

The paucity of Fed enforcement actions leading to the subprime mortgage crisis

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Abstract

The global economic near meltdown that began manifesting itself in 2007 was the result of a multitude of factors. A significant part of the overall economic debacle was the failure of the debt market. The Final Report of the National Commission on the Causes of the Financial and Economic Crisis in the United States concluded, among other issues, that “the financial crisis was avoidable” (p xvii) and that “widespread failures in financial regulation and supervision proved devastating to the stability of the nation’s financial markets” (ibid, p xviii).

Engel and McCoy (2011) note that “the Fed [Federal Reserve Board] had the most power to regulate home mortgages” because “Congress invested the Fed with the sole authority to police abuses across the entire mortgage market, including banks and thrifts, nonbank lenders, and mortgage brokers” (p 189). If the Fed had properly enforced the regulations that were then in existence, it may have resulted in (a) curbing corporate greed; (b) avoiding the often malfeasant lowering of credit standards; and (c) preventing the violation of the public trust by bank managements, mortgage securitizers, rating agencies, mortgage brokers, and others. This study analyzed all the Fed enforcement actions from 2001 to March, 2012. The analysis lends credence to the claim that the Fed failed in its duty to properly enforce regulations that may have prevented, or at least ameliorated, the debt crisis that almost destroyed the U.S., and global banking sectors.

Key words: Subprime mortgage lending, Fed enforcement actions, moral hazard, Greenspan’s philosophy.

Introduction

The global economic near meltdown that began manifesting itself in 2007 was the result of a multitude of factors. A significant part of the overall economic debacle was the failure of the debt market. The Final Report of the National Commission on the Causes of the Financial and Economic Crisis in the United States concluded, among other issues, that “the financial crisis was avoidable” (p. xvii) and that “widespread failures in financial regulation and supervision proved devastating to the stability of the nation’s financial markets” (ibid, p. xviii).

Engel and McCoy (2011) note that “the Fed [Federal Reserve Board] had the most power to regulate home mortgages” because “Congress invested the Fed with the sole authority to police abuses across the entire mortgage market, including banks and thrifts, nonbank lenders, and mortgage brokers” (p 189). If the Fed had properly enforced the regulations that were then in existence, it may have resulted in (a) curbing corporate greed; (b) avoiding the often malfeasant lowering of credit standards; and (c) preventing the violation of the public trust by bank managements, mortgage securitization entities, rating agencies, mortgage brokers, and others.

An analysis of Fed enforcement actions from 2001 to March, 2012 lends credence to the claim that the Fed failed in its duty to properly enforce regulations that may have prevented, or at least ameliorated, the debt crisis that almost destroyed the U.S, and global banking sectors.

Fed Chairman Greenspan’s philosophy regarding FRB enforcement during the banking crisis

It is instructive to study the political and economic philosophy of Alan Greenspan, former Chairman of the Fed. He was a dominant force during the period when Fed actions (or lack thereof) created the environment that led to the banking crisis. Engel and McCoy (2011) observed that Chairman Greenspan was averse to regulation. This aversion to intrusive actions by the government to regulate the debt markets was grounded in his philosophical roots traceable to John Locke (individualism in a hostile physical nature), Adam Smith (the invisible hand doctrine), Joseph Schumpeter (creative destruction), and Ayn Rand (logical positivism and radical individualism) (p 189). Greenspan believed in “flexibility”, which was a code word for “deregulation”. He believed that deregulation was the Ford administration’s great unsung achievement. One example of this antipathy to regulation of markets was his position on increasing federal deposit insurance (FDI). Economic history had demonstrated the efficacy of FDI in halting bank runs. But the downside to FDI is the risk of moral hazard. FDI encourages banks to take on unreasonable risks because they can retain the profits if the scheme works out, but the federal government would absorb the losses if it does not, thus enjoying the best of both worlds. Many economists argue that the government must regulate banks to counteract the moral hazard involved in FDI. Greenspan opposed government intervention based on his belief that “bank regulation would make moral hazard worse by discouraging personal integrity and lulling bankers and depositors into complacency about instituting precautions to ensure a bank’s safety” (ibid p 191). However, he failed to fully appreciate basic human greed in the name of profits.

Greenspan was also enamored with the notions of private risk management. His overarching goal was to replace the historical command-and-control model of bank regulation with Fed oversight aimed at bolstering private risk management by bankers. In this crucial regard, his mission was to minimize government oversight of banks by outsourcing risk management to banks, a situation akin to the fox watching the hen house. He was fully aware of the catastrophic risks associated with unregulated risk management by lending institutions, as evidenced by the 1980s savings and loans crisis, but believed that the advances in risk management techniques and the availability of more relevant data would prevent banks from repeating the mistakes of the past. In fact, he called private risk management a “revolution” with “real potential” for reducing lending booms and busts (ibid p 192). He lauded mortgage-backed securities, collateralized debt obligations, and credit default swaps for their potential of allowing the largest and most sophisticated banks to divest themselves of much credit risk by passing it out to institutions like insurance companies, pension funds, and hedge companies (ibid p 192). Actual events proved him wrong on all counts.

