Office of Inspector General

Processing of Consumer Complaints

May 2018 **EVAL-18-003**

Evaluation Report

Program Audits and Evaluations

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Integrity✫Independence✫Accuracy✫Objectivity✫Accountability

Office of Inspector General

Executive Summary

Processing of Consumer Complaints

The Federal Deposit Insurance Corporation (FDIC) plays an important role in helping to protect consumers from unfair and unlawful banking practices that could result in consumer harm. In connection with that role, FDIC's Division of Depositor and Consumer Protection (DCP) receives, investigates, and answers consumer complaints and inquiries.

Our evaluation objectives were to (1) assess DCP's compliance with key requirements related to its processing of consumer complaints and (2) determine DCP's use of consumer complaint information and trends data in its operations.

To accomplish our objectives, we assessed whether FDIC acknowledged, investigated, responded to, and processed consumer complaints in a timely manner for a sample of 60 complaint cases and evaluated FDIC's case processing timeframes for the 3-year period 2015-2017. We also determined how FDIC shared pertinent complaint information with FDIC examiners, reviewed management reports showing trends in consumer complaints, and surveyed FDIC headquarters and regional office personnel to determine how they used consumer complaint trends data.

FDIC personnel categorize complaints as Fair Lending or Non-Fair Lending. Fair Lending complaints allege possible discrimination in lending under the Fair Housing Act or the Equal Credit Opportunity Act. FDIC categorizes complaints that do not meet this definition as Non-Fair Lending cases. In 2017, FDIC finalized 82 Fair Lending complaints and 3,907 Non-Fair Lending complaints.

FDIC's Consumer Affairs Program Operations Manual (CA Operations Manual) describes the procedures that FDIC personnel are expected to follow in processing complaints and inquiries.

Results

Based on our review of 60 complaint cases (22 Fair Lending and 38 Non-Fair Lending cases), we found that FDIC substantially complied with the key requirements to acknowledge, investigate, and respond to the complaints that we sampled. FDIC's responses addressed consumers' questions and concerns and FDIC followed its case processing procedures when it substantiated allegations.

We identified 32 case processing exceptions. The exceptions primarily involved instances when FDIC did not include all required information in recommendation memorandums, which are prepared to document its review of Fair Lending cases and recommendations to conduct or waive on-site investigations at subject banks.

We also found that FDIC did not process 45 percent of the Fair Lending cases that we sampled in accordance with its case processing timeframe of 120 days. FDIC took from 126 to 506 days to process the Fair Lending cases that we sampled, with an average processing time of 284 days – nearly 9½ months. Five Fair Lending cases from our sample took more than 300 days for FDIC to process, with one of these cases taking nearly 17 months. Similarly, FDIC did not process 45 percent of its Fair Lending cases over the 3-year period from 2015 through 2017 in a timely manner.

With respect to Non-Fair Lending cases, we found that FDIC did not process 11 percent of the cases that we sampled in accordance with its case processing timeframe of 60 days. Notably however, FDIC processed 95 percent of its Non-Fair Lending cases within 60 days from 2015 through 2017.

We found that FDIC personnel used consumer complaint information and trends data in its operations. FDIC tracked consumer complaint issues, trends, and concerns, and FDIC senior management received monthly and quarterly reports on consumer complaint trends. FDIC has procedures in place that enable its examiners to use consumer complaint information in performing bank examinations. FDIC informed the OIG that examiners reviewed complaint documentation as part of their pre-examination planning processes and followed up on complaints during examinations, as warranted.

Recommendations

We recommended that FDIC (1) emphasize to staff the importance of including all required information in recommendation memorandums; (2) update the CA Operations Manual to require that recommendation memorandums be dated and contain the name(s) of the preparer(s); (3) implement measures to improve timeliness for processing Fair Lending cases; and (4) establish separate performance goals for processing Fair Lending and Non-Fair Lending cases in a timely manner. DCP concurred with our recommendations and proposed corrective actions to be completed by June 30, 2018.

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May 2, 2018

Mark Pearce, Director
Division of Depositor and Consumer Protection

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The Division of Depositor and Consumer Protection's (DCP) Consumer Response Center (CRC) assists consumers by receiving, investigating, and responding to consumer complaints[1] and inquiries about institutions supervised by the Federal Deposit Insurance Corporation (FDIC) and answering inquiries about banking laws and regulations, FDIC operations, and related topics.

The evaluation objectives were to (1) assess DCP's compliance with key requirements related to its processing of consumer complaints and (2) determine DCP's use of consumer complaint information and trends data in its operations.

To accomplish our objectives, we assessed whether CRC acknowledged, investigated, responded to, and processed consumer complaints in a timely manner for a sample of 60 complaint cases (22 Fair Lending and 38 Non-Fair Lending cases); evaluated CRC's case processing timeframes for the 3-year period 2015-2017; and determined how CRC shared pertinent complaint information with FDIC examiners, reviewed management reports showing trends in consumer complaints, and surveyed FDIC headquarters and regional office personnel to determine how they used consumer complaint trends data.

We conducted this evaluation in accordance with the Council of the Inspectors General on Integrity and Efficiency's *Quality Standards for Inspection and Evaluation*. Appendix 1 of this report includes additional details on our objectives, scope, and methodology.

Background

FDIC established a Consumer Affairs (CA) Program to receive, investigate, and answer consumer complaints and inquiries in April 1975.[2]

[1] Certain terms are underlined when first used in this report and defined in Appendix 4, Glossary.
[2] FDIC established its CA Program following the passage of the Magnuson-Moss Warranty—Federal Trade Commission Improvement Act (Pub. L. No. 93-637) in 1975. This Act directed each of the federal financial institution regulatory agencies to establish a separate office to receive and process complaints of unfair or deceptive acts or practices by financial institutions in the agency's jurisdiction (see section 202). The Dodd-Frank Wall Street Reform and Consumer Protection Act (Pub. L. No. 111-203) struck this provision in 2010 (see section 1092(2)).

Executive Order 12160, signed on September 26, 1979, as amended, directed 24 agencies to establish procedures for systematically logging, investigating, and responding to consumer complaints, and integrating analyses of complaints into the development of policy. The Executive Order did not apply to FDIC. Nevertheless, FDIC implemented much of what is covered by the Executive Order into its CA Program.[3]

FDIC receives complaints and inquiries by telephone, fax, United States mail, email, and online through FDIC's website.

In 2017, FDIC handled 16,817 written and telephone complaints and inquiries, 9,460 of which related to FDIC-supervised institutions.

- 82 Fair Lending complaints;
- 3,907 Non-Fair Lending complaints;
- 6,792 direct responses to consumers (typically when cases are referred outside FDIC); and
- 6,036 other matters, including telephone inquiries, Freedom of Information Act (FOIA) requests, cases referred to FDIC's Chairman, and inquiries from bankers.

DCP carries out the CA Program through its Consumer Affairs section in Washington, DC and its CRC. CRC is headquartered in FDIC's Kansas City regional office and has staff in FDIC's six regional offices and its Memphis area office.

