 2021, a decrease of 99 basis points. Since the start of the COVID–19 pandemic the system's aggregate net worth for the system declined 1.36 percentage points. The primary driver of this decline was continued elevated insured share growth in the first quarter of 2021, due primarily to the additional fiscal stimulus approved by Congress. Despite these declines, the credit union system remains well capitalized. [3]

The growth in assets and insured shares has also led to an increase in liquidity within the system, with the overall liquidity position of federally insured credit unions improving in 2020 and into the first quarter of 2021. Cash and short-term investments as a percentage of assets increased from 15 percent to 20 percent, reflecting a 61 percent increase in cash and short-term investments, from $247 billion in the first quarter of 2020 to $398 billion in the first quarter of 2021.

Factors Affecting the Industry in 2021

Looking ahead, the top priority for the NCUA is ensuring that the credit union system and the Share Insurance Fund are prepared to weather any economic fallout related to the pandemic. To protect the fund, the agency is actively monitoring certain segments of the system, including credit unions closely connected to the oil and gas, travel and leisure, and agricultural sectors, among others. The agency is also focusing on credit unions with elevated risks, such as those with large concentrations of commercial real estate loans relative to assets.

---

[1] The term credit union is used throughout this testimony to refer to federally insured credit unions. The NCUA does not oversee State-chartered, privately insured credit unions.

[2] March 31, 2021, Quarterly Data Summary, *https://www.ncua.gov/files/publications/analysis/quarterly-data-summary-2021-Q1.pdf.*

[3] 12 U.S.C. §1782 (c)(D)(i)(II).

Generally, the near-term outlook for the economy is favorable. A consensus of forecasters expects the pace of expansion this year will be the strongest in decades. Job creation will remain strong, leading to higher income and lower levels of unemployment. By the end of the year, the unemployment rate is forecast to be 4.9 percent. Stronger economic conditions are expected to boost longer-term interest rates, although they are not projected to reach prepandemic levels within the next year. Short-term rates are forecast to hold near current low levels.

While the economic outlook is improving, credit unions could face a difficult environment for some time, as there are a number of risks on the horizon that could impede the economy's recovery. For example, the recession hit the lower end of the income distribution the hardest, and recovery could take longer for these households. Systemwide delinquency rates, which remained low throughout 2020 and into the first quarter of 2021, could begin to rise as pandemic relief programs end. We are closely monitoring these metrics.

The rising prevalence of the Delta variant of COVID–19, the slowing pace of vaccination, and the potential emergence of new COVID strains could delay the economy's return to a new equilibrium. These news strains could also potentially trigger new economic dislocations. If the economy's performance is worse than expected, labor market conditions could deteriorate, and interest rates may remain low for an extended period.

Alternatively, persistently high inflation could lead the Federal Reserve's Federal Open Market Committee to pull back its asset purchases earlier and more than expected, boosting short-term interest rates. Tighter credit conditions typically constrain consumer and business borrowing and spending and cause economic growth to slow. If short-term rates rise more than long-term rates, the yield curve will flatten, putting downward pressure on credit union net interest margins. Although economic forecasts point to a steepening of the yield curve, the overall interest rate environment will remain challenging, particularly for credit unions that rely primarily on investment income.

The ability to manage interest rate risk will remain a crucial determinant of credit union performance going forward. To remain on a sound footing, credit unions will also need to continue to pay careful attention to capital, asset quality, earnings, and liquidity.

For its part, the NCUA will continue to adjust its supervision and examination program to address potential risks to the Share Insurance Fund and the broader system as economic and financial conditions evolve.

State of the Share Insurance Fund

Created by Congress in 1970, the Share Insurance Fund is backed by the full faith and credit of the United States and insures the share deposits at federally insured credit unions up to at least $250,000. As of March 31, 2020, the Share Insurance Fund insured $1.56 trillion in member deposits. [4]

Under the Federal Credit Union Act, one of the NCUA Board's primary missions is to protect the safety and soundness of the credit union system. An essential part of this responsibility is for the Board to maintain a strong and healthy Share Insurance Fund, which promotes confidence in our Nation's system of cooperative credit.

The dramatic rise in insured shares throughout last year resulted in an equity ratio for the Share Insurance Fund of 1.26 percent at the end of 2020. [5] This figure is 4 basis points higher than at the end of the second quarter of 2020, but it also represents a decline of 9 basis points from the year-end 2019 level.

The elevated growth in insured shares continued into the first quarter of 2021. As a result of this growth, during the NCUA Board's May meeting, staff projected the equity ratio for the Fund will be 1.22 percent in June 2021, less than 2 basis points away from the statutory minimum, and 4 basis points below the equity ratio reported at the end of 2020. [6]

If the equity ratio falls below 1.20 percent, or the NCUA Board projects it will within 6 months, the Federal Credit Union Act requires the NCUA Board to establish and implement a restoration plan within 90 days. [7] The restoration plan must detail how the Board would increase the equity ratio to at least the statutory minimum of 1.20 percent—before the end of an 8-year period beginning upon the imple-

[4] Id.

[5] Please see page 114 of the "2020 NCUA Annual Report" available at *https://www.ncua.gov/files/annual-reports/annual-report-2020.pdf.*

[6] Staff Briefing, "Share Insurance Fund Quarterly Report", May 2021 NCUA Board Meeting, available at *https://www.ncua.gov/files/agenda-items/AG20210520Item1a.pdf.*

[7] 12 U.S.C. §1782 (c)(D)(2).

mentation of the plan, and other such conditions as the Board determines to be appropriate.

Except for a temporary increase resulting from the consolidation of the Temporary Corporate Credit Union Stabilization Fund with the Share Insurance Fund, the equity ratio has steadily declined since 2014, even with fewer credit union failures causing losses to it. The primary drivers of this trend are the steady growth in insured shares and reduced investment income resulting from a persistent low interest-rate environment. Based on the current interest-rate environment, even with a return to modest insured share growth levels and relatively low credit union failure losses to the fund, the agency expects the equity ratio to continue its downward trajectory. As a result, it seems likely that the Board will need to adopt a restoration plan at some point absent a sizable change in these underlying fundamentals.

NCUA's COVID–19 Response

Throughout the COVID–19 pandemic, the NCUA has focused on three priorities:

- Protecting the health and safety of NCUA staff and contractors so the agency can continue to perform its mission;
- Assessing the impact of COVID–19 on credit union members and operations; and
- Analyzing how the pandemic will affect the future financial condition of credit unions and the Share Insurance Fund.

Agency examiners continue to work closely with credit unions to obtain documentation and complete examination procedures offsite, so credit unions can, in turn, focus on providing services to their members.

Phase One Return to Onsite Operations

Last month, the NCUA announced that it would begin Phase One of its return to onsite operations on July 19, 2021. This decision was made following extensive analysis and after conversations with the NCUA's public health consultant and other financial services regulators. During Phase One, NCUA staff may only volunteer to work onsite in locations where public health data indicate that pandemic conditions have sufficiently moderated. To the extent they exceed the NCUA's safety protocols for Phase One, NCUA staff working onsite in credit unions will generally be expected to follow credit union policies related to safety and security.[8]

To the extent possible, the NCUA will respect a credit union's preference not to have examination staff onsite during this initial phase. However, the NCUA reserves the right to conduct onsite work at a credit union, if necessary, to address severe and time-sensitive matters. Additionally, NCUA staff will coordinate with State supervisory authorities when working onsite in federally insured, State-chartered credit unions.

Supervisory Priorities in 2021

Recognizing the continued challenges credit unions face due to the pandemic's economic fallout, the NCUA updated its supervisory priorities in January 2021 to focus its examination activities on the areas that pose the highest risk to the industry and the Share Insurance Fund. Some of the agency's supervisory priorities are reviews of credit unions' efforts to:

- Maintain sufficient loss reserves;
- Comply with the Bank Secrecy Act and anti-money laundering laws and regulations;
- Implement CARES Act provisions applicable to credit unions as well as those provisions that were extended through the Consolidated Appropriations Act, including the suspension of the requirement to categorize certain eligible loan modifications as troubled debt restructurings;
- Comply with consumer financial protection laws and regulations;
- Monitor and control credit risk;
- Protect information systems and strengthen cybersecurity defenses;
- Transition from the use of LIBOR; and
- Manage for the potential liquidity risk due to the economic impact of the pandemic.

[8] NCUA staff will be expected to follow credit union policies to the extent that they do not violate employee rights or conflict with local, State, or Federal laws.

As the pandemic and its economic and financial disruptions evolve, the NCUA will continue to update its policies and procedures to enhance its supervision program and to provide necessary guidance to the industry.

Over the last year, the NCUA has also established priorities to focus examination and supervisory activities on credit unions posing the greatest risk to the credit union system. Of highest priority are credit unions experiencing significant financial or operational problems. This priority includes credit unions that have asked for assistance and those the NCUA determines may need assistance based on their financial and operational conditions. NCUA examiners will continue working with these credit unions to identify what assistance, if any, is needed.

Additionally, the NCUA recognizes the need to ensure our Nation's financial services system is not used for illicit or terrorist financing. The agency continues to work closely with its counterparts at other banking regulatory agencies to adopt the significant changes occurring under the Anti-Money Laundering Act and Corporate Transparency Act of 2020.[9] The NCUA will also rely on the Treasury Department and the Financial Crimes Enforcement Network to consult and coordinate implementation of those laws, as appropriate.

Regulatory Flexibility Measures

Throughout 2020, the NCUA provided temporary and targeted regulatory flexibility to enable federally insured credit unions to manage their operational and financial risks while meeting their members' needs and adapting to social distancing measures within their communities.

In December 2020, the NCUA Board approved an extension of the effective date of certain regulatory requirements to help federally insured credit unions remain operational and provide appropriate liquidity management flexibility to address economic conditions caused by the pandemic. Specifically, the temporary final rule:

- Raised the maximum aggregate amount of loan participations that a federally insured credit union may purchase from a single originating lender to the greater of $5,000,000 or 200 percent of the credit union's net worth;
- Suspended limitations on the eligible obligations that a Federal credit union may purchase and hold; and
- Suspended the required timeframes for the occupancy or disposition of properties not being used for Federal credit union business or that have been abandoned.

Each of these temporary modifications were set to expire on December 31, 2020, but the Board extended these measures through December 31, 2021, due to the continued effects of COVID–19 on credit unions and their members.

In April 2021, the NCUA Board also renewed an interim final rule that temporarily modifies certain prudential requirements to help ensure federally insured credit unions remain operational and able to provide needed financial services during the COVID–19 pandemic. This interim final rule is substantively similar to the interim final rule approved by the Board in May 2020.

Specifically, the interim final rule makes two temporary changes to the NCUA's prompt corrective action regulations. The first change reduces the earnings retention requirement for federally insured credit unions classified as adequately capitalized. The second change permits an undercapitalized credit union to submit a streamlined net worth restoration plan if it becomes undercapitalized predominantly because of share growth. If a credit union becomes less than adequately capitalized for reasons other than share growth, it must still submit a net worth restoration plan under the current requirements in the NCUA's regulations.

These temporary measures will remain in place until March 31, 2022.

Central Liquidity Facility

Following the temporary statutory enhancements provided in the CARES Act and their extension in the Consolidated Appropriations Act, 2021, as well as related changes to the agency's regulations, the Central Liquidity Facility (CLF) experienced a significant increase in its membership and borrowing capacity.[10] I want to

[9] Enacted into law as part of the National Defense Authorization Act for Fiscal Year 2021 (PL: 116–283), which is available at *https://www.congress.gov/116/bills/hr6395/BILLS-116hr6395enr.pdf.*

[10] The Central Liquidity Facility provides the credit union system with a contingent source of funds to assist credit unions experiencing unusual or unexpected liquidity shortfalls during individual or systemwide liquidity events. The CLF also serves as an additional liquidity source for the Share Insurance Fund, which helps to ensure the credit union system and the fund re-

thank the Chairman, Ranking Member, and the Members of this Committee for supporting these enhancements in March 2020, as well as their extension last December. And, as I will outline later, I respectfully request that these reforms be made permanent to better protect the credit union system from future liquidity events.

As of June 30, 2021, the number of regular members of the CLF, which consists of consumer credit unions, was 346, up from 283 members in April 2020. Additionally, all 11 corporate credit unions became agent members in May 2020, meaning most of their member credit unions also have access to CLF liquidity. In total, 4,107 credit unions, or 81 percent of all federally insured credit unions, now have access to the CLF, either as a regular member or through their corporate credit union.

New memberships added $1.6 billion in additional total subscribed capital stock plus surplus to the CLF. Under the temporary authority granted by the CARES Act and later extended, the CLF can borrow 16 times its total capital through the end of 2021. As of June 30, 2021, the facility's borrowing authority stood at $36.0 billion, an increase of $25.5 billion since April 2020. [11]

The NCUA encourages all credit unions to consider joining the CLF to bolster the system's access to emergency liquidity, should the need arise. And, there are several credit unions exploring joining the CLF, which would further increase capacity.

Grants and Loans To Support Members and Underserved Communities

Through its stewardship of the Community Development Revolving Loan Fund (CDRLF), the NCUA provides grants and loans to low-income-designated credit unions that use this funding to improve and expand services to members, build capacity, and stimulate local economic activity. Although relatively small in size, these grants make a big difference to low-income and minority credit unions working to provide more and better services to their members and communities.

In 2020, Congress appropriated $1.5 million for CDRLF technical grants. Congress has not provided an appropriation for the loan component of the CDRLF since 2005. Instead, the NCUA revolves loan funds to qualified credit unions to the extent possible. The urgent need grants the agency provides to low-income credit unions that experience unforeseen disruptions to their operations are funded from income generated by the CDRLF loan portfolio.

It should be noted that the NCUA does not use any appropriated funds to administer the CDRLF. Every penny of the appropriations goes to eligible credit unions and their member-owners.

Last year, the NCUA made the strategic decision to devote almost all its CDRLF efforts to help credit unions and their members meet the significant challenges posed by the COVID–19 pandemic. Overall, the NCUA received 432 technical assistance grant and loan requests for a total of $7.6 million. The agency's funding capacity allowed it to only award $3.7 million in technical assistance grants and loans to 165 credit unions. [12]

Additionally, the NCUA awarded 149 credit unions in 42 States and the District of Columbia more than $968,000 in urgent need grants. Of these credit unions, 144 received more than $930,000 in funding to assist with their operational needs resulting from the pandemic. Five credit unions received $37,000 in urgent needs grants to repair damage to their credit unions because of a natural disaster or another unexpected event.

In 2021, the NCUA will administer approximately $1.5 million in CDRLF grants to qualified low-income-designated credit unions, subject to the availability of funds. This year, two of the grant initiatives focus on supporting minority depository institutions and reaching the underserved to provide greater access to safe and affordable financial services in urban, rural, and other underserved areas. A maximum of $50,000 and $25,000 per awardee will be available as part of the Underserved Outreach and Minority Depository Institution Mentoring initiatives, respectfully.

As part of the 2021 grant round, the NCUA has received 280 grant applications requesting approximately $4.7 million. The number of applications submitted in 2021 was down from 2020, but the total amount requested was nearly $700,000 more than requested the previous year. The NCUA will announce the awardees in September.

main strong. Member credit unions own the CLF, which is managed by the NCUA. Membership in the CLF is open to both federally insured credit unions and privately insured credit unions.

[11] Please see Central Liquidity Facility Monthly Reports, which are available at *https://www.ncua.gov/support-services/central-liquidity-facility/monthly-reports.*

[12] In 2020, the NCUA received 417 grant applications requesting $3.9 million in funding. The agency awarded approximately $1.6 million in technical assistance and minority depository institution mentoring grants to 156 credit unions. The NCUA also approved $2.25 million in loans to nine credit unions.

Working With Borrowers Affected by COVID–19

Tragically, the COVID–19 pandemic has disproportionately affected low-income communities and communities of color. Besides being at a greater risk of contracting the virus, residents of underserved areas are more likely to experience pandemic-related economic and financial disruptions. Many minority-owned businesses have also been acutely affected by the suddenness and depth of the economic shock resulting from the lockdowns that were implemented to contain the spread of the virus. Rural and underserved communities, too, have been hard hit by COVID–19, and these are the areas that minority depository institutions (MDIs) and low-income-designated credit unions predominately serve.

As cooperative, member-owned financial institutions that reinvest their earnings, many credit unions have a long history of assisting their member-owners in times of need. Throughout the COVID–19 pandemic, the NCUA has encouraged credit unions to work with members experiencing hardship by extending the terms of repayment, or otherwise restructuring their members' debt obligations.

When prudent, credit unions may modify terms for new loans to members, as doing so may help consumer and business members better manage any impact on their financial well-being due to COVID–19. The NCUA has also instructed its examiners to refrain from criticizing a credit union's efforts to provide prudent relief for members, when conducted in a reasonable manner with proper controls and management oversight.

During the pandemic, millions of credit union members received Government stimulus and child tax credit payments. Although lawmakers intended for consumers to spend this funding on necessities like food, shelter, utilities, and medical care, in certain instances some financial institutions, including some credit unions, instead used these stimulus payments to cover overdraft fees, outstanding debts, and other liabilities.

Financially stressed American consumers deserve better treatment. Many federally insured credit unions have voluntarily decided to protect their members' relief payments from collection, garnishment, and the right of offset. In doing so, these credit unions are demonstrating the cooperative philosophy at the heart of the credit union movement. Legislative action to protect the latest round of stimulus and child tax credit payments from garnishment and offset would protect consumers and help families struggling during the pandemic downturn.

Cybersecurity Efforts in Response to COVID–19

On the issue of cybersecurity, fraudsters and hackers continue their attempts to undermine the very integrity of our interconnected financial system through deception and cyberattacks. To compete, credit unions must be able to safely and securely use technology to deliver member services and to adopt financial innovations to ensure the industry's long-term success. Each of us, however—the NCUA, State supervisory authorities, vendors, and credit unions—must work together to promote innovation with an emphasis on security and equity.

The pandemic has prompted a heightened cybersecurity stance for the agency and the industry, with an emphasis on credit union service continuity, remote workers' security and compliance, and flexibility regarding agency supervision and examination processes. The NCUA has seen increasing fraudulent activity—such as phishing, identity theft, and credential acquisition; ransomware; and cyberenabled fraud methods—within the credit union system. Emerging cyberattacks are a persistent threat to the financial sector, and the likelihood of these threats adversely affecting credit unions and consumers is rising because of advances in financial technology and increases in the use of remote workforces and mobile technology for financial transactions.

The NCUA continues to promote cybersecurity best practices in credit unions, and reviews of credit union information systems and assurance programs remain a supervisory priority for the agency. Building upon its industry outreach efforts in 2020, the NCUA is continuing to provide guidance and resources to assist credit unions with strengthening their cyberdefenses. As part of its 2021 CDRLF grant initiative, the agency is again funding cybersecurity grants.

The NCUA is also examining ways to strengthen cybersecurity reviews during regular examinations of credit unions. In 2020, the agency began piloting the Information Technology Risk Examination for Credit Unions (InTREx-CU). InTREx-CU harmonizes the IT and cybersecurity examination procedures shared by the Federal Deposit Insurance Corporation (FDIC), the Federal Reserve System, and many State financial regulators, thereby generating a consistent approach across all community-based financial institutions. In 2021, the NCUA is continuing to integrate this tool into its cybersecurity reviews with the goal of deploying the tool systemwide in late 2022 or early 2023.

Recent Rulemakings

I would now like to turn to several recent rulemakings and actions taken by the NCUA Board since last November. These matters include updating the credit union rating system, increasing the amount of capital within the system to absorb losses, facilitating the ability of credit unions to work with borrowers experiencing financial trouble, and amending the agency's risk-based capital rules to ensure greater comparability with those of banks, as required by the Federal Credit Union Act. Additional information about the Board's regulatory actions can be found on the NCUA's public website. [13]

Proposed Rule: Adding Interest Rate Sensitivity or "S" to the CAMEL Rating System

In January 2021, the NCUA Board approved a proposed rule that would add the "S" (Sensitivity to Market Risk) component to the existing CAMEL rating system, thus updating the rating system from CAMEL to CAMELS, and redefine the "L" (Liquidity Risk) component in the rating system. This proposal would enhance clarity and allow the NCUA, State supervisory authorities, and federally insured credit unions to better distinguish between liquidity risk and sensitivity to market risk. The amendment would also enhance consistency between the regulation of credit unions and other financial institutions.

The estimated implementation of this proposal is approximately 1 year, or as early as the first quarter of 2022. The comment period on this proposed rule closed on May 10, 2021.

Subordinated Debt Final Rules

In December 2020, the Board approved a final rule that amends various parts of the NCUA's regulations to permit low-income-designated credit unions, complex credit unions, and new credit unions to issue subordinated debt for purposes of regulatory capital treatment. One month later, the Board unanimously approved a final rule that amends the NCUA's corporate credit union regulation to clarify that corporate credit unions may purchase subordinated debt instruments issued by consumer credit unions and specifies the capital treatment of these instruments for corporate credit unions that purchase them.

Together, these two rules have the potential to increase capital within the credit union system and better protect the Share Insurance Fund—and taxpayers—from losses. Both rules become effective on January 1, 2022.

Joint-Ownership Share Account Final Rule

In February 2021, the Board approved a final rule amending the NCUA's regulation governing the requirements for a share account to be separately insured as a joint account. The final rule provides federally insured credit unions with an alternative method to satisfy the membership card or account signature card requirement.

The change is especially important given the challenges posed by COVID–19 and the resulting economic uncertainty. If the pandemic's economic fallout contributes to the failure of a federally insured credit union, the changes will facilitate the prompt payment of share insurance on joint accounts. The final rule went into effect on March 26, 2021.

Capitalization of Interest Final Rule

In June 2021, the NCUA Board approved a final rule that removes the prohibition on the capitalization of interest in connection with loan workouts and modifications. This final rule also gives credit unions parity with banks, Fannie Mae, Freddie Mac, and the Federal Housing Administration, all of which had already allowed servicers to capitalize interest as part of a prudent modification program.

For borrowers experiencing financial hardship, a prudently underwritten and appropriately managed loan modification, consistent with consumer financial protection laws and safe-and-sound lending practices, is generally in the long-term best interest of both the borrower and a credit union. Such modifications may allow borrowers to remain in their homes and to help minimize the costs of default and foreclosure for both the credit union and its member.

The rule removes the prohibition on credit unions from capitalizing interest on loan modifications while maintaining the important prohibition on a credit union capitalizing credit union fees and commissions. It also establishes consumer financial protection guardrails like ability to repay requirements and prohibits predatory lending practices, such as negative amortization, to ensure that the addition of un-

---

[13] Information on the NCUA Board's regulatory actions can be found at *https://www.ncua.gov/about/ncua-board/board-meetings-agendas-results.*

paid interest to the principal balance of a mortgage loan will not hinder the borrower's ability to make payments or become current on the loan. These measures apply to workouts of all types of member loans, including commercial and business loans.

Importantly, in those cases where State law applies and is more stringent, credit unions must comply with those consumer financial protection standards. As a result, this rulemaking establishes a regulatory floor, not a ceiling for consumer financial protection.

The final capitalization of interest rule became effective on July 30, 2021.

Proposed Rule Creating the Complex Credit Union Leverage Ratio and Other Amendments to the NCUA's 2015 Risk-Based Capital Rule

At its July 2021 meeting, the NCUA Board approved a proposed rule that amends the NCUA's capital adequacy regulation to provide a simplified measure of capital adequacy for federally insured credit unions classified as "complex." [14]

The proposed rule would modify the NCUA's capital adequacy regulation and provide a simplified measure of capital adequacy that federally insured credit unions classified as complex can opt into. The new Complex Credit Union Leverage Ratio (CCULR) gives complex credit unions that maintain a minimum net worth level and meet other qualifying criteria a streamlined framework to manage capital in their institutions. Provided that a credit union in the CCULR framework maintains the minimum net worth ratio, it would be considered well capitalized.

The new CCULR is comparable to the Community Bank Leverage Ratio that went into effect in January 2020. Under the NCUA's proposal, the minimum net worth level under the CCULR framework would initially be 9 percent on January 1, 2022, and this level would gradually increase to 10 percent by January 1, 2024. Using December 31, 2020, financial performance data, the NCUA estimates that most complex credit unions would be able to meet the CCULR's initial net worth requirement of 9 percent.

The proposed rule would also make several amendments to update the NCUA's final risk-based capital rule, such as addressing asset securitizations issued by credit unions, clarifying the treatment of off-balance sheet exposures, and deducting certain mortgage servicing assets from a complex credit union's risk-based capital numerator. The proposed rule also updates several derivative-related definitions and clarifies the definition of a consumer loan.

Comments on the proposed rule are due 60 days after publication in the *Federal Register*.

Climate Financial Risk

Extreme weather events are accelerating, and the number and costs of climate-related natural disasters are often hitting disadvantaged communities the hardest. Financial regulators, like the NCUA, have a responsibility to foster resiliency to all material risks to financial institutions, including those related to climate change. By measuring, monitoring, and mitigating such risks, the NCUA can fulfill its core obligations of maintaining the safety and soundness of credit unions, protecting consumers, and safeguarding the Share Insurance Fund.

Additionally, the agency must consider not only the macroeconomic impact of climate change, but also the microeconomic context. Most credit unions focus on mortgage, auto, and small business lending. Over time, climate change will affect the value of collateral like homes and commercial properties, especially in areas affected by extreme weather. Additionally, a credit union's field of membership may be tied to communities or activities that may be dramatically affected by climate change, like farming or fossil fuels. Credit unions serving such populations must consider adjusting their fields of membership or altering their lending portfolios to remain resilient over the long term.

The NCUA will continue to examine the effects of climate financial risk on the credit union system and on other areas of the financial sector. The agency will also continue to engage with other regulatory agencies as part of the Financial Stability Oversight Council and other interagency working groups on the issue of climate financial risk within the broader financial system and economy.

Diversity, Equity, and Inclusion

The NCUA has a long-standing commitment to diversity, equity, and inclusion, and these important values are reflected in the agency's policies and practices.

[14] A complex credit union is defined in the NCUA's risk-based capital rule as any federally insured, natural-person credit union with $500 million in assets or greater, as defined in the NCUA's 2018 supplemental risk-based capital rule. Please see *https://www.govinfo.gov/content/pkg/FR-2018-08-08/pdf/2018-16888.pdf.*

Numerous studies have demonstrated that organizations that prioritize the creation of a more diverse and inclusive workplace experience greater staff motivation, improved customer service, and higher employee retention, all of which lead to greater efficiencies and better financial performance. Thus, these principles are vital for the continued health and success of the credit union system.

As part of its efforts, the NCUA will host its second Diversity, Equity, and Inclusion (DEI) Summit taking place November 2 through 4. The 2021 DEI Summit builds on the success of the agency's 2019 summit and will provide credit union industry professionals who are committed to advancing diversity, equity, and inclusion a forum to share best practices, address challenges to advancing diversity, and learn how the NCUA can support the industry in its efforts.

The principles of diversity, equity, and inclusion are also being embraced more widely within the credit union industry. For example, several industry leaders formed the Credit Union DEI Collective, which serves as a resource on all things related to DEI within the credit union system. Additionally, there have been efforts within the credit union system to make DEI part of the core principles of the cooperative credit system.

NCUA's Workforce Diversity

With respect to its workforce, the NCUA continues to exceed the Civilian Labor Force in the Black/African American, Asian/Pacific Islander, and Multiracial groups. In 2020, 41.5 percent of new hires at the NCUA were people of color, and gender diversity among the agency's executives achieved parity for the first time. Additionally, 15.4 percent and 4.2 percent of the NCUA's workforce identify as having disabilities and targeted disabilities, respectively. These figures exceed the Federal employment goals established in Section 501 of the Rehabilitation Act of 1973.

The NCUA also works to advance the agency's mission and create a greater sense of belonging within its workforce through seven employee resource groups. After establishing the program in 2018, the NCUA has 269 employees, or 23.4 percent of the workforce, participating in one or more of these employee resource groups. This level is more than twice the benchmark participation rate for successful programs.

Additionally, in May 2020, under the leadership of then-Chairman Rodney Hood, the agency launched its Culture, Diversity, and Inclusion Council. Comprised of 18 employees across the agency's business lines, in both supervisory and non-supervisory roles, the Council's mission is to identify and advance a positive, high-performing organizational culture that will allow the NCUA to achieve its mission; support the agency's strategic goal of attracting, engaging, and retaining a highly skilled, diverse workforce by cultivating an inclusive environment; and assist and advise leadership on the implementation of strategic diversity and inclusion priorities.

In 2020, the Council conducted an agencywide culture and climate survey, in which a majority (59 percent) of the NCUA's staff participated. These survey results were combined with results from subsequent focus groups to assess employee perceptions of the NCUA's culture. The Council is now analyzing the results and developing recommendations to address the issues identified in the survey. They will present their findings and recommendations to the agency's leadership in September.

Supplier Diversity

The NCUA also understands the importance of developing and maintaining a base of suppliers and contractors where a diverse group of businesses is well-represented.

In 2020, 33.2 percent of the agency's reportable contracting dollars were awarded to minority- and women-owned businesses, a decrease of 9.8 percentage points from 43.0 percent in 2019.[15] Most of the decline was seen in technology purchasing, where the minority- and women-owned business contract spend was 33.3 percent in 2020 compared to 44.8 percent in 2019.

Despite this decline, 2020 was a relatively strong year for the NCUA's supplier diversity performance. And, the agency's performance continues to demonstrate the positive impact of intentional and consistent inclusion of proven, qualified, and responsive minority- and women-owned businesses in the competitive procurement process.

Assessing Diversity Policies and Practices of Regulated Entities

The NCUA's voluntary Credit Union Diversity Self-Assessment tool assists credit unions in implementing the diversity standards set forth in the Interagency Policy

---

[15] Please see page 20 of the NCUA's "OMWI Report to Congress 2020" available at *https://www.ncua.gov/files/publications/2020-omwi-congressional-report.pdf.*

Statement Establishing Joint Standards for Assessing the Diversity Policies and Practices of Entities Regulated by the Agencies.[16] Credit unions are encouraged to annually use and submit the self-assessment to the NCUA.

In 2020, 188 federally insured credit unions, 115 Federal and 73 State-chartered, submitted self-assessments, an increase of 59.3 percent over 2019. These credit unions varied in the number of employees and asset size. Of those credit unions submitting results, 104 had more than 100 employees, representing 15.1 percent of the credit unions in this category. The aggregate number of employees working at these credit unions represented 13.6 percent of employees at all federally insured credit unions at the time. Asset sizes for the responding credit unions ranged from just above $1 million to more than $15 billion, with 142 of the 188 credit unions, or 75.5 percent, reporting $100 million or more in assets.

While the volume of self-assessment responses received has steadily increased, the NCUA recognizes the need for higher industry response rates. The NCUA's leadership will, therefore, continue to encourage more credit unions to participate.

Modernization of the NCUA's Examination Systems

Under the agency's Enterprise Solution Modernization Program, the NCUA is developing new technology to replace several existing systems that are at the end of their service lives.

The NCUA's current examination system, AIRES, is a custom-built, 25-year-old system based on outdated technology. Given the age of AIRES and the importance of an electronic examination system to the mission of the agency, priority was given to the development of its replacement, the Modern Examination and Risk Identification Tool, or MERIT. To successfully deploy this new system, it was necessary to stand up the technology architecture, infrastructure, and security posture needed for a full modernization. MERIT and its related systems will be continually improved in the operations and maintenance phase of MERIT's lifecycle.

Besides better and more robust financial analytics, MERIT provides numerous improvements over the legacy AIRES examination system, including better controlled access to examination data across the organization and greater efficiency in reporting.

Simultaneous to MERIT's development, the NCUA has been exploring the concept of virtual examinations of credit unions. By identifying and adopting alternative methods to remotely analyze much of the financial and operational condition of a credit union, with equivalent or improved effectiveness relative to current examinations, it may be possible to significantly reduce the frequency and scope of onsite examinations.

The pandemic and offsite operational posture resulted in the implementation of virtual processes during 2020 to continue the agency's supervision of the credit union industry. This unplanned need provided an incubator and learning environment to identify effective and ineffective strategies for remote or virtual examinations. The agency is studying longer-term strategies to institutionalize the lessons learned during the pandemic for future changes within the virtual examination program. The full implementation of MERIT in the coming months will also facilitate the ability of the agency to conduct more of its supervisory efforts remotely in the future.

Consumer Financial Protection

Equally vital to the members of credit unions is consumer financial protection and fair and equitable access to credit. To that end, the NCUA is working to strengthen its consumer financial protection program to ensure that all consumers receive the same level of protection, regardless of their financial provider of choice. The agency can do more to protect consumers' interests and ensure that the credit union system lives up to its commitment to serve members.

Specifically, the agency is developing a proposal to enhance consumer compliance examination procedures for the largest credit unions that are not primarily examined for consumer financial protection by the Consumer Financial Protection Bureau (CFPB), performing targeted consumer compliance examination procedures in every Federal credit union exam, and developing consumer compliance training materials for examiners and credit unions. The agency is also placing an increased emphasis on fair lending compliance.

Regarding discrete consumer financial protection issues, the NCUA continues to focus on compliance with the forbearance provisions of the CARES Act and efforts

[16] 80 FR 33016, available at *https://www.federalregister.gov/documents/2015/06/10/2015-14126/final-interagency-policy-statement-establishing-joint-standards-for-assessing-the-diversity-policies.*

to help consumers who are experiencing financial difficulties due to the pandemic. Whether it entails reworking an existing loan due to financial stress or delaying payments, the agency expects credit unions to work with their members as forbearance agreements roll off and foreclosure moratoriums expire.

Further, the agency has encouraged credit unions to be proactive and prepare for how they will handle the financial difficulties their members will experience as the pandemic's economic fallout continues.

The NCUA can also do more to improve the financial capability and personal finance knowledge of the member-owners of credit unions. Financial education plays a key role in helping consumers better understand how to save, earn, borrow, invest, and protect money wisely. Additionally, consumers who have a strong foundation in personal finance are essential to a healthy credit union system.

During the final months of 2020 and into the first quarter of 2021, the NCUA worked in partnership with other Federal agencies to raise awareness of the importance of financial education. The agency cohosted webinars with the CFPB, Internal Revenue Service, and the FDIC on such topics as financial readiness for servicemembers, veterans and their families; the Earned Income Tax Credit and Voluntary Income Tax Assistance program; and access to federally insured accounts at banks and credit unions for young people.

Going forward, the NCUA will continue to collaborate with other Federal agencies and stakeholders to raise awareness of consumer financial protection laws and regulations and the importance of financial literacy. The agency's online consumer resources educate consumers and support credit unions and their efforts to provide financial education to their members. We are evaluating ways to improve this website.

Economic Equity and Justice

Last year's nationwide Black Lives Matter demonstrations heightened public awareness of economic equity and justice. The NCUA and credit unions each have important roles to play in advancing this important goal.

Research conducted after the last economic downturn found that credit unions that leaned in and increased lending within underserved communities recovered more quickly than those that did not. Research has also shown that there are three primary ways to close the wealth gap. One is to open and regularly fund a retirement account; another way is to own a home; and the third way is to start a business.

Given the cooperative philosophy that underlies the credit union movement, credit unions have a moral obligation to step up and help people of color recover and start anew in the months ahead. Through these efforts, credit unions can help ease the financial impact of COVID–19 and systemic racism on communities of color, and the result will be a more vibrant economic outcome for everyone in society.

The NCUA is working to address these issues as part of its Advancing Communities through Credit, Education, Stability and Support Initiative (ACCESS), which began under then-Chairman Hood, and through its CDRLF technical assistance grants and other efforts. As part of the ACCESS initiative, a working group at the NCUA is examining ways to modernize the chartering process to help ensure that groups that want to form new Federal credit unions can do so in an efficient manner, a priority for Board Member Kyle Hauptman.

As noted earlier, the NCUA provides grants and loans through the CDRLF. These grants and loans make a tremendous difference to small, low-income and minority credit unions working to provide more and better services to their members and communities or seeking to bolster their own capacity. The NCUA expects to announce the 2021 grant awardees at the beginning of September.

The NCUA also continues its efforts to preserve and grow the number of MDI credit unions. At the end of 2020, 520 federally insured credit unions had self-certified as MDIs. Together, these credit unions served 4.3 million members, held more than $51.1 billion in assets, and represented 10.2 percent of all federally insured credit unions.

The agency assists these vital institutions by:

- Offering technical assistance grants and training sessions;
- Facilitating mentor relationships between smaller MDI credit unions and larger MDI credit unions;
- Negotiating financial support to sustain MDIs;
- Delivering guidance to groups establishing new MDIs; and
- Approving new charter conversions and field-of-membership expansions to facilitate new opportunities for growth.

Additionally, the agency is hosting a series of regional MDI roundtables in 2021 to gain a greater understanding of the evolving needs of these institutions, and how the agency can improve its MDI preservation program. The first of these forums occurred on June 30 and two more are planned for the end of the September. The agency also has plans for a broader MDI symposium after completion of the regional roundtables in the fall of 2021.

By enhancing support for small, low-income, and MDI credit unions, enforcing fair lending laws, and advancing initiatives to close the wealth gap, the NCUA can address the disparities created by centuries of systemic discrimination and exacerbated by the pandemic. The agency can also ensure that the cooperative nature of the credit union system lives up to its mission of meeting the credit and savings needs of consumers, including those of modest means.

Legislative Requests

To ensure the NCUA has the necessary tools to protect against economic and financial stress, as well as increase opportunities for underserved communities, I would like to close by briefly highlighting four areas where legislative action would aid the agency in fulfilling its statutory mission.

Vendor Authority

The NCUA requests the Congress enact legislation to provide the agency examination and enforcement authority over third-party vendors, including credit union service organizations (CUSOs).

In 1998, the NCUA was granted some third-party vendor authority to address the Y2K changeover, but that authority expired in 2002. Since then, the NCUA's Inspector General, the Financial Stability Oversight Council, and the Government Accountability Office have all called for the restoration of this authority. [17]

Currently, the NCUA may only examine CUSOs and third-party vendors with their permission, and vendors, at times, decline these requests. Further, vendors can reject the agency's recommendations to implement appropriate corrective actions to mitigate identified risks. For example, in the past, several vendors refused to implement the NCUA's recommendations to improve network security and safeguard sensitive member information due to cost concerns. This stands in stark contrast to the authority of our Federal banking agency counterparts.

Increasingly, activities that are fundamental to the credit union mission and operations, such as loan origination, lending services, Bank Secrecy Act and anti-money laundering compliance, and financial management, are being outsourced to entities that are outside of the NCUA's regulatory oversight. In addition, credit unions are increasingly using third-party vendors to provide technological services, including information security, and mobile and online banking. Member data are also being stored on vendors' servers. The pandemic, which has accelerated the industry's movement to digital services, has only increased credit union reliance on third-party vendors.

While there are many advantages to using these service providers, the concentration of credit union services within CUSOs and third-party vendors presents safety and soundness and compliance risk for the credit union industry. For example, the top five credit union core processor vendors provide services to approximately 87 percent of total credit union system assets. Additionally, the top five CUSOs provide services to nearly 96 percent of total credit union system assets. A failure of even one of these vendors represents a significant potential risk to the Share Insurance Fund and the potential for losses from these organizations are not hypothetical. Between 2008 and 2015, CUSOs contributed to more than $300 million in losses to the Share Insurance Fund alone. [18]

The continued transfer of operations to CUSOs and other third parties diminishes the ability of the NCUA to accurately assess all the risks present in the credit union system and determine if current CUSO or third-party vendor risk-mitigation strate-

[17] Please see the following: U.S. Government Accountability Office, GGD-99-91 "Enhancing Oversight of Internet Banking" (July 1999) *https://www.gao.gov/assets/ggd-99-91.pdf*, Office of Inspector General, OIG-20-07, "Audit of the NCUA's Examination and Oversight Authority Over Credit Union Service Organizations and Vendors" *www.ncua.gov/files/audit-reports/oig-audit-cusos-vendors-2020.pdf*. Annual Reports of the Financial Stability Oversight Council 2015, 2016, 2017, 2018, available at *https://home.treasury.gov/policy-issues/financial-markets-financial-institutions-and-fiscal-service/financial-stability-oversight-council/studies-and-reports/annual-reports/fsoc-annual-reports-archive*. See U.S. Government Accountability Office, GAO-04-91, "Financial Condition Has Improved, but Opportunities Exist To Enhance Oversight and Share Insurance Management" (October 2003) *https://www.gao.gov/products/gao-04-91*.

[18] Office of Inspector General, OIG-20-07, "Audit of the NCUA's Examination and Oversight Authority Over Credit Union Service Organizations and Vendors" *www.ncua.gov/files/audit-reports/oig-audit-cusos-vendors-2020.pdf* (See p. 14).

gies are adequate. This leaves thousands of credit unions, millions of credit union members, and billions of dollars in assets potentially exposed to unnecessary risks.

As such, the NCUA requests the comparable authority as our counterparts on the Federal Financial Institutions Examination Council to examine third-party vendors. I look forward to working with this Committee on legislation to close this growing regulatory blind spot.

National Credit Union Share Insurance Fund Improvements

Three enduring lessons of the financial crisis in 2008 are the critical importance of well-funded deposit insurance systems to maintain financial stability during times of stress; the need for flexibility to properly prepare for and navigate through future crises; and the establishment of appropriate incentives for financial institutions to mitigate risk.

During the financial crisis of 2008–2010, the failure of five large corporate credit unions threatened the stability of the credit union system and the viability of the Share Insurance Fund. In response, Congress approved the creation of the Temporary Corporate Credit Union Stabilization Fund in May 2009, to accrue the losses from the failed corporate credit unions and assess insured credit unions for such losses over time. Without the creation of the Corporate Stabilization Fund, these losses would have been borne by the Share Insurance Fund, depleting its retained earnings and equity and significantly impairing credit unions' one percent contributed capital deposit.

This episode demonstrated that significant failures or other large shocks to the system could quickly deplete the Share Insurance Fund's equity levels. Therefore, it is essential the NCUA Board have the ability to build up the fund's reserves during periods of economic prosperity and financial stability, so that it is more resilient during periods of economic and financial stress.

The Dodd-Frank Wall Street Reform and Consumer Protection Act made several changes to the Federal Deposit Insurance Act to increase the authority to manage the Deposit Insurance Fund. One provision increased the Deposit Insurance Fund's minimum reserve ratio from 1.15 percent to 1.35 percent.[19] Another provision removed the 1.50 percent upper limit on its designated reserve ratio and eliminated the requirement that dividends be provided from the Deposit Insurance Fund when the reserve ratio is between 1.35 percent and 1.50 percent.[20]

Congress did not make similar statutory changes to the Federal Credit Union Act's provisions governing the Share Insurance Fund following the financial crisis more than a decade ago. As a result, under current law, the NCUA does not have the appropriate flexibility necessary to manage the Share Insurance Fund in a manner consistent with the growing size and complexity of the credit union industry, as well as with broader national financial stability goals.

To address these concerns, the NCUA seeks changes to the statutory provisions contained in the Federal Credit Union Act to enable the NCUA Board to proactively manage the Share Insurance Fund. In particular, the agency requests the following legislative changes:

- Increase the Share Insurance Fund's capacity by removing the 1.50 percent statutory ceiling on its capitalization;
- Remove the limitation on assessing premiums when the equity ratio exceeds 1.30 percent, granting the NCUA Board more discretion on the assessment of premiums; and
- Institute a risk-based premium system.

These recommended changes, if enacted, would allow the NCUA Board to build, over time, enough retained earnings capacity in the Share Insurance Fund to effectively manage a significant insurance loss without impairing credit unions' contributed capital deposits in the Share Insurance Fund, thus avoiding situations like the one that led to the creation of the Corporate Stabilization Fund during the last financial crisis. Moreover, these changes would generally bring the NCUA's statutory authority over the Share Insurance Fund more in line with the statutory authority over the operations of the FDIC's Deposit Insurance Fund.

Central Liquidity Facility

The CARES Act contained a provision that provided the NCUA with an important tool to ensure continued liquidity of the system as it responded to the COVID–19

---

[19] P.L. No. 111-203, 334(a), 124 Stat. 1376, 1539 (codified at 12 U.S.C. §1817(b)(3)(B)); see also 75 FR 79286 (Dec. 20, 2010) available at *https://www.fdic.gov/regulations/laws/federal/2010/10finaldec20.pdf.*

[20] Id.

pandemic. This provision, which was reauthorized in the Consolidated Appropriations Act, is set to expire on December 31, 2021. The NCUA respectfully requests that Congress make the enhancements to the NCUA's CLF granted in the CARES Act permanent for the stability of the credit union system moving forward.

Before enactment of the CARES Act, the CLF had the authority to borrow provided its obligations did not exceed 12 times the subscribed capital stock and surplus of the CLF (that is, the sum of its retained earnings and capital stock). The CARES Act temporarily increased the multiplier from 12 to 16, meaning that, for every $1 of capital and surplus, the CLF can now borrow $16. Because a credit union that joins the CLF pays in only half of the subscribed capital stock subscription amount, the CLF can now borrow $32 for each new dollar of paid in capital it raises.

Second, the CARES Act temporarily relaxes the requirements on agent membership, making such membership more affordable for corporate credit unions. An agent member is no longer required to buy capital stock for all its member credit unions; it may buy CLF capital stock for a chosen subset of the credit unions it serves.

Third, the CARES Act changed the definition of "liquidity needs" to include the needs of any credit union, not only consumer credit unions. This new definition broadens access by allowing the CLF to meet the liquidity needs of corporate credit unions.

Lastly, the CARES Act provides more clarity about the purposes for which the NCUA Board can approve liquidity need requests by removing the phrase "the Board shall not approve an application for credit the intent of which is to expand credit union portfolios." The NCUA Board now has more flexibility and discretion to approve applications for CLF members that have made a reasonable effort to first utilize primary sources of funding. This change increases the transparency and efficiency of the loan-approval process by removing doubt about whether a credit union's portfolio may expand if it borrows from the CLF to meet liquidity needs.

The growth in the number of CLF's members and its borrowing authority, as noted earlier, is a testament to our Nation's credit unions coming together in a time of crisis to strengthen the national system of cooperative credit. However, it is important that these temporary enhancements to the CLF are made permanent.

We know from experience that any time there are economic contractions, we can expect credit unions' liquidity needs to rise. And, in a manner similar to firefighters responding to a blaze, the NCUA needs to be ready to provide that emergency liquidity quickly before the lack of liquidity spreads and undermines the strength and stability of the credit union system. Those liquidity needs may spike after the current expiration date of these statutory changes, or they may increase during a future economic crisis. Permanence would provide regulatory certainty for federally insured credit unions during the current crisis and bolster the credit union system's ability to respond to future emergencies.

Community Development Revolving Loan Fund

Finally, demand for CDRLF grants regularly exceeds supply. During the COVID–19 pandemic, the communities served by low-income credit unions and MDIs are disproportionally affected by the pandemic's financial and economic disruptions. As such, I respectfully request that the Congress increase CDRLF appropriations to $10 million. With more funding, the agency could increase the number of credit unions receiving grants and increase the size of the grants it makes, deepening the program's impact in underserved communities.

Conclusion

In conclusion, the NCUA appreciates the continued support of the Senate Committee on Banking, Housing, and Urban Affairs for a strong credit union system and its members, as well as the goals, priorities, initiatives, and employees of the NCUA.

Unquestionably, the last 17 months were an unusual period in which the many participants within the credit union system rose to numerous challenges. In that regard, I would like to express my deep gratitude and appreciation to the NCUA's employees and my fellow Board members, including former Chairman Rodney E. Hood, who led the agency throughout much of the first year of the crisis. The NCUA staff and Board are fundamental to the agency's effectiveness. None of us could have anticipated the extraordinary circumstances in which we found ourselves, yet the NCUA team has exhibited tremendous resilience in responding to the pandemic.

As we continue to smartly and safely navigate through the pandemic-induced economic crisis and plan for the future, the NCUA will stay focused on addressing the needs and best interests of credit union members, while also ensuring the safety

and soundness of credit unions and protecting the Share Insurance Fund from losses. By staying focused on these issues, the agency will ensure that the cooperative credit union movement achieves its full potential and address long-standing issues of economic equity and justice.

I look forward to working with all of you in support of these endeavors. Thank you.

PREPARED STATEMENT OF JELENA MCWILLIAMS

CHAIRMAN, FEDERAL DEPOSIT INSURANCE CORPORATION

AUGUST 3, 2021

Chairman Brown, Ranking Member Toomey, and members of the Committee, thank you for the opportunity to testify today about the Federal Deposit Insurance Corporation's (FDIC's) efforts, activities, objectives, and plans with respect to consumer protection and the conduct of supervision and regulation of insured depository institutions.

As my testimony will describe in more detail, we have made tremendous strides in these areas under my chairmanship and especially during an unprecedented shock caused by the COVID-19 pandemic and the ensuing economic stress. These efforts include a number of novel initiatives to promote and preserve the nation's minority depository institutions, provide flexibility to banks to assist their communities during historic economic stress, and encourage responsible use of technology and innovation to reach the "last mile" of unbanked Americans, while maintaining our supervisory activities, regulatory process, and resolution preparedness.

Our nation's banks withstood the initial economic and financial market volatility of 2020, reflecting their strength going into the pandemic – including strong asset quality and robust capital and liquidity positions. Supervised institutions took steps to help consumers as well as their employees immediately upon the outset of the pandemic and well before government support arrived. These efforts included, among other things: allowing loan modifications with no fees; waiving fees on accounts; offering curbside service and in some cases in-home services to customers; providing online or mobile app options to open accounts and conduct financial transactions; and instituting branch sanitation and employee health check procedures. As the pandemic unfolded, banks became instrumental in supporting individuals and businesses through lending and other financial intermediation and by distributing financial support provided by the federal government.

In contrast to the high number of bank failures during the last financial crisis,[1] only three banks failed during the pandemic, and none due to the pandemic or the ensuing economic stress.

Today, I will provide an update on six areas of focus for the FDIC:

- The state of the banking system and the return to the "new normal;"
- Consumer protection;
- Financial inclusion;
- The supervisory process and regulatory actions;
- Resolution readiness; and
- Diversity, equity, and inclusion.

---

[1] *See* Chapter 5: Deposit Insurance: Fund Management and Risk-Based Deposit Insurance Assessments, *in* CRISIS AND RESPONSE: AN FDIC HISTORY, 2008–2013, available at https://www.fdic.gov/bank/historical/crisis/.

I. State of the Banking System and the Return to the "New Normal"

A. State of the Banking System

Banking sector income for 2020 declined from its 2019 level, primarily due to higher provision expenses resulting from both the implementation of the Current Expected Credit Losses accounting methodology (CECL) by large banks and economic uncertainty associated with the pandemic. Despite this overall decline in 2020, banking sector income for the first quarter of 2021 was at a record high, primarily due to negative quarterly provision expenses, which reflect both economic improvement and a more optimistic economic outlook. However, net interest margin dropped from the record low level last quarter to a new record low of 2.56 percent. Record-low net interest margin has been driven primarily by the low interest rate environment combined with a decline in total loans driven by low loan demand. However, banks continued to report strong credit quality.[2] The FDIC is in the process of analyzing call report data for the second quarter of 2021 that appears generally consistent with the first quarter of 2021. The FDIC is scheduled to release that data on September 8.

Despite the challenges of the pandemic, banks increased their capital levels in 2020 and in the first quarter of 2021. Total bank equity rose by 1.2 percent from the fourth quarter of 2020 to $2.3 trillion. As of the first quarter of 2021, capital ratios remained strong with average core (or leverage) capital at 8.85 percent, average common equity tier one capital at 14.17 percent, and average total risk-based capital at 15.75 percent.[3]

When I last appeared before the Committee, I reported that the banking system had accommodated a sharp increase in customer demand for deposits that far exceeded any deposit growth the FDIC had seen in the past, due primarily to continued fiscal support for the economy.[4] Deposit growth continued in the first quarter, reflecting additional fiscal stimulus and persistently high savings rates.[5]

The pace of banking sector consolidation in 2020 was the slowest since 2008. In the first quarter of 2021, this consolidation pace continued.[6] A slower rate of mergers, very few failures, and a low rate of voluntary closures contributed to the overall trend.

Banks of all sizes have continued to support their customers and communities throughout the pandemic, including by continuing to originate the overwhelming majority of approximately $800 billion in Small Business Administration-guaranteed Paycheck Protection Program (PPP)

---

[2] *See* FDIC, Quarterly Banking Profile, First Quarter 2021, available at https://www.fdic.gov/analysis/quarterly-banking-profile/qbp/2021mar/qbp.pdf#page=1.

[3] *See id.* at 5-7.

[4] *See* FDIC, Quarterly Banking Profile, Second Quarter 2020, available at https://www.fdic.gov/analysis/quarterly-banking-profile/qbp/2020jun/.

[5] *See* Quarterly Banking Profile, First Quarter 2021, *supra* note 2.