Some causes of the subprime debacle

Schmudde (2009) has argued “Federal Reserve Board was empowered by Congress in 1994 to regulate mortgage issues, but chose instead to watch from the sidelines while a bubble was created. When a bubble is forming and prices are rising, as in a Ponzi scheme, nobody gets hurt. Then, as the bubble accelerates, there is a necessary reckoning – the collapse of prices.” He asserts “New rationales were developed to describe why the increases in home values were sustainable. This is a tale of greed and irresponsibility. A confluence of regulatory neglect, a deviation from proven standards and aggressive development of new financial markets collided resulting in an epochal financial wreckage” (Ibid).

A review of the literature, limited to only the articles cited in the references, produced a plethora of causes for the subprime crisis. The list includes:

- Regulatory failure
- Fannie Mae and Freddie Mac
- Federal government policies encouraging greater home ownership
- Creation of risky novel financial products
- Undercapitalization of banks
- Undercapitalization of insurance companies related to mortgage loans
- Bank management greed
- Investment bankers greed
- Unscrupulous and greedy real estate speculators
- Transfer of default risk from banks to investors
- Automated risk measurement systems without human involvement
- Shoddy sales practices by mortgage lenders and brokers
- Lowering of risk standards by mortgage lenders
- Inadequate risk measurement and reporting by independent auditors

- Outdated mortgage lending system
- Unscrupulous real estate agents with relationships with risky lenders and mortgage brokers
- Unscrupulous real estate appraisers
- A large number of unwary or naïve home buyers
- Credit rating agency malfeasance

Brief history of regulation of the subprime crisis

It is now universally recognized that the failure of regulatory agencies to prevent financial fraud, malfeasance, and incompetence by lenders was a major cause of the 2008 global economic crisis. This failure resulted in the passage of the 2010 Dodd-Frank Wall Street Reform and Consumer Act (Razaki et al 2010). This section will discuss the responsibilities and failures of the Fed, the primary bank regulator.

Razaki et al (2010) have noted that there are no fewer than five and, perhaps, as many as eight federal agencies responsible for regulating the banking industry. These are in addition to all the state regulators who monitor the banks that hold a state charter. Some of the important regulators include the Federal Reserve Board (FRB), the Office of the Controller of the Currency (OCC), the Office of Thrift Supervision, and the Federal Trade Commission (FTC). Further, while the Securities and Exchange Commission (SEC) does not directly oversee banking activities, it does regulate “securities,” such as mortgage backed securities (“MBS’s”) which may be offered by banks, including investment banks.

Beginning in the 1980’s, Congress and the bank regulators, most noticeably the FRB, the OCC and the OTC, began reducing statutory and regulatory requirements for federally chartered banks and thrifts (Di Lorenzo, 2009, p 155). In addition, Congress allowed state chartered lenders to offer non-traditional, alternative borrowing instruments, like adjustable rate mortgages (ARM's), to consumers. The end result was a proactive government policy of lifting strict statutory constraints on mortgage lending in favor of transferring critical decisions on lending policies and products to bank management (Ibid p 156). This policy increased the likelihood of moral hazard. The stated rationale for this uncharacteristic *laissez-faire* government policy was to increase rates of home ownership, especially for otherwise unqualified low income and minority borrowers, which was considered a distinct societal benefit (Ibid p 156).

While the federal agencies were adopting a policy of deferring to bankers and lenders the discretion to determine loan acceptance standards, mortgage lenders were introducing innovative, but highly risky loan products like ARM’s and MBS’s. “Guidance” replaced previously accepted regulatory standards such as loan-to-value ratios, objective appraisals and analysis of borrower creditworthiness. Bank lenders were left with a vague and amorphous mandate “to avoid unsafe and unsound mortgage products and practices.” Given the potential for substantial profits, the emerging “no risk” lending environment providing little or no accountability for bad loans, the mandate to avoid unsafe and unsound loans was often ignored by loan originators who sought only to maximize their profits (Di Lorenzo, p 178).

Cox (2009) has pointed out that federal regulators not only adopted a “hands off” policy, but that other arms of the federal government were proactive in interfering with and

obstructing investigations of unsafe lending practices by various state attorneys general. The OCC, in particular, actively promulgated rules claiming that it possessed the exclusive right “to investigate and enforce violations of state consumer protection laws. This usurpation of regulatory powers effectively preempted state laws that limited unfair mortgage loan terms for homeowners (ibid p 279). The perfect storm, that could have been perfectly predicted by any rational economic decision maker, was thus created when the two primary bank regulators, the FRB and the OCC, took almost no actions to ameliorate the abusive subprime mortgage lending practices created by lenders. Furthermore, the federal interference in the prevention and suppression of state enforcement actions, combined with lax or non-existent federal oversight led to an environment rife for abuse by mortgage lenders (Ibid p 300). To make an already risky situation worse, in the 1990’s, there was a proliferation of non-bank lenders, whose main objective was to originate loans, which were then packaged and sold as MBS’s to unwary investors. The end result was that there was very limited federal regulation to supervise these entities that cared little for moral hazard exploitation (Ibid p 292). Cox (2009) concluded “A striking feature of the growth in subprime mortgage origination was the rise of lending channels outside the depository institutions (banks) called ‘non-bank lenders.’ Up to now, there was very limited oversight of these non-bank lenders” (ibid p 292). Because of this glaring lapse in the regulatory scheme, abuses by profit maximizing, and in some cases “unscrupulous” lenders, became more than a distinct possibility.

