

Embargoed until
December 12, 2007, at 10:00 am



Statement of

Montrice Godard Yakimov
Managing Director, Compliance and Consumer Protection
Office of Thrift Supervision

concerning the

Financial Consumer Hotline Act of 2007

before the

Subcommittee on Financial Institutions and Consumer Credit
of the
Committee on Financial Services

December 12, 2007

Office of Thrift Supervision
Department of the Treasury

1700 G Street, N.W.
Washington, DC 20552
202-906-6288

Statement required by 12 U.S.C. 250: The views expressed herein are those of the Office of Thrift Supervision and do not necessarily represent those of the President.



**Testimony on the Financial Consumer Hotline Act of 2007
before the Subcommittee on Financial Institutions and Consumer Credit
of the Committee on Financial Services
December 12, 2007**

**Montrice Godard Yakimov,
Managing Director, Compliance and Consumer Protection,
Office of Thrift Supervision**

I. Introduction

Good morning, Chairwoman Maloney, Ranking Member Biggert, and Members of the Subcommittee. Thank you for the opportunity to present the views of the Office of Thrift Supervision (OTS) on Chairwoman Maloney's pending legislation, the Financial Consumer Hotline Act of 2007.

In your invitation letter, Madame Chair, you ask us to testify about the establishment by the Federal Financial Institutions Examination Council (FFIEC) of a single, toll-free telephone number for consumers to call if they have a problem or inquiry regarding an institution regulated by one of the FFIEC agencies. The system would establish a mechanism within the FFIEC for routing consumer complaints and inquiries to the appropriate agency with jurisdiction of the institution that is the subject of the complaint or inquiry.

In particular, you ask us to address the following questions in our testimony:

- What mechanisms do consumers currently have to register complaints or inquiries with banking regulators?
- What impediments currently exist for consumers in identifying the appropriate banking regulator to register a complaint or inquiry?
- What is the current process for identifying and redirecting consumer complaints and inquiries to the appropriate regulator?
- How would the establishment of a single, toll free telephone number assist consumers seeking to register a complaint or inquiry with banking regulators?
- How would the establishment of a single, toll free number assist banking regulators in compiling and acting on consumer complaints and inquiries?
- How would the establishment of a single, toll free number help raise the profile of banking regulators as a consumer resource for registering complaints and inquiries?



The consumer complaint process is an important link and means of communication between an institution's regulator and its customers. The federal banking agencies process thousands of consumer complaints annually. The process is extremely important for a number of reasons. First, the consumer complaint process enables the banking agencies to help consumers to address and resolve consumer concerns at regulated institutions. Second, it helps the federal banking agencies identify potential areas of risk at an institution for follow up during an examination. Third, the process helps the agencies identify potential trends on products or practices within the industry that may warrant future guidance. Finally, it also informs the agencies on areas where consumer education may be beneficial.

A strong consumer complaint program is also a valuable regulatory tool that strengthens the examination function. At the OTS, consumer complaints have revealed important information about weaknesses in internal controls at particular institutions, violations of federal consumer protection laws, and potential unfair acts or practices.

The OTS shares your concerns that consumers be able easily to identify the appropriate place to file a complaint or concern about a regulated institution. This not only helps the consumer, but it helps us to do our job more effectively and more efficiently. The establishment of a single, toll-free consumer hotline is an idea that has been discussed for some time, and its implementation is long overdue. We applaud your leadership on this issue, Madame Chair. You have laid strong groundwork in your legislation to move us forward within the framework of the FFIEC to implement a program to establish a single, toll-free consumer hotline for federal and state depository institution regulators. Our only question at this stage is the expediency with which legislation could be enacted and the extent to which a bill could restrict rather than provide the FFIEC flexibility to implement a program that provides maximum benefit to consumers.

Before addressing the issues raised in the Subcommittee's invitation letter, we will briefly discuss the OTS's current consumer complaint resolution process, as well as OTS involvement in FFIEC efforts to enhance the ability of consumers to reach the appropriate regulator to address an issue or inquiry involving a depository institution.

II. The OTS Consumer Affairs Program

The OTS is committed to fair access to financial services for all consumers and the fair treatment of customers at the institutions and companies we regulate and oversee. In addition to fair access to financial services for thrift customers, one of the primary goals set forth in the OTS 2007 Strategic Plan is fair treatment of thrift institution customers. This requires that we consider fairness whenever we receive a consumer complaint regarding an institution we regulate.



OTS staff in our regional offices and Washington headquarters work directly with consumers to address their questions and inquiries; investigate allegations and complaints; and ensure thrift institutions are in compliance with all applicable consumer protection laws and regulations. So far in 2007, the OTS has addressed over 5,500 consumer complaints and 9,600 inquiries involving the institutions we regulate.

