

**American Bankers Association
And State Bankers Associations**

**Regulatory Feedback Initiative
Banker Reports on Recent Bank Examination Experiences
For the Calendar Year 2011
Summary Report**

Wednesday, January 25, 2012

Since June 1, 2011, bankers have been reporting, anonymously, on their recent regulatory examination experiences. Reports have been made through a standardized, confidential survey developed and maintained by the American Bankers Association and an alliance of State Bankers Associations.

As of year-end 2011, bankers had filed 1015 surveys. Banks of nearly all sizes are represented in the surveys, community banks most heavily represented. **What follows is a report on some of the findings from surveys filed by banks recently examined by the FDIC, the Federal Reserve, the OCC, and the OTS (prior to merger with the OCC). This is a follow up to a report that ABA provided to ABA members in October 2011.**

The information is gathered and presented in aggregate form so as to preserve the anonymity of the bank providing the information.

Survey Results:

- **Satisfaction with Exams**

- 50% of bankers reported that they were either “Satisfied” or “Very Satisfied” with their examination. That was a decline of 3% from the result through last October.
- 32% of bankers reported that they were either “Dissatisfied” or “Very Dissatisfied” with their examination, an increase of 2% over last October results.

While it is reassuring that half of all bankers surveyed were satisfied with their recent exams, the fact that 32% were dissatisfied, and that this number has risen slightly rather than declining, demonstrates ample room for work.

- **Subject to Written Agreements**

Of the bankers reporting, 30% of the banks were under one form or another of written regulatory agreement, an increase of 3% from the results through October, showing that this measure of bank regulatory stress has not yet improved and may be slightly worsening. No data are collected regarding the type or subject of the written agreements.

What follows is a series of graphical representations of survey findings looking particularly at some key elements of safety and soundness exams. The focus is on areas where we may find examination excesses, particularly in light of the current point in the financial cycle where the industry is emerging from stress, poised to participate in stimulating economic growth rather than descending into economic and financial retrenchment.

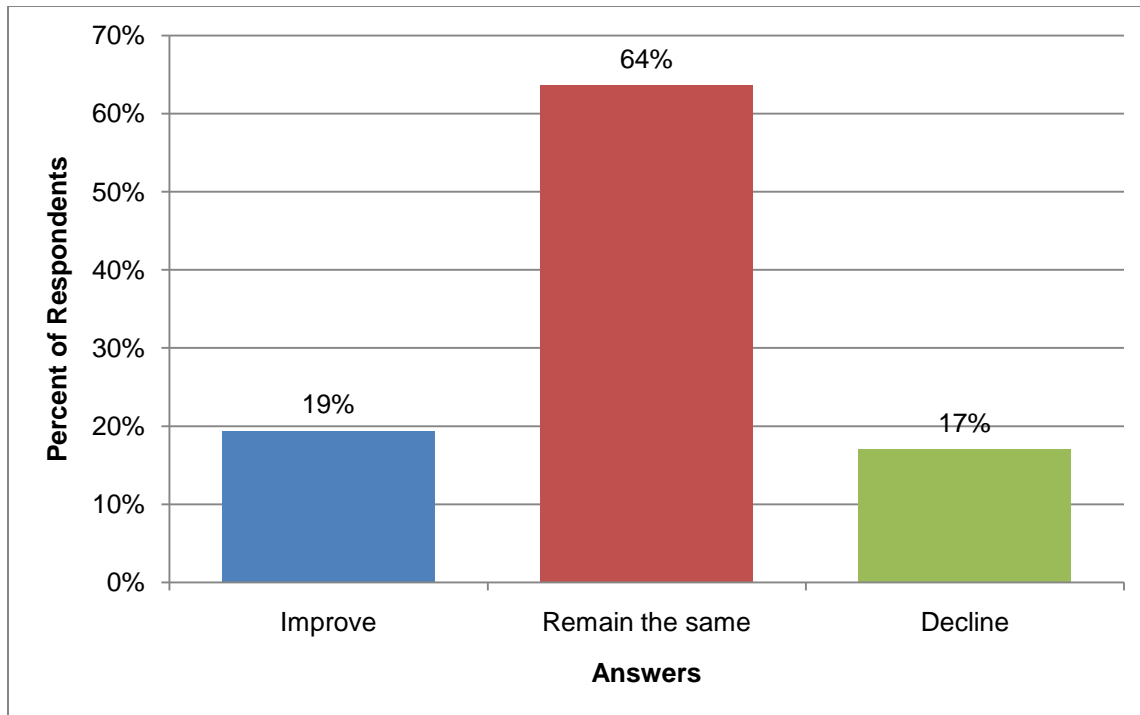
Without revealing what your CAMELS rating was, did your CAMELS rating:

Response Rate: 71% (N=717) Question Type: Choose one

Time period: RelativeDateRange Responses From: 1/1/2011 to 12/31/2011

Total Responses

717



It is certainly reassuring to see that CAMELS upgrades are now starting to outpace, if only slightly, CAMELS downgrades. In October they were even.

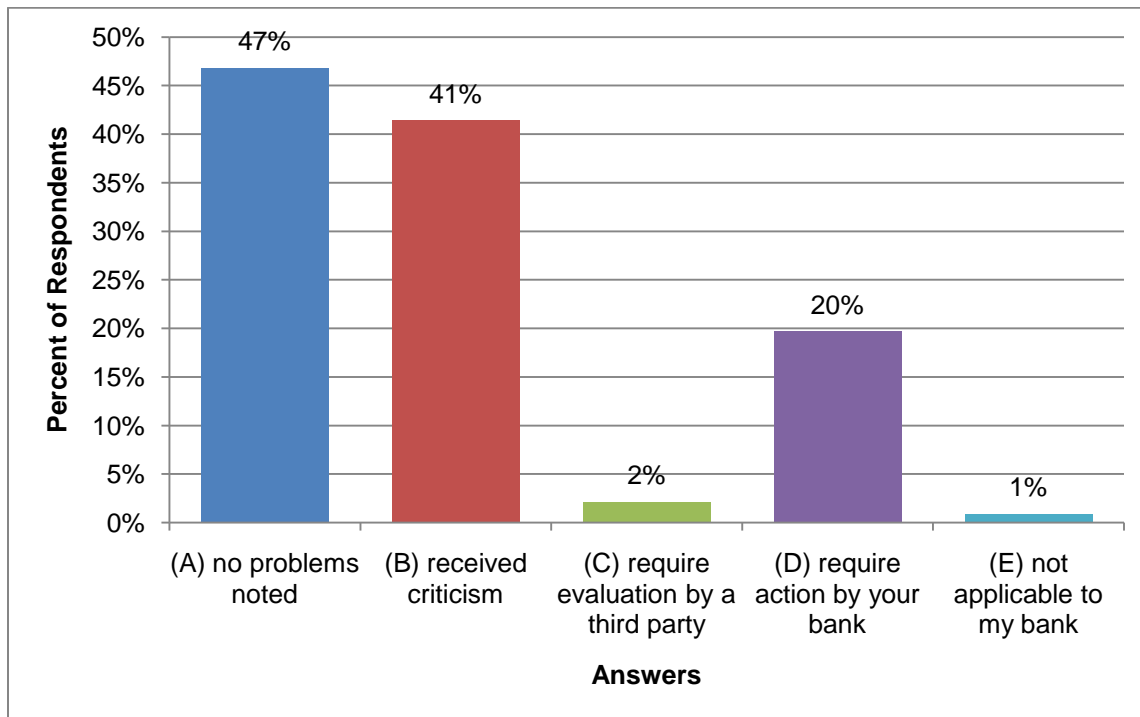
Adversely classified asset levels

Response Rate: 73% (N=741) Question Type: Choose many

Time period: RelativeDateRange Responses From: 1/1/2011 to 12/31/2011

Total Responses

823



The results of this question in the survey reveal the continuation of strong examination pressure on bank classification of assets. Bankers, already spurred by the prolonged recession and slow recovery to classify assets, are nevertheless finding in 41% of their exams further regulatory criticism of their loan classifications, with a fifth required to take specific corrective action. These results are little changed from October.