Relevant Lending Laws and Regulations

There is a plethora of laws that lenders must comply with in providing loans to prospective homeowners. Some of the more notable laws include: The Truth in Lending Act (TILA); the Home Ownership and Equity Protection Act (HOEPA); the Fair Credit Reporting Act (FCRA); the Equal Credit Opportunity Act (ECOA); the Real Estate Settlement Procedures Act (RESPA); the Gramm-Leach-Bliley Act (GLBA); and, the Federal Trade Commission Act (FTC Act).

Cox (2009) has summarized the laws that focused primarily on consumer protection, especially governing mortgage loan origination. These are grouped into the following categories:

1. **Disclosure requirements:** Lenders must disclose relevant and material information to borrowers concerning their loans. Some of these disclosures include information concerning the total cost of the credit in the form of an annual percentage rate, the total of payments, whether the loan contains a prepayment penalty. Other provisions include “good faith disclosure” which requires listing the costs incurred by the borrower in taking out the mortgage (Cox, p 285). TILA is the most notable of the disclosure laws, in particular Regulation Z of that Act. But TILA was only created as a consumer cost disclosure act and was primarily focused on content, quantity and quality of information given to consumers rather than focusing on imposing substantive prohibitions on lending practices harmful to consumers (Maman, 2008, p 215).
2. **Restrictions on the Terms of Mortgage Loans:** Substantive restrictions on the

costs and terms of residential loans were less prominent in the mortgage lending regulatory scheme (Cox p 286). This lack of regulatory oversight fostered lending practices that contributed to the moral hazard. Risky mortgage products and practices that emerged included:

1. Adjustable rate mortgages (ARM's), which featured low initial rates ("teaser rates");
2. Payment options plans in which the borrower could choose an amount to pay, including the possibility of a minimum payment that did not include accrued interest;
3. Loans made without regard to the borrower's ability to repay, including limited documentation or no documentation ("stated income"); and
4. Loans made requiring very little or no borrower equity (Di Lorenzo, p 165).

These products and lending practices provided otherwise unqualified borrowers with the unprecedented opportunity to own a piece of the American dream, that is, home ownership. ARM's promised borrowers a low initial rate on home loans (Di Lorenzo, p 165). These rates were later adjusted upward increasing monthly payments by as much as 50% in some cases (Ibid p 166). Lenders further engaged in practices in which little or no documentation was required from prospective borrowers concerning borrower assets or income level. Lenders accepted whatever income level the prospective borrower indicated, a practice that became known as "stated income," or "liar's loans" within the mortgage industry. As lending standards declined, lenders eventually did not even pretend to inquire about a borrower's income or assets, but engaged in a practice known as "no income, no assets."

Razaki et al (2010) have posited that In addition to writing loans in which borrowers had little or no equity in the home they were purchasing, lenders were also underwriting loans with no regard to a prospective borrower's ability to repay the loan. The Fed corrected this unsafe practice by issuing regulations in 2009 pursuant to the Home Ownership and Equity Protection Act ("HOEPA"). HOEPA and the Fed regulations prohibit loans which are made without regard to the borrower's ability to repay the loan. However, as argued by Di Lorenzo (2009), these regulations apply only to "high-priced mortgage loans." In addition, there was no clear standard that defined a borrower's ability to repay (ibid p 179). While government agencies issued "guidance" that "prudent underwriting standards 'should include an evaluation of a borrower's ability to repay the ... loan,' the guidance did not prohibit stated income or reduced documentation loans" (ibid p 161). In other words, it's business as usual; lenders still retain the ability to evaluate the quality of loans [creditworthiness of borrowers] in their sole discretion.

Categories of Fed enforcement actions

The authors analyzed all 972 Fed enforcement actions taken from January 2001 to March 2012, in order to determine what, if anything, the Fed was doing about mortgage lending abuses (see the Appendix which lists the date, the name of the bank, the state in

which it is located, and the specific loan related Fed category under which the enforcement action was brought).

Secondly, the authors intended to test a theory that the Fed had the authority under then existing laws and regulations to exercise enforcement actions relating to abusive lending practices and policies, but failed to do so. These enforcement actions can be categorized into the following major areas:

- Board Oversight
- Management Review
- Conflicts of Interest Policy
- Lending and Credit Administration
- Risk Management
- Asset Improvement
- Loan Policies, Procedures, and Administration
- Loan Review
- Staffing
- Capital Adequacy
- Affiliate Transactions
- Compliance with Laws and Regulations
- Dividends
- Business Plan and Budget
- Approval, Implementation, and Progress Reports
- Communications
- Portfolio Growth
- Loan Syndication
- Allowances for Loan and Lease Losses
- Audit
- Regulatory Reports
- Debt and Stock Redemption



After a thorough analysis of the nature of all Fed enforcement actions between 2001 and 2012, the following general categories were selected to explain what areas, over which the Fed had regulatory authority, were actually getting the Fed's attention. The examination of 972 Fed enforcement actions between January 2001 and March 2012 reveals that these actions can be subdivided into the following categories. These General Categories, and the total number of enforcement actions in each category, are:

- Real estate Loans (134)
- Troubled Banks (477)
- Flood Losses (64)
- Board Oversight/Management Review (84)

Analysis of adequacy of Fed enforcement

It should be noted that each Fed enforcement action against a specific bank focused on multiple, categories simultaneously, though changing from case to case. Enforcement actions related to categories including board oversight, lending and credit administration, loan policies, procedures and administration, asset improvement, compliance with laws and regulations, and, allowances for loans and lease losses were encountered frequently. Some enforcement action categories like loan syndication, debt and stock redemption, and portfolio growth were involved in very few cases.

