



Comptroller of the Currency
Administrator of National Banks

OFFICE OF THE OMBUDSMAN



**Customer
Assistance
Group (CAG)**





A Message from the Ombudsman



I am pleased to present this first report of the OCC's Customer Assistance Group (CAG). Providing guidance and assistance to consumers who have questions or complaints involving national banks is a uniquely challenging and rewarding responsibility.

The OCC has a long history of providing this service to customers of national banks, and I am very proud of the extraordinary group of professionals who staff the CAG and strive to carry out our mission as we advance to the next millennium.

The OCC acts as a liaison between national banks and their customers, not as an advocate for either side. Non-biased assistance with problem resolution benefits all concerned, and is in keeping with the agency's commitment to ensure fair access to financial services and fair treatment for all national bank customers. Solid customer relationships — and responsiveness to customer concerns — are critical to the operations of every national bank. Satisfied customers are the foundation of a strong and competitive national banking industry.

This report provides an overview of the history of the OCC's involvement in the consumer assistance process, along with a discussion of the issues and trends we've seen since the new CAG opened in Houston in April 1998. The OCC is also required by the Federal Trade Commission Act of 1975 (15 USC 41, et seq.) to collect statistical data on consumer complaints involving national banks. The CAG maintains a database that allows for analysis of complaint activity and complaint trends. Summary information from the CAG's first 18 months of operation is included in this report.

I look forward to your feedback on the OCC's Customer Assistance Group's first report.

Samuel P. Golden

OCC Ombudsman

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OCC's Consumer Complaint Function—1974 to Present

Twenty-five years ago, in September 1974, Comptroller of the Currency James E. Smith announced the formation of a consumer affairs division at the OCC. He charged the new division with responsibility for handling consumer questions and complaints, for conducting research on consumer-related banking issues, and for supporting bank supervision efforts.

Also in 1974, Congress enacted consumer laws that remain in force today. The Fair Credit Billing Act, Equal Credit Opportunity Act, and Real Estate Settlement Procedures Act were enacted to supplement the protections already afforded by the Consumer Credit Protection Act of 1968 (Truth-in-Lending). The Federal Trade Commission Improvement Act of 1974, which took effect in September 1975, mandated the creation of consumer affairs divisions at each of the federal banking regulatory agencies. Congress adopted the Home Mortgage Disclosure Act in 1975. The Consumer Leasing Act of 1976 would follow, and the Fair Debt Collection Practices Act of 1977, later amended the Consumer Credit Protection Act to protect borrowers from abusive debt collection practices.

All of these laws provide important consumer protections that have helped national banks better serve their customers. However, sometimes it is difficult for bank customers to know and understand all of their rights and responsibilities under these laws. The CAG strives to educate customers as well as assist them in resolving any problems they may have with national banks.

In 1976, the Consumer Affairs Division implemented an automated consumer assistance information system to categorize and track consumer inquiries. In 1977, the agency received 8,224 written complaints. A large number of telephone inquiries were also received.

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Over the years, the volume of telephone calls received by the OCC increased, and in 1995, the agency established a toll-free consumer hotline. In 1997, the OCC received approximately 40,000 telephone calls, and the volume continues to grow as public awareness of the division increases.

After more than 20 years of experience providing this service to customers of national banks, the OCC recognized it was time to revitalize its operations. In June 1997, the OCC Ombudsman assumed responsibility for management of the agency's customer assistance function. Concurrent with the transfer of responsibility, the function was re-engineered to address the changing needs and preferences of today's national bank customers and was centralized in Houston, Texas. In April 1998, the renamed Customer Assistance Group (CAG) opened and began full operation with a staff of 22 and modern call-center technology.

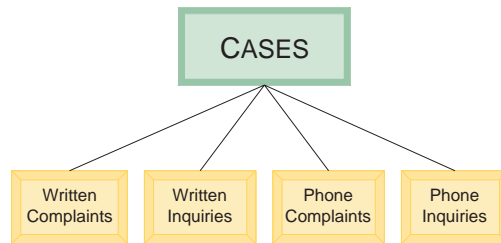
The new call center is staffed with banking compliance professionals, many of whom worked previously for financial institutions, other regulatory agencies, or in the legal and supervisory areas of the OCC. The CAG's most senior specialists staff the call center so that as many cases as possible are resolved at the point of first contact. More than 45 percent of all complaints are resolved on the first call. CAG specialists access current information on banking and consumer regulations from their computer terminals and provide callers with answers to questions about how rules are applied and implemented.

The OCC does not have a mandate to engage in consumer advocacy, but it is responsible for ensuring the safety and soundness of the national banking system. By facilitating communications among national banks and their customers, the CAG supports industry efforts to sustain a broad and satisfied customer base in a highly competitive financial services market. The CAG's constituents

include customers of national banks, national banks, and OCC bank examiners.

Call and Case Volumes

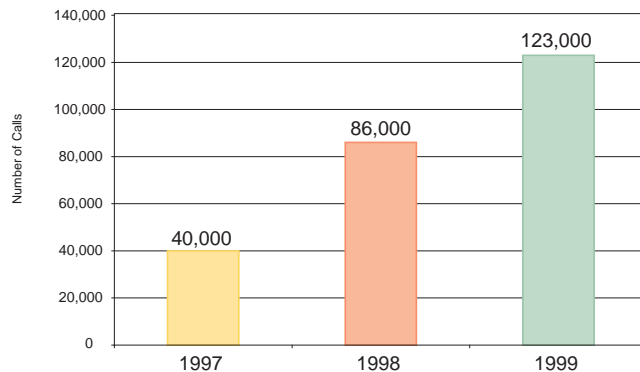
Since April 1998, the CAG has received a steadily increasing volume of cases, both telephone calls and written correspondence. The CAG uses the term “case” to track written and telephone complaints and inquiries. A complaint is defined as an expression of dissatisfaction by a consumer about a national bank. An inquiry is defined as a question or comment about a national bank or federal laws and regulations related to banking. This chart shows the relationship.



