

Decision of the
Supervision Appeals Review Committee

In the Matter of
[. . .]
Case No. 2013-04

Following the January 7, 2014 deliberative meeting of the Committee, the appeal of the Bank was denied. The Committee affirmed the decisions of the FDIC's Director, Division of Depositor and Consumer Protection ("DCP Director") that the two material supervisory determinations under review – the Compliance rating and Community Reinvestment Act ("CRA") rating assigned following the 2012 examination of the Bank – were consistent with the policies, practices and mission of the FDIC. The Committee found the justifications underlying these determinations were reasonable and supported.

In this appeal the Bank requested that the Committee raise its Compliance and CRA ratings. The Committee concluded that the DCP Director's determination that the Bank was assigned its Compliance rating on the basis of multiple compliance weaknesses expressly identified within the Report of Examination and record was consistent with the Uniform Interagency Consumer Compliance Rating System and the FDIC's Compliance Examination Manual. The Committee also concluded that both the examiners' weighting of the Bank's predominant lending product line and the examiners' use of sampling in the CRA Performance Evaluation were consistent with the FDIC's examination procedures.

The Committee reached its determination after due consideration of the information and arguments presented by the Bank and the material contained in the examination report. Specifically, the Committee weighed the Bank's objections to several of the findings cited by the Director in support of the Compliance rating. The Committee ultimately found that the Director reasonably relied upon the specific examination findings contained in the Report of Examination – the official record of the examination findings and recommendations – which reflected significant deficiencies in the Compliance Management System relating to management oversight, policies and procedures, monitoring, training and audit, and that resulted in violations of law and contravention of issued guidance. The Committee found that the Report of Examination's discussion of, and the Director's review of and citation to, these Compliance Management System weaknesses and violations was supported by the record, and reflected that the rating was not based solely on a single identified weakness.

The Committee has also taken note of the Bank's challenge to the weighting given to the bank's predominant product line in the CRA evaluation, and the loan sampling employed by examiners. The Director found the record demonstrated that a substantial majority of the Bank's total loan originations, by both number and dollar amount, had been made outside the Bank's assessment area. In addition, a substantial majority of its loans were in one loan product line in particular, and that product line reflected poor CRA performance within the Bank's assessment area.

The Committee upheld the Director's decision that weighting of the predominant

lending product in assessing CRA lending performance was reasonable, supported, and necessary in order to obtain a full and accurate assessment of the Bank's CRA lending performance. The Committee also found the Interagency CRA Procedures to be authoritative in determining whether examiners appropriately conducted a sample of the Bank's loans. The Committee concluded the examiners' approach was consistent with applicable guidelines. Moreover, the Committee noted that notwithstanding this sample-size objection raised by the Bank, the Director had reviewed the bank-supplied lending data and still came to the same conclusion about the Bank's CRA rating.

This decision is considered a final supervisory determination by the FDIC.

By direction of the Supervision Appeals Review Committee of the Federal Deposit Insurance Corporation.