The banking crisis started manifesting itself in 2007. From 2001-2007, as Figure 1 clearly shows, the Fed enforcement actions related to troubled loans ranged from 2 to 7. Beginning in 2008, after the horses had already fled from the barn, these actions jumped up considerably to 30 in 2009 and 34 in 2010.

Study Conclusions

1. This study has provided empirical evidence that the Fed was, at best, seriously negligent and nonfeasant at worst, in controlling the abuses perpetrated by mortgage lenders that caused the subprime debacle. The Fed was fully aware of mortgage lending abuses as early as 2001 (see Appendix). The Fed's purposeful and intentional ignoring of risky practices was partially caused by the rabid philosophical and political abhorrence of Chairman Alan Greenspan and some Republican administrations to federal regulation. Another well-meaning, but ultimately destructive, cause was the federal government's social and economic goal of helping ordinary Americans in achieving the American Dream of home ownership. A prime example of "no good deed goes unpunished."
2. It was interesting to discover that most of the enforcement actions taken against banks for lending deficiencies were small local or regional banks. Even though a few large banks were sanctioned by the Fed (Bank of America, J.P. Morgan Chase, Citigroup), the fact remains that many other of the largest lenders (Washington Mutual, Countrywide, among others), were not even on the Fed's radar screen.
3. The Fed had the authority under its charter to "regulate home mortgages," but the evidence is overwhelming that it failed to do so.
4. On the surface the distribution of enforcement actions across the states seems broad. However, while it is difficult to draw any definitive conclusions concerning the state distribution of loan enforcement actions, it is worth noting that during the relevant period covered by the study, Florida had the most (14) followed by Illinois (8), Montana (8), Ohio (7) and Missouri (7). Montana may simply be an anomaly, but one can speculate about the other states. Many real estate speculators may have been interested in Florida, while Illinois and Ohio may have high percentages of lower income citizens.

Now and Beyond

The mortgage system in the USA has to be markedly and radically improved. The Obama administration has attempted to accomplish this through the Dodd-Frank Act of 2010. The legislation as initially proposed was bitterly contested, tooth and nail, at every step by Congressional Republicans. The Republicans have been protecting the interests of their well- heeled constituents in the financial industry, like mortgage and investment bankers, hedge fund managers, and the insurance and credit card industries. The list of opponents to meaningful reform included all parties who had exploited lax Fed enforcement of existing laws and regulations and now feared that their economic cow was about to be gored. A much watered-down piece of legislation was eventually enacted, which contains numerous additional protections for current and prospective mortgage borrowers.

Werrett (2009) has suggested that an effective long term financial solution must possess three fundamental characteristics: (a) the solution must be focused on mortgage reform, (b) the solution must be deployed on a federal level to achieve consistency and immediacy, and (c) capital reserves, whether accumulated by institutions, industries, government, or insurance companies must be an essential element.

In creating a better mortgage system, specific attention should be paid to the supervisory and monitoring functions of each agency, e.g. their rulemaking, audit, and compliance authority. Determine whether each agency failed in its mandate to regulate the lending business, thereby being guilty of a “nonfeasance.” Solomon (2008) has defined “nonfeasance” as the “failure to do an action that is required to be performed, i.e. when an official fails to perform his official duty” (Ibid p 215). Once the specific failures are located, remedial solutions should be put in place by law or federal administrative action.

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APPENDIX I

Summary of all Fed enforcement actions by category between 2001 and 2012

Year	# Actions	Loans	Board Oversight/ Management Review	Money Laundering	Troubled Banks	Terminations	Prohibition Orders	Flood Insurance	Other
2001	23	2	7	6	1	5	0	2	0
2002	20	6	2	5	1	1	4	1	0
2003	52	3	16	7	1	3	9	12	1
2004	38	7	10	9	0	4	6	3	3
2005	53	3	5	4	1	17	10	10	3
2006	44	6	1	6	0	17	9	3	2
2007	40	7	1	4	0	8	10	9	1
2008	69	14	3	2	23	13	9	5	0
2009	196	30	23	2	121	8	3	8	1
2010	264	36	8	2	206	3	3	1	0
2011	150	14	4	1	111	6	3	10	1
2012	23	6	0	0	12	3	0	0	0
	972	134	80	48	477	88	66	64	12

APPENDIX II

Fed Enforcement Actions Related to Loans (starting with most recent)

2012

1. March 8 Ally Financial
 - a. Mortgage servicing, loss mitigation and foreclosures
2. March 8 HSBC
 - a. Mortgage servicing, loss mitigation and foreclosures

3. March 8 IMB HoldCo
 - a. Mortgage servicing, loss mitigation and foreclosures
4. February 9 BOA, Wells Fargo, JP Morgan Chase, Citigroup, Ally Financial
 - a. Mortgage servicing and foreclosures

2011

1. September 1 Goldman Sachs (NY)
 - a. Mortgage servicing, loss mitigation and foreclosures
2. August 2 The First Bank of Baldwin (WI)
 - a. Lending and Credit Admin
3. July 20 Wells Fargo (CA)
 - a. Fraudulent mortgage lending practices (not requiring signed applications for borrower's representation of income, misrepresentation that mortgage debt consolidation would improve borrower's credit, income document alteration or falsification, steering potential prime borrowers into nonprime loans)
4. July 5 Belt Valley Bank (MT)
 - a. Lending and Credit Admin (borrower repayment, documentation, underwriting standards, financial statements, exceptions to loan policy, continuous loan review)
5. April 13 BOA, Citigroup, Ally Financial, HSBC, MetLife, Wells Fargo, JP Morgan, PNC Financial, SunTrust, US Bancorp
 - a. Mortgage servicing and foreclosures