The Consumer Affairs section is primarily responsible for establishing internal policies and guidance to help ensure banks comply with consumer protection laws and regulations. This section also responds to Fair Lending complaints, Congressional inquiries, and FOIA requests and assists in responding to deposit insurance inquiries. CRC investigates other consumer complaints and inquiries about FDIC-supervised institutions, such as claims of lending discrimination and unfair and deceptive practices.

CRC personnel categorize complaints related to FDIC-supervised institutions as Fair Lending or Non-Fair Lending. Fair Lending complaints allege possible discrimination in lending as defined by the Fair Housing Act (FHA) or the Equal Credit Opportunity Act (ECOA). CRC categorizes complaints related to FDIC-supervised institutions that do not meet this definition as Non-Fair Lending cases. CRC also receives complaints and inquiries related to banks or entities for which FDIC has no jurisdiction and forwards these cases to the appropriate federal or state agency, as applicable. Finally, CRC receives information on other matters, as described in the text box above.

FDIC's Consumer Affairs Program Operations Manual (CA Operations Manual) describes the procedures that CRC personnel are expected to follow in processing complaints and inquiries. CRC formerly used a dedicated case management system to store information about consumer complaints and inquiries called the Specialized

[3] Executive Order 12160, *Providing for Enhancement and Coordination of Federal Consumer Programs*, as amended, applied to 24 agencies in the executive branch of the federal government. The Executive Order's definition of agency did not include independent regulatory agencies such as FDIC. See, for example, 44 United States Code (U.S.C.) § 3502(5).

Tracking and Reporting System (STARS). In January 2018, CRC replaced STARS with a new system called the Enterprise Public Inquiries and Complaints Application (EPIC).

CRC staff upload relevant documents into FDIC's Regional Automated Document Distribution and Imaging System (RADD) when they identify apparent violations of rules or bank errors such as when a bank incorrectly computes a consumer's loan liability or charges a consumer fees for which the consumer is not liable. FDIC examiners use RADD to store documents related to their examinations of financial institutions, such as bank correspondence, business records, and final examination documents.

Key CRC requirements for processing and investigating Fair Lending and Non-Fair Lending complaints include (1) logging the complaint, (2) sending an acknowledgement letter to the consumer, (3) conducting an initial review, (4) determining whether the bank addressed the consumer's concerns and complied with key consumer protection regulations, (5) determining whether an on-site investigation at the subject bank is warranted (primarily for Fair Lending cases), and (6) sending a final response to the consumer that thoroughly addresses the consumer's questions or concerns.

For Fair Lending complaints, the CA Operations Manual requires its staff to prepare an internal recommendation memorandum documenting its decision to conduct or waive an on-site investigation. A CRC manager approves the recommendation memorandum and then CRC assigns the case to a CA specialist for further review.

FDIC Acknowledged and Addressed Consumers' Complaints

The CA Operations Manual requires CRC to acknowledge consumer correspondence within 14 calendar days of receipt. We found that CRC acknowledged applicable complaints in our sample in a timely manner. Consistent with its procedures, CRC was not required to acknowledge one of the complaints that we sampled because CRC categorized this complaint as controlled correspondence and forwarded it to another FDIC office for processing.

The CA Operations Manual also requires CRC to ensure that its final response to the consumer's correspondence addresses all of the consumer's questions and concerns. We reviewed CRC's final response letters to consumers and found that in all 60 cases, CRC's responses met these requirements. CRC's final responses described whether CRC substantiated the allegations. In addition, CRC's responses included the following information, as applicable: (1) the work CRC performed to investigate the allegations, (2) the bank's corrective actions, (3) FDIC follow-up procedures, and (4) the consumers' rights to register their complaints with another federal agency or bring a civil lawsuit in connection with the allegations.

FDIC Followed Requirements for Substantiated Allegations

The CA Operations Manual requires CRC and/or FDIC examination staff to take a number of steps when FDIC substantiates allegations. These steps include (1) determining whether the subject bank was previously cited for similar violations; (2) ensuring the subject bank implemented corrective action; (3) informing the consumer of the bank's corrective action; (4) informing the appropriate regional supervisory staff; (5) informing FDIC's Legal Division, if deemed appropriate; and (6) documenting relevant information in RADD.

We found that CRC substantiated allegations in 18 percent of the cases we reviewed (11 of 60). As a result of CRC's investigations, FDIC identified violations of regulations or found the subject banks made errors related to the claimants' accounts. CRC and the subject banks took action to address the allegations and CRC complied with its related procedural steps.

CRC substantiated allegations in 2 of the 22 Fair Lending cases we sampled, including one allegation of discrimination. These substantiated allegations were as follows:

- A bank discriminated against a female consumer by treating her in a different manner than her male business partner, in violation of ECOA. DCP examiners reviewed the allegation during an on-site examination and the related examination report cited the bank for violating ECOA.

- A bank overcharged a consumer for interest payments associated with a loan. The bank corrected the error and checked other accounts for similar errors. The bank found similar errors associated with other accounts and also corrected those errors.

CRC substantiated allegations in 9 of the 38 Non-Fair Lending cases that we sampled. These substantiated allegations were as follows:

- In five instances, the allegations pertained to disputed charges and the subject banks credited the consumers' accounts to resolve the matters.

- In two instances, consumers were unable to access funds and the subject banks remedied the situation.

- In one instance, a consumer could not access her account and disputed bank overdraft fees. The bank made the account accessible to the consumer and reimbursed the consumer for the overdraft fees.
- In one instance, the bank did not explicitly explain why it denied a mortgage loan to a consumer. After investigating the matter, CRC explained to the consumer the reason why the bank denied the loan and the bank provided relevant training to its staff to avoid a repeat occurrence.

Appendix 2 contains a further description of each substantiated allegation and actions the subject banks took to address them.

FDIC Did Not Include All Required Information in Fair Lending Recommendation Memorandums

The CA Operations Manual provides guidance to CRC staff for processing consumer complaints. We reviewed CRC case files for 22 Fair Lending and 38 Non-Fair Lending consumer complaints to assess compliance with the Manual. We reviewed a minimum of 27 processing requirements relevant to each Fair Lending case and 13 processing requirements relevant to each Non-Fair Lending case.[4] We identified 32 exceptions, which was approximately a 3-percent exception rate.

The 32 exceptions related to 20 cases, as follows:

- 29 exceptions related to 17 Fair Lending cases and
- 3 exceptions related to 3 Non-Fair Lending cases.

Of the 32 exceptions, 15 related to the content of the Fair Lending recommendation memorandums and 17 related to various procedural steps that CRC did not document or perform. CRC informed the OIG that the exceptions resulted due to oversights. These exceptions are summarized below and explained in greater detail in Appendix 3.

Fair Lending Case Processing Exceptions

Fifteen of the 29 Fair Lending case exceptions that we identified related to CRC's recommendation memorandums. The CA Operations Manual requires staff to prepare an internal recommendation memorandum documenting management's

[4] We reviewed additional compliance matters for certain cases. For example, when CRC substantiated allegations or did not process complaints within its specified timeframes, CRC was required to perform a number of additional steps, which we evaluated and discuss in this report.

decision whether to conduct or waive an on-site investigation at the subject bank. A recommendation memorandum helps ensure that DCP makes an informed decision to close the case or conduct additional work to identify potential discrimination.

