

Communicating Findings

Closing Management Meeting

A closing meeting must be held with senior management at the conclusion of any on-site compliance/CRA examination or review. An on-site review includes:

- Fair Lending or other consumer complaint investigations;
- Visitations; or
- Other Special Reviews.

Attendance by financial institution representatives other than management is at the discretion of senior management. These may include: consultants, counsel, accountants, holding company officers, directors, and employees who work directly with consumer protection laws or CRA. When practical, at least two FDIC representatives should be present at the closing meeting.

Management must be informed that examination findings, including compliance/CRA ratings, are not final until the appropriate reviews are conducted by review staff, Field Supervisors, and/or the Regional or Washington Offices, as applicable.

Regional Offices should generally approve any enforcement action recommended by the examiner through consultation prior to the meeting.

The closing meeting should be used to:

- Summarize examination or review findings. All critical issues should be discussed. If significant issues arise subsequently, these should be discussed with senior management either in person or by telephone. If senior management presents significant new information at the closing meeting, additional review by the examiner may be required. In such instances, the examination process should be left open for further review of applicable regulatory issues, the institution's records, and a possible second meeting with management.
- Discuss, when appropriate, positive findings to reinforce the institution's compliance/CRA efforts.
- Provide recommendations to address identified weaknesses or deficiencies.
- Obtain management's response(s) and commitment(s) for corrective action for deficiencies noted in the compliance management system and for cited violations.
- Advise management of recommended compliance and CRA ratings, as well as any recommendations for formal or informal enforcement actions and civil money penalties.

The agenda for the closing meeting should indicate the order of discussion items based on their significance to the overall

conclusions. The agenda should also include a tentative listing of violations, and to the extent possible, draft copies of the pertinent violation sections of the Report of Examination should be provided. A copy of the agenda should be filed with the workpapers.

Board Meeting

The purpose of a meeting with the financial institution's Board is to convey the pertinent findings of the examination directly to persons ultimately responsible for the operating policies and procedures of the institution. Board meetings should be conducted after the closing meeting with management, and should be attended by at least a quorum of Directors/trustees. The EIC, Field Supervisor, and/or Review Examiner or senior member of the Regional Office staff should attend, as applicable. Board meetings are required when one or more of the following circumstances are present:

- Significant problems that require consultations with the Regional Office (refer to the Consultation Policy for further information);
- An informal or formal enforcement action is recommended;
- The proposed compliance rating is "3," "4," or "5";
- The proposed composite CRA rating, state rating, or multi-state rating is "Needs to Improve" or "Substantial Noncompliance"; or
- The institution's management or Board requested such a meeting.

A Board meeting is not required for:

- Visitations;
- Consumer complaint investigations; or
- Other on-site reviews.

The Board meeting should be used to discuss examination findings and to advise the Board of the recommended compliance and CRA ratings and when applicable, any recommended enforcement actions. When significant issues requiring consultations with the Regional Office are present, the appropriate requirements of the consultation policy should be followed prior to scheduling the Board meeting.

Generally Board meetings should be conducted before the examination report is forwarded to the appropriate staff for review; however, in special circumstances, the meeting may be conducted after the report is forwarded for review. If this occurs, the EIC should prepare a memorandum to the Regional Director summarizing the pertinent issues from the Board's discussion for inclusion in the Report of Examination.

During concurrent examinations with Risk Management (RM), closing management and Board meetings must

II. Compliance Examinations — Communication

be coordinated with RM examiners. Presentations to the Board should be planned for regularly scheduled meetings, whenever possible. Requests from management, such as for separate meetings, should be considered and reasonably accommodated.

Report of Examination

Introduction

The Report of Examination (ROE) communicates the results of a compliance examination to the Board of Directors and senior management of the financial institution. The ROE highlights the strengths and weaknesses of a financial institution's compliance management system, presents findings and violations (if any) in order of significance and as they relate to the compliance management system, and offers recommendations for addressing deficiencies and improving future compliance risk management performance. The Report of Examination is a stand alone document that details the:

- scope of the examination;
- compliance rating;
- examiner's comments and conclusions on compliance management, including recommendations for corrective action and management's response to the findings and recommendations; and
- significant violations and other matters of supervisory concern.

This section identifies minimum documentation and administration requirements for completing a ROE. Specifically, it provides guidance on:

- Format of the Report
- Content of the Report
- Supervisory Comments
- Review of the Report

Format of the Report of Examination

The ROE should be organized as follows:

- Transmittal Letter
- Cover Page
- Examiner's Comments and Conclusions
 - Scope of the Examination
 - Consumer Compliance Rating
 - Compliance Management
 - Board and Management Oversight
 - Compliance Program
 - Audit
 - Recommendations

- Enforcement Actions (if applicable)
- Community Reinvestment Act Examination (if applicable)
- Meeting with Management
- Significant Violations Page(s)
- Supervisory Comments (if applicable)

The following is substantive guidance pertaining to the various sections of the ROE.

Transmittal Letter

A transmittal letter accompanies a written ROE to a financial institution's Board of Directors. The letter is used in part, to require any follow-up concerning the examination with the appropriate Field or Regional Office. The following procedures should be used for each compliance examination whenever a significant violation is contained in the ROE. The transmittal letter should include text that:

- Informs the institution's board of directors about the existence of a significant violation in the ROE;
- Requires a written response from the institution that provides details about planned corrective actions for each significant violation that was not adequately corrected prior to the completion of the on-site examination and establishes deadlines for completing such actions; and
- Directs the institution to send a confirmation and response letter(s) to the appropriate FDIC office that sufficiently describes the actual corrective actions taken to address the significant violations and CMS deficiencies. The institution should also be required to submit ongoing reports by the end of each calendar quarter until full correction has been accomplished.

Appropriate staff at either the regional or field office level must perform a timely review of an institution's response letter(s) and determine if the response sufficiently addresses the issues. Staff must contact the institution if they have not received the response letters by the appropriate due dates or if additional information from the institution is needed.

In cases where an enforcement action is pursued against an institution, the procedures in this section should be used in conjunction with established monitoring procedures for enforcement actions and should not duplicate those procedures.

Content of the Report of Examination

The overall tone of the ROE should be consultative and its content designed to educate the Board and management. The ROE should contain sufficient information to support the rating, conclusions and recommendations. However, it is not necessary to provide lengthy factual summaries of policies,