In addition to addressing issues raised by consumers and providing information to consumers on the institutions we regulate, our regional offices use consumer complaint data in the examination process to identify higher risk practices at particular institutions for follow-up by our examiners during regularly scheduled examinations. Where circumstances warrant, we may also initiate specialized, targeted investigations of particular institutions based on information provided to the agency by consumers. Finally, our regional offices routinely use complaint data to scope examinations, including fair lending reviews, and identify particular issues for on-site review.

The OTS has a performance benchmark of 60 days for complaint resolution, and our Consumer Affairs analysts consistently meet that benchmark. OTS Consumer Affairs staff members work closely with consumers and our regulated institutions to address concerns and ensure that institutions are responsive to the issues raised by their customers. We may even intervene, as appropriate, to attempt to broker a resolution between a consumer and an institution in instances where there is no apparent violation of consumer protection laws or regulations.

The OTS accepts written consumer complaints at each of our regional offices and at our Washington headquarters. Upon receipt of a consumer complaint about a particular institution, the complaint is recorded and centralized through our Washington office, and OTS regional staff commence an investigation of the matter, including a review of any similar complaints involving the institution (or similar matters at other institutions). Complaints are reviewed to ensure compliance with federal consumer protection laws and regulations, including anti-discrimination laws, and are also evaluated based on the overall safety and soundness of the consumer practices at the institution.

OTS has also negotiated a model Memorandum of Understanding (MOU) with the Conference of State Bank Supervisors (CSBS) to share consumer complaint data with state banking departments. Through the model agreement, the OTS and participating state banking departments will exchange information about the number of complaints, the resolution of complaints, and related data for institutions under our respective supervisory jurisdiction. The objective is to achieve prompt and effective resolution and redress of consumer complaints relating to the financial institutions and the financial affiliates for which OTS and state banking agencies, respectively, have supervisory responsibility. We are working with CSBS to facilitate this effort, and have begun the outreach process to enter into specific agreements with state banking departments.



In order to facilitate consumer access to agency resources in addressing a complaint involving an institution we regulate, we provide a wide range of consumer information and resources on our website. This includes information on how to file a consumer complaint involving an OTS-regulated institution, a directory of institutions regulated by the OTS, and other relevant consumer information.

Pursuant to longstanding OTS policy, when we receive a complaint involving an institution that is not subject to our jurisdiction, OTS staff researches the appropriate regulatory agency with jurisdiction of the institution or matter and forwards the consumer complaint to that agency/regulator. At the time that this occurs, the OTS also informs the consumer of the transfer of the complaint to the appropriate regulator.

We are also working proactively to strengthen further the OTS consumer complaint function. For example, we recently established monthly conference calls with our regional Consumer Complaint managers to share information on emerging issues and best practices. In addition, we developed a brochure for institutions to provide to their customers on how to resolve a consumer complaint against an OTS-supervised institution.

We also recently assessed our consumer complaint database and tracking system and identified specific improvements that will make it easier for our Consumer Affairs analysts to use consumer complaint data. This effort includes identifying additional standardized reports that will assist in consumer protection and compliance oversight at our regulated institutions. We are currently working toward an IT solution for this latter program.

Finally, we established an OTS working group several months ago to simplify our consumer complaint coding process. We found that the nature of our coding system made assessments of common or growing complaint areas challenging. Our internal working group developed an approach to reduce the number of codes, cutting them roughly in half. Results of this streamlining effort will significantly enhance our ability to track consumer complaint trends efficiently and effectively at particular institutions and within the industry.

III. The FFIEC Effort

On December 4, 2007, the FFIEC approved the development of a “statement of work” created by the FFIEC Interagency Consumer Complaints Working Group for contracting with an outside vendor to identify ways to improve the interagency consumer complaint process. The thrust of this effort is threefold: simplify the process for identifying the appropriate regulator; create easier complaint filing procedures; and improve complaint resolution timeframes. The goal is to identify opportunities for enhancing the consumer experience and leveraging agency resources to ensure that



consumers reach the appropriate regulator of their financial institution. Among the items addressed by the proposal are:

- A website and/or portal to route consumers to the appropriate regulator;
- A call routing process to direct consumers to the appropriate regulator;
- A consumer friendly institution look-up tool;
- An electronic process that automatically forwards consumer complaints to the appropriate agency;
- A complaint code mapping process for identifying trends and emerging issues;
- Development of a marketing and publicity campaign to increase consumer awareness of the availability of and how to contact financial institution regulators; and
- Exploring a uniform agency complaint and inquiry database and case management system.

The FFIEC intends to use this process to identify and implement the best solutions to ensure that consumers have the widest available access to financial institution regulators.

As I noted at the outset, Madame Chair, your legislative efforts have spurred the FFIEC and its agencies to take action in order to identify the best way to establish a comprehensive, user-friendly, and efficient national consumer complaint system. We believe that the FFIEC effort is squarely within the framework of your proposed legislation.