The CA Operations Manual states that the memorandum should include the following information:

- The consumer’s name and the STARS record identification number;
- The financial institution’s name, city, state, and FDIC certificate number;
- A summary of the complaint, including the basis for discrimination;
- A summary of the financial institution’s response;
- An analysis of all relevant facts and previous Fair Lending examination data that support the recommendation;
- A description of the evidence and documentation that is needed to evaluate the consumer’s allegation(s), such as underwriting criteria, credit score, or credit bureau report; and
- A description of the specific information needed that can only be obtained from an on-site investigation (only when the recommendation is for an on-site investigation).

For eight cases, we determined that CRC did not include FDIC’s certificate number in the recommendation memorandum. The certificate number is important to ensure that the complaint is associated with the correct institution for tracking and issue resolution purposes. For seven cases, CRC did not include the institution’s previous Fair Lending examination data that supported the recommendation. Previous Fair Lending examination data is important for understanding an institution’s compliance history and the extent to which that history should be factored into the course of action that CRC proposes in the recommendation memorandum.

We also found that seven of the recommendation memorandums we reviewed were not dated nor did they indicate who prepared them. While the CA Operations Manual does not require this information to be included in the memorandums, this information—the date prepared and the name of the preparer—would provide a means for determining whether CRC prepared the memorandums in a timely manner and a contact person for follow-up questions.

Other exceptions that we identified related to procedural steps that CRC did not document or perform in accordance with the CA Operations Manual, as follows:

- In three instances, CRC did not notify pertinent FDIC personnel about the complaints, including on-site examiners at the subject banks;
- In four instances, CRC did not inform the consumers about when they could expect to receive a final response for delayed cases;
- In one instance, CRC did not send an interim response letter to a consumer in a timely manner;
- In two instances, CRC staff did not communicate internally about the reasons why cases were delayed;
- In one instance, CRC did not notify the appropriate federal agency of the complaint; and
- In three instances, CRC did not record in STARS why it took more than 120 days to process the complaints.

Non-Fair Lending Case Processing Exceptions

Three of the 32 exceptions related to Non-Fair Lending cases. In these cases, CRC did not:

- Record in RADD the bank's response to FDIC;
- Send a follow-up letter to the bank requesting an explanation of the bank's actions related to the complaint after not receiving a response in a timely manner from the bank; or
- Record in STARS why CRC took more than 60 days to process the complaint.

Recommendations

We recommend that the Director, DCP:

(1) Emphasize to CRC staff the importance of including all required information in recommendation memorandums.

(2) Update the CA Operations Manual to require that recommendation memorandums be dated and contain the name(s) of the preparer(s).

FDIC Needs to Improve Processing Timeframes for Fair Lending Cases

The CA Operations Manual states that FDIC should provide a final response to consumers within 120 days of receiving a Fair Lending complaint and within 60 days of receiving a Non-Fair Lending complaint. CRC personnel were required to document the reason(s) why a case was delayed in STARS (or EPIC as of January 2018). The CA Operations Manual also requires FDIC to send an interim response letter to the consumer when a case will not be processed in a timely manner.

Processing cases in a timely manner is important because it demonstrates FDIC's commitment to ensuring that banks expeditiously and appropriately address consumer concerns. Substantiated concerns, if not resolved promptly, could result in consumers being unfairly denied credit or other services, subjected to abusive practices, and, in some cases, becoming victims of financial harm.

Timeframes for Fair Lending Cases

CRC did not process 45 percent of the Fair Lending cases in our sample (10 of 22) in a timely manner. CRC took from 126 to 506 days to process these cases, with an average processing time of 284 days – nearly 9½ months. Five Fair Lending cases from our sample took more than 300 days for FDIC to process, with one of these cases taking nearly 17 months. We also found that CRC did not process 45 percent of its Fair Lending cases within established timeframes from 2015 through 2017.

As it relates to our sample, CRC documented in STARS that seven cases were delayed primarily because the banks did not promptly provide CRC with requested information or CRC needed additional time to conduct investigations. CRC did not document in STARS why there were delays in processing the other three cases. Our review of case file documentation showed that, in 5 of the 10 cases, CRC experienced delays in reviewing or approving case-related decisions.

CRC personnel explained that processing Fair Lending cases in a timely manner is generally more challenging than processing other cases because many Fair Lending cases require an on-site investigation, regional office involvement, and additional documentation from the subject banks.

Timeframes for Non-Fair Lending Cases

CRC did not process 11 percent of the Non-Fair Lending cases in our sample (4 of 38) in a timely manner. CRC took from 65 to 203 days to finalize these cases, with an average processing time of 123 days. According to STARS, three cases were delayed because CRC needed additional information from the consumer or subject bank. CRC did not document in STARS why there was a delay in processing the other case. Notably however, CRC processed 95 percent of its Non-Fair Lending cases within 60 days from 2015 through 2017.

Tables 7 and 8 in Appendix 3 contain additional information about why CRC did not process each Fair Lending and Non-Fair Lending case in a timely manner.

FDIC's Case Processing Performance Goals

DCP had a performance goal in 2015, 2016, and 2017, to respond to 95 percent of written consumer complaints and inquiries within established timeframes.[5] This goal measured DCP's overall success in processing (1) Fair Lending complaints within 120 days, (2) Non-Fair Lending complaints within 60 days, and (3) direct responses to consumers within 14 days.[6]

As shown in Table 1 below, DCP met this performance goal in 2015, 2016, and 2017 by processing at least 97 percent of its combined Fair Lending, Non-Fair Lending, and direct response cases within its established timeframes. However, when the case processing timeframes for these three types of cases are viewed individually, it is evident that CRC had not consistently met its 120-day timeframe for processing Fair Lending cases. Specifically, CRC did not process 45 percent of its Fair Lending cases in a timely manner over the 3-year period from 2015 through 2017.

Table 1: Cases Processed Within Established Timeframes: 2015-2017

Case Type		2015	2016	2017	3 years
Fair Lending	Number of cases	76	92	82	250
	Processed in a timely manner (120 days)	41	48	49	138
		54%	52%	60%	55%
Non-Fair Lending	Number of cases	4,628	5,333	3,907	13,868
	Processed in a timely manner (60 days)	4,426	5,089	3,684	13,199
		96%	95%	94%	95%
Direct Responses	Number of cases	6,738	7,298	6,792	20,828
	Processed in a timely manner (14 days)	6,712	7,276	6,766	20,754
		100%	100%	100%	100%
Total	**Number of cases**	**11,442**	**12,723**	**10,781**	**34,946**
	Processed in a timely manner	**11,179**	**12,413**	**10,499**	**34,091**
		98%	**98%**	**97%**	**98%**

Source: OIG-generated based on CRC data.