[6] FDIC Call Report Data.

loans.[7] Loans increased over full year 2020 by approximately 3.3 percent,[8] but total loan and lease balances declined between the fourth quarter of 2020 and the first quarter of 2021 because of PPP loan forgiveness and contraction in other loan portfolios.[9]

The low interest rate environment coupled with economic uncertainty will continue to challenge the banking sector, placing downward pressure on revenue and net interest margin. However, as noted above, the banking sector maintains strong capital and liquidity levels, which can mitigate potential future losses.

B. Return to the "New Normal"

Though we continue to be encouraged by the state of the banking sector as we enter our "new normal," uncertainty remains, including in industries and markets that have been directly impacted by the pandemic and the related economic shutdowns. Below are several areas the FDIC is monitoring.

Commercial Real Estate

While commercial real estate (CRE) noncurrent loan levels remain manageable and well below previous crisis levels, there is uncertainty in the recovery of the CRE market given long-term leases and other potential lagging changes. In particular, pandemic-related changes in business travel, shopping, and work-from-home practices could challenge the lodging, retail, and downtown office market if those practices become permanent.[10]

Housing

After declining at the start of the pandemic, single-family housing activity has more than fully recovered. Strong demand for homes driven by low mortgage rates and increased remote work options combined with a limited supply of homes for sale have led to record high home prices across the nation.[11] Despite the rapid growth in home values, housing market fundamentals remain sound.[12] Additionally, government support programs have helped to keep

---

[7] *See* SBA, Paycheck Protection Program (PPP) Report Approvals through 04/18/2021, available at https://www.sba.gov/sites/default/files/2021-04/PPP_Report_Public_210418-508.pdf.

[8] *See* FDIC, Quarterly Banking Profile, Fourth Quarter 2020, available at https://www.fdic.gov/analysis/quarterly-banking-profile/qbp/2020dec/.

[9] *See id.*; Quarterly Banking Profile, First Quarter 2021, *supra* note 2.

[10] *See* FDIC, 2021 Risk Review (May 10, 2021), at 26-28, available at https://www.fdic.gov/analysis/risk-review/2021-risk-review/2021-risk-review-full.pdf.

[11] *See* Data from the Mortgage Bankers Association; National Association of Realtors; CoreLogic Case-Shiller Home Price Index.

[12] *See* 2021 Risk Review, *supra* note 10; *see also* CoreLogic, Homeowner Equity Insights Report, Fourth Quarter 2020.

mortgage delinquencies in bank portfolios low.[13] In contrast with the experience of the 2008 financial crisis, mortgage delinquencies in bank portfolios have remained relatively low.[14]

Agricultural Lending

The pandemic initially looked to pose challenges to U.S. farmers. However, record government assistance, a rebound in commodity prices in the second half of 2020, and a resurgence in export demand combined to improve agricultural conditions for borrowers and lenders. Furthermore, strong farmland equity has enabled farmers to restructure loans to manage operating losses and replenish working capital. Despite improving agricultural market fundamentals, net farm income is forecast to decrease in 2021 from 2020 levels because of lower direct government farm payments.[15]

Consumer Lending

Consumer borrowing remains below levels of the first quarter of 2020, as it has since the start of the pandemic.[16] Business closures, higher levels of unemployment, changed consumer behavior resulting from the pandemic, and higher income levels resulting from fiscal stimulus all contributed to lower levels of consumer borrowing.[17] After a period of tightening underwriting standards in 2020, banks reported loosening underwriting standards across credit cards, automobile, and other consumer loans in the first quarter of 2021.[18] At the same time, banks are reporting lower credit card balances and greater repayment of existing balances on those cards.[19]

Technology Investments

The rapid transformation of the last year has amplified how critical technology is to empowering people's lives amidst a global pandemic. Innovation will continue to play a vital role for banks as they seek to meet consumer expectations for access to financial services and to improve the resilience of their operations. The pandemic has accelerated banks' adoption of digital banking and other new technologies. These advances have the potential to bring more people into the banking system, to provide access to new products and services, and to lower the

---

[13] *See* Data from the Mortgage Bankers Association.

[14] *See* 2021 Risk Review, *supra* note 10; *see also* CoreLogic, Homeowner Equity Insights Report, Fourth Quarter 2020.

[15] *See id.* at 4; U.S. Department of Agriculture, February 2021 Farm Income Forecast (Feb. 5, 2021), available at https://www.ers.usda.gov/topics/farm-economy/farm-sector-income-finances/highlights-from-the-farm-income-forecast/.

[16] *See* Quarterly Banking Profiles, First Quarter 2021, *supra* note 2, through First Quarter 2020, available at https://www.fdic.gov/analysis/quarterly-banking-profile/index.html.

[17] *See* 2021 Risk Review, *supra* note 10.

[18] *See id.*; Federal Reserve, Senior Loan Officer Opinion Survey on Bank Lending Practices (April 2021), available at https://www.federalreserve.gov/data/sloos.htm.

[19] *See* Quarterly Banking Profile, First Quarter 2021, *supra* note 2; 2021 Risk Review, *supra* note 10.

cost of credit. As the FDIC works to foster these investments, we must also be mindful of the challenges that confront our institutions, particularly community banks that face budget, personnel, and competitive challenges to innovation, as well as growing cybersecurity risks.

Cybersecurity

Banks must also take steps to manage the risk that accompanies new technologies, to protect the sensitive information in their systems, and to ensure resilience in the face of attacks from those that might seek to disrupt bank operations. As the FDIC noted in January 2020, "disruptive and destructive attacks against financial institutions have increased in frequency and severity."[20] The pandemic and the related shift to doing an increasing amount of economic activity online have made increased vigilance in the area of cybersecurity all the more important. Technology can also enhance resilience in the face of security challenges, such as cyberattacks, in addition to operational challenges such as the pandemic.

Climate

The FDIC expects financial institutions to consider and appropriately address potential climate risks that could arise in their operating environment. This includes physical risks associated with extreme weather events, such as hurricanes, floods, storms, tornadoes, droughts, and fires.

We also expect institutions to mitigate the risks associated with adverse climate or weather-related events that are common to specific locations or particular areas of the country. Such activities can include ensuring the institution and its borrowers have appropriate insurance coverage, adjusting borrowers' cash flow estimates based on reduced agricultural yields or adverse business conditions, and complying with applicable rules, regulations, and building codes.

The FDIC will continue to monitor the impact of climate and other emerging risks on the financial sector. FDIC economists and financial analysts conduct internal analysis of a range of factors that affect economic and banking conditions, including the potential implications of changing environmental conditions. Several FDIC Regional Risk Committees include environmental factors in their regular analysis, such as drought in the western states.

The FDIC is also engaged with other regulatory bodies, domestic and international, on how best to address such risks, and looks forward to contributing to interagency work in this area.

---

[20] *See* FDIC, FIL-03-2020, Heightened Cybersecurity Risk Considerations (Jan. 16, 2020), available at https://www.fdic.gov/news/financial-institution-letters/2020/fil20003.html.

II. Consumer Protection

A. *Consumer Protection During the Pandemic*

Depositor and consumer protection is a key component of the FDIC's efforts to maintain public confidence in the nation's financial system. These efforts have been even more critical during the pandemic, which has quickly changed how American families and businesses engage with banks and other financial institutions.

In addition to the FDIC's ongoing consumer protection supervision and regulatory actions described below,[21] the FDIC undertook a broad array of swift actions upon the onset of the pandemic to ensure that banks could support their communities throughout the pandemic. These actions focused on providing necessary flexibility to both banks and their customers – particularly the most heavily affected individuals and businesses – while maintaining the safety and soundness of the banking system. Throughout this period, the FDIC's supervisory activities and other essential functions have continued.

Support of Affected Customers and Communities

In mid-March of last year, we issued a statement to encourage banks to work with all borrowers, especially borrowers from sectors particularly vulnerable to the existing economic volatility, including airlines; energy companies; travel, tourism, and shipping companies; small businesses; and independent contractors that are reliant on affected industries.[22]

Notably, we made clear that prudent modifications to the terms on existing loans for affected customers of FDIC-supervised banks would not be subject to examiner criticism. We also noted that the FDIC would work with affected financial institutions to reduce burdens when scheduling examinations.

Shortly thereafter, we worked with the Financial Accounting Standards Board (FASB) to confirm that short-term loan modifications (e.g., six months) made on a good faith basis in response to COVID-19 to borrowers who were current prior to any relief are not troubled debt restructurings (TDRs).[23] This clarification was critical to ensuring banks would be able to modify loans to borrowers impacted by the pandemic and lockdowns. The Coronavirus Aid,

---

[21] *See* Section IV below, Supervisory Process and Regulatory Actions.

[22] *See* FDIC, FIL-17-2020, Regulatory Relief: Working with Customers Affected by the Coronavirus (Mar. 13, 2020), available at https://www.fdic.gov/news/news/financial/2020/fil20017.html.

[23] *See* FDIC, FIL-36-2020, Revised Interagency Statement on Loan Modifications by Financial Institutions Working with Customers Affected by the Coronavirus (Apr. 7, 2020), available at https://www.fdic.gov/news/financial-institution-letters/2020/fil20036.html; FDIC, FIL-22-2020, Inactive: Interagency Statement on Loan Modifications by Financial Institutions Working with Customers Affected by the Coronavirus (March 22, 2020), available at https://www.fdic.gov/news/financial-institution-letters/2020/fil20022.html. This March 22 statement was issued prior to the enactment of the CARES Act and was moved to inactive status following issuance of the Apri17 statement.

Relief, and Economic Security Act (CARES Act) subsequently expanded TDR relief to a broader set of loan modifications, and this relief was extended for another year in December.

In June, the FDIC and our fellow federal and state banking regulators issued examiner guidance that outlined principles for how examiners would supervise banks in light of the ongoing impact of the pandemic.[24] Notably, the guidance stated that examiners would continue to consider the unique, evolving, and potentially long-term nature of the issues confronting institutions and exercise appropriate flexibility in their supervisory response. We also made clear that actions taken in good faith reliance on statements issued by the agencies would not be subject to criticism or other supervisory action down the road, and we still stand by that.

Flexibility for Banks to Meet Consumer Needs

To increase the capacity of banks to meet consumer needs, we worked closely with the other federal agencies to make targeted regulatory changes to facilitate lending and other financial intermediation, including as mandated by the CARES Act.

Soon after the onset of the pandemic, we encouraged institutions to use their capital and liquidity buffers to support customers in a safe and sound manner.[25] The FDIC, Board of Governors of the Federal Reserve System (Federal Reserve), and Office of the Comptroller of the Currency (OCC) issued an interim final rule that gave institutions implementing CECL in 2020 the option to delay for two years an estimate of its effect on regulatory capital, relative to the incurred loss methodology's effect on regulatory capital, followed by a three-year transition period.[26]

The FDIC also took a series of other actions to allow institutions to extend funds expeditiously to creditworthy households in light of the strains in connection with COVID-19, often in conjunction with our fellow regulators. For example, we temporarily reduced the community bank leverage ratio to 8 percent,[27] permitted institutions to defer obtaining an appraisal or evaluation for up to 120 days,[28] provided a 45-day grace period for submitting

---

[24] *See* FDIC, FIL-64-2020, Interagency Examiner Guidance for Assessing Safety and Soundness Considering the Effect of the COVID-19 Pandemic on Financial Institutions (June 23, 2020), available at https://www.fdic.gov/news/financial-institution-letters/2020/fil20064.html.

[25] *See* FDIC, Federal Banking Agencies Provide Banks Additional Flexibility to Support Households and Businesses (Mar. 17, 2020), available at https://www.fdic.gov/news/news/press/2020/pr20030.html.

[26] *See* Regulatory Capital Rule: Revised Transition of the Current Expected Credit Losses Methodology for Allowances, 85 Fed. Reg. 17723 (Mar. 31, 2020), available at https://www.govinfo.gov/content/pkg/FR-2020-03-31/pdf/2020-06770.pdf.

[27] *See* Regulatory Capital Rule: Temporary Changes to the Community Bank Leverage Ratio Framework, 85 Fed. Reg. 22924 (Apr. 23, 2020), available at https://www.govinfo.gov/content/pkg/FR-2020-04-23/pdf/2020-07449.pdf; Regulatory Capital Rule: Transition for the Community Bank Leverage Ratio Framework, 85 Fed. Reg. 22930 (Apr. 23, 2020), available at https://www.govinfo.gov/content/pkg/FR-2020-04-23/pdf/2020-07448.pdf.

[28] *See* Real Estate Appraisals, 85 Fed. Reg. 21312 (Apr. 17, 2020), available at https://www.govinfo.gov/content/pkg/FR-2020-04-17/pdf/2020-08216.pdf.

annual audit reports,[29] and – to address the dramatic increases in banking assets caused by the fiscal and monetary responses to the pandemic – allowed community banks to use their end-of-2019 asset size for determining applicability of several regulations through the end of 2021.[30]

Taken together, these actions increased flexibility for these institutions to comply with regulatory obligations as they worked to meet consumers' needs.

B. Small-Business Lending

The FDIC also took a number of steps to facilitate the ability of banks to make loans to small businesses under the PPP. Overall, the PPP highlighted the vital role of banks in supporting small businesses. We saw that among the banks participating in the PPP, community banks in particular had an outsized impact on their customers and communities.[31]

Among other things, the FDIC established an FAQ resource for bankers[32] and issued a Financial Institution Letter for banks with important information on the PPP, including links to the SBA and U.S. Department of Treasury's webpages regarding the program.[33] The FDIC and the other bank regulatory agencies also issued interim final rules that allowed banking organizations to neutralize the regulatory capital effects[34] and the Liquidity Coverage Ratio (LCR) effects[35] of participating in the Federal Reserve's PPP lending facility. We later issued a final rule to mitigate the deposit insurance assessment effect of participating in the PPP.[36]

---

[29] *See* FDIC, FIL-30-2020, Statement on Part 363 Annual Reports in Response to the Coronavirus (Mar. 27, 2020), available at https://www.fdic.gov/news/news/financial/2020/fil20030.html.

[30] *See* Applicability of Annual Independent Audits and Reporting Requirements for Fiscal Years Ending in 2021: Federal Deposit Insurance, 85 Fed. Reg. 67428 (Oct. 23, 2020), available at https://www.fdic.gov/news/board/2020/2020-10-20-notice-dis-c-fr.pdf; Temporary Asset Thresholds, 85 Fed. Reg. 77345 (Dec. 2, 2020), available at https://www.fdic.gov/news/board/2020/2020-11-17-notational-fr-a.pdf.

[31] *See* FDIC, FDIC Quarterly, Quarterly Banking Profile: Third Quarter 2020, Volume 14, No. 4 (2020), at 31, available at https://www.fdic.gov/bank/analytical/quarterly/2020-vol14-4/fdic-v14n4-3q2020.pdf.

[32] *See* FDIC, Frequently Asked Questions on the Small Business Administration's Paycheck Protection Program (Apr. 5, 2020), available at https://www.fdic.gov/coronavirus/smallbusiness/faq-sb.pdf.

[33] *See* FDIC FIL-33-2020, New SBA and Treasury Programs Available for Small Business Relief (Apr. 2, 2020), available at https://www.fdic.gov/news/news/financial/2020/fil20033.html.

[34] *See* Regulatory Capital Rule: Paycheck Protection Program Lending Facility and Paycheck Protection Program Loans, 85 Fed. Reg. 20387 (Apr. 13, 2020), available at https://www.govinfo.gov/content/pkg/FR-2020-04-13/pdf/2020-07712.pdf.

[35] *See* Liquidity Coverage Ratio Rule: Treatment of Certain Emergency Facilities, 85 Fed. Reg. 26835 (May 6, 2020), available at https://www.fdic.gov/news/board/2020/2020-04-30-notational-fr.pdf.

[36] *See* Assessments, Mitigating the Deposit Insurance Assessment Effect of Participating in the Paycheck Protection Program (PPP), the PPP Liquidity Facility, and the Money Market Mutual Fund Liquidity Facility, 85 Fed. Reg. 38282 (June 26, 2020), available at https://www.govinfo.gov/content/pkg/FR-2020-06-26/pdf/2020-13751.pdf.

C. Small-Dollar Lending

At the onset of the pandemic, the FDIC jointly issued a statement with four other federal financial regulatory agencies encouraging banks, savings associations, and credit unions to offer responsible small-dollar loans to consumers and small businesses in response to the pandemic.[37] The statement recognized the important role that responsibly offered small-dollar loans can play in helping customers meet their needs for credit due to temporary cash-flow imbalances, unexpected expenses, or income short-falls during periods of economic stress or disaster recoveries. In order to support the ability of regulated entities to offer small-dollar loans, in May 2020, the FDIC, along with the OCC, Federal Reserve, and National Credit Union Administration, jointly issued principles for offering small-dollar loans in a responsible manner to meet customers' short-term credit needs.[38]

D. Community Reinvestment Act Reform

The FDIC has engaged in a multi-year, interagency effort to consider changes to Community Reinvestment Act (CRA) regulations that would benefit low- and moderate-income communities and modernize the rules for the first time in a quarter of a century. Although the FDIC issued a joint notice of proposed rulemaking with the OCC in 2019,[39] the agency did not finalize the rulemaking in 2020, as banks were focusing significant efforts on supporting their communities during the pandemic.[40] The FDIC has nonetheless carefully reviewed and considered the extensive input raised by stakeholders and other parties at every stage of the interagency process. In response to the joint FDIC-OCC notice of proposed rulemaking, FDIC staff reviewed about 7,500 comment letters received by the OCC and more than 10,000 letters received by the FDIC, many of which were form letters. Subsequently, the Federal Reserve received approximately 600 comment letters in response to its advanced notice of proposed rulemaking, which letters the FDIC staff is also carefully reviewing.[41]

This past month, the FDIC, Federal Reserve, and OCC issued a statement committing to work together jointly to strengthen and modernize regulations implementing the CRA, noting that joint agency action will best achieve a consistent, modernized framework across all banks to help meet the credit needs of the communities in which they do business, including low- and moderate-

---

[37] *See* FDIC, Federal Agencies Encourage Banks, Savings Associations and Credit Unions to Offer Responsible Small-Dollar Loans to Consumers and Small Businesses Affected by COVID-19 (March 26, 2020), available at https://www.fdic.gov/news/press-releases/2020/pr20039.html.

[38] *See* FDIC, Federal Agencies Share Principles for Offering Responsible Small-Dollar Loans (May 20, 2020), available at https://www.fdic.gov/news/press-releases/2020/pr20061.html.

[39] *See* FDIC, Notice of Proposed Rulemaking on Revisions to the Community Reinvestment Act Regulations, FIL-81-2019 (Dec. 13, 2019), available at https://www.fdic.gov/news/financial-institution-letters/2019/fil19081.html.

[40] *See* FDIC, Statement by FDIC Chairman Jelena McWilliams on the CRA Joint Proposed Rulemaking (May 20, 2020), available at https://www.fdic.gov/news/speeches/2020/spmay2020.html.

[41] *See* Community Reinvestment Act, 85 Fed. Reg. 66410 (Oct. 19, 2020), available at https://www.federalregister.gov/documents/2020/10/19/2020-21227/community-reinvestment-act.

income neighborhoods.[42] The FDIC is committed to working toward a uniform application of the CRA framework for all banks, to best ensure that banks meet the credit needs of their communities while clarifying the types of activities for which banks can obtain credit under the CRA, the locations for which banks can obtain such credit, and the amount of credit banks will receive.

E. Signage and False Advertising

Given increasing use of online and digital channels by consumers to access banking services, the FDIC has sought to address false or misleading representations of insured accounts and misuse of the FDIC logo. In 2021, the FDIC issued a notice of proposed rulemaking regarding false advertising or misrepresentation of an institution's insured status.[43] The proposed rule would describe the FDIC's process for identifying and investigating misuse of the FDIC name or logo; the standards under which such conduct will be evaluated; and the procedures the FDIC will follow in related enforcement actions. The comment period for the proposed rule has closed and we are currently in the process of reviewing the comments.

The FDIC separately issued a request for information (RFI) on the agency's effort to consider how to revise and clarify its official sign and advertising rules related to FDIC deposit insurance.[44] Among other things, this RFI asked for feedback from stakeholders regarding how technological or other solutions could help consumers better distinguish FDIC-insured banks and savings associations from entities that are not insured by the FDIC, especially across digital channels. The FDIC is working on a proposed rule that would incorporate the feedback received.

F. Disparities in Appraisals

The FDIC is participating in interagency work to address potential disparities in home appraisals through the recently created Interagency Task Force on Property Appraisal and Valuation Equity (PAVE), led by the U.S. Department of Housing and Urban Development (HUD). PAVE is reviewing and intends to make recommendations to address potential inequities in the appraisal process.[45] Additionally, the FDIC is a member of the Appraisal Subcommittee (ASC) at the Federal Financial Institutions Examination Council (FFIEC), which is conducting a review of the Uniform Standards of Appraisal Practice that govern real property

---

[42] *See* Interagency Statement on Community Reinvestment Act Joint Agency Action (July 20, 2021), available at https://www.fdic.gov/news/press-releases/2021/pr21067.html.

[43] *See* False Advertising, Misrepresentation of Insured Status, and Misuse of the FDIC's Name or Logo, 86 Fed. Reg. 24770 (May 10, 2021), available at https://www.fdic.gov/news/board/2021/2021-04-21-notational-fr-a.pdf.

[44] *See* Request for Information on FDIC Official Sign and Advertising Requirements and Potential Technological Solutions, 86 Fed. Reg. 18528 (Apr. 9, 2021), available at https://www.govinfo.gov/content/pkg/FR-2021-04-09/pdf/2021-07356.pdf.

[45] *See* Fact Sheet: Biden Harris Administration Announces New Actions to Build Black Wealth and Narrow the Racial Wealth Gap (June 1, 2021), available at https://www.whitehouse.gov/briefing-room/statements-releases/2021/06/01/fact-sheet-biden-harris-administration-announces-new-actions-to-build-black-wealth-and-narrow-the-racial-wealth-gap/.

appraisals and the Real Property Appraiser Qualification Criteria that govern credentialing of appraisers.[46]

G. Risk Management for Third-Party Relationships

The FDIC, Federal Reserve, and OCC recently announced a proposed interagency guidance and request for comment on managing risks associated with third-party relationships.[47] The use of third parties by banking organizations can offer significant benefits to consumers, but can pose risks if not properly managed. The proposed guidance aims to assist banking organizations in identifying and addressing these risks and in complying with applicable statutes and regulations.

In 2020, the FDIC issued a guide for fintechs and other third parties looking to work with banks.[48] Using the guide, fintechs that may be new to bank partnerships can gain a better understanding of applicable risk management principles and the due diligence processes banks generally follow to meet them. Both the proposed guidance and the earlier guide support relationships that can increase consumers' choice of products and offerings at a lower cost while providing a roadmap for banks to engage in these partnerships in a responsible manner.

III. Financial Inclusion

The health of the banking sector affects our communities in many ways, not least of all in standing ready to provide access to checking or savings accounts and other critical financial services. As the pandemic continues to disrupt the daily lives of many Americans, we are particularly mindful that minority communities have suffered disproportionately, from both a health and economic perspective.[49]

Creating an inclusive financial system has been one of my priorities as Chairman, and is rooted in my own experiences as an immigrant to this country. As the nation's deposit insurer and primary supervisor of community banks, including minority depository institutions (MDIs),

---

[46] *See* Review of Appraisal Standards and Appraiser Criteria: Focus on Fairness, Equity, Objectivity and Diversity (July 22, 2021), available at https://www.asc.gov/Documents/OtherCorrespondence/2021.07.22%20-%20Press%20Release%20-%20Review%20of%20USPAP%20and%20Appraiser%20Criteria.pdf. The standards and criteria are issued by boards of the Appraisal Foundation.

[47] *See* FDIC, Agencies Request Comment on Proposed Risk Management Guidance for Third-Party Relationships (July 13, 2020), available at https://www.fdic.gov/news/press-releases/2021/pr21061.html.

[48] *See* FDIC, Conducting Business with Banks: A Guide For Fintechs And Third Parties (February 2020), available at https://www.fdic.gov/fditech/guide.pdf.

[49] *See, e.g.*, Rajashri Chakrabarti and William Nober, "Distribution of COVID-19 Incidence by Geography, Race, and Income," Federal Reserve Bank of New York Liberty Street Economics (June 15, 2020), available at https://libertystreeteconomics.newyorkfed.org/2020/06/distribution-of-covid-19-incidence-by-geography-race-and-income.html; *see also* Sharon Cornelissen and Alexander Hermann, "A Triple Pandemic? The Economic Impacts of COVID-19 Disproportionately Affect Black and Hispanic Households," Joint Center for Housing Studies of Harvard University (July 7, 2020), available at https://www.jchs.harvard.edu/blog/a-triple-pandemic-the-economic-impacts-of-covid-19-disproportionately-affect-black-and-hispanic-households.

the FDIC plays an important role in ensuring these institutions can meet the needs of their customers and communities – especially minority and low- or moderate-income communities.

A. How America Banks Report

The FDIC has seen meaningful improvements in recent years in reaching the "last mile" of unbanked households in this country. Based on the results of our biennial survey of households, the proportion of U.S. households that were banked in 2019 – 94.6 percent – was the highest since the survey began in 2009.[50] Notwithstanding these improvements, we know that more work remains to be done. Over 7 million households do not have a banking relationship (with a bank or credit union) to deposit their checks or with which to save for unexpected expenses.[51] The rates for Black and Hispanic households who do not have a checking or savings account at these institutions remain substantially higher than the overall "unbanked" rate.[52] Similarly, Black and Hispanic households across all income levels are less likely to use forms of bank credit (e.g., a credit card, personal loan, or line of credit from a bank).[53] Savings rates remain lower among these households,[54] which results in greater difficulty dealing with unexpected expenses.[55] To help address these disparities, the FDIC is using its authorities to support a safer, fairer, and more inclusive banking system through a series of novel initiatives, many of which are described below.

B. Promoting and Preserving Minority Depository Institutions

Shaped by my personal experiences and guided by a commitment to increasing financial inclusion in traditionally underserved communities, one of my priorities as FDIC Chairman has been expanding our engagement and collaboration in support of MDIs. We define an MDI as a federal insured depository institution for which (1) 51 percent or more of the voting stock owned by minority individuals, or (2) a majority of the board of directors is minority and the community that the institution serves is predominantly minority. Many of these institutions serve low- or moderate-income communities with unique needs for accessing financial services, and the FDIC's oversight must reflect their critical role in our financial system.[56]

---

[50] *See* How America Banks: Household Use of Banking and Financial Services, 2019 FDIC Survey, available at https://www.fdic.gov/analysis/household-survey/2019report.pdf.

[51] *See id.* at 1.

[52] *See id.* at 2.

[53] *See id.* at 8.

[54] *See id.* at 52.

[55] *See* Board of Governors of the Federal Reserve System, Report on the Economic Well-Being of U.S. Households in 2019, Featuring Supplemental Data from April 2020 (May 2020), available at https://www.federalreserve.gov/publications/files/2019-report-economic-well-being-us-households-202005.pdf.

[56] *See* FDIC, Minority Depository Institutions: Structure, Performance, and Social Impact (June 25, 2019), available at https://www.fdic.gov/regulations/resources/minority/2019-mdi-study/full.pdf.

An MDI is often the financial lifeblood of the community it serves, enabling individuals and minority-owned small businesses to securely build savings and obtain credit.[57] Although the number of MDIs is comparatively small relative to the total number of FDIC-insured institutions, these banks have a substantial impact on their communities, including through mortgage and small-business lending.

We have embraced our statutory responsibility to promote and preserve the health of MDIs by seeking new and innovative ways to engage with these institutions and to better understand their needs. The FDIC frequently engages with MDIs by providing technical assistance, banker roundtables, and networking events to connect MDIs and non-MDIs for potential business partnerships.

In 2019, the FDIC published a comprehensive research study analyzing the demographics, structural change, geography, financial performance, and social impact of MDIs over a 17-year period ending December 31, 2018.[58] Although the study found improvements in MDIs' financial performance, it also observed that many MDIs face greater economic challenges than non-MDI community banks.

To address some of these challenges, the FDIC has:

- Tripled MDI representation on our Community Bank Advisory Committee (CBAC);[59]
- Established a new MDI subcommittee on the CBAC to highlight the work of MDIs in their communities and to provide a platform for MDIs to exchange best practices;[60]
- Enabled MDIs to review potential purchases of a failing MDI before non-MDI institutions are given this opportunity;[61]

[57] *See, e.g.*, James Barth, Aron Betru, Matthew Brigida, and Christopher Lee, Minority-Owned Depository Institutions: A Market Overview, Milken Institute (July 2018), available at https://milkeninstitute.org/sites/default/files/reports-pdf/MDIs-A-Market-Overview.2018.FINAL.pdf.

[58] *See* FDIC, Minority Depository Institutions: Structure, Performance, and Social Impact, *supra* note 56.

[59] *See* FDIC Advisory Committee on Community Banking, available at https://www.fdic.gov/communitybanking.

[60] *See* MDI Subcommittee to FDIC's Advisory Committee on Community Banking, available at https://www.fdic.gov/regulations/resources/minority/subcommittee/index.html.

[61] *See* FDIC, Report to Congress for 2019: Preservation and Promotion of Minority Depository Institutions, available at: https://www.fdic.gov/regulations/resources/minority/congress/report-2019/complete-report.pdf.

- Clarified that non-MDIs can receive CRA credit for their collaboration with MDIs;[62] and

- Facilitated commitments to support MDIs, including most notably a $100 million commitment by Microsoft.[63]

In June, the FDIC approved a final Statement of Policy to update, strengthen, and clarify the agency's policies and procedures related to MDIs.[64] The new Statement of Policy supports the FDIC's efforts to meet the goals described in Section 308 of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA).[65] Among other things, the Statement of Policy provides additional outreach opportunities for MDIs, clarifies that technical assistance from the FDIC is not intended to present additional regulatory burdens for MDIs, and establishes a new process for the FDIC to measure the effectiveness of the MDI program by routinely soliciting feedback from MDIs.

<u>Mission-Driven Bank Fund</u>

One way we are supporting MDIs and Community Development Financial Institutions (CDFIs) is a framework that would match these banks with investors interested in the particular challenges and opportunities facing those institutions and their communities. In November 2020, we announced the establishment of a novel investment vehicle, the Mission-Driven Bank Fund, which will channel private sector investments to support MDIs and CDFIs.[66]

MDIs and CDFIs generally provide safe and affordable financial products and services to individuals and businesses and help to stimulate economic and community development in underserved areas and to build wealth in minority, low-income, and rural communities. The Mission-Driven Bank Fund will help these banks raise capital that is necessary to serve their communities more effectively.

The Mission-Driven Bank Fund has two anchor investors and two founding investors. The anchor investors are hiring a fund manager and working towards a first closing in the fourth quarter of 2021 so that the fund can receive pitches from banks early in the first quarter of 2022.

---

[62] *See* FDIC, Resource Guide for Collaboration with Minority Depository Institutions, available at https://www.fdic.gov/regulations/resources/minority/collaboration/resource-guide.pdf.

[63] *See* Microsoft, "Addressing racial injustice" (June 23, 2020), available at https://blogs.microsoft.com/blog/2020/06/23/addressing-racial-injustice/.

[64] *See* FDIC, FDIC Board Approves New Policy Statement on Minority Depository Institutions (June 15, 2021), available at https://www.fdic.gov/news/press-releases/2021/pr21052.html.

[65] These are: (1) preserving the number of MDIs; (2) preserving their minority character in cases of merger or acquisition; (3) providing technical assistance to prevent insolvency of institutions not now insolvent; (4) promoting and encouraging creation of new MDIs; and (5) providing for training, technical assistance, and education programs.

[66] *See* FDIC, FDIC Seeks Financial Advisor to Establish New "Mission-Driven Bank Fund" to Support FDIC-Insured Minority Banks and Community Development Financial Institutions (Nov. 18, 2020), available at https://www.fdic.gov/news/press-releases/2020/pr20125.html.

The FDIC will retain an advisory role to support the fund's mission focus, but will not contribute capital to, manage, or be involved in investment decisions of the fund.

Support for the Emergency Capital Investment Program

We have also taken steps to facilitate the timely implementation and acceptance of the Emergency Capital Investment Program (ECIP), which was created by the Department of the Treasury pursuant to the Consolidated Appropriations Act, 2021. The ECIP enables the Treasury to make capital investments in certain low- and moderate-income community financial institutions. The FDIC, together with the OCC and Federal Reserve, issued an interim final rule in March 2021 that will facilitate the implementation of the ECIP by providing certainty that the preferred stock issued under the program qualifies as additional tier 1 capital and that subordinated debt issued under the program qualifies as tier 2 capital under the regulatory capital rule.[67]

C. *Promoting Consumer Education and Low-Cost Deposit Accounts*

Another component of the FDIC's financial inclusion efforts includes education and outreach. Among other things, the FDIC educates depositors and insured financial institutions on the availability and requirements of federal deposit insurance and provides technical assistance to insured financial institutions to assist them with managing their responsibilities effectively.

Since 2001, the FDIC has regularly updated its financial education program – Money Smart – that aims to help people enhance their financial knowledge and create positive banking relationships.[68] Money Smart offers non-copyrighted, free financial education training resources aimed at educating consumers of all ages.[69] The program includes teaching resources in multiple languages that, among other things, provide the basics of personal finance through lesson plans for educators and scripted instructor guides for bankers and others, including a curriculum focused on preventing elder financial exploitation. The FDIC also provides technical assistance to the 1,500-plus organizations in its Money Smart Alliance and helps them share successful approaches.[70] The FDIC is actively considering ways to improve our consumer education through the use of technology and innovation, including the Money Smart curriculum.

We have also recently concluded a targeted public awareness pilot campaign, #GetBanked, in Atlanta and Houston to inform consumers about the benefits of developing a

---

[67] *See* Regulatory Capital Rule: Emergency Capital Investment Program, 86 Fed. Reg. 15076 (Mar. 22, 2021), available at https://www.fdic.gov/news/board/2021/2021-03-05-notational-fr.pdf.

[68] *See* FDIC, Resources: Money Smart (updated April 9, 2021), available at https://www.fdic.gov/resources/consumers/money-smart/index.html.

[69] *See* FDIC, 2020 Annual Report, available at https://www.fdic.gov/about/financial-reports/reports/2020annualreport/2020ar-final.pdf.

[70] *See* FDIC, Money Smart Alliance (updated April 9, 2021), available at https://www.fdic.gov/resources/consumers/money-smart/money-smart-alliance/index.html.

relationship with a bank.[71] Having a basic checking account can be an important first step to becoming part of the financial fabric of this country and we are pleased that an increasing number of banks are offering low-cost and no-fee accounts that work for people with limited means. We also anticipate engaging in additional efforts to inform consumers of the advantages of establishing a bank account.

We have also been working with the IRS to encourage consumers receiving the Child Tax Credit to get a bank account to enable them to have those funds deposited directly into their account, rather than receiving a paper check or other payment.

D. Encouraging Innovation to Support Financial Inclusion

As the FDIC considers additional ways to facilitate a more inclusive banking system, we recognize the tremendous benefits that financial innovation can deliver to consumers, including in the areas of payments and credit.[72] We have seen tremendous innovation in banking services by the private sector in recent years, both directly by banks and indirectly through partnerships of banks with nonbanks. Responsibly managed and regulated, new technologies have the potential to bring more people into the banking system, provide access to new products and services, and lower the cost of credit. Moreover, the speed of change required in our lives in the past year has underscored how critical innovation is to enabling banks and communities to meet the challenges of the pandemic and to ensuring that American banks remain competitive in a rapidly changing world.

The FDIC has been exploring ways to promote further the development of new technologies that improve the way banks operate and offer services to customers. In 2019, we established an office of innovation – FDITECH – and began working on several initiatives to promote innovation and support financial inclusion.

Financial Inclusion Tech Sprint

In June, FDITECH announced a tech sprint that is exploring new technologies and techniques that would help expand the capabilities of community banks to meet the needs of unbanked households.[73] This tech sprint is a public challenge to banks, non-profits, private companies, and others to help us reach that "last mile" of unbanked Americans. Specifically, the FDIC has asked participants to answer the following question: "Which data, tools, and other resources could help community banks meet the needs of the unbanked in a cost-effective

---

[71] *See* FDIC, #GetBanked (Apr. 5, 2021), available at https://www.fdic.gov/getbanked/index.html.

[72] *See, e.g.*, Bank for International Settlements, "How fintech can promote financial inclusion – a new report on the opportunities and challenges" (April 14, 2020), available at https://www.bis.org/press/p200414.htm; *see also* Ratna Sahay et al., "The Promise of Fintech: Financial Inclusion in the Post COVID-19 Era," International Monetary Fund (2020), available at https://www.imf.org/~/media/Files/Publications/DP/2020/English/PFFIEA.ashx.

[73] *See* FDIC, FDITECH Launches Tech Sprint to Reach More Unbanked People, FIL-43-2021 (June 16, 2021), available at https://www.fdic.gov/news/financial-institution-letters/2021/fil21043.html.

manner, and how might the impact of this work be measured?" We accepted registrations in July and will bring teams together for a demonstration day in September.

Guidance on Use of Alternative Data

To help facilitate greater access to credit using new technologies, the FDIC and our fellow regulators issued a statement encouraging the responsible use of alternative data in credit underwriting.[74] Alternative data is information not typically found in the consumer's credit files of the nationwide consumer reporting agencies or customarily provided as part of applications for credit. Using alternative data can improve the speed and accuracy of credit decisions and help firms evaluate the creditworthiness of consumers who might not otherwise have access to credit in the mainstream credit system.

We have already seen examples of startups creating underwriting technology that can look beyond traditional criteria, for example by using bank deposit account cash-flow data to offer credit to people who otherwise would not qualify for it. Harnessing the use of technology to improve credit assessments can broaden access to credit and improve the predictive capacity of such assessments for lenders.

Guidance on Use of Artificial Intelligence

In March of this year, alongside our fellow regulators, we issued an interagency RFI on financial institutions' use of artificial intelligence (AI), including machine learning.[75] AI can offer a range of benefits for banks, consumers, and businesses, such as expanding credit access through innovative use of data and faster underwriting. As we review comments to the RFI, we are particularly assessing how financial institutions use AI, whether AI can provide benefits to banks and their customers, and whether additional regulatory clarity would be helpful.

AI and alternative data can be especially important for small businesses, such as sole proprietorships and smaller companies owned by women and minorities. Such businesses often do not have a long credit history, which is why novel measures of creditworthiness, like income streams, can help provide critical access to capital, particularly in difficult times.

Voluntary Third-Party Certification Program

Last year, we asked stakeholders to comment on a groundbreaking approach to facilitate technology partnerships. Our RFI proposed a public/private standard-setting partnership and

[74] *See* Federal Regulators issue joint statement on the use of alternative data in credit underwriting (Dec. 3, 2019), available at https://www.fdic.gov/news/news/press/2019/pr19117.html.

[75] *See* Request for Information and Comment on Financial Institutions' Use of Artificial Intelligence, Including Machine Learning, 86 Fed. Reg. 16837 (Mar. 31, 2021), available at https://www.govinfo.gov/content/pkg/FR-2021-03-31/pdf/2021-06607.pdf.

voluntary certification program that would help reduce the cost and uncertainty associated with the introduction of new technology at an institution.[76]

The on-boarding and due diligence process can be costly and time consuming for both banks and their potential technology vendors. These challenges are often amplified at community banks with tight budgets and limited technology expertise. The voluntary certification program described in the RFI would create a standard setting organization (SSO) to establish standards for due diligence of vendors and for the technologies they develop. The FDIC would participate with industry and other stakeholders in the development of these standards. Fintechs could then voluntarily submit their organization and technologies to an independent certifying organization to verify conformance to the applicable standards. In turn, banks could rely on this certification to on-board the vendor and integrate the technology into bank operations. Banks would remain responsible for the products and services they offer, either directly or in partnership with these third parties, including all statutory and regulatory requirements related to consumer protection or anti-discrimination.

Standardizing the due diligence process and removing regulatory and operational uncertainty surrounding technologies could fundamentally improve the ability of banks to safely and confidently partner with technology firms while allowing the FDIC greater ability to engage in a horizontal review of different products, services, business models, and risk management practices of third-party service providers. We hope this program will show a path forward to increasing the competitiveness of our community banks and their ability to meet the needs of consumers in the modern age. The comment period for the RFI ended this past June, and the FDIC continues to pursue the concept actively.

IV. Supervisory Process and Regulatory Actions

A. Supervisory Process

Maintaining our Supervisory and Examination Efforts

The FDIC's supervisory and examination activities and, when appropriate, enforcement actions, are cornerstones of the FDIC's efforts to ensure the safety and soundness of, and public confidence in, the nation's financial system. The agency conducts risk management (safety and soundness) examinations, consumer compliance examinations, and other specialty examinations. Through these examinations, review of examination reports, use of off-site monitoring tools, and participation in examinations conducted by other federal regulators, the FDIC regularly monitors potential risks at all insured institutions, including those for which it is not the primary federal supervisor.

[76] *See* Request for Information on Standard Setting and Voluntary Certification for Models and Third-Party Providers of Technology and Other Services, 85 Fed. Reg. 44890 (July 24, 2020), available at https://www.govinfo.gov/content/pkg/FR-2020-07-24/pdf/2020-16058.pdf.

As we responded to the challenges of the pandemic, the FDIC maintained its supervisory programs for both safety and soundness and consumer protection and worked with institutions that were experiencing operational challenges. The majority of institutions have had no difficulty continuing ongoing FDIC supervisory activities, and only a small number have asked for brief delays due to pandemic-related operational challenges or on-site document access limitations. The FDIC has also conducted heightened monitoring of financial institutions whose activities or concentrations may have made them more vulnerable to the economic consequences of the pandemic.

Throughout this period, the FDIC contacted all state banking commissioners, conducted regular meetings with our federal bank regulatory counterparts, spoke to members of Congress, reached out to consumer groups, and maintained regular contact with supervised institutions. These engagements helped us better address the challenges facing banks and communities across the nation.

The agency's Division of Depositor and Consumer Protection has continued to fully engage in supervision of banks to ensure compliance with federal consumer protection, anti-discrimination, and community reinvestment laws. The FDIC conducts risk-based examinations of approximately 3,200 state-chartered banks and thrifts for compliance with over 30 federal consumer protection laws and regulations.[77] In 2020, the FDIC conducted approximately 1,036 consumer compliance examinations. Thus far in 2021, we have finalized nearly 600 examinations related to consumer compliance or the CRA.

In addition to these examinations, the FDIC conducted CARES Act-specific assessments of institutions it supervises that have significant mortgage servicing portfolios.[78] The FDIC developed these assessments in order to review more carefully how these institutions were carrying out CARES Act provisions, including those related to forbearance and credit reporting, and to understand challenges facing these institutions related to the pandemic and the implementation of the CARES Act.

Maintaining our Enforcement Efforts

The FDIC uses a variety of informal and formal actions to address violations and weaknesses in institutions' compliance management systems, including recommendations or matters requiring board attention contained within a report of examination, memoranda of understanding, consent orders, civil money penalties, and orders of restitution.[79] Although the

---

[77] *See* FDIC, Consumer Compliance Supervisory Highlights (March 2021), available at https://www.fdic.gov/regulations/examinations/consumer-compliance-supervisory-highlights/documents/ccs-highlights-march2021.pdf.

[78] *Id.* at 4.

[79] *See, e.g.*, Press Release: FDIC Makes Public March Enforcement Actions (April 24, 2020), available at https://www.fdic.gov/news/press-releases/2020/pr20053.html; Press Release: FDIC Makes Public April Enforcement Actions (May 29, 2020), available at https://www.fdic.gov/news/press-releases/2020/pr20065.html; Press Release: FDIC Makes Public May Enforcement Actions (June 26, 2020), available at https://www.fdic.gov/news/press-releases/2020/pr20078.html; Press Release: FDIC Makes Public June Enforcement

pandemic presented unique challenges in how the agency conducts its examination and enforcement activities, the FDIC continued these activities throughout 2020 and 2021, and also implemented enhanced monitoring procedures to assess pandemic-related impacts on financial institutions.[80]

Creation of Consumer Protection Complex Bank Supervision

In 2020, the Division of Depositor and Consumer Protection implemented a complex bank supervision program for large, complex and certain nontraditional state non-member institutions that may pose unique risks and require enhanced supervision. These institutions often employ complex business strategies, offer nontraditional products or services, or rely heavily on third-party relationships. The program consists of a three-tier supervisory approach based on an institution's risk profile and includes elements such as ongoing monitoring, risk assessments, supervisory plans, targeted reviews, and dedicated or designated staff. For each tier, examiners create a supervisory strategy tailored to the institution that recognizes the unique characteristics of the business model and product offerings.

Supervisory Engagement Going Forward

As the pandemic struck, the FDIC was forced to move our examination work off-site seemingly overnight, to protect our employees and the staff at banks we supervise. That we were able to transition effectively is a testament to the flexibility of the FDIC workforce and the institutions we supervise. Moreover, it resulted in the growing realization of how much can be accomplished in an examination that takes full advantage of technology.

As we return to the "new normal," we look forward to returning to on-site exams at banks. These interactions help our examiners understand the institutions we supervise, and they

Actions (July 31, 2020), available at https://www.fdic.gov/news/press-releases/2020/pr20089.html; Press Release: FDIC Makes Public July Enforcement Actions (Aug. 28, 2020), available at https://www.fdic.gov/news/press-releases/2020/pr20097.html; Press Release: FDIC Makes Public August Enforcement Actions (Sept. 25, 2020), available at https://www.fdic.gov/news/press-releases/2020/pr20105.html; Press Release: FDIC Makes Public September Enforcement Actions (Oct. 30, 2020), available at https://www.fdic.gov/news/press-releases/2020/pr20121.html; Press Release: FDIC Makes Public October Enforcement Actions (Nov. 27, 2020), available at https://www.fdic.gov/news/press-releases/2020/pr20128.html; Press Release: FDIC Makes Public November Enforcement Actions (Dec. 28, 2020), available at https://www.fdic.gov/news/press-releases/2020/pr20143.html; Press Release: FDIC Makes Public December Enforcement Actions (Jan. 29, 2021), available at https://www.fdic.gov/news/press-releases/2021/pr21006.html; Press Release: FDIC Makes Public January Enforcement Actions (Feb. 26, 2021), available at https://www.fdic.gov/news/press-releases/2021/pr21014.html; Press Release: FDIC Makes Public February Enforcement Actions (March 26, 2021), available at https://www.fdic.gov/news/press-releases/2021/pr21023.html; Press Release: FDIC Makes Public March Enforcement Actions (April 30, 2021), available at https://www.fdic.gov/news/press-releases/2021/pr21038.html; Press Release: FDIC Makes Public April Enforcement Actions (May 28, 2021), available at https://www.fdic.gov/news/press-releases/2021/pr21049.html; Press Release: FDIC Makes Public May Enforcement Actions (June 25, 2021), available at https://www.fdic.gov/news/press-releases/2021/pr21055.html; Press Release: FDIC Makes Public June Enforcement Actions (July 30, 2021), available at https://www.fdic.gov/news/press-releases/2021/pr21068.html.

[80] *See* FDIC, 2020 Annual Report, *supra* note 69.

provide useful engagement for bankers. But as our institutions evolve, the way we supervise them is evolving as well. Investments in new technology can help reduce the amount of time that examination teams spend on-site at supervised institutions, contributing to quicker examination turnaround and report processing, while strengthening our ability to monitor risk in a more timely manner. The pandemic, and our ability to adjust to it quickly while still fulfilling the agency's mission, have demonstrated that technology can enable us to maintain smaller on-site teams with the remote support of larger off-site teams. This change will reduce travel commitments that have exacted a toll on our examiners and their families, especially those with young children, and thereby can improve retention of examiners.

These advances can also facilitate a more fundamental policy objective: the necessary evolution of our supervision and examination processes from static, point-in-time assessments to more routine engagement and timely analyses that will enhance our ability to monitor, identify, and mitigate risk at individual institutions and across the financial system.

Improving Reporting through Rapid Prototyping

As the supervisory and examination processes evolve to a more routine and timely analysis, we are also considering ways in which we can improve regulatory reporting from insured depository institutions. The FDIC is aware of the burdens that the current Call Reports place on institutions. Although these reports provide critical data to the FDIC, they do so with several months' delay, thereby reducing the utility of the reporting to the FDIC.

Last year, we announced a rapid prototyping competition, a type of tech sprint, to address this issue. Participants were challenged to develop tools for providing more timely and granular data to the FDIC on the health of the banking industry while also making such reporting less burdensome for banks. More than 30 technology firms were invited to participate in this competition,[81] and this spring, we reviewed prototypes from the 11 vendors that made it to phase three of the competition.[82] The technologies demonstrated by these vendors show great promise, and we are reviewing the legal, regulatory, and contractual framework needed to successfully encourage the market to adopt technologies like this.

We recently asked four rapid prototyping participants to propose a proof of concept for their technologies – either independently or jointly. Our goal would be to conduct a pilot program with up to nine FDIC-supervised institutions of various sizes and technological maturity to test the reporting technologies and determine their potential to scale. Tools like those developed in this competition will help pave the way for more seamless and timely reporting of more granular data for banks that voluntarily choose to adopt the technology. Moreover, the

---

[81] *See* FDIC, FDIC Launches Competition to Modernize Bank Financial Reporting (June 30, 2020), available at https://www.fdic.gov/news/press-releases/2020/pr20079.html.

[82] *See* FDIC, FDIC Selects 11 Companies to Compete in Final Phase of Tech Sprint (Jan. 11, 2021), available at https://www.fdic.gov/news/press-releases/2021/pr21004.html.

associated improvements in data structure, access, and processing may also help support more efficient back-office operations and more effective integration of new technologies.

B. Regulatory Actions

Brokered Deposits

At the end of 2020, the FDIC Board approved a final rule updating our brokered deposits regulations, the first meaningful update to the brokered deposits regulations since the rules were first put in place approximately 30 years ago. As the banking sector transformed over those decades, the FDIC received many questions regarding whether specific deposit arrangements were brokered or not. The agency typically responded on a one-off basis, resulting in a fragmented legal framework. Meanwhile, many types of deposit arrangements that bear little resemblance to the brokered deposits of the 1980s were categorized as brokered under the regulation.

The new rule is intended to encourage innovation in how banks offer services and products to customers by removing regulatory hurdles to certain types of innovative partnerships between banks and fintechs.[83] The final rule accomplishes this by tailoring the scope of deposits captured to align more closely with the types of deposits Congress intended to capture when the restrictions were first put in place. The rule also creates a more transparent and consistent regulatory approach by providing a clearer description of the criteria for meeting the "facilitation" prong of the deposit broker definition and establishing a consistent process for application of the primary purpose exception.

The final rule became effective on April 1, with an optional extended compliance date of January 1, 2022. The FDIC created a dedicated webpage that contains information relevant to the regulation, including filing instructions for the notice and application process.[84]

Although the new framework represents an important step forward, the brokered deposits statute will continue to present inevitable implementation challenges. In 2019, I suggested that Congress consider replacing Section 29 of the Federal Deposit Insurance Act, the section imposing restrictions on brokered deposits, with a simple restriction on asset growth for troubled institutions.[85] This would be a far simpler regime for the FDIC and industry to administer, and would more directly address the problem Congress was trying to tackle in the original legislation. I continue to believe that a simple restriction on asset growth for troubled institutions would be a superior approach in the long run.

---

[83] *See* Unsafe and Unsound Banking Practices: Brokered Deposits and Interest Rate Restrictions, 86 Fed. Reg., 6742 (Jan. 22, 2021), available at https://www.fdic.gov/news/board/2020/2020-12-15-notice-dis-a-fr.pdf.

[84] *See* FDIC, Banker Resource Center: Brokered Deposits, available at https://www.fdic.gov/resources/bankers/brokered-deposits/.

[85] *See* FDIC Chairman Jelena McWilliams, "Brokered Deposits in the Fintech Age," speech before the Brookings Institution (Dec. 11, 2019), available at https://www.fdic.gov/news/news/speeches/spdec1119.html.

Industrial Banks

In December of last year, we finalized a rule to codify and clarify legally enforceable commitments we have generally required historically of insured industrial banks and industrial loan companies (collectively, industrial banks) and their parent companies as a condition of approval.[86] These commitments include capital and liquidity maintenance agreements (CALMAs), which contractually obligate a parent company to serve as a source of strength for an industrial bank. The rule provides transparency to potential future applicants and the public regarding the FDIC's requirements for parent companies of industrial banks and ensures that all parents of industrial banks approved for deposit insurance going forward are subject to such required commitments.

Computer-Security Incident Notification

Also at the end of 2020, we issued a proposed rule together with the OCC and Federal Reserve to enhance reporting of computer-security incidents by requiring notification within 36 hours of knowledge of covered incidents.[87] The proposal would enable regulators to understand quickly if regulated banks have been the victim of a serious computer-security incident that may "materially disrupt, degrade, or impair" the bank's operations or threaten the financial stability of the United States. The proposed rule seeks to provide balance – avoiding unnecessarily difficult or time-consuming reporting obligations while permitting regulatory agencies to be in a position to provide assistance to a bank or the broader financial system when significant computer-security incidents occur. We are in the process of considering the comment letters received in response to that proposal and engaging with our fellow regulatory agencies as we move to issue the final rule.