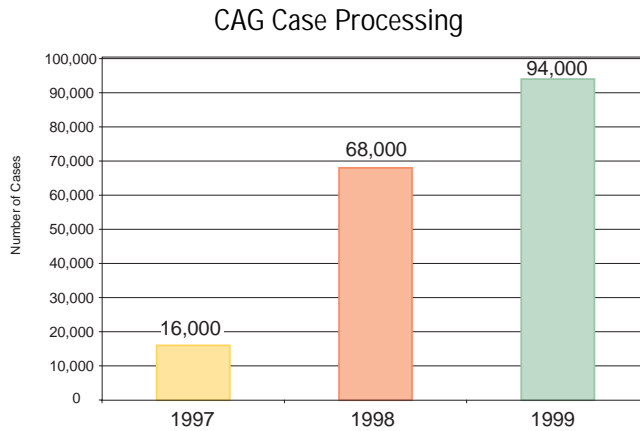
The 50 percent to 55 percent of complaint calls that cannot be resolved immediately on the telephone, along with any written complaints received, are sent to the processing unit for research and bank contact.

In 1997, the OCC received approximately 40,000 telephone calls. For 1998, the CAG received 86,000 telephone calls. The calls received for 1999 totaled 123,000.

CAG Incoming Call Volumes



In 1997, the OCC processed 16,000 cases. During 1998, the CAG processed an average quarterly volume of 17,000 cases, resulting in 68,000 cases for the year. Through year-end 1999, the CAG processed 94,000 cases.



Enhanced technology, highly qualified staff, and centralization allowed the CAG to handle a greater volume of calls and cases. Other factors that may have contributed to CAG's increased call volume include:

- Customer service issues arising from mergers and industry consolidation.
- Customer confusion over credit practices, even when those practices comply with regulatory requirements.
- Increased public awareness of CAG and greater press coverage of consumer finance issues.

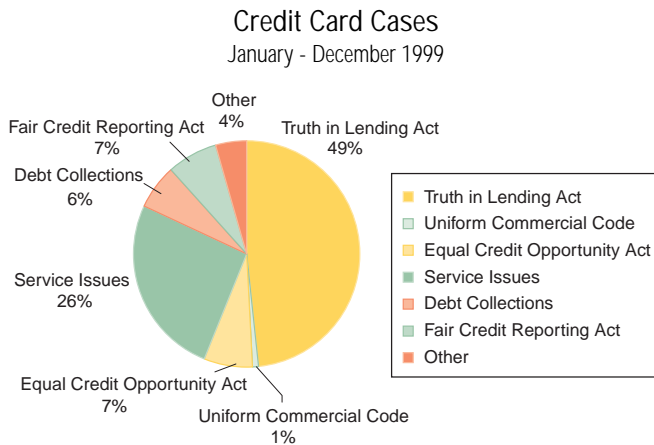
The CAG expects a continued rise in the volume of cases, because of a continuation of merger, consolidations, and industry expansion into new lines of business.

Summary of Concerns

From January through December 1999, customer concerns focused primarily on loan and deposit accounts, representing 49 percent and 22 percent of total cases, respectively. Concerns ranging across a broad spectrum of other bank products and services comprise the remainder. Predictably, credit card and checking accounts generate the highest level of customer cases because they are the most common types of accounts.

Credit Cards

Credit card cases focus primarily on Truth in Lending Act concerns (49 percent) and service issues (26 percent). Other cases raise issues involving the Fair Credit Reporting Act (7 percent) and debt collection practices (6 percent) and the Equal Credit Opportunity Act (7 percent).



Truth in Lending Act

Billing disputes and disclosures are the most significant issues for credit card account holders. The Truth in Lending Act (TILA) contains error-resolution provisions that cover billing error disputes, unauthorized use, and legal claims and defenses a customer can employ in a dispute with a bank. It also includes provisions covering disclosure of annual percentage rates and changes in terms.

Credit card customers often misunderstand the dispute provisions of the TILA. For example, customers commonly believe they have blanket protection when using a credit card and can “stop payment” on charges. Many customer misunderstandings persist, even though customers have received all required disclosures from their banks.

Credit card holders often believe that they are protected from changes in terms because they have a contract. However, customers may find existing contract terms are modified because of changes in bank policy or when banks transfer their portfolios through sales, mergers, or acquisitions. In addition, interest rates may be raised, fees added, grace periods eliminated, or policies on late payments tightened. Promotional terms on transferred balances may be changed without a pay-off option. Bank disclosures of changes are often included among the advertising materials that accompany credit card statements and may be easily overlooked by customers.

Service Issues

Service issues represent a broad category that captures customer dissatisfaction with bank products, services, or communications with bank employees. Service issues may be related to regulatory concerns, but do not fall under specific regulations. Some examples of service issues are:

- Customers’ concerns regarding their privacy.
- Increased fees and/or higher interest rates without any perceived additional benefits.
- Dissatisfaction