IV. Consumer Complaint System Procedural Questions

You have asked us to address a number of questions regarding existing OTS procedures and issues that arise in our consumer complaint process. As highlighted above, the OTS consumer complaint program has a number of purposes and provides invaluable regulatory and supervisory information to the agency. At its core, however, the primary focus of our program is addressing consumer complaints and inquiries. The questions you have asked us to address provide good insights into this process.

- What mechanisms do consumers currently have to register complaints or inquiries with banking regulators? Consumers with complaints or questions about OTS-regulated institutions, their subsidiaries and their holding companies, may register a complaint by mail or fax to any OTS regional office or at our Washington headquarters. Mail and fax are currently the preferred methods because of our requirement to have a signed copy of a



complaint for authentication and privacy protection purposes when we contact an institution on behalf of a consumer.

- What impediments currently exist for consumers identifying the appropriate banking regulator to register a complaint or inquiry? When a consumer mistakenly contacts the OTS to address a complaint or matter involving an institution or entity that we do not regulate or supervise, OTS staff forwards the complaint to the appropriate regulator and informs the consumer of this action. This generally happens within a day or two of receipt of such correspondence so the consumer's complaint is not delayed.
- What is the current process for identifying and redirecting consumer complaints and inquires to the appropriate regulator? Upon receipt of a misdirected complaint, it is standard procedure among the banking agencies to forward the complaint to the appropriate regulator for investigation and review. Through FFIEC, the agencies are currently working to improve and enhance this process. This process is conducted automatically to avoid unnecessary delays of a consumer's request/inquiry.
- How would the establishment of a single, toll free telephone number assist consumers seeking to register a complaint or inquiry with banking regulators? For consumers confused about who regulates their financial institution, a single 1-800 number would automatically direct the consumer to the appropriate regulator of their institution. It is important to note, however, that this referral process is already informally in place among the regulators.
- How would the establishment of a single, toll free number assist banking regulators in compiling and acting on consumer complaints and inquiries? A single 1-800 number would assist the banking regulators be reducing the number of misdirected inquiries that each receives. By minimizing consumer confusion, it would also enhance the efficiency and effectiveness of the regulators, who could avoid time-consuming efforts needed to direct a misdirected consumer to the appropriate regulatory agency. From a monitoring and safety and soundness standpoint, however, a single number would not provide any additional benefit since the OTS, like each regulator, has a unique database system to capture consumer complaint and inquiry data. This data is used by the OTS to identify consumer trends, scoping for thrift supervisory examinations and identifying emerging and evolving consumer issues. We want to be certain that our ability to maintain this system going forward is not compromised by a centralized interagency complaint system.
- How would the establishment of a single, toll free number help raise the profile of banking regulators as a consumer resource for registering complaints and inquiries? A single 1-800 number would increase the accessibility of the federal banking agencies to consumers and, thereby, improve the overall financial services system. Consumer access and



accountability will increase confidence in our banking system and enfranchise more consumers to “buy in” and participate in our system. The OTS frequently participates in public outreach activities to inform the public about filing a consumer complaint with a thrift institution. These activities include participation at national conferences such as AARP and distribution of OTS brochures on how to resolve a consumer complaint. A single hotline number will remove one more barrier that many consumers may experience at times in attempting to resolve an issue with their banking institution.

V. The Financial Consumer Hotline Act of 2007

The OTS is supportive of enhancing consumer access to federal and state regulators. And we are working closely with the other FFIEC agencies to implement the initiatives set forth in the Financial Consumer Hotline Act as well as a number of similar items that will improve consumer access and confidence in our financial system. The proposals outlined in the bill are among the highest priorities of the FFIEC, as described above. Given the work currently being conducted by the FFIEC, our only concern with the legislation is the extent that it could be viewed as limiting the ability of the FFIEC to craft consumer solutions not currently anticipated with the legislation, or delay development of a FFIEC-sponsored proposal because of uncertainty surrounding the final framework of the legislation.

VI. Conclusion

Your bill, Madame Chair, the Financial Consumer Hotline Act sets forth a number of sound consumer protection initiatives that should be incorporated in our banking system. These will improve the accessibility and confidence of consumers in our banking system by providing a clear mechanism for filing consumer complaints or inquiries about all regulated financial institutions. Given that the FFIEC is working hard to address these issues and other similar initiatives, we ask that you consider allowing the FFIEC agencies the ability to move forward on their work unfettered by a legislative overlay. While we understand and appreciate your desire to address these issues expeditiously, particularly given that these are long overdue, we believe the FFIEC process will do so while minimizing disruptions to existing agency consumer protection programs.

Thank you for your leadership on this issue, Chairwoman Maloney, and for the time and efforts of all of the Members of the Subcommittee. With or without legislation, we will work closely with you as we move forward to implement a single, toll-free hotline number for consumers to contact whenever they have a complaint or concern about a financial institution or financial services firm.
