

**NATIONAL CREDIT UNION ADMINISTRATION
OFFICE OF INSPECTOR GENERAL**

**REVIEW OF THE
NATIONAL CREDIT UNION ADMINISTRATION'S
MEMBER COMPLAINT PROCESS**

Report #OIG-03-08 September 25, 2003



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TABLE OF CONTENTS

	Page
Executive Summary	1
Background	4
Member Inquiry and Complaint Process	4
Survey Plan	5
Survey Results	6
Legal Basis for Handling Member Complaints	6
How NCUA Regional Offices Process Inquiries and Complaints	7
How Other Federal Financial Institution Regulators Process Inquiries and Complaints	14

EXECUTIVE SUMMARY

The National Credit Union Administration's (NCUA) vision¹ is to ensure the credit union movement can safely provide financial services to all segments of American society. Working in tandem with this vision is the NCUA's mission to foster the safety and soundness of federally insured credit unions and to better enable the credit union community to extend availability of financial services to all who seek such service. NCUA does this by managing the share insurance fund in an efficient and prudent manner, and establishing a regulatory environment that encourages innovation, flexibility, and continued focus on attracting new members and improving financial service to existing members. The manner in which the NCUA responds to inquiries and complaints by credit union members and the public plays a part in fulfilling the agency's vision and mission.

Congress has charged NCUA with enforcing a broad range of federal consumer laws and regulations in federally chartered credit unions and, in certain instances, state-chartered credit unions. The NCUA is also required to report to Congress and other federal agencies on credit unions' compliance with certain of these laws and regulations. The agency regularly receives inquiries and complaints regarding consumer compliance issues from the public and credit union members throughout the nation. In addition, the agency receives inquiries and complaints on subjects other than federal consumer laws and regulations. During 2002, NCUA received approximately 2,000 inquiries and complaints, about half of which alleged violations of regulations or consumer laws.

We reviewed the NCUA member complaint process in order to: (1) gather information to determine the appropriate role for the agency; (2) evaluate the current process; and (3) compare the current process with actions taken by four other federal financial institution regulators in their handling of inquiries and complaints. We did not verify the validity and reliability of information provided by either the NCUA or the other federal financial regulators. Accordingly, our work constitutes a review or survey rather than an audit. The scope of our survey was calendar year 2002, with work performed from January through April, 2003.

Our survey focused on the credit union member complaint process at the NCUA's six regions located in Albany, New York; Alexandria, Virginia; Atlanta, Georgia; Chicago, Illinois; Austin, Texas; and Concord, California. The comparative portion of our survey looked at complaint process information obtained from four other federal financial institution regulators: the Office of the Comptroller of the Currency (OCC); the Federal Deposit Insurance Corporation (FDIC); the Office of Thrift Supervision (OTS); and the Federal Reserve Board (FRB). Our procedures included a review of the applicable legal requirements for the complaint process; interviews of appropriate personnel; and a review of policies, procedures, and complaint statistics for the six NCUA regions and the four other federal financial institution regulators.

¹ NCUA Strategic Plan 2003-2008, Vision, Mission, and Values, page 5.

Current NCUA practice and guidance is for each regional office to respectively handle all complaints it receives—those alleging regulatory and consumer compliance violations as well as those that do not. While we identified a statutory requirement for NCUA’s investigation of alleged violations of Federal consumer laws and regulations, we did not identify a legal authority requiring NCUA to investigate or track complaints of a non-statutory or non-regulatory nature. The NCUA’s Office of Examination and Insurance (E&I), has agreed to revise the current agency Instruction (Instruction 12400.04, *Compliance Activities: Complaint Handling and Documentation of Violations*, dated September 5, 2002) for handling member complaints so that it no longer requires tracking and monitoring of allegations that do not allege regulatory and consumer compliance violations.