Suspicious Activity Reports

In January 2021, the FDIC issued a notice of proposed rulemaking to permit the agency to grant case-by-case suspicious activity report (SAR) filing exemptions to FDIC-supervised institutions that develop an innovative approach to suspicious activity reporting requirements.[88] The other federal banking agencies issued similar notices. The rule would allow for the issuance of SAR exemptions in lockstep with the Financial Crimes Enforcement Network (FinCEN). The FDIC is also working with FinCEN and the other federal banking agencies to implement the

[86] *See* Parent Companies of Industrial Banks and Industrial Loan Companies, 86 Fed. Reg. 10703 (Feb. 23, 2021), available at https://www.fdic.gov/news/board/2020/2020-12-15-notice-dis-b-fr.pdf.

[87] *See* Computer-Security Incident Notification Requirements for Banking Organizations and Their Bank Service Providers, 86 Fed. Reg. 2299 (Jan. 12, 2021), available at https://www.govinfo.gov/content/pkg/FR-2021-01-12/pdf/2020-28498.pdf.

[88] *See* FDIC, FIL-11-4-2020, Proposed Rulemaking to Permit Additional Exemptions to Suspicious Activity Report Requirements (Dec. 15, 2020), available at https://www.fdic.gov/news/financial-institution-letters/2020/fil20114.html.

requirements of the Anti-Money Laundering Act (AML Act) and the Corporate Transparency Act (CTA).

Supervisory Appeals

This past January, we finalized a proposal to establish a new Office of Supervisory Appeals to hear appeals by banks of material supervisory determinations made by examiners.[89] Historically, the FDIC's appeals process was rarely used. From the beginning of 2007 through the end of 2020, only about 50 appeals were filed out of more than 110,000 exams.[90] Reviewing officials in the new office, which we are currently in the process of setting up, will be devoted solely to hearing appeals, providing time and capacity for the proper attention and diligence. Our new appeals process will help promote consistency among examiners across the country, ensure accountability at the agency, and ultimately, help maintain stability and public confidence in the nation's financial system.

Supervisory Guidance

This past January, we approved a final rule regarding the role of supervisory guidance.[91] The final rule clarifies the differences between regulations and guidance, and makes clear that supervisory guidance does not create binding, enforceable legal obligations. Guidance can play an important role in providing clarity to supervised institutions, but, unlike a law or regulation, guidance is not an appropriate basis on which to take enforcement action. The rule further clarifies that the FDIC will not issue supervisory criticisms for violations of supervisory guidance. We also affirmed that we do not make supervisory recommendations solely on the basis of reputational risk.

Deposit Insurance Simplification

The FDIC proposed a rule to simplify deposit insurance regulations this past July.[92] Specifically, the proposed rule would simplify and rationalize the deposit insurance rules for trust accounts, which are the source of the majority of external inquiries related to insurance

---

[89] *See* FDIC, FIL 04-2021, Revised Guidelines for Appeals of Material Supervisory Determinations (Jan. 19, 2021), available at https://www.fdic.gov/news/financial-institution-letters/2021/fil21004.html.

[90] Total appeals includes a number of appeals that were not decided upon because the appeal was withdrawn by the institution, the issues were found not to be appealable, or the institution closed. Total exams includes safety and soundness, trust, information technology, Bank Secrecy Act, consumer protection, and CRA examinations conducted by FDIC as primary federal supervisor.

[91] *See* FDIC, FDIC Approves Rule on the Role of Supervisory Guidance (January 19, 2021), available at https://www.fdic.gov/news/press-releases/2021/pr21005.html.

[92] *See* FDIC, Notice of Proposed Rulemaking on Simplification of Deposit Insurance Rules for Trust and Mortgage Servicing Accounts FIL-51-2021 (July 20, 2021), available at https://www.fdic.gov/news/financial-institution-letters/2021/fil21051.html.

received by the FDIC.[93] The proposal's intent is twofold. First, it seeks to facilitate a quicker and less burdensome resolution in the event a bank with a large number of trust accounts fails, so that depositors can have access to their insured deposits. Second, the proposed rule would make the deposit insurance rules for trust accounts more straightforward and easier to understand for depositors, bankers, and others interested in our trust rules. Additionally, the proposal would adjust the deposit insurance coverage for mortgage servicing accounts by providing that advances of principal and interest paid on behalf of a borrower would be insured up to $250,000 per borrower, consistent with the coverage for payments of principal and interest collected directly from the borrower.

Digital Assets

In May, the FDIC issued an RFI seeking comment on banks' current and potential activities related to digital assets. Banks have increasingly begun exploring a variety of potential roles in the emerging digital asset ecosystem, such as being custodians, reserve holders, issuers, and exchange or redemption agents; performing node functions; and holding digital asset issuers' money deposits. The FDIC issued the RFI to better understand current and potential use cases involving insured depository institutions and their affiliates. The comment period for the RFI closed on July 16, 2021, and we are in the process of reviewing the comments. In addition, the staffs of the FDIC, the Federal Reserve, and the OCC are currently engaged in an interagency process to share knowledge about and work through a broad set of issues related to digital assets. The FDIC is also participating in work by the President's Working Group on Financial Markets regarding stablecoins.[94]

V. Resolution Readiness

Throughout the pandemic, the FDIC has continued its work on enhancing our resolution readiness, both in the short-term and in the long run. As the FDIC responded to the immediate impact of the pandemic, we established a new approach to closing failed banks to include appointing a health and safety officer, obtaining and using cleaning supplies and protective personal equipment, establishing a smaller on-site closing team supplemented by a remote team, employing greater use of technology, and modifying travel plans for attending the closing.

A. Creation of the Division of Complex Institution Supervision and Resolution

Our work in 2019 to form a new division – the Division of Complex Institution Supervision and Resolution (CISR) – centralized our supervision and resolution activities for banks with more than $100 billion in total assets for which the FDIC is not the primary

---

[93] *See* Statement from FDIC Chairman Jelena McWilliams on the Notice of Proposed Rulemaking for Deposit Insurance Simplification (July 20, 2021), available at https://www.fdic.gov/news/speeches/2021/spjul2021.html.

[94] *See* U.S. Dept. of the Treasury, Press Release: Readout of the Meeting of the President's Working Group on Financial Markets to Discuss Stablecoins (July 19, 2021), available at https://home.treasury.gov/news/press-releases/jy0281.

regulator.[95] This move was more than just an organizational realignment. Rather, combining these key functions created a stronger, more coherent approach for bank resolution and supervision by enabling us to take a more holistic approach to both. In addition to its supervision activities, CISR is responsible for executing the FDIC's resolution planning mandates for the banks in its purview. This approach has improved our coordination, consistency, and accountability in this critical area, and it ensures that information, resources, and expertise are shared in advance and readily available in the event of a crisis.

B. Cross-Border Resolution of GSIBs

The FDIC has also worked closely with our international counterparts, including the Bank of England and the Single Resolution Board of the European Union, to monitor and prepare for cross-border resolution of global systemically important banks (GSIBs).[96] The FDIC and Federal Reserve are co-Chairs of the Crisis Management Groups for U.S. GSIBs, where we engage with firms and domestic and foreign authorities to facilitate cross-border resolution planning. We participate in financial regulatory dialogues, such as the U.S.-EU Joint Financial Regulatory Forum[97] and the U.S.-UK Financial Regulatory Working Group,[98] which are avenues for enhanced cooperation on cross-border resolution planning. We also remain active in the work on cross-border resolution cooperation that occurs in international fora, such as the Financial Stability Board, by participating in its Resolution Steering Group, among other contributions.

C. Living Wills

The FDIC continues to review resolution plans submitted under Title I of the Dodd-Frank Wall Street Reform and Consumer Protection Act. The FDIC and Federal Reserve are currently reviewing the most recent resolution plans submitted on July 1 by the eight GSIBs. In addition, the FDIC recently issued a policy statement describing how the FDIC will implement certain aspects of the agency's rule requiring submission of resolution plans by insured depository institutions for firms with $100 billion or more in total assets.[99]

---

[95] *See* FDIC, FDIC to Centralize Key Aspects of Its Large, Complex Financial Institution Activities (June 27, 2019), available at https://www.fdic.gov/news/press-releases/2019/pr19056.html.

[96] *See, e.g.*, FDIC Chairman Jelena McWilliams, "Resolution Readiness: Adapting to our Uncertain World," speech before the Single Resolution Board Annual Conference (Oct. 8, 2020), available at https://www.fdic.gov/news/speeches/spoct0820.html.

[97] *See* U.S. Department of the Treasury, Joint Statement on the U.S.-EU Joint Financial Regulatory Forum (March 29, 2021), available at https://home.treasury.gov/news/press-releases/jy0084.

[98] *See* U.S. Department of the Treasury, Joint Statement on UK-U.S. Financial Regulatory Working Group Meeting (Oct. 22, 2020), available at https://home.treasury.gov/news/press-releases/sm1160.

[99] *See* FDIC, Statement on Resolution Plans for Insured Depository Institutions (June 25, 2021), available at https://www.fdic.gov/resauthority/idi-statement-06-25-2021.pdf.

D. Maintaining the Deposit Insurance Fund

The Deposit Insurance Fund (DIF) balance was $119.4 billion as of March 31, 2021, up $1.5 billion from the end of the fourth quarter of 2020 and the highest level ever.[100] However, the reserve ratio declined to 1.25 percent because of strong insured deposit growth fueled by fiscal stimulus efforts, and not as the result of losses to the DIF. In September 2020, the FDIC adopted a Restoration Plan to restore the reserve ratio to at least the statutory minimum of 1.35 percent within eight years, absent extraordinary circumstances, as required by the Federal Deposit Insurance Act.[101] In accordance with the Restoration Plan, FDIC staff continues to monitor closely the factors that affect the reserve ratio and will provide semi-annual updates to the FDIC Board regarding its analysis and projections.

VI. Diversity, Equity, and Inclusion

One of my early initiatives as Chairman has been to build and maintain an FDIC workforce that is talented, diverse, and committed to fostering a safe, fair, and inclusive workplace and banking system. We have made our efforts around diversity, equity, and inclusion (DEI) an organizational priority, as demonstrated by our recently released *Diversity, Equity, and Inclusion Strategic Plan.*[102]

The new strategic plan outlines five "C"s – Culture, Career, Communication, Consistency, and Community – designed to help guide us on our journey to support DEI both internally and externally. The plan contains actionable steps that will guide our work over the next few years and help us measure our progress. Internally, the plan further integrates DEI into our hiring, training, and career development programs. It calls on leaders at all levels of the FDIC to develop operational plans reflective of their current DEI performance and business realities. Importantly, the strategic plan holds leaders accountable for advancing their plans and achieving results. Externally, the plan will improve DEI in FDIC contracting opportunities, enhance our ability to assess diversity policies and practices at financial institutions, and provide additional support for MDIs.

The pandemic has brought to the fore how innovation and flexibility can help us tackle persistent DEI issues. Promoting diversity at all levels of the FDIC's workforce continues to be a key challenge for the agency, especially the ability to attract, retain, and advance minorities and women in our bank examiner workforce.[103] Because commissioned examiners make up nearly

---

[100] *See* FDIC, Restoration Plan Semiannual Update (June 15, 2021), available at https://www.fdic.gov/news/board/2021/2021-06-15-notice-dis-a-mem.pdf.

[101] *See* 12 U.S.C. § 1817(b)(3)(E)(ii); FDIC, FIL-90-2020, Restoration Plan for the FDIC Deposit Insurance Fund (Sept. 15, 2020), available at https://www.fdic.gov/news/financial-institution-letters/2020/fil20090.html.

[102] *See* FDIC, FDIC Releases Strategic Plan to Reinforce Diversity, Equity, and Inclusion Within the Agency and Among the Financial Institutions It Supervises (Mar. 3, 2021), available at https://www.fdic.gov/news/press-releases/2021/pr21016.html.

[103] *See* Statement of Nikita Pearson, Acting Director, Office of Minority and Women Inclusion, FDIC, *On Holding Financial Regulators Accountable for Diversity and Inclusion: Perspectives from The Offices of Minority and*

half of the FDIC's workforce, fostering a diverse examiner workforce is critical to achieving DEI goals throughout the agency.[104] Identifying barriers to such representation involves reconsidering how we think about these positions. A good example of this is our approach to examinations. When I arrived at the FDIC, about 60 percent of our examination work was conducted on-site at banks. I asked staff to study the impact of that examination model on examiners, particularly for our women examiners. On average, examiners spent close to 80 nights a year on the road. For new examiners, their first four years at the FDIC included substantial travel for in-person training. These nights away and travel commitments exacted a toll on our examiners and their families, and made it difficult for us to retain a diverse examiner workforce.[105]

We have found during the pandemic that our models for bank supervision and resolution, as well as examiner training, can change. We can use technology to reduce the number of examiners we send to a bank by maintaining smaller on-site team and larger off-site team to support the exam. We have already cut the length of our examiner training program by nearly a year, and we learned that virtual tools can allow for distance learning and further cut travel requirements. These changes, combined with improvements to our recruitment strategy to build a diverse talent pipeline and increase the number of minority applications, will improve our ability to recruit and retain all employees, including minorities and women. The FDIC has made much progress in DEI over the years, but we know we can do more, and we will.

VII. Conclusion

The FDIC remains vigilant about economic conditions and the uneven impact of the pandemic and its recovery on different populations throughout the United States. As they have throughout this unprecedented time, the FDIC's 5,842 dedicated employees remain committed to the agency's mission and the financial stability of the United States, as well as its role in supporting a financial system that serves all Americans.

Women Inclusion; before the Subcommittee on Diversity and Inclusion of the Committee on Financial Services, U.S. House of Representatives (Sept. 8, 2020), available at https://www.fdic.gov/news/speeches/2020/spsep0820.html.

[104] *See id.*

[105] *See id.*

PREPARED STATEMENT OF MICHAEL J. HSU

ACTING COMPTROLLER, OFFICE OF THE COMPTROLLER OF THE CURRENCY

AUGUST 3, 2021

Introduction

Chairman Brown, Ranking Member Toomey, and Members of the Committee, I am pleased to provide an update on the activities underway at the Office of the Comptroller of the Currency (OCC) to ensure that national banks and Federal savings associations operate in a safe, sound, and fair manner.

In May, I was sworn in as Acting Comptroller of the Currency. It is a tremendous honor to work with the 3,500 dedicated professionals of the OCC. I appreciate the confidence Secretary Yellen has shown in me by appointing me to this important post and I look forward to building on the agency's long history and rich heritage.

I am a career public servant and a bank supervisor at my core. My experiences at the Securities and Exchange Commission, U.S. Department of the Treasury, International Monetary Fund, and the Board of Governors of the Federal Reserve System over the past 19 years have spanned periods of growth, crisis, reform, and recovery. I have seen firsthand the benefits that financial innovation and healthy competition can bring, as well as the harm that excessive risk taking, ineffective risk management, poor internal controls, and lax compliance can inflict on families and businesses, the banking system, and the economy. I am proud to have worked alongside some of the smartest and most dedicated public servants in the world to repair and restore confidence in the financial system so that consumers, businesses, and communities can save, borrow, and participate in the economy.

Promoting fairness and inclusion in banking is a fundamental part of the OCC's mission. The events of the past 2 years have compelled me and many others to consider whether we are achieving fairness across many aspects of society, including banking. I look forward to working with Members of the Committee, fellow regulators, community groups, bankers, academics, and the staff of the OCC to ensure that the banking system works for everybody, especially those who are vulnerable, underserved, and unbanked.

My testimony today focuses on my priorities for the OCC and the review of key regulatory standards and pending actions that I initiated upon taking office. I also include an update on my thinking about community banks.

Priorities

As Acting Comptroller, I have a responsibility to address urgent problems and issues facing the OCC and the Federal banking system. I see four challenges requiring the agency's immediate attention: (1) guarding against complacency by banks, (2) reducing inequality in banking, (3) adapting to digitalization, and (4) acting on the risks that climate change presents to the financial system.

(1) Guarding Against Complacency by Banks

I believe the banking system is at risk of becoming complacent. Despite a once-in-a-lifetime pandemic, the banking system remains healthy. Key measures of financial strength—capital and liquidity ratios—are strong. Bank capital levels are well above where they were before the Great Recession, and bank liquidity is substantially higher.

Banks are also profitable. The Federal banking system in the first quarter of the year increased profits significantly, driven in large part by reserve releases. The average return on equity (ROE) was 14.2 percent; a year ago it was under 4 percent. However, I am concerned that overconfidence leading to complacency is a risk as the economy recovers. Sound risk management remains critical. The $10 billion in losses related to Archegos, a nonbank "family office," serve as a reminder of that.

Many large banks have ambitious growth plans, a robust merger outlook, and a "risk on" posture evident from investor calls. Many community banks face strategic planning challenges and are compelled to grow, organically or through mergers, to achieve economies of scale. When done prudently, growth can provide significant benefits to consumers, communities, investors, and the U.S. economy. When done in an unsafe, unsound, and unfair manner, however, excessive growth can cause significant damage. One of our most important tasks as bank supervisors is to identify, assess, and act before that is the case.

My experience has made me sensitive to certain signals. Capitulation is one. In a dynamic economy, there is a constantly evolving set of products, practices, and clients that banks avoid, or limit exposure to, based on their risk appetite. For instance, at the height of the pandemic, most banks avoided cryptorelated activities, limited their exposures to Special Purpose Acquisition Companies (SPACs), and passed on offering buy now, pay later (BNPL) products and services.

Today, things are different. In some cases, banks have done the work necessary, developed the risk management capabilities, and put in place the appropriate resources to engage prudently with these products, practices, and clients. In other cases, because of market demand and a fear of missing out on attractive profit opportunities, some banks have set aside their initial risk management concerns and engaged in these products. Distinguishing between cases that are appropriate and those that are not is a task for supervision (as distinct from regulation) and a critical component of guarding against complacency in the current environment.

Capital distributions are another watch point. Subsequent to the Federal Reserve's 2021 stress testing announced in June, the U.S. bank holding companies have announced share buybacks in excess of $13.5 billion and dividends of $11.3 billion. Additionally, these banks holding companies have announced negative provisions year to date in excess of $20.5 billion. Some of these banks also announced reinstating prior buyback plans or other plans to further distribute capital. The optimism reflected in these moves is a positive sign but should be tempered with caution. The OCC's spring Semiannual Risk Perspective report shows that credit risk remains elevated for some segments. Assistance programs and Federal, State, and local stimulus have suppressed past-due levels. As these programs expire, and with uncertainty from the Delta COVID variant increasing, the banking industry is at risk of assuming a "mission accomplished" moment. We are continuing to closely monitor bank actions to ensure they maintain their focus on sound credit risk management practices as well as proactively work with borrowers who are exiting forbearance. We expect banks to manage their capital prudently in light of the continued uncertainty and to prevent avoidable foreclosures by notifying borrowers of the options available to them so they can make informed decisions for their specific situations.

Complacency is not a binary state. It often starts with small tradeoffs. One example is how banks respond to earnings pressures. Despite very low funding costs from low rates, loan growth is flat to declining. The CARES Act programs had a profound impact on the business of banks, particularly mid-sized and community banks. Commercial and industrial loans, driven by PPP lending, expanded 3.1 percent in 2020. However, absent the PPP, C&I lending would have shrunk 9.1 percent. With such compressed margins, banks of all sizes may be tempted to reach for yield, operate beyond their risk appetites, or compromise their sound risk management.

Another example is IT/operational risk and cybersecurity. To manage expenses, some banks have postponed investing to update their IT systems and have deferred maintenance of existing technology, leading to increases in operational and cybersecurity risks. Recent cyberincidents have used ransomware in attacks perpetrated against organizations such as Colonial Pipeline, Steamship Authority of Massachusetts, JBS (the world's largest meatpacker), and the Washington, DC, Metropolitan Police Department. Additionally, software used by Managed Service Providers (MSP) was leveraged in a mass ransomware incident against over 1,000 small business customers over the July 4th holiday weekend. The OCC has been coordinating with the Federal Reserve and FDIC to conduct cybersecurity reviews at the largest banks, and last year issued a paper on Sound Practices to Strengthen Operational Resilience,[1] as well as a Notice of Proposed Rulemaking (NPR) on Computer Security Incident Notification.[2] The NPR is intended to ensure that the Federal banking agencies have timely notice of cybersecurity incidents at banks and their service providers that have the potential to be disruptive to the operations and customers of banks. The OCC is reviewing comments on the NPR and engaging with the industry to institute best practices in this area.

Finally, the OCC has been working on an interagency basis and directly with the banks we supervise to prepare for the cessation and replacement of the London Interbank Offered Rate (LIBOR). Our efforts are focused on ensuring OCC-supervised institutions mitigate any potential disruption from the LIBOR transition. Along with the Federal Reserve and FDIC, we have instructed banks to cease creating new LIBOR-based contracts as quickly as is practicable, and no later than December 31, 2021. The OCC expects banks to demonstrate that their LIBOR replacement rates are robust and appropriate for their risk profile, nature of exposures, risk management capabilities, customer and funding needs, and operational capabilities. The agency supports the identification of the Secured Overnight Financing

[1] OCC News Release 2020-144. "Agencies Release Paper on Operational Resilience", October 30, 2020 (*https://occ.gov/news-issuances/news-releases/2020/nr-ia-2020-144.html*).

[2] OCC News Release 2020-175. "Agencies Propose Requirement for Computer Security Incident Notification", December 18, 2020 (*https://www.occ.gov/news-issuances/news-releases/2020/nr-ia-2020-175.html*).

Rate (SOFR) as a sound replacement rate. OCC examiners will be closely evaluating the robustness of other rates that banks look to use.

Being vigilant and guarding against complacency will help ensure that the banking system remains safe, sound, and fair, and can continue to support a strong economic recovery.

(2) Reducing Inequality in Banking

Reducing inequality in banking must be a national priority. The events of the last 2 years have brought our history of financial inequality into sharp relief. Research by the Brookings Institute illustrates the stark economic inequality faced by communities of color. In the average U.S. metropolitan area, homes in neighborhoods where the share of the population is 50 percent Black are valued at roughly half the price of homes in neighborhoods with no Black residents, suggesting that the most important source of generation wealth building has been denied this segment of the population.[3]

The pandemic has had a disproportionate impact on minority households and businesses and threatens to further exacerbate financial disparities. The Federal Reserve's Survey of Household Economics and Decision making, known as SHED, provides further evidence of the historical disparities experienced by communities of color and the impact the pandemic has had on the most vulnerable within our Nation. The report from that survey released in May showed the gap in financial well-being between White adults and Black and Hispanic adults grew by 4 percentage points since 2017, and more than a third of Black and Hispanic adults reported doing worse financially than prior to the pandemic.[4] Black and Hispanic households have been more likely to lose income and have trouble making rent or mortgage payments during the pandemic,[5] and minority-owned small businesses have been hit harder than White-owned small businesses.[6] The recovery threatens to leave these and rural communities even further behind.[7]

Banks can play an important role in preventing this and closing the wealth gap. Historically, many low-income individuals have been treated by banks as either credits to be avoided or credits to be exploited. The OCC's twin mission of ensuring that banks provide fair access to financial services and treat customers fairly speaks to both of these challenges. To address this problem, I have focused the agency on several priorities.

First, the OCC is working to strengthen regulations implementing the Community Reinvestment Act (CRA). Shortly after I took office, I initiated a review of the OCC's May 2020 final rule implementing the CRA. That review has concluded. Based on the disproportionate impact of the pandemic on vulnerable groups, the comments provided on the Federal Reserve's advance notice of proposed rulemaking (ANPR), and the lessons we have learned based on the partial implementation of the 2020 rule, I decided that the best course of action was to propose rescinding the OCC's 2020 final rule and commit to working with the Federal Reserve and FDIC to put forward a joint rulemaking that strengthens and modernizes the CRA.[8] Our proposal to rescind the rule will include consideration of how to effect an orderly transition to a new rule. I am committed to following the Administrative Procedure Act, including seeking public comment on any changes so that all voices are heard and considered.

Second, we must prohibit predatory and discriminatory practices while promoting financial inclusion and increased access to credit for the unbanked and underbanked. Overdraft programs are a good example. This Committee recently shined

---

[3] Andre Perry, Jonathan Rothwell, and David Harshbarger. "The Devaluation of Assets in Black Neighborhoods", Metropolitan Policy Program at Brookings. November 2018.

[4] "Economic Well-Being of U.S. Households in 2020", Board of Governors of the Federal Reserve System. May 2021.

[5] Sharon Cornelissen and Alexander Hermann. "A Triple Pandemic? The Economic Impacts of COVID–19 Disproportionately Affect Black and Hispanic Households", Joint Center for Housing Studies. Harvard University. July 7, 2020.

[6] Andre Dua, Deepa Mahajan, Ingrid Millan, and Shelley Stewart. "COVID–19's Effect on Minority-Owned Small Businesses in the United States", McKinsey. May 27, 2020.

[7] Emily Moss, Kriston McIntosh, Wendy Edelberg, and Kristen Broady. "The Black-White Wealth Gap Left Black Households More Vulnerable", Brookings Institute. December 8 2020 (*https://www.brookings.edu/blog/up-front/2020/12/08/the-black-white-wealth-gap-left-black-households-more-vulnerable/*).

[8] OCC News Release 2021-76, "OCC Statement on Rescinding Its 2020 Community Reinvestment Act Rule", July 20, 2021 (*https://www.occ.gov/news-issuances/news-releases/2021/nr-occ-2021-76.html*) and OCC News Release 2021-77 "Interagency Statement on Community Reinvestment Act Joint Agency Action", July 20, 2021 (*https://www.occ.gov/news-issuances/news-releases/2021/nr-ia-2021-77.html*)

a light on the harms to consumers from excessive fees related to overdrafts.[9] It is unacceptable for bank customers to get trapped in a cycle of high cost debt. I look forward to seeing greater innovations by banks for programs that can help customers navigate unexpected needs for credit.

As discussed below, the debates around the OCC's True Lender rule, which Congress overturned under the Congressional Review Act in June, also highlight the need for greater clarity and potential action in these areas.

Third, the institutions we supervise need to be more diverse and inclusive at every level-from their board rooms to their leadership teams to their employees. Diversity of background and thought will make these institutions stronger, fairer, and more connected to their communities. Data would help. Currently, banks voluntarily report diversity data to the Federal banking regulators, however less than 20 percent of banks provide such reports. Increasing participation in such reporting would provide greater visibility into the diversity of the banking industry and where progress is and isn't being made.

We also need to call out racial, gender, and other biases and push for change where needed. For instance, the OCC has been monitoring increasing concerns about racial bias in appraisals, particularly in residential lending. We are addressing this issue in several ways, including by participating in the Administration's interagency effort to address inequity in home appraisals.

Finally, in addition to regulatory action and supervision, we have used our status as a respected and knowledgeable Federal banking agency to convene leaders and inspire action toward solving long-standing problems within our financial system. Such is the goal of Project REACh.

Origin and Scope of Project REACh

Just over 1 year ago, in the midst of the Nation's calls for racial and economic equality, the OCC conceived and launched the "Roundtable for Economic Access and Change" (known as Project REACh).[10] Project REACh brings together leaders of banking, civil rights, technology, and business organizations to identify and reduce specific barriers that prevent underserved and minority communities from full, equal, and fair participation in the Nation's economy. Project REACh convenes those with the ability to help reduce inherent and structural obstacles so underserved populations have the same opportunities to succeed and benefit from the Nation's financial system as others. The OCC has dedicated staff supporting the project.

Shortly after launch, the participants of Project REACh identified several key barriers to financial inclusion and equity for underserved populations, including lack of usable credit scores, low rates of home ownership, and poor access to capital for minority-owned and small businesses. Four national workstreams were formed to address those barriers, and each workstream has made considerable progress. At the recent 1 year anniversary of Project REACh, I encouraged participants to aim even higher and asked the workstream leads to devise "moonshot" goals for the next 2 years—goals that will motivate and inspire action and outcomes that underserved communities will be able to feel.[11] Each workstream is described below.

Inclusion for credit invisibles: Forty-five million Americans—disproportionately poor and minority—lack a credit score and cannot obtain mortgages, credit cards, or other lending products.

Yet many people in this segment demonstrate financial responsibility through payment of rent, utilities, and other recurring financial obligations. Project REACh participants are evaluating models that use alternative data sources, including rent payments, utility bill payments, and other direct debit authorizations to demonstrate on-time payment history and boost the measurable creditworthiness of many Americans. Some of the banks engaged in this workstream are working with technology firms to develop a pilot program that would evaluate data and boost the creditworthiness of gig economy workers. These can help tear down a major barrier to economic access for millions of consumers and minority entrepreneurs, who currently rely on their personal credit to secure business loans. Today, some large banks are in the process of issuing credit cards and other consumer lending products to individuals with no credit score. Other progress in this area has been reported in the press regarding a collaborative effort to test the use of alternative data

[9] See, for example, *Politico*, "Warren Calls for Overdraft Fee Crackdown After Blasting Dimon", May 26, 2021, (*https://www.politico.com/news/2021/05/26/warren-overdraft-crackdown-dimon-491020*).

[10] OCC News Release 2020-89, "OCC Announces Project REACh To Promote Greater Access to Capital and Credit for Underserved Populations", July 10, 2020, (*https://occ.gov/news-issuances/news-releases/2020/nr-occ-2020-89.html*).

[11] OCC News Release 2021-75, "OCC Marks the First Anniversary of Project REACh", July 15, 2021, (*https://www.occ.gov/news-issuances/news-releases/2021/nr-occ-2021-75.html*)

and underwriting to provide broader responsible access to credit for previously underserved people.[12] This could potentially provide millions of customers with a path to joining the financial mainstream.

Revitalization of Minority Depository Institutions (MDIs): The number of MDIs has declined over the years. The remaining MDIs are critical sources of credit and financial services in their communities, but face challenges with accessing capital, adopting new technology, and modernizing their infrastructures. Project REACh recognizes opportunities for partnerships that deliver sustained financial assistance to help MDIs remain a vibrant part of the economic landscape. The OCC has expanded relationships between larger banks and MDIs through capital investments dedicated to improving the technological infrastructure of MDIs so they can offer the same benefits to their customers like remote capture and faster electronic payment platforms.

Last fall, we developed a pledge for larger banks to support MDIs.[13] To date, 23 banks have signed the pledge to provide dedicated technical assistance to help with talent development for MDI staff, as well as diversification of product offerings, and have committed nearly half-a-billion dollars in investments to MDIs. Most recently, we facilitated a meeting between the

National Bankers Association, which represents minority financial institutions, and three of the largest service providers to mid-sized and community banks to assess how they can build better business relationships with MDIs and offer more affordable, innovative solutions to them.

Increasing home ownership and the inventory of affordable housing: Home ownership is one of the primary ways that families build wealth. Notably, since the Great Recession, the home ownership gap between Blacks and Whites has grown to its highest level in 50 years.[14] One of the biggest barriers to home ownership for minority borrowers is that they do not have enough for a downpayment. Working with civil rights and community-based groups, several participating banks have developed or expanded downpayment assistance programs for minority and underserved homebuyers. These programs work in conjunction with community groups with counselors approved by the U.S. Department of Housing and Urban Development to provide consumers educational support for eligibility in these programs.

To increase the inventory of affordable housing, particularly in densely populated markets, Project REACh participants are exploring converting bank-owned housing inventories into affordable homes through low-cost transfer and renovation loans. This has included proposals to repurpose underutilized and surplus commercial real estate into mixed-use facilities that would include residential property and provide additional homebuying opportunities.

Expanding access to capital for minority-owned and small businesses: Project REACh participants also are engaged in evaluating models and strategies that facilitate loan participations and consortium lending to minority-owned and small businesses. The effort involves developing a consortium model whereby MDIs, community development financial institutions (CDFIs), and larger banks collaborate to support agricultural businesses and emerging commercial enterprises and industries in rural and native communities, such as clean energy and broadband.

To support small businesses more generally, other Project REACh participants are identifying the challenges of collateral requirements and transitioning entrepreneurs from over-utilization of consumer credit towards establishing a commercial credit profile and small business identity that meets the qualifications for small business trade lines. Participants also are currently developing a comprehensive guide for entrepreneurs to point them to the resources they need along the business development continuum.

Finally, a few participating Project REACh banks have created and offered virtual procurement showcases for minority-owned enterprises and entrepreneurs from underserved communities to build better business relationships and provide opportunities for growth and expansion.

While the four workstreams noted above are national in scope, the path to economic inclusion is often local. Needs differ across communities and markets. That is why we have created area-specific demonstrations of Project REACh where local stakeholders directly voice what their needs are and how to overcome their specific

[12] Peter Rudegeair and AnnaMaria Andriotis. "JPMorgan, Others Plan To Issue Credit Cards to People With No Credit Scores", *Wall Street Journal*. May 13, 2021, (*https://www.wsj.com/articles/jpmorgan-others-plan-to-issue-credit-cards-to-people-with-no-credit-scores-11620898206*).

[13] See Project REACh Pledge to Strengthen Minority Depository Institutions. OCC (*https://www.occ.gov/news-issuances/news-releases/2020/nr-occ-2020-166a.pdf*).

[14] Urban Institute, "Breaking Down the Black-White Homeownership Gap", Feb. 21, 2020.

and unique economic barriers. Regional programs and efforts have expanded to Los Angeles, Detroit, Washington, DC, and Dallas.

OCC's Commitment to Diversity and Inclusion[15]

As an agency, we also need to do our part to reduce inequality and improve our own diversity and inclusion. I am committed to promoting these efforts and ensuring that they remain areas of focus for my Executive Committee.

The OCC engages in comprehensive hiring, recruitment, and employee retention strategies to support efforts to enhance agency diversity. We also provide a wide range of formal and informal career development opportunities to provide our employees leadership skills, which are crucial for career development.

Additionally, the OCC has eight employee network groups,[16] each of which serve as a collective voice in communicating workplace concerns and providing input to management around diversity and inclusion programs within the OCC. These have proven to be a valuable means to attract and retain employees from diverse backgrounds and create an inclusive work environment.

Such efforts have made some progress. Over the past 10 years, the OCC's total minority workforce has increased, and manager and senior-level manager positions held by minorities and women also have increased.[17] While the trend is positive and strides have been made, much more needs to be done.

For the third consecutive year, the OCC is hosting its High School Scholars Internship Program (HSSIP) this summer, a 6-week paid internship for nearly 100 minority students from public and charter high schools in the District of Columbia. This program provides an opportunity for students to explore a variety of career paths at the OCC, gain an understanding of the financial services industry, and engage in enrichment activities on financial literacy and leadership fundamentals. This year's program was expanded and now includes interns being placed at the Securities and Exchange Commission and the National Credit Union Administration. In addition to our HSSIP program, the OCC has provided minority college students paid internship opportunities for more than a decade through its National Diversity Internship Program.

(3) Adapting to Digitalization

The business of banking is changing rapidly and is driven by three related trends: (1) the mass adoption of digital technology, (2) the rise of new payments capabilities, and (3) technological innovations outside of the banking system, including in the digital asset and decentralized finance (DeFi) space.

For me, it is hard not to feel some deja vu. In the 1990s and 2000s, "disintermediation" was the watchword. Securities firms and capital markets were disintermediating bank lending and the innovation focused on financial engineering (credit default swaps, collateralized debt obligations, etc.). While this led to greater efficiency in the allocation of credit from savers to borrowers, it also gave rise to a large and less regulated shadow banking system, which eventually collapsed and contributed to the Great Recession.

Today, the financial industry is again being disintermediated but in a different way. Instead of securities firms and capital markets, it is fintechs and technology platforms. Instead of lending, it is payments processing. Instead of financial engineering, it is application programming interfaces, machine learning, and distributed ledgers.

These trends cannot be stopped. They bring great promise, but also risks. Banks and the regulatory community must adapt to them.

My primary concern is that the regulatory community is taking a fragmented agency-by-agency approach to these trends, just as it did in the 1990s and 2000s. To the extent there is interagency coordination, it tends to be tactical, to deal with a pressing issue, such as Facebook's Libra proposal, now called Diem. The key strategic question which the regulatory community must answer collectively is: Where should we set the regulatory perimeter? To my knowledge, there is neither a shared

---

[15] Testimony of OMWI Director Joyce Byrd Cofield before the House Financial Services Subcommittee on Diversity and Inclusion, September 8, 2020, for a detailed explanation of our diversity and inclusion programs (*https://www.occ.gov/news-issuances/congressional-testimony/2020/ct-occ-2020-118-written.pdf*).

[16] These employee network groups are the Coalition of African-American Regulatory Employees (CARE); Generational Crossroads; HOLA; Network of Asian Pacific Americans (NAPA); PRIDE; The Women's Network (TWN); Veterans Employee Network (VEN); and the Differently Abled Workforce Network (DAWN).

[17] The OCC's minority population has increased from 30 to 36 percent. Manager positions held by minority and female populations increased from 21 to 28 percent and 37 to 39 percent respectively. Senior level manager positions held by minority and female employees increased from 20 to 25 percent and 27 to 30 percent respectively.

understanding of the answer to that question nor an overarching strategy to achieve it.

At the OCC, the focus has been on encouraging responsible innovation and we created an Office of Innovation for this purpose. The agency also updated the framework for chartering national banks and trust companies and interpreted crypto custody services as part of the business of banking, actions which I have asked staff to review.

My broader concern is that some of these initiatives were not done in full coordination with all stakeholders. Nor do they appear to have been part of a broader strategy related to the regulatory perimeter. I believe addressing these tasks together should be a priority.

As a first step to increase interagency coordination, the OCC, FDIC, and Federal Reserve have established a Digital Assets Sprint Initiative (previously dubbed the "Crypto Sprint") to provide greater clarity and collaboration around digital assets, including cryptocurrencies. The initiative is comprised of a series of sprints focused on providing an active, coordinated, and timely response to questions and issues raised by rapid growth in that space. The first sprint focuses on developing a common taxonomy for digital assets and agreed upon definitions to ensure a common language and understanding of the basic terms and concepts for future discussions. The second sprint centers on understanding use cases and risks associated with cryptocurrencies and digital assets. The third sprint concentrates on potential gaps in regulation and supervision and prioritizing those gaps for additional consideration. The fourth sprint will consider the policy needs based on the work conducted during the previous sprints.

On a related note, we have been focused on stablecoins and are pleased to join the President's Working Group in evaluating their risks and developing policy recommendations. Stablecoins are important because cryptocurrency trading and DeFi rely significantly on stablecoins to function and to scale. The recent bank-like run on the Iron Finance stablecoin serves as a reminder that the stability of stablecoins cannot be taken for granted.

Finally, I would like to share my preliminary perspective on licensing and charters. Notwithstanding the strong oversight and enhanced provisions the OCC requires, I share the concerns of those who maintain that providing charters to fintechs may convey the benefits of being part of the Federal banking system without its responsibilities. I also agree with those who recognize that refusing to charter fintechs may encourage growth of another shadow banking system outside the reach of Federal regulators. Put simply, denying a charter will not make the problem go away, just as granting a charter will not automatically make a fintech safe, sound, and fair. I will expect any fintechs that the OCC charters to address the financial needs of consumers and businesses in a fair and equitable manner and support the important goal of promoting the availability of credit. Recognizing the OCC's unique authority to grant charters, we must find a way to consider how fintechs and payments platforms fit into the banking system, explore the appropriate use of sandboxes to encourage responsible innovation, and coordinate with the FDIC, Federal Reserve, and the States to limit regulatory arbitrage and races to the bottom.

(4) Acting on the Risks That Climate Change Presents to the Financial System

As Secretary Yellen has noted, climate change poses an existential risk. Multiple Government agencies are charged with addressing the environmental and social problems that climate change presents. Our focus at the OCC is on understanding how climate change may affect the safety and soundness of the institutions we supervise.

For banking supervisors, the issue is straightforward: banks are exposed to physical and transition risks presented by climate change. Physical risks include the increased frequency, severity, and volatility of extreme weather and long-term shifts in global weather patterns and their associated impact on the value of financial assets and borrowers' creditworthiness. Transition risks relate to adjustments to a low-carbon economy and include associated policy changes from Congress and other authorities, technology changes, and litigation.

The actions that need to be taken are less simple. Banks and supervisors are still developing methods for identifying, measuring, and managing physical and transition risks. Based on my observations, this will not be an easy or swift task.

Given this, I believe the OCC can help most if it adopts a two-pronged approach. First, we must engage with and learn from others. The OCC already participates in the Basel Committee on Banking Supervision's Task Force on Climate-Related Financial Risks. The group has taken stock of member initiatives on climate-related financial risks, cataloguing them for member organizations to benefit from one an-

other's experience. Building on this, the OCC recently joined the Network for Greening the Financial System (NGFS), a group of central banks and supervisors from across the globe interested in addressing climate change through the sharing of best practices and development of climate and environment-related risk management. The more perspectives and experiences we can leverage, the better.

Second, we must support the development and adoption of effective climate risk management, especially at large banks. I have asked staff to review and evaluate the current range of practices, with an eye towards identifying best practices and laggards. In addition, I recently announced the appointment of Darrin Benhart as the agency's first Climate Change Risk Officer.[18] The creation of that position will significantly expand the agency's capacity to collaborate with stakeholders and to promote improvements in climate change risk management at banks. Darrin brings a wealth of supervisory, policy, and leadership experience to the role. Managing the risks of climate change will require a collective effort and Darrin will help us work with all stakeholders of the Federal banking system.

The OCC is committed to collaborating with Treasury and other FSOC members, as well as market participants and international standard-setting bodies to inform our approach to the financial stability implications of climate change. As Acting Comptroller, I will work to ensure the agency is proactive in this space and acts with the sense of urgency.

Reviews

Shortly after I started as Acting Comptroller, I directed a review of key regulatory standards and matters pending before the agency. Those items include the OCC's True Lender rule, the 2020 Community Reinvestment Act (CRA) final rule as discussed above, interpretative letters and guidance regarding cryptocurrencies and digital assets, and pending licensing decisions and standards. For each topic, the review is considering a full range of internal and external views, the impact of changed circumstances, and a range of alternatives.

On June 30, President Biden signed legislation to repeal the OCC's True Lender rule under the Congressional Review Act. I respect the action by Congress to repeal this rule. Predatory lending has no place in the Federal banking system. Indeed, promoting fairness is a critical part of the OCC's mission. I have instructed staff to gather and analyze data on bank–fintech partnerships in order to explore how we can differentiate between harmful rent-a-charter arrangements and healthy partnerships that expand financial inclusion. That analysis will inform the development of options to protect consumers and expand financial inclusion.

I expect the review of charter applications and interpretive letters to conclude later this summer, around the same time as the Digital Assets Sprint Initiative and PWG effort on stablecoins. In the meantime, we are open to processing bank charter applications involving institutions that are engaged in traditional lending activities, that would obtain or maintain Federal deposit insurance, and whose parent companies would be subject to supervision by the Federal Reserve.

Community Banks

While much of my initial focus has been on the Federal banking system as a whole, I also have been spending time considering issues unique to community banks.

The OCC's community bank supervision program oversees nearly 850 community institutions with assets under $1 billion. Community banks play a crucial role in providing consumers and small businesses with essential financial services and a source of credit that is critical to economic growth and job expansion. Community banks and their employees strengthen our communities through their active participation in the civic life of their towns.

Overseeing the safety and soundness of community banks is central to the mission of the OCC. The OCC recognizes the important roles they play, and we are committed to fostering a regulatory climate that allows well-managed community banks to grow and thrive. We recognize community banks do not pose the systemic risk to the Federal banking system as larger institutions and should be regulated, supervised, and assessed accordingly.

We are particularly mindful of the burden our examination processes can have on smaller institutions. At the OCC, we are incorporating successes and lessons of the last 18 months to make community bank examinations less disruptive by leveraging

---

[18] OCC News Release 2021-78, "OCC Announces Climate Change Risk Officer, Membership in the NGFS", July 27, 2021. (*https://www.occ.gov/news-issuances/news-releases/2021/nr-occ-2021-78.html*)

technology and blending onsite and offsite work, while maintaining our high standards and quality of supervision.

We also want to level the playing field for federally chartered institutions and their unregulated and State-chartered competitors. For example, while we recognize that the Federal Reserve and FDIC absorb their costs of supervising State banks, the total assessments paid by OCC-supervised community banks generally exceed the assessments paid by their State counterparts. We are currently studying ways to further reduce community bank assessments.

For community banks, appropriate tailoring of regulations and supervision is important. I am committed to continuing to identify opportunities to tailor our supervisory expectations—for instance, with regard to climate change risk management—while maintaining the safety and soundness of our community banks.

Conclusion

I am committed to ensuring that OCC-supervised banks operate in a safe and sound manner, meet the credit needs of their communities, treat all customers fairly, and comply with laws and regulations. As we work to ensure that the Federal banking system continues to serve as a source of strength to the recovering U.S. economy, we will also be focused on guarding against complacency, reducing inequality, adapting to digitalization, and acting on climate change.

RESPONSES TO WRITTEN QUESTIONS OF CHAIRMAN BROWN FROM TODD M. HARPER

Q.1. Most of the CDFIs and MDIs in Ohio are credit unions, and they are critical to supporting traditionally underserved communities. What can the NCUA do to strengthen CDFIs and MDIs and ensure that they have the resources they need to invest in their communities?

A.1. One of my top priorities as NCUA Chairman is to preserve and grow Minority Depository Institutions and Community Development Financial Institution credit unions. Through its Minority Depository Institution Preservation Program, the NCUA provides support to MDIs through training and resource assistance. If the MDI qualifies by holding a low-income designation, the Community Development Revolving Loan Fund grant and loan program, which includes mentoring grants, is available as part of the agency's MDI Mentoring Initiative.

The MDI Mentoring Initiative connects strong and experienced credit unions to provide guidance to small MDI credit unions to increase their ability to thrive and serve low-income and underserved populations. A mentoring grant may be used for eligible expenses associated with facilitating a new mentorship relationship. Funding approval is based on the small MDI's ability to demonstrate a well-developed plan for the mentoring assistance it would receive from a mentor credit union.

Additionally, demand for the Community Development Revolving Loan Fund, which funds MDI Mentoring Initiative Grants, regularly exceeds the amount of funds available for these grants. As an NCUA Board Member and now Chairman, I have called for increasing appropriations for the Community Development Revolving Loan Fund. With more funding, the agency could increase the number of credit unions receiving grants and increase the size of the grants, deepening the program's impact in communities served by MDIs. The NCUA does not use appropriated funds to administer the Community Development Revolving Loan Fund. Thus, every penny of appropriations goes to eligible low-income credit unions and their member-owners.

The NCUA also supports more credit unions obtaining the CDFI certification by offering a streamlined CDFI certification application. Under the streamlined process, the NCUA performs an initial analysis on behalf of a potential applicant to reduce applicant burden. A low-income-designated credit union seeking certification submits its data on loan originations to the NCUA. The agency then analyzes the data, the credit union's products and services, its target market, and other indicators to determine its likelihood for certification. If a credit union is qualified to use this process, the NCUA will provide it with a streamlined application form, its analysis, and other data needed for the application, which the credit union can then complete and submit to the CDFI Fund for a certification decision.

Q.2. Ensuring that all financial institutions do not violate fair lending, civil rights, and consumer protection laws is a key part of making sure our financial system works for everyone. What can the NCUA do to strengthen its supervision of credit union compliance

with consumer protection laws? How is consumer compliance risk related to safety and soundness risk?

A.2. A key priority of mine as an NCUA Board member and now as NCUA Chairman has been building up the NCUA's consumer compliance program for larger credit unions. The financial system only works properly when institutions make services available to all on a fair and equitable legal basis.

In 2020, NCUA examiners completed targeted reviews in all risk-focused and small credit union examinations to evaluate compliance with various consumer financial protection laws and regulations. Through quality control checks, the agency observed several issues suggesting that some credit unions may not be paying close attention to consumer financial protection.

In some cases, NCUA's examiners found weaknesses in credit unions' management systems, which can lead to compliance issues, violations, or harm to consumers if not adequately addressed. The agency also observed notable shortfalls in complying with the Fair Credit Reporting Act, the Electronic Fund Transfer Act, and the Truth in Lending Act.

If left unchecked, these problems could lower consumer credit scores, lead to expensive fees, and increase the cost of credit. To address these and other issues, especially as the industry grows in complexity, the NCUA must create a dedicated program to supervise for compliance with consumer financial protection and fair lending laws.

In doing so, the agency will better protect consumers' interests, ensure that the credit union system lives up to its commitment to serve members, and provide a more comparable level of consumer protection oversight as Federal bank regulators, which already conduct regular consumer compliance examinations and assign a separate rating for consumer compliance outside of the CAMEL score. The NCUA's efforts to enhance oversight of consumer financial protection rules will not only protect credit union members, but also all credit unions from the reputational risks resulting from the missteps of others.

Finally, consumer compliance risk relates to safety and soundness when a credit union failing to comply with consumer laws and regulations is subject to civil actions resulting in significant payouts, especially in class action cases. The fallout from negative publicity and reputational harm from such actions can lead to a loss of credit union members. Depending on the size and financial condition of a credit union, those losses could potentially lead to reduced net worth and liquidity, a CAMEL composite rating downgrade, and administrative actions with the NCUA.

Q.3. Machine learning—when computers optimize data based on relationships they find without the traditional and prescriptive algorithm—is one of the key features of artificial intelligence. Whether due to the fact that existing data has biases against specific groups or machine learning establishing new relationships between certain traits and certain groups that do not necessarily have causal properties, machine learning can perpetuate discrimination and systemic racism. You recently issued a joint request for information on financial institutions' use of artificial intelligence, including ma-

chine learning. How does your agency aim to reduce the risk of AI perpetuating discrimination and systemic racism through machine learning? Will you commit to enforcing fair lending, consumer protection, and civil rights laws and existing supervisory policies when it comes to the use of AI by the institutions you regulate?

A.3. The NCUA has taken several steps to stay abreast of the rapidly advancing use of technology in providing financial services. The agency, for example, is in the process of standing up a Financial Technology and Access unit and hiring a Director. The NCUA also participates in several initiatives with our fellow financial services regulators in which we meet regularly to discuss new technologies and how they affect lenders, borrowers, and regulators.

Our fair lending staff are aware of the potential for lending models powered by artificial intelligence or subject to machine learning to lead to discrimination. To some extent, examining lending patterns for discrimination or racial disparity is the same regardless of whether decisions are made solely by humans or by algorithms. Through examinations and supervision contacts, our fair lending staff analyze a credit union's review of loan applications, approvals, and pricing the same regardless of the technology used in decision-making. However, because the NCUA lacks the statutory authority to directly examine third-party service providers, we must review credit union compliance management systems to see whether they are capable of using advanced technology properly.

Additionally, I am fully committed to ensuring that credit unions are fully compliant with all fair lending and antidiscrimination laws. The Request for Information you referenced is a continuation of the NCUA's and other Federal regulators' efforts to ensure we understand these complex systems. In 2019, the agency, in conjunction with the Board of Governors of the Federal Reserve System, the Consumer Financial Protection Bureau, the Federal Deposit Insurance Corporation and the Office of the Comptroller of the Currency, issued an Interagency Statement on the Use of Alternative Data in Credit Underwriting. The Statement informed credit unions that while using such data, especially in connection with automated underwriting systems, can lead to efficiencies and potentially expand the availability of credit, credit unions, and other financial institutions must continue to comply with fair lending laws and other relevant consumer protection laws and regulations.

RESPONSES TO WRITTEN QUESTIONS OF SENATOR TOOMEY FROM TODD M. HARPER

Q.1. In your written testimony before the Senate Banking Committee on August 3, 2021, you stated that "a credit union's field of membership may be tied to communities or activities that may be dramatically affected by climate change, like farming or fossil fuels. Credit unions serving such populations must consider adjusting their fields of membership or altering their lending portfolios to remain resilient over the long term." I am troubled by your suggestion that the NCUA would use its power to force or pressure credit unions to stop lending to legal businesses, particularly given that regulators tried something similar in the past, the Obama-era Operation Chokepoint scandal.

Given the above, how will the NCUA evaluate which credit unions meet the criteria you mentioned above and what actions does the NCUA plan to take against credit unions that fail to "alter their lending portfolios?"

A.1. The NCUA is not suggesting credit unions stop lending to certain members or business types. The suggestion to adjust fields of membership or alter lending portfolios was made to help credit unions remain resilient in the face of emerging markets and structural changes occurring through the economy. The NCUA continues to enhance a forward-looking regulatory and supervisory approach.

Historically, structural market or economic changes have threatened credit unions viability, in particular, if a credit union is overly concentrated in a segment of the marketplace. Examples include Base Realignment and Closure decisions, plant closures in heavy industry like steel manufacturing, auto manufacturing, and other large manufacturing operations moved offshore with minimal notice. Credit unions that showed resilience were diversified and expanded their fields of membership to reduce dependence on a single organization.

