In fiscal year 2011, the OCC undertook a variety of initiatives to advance its diversity and openness objectives, while promoting access to financial services and effective supervision of the national system of banks and federal savings associations.

Section Two
OCC Profiles

Equal Employment Opportunity and Diversity

Dodd–Frank assigned important responsibilities regarding diversity to the OCC and other financial regulatory agencies and directed each agency to establish an Office of Minority and Women Inclusion (OMWI).

"It is important that the OCC as a government agency reflect the population of our country," says Joyce Cofield, Executive Director of the OCC's OMWI. "The more diverse an organization is, the better opportunity it has to bring in the best and brightest talent."

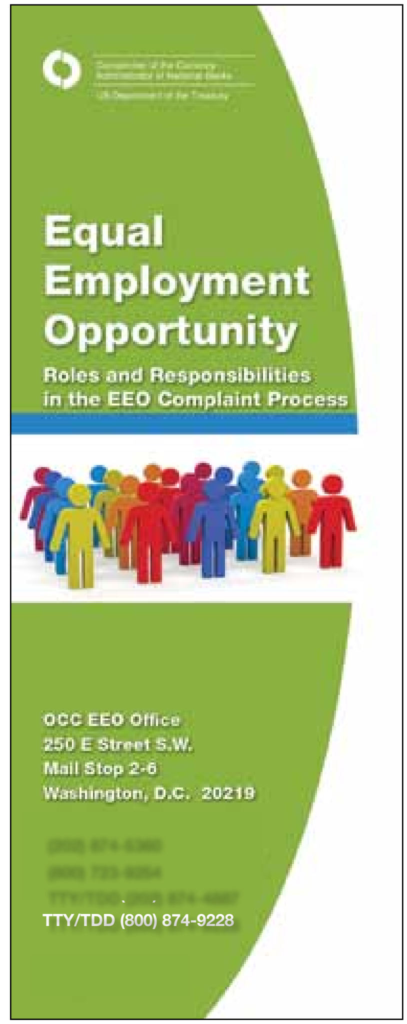
Diversity has long been an OCC priority for building and sustaining a top-flight workforce. Before passage of Dodd–Frank, OCC leaders had taken steps to combine the OCC's offices on diversity and equal employment opportunity. The framework was already in place to meet the new law's requirement to develop standards for supporting diversity and equal employment opportunity in the OCC workforce and among senior management.

The law goes further, however, requiring the regulatory agencies to set goals for increasing the number of contracts awarded to minority-owned and women-owned firms and for assessing diversity policies and practices at OCC-regulated institutions. The OCC is working closely with the other federal financial regulatory agencies to develop a common set of standards for these mandates and to coordinate implementation.

Part of the OMWI mission is to promote fair treatment and employee engagement in the OCC workforce. In January 2011, the OCC submitted a program status report to the U.S. Equal Employment Opportunity Commission. The report highlighted the OCC's accomplishments in 2010 and discussed plans for 2011.

The program's goals are to

- implement a system to collect and track diversity-related data on applicants for entry-level bank examiner positions;
- increase participation of Hispanic employees in the OCC workforce;
- increase participation of female bank examiners in the OCC workforce;
- increase participation of employees with disabilities in the OCC workforce;



- increase participation of women and minorities in senior positions in the OCC workforce; and
- increase the use of alternative dispute resolution for addressing equal employment opportunity complaints.

The OCC's National Diversity Internship Program, which began in 2011, provided professional career experience for select minority and female college students, while reaffirming the OCC's commitment to an expert, highly motivated, and diverse workforce. Twelve interns, working out of OCC Headquarters in Washington, served in a variety of capacities in 2011; in 2012, the program will expand to include the OCC's district offices.

OCC employees can become members of five employee diversity or "networking" groups. The Network of Asian Pacific Americans (NAPA), the Hispanic Organization for Leadership and Advancement (HOLA), the Coalition of African-American Regulatory Employees (CARE), the Women's Network, and the Gay, Lesbian, and Straight Alliance (GLSA) provide employees with valued opportunities to build networks, promote professional growth, and advance career progress at the OCC.

All agency employees are required to support the OCC's diversity and equal employment opportunity goals. Moreover, each OCC manager's annual performance evaluation includes a specific requirement to meet such goals, which means that no OCC manager is eligible for the highest overall performance rating without having achieved the highest rating on equal employment opportunity.

Records Integration and Freedom of Information Act

One of the biggest challenges facing the OTS and the OCC when they combined forces was integrating records and records management systems. At OTS Headquarters, records on film and paper were kept in storerooms, file rooms, and individual employees' offices. The OTS regional offices had their own paper records and systems. Fortunately, the OTS also had a comprehensive, well-organized schedule that classified records and their disposition, as well as a dedicated staff of records management professionals.

The OCC records management staff continues to identify OTS records that need to be turned over to the FDIC, which took over regulatory functions for state-chartered savings associations, and to the Federal Reserve, which now regulates former savings and loan holding companies.