Overall, we found that NCUA’s six regional offices approached the task of handling member complaints in a serious and responsible manner. The regions understood that all complaints, according to the then-current Instruction 12400.04, required processing. In this regard, we found that the respective regions applied the Instruction consistently; recognized the distinction between complaints alleging regulatory and consumer compliance violations for which NCUA has enforcement authority and those that do not; and reported and tracked regulatory violations in a centralized national data base, the Compliance Regulation Violation (CRV) database. With regard to recording and monitoring non-regulatory complaints and inquiries, the NCUA regions presently use several different databases.

Because NCUA is not statutorily or otherwise required to commit personnel in a central location to handle complaints, the agency has not centralized this process, but rather handles it on a region-by-region basis. Each of the six NCUA regions has approximately one full-time equivalent (FTE) position, with some regions devoting more resources than others depending on the work load, dedicated to the member complaint process. The amount of resources devoted to the process ranks NCUA in the middle of the federal regulators regarding complaints handled per FTE.

The OCC, FDIC, OTS, and FRB are required by statute and executive order to centralize complaint handling.² Moreover, those statutes require the relevant agency to report certain information regarding complaint handling statistics to the Congress. As a result, these four regulators have a central office presence to monitor and evaluate the process and a centralized computer system to monitor and report statistical data.

We concluded during our survey that the NCUA regions, using their individual systems, are effective in identifying, processing, and monitoring non-regulatory complaints and that, overall, the process is working reasonably well in meeting credit union members’ needs in an effective and timely manner.

Our report contains three recommendations for improving the national member complaint process. The first recommendation emphasizes the continued handling of regulatory or consumer compliance complaints by NCUA, while referring non-regulatory complaints to the appropriate credit union for processing. As mentioned above, NCUA’s E&I office has prepared

² The Magnuson-Moss Warranty Act (Federal Trade Commission Improvement Act of 1975, 15 U.S.C. § 57a; 15 U.S.C.A. §§ 2301, et. seq.); and E.O. 12160 (September 26, 1979).

a draft revision to Instruction 12400.04 that addresses this recommendation. The second recommendation addresses updating regional procedures to conform to and comply with the revised national instruction. The third recommendation is that regional office procedures be revised to ensure that copies of all complaints are forwarded to the appropriate district examiner for supervision planning purposes.

The NCUA Office of General Counsel (OGC), and the NCUA Office of Examination and Insurance (E&I) commented on our draft report. Both OGC and E&I concurred with the report recommendations.

BACKGROUND

Member Inquiry and Complaint Process

Congress charged the NCUA with enforcing a broad range of federal consumer laws and regulations in federally chartered credit unions and, in certain instances, in state-chartered credit unions. NCUA is also required to report to Congress and other federal agencies on credit unions' compliance with certain of these laws and regulations. NCUA Instruction 12400.04 describes procedures for addressing complaints and documenting credit unions' violations of consumer laws and regulations to facilitate this reporting responsibility.

If a regional office determines that a credit union has violated an applicable federal regulation, the violation is documented in the CRV database. Violations may be detected during the complaint handling process or the NCUA examination and supervision process.

Instruction 12400.04 provides that NCUA's role in the investigation of a complaint that does not allege a specific regulatory or consumer compliance violation is to attempt to facilitate communication between the member and the credit union. Nevertheless, the Instruction emphasizes that the individual credit union is responsible for addressing and resolving such allegations. With regard to complaints against state-chartered credit unions that do not fall within NCUA's enforcement authority, the Instruction indicates that the regional office should routinely refer them to the appropriate agency or State Supervisory Authority (SSA).

As mentioned above, each NCUA regional director establishes procedures to ensure that complaints and inquiries from the public are handled promptly and courteously by regional office staff. Persons who call the regional office are encouraged to first contact appropriate credit union officials to resolve their inquiry or complaint. Credit union officials should normally be able to resolve their own member complaints. When appropriate, NCUA encourages callers to send a letter to the credit union. When those efforts have been tried, but have failed to resolve the problem, NCUA requests that the caller send a letter to the regional office. The letter should specify the nature of the complaint and include copies of any pertinent documents.