[5] DCP also had a performance goal in 2015, 2016, and 2017, to issue a written acknowledgement to consumers within 14 days of receiving 100 percent of all complaints and inquiries. DCP reported that it met this goal in 2015, 2016, and 2017.
[6] A direct response is a final response to a consumer that addresses all of the consumer's concerns, when no contact with the subject bank is necessary. Direct responses typically result when CRC refers complaints and inquiries to other agencies because FDIC has no jurisdiction over the bank that is the subject of the complaint or inquiry.

Because the majority of the cases that CRC processed from 2015-2017 were Non-Fair Lending cases and direct responses, the overall combined case processing results did not convey the extent to which CRC was not meeting its Fair Lending case processing timeframes. If DCP has separate performance goals for processing these different types of cases, it would better ensure management has the most precise and useful information to assess program success.

Recommendations

We recommend that the Director, DCP:

(3) Implement measures to improve timeliness for processing Fair Lending cases.

(4) Establish separate performance goals for processing Fair Lending and Non-Fair Lending cases in a timely manner.

FDIC Tracks and Shares Consumer Complaint Trends Information

The CA Operations Manual outlines consumer protection program goals, which include ensuring (1) accuracy in identifying, assessing, and evaluating trends concerning consumer protection and Fair Lending matters; and (2) the effective use of data to identify, assess, and inform DCP of potential trends that may warrant special attention or investigation.

DCP established a 2016 Performance Goal to monitor trends in consultations and complaints on a quarterly basis to identify new, unique, or recurring compliance examination issues that may warrant guidance to examiners or bankers and to coordinate with other regulators, as appropriate. To meet this performance goal, we found that DCP revised its quarterly regional dashboard report by consolidating regional information into a single dashboard report covering all the regional offices, which DCP began issuing on a monthly basis in April 2016. DCP shares this dashboard report and a quarterly trends report with its headquarters, regional, and field office staff (including examiners), as applicable.

- ***Consumer Complaints and Inquiries Dashboard*****.** This monthly report contains tables summarizing CRC's consumer complaint trends, such as fluctuations in complaint volume, number of records opened and closed, complaints by product line, the number of complaints alleging discrimination, CRC's findings, violations by regional office, complaint referrals to other agencies, and the results of customer satisfaction surveys.

- ***Consumer Complaint Data: Analysis & Trends Report*****.** This quarterly report analyzes complaint trends over time, such as fluctuations in complaint volume by complaint type, new trends related to specific banking products, the number of cases closed, and issues most commonly identified in complaints.

FDIC Uses Complaint Information in Examinations and to Raise Awareness

Consumer complaints and inquiries can play an important role in helping FDIC to supervise depository institutions. Specifically, complaints and inquiries may help to identify trends and potential problems that may affect FDIC's supervisory responsibilities. In that regard, DCP has procedures in place that enable FDIC examiners to use consumer complaint information in performing bank examinations. For example:

- CRC staff load relevant documents into RADD for use by FDIC examiners when CRC identifies apparent violations of rules or bank errors. CRC staff also told us that CRC verbally informs regional management of complaints and findings, when warranted.

- Examiners have access to CRC's case-specific complaint data. When examiners initiate an examination, a pre-examination planning tool automatically downloads complaint information into a planning document. DCP officials informed us that examiners may use this information during the pre-examination planning process.

DCP officials informed us that examiners consider the information in DCP's complaint trends reports during their pre-examination planning work and they review complaint allegations during on-site examinations. In addition, DCP officials said that CRC shares concerns about potential fraud, safety and soundness, and consumer protection with the Division of Risk Management Supervision (RMS) and/or DCP supervisory staff for use at the subject bank's next examination, or if necessary, at a visitation.

Trends in consumer complaints and inquiries also provide FDIC with an understanding of consumer protection, Fair Lending, and deposit insurance matters. DCP shares trends information with examiners and FDIC-supervised institutions. For example, we found that:

- Each of FDIC's six regional offices discussed compliance issues related to bank overdraft fees in their quarterly newsletters in 2014, as a result of

FDIC's receipt of a number of consumer complaints alleging that banks were erroneously charging their customers overdraft fees. DCP officials informed us that the regional offices provided these newsletters to their supervised banks and examiners.

- FDIC issued guidance in 2016 outlining compliance requirements for institutions that issue prepaid cards.[7]

FDIC Comments and OIG Evaluation

DCP provided a written response dated April 30, 2018, to a draft of this report. The response is presented in its entirety in Appendix 6. DCP concurred with the report's four recommendations, proposed actions to address the recommendations, and plans to implement each of the recommendations by June 30, 2018. These recommendations will remain open until the planned actions have been completed and are responsive. Appendix 7 contains a summary of FDIC's corrective actions.

[7] FDIC issued Financial Institution Letter 76-2016: *Final Rule Creates New Prepaid Account Requirements Pursuant to the Electronic Fund Transfer Act (Regulation E) and the Truth in Lending Act (Regulation Z)*, November 8, 2016.

Objectives

The evaluation objectives were to (1) assess DCP's compliance with key requirements related to its processing of consumer complaints and (2) determine DCP's use of consumer complaint information and trends data in its operations. To accomplish our objectives, we:

- Assessed whether CRC acknowledged, investigated, responded to, and processed consumer complaints in a timely manner for a sample of 60 complaint cases (22 Fair Lending and 38 Non-Fair Lending cases);

- Evaluated CRC's case processing timeframes for the 3-year period 2015-2017; and

- Determined how CRC shared pertinent complaint information with FDIC examiners, reviewed management reports showing trends in consumer complaints, and surveyed FDIC headquarters and regional office personnel to determine how they used consumer complaint trends data.

Scope

The scope of our evaluation covered complaints closed during the period April 1, 2015 through December 31, 2015. We assessed CRC's timeliness in processing complaints and DCP consumer complaint trends reports covering the 3-year period 2015 through 2017.

Methodology

We performed the following steps:

- Reviewed relevant criteria, including FDIC's:

  - Consumer Affairs Program Operations Manual dated September 30, 2017 and the prior version dated March 31, 2015 (CA Operations Manual).

  - STARS User's Manual, dated December 2006.

- Reviewed a sample of Fair Lending and Non-Fair Lending cases to determine if DCP processed the cases in compliance with requirements in DCP's CA Operations Manual. For each case, we assessed relevant information, including the complaint, the length of time CRC took to acknowledge each complaint, FDIC correspondence and other communications with the consumer and subject bank, recommendation memorandums, investigation summaries, and FDIC's final response to each consumer.

- Completed a data collection instrument for each sampled case, which recorded CRC's compliance with key complaint processing requirements, and whether CRC addressed the consumers' concerns.

- Reviewed a minimum of 27 case processing requirements for each of 22 Fair Lending cases and 13 case processing requirements for each of 38 Non-Fair Lending cases. We examined additional compliance requirements based on the characteristics of each case. Several case characteristics, including the following, triggered additional compliance checks: (1) cases that CRC substantiated; (2) cases that CRC did not process in a timely manner; (3) cases where CRC conducted on-site investigations; (4) complaints withdrawn by the consumer; and (5) complaints that CRC sent to the United States Department of Housing and Urban Development (HUD).

- Assessed DCP's 2015, 2016, and 2017 performance goals related to consumer complaints and its success in meeting these goals.