Likewise, credit unions overly exposed to risk concentrations remain the source of some of our greatest losses to the National Credit Union Share Insurance Fund. To that end, the NCUA aims to identify institutions with concentrations of risk through a lack of diversification and work with those institutions to ensure they remain resilient whether they be in areas subject to increasingly extreme weather events or concentrations in matured industry segments.

Q.2. How will stripping away field of membership rules that allow credit unions to focus on the particular needs of their communities allow for greater financial inclusion and access to credit for consumers?

A.2. The NCUA is not stripping away field of membership rules. The NCUA recommends credit unions whose membership consist primarily of persons working in maturing industries understand the risks and take steps to diversify their portfolios to ensure greater economic resilience over the longer term. Diversification is a sound busines practice for a credit union, and collectively helps to protect the Share Insurance Fund from excessive risks.

Over the years, the NCUA has a history of working with credit unions affected by structural economic changes including the garment industry in the Northeast; automotive, steel, and other heavy manufacturing along the Midwest and Great Lakes region; and nationally with the Base Realignment and Closure Commissions to name a few. Expansion of the field of membership for these credit unions diversifies and mitigates concentration risks.

Q.3. In your statement for the March 31, 2021, Financial Stability Oversight Council (FSOC) climate risk meeting, you stated that "over time, climate change will affect the value of collateral like homes and commercial properties, especially in areas affected by extreme weather and vehicles as we transition to electric and hybrids."

Beyond the purchase of flood insurance in instances where such insurance is required, are you suggesting that borrowers will be

unable to obtain financing through a credit union without agreeing to progressive environmental covenants, such as agreeing to install solar panels?

A.3. No. Over time, climate change may affect the value of collateral, like homes and commercial properties, especially in areas affected by extreme weather. My goal is to ensure that our regulated institutions remain resilient against all material risks, including the risks to collateral held for security for a loan that is subject to risks posed by climate change and the increase in climate-related natural disasters. In our oversight, the NCUA should evaluate whether credit unions are addressing those risks through insurance or other risk-mitigation techniques.

Q.4. Further, are you are suggesting loans backed by internal combustion engine vehicles would be rated as higher risk when compared to a similar loans for electric vehicles?

A.4. No. The market will drive the value of vehicles. My remarks were referring to transition risk and the process of adjusting to a low-carbon economy and not to the level of risk associated with lending on gas powered automobiles.

That being said, the market-driven value of collateral vehicles will also be affected as some consumers transition away from fossil fuels and towards electric cars, hybrid automobiles, and ride-sharing services. All the major car makers have hybrids, plug-in hybrids, and electric vehicles available now and some automakers have announced they will be all electric by 2030. Industry analysts are projecting that this transition to electric vehicles will reduce the demand for gas-powered vehicles. It is prudent for credit unions to be cognizant of these changes during strategic planning and risk mitigation discussions.

Q.5. Given the length of an auto loan is 5 to 7 years, does the NCUA have evidence of changes in a vehicle's collateral value within that time period?

A.5. While the NCUA monitors the state of the automotive market and its effects on credit union auto lending, as a regulator we do not monitor for precise changes in collateral value for new or used auto loans. We examine credit unions to determine whether safe and sound practices are being employed in their credit risk management practices. Our interest is in whether a credit union has sufficient collateral coverage throughout the life of the loan.

Q.6. In addition to record high prices for new and used vehicles, according to Experian,[1] only 2 percent of all new vehicle registrations in the first quarter of 2021 were for electric vehicles. If the NCUA were to limit access to credit for 98 percent of the auto market in order to achieve the Biden administration's climate goals, wouldn't the NCUA be violating its mission "to ensure the Nation's system of cooperative credit remain safe and sound"?

A.6. The NCUA is not limiting access to credit. In fact, the agency's goal is to increase access to save, fair, and affordable credit for credit union members. The NCUA examines credit unions to deter-

[1] See *https://www.experian.com/content/dam/noindex/na/us/automotive/market-trends/q1-2021-experian-automotive-quarterly-market-trends-briefing-final-ext.pdf.*

mine whether safe-and-sound practices are being employed in their credit risk management practices. The agency's interest is in whether a credit union has sufficient collateral coverage. My statement at the March 31, 2021, Financial Stability Oversight Council meeting acknowledges that climate change will impact collateral values over time as extreme weather events become more frequent across the country. It is prudent for credit unions to consider these changes and the potential impacts to their portfolios and business lines.

Q.7. I understand the NCUA has launched a working group to identify climate risk in credit union portfolios. My understanding is that zero losses in NCUA's Office of Inspector General Material Loss Reviews have been attributed to climate change. What empirical data, particularly concerning credit union losses, are you relying on to reach a conclusion that climate risk should be an integral part of NCUA's oversight mission?

A.7. As the prudential regulator and insurer for credit unions, the NCUA must assess ways in which climate change poses financial risk to federally insured credit unions and the Share Insurance Fund. To understand, monitor and mitigate these risks, the NCUA assembled an internal climate financial risk working group.

The NCUA is also participating with the interagency Financial Stability Oversight Council's Working Group on Climate Risk. Other participating agencies include the U.S. Department of the Treasury, Federal Reserve Board, Office of the Comptroller of the Currency, Federal Deposit Insurance Corporation, Securities and Exchange Commission, Commodity Futures Trading Commission, Consumer Financial Protection Bureau, Federal Housing Finance Agency, and the National Association of Insurance Commissioners.

The financial sector is undertaking a broad evaluation of the financial risks associated with climate change and how to best prepare for potential market disruptions associated with climate change. Central banks around the world and other global financial regulatory agencies are engaged in similar efforts.

Although the NCUA Office of Inspector General has not attributed losses directly to climate change, I am aware of at least one credit union that failed because of Hurricane Katrina, and there is anecdotal evidence that several others failed or were forced to merge when their membership did not return to the area in the aftermath of Katrina. The credit union that failed cost the Share Insurance Fund more than $500,000.

Climate disasters result in damage to credit unions and, in many cases, losses to records and systems. In 2020 alone, there were 22 billion-dollar-plus disasters, costing the U.S. economy $95 billion.[2] Further, climate disasters not only impact a credit union's membership, but also the officials and employees of a credit union who live in the same community and face the same risks as their membership. Climate disasters can also affect the physical assets of the commercial space in which a credit union conducts business.

[2] See, *https://www.ncei.noaa.gov/news/national-climate-202012*.

RESPONSES TO WRITTEN QUESTIONS OF SENATOR REED FROM TODD M. HARPER

Q.1. At the hearing, you stated that federally chartered credit unions are subject to an interest rate ceiling of 18 percent for most loans and 28 percent for payday alternative loans. Are State-chartered credit unions subject to any such interest rate ceilings?

A.1. Only federally chartered credit unions are subject to the loan rate ceiling as set forth in 12 U.S.C. §1757(5)(A)(vi). State-chartered credit unions are subject to State usury laws.

RESPONSES TO WRITTEN QUESTIONS OF SENATOR MENENDEZ FROM TODD M. HARPER

Q.1. My home State of New Jersey and 47 other States have passed legislation authorizing some form of cannabis for regulated medical or adult-use purposes. But we all know that businesses that serve this market have found themselves shut out of the banking system and forced to operate exclusively in cash, often creating serious public safety risks in our communities.

The SAFE Banking Act, which I cosponsored, would fix this problem by allowing banks to provide financial services to cannabis businesses. I also introduced the CLAIM Act, which would ensure that legal marijuana and related businesses have access to comprehensive and affordable insurance coverage.

Do you believe that financial institutions and marijuana-related businesses need legislative clarity on these issues?

A.1. Yes. Credit unions would benefit from legislative clarity on the legality of financial institutions providing banking services to cannabis-related businesses.

RESPONSES TO WRITTEN QUESTIONS OF SENATOR VAN HOLLEN FROM TODD M. HARPER

Q.1. While the U.S. continues to experience a disturbing uptick in economic and racial inequality, we must recognize that climate change is increasingly a threat multiplier for these economic trends and harms. Lower income households and lower income communities alike face trouble financing the predisaster resilience measures and postdisaster recovery efforts that they need to avoid further growth of the wealth gap. Climate-fueled disasters disproportionately affect lower income communities and households: they can act as tipping points for families and individuals on the edge, pushing the marginally homeless into homelessness, those living paycheck-to-paycheck into debt and financial insecurity, and consuming any small savings that had been accumulated for housing, education, or other purposes.

How have practices like redlining—perhaps used by financial institutions you supervise—led to climate vulnerabilities for lower income communities and communities of color? What are you doing right now to study the effects that redlining had and continues to have on modern access to financial services, particularly related to climate impacts?

A.1. I am aware of articles and studies linking specific redlined neighborhoods to negative environmental circumstances exacer-

bated by climate change. But, I am unsure how involved credit unions were historically, and the NCUA has no independent data or research related to this specific issue. The NCUA's fair lending examination program, however, does examine for redlining and reverse redlining. Specific supervisory policies and examination strategies addressing climate vulnerability will be considered as we continue to study the effects of climate change on credit unions and the communities they serve.

Redlining and reverse redlining are areas of focus for the NCUA. The NCUA, for example, is part of the President's Property Appraisal and Valuation Equity initiative, otherwise known as PAVE, and the agency is also evaluating our supervisory policy to understand causal relationships and mitigating policies and procedures necessary to address the impact of appraisal bias. As the NCUA continues to study climate impact on credit unions and the communities they serve, the agency will work toward effective supervisory policies to address equity in climate resilience.

Q.2. How can we stop this feedback loop of vulnerability? What regulatory tools do you have to make sure lower income households and communities have access to the full range of financial services they need to contend with the increasing impacts of the climate crisis?

A.2. Regulating credit unions differs from the mandate and work of other prudential regulators because credit unions are by definition member-owned. In this context, the NCUA is focusing on how to incorporate climate considerations into the agency's core obligations of maintaining the safety and soundness of credit unions, protecting credit union members, and safeguarding the National Credit Union Share Insurance Fund.

Q.3. Flooding and wildfires are two climate-crisis fueled disasters that are leading insurers to withdraw from vulnerable communities. In California, for instance, a moratorium on withdrawal is the only thing protecting some wildfire threatened communities from loss of insurance, but prices have skyrocketed and coverage limits have fallen.

What are the consequences of the withdrawal of insurers on the availability of credit in affected communities (in terms of mortgages, municipal loans, and small business loans)?

A.3. Withdrawal of some or all hazard insurers from climate vulnerable communities will raise the cost of financing and limit access to credit. The National Flood Insurance Program is required under law if a property financed by a credit union is located in a special flood hazard and the community is participating. Recent efforts to increase private market participation has expanded access to insurance for flood vulnerable communities; however, the costs to insure remain a challenge for underserved and low-income communities which could affect housing affordability.

Q.4. What are you doing right now to monitor whether banks and credit unions are withdrawing credit from vulnerable communities in response to the loss of insurance or other physical impacts from the climate crisis?

A.4. As of now, the NCUA has not identified concerns with insurability through our credit union examination program. To the extent that credit unions may withdraw or expect to withdraw credit from certain affected communities because of the lack of insurers in those areas, the NCUA will maintain awareness of these developments through our examiners, who conduct reviews of credit unions, and possibly other channels, including credit union trade groups.

Q.5. High-cost lenders often argue that because of fixed underwriting and back office costs, it is not economically feasible to provide responsible, small-dollar loan products that comply with a 36 percent rate cap. Do you think that's true? Why or why not?

A.5. No, I do not think that is true. Small-dollar short-term loans are typically for very short periods, with virtually no underwriting of the borrower making them typically riskier than traditionally underwritten loans. In addition, setup and administrative costs are usually recovered through an application or processing fee. The cost is imputed into the APR, and with very short-term loans, the imputed APR will exceed 36 percent. Herein lies the challenge for small dollar lenders. The NCUA Payday Alternative Loan (PALs) program is designed to limit charges to member borrowers to cost recovery through restricted application fees of no more than $20 and a maximum interest rate of 28 percent. Many credit unions are successfully managing PALs programs under those terms. In addition, many other credit unions make small-dollar short-term loans outside of the PALs program and below the agency's current 18-percent interest cap.

RESPONSES TO WRITTEN QUESTIONS OF SENATOR CORTEZ MASTO FROM TODD M. HARPER

Q.1. How are your agencies implementing the significant changes occurring under the Anti–Money Laundering and Corporate Transparency Act of 2020? Are there any concerns with implementation of this law that we should be aware of?

A.1. The NCUA is meeting weekly with the Financial Crimes Enforcement Network (FinCEN) and the other Federal banking agencies to discuss implementation of the Anti–Money Laundering Act (AMLA) and the Corporate Transparency Act (CTA). The NCUA is preparing to implement the various provisions of the AMLA and the CTA, as needed, as FinCEN issues guidance on the various rules and provisions involved.

Regarding concerns about implementation, the agency does not have any currently. FinCEN is still determining how to implement many of the provisions under AMLA and CTA.

Q.2. How does NCUA's Community Development Revolving Loan Fund grant initiative support cybersecurity investments?

A.2. Cybersecurity has been a top concern—including a supervisory priority—for the agency for many years. As such, cybersecurity and digital services are consistently included as one of the eligible categories for Community Development Revolving Loan Fund technical grants. The NCUA annually approves the initiatives the agency funds with its CDRLF appropriation. Except for 2020, when

the Board made the strategic decision to target grants to assist credit unions with meeting the unique challenges of the COVID–19 pandemic, digital services and cybersecurity have been prominent:

- 2021: 83 grants totaling $529,517;
- 2019: 73 grants totaling $550,612;
- 2018: 141 grants totaling $1,251,670;
- 2017: 151 grants totaling $1,065,395;
- 2016: 112 grants totaling $752,529; and
- 2015: 82 grants totaling $735,778 for digital product development and 103 grants totaling $732,818 for cybersecurity and fraud prevention.

Digital service and cybersecurity grants may be used for a variety of projects, including strengthening a credit union's financial data systems to better detect and defend against cyberattacks, improve outreach, and offer members secure, digital financial services.

Finally, demand for the Community Development Revolving Loan Fund, which funds cybersecurity and digital development grants, regularly exceeds the amount of funds available for these grants. As an NCUA Board Member and now Chairman, I have regularly called for increasing appropriations for the Community Development Revolving Loan Fund. With more funding, the agency could increase the number of credit unions receiving grants and increase the size of the grants. The NCUA does not use appropriated funds to administer the Community Development Revolving Loan Fund. Thus, every penny of appropriations goes to eligible low-income credit unions and their member-owners.

Q.3. How is NCUA examining ways to strengthen cybersecurity reviews during regular examinations of credit unions?

A.3. The NCUA's examination program for information technology and cybersecurity leverages two main tools:

- Automated Cybersecurity Examination Tool (ACET): The ACET allows the NCUA and credit unions to determine the maturity of a credit union's information security program. The assessment incorporates appropriate cybersecurity standards and practices established for financial institutions. The assessment maps each of its declarative statements to these best practices found in the Federal Financial Institutions Council's *IT Examination Handbook*, regulatory guidance, and leading industry standards like the National Institute of Standards and Technology's *Cybersecurity Framework*.
- Information Technology Risk Examination for Credit Unions (InTREx-CU): The NCUA is piloting InTREx-CU, an enhanced, risk-based approach for conducting IT examinations, designed to identify and address IT and cybersecurity risks.

Finally, the NCUA is enhancing the agency's current IT examination training program to include how to perform an effective review of a credit union's IT security controls.

RESPONSES TO WRITTEN QUESTIONS OF CHAIRMAN BROWN FROM JELENA MCWILLIAMS

Q.1. The FDIC often issues guidance to help financial institutions and facilitate recovery in areas that have been affected by severe storms, flooding, tornadoes, or other severe weather and natural disasters. How many disaster relief financial institution letters has the FDIC issued since 2015? Please provide the number of FILs per year, and a breakdown by FDIC region and State.

A.1. Since January 2015, the FDIC has issued 86 Financial Institution Letters (FILs) to help financial institutions facilitate recovery efforts for areas that were affected by severe weather and offered individual assistance through a major disaster declaration.

The table below describes how many FILs were issued per year and by FDIC region and State.

Year	Total	Per Region	Per State/ Territory
2015	**10**	Atlanta – 1; Chicago – 2; Dallas – 4; Kansas City – 1; San Francisco – 2	Arkansas – 1; California – 1; Kentucky – 2; Northern Mariana Islands – 1; Oklahoma – 1; South Carolina – 1; South Dakota – 1; Texas – 2
2016	**17**	Atlanta – 6; Dallas – 10; Kansas City – 1	Arkansas – 1; Florida – 2; Georgia – 1; Louisiana – 3; Mississippi – 2; Missouri – 1; North Carolina – 1; South Carolina - 1; Tennessee – 1; Texas – 3; Virginia – 1; West Virginia – 1; ** 1 FIL included multiple states
2017	**11**	Atlanta – 3; Chicago – 1; Dallas – 3; Kansas City – 1; New York – 2; San Francisco - 1 ** 1 FIL included multiple regions	Arkansas – 1; California – 1; Florida – 1; Georgia – 2; Louisiana – 1; Michigan – 1; Missouri – 1; Mississippi – 1; Puerto Rico – 2; Texas – 1; U.S. Virgin Islands – 2; West Virginia – 1

			** 2 FILs included multiple states
2018	**14**	Atlanta – 4; Chicago – 3; Dallas – 1; San Francisco - 6	Alabama – 2; American Samoa – 1; California – 2; Florida – 1; Georgia – 1; Hawaii – 2; Indiana – 2; North Carolina – 2; Northern Mariana Islands – 1; South Carolina – 1; Texas – 1; Virginia – 1; Wisconsin – 1 ** 2 FILs included multiple states
2019	**8**	Atlanta – 1; Dallas – 4; Kansas City – 3	Alabama – 1; Arkansas – 1; Missouri – 1; Nebraska – 1; Oklahoma – 1; South Dakota – 1; Texas – 2
2020	**17**	Atlanta – 3; Chicago – 1; Dallas – 5; Kansas City – 1; New York 3; San Francisco - 4	Alabama – 1; California – 2; Florida – 1; Iowa – 1; Louisiana – 2; Michigan – 1; Mississippi – 1; Oregon – 2; Puerto Rico – 3; South Carolina – 1; Tennessee – 2
2021 **(as of 8-16-21)**	**9**	Atlanta – 2; Chicago 2; Dallas – 5	Alabama – 1; Kentucky – 1; Louisiana – 2; Michigan – 1; Oklahoma – 1; Tennessee – 1; Texas - 1; West Virginia – 1

Q.2. Congress recently acted on a bipartisan basis to overturn the OCC's "true lender" rule, which allowed predatory lenders to evade State interest rate laws through "rent-a-bank" schemes. The FDIC supervises most of the banks that are facilitating these evasive and usurious loans. While the FDIC has said that it disapproves of rent-a-bank schemes, it has done nothing to crack down on these predatory practices. Will the FDIC take action to protect consumers and prevent banks from helping predatory lenders?

A.2. The FDIC is statutorily empowered to examine FDIC-supervised institutions and the banking-related functions and operations performed by third parties that partner with banks for compliance with all applicable laws and regulations, including consumer protection laws and regulations.

FDIC-supervised institutions and other banking organizations are permitted to contract with third parties in connection with their product and service offerings. These third-party relationships can increase the availability of consumer products and improve customers' access to, and the functionality of, banking services, such as mobile payments, credit-scoring systems, and customer point-of-sale payments. Competition, advances in technology, and innovation in the banking industry contribute to banking organizations' increasing use of third parties to perform business functions, deliver support services, and facilitate providing existing and new products and services.

Regardless of whether a banking organization conducts activities directly or with a third party, the banking organization must conduct the activities in a safe and sound manner and in a manner consistent with applicable laws and regulations, including those designed to protect consumers. The FDIC uses its statutory authority to regularly examine FDIC-supervised institutions and the banking-related functions and operations performed by third parties. In those examinations, the FDIC evaluates—in addition to general safety and soundness risks—a third party's compliance with applicable laws and regulations, such as consumer protection laws and regulations related to fair lending and unfair or deceptive acts or practices. The FDIC pursues appropriate corrective measures, including enforcement actions, to address violations of law and regulations by an FDIC-supervised institution or a third party.

Specifically regarding interest rates, section 27 of the Federal Deposit Insurance Act (FDI Act) permits a State bank to "export" to out-of-State borrowers the interest rate permitted by the State in which the State bank is located, and to preempt the contrary laws of such borrowers' States. Enacted in 1980, section 27 was patterned after section 85 of the National Bank Act, which similarly allows national banks to "export" the interest rates of their home States to borrowers residing in other States. A State may opt out of the coverage of section 27 by adopting a law, or certifying that the voters of the State have voted in favor of a provision, stating explicitly that the State does not want section 27 to apply with respect to loans made in that State. Iowa and Puerto Rico have opted out of the coverage of section 27 in this manner.

Over the years, interpretative questions have arisen regarding section 27 of the FDI Act. For example, to address questions regarding the appropriate State law that should govern the interest

charges on loans made to customers of a State bank chartered in one State (its home State) but that has a branch or branches in another State (its host State), the FDIC published FDIC General Counsel's Opinion No. 11 in May 1998. More recently, the FDIC issued a final rule in 2020 addressing two statutory gaps in section 27 to clarify the law governing the interest rates that State banks may charge. In these and other actions, the FDIC has sought to interpret section 27 in a manner consistent with the goals of section 27 as outlined by Congress.

Q.3. Machine learning—when computers optimize data based on relationships they find without the traditional and prescriptive algorithm—is one of the key features of artificial intelligence. Whether due to the fact that existing data has biases against specific groups or machine learning establishing new relationships between certain traits and certain groups that do not necessarily have causal properties, machine learning can perpetuate discrimination and systemic racism. You recently issued a joint request for information on financial institutions' use of artificial intelligence, including machine learning. How does your agency aim to reduce the risk of AI perpetuating discrimination and systemic racism through machine learning? Will you commit to enforcing fair lending, consumer protection, and civil rights laws and existing supervisory policies when it comes to the use of AI by the institutions you regulate?

A.3. Artificial intelligence (AI) has the potential to augment financial institutions' decision making, expand access to credit, and enhance services available to a broad range of consumers and businesses if properly managed. The appropriate use of AI could also expand inclusion in our financial system by improving access to credit and lowering the cost of credit. However, the FDIC expects institutions to manage potential risks resulting from the use of AI, including by reviewing and testing data and decision-making methodologies for continued compliance with fair lending and other consumer protection requirements. The recent joint request for information regarding the use of AI [1] sought commenters' views regarding the topic of fair lending. Our staff is reviewing the comments submitted in response to the request for information. The FDIC is committed to examining FDIC supervised institutions for compliance with fair lending, consumer protection, and all other applicable laws and regulations, and to taking appropriate supervisory action to rectify any violations.

RESPONSES TO WRITTEN QUESTIONS OF SENATOR TOOMEY FROM JELENA MCWILLIAMS

Q.1. Recently, the Biden administration suggested that excessive bank consolidation has made the markets for financial services uncompetitive. This seems to ignore that there are over 5,000 banks serving consumers across the country, in addition to countless nonbank financial institutions competing with banks to offer finan-

[1] Board of Governors of the Federal Reserve System (Federal Reserve), Bureau of Consumer Financial Protection, FDIC, National Credit Union Administration, and Office of the Comptroller of the Currency (OCC), Request for Information and Comment on Financial Institutions' Use of Artificial Intelligence, including Machine Learning, 86 FR 16837 (March 31, 2021), available at *https://www.govinfo.gov/content/pkg/FR-2021-03-31/pdf/2021-06607.pdf.*

cial services. It also seems designed to distract from the much-needed conversation about how to make this already-competitive market even more robust by encouraging de novo bank formation.

It has been further suggested by some, including at the August 3, 2021, Senate Banking Committee hearing at which you testified, that the lack of formal bank merger denials by the financial regulators means that the regulators "rubber stamp" bank merger applications and contribute to supposed market concentration. However, this ignores the unfortunate practice of financial regulators who historically have commonly delayed, restarted, or otherwise complicated the bank merger process rather than conclude the review and issue a firm denial, so that applicants instead are left to give up and simply withdraw or not refile their applications. Unfortunately, this problem has often plagued de novo applications as well. When considering any application from regulated entities, it should be uncontroversial to expect regulators to be thorough and careful, and simultaneously transparent, consistent, and fair.

Your important efforts to improve processes at the FDIC, and to provide transparency and regulatory certainty, have had significant positive effects on the banking system including the sharp increase in de novo banks under your leadership. It should be a goal across the Government to replicate that success and help make the market for financial services even more robust and competitive, not by preventing banks from adapting, but by encouraging new banks to enter the market.

How can the financial regulators improve processes, such as reviewing applications for mergers and for de novo bank charters?

How has the FDIC reviewed merger applications under your leadership?

Do historical merger application denial rates present an accurate picture of the number of mergers sought compared with the number approved?

What processes and policies at the FDIC have been most helpful in encouraging de novo bank formation?

What other regulatory or legislative changes could help encourage de novo bank applications?

A.1. Encouraging bank formation has been one of my key priorities at the FDIC.[1] Since I was sworn in as Chairman on June 5, 2018, aided by the improvements in the de novo application process summarized below, the FDIC has approved 45 de novo banks, compared to just eight de novo banks approved between January 1, 2011, and June 5, 2018.[2] Because an overly burdensome application process can deter prospective banks from applying or completing an application, in 2018 we began a series of initiatives to improve the de novo application process. At a high-level, these efforts included: outreach and requests for comments on process improvement; measures to enhance transparency of the FDIC's eval-

[1] See Jelena McWilliams, "We Can Do Better on De Novos", *Am. Banker* (Dec. 6, 2018), available at *https://www.americanbanker.com/opinion/fdic-chairman-jelena-mcwilliams-we-can-do-better-on-de-novos.*

[2] Number of approvals does not include shelf charters (new banks formed to acquire a failed bank or another bank), conversions (which includes credit unions converting into banks, or new banks that are spin-offs of existing banks), or new subsidiaries of a banking organization that already has an affiliated bank.

uation criteria and expected timeframes; and enhancing the timeliness and clarity of the FDIC's feedback to applicants.

More specifically, to better understand the perspective of applicants, we conducted multiple FDIC-hosted roundtables across the country to gather feedback from stakeholders about what was working well and what needed improvement in the de novo application process. We also sought input through a request for information to gather additional ideas for enhancements, specifically asking for comment regarding the "transparency and efficiency of the process, and any unnecessary burdens that have become a part of the process." [3] The FDIC also established a voluntary draft application filing process to allow applicants an opportunity to receive feedback on applications before formally filing the application. [4] Staff developed a Handbook for Organizers and published it on the FDIC website to serve as a resource for interested parties. [5]

The FDIC also updated policies, procedures, and delegations of authority to improve the application process. The FDIC further improved transparency into the applications process by making public the procedural manuals that guide FDIC reviews of applications, updating and publishing internal processing timeframe goals, and making performance metrics public to enable interested parties to monitor FDIC performance against the established timeframes. [6] This allows interested parties to understand the application process and see final dispositions. Publication of internal processing timeframe goals and actual performance also supports the internal monitoring of pending applications at all levels of the FDIC.

Importantly, FDIC officials at Regional Offices and the Washington Office are accessible to interested parties to respond to questions and discuss specific applications and the applications process generally. These discussions are helpful for both applicants and regulators as well because they are a useful tool to avoid misunderstandings and allow the parties to address complex or unusual aspects of a proposal early in the process.

Although we are encouraged by the increase in de novo activity thus far, we continue to explore whether there are additional steps that could further encourage de novo banks. Like any dynamic industry, the banking sector needs new startups entering the marketplace to bring forth new capital, talent, ideas, and ways to serve customers, and we will continue to work to encourage de novo bank formation.

Merger applications are evaluated against the statutory factors contained in section 18(c) of the FDI Act. Staff thoroughly analyzes these factors and approves or recommends approval if the application satisfies the statutory factors. As with de novo applications, the FDIC has increased the transparency related to the processing of merger applications by posting performance metrics related to its

[3] See FDIC, "Request for Information on the FDIC's Deposit Insurance Application Process", 83 FR 63,868 (Dec. 12, 2018), available at *https://www.govinfo.gov/content/pkg/FR-2018-12-12/pdf/2018-26811.pdf.*

[4] See FDIC, "Review Process for Draft Deposit Insurance Proposals", FIL-82-2018 (Dec. 6, 2018), available at *https://www.fdic.gov/news/financial-institution-letters/2018/fil18082.html.*

[5] See FDIC, "Applying for Deposit Insurance: A Handbook for Organizers of De Novo Institutions" (Dec. 2019), available at *https://www.fdic.gov/regulations/applications/depositinsurance/handbook.pdf.*

[6] See FDIC, "Bank Application Resources", available at *https://www.fdic.gov/regulations/applications/resources/.*

processing of merger applications to the FDIC's public website. This allows the public to monitor FDIC performance against the established internal timeframe goals. Additionally, the FDIC issues its policies, procedures, and delegations relevant to merger applications publicly to serve as a resource to the industry and other interested parties.

Historical merger application denial rates do not present an accurate picture of the number of mergers sought compared with the number approved. Applicants usually choose to withdraw an application before receiving a public denial. However, applications may be withdrawn for any number of reasons, so a withdrawn application does not necessarily indicate a possible denial. The FDIC's Trust Through Transparency webpage[7] includes a running 12 months of data related to merger application disposition, including approvals, denials, withdrawals, and returns, as well as a search tool that may be used to review disposition of an individual merger application. FDIC annual reports also include application data.

RESPONSES TO WRITTEN QUESTIONS OF SENATOR REED FROM JELENA MCWILLIAMS

Q.1. The Federal Reserve, OCC, and FDIC in January 2021 published a joint notice of proposed rulemaking (NPR) on cybersecurity that would require a bank to notify its regulator of cybersecurity breaches within 36 hours. The NPR would also require a bank's service providers to notify the bank if it experiences a cybersecurity breach. As a result of cyberbreaches at banks, personal and account information of customers have been compromised. Please describe the importance of notification and disclosure obligations for cybersecurity incidents.

A.1. The FDIC recognizes that a severe computer security incident may impair the ability of a banking organization to provide financial services to its customers for an extended period of time, or even threaten its viability. There is, however, no Federal requirement that banking organizations promptly notify regulators of such incidents unless such an incident involves unauthorized access to sensitive customer information.

It is important to the banking regulators' missions that they be notified of significant computer-security incidents. For example, prompt notice of incidents may alert the banking regulators to systemic issues. In addition, an incident may so severely impact a banking organization that it can no longer serve its customers, creating a risk of failure. In these cases, the sooner the agencies know of the event, the better they can assess the extent of the threat and take appropriate action.

The FDIC, the Federal Reserve, and OCC received 35 comment letters in response to the proposed rulemaking. FDIC staff have reviewed the comment letters received and are collaborating with the other agencies on issuing a final rule.

Q.2. The Federal Reserve, OCC, and FDIC are in the process of implementing revisions to their capital rules. The Basel Committee's

[7] See FDIC, "Trust Through Transparency", available at *https://www.fdic.gov/about/initiatives/trust-throughtransparency/*.

revised methodology for calculating operational risk would, if implemented, replace a dynamic and risk-sensitive measure with a more static approach. According to the Basel Committee's analysis, this change could result in a meaningful reduction in the aggregate operational risk capital requirements for the largest, most internationally active U.S. banks. Can you provide assurances that the forthcoming revisions to the agencies' capital rules will not result in the largest banks holding less capital to protect against operational risk, including cybersecurity breaches?

A.2. The global financial crisis showed the importance of our largest banks appropriately managing, measuring, and maintaining sufficient capital to protect against operational risk. However, the global financial crisis also highlighted the difficulties that were associated with the existing operational risk model in appropriately measuring operational risk exposure. As a result, the Basel Committee revised its methodology for calculating operational risk to remove reliance on banks' internal models and, instead, to use a standardized approach. This move by the Basel Committee was intended to replace the internal-model driven approach which proved to be problematic during the financial crisis.

According to the Basel Committee analysis released in December 2020, the revised methodology for calculating operational risk would reduce the operational risk capital requirement for banks in some jurisdictions while increasing required capital for others. The Federal banking agencies are currently considering the implementation of the Basel III reforms in the United States and are reviewing the changes to the operational risk framework, including how to implement the new standardized approach for operational risk for the largest, most internationally active banks so that these banks have sufficient capital to protect against potential operational risk losses. The agencies will seek public comment on any proposal to implement the Basel III reforms, including the standardized approach for operational risk, and will carefully consider your concerns on this matter as well as those received from the public.

RESPONSES TO WRITTEN QUESTIONS OF SENATOR VAN HOLLEN FROM JELENA MCWILLIAMS

Q.1. Since the 2008 recession, many bank branches nationwide have shut their doors, with 6,008 banks closing between 2008 and 2016, over 6 percent of branches nationally. On the State level, Maryland had the third highest proportional losses, with 246 bank branches closing, representing a 13.8 percent loss. Nationally, 22 percent of adults are underbanked or unbanked, with lower income individuals or those in racial or ethnic minority groups being more likely to fall into this category.

Putting the issue of de novo bank charter applications aside, can the rules under the Community Reinvestment Act be modernized in ways that reverse this troubling trend of banking deserts in places like Baltimore? What can we do to stem the tide of these branch closures?

A.1. Examiners review and evaluate the accessibility and effectiveness of retail services of large banks under Community Reinvest-

ment Act (CRA) Performance Evaluation rules. This review includes a review of the impact of any branch closures on such access. Specifically, examiners evaluate the accessibility of an institution's branch offices and alternative delivery systems and their effectiveness when delivering retail banking services within low- and moderate-income (LMI) geographies and to LMI individuals.

In addition, and as indicated in our July 2021 interagency statement,[1] the FDIC is committed to working with the OCC and Federal Reserve to issue jointly a single rule to strengthen and modernize regulations implementing the CRA. We will be guided in this rulemaking by the CRA's fundamental purpose of encouraging banks to help meet the credit needs of their communities, including LMI neighborhoods, consistent with safe and sound banking practices.

Q.2. While the U.S. continues to experience a disturbing uptick in economic and racial inequality, we must recognize that climate change is increasingly a threat multiplier for these economic trends and harms. Lower income households and lower income communities alike face trouble financing the predisaster resilience measures and postdisaster recovery efforts that they need to avoid further growth of the wealth gap. Climate-fueled disasters disproportionately affect lower income communities and households: they can act as tipping points for families and individuals on the edge, pushing the marginally homeless into homelessness, those living paycheck-to-paycheck into debt and financial insecurity, and consuming any small savings that had been accumulated for housing, education, or other purposes.

How have practices like redlining—perhaps used by financial institutions you supervise—led to climate vulnerabilities for lower income communities and communities of color? What are you doing right now to study the effects that redlining had and continues to have on modern access to financial services, particularly related to climate impacts?

A.2. For a number of reasons, many communities have lived in areas where financial services have been costly or difficult to obtain. We have prioritized trying to improve access to financial services in these communities; we describe these efforts in Question 3 immediately below. The FDIC has also conducted research on the effects of climate events (hurricanes, drought, and wildfires) on local economic and banking conditions. We recognize that some LMI customers live in areas more vulnerable to the effects of climate change. As part of our research, we have analyzed economic conditions in LMI areas before and after climate events, and this is an area we continue to explore.

The FDIC remains steadfast in its commitment to increasing access to financial services for traditionally underserved communities, and we are taking a number of novel actions to tackle these pressing issues, as described in further detail below.

Q.3. How can we stop this feedback loop of vulnerability? What regulatory tools do you have to make sure lower income households

[1] See FDIC, "Interagency Statement on Community Reinvestment Act Joint Agency Action", (July 20, 2021), available at *fdic.gov/news/press-releases/2021/pr21067.html.*

and communities have access to the full range of financial services they need to contend with the increasing impacts of the climate crisis?

A.3. Financial inclusion is integral to the FDIC's mission of maintaining stability and public confidence in the Nation's financial system and is integral to ensuring that lower income households have access to the full range of mainstream financial services. It is a top organizational priority for the agency and is the focus of a specific corporate performance goal. The FDIC is taking a multipronged approach to tackle the issue of closing the gap in financial inclusion.

Conducting Targeted Public Awareness Campaigns

In early April 2021, the FDIC launched a public awareness campaign to inform consumers about the benefits of developing a relationship with a bank in two metropolitan areas, Atlanta-Sandy Springs-Alpharetta, Georgia, and Houston-The Woodlands-Sugar Land, Texas, to join the banking system.[2] As part of a pilot, FDIC ran streaming audio, digital display, mobile video ads, and streaming television ads in these communities between early April and early July. Having a basic checking account can be an important first step to becoming part of the financial fabric of this country and we are pleased that an increasing number of banks are offering low-cost and no-fee accounts that work for people with limited means.

The campaign aimed to help achieve the goal of "promoting the availability, access, and use of affordable, insured transaction and savings accounts," as outlined in the FDIC Economic Inclusion Strategic Plan.[3] The FDIC's public awareness campaign is part of a multiyear initiative, which includes efforts to encourage more banks to offer low-cost and no-fee accounts, to promote stronger local networks that can connect people to the banks, and to lead communications initiatives.

Collaborating With Minority Depository Institutions (MDIs) and Community Development Financial Institutions (CDFIs)

We know that community banks, including MDIs and CDFIs, are often the financial lifeblood of many communities and can play an outsized role in closing the gap in financial inclusion. Adopting new technologies that meet the demands of consumers can be especially difficult for these banks, however, which lack the economies of scale of larger institutions. Therefore, the FDIC is pursuing an array of solutions to foster innovation at community banks to increase their ability to serve their communities and to compete effectively in the modern era. For example, this month the FDIC announced the launch of the Mission-Driven Bank Fund, a capital investment vehicle being developed by the FDIC that will channel private sector investments to support MDIs and CDFIs.[4] Microsoft

[2] See FDIC, "#GetBanked" (April 5, 2021), available at *www.fdic.gov/GetBanked.*

[3] This plan promotes the widespread use of affordable and sustainable products and services from insured depository institutions that help consumers and entrepreneurs meet their financial goals. See FDIC, "Economic Inclusion Strategic Plan" (June 2019), available at *https://www.fdic.gov/consumers/community/documents/eisp.pdf.*

[4] See FDIC, "FDIC Launches Mission-Driven Bank Fund" (Sept. 16, 2021), available at *https://www.fdic.gov/news/press-releases/2021/pr21086.html*; FDIC, "FDIC Seeks Financial

Continued

and Truist Financial Corporation are anchor investors and Discovery, Inc. is a founding investor, bringing the combined initial commitment to $120 million, with additional investments expected. The fund will support MDIs and CDFIs to build size, scale, and capacity that will in turn allow them: to provide affordable financial products and services to individuals and businesses; to stimulate economic and community development; and to build opportunity and prosperity. The FDIC will not manage the fund, contribute capital to the fund, or be involved in the fund's investment decisions.

Bringing together stakeholders through the inclusion tech sprint The FDIC's Office of Innovation, FDITECH, announced a tech sprint in June that explores new technologies and techniques that would help expand the capabilities of community banks to meet the needs of unbanked households.[5] FDITECH is using tech sprints as a novel tool to tackle the gap in financial inclusion. A tech sprints brings together a diverse set of stakeholders in collaborative settings for a short period of time to intensely focus on specific challenges with implications for the FDIC or its regulated entities.

This tech sprint was designed as a public challenge to banks, nonprofits, private companies, and others to help us reach that "last mile" of unbanked Americans. Specifically, the FDIC has asked participants to answer the following question: "Which data, tools, and other resources could help community banks meet the needs of the unbanked in a cost-effective manner, and how might the impact of this work be measured?" Eight teams came together for a demonstration day on September 10, 2021; three winning teams were selected.[6]

Harnessing Innovative Solutions

The FDIC is using its authorities to better understand technological advancements occurring in the market place that have the potential to expand access to financial services while ensuring compliance with applicable consumer protection and privacy laws. For example, the FDIC, along with the other Federal bank regulatory agencies, issued a statement encouraging the responsible use of alternative data in credit underwriting.[7] Using alternative data can improve the speed and accuracy of credit decisions and help firms evaluate the creditworthiness of consumers who might not otherwise have access to credit in the mainstream credit system.

Additionally, in March of this year, we issued an interagency request for information on financial institutions' use of AI, including

---

Advisor To Establish New 'Mission-Driven Bank Fund' To Support FDIC-Insured Minority Banks and Community Development Financial Institutions" (Nov. 18, 2020), available at *https://www.fdic.gov/news/press-releases/2020/pr20125.html.*

[5] See FDIC, "FDITECH Launches Tech Sprint To Reach More Unbanked People", FIL-43-2021 (June 16, 2021), available at *https://www.fdic.gov/news/financial-institution-letters/2021/fil21043.html.*

[6] See FDIC, "FDITECH Selects Eight Teams in Tech Sprint To Reach the Unbanked" (Aug. 12, 2021), available at *https://www.fdic.gov/news/press-releases/2021/pr21071.html; FDIC, "FDITECH Selects Three Winning Teams in Tech Sprint To Reach the Unbanked" (Sept. 13, 2021), available at https://www.fdic.gov/news/pressreleases/2021/pr21085.html.*

[7] See "Federal Regulators Issue Joint Statement on the Use of Alternative Data in Credit Underwriting" (Dec. 3, 2019), available at *https://www.fdic.gov/news/news/press/2019/pr19117.html.*

machine learning.[8] AI has the potential to expand credit access in various ways, including through innovative use of data and more accurate, lower-cost underwriting.

Q.4. Flooding and wildfires are two climate-crisis fueled disasters that are leading insurers to withdraw from vulnerable communities. In California, for instance, a moratorium on withdrawal is the only thing protecting some wildfire threatened communities from loss of insurance, but prices have skyrocketed and coverage limits have fallen.

What are the consequences of the withdrawal of insurers on the availability of credit in affected communities (in terms of mortgages, municipal loans, and small business loans)?

A.4. Insurance and Government-support programs contribute to the resilience of community banks and borrowers affected by climate events. In some of the most common and hardest-hit areas, including the States of Florida with hurricanes and California with wildfires, States have provided supplementary insurance programs. Increases in the cost of insurance in areas that have been negatively affected by climate events could erode property values, among other consequences.

Q.5. What are you doing right now to monitor whether banks and credit unions are withdrawing credit from vulnerable communities in response to the loss of insurance or other physical impacts from the climate crisis?

A.5. Analyzing whether banks are withdrawing credit from communities as a result of climate events is difficult. Call Reports do not capture the geographic location of collateral or borrowers, and therefore our research (see response to Question 2 above) thus far has not included an analysis of loans before and after the climate events.

Furthermore, attributing causation to changes in credit for specific populations or communities can be particularly challenging. Nonetheless, the FDIC has not seen evidence that banks are withdrawing credit from communities in response to the loss of insurance or other physical impacts from the climate crisis in a widespread or systematic way. Still, monitoring, improving, and preserving access to credit and banking services for vulnerable communities remains a top priority for the FDIC, and we are continually challenging ourselves to do more to address the gap in financial inclusion.

RESPONSES TO WRITTEN QUESTIONS OF SENATOR CORTEZ MASTO FROM JELENA MCWILLIAMS

Q.1. How are your agencies implementing the significant changes occurring under the Anti–Money Laundering and Corporate Transparency Act of 2020? Are there any concerns with implementation of this law that we should be aware of?

A.1. The agencies are coordinating with each other and with the Financial Crimes Enforcement Network (FinCEN) to implement

[8] See "Request for Information and Comment on Financial Institutions' Use of Artificial Intelligence, Including Machine Learning5", 86 FR 16837 (Mar. 31, 2021), available at *https://www.govinfo.gov/content/pkg/FR-2021-03-31/pdf/2021-06607.pdf.*

the changes required by the Anti–Money Laundering Act of 2020 (AML Act), including the Corporate Transparency Act.

In June, FinCEN published the first Anti–Money Laundering/ Countering the Financing of Terrorism (AML/CFT) Priorities, in consultation with the FDIC, other Federal functional regulators, the Attorney General, relevant State financial regulators, and relevant national security agencies. [1] Concurrent with FinCEN's publication of the AML/CFT Priorities, the FDIC, along with other Federal banking agencies and FinCEN, issued a statement (1) affirming banks are not required to incorporate the AML/CFT Priorities into their risk-based Bank Secrecy Act (BSA) compliance programs until the effective date of the final revised regulations requiring such an adjustment; and (2) confirming examiners will not examine banks for the incorporation of the AML/CFT Priorities into their risk-based BSA compliance programs until the effective date of final revised regulations. [2]

Relevant to the AML/CFT Priorities, the FDIC, in coordination with the other Federal banking agencies, plans to amend its BSA compliance program rule conforming to FinCEN's AML compliance program rule changes. The FDIC also plans to amend its suspicious activity reporting regulation consistent with changes to be implemented by FinCEN, as applicable.

The FDIC has provided examiner and staff training regarding AML Act requirements. The FDIC has also provided an information session at a meeting of its Advisory Committee on Community Banking addressing AML/CFT Priorities, BSA/AML compliance program rule amendments, and changes to beneficial ownership data collection. The FDIC will continue to provide training to examiners and relevant staff, and to bankers regarding the implementation of the AML Act requirements.

The AML Act created two new Bank Secrecy Act Advisory Group (BSAAG) subcommittees. An FDIC deputy director is serving as a cochair of the BSAAG Subcommittee on Information Security and Confidentiality. The FDIC also has representation on the BSAAG Subcommittee on Innovation and Technology and has volunteered to colead a FinTech Symposium working group. These subcommittees will sunset 5 years after AML Act enactment, but may be renewed for 1 year periods after sunset.

The FDIC, along with other Federal Financial Institutions Examination Council (FFIEC) agencies, and in close collaboration with FinCEN, will update the FFIEC Bank Secrecy Act/Anti-Money Laundering Examination Manual for changes resulting from implementation of the AML Act.

Q.2. Please detail agency oversight regarding rent-a-bank schemes that permit lenders to avoid State usury caps?

A.2. The FDIC is statutorily empowered to examine FDIC-supervised institutions and the banking-related functions and operations performed by third parties that partner with banks for compliance

[1] See FinCEN, "Anti-Money Laundering and Countering the Financing of Terrorism National Priorities", (June 30, 2021), available at *https://www.fincen.gov/sites/default/files/shared/AML-CFT%20Priorities%20(June%2030%2C%202021).pdf.*

[2] See FDIC, "Interagency Statement on the Issuance of the Anti-Money Laundering/Countering the Financing of Terrorism National Priorities", (June 30, 2021), available at *https://www.fdic.gov/news/financial-Institutionletters/2021/fil21046.html.*

with all applicable laws and regulations, including consumer protection laws and regulations.

FDIC-supervised institutions and other banking organizations are permitted to contract with third parties in connection with their product and service offerings. These third-party relationships can increase the availability of consumer products and improve customers' access to, and the functionality of, banking services, such as mobile payments, credit-scoring systems, and customer point-of-sale payments. Competition, advances in technology, and innovation in the banking industry contribute to banking organizations' increasing use of third parties to perform business functions, deliver support services, and facilitate providing existing and new products and services.

Regardless of whether a banking organization conducts activities directly or with a third party, the banking organization must conduct the activities in a safe and sound manner and in a manner consistent with applicable laws and regulations, including those designed to protect consumers. The FDIC uses its statutory authority to regularly examine FDIC-supervised institutions and the banking-related functions and operations performed by third parties. In those examinations, the FDIC evaluates—in addition to general safety and soundness risks—a third party's compliance with applicable laws and regulations, such as consumer protection laws and regulations related to fair lending and unfair or deceptive acts or practices. The FDIC pursues appropriate corrective measures, including enforcement actions, to address violations of law and regulations by an FDIC-supervised institution or a third party.

Specifically regarding interest rates, section 27 of FDI Act permits a State bank to "export" to out-of-State borrowers the interest rate permitted by the State in which the State bank is located, and to preempt the contrary laws of such borrowers' States. Enacted in 1980, section 27 was patterned after section 85 of the National Bank Act, which similarly allows national banks to "export" the interest rates of their home States to borrowers residing in other States. A State may opt out of the coverage of section 27 by adopting a law, or certifying that the voters of the State have voted in favor of a provision, stating explicitly that the State does not want section 27 to apply with respect to loans made in that State. Iowa and Puerto Rico have opted out of the coverage of section 27 in this manner.

Over the years, interpretative questions have arisen regarding section 27 of the FDI Act. For example, to address questions regarding the appropriate State law that should govern the interest charges on loans made to customers of a State bank chartered in one State (its home State) but that has a branch or branches in another State (its host State), the FDIC published FDIC General Counsel's Opinion No. 11 in May 1998. More recently, the FDIC issued a final rule in 2020 addressing two statutory gaps in section 27 to clarify the law governing the interest rates that State banks may charge. In these and other actions, the FDIC has sought to interpret section 27 in a manner consistent with the goals of section 27 as outlined by Congress.

Q.3. Please detail agency oversight of businesses making loans to franchise businesses.[3] Does the agency see high rates of defaults in franchise businesses, including loans guaranteed by the SBA?

A.3. The FDIC takes a risk-focused approach to examinations in which we evaluate the safety and soundness of the financial institution by assessing its risk management systems, financial condition, and compliance with applicable laws and regulations, while focusing on the bank's highest risks. The examination process seeks to strike an appropriate balance between evaluating the condition of an institution at a certain point in time and evaluating the soundness of the institution's processes for managing risk in all phases of the economic cycle. By evaluating an institution's risk management practices, examiners look beyond the financial condition of a bank at a point in time, to how well it can respond to changing market conditions given its particular risk profile. The FDIC expects institutions to have appropriate risk management programs relative to their size, complexity, business model, and risk profile to help bank management identify, measure, monitor, and control risk. This approach applies regardless of whether the institution engages in franchisee or Small Business Administration-related lending activities.

As part of the examination process and based on the risk identified during examination planning, examiners will perform an appropriate level of transaction testing to verify the adequacy of and adherence to internal policies and procedures; the accuracy and completeness of management and financial reporting; the adequacy and reliability of internal control systems; the effectiveness of the bank's risk management processes and practices; and compliance with applicable laws and regulations.

As this process applies to the loan portfolio, examiners will assess aggregate performance metrics and select a sample of loans that is of sufficient size, scope, and variety to enable examiners to reach reliable conclusions about the overall management of individual loans, loan portfolio segments, and the loan portfolio as a whole for the items discussed above relative to the bank's lending function. The loan sample will be tailored based on an institution's business model, complexity, risk profile, and lending activities. The results of the loan review inform assessments of an institution's asset quality, underwriting practices, and credit risk management in order to support Report of Examination findings and assigned ratings under the Uniform Financial Institution Rating System.

When assessing a bank's loan portfolio, examiners will encourage institutions to work with borrowers who may be unable to meet their contractual payment obligations. The FDIC will not /criticize an institution that mitigates credit risk through prudent actions consistent with safe and sound practices as such proactive measures are generally in the best interests of institutions, their borrowers, and the economy.

Regarding franchise business loans, identification of the level of defaults in franchise businesses, including those guaranteed by the

[3] Cortez Masto, Catherine. "Strategies To Improve the Franchise Model: Preventing Unfair and Deceptive Franchise Practices" April 2021. *https://www.cortezmasto.senate.gov/imo/media/doc/Franchise%20Report%20from%20the%20Office%20of%20Senator%20Cortez%20Masto.pdf*

Small Business Administration, would be observed on individual examinations through the process outlined above. However, the FDIC does not collect, store, or aggregate this data on an industry-wide basis based on information obtained during examinations. Nor is such information collected in the Consolidated Reports of Condition and Income (Call Reports) with that granularity. The Call Reports include line items for past due and nonaccrual loans for a bank's aggregate commercial and industrial loan portfolio and for past due and nonaccrual loans that are wholly or partially guaranteed by the U.S. Government for the entire loan portfolio, with no additional granularity for either line item.

RESPONSES TO WRITTEN QUESTIONS OF CHAIRMAN BROWN FROM MICHAEL J. HSU

Q.1. The largest banks, though holding a disproportionate share of all bank assets, account for less than one percent of the enforcement actions. Overall, since 2011, the number of enforcement actions has declined to below the average during 2000–2007. A plurality of enforcement actions are issued by the FDIC, followed by the Federal Reserve System. While some of this can be accounted for by difference in volume of institutions supervised, this is also indicative of a pattern in which big banks are not being held accountable to the full extent necessary to ensure the overall health of our financial system. As the primary regulator for a significant number of large banks, the OCC has a responsibility to ensure systemically important institutions are held accountable for harms committed. The OCC enjoys a substantial amount of flexibility in its application of enforcement actions and more must be done to protect against harmful actions committed by large financial institutions. What measures are being taken to strengthen enforcement actions against big bank misconduct?