Methods for regional office handling of complaints include the following approaches:

- written response to the complainant based on the information contained in the complaint letter;
- written request to the credit union's board of directors, management, or supervisory committee to investigate or review the complaint;
- review of the credit union's response to the member for adequacy; and/or
- investigation of complaint and written response to complainant by the regional office.

Survey Plan

Objective

Our objective was to determine NCUA's appropriate role in the member complaint handling process, and to identify the most efficient and effective means of handling member inquiries and complaints. We performed our work in accordance with government auditing standards with the exception of determining the validity and reliability of information provided by both the NCUA and the other federal financial regulators.

Scope

Our survey scope included:

- reviewing the legal requirements for the NCUA complaint handling process;
- reviewing the respective complaint handling roles and processes for the four other federal financial institution regulators and comparing them to NCUA's; and
- reviewing and comparing the current complaint handling procedures for all six NCUA regions.

The period of our review was calendar year 2002.

Survey Procedures and Methodology

Our work included the following procedures:

- *Legal Requirements*
 1. Obtained and reviewed relevant laws and regulations
 2. Obtained input from NCUA Office of General Counsel (OGC)
- *Federal Financial Regulators Input*
 1. Contacted other federal financial regulators
 2. Obtained input from regulators regarding complaint handling:
 - a. Legal requirements and position or appropriate role
 - b. Process – who, what, when, where
 - c. Numbers and types of complaints
 - d. Resources used in process
 - e. Time frames for completion of process
 - f. Internal controls and monitoring of process
- *Procedures for Six NCUA Regions*
 1. Obtained and reviewed policies and procedures and developed comparison
 2. Obtained available complaint statistics (types, numbers, and completion times for 2002)
 3. Determined resources used (types, hours, and percentages for regulatory and non-regulatory complaints)

SURVEY RESULTS

LEGAL BASIS FOR HANDLING MEMBER COMPLAINTS

The Magnuson-Moss Warranty Act (Act) was passed by Congress in 1975 and called for the establishment of consumer complaint divisions at the banking agencies. The Act invested these divisions with the responsibility to take appropriate action on complaints about unfair or deceptive practices by the banks. While the Act specifically excluded NCUA from the requirement to establish a consumer affairs division to process complaints, it did direct NCUA to:

[p]rescribe regulations to carry out the purposes of the [Act], including regulations defining with specificity such unfair or deceptive practices, and containing requirements prescribed for the purpose of preventing such acts or practices.

15 U.S.C. § 57a(f)(1). The responsibility of banking agencies to establish centralized consumer complaint programs was further delineated in Executive Orders 12160 (September 26, 1979) and E.O. 12265 (January 15, 1981). Those executive orders, which specifically exempted independent regulatory agencies, including NCUA, required the banking agencies to maintain consumer affairs divisions to receive, investigate, and take actions upon consumer complaints, as well as integrate analyses of complaints into the development of respective agency policy.

In lieu of the statutory guidelines the OCC, FDIC, OTS, and FRB relied upon in constituting their consumer affairs divisions, NCUA drafted Instruction 12400.04. The instruction, as discussed above, set forth NCUA's policy on and procedures for processing complaints against credit unions and reporting violations of consumer compliance laws and regulations. In this regard, the instruction referenced a list of federal consumer laws and regulations applicable to credit unions and the corresponding authorities. However, our legal review and analysis concluded that while Instruction 12400.04 prescribed procedures for processing of complaints related to consumer compliance violations, it was unclear whether the instruction also encompassed complaints that did not pertain to consumer laws or regulations.

During a June 2003 meeting with NCUA's Office of General Counsel (OGC) and NCUA's Office of Examination and Insurance (E&I), we shared the results of our legal research, and E&I agreed to revise the current agency Instruction for handling member complaints so that it no longer requires tracking and monitoring of allegations that do not allege regulatory and consumer compliance violations.

