



*October 1999*

# **Compliance:** *A Self-Assessment Guide*

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Office of Thrift Supervision

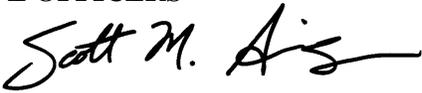


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**MEMORANDUM FOR:** CHIEF EXECUTIVE OFFICERS  
**FROM:** Scott M. Albinson   
**SUBJECT:** Revised Compliance Self-Assessment Guide

In 1988, the Federal Home Loan Bank Board published a Compliance Self-Assessment Guide. From the beginning, the purpose of the guide has been to promote compliance with consumer protection laws and regulations by outlining a process that an institution can use to evaluate its compliance control structure and to enhance the effectiveness of its compliance program. OTS has updated and republished this reference guide on subsequent occasions since its initial launch. We recently posted our latest revision on the OTS website under the “Handbooks” section of the “Supervision” tab.

The new edition emphasizes the importance of a compliance management strategy predicated on system controls, real-time monitoring, periodic self-assessment, organizational accountability, responsiveness to needed improvements and effective training. This strategy is incorporated into the acronym we call “Working S-M-A-A-R-T: **S**ystems, **M**onitoring, **A**ssessment, **A**ccountability, **R**esponse, and **T**raining.”

Sound compliance management, like other areas of operational management, is predicated on establishing a comprehensive program of risk controls and reviews. The SMAART approach provides guidance for creating a comprehensive compliance management program. Each institution should apply the SMAART approach in a manner tailored to its business goals, operational complexity, market circumstances, product diversity and staffing resources. While the sophistication of compliance programs will vary by institution, risk management and customer service should be the guiding principles in developing and implementing your compliance management program.

This latest revision of the Guide also incorporates new regulatory sections on the Home Owner Equity Protection Act, Disclosure and Reporting of CRA-Related Agreements, Insurance Consumer Protection, and Privacy of Consumer Financial Information into the contents of Part C – Overview of Laws and Regulations.

We have additional revisions planned in the course of the next year to further amplify on how you can implement the SMAART approach at your institution. In the meanwhile, we hope that this latest version of the Guide helps you in your continuing efforts to build a compliance program that fulfills your obligation to meet regulatory requirements and your aspiration to better serve your customers.

# COMPLIANCE: A Self-Assessment Guide

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## INTRODUCTION

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### PURPOSE

This version of Compliance: A Self-Assessment Guide updates the edition issued by the Office of Thrift Supervision in September 1999. That edition helped promote compliance with consumer protection laws and regulations by outlining a process that a savings association should use to evaluate its compliance operations and to enhance the effectiveness of its compliance program. This revised version accomplishes the same basic objectives, by emphasizing a compliance management strategy that reduces risk and promotes high quality customer service.

The revised Guide reflects and highlights a compliance management strategy predicated on system controls, real-time monitoring, and periodic self-assessment. This strategy is incorporated into the acronym we call "Working S-M-A-A-R-T: Systems, Monitoring, Assessment, Accountability, Response, and Training". OTS encourages and expects your institution to develop, adopt, and implement the fundamental components of **S-M-A-A-R-T** into your compliance management program. Of course, a successful compliance management program requires the commitment of the institution's board of directors and the active involvement of senior management. Ultimately your goal as it relates to compliance management is to work **S-M-A-A-R-T**.

The Guide serves as a resource to help you identify or discern primary regulatory requirements and evaluate the effectiveness of your institution's compliance management program. While covering most of the federal consumer protection laws and regulations that affect savings associations, this Guide does not address all such laws and regulations or any state laws.

This revision incorporates new regulatory sections on the Home Owner Equity Protection Act, Disclosure and Reporting of CRA-Related Agreements, Insurance Consumer Protection, and Privacy of Consumer Financial Information into the contents of Part C - Overview of Laws and Regulations.

*While striving for precision, the OTS does not warrant the accuracy and applicability of all of the information contained herein. This Guide neither replicates all regulatory requirements nor supplants the need to create a compliance program geared to the specific circumstances of a given institution. The institution's officers and staff must be vigilant about ensuring that concepts derived from this Guide are not taken out of context or employed erroneously. They should confirm independently that any revisions to the institution's compliance practices are being made in conformity with all applicable laws and regulations; exclusive reliance on this Guide is strongly discouraged.*