

**CA RISK- FOCUSED EXAMINATION TECHNIQUES (CARET)**

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Federal Reserve Board

Course Description  
for  
CARET

Course Catalog Detail

## CA RISK- FOCUSED EXAMINATION TECHNIQUES (CARET)

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### *Type of Participant Targeted*

The Consumer Affairs Risk-focused Examination Techniques (CARET) course targets consumer compliance examiners who are assuming Examiner-in-charge (EIC) duties. *All assistant examiners involved in the consumer affairs specialty since January 1, 2003 must complete this course before being commissioned.*

### *Prerequisites*

Participants should have completed the following programs and schools:

- System Examiner Orientation Program
- Banking and Supervision Elements (BaSE)
- Introduction to Consumer Compliance Examinations (CA I)
- Real Estate Lending Examination Techniques (RELET)
- CRA Examination Techniques (CRA)
- Fair Lending Examination Techniques (FLET), and
- Completed a **written precourse assignment** that takes *approximately 8 hours*.

### *Course Overview*

CARET is designed to enhance a participant's analytical, decision making and leadership skills by working in exam teams and as an EIC. The course will provide training on all major aspects of risk-focused supervision, including scoping and risk assessment, report writing, ratings, supervisory enforcement actions, and the Board's referral processes. It also incorporates a comprehensive case study to reinforce aspects of a risk-focused examination, including certain fair lending and CRA issues.

The exam teams are responsible for synthesizing the work completed during a Lending & Operations exam and a Fair Lending Review. Participants are required to recognize key consumer risks that affect the overall risk profile of the organization.

This highly interactive simulates the risk-focused approach to supervision. Participants are asked to prepare scope and planning documents; interact with exam team members to verify information; and present key exam issues and critical findings in written format and in meetings with Reserve Bank management.

There will be no formal, paper-based testing during the course. In place of the traditional testing, participants will be evaluated through pre-course assignments, class participation, case study activities, and in-class exercises.

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### *Course Objectives*

After completing this 4 1/2-day course, the participant, at a minimum, will be able to complete the following objectives.

- Lead and conduct risk-focused consumer compliance examinations in accordance with Board policy.
- Apply risk-focused supervision techniques to the examination process.
- Identify and apply integrated risk-focused supervision concepts.
- Identify and differentiate between critical and non-critical supervisory issues.

### *Post-Course Intervention*

After completing CARET, the participant should be given on-the-job assignments that will increase the retention of the knowledge and skills presented during the course. Such on-the-job assignments may include the following:

- Serving as an EIC.
- Fostering information sharing among disciplines and business lines.
- Evaluating consumer compliance risk and apply appropriate supervisory strategies.

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### *Overview of CARET Curriculum*

Subject	Approximate Class Hours	Homework Hours
Introduction	.50	--
Compliance Risk Management	1.00	1
Monitoring	1.25	--
Compliance Scope Briefing	.75	--
Fair Lending Scope Briefing	1.00	--
Scoping – Case Study	5.25	--
Lending & Operations Briefing	.75	--
Lending & Operations – Case Study	4.00	--
Fair Lending Briefing	.75	--
Fair Lending – Case Study	3.50	--
CRA Briefing	.75	--
Executive Summary, Exam Ratings, and Enforcement Actions Briefing	.75	--
Executive Summary - Case Study	3.00	--
Overall Enterprise-wide Risk Profile Briefing	2.00	--
Enterprise-wide Risk Profile – Case Study	3.25	--
Outreach	.50	--
Course Summary & Debriefing	.75	--
EIC Tools and Techniques	<u>.50</u>	--
Total	30.25	--

### *Learning Objectives*

*After completing each subject area, the participant, at a minimum, will be able to demonstrate the following skills and knowledge.*

#### Course Introduction

- Apply the techniques necessary to incorporate the risk-focused supervision program
- Identify integrated supervision issues
- Recognize and synthesize issues related to what is learned in the ECP curriculum

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<sup>1</sup> Homework for this course consists of daily unfinished in-class exercises and case study work.

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### Consumer Compliance Risk Management

- Define consumer compliance risk management
- Define risk controls and interpret how they reduce risk
- Identify four key components of an effective consumer compliance risk management program
- Discuss three components of the institutional profile and risk assessment (IPRA)

### Monitoring

- Explain the definition and purpose of monitoring and surveillance activities
- Discuss the elements that may be included in the surveillance process

### Scoping and Planning Process

- Review documents necessary to adequately scope and plan the examination
- Assess risks inherent in a bank's activities
- Evaluate management's ability to identify, measure, monitor and control those risks
- Determine residual risk based on consideration of risk controls implemented by management.
- Prioritize supervisory activities in order to utilize examination resources more effectively
- Select business activities/products and focal points to target for the fair lending examination
- Create meaningful risk-focused documents

### Lending and Operations

- Distinguish between procedural and isolated violations and identify the varying degrees of severity
- Analyze examination findings to assess risk management processes in the lending and operations area
- Identify weaknesses in the risk controls when evaluating a bank's compliance position
- Recognize the types of risks resulting from the violations/issues identified during the examination and their potential impact on the enterprise-wide risk profile

### Fair Lending

- Identify what information could result in a modified fair lending scope
- Analyze examination findings to assess risk management processes for the fair lending area
- Recognize the types of risks resulting from fair lending issues identified during the examination and their potential impact on the enterprise-wide risk profile.

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### Community Reinvestment Act (CRA)

- Determine critical CRA issues that could impact the institutional profile and risk assessment (IPRA)
- Identify risks inherent in CRA/Compliance Risk Management and link to risks in SR 95-51

### Executive Summary, Ratings, and Enforcement Actions

- Assess the overall compliance risk management program with supporting rationale for the executive summary.
- Synthesize and prioritize substantive issues in drafting an executive summary.
- Discuss SR/CA 08-01 (Communication of Examination Findings)
- Determine the appropriate consumer compliance examination rating by applying the Board's compliance examination rating system
- Discuss types of enforcement actions

### Enterprise-wide Risk

- Identify consumer compliance/CRA risks and link these to SR Letter 95-51
- Apply enterprise-wide risk concepts to consumer and CRA issues
- Assess inherent risk and level of risk

### Outreach

- Explain the purpose and essential elements of a successful outreach program

### ***Class Size***

The optimal class size for CARET is 16 participants. To provide sufficient variety of interaction among class participants, the minimum class size is ten participants. Because CARET incorporates many in-class exercises, a case study, and some topics require specialized subject matter expertise to present instructional material, sufficient instructors are available to assist individuals and small groups. Accordingly, to ensure a manageable instructor workload and maintain a reasonable participant-to-instructor ratio, a maximum class size is 20 participants.

### ***Instructors***

CARET includes one lead instructor and four additional instructors with consumer compliance examination experience. Other instructors include Board staff and other System examiners who have expertise in specific topics.