CONCLUSIONS

While our legal analysis determined that NCUA's consumer complaint program need only address complaints that allege a violation of federal consumer laws and regulations, we found that NCUA's current practice and guidance, as set forth in Instruction 12400.04, is to process *all* complaints received—regulatory or non-regulatory alike-- in basically the same manner.

RECOMMENDATION 1

To maximize the efficient use of limited resources, the NCUA should revise Instruction 12400.4 to emphasize the agency's responsibility to process regulatory or consumer compliance complaints. The revised instruction should also clarify that regional offices are not required to process complaints that do not allege regulatory or consumer compliance violations. Rather, regional offices should forward these complaints to the appropriate credit union for resolution.

OIG Note: On June 19, 2003, E&I provided to the OIG a proposed revision to Instruction 12400.4 addressing the issues in recommendation 1. The OIG concurred with the proposed revisions.

HOW NCUA REGIONAL OFFICES PROCESS INQUIRIES AND COMPLAINTS

We contacted all six NCUA regions and obtained information from them regarding regional policies and procedures for handling complaint processing, resources used, and results of the process.

NCUA Survey Results on Policies and Procedures

NCUA Member Complaint Policies and Procedures

The regions responded that they understood that the NCUA Board wanted the regions to process inquiries and member complaints in the following manner:

- Process all complaints received in accordance with the provisions of NCUA Instruction 12400.04, (September 5, 2002);
- Respond to complaints following the general guidelines provided in the national instruction and supplemented by discretionary regional guidance;
- Process complaints in a professional, accurate, courteous, prompt and timely manner with an emphasis on customer service; and
- Investigate member concerns, and as appropriate refer matters to the Supervisory Committee (credit union audit committee).

Non-regulatory and Non-consumer Compliance Related Complaints

In response to our question regarding how they thought the agency should be handling inquiries and complaints that are non-regulatory in nature, the regions provided widely varying answers.

- The agency should provide an avenue for members of federally chartered credit unions to address concerns about their credit union operations.
- It is important to address complaints concerning legal issues and contracts, since they may reveal problems with safety and soundness as well as the legal and regulatory issues.
- NCUA should at least attempt to steer a complainant in the right direction without creating an administrative burden.
- Because the agency has no jurisdiction or enforcement authority in resolving disputes between members and the credit unions, members should settle disputes in a court of law if the member remains dissatisfied with the credit union's resolution.
- Credit union members should look to NCUA to assist them in resolving issues and complaints not associated with legal or regulatory requirements.

- The agency’s role should be limited to acting as a liaison between the credit union and the member.
- The agency should not become so involved in the complaints that credit unions feel they should bend/change their policies and procedures just to “stay out of trouble” with their regulator.
- Even if a complaint does not involve an issue we regulate, agency involvement usually helps the member get a response from the credit union.

Regional Complaint Instructions and Procedures

We obtained for review copies of the regional instructions and complaint handling procedures. Our review indicated that the regional guidance followed the national instruction in material aspects while allowing for individual regional management to exercise discretion in establishing specific procedures and the necessary resources to use.

In four of the six regions the primary responsibility for handling and tracking member inquiries and complaints resided in the Division of Supervision (DOS). In the remaining two regions, the primary responsibility was in the Division of Insurance (DOI). We found that in all regions there was some overlap between the DOS and DOI in performing the complaint handling work depending on the type of complaint and any necessary follow-up.

Summary

In summary, regarding policies and procedures, we found that the regions:

- Used as primary guidance NCUA Instruction 12400.04;
- Understood that they were to handle all complaints received concerning NCUA regulatory enforcement (consumer compliance) as well as non-regulatory complaints (all other complaints);
- Used regional discretion in developing complaint handling procedures;
- Followed the national instruction in all material respects;
- Handled complaints in an accurate, professional, timely and courteous manner;
- Encouraged complainants to attempt to resolve complaints through their respective credit unions; and
- Involved the credit union supervisory committee to assist in resolving the complaint.