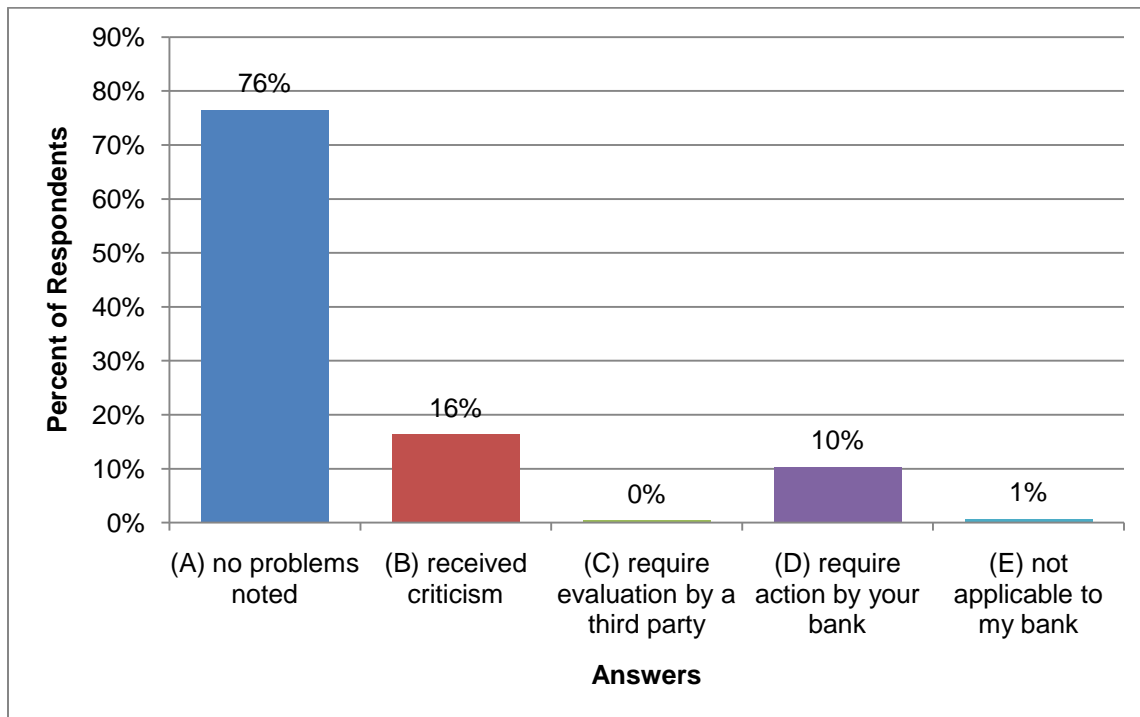
Capital levels

Response Rate: 73% (N=740) Question Type: Choose many

Time period: RelativeDateRange Responses From: 1/1/2011 to 12/31/2011

Total Responses

772



This information shows that most banks are not being asked individually by examiners to raise capital above current levels (aside from any overall regulatory mandates for increasing capital). Still, the capital condition of 16% of banks examined was criticized, with one in ten banks subjected to requirements to take action. These results are little changed from October.

