Welcome to...

Effective Compliance Monitoring & Testing
Karen I. Martino (CRCM) is a partner of Martino & Thoms, LLC. Prior to establishing the firm, in January 2005 Karen worked for 20 years at a regional community bank with over 2 billion in assets. There she was EVP-Director of Audit, Compliance & Security, reporting directly to the Audit Committee of the Board of Directors. She was a member of the Executive Management Team; participating in strategic planning and new product/services development. Karen is a Certified Internal Auditor and past President of the NY/NJ Chapter of the Financial Managers Society.

Mary Marley (CRCM) is a partner of Martino & Thoms, LLC. Prior to establishing C.O.P.S. in January 2005 Mary worked for 18 years at a regional community bank with over 2 billion in assets. There she specialized in finance as Controller with her most recent 7 years spent as VP of Loan Servicing. Mary chaired the Mortgage Servicing Committee of the NJ League of Community Bankers from January 2002 through December 2004.
COPPS
A Partner Only Firm
Specializing in:
* Compliance Audits
* Compliance Management Consulting
* Loan Review
* BSA Independent Third Party Audits
* BSA Consulting
Our intention is to provide Tools for developing or enhancing your compliance monitoring and testing.
A CMS is how an institution:

- Learns about its compliance responsibilities;
- Ensures that employees understand these responsibilities;
- Ensures that requirements are incorporated into business processes;
- Reviews operations to ensure responsibilities are carried out and requirements are met;
- Takes corrective action and updates materials as necessary.
An effective CMS is commonly comprised of three interdependent elements:
* Board and senior management oversight;
* Compliance program; and
* Compliance Audit and/or Monitoring
Monitoring is a proactive approach by the institution to identify procedural or training weaknesses in an effort to preclude regulatory violations.
Effective Monitoring System

includes regularly scheduled reviews of:

* Disclosures and calculations for various product offerings;
* Document filing and retention procedures;
* Posted notices, marketing literature, and advertising;
* Various state usury and consumer protection laws and regulations;
* Third-party service provider operations; and
* Internal compliance communication systems that update and revise the applicable laws and regulations to management and staff.
Also includes:
- Risk Assessments
- Policies
- Training
- Auditing
- Reporting
- Tracking
Where to start?
<table>
<thead>
<tr>
<th>REG NAME/Recent Update - Blue generally not included in Consumer Compliance, purple N/A to FI</th>
<th>REG</th>
<th>DESCRIPTION</th>
<th>Business Unit</th>
<th>Products or Services</th>
<th>Policy or Policies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Extension of Credit by Federal Reserve Banks</td>
<td>A</td>
<td>Governs extensions of credit to banks by the Federal Reserve Bank (FRB). Includes discount window, adjustment credit, extended credit, or emergency credit.</td>
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<tr>
<td>ECOA - Equal Credit Opportunity Act - (updates effective 1/18/14)</td>
<td>B</td>
<td>Prohibits credit practices that discriminate on the basis of race, color, religion, national origin, sex, marital status, age, receipt of public assistance or the fact that the applicant has exercised any right under the Consumer Credit Protection Act. Rules cover advertising, credit applications, adverse action notices, appraisals, etc. The Bureau has announced it has issued a final rule amending its Regulation B to implement Dodd-Frank Act ECOA amendments. Institutions will both have to inform applicants for first-lien mortgage loans they will receive a free copy of appraisals and other home-value estimates, and provide the copies promptly or a minimum of three days before closing. The rule will be effective January 18, 2014.</td>
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<tr>
<td>HMDA - Home Mortgage Disclosure Act</td>
<td>C</td>
<td>To provide regulators and the public with loan data that can be used to determine whether banks are serving the credit housing needs of their communities. Requires lenders to maintain a Loan Application Register (LAR) as a mechanism to report the data.</td>
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Exhibit A

* Business Units
* Products & Services
* Policy or Policies
* Risk Rating
* Anticipated Updates for Plan Year
* Monitoring for Plan Year
* Monitoring Results Audit Results
* Corrective Action
* Resulting New Risk Rating
Now - Implementing Your Monitoring Plan
Testing

* Regulations Monitoring Program
* Develop Worksheets
* Time Period
* Elements of Testing – Can be Targeted
* Scope
* Selection
* Exception or Finding
* Results
* Recommended Corrective Action
Review of 3 various sample testing methods
Exhibit B
Consumer – Home Equity – Loan Originations Compliance
Exhibit C
S.A.F.E. – Compliance Monitoring Program

Sample Testing

Exhibit D
Retail – Compliance Self Assessment
Results of Monitoring
Compliance Monitoring Memo

Results of Monitoring and Testing via Compliance Monitoring Memo:

* Addressed to Senior Management and/or Board
* Identifies Subject of Review – Regulation(s)
* Provides Summary of Regulations(s)
* Identifies Scope of Review – Statements of Targeted Monitoring
* Identifies Sample Selection as applicable
* Reports Results – Findings which may also identify:
  - Systemic weaknesses
  - Repeat violations of law and resulting risks or harms to consumers, or other matters of significant concern such as potential discriminatory effects of policies or procedures or particular business units with continuing or high levels of non-compliance
* Provide Recommendations (if)
* Management Responses – to include corrective action and timeframe.
Exhibit E
Sample Compliance Monitoring Memo
Compliance Monitoring and Testing - Recap

To be effective:

- Documentation of Regulations Applicable to the Bank
- Part of the Compliance Program
- Includes Workpaper(s) of Scope, Samples, Elements Reviewed, Results
- Identifies Weakness, Corrective Action or Enhancements
- Provides Compliance Monitoring Reports to Senior Management
- Is Continuous and Risked Based
QUESTIONS
Thank you for your time and attention.

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