A.1. Under my leadership at the Office of the Comptroller of the Currency (OCC), I am taking a strong approach to using our statutory authority to take enforcement actions against the institutions we supervise. The OCC takes enforcement actions against banks for violations of laws, regulations, final agency orders, conditions imposed in writing, or written conditions; or deficient practices, including those that are unsafe or unsound. The OCC also takes enforcement actions against current or former institution-affiliated parties (IAP) in response to violations of laws, regulations, final agency orders, conditions imposed in writing, or written agreements; unsafe or unsound practices; or breaches of fiduciary duty.

The OCC's enforcement actions are based on full consideration of all the specific facts and circumstances of each case, in accordance with our Enforcement policies. [1] The OCC has taken significant enforcement actions against several large bank institutions it supervises. [2]

---

[1] See Policies and Procedures Manual 5000-7, "Civil Money Penalties" (Nov. 13, 2018); Policies and Procedures Manual 5310-3, "Bank Enforcement Actions and Related Matters" (Nov. 13, 2018); and Policies and Procedures Manual 5310-13, "Institution-Affiliated Party Enforcement Actions and Related Matters" (Nov. 13, 2018).

[2] In Appendix A herein, we have provided data pertaining to the number of large bank institution enforcement actions from 2012 to present. During this period nearly all banks in the

Continued

Most recently, on September 9, 2021, the OCC assessed a $250 million civil money penalty (CMP) against Wells Fargo Bank based on the bank's unsafe or unsound practices related to deficiencies in its home lending loss mitigation program and a cease and desist order (C&D) based on the bank's failure to establish an effective home lending loss mitigation program. In addition to requiring the bank to correct its deficiencies and establish an effective loss mitigation program, the C&D imposes activity restrictions on the bank. The C&D restricts the bank, while in effect, from acquiring certain third-party residential mortgage servicing.

In 2018, the OCC issued a $500 million CMP and C&D against Wells Fargo. The OCC also issued a $400 million CMP and C&D against Citibank in 2020. Each of these actions were broad in scope, addressing critical risk management and governance deficiencies identified through examination work.

The OCC also recently secured significant individual enforcement actions against senior level executives formerly at Wells Fargo. This includes a prohibition order and $17.5 million CMP against former CEO John Stumpf, a $3.5 million CMP and a Personal Cease and Desist Order (PC&D) against former General Counsel James Strother, a $1.25 million CMP and PC&D against former Chief Risk Officer Mike Loughlin, and a $2.25 million CMP and PC&D against former Chief Administrative Officer Hope Hardison, among others. [3]

Q.2. Machine learning—when computers optimize data based on relationships they find without the traditional and prescriptive algorithm—is one of the key features of artificial intelligence. Whether due to the fact that existing data has biases against specific groups or machine learning establishing new relationships between certain traits and certain groups that do not necessarily have causal properties, machine learning can perpetuate discrimination and systemic racism. You recently issued a joint request for information on financial institutions' use of artificial intelligence, including machine learning. How does your agency aim to reduce the risk of AI perpetuating discrimination and systemic racism through machine learning? Will you commit to enforcing fair lending, consumer protection, and civil rights laws and existing supervisory policies when it comes to the use of AI by the institutions you regulate?

A.2. The OCC is committed to enforcing all applicable fair lending, consumer protection, and civil rights laws and existing supervisory policies for supervised financial institutions. This includes ensuring that banks' use of artificial intelligence (AI) supported tools and services doesn't perpetuate discrimination and systemic racism and provides for consumer protections.

While existing supervisory policies and guidance may not explicitly refer to AI, they are principles-based and are relevant in instances where AI approaches may be used. The OCC conducts full-scope examinations of every supervised financial institution on a

---

large bank portfolio had some form of an enforcement action against them and were assessed over $5 billion in CMPs.

[3] A hearing on the Notice of Charges the OCC filed against three additional Wells Fargo former senior officers commenced on September 3, 2021. The Notice cites the individual's respective roles in the Bank's widespread, systemic, and long-standing sales practices misconduct problem. Carrie Tolstedt's (former head of the Community Bank) case remains stayed.

12- to 18-month cycle, including ongoing supervision at the largest banks, based on the bank's characteristics, such as asset size and financial condition. As part of every supervisory cycle, the OCC issues a report of examination that includes a consumer compliance assessment. The OCC has fair lending examination procedures that discuss how to assess potential fair lending issues in mortgage lending, such as overt discrimination or disparate treatment in the underwriting, pricing, steering, and marketing of mortgage loans, among other things. The OCC has also developed agency-specific consumer compliance examination procedures to assess lenders' compliance with the Fair Credit Reporting Act, Fair Housing Act, and Equal Credit Opportunity Act. Additionally, the OCC has supervisory guidance on model risk management, which outlines a framework to address risks that stem from using tools such as credit scoring models for underwriting.

In addition, the OCC is currently reviewing the comments received from the joint request for information on financial institutions' use of artificial intelligence, including machine learning, that was issued by the banking agencies. The request for information included questions addressing compliance and consumer protection topics related to the use of AI. Once the comment review is complete, the OCC will determine any next steps that should be taken in coordination with the other regulatory agencies.

Q.3. The OCC often issues guidance to help financial institutions and facilitate recovery in areas that have been affected by severe storms, flooding, tornadoes, or other severe weather and natural disasters. How many disaster relief guidance letters has the OCC issued since 2015? Please provide the number per year, and a breakdown by OCC region and State.

A.3. The following chart summarizes the OCC's issuances since 2015 to notify banks of natural disasters and to facilitate recovery in these areas. Given the increase in number and severity of natural disasters due to climate change, the OCC recognizes the importance of these issuances for banks and their customers. The OCC's Natural Disaster Resource Center [4] gathers on a single page these issuances and other helpful links for banks and their customers.

[4] Refer to *https://www.occ.gov/topics/supervision-and-examination/bank-operations/major-disaster-news-center/occs-major-disaster-news-center.html.*

Year	Number of publications	Breakdown by region or state	Publications
2021	5	1: California 1: Gulf Coast 1: Caribbean: Puerto Rico, U.S. Virgin Islands 1: Southwest: Texas 1: Southwest (Texas); Southeast; Northeast	August 31, 2021, News Release 2021-89, Federal and State Financial Regulatory Agencies Issue Interagency Statement on Supervisory Practices Regarding Financial Institutions Affected by California Wildfires August 30, 2021, News Release 2021-88, Federal and State Financial Regulatory Agencies Issue Interagency Statement on Supervisory Practices Regarding Financial Institutions Affected by Hurricane Ida May 27, 2021, OCC Bulletin 2021-27, Community Reinvestment Act: Interagency Extension of Favorable Community Reinvestment Act Consideration of Revitalization Activities in Certain Disaster Areas Affected by Hurricane Maria February 22, 2021, News Release 2021-24, Federal and State Financial Regulatory Agencies Issue Interagency Statement on Supervisory Practices Regarding Financial Institutions Affected by Texas Winter Storms February 16, 2021, News Release 2021-21, OCC Allows National Banks and Federal Savings Associations Affected by Winter Storm Uri to Close,
2020	8	1: Southeast: Louisiana, Mississippi, Alabama, George, South Carolina, North Carolina 1: Southeast: Louisiana, Mississippi, Alabama, Virginia;	October 27, 2020, News Release 2020-140, OCC Allows National Banks and Federal Savings Associations Affected by Hurricane Zeta to Close October 8, 2020, News Release 2020-133, OCC Allows National Banks and Federal Savings Associations Affected by Hurricane Delta to Close

		Northeast: New England 1: Southeast: Alabama, Florida 1: West: Washington, Oregon 1: Caribbean (Puerto Rico); Southeast; West (California) 1: Southeast 1: West: California, Colorado 1: Southeast: Tennessee	September 14, 2020, News Release 2020-120, OCC Allows National Banks and Federal Savings Associations Affected by Hurricane Sally to Close September 11, 2020, News Release 2020-119, OCC Allows National Banks and Federal Savings Associations Affected by Oregon and Washington Wildfires to Close September 1, 2020, News Release 2020-117, Federal and State Financial Regulatory Agencies Issue Interagency Statement on Supervisory Practices Regarding Financial Institutions Affected by Hurricane Laura and California Wildfires August 25, 2020, News Release 2020-110, OCC Allows National Banks and Federal Savings Associations Along U.S. Gulf Coast to Close August 24, 2020, News Release 2020-109, OCC Allows National Banks and Federal Savings Associations Affected by California and Colorado Wildfires to Close March 12, 2020, News Release 2020-31, Federal and State Financial Regulatory Agencies Issue Interagency Statement on Supervisory Practices Regarding Financial Institutions Affected by Tornadoes in Tennessee
2019	6	1: Caribbean (U.S. Virgin Islands, Puerto Rico); Southeast (Florida, Georgia, South Carolina, North Carolina, Virginia)	August 30, 2019, News Release 2019-101, OCC Allows National Banks and Federal Savings Associations Affected by Hurricane Dorian in Southeast United States to Close July 12, 2019, News Release 2019-78, OCC Allows National Banks and Federal

		1: Southwest, Southeast 1: Southeast 1: Midwest 1: Midwest 1: Midwest; Northeast	Savings Associations Affected by Severe Weather Along the Gulf Coast to Close May 28, 2019, News Release 2019-57, OCC Allows National Banks and Federal Savings Associations Affected by Flooding in the South Central United States to Close March 25, 2019, News Release 2019-31, Federal and State Financial Regulatory Agencies Issue Interagency Statement on Supervisory Practices Regarding Financial Institutions Affected by Flooding in the Midwest March 19, 2019, News Release 2019-28, OCC Allows National Banks and Federal Savings Associations Affected by Flooding in the Central Plains and Midwest to Close January 30, 2019, News Release 2019-10, OCC Allows National Banks and Federal Savings Associations Affected by Severe Winter Weather to Close
2018	9	3: West: California 1: Southeast: Florida, Georgia, other states in Southeast 1: Southeast: Georgia, South Carolina, North Carolina, West Virginia, Virginia, Maryland, Washington, D.C. 1: Southeast	November 15, 2018, News Release 2018-122, Federal and State Financial Regulatory Agencies Issue Interagency Statement on Supervisory Practices Regarding Financial Institutions and their Customers Affected by California Wildfires November 13, 2018, News Release 2018-119, OCC Allows National Banks and Federal Savings Associations Affected by California Wildfires to Close October 9, 2018, News Release 2018-109, OCC Allows National Banks and Federal Savings Associations Affected by Hurricane Michael in the Gulf Coast Region to Close

		1: Southeast: Florida, Alabama, Mississippi 1: West: Hawaii 1: Caribbean (Puerto Rico, U.S. Virgin Islands); Southeast (North Carolina, Florida)	September 14, 2018, News Release 2018-99, Federal and State Financial Regulatory Agencies Issue Interagency Statement on Supervisory Practices Regarding Financial Institutions Affected by Hurricane Florence September 11, 2018, News Release 2018-96, OCC Allows National Banks and Federal Savings Associations Affected by Hurricane Florence in the Southeast and Mid-Atlantic to Close September 5, 2018, News Release 2018-92, OCC Allows National Banks and Federal Savings Associations Affected by Tropical Storm Gordon in the Gulf Coast Region to Close August 24, 2018, News Release 2018-83, OCC Allows National Banks and Federal Savings Associations Affected by Hurricane Lane in the Hawaiian Islands to Close August 9, 2018, News Release 2018-77, OCC Allows Federally Chartered Financial Institutions Affected by Wildfires in California to Close January 25, 2018, News Release 2018-6, Agencies to Give Favorable Community Reinvestment Act Consideration to Revitalization Activities in Disaster Areas Affected by Hurricane Maria
2017	10	1: Nationwide 1: West: California 2: Southeast (Florida, Georgia); Southwest (Texas); Caribbean (Puerto Rico, U.S. Virgin Islands)	December 15, 2017, OCC Bulletin 2017-61, Major Disasters: Interagency Examiner Guidance for Institutions Affected by Major Disasters December 7, 2017, News Release 2017-146, OCC Allows National Banks and Federal Savings Associations Affected by Wildfires in California to Close

		2: Southeast (Florida, Alabama); Caribbean (Puerto Rico, U.S. Virgin Islands) 3: Southwest (Texas); Southeast (Louisiana) 1: Northeast	October 17, 2017, News Release 2017-123, Agencies Issue Temporary Exceptions to Appraisal Requirements in Areas Affected by Severe Storms and Flooding Related to Hurricanes Harvey, Irma, and Maria October 17, 2017, OCC Bulletin 2017-42, Flood Disaster: Temporary Exceptions to FIRREA Appraisal Requirements in Areas Affected by Severe Storms and Flooding in Florida, Georgia, Puerto Rico, Texas, and the U.S. Virgin Islands September 6, 2017, News Release 2017-104, Federal and State Banking Agencies Issue Statement on Supervisory Practices Regarding Financial Institutions and Borrowers Affected by Hurricane Irma September 5, 2017, News Release 2017-103, OCC Allows National Banks and Federal Savings Associations Affected by Hurricane Irma to Close August 29, 2017, News Release 2017-100, OCC Encourages National Banks and Federal Savings Associations to Work With Customers Affected by Hurricane Harvey August 26, 2017, News Release 2017-97, Federal and State Banking Agencies Issue Statement on Supervisory Practices Regarding Financial Institutions and Borrowers Affected by Hurricane Harvey August 24, 2017, News Release 2017-96, OCC Allows National Banks and Federal Savings Associations Affected by Severe Weather Along the Gulf Coast to Close February 9, 2017, News Release 2017-18, OCC Allows National Banks and Federal Savings Associations Affected by Severe

			Winter Weather in the Northeastern United States to Close
20 16	4	2: Southeast: Louisiana 1: Southeast: Florida, Georgia, North Carolina 1: Southeast: Florida, Georgia, Southern Carolina, North Carolina	October 24, 2016, News Release 2016-133, Agencies Issue an Exception on Real Estate Transactions from the Appraisal Requirements for Transactions in Areas Affected by Severe Storms and Flooding in Louisiana October 5, 2016, News Release 2016-124, OCC Allows National Banks and Federal Savings Associations Affected by Hurricane Matthew to Close September 1, 2016, News Release 2016-103, OCC Allows National Banks and Federal Savings Associations Affected by Hurricane Hermine to Close August 16, 2016, News Release 2016-94, OCC Allows National Banks and Federal Savings Associations Affected by Severe Storms and Flooding in Louisiana to Close
2015	2	1: Midwest, Southeast 1: Northeast	December 30, 2015, News Release 2015-167, OCC Encourages National Banks and Federal Savings Associations to Work with Customers Affected by Recent Extreme Weather; Allows Banks to Close January 26, 2015, News Release 2015-9, OCC Allows National Banks and Federal Savings Associations Affected by Extreme Winter Weather in Northeastern United States to Close

For more localized weather emergencies, OCC staff are in contact with banks as the emergencies occur. The local OCC field office gathers information about the localized emergency and stays in close contact with the bank(s) to monitor the situation and assist with any needed recovery efforts. The field office also informs the relevant OCC district office or OCC Headquarters, as appropriate, of the emergency and stays informed of the status of operations of the affected bank(s). Separately, while banks are not required to tell the OCC if they close for emergencies, most do. When they do, staff report the information to the respective senior managers and OCC Headquarters, as appropriate.

Large Bank Enforcement Actions 2012 to Present							
Institution	CharterNumber	Individual	Location	Type	Amount	StartDate	DocketNumber
American Express Bank, FSB	715648		Salt Lake City, UT	Cease-and-Desist Order (C&D) or Personal Cease-and-Desist Order (PC&D)	0	10/1/2012 12:00:00 AM -04:00	AA-EC-12-116
American Express Bank, FSB	715648		Salt Lake City, UT	Civil Money Penalty (CMP)	$ 500,000	10/1/2012 12:00:00 AM -04:00	AA-EC-12-117
American Express Bank, FSB	715648		Salt Lake City, UT	C&D or PC&D Requiring Restitution	6000000	10/1/2012 12:00:00 AM -04:00	AA-EC-12-116
American Express Bank, FSB	715648		Salt Lake City, UT	Cease-and-Desist Order (C&D) or Personal Cease-and-Desist Order (PC&D)	0	12/19/2013 12:00:00 AM -05:00	AA-EC-2013-68
American Express Bank, FSB	715648		Salt Lake City, UT	Civil Money Penalty (CMP)	$ 3,000,000	12/19/2013 12:00:00 AM -05:00	AA-EC-2013-69
Bank of America, National Association	13044	Michael J. Battaglia	Charlotte, NC	1829 Prohibition Notification	0	1/13/2015 12:00:00 AM -05:00	
Bank of America, National Association	13044	Martine K. Paul	Charlotte, NC	1829 Prohibition Notification	0	1/16/2014 12:00:00 AM -05:00	
Bank of America, National Association	13044	Phillip D. Murphy	Charlotte, NC	Prohibition/Removal Orders	0	1/20/2015 12:00:00 AM -05:00	AA-EC-08-57
Bank of America, National Association	13044	Phillip D. Murphy	Charlotte, NC	Civil Money Penalty (CMP)	$ 15,000	1/20/2015 12:00:00 AM -05:00	AA-EC-08-57
Bank of America, National Association	13044	Jessica de la Caridad Suarez	Charlotte, NC	Prohibition/Removal Orders	0	1/4/2019 12:00:00 AM -05:00	AA-EC-2019-2
Bank of America, National Association	13044	Shanel Paul	Charlotte, NC	1829 Prohibition Notification	0	1/4/2019 12:00:00 AM -05:00	
Bank of America, National Association	13044	Brittany Nicole Smith	Charlotte, NC	1829 Prohibition Notification	0	1/7/2019 12:00:00 AM -05:00	
Bank of America, National Association	13044	Rene Rebollo	Charlotte, NC	1829 Prohibition Notification	0	1/9/2012 12:00:00 AM -05:00	
Bank of America, National Association	13044	Sarkis Terzyan	Charlotte, NC	1829 Prohibition Notification	0	10/18/2013 12:00:00 AM -04:00	
Bank of America, National Association	13044	Venedie Valencia	Charlotte, NC	1829 Prohibition Notification	0	10/18/2013 12:00:00 AM -04:00	
Bank of America, National Association	13044	Sheenequa A. Michel	Charlotte, NC	1829 Prohibition Notification	0	10/21/2015 12:00:00 AM -04:00	
Bank of America, National Association	13044		Charlotte, NC	Cease-and-Desist Order (C&D) or Personal Cease-and-Desist Order (PC&D)	0	11/11/2014 12:00:00 AM -05:00	
Bank of America, National Association	13044		Charlotte, NC	Civil Money Penalty (CMP)	$250,000,000	11/11/2014 12:00:00 AM -05:00	AA-EC-14-99
Bank of America, National Association	13044	Tina L. LePage	Charlotte, NC	1829 Prohibition Notification	0	11/12/2013 12:00:00 AM -05:00	
Bank of America, National Association	13044	Letitia Perry	Charlotte, NC	1829 Prohibition Notification	0	11/15/2013 12:00:00 AM -05:00	
Bank of America, National Association	13044	Brandon Washington	Charlotte, NC	1829 Prohibition Notification	0	11/19/2012 12:00:00 AM -05:00	
Bank of America, National Association	13044	Saul Cornejo	Charlotte, NC	1829 Prohibition Notification	0	11/2/2012 12:00:00 AM -04:00	
Bank of America, National Association	13044	Nikkia M. Brooks	Charlotte, NC	1829 Prohibition Notification	0	11/20/2013 12:00:00 AM -05:00	
Bank of America, National Association	13044	Demille Brown	Charlotte, NC	1829 Prohibition Notification	0	11/20/2014 12:00:00 AM -05:00	
Bank of America, National Association	13044	Eden Cato	Charlotte, NC	1829 Prohibition Notification	0	11/20/2015 12:00:00 AM -05:00	
Bank of America, National Association	13044	Komika Lanova Flores Buffkin	Charlotte, NC	1829 Prohibition Notification	0	11/24/2015 12:00:00 AM -05:00	
Bank of America, National Association	13044	Suhib I. Atieh	Charlotte, NC	1829 Prohibition Notification	0	11/25/2019 12:00:00 AM -05:00	
Bank of America, National Association	13044	Pamela Kay Cobb	Charlotte, NC	1829 Prohibition Notification	0	11/26/2012 12:00:00 AM -05:00	
Bank of America, National Association	13044	Freddy W. Lentz	Charlotte, NC	1829 Prohibition Notification	0	11/26/2013 12:00:00 AM -05:00	
Bank of America, National Association	13044	Palestine Ace	Charlotte, NC	1829 Prohibition Notification	0	11/7/2019 12:00:00 AM -05:00	
Bank of America, National Association	14448	David Aazam	Charlotte, NC	1829 Prohibition Notification	0	12/17/2019 12:00:00 AM -05:00	
Bank of America, National Association	14448	Toni Glidden	Charlotte, NC	1829 Prohibition Notification	0	12/17/2019 12:00:00 AM -05:00	
Bank of America, National Association	14448	Shannell Griggs	Charlotte, NC	1829 Prohibition Notification	0	12/17/2019 12:00:00 AM -05:00	
Bank of America, National Association	13044	Elsie P. Fuller	Charlotte, NC	1829 Prohibition Notification	0	12/20/2017 12:00:00 AM -05:00	
Bank of America, National Association	13044	Linda Rodriguez	Charlotte, NC	1829 Prohibition Notification	0	12/20/2017 12:00:00 AM -05:00	
Bank of America, National Association	13044	Kevin Lauricella	Charlotte, NC	1829 Prohibition Notification	0	12/22/2014 12:00:00 AM -05:00	
Bank of America, National Association	13044	Tritia K. Black	Charlotte, NC	1829 Prohibition Notification	0	12/3/2013 12:00:00 AM -05:00	
Bank of America, National Association	13044	Brian Scott Zwerner	Charlotte, NC	1829 Prohibition Notification	0	12/31/2014 12:00:00 AM -05:00	
Bank of America, National Association	13044	Deanna Denise Bullard	Charlotte, NC	1829 Prohibition Notification	0	12/7/2016 12:00:00 AM -05:00	
Bank of America, National Association	13044	Angelica Rivera	Charlotte, NC	1829 Prohibition Notification	0	2/11/2016 12:00:00 AM -05:00	
Bank of America, National Association	13044	Robert Tamayo	Charlotte, NC	Prohibition/Removal Orders	0	2/12/2020 12:00:00 AM -05:00	AA-EC-2020-1
Bank of America, National Association	13044	Ricardo Arellano	Charlotte, NC	1829 Prohibition Notification	0	2/22/2012 12:00:00 AM -05:00	
Bank of America, National Association	13044	Lamond A. Parker	Charlotte, NC	Notice of Charges	0	2/25/2015 12:00:00 AM -05:00	AA-EC-2014-94
Bank of America, National Association	13044		Charlotte, NC	Formal Agreement	0	2/27/2012 12:00:00 AM -05:00	
Bank of America, National Association	13044	Alicia Smarro	Charlotte, NC	1829 Prohibition Notification	0	2/27/2019 12:00:00 AM -05:00	
Bank of America, National Association	13044	Yadira Salgador	Charlotte, NC	Prohibition/Removal Orders	0	2/27/2020 12:00:00 AM -05:00	AA-EC-2020-7
Bank of America, National Association	13044		Charlotte, NC	Cease-and-Desist Order (C&D) or Personal Cease-and-Desist Order (PC&D)	0	2/28/2013 12:00:00 AM -05:00	AA-EC-11-12
Bank of America, National Association	13044	Abigail S. Tonsager	Charlotte, NC	1829 Prohibition Notification	0	2/3/2012 12:00:00 AM -05:00	
Bank of America, National Association	13044	Jennifer W. Trembath	Charlotte, NC	1829 Prohibition Notification	0	2/8/2012 12:00:00 AM -05:00	
Bank of America, National Association	13044	Michael Tuffour	Charlotte, NC	1829 Prohibition Notification	0	3/12/2019 12:00:00 AM -04:00	

Large Bank Enforcement Actions 2012 to Present							
Institution	CharterNumber	Individual	Location	Type	Amount	StartDate	DocketNumber
Bank of America, National Association	13044	Marcela M. Cruz	Charlotte, NC	1829 Prohibition Notification	0	3/2/2016 12:00:00 AM -05:00	
Bank of America, National Association	13044	Aurora Barrera	Charlotte, NC	1829 Prohibition Notification	0	3/22/2016 12:00:00 AM -04:00	
Bank of America, National Association	13044	Jacqueline Nava	Charlotte, NC	1829 Prohibition Notification	0	3/29/2018 12:00:00 AM -04:00	
Bank of America, National Association	13044	Jasmine Young	Charlotte, NC	1829 Prohibition Notification	0	3/29/2018 12:00:00 AM -04:00	
Bank of America, National Association	13044	Glenda J. Cruz	Charlotte, NC	1829 Prohibition Notification	0	3/30/2012 12:00:00 AM -04:00	
Bank of America, National Association	13044	Anthony Sosa	Charlotte, NC	1829 Prohibition Notification	0	3/31/2015 12:00:00 AM -04:00	
Bank of America, National Association	13044	Marcos Cortes	Charlotte, NC	Prohibition/Removal Orders	0	3/7/2019 12:00:00 AM -05:00	AA-EC-2018-93
Bank of America, National Association	13044	Christopher Moreno	Charlotte, NC	1829 Prohibition Notification	0	3/8/2012 12:00:00 AM -05:00	
Bank of America, National Association	13044	Dean Z. Pinard	Charlotte, NC	Prohibition/Removal Orders	0	4/11/2013 12:00:00 AM -04:00	AA-EC-2013-21
Bank of America, National Association	13044	Leonid Kaziyev	Charlotte, NC	1829 Prohibition Notification	0	4/2/2013 12:00:00 AM -04:00	
Bank of America, National Association	13044	Victoria Pyle	Charlotte, NC	1829 Prohibition Notification	0	4/26/2021 12:00:00 AM -04:00	
Bank of America, National Association	13044	Mary A. Head	Charlotte, NC	1829 Prohibition Notification	0	4/4/2012 12:00:00 AM -04:00	
Bank of America, National Association	13044		Charlotte, NC	Cease-and-Desist Order (C&D) or Personal Cease-and-Desist Order (PC&D)	0	4/7/2014 12:00:00 AM -04:00	AA-EC-2014-5
Bank of America, National Association	13044		Charlotte, NC	Civil Money Penalty (CMP)	$ 25,000,000	4/7/2014 12:00:00 AM -04:00	AA-EC-2014-6
Bank of America, National Association	13044		Charlotte, NC	C&D or PC&D Requiring Restitution	0	4/7/2014 12:00:00 AM -04:00	AA-EC-2014-5
Bank of America, National Association	13044	Steven Lawrence	Charlotte, NC	1829 Prohibition Notification	0	5/13/2013 12:00:00 AM -04:00	
Bank of America, National Association	13044	Nicholas Zara	Charlotte, NC	Prohibition/Removal Orders	0	5/24/2021 12:00:00 AM -04:00	AA-ENF-2021-21
Bank of America, National Association	13044		Charlotte, NC	Cease-and-Desist Order (C&D) or Personal Cease-and-Desist Order (PC&D)	0	5/29/2015 12:00:00 AM -04:00	2015-1
Bank of America, National Association	13044		Charlotte, NC	Civil Money Penalty (CMP)	$ 30,000,000	5/29/2015 12:00:00 AM -04:00	2015-2
Bank of America, National Association	13044	Jasmin Perdomo	Charlotte, NC	1829 Prohibition Notification	0	5/3/2016 12:00:00 AM -04:00	
Bank of America, National Association	13044	Zuly Vizcarrondo	Charlotte, NC	1829 Prohibition Notification	0	5/3/2016 12:00:00 AM -04:00	
Bank of America, National Association	13044	Ada R. Lopez	Charlotte, NC	1829 Prohibition Notification	0	5/9/2013 12:00:00 AM -04:00	
Bank of America, National Association	13044	Jamilia N Brown	Charlotte, NC	1829 Prohibition Notification	0	6/14/2012 12:00:00 AM -04:00	
Bank of America, National Association	13044	Vic Henson	Charlotte, NC	1829 Prohibition Notification	0	6/14/2012 12:00:00 AM -04:00	
Bank of America, National Association	13044	Theo Adams	Charlotte, NC	1829 Prohibition Notification	0	6/14/2016 12:00:00 AM -04:00	
Bank of America, National Association	13044	Jimia Fannin	Charlotte, NC	1829 Prohibition Notification	0	6/14/2016 12:00:00 AM -04:00	
Bank of America, National Association	13044	Stacey Petro	Charlotte, NC	1829 Prohibition Notification	0	6/19/2013 12:00:00 AM -04:00	
Bank of America, National Association	13044	Donnie Wright	Charlotte, NC	1829 Prohibition Notification	0	6/25/2013 12:00:00 AM -04:00	
Bank of America, National Association	13044	Presiliano Garcia	Charlotte, NC	1829 Prohibition Notification	0	6/26/2019 12:00:00 AM -04:00	
Bank of America, National Association	13044		Charlotte, NC	Cease-and-Desist Order (C&D) or Personal Cease-and-Desist Order (PC&D)	0	6/29/2015 12:00:00 AM -04:00	AA-EC-2015-18
Bank of America, National Association	13044		Charlotte, NC	Civil Money Penalty (CMP)	$ 1,104,530	6/29/2015 12:00:00 AM -04:00	AA-EC-2015-19
Bank of America, National Association	13044	Nathan Buschman	Charlotte, NC	1829 Prohibition Notification	0	6/4/2013 12:00:00 AM -04:00	
Bank of America, National Association	13044	Roneil K. Juba	Charlotte, NC	1829 Prohibition Notification	0	6/6/2019 12:00:00 AM -04:00	
Bank of America, National Association	13044	Brianni Rodney	Charlotte, NC	1829 Prohibition Notification	0	6/6/2019 12:00:00 AM -04:00	
Bank of America, National Association	13044	Siri Siriphanthong	Charlotte, NC	1829 Prohibition Notification	0	6/7/2012 12:00:00 AM -04:00	
Bank of America, National Association	13044	Elenita Talusan	Charlotte, NC	1829 Prohibition Notification	0	6/7/2016 12:00:00 AM -04:00	
Bank of America, National Association	13044	Margaret Khemkaran	Charlotte, NC	1829 Prohibition Notification	0	7/11/2019 12:00:00 AM -04:00	
Bank of America, National Association	13044	Julia P. Zee	Charlotte, NC	1829 Prohibition Notification	0	7/15/2013 12:00:00 AM -04:00	
Bank of America, National Association	13044	Anna Torres	Charlotte, NC	1829 Prohibition Notification	0	7/17/2013 12:00:00 AM -04:00	
Bank of America, National Association	13044	Hung Nguyen	Charlotte, NC	1829 Prohibition Notification	0	7/2/2012 12:00:00 AM -04:00	
Bank of America, National Association	13044	Louis Hew	Charlotte, NC	1829 Prohibition Notification	0	7/20/2020 12:00:00 AM -04:00	
Bank of America, National Association	13044	Paige Kinney	Charlotte, NC	1829 Prohibition Notification	0	7/3/2012 12:00:00 AM -04:00	
Bank of America, National Association	13044	Danielle M. Anderson	Charlotte, NC	Prohibition/Removal Orders	0	7/31/2013 12:00:00 AM -04:00	
Bank of America, National Association	13044	Kimberly Brooks	Charlotte, NC	1829 Prohibition Notification	0	8/12/2015 12:00:00 AM -04:00	
Bank of America, National Association	13044	Idalis Lopez	Charlotte, NC	1829 Prohibition Notification	0	8/16/2012 12:00:00 AM -04:00	
Bank of America, National Association	13044	David R. Curtis	Charlotte, NC	1829 Prohibition Notification	0	8/17/2012 12:00:00 AM -04:00	
Bank of America, National Association	13044	Christian R. Medina	Charlotte, NC	1829 Prohibition Notification	0	8/28/2019 12:00:00 AM -04:00	
Bank of America, National Association	13044	Justin T. Brough	Charlotte, NC	1829 Prohibition Notification	0	8/7/2015 12:00:00 AM -04:00	
Bank of America, National Association	13044	Anais S. Munoz	Charlotte, NC	1829 Prohibition Notification	0	9/13/2016 12:00:00 AM -04:00	
Bank of America, National Association	13044	Michael Banuelos	Charlotte, NC	1829 Prohibition Notification	0	9/19/2012 12:00:00 AM -04:00	

Large Bank Enforcement Actions 2012 to Present							
Institution	CharterNumber	Individual	Location	Type	Amount	StartDate	DocketNumber
Bank of America, National Association	13044	Terrell Dorsey	Charlotte, NC	1829 Prohibition Notification	0	9/25/2018 12:00:00 AM -04:00	
Bank of America, National Association	13044	Joseph Ryan Rea	Charlotte, NC	1829 Prohibition Notification	0	9/26/2018 12:00:00 AM -04:00	
Bank of America, National Association	13044	Elisha Araiza	Charlotte, NC	1829 Prohibition Notification	0	9/27/2019 12:00:00 AM -04:00	
Bank of America, National Association	13044	Devin R. Johnson	Charlotte, NC	1829 Prohibition Notification	0	9/28/2018 12:00:00 AM -04:00	
Bank of America, National Association	13044	Michele Gentry	Charlotte, NC	1829 Prohibition Notification	0	9/3/2013 12:00:00 AM -04:00	
Bank of America, National Association	13044	Valentina Elebesunu	Charlotte, NC	1829 Prohibition Notification	0	9/30/2015 12:00:00 AM -04:00	
Bank of America, National Association	13044	Damione Lewis	Charlotte, NC	1829 Prohibition Notification	0	9/30/2015 12:00:00 AM -04:00	
Bank of America, National Association	13044	Omar Khalid	Charlotte, NC	1829 Prohibition Notification	0	9/30/2016 12:00:00 AM -04:00	
Bank of America, National Association	13044	Cristina Vicente	Charlotte, NC	1829 Prohibition Notification	0	9/30/2016 12:00:00 AM -04:00	
Bank of America, National Association	13044	Sylvia Ochoa	Charlotte, NC	1829 Prohibition Notification	0	9/6/2018 12:00:00 AM -04:00	
Bank of America, National Association	13044	Lamond Parker	Charlotte, NC	Prohibition/Removal Orders	0	9/7/2016 12:00:00 AM -04:00	
Bank of America, National Association	13044	Vicki Brown	Charlotte, NC	Prohibition/Removal Orders	0	9/9/2014 12:00:00 AM -04:00	AA-EC-2014-65
Bank of America, National Association	13044	Christian Rivera	Charlotte, NC	Prohibition/Removal Orders	0	9/9/2020 12:00:00 AM -04:00	AA-EC-2020-32
BMO Harris Bank National Association	14583	Dawn Marie Sori	Chicago, IL	1829 Prohibition Notification	0	5/25/2016 12:00:00 AM -04:00	
BMO Harris Bank National Association	14583	Jason C. Keith	Chicago, IL	Prohibition/Removal Orders	0	5/4/2012 12:00:00 AM -04:00	AA-EC-12-47
Bmo Harris Bank National Association	14583		Chicago, IL	Formal Agreement	0	11/14/2013 12:00:00 AM -05:00	
BMO Harris Bank National Association	14583	Ryndea A. Foster	Chicago, IL	1829 Prohibition Notification	0	11/15/2019 12:00:00 AM -05:00	
BMO Harris Bank National Association	14583	Joshua Pryne	Chicago, IL	1829 Prohibition Notification	0	12/4/2018 12:00:00 AM -05:00	
Bmo Harris Bank National Association	14583		Chicago, IL	Formal Agreement	0	4/29/2013 12:00:00 AM -04:00	
Bmo Harris Bank National Association	14583	Lindsey E. Fischer	Chicago, IL	1829 Prohibition Notification	0	4/9/2015 12:00:00 AM -04:00	
BMO Harris Bank National Association	14583	Altagracia Ortuno	Chicago, IL	1829 Prohibition Notification	0	7/14/2017 12:00:00 AM -04:00	
Bmo Harris Bank National Association	14583	Jami Deloe	Chicago, IL	1829 Prohibition Notification	0	8/5/2013 12:00:00 AM -04:00	
Capital One Bank (USA), National Association	24828		Glen Allen, VA	Civil Money Penalty (CMP)	$ -	10/23/2018 12:00:00 AM -04:00	AA-EC-2018-62
Capital One Bank (USA), National Association	24828		Glen Allen, VA	Civil Money Penalty (CMP)	$ 4,000,000	11/6/2014 12:00:00 AM -05:00	AA-EC-2014-71
Capital One Bank (USA), National Association	24828		Glen Allen, VA	Cease-and-Desist Order (C&D) or Personal Cease-and-Desist Order (PC&D)	0	7/10/2015 12:00:00 AM -04:00	AA-EC-2019-74
Capital One Bank (USA), National Association	24828		Glen Allen, VA	Cease-and-Desist Order (C&D) or Personal Cease-and-Desist Order (PC&D)	0	7/17/2012 12:00:00 AM -04:00	AA-EC-12-62
Capital One Bank (USA), National Association	24828		Glen Allen, VA	Civil Money Penalty (CMP)	$ 35,000,000	7/17/2012 12:00:00 AM -04:00	AA-EC-12-63
Capital One Bank (USA), National Association	24828		Glen Allen, VA	C&D or PC&D Requiring Restitution	150000000	7/17/2012 12:00:00 AM -04:00	AA-EC-12-62
Capital One Bank (USA), National Association	24828		Glen Allen, VA	Cease-and-Desist Order (C&D) or Personal Cease-and-Desist Order (PC&D)	0	7/25/2012 12:00:00 AM -04:00	AA-EC-2012-101
Capital One Bank (USA), National Association	24828		Glen Allen, VA	C&D or PC&D Requiring Restitution	0	7/25/2012 12:00:00 AM -04:00	AA-EC-2012-101
Capital One Bank (USA), National Association	24828		Glen Allen, VA	Cease-and-Desist Order (C&D) or Personal Cease-and-Desist Order (PC&D)	0	8/5/2020 12:00:00 AM -04:00	AA-EC-20-49
Capital One Bank (USA), National Association	24828		Glen Allen, VA	Civil Money Penalty (CMP)	$ 80,000,000	8/5/2020 12:00:00 AM -04:00	AA-EC-20-51
Capital One, National Association	13688		Mclean, VA	Civil Money Penalty (CMP)	$ 100,000,000	10/23/2018 12:00:00 AM -04:00	AA-EC-2018-62
Capital One, National Association	13688	Jamal Gerard Mose-Burrell	Mclean, VA	1829 Prohibition Notification	0	11/2/2012 12:00:00 AM -04:00	
Capital One, National Association	13688	Vickie Lenoir	Mclean, VA	1829 Prohibition Notification	0	11/26/2013 12:00:00 AM -05:00	
Capital One, National Association	13688	Karen Contreras	Mclean, VA	Prohibition/Removal Orders	0	11/5/2018 12:00:00 AM -05:00	AA-EC-2018-55
Capital One, National Association	13688		Mclean, VA	Civil Money Penalty (CMP)	$ 4,000,000	11/6/2014 12:00:00 AM -05:00	AA-EC-2014-71
Capital One, National Association	13688	Kerri Monroe Jones	Mclean, VA	1829 Prohibition Notification	0	12/22/2014 12:00:00 AM -05:00	
Capital One, National Association	13688	Luciana Alvarado	Mclean, VA	1829 Prohibition Notification	0	12/27/2012 12:00:00 AM -05:00	
Capital One, National Association	13688	Paola Valencia	Mclean, VA	1829 Prohibition Notification	0	2/27/2019 12:00:00 AM -05:00	
Capital One, National Association	13688	Gerardo Martinez Bucio	Mclean, VA	1829 Prohibition Notification	0	3/31/2020 12:00:00 AM -04:00	
Capital One, National Association	13688	Arcadio Barraza	Mclean, VA	1829 Prohibition Notification	0	4/2/2020 12:00:00 AM -04:00	
Capital One, National Association	13688		Mclean, VA	Formal Agreement	0	4/25/2014 12:00:00 AM -04:00	
Capital One, National Association	13688		Mclean, VA	Formal Agreement	0	4/25/2014 12:00:00 AM -04:00	
Capital One, National Association	13688	Brittany M. Brown	Mclean, VA	1829 Prohibition Notification	0	5/10/2012 12:00:00 AM -04:00	
Capital One, National Association	13688	Noelia Gonzales	Mclean, VA	1829 Prohibition Notification	0	5/22/2019 12:00:00 AM -04:00	
Capital One, National Association	13688	Kelli L. Richard	Mclean, VA	1829 Prohibition Notification	0	6/2/2014 12:00:00 AM -04:00	
Capital One, National Association	13688	Tiara Winston	Mclean, VA	1829 Prohibition Notification	0	6/26/2019 12:00:00 AM -04:00	
Capital One, National Association	13688	Yeselin Sanchez	Mclean, VA	Prohibition/Removal Orders	0	6/27/2018 12:00:00 AM -04:00	AA-EC-2018-28
Capital One, National Association	13688	Daniel R. Burson	Mclean, VA	1829 Prohibition Notification	0	6/7/2016 12:00:00 AM -04:00	

Large Bank Enforcement Actions 2012 to Present							
Institution	CharterNumber	Individual	Location	Type	Amount	StartDate	DocketNumber
Capital One, National Association	13688	Victoria Hart	Mclean, VA	Prohibition/Removal Orders	0	7/1/2020 12:00:00 AM -04:00	AA-EC-2020-30
Capital One, National Association	13688		Mclean, VA	Cease-and-Desist Order (C&D) or Personal Cease-and-Desist Order (PC&D)	0	7/10/2015 12:00:00 AM -04:00	AA-EC-2019-74
Capital One, National Association	13688	Nicholas Rogers	Mclean, VA	1829 Prohibition Notification	0	7/14/2017 12:00:00 AM -04:00	
Capital One, National Association	13688		Mclean, VA	Cease-and-Desist Order (C&D) or Personal Cease-and-Desist Order (PC&D)	0	7/25/2012 12:00:00 AM -04:00	AA-EC-12-100
Capital One, National Association	13688		Mclean, VA	C&D or PC&D Requiring Restitution	0	7/25/2012 12:00:00 AM -04:00	AA-EC-12-100
Capital One, National Association	13688	Han Armstrong	Mclean, VA	1829 Prohibition Notification	0	8/24/2018 12:00:00 AM -04:00	
Capital One, National Association	13688	Adrian Hawkins	Mclean, VA	Prohibition/Removal Orders	0	8/26/2019 12:00:00 AM -04:00	AA-EC-2019-34
Capital One, National Association	13688		Mclean, VA	Cease-and-Desist Order (C&D) or Personal Cease-and-Desist Order (PC&D)	0	8/5/2020 12:00:00 AM -04:00	AA-EC-20-49
Capital One, National Association	13688		Mclean, VA	Civil Money Penalty (CMP)	$ 80,000,000	8/5/2020 12:00:00 AM -04:00	AA-EC-20-51
Capital One, National Association	13688	Danielle Cush	Mclean, VA	1829 Prohibition Notification	0	9/23/2016 12:00:00 AM -04:00	
Capital One, National Association	13688	Theodore Chia-Wen Chou	Mclean, VA	1829 Prohibition Notification	0	9/28/2018 12:00:00 AM -04:00	
Capital One, National Association	13688	Regan Christopher Tsoi-A-Sue	Mclean, VA	1829 Prohibition Notification	0	9/30/2016 12:00:00 AM -04:00	
Capital One, National Association	13688	Yifeng Wang	Mclean, VA	1829 Prohibition Notification	0	9/7/2018 12:00:00 AM -04:00	
Charles Schwab Bank	718077	Nicholas Vargas	Reno, NV	Prohibition/Removal Orders	0	4/24/2017 12:00:00 AM -04:00	AA-EC-2017-18
Chase Bank USA, National Association	23160		Newark, DE	Cease-and-Desist Order (C&D) or Personal Cease-and-Desist Order (PC&D)	0	1/14/2013 12:00:00 AM -05:00	AA-EC-13-04
Chase Bank USA, National Association	23160		Wilmington, DE	Civil Money Penalty (CMP)	$ 350,000,000	1/7/2014 12:00:00 AM -05:00	AA-EC-2013-109
Chase Bank USA, National Association	23160	Jesus Ramon Garcia-Lopez	Wilmington , DE	1829 Prohibition Notification	0	7/11/2019 12:00:00 AM -04:00	
Chase Bank USA, National Association	23160		Wilmington, DE	Civil Money Penalty (CMP)	$ -	7/8/2015 12:00:00 AM -04:00	AA-EC-2014-64
Chase Bank USA, National Association	23160		Wilmington, DE	Cease-and-Desist Order (C&D) or Personal Cease-and-Desist Order (PC&D)	0	9/18/2013 12:00:00 AM -04:00	AA-EC-13-45
Chase Bank USA, National Association	23160		Wilmington, DE	Cease-and-Desist Order (C&D) or Personal Cease-and-Desist Order (PC&D)	0	9/18/2013 12:00:00 AM -04:00	AA-EC-13-76
Chase Bank USA, National Association	23160		Wilmington, DE	Civil Money Penalty (CMP)	$ 60,000,000	9/18/2013 12:00:00 AM -04:00	AA-EC-13-46
Citibank, N.A.	1461		Sioux Falls, SD	Civil Money Penalty (CMP)	$ 17,998,510	1/17/2020 12:00:00 AM -05:00	AA-EC-209-91
Citibank, N.A.	1461		Sioux Falls, SD	Civil Money Penalty (CMP)	$ 30,000,000	10/11/2019 12:00:00 AM -04:00	AA-EC-2019-67
Citibank, N.A.	1461		Sioux Falls, SD	Civil Money Penalty (CMP)	$ 25,000,000	3/19/2019 12:00:00 AM -04:00	AA-EC-2019-8
Citibank, N.A.	1461		Sioux Falls, SD	Cease-and-Desist Order (C&D) or Personal Cease-and-Desist Order (PC&D)	0	7/20/2015 12:00:00 AM -04:00	AA-EC-2015-52
Citibank, N.A.	1461		Sioux Falls, SD	Civil Money Penalty (CMP)	$ 35,000,000	7/20/2015 12:00:00 AM -04:00	AA-EC-2015-53
Citibank, N.A.	1461		Sioux Falls, SD	C&D or PC&D Requiring Restitution	0	7/20/2015 12:00:00 AM -04:00	AA-EC-2015-52
Citibank, N.A.	1461	Rohan Ramchandani	Sioux Falls, SD	Notice of Charges	0	8/11/2020 12:00:00 AM -04:00	AA-EC-2017-2
Citibank, N.A.	1461	Gladys P. Alcala	Sioux Falls, SD	1829 Prohibition Notification	0	9/13/2018 12:00:00 AM -04:00	
Citibank, N.A.	1461	Lennon Ray Brown	Sioux Falls, SD	1829 Prohibition Notification	0	9/30/2016 12:00:00 AM -04:00	
Citibank, N.A.	1461	Allah Brown	Sioux Falls, SD	1829 Prohibition Notification	0	9/30/2019 12:00:00 AM -04:00	
Citibank, National Association	1461	John Mcarthur	Las Vegas, NV	1829 Prohibition Notification	0	1/12/2012 12:00:00 AM -05:00	
Citibank, National Association	1461	Christopher Cummins	Sioux Falls, SD	Prohibition/Removal Orders	0	1/23/2017 12:00:00 AM -05:00	AA-EC-2017-5
Citibank, National Association	1461	Jonathan Molina	Las Vegas, NV	1829 Prohibition Notification	0	1/9/2012 12:00:00 AM -05:00	
Citibank, National Association	1461	Rohan Ramchandani	Sioux Falls, SD	Notice of Charges	0	1/9/2017 12:00:00 AM -05:00	AA-EC-2017-2
Citibank, National Association	1461		Sioux Falls, SD	Civil Money Penalty (CMP)	$ 452,000	10/10/2017 12:00:00 AM -04:00	AA-EC-2017-36
Citibank, National Association	1461		Sioux Falls, SD	Cease-and-Desist Order (C&D) or Personal Cease-and-Desist Order (PC&D)	0	10/7/2020 12:00:00 AM -04:00	
Citibank, National Association	1461		Sioux Falls, SD	Civil Money Penalty (CMP)	$ 400,000,000	10/7/2020 12:00:00 AM -04:00	AA-EC-2020-65
Citibank, National Association	1461		Sioux Falls, SD	Cease-and-Desist Order (C&D) or Personal Cease-and-Desist Order (PC&D)	0	11/11/2014 12:00:00 AM -05:00	AA-EC-14-101
Citibank, National Association	1461		Sioux Falls, SD	Civil Money Penalty (CMP)	$ 350,000,000	11/11/2014 12:00:00 AM -05:00	AA-EC-14-101
Citibank, National Association	1461	Susan E. Jones	Sioux Falls, SD	1829 Prohibition Notification	0	11/18/2013 12:00:00 AM -05:00	
Citibank, National Association	1461	Jason A. Hernandez	Sioux Falls, SD	1829 Prohibition Notification	0	11/7/2013 12:00:00 AM -05:00	
Citibank, National Association	1461	Ericka Hernandez	Sioux Falls, SD	1829 Prohibition Notification	0	12/20/2012 12:00:00 AM -05:00	
Citibank, National Association	1461		Sioux Falls, SD	Civil Money Penalty (CMP)	$ 70,000,000	12/27/2017 12:00:00 AM -05:00	AA-EC-2017-71
Citibank, National Association	1461		Sioux Falls, SD	Formal Agreement	0	2/24/2012 12:00:00 AM -05:00	
Citibank, National Association	1461		Sioux Falls, SD	Cease-and-Desist Order (C&D) or Personal Cease-and-Desist Order (PC&D)	0	2/28/2013 12:00:00 AM -05:00	AA-EC-11-13
Citibank, National Association	1461	Norma Pena	Sioux Falls, SD	1829 Prohibition Notification	0	3/13/2012 12:00:00 AM -04:00	
Citibank, National Association	1461	Aaron Teachout	Sioux Falls, SD	1829 Prohibition Notification	0	3/8/2012 12:00:00 AM -05:00	
Citibank, National Association	1461	Norma J. Talley-Maccow	Sioux Falls, SD	1829 Prohibition Notification	0	3/9/2012 12:00:00 AM -05:00	
Citibank, National Association	1461	Gary Chimelis	Las Vegas, NV	1829 Prohibition Notification	0	4/11/2013 12:00:00 AM -04:00	