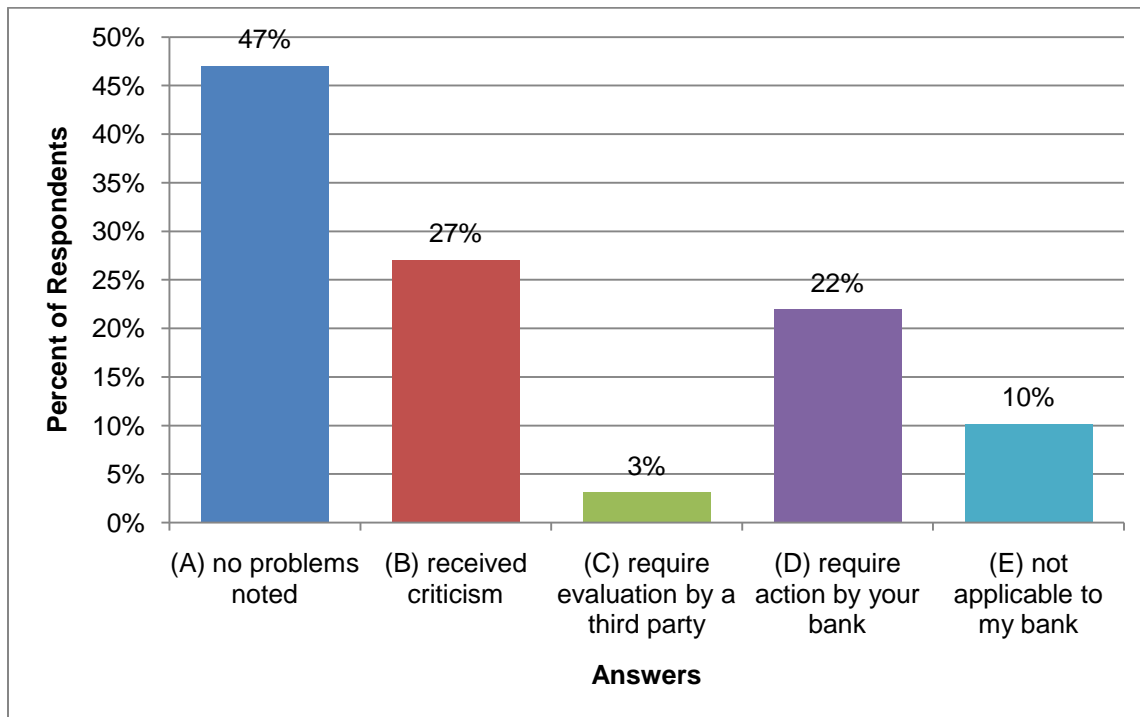
Re HMDA/Regulation C (Home Mortgage Protection Act)

Response Rate: 25% (N=255) Question Type: Choose many

Time period: RelativeDateRange Responses From: 1/1/2011 to 12/31/2011

Total Responses

279



These survey results match banker narratives reporting increased examination attention to HMDA issues. The prominent level of examinations in which banks were required to take specific action (one in five) will be a source of caution to the entire industry. This trend has continued to rise since October, when 51% of banks reported no problems, and 25% reported receiving criticism. Also in October, 20% reported being required to take action, versus 22% with this later survey.

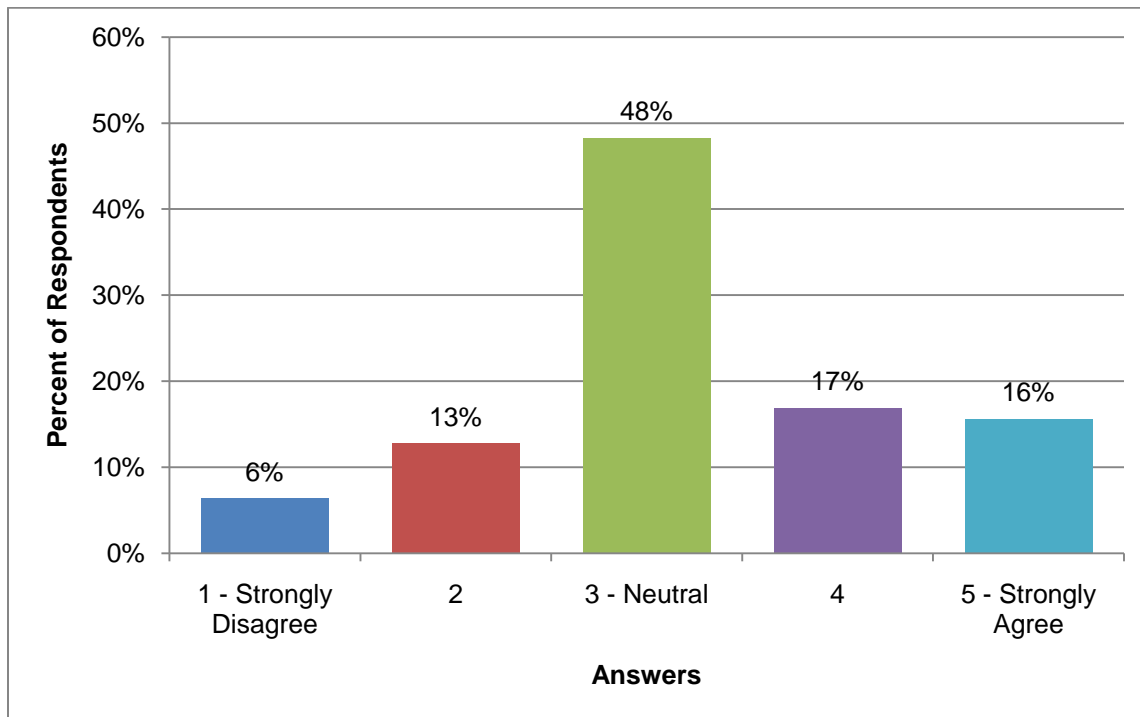
Examiners applied "guidance" as if it were enforceable regulation.