2010

1. December 2 First Community Bank (MT)
 - a. Lending and Credit Admin (standards for appraisal quality, standards for assessing credit quality of loans, objective and timely assessment of loan quality)
2. November 23 America's Community Bank (MO)
 - a. Lending and Credit Administration (standards for appraisal quality)
3. November 18 Farmers State Bank (MT)
 - a. Credit administration (borrower's repayment ability, current financial information, value of collateral)
4. September 22 First State Bank of Warner (SD)
Lending and credit administration
5. Credit administration (borrower's repayment ability, current financial information, value of collateral) September 16 State Bank Financial (WI)
 - a. Written plan Credit Administration (borrower repayment ability)
6. September 7 Bank of Eastern Shore (MD)

- a. Credit Administration (evaluation of cash flow and repayment sources when assessing financial strength of borrower, steps to correct deficiencies in loan documentation)
7. September 2 Oregon Community Bank & Trust (WI)
 - a. Lending and Credit Administration
8. August 26 Guaranty Development Company (MT)
 - a. Credit Risk Management (plan to strengthen credit analysis of borrower willingness to repay)
9. August 19 MidSouth Bank (TN)
 - a. Lending and Credit Administration (program to require documented analysis of borrower repayment sources, cash flow and debt service ability)
10. July 28 Farmers State Bank (SD)
 - a. Credit Administration (increase adherence to loan documentation requirements, borrower ability to repay)
11. July 20 Bank VI (KS)
 - a. Lending and Credit Administration(program for evaluation of collateral, assess credit quality of loans)
12. June 21 Lincoln County Bancorp (MO)
 - a. Credit Risk Management (plan to strengthen to review risk exposure, identification and qualification of credit risk)
13. June 14 Castle Rock Bank (CO)
 - a. Credit Risk Management (borrower ability to repay)
14. June 1 Bank of Little Rock (AR)
 - a. Asset Improvement (every loan must be documented that bank performed comprehensive credit analysis of borrower's willingness and ability to repay)
15. May12 North Valley Bank (OH)
 - a. Asset Improvement (every loan must be documented that bank performed comprehensive credit analysis of borrower's willingness and ability to repay)
16. May 4 The Northwestern Bank (WI)
 - a. Asset Improvement and Lending and Credit Administration (every loan must be documented that bank performed comprehensive credit analysis of borrower's willingness and ability to repay)
17. May 3 Paradise Bank (MT)
 - a. Asset Improvement and Lending and Credit Administration (every loan must be documented that bank performed comprehensive credit analysis of borrower's willingness and ability to repay)
18. May 3 Lake County Bank (MT)
 - a. Lending and Credit Administration (borrower ability to repay)
19. April 26 East Dubuque Bancshares Inc. (IL)

- Lending and Credit Administration (borrower ability to repay, financial condition, cash flow)
20. April 22 The Bank of Currituck (NC)
 - a. Lending and Credit Administration (borrower ability to repay, financial condition, cash flow)
 21. April 7 FCB Florida Bancorp (FL)
 - a. Asset Improvement (every loan must be documented that bank performed comprehensive credit analysis of borrower's willingness and ability to repay)
 22. March 30 Bank Tennessee Bancshares (TN)
 - a. Lending and Credit Admin (borrower ability to repay, financial condition, cash flow)
 23. March 29 Anchor Commercial Bank (FL)
 - a. Lending and Credit Administration (borrower ability to repay, financial condition, cash flow)
 24. March 25 United Security Bancshares Inc. (CA)
 - a. Asset Improvement (every loan must be documented that bank performed comprehensive credit analysis of borrower's willingness and ability to repay)
 25. March 25 Coconut Grove Bank (FL)
 - a. Credit administration (evaluation of cash flow and repayment sources)
 26. March 15 First Chicago Bancorp (IL)
 - a. Asset Improvement (every loan must be documented that bank performed comprehensive credit analysis of borrower's willingness and ability to repay)
 27. March 10 Idaho Bancorp (ID)
 - a. Credit Risk Management and Credit Admin (borrowers repayment ability, cash flow, creditworthiness)
 28. March 9 Ravalli County Bancshares (MT)
 - a. Lending and Credit Administration (borrower ability to repay, financial condition, cash flow)
 29. February 24 Pacific State Bancorp (CA)
 - a. Asset Improvement (every loan must be documented that bank performed comprehensive credit analysis of borrower's willingness and ability to repay)
 30. February 17 Community First Bank (IL)
 - a. Asset Improvement (every loan must be documented that bank performed comprehensive credit analysis of borrower's willingness and ability to repay)
 31. February 4 Citizens Bancshares (OK)
 - a. Loan Policies and Procedures Administration (borrowers repayment ability, cash flow, creditworthiness)
 32. January 28 Guaranty Bancorp (CO)
 - a. Asset Improvement (every loan must be documented that bank performed comprehensive credit analysis of borrower's willingness and ability to repay)