Large Bank Enforcement Actions 2012 to Present							
Institution	CharterNumber	Individual	Location	Type	Amount	StartDate	DocketNumber
Citibank, National Association	1461	Lukasz Wierzba	Sioux Falls, SD	1829 Prohibition Notification	0	4/5/2012 12:00:00 AM -04:00	
Citibank, National Association	1461		Sioux Falls, SD	Cease-and-Desist Order (C&D) or Personal Cease-and-Desist Order (PC&D)	0	4/5/2012 12:00:00 AM -04:00	AA-EC-12-18
Citibank, National Association	1461	Phulbert St. Germaine	Sioux Falls, SD	1829 Prohibition Notification	0	5/23/2013 12:00:00 AM -04:00	
Citibank, National Association	1461	Terri Jo Huber	Sioux Falls, SD	1829 Prohibition Notification	0	5/5/2014 12:00:00 AM -04:00	
Citibank, National Association	1461	Karen Febles	Sioux Falls, SD	1829 Prohibition Notification	0	9/17/2013 12:00:00 AM -04:00	
Citizens Bank, National Association	24571	Danielle Pazi	Providence, RI	1829 Prohibition Notification	0	1/13/2015 12:00:00 AM -05:00	
Citizens Bank, National Association	24571	J'Cynda Sales	Providence, RI	1829 Prohibition Notification	0	1/24/2018 12:00:00 AM -05:00	
Citizens Bank, National Association	24571		Providence, RI	Cease-and-Desist Order (C&D) or Personal Cease-and-Desist Order (PC&D)	0	11/10/2015 12:00:00 AM -05:00	AA-EC-2015-58
Citizens Bank, National Association	24571		Providence, RI	Civil Money Penalty (CMP)	$ 2,000,000	11/10/2015 12:00:00 AM -05:00	AA-EC-2015-58
Citizens Bank, National Association	24571	Justin D. Rader	Providence, RI	1829 Prohibition Notification	0	12/20/2018 12:00:00 AM -05:00	
Citizens Bank, National Association	24571	Tara Petrucci	Providence, RI	1829 Prohibition Notification	0	2/14/2017 12:00:00 AM -05:00	
Citizens Bank, National Association	24571	Derline Cunningham	Providence, RI	Notice of Charges	0	3/12/2021 12:00:00 AM -05:00	AA-EC-2021-11
Citizens Bank, National Association	24571	Glynis Burks	Providence, RI	1829 Prohibition Notification	0	3/13/2015 12:00:00 AM -04:00	
Citizens Bank, National Association	24571		Providence, RI	Formal Agreement	0	4/24/2014 12:00:00 AM -04:00	
Citizens Bank, National Association	24571	Michael Garcia	Providence, RI	1829 Prohibition Notification	0	5/2/2014 12:00:00 AM -04:00	
Citizens Bank, National Association	24571	Biagio Maffettone	Providence, RI	Notice of Charges	0	5/7/2020 12:00:00 AM -04:00	AA-EC-2020-38
Citizens Bank, National Association	24571	Mildred Martinez	Providence, RI	1829 Prohibition Notification	0	6/15/2015 12:00:00 AM -04:00	
Citizens Bank, National Association	24571	Vedanta Dumas-Griffith	Providence, RI	1829 Prohibition Notification	0	6/30/2016 12:00:00 AM -04:00	
Citizens Bank, National Association	24571	Gregory M. Guertin	Providence, RI	1829 Prohibition Notification	0	8/6/2015 12:00:00 AM -04:00	
Citizens Bank, National Association	24571	Cynthia F. Mansfield	Providence, RI	1829 Prohibition Notification	0	8/6/2015 12:00:00 AM -04:00	
Citizens Bank, National Association	24571	Matilde Fabian-Pichardo	Providence, RI	1829 Prohibition Notification	0	9/21/2017 12:00:00 AM -04:00	
Citizens Bank, National Association	24571	Tashika M. Townsend	Providence, RI	1829 Prohibition Notification	0	9/28/2018 12:00:00 AM -04:00	
City National Bank	14695	Edward Lewando	Los Angeles, CA	1829 Prohibition Notification	0	10/23/2013 12:00:00 AM -04:00	
City National Bank	14695	Cheryl Baccei	Los Angeles, CA	Prohibition/Removal Orders	0	2/22/2012 12:00:00 AM -05:00	AA-EC-11-93
City National Bank	14695	Norma Barajas	Los Angeles, CA	1829 Prohibition Notification	0	9/4/2019 12:00:00 AM -04:00	
HSBC Bank USA, National Association	24522		Mclean, VA	Civil Money Penalty (CMP)	$ 32,500,000	1/6/2017 12:00:00 AM -05:00	AA-EC-2016-96
HSBC Bank USA, National Association	24522	Mark Johnson	Mclean, VA	Notice of Charges	0	10/5/2016 12:00:00 AM -04:00	AA-EC-2016-74
HSBC Bank USA, National Association	24522	Anna Zaichik	Mclean, VA	1829 Prohibition Notification	0	11/26/2013 12:00:00 AM -05:00	
HSBC Bank USA, National Association	24522	Mark Johnson	Tysons, VA	Prohibition/Removal Orders	0	12/10/2020 12:00:00 AM -05:00	AA-EC-20-81
HSBC Bank USA, National Association	24522		Mclean, VA	Cease-and-Desist Order (C&D) or Personal Cease-and-Desist Order (PC&D)	0	12/11/2012 12:00:00 AM -05:00	AA-EC-2012-140
HSBC Bank USA, National Association	24522		Mclean, VA	Civil Money Penalty (CMP)	$500,000,000	12/11/2012 12:00:00 AM -05:00	AA-EC-2012-112
HSBC Bank USA, National Association	24522		Mclean, VA	Formal Agreement	0	12/11/2012 12:00:00 AM -05:00	AA-EC-2012-153
HSBC Bank USA, National Association	24522		Mclean, VA	Cease-and-Desist Order (C&D) or Personal Cease-and-Desist Order (PC&D)	0	2/28/2013 12:00:00 AM -05:00	AA-EC-11-14
HSBC Bank USA, National Association	24522		Mclean, VA	Cease-and-Desist Order (C&D) or Personal Cease-and-Desist Order (PC&D)	0	4/12/2016 12:00:00 AM -04:00	AA-EC-2015-101
HSBC Bank USA, National Association	24522		Mclean, VA	Civil Money Penalty (CMP)	$ 35,000,000	4/12/2016 12:00:00 AM -04:00	AA-EC-2015-100
HSBC Bank USA, National Association	24522	William J. Hebert	Mclean, VA	1829 Prohibition Notification	0	5/2/2012 12:00:00 AM -04:00	
HSBC Bank USA, National Association	24522	Danielle I. Bragg	Mclean, VA	1829 Prohibition Notification	0	5/23/2013 12:00:00 AM -04:00	
HSBC Bank USA, National Association	24522		Mclean, VA	Cease-and-Desist Order (C&D) or Personal Cease-and-Desist Order (PC&D)	0	6/16/2015 12:00:00 AM -04:00	AA-EC-11-14
HSBC Bank USA, National Association	24522	Nicole Pompey	Tysons, VA	1829 Prohibition Notification	0	8/22/2018 12:00:00 AM -04:00	
JPMorgan Bank and Trust Company, National Association	24802		San Francisco, CA	Cease-and-Desist Order (C&D) or Personal Cease-and-Desist Order (PC&D)	0	1/14/2013 12:00:00 AM -05:00	AA-EC-13-04
JPMorgan Bank and Trust Company, National Association	24802		San Francisco, CA	Civil Money Penalty (CMP)	$350,000,000	1/7/2014 12:00:00 AM -05:00	AA-EC-2013-109
JPMorgan Bank and Trust Company, National Association	24802		San Francisco, CA	Civil Money Penalty (CMP)	$ -	7/8/2015 12:00:00 AM -04:00	AA-EC-2014-64
JPMorgan Bank and Trust Company, National Association	24802		San Francisco, CA	Cease-and-Desist Order (C&D) or Personal Cease-and-Desist Order (PC&D)	0	9/18/2013 12:00:00 AM -04:00	AA-EC-13-76
JPMorgan Chase Bank, National Association	8	Candie Losoya	Columbus, OH	1829 Prohibition Notification	0	1/11/2019 12:00:00 AM -05:00	
JPMorgan Chase Bank, National Association	8		Columbus, OH	Cease-and-Desist Order (C&D) or Personal Cease-and-Desist Order (PC&D)	0	1/14/2013 12:00:00 AM -05:00	AA-EC-13-04
JPMorgan Chase Bank, National Association	8		Columbus, OH	Cease-and-Desist Order (C&D) or Personal Cease-and-Desist Order (PC&D)	0	1/14/2013 12:00:00 AM -05:00	AA-EC-13-01
JPMorgan Chase Bank, National Association	8	Ivan M. Then	Columbus, OH	1829 Prohibition Notification	0	1/21/2014 12:00:00 AM -05:00	
JPMorgan Chase Bank, National Association	8	Laura Bloomingburg	Columbus, OH	1829 Prohibition Notification	0	1/23/2020 12:00:00 AM -05:00	
JPMorgan Chase Bank, National Association	8	Andrew Charles Callihan	Columbus, OH	1829 Prohibition Notification	0	1/28/2015 12:00:00 AM -05:00	
JPMorgan Chase Bank, National Association	8	Rosa L. Solivan	Columbus, OH	Prohibition/Removal Orders	0	1/28/2020 12:00:00 AM -05:00	AA-EC-2019-79

Large Bank Enforcement Actions 2012 to Present							
Institution	CharterNumber	Individual	Location	Type	Amount	StartDate	DocketNumber
JPMorgan Chase Bank, National Association	8		Columbus, OH	Civil Money Penalty (CMP)	$ 48,000,000	1/4/2016 12:00:00 AM -05:00	AA-EC-2015-105
JPMorgan Chase Bank, National Association	8		Columbus, OH	Civil Money Penalty (CMP)	$ 350,000,000	1/7/2014 12:00:00 AM -05:00	AA-EC-2013-109
JPMorgan Chase Bank, National Association	8	Akshay Aiyer	Columbus, OH	Notice of Charges	0	1/7/2019 12:00:00 AM -05:00	AA-EC-2018-68
JPMorgan Chase Bank, National Association	8	Jeffrey Ruffo	Columbus, OH	Notice of Charges	0	1/8/2020 12:00:00 AM -05:00	AA-EC-2019-95
JPMorgan Chase Bank, National Association	8	Richard Usher	Columbus, OH	Notice of Charges	0	1/9/2017 12:00:00 AM -05:00	
JPMorgan Chase Bank, National Association	8	Kevin Jay Orona	Columbus, OH	Prohibition/Removal Orders	0	10/11/2018 12:00:00 AM -04:00	AA-EC-2018-61
JPMorgan Chase Bank, National Association	8	Katherine Torres	Columbus, OH	1829 Prohibition Notification	0	10/18/2013 12:00:00 AM -04:00	
JPMorgan Chase Bank, National Association	8	Tami L. Riggles	Columbus, OH	1829 Prohibition Notification	0	10/2/2015 12:00:00 AM -04:00	
JPMorgan Chase Bank, National Association	8	Ronald Uy	Columbus, OH	1829 Prohibition Notification	0	10/27/2015 12:00:00 AM -04:00	
JPMorgan Chase Bank, National Association	8	Roseann McSorley	Columbus, OH	Civil Money Penalty (CMP)	$ 35,000	10/28/2019 12:00:00 AM -04:00	AA-EC-2019-49
JPMorgan Chase Bank, National Association	8	Judith Fulgencio	Columbus, OH	1829 Prohibition Notification	0	10/7/2015 12:00:00 AM -04:00	
JPMorgan Chase Bank, National Association	8	Sandra Macchi	Columbus, OH	1829 Prohibition Notification	0	10/9/2013 12:00:00 AM -04:00	
JPMorgan Chase Bank, National Association	8	Mark A. McCoy	Columbus, OH	1829 Prohibition Notification	0	10/9/2013 12:00:00 AM -04:00	
JPMorgan Chase Bank, National Association	8	Kristina L. Scheel	Columbus, OH	Prohibition/Removal Orders	0	10/9/2018 12:00:00 AM -04:00	AA-EC-2018-56
JPMorgan Chase Bank, National Association	8		Columbus, OH	Cease-and-Desist Order (C&D) or Personal Cease-and-Desist Order (PC&D)	0	11/11/2014 12:00:00 AM -05:00	AA-EC-2019-56
JPMorgan Chase Bank, National Association	8		Columbus, OH	Civil Money Penalty (CMP)	$ 350,000,000	11/11/2014 12:00:00 AM -05:00	AA-EC-14-100
JPMorgan Chase Bank, National Association	8	David Newsome	Columbus, OH	1829 Prohibition Notification	0	11/15/2013 12:00:00 AM -05:00	
JPMorgan Chase Bank, National Association	8	Rosann Calafiore	Columbus, OH	1829 Prohibition Notification	0	11/2/2012 12:00:00 AM -04:00	
JPMorgan Chase Bank, National Association	8	Anisha Greer	Columbus, OH	Prohibition/Removal Orders	0	11/20/2018 12:00:00 AM -05:00	AA-EC-2018-60
JPMorgan Chase Bank, National Association	8		Columbus, OH	Civil Money Penalty (CMP)	$ 250,000,000	11/24/2020 12:00:00 AM -05:00	AA-ENF-2020-70
JPMorgan Chase Bank, National Association	8	Imran Cheema	Columbus, OH	1829 Prohibition Notification	0	11/4/2013 12:00:00 AM -05:00	
JPMorgan Chase Bank, National Association	8	Navahcia L. Edwards	Columbus, OH	1829 Prohibition Notification	0	11/4/2013 12:00:00 AM -05:00	
JPMorgan Chase Bank, National Association	8	Michael Nowak	Columbus, OH	Notice of Charges	0	11/7/2019 12:00:00 AM -05:00	AA-EC-2019-77
JPMorgan Chase Bank, National Association	8	Gregg Smith	Columbus, OH	Notice of Charges	0	11/7/2019 12:00:00 AM -05:00	AA-EC-2019-77
JPMorgan Chase Bank, National Association	8	Donnie L. McMillan	Columbus, OH	1829 Prohibition Notification	0	12/18/2013 12:00:00 AM -05:00	
JPMorgan Chase Bank, National Association	8	Syndon G. Cunningham	Columbus, OH	1829 Prohibition Notification	0	12/18/2014 12:00:00 AM -05:00	
JPMorgan Chase Bank, National Association	8	David L. Phillips	Columbus, OH	1829 Prohibition Notification	0	12/18/2014 12:00:00 AM -05:00	
JPMorgan Chase Bank, National Association	8	Renzo Gianmarco Filomeno	Columbus, OH	1829 Prohibition Notification	0	12/2/2019 12:00:00 AM -05:00	
JPMorgan Chase Bank, National Association	8	Dakima Williams	Columbus, OH	1829 Prohibition Notification	0	12/2/2019 12:00:00 AM -05:00	
JPMorgan Chase Bank, National Association	8	Nancy Hogan	Columbus, OH	1829 Prohibition Notification	0	12/7/2018 12:00:00 AM -05:00	
JPMorgan Chase Bank, National Association	8	Kimberly Oblanca	Columbus, OH	1829 Prohibition Notification	0	2/12/2021 12:00:00 AM -05:00	
JPMorgan Chase Bank, National Association	8	Jimmy Paz	Columbus, OH	Prohibition/Removal Orders	0	2/19/2021 12:00:00 AM -05:00	AA-ENF-2021-5
JPMorgan Chase Bank, National Association	8	Douglas E. Thomas	Columbus, OH	1829 Prohibition Notification	0	2/21/2014 12:00:00 AM -05:00	
JPMorgan Chase Bank, National Association	8		Columbus, OH	Formal Agreement	0	2/22/2012 12:00:00 AM -05:00	
JPMorgan Chase Bank, National Association	8	Luis M. Perez	Columbus, OH	1829 Prohibition Notification	0	2/23/2016 12:00:00 AM -05:00	
JPMorgan Chase Bank, National Association	8		Columbus, OH	Cease-and-Desist Order (C&D) or Personal Cease-and-Desist Order (PC&D)	0	2/28/2013 12:00:00 AM -05:00	AA-EC-11-15
JPMorgan Chase Bank, National Association	8	Lawrence L. Powell	Columbus, OH	1829 Prohibition Notification	0	2/3/2012 12:00:00 AM -05:00	
JPMorgan Chase Bank, National Association	8	Blazej M. Wasilewski	Columbus, OH	1829 Prohibition Notification	0	2/4/2013 12:00:00 AM -05:00	
JPMorgan Chase Bank, National Association	8	Carlos L. Ibarra	Columbus, OH	1829 Prohibition Notification	0	2/6/2015 12:00:00 AM -05:00	
JPMorgan Chase Bank, National Association	8	Ricky McCants	Columbus, OH	1829 Prohibition Notification	0	3/1/2012 12:00:00 AM -05:00	
JPMorgan Chase Bank, National Association	8	Kia Wylie	Columbus, OH	1829 Prohibition Notification	0	3/1/2012 12:00:00 AM -05:00	
JPMorgan Chase Bank, National Association	8	Mercy Adebanjo	Columbus, OH	1829 Prohibition Notification	0	3/11/2014 12:00:00 AM -04:00	
JPMorgan Chase Bank, National Association	8	Esmeralda Hernandez	Columbus, OH	1829 Prohibition Notification	0	3/21/2019 12:00:00 AM -04:00	
JPMorgan Chase Bank, National Association	8	Derek B. Eggert	Columbus, OH	Prohibition/Removal Orders	0	3/22/2018 12:00:00 AM -04:00	AA-EC-2018-85
JPMorgan Chase Bank, National Association	8	Mohammed Adelakun	Columbus, OH	1829 Prohibition Notification	0	3/25/2014 12:00:00 AM -04:00	
JPMorgan Chase Bank, National Association	8	Collin Seigle	Columbus, OH	1829 Prohibition Notification	0	3/3/2016 12:00:00 AM -05:00	
JPMorgan Chase Bank, National Association	8	Rachel L. Otto	Columbus, OH	1829 Prohibition Notification	0	3/31/2020 12:00:00 AM -04:00	
JPMorgan Chase Bank, National Association	8	Karen Chance	Columbus, OH	1829 Prohibition Notification	0	3/4/2014 12:00:00 AM -05:00	
JPMorgan Chase Bank, National Association	8	Joel Blanford	Columbus, OH	1829 Prohibition Notification	0	4/15/2013 12:00:00 AM -04:00	
JPMorgan Chase Bank, National Association	8	Quaneysha McCrea	Columbus, OH	1829 Prohibition Notification	0	4/17/2014 12:00:00 AM -04:00	

Large Bank Enforcement Actions 2012 to Present							
Institution	CharterNumber	Individual	Location	Type	Amount	StartDate	DocketNumber
JPMorgan Chase Bank, National Association	8	Nicole R. Palumbo	Columbus, OH	1829 Prohibition Notification	0	4/30/2013 12:00:00 AM -04:00	
JPMorgan Chase Bank, National Association	8	Troy D. Fabon	Columbus, OH	Prohibition/Removal Orders	0	5/16/2019 12:00:00 AM -04:00	AA-EC-2019-16
JPMorgan Chase Bank, National Association	8	James L. Hertz	Columbus, OH	Prohibition/Removal Orders	0	5/21/2013 12:00:00 AM -04:00	AA-EC-2013-22
JPMorgan Chase Bank, National Association	8	Alexander W. Wright	Columbus, OH	Prohibition/Removal Orders	0	5/21/2013 12:00:00 AM -04:00	AA-EC-2013-23
JPMorgan Chase Bank, National Association	8	Krizia Zoe Acosta	Columbus, OH	1829 Prohibition Notification	0	5/25/2016 12:00:00 AM -04:00	
JPMorgan Chase Bank, National Association	8	Addisha Jackson	Columbus, OH	Notice of Charges	0	5/25/2021 12:00:00 AM -04:00	AA-EC-2021-22
JPMorgan Chase Bank, National Association	8	Sephoen Tsang	Columbus, OH	1829 Prohibition Notification	0	5/28/2015 12:00:00 AM -04:00	
JPMorgan Chase Bank, National Association	8	Tasha L. Goodson	Columbus, OH	1829 Prohibition Notification	0	5/6/2014 12:00:00 AM -04:00	
JPMorgan Chase Bank, National Association	8	Kameron J. McCullough	Columbus, OH	1829 Prohibition Notification	0	6/1/2015 12:00:00 AM -04:00	
JPMorgan Chase Bank, National Association	8	Frank Mendoza	Columbus, OH	1829 Prohibition Notification	0	6/12/2012 12:00:00 AM -04:00	
JPMorgan Chase Bank, National Association	8	Alexander Meltsin	Columbus, OH	1829 Prohibition Notification	0	6/13/2013 12:00:00 AM -04:00	
JPMorgan Chase Bank, National Association	8	Melissa Banaszak	Columbus, OH	1829 Prohibition Notification	0	6/14/2016 12:00:00 AM -04:00	
JPMorgan Chase Bank, National Association	8	Johnnie Christopher	Columbus, OH	1829 Prohibition Notification	0	6/14/2016 12:00:00 AM -04:00	
JPMorgan Chase Bank, National Association	8		Columbus, OH	Cease-and-Desist Order (C&D) or Personal Cease-and-Desist Order (PC&D)	0	6/16/2015 12:00:00 AM -04:00	AA-EC-11-15
JPMorgan Chase Bank, National Association	8	Cynthia Jenkins	Columbus, OH	Prohibition/Removal Orders	0	6/2/2021 12:00:00 AM -04:00	AA-EC-2021-15
JPMorgan Chase Bank, National Association	8	Lynda E. Sanabria	Columbus, OH	1829 Prohibition Notification	0	6/23/2015 12:00:00 AM -04:00	
JPMorgan Chase Bank, National Association	8	Mark Masiglat	Columbus, OH	1829 Prohibition Notification	0	6/7/2016 12:00:00 AM -04:00	
JPMorgan Chase Bank, National Association	8	Andres David Majano	Columbus, OH	Prohibition/Removal Orders	0	6/8/2020 12:00:00 AM -04:00	AA-EC-2020-37
JPMorgan Chase Bank, National Association	8	Jennifer I. Hunsaker	Columbus, OH	1829 Prohibition Notification	0	7/14/2014 12:00:00 AM -04:00	
JPMorgan Chase Bank, National Association	8	Erick Bernard Davis	Columbus, OH	1829 Prohibition Notification	0	7/19/2012 12:00:00 AM -04:00	
JPMorgan Chase Bank, National Association	8	Deon M. Walcott	Columbus, OH	1829 Prohibition Notification	0	7/22/2014 12:00:00 AM -04:00	
JPMorgan Chase Bank, National Association	8	Martha Ann Lozano	Columbus, OH	1829 Prohibition Notification	0	7/23/2018 12:00:00 AM -04:00	
JPMorgan Chase Bank, National Association	8	Adam Nels Ausen	Columbus, OH	1829 Prohibition Notification	0	7/30/2012 12:00:00 AM -04:00	
JPMorgan Chase Bank, National Association	8	Rosalind Smith	Columbus, OH	1829 Prohibition Notification	0	7/31/2013 12:00:00 AM -04:00	
JPMorgan Chase Bank, National Association	8	Natanzia St. Rose	Columbus, OH	1829 Prohibition Notification	0	7/31/2013 12:00:00 AM -04:00	
JPMorgan Chase Bank, National Association	8		Columbus, OH	Civil Money Penalty (CMP)	$ 30,000,000	7/8/2015 12:00:00 AM -04:00	AA-EC-2014-64
JPMorgan Chase Bank, National Association	8	Christina Jean Bray	Columbus, OH	1829 Prohibition Notification	0	7/9/2013 12:00:00 AM -04:00	
JPMorgan Chase Bank, National Association	8	Richard Usher	Columbus, OH	Notice of Charges	0	8/11/2020 12:00:00 AM -04:00	AA-EC-2017-2
JPMorgan Chase Bank, National Association	8	Duane Robinson	Columbus, OH	1829 Prohibition Notification	0	8/13/2020 12:00:00 AM -04:00	
JPMorgan Chase Bank, National Association	8	Stephen Decrescenzo	Columbus, OH	1829 Prohibition Notification	0	8/15/2018 12:00:00 AM -04:00	
JPMorgan Chase Bank, National Association	8	Amanda Olena Nahre	Columbus, OH	1829 Prohibition Notification	0	8/16/2018 12:00:00 AM -04:00	
JPMorgan Chase Bank, National Association	8	Peter Damian Persaud	Columbus, OH	1829 Prohibition Notification	0	8/16/2018 12:00:00 AM -04:00	
JPMorgan Chase Bank, National Association	8	Seanna Rae Antle	Columbus, OH	1829 Prohibition Notification	0	8/24/2018 12:00:00 AM -04:00	
JPMorgan Chase Bank, National Association	8	Alejandro Ojeda	Columbus, OH	Prohibition/Removal Orders	0	8/26/2015 12:00:00 AM -04:00	AA-EC-2015-46
JPMorgan Chase Bank, National Association	8	Deborah Marcarelli	Columbus, OH	1829 Prohibition Notification	0	8/27/2014 12:00:00 AM -04:00	
JPMorgan Chase Bank, National Association	8	Lauren Marie Siniard	Columbus, OH	1829 Prohibition Notification	0	8/29/2014 12:00:00 AM -04:00	
JPMorgan Chase Bank, National Association	8	Ebony Allen	Columbus, OH	1829 Prohibition Notification	0	8/30/2018 12:00:00 AM -04:00	
JPMorgan Chase Bank, National Association	8	Sean Stewart	Columbus, OH	1829 Prohibition Notification	0	8/30/2018 12:00:00 AM -04:00	
JPMorgan Chase Bank, National Association	8	Ronald Espinal	Columbus, OH	1829 Prohibition Notification	0	8/6/2015 12:00:00 AM -04:00	
JPMorgan Chase Bank, National Association	8	Juri Santos	Columbus, OH	1829 Prohibition Notification	0	8/6/2015 12:00:00 AM -04:00	
JPMorgan Chase Bank, National Association	8	Theodore Mack	Columbus, OH	1829 Prohibition Notification	0	8/8/2013 12:00:00 AM -04:00	
JPMorgan Chase Bank, National Association	8	Dawn Howard	Columbus, OH	Prohibition/Removal Orders	0	8/9/2012 12:00:00 AM -04:00	AA-EC-11-93
JPMorgan Chase Bank, National Association	8	Latasha Gamble	Columbus, OH	1829 Prohibition Notification	0	9/13/2019 12:00:00 AM -04:00	
JPMorgan Chase Bank, National Association	8		Columbus, OH	Cease-and-Desist Order (C&D) or Personal Cease-and-Desist Order (PC&D)	0	9/18/2013 12:00:00 AM -04:00	AA-EC-13-17
JPMorgan Chase Bank, National Association	8		Columbus, OH	Cease-and-Desist Order (C&D) or Personal Cease-and-Desist Order (PC&D)	0	9/18/2013 12:00:00 AM -04:00	AA-EC-13-45
JPMorgan Chase Bank, National Association	8		Columbus, OH	Civil Money Penalty (CMP)	$ 300,000,000	9/18/2013 12:00:00 AM -04:00	AA-EC-2013-75
JPMorgan Chase Bank, National Association	8		Columbus, OH	Civil Money Penalty (CMP)	$ 60,000,000	9/18/2013 12:00:00 AM -04:00	AA-EC-13-46
JPMorgan Chase Bank, National Association	8	Carey Robinson	Columbus, OH	1829 Prohibition Notification	0	9/19/2012 12:00:00 AM -04:00	
JPMorgan Chase Bank, National Association	8	Breanna McQuinn	Columbus, OH	1829 Prohibition Notification	0	9/26/2018 12:00:00 AM -04:00	
JPMorgan Chase Bank, National Association	8	Claudia Ceniceros	Columbus, OH	1829 Prohibition Notification	0	9/30/2015 12:00:00 AM -04:00	

Large Bank Enforcement Actions 2012 to Present							
Institution	CharterNumber	Individual	Location	Type	Amount	StartDate	DocketNumber
JPMorgan Chase Bank, National Association	8	Suheidy A. Warner	Columbus, OH	1829 Prohibition Notification	0	9/30/2015 12:00:00 AM -04:00	
JPMorgan Chase Bank, National Association	8	Nathaniel R. Equall	Columbus, OH	1829 Prohibition Notification	0	9/30/2016 12:00:00 AM -04:00	
JPMorgan Chase Bank, National Association	8	Ted A. Zahner	Columbus, OH	1829 Prohibition Notification	0	9/30/2016 12:00:00 AM -04:00	
JPMorgan Chase Bank, National Association	8	Miryanis Napoles	Columbus, OH	1829 Prohibition Notification	0	9/5/2013 12:00:00 AM -04:00	
JPMorgan Chase Bank, National Association	8	Joel Leon Jr. Thomas	Columbus, OH	1829 Prohibition Notification	0	9/5/2018 12:00:00 AM -04:00	
JPMorgan Chase Bank, National Association	8	Ninele Bouemboue-Nagadiack	Columbus, OH	1829 Prohibition Notification	0	9/7/2018 12:00:00 AM -04:00	
Keybank National Association	14761		Cleveland, OH	Civil Money Penalty (CMP)	$ 5,005	1/15/2015 12:00:00 AM -05:00	AA-EC-2014-117
Keybank National Association	14761	Antonietta Robinson	Cleveland, OH	1829 Prohibition Notification	0	1/3/2012 12:00:00 AM -05:00	
Keybank National Association	14761	Randy Mainwaring	Cleveland, OH	1829 Prohibition Notification	0	10/1/2013 12:00:00 AM -04:00	
Keybank National Association	14761	Monica Barajas	Cleveland, OH	1829 Prohibition Notification	0	2/2/2012 12:00:00 AM -05:00	
Keybank National Association	14761	Dianna DeLawter	Cleveland, OH	1829 Prohibition Notification	0	2/22/2012 12:00:00 AM -05:00	
Keybank National Association	14761	Annamarie J. Skillings	Cleveland, OH	1829 Prohibition Notification	0	6/21/2012 12:00:00 AM -04:00	
Keybank National Association	14761	Kevin Moore	Cleveland, OH	1829 Prohibition Notification	0	6/5/2013 12:00:00 AM -04:00	
Keybank National Association	14761	Gerardo Valenzuela	Cleveland, OH	1829 Prohibition Notification	0	7/17/2019 12:00:00 AM -04:00	
Keybank National Association	14761	Tony Tucker	Cleveland, OH	1829 Prohibition Notification	0	7/30/2019 12:00:00 AM -04:00	
Keybank National Association	14761	Martha Lenhardt	Cleveland, OH	1829 Prohibition Notification	0	7/9/2019 12:00:00 AM -04:00	
Keybank National Association	14761	Walter Scott Fox	Cleveland, OH	1829 Prohibition Notification	0	9/23/2014 12:00:00 AM -04:00	
Keybank National Association	14761	Caitlin Kenney	Cleveland, OH	1829 Prohibition Notification	0	9/27/2019 12:00:00 AM -04:00	
Keybank National Association	14761	Marcia Campbell	Cleveland, OH	1829 Prohibition Notification	0	9/28/2018 12:00:00 AM -04:00	
Morgan Stanley Bank, N.A.	24908		Salt Lake City, UT	Civil Money Penalty (CMP)	$ 60,000,000	10/8/2020 12:00:00 AM -04:00	AA-EC-20-66
Morgan Stanley Bank, N.A.	24908	Amie Dorman	Salt Lake City, UT	Civil Money Penalty (CMP)	$ 7,500	9/30/2019 12:00:00 AM -04:00	AA-EC-2019-50
Morgan Stanley Private Bank, National Association	24981		Purchase, NY	Civil Money Penalty (CMP)	$ 60,000,000	10/8/2020 12:00:00 AM -04:00	AA-EC-20-66
MUFG Bank, Ltd. Chicago Branch	80140		Chicago, IL	Cease-and-Desist Order (C&D) or Personal Cease-and-Desist Order (PC&D)	0	2/21/2019 12:00:00 AM -05:00	AA-EC-2019-7
MUFG Bank, Ltd. Los Angeles Branch	80141		Los Angeles, CA	Cease-and-Desist Order (C&D) or Personal Cease-and-Desist Order (PC&D)	0	2/21/2019 12:00:00 AM -05:00	AA-EC-2019-7
MUFG Bank, Ltd. Primary NY Branch	80138		New York, NY	Cease-and-Desist Order (C&D) or Personal Cease-and-Desist Order (PC&D)	0	11/9/2017 12:00:00 AM -05:00	AA-EC-2017-70
MUFG Bank, Ltd. Primary NY Branch	80138		New York, NY	Cease-and-Desist Order (C&D) or Personal Cease-and-Desist Order (PC&D)	0	2/21/2019 12:00:00 AM -05:00	AA-EC-2019-7
MUFG Bank, Ltd. Secondary NY Branch	80139		New York, NY	Cease-and-Desist Order (C&D) or Personal Cease-and-Desist Order (PC&D)	0	11/9/2017 12:00:00 AM -05:00	AA-EC-2017-70
MUFG Union Bank, National Association	21541	Alicia Moe	San Francisco, CA	1829 Prohibition Notification	0	10/18/2018 12:00:00 AM -04:00	
Mufg Union Bank, National Association	21541	Eduardo Jara	San Francisco, CA	1829 Prohibition Notification	0	12/7/2016 12:00:00 AM -05:00	
MUFG Union Bank, National Association	21541	Lisa Barbosa	San Francisco, CA	1829 Prohibition Notification	0	2/21/2020 12:00:00 AM -05:00	
MUFG Union Bank, National Association	21541		San Francisco, CA	Civil Money Penalty (CMP)	$ 109,667	7/29/2019 12:00:00 AM -04:00	AA-EC-2019-36
PNC Bank, National Association	1316	Briana Taylor	Wilmington, DE	1829 Prohibition Notification	0	1/14/2020 12:00:00 AM -05:00	
PNC Bank, National Association	1316	John Williams	Wilmington, DE	1829 Prohibition Notification	0	1/21/2021 12:00:00 AM -05:00	
PNC Bank, National Association	1316	Denton Douglas	Wilmington, DE	Prohibition/Removal Orders	0	1/8/2021 12:00:00 AM -05:00	
PNC Bank, National Association	1316	Denton Douglas	Wilmington, DE	Civil Money Penalty (CMP)	$ 35,000	1/8/2021 12:00:00 AM -05:00	
PNC Bank, National Association	1316	Amanda Carey	Wilmington, DE	Prohibition/Removal Orders	0	10/27/2016 12:00:00 AM -04:00	AA-NE-2016-60
PNC Bank, National Association	1316		Wilmington, DE	Cease-and-Desist Order (C&D) or Personal Cease-and-Desist Order (PC&D)	0	10/6/2014 12:00:00 AM -04:00	AA-EC-2014-77
PNC Bank, National Association	1316		Wilmington, DE	Civil Money Penalty (CMP)	$ 2,000,000	10/6/2014 12:00:00 AM -04:00	AA-EC-2014-78
PNC Bank, National Association	1316		Wilmington, DE	C&D or PC&D Requiring Restitution	0	10/6/2014 12:00:00 AM -04:00	AA-EC-2014-77
PNC Bank, National Association	1316	Sherayle Moye	Wilmington, DE	Prohibition/Removal Orders	0	10/9/2018 12:00:00 AM -04:00	AA-EC-2018-57
PNC Bank, National Association	1316	Rikhil J. Patel	Wilmington, DE	1829 Prohibition Notification	0	11/20/2018 12:00:00 AM -05:00	
PNC Bank, National Association	1316	Christopher R. Sidote	Wilmington, DE	1829 Prohibition Notification	0	12/2/2013 12:00:00 AM -05:00	
PNC Bank, National Association	1316	Lynsey H. Haslip	Wilmington, DE	1829 Prohibition Notification	0	2/10/2015 12:00:00 AM -05:00	
PNC Bank, National Association	1316	Amy R Eyler	Wilmington, DE	1829 Prohibition Notification	0	2/11/2013 12:00:00 AM -05:00	
PNC Bank, National Association	1316	Mark F. Friend	Wilmington, DE	1829 Prohibition Notification	0	2/14/2017 12:00:00 AM -05:00	
PNC Bank, National Association	1316	Leon Park	Wilmington, DE	1829 Prohibition Notification	0	2/14/2017 12:00:00 AM -05:00	
PNC Bank, National Association	1316	Sammie Lee Rogers	Wilmington, DE	1829 Prohibition Notification	0	2/25/2020 12:00:00 AM -05:00	
PNC Bank, National Association	1316	Dwayne McCreary	Wilmington, DE	1829 Prohibition Notification	0	2/27/2019 12:00:00 AM -05:00	
PNC Bank, National Association	1316		Wilmington, DE	Cease-and-Desist Order (C&D) or Personal Cease-and-Desist Order (PC&D)	0	2/28/2013 12:00:00 AM -05:00	AA-EC-11-17
PNC Bank, National Association	1316	Rhonda L. Reed	Wilmington, DE	1829 Prohibition Notification	0	3/28/2013 12:00:00 AM -04:00	

Large Bank Enforcement Actions 2012 to Present							
Institution	CharterNumber	Individual	Location	Type	Amount	StartDate	DocketNumber
PNC Bank, National Association	1316	Zaheer Uddin Ahmed	Wilmington, DE	1829 Prohibition Notification	0	3/9/2015 12:00:00 AM -04:00	
PNC Bank, National Association	1316	Kimberly D. Laird	Wilmington, DE	1829 Prohibition Notification	0	4/2/2013 12:00:00 AM -04:00	
PNC Bank, National Association	1316	Morgan Souvannavong	Wilmington, DE	1829 Prohibition Notification	0	4/2/2019 12:00:00 AM -04:00	
PNC Bank, National Association	1316	Tommy L. Phillips	Wilmington, DE	1829 Prohibition Notification	0	4/3/2012 12:00:00 AM -04:00	
PNC Bank, National Association	1316	Eric M. Clevenger	Wilmington, DE	Prohibition/Removal Orders	0	4/9/2020 12:00:00 AM -04:00	OCC AA-EC-2019-63
PNC Bank, National Association	1316		Wilmington, DE	Civil Money Penalty (CMP)	$ 15,000,000	5/1/2018 12:00:00 AM -04:00	AA-EC-2018-88
PNC Bank, National Association	1316		Wilmington, DE	Civil Money Penalty (CMP)	$ 207,245	5/1/2018 12:00:00 AM -04:00	AA-EC-2018-11
PNC Bank, National Association	1316	Carolyn Scarmuzzi	Wilmington, DE	1829 Prohibition Notification	0	5/22/2014 12:00:00 AM -04:00	
PNC Bank, National Association	1316	Tyra L. Holmes	Wilmington, DE	Prohibition/Removal Orders	0	5/25/2018 12:00:00 AM -04:00	AA-EC-2018-25
PNC Bank, National Association	1316	Meghan N. McComb	Wilmington, DE	Prohibition/Removal Orders	0	5/25/2018 12:00:00 AM -04:00	AA-EC-2017-63
PNC Bank, National Association	1316	Gary Smith	Wilmington, DE	1829 Prohibition Notification	0	6/10/2019 12:00:00 AM -04:00	
PNC Bank, National Association	1316	Nicholas J. Polito	Wilmington, DE	1829 Prohibition Notification	0	6/13/2013 12:00:00 AM -04:00	
PNC Bank, National Association	1316	Miguel Valerio	Wilmington, DE	1829 Prohibition Notification	0	6/19/2012 12:00:00 AM -04:00	
PNC Bank, National Association	1316	Juan Carlos Hernandez	Wilmington, DE	1829 Prohibition Notification	0	6/20/2012 12:00:00 AM -04:00	
PNC Bank, National Association	1316	Denton Douglas	Wilmington, DE	Notice of Charges	0	6/22/2020 12:00:00 AM -04:00	AA-EC-20-39
PNC Bank, National Association	1316	Amanda N. Garrant	Wilmington, DE	1829 Prohibition Notification	0	6/25/2014 12:00:00 AM -04:00	
PNC Bank, National Association	1316	Burim Turkaj	Wilmington, DE	1829 Prohibition Notification	0	6/8/2015 12:00:00 AM -04:00	
PNC Bank, National Association	1316	Michelle Crouch	Wilmington, DE	1829 Prohibition Notification	0	7/14/2017 12:00:00 AM -04:00	
PNC Bank, National Association	1316	Ashley Beckman	Wilmington, DE	1829 Prohibition Notification	0	7/20/2020 12:00:00 AM -04:00	
PNC Bank, National Association	1316	April K. Johnson	Wilmington, DE	Prohibition/Removal Orders	0	7/29/2015 12:00:00 AM -04:00	AA-EC-2015-56
PNC Bank, National Association	1316	Erica Boyer	Wilmington, DE	1829 Prohibition Notification	0	8/19/2019 12:00:00 AM -04:00	
PNC Bank, National Association	1316	Amy Foti	Wilmington, DE	1829 Prohibition Notification	0	8/24/2018 12:00:00 AM -04:00	
PNC Bank, National Association	1316	Eric M. Clevenger	Wilmington, DE	Notice of Charges	0	8/26/2019 12:00:00 AM -04:00	AA-EC-2019-63
PNC Bank, National Association	1316	Daniel Thomas Chapman	Wilmington, DE	1829 Prohibition Notification	0	8/27/2018 12:00:00 AM -04:00	
PNC Bank, National Association	1316	Anthony A. Hitchens	Wilmington, DE	1829 Prohibition Notification	0	9/13/2018 12:00:00 AM -04:00	
PNC Bank, National Association	1316	April Fleming	Wilmington, DE	1829 Prohibition Notification	0	9/21/2017 12:00:00 AM -04:00	
PNC Bank, National Association	1316	Jordan Baxter	Wilmington, DE	1829 Prohibition Notification	0	9/22/2015 12:00:00 AM -04:00	
PNC Bank, National Association	1316	Jeffrey T. Crothers	Wilmington, DE	1829 Prohibition Notification	0	9/30/2016 12:00:00 AM -04:00	
Royal Bank of Canada, Miami Branch	80119	Dirceu P. Magalhaes	Miami, FL	Civil Money Penalty (CMP)	$ 100,000	9/12/2018 12:00:00 AM -04:00	AA-EC-2018-54
Royal Bank of Canada, Miami Branch	80119	Dircue P. Magalhaes	Miami, FL	Prohibition/Removal Orders	0	9/12/2018 12:00:00 AM -04:00	AA-EC-2018-54
Santander Bank, National Association	25022	Vladmir Kozlov	Wilmington, DE	1829 Prohibition Notification	0	11/21/2013 12:00:00 AM -05:00	
Santander Bank, National Association	25022	James Bender	Wilmington, DE	1829 Prohibition Notification	0	11/5/2013 12:00:00 AM -05:00	
Santander Bank, National Association	25022	Walter F. Mills	Wilmington, DE	Prohibition/Removal Orders	0	12/13/2019 12:00:00 AM -05:00	AA-EC-2019-11
Santander Bank, National Association	25022		Wilmington, DE	Civil Money Penalty (CMP)	$ 3,400,000	2/8/2016 12:00:00 AM -05:00	AA-EC-2016-11
Santander Bank, National Association	25022		Wilmington, DE	Cease-and-Desist Order (C&D) or Personal Cease-and-Desist Order (PC&D)	0	3/26/2015 12:00:00 AM -04:00	AA-EC-2015-03
Santander Bank, National Association	25022		Wilmington, DE	Civil Money Penalty (CMP)	$ 6,000,000	3/26/2015 12:00:00 AM -04:00	AA-EC-2015-04
Santander Bank, National Association	25022		Wilmington, DE	C&D or PC&D Requiring Restitution	0	3/26/2015 12:00:00 AM -04:00	AA-EC-2015-03
Santander Bank, National Association	25022	Christine Granado	Wilmington, DE	Prohibition/Removal Orders	0	4/3/2018 12:00:00 AM -04:00	AA-EC-2018-12
Santander Bank, National Association	25022	Latosha Denise Mabry	Wilmington, DE	1829 Prohibition Notification	0	4/9/2015 12:00:00 AM -04:00	
Santander Bank, National Association	25022	Michael Trujillo	Wilmington, DE	Prohibition/Removal Orders	0	5/1/2018 12:00:00 AM -04:00	AA-EC-2018-3
Santander Bank, National Association	25022	Walter F. Mills	Wilmington, DE	Notice of Charges	0	5/20/2019 12:00:00 AM -04:00	AA-EC-2019-11
Santander Bank, National Association	25022	Jennifer Irene Shirvanian	Wilmington, DE	1829 Prohibition Notification	0	5/29/2019 12:00:00 AM -04:00	
Santander Bank, National Association	25022		Wilmington, DE	Cease-and-Desist Order (C&D) or Personal Cease-and-Desist Order (PC&D)	0	6/16/2015 12:00:00 AM -04:00	
Santander Bank, National Association	25022	Caroline J. Hughes	Wilmington, DE	Prohibition/Removal Orders	0	7/13/2020 12:00:00 AM -04:00	AA-EC-2020-45
Santander Bank, National Association	25022	Miguel Cheverria	Wilmington, DE	1829 Prohibition Notification	0	7/14/2017 12:00:00 AM -04:00	
Santander Bank, National Association	25022	Satish Suri	Wilmington, DE	1829 Prohibition Notification	0	7/30/2014 12:00:00 AM -04:00	
Santander Bank, National Association	25022	Michael W. Jones	Wilmington, DE	Prohibition/Removal Orders	0	7/9/2018 12:00:00 AM -04:00	AA-EC-2018-32
Santander Bank, National Association	25022	Krystal Slick	Wilmington, DE	1829 Prohibition Notification	0	9/16/2019 12:00:00 AM -04:00	
Santander Bank, National Association	25022	Danny Lazkani	Wilmington, DE	1829 Prohibition Notification	0	9/25/2019 12:00:00 AM -04:00	
TD Bank, National Association	24096	Krisheita Robinson	Wilmington, DE	1829 Prohibition Notification	0	1/11/2019 12:00:00 AM -05:00	

Large Bank Enforcement Actions 2012 to Present							
Institution	CharterNumber	Individual	Location	Type	Amount	StartDate	DocketNumber
TD Bank, National Association	24096	Carlton Finney	Wilmington, DE	1829 Prohibition Notification	0	10/4/2012 12:00:00 AM -04:00	
TD Bank, National Association	24096	Bronthie Charles	Wilmington, DE	1829 Prohibition Notification	0	11/22/2016 12:00:00 AM -05:00	
TD Bank, National Association	24096	Bernice French	Wilmington, DE	1829 Prohibition Notification	0	12/2/2019 12:00:00 AM -05:00	
TD Bank, National Association	24096	Shalea Nicholson	Wilmington, DE	1829 Prohibition Notification	0	12/20/2017 12:00:00 AM -05:00	
TD Bank, National Association	24096	Maria Paulino	Wilmington, DE	1829 Prohibition Notification	0	12/23/2016 12:00:00 AM -05:00	
TD Bank, National Association	24096	Telisha Trent	Wilmington, DE	1829 Prohibition Notification	0	2/14/2017 12:00:00 AM -05:00	
TD Bank, National Association	24096	Lisa N. Jarvis	Wilmington, DE	1829 Prohibition Notification	0	2/19/2014 12:00:00 AM -05:00	
TD Bank, National Association	24096	Jennell Digby	Wilmington, DE	1829 Prohibition Notification	0	2/28/2013 12:00:00 AM -05:00	
TD Bank, National Association	24096	Cristian D. Baldwin	Wilmington, DE	1829 Prohibition Notification	0	3/10/2020 12:00:00 AM -04:00	
TD Bank, National Association	24096	Alexander Alvarez	Wilmington, DE	1829 Prohibition Notification	0	3/22/2016 12:00:00 AM -04:00	
TD Bank, National Association	24096	Amanda Callahan	Wilmington, DE	1829 Prohibition Notification	0	4/13/2015 12:00:00 AM -04:00	
TD Bank, National Association	24096	Frank Spinosa	Wilmington, DE	Prohibition/Removal Orders	0	4/21/2015 12:00:00 AM -04:00	AA-EC-15-27
TD Bank, National Association	24096	Jelani Bustamonte	Wilmington, DE	1829 Prohibition Notification	0	4/9/2013 12:00:00 AM -04:00	
TD Bank, National Association	24096	Kirsta Dixon	Wilmington, DE	1829 Prohibition Notification	0	4/9/2019 12:00:00 AM -04:00	
TD Bank, National Association	24096	Jeffrey Burnham	Wilmington, DE	Prohibition/Removal Orders	0	5/18/2015 12:00:00 AM -04:00	AA-EC-2014-106
TD Bank, National Association	24096	Tasha Hilts	Wilmington, DE	1829 Prohibition Notification	0	5/8/2013 12:00:00 AM -04:00	
TD Bank, National Association	24096	David Garvey-Campbell	Wilmington, DE	1829 Prohibition Notification	0	5/8/2019 12:00:00 AM -04:00	
TD Bank, National Association	24096	Deseree Bradshaw	Wilmington, DE	1829 Prohibition Notification	0	6/15/2016 12:00:00 AM -04:00	
TD Bank, National Association	24096	Jennifer A. Thurston	Wilmington, DE	1829 Prohibition Notification	0	7/16/2013 12:00:00 AM -04:00	
TD Bank, National Association	24096	Anise Downing	Wilmington, DE	1829 Prohibition Notification	0	7/19/2019 12:00:00 AM -04:00	
TD Bank, National Association	24096	Kristen Marin	Wilmington, DE	1829 Prohibition Notification	0	8/22/2018 12:00:00 AM -04:00	
TD Bank, National Association	24096	Talayah Little	Wilmington, DE	1829 Prohibition Notification	0	8/6/2014 12:00:00 AM -04:00	
TD Bank, National Association	24096	Darrell R. Cantrell	Wilmington, DE	1829 Prohibition Notification	0	9/11/2014 12:00:00 AM -04:00	
TD Bank, National Association	24096		Wilmington, DE	Civil Money Penalty (CMP)	$ 37,500,000	9/20/2013 12:00:00 AM -04:00	AA-EC-2013-67
TD Bank, National Association	24096	Zekevia Hall	Wilmington, DE	1829 Prohibition Notification	0	9/24/2012 12:00:00 AM -04:00	
TD Bank, National Association	24096	Tiffany Campbell	Wilmington, DE	1829 Prohibition Notification	0	9/25/2019 12:00:00 AM -04:00	
TD Bank, National Association	24096	Patricia Morency	Wilmington, DE	1829 Prohibition Notification	0	9/29/2013 12:00:00 AM -04:00	
TD Bank, National Association	24096	Elliot D'Cruze	Wilmington, DE	1829 Prohibition Notification	0	9/30/2015 12:00:00 AM -04:00	
The Huntington National Bank	7745	Alyssa Rengers	Columbus, OH	1829 Prohibition Notification	0	1/11/2019 12:00:00 AM -05:00	
The Huntington National Bank	7745	John P. Aman	Columbus, OH	1829 Prohibition Notification	0	11/18/2014 12:00:00 AM -05:00	
The Huntington National Bank	7745	Joseph P. Molnar	Columbus, OH	1829 Prohibition Notification	0	12/20/2017 12:00:00 AM -05:00	
The Huntington National Bank	7745	Danielle N. Ladigo	Columbus, OH	1829 Prohibition Notification	0	2/19/2014 12:00:00 AM -05:00	
The Huntington National Bank	7745	Roxanne Hall	Columbus, OH	1829 Prohibition Notification	0	3/14/2012 12:00:00 AM -04:00	
The Huntington National Bank	7745	Letres Bowen	Columbus, OH	1829 Prohibition Notification	0	4/6/2012 12:00:00 AM -04:00	
The Huntington National Bank	7745	Tammy L. Lumbard	Columbus, OH	1829 Prohibition Notification	0	5/9/2013 12:00:00 AM -04:00	
The Huntington National Bank	7745	Deborah D. Radcliff	Columbus, OH	Prohibition/Removal Orders	0	6/26/2014 12:00:00 AM -04:00	AA-EC-2014-32
The Huntington National Bank	7745	Michelle Hogan	Columbus, OH	1829 Prohibition Notification	0	7/25/2018 12:00:00 AM -04:00	
The Huntington National Bank	7745	Terrence J. Monahan	Columbus, OH	1829 Prohibition Notification	0	8/12/2014 12:00:00 AM -04:00	
The Huntington National Bank	7745	Nodia Harris	Columbus, OH	Prohibition/Removal Orders	0	8/19/2019 12:00:00 AM -04:00	AA-EC-2019-51
U.S. Bank National Association	24	Jamika Jones	Cincinnati, OH	Prohibition/Removal Orders	0	1/28/2020 12:00:00 AM -05:00	AA-EC-2020-3
U.S. Bank National Association	24	Taylor Mitchell	Cincinnati, OH	Prohibition/Removal Orders	0	1/3/2018 12:00:00 AM -05:00	AA-EC-2017-64
U.S. Bank National Association	24	Brenda B. Hurtado	Cincinnati, OH	1829 Prohibition Notification	0	1/9/2012 12:00:00 AM -05:00	
U.S. Bank National Association	24	Brittney L. Crane	Cincinnati, OH	1829 Prohibition Notification	0	1/9/2013 12:00:00 AM -05:00	
U.S. Bank National Association	24	Wesley John Birkemier	Cincinnati, OH	1829 Prohibition Notification	0	1/9/2018 12:00:00 AM -05:00	
U.S. Bank National Association	24	D'Andrea L. Dunn	Cincinnati, OH	Prohibition/Removal Orders	0	10/2/2019 12:00:00 AM -04:00	AA-EC-2019-48
U.S. Bank National Association	24	Ashley A. Peterson	Cincinnati, OH	1829 Prohibition Notification	0	10/21/2013 12:00:00 AM -04:00	
U.S. Bank National Association	24		Cincinnati, OH	Cease-and-Desist Order (C&D) or Personal Cease-and-Desist Order (PC&D)	0	10/23/2015 12:00:00 AM -04:00	AA-EC-2015-77
U.S. Bank National Association	24	Derek Dant	Cincinnati, OH	1829 Prohibition Notification	0	10/25/2018 12:00:00 AM -04:00	
U.S. Bank National Association	24	Matthew R. Balsz	Cincinnati, OH	1829 Prohibition Notification	0	11/21/2013 12:00:00 AM -05:00	
U.S. Bank National Association	24	Kristen Deadwyler	Cincinnati, OH	1829 Prohibition Notification	0	12/11/2014 12:00:00 AM -05:00	