Public records under the federal Freedom of Information and Privacy acts also required integration. By the end of 2011, the OCC had realigned its staff to respond to requests for records related to national banks and federal savings associations. As the agency has done for its own records, the OCC digitized the OTS's records, which now can be tracked, processed, and released electronically.

"This system allows us to make an increasing number of documents available to the public—and more efficiently, with less reliance on paper records," says Frank Vance,

the OCC's Manager for Disclosure Services. "This means that the OCC can respond better, faster to customers' needs, especially when the demand for information is on the rise."

Minority-Owned Depository Institutions

Minority-owned national banks and federal savings associations play essential roles in providing financial services to families and small businesses in underserved communities around the country.

Both the OCC and the OTS have long demonstrated a commitment to preserving minority-owned institutions and fostering new ones. The agencies have provided technical assistance, training, and other support to these institutions, which are operated by African-Americans, Asians, Hispanics, Native Americans, and women. That commitment continued unabated under the auspices of the External Outreach and Minority Affairs unit after the OCC and the OTS integration.

At the Interagency Minority-Owned Depository Institution Conference in New York in

June 2011, Acting Comptroller Walsh announced the formation of an advisory committee with representatives of minority-owned national banks and federal savings associations. Mr. Walsh said he expected the committee to provide the OCC with valuable perspectives and insights. "Our goal has to be the preservation of vibrant minority national banks and federal thrifts that are safe, sound, and strong enough to continue to serve their communities," he said.

Like other community banks, minority-owned institutions typically specialize in relationship banking. Managers of these institutions often know their customers by name, are aware of their credit histories, and understand their business needs.

"When a small business needs a quick decision on a loan, [minority-owned banks] can respond because you know the local market, and you know the character of the men and women who stand behind the business," Mr. Walsh said in his remarks at the conference. "That's something that local companies just can't get from large financial institutions."

Many minority-owned institutions, however, are under significant stress. The financial crisis hit their communities particularly hard, and the number of institutions has declined. Those pressures make the continued commitment of the OCC particularly important.

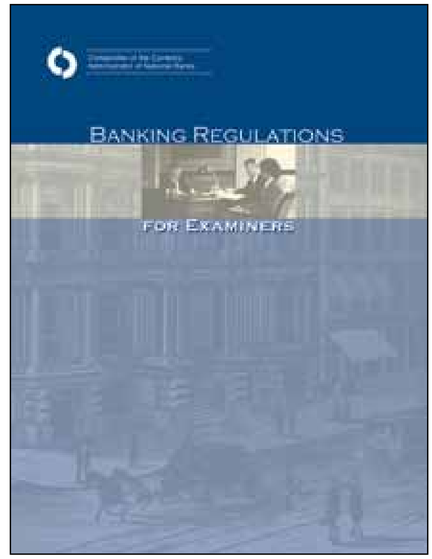
To that end, the OCC held several technical-assistance workshops during the interagency conference. In addition, the agency waives admission fees for directors of minority-owned institutions so they may attend OCC workshops that cover subjects that bank directors need to understand, such as credit risk and compliance risk. The OCC also offers targeted technical assistance for individual institutions on credit analysis, loan underwriting, budgeting, strategic planning, compliance with the Bank Secrecy Act, and other issues. The OCC holds quarterly conference calls for supervisory officials in OCC offices to discuss best practices for supporting minority-owned institutions.

"The OCC's support of financial access, financial education, and outreach activities fulfills an important responsibility to the minority community," says Glenda Cross, the senior adviser for External Outreach and Minority Affairs. "These are ways we ensure that the banking system truly supports the financial needs of all Americans."

Policy Integration Project

In January 2011, the OCC embarked on an ambitious project to integrate the more than 1,000 supervisory policies of the OTS into the OCC's policy framework. The goal is to produce a unified supervisory approach for national banks and federal savings associations.

"We are focused on addressing the policy differences in an orderly and timely manner," says project lead Carolyn DuChene, the OCC's Deputy Comptroller for



Operational Risk. Her approach first calls for culling several hundred policies that can be reconciled without significant complications. The next step is to tackle the complex job of vetting policies that differ significantly, ensuring that the differences are effectively aligned with banking laws applicable to the two distinct types of federal banking charters. Until institutions are notified otherwise, OCC policies continue to apply to national banks and OTS policies to federal savings associations.

The project team is closely coordinating with a parallel project in the OCC Chief Counsel's Office to review legal rules. In fact, much of the integration of supervisory policies depends on the results of this legal review, as the policies are largely based on OCC and former OTS regulations. The results of the projects will be incorporated into training for seasoned examiners and into the curriculum that entry-level bank examiners need to master to become successful commissioned National Bank Examiners.