33. January 26 Northfield Bancshares (MN)
 - a. Lending and Credit Administration (borrower ability to repay, financial condition, cash flow)
34. January 19 Bank of Virginia (VA)
 - a. Lending and Credit Administration (loan to value ratios, standards for appraisals)
35. January 12 American Bank of Baxter Springs (KS)
 - a. Credit Risk Management (Strengthen including comprehensive financial statements, tax returns indicating borrowers' ability to repay)
36. January 8 North Valley Bancorp (CO)
 - a. Lending and Credit Administration (standards for interest only loans)

2009

1. December 24 Centrue Bank (IL)
 - a. Lending and Credit Administration/Asset Improvement (borrower ability to repay, financial condition, cash flow; standards for incentive comp for loan originators)
2. December 7 Pierce City Bancorp (WV)
 - a. Loan Policies and Procedures (financial capacity of borrower, cash flow, sources of repayment, loan to value ratios, cash equity requirements, valuation of underlying collateral)
3. November 19 Flager Bank (FL)
 - a. Credit Risk Management and Credit Administration (underwriting standards that require documented analyses on an on-going basis of the borrower's and guarantor's repayment sources, global cash flow, creditworthiness, and overall debt service ability, and the periodic submission of current financial statements)
4. November 17 Horizon Bank (FL)
 - a. Lending and Credit Administration (underwriting standards that require documented analyses on an on-going basis of the borrower's repayment sources, global cash flow, debt service value of collateral)
5. November 10 West Concord Bancshares Inc. (MN)
 - a. Loan Policies and Procedures (financial capacity of borrower, cash flow, sources of repayment, loan to value ratios, cash equity requirements, valuation of underlying collateral)
6. November 10 Landmark Financial Holding Company (FL)
 - a. Credit Administration (the borrower's repayment sources, global cash flow, debt service value of collateral, standards for interest only loans)
7. November 5 Hanmi Financial Corporation (CA)
 - a. Credit Administration and Asset Improvement(borrower ability to repay, financial condition, cash flow)

8. October 29 West Tennessee Bancshares (TN)
 - a. Lending and Credit Administration (borrower's repayment sources, global cash flow, debt service)
9. October 14 BOI Financial Corporation (IL)
 - a. Lending and Credit Administration (borrower's repayment sources, global cash flow, debt service)
10. September 23 Old Southern Bank (FL)
 - a. Lending and Credit Risk Management (underwriting standards that require documented analyses on an on-going basis of the borrower's repayment sources, global cash flow, debt service)
11. September 17 Security Financial Corporation (WI)
 - a. Lending and Credit Administration (borrower's repayment sources, global cash flow, debt service)
12. September 17 Century Bank of Florida (FL)
 - a. Lending and Credit Administration (underwriting standards that require documented analyses on an on-going basis of the borrower's and guarantor's repayment sources, global cash flow, and overall debt service ability)
13. September 10 Tennessee State Bancshares (TN)
 - a. Credit Risk Management (borrower's ability to repay, cash flow, overall debt service ability, and current financial statements)
14. September 8 Metro Financial Services Inc (FL)
 - a. Credit Risk Management (borrower's ability to repay, cash flow, and financial statements)
15. September 3 Nebraska Bankers' Bank (NE)
 - a. Loan Policies and Procedures (underwriting standards, documentation, accuracy of appraisals)
16. August 6 Sterling Bank Inc. (NJ)
 - a. Lending and Credit Administration (borrower's ability to repay, cash flow, overall debt service, creditworthiness)
17. July 30 Buckeye Bancshares (OH)
 - a. Lending and Credit Administration (Underwriting standards that require documented analyses of any collateral and the borrower's and any guarantor's repayment source, global cash flow, and overall debt service ability)
18. July 30 American Bancorporation (MN)
 - a. Credit Administration/ Asset Improvement (financial condition of borrower, repayment ability)
19. July 29 Sunrise Bank (FL)
 - a. Loan Underwriting/Credit Administration (financial strength of borrower, reduce interest-only loans, borrower cash flow)
20. July 20 PAB Bancshares (GA)

- b. a. Lending and Credit Administration (Underwriting standards that require documented analyses of any collateral and the borrower's and any guarantor's repayment source, global cash flow, and overall debt service ability)
21. July 14 Profinium Financial Holdings Inc (MN)
 - a. Loan Policies and Procedures (borrower cash flow and credit analysis, financial statements)
 22. July 6 Amboy Bancorp (NJ)
 - a. Credit Risk Management (timely analysis of borrower financial statements, ability to service debt, cash flow and collateral)
 23. June 10 Sterling Bank (FL)
 - a. Lending and Credit Risk Management (borrower's ability to repay, cash flow, financial statements)
 24. June 4 Tradition Bancshares Inc. (TX)
 - a. Lending and Credit Administration (Underwriting standards that require documented analyses of borrower's repayment source, global cash flow, creditworthiness and overall debt service ability)
 25. April 30 Heritage Bank (KS)
 - a. Lending and Credit Risk Management (Underwriting standards that require documented analysis of borrower's repayment source, global cash flow, creditworthiness and overall debt service ability)
 26. April 9 San Joaquin Bancorp (CA)
 - a. Loan Policies and Procedures/Asset Improvement (borrower cash flow, repayment ability, collateral)
 27. March 30 BankEast Corporation (TN)
 - a. Lending and Credit Administration (Underwriting standards that require documented analysis of borrower's repayment source, global cash flow, creditworthiness and overall debt service ability)
 28. March 27 First State Bank of Red Bud (IL)
 - a. Lending and Credit Administration (Underwriting standards that require documented analysis of borrower's repayment source, global cash flow, creditworthiness and overall debt service ability)
 29. February 3 Sun American Bancorp (FL)
 - a. Asset Improvement (analyze, and document the financial position of the borrower, including source of repayment, repayment ability, and alternative repayment sources)
 30. February 3 Elmwood Financial Corporation (WI)
 - a. Credit Administration/Asset Improvement (minimize loan documentation exceptions)