Large Bank Enforcement Actions 2012 to Present							
Institution	CharterNumber	Individual	Location	Type	Amount	StartDate	DocketNumber
U.S. Bank National Association	24	Philip Silva	Cincinnati, OH	1829 Prohibition Notification	0	12/17/2019 12:00:00 AM -05:00	
U.S. Bank National Association	24	Christina Martinez	Cincinnati, OH	1829 Prohibition Notification	0	12/27/2012 12:00:00 AM -05:00	
U.S. Bank National Association	24		Cincinnati, OH	Civil Money Penalty (CMP)	$ 75,000,000	2/15/2018 12:00:00 AM -05:00	AA-EC-2018-84
U.S. Bank National Association	24		Cincinnati, OH	Cease-and-Desist Order (C&D) or Personal Cease-and-Desist Order (PC&D)	0	2/28/2013 12:00:00 AM -05:00	
U.S. Bank National Association	24	Linda S. Foss	Cincinnati, OH	Prohibition/Removal Orders	0	2/6/2014 12:00:00 AM -05:00	AA-EC-2013-78
U.S. Bank National Association	24		Cincinnati, OH	Civil Money Penalty (CMP)	$ 10,000,000	2/8/2016 12:00:00 AM -05:00	AA-EC-2016-10
U.S. Bank National Association	24	Elizabeth Gonzalez	Cincinnati, OH	1829 Prohibition Notification	0	3/1/2019 12:00:00 AM -05:00	
U.S. Bank National Association	24	Billy J. Barnett	Cincinnati, OH	1829 Prohibition Notification	0	3/2/2020 12:00:00 AM -05:00	
U.S. Bank National Association	24	Miriam W. Kaskorkis	Cincinnati, OH	1829 Prohibition Notification	0	3/25/2016 12:00:00 AM -04:00	
U.S. Bank National Association	24	Stefani Bennett	Cincinnati, OH	1829 Prohibition Notification	0	3/29/2018 12:00:00 AM -04:00	
U.S. Bank National Association	24	Andrea L. Ivey	Cincinnati, OH	1829 Prohibition Notification	0	3/5/2019 12:00:00 AM -05:00	
U.S. Bank National Association	24	Michael S. LaFontaine	Cincinnati, OH	Civil Money Penalty (CMP)	$ 50,000	3/5/2020 12:00:00 AM -05:00	AA-EC-2019-94
U.S. Bank National Association	24	Geraldine Moore	Cincinnati, OH	Prohibition/Removal Orders	0	3/6/2019 12:00:00 AM -05:00	AA-EC-2018-45
U.S. Bank National Association	24	Kimberly Ferguson	Cincinnati, OH	1829 Prohibition Notification	0	4/17/2013 12:00:00 AM -04:00	
U.S. Bank National Association	24		Cincinnati, OH	Civil Money Penalty (CMP)	$ 15,000,000	4/25/2017 12:00:00 AM -04:00	AA-EC-2017-12
U.S. Bank National Association	24	Jason Scott	Cincinnati, OH	1829 Prohibition Notification	0	5/8/2013 12:00:00 AM -04:00	
U.S. Bank National Association	24	Renee Marie Brown	Cincinnati, OH	1829 Prohibition Notification	0	6/13/2013 12:00:00 AM -04:00	
U.S. Bank National Association	24		Cincinnati, OH	Cease-and-Desist Order (C&D) or Personal Cease-and-Desist Order (PC&D)	0	6/16/2015 12:00:00 AM -04:00	AA-EC-11-18
U.S. Bank National Association	24	Meynard Bumatay	Cincinnati, OH	Prohibition/Removal Orders	0	6/2/2017 12:00:00 AM -04:00	AA-EC-2017-22
U.S. Bank National Association	24	Cynthia L. Palmer	Cincinnati, OH	1829 Prohibition Notification	0	6/23/2015 12:00:00 AM -04:00	
U.S. Bank National Association	24	Ahmed Rashid	Cincinnati, OH	1829 Prohibition Notification	0	6/26/2019 12:00:00 AM -04:00	
U.S. Bank National Association	24	Anita White-Martin	Cincinnati, OH	1829 Prohibition Notification	0	7/20/2020 12:00:00 AM -04:00	
U.S. Bank National Association	24	Christina Marie Chyka	Cincinnati, OH	1829 Prohibition Notification	0	7/23/2012 12:00:00 AM -04:00	
U.S. Bank National Association	24	Amy Scarpelli	Cincinnati, OH	1829 Prohibition Notification	0	7/6/2016 12:00:00 AM -04:00	
U.S. Bank National Association	24		Cincinnati, OH	Civil Money Penalty (CMP)	$ 183,920	8/16/2017 12:00:00 AM -04:00	
U.S. Bank National Association	24	Samuel Marquez	Cincinnati, OH	Prohibition/Removal Orders	0	8/17/2017 12:00:00 AM -04:00	AA-EC-2017-32
U.S. Bank National Association	24	Megan Horner	Cincinnati, OH	1829 Prohibition Notification	0	8/19/2019 12:00:00 AM -04:00	
U.S. Bank National Association	24	Betty Gail Miller	Cincinnati, OH	Prohibition/Removal Orders	0	8/29/2017 12:00:00 AM -04:00	
U.S. Bank National Association	24	Natalie R. Nelson	Cincinnati, OH	1829 Prohibition Notification	0	9/14/2018 12:00:00 AM -04:00	
U.S. Bank National Association	24		Cincinnati, OH	Cease-and-Desist Order (C&D) or Personal Cease-and-Desist Order (PC&D)	0	9/24/2014 12:00:00 AM -04:00	AA-EC-2014-36
U.S. Bank National Association	24		Cincinnati, OH	Civil Money Penalty (CMP)	$ 4,000,000	9/24/2014 12:00:00 AM -04:00	AA-EC-2014-37
U.S. Bank National Association	24		Cincinnati, OH	C&D or PC&D Requiring Restitution	47900000	9/24/2014 12:00:00 AM -04:00	AA-EC-2014-36
U.S. Bank National Association	24	Maryann Ellis	Cincinnati, OH	1829 Prohibition Notification	0	9/25/2018 12:00:00 AM -04:00	
U.S. Bank National Association	24	Nicholas Schatz	Cincinnati, OH	1829 Prohibition Notification	0	9/28/2018 12:00:00 AM -04:00	
U.S. Bank National Association	24	Kyle William Miller	Cincinnati, OH	1829 Prohibition Notification	0	9/5/2018 12:00:00 AM -04:00	
U.S. Bank National Association ND	23446		Fargo, ND	Cease-and-Desist Order (C&D) or Personal Cease-and-Desist Order (PC&D)	0	2/28/2013 12:00:00 AM -05:00	
Union Bank, National Association	21541	David Aguilar	San Francisco, CA	1829 Prohibition Notification	0	11/15/2012 12:00:00 AM -05:00	
Union Bank, National Association	21541	Karina Rocha	San Francisco, CA	1829 Prohibition Notification	0	5/8/2012 12:00:00 AM -04:00	
Wachovia Bank, National Association	1	Robert A. Morrill	Charlotte, NC	Prohibition/Removal Orders	0	1/25/2013 12:00:00 AM -05:00	AA-EC-12-115
Wachovia Bank, National Association	1	Colleen Adams Hale	Charlotte, NC	Prohibition/Removal Orders	0	11/14/2012 12:00:00 AM -05:00	AA-EC-10-12
Wells Fargo Bank, National Association	1	James Strother	Sioux Falls, SD	Cease-and-Desist Order (C&D) or Personal Cease-and-Desist Order (PC&D)	0	1/13/2021 12:00:00 AM -05:00	AA-EC-2019-70
Wells Fargo Bank, National Association	1	James Strother	Sioux Falls, SD	Civil Money Penalty (CMP)	$ 3,500,000	1/13/2021 12:00:00 AM -05:00	AA-EC-2019-70
Wells Fargo Bank, National Association	1	Aisha Mayo	Sioux Falls, SD	1829 Prohibition Notification	0	1/14/2020 12:00:00 AM -05:00	
Wells Fargo Bank, National Association	1	Cheraye C. Parnell	Sioux Falls, SD	Prohibition/Removal Orders	0	1/16/2019 12:00:00 AM -05:00	AA-EC-2017-60
Wells Fargo Bank, National Association	1	Jeronima Alcazar	Sioux Falls, SD	1829 Prohibition Notification	0	1/16/2020 12:00:00 AM -05:00	
Wells Fargo Bank, National Association	1	Hope Hardison	Sioux Falls, SD	Cease-and-Desist Order (C&D) or Personal Cease-and-Desist Order (PC&D)	0	1/21/2020 12:00:00 AM -05:00	AA-EC-2019-69
Wells Fargo Bank, National Association	1	Hope Hardison	Sioux Falls, SD	Civil Money Penalty (CMP)	$ 2,250,000	1/21/2020 12:00:00 AM -05:00	AA-EC-2019-69
Wells Fargo Bank, National Association	1	John Stumpf	Sioux Falls, SD	Prohibition/Removal Orders	0	1/22/2020 12:00:00 AM -05:00	AA-EC-2019-83
Wells Fargo Bank, National Association	1	John Stumpf	Sioux Falls, SD	Civil Money Penalty (CMP)	$ 17,500,000	1/22/2020 12:00:00 AM -05:00	AA-EC-2019-83
Wells Fargo Bank, National Association	1	Dionna Shawnte Lowery	Sioux Falls, SD	1829 Prohibition Notification	0	1/23/2014 12:00:00 AM -05:00	

Large Bank Enforcement Actions 2012 to Present							
Institution	CharterNumber	Individual	Location	Type	Amount	StartDate	DocketNumber
Wells Fargo Bank, National Association	1	David Julian	Sioux Falls, SD	Notice of Charges	0	1/23/2020 12:00:00 AM -05:00	AA-EC-2019-71
Wells Fargo Bank, National Association	1	Paul McLinko	Sioux Falls, SD	Notice of Charges	0	1/23/2020 12:00:00 AM -05:00	AA-EC-2019-72
Wells Fargo Bank, National Association	1	Claudia Russ Anderson	Sioux Falls, SD	Notice of Charges	0	1/23/2020 12:00:00 AM -05:00	AA-EC-2019-81
Wells Fargo Bank, National Association	1	James Strother	Sioux Falls, SD	Notice of Charges	0	1/23/2020 12:00:00 AM -05:00	AA-EC-2019-70
Wells Fargo Bank, National Association	1	Carrie Tolstedt	Sioux Falls, SD	Notice of Charges	0	1/23/2020 12:00:00 AM -05:00	AA-EC-2019-82
Wells Fargo Bank, National Association	1	Tori Collins	Sioux Falls, SD	1829 Prohibition Notification	0	1/25/2016 12:00:00 AM -05:00	
Wells Fargo Bank, National Association	1	Everto Andrade Magallon	Sioux Falls, SD	1829 Prohibition Notification	0	1/29/2018 12:00:00 AM -05:00	
Wells Fargo Bank, National Association	1	Melissa L. Duran-Muniz	Sioux Falls, SD	1829 Prohibition Notification	0	1/3/2014 12:00:00 AM -05:00	
Wells Fargo Bank, National Association	1	Shanique Gayle	Sioux Falls, SD	1829 Prohibition Notification	0	1/4/2019 12:00:00 AM -05:00	
Wells Fargo Bank, National Association	1	Sarah Luther	Sioux Falls, SD	Prohibition/Removal Orders	0	1/6/2021 12:00:00 AM -05:00	AA-ENF-2020-84
Wells Fargo Bank, National Association	1	Angela Porrello	Sioux Falls, SD	1829 Prohibition Notification	0	1/7/2019 12:00:00 AM -05:00	
Wells Fargo Bank, National Association	1	Michael Loughlin	Sioux Falls, SD	Cease-and-Desist Order (C&D) or Personal Cease-and-Desist Order (PC&D)	0	1/8/2020 12:00:00 AM -05:00	AA-EC-2019-86
Wells Fargo Bank, National Association	1	Michael Loughlin	Sioux Falls, SD	Civil Money Penalty (CMP)	$ 1,250,000	1/8/2020 12:00:00 AM -05:00	AA-EC-2019-86
Wells Fargo Bank, National Association	1	Jose Flores	Sioux Falls, SD	Prohibition/Removal Orders	0	10/11/2018 12:00:00 AM -04:00	AA-EC-18-58
Wells Fargo Bank, National Association	1	Tamaralyn L. Wallace	Sioux Falls, SD	1829 Prohibition Notification	0	10/19/2015 12:00:00 AM -04:00	
Wells Fargo Bank, National Association	1	Mary Novak Thompson	Sioux Falls, SD	1829 Prohibition Notification	0	10/21/2013 12:00:00 AM -04:00	
Wells Fargo Bank, National Association	1	Erika R Martinez	Sioux Falls, SD	1829 Prohibition Notification	0	10/22/2020 12:00:00 AM -04:00	
Wells Fargo Bank, National Association	1	Candace J. Adams	Sioux Falls, SD	1829 Prohibition Notification	0	10/27/2015 12:00:00 AM -04:00	
Wells Fargo Bank, National Association	1	Fernando Zapata	Sioux Falls, SD	1829 Prohibition Notification	0	10/28/2015 12:00:00 AM -04:00	
Wells Fargo Bank, National Association	1	Daniel Araujo	Sioux Falls, SD	1829 Prohibition Notification	0	10/6/2016 12:00:00 AM -04:00	
Wells Fargo Bank, National Association	1	Matthew James Francis	Sioux Falls, SD	1829 Prohibition Notification	0	11/14/2013 12:00:00 AM -05:00	
Wells Fargo Bank, National Association	1	Courtney L. Crusoe	Sioux Falls, SD	1829 Prohibition Notification	0	11/14/2014 12:00:00 AM -05:00	
Wells Fargo Bank, National Association	1	Charmane Brown	Sioux Falls, SD	1829 Prohibition Notification	0	11/14/2018 12:00:00 AM -05:00	
Wells Fargo Bank, National Association	1	Christopher Head	Sioux Falls, SD	1829 Prohibition Notification	0	11/15/2013 12:00:00 AM -05:00	
Wells Fargo Bank, National Association	1	Terrence Newby	Sioux Falls, SD	1829 Prohibition Notification	0	11/15/2013 12:00:00 AM -05:00	
Wells Fargo Bank, National Association	1	Brandon Kelly	Sioux Falls, SD	1829 Prohibition Notification	0	11/18/2015 12:00:00 AM -05:00	
Wells Fargo Bank, National Association	1	Kaci M. Spikes	Sioux Falls, SD	1829 Prohibition Notification	0	11/19/2015 12:00:00 AM -05:00	
Wells Fargo Bank, National Association	1		Sioux Falls, SD	Cease-and-Desist Order (C&D) or Personal Cease-and-Desist Order (PC&D)	0	11/19/2015 12:00:00 AM -05:00	AA-EC-2015-79
Wells Fargo Bank, National Association	1	Sara Roman	Sioux Falls, SD	Prohibition/Removal Orders	0	11/3/2020 12:00:00 AM -05:00	AA-EC-2020-11
Wells Fargo Bank, National Association	1	William M. Saffian	Sioux Falls, SD	1829 Prohibition Notification	0	11/4/2014 12:00:00 AM -05:00	
Wells Fargo Bank, National Association	1	Nicholas Charles Waldbusser	Sioux Falls, SD	1829 Prohibition Notification	0	11/4/2014 12:00:00 AM -05:00	
Wells Fargo Bank, National Association	1	Flavia Corey	Sioux Falls, SD	1829 Prohibition Notification	0	11/9/2012 12:00:00 AM -05:00	
Wells Fargo Bank, National Association	1	Joshua Sung Park	Sioux Falls, SD	1829 Prohibition Notification	0	12/14/2015 12:00:00 AM -05:00	
Wells Fargo Bank, National Association	1	Jon Dugan	Sioux Falls, SD	1829 Prohibition Notification	0	12/17/2014 12:00:00 AM -05:00	
Wells Fargo Bank, National Association	1	Javier Juarez	Sioux Falls, SD	Prohibition/Removal Orders	0	12/18/2018 12:00:00 AM -05:00	AA-EC-2018-80
Wells Fargo Bank, National Association	1	Nadia Murphy	Sioux Falls, SD	1829 Prohibition Notification	0	12/20/2012 12:00:00 AM -05:00	
Wells Fargo Bank, National Association	1	Edwin R. Mejia	Sioux Falls, SD	1829 Prohibition Notification	0	12/20/2017 12:00:00 AM -05:00	
Wells Fargo Bank, National Association	1	Ruben Alvarez Mendoza	Sioux Falls, SD	1829 Prohibition Notification	0	12/20/2017 12:00:00 AM -05:00	
Wells Fargo Bank, National Association	1	Brandon Jewell-Wright	Sioux Falls, SD	1829 Prohibition Notification	0	12/22/2014 12:00:00 AM -05:00	
Wells Fargo Bank, National Association	1	Michelle Laudato	Sioux Falls, SD	1829 Prohibition Notification	0	12/22/2014 12:00:00 AM -05:00	
Wells Fargo Bank, National Association	1	Kylia Alston	Sioux Falls, SD	1829 Prohibition Notification	0	12/28/2012 12:00:00 AM -05:00	
Wells Fargo Bank, National Association	1	Karla Ramos	Sioux Falls, SD	1829 Prohibition Notification	0	12/4/2018 12:00:00 AM -05:00	
Wells Fargo Bank, National Association	1	Patricia M. Drake	Sioux Falls, SD	1829 Prohibition Notification	0	12/8/2014 12:00:00 AM -05:00	
Wells Fargo Bank, National Association	1	David Welty	Sioux Falls, SD	Prohibition/Removal Orders	0	2/10/2020 12:00:00 AM -05:00	AA-EC-2020-2
Wells Fargo Bank, National Association	1	Marland Hugh Anderson	Sioux Falls, SD	1829 Prohibition Notification	0	2/11/2014 12:00:00 AM -05:00	
Wells Fargo Bank, National Association	1	Kimberly A. Troxell	Sioux Falls, SD	1829 Prohibition Notification	0	2/11/2014 12:00:00 AM -05:00	
Wells Fargo Bank, National Association	1	Terrence A. Strickland	Sioux Falls, SD	1829 Prohibition Notification	0	2/11/2016 12:00:00 AM -05:00	
Wells Fargo Bank, National Association	1	Naquan Reyes	Sioux Falls, SD	1829 Prohibition Notification	0	2/13/2017 12:00:00 AM -05:00	
Wells Fargo Bank, National Association	1	Pamela Bridges	Sioux Falls, SD	Prohibition/Removal Orders	0	2/13/2020 12:00:00 AM -05:00	AA-EC-2020-04
Wells Fargo Bank, National Association	1	Jonique Johnson	Sioux Falls, SD	1829 Prohibition Notification	0	2/19/2014 12:00:00 AM -05:00	

Large Bank Enforcement Actions 2012 to Present							
Institution	CharterNumber	Individual	Location	Type	Amount	StartDate	DocketNumber
Wells Fargo Bank, National Association	1	Ginger Riley	Sioux Falls, SD	Prohibition/Removal Orders	0	2/21/2019 12:00:00 AM -05:00	AA-EC-2019-6
Wells Fargo Bank, National Association	1	Yadira M. Calles	Sioux Falls, SD	1829 Prohibition Notification	0	2/22/2012 12:00:00 AM -05:00	
Wells Fargo Bank, National Association	1		Sioux Falls, SD	Formal Agreement	0	2/22/2012 12:00:00 AM -05:00	
Wells Fargo Bank, National Association	1	Zelibeth Avalos	Sioux Falls, SD	1829 Prohibition Notification	0	2/27/2020 12:00:00 AM -05:00	
Wells Fargo Bank, National Association	1	Chala Bonner	Sioux Falls, SD	1829 Prohibition Notification	0	2/27/2020 12:00:00 AM -05:00	
Wells Fargo Bank, National Association	1	Zelibeth Cintron	Sioux Falls, SD	1829 Prohibition Notification	0	2/27/2020 12:00:00 AM -05:00	
Wells Fargo Bank, National Association	1		Sioux Falls, SD	Cease-and-Desist Order (C&D) or Personal Cease-and-Desist Order (PC&D)	0	2/28/2013 12:00:00 AM -05:00	AA-EC-11-19
Wells Fargo Bank, National Association	1	Carlos E. Juarez	Sioux Falls, SD	1829 Prohibition Notification	0	2/5/2013 12:00:00 AM -05:00	
Wells Fargo Bank, National Association	1	James W. Edwards	Sioux Falls, SD	1829 Prohibition Notification	0	3/13/2020 12:00:00 AM -04:00	
Wells Fargo Bank, National Association	1	Lisa M. Murray	Sioux Falls, SD	1829 Prohibition Notification	0	3/13/2020 12:00:00 AM -04:00	
Wells Fargo Bank, National Association	1	Ana Vizcarra	Sioux Falls, SD	1829 Prohibition Notification	0	3/13/2020 12:00:00 AM -04:00	
Wells Fargo Bank, National Association	1	Marcus A. Majette	Sioux Falls, SD	Prohibition/Removal Orders	0	3/16/2018 12:00:00 AM -04:00	AA-EC-2018-4
Wells Fargo Bank, National Association	1	Shequitta Crudup	Sioux Falls, SD	1829 Prohibition Notification	0	3/18/2016 12:00:00 AM -04:00	
Wells Fargo Bank, National Association	1	Lazaro E. Salado	Sioux Falls, SD	1829 Prohibition Notification	0	3/2/2012 12:00:00 AM -05:00	
Wells Fargo Bank, National Association	1	Francisco Gamez-Hernandez	Sioux Falls, SD	1829 Prohibition Notification	0	3/20/2019 12:00:00 AM -04:00	
Wells Fargo Bank, National Association	1	Kilaina Williams	Sioux Falls, SD	1829 Prohibition Notification	0	3/21/2012 12:00:00 AM -04:00	
Wells Fargo Bank, National Association	1	Gerardo Uribe	Sioux Falls, SD	1829 Prohibition Notification	0	3/22/2012 12:00:00 AM -04:00	
Wells Fargo Bank, National Association	1	Ricardo A. Benavente	Sioux Falls, SD	1829 Prohibition Notification	0	3/26/2014 12:00:00 AM -04:00	
Wells Fargo Bank, National Association	1	Yvonne Mihailescu	Sioux Falls, SD	1829 Prohibition Notification	0	3/26/2015 12:00:00 AM -04:00	
Wells Fargo Bank, National Association	1	Kathleen Diane Welte	Sioux Falls, SD	1829 Prohibition Notification	0	3/26/2015 12:00:00 AM -04:00	
Wells Fargo Bank, National Association	1	Raymond Atimbaneme	Sioux Falls, SD	1829 Prohibition Notification	0	3/28/2019 12:00:00 AM -04:00	
Wells Fargo Bank, National Association	1	Khalidah Purvis	Sioux Falls, SD	Prohibition/Removal Orders	0	3/3/2020 12:00:00 AM -05:00	AA-EC-2019-75
Wells Fargo Bank, National Association	1	Shannon B. Baker	Sioux Falls, SD	1829 Prohibition Notification	0	3/5/2019 12:00:00 AM -05:00	
Wells Fargo Bank, National Association	1	Tina Shaneka Hall	Sioux Falls, SD	1829 Prohibition Notification	0	3/6/2014 12:00:00 AM -05:00	
Wells Fargo Bank, National Association	1	Sara Roman	Sioux Falls, SD	Notice of Charges	0	3/6/2020 12:00:00 AM -05:00	AA-EC-2020-11
Wells Fargo Bank, National Association	1	Daniel Mumbower	Sioux Falls, SD	1829 Prohibition Notification	0	4/11/2014 12:00:00 AM -04:00	
Wells Fargo Bank, National Association	1	Lisbed Villasenor	Sioux Falls, SD	1829 Prohibition Notification	0	4/16/2021 12:00:00 AM -04:00	
Wells Fargo Bank, National Association	1	Jennifer Morales	Sioux Falls, SD	1829 Prohibition Notification	0	4/2/2013 12:00:00 AM -04:00	
Wells Fargo Bank, National Association	1	Caleb K. Otsibah	Sioux Falls, SD	1829 Prohibition Notification	0	4/2/2013 12:00:00 AM -04:00	
Wells Fargo Bank, National Association	1		Sioux Falls, SD	Cease-and-Desist Order (C&D) or Personal Cease-and-Desist Order (PC&D)	0	4/20/2018 12:00:00 AM -04:00	AA-EC-2018-15
Wells Fargo Bank, National Association	1		Sioux Falls, SD	Civil Money Penalty (CMP)	$ 500,000,000	4/20/2018 12:00:00 AM -04:00	AA-EC-2018-16
Wells Fargo Bank, National Association	1	Sharon Lynn Shaw	Sioux Falls, SD	1829 Prohibition Notification	0	4/23/2018 12:00:00 AM -04:00	
Wells Fargo Bank, National Association	1	Mark Coffino	Sioux Falls, SD	1829 Prohibition Notification	0	4/29/2019 12:00:00 AM -04:00	
Wells Fargo Bank, National Association	1	Sammie E. Bates, Jr Bates	Sioux Falls, SD	1829 Prohibition Notification	0	4/3/2012 12:00:00 AM -04:00	
Wells Fargo Bank, National Association	1	Juan O. Gonzalez	Sioux Falls, SD	1829 Prohibition Notification	0	4/3/2013 12:00:00 AM -04:00	
Wells Fargo Bank, National Association	1	Brian Berger	Sioux Falls, SD	1829 Prohibition Notification	0	4/3/2019 12:00:00 AM -04:00	
Wells Fargo Bank, National Association	1	Jennetta Matthews	Sioux Falls, SD	1829 Prohibition Notification	0	4/9/2015 12:00:00 AM -04:00	
Wells Fargo Bank, National Association	1	Paulette Mott	Sioux Falls, SD	1829 Prohibition Notification	0	4/9/2019 12:00:00 AM -04:00	
Wells Fargo Bank, National Association	1	Kimberly Mertz	Sioux Falls, SD	Prohibition/Removal Orders	0	5/16/2019 12:00:00 AM -04:00	AA-EC-2018-48
Wells Fargo Bank, National Association	1	Danyelle C. Eason	Sioux Falls, SD	1829 Prohibition Notification	0	5/18/2012 12:00:00 AM -04:00	
Wells Fargo Bank, National Association	1	David L. Mcguire	Sioux Falls, SD	1829 Prohibition Notification	0	5/18/2012 12:00:00 AM -04:00	
Wells Fargo Bank, National Association	1	Rajiv Caesar	Sioux Falls, SD	1829 Prohibition Notification	0	5/18/2017 12:00:00 AM -04:00	
Wells Fargo Bank, National Association	1	Shannon M. Rollins	Sioux Falls, SD	1829 Prohibition Notification	0	5/22/2014 12:00:00 AM -04:00	
Wells Fargo Bank, National Association	1741		Sioux Falls, SD	Civil Money Penalty (CMP)	$ 70,000,000	5/24/2016 12:00:00 AM -04:00	AA-EC-2016-30
Wells Fargo Bank, National Association	1	Wassim Jamal Abouassali	Sioux Falls, SD	1829 Prohibition Notification	0	5/25/2016 12:00:00 AM -04:00	
Wells Fargo Bank, National Association	1	Madeline Madriz	Sioux Falls, SD	1829 Prohibition Notification	0	5/28/2015 12:00:00 AM -04:00	
Wells Fargo Bank, National Association	1	Carmelo David Ortega	Sioux Falls, SD	1829 Prohibition Notification	0	5/28/2015 12:00:00 AM -04:00	
Wells Fargo Bank, National Association	1	Kenneth Ross	Sioux Falls, SD	1829 Prohibition Notification	0	5/29/2019 12:00:00 AM -04:00	
Wells Fargo Bank, National Association	1	Lucy Nerses Atamian	Sioux Falls, SD	1829 Prohibition Notification	0	5/3/2012 12:00:00 AM -04:00	
Wells Fargo Bank, National Association	1	Emmanuel Marty	Sioux Falls, SD	1829 Prohibition Notification	0	5/3/2016 12:00:00 AM -04:00	

Large Bank Enforcement Actions 2012 to Present							
Institution	CharterNumber	Individual	Location	Type	Amount	StartDate	DocketNumber
Wells Fargo Bank, National Association	1	Gracie Avila	Sioux Falls, SD	1829 Prohibition Notification	0	5/5/2014 12:00:00 AM -04:00	
Wells Fargo Bank, National Association	1	Kederly N. Portillo	Sioux Falls, SD	1829 Prohibition Notification	0	5/5/2014 12:00:00 AM -04:00	
Wells Fargo Bank, National Association	1	Christina E. Johnson	Sioux Falls, SD	1829 Prohibition Notification	0	5/5/2020 12:00:00 AM -04:00	
Wells Fargo Bank, National Association	1	Bonnie S. Ramey	Sioux Falls, SD	1829 Prohibition Notification	0	6/14/2012 12:00:00 AM -04:00	
Wells Fargo Bank, National Association	1		Sioux Falls, SD	Cease-and-Desist Order (C&D) or Personal Cease-and-Desist Order (PC&D)	0	6/16/2015 12:00:00 AM -04:00	AA-EC-11-19
Wells Fargo Bank, National Association	1	Benora A. Beasley	Sioux Falls, SD	1829 Prohibition Notification	0	6/18/2013 12:00:00 AM -04:00	
Wells Fargo Bank, National Association	1	Rocko Graziano	Sioux Falls, SD	1829 Prohibition Notification	0	6/21/2012 12:00:00 AM -04:00	
Wells Fargo Bank, National Association	1	Ricardo Alarcon	Sioux Falls, SD	1829 Prohibition Notification	0	6/21/2021 12:00:00 AM -04:00	
Wells Fargo Bank, National Association	1	Curtis Joshua Cooper	Sioux Falls, SD	1829 Prohibition Notification	0	6/23/2015 12:00:00 AM -04:00	
Wells Fargo Bank, National Association	1	Brandie Malfavon	Sioux Falls, SD	1829 Prohibition Notification	0	6/25/2015 12:00:00 AM -04:00	
Wells Fargo Bank, National Association	1	Ruth Vendetta	Sioux Falls, SD	1829 Prohibition Notification	0	6/26/2019 12:00:00 AM -04:00	
Wells Fargo Bank, National Association	1		Sioux Falls, SD	Cease-and-Desist Order (C&D) or Personal Cease-and-Desist Order (PC&D)	0	6/3/2015 12:00:00 AM -04:00	AA-EC-2015-06
Wells Fargo Bank, National Association	1		Sioux Falls, SD	Civil Money Penalty (CMP)	$ -	6/3/2015 12:00:00 AM -04:00	AA-EC-2015-13
Wells Fargo Bank, National Association	1	Kenyata Session-McRae	Sioux Falls, SD	1829 Prohibition Notification	0	6/30/2021 12:00:00 AM -04:00	
Wells Fargo Bank, National Association	1	Victor Manuel Adame	Sioux Falls, SD	1829 Prohibition Notification	0	6/4/2020 12:00:00 AM -04:00	
Wells Fargo Bank, National Association	1	Hailey Parmer	Sioux Falls, SD	1829 Prohibition Notification	0	6/7/2016 12:00:00 AM -04:00	
Wells Fargo Bank, National Association	1	Terrance Elder	Sioux Falls, SD	1829 Prohibition Notification	0	7/1/2019 12:00:00 AM -04:00	
Wells Fargo Bank, National Association	1	Jenice Rivera	Sioux Falls, SD	Prohibition/Removal Orders	0	7/10/2018 12:00:00 AM -04:00	AA-EC-2018-35
Wells Fargo Bank, National Association	1	Dawn R. Lloyd	Sioux Falls, SD	1829 Prohibition Notification	0	7/16/2014 12:00:00 AM -04:00	
Wells Fargo Bank, National Association	1	Librado S. Wright	Sioux Falls, SD	1829 Prohibition Notification	0	7/18/2013 12:00:00 AM -04:00	
Wells Fargo Bank, National Association	1	Jacqueline Crum	Sioux Falls, SD	1829 Prohibition Notification	0	7/19/2019 12:00:00 AM -04:00	
Wells Fargo Bank, National Association	1	Jacinto Padron	Sioux Falls, SD	1829 Prohibition Notification	0	7/24/2012 12:00:00 AM -04:00	
Wells Fargo Bank, National Association	1	Latasha Snead	Sioux Falls, SD	1829 Prohibition Notification	0	7/24/2012 12:00:00 AM -04:00	
Wells Fargo Bank, National Association	1	Khary Carlton Wood	Sioux Falls, SD	1829 Prohibition Notification	0	7/24/2012 12:00:00 AM -04:00	
Wells Fargo Bank, National Association	1	Hilda Josaphine Hernandez-McMullen	Sioux Falls, SD	1829 Prohibition Notification	0	7/24/2013 12:00:00 AM -04:00	
Wells Fargo Bank, National Association	1	Jonathan Cobbs	Sioux Falls, SD	1829 Prohibition Notification	0	7/24/2018 12:00:00 AM -04:00	
Wells Fargo Bank, National Association	1	Leroy Brown	Sioux Falls, SD	1829 Prohibition Notification	0	7/29/2013 12:00:00 AM -04:00	
Wells Fargo Bank, National Association	1	Katrina Caver	Sioux Falls, SD	Prohibition/Removal Orders	0	7/29/2013 12:00:00 AM -04:00	AA-EC-2013-38
Wells Fargo Bank, National Association	1	Lisandra Abreu	Sioux Falls, SD	Prohibition/Removal Orders	0	7/29/2019 12:00:00 AM -04:00	
Wells Fargo Bank, National Association	1	Isaiah Campbell	Sioux Falls, SD	1829 Prohibition Notification	0	7/30/2019 12:00:00 AM -04:00	
Wells Fargo Bank, National Association	1	Connie Willis	Sioux Falls, SD	1829 Prohibition Notification	0	7/30/2019 12:00:00 AM -04:00	
Wells Fargo Bank, National Association	1	Shannon N. Brewer	Sioux Falls, SD	1829 Prohibition Notification	0	7/9/2014 12:00:00 AM -04:00	
Wells Fargo Bank, National Association	1	Randy W. Hayes	Sioux Falls, SD	1829 Prohibition Notification	0	7/9/2014 12:00:00 AM -04:00	
Wells Fargo Bank, National Association	1	Kipp Sampeer McGill	Sioux Falls, SD	1829 Prohibition Notification	0	7/9/2019 12:00:00 AM -04:00	
Wells Fargo Bank, National Association	1	Eric Ma	Sioux Falls, SD	1829 Prohibition Notification	0	8/12/2015 12:00:00 AM -04:00	
Wells Fargo Bank, National Association	1	David S. Sookdeo	Sioux Falls, SD	1829 Prohibition Notification	0	8/13/2012 12:00:00 AM -04:00	
Wells Fargo Bank, National Association	1	Virginia Blanco	Sioux Falls, SD	1829 Prohibition Notification	0	8/13/2019 12:00:00 AM -04:00	
Wells Fargo Bank, National Association	1	Fetehi Mohammed	Sioux Falls, SD	1829 Prohibition Notification	0	8/13/2020 12:00:00 AM -04:00	
Wells Fargo Bank, National Association	1	Garrick Davis-Looney	Sioux Falls, SD	1829 Prohibition Notification	0	8/16/2017 12:00:00 AM -04:00	
Wells Fargo Bank, National Association	1	Edward Woods	Sioux Falls, SD	1829 Prohibition Notification	0	8/19/2019 12:00:00 AM -04:00	
Wells Fargo Bank, National Association	1	Oliva Lantigua	Sioux Falls, SD	1829 Prohibition Notification	0	8/20/2019 12:00:00 AM -04:00	
Wells Fargo Bank, National Association	1	Debra Roberti	Sioux Falls, SD	1829 Prohibition Notification	0	8/20/2019 12:00:00 AM -04:00	
Wells Fargo Bank, National Association	1	Trenton E. Feist	Sioux Falls, SD	Prohibition/Removal Orders	0	8/21/2012 12:00:00 AM -04:00	AA-EC-12-103
Wells Fargo Bank, National Association	1	Jenai J. Johnson	Sioux Falls, SD	Prohibition/Removal Orders	0	8/24/2017 12:00:00 AM -04:00	AA-EC-2017-33
Wells Fargo Bank, National Association	1	Jenai J. Johnson	Sioux Falls, SD	C&D or PC&D Requiring Restitution	11000	8/24/2017 12:00:00 AM -04:00	AA-EC-2017-33
Wells Fargo Bank, National Association	1	Daksha Laxman	Sioux Falls, SD	Prohibition/Removal Orders	0	8/24/2017 12:00:00 AM -04:00	AA-EC-2017-38
Wells Fargo Bank, National Association	1	Lori K. Neitzel	Sioux Falls, SD	1829 Prohibition Notification	0	8/24/2018 12:00:00 AM -04:00	
Wells Fargo Bank, National Association	1	Heather Yin	Sioux Falls, SD	1829 Prohibition Notification	0	8/24/2018 12:00:00 AM -04:00	
Wells Fargo Bank, National Association	1	Andrew Vulpis	Sioux Falls, SD	1829 Prohibition Notification	0	8/26/2012 12:00:00 AM -04:00	
Wells Fargo Bank, National Association	1	Anneliese Munding	Sioux Falls, SD	1829 Prohibition Notification	0	8/27/2019 12:00:00 AM -04:00	

Large Bank Enforcement Actions 2012 to Present							
Institution	CharterNumber	Individual	Location	Type	Amount	StartDate	DocketNumber
Wells Fargo Bank, National Association	1	Corissa S. Jack	Sioux Falls, SD	1829 Prohibition Notification	0	8/28/2018 12:00:00 AM -04:00	
Wells Fargo Bank, National Association	1	Teanna Smith	Sioux Falls, SD	Prohibition/Removal Orders	0	8/28/2019 12:00:00 AM -04:00	AA-EC-2019-33
Wells Fargo Bank, National Association	1	Ernest Jimenez	Sioux Falls, SD	1829 Prohibition Notification	0	8/29/2018 12:00:00 AM -04:00	
Wells Fargo Bank, National Association	1	Fawsiyo Hassan Farah	Sioux Falls, SD	1829 Prohibition Notification	0	8/30/2012 12:00:00 AM -04:00	
Wells Fargo Bank, National Association	1	Phelon Davis	Sioux Falls, SD	1829 Prohibition Notification	0	8/30/2018 12:00:00 AM -04:00	
Wells Fargo Bank, National Association	1	Priscilla Banh	Sioux Falls, SD	1829 Prohibition Notification	0	8/6/2015 12:00:00 AM -04:00	
Wells Fargo Bank, National Association	1	John W. Femenia	Sioux Falls, SD	1829 Prohibition Notification	0	8/6/2015 12:00:00 AM -04:00	
Wells Fargo Bank, National Association	1	Anne-Marie Drexel	Sioux Falls, SD	Prohibition/Removal Orders	0	8/9/2017 12:00:00 AM -04:00	AA-EC-2017-34
Wells Fargo Bank, National Association	1	Austen C. Middick	Sioux Falls, SD	Prohibition/Removal Orders	0	9/10/2018 12:00:00 AM -04:00	AA-EC-2018-46
Wells Fargo Bank, National Association	1	Kanisha Jane Beard	Sioux Falls, SD	1829 Prohibition Notification	0	9/13/2018 12:00:00 AM -04:00	
Wells Fargo Bank, National Association	1	Nadrea Conwell	Sioux Falls, SD	1829 Prohibition Notification	0	9/14/2012 12:00:00 AM -04:00	
Wells Fargo Bank, National Association	1	Satchel Derell Whitlock	Sioux Falls, SD	1829 Prohibition Notification	0	9/14/2018 12:00:00 AM -04:00	
Wells Fargo Bank, National Association	1		Sioux Falls, SD	Formal Agreement	0	9/15/2015 12:00:00 AM -04:00	
Wells Fargo Bank, National Association	1		Sioux Falls, SD	Formal Agreement	0	9/15/2015 12:00:00 AM -04:00	
Wells Fargo Bank, National Association	1	Adelina Cuevas	Sioux Falls, SD	1829 Prohibition Notification	0	9/16/2019 12:00:00 AM -04:00	
Wells Fargo Bank, National Association	1	Breanda Medran	Sioux Falls, SD	1829 Prohibition Notification	0	9/16/2019 12:00:00 AM -04:00	
Wells Fargo Bank, National Association	1	Krystyn Whittemore	Sioux Falls, SD	1829 Prohibition Notification	0	9/19/2012 12:00:00 AM -04:00	
Wells Fargo Bank, National Association	1	Wayne D. Christian	Sioux Falls, SD	1829 Prohibition Notification	0	9/21/2017 12:00:00 AM -04:00	
Wells Fargo Bank, National Association	1	Tracy Kidd	Sioux Falls, SD	Cease-and-Desist Order (C&D) or Personal Cease-and-Desist Order (PC&D)	0	9/21/2020 12:00:00 AM -04:00	AA-EC-2020-52
Wells Fargo Bank, National Association	1	Tracy Kidd	Sioux Falls, SD	Civil Money Penalty (CMP)	$ 350,000	9/21/2020 12:00:00 AM -04:00	AA-EC-2020-52
Wells Fargo Bank, National Association	1	Matthew Raphaelson	Sioux Falls, SD	Prohibition/Removal Orders	0	9/21/2020 12:00:00 AM -04:00	AA-EC-2020-53
Wells Fargo Bank, National Association	1	Matthew Raphaelson	Sioux Falls, SD	Civil Money Penalty (CMP)	$ 925,000	9/21/2020 12:00:00 AM -04:00	AA-EC-2020-53
Wells Fargo Bank, National Association	1	Kenneth Zimmerman	Sioux Falls, SD	Cease-and-Desist Order (C&D) or Personal Cease-and-Desist Order (PC&D)	0	9/21/2020 12:00:00 AM -04:00	AA-EC-2020-54
Wells Fargo Bank, National Association	1	Kenneth Zimmerman	Sioux Falls, SD	Civil Money Penalty (CMP)	$ 400,000	9/21/2020 12:00:00 AM -04:00	AA-EC-2020-54
Wells Fargo Bank, National Association	1	Philip D. Duarte	Sioux Falls, SD	1829 Prohibition Notification	0	9/22/2015 12:00:00 AM -04:00	
Wells Fargo Bank, National Association	1	Natalie Mercado	Sioux Falls, SD	1829 Prohibition Notification	0	9/25/2018 12:00:00 AM -04:00	
Wells Fargo Bank, National Association	1	Maria Nunez	Sioux Falls, SD	1829 Prohibition Notification	0	9/25/2019 12:00:00 AM -04:00	
Wells Fargo Bank, National Association	1	Carlos D. Suarez	Sioux Falls, SD	1829 Prohibition Notification	0	9/27/2012 12:00:00 AM -04:00	
Wells Fargo Bank, National Association	1	Calia Kane	Sioux Falls, SD	1829 Prohibition Notification	0	9/27/2018 12:00:00 AM -04:00	
Wells Fargo Bank, National Association	1	David Blackburn	Sioux Falls, SD	1829 Prohibition Notification	0	9/27/2019 12:00:00 AM -04:00	
Wells Fargo Bank, National Association	1	Justin G. Testa	Sioux Falls, SD	1829 Prohibition Notification	0	9/28/2018 12:00:00 AM -04:00	
Wells Fargo Bank, National Association	1		Sioux Falls, SD	Cease-and-Desist Order (C&D) or Personal Cease-and-Desist Order (PC&D)	0	9/29/2016 12:00:00 AM -04:00	AA-EC-2016-68
Wells Fargo Bank, National Association	1		Sioux Falls, SD	Civil Money Penalty (CMP)	$ 20,000,000	9/29/2016 12:00:00 AM -04:00	
Wells Fargo Bank, National Association	1	Andreliqua Cannaday	Sioux Falls, SD	Prohibition/Removal Orders	0	9/29/2019 12:00:00 AM -04:00	AA-EC-2019-60
Wells Fargo Bank, National Association	1	Kellie Cunningham	Sioux Falls, SD	1829 Prohibition Notification	0	9/30/2015 12:00:00 AM -04:00	
Wells Fargo Bank, National Association	1	Luis M. Jimenez	Sioux Falls, SD	1829 Prohibition Notification	0	9/30/2015 12:00:00 AM -04:00	
Wells Fargo Bank, National Association	1	Jomar N. Lizardo	Sioux Falls, SD	1829 Prohibition Notification	0	9/30/2016 12:00:00 AM -04:00	
Wells Fargo Bank, National Association	1	Linda Miller	Sioux Falls, SD	1829 Prohibition Notification	0	9/4/2013 12:00:00 AM -04:00	
Wells Fargo Bank, National Association	1	Erika Ruiz	Sioux Falls, SD	1829 Prohibition Notification	0	9/4/2013 12:00:00 AM -04:00	
Wells Fargo Bank, National Association	1	Robert Serao	Sioux Falls, SD	1829 Prohibition Notification	0	9/5/2014 12:00:00 AM -04:00	
Wells Fargo Bank, National Association	1	Jeoffrey Jenkins	Sioux Falls, SD	1829 Prohibition Notification	0	9/5/2018 12:00:00 AM -04:00	
Wells Fargo Bank, National Association	1	Ane Plate	Sioux Falls, SD	1829 Prohibition Notification	0	9/5/2018 12:00:00 AM -04:00	
Wells Fargo Bank, National Association	1	Amanda Sanchez	Sioux Falls, SD	1829 Prohibition Notification	0	9/5/2018 12:00:00 AM -04:00	
Wells Fargo Bank, National Association	1		Sioux Falls, SD	Cease-and-Desist Order (C&D) or Personal Cease-and-Desist Order (PC&D)	0	9/6/2016 12:00:00 AM -04:00	2016-066
Wells Fargo Bank, National Association	1		Sioux Falls, SD	Civil Money Penalty (CMP)	$ 35,000,000	9/6/2016 12:00:00 AM -04:00	2016-67
Wells Fargo Bank, National Association	1		Sioux Falls, SD	C&D or PC&D Requiring Restitution	0	9/6/2016 12:00:00 AM -04:00	2016-066
Wells Fargo Bank, National Association	1	Shawna L. Swain	Sioux Falls, SD	Prohibition/Removal Orders	0	9/7/2017 12:00:00 AM -04:00	AA-EC-2017-31
Wells Fargo Bank, National Association	1	Michael Akaninyen Essien	Sioux Falls, SD	1829 Prohibition Notification	0	9/7/2018 12:00:00 AM -04:00	
Wells Fargo Bank, National Association	1	Albert Yagubyan	Sioux Falls, SD	1829 Prohibition Notification	0	9/7/2018 12:00:00 AM -04:00	

Large Bank Cease and Desist Orders and Formal Agreements 2012 to Present

Institution	CharterNumber	Individual	Location	Type	Amount	StartDate	DocketNumber
American Express Bank, FSB	715648		Salt Lake City, UT	Cease-and-Desist Order (C&D) or Personal Cease-and-Desist Order (PC&D)	0	10/1/2012 12:00:00 AM -04:00	AA-EC-12-116
American Express Bank, FSB	715648		Salt Lake City, UT	Cease-and-Desist Order (C&D) or Personal Cease-and-Desist Order (PC&D)	0	12/19/2013 12:00:00 AM -05:00	AA-EC-2013-68
Bank of America, National Association	13044		Charlotte, NC	Cease-and-Desist Order (C&D) or Personal Cease-and-Desist Order (PC&D)	0	11/11/2014 12:00:00 AM -05:00	
Bank of America, National Association	13044		Charlotte, NC	Formal Agreement	0	2/27/2012 12:00:00 AM -05:00	
Bank of America, National Association	13044		Charlotte, NC	Cease-and-Desist Order (C&D) or Personal Cease-and-Desist Order (PC&D)	0	2/28/2013 12:00:00 AM -05:00	AA-EC-11-12
Bank of America, National Association	13044		Charlotte, NC	Cease-and-Desist Order (C&D) or Personal Cease-and-Desist Order (PC&D)	0	4/7/2014 12:00:00 AM -04:00	AA-EC-2014-5
Bank of America, National Association	13044		Charlotte, NC	Cease-and-Desist Order (C&D) or Personal Cease-and-Desist Order (PC&D)	0	5/29/2015 12:00:00 AM -04:00	2015-1
Bank of America, National Association	13044		Charlotte, NC	Cease-and-Desist Order (C&D) or Personal Cease-and-Desist Order (PC&D)	0	6/29/2015 12:00:00 AM -04:00	AA-EC-2015-18
Bmo Harris Bank National Association	14583		Chicago, IL	Formal Agreement	0	11/14/2013 12:00:00 AM -05:00	
Bmo Harris Bank National Association	14583		Chicago, IL	Formal Agreement	0	4/29/2013 12:00:00 AM -04:00	
Capital One Bank (USA), National Association	24828		Glen Allen, VA	Cease-and-Desist Order (C&D) or Personal Cease-and-Desist Order (PC&D)	0	7/10/2015 12:00:00 AM -04:00	AA-EC-2019-74
Capital One Bank (USA), National Association	24828		Glen Allen, VA	Cease-and-Desist Order (C&D) or Personal Cease-and-Desist Order (PC&D)	0	7/17/2012 12:00:00 AM -04:00	AA-EC-12-62
Capital One Bank (USA), National Association	24828		Glen Allen, VA	Cease-and-Desist Order (C&D) or Personal Cease-and-Desist Order (PC&D)	0	7/25/2012 12:00:00 AM -04:00	AA-EC-2012-101
Capital One Bank (USA), National Association	24828		Glen Allen, VA	Cease-and-Desist Order (C&D) or Personal Cease-and-Desist Order (PC&D)	0	8/5/2020 12:00:00 AM -04:00	AA-EC-20-49
Capital One, National Association	13688		Mclean, VA	Formal Agreement	0	4/25/2014 12:00:00 AM -04:00	
Capital One, National Association	13688		Mclean, VA	Formal Agreement	0	4/25/2014 12:00:00 AM -04:00	
Capital One, National Association	13688		Mclean, VA	Cease-and-Desist Order (C&D) or Personal Cease-and-Desist Order (PC&D)	0	7/10/2015 12:00:00 AM -04:00	AA-EC-2019-74
Capital One, National Association	13688		Mclean, VA	Cease-and-Desist Order (C&D) or Personal Cease-and-Desist Order (PC&D)	0	7/25/2012 12:00:00 AM -04:00	AA-EC-12-100
Capital One, National Association	13688		Mclean, VA	Cease-and-Desist Order (C&D) or Personal Cease-and-Desist Order (PC&D)	0	8/5/2020 12:00:00 AM -04:00	AA-EC-20-49
Chase Bank USA, National Association	23160		Newark, DE	Cease-and-Desist Order (C&D) or Personal Cease-and-Desist Order (PC&D)	0	1/14/2013 12:00:00 AM -05:00	AA-EC-13-04
Chase Bank USA, National Association	23160		Wilmington, DE	Cease-and-Desist Order (C&D) or Personal Cease-and-Desist Order (PC&D)	0	9/18/2013 12:00:00 AM -04:00	AA-EC-13-45
Chase Bank USA, National Association	23160		Wilmington, DE	Cease-and-Desist Order (C&D) or Personal Cease-and-Desist Order (PC&D)	0	9/18/2013 12:00:00 AM -04:00	AA-EC-13-76
Citibank, N.A.	1461		Sioux Falls, SD	Cease-and-Desist Order (C&D) or Personal Cease-and-Desist Order (PC&D)	0	7/20/2015 12:00:00 AM -04:00	AA-EC-2015-52
Citibank, National Association	1461		Sioux Falls, SD	Cease-and-Desist Order (C&D) or Personal Cease-and-Desist Order (PC&D)	0	10/7/2020 12:00:00 AM -04:00	
Citibank, National Association	1461		Sioux Falls, SD	Cease-and-Desist Order (C&D) or Personal Cease-and-Desist Order (PC&D)	0	11/11/2014 12:00:00 AM -05:00	AA-EC-14-101
Citibank, National Association	1461		Sioux Falls, SD	Formal Agreement	0	2/24/2012 12:00:00 AM -05:00	
Citibank, National Association	1461		Sioux Falls, SD	Cease-and-Desist Order (C&D) or Personal Cease-and-Desist Order (PC&D)	0	2/28/2013 12:00:00 AM -05:00	AA-EC-11-13
Citibank, National Association	1461		Sioux Falls, SD	Cease-and-Desist Order (C&D) or Personal Cease-and-Desist Order (PC&D)	0	4/5/2012 12:00:00 AM -04:00	AA-EC-12-18
Citizens Bank, National Association	24571		Providence, RI	Cease-and-Desist Order (C&D) or Personal Cease-and-Desist Order (PC&D)	0	11/10/2015 12:00:00 AM -05:00	AA-EC-2015-58
Citizens Bank, National Association	24571		Providence, RI	Formal Agreement	0	4/24/2014 12:00:00 AM -04:00	
HSBC Bank USA, National Association	24522		Mclean, VA	Cease-and-Desist Order (C&D) or Personal Cease-and-Desist Order (PC&D)	0	12/11/2012 12:00:00 AM -05:00	AA-EC-2012-140
HSBC Bank USA, National Association	24522		Mclean, VA	Formal Agreement	0	12/11/2012 12:00:00 AM -05:00	AA-EC-2012-153
HSBC Bank USA, National Association	24522		Mclean, VA	Cease-and-Desist Order (C&D) or Personal Cease-and-Desist Order (PC&D)	0	2/28/2013 12:00:00 AM -05:00	AA-EC-11-14
HSBC Bank USA, National Association	24522		Mclean, VA	Cease-and-Desist Order (C&D) or Personal Cease-and-Desist Order (PC&D)	0	4/12/2016 12:00:00 AM -04:00	AA-EC-2015-101
HSBC Bank USA, National Association	24522		Mclean, VA	Cease-and-Desist Order (C&D) or Personal Cease-and-Desist Order (PC&D)	0	6/16/2015 12:00:00 AM -04:00	AA-EC-11-14
JPMorgan Bank and Trust Company, National Association	24802		San Francisco, CA	Cease-and-Desist Order (C&D) or Personal Cease-and-Desist Order (PC&D)	0	1/14/2013 12:00:00 AM -05:00	AA-EC-13-04
JPMorgan Bank and Trust Company, National Association	24802		San Francisco, CA	Cease-and-Desist Order (C&D) or Personal Cease-and-Desist Order (PC&D)	0	9/18/2013 12:00:00 AM -04:00	AA-EC-13-76
JPMorgan Chase Bank, National Association	8		Columbus, OH	Cease-and-Desist Order (C&D) or Personal Cease-and-Desist Order (PC&D)	0	1/14/2013 12:00:00 AM -05:00	AA-EC-13-04
JPMorgan Chase Bank, National Association	8		Columbus, OH	Cease-and-Desist Order (C&D) or Personal Cease-and-Desist Order (PC&D)	0	1/14/2013 12:00:00 AM -05:00	AA-EC-13-01
JPMorgan Chase Bank, National Association	8		Columbus, OH	Cease-and-Desist Order (C&D) or Personal Cease-and-Desist Order (PC&D)	0	11/11/2014 12:00:00 AM -05:00	AA-EC-2019-56
JPMorgan Chase Bank, National Association	8		Columbus, OH	Formal Agreement	0	2/22/2012 12:00:00 AM -05:00	
JPMorgan Chase Bank, National Association	8		Columbus, OH	Cease-and-Desist Order (C&D) or Personal Cease-and-Desist Order (PC&D)	0	2/28/2013 12:00:00 AM -05:00	AA-EC-11-15

