

RESCINDED

New Activities and Services Program

Replaced. See OCC 2017-43.

EXAMINATION OBJECTIVES

To determine if the activities the association engages in and the services they provide are permissible.

To determine if the association complied with any application or notice requirements or other restrictions on activities and services.

To determine if the association has risk management procedures and internal controls appropriate to any high-risk activities and services of the association.

To ensure that any related review of a new or expanded activity and service reveals whether the policies, procedures, and controls adequately ensures safety and soundness, profitability, and compliance with all laws, regulations, and guidance.

EXAMINATION PROCEDURES

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LEVEL I

1. Review examination scoping materials related to each activity. If another examiner reviewed scoping materials, obtain a written or verbal summary of the review(s) of items concerning this program.

Scoping materials might include:

- The prior examination report.
- Prior exception sheets and work papers.
- Review of internal/external audit reports, supervisory analysis, correspondence, the business plan, minutes of the meetings of the board of directors, Preliminary Examination Response Kit (PERK) information, etc.
- Approval conditions in OTS orders or legal opinions.
- Business plan.

2. Determine whether the savings association or service corporation(s) entered into any new (or expanded) activities or services since the last examination.

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3. Determine whether the savings association or service corporation submitted all required notices or applications for any new activity or service.

4. Verify that the activities and services are permissible and in compliance with applicable laws, regulations, and policy directives and that the board of directors approved the new activity or service, and considered the risks involved, established appropriate concentration limits, and addressed any conflicts of interest or usurpation of corporate opportunity issues.

Note: See other relevant Examination Handbook sections for specific activities.

5. Determine what, if any, approval conditions or requirements (from application, notice, legal opinion, no-action letter, supervisory document, or regulation) were specified for the activity(ies).

6. Evaluate whether the savings association is complying with all approval conditions or requirements associated with the new activity(ies) or services.

7. Determine whether the association corrected deficiencies mentioned in prior examination reports and audit reports. For example, were there prior criticisms regarding proper approvals for activities and services?

8. Review the Matters Requiring Board Attention and Corrective Actions from the three or four previous ROEs to ensure that the board and management have taken appropriate corrective action where necessary and persistent problems have not recurred.

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9. If the savings association qualifies for standard treatment for the applications process or is in one of the three undercapitalized categories under Prompt Corrective Action, determine whether the new activities they are engaging in or payments they have made are permissible for such an association.

LEVEL II

Generally for new activities you would evaluate the following items during the review of the activity during the appropriate phase of the examination, such as Subprime Lending during the Asset Quality review. If not, please perform all applicable Level II procedures.

10. Determine whether the savings association incorporated the new activity or service into its business plan with support for any expected expenses or revenue.
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11. Evaluate whether management created proper policies and procedures to conduct the new activity(ies) or service including conflicts of interest and usurpation of corporate opportunity.
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12. Evaluate whether management has adequate internal controls for ensuring compliance with written agreements and applicable federal and state regulatory requirements.
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13. Determine if the association reviewed the available insurance coverage appropriate to the new service or activity.
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14. Ensure that your review meets the Objectives of this Handbook Section. State your findings and conclusions, and appropriate recommendations for any necessary corrective measures, on the appropriate work papers and report pages.
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EXAMINERS SUMMARY, RECOMMENDATIONS, AND COMMENTS

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