- Reviewed DCP consumer complaint dashboard and trends reports from 2015 through 2017 and identified how DCP uses and shares these reports with other FDIC personnel.

- Queried FDIC personnel in Headquarters and FDIC's six regional offices about how they use consumer complaints trends data and any actions they took to address supervisory concerns raised in consumer complaints.

- Reviewed a 2016 report on CRC conducted by DCP's Internal Review and Control Section.

- Interviewed DCP officials in headquarters and the six regional offices, including CRC personnel and CA Program specialists.

Sampling

We selected a judgmental sample[8] of 60 Fair Lending and Non-Fair Lending consumer complaints to determine compliance with DCP's procedures for processing complaints.

[8] The results of a judgmental sample cannot be projected to the overall population.

As shown in Table 2, FDIC closed 3,965 Fair Lending and Non-Fair Lending complaints from April 1, 2015 through December 31, 2015. Our sample of 60 complaints were (1) applicable to FDIC's six regional offices; and (2) representative of the following bank products: business and commercial loans, residential real estate loans, student loans, unsecured credit cards, checking accounts, business deposit accounts, prepaid cards, and electronic banking products.

Table 2: CRC Complaints Selected for Review

Type of Complaint	Cases Closed: April – December 2015	Cases Sampled
Fair Lending Complaints	67	22 (33%)
Non-Fair Lending Complaints	3,898	38 (1%)
Total	**3,965**	**60 (1.5%)**

Source: Case documentation provided by CRC.

Of the 67 Fair Lending complaints noted in Table 2, 66 were regular correspondence, and one was controlled correspondence. We included the controlled correspondence complaint in our sample. All of the 3,898 Non-Fair Lending complaints noted in Table 2 were regular correspondence.

Evaluation Standards

We performed our fieldwork from March 2016 through December 2016 and again from December 2017 through January 2018, at FDIC's office in Arlington, Virginia. We put this assignment on hold in 2017 due to a lack of OIG resources. CRC's complaint processing procedures and requirements did not change substantively from March 2016 through January 2018. We verified that all of the exceptions noted in this report were relevant under DCP's CA Operations Manual dated March 31, 2015 and September 30, 2017.

We performed our fieldwork in accordance with the Council of the Inspectors General on Integrity and Efficiency's *Quality Standards for Inspection and Evaluation*. We believe the work performed provides a reasonable basis for the conclusions in this report.

CRC substantiated allegations in 18 percent of the cases we reviewed (11 of 60).

- Fair Lending cases: substantiated allegations in 9 percent of the cases (2 of 22).
- Non-Fair Lending cases: substantiated allegations in 24 percent of the cases (9 of 38).

The subject banks implemented the actions described in Tables 3 and 4, which were prompted by CRC's outreach to each bank.

Table 3: Substantiated Fair Lending Allegations

Case	Substantiated Allegation	Resolution
5	The bank discriminated against a female business owner based on her gender and favored her male business partner in its attempts to repossess commercial equipment for which they were both liable.	CRC investigated the matter and FDIC examiners reviewed the allegation during an on-site examination. The related examination report cited the bank for violating the ECOA. FDIC also informed the consumer of her right to bring a civil lawsuit against the bank or its employees for the alleged discrimination.
9	The bank overcharged the consumer for interest payments associated with a loan.	The bank confirmed that it incorrectly calculated the consumer's interest payments, reduced the consumer's monthly loan payments, and reduced the consumer's principal loan balance by $3,051.56. CRC required the bank to determine whether similar discrepancies were prevalent with other accounts. The bank found similar discrepancies with a total of 219 loans (consumers overpaid and underpaid in 154 and 65 instances, respectively). The bank corrected these errors.
CRC substantiated allegations in 9 percent of the cases we reviewed (2 of 22).		

Note: Case 9 also included an allegation of discrimination that CRC concluded was not substantiated.
Source: OIG-generated based on review of complaints.

Table 4: Substantiated Non-Fair Lending Allegations

Case	Substantiated Allegation	Resolution
7	The bank demanded the consumer reimburse it for purchasing hazard insurance in connection with the consumer's mortgage loan even though the consumer already had coverage and provided the bank with proof of coverage.	The bank corrected its error and credited the consumer's escrow account for the disputed amount of $375.29.
14	The bank did not provide the consumer with a specific reason as to why it denied a mortgage loan to the consumer.	The bank concurred with the allegation and recognized that it violated an ECOA requirement. To avoid similar violations, bank personnel discussed the incident with its underwriting staff and compliance representatives. Specifically, the bank reinforced ECOA requirements reiterating the bank's responsibility to provide consumers with all reasons for denying a loan and provide written counter offers when applicable. FDIC communicated to the consumer, the specific reasons why the bank denied the mortgage loan.
17	The credit card company of a bank affiliated with an FDIC-supervised institution denied a consumer's error dispute claim.	The bank initially denied the validity of the allegation, but subsequently sent the consumer a check for the disputed amount of $4,895.31 to resolve the matter.
18	The bank's procedures for withdrawing funds from the consumer's prepaid debit card were burdensome and the consumer was not able to withdraw his account balance.	The bank helped resolve the dispute with a third party and credited the consumer's account for $2,303.57 and for a $1.50 phone call charge.
22	The bank did not honor the consumer's power of attorney for her relative who was in a nursing home with dementia. The bank would not allow the consumer to access her relative's funds.	The bank determined that the consumer had valid power of attorney documentation, agreed with the allegation, and granted the consumer power of attorney to access her relative's account. The bank reported that it would retrain its staff on customer service.
25	The bank erroneously rejected a check that the consumer tried to deposit into his account using a mobile device. The bank erroneously stated that the check had already been cashed.	The bank determined that it erroneously rejected the check and credited the consumer's account for $500.
30	The bank did not reimburse the consumer for losses on his debit card and after the consumer closed two debit card accounts, additional funds were withdrawn from his account.	The bank refunded the full amount of the disputed charges to the consumer, which totaled $2,461.76.
34	Upon closing a checking account, bank representatives informed the consumer that the account would have a zero balance. However, the bank subsequently sent the consumer statements showing a negative balance based on non-sufficient funds to pay monthly fees.	The bank did not close the consumer's account as requested and therefore, the consumer's account continued to accrue fees totaling $115. The bank acknowledged and apologized to the consumer for the error and credited the consumer's account for the disputed amount of $115.
37	The bank did not allow the consumer to withdraw funds from her savings account and charged excessive overdraft fees.	The bank made the account accessible to the consumer and refunded the disputed amount of $20 in overdraft fees.
CRC substantiated allegations in 24 percent of the cases we reviewed (9 of 38).		

Source: OIG-generated based on review of complaints.