Large Bank Cease and Desist Orders and Formal Agreements 2012 to Present

Institution	CharterNumber	Individual	Location	Type	Amount	StartDate	DocketNumber
JPMorgan Chase Bank, National Association	8		Columbus, OH	Cease-and-Desist Order (C&D) or Personal Cease-and-Desist Order (PC&D)	0	6/16/2015 12:00:00 AM -04:00	AA-EC-11-15
JPMorgan Chase Bank, National Association	8		Columbus, OH	Cease-and-Desist Order (C&D) or Personal Cease-and-Desist Order (PC&D)	0	9/18/2013 12:00:00 AM -04:00	AA-EC-13-17
JPMorgan Chase Bank, National Association	8		Columbus, OH	Cease-and-Desist Order (C&D) or Personal Cease-and-Desist Order (PC&D)	0	9/18/2013 12:00:00 AM -04:00	AA-EC-13-45
MUFG Bank, Ltd. Chicago Branch	80140		Chicago, IL	Cease-and-Desist Order (C&D) or Personal Cease-and-Desist Order (PC&D)	0	2/21/2019 12:00:00 AM -05:00	AA-EC-2019-7
MUFG Bank, Ltd. Los Angeles Branch	80141		Los Angeles, CA	Cease-and-Desist Order (C&D) or Personal Cease-and-Desist Order (PC&D)	0	2/21/2019 12:00:00 AM -05:00	AA-EC-2019-7
MUFG Bank, Ltd. Primary NY Branch	80138		New York, NY	Cease-and-Desist Order (C&D) or Personal Cease-and-Desist Order (PC&D)	0	11/9/2017 12:00:00 AM -05:00	AA-EC-2017-70
MUFG Bank, Ltd. Primary NY Branch	80138		New York, NY	Cease-and-Desist Order (C&D) or Personal Cease-and-Desist Order (PC&D)	0	2/21/2019 12:00:00 AM -05:00	AA-EC-2019-7
MUFG Bank, Ltd. Secondary NY Branch	80139		New York, NY	Cease-and-Desist Order (C&D) or Personal Cease-and-Desist Order (PC&D)	0	11/9/2017 12:00:00 AM -05:00	AA-EC-2017-70
PNC Bank, National Association	1316		Wilmington, DE	Cease-and-Desist Order (C&D) or Personal Cease-and-Desist Order (PC&D)	0	10/6/2014 12:00:00 AM -04:00	AA-EC-2014-77
PNC Bank, National Association	1316		Wilmington, DE	Cease-and-Desist Order (C&D) or Personal Cease-and-Desist Order (PC&D)	0	2/28/2013 12:00:00 AM -05:00	AA-EC-11-17
Santander Bank, National Association	25022		Wilmington, DE	Cease-and-Desist Order (C&D) or Personal Cease-and-Desist Order (PC&D)	0	3/26/2015 12:00:00 AM -04:00	AA-EC-2015-03
Santander Bank, National Association	25022		Wilmington, DE	Cease-and-Desist Order (C&D) or Personal Cease-and-Desist Order (PC&D)	0	6/16/2015 12:00:00 AM -04:00	
U.S. Bank National Association	24		Cincinnati, OH	Cease-and-Desist Order (C&D) or Personal Cease-and-Desist Order (PC&D)	0	10/23/2015 12:00:00 AM -04:00	AA-EC-2015-77
U.S. Bank National Association	24		Cincinnati, OH	Cease-and-Desist Order (C&D) or Personal Cease-and-Desist Order (PC&D)	0	2/28/2013 12:00:00 AM -05:00	
U.S. Bank National Association	24		Cincinnati, OH	Cease-and-Desist Order (C&D) or Personal Cease-and-Desist Order (PC&D)	0	6/16/2015 12:00:00 AM -04:00	AA-EC-11-18
U.S. Bank National Association	24		Cincinnati, OH	Cease-and-Desist Order (C&D) or Personal Cease-and-Desist Order (PC&D)	0	9/24/2014 12:00:00 AM -04:00	AA-EC-2014-36
U.S. Bank National Association ND	23446		Fargo, ND	Cease-and-Desist Order (C&D) or Personal Cease-and-Desist Order (PC&D)	0	2/28/2013 12:00:00 AM -05:00	
Wells Fargo Bank, National Association	1	James Strother	Sioux Falls, SD	Cease-and-Desist Order (C&D) or Personal Cease-and-Desist Order (PC&D)	0	1/13/2021 12:00:00 AM -05:00	AA-EC-2019-70
Wells Fargo Bank, National Association	1	Hope Hardison	Sioux Falls, SD	Cease-and-Desist Order (C&D) or Personal Cease-and-Desist Order (PC&D)	0	1/21/2020 12:00:00 AM -05:00	AA-EC-2019-69
Wells Fargo Bank, National Association	1	Michael Loughlin	Sioux Falls, SD	Cease-and-Desist Order (C&D) or Personal Cease-and-Desist Order (PC&D)	0	1/8/2020 12:00:00 AM -05:00	AA-EC-2019-86
Wells Fargo Bank, National Association	1		Sioux Falls, SD	Cease-and-Desist Order (C&D) or Personal Cease-and-Desist Order (PC&D)	0	11/19/2015 12:00:00 AM -05:00	AA-EC-2015-79
Wells Fargo Bank, National Association	1		Sioux Falls, SD	Formal Agreement	0	2/22/2012 12:00:00 AM -05:00	
Wells Fargo Bank, National Association	1		Sioux Falls, SD	Cease-and-Desist Order (C&D) or Personal Cease-and-Desist Order (PC&D)	0	2/28/2013 12:00:00 AM -05:00	AA-EC-11-19
Wells Fargo Bank, National Association	1		Sioux Falls, SD	Cease-and-Desist Order (C&D) or Personal Cease-and-Desist Order (PC&D)	0	4/20/2018 12:00:00 AM -04:00	AA-EC-2018-15
Wells Fargo Bank, National Association	1		Sioux Falls, SD	Cease-and-Desist Order (C&D) or Personal Cease-and-Desist Order (PC&D)	0	6/16/2015 12:00:00 AM -04:00	AA-EC-11-19
Wells Fargo Bank, National Association	1		Sioux Falls, SD	Cease-and-Desist Order (C&D) or Personal Cease-and-Desist Order (PC&D)	0	6/3/2015 12:00:00 AM -04:00	AA-EC-2015-06
Wells Fargo Bank, National Association	1		Sioux Falls, SD	Formal Agreement	0	9/15/2015 12:00:00 AM -04:00	
Wells Fargo Bank, National Association	1		Sioux Falls, SD	Formal Agreement	0	9/15/2015 12:00:00 AM -04:00	
Wells Fargo Bank, National Association	1	Tracy Kidd	Sioux Falls, SD	Cease-and-Desist Order (C&D) or Personal Cease-and-Desist Order (PC&D)	0	9/21/2020 12:00:00 AM -04:00	AA-EC-2020-52
Wells Fargo Bank, National Association	1	Kenneth Zimmerman	Sioux Falls, SD	Cease-and-Desist Order (C&D) or Personal Cease-and-Desist Order (PC&D)	0	9/21/2020 12:00:00 AM -04:00	AA-EC-2020-54
Wells Fargo Bank, National Association	1		Sioux Falls, SD	Cease-and-Desist Order (C&D) or Personal Cease-and-Desist Order (PC&D)	0	9/29/2016 12:00:00 AM -04:00	AA-EC-2016-68
Wells Fargo Bank, National Association	1		Sioux Falls, SD	Cease-and-Desist Order (C&D) or Personal Cease-and-Desist Order (PC&D)	0	9/6/2016 12:00:00 AM -04:00	2016-066

Large Bank Civil Money Penalties 2012 to Present							
Institution	**CharterNumber**	**Individual**	**Location**	**Type**	**Amount**	**StartDate**	**DocketNumber**
American Express Bank, FSB	715648		Salt Lake City, UT	Civil Money Penalty (CMP)	$ 500,000	10/1/2012 12:00:00 AM -04:00	AA-EC-12-117
American Express Bank, FSB	715648		Salt Lake City, UT	Civil Money Penalty (CMP)	$ 3,000,000	12/19/2013 12:00:00 AM -05:00	AA-EC-2013-69
Bank of America, National Association	13044	Phillip D. Murphy	Charlotte, NC	Civil Money Penalty (CMP)	$ 15,000	1/20/2015 12:00:00 AM -05:00	AA-EC-08-57
Bank of America, National Association	13044		Charlotte, NC	Civil Money Penalty (CMP)	$ 250,000,000	11/11/2014 12:00:00 AM -05:00	AA-EC-14-99
Bank of America, National Association	13044		Charlotte, NC	Civil Money Penalty (CMP)	$ 25,000,000	4/7/2014 12:00:00 AM -04:00	AA-EC-2014-6
Bank of America, National Association	13044		Charlotte, NC	Civil Money Penalty (CMP)	$ 30,000,000	5/29/2015 12:00:00 AM -04:00	2015-2
Bank of America, National Association	13044		Charlotte, NC	Civil Money Penalty (CMP)	$ 1,104,530	6/29/2015 12:00:00 AM -04:00	AA-EC-2015-19
Capital One Bank (USA), National Association	24828		Glen Allen, VA	Civil Money Penalty (CMP)	$ -	10/23/2018 12:00:00 AM -04:00	AA-EC-2018-62
Capital One Bank (USA), National Association	24828		Glen Allen, VA	Civil Money Penalty (CMP)	$ 4,000,000	11/6/2014 12:00:00 AM -05:00	AA-EC-2014-71
Capital One Bank (USA), National Association	24828		Glen Allen, VA	Civil Money Penalty (CMP)	$ 35,000,000	7/17/2012 12:00:00 AM -04:00	AA-EC-12-63
Capital One Bank (USA), National Association	24828		Glen Allen, VA	Civil Money Penalty (CMP)	$ 80,000,000	8/5/2020 12:00:00 AM -04:00	AA-EC-20-51
Capital One, National Association	13688		Mclean, VA	Civil Money Penalty (CMP)	$ 100,000,000	10/23/2018 12:00:00 AM -04:00	AA-EC-2018-62
Capital One, National Association	13688		Mclean, VA	Civil Money Penalty (CMP)	$ 4,000,000	11/6/2014 12:00:00 AM -05:00	AA-EC-2014-71
Capital One, National Association	13688		Mclean, VA	Civil Money Penalty (CMP)	$ 80,000,000	8/5/2020 12:00:00 AM -04:00	AA-EC-20-51
Chase Bank USA, National Association	23160		Wilmington, DE	Civil Money Penalty (CMP)	$ 350,000,000	1/7/2014 12:00:00 AM -05:00	AA-EC-2013-109
Chase Bank USA, National Association	23160		Wilmington, DE	Civil Money Penalty (CMP)	$ -	7/8/2015 12:00:00 AM -04:00	AA-EC-2014-64
Chase Bank USA, National Association	23160		Wilmington, DE	Civil Money Penalty (CMP)	$ 60,000,000	9/18/2013 12:00:00 AM -04:00	AA-EC-13-46
Citibank, N.A.	1461		Sioux Falls, SD	Civil Money Penalty (CMP)	$ 17,998,510	1/17/2020 12:00:00 AM -05:00	AA-EC-209-91
Citibank, N.A.	1461		Sioux Falls, SD	Civil Money Penalty (CMP)	$ 30,000,000	10/11/2019 12:00:00 AM -04:00	AA-EC-2019-67
Citibank, N.A.	1461		Sioux Falls, SD	Civil Money Penalty (CMP)	$ 25,000,000	3/19/2019 12:00:00 AM -04:00	AA-EC-2019-8
Citibank, N.A.	1461		Sioux Falls, SD	Civil Money Penalty (CMP)	$ 35,000,000	7/20/2015 12:00:00 AM -04:00	AA-EC-2015-53
Citibank, National Association	1461		Sioux Falls, SD	Civil Money Penalty (CMP)	$ 452,000	10/10/2017 12:00:00 AM -04:00	AA-EC-2017-36
Citibank, National Association	1461		Sioux Falls, SD	Civil Money Penalty (CMP)	$ 400,000,000	10/7/2020 12:00:00 AM -04:00	AA-EC-2020-65
Citibank, National Association	1461		Sioux Falls, SD	Civil Money Penalty (CMP)	$ 350,000,000	11/11/2014 12:00:00 AM -05:00	AA-EC-14-101
Citibank, National Association	1461		Sioux Falls, SD	Civil Money Penalty (CMP)	$ 70,000,000	12/27/2017 12:00:00 AM -05:00	AA-EC-2017-71
Citizens Bank, National Association	24571		Providence, RI	Civil Money Penalty (CMP)	$ 2,000,000	11/10/2015 12:00:00 AM -05:00	AA-EC-2015-58
HSBC Bank USA, National Association	24522		Mclean, VA	Civil Money Penalty (CMP)	$ 32,500,000	1/6/2017 12:00:00 AM -05:00	AA-EC-2016-96
HSBC Bank USA, National Association	24522		Mclean, VA	Civil Money Penalty (CMP)	$ 500,000,000	12/11/2012 12:00:00 AM -05:00	AA-EC-2012-112
HSBC Bank USA, National Association	24522		Mclean, VA	Civil Money Penalty (CMP)	$ 35,000,000	4/12/2016 12:00:00 AM -04:00	AA-EC-2015-100
JPMorgan Bank and Trust Company, National Association	24802		San Francisco, CA	Civil Money Penalty (CMP)	$ 350,000,000	1/7/2014 12:00:00 AM -05:00	AA-EC-2013-109
JPMorgan Bank and Trust Company, National Association	24802		San Francisco, CA	Civil Money Penalty (CMP)	$ -	7/8/2015 12:00:00 AM -04:00	AA-EC-2014-64
JPMorgan Chase Bank, National Association	8		Columbus, OH	Civil Money Penalty (CMP)	$ 48,000,000	1/4/2016 12:00:00 AM -05:00	AA-EC-2015-105
JPMorgan Chase Bank, National Association	8		Columbus, OH	Civil Money Penalty (CMP)	$ 350,000,000	1/7/2014 12:00:00 AM -05:00	AA-EC-2013-109
JPMorgan Chase Bank, National Association	8	Roseann McSorley	Columbus, OH	Civil Money Penalty (CMP)	$ 35,000	10/28/2019 12:00:00 AM -04:00	AA-EC-2019-49
JPMorgan Chase Bank, National Association	8		Columbus, OH	Civil Money Penalty (CMP)	$ 350,000,000	11/11/2014 12:00:00 AM -05:00	AA-EC-14-100
JPMorgan Chase Bank, National Association	8		Columbus, OH	Civil Money Penalty (CMP)	$ 250,000,000	11/24/2020 12:00:00 AM -05:00	AA-ENF-2020-70

Large Bank Civil Money Penalties 2012 to Present							
Institution	CharterNumber	Individual	Location	Type	Amount	StartDate	DocketNumber
JPMorgan Chase Bank, National Association	8		Columbus, OH	Civil Money Penalty (CMP)	$ 30,000,000	7/8/2015 12:00:00 AM -04:00	AA-EC-2014-64
JPMorgan Chase Bank, National Association	8		Columbus, OH	Civil Money Penalty (CMP)	$ 300,000,000	9/18/2013 12:00:00 AM -04:00	AA-EC-2013-75
JPMorgan Chase Bank, National Association	8		Columbus, OH	Civil Money Penalty (CMP)	$ 60,000,000	9/18/2013 12:00:00 AM -04:00	AA-EC-13-46
Keybank National Association	14761		Cleveland, OH	Civil Money Penalty (CMP)	$ 5,005	1/15/2015 12:00:00 AM -05:00	AA-EC-2014-117
Morgan Stanley Bank, N.A.	24908		Salt Lake City, UT	Civil Money Penalty (CMP)	$ 60,000,000	10/8/2020 12:00:00 AM -04:00	AA-EC-20-66
Morgan Stanley Bank, N.A.	24908	Amie Dorman	Salt Lake City, UT	Civil Money Penalty (CMP)	$ 7,500	9/30/2019 12:00:00 AM -04:00	AA-EC-2019-50
Morgan Stanley Private Bank, National Association	24981		Purchase, NY	Civil Money Penalty (CMP)	$ 60,000,000	10/8/2020 12:00:00 AM -04:00	AA-EC-20-66
MUFG Union Bank, National Association	21541		San Francisco, CA	Civil Money Penalty (CMP)	$ 109,667	7/29/2019 12:00:00 AM -04:00	AA-EC-2019-36
PNC Bank, National Association	1316	Denton Douglas	Wilmington, DE	Civil Money Penalty (CMP)	$ 35,000	1/8/2021 12:00:00 AM -05:00	
PNC Bank, National Association	1316		Wilmington, DE	Civil Money Penalty (CMP)	$ 2,000,000	10/6/2014 12:00:00 AM -04:00	AA-EC-2014-78
PNC Bank, National Association	1316		Wilmington, DE	Civil Money Penalty (CMP)	$ 15,000,000	5/1/2018 12:00:00 AM -04:00	AA-EC-2018-88
PNC Bank, National Association	1316		Wilmington, DE	Civil Money Penalty (CMP)	$ 207,245	5/1/2018 12:00:00 AM -04:00	AA-EC-2018-11
Royal Bank of Canada, Miami Branch	80119	Dirceu P. Magalhaes	Miami, FL	Civil Money Penalty (CMP)	$ 100,000	9/12/2018 12:00:00 AM -04:00	AA-EC-2018-54
Santander Bank, National Association	25022		Wilmington, DE	Civil Money Penalty (CMP)	$ 3,400,000	2/8/2016 12:00:00 AM -05:00	AA-EC-2016-11
Santander Bank, National Association	25022		Wilmington, DE	Civil Money Penalty (CMP)	$ 6,000,000	3/26/2015 12:00:00 AM -04:00	AA-EC-2015-04
TD Bank, National Association	24096		Wilmington, DE	Civil Money Penalty (CMP)	$ 37,500,000	9/20/2013 12:00:00 AM -04:00	AA-EC-2013-67
U.S. Bank National Association	24		Cincinnati, OH	Civil Money Penalty (CMP)	$ 75,000,000	2/15/2018 12:00:00 AM -05:00	AA-EC-2018-84
U.S. Bank National Association	24		Cincinnati, OH	Civil Money Penalty (CMP)	$ 10,000,000	2/8/2016 12:00:00 AM -05:00	AA-EC-2016-10
U.S. Bank National Association	24	Michael S. LaFontaine	Cincinnati, OH	Civil Money Penalty (CMP)	$ 50,000	3/5/2020 12:00:00 AM -05:00	AA-EC-2019-94
U.S. Bank National Association	24		Cincinnati, OH	Civil Money Penalty (CMP)	$ 15,000,000	4/25/2017 12:00:00 AM -04:00	AA-EC-2017-12
U.S. Bank National Association	24		Cincinnati, OH	Civil Money Penalty (CMP)	$ 183,920	8/16/2017 12:00:00 AM -04:00	
U.S. Bank National Association	24		Cincinnati, OH	Civil Money Penalty (CMP)	$ 4,000,000	9/24/2014 12:00:00 AM -04:00	AA-EC-2014-37
Wells Fargo Bank, National Association	1	James Strother	Sioux Falls, SD	Civil Money Penalty (CMP)	$ 3,500,000	1/13/2021 12:00:00 AM -05:00	AA-EC-2019-70
Wells Fargo Bank, National Association	1	Hope Hardison	Sioux Falls, SD	Civil Money Penalty (CMP)	$ 2,250,000	1/21/2020 12:00:00 AM -05:00	AA-EC-2019-69
Wells Fargo Bank, National Association	1	John Stumpf	Sioux Falls, SD	Civil Money Penalty (CMP)	$ 17,500,000	1/22/2020 12:00:00 AM -05:00	AA-EC-2019-83
Wells Fargo Bank, National Association	1	Michael Loughlin	Sioux Falls, SD	Civil Money Penalty (CMP)	$ 1,250,000	1/8/2020 12:00:00 AM -05:00	AA-EC-2019-86
Wells Fargo Bank, National Association	1		Sioux Falls, SD	Civil Money Penalty (CMP)	$ 500,000,000	4/20/2018 12:00:00 AM -04:00	AA-EC-2018-16
Wells Fargo Bank, National Association	1741		Sioux Falls, SD	Civil Money Penalty (CMP)	$ 70,000,000	5/24/2016 12:00:00 AM -04:00	AA-EC-2016-30
Wells Fargo Bank, National Association	1		Sioux Falls, SD	Civil Money Penalty (CMP)	$ -	6/3/2015 12:00:00 AM -04:00	AA-EC-2015-13
Wells Fargo Bank, National Association	1	Tracy Kidd	Sioux Falls, SD	Civil Money Penalty (CMP)	$ 350,000	9/21/2020 12:00:00 AM -04:00	AA-EC-2020-52
Wells Fargo Bank, National Association	1	Matthew Raphaelson	Sioux Falls, SD	Civil Money Penalty (CMP)	$ 925,000	9/21/2020 12:00:00 AM -04:00	AA-EC-2020-53
Wells Fargo Bank, National Association	1	Kenneth Zimmerman	Sioux Falls, SD	Civil Money Penalty (CMP)	$ 400,000	9/21/2020 12:00:00 AM -04:00	AA-EC-2020-54
Wells Fargo Bank, National Association	1		Sioux Falls, SD	Civil Money Penalty (CMP)	$ 20,000,000	9/29/2016 12:00:00 AM -04:00	
Wells Fargo Bank, National Association	1		Sioux Falls, SD	Civil Money Penalty (CMP)	$ 35,000,000	9/6/2016 12:00:00 AM -04:00	2016-67
					$ 5,198,378,377		

RESPONSES TO WRITTEN QUESTIONS OF SENATOR TOOMEY FROM MICHAEL J. HSU

Q.1. At the August 3, 2021, Senate Banking Committee hearing, in response to questions, you indicated that the OCC's regulatory review of the three conditional approvals the agency issued to national trust banks that provide digital asset custody services was part of a holistic review to ensure decision making was "in coordination with other agencies."

What statutory authority do other executive branch and independent agencies have to approve or deny OCC charters?

A.1. The OCC has sole authority to approve or deny OCC charters. As appropriate, the OCC frequently coordinates with the other Federal banking agencies—the FDIC and the Federal Reserve—particularly when the OCC applicant also has separate applications pending with the other agencies connected to its OCC application.

For example, an applicant may have a charter application pending with the OCC, as well as an application pending with the Federal Reserve for its parent company to become a holding company, and an application pending with the FDIC for Federal deposit insurance. Even in the case of an application that is only sent to the OCC—such as an application for an uninsured national trust bank—the OCC may coordinate with other agencies to help promote uniform standards, particularly to the extent that the application presents novel issues or activities.

Q.2. Do you believe the OCC has the authority to revoke a charter if the institution meets all of the agency's own criteria for approval?

A.2. The OCC approves charter applications in two steps: (1) preliminary conditional approval and (2) final approval.

Preliminary conditional approval is granted if the factors the OCC considers in reviewing charter applications are favorable; this approval permits the organizers to proceed with organizing the bank.

Receipt of final approval (and the issuance of a charter) from the OCC is contingent upon the completion of all key phases of organizing the bank as determined by the OCC. If all requirements are met, the OCC will grant final approval. Prior to final approval, there is no charter to revoke because the charter has not yet been issued.

The OCC has the statutory authority to revoke a charter in certain circumstances, such as knowing violation of the National Bank Act (12 U.S.C. 93(a)) or violations of the Federal Reserve Act (12 U.S.C. 501a).

Q.3. If so, on what basis?

A.3. See the response to Question 2 above.

Q.4. You mentioned that the OCC was coordinating with other agencies to look at digital assets as a whole, even though the OCC is entrusted with statutory responsibility for issuing national trust charters. Are other financial regulators involved in the OCC's retroactive review of these three national trust charter approvals?

A.4. The OCC is currently coordinating with other agencies to consider the role of digital assets in the banking system as a whole.

The OCC retains the sole authority to act on the pending national trust charter proposals.

Q.5. At the August 3, 2021, Senate Banking Committee hearing, when asked about the relationship between banking and climate change, you stated that the OCC's focus currently is on risk management, and that "climate change presents risk management challenges, and that banks need to prepare for both the physical and transition risks related to climate change." However, previously, you had stated that regulators will "eventually" have to incorporate climate-related risks into bank capital rules. This statement raises concerns that you are prejudging the outcome of the agency's analysis of climate-related risks. As the OCC and other bank regulators analyze this issue, do you commit to follow the data, no matter where it leads?

A.5. As I noted in my testimony and oral statement, our focus at the OCC is on understanding how the financial risks associated with climate change may affect the safety and soundness of the institutions we supervise. Banks, especially large banks, are exposed to both physical and transition risks from climate change.

The OCC is working to ensure banks establish sound risk management frameworks around climate risk. This will include the gathering and assessment of data to measure, monitor and control risks. Similar to other risks, the gathering of information about the level of risk is a key component that will drive bank management and regulators actions to address the risk. Capital requirements are just one of the many tools bank boards of directors and regulators can use to ensure risks stay within established risk appetite limits.

Identifying, measuring, and managing risks from climate change is challenging and the OCC is in the early phases of engaging with the industry on climate risk data. The OCC is committed to working with our institutions, other regulators and industry groups such as the Basel Committee on Banking Supervision's Task Force on Climate-Related Financial Risks and the Network for Greening the Financial System to analyze climate-related data. We plan to use this information to support the development and adoption of effective risk based climate change risk management practices at banks.

Q.6. Since leaving the Federal Reserve for the OCC, you have appointed a number of other former Federal Reserve officials to senior positions at the OCC. A number of former Federal Reserve officials now work within the Treasury Department as well. Interagency regulatory experience can be beneficial and can help to smooth interagency coordination. However, it is also important to guard against an independent agency exerting undue influence elsewhere in the Federal Government, especially in another independent agency.

This would undermine both agencies' independence and raise concerns about the ability of unelected Federal Reserve officials to exert power beyond their own agency's jurisdictional boundaries. What steps have you taken to ensure that the OCC remains independent from the Federal Reserve?

A.6. I believe it is vital to maintain the OCC's independence. I have valued independent thinking over my entire career, which has included positions at the Securities and Exchange Commission, U.S. Department of the Treasury, International Monetary Fund, and the Board of Governors of the Federal Reserve System. Although my current responsibilities necessarily involve interactions with staff from other Federal agencies, my focus as Acting Comptroller is on promoting the OCC's mission to oversee the safety and soundness of the national banking system and safeguarding our place as an independent agency. The 3,500 members of OCC's career staff provide valuable advice on critical decisions, and I intend to promote an environment where staff feels comfortable sharing different views.

Q.7. In May 2021 you announced a "review of key regulatory standards and matters pending before the agency," including (1) the Community Reinvestment Act, (2) interpretive letters and guidance regarding cryptocurrencies and digital assets, and (3) pending licensing decisions. The review was expected to conclude this summer. However, the OCC has disclosed virtually no details about the review to date, and not made any announcement regarding the results of this review or next steps, other than announcing it will work with the other regulators on a Community Reinvestment Act rule.

What is the scope of this regulatory review?

A.7. As Acting Comptroller I asked for regulatory reviews to include the 2020 Community Reinvestment Act (CRA) final rule, interpretative letters addressing novel cryptocurrency, digital asset, and distributed ledger related activities, the interpretive letter addressing trust banks and fiduciary activities, and pending licensing applications that involve such activities. The review is considering a full range of internal and external views, the impact of changed circumstances, and a range of alternatives. The scope of each review is described below.

CRA: On September 8, 2021, the OCC issued a proposal to rescind its 2020 Community Reinvestment Act Rule and replace it with rules adopted jointly by the Federal banking agencies in 1995, as amended. This action facilitates the ongoing interagency work to modernize the CRA regulatory framework and promote consistency for all insured depository institutions.

OCC Interpretive Letters: The OCC is reviewing the activities authorized in recent OCC Interpretive Letters, including Interpretive Letter 1170, addressing the authority to provide cryptocurrency custody services on behalf of customers; Interpretive Letter 1172, addressing the authority to accept and hold deposits that serve as reserves for stablecoins that are backed on a 1:1 basis by fiat currency and held in hosted wallets; and Interpretive Letter 1174, addressing the use of distributed ledger technology and stablecoins to facilitate bank-permissible payments activities. The OCC is also reviewing OCC Interpretive Letter 1176 addressing the authority of the OCC to charter national banks within the scope of 12 U.S.C. 27(a) and the standards the OCC considers when assessing whether an activity is conducted in a fiduciary capacity under 12 U.S.C. 92a.

Pending Licensing Applications: The OCC has paused the consideration of several pending charter applications. The OCC expects that once it has completed its review of cryptocurrency and distributed ledger activities, as well as its review of permissible activities for national trust banks, it will be able to act on the pending applications.

Q.8. What is its expected output?

A.8. The expected output of this review includes the proposed rescission of the 2020 CRA rule, actions on the pending licensing applications, and reconsideration of the scope of the interpretive letters. Specifically:

CRA: The OCC issued a proposal to rescind and replace the CRA rule on September 8, 2021, and has been coordinating with the Federal Reserve and the FDIC on a joint proposal to strengthen and modernize the CRA regulatory framework.

Interpretive Letters: The OCC will consider a variety of options regarding the interpretive letters and permitted activities.

Pending Licensing Applications: The OCC expects that once it has completed its review of cryptocurrency and distributed ledger activities, as well as its review of permissible activities for national trust banks, it will be able to act on the pending applications.

Q.9. What is the expected timing for its conclusion?

A.9. The OCC expects to conclude its review of these matters as follows:

CRA: After considering any public comments on the CRA rescission proposal, the OCC would aim to issue a final rule in December or early in 2022. The OCC, Federal Reserve, and FDIC plan to issue a joint proposed rule that would strengthen and modernize the CRA regulatory framework next year.

Licensing Applications/Interpretive Letters: The OCC anticipates that the review of pending licensing applications and the Interpretive Letters, including any decision to recalibrate the scope of the interpretive letters, will likely conclude in 2021.

RESPONSES TO WRITTEN QUESTIONS OF SENATOR REED FROM MICHAEL J. HSU

Q.1. The Federal Reserve, OCC, and FDIC in January 2021 published a joint notice of proposed rulemaking (NPR) on cybersecurity that would require a bank to notify its regulator of cybersecurity breaches within 36 hours. The NPR would also require a bank's service providers to notify the bank if it experiences a cybersecurity breach. As a result of cyberbreaches at banks, personal and account information of customers have been compromised. Please describe the importance of notification and disclosure obligations for cybersecurity incidents.

A.1. The OCC views the receipt of timely notification of significant cybersecurity events as an important component of the oversight of the safety and soundness of the Federal banking system. The OCC and banking regulatory counterparts have long-standing guidelines, dating back to 2005, addressing response programs for unauthorized access to customer information in alignment with the Gramm-Leach-Bliley Act (GLBA). A key component of such re-

sponse programs includes notification to the primary Federal regulator and customers impacted. However, the growing sophistication of cyberthreats and increasing targeting of critical infrastructure has highlighted risks to financial institutions and banking customers beyond the breach of sensitive customer information.

As part of the proposed Computer-Security Incident Notification Requirements for Banking Organizations and Their Bank Service Providers, the OCC and other Federal banking agencies note that it is important that the primary Federal regulator also be notified as soon as possible of a significant computer-security incident that could jeopardize the viability of the operations of an individual banking organization, result in customers being unable to access their deposit and other accounts, or impact the stability of the financial sector. Timely knowledge and response to notification incidents affecting banking organizations is important to the agencies' missions for a variety of reasons, including the following:

- the receipt of notification-incident information may give the agencies earlier awareness of emerging threats to individual banking organizations and, potentially, to the broader financial system;
- an incident may so severely impact a banking organization that it can no longer support its customers, and the incident could impact the safety and soundness of the banking organization, leading to its failure. In these cases, the sooner the agencies know of the event, the better they can assess the extent of the threat and take appropriate action;
- based on the agencies' broad supervisory experiences, they may be able to provide information to a banking organization that may not have previously faced a particular type of notification incident;
- the agencies would be better able to conduct analyses across supervised banking organizations to determine and respond to systemic risks. The agency response may be to improve guidance, adjust supervisory programs, and provide information to the industry to help banking organizations protect themselves; and
- receiving notice would enable the primary Federal regulator to facilitate and approve requests from banking organizations for assistance through the U.S. Treasury Office of Cybersecurity and Critical Infrastructure Protection (OCCIP).

Recognizing that in the initial stages of any event there will be limited information, the agencies have focused only on notification of the incident and not an expectation of detailed reporting. This focus is to allow the agencies to more quickly respond in order to provide support and assess the potential impact across the banking sector.

Q.2. The Federal Reserve, OCC, and FDIC are in the process of implementing revisions to their capital rules. The Basel Committee's revised methodology for calculating operational risk would, if implemented, replace a dynamic and risk-sensitive measure with a more static approach. According to the Basel Committee's analysis, this change could result in a meaningful reduction in the aggregate

operational risk capital requirements for the largest, most internationally active U.S. banks. Can you provide assurances that the forthcoming revisions to the agencies' capital rules will not result in the largest banks holding less capital to protect against operational risk, including cybersecurity breaches?

A.2. Banks entered the Covid pandemic with strong capital positions, and the OCC, in conjunction with the Federal Reserve and FDIC, will carefully consider the impact on capital of any proposals to change the U.S. capital framework for banks. The agencies are developing a notice of proposed rulemaking that would revise the capital requirements applicable to the largest U.S. banking organizations. The proposal is intended to address the transparency of the regulatory capital framework and to promote a level playing field between the largest U.S. banks and global banks in other jurisdictions.

Implementing the Basel Committee's revised methodology for calculating operational risk would not necessarily result in a meaningful reduction in the aggregate operational risk capital requirements. The revised Basel methodology for calculating operational risk considers a bank's size, the complexity of its activities, and provides a more transparent operational risk capital calculation than the current approach. It also provides for incorporation of a bank's history of operational losses in setting capital requirements, if deemed appropriate by a jurisdiction's regulators.

RESPONSES TO WRITTEN QUESTIONS OF SENATOR MENENDEZ FROM MICHAEL J. HSU

Q.1. My home State of New Jersey and 47 other States have passed legislation authorizing some form of cannabis for regulated medical or adult-use purposes. But we all know that businesses that serve this market have found themselves shut out of the banking system and forced to operate exclusively in cash, often creating serious public safety risks in our communities.

The SAFE Banking Act, which I cosponsored, would fix this problem by allowing banks to provide financial services to cannabis businesses. I also introduced the CLAIM Act, which would ensure that legal marijuana and related businesses have access to comprehensive and affordable insurance coverage.

Do you believe that financial institutions and marijuana-related businesses need legislative clarity on these issues?

A.1. The OCC supports legislative clarity on the disparity between Federal and State laws in this area. This disparity has created significant challenges for both cannabis-related businesses and national banks and Federal savings associations that need to be resolved. Furthermore, a lack of access to banking by cannabis and related businesses that are legal under State law means many operate in a cash-only environment, which can result in public safety concerns and an increase in dangerous crimes due to the inability of these businesses to properly deposit and safeguard funds. In the absence of new legislation, the OCC will continue to supervise national banks and Federal savings associations and ensure that those that provide services to cannabis-related businesses have Bank Secrecy Act compliance programs that comply with legal re-

quirements, including compliance with BSA-related requirements for customer due diligence and for identifying and reporting transactions that are suspicious or violate Federal law, and follow applicable FinCEN guidance.

RESPONSES TO WRITTEN QUESTIONS OF SENATOR VAN HOLLEN FROM MICHAEL J. HSU

Q.1. Since the 2008 recession, many bank branches nationwide have shut their doors, with 6,008 banks closing between 2008 and 2016, over 6 percent of branches nationally. On the State level, Maryland had the third highest proportional losses, with 246 bank branches closing, representing a 13.8 percent loss. Nationally, 22 percent of adults are underbanked or unbanked, with lower income individuals or those in racial or ethnic minority groups being more likely to fall into this category.

Putting the issue of de novo bank charter applications aside, can the rules under the Community Reinvestment Act be modernized in ways that reverse this troubling trend of banking desserts in places like Baltimore? What can we do to stem the tide of these branch closures?

A.1. The bank regulatory agencies are open to considering approaches that could create additional incentives to retain branches, particularly in underserved markets. The 1995 CRA regulation considered both the location and closure of branches in the evaluation of CRA performance of large banks (banks with average assets of at least $1.322 billion over the last 2 years). This was intended to provide some incentive to slow branch closures in low- and moderate-income (LMI) areas.

In addition, the public is provided a venue, outlined in the Comptroller's Licensing Manual booklet, "Branch Closings", to request that the OCC convene a public meeting to discuss the impact of an interstate national bank branch closure. The OCC convenes a meeting if all the criteria identified in the booklet are met. The OCC periodically conducts such meetings, and, in certain circumstances, alternatives have been identified which address financial services needs in those LMI communities.

While branches remain important to many consumers, it also important to recognize the growing use of online and mobile banking. According to the FDIC, more than a third (34 percent) of American households used mobile channels as their primary method of accessing bank accounts in 2019, up 18.4 percentage points from 2017, with the largest gains in mobile banking adoption among Black, Asian, and Hispanic Americans. The OCC's 2020 CRA rule and the 1995 CRA rule give CRA consideration for investments in expanded broadband access to promote digital banking as a means to bridge the financial access divide between middle- and high-income and low- or moderate-income (LMI), distressed, and underserved areas. CRA consideration is also given to the availability and effectiveness of a bank's alternative delivery mechanisms and the extent to which retail banking services are tailored to the convenience and needs of each geography, including to LMI individuals and areas. For example, CRA provides opportunities for banks to work with individuals and communities affected by the Covid

pandemic, including on ways to effectively make retail banking services available during the emergency.

While the percentage of households that are completely unbanked (5.4 percent) is at the lowest level since the FDIC first reported this measure in 2009, the absolute number of unbanked households remains high at 7 million. Several banks have joined an effort to reduce the number of unbanked and underbanked persons through a certification program called BankOn, which is run by the Cities for Financial Empowerment Fund. The program is designed to expand access to transactional accounts to address the structural challenges facing unbanked and underbanked households with certified products, including those with low costs, online bill-pay, no overdraft fees, and transaction capabilities such as a debit or prepaid cards as well as access to Federal child tax credit and other emergency payments.

The OCC is exploring additional ways to consider retail banking products and branch-based services in CRA evaluations as we work collaboratively with the other agencies on a new CRA rule.

Q.2. While the U.S. continues to experience a disturbing uptick in economic and racial inequality, we must recognize that climate change is increasingly a threat multiplier for these economic trends and harms. Lower income households and lower income communities alike face trouble financing the predisaster resilience measures and postdisaster recovery efforts that they need to avoid further growth of the wealth gap. Climate-fueled disasters disproportionately affect lower income communities and households: they can act as tipping points for families and individuals on the edge, pushing the marginally homeless into homelessness, those living paycheck-to-paycheck into debt and financial insecurity, and consuming any small savings that had been accumulated for housing, education, or other purposes.

How have practices like redlining—perhaps used by financial institutions you supervise—led to climate vulnerabilities for lower income communities and communities of color? What are you doing right now to study the effects that redlining had and continues to have on modern access to financial services, particularly related to climate impacts?

A.2. The OCC recognizes the disproportionate effect that climate change is having on low-income communities and communities of color. The OCC recently appointed Darrin Benhart as the agency's new Climate Change Risk Officer. Mr. Benhart is an experienced OCC examiner and manager, who will lead the OCC's internal and interagency efforts to consider and address the financial implications of climate change on banks. The OCC has also recently created and staffed a new subcommittee of its National Risk Committee with members from throughout the agency. The efforts of this Subcommittee will focus on gathering and assessing information on all aspects of risks created or exacerbated by climate change. The work of this subcommittee and the Climate Change Risk Officer will include developing a better understanding of the interactive effects of climate change and inequality on lower-income communities and communities of color.

Q.3. How can we stop this feedback loop of vulnerability? What regulatory tools do you have to make sure lower income households and communities have access to the full range of financial services they need to contend with the increasing impacts of the climate crisis?

A.3. For communities that are impacted by extreme weather, the OCC seeks to ensure that lower income households and communities have access to a range of financial services in federally declared disaster areas—including those resulting from climate related events. Under the OCC's 2020 CRA rule, banks may receive CRA credit for activities they undertake in response to these Federal disaster designations if those activities are related to Federal, State, local, or tribal government programs or initiatives that are consistent with a bona fide Government recovery plan or if they meet other qualifying activity criteria under the regulation. OCC will consider in a bank's CRA evaluation qualifying activities for 36 months following the date of disaster designation. The OCC may issue a written notice to extend the time-period during which activities will be considered in cases where there is a continuing demonstrable need. The 1995 CRA rule allows banks to receive credit for certain activities in communities designated by the Federal Government as major disaster areas.

In addition, as part of the interagency work on CRA modernization, the agencies are considering public comments responding to the FRB's CRA ANPR regarding the expansion of CRA eligibility for disaster preparedness and climate resilience activities in certain targeted geographies.

Q.4. Flooding and wildfires are two climate-crisis fueled disasters that are leading insurers to withdraw from vulnerable communities. In California, for instance, a moratorium on withdrawal is the only thing protecting some wildfire threatened communities from loss of insurance, but prices have skyrocketed and coverage limits have fallen.

What are the consequences of the withdrawal of insurers on the availability of credit in affected communities (in terms of mortgages, municipal loans, and small business loans)?

A.4. Insurance products provide confidence during the bank underwriting approval process that credit will be repaid if unplanned risk events occur, and the availability of insurance to support credit underwriting decisions is critical. However, bank supervisors do not have direct oversight over decisions made by insurance underwriters to withdraw the availability of insurance in a community.

The withdrawal of insurers has the potential to increase the cost of insurance for borrowers, which could affect the ability of borrowers to repay their debt and, in turn, bank underwriting decisions. In addition, those remaining insurers would have a more concentrated exposure to the community and may need to increase the cost of their products. While credit may still be available, it potentially would be at a higher cost due to the increased insurance cost.

Q.5. What are you doing right now to monitor whether banks and credit unions are withdrawing credit from vulnerable communities

in response to the loss of insurance or other physical impacts from the climate crisis?

A.5. Promoting fairness and inclusion in banking is a fundamental part of the OCC's mission, and we recognizes the disproportionate effect that climate change is having on low-income communities and communities of color. To ensure that national banks and Federal savings associations treat customers fairly and provide fair access to financial services, the OCC examines these institutions for compliance with laws and regulations. These OCC's supervisory activities include fair lending risk assessments during every examination cycle, risk-based examinations for compliance with the prohibitions on unfair, deceptive, or abusive acts or practices, and review of assessment areas under the Community Reinvestment Act to prevent arbitrary exclusion of low and moderate income geographies from the bank's assessment areas.

Identifying, measuring, and managing risks from climate change is challenging, and the OCC is in the early phases of engaging with our supervised institutions and the industry. We are committed to working with OCC-supervised institutions, other regulators, and industry groups such as the Basel Committee on Banking Supervision's Task Force on Climate-Related Financial Risks and the Network for Greening the Financial System to analyze climate related data. The OCC also engages with the Federal Insurance Office through the FSOC process. Led by the new Climate Risk Committee and Officer, the OCC intends to use information from these and other sources to encourage the adoption of effective risk-based risk management practices at banks and the development of additional risk-based supervisory approaches to address the financial risk arising from climate change.

Q.6. High-cost lenders often argue that because of fixed underwriting and back office costs, it is not economically feasible to provide responsible, small-dollar loan products that comply with a 36 percent rate cap. Chairman Harper and Acting Comptroller Hsu: Do you think that's true? Why or why not?

A.6. The OCC expects the banks it supervises to engage in responsible lending to all consumers. Well-designed small-dollar lending programs can result in successful repayment outcomes that facilitate a customer's ability to demonstrate positive credit behavior and transition into additional financial products. The Federal banking agencies and NCUA issued interagency principles for offering responsible small-dollar loans in May 2020 because the agencies recognized the important role that responsibly offered small-dollar loans can play in helping customers meet their ongoing needs for credit due to temporary cash-flow imbalances, unexpected expenses, or income shortfalls, including during periods of economic stress, national emergencies, or disaster recoveries.

With respect to cost structure, costs to be covered in a lending operation vary substantially based on the lender's business model, infrastructure, cost of capital, cost of funding, and cost to acquire customers. Traditional brick and mortar operations with multiple locations are typically more expensive than newer business models that make use of the internet. However, the newer lending models may have higher capital and funding costs until they achieve a

strong reputation in the marketplace. Finally, many traditional and newer lending operations face a very high cost to acquire new customers that often results in unprofitable operations that must be overcome to continue in business.

Q.7. Is it possible for OCC-supervised institutions to design responsible, small-dollar loan products that comply with a 36 percent rate cap? Isn't it true that banks can also earn additional fees and revenues once a customer graduates from small dollar loans to other products, and that the cost-benefit analysis of a longer-term bank–customer relationship may in fact be net positive for banks?

A.7. As noted in the 2020 interagency Responsible Small Dollar Lending Principles,[1] banks are well-positioned to be responsible small-dollar lenders due to their ability to leverage existing infrastructure and customer acquisition activities and their advantages relative to costs of capital and funding. Responsible small-dollar products should be judged holistically across all their terms (e.g., price, repayment, tenor) relative to their overall ability to deliver affordable and successful repayment without causing undue cycles of debt.

RESPONSES TO WRITTEN QUESTIONS OF SENATOR CORTEZ MASTO FROM MICHAEL J. HSU

Q.1. How are your agencies implementing the significant changes occurring under the Anti-Money Laundering and Corporate Transparency Act of 2020? Are there any concerns with implementation of this law that we should be aware of?

A.1. Implementation of most of the requirements in the Anti-Money Laundering and Corporate Transparency Act of 2020 (AML Act) are the responsibility of the Treasury Department and FinCEN with the OCC largely having a consultative role. However, the OCC has been working closely with the Treasury Department, FinCEN, and the other Federal Banking Agencies (FBAs) to ensure that the changes being made to the Bank Secrecy Act (BSA) that involve the OCC are enacted as quickly and as seamlessly as possible. We note that consistent with the implementation of the AML Act, the OCC is also reviewing its BSA-related regulations, guidance, and supervisory processes, training and procedures to determine if additional changes are needed.

The actions to implement the AML Act to date include:

- On June 30, 2021, FinCEN issued the first governmentwide anti-money laundering and countering the financing of terrorism (AML/CFT) priorities in accordance with section 6101 of the AML Act after consultation with various agencies including the OCC.
- At the same time, FinCEN, the OCC, and other FBAs issued an Interagency Statement on the Issuance of the AML/CFT National Priorities to clarify for the banking industry that there are no immediate expectations that banks take action to implement the priorities until the related implementing regu-

[1] Refer to OCC Bulletin 2020-54, "Small-Dollar Lending: Interagency Lending Principles for Offering Responsible Small-Dollar Loans", available at *https://www.occ.gov/news-issuances/bulletins/2020/bulletin-2020-54.html.*

lations are effective. The statement further clarified that, although not required by the AML Act, the OCC and FBAs planned to revise their BSA regulations, as necessary, to address how these priorities will be incorporated into banks' BSA requirements.

- The OCC is one of the cochairs of the newly formed Bank Secrecy Act Advisory Group (BSAAG) Subcommittee on Innovation and Technology. Established under Section 6207 of the AML Act, the purpose of this Subcommittee is to study and make recommendations on how to encourage, support development of, and reduce obstacles to innovative AML and CFT compliance efforts.
- The OCC and the other FBAs are also participating in several ongoing consultations with FinCEN regarding various other sections of the AML Act. These consultations include: (1) the formal review of BSA regulations and guidance pursuant to Section 6216; (2) revisions to FinCEN's Beneficial Ownership regulations pursuant to Section 6403, commonly referred to as the Corporate Transparency Act; (3) revisions to suspicious activity report and currency transaction report filing requirements, pursuant to Sections 6202, 6204, and 6205; and (4) requirements for annual AML/CFT training of Federal examiners reviewing compliance with the BSA pursuant to Section 6307.

The OCC will continue to work with FinCEN and the other FBAs on these and other requirements for implementation of the AML Act.

Q.2. Your written testimony notes that some financial institutions have postponed investing in updates to their IT systems and have deferred maintenance of existing technology, even with high levels of profit. How will the OCC ensure that financial institutions adequately address operational and cybersecurity risks?

A.2. The OCC views operational and cybersecurity risks facing the Federal banking system as top concerns, as noted in the OCC's Semiannual Risk Perspective, Spring 2021, and is focused on supervision of banks' cybersecurity preparedness. The OCC highlights common areas of concern and effective supervisory practices in order to support the banking industry's effort to strengthen cybersecurity. The OCC recently highlighted key efforts to ensure supervised banks appropriately address operational and cybersecurity risks in its "Report on Cybersecurity and Resilience of the Federal Banking System", submitted to Congress pursuant to the Consolidated Appropriations Act, 2021.

Key efforts include:

- The OCC issues regulations, rules, and supervisory guidance addressing the safety and soundness of banks, including operational risk and cybersecurity. While there are a number of issuances related to these topics, recent examples of efforts related to operational and cybersecurity risks include the Notice of Proposed Rulemaking for Incident Reporting and proposed updates to Third Party Risk Management guidance. The OCC often coordinates with other banking agencies for the development and issuance of rules and guidance.

- The OCC conducts full-scope examinations of every supervised financial institution on a 12- to 18-month cycle, including ongoing supervision at the largest banks, based on the bank's characteristics, such as asset size and financial condition. As part of every supervisory cycle, the OCC issues a report of examination that includes an Information Technology (IT) assessment. This assessment includes examination of operational, technological, and cybersecurity risks and bank managements' efforts to control and mitigate those risks. Detailed supervisory strategies are developed for each bank and updated as needed throughout the supervisory cycle to address emerging issues, including risks associated with cyberthreats and vulnerabilities. Examiners will also leverage the FFIEC *IT Examination Handbook* and FFIEC *Cybersecurity Assessment Tool*, along with other resources, in conducting examinations.
- The OCC actively monitors for emerging cybersecurity threats through engagement with Federal and industry partners to help inform policy and supervision efforts. The OCC's Critical Infrastructure Policy unit is responsible for identifying and assessing systemic operational risk that could degrade or interrupt the Federal banking system and lead to national economic and security concerns. As part of these efforts, the OCC monitors the Financial Services Information Sharing and Analysis Center (FS–ISAC), Homeland Security Information Network, Financial Crimes Enforcement Network, and other open-source, cyberrelated information feeds to maintain situational awareness of evolving financial sector risks. Additionally, the OCC coordinates with U.S. Treasury Office of Cybersecurity and Critical Infrastructure Protection (OCCIP) and other Financial and Banking Information Infrastructure Committee members on cybersecurity and critical infrastructure matters.

Q.3. Please detail agency oversight of businesses making loans to franchise businesses. Does the agency see high rates of defaults in loans to franchise businesses, including loans guaranteed by the SBA?

A.3. The OCC supervises franchise lending under its "supervision by risk" approach. Using this approach to oversight, lending activities that are viewed as higher risk, more concentrated, or exhibiting abnormal default rates or loss rates, or exhibiting patterns of customer complaints, are identified and prioritized for specific review, monitoring, and reporting by the OCC. The OCC does not currently identify franchise lending as a higher-than-normal risk or concentrated lending activity warranting greater-than-routine attention.

We have not identified any abnormal default or loss rates in franchise lending during the normal course of our supervision. Generally, banks align loans into similar or related groups using industry standard taxonomies such as the North American Industry Classification System (NAIC) or the Global Industry Classification Standard (GICS) codes to ensure these portfolios are consistently identified. Franchise lending does not have separate NAIC or GICS coding to permit ready identification, regardless of any SBA guaranty.