

Risk Management, Compliance and CRA

Hosted By Mike Gallagher
October 2017



Today's Agenda

Risk Management

- Risk governance
- Enterprise Risk Management
- Operational Risk Management
- Categories of Risk

Compliance

- Compliance Governance
- Key regulations
- Hot topics
- The cost of compliance and non-compliance
- Customer Service



Today's Agenda

Community Reinvestment Act

- Three prong test
- Assessment area
- Low-to-moderate income
- Fair lending
- HMDA LAR
- Non-compliance



Risk Governance

Who Owns Risk and Compliance?

- Board of Directors
- Audit or Risk Committee
- Chief Executive Officer
- Chief Risk Officer
- Management Risk Committee
- Department Heads/Branch Mgr.
- Vendor owners
- Everyone



Risk Governance

What is Risk Management and Where did it come from?

- Compliance/BSA
- Finance: Liquidity, Capital, IRR
- Information Security and Cyber
- Third Party Risk Management
- Business Continuity and Disaster Recovery
- Physical Security
- Market Risk
- Credit Risk and Loan Review
- Reputational Risk
- Fraud Management



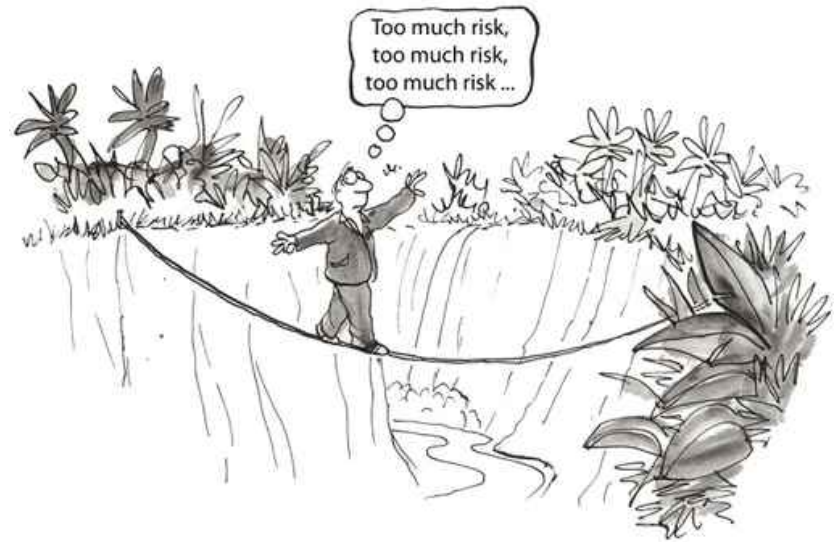
Enterprise Risk Management

- Capital Planning
- Financial Reporting
- Strategic Planning
- Branch Expansion
- Mergers & Acquisition
- Product Development
- Stress Testing
- Legal
- Board Governance



Operational Risk

- Third Party Risk Management
- Information Security
- Cyber Security
- Physical Security
- BCP/DR
- Incident Response
- Fraud Management
- Internal Controls



Risk Categories

- Credit Risk
- Capital Risk
- Liquidity Risk
- Interest Rate Risk
- Market Risk
- Financial Reporting Risk
- Operational Risk
- Compliance/Legal
- Reputational



Risk Management – Hot Topics

- Cyber Security
- Fraud Management
- Vendor Management
- Contract Management
- Data Management
- CRE Concentrations
- Stress Testing
- Liquidity Planning



Risk Management

Think About:

**Who Owns the Risk at
your Bank or in your
department?**



Compliance Language

- **CMP**
- **BSA**
- **AML**
- **OFAC**
- **CIP**
- **CDD**
- **CRA**
- **HMDA**
- **REG A-GG**
- **UCC**
- **CATO**
- **ADA**
- **TRID**
- **FCRA**
- **CECL**
- **CFPB**
- **TILA**
- **RESPA**
- **UDAAP**
- **HIPAA**
- **FDIC**
- **FRB**
- **OCC**
- **LAR**
- **SAR**
- **CTR**



Compliance Management Program

- **Monitoring Program**
- **Training**
- **New Regulations**
- **Disclosures**
- **Website and Advertising**
- **Products**
- **Complaints**
- **Exams**
- **Non-Compliance & Penalties**



Key Regulations - Retail

- **Bank Secrecy Act/AML**
- **Truth-in-Savings**
- **Privacy**
- **Funds Availability**
- **UDAAP**
- **Complaints**
- **UCC**
- **Overdrafts**
- **Incentive Compensation**



Key Regulations - Lending

- **TRID**
- **Fair Credit Reporting Act**
- **Insider Lending**
- **Fact Act**
- **Appraisals**
- **Flood Regulations**
- **Truth in Lending (Reg Z)**
- **Environmental**
- **Military Lending Act**
- **Home Mortgage Disclosure Act**
- **Fair Lending**



Compliance Hot Topics

- **Bank Secrecy Act**
- **Related Party Transactions**
- **Mortgage Servicing (Reg Z)**
- **Fair Lending/UDAAP**
- **Beneficial Ownership**
- **Overdrafts**
- **Credit Reporting**
- **Funds Availability**
- **Current Estimated Credit Loss**
- **Medical Marijuana**



Community Reinvestment Act

Large & Small Banks

Three Prong Test

- **Lending**
 - Geographic Penetration
 - Loan-to-Deposit Ratio
 - Small Business Lending
 - Community Development Loans
 - HMDA LAR



Community Reinvestment Act

Three Prong Test (cont.)

- **Investments**
 - Contributions
 - Equity Investments
- **Service**
 - # of hours
 - Financial Expert
 - Products (creativity)



Community Reinvestment Act

- **Assessment Area**
- **Fair Lending**
- **New HMDA Requirements**
- **Low-to Moderate Income**
- **Disparate Treatment**
- **Non-Compliance**
 - **Growth & Penalties**



CRA - Hot Topics

- **Out of Assessment Area**
- **Fair Lending**
- **HMDA Reporting**
- **Small Business Loans**
- **Investments**



Risk Management

Think About:

**Who Owns the
Compliance at your
Bank or in your
department?**



The Cost of Complying (Or Not)

- Regulatory Burden
 - Disclosures
 - Training
 - Staffing & Retention
 - Compensation
 - Software
 - Federal and State
- Impact on Customer Service
- Cost of Non-compliance
 - Penalties
 - Restrictions on growth



Summary

- Keep up on changes
- Be willing to adapt to change
- Find a way to make risk management and compliance a competitive advantage.
- Have Fun!!!



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