Table 5: Fair Lending Case Exceptions (Process Oriented)

Case(s)	Exception	CA Operations Manual Requirement
1, 2, 3, 5, 9, 13, 16, 18	The recommendation memorandum did not include the financial institution's FDIC certificate number.	The recommendation memorandum should include the financial institution's name, city, state, and FDIC certificate number.
3, 7, 9, 11, 15, 16, 17	The recommendation memorandum did not include previous Fair Lending examination data to support the recommendation.	The recommendation memorandum should include an analysis of all relevant facts and previous Fair Lending examination data that support the recommendation to conduct or waive an on-site investigation.
20, 21	CRC did not send an email to the Region's Fair Lending examination specialist (FLEX) containing the name of the bank, the consumer, and a summary of the complaint.	Send an e-mail to the Region's FLEX(s) containing the name of the bank, the consumer, and a summary of the complaint. The FLEX will notify examiners who are on-site, as well as any other regional or field staff, as appropriate.
10	The FLEX did not notify the examiners who were on-site, as well as other regional or field staff, as appropriate.	Send an e-mail to the Region's FLEX(s) containing the name of the bank, the consumer, and a summary of the complaint. The FLEX will notify examiners who are on-site, as well as any other regional or field staff, as appropriate.
2, 3, 12, 14	The interim response letter did not indicate the date the consumer could expect to get the final response letter.	The interim response letter should state when the consumer may expect to receive FDIC's final response letter.
2	FDIC sent an interim response letter to the consumer after the 120-day deadline passed.	An interim response is used to inform a consumer when their case will not be resolved because additional time is needed to complete the investigation. The interim response letter should state when the consumer may expect to receive FDIC's final response letter.
12, 17	The responsible person or assigned CA specialist did not communicate with CA management to explain the reason for the delay in processing the complaint.	When correspondence cannot be responded to within the established time frame, the responsible person or assigned CA specialist should communicate with CA management, explaining the reason for the delay.
2	CRC did not notify HUD within the required timeframe.	When the complaint alleges discrimination under the FHA, notify HUD of the complaint by forwarding a copy of the complaint to HUD within 14 calendar days of receipt.
12, 17, 20	STARS did not explain why the case took more than 120 days to complete.	The CA Operations Manual requires CRC staff to complete a checklist in STARS, which contains a field to document the reason(s) why a case was not processed within the required timeframe.
Total: 29 exceptions related to 17 cases.		

Source: OIG-generated based on a review of documentation.

Table 6: Non-Fair Lending Case Exceptions (Process Oriented)

Case	Exception	CA Operations Manual Requirement
7	The bank's response to FDIC was not in RADD.	For findings of apparent violations or errors, CRC should upload complaint documents to RADD. In most cases, this includes the original complaint, the bank's response(s), and FDIC's response to the consumer.
39	CRC did not send a follow-up letter to the bank requesting an explanation of the bank's actions related to the complaint. The bank took 42 days to respond to CRC's request for information.	CRC should specify a response from the bank within 20 calendar days of the bank's receipt of the letter. CRC should follow up promptly if the bank does not provide a response to CRC in a timely manner.
37	STARS did not explain why the case took more than 60 days to complete.	The CA Operations Manual requires CRC staff to complete a checklist in STARS, which contains a field to document the reason(s) why a case was not processed within the required timeframe.
Total: Three exceptions related to three cases.		

Source: OIG-generated based on review of complaints.

Table 7: Fair Lending Cases Not Processed Within 120 Days

Case, # Days	Cause for Delay
Case 16, 126 days	CRC took 76 days from its receipt of additional information from the bank to make another request for information. STARS noted the delay was due to the level of review required and related follow-up.
Case 15, 132 days	The bank took 43 days to respond to CRC's second request letter for information. This case involved two complaints, and bank responses for each case needed to be compared. STARS noted the delay was due to additional time needed to obtain an approval for waiving the on-site investigation.
Case 20, 185 days	The bank took 12 days to respond to CRC’s initial information request and 109 days to respond to CRC’s second request. STARS did not contain an explanation for the delay.
Case 8, 216 days	CRC took 69 days to complete the on-site investigation. STARS noted the delay was due to the additional time to conduct the on-site investigation.
Case 2, 255 days	CRC started the on-site investigation approximately 5 months after receiving the complaint and took 79 days to complete the investigation. STARS noted the case was delayed pending the investigation results.
Case 5, 319 days	The bank took 110 days to respond to CRC’s request for information. The on-site investigation took 95 days to complete. STARS noted the delay was due to the need to conduct the on-site investigation.
Case 14, 341 days	CRC took 55 days to determine the case qualified as a Fair Lending complaint. The bank took 13 days to respond to CRC’s initial information request and 77 days to respond to CRC’s second request. STARS noted the delay was due to the need to conduct an on-site investigation and obtain information from the bank.
Case 17, 343 days	The bank took 72 days to respond to CRC’s initial information request and 20 days to respond to CRC’s second request. After receiving the bank’s second response, 148 days elapsed before CRC forwarded the case to management for review. An additional 41 days elapsed from the date the stakeholders agreed to a waiver of the on-site investigation to when CRC sent the final response to the consumer. STARS did not contain an explanation for the delay.
Case 3, 415 days	The bank took more than 274 days to respond to CRC’s request for information, despite CRC’s follow-up efforts with the bank. STARS noted the delays were due to the level of review required and delays by the bank in providing documents necessary to complete the review.
Case 12, 506 days	CRC initially contacted the bank in December 2013 and requested it investigate the complaint. The bank responded to FDIC 12 days later. CRC sent a follow-up request to the bank in September 2014, requesting additional information, which the bank provided 4 days later. The bank provided FDIC with an updated case status in April and July 2014. FDIC closed the case in May 2015. STARS did not contain an explanation for the delay.

CRC did not process 45 percent of the cases we reviewed (10 of 22) in a timely manner. These cases took an average of 284 days to finalize.

Source: OIG-compiled based on review of documentation.

Table 8: Non-Fair Lending Cases Not Processed Within 60 Days

Case, # Days	Cause for Delay
Case 28, 65 days	CRC sent two requests for information to the bank. STARS noted the delay occurred because CRC requested additional information from the subject bank.
Case 31, 109 days	STARS noted that delays occurred because the: • CRC initially referred the case to the Consumer Financial Protection Bureau (CFPB) and then the CFPB referred it back to FDIC; • Bank that originated the loan subject to the complaint had been sold and it took CRC additional time to identify the purchasing bank; and • Consumer submitted additional information related to the complaint.
Case 17, 113 days	CRC sent two requests for information to the bank. It took the bank 25 days to respond to the first request and 78 days to respond to the second request. STARS noted the case was delayed because CRC had additional questions for the bank.
Case 37, 203 days	After the bank responded to a second request for information, it took 119 days for CRC to provide a final response to the consumer. STARS did not contain an explanation for the delay.
CRC did not process 11 percent of the cases we reviewed (4 of 38) in a timely manner. These cases took an average of 123 days to finalize.	

