

How to Use This Manual

Banks face many challenges each day. Included among these challenges is the need to comply with numerous regulations and mandates from Congress — or pay the penalties. Bankers are required to inform customers of their rights and the bank’s responsibilities through “simplified” regulatory legislation. As a result, the role of the compliance officer is increasingly important. Support positions also are necessary to eliminate any “cracks” in the compliance system. How did all of this begin?

Regulatory legislation had its beginnings in the late 1960s with passage of the Fair Housing Act and the Truth-in-Lending Act — results of consumer and civil rights movements. The Fair Housing Act was designed to prevent discrimination in the housing market on the basis of race, color, religion, sex, and national origin. The Truth-in-Lending Act was designed to inform consumers of the costs and terms of obtaining credit.

Since that time, other consumer regulations have been passed dealing with everything from loans to teller operations to electronic funds transfer operations. New regulations continue to be proposed and passed daily and banks must constantly be aware of the changes surrounding them. But where do you start?

The *Compliance Officer’s Management Manual* is a tool designed to help you establish an effective and efficient compliance management system. By analyzing the basic elements of a compliance program and then putting this information into practice, your bank will soon be in compliance with the various laws and regulations.

This manual provides information not only for the compliance officer, but also for other bank personnel who are involved in the compliance function:

- Board of directors
- Executive management
- Legal counsel
- Internal audit personnel
- Lending officers
- Lending secretaries
- Tellers
- Customer service personnel
- Marketing personnel

- Commercial lenders
- Other bank personnel

The manual has two volumes that cover managing your compliance program and the consumer regulations. The first part of the manual, *Managing Your Compliance Program*, provides an overview of the entire compliance function in seven chapters. It covers in detail the following elements of a bank's compliance program:

- Chapter 1: The Compliance Officer
- Chapter 2: Other Key Members of the Compliance Team
- Chapter 3: Role of Regulatory Agencies
- Chapter 4: Formulating the Compliance Policy Statement and Implementing the Compliance Policy
- Chapter 5: Developing a Compliance Audit Program
- Chapter 6: Starting and Maintaining a Compliance Training Program
- Chapter 7: Responses to Compliance Issues

This part also includes a description of each employee's responsibilities for any aspect of compliance so that an employee can determine his or her duties in a compliance program.

These seven chapters also include exhibits that show you examples of compliance-related items, including:

- Job descriptions for the compliance officer and the compliance auditor
- Compliance audit procedures
- Compliance training guidelines
- Sample audit report
- Other items necessary to maintain compliance operations

These examples can easily be modified to meet your specific bank's compliance needs.

The remaining chapters in the manual examine each of the consumer regulations and put them in a practical, usable form. A typical overview will include the regulation's (1) purpose of implementation, (2) coverage, (3) any exemptions, (4) disclosure and reporting requirements, and (5) liabilities for noncompliance.

Whenever appropriate, we have inserted regulatory forms or forms to use as models that relate to a variety of requirements, including reporting and disclosure requirements. There also are plain, straightforward examples throughout the book to help illustrate the often complex material found in the regulations.

The Quick Reference Guides to Compliance at the back of Volume 2 contain three compliance guides: (1) Quick Reference Guide to Regulatory Citings, (2) Common Consumer Lending Compliance Issues Checklist, and (3) Compliance Documentation Checklists. Each of these guides is designed to help you answer regulatory concerns quickly. The Compliance Documentation Checklist can be copied and distributed to the appropriate people so that they may double-check their loan documentation for the different loan types.

Compliance management requires knowledge of the issues, practice of the necessary skills, and a willingness to play according to the rules. This can be difficult, and there are no easy answers. Compliance is a challenge that demands careful analysis and comprehensive start-up procedures if it is to be handled effectively.