CONCLUSIONS

We concluded that the six regions take seriously the task of handling member complaints. Overall, the national guidance (Instruction 12400.04) in effect at the time of the survey provided consistent direction for handling and reporting complaints alleging violations within NCUA’s enforcement authority, such as consumer compliance violations. Moreover, the regions exercised the discretion available to them to develop specific regional guidance to implement their respective complaint handling processes.

The regions understood, pursuant the Instruction 12400.04, their responsibility to process all complaints in the same manner. There appeared to be consistent regional guidance; understanding and implementation of the national Instruction for complaints alleging regulatory and consumer compliance violations for which NCUA has enforcement authority; and the

reporting and tracking of those complaints in the national data base. However, there were differences in how the regions thought the agency should handle non-regulatory complaints

RECOMMENDATION 2

To ensure a consistent agency approach in the handling of member complaints that do not allege a regulatory violation, E&I should ensure that regional policies and procedures are revised as appropriate to conform to the revised Instruction 12400.04.

NCUA Survey Results for Processing Inquiries and Complaints

2002 Inquiries/Complaints Received

The following information was received from the six NCUA regions regarding (1) regulatory complaints alleging consumer compliance violations; (2) non-regulatory complaints; and (3) non-classified complaints received during 2002:

• Regulatory complaints	900 (1)
• Non-Regulatory complaints	700
• Non-classified complaints	<u>400</u> (2)
Total:	2,000

Notes: (1) Includes one region that tracks all complaints as regulatory complaints
(2) One region does not track by regulatory and non-regulatory categories

Regulatory complaints identified by regional management were related to:

- Equal Credit Opportunity
- Expedited Funds Availability
- Electronic Funds Transfer
- Fair Credit Practice
- Fair Credit Reporting
- Fair Debt Collections Practices
- Collection of Checks & Other Items by Federal Reserve Banks & Funds Transfer Through FedWire
- Privacy of Consumer Financial Information
- Real Estate Settlement Procedures
- Truth in Savings
- Truth in Lending
- Bylaw and field of membership disputes
- Prior liquidations
- Advertising practices

Non-regulatory and non-classified complaints identified by regional management were related to:

- Requests for credit reports or corrections to credit reports
- Disputes over facts
- Complaints about financial institutions not regulated by NCUA
- Personnel reactions/behaviors (financial institution)

- Contractual issues not related to initial disclosure requirements

Trends in Complaints/Inquiries

The management of the six regions indicated the following complaint and inquiry trends:

- 3 regions – Relatively constant since 2000
- 2 regions – Slight decrease since 2000
- 1 region – Increase or high since 2000

Causes noted for the complaint trend changes included:

- An increasing number of complaints are received electronically (e-mail).
- Encouraging members to work with their credit union has reduced written complaints.
- More familiarity with NCUA can cause increased complaint filing.
- Better public awareness of consumer compliance issues can cause increased complaint filing.

Average Complaint Turnaround Time

NCUA guidance does not specify complaint resolution time frames other than requiring that an acknowledgment letter will be sent to a complainant who has sent a complaint letter to the NCUA Board Members or to the Congress. In this instance, the regional office will send the acknowledgment letter to the complainant within 7 days of the receipt of the complaint. The letter will include a general time frame in which the complainant can expect a response.

Generally, complaints will be resolved within 60 days from the date a written complaint is received by the regional office.

For the 5 regions that reported turnaround time, the average time from receipt of the complaint to resolution was 34 days for 2002.

For comparison purposes, the table below shows the turnaround time for NCUA as well as the other four federal financial institution regulators.