Term	Definition
Complaint (includes Fair Lending and Non-Fair Lending complaints)	DCP's CA Operations Manual defines a complaint as an allegation by or on behalf of, an individual, group of individuals, or other entity that a particular act or practice of a financial institution is unfair, abusive or deceptive, incorrect or violates a federal regulation or statute under which the financial institution must operate. CRC categorizes complaints as Fair Lending or Non-Fair Lending. A Fair Lending complaint alleges possible discrimination as defined by the FHA or ECOA, both of which are federal laws that prohibit discrimination in lending. CRC categorizes other complaints as Non-Fair Lending complaints.
Controlled Correspondence	DCP's CA Operations Manual states that controlled correspondence is high-profile correspondence that is forwarded to FDIC from White House officials, congressional offices, or from consumers who have forwarded their concerns to FDIC's Office of the Chairman. FDIC's Office of Legislative Affairs handles controlled correspondence. FDIC's timeframe for responding to controlled correspondence is usually 20 business days after receipt. However, if the correspondence is for the FDIC Chairman's signature, the due date is 5 business days after receipt. Controlled correspondence includes: • Correspondence received from Members of Congress; • White House referrals; • Office of the Chairman referrals; or • Written FOIA and Privacy Act requests (5 U.S.C. § 552a).
Direct Response	DCP's CA Operations Manual defines a direct response as a final response that is sent to a consumer that addresses all of the consumer's concerns, when no contact with the subject financial institution is necessary. Direct responses typically result when CRC refers inquiries and complaints to other agencies because FDIC has no jurisdiction over the institution that is the subject of the complaint or inquiry. CRC's goal is to provide the consumer with a final response within 14 calendar days of receiving the complaint or inquiry.
Enterprise Public Inquiries and Complaints Application (EPIC)	FDIC's case management system for the CA Program as of January 2018. Information in FDIC's prior case management system, STARS, was migrated to EPIC in January 2018. EPIC contains records of consumer protection complaints and inquiries, deposit insurance inquiries received from consumers, and telephone calls from financial institutions.
Equal Credit Opportunity Act (ECOA)	Enacted in 1974, this law prohibits certain discriminatory practices, including creditor practices that discriminate based on race, color, religion, national origin, sex, marital status, or age (Pub. L. No. 93-495, codified to 15 U.S.C. § 1691 et. seq.). The CFPB's regulations at 12 Code of Federal Regulations (C.F.R.) Part 1002, *Equal Credit Opportunity Act (Regulation B)*, implemented ECOA.

Fair Housing Act (FHA)	Enacted in 1968, this law prohibits discrimination based on race, color, religion, national origin, sex, family status, and handicap in residential real estate-related transactions (Pub. L. No. 90-284, codified to 42 U.S.C. § 3601-3620). FDIC Rules and Regulations, Part 338, *Fair Housing*, and HUD's regulations at 24 C.F.R., Part 100, *Discriminatory Conduct Under the Fair Housing Act*, implemented the FHA.
Freedom of Information Act (FOIA)	Enacted in 1966, this law gives members of the public the right to access information from the federal government (Pub. L. No. 89-487, codified to 5 U.S.C. § 552). FDIC Rules and Regulations, Part 309, *Disclosure of Information*, implemented FOIA.
Inquiry	DCP's CA Operations Manual defines an inquiry as a request to FDIC from consumers, financial institutions or others for information and assistance concerning: • Consumer protection, Fair Lending compliance, and enforcement activities; • Federal banking laws or regulations that FDIC promulgates or enforces; • FDIC activities and operations; or • FDIC deposit insurance matters.
Referral	DCP's CA Operations Manual defines a referral as a complaint or inquiry that CRC refers (1) outside FDIC because FDIC does not have jurisdiction over the bank or entity that is the subject of the complaint or inquiry or (2) to another division or office within FDIC. For outside referrals, CRC's goal is to provide the consumer with a final response within 14 calendar days of receiving the complaint or inquiry.
Regional Automated Document Distribution and Imaging System (RADD)	An FDIC system that RMS and DCP staff use to store documents related to their examinations of financial institutions, such as bank correspondence, business records, and final examination documents.
Regular Correspondence	DCP's CA Operations Manual defines regular correspondence as complaints or inquiries received from a: • Consumer • Party representing a consumer (e.g., attorney, guardian, or relative); or • Party representing an organization, business, or other entity (such as a state assembly).
Specialized Tracking and Reporting System (STARS)	FDIC's former case management system for the CA Program. FDIC retired STARS and replaced it with EPIC in January 2018.
Visitation	An FDIC visitation (also referred to as a limited-scope examination) may be defined as an examination that does not meet the minimum requirements of a full-scope examination and does not satisfy the requirements of section 10(d) of the Federal Deposit Insurance Act (codified to 12 U.S.C. § 1820(d)). A visitation focuses on a specific area(s) of the subject bank.

Appendix 5 Acronyms and Abbreviations

CA	Consumer Affairs
CA Operations Manual	Consumer Affairs Program Operations Manual
CA Program	Consumer Affairs Program
CFPB	Consumer Financial Protection Bureau
C.F.R.	Code of Federal Regulations
CRC	Consumer Response Center
DCP	Division of Depositor and Consumer Protection
ECOA	Equal Credit Opportunity Act
EPIC	Enterprise Public Inquiries and Complaints Application
FDIC	Federal Deposit Insurance Corporation
FHA	Fair Housing Act
FLEX	Fair Lending Examination Specialist
FOIA	Freedom of Information Act
HUD	United States Department of Housing and Urban Development
Pub. L. No.	Public Law Number
RADD	Regional Automated Document Distribution and Imaging System
RMS	Division of Risk Management Supervision
STARS	Specialized Tracking and Reporting System
U.S.C.	United States Code

FDIC
Federal Deposit Insurance Corporation
550 17th Street, NW, Washington, D.C. 20429-9990 Division of Depositor and Consumer Protection

April 30, 2018

MEMORANDUM TO: Stephen Beard
Acting Assistant Inspector General for Program Audits and Evaluations

FROM: Mark Pearce **/Signed/**
Director

SUBJECT: Draft Evaluation Report: *Processing of Consumer Complaints* (Report) (Assignment No. 2016-016)

The Division of Depositor and Consumer Protection (DCP) appreciates the work performed by staff in the Office of Inspector General (OIG) in connection with the subject evaluation, along with the recommendations and observations made to enhance and strengthen our complaint investigation process. DCP concurs with all of the recommendations in the evaluation and this memo provides our response to each of the recommendations covered in the above captioned Report.

OIG auditors characterized the consumer complaint program as effective in processing consumer complaints, and noted that the FDIC substantially complied with the key requirements to acknowledge, investigate, and respond to complaints. The Report noted that FDIC used consumer complaint information and trends data in its operations and had procedures in place for examiners to use consumer complaint information in performing bank examinations. The Report also indicated DCP met its goal of acknowledging consumer correspondence within 14 days 100 percent of the time and exceeded its goal of investigating and responding to 95 percent of written complaints and inquiries within our established internal timeframes by responding timely 98 percent during the period from 2015 through 2017. Further, the Report identified a number of fair lending complaints in the sample that were not processed timely in accordance with our established timeframes. The responses and actions provided below will further assist DCP to help ensure consumers receive a thorough review of their concerns including compliance with all governing consumer protection laws in a timely manner.

RECOMMENDATION 1: Emphasize to CRC staff the importance of including all required information in recommendation memorandums.