Response Rate: 97% (N=986) Question Type: Choose one

Time period: RelativeDateRange Responses From: 1/1/2011 to 12/31/2011

Total Responses

986



Another complaint frequently voiced by bankers in their narratives points to examiners who treat regulatory "Guidance" with the same force as if it were formal regulation. A third of bankers surveyed agreed that this was a problem in their exams. Perhaps a more critical way to look at the data is that only a fifth of bankers disagreed. CRE guidance, overdraft guidance, and loan-loss reserve guidance were most frequently cited by bankers as examples. The intensity of concern over this issue may be demonstrated by the very high response rate to this question, 97% of surveys. These results were little changed from the October results.

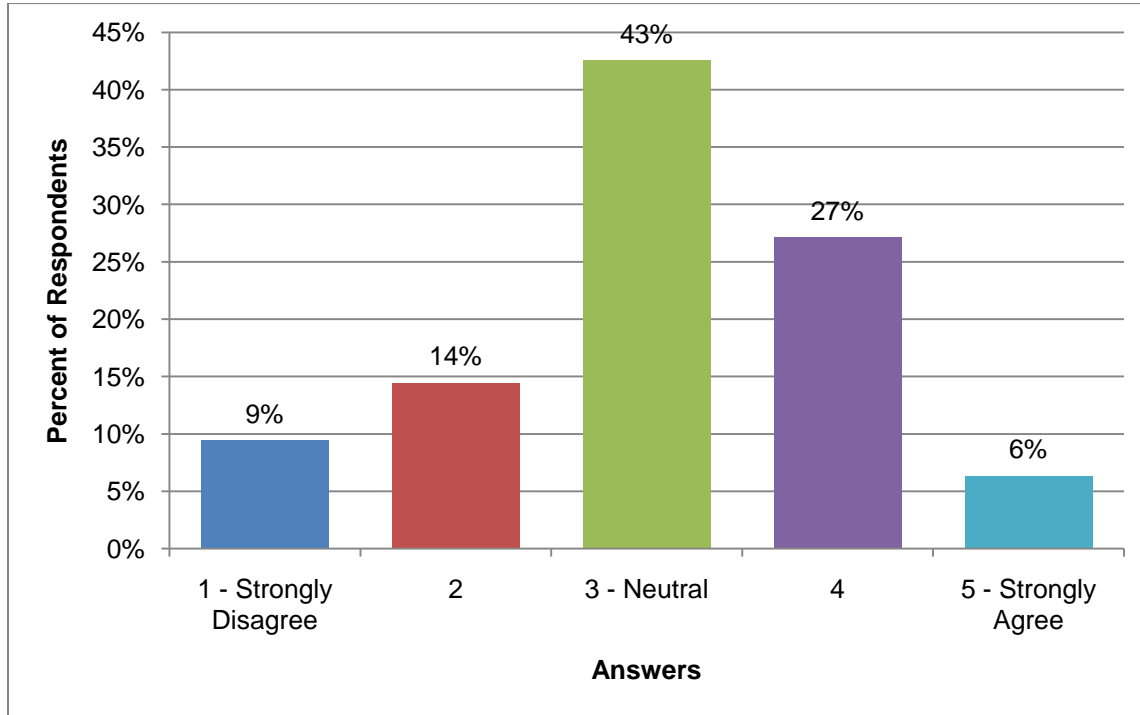
The examination and recommendations enhanced my bank's ability to operate safely and soundly.