Average Complaint Turnaround Time

<i>Agency</i>	<i>Days</i>
Federal Deposit Insurance Corporation (FDIC)	60 days “most complaints”
Office of Thrift Supervision (OTS)	60 days “policy”
Federal Reserve Board (FRB)	60 days “policy”
Office Comptroller of the Currency (OCC)	60 days “policy”
National Credit Union Administration (NCUA)	34 days average

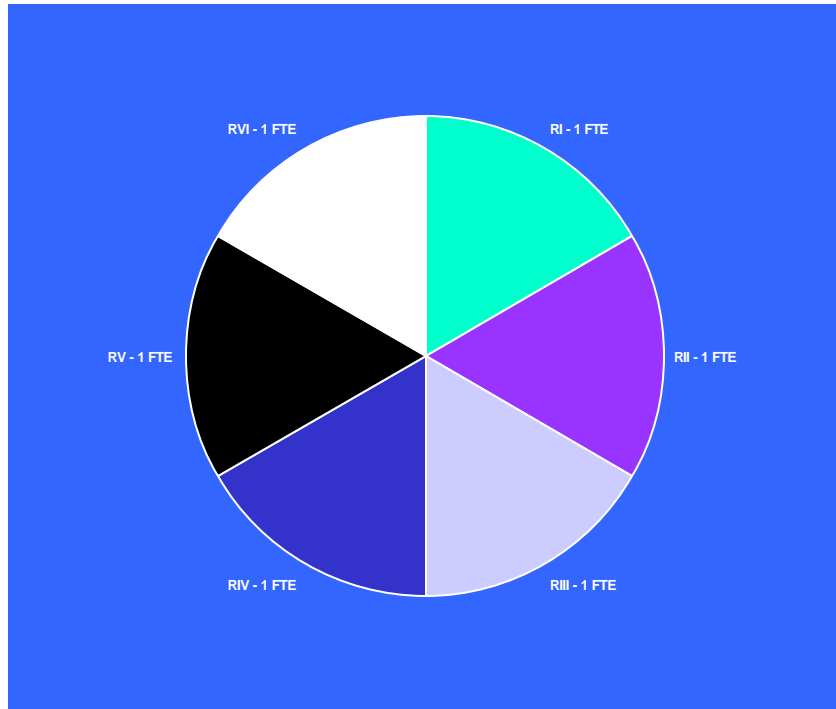
Data received from FDIC, OTS, FRB, NCUA, and for OCC from its web site

Regional Resources

Each NCUA region has one technician who is primarily responsible for handling member complaints to ensure regional consistency in the process. The technician usually performs additional other assigned duties. In addition, analysts assist the technician in handling complaints. Regional management is involved in reviewing actions, providing guidance, and ensuring quality control. In total, each of the six regions have devoted approximately one full-

time equivalent (FTE) position to the member complaint process, for a total of 6 FTEs agency-wide.

Average NCUA Regional Member Complaint Process FTE



Regional Monitoring and Tracking Systems

The six NCUA regions use a variety of monitoring tracking systems and reports including:

Regulatory Complaints (allegations of violations of any applicable federal laws or regulations)

- The CRV national database and coding is used when it has been determined that a credit union has violated any applicable federal law or regulation. These violations may be detected during the complaint handling or examination/supervision process.

Non-Regulatory Complaints (all other complaints/inquiries)

- The regional DOI GENESIS tracking and report system for correspondence and complaint processing; and
- Several distinct regional DOS-developed databases that use Access or other systems to track correspondence, provide complaint processing, and monitor reports.

In four NCUA regions the member complaint process is handled primarily in DOS, and in the other two regions the member complaint process is handled primarily in DOI. The various regional monitoring systems can make it difficult to develop national statistical information.

Summary of the five federal financial institution regulators' organization and practices

We compared NCUA's organization and practices with four of the other federal financial institution regulators identified above and identified notable differences as well as similarities, including:

- *Central office presence – All except NCUA*
The other regulators' central offices perform the quality control effort for their respective agencies, as well as analysis and follow-up with their respective regions regarding statistics and reports. The other regulators also use centralized computer systems to generate information and reports for all inquiries and complaints received by them, and to prepare reporting to the Congress as required by the Magnuson-Moss Warranty Act.
- *Regional Office presence – All including NCUA*
All regulators, including NCUA, receive inquiries and complaints at their regional offices. Regional office staff perform the main effort in processing inquiries and complaints and working with their respective financial institutions to ensure operational improvements.
- *Complaints copied to examiners – All including NCUA*
The OCC, FDIC, OTS, and FRB routinely send copies of the complaints to assigned examiners to ensure improvement at the respective institutions they regulate. Likewise, NCUA Instruction 12400.04 requires that regional offices forward complaints to an assigned examiner. Notwithstanding this requirement in its national instruction, however, NCUA regional guidance does not consistently require that the regions forward copies of all individual inquiries and complaints to the district examiner for supervision purposes.
- *Consistent agency-wide coding and tracking of complaints/inquiries – All except NCUA*
The other four federal financial institution regulatory agencies have a single system for coding and tracking all complaints. A uniform system is useful in aggregating types of complaints and other statistical information required to be reported to the Congress. NCUA, however, uses only a single coding system and database for identified regulatory and statutory compliance violations. For all other complaints, the NCUA regions use several different systems, including the agency-developed DOI GENESIS tracking system and other tracking systems developed by the various regions.

CONCLUSIONS

2002 Complaints/Inquiries Received

Approximately 45-50 percent of complaints received by NCUA are regulatory in nature. This compares to approximately 50 percent of complaints received by the other four regulators.

The regulatory complaints that NCUA received primarily alleged violations of the various consumer compliance authorities the agency is charged with enforcing. The non-regulatory complaints NCUA received addressed sundry issues, including contractual matters, requests for credit reports, and complaints against specific financial institutions.

2002 Trends in Complaints/Inquiries

Trends in complaints and inquiries received by the regions were constant in three regions, decreased in 2 regions, and increased or remained at a high level in 1 region. Causes of increasing trends included the increasing use of electronic filing of complaints, greater familiarity with NCUA and its regulatory function, and a better public awareness of consumer compliance issues.

Average Complaint Turnaround Time

NCUA national guidance does not specify complaint resolution time frames, other than requiring that regional offices send an acknowledgment letter to a complainant who has sent a complaint letter to the NCUA Board Members and Congress within 7 days of receipt of the complaint. However, it appeared to us that the agency does take seriously the task of responding to member complaints in a timely manner.

Generally, complaints are resolved within 60 days from the date a written complaint is received by the regional office. For 2002, the average turnaround time, from receipt of complaint to closing the complaint, for the five regions responding was 34 days. The sixth region indicated that 99 percent of 2002 complaints were resolved within 90 days. NCUA's performance compares favorably with the policy and practice of the four other federal regulators to resolve complaints within 60 days.

Regional Resources and Monitoring

Each of the six NCUA regions has approximately one FTE position assigned to complaint handling, with some regions devoting more resources than others depending on the work load. The amount of resources devoted to the process places NCUA with the fewest number of FTEs overall, and ranks NCUA midway among the other financial regulators regarding complaints handled per FTE.

Because NCUA is required to report to Congress regarding complaints involving specific regulatory issues, such as consumer compliance statute violations, the agency has a centralized database, the CRV, to track and code complaints. No evidence came to our attention during our survey work that the NCUA system is not performing as required. NCUA is not required by statute—and does not maintain—a central office complaint handling presence. Alternatively, all four of the other federal financial institution regulators are required by statute to have a central office presence for complaint handling. Moreover, they are required to report more information to the Congress than the NCUA. As a result, the other four regulators have a central office presence to monitor and evaluate the process and a broader, centralized computer system to monitor and report statistical data.

At the present time the NCUA regions use several different databases to record and monitor complaints and inquiries that are non-regulatory/statutory in nature. Nothing came to our attention during the survey to indicate that the current systems in use are not meeting the requirements of regional management to identify, process, and monitor the non-regulatory complaints. Rather, the regions using their own systems are doing an effective job handling and resolving the complaints received. Overall, it appears to us that the process is working reasonably well in meeting credit union members' needs in a reasonable and timely manner.

However, if NCUA is interested in determining and evaluating all of the complaints and inquiries received by the agency in a consistent manner, it may want to consider establishing a centralized database and process to obtain and evaluate the information.

RECOMMENDATION 3

For credit union supervision planning purposes, regional office procedures should be revised as appropriate to ensure that copies of all complaints are forwarded to the appropriate district examiner.

HOW OTHER FEDERAL FINANCIAL INSTITUTION REGULATORS PROCESS INQUIRIES AND COMPLAINTS

For comparative purposes, we obtained information regarding four other federal financial institution regulators' complaint processes. The other regulators were the OCC, OTS, FDIC and the FRB. With

regard to the OTS, FDIC, and the FRB, we interviewed respective agency officials as well as reviewed materials provided to us and otherwise available on each agency's website. With regard to the OCC, we only reviewed information available from that agency's web site.

Legal Basis for Complaint/Inquiry Processing

As discussed above, the Magnuson-Moss Warranty Act was passed by Congress in 1975 and called for the establishment of consumer complaint divisions at the banking agencies. The Act invested these divisions with the responsibility to take appropriate action on complaints about unfair or deceptive practices by the banks. The responsibility of banking agencies to establish centralized consumer complaint programs was further delineated in Executive Orders 12160 (September 26, 1979) and 12265 (January 15, 1981). Those executive orders required the banking agencies to maintain consumer affairs divisions to receive, investigate, and take actions upon consumer complaints, as well as integrate analyses of complaints into the development of respective agency policy.

Screening Complaints and Inquiries

The agencies screen complaints and inquiries as follows:

- Most agencies handle all inquiries and complaints received (agencies do not make a judgment whether or not to handle an inquiry or complaint); and
- The agencies send non-regulatory complaints to the appropriate financial institution for handling with a letter to the complainant.

Inquiry and Complaint Process

The agencies process inquiries and complaints in the following manner:

- All complaints must be in writing— letter, facsimile copy, or electronic transmission.
- Determination for action office is dependent upon the inquiry or complaint.
- The agencies work on the complaint with the management of the institution.
- Three of the agencies use the same inquiry or complaint codes.
- Two of the agencies use consumer satisfaction surveys.

- The approximate turnaround time for resolution is 60 days.
- The three agencies we interviewed indicated that complaint information is provided to the examiner to use in and improve the examination process.
- All the agencies have centralized data processing systems for handling and tracking complaints.
- All four agencies have a central office presence for complaint handling, reporting and data analysis, with the majority of the work and resources located at the regional level in the organization.
- Regulatory complaints represented up to 50 percent of complaints handled in 2002.

Complaint Statistical Information

We obtained the following statistical information for the four financial institution regulators and NCUA for 2002 regarding the number of complaints and inquiries handled and the approximate number of FTE positions working in the inquiry and complaint process at each regulator.

<i>REGULATOR</i>	<i># COMPLAINTS</i>	<i>FTE</i>	<i>#COMPLAINTS/#FTE</i>
OCC	(1) 94,000	(1) 22	4,273
OTS	5,000	12	417
NCUA	2,000	6	333
FDIC	15,000	45	333
FRB	5,700	55	104

Note (1): Statistical information provided by OTS, FDIC, and NCUA FRB. Statistical information for OCC obtained from OCC web site (most recent information on web site is for 1999).

CONCLUSION

We found, on the one hand, that the other four federal financial institution regulators are required by statute to handle all complaints and inquiries received. NCUA, on the other hand, is statutorily required to act only on those complaints alleging violations covered by the various consumer compliance regulations and laws. In addition, the other four regulators are required by statute to have a central office presence to monitor and report to Congress regarding the complaints they have received. This requirement does not apply to the NCUA. Since at least 1975, in order to meet statutory requirements, the FDIC, OTS, FRB, and OCC have each established a central office staff and a centralized computer system to handle, monitor, and report on their respective complaint and inquiry programs. However, most of the work required to make the process work is performed by staff that is budgeted for and located at the regional or district bank level of the organization. We also found that a significant portion--up to 50 percent--of the complaints and inquiries received by the four regulators represented regulatory or compliance violation allegations.