RESPONSE: DCP concurs with this recommendation. As noted in the Report, recommendation memoranda deficiencies included missing information such as the FDIC Certificate Numbers and previous fair lending examination data. While this information is provided elsewhere (i.e. the FDIC Certificate Number is identified in the weekly fair lending report which is distributed to stakeholders and previous examination data is stored in the SOURCE database which is reviewed before making a fair lending determination), DCP

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acknowledges the CA Operations Manual specifically states these items need to be included in recommendation memoranda. DCP also recognizes the importance of this information to be documented in the memoranda.

ACTION: When the OIG provided the initial findings in late 2017, CRC management communicated to staff and explained the importance of ensuring recommendation memoranda contain all required information. By June 30, 2018, the CRC will discuss with staff and stress the importance of the OIG's final findings and recommendations including the importance of following the procedures outlined in the CA Operations Manual. Additionally, the CRC will create a Fair Lending Recommendation Memorandum template, which will become an appendix to the CA Operations Manual. This template will be used by CRC staff and contain all required information listed in the CA Operations Manual.

RECOMMENDATION 2: Update the CA Operations Manual to require that recommendation memorandums be dated and contain the name(s) of the preparer(s).

RESPONSE: DCP concurs with this recommendation. While the date and author are identified on the email transmitting the recommendation memoranda, DCP recognizes the importance of having this information in one document. As background, the CA Operations Manual is reviewed on a quarterly basis by CRC management and staff, and any necessary revisions or improvements are adopted after review by senior DCP management. Policy changes are shared with CRC staff through email notifications and discussed at monthly meetings. Additionally, all FDIC staff can access the current CA Operations Manual on the DCP intranet site at: https://fdicnet.fdic.gov/content/dcp/home/supervision/consumer-affairs/operations-manual.html .

ACTION: By June 30, 2018, DCP will conduct a review of its current CA Operations Manual and will add the date and author(s) as data fields in recommendation memoranda. As noted in Recommendation 1, the recommendation memorandum template will be added as an appendix to the CA Operations Manual. The use of this template will increase the consistency of recommendation memoranda prepared by the CRC.

RECOMMENDATION 3: Implement measures to improve timeliness for processing Fair Lending cases.

RESPONSE: DCP concurs with this recommendation. As noted in the Report, the response time for processing Fair Lending cases could be improved to better meet our internal timeframe of 120 days. With the implementation of the Enterprise Public Inquiries and Complaints Application (EPIC) in late January 2018, came enhanced real-time review of activity on CRC user dashboards, which includes a separate section for open fair lending complaints. Additionally, DCP intends to conduct a review of the fair lending procedures to identify opportunities to complete these reviews in accordance with established timelines. CRC management and staff will track open Fair Lending cases using the new EPIC tool and aging Fair Lending case updates will be discussed at management meetings and with the applicable Specialist to help remove any internal and external CRC bottlenecks in order to improve response timeliness.

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<u>ACTION</u>: By June 30, 2018, DCP will ensure CRC management and staff are familiar with the new EPIC dashboard, which provides clear identification and tracking of open fair lending complaints. Additionally, as noted in Recommendation 4 below, a review of the fair lending procedures will be conducted by December 31, 2018. Recommendations will be analyzed and discussed with the DCP stakeholders to determine whether the fair lending process should be further streamlined.

<u>RECOMMENDATION 4</u>: Establish separate performance goals for processing Fair Lending and Non-Fair Lending cases in a timely manner.

<u>RESPONSE</u>: DCP concurs with this recommendation, which we believe not only encompasses case processing times, but also the investigation process as we ascertain whether or not banks have complied with FDIC regulated consumer protection regulations. As noted in the Report, DCP exceeded its goal of investigating and responding to written complaints and inquiries 95 percent of the time within established timeframes by responding timely 98 percent during the three-year period. We also recognize the response time was significantly longer for fair lending complaints (250 out of 34,946 cases) investigated during the three-year period. The FDIC has separate procedures to investigate fair lending complaints, as these matters require additional attention not typically required in non-fair lending complaints. The fair lending complaint investigation process involves significant collaboration among DCP stakeholders, including the CRC, the Washington Office Consumer Affairs, Compliance and CRA Examination management and staff, which has led to investigative timeframes beyond our internal goals. DCP has a 2018 Division goal to review and propose updated procedures for handling fair lending complaints. This effort will include a review of all aspects of the fair lending investigation procedures including processing times. Additionally, DCP will update its quarterly reporting of cases processed to distinguish between fair lending and non-fair lending to identify any improvements made to processing fair lending cases.

<u>ACTION</u>: By the June 30, 2018 reporting period, DCP will update its quarterly reporting to distinguish between fair lending and non-fair lending case processing times. By December 31, 2018, DCP will conduct a review of its fair lending procedures and update our policy regarding processing and investigative timeframes for fair lending complaints. Recommendations to revise the process or processing times will be discussed and determined with Washington and Regional management.

Appendix 7 Summary of FDIC's Corrective Actions

This table presents management's response to the recommendations in the report and the status of the recommendations as of the date of report issuance.

Rec. No.	Corrective Action: Taken or Planned	Expected Completion Date	Monetary Benefits	Resolved:[a] Yes or No	Open or Closed[b]
1	DCP will convey to its staff, the importance of following the procedures outlined in the CA Operations Manual. Additionally, DCP will create a Fair Lending Recommendation Memorandum template, which will become an appendix to the CA Operations Manual. This template will be used by CRC staff and contain all required information listed in the CA Operations Manual.	June 30, 2018	No	Yes	Open
2	DCP will update its CA Operations Manual to require that recommendation memorandums be dated and contain the name(s) of the preparer(s).	June 30, 2018	No	Yes	Open
3	DCP intends to conduct a review of its Fair Lending procedures to identify opportunities to complete Fair Lending reviews in accordance with established timeframes. CRC management and staff will track open Fair Lending cases using a new EPIC tool and discuss aging Fair Lending cases at management meetings to help remove any internal and external bottlenecks.	June 30, 2018	No	Yes	Open
4	DCP has a 2018 Division goal to review and propose updated procedures for handling Fair Lending complaints. As part of this goal, DCP will review all aspects of its Fair Lending investigation procedures, including processing times. Additionally, DCP will update its quarterly reporting of cases processed to distinguish between Fair Lending and Non-Fair Lending to identify improvements for processing Fair Lending cases.	June 30, 2018	No	Yes	Open

[a] Recommendations are resolved when —

1. Management concurs with the recommendation, and the planned, ongoing, and completed corrective action is consistent with the recommendation.
2. Management does not concur with the recommendation, but alternative action meets the intent of the recommendation.
3. Management agrees to the OIG monetary benefits, or a different amount, or no ($0) amount. Monetary benefits are considered resolved as long as management provides an amount.

[b] Recommendations will be closed when the OIG confirms that corrective actions have been completed and are responsive.

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Office of Inspector General

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The OIG's mission is to prevent, deter, and detect waste, fraud, abuse, and misconduct in FDIC programs and operations; and to promote economy, efficiency, and effectiveness at the agency.

To report allegations of waste, fraud, abuse, or misconduct regarding FDIC programs, employees, contractors, or contracts, please contact us via our Hotline or call 1-800-964-FDIC.

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