Response Rate: 73% (N=740) Question Type: Choose one

Time period: RelativeDateRange Responses From: 1/1/2011 to 12/31/2011

Total Responses

740



The purpose of a good safety and soundness examination is to leave the bank better off, management equipped with information, guidance, and increased awareness of best practices to help the bank be more successful in addressing safety and soundness issues. Fortunately, a third of bankers surveyed agree that they got that benefit from their recent exams. Unfortunately that number is not higher, and in fact a quarter disagree that they received any such benefit from their recent exams. These results are slightly worse than those reported in October.

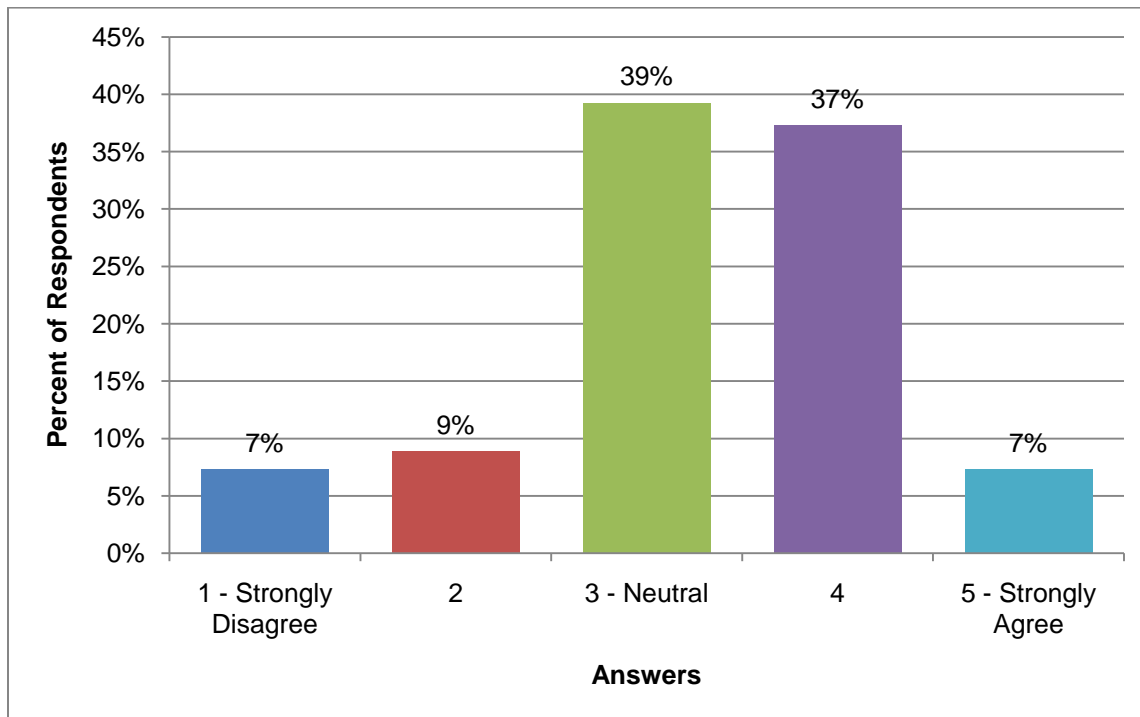
The examination and recommendations enhanced my bank's ability to comply with applicable laws and regulations.

Response Rate: 26% (N=260) Question Type: Choose one

Time period: RelativeDateRange Responses From: 1/1/2011 to 12/31/2011

Total Responses

260



It would seem that at a minimum, examinations should enhance the ability of banks to comply with relevant laws and regulations. Unfortunately, the surveys report only a moderate at best fulfillment of this examination purpose. These results are little changed from the results reported in October.