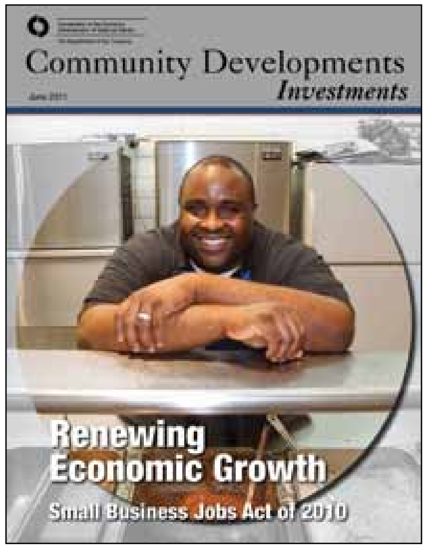
Although OCC Headquarters oversees the policy integration project, bank examiners, attorneys, and other subject-matter experts throughout the agency provide input to the project team. "They are the 'boots on the ground,'" Ms. DuChene says. "They are the best source of information about what works and what doesn't, and the grass-roots approach is essential to making the project a success."

She cautions that a lot of work still needs to be done before finalizing related policy guidance. The emphasis is to "get the things done that are going to have the biggest impact in the field sooner rather than later, within the constraints of the regulation review process," Ms. DuChene says.

Small-Business Lending

Small businesses account for about half or more of all new jobs in the United States. This makes them a key component of the nation's economy. During the economic downturn, many small businesses laid off employees, reduced inventory, and sold assets. Small-business loans by banks declined from 2008 to 2010. As small-business activity recovers, banks must be prepared to resume providing needed credit.

In 2011, the OCC partnered with the U.S. Small Business Administration, the Export–Import Bank of the United States, and the U.S. Department of Agriculture to highlight federal loan guarantee programs that support small-business lending. Recent laws have made these programs more



user-friendly and more attractive to banks.

The OCC sponsored seminars around the country and conducted a nationwide teleconference to better acquaint bank managers with these programs. Community development newsletters and in-depth "Insights" reports as well as bankers' roundtables offered detailed information about how banks could participate while receiving consideration for qualified investments under the Community Reinvestment Act.

"We are getting the banks energized about using these programs," says Barry Wides, OCC Deputy Comptroller for Community Affairs. "We are part of a broad government effort to get banks involved."

For example, two programs provide federal loan guarantees for banks that make loans to small businesses involved in exporting goods or manufacturing components of goods that are exported. The guarantees shield banks from some of the risk of losses from loan defaults and allow banks to expand the array of financial products offered to their customers. The programs also aim to create jobs and increase exports by providing working capital to small businesses to finance export sales. More than 97 percent of the U.S. companies that export goods overseas are small businesses with fewer than 500 employees.

Another federal initiative provides funding for state programs to support bank lending to small businesses, which must use the money for purposes that include start-up costs and equipment purchases. As states roll out their programs, the OCC continues to work on the local level to promote the programs among national banks and federal savings associations in those areas.

The OCC plans to continue outreach activities that highlight opportunities for banks to become involved in small-business initiatives. Such outreach may be particularly helpful to financial institutions that received funding from the Treasury Department's Small Business Lending Fund. The capital investments that the Treasury Department made in institutions under the program carry dividend rates that go down as the institution's small-business lending goes up.

The OCC and other federal banking agencies expect Small Business Lending Fund participants to extend credit in a safe and sound manner with prudent risk selection and credit-risk management processes. Each participating institution's board of directors should ensure that its small-business lending policy and activity are consistent with safe and sound credit practices and supportive of the institution's participation in the Small Business Lending Fund program.

Outreach to Thrifts

Before the OCC and OTS integration took place, Bert Otto, the Deputy Comptroller in charge of the OCC's Central District, formed a team to schedule 17 "Meet the OCC" meetings around the country for executive leaders of thrifts supervised by the OTS.

"These outreach meetings proved very beneficial," Mr. Otto says. The sessions addressed the OCC's examination process, the philosophy on and approach toward enforcement actions, OCC expectations, the importance of ongoing communication, and the organizational structure of the agency's field offices.

OCC and OTS officials fielded questions on numerous subjects, including interest rate risk and the supervision of mutual savings associations, and assured the executives that former OTS examiners would continue to serve on their examination teams. The message was, "You will have that contact, and you will have that continuity," Mr. Otto says. "That alleviated some fears."

After the meetings, officials from each of the four OCC districts followed up with executives of larger thrifts in one-on-one sessions to discuss the transition.

Outreach to thrifts began well before these meetings. OCC and OTS employees joined forces at conferences and trade shows across the nation to meet bankers and thrift executives and address their concerns. The OCC posted transition-related news on National BankNet (www.banknet.gov), the OCC's private extranet Web site for bankers, and made BankNet available to thrift executives. In March 2011, the OCC invited directors of thrifts to attend the agency's annual workshops for bank directors and increased by 50 percent the number of workshops scheduled for the 2011 calendar year. Those workshops promoted the continuing education

of directors of national banks and thrifts and provided the OCC with invaluable feedback from participants.

The OCC also expects to derive substantial benefit from the Mutual Savings Association Advisory Committee, which it formed late in 2011. This committee, consisting of 10 industry officers and directors, will help the OCC assess the state of mutual savings associations and advise the OCC on ways to help ensure their continued health and viability.