2008

1. December 17 Truman Bank Corp Inc. (MO)

- a. Lending and Credit Administration (minimizing loan documentation exceptions)
2. November 6 CapitalSouth Bancorp (AL)
 - a. Lending and Credit Administration (borrower's repayment source, creditworthiness and overall debt service ability, documentation)
3. October 22 Bank of Canton (PA)
 - a. Lending and Credit Administration (borrower's repayment source, creditworthiness and overall debt service ability, documentation)
4. October 16 Americas Bank (MD)
 - a. Credit Risk Management (creditworthiness and repayment capacity, quality of appraisals)
5. October 1 Warren Bancorp Inc. (MI)
 - a. Lending and Credit Administration (identification of common loan repayment sources, documentation of loan guarantor repayment capacity, procedures for denial of exceptions to loan documentation)
6. September 23 Community Bank of West Georgia (GA)
 - a. Lending and Credit Administration (Underwriting standards that require documented analysis of borrower's repayment source, global cash flow, creditworthiness and overall debt service ability, borrower's ability to repay, periodic borrowers' financial statements review)
7. September 19 First Georgia Community Corp (GA)
 - a. Lending and Credit Administration (Underwriting standards that require documented analysis of borrower's repayment source, global cash flow, creditworthiness and overall debt service ability, borrower's ability to repay, periodic borrowers' financial statements review, minimum requirements for borrower's equity)
8. September 10 Newnan Coweta Bancshares Inc. (GA)
 - a. Lending Practices and Credit Administration (Underwriting standards that require documented analysis of borrower's repayment source, global cash flow, creditworthiness and overall debt service ability, borrower's ability to repay, periodic borrowers' financial statements review, documentation of borrower's current financial condition and periodic submission of financial statements, requirements for exceptions to bank's loan policies)
9. July 25 Capital Corp of the West (CA)
 - a. Lending and Credit Administration (Underwriting standards that require documented analysis of borrower's repayment source, global cash flow, creditworthiness)
10. July 14 KCB Bank (MO)
 - a. Loan Policies, Procedures and Administration (underwriting standards to require borrowers to document a clear source of repayment and ability to

service their debt; emphasize importance of cash flow analysis rather than collateral-based lending and ensure that financial statements, tax returns and other financial data indicating borrower's capacity to repay the loan are sufficiently current)

11. April 3 First Priority Bank (OK)
 - a. Loan Policies, Procedures and Administration (complete description of loan documentation, guidelines for real estate appraisals, procedures for exceptions to loan policies)
12. January 8 Southern Bank of Commerce (AR)
 - a. Lending and Credit Administration (underwriting standards to provide documented analysis of borrower's repayment source, creditworthiness and debt service ability, clear loan to value limits)

2007

1. August 29 Premier Bank (CO)
 - a. Lending and Credit Administration (underwriting standards to provide documented analysis of borrower's repayment source, creditworthiness, cash flow and debt service ability)
2. August 16 Marco Community Bank (FL)
 - a. Loan Policies and Procedures (underwriting standards that provide for analysis of the financial capacity of borrower, documented sources of repayment, cash flow analysis, cash equity requirements, loan to value ratios, current valuation of collateral, description of loan documentation and collateral)
3. August 16 Anadarko Bank and Trust Company (OK)
 - a. Loan Policies and Procedures (underwriting standards that provide for analysis of the financial capacity of borrower, documented sources of repayment, cash flow analysis)
4. August 8 Marshall BankFirst Corp (MN)
 - a. Lending and Credit Administration (underwriting standards that provide for analysis of the financial capacity of borrower, documented sources of repayment, cash flow analysis, cash equity requirements, loan to value ratios, current valuation of collateral, description of loan documentation and collateral)
5. June 19 Mid America Bank and Trust Company (MO)
 - a. Loan Policies, Procedures and Administration (underwriting standards that provide for analysis of the financial capacity of borrower, documented sources of repayment, cash flow analysis)
6. March 23 Cache Valley Bank (UT)
 - a. Loan Policies and Procedures (borrower ability to repay, proper real estate appraisals)

7. March 22 North Valley Bank (OH)
 - a. Loan Policies, Procedures and Administration (underwriting standards that provide for analysis of the financial capacity of borrower, documented sources of repayment, cash flow analysis)

2006

1. September 11 Exchange Bank of Missouri (MO)
 - a. Loan Policies and Procedures (underwriting standards that provide for analysis of the financial capacity of borrower, documented sources of repayment, cash flow analysis, value of supporting collateral, documentation regarding credit/appraisals)
2. August 22 Bank of York (AL)
 - a. Loan Policies, Procedures and Administration (underwriting standards that provide for source of repayment, repayment ability of borrower, loan documentation)
3. July 5 Progress Bancshares Inc. (MO)
 - a. Loan Policies and Procedures (underwriting standards that provide for source of repayment, repayment ability of borrower, importance of cash flow analysis and ensure financial statements, tax returns and other financial data indicating borrower's capacity to repay the loan are current)
4. March 17 Doral Financial Corporation (PR)
 - a. Mortgage Portfolios (bank possesses complete and enforceable documentation that describes true nature of collateral, assessment of overall asset quality of collateral, expected cash flows and repayment of principal)
5. March 17 First BanCorp (PR)
 - a. Mortgage Portfolios (bank possesses complete and enforceable documentation that describes true nature of collateral, assessment of overall asset quality of collateral, expected cash flows and repayment of principal)
6. March 17 R&G Financial Corporation (PR)
 - a. Mortgage Portfolios (bank possesses complete and enforceable documentation that describes true nature of collateral, assessment of overall asset quality of collateral, expected cash flows and repayment of principal) 2005
1. July 14 First Citizens Bank (MT)
 - a. Loan Policy Compliance and Documentation Deficiency Corrections (correct documentation and credit information deficiencies and loan policy exceptions including obtaining accurate and current financial statements and appraisals)
2. April 29 Banco Industrial de Venezuela C.A. (NY and FL)
 - a. Credit Risk Management (analysis of borrower's current and stabilized cash flow, earnings and debt service capacity, financial performance, net worth, guarantees, future prospects, and other factors relevant to the borrower's ability to service and retire its debt)

3. April 25 Civitas BankGroup Inc (TN)
 - a. Credit Administration (underwriting standards for loans that emphasize importance of cash flows analysis of borrower and ensure that financial statements, tax returns and other financial data indicating borrower's capacity to repay loan are current, procedures for exceptions to loan policies)

2004

1. November 18 Ameribanc Holdings (CO)
 - a. Credit Risk Management (revised loan policies and procedures that consider information loan policies and procedures to be provided to the Bank's loan committee to ensure that informed lending decisions are based on current and accurate credit risk information, compliance with the standards for appraisals, ensuring borrowers' compliance with loan covenants and applicable laws and regulations, determining the financial conditions of borrowers and the Bank shall take all steps necessary to correct documentation and credit information deficiencies)
2. October 21 Community State Bank (OK)
 - a. Credit Risk Management (underwriting standards to assess financial condition of borrower, analysis of repayment capacity, value of collateral, requirement for loan documentation)
3. August 2 Traders Bank (WV)
 - a. Loan Policies and Procedures (underwriting standards that require loan officers to assess the financial condition of borrower including analysis of borrower's repayment capacity, sources of repayment and value of supporting collateral, required loan documentation)
4. June 3 Utah Bancshares (UT)
 - a. Loan Administration ((underwriting standards that require loan officers to assess the financial condition of borrower including analysis of borrower's repayment capacity, sources of repayment and value of supporting collateral, cash flow)
5. May 14 Putnam-Greene Financial Corporation (GA)
 - a. Loan Policies and Procedures (underwriting standards that require loan officers to assess the financial condition of borrower including analysis of borrower's repayment capacity, sources of repayment and value of supporting collateral, required loan documentation)
6. March 24 Midwest Bank Holdings (IL)
 - a. Loan Policies and Procedures (underwriting standards regarding current financial statements of borrower, written cash flow analysis including sources of repayment and borrower's ability to repay)
7. Feb 24 Custar State Bank (OH)
 - a. Loan Policies and Procedures (underwriting standards regarding current credit and cash flow, current financials)

2003

1. December 24 Combanc (OH)

- a. Loan Policies and Procedures (underwriting standards regarding current credit and cash flow, current financials)
2. November 4 Bank of Gassaway (WV)
 - a. Loan Policies and Procedures (underwriting standards that require employment and income verification, current credit reports and such financial data necessary to establish borrower's ability to repay)
3. May 29 NAB Bank (IL)
 - a. Loan Policies and Procedures (underwriting standards to emphasize importance of cash flow analysis of borrower and ensure financial statements, tax returns and other financial data indicating borrower's capacity to repay, adequate appraisal and valuation procedures)

2002

1. December 19 Metamore Bancorp Inc. (OH)
 - a. Loan Policy (underwriting standards that require loan officers to assess financial condition of borrower, value of supporting collateral and financial strength of guarantor, description of loan documentation and collateral)
2. October 23 United Central Bank (TX)
 - a. Monitoring exceptions to loan policies, maintaining adequate credit and collateral documentation
3. October 17 O.A.K. Financial Corporation (MI)
 - a. Underwriting standards that require loan officers to assess financial condition of borrower, value of supporting collateral, the financial strength of guarantor, description of loan documentation)
4. July 10 Rurban Financial Corp (OH)
 - a. Loan Policies and Procedures ((underwriting standards to emphasize importance of cash flow analysis of borrower and ensure financial statements, tax returns and other financial data indicating borrower's capacity to repay)
5. July 8 First American Bancorp (OK)
 - a. Revised Loan Policy (current financial data, borrower's repayment capacity, sources of repayment, cash flow, collateral documentation and valuation)
6. Feb 15 Midsouth Bank (AR)
 - a. Financial condition and repayment capacity of borrower)

2001

1. December 28 First State bank of Warner (SD)
 - a. Financial condition and repayment capacity of borrower, cash flow, sources of repayment)
2. December 3 Bank of Little Rock (AR)
 - a. Financial analysis of borrower financial and income statements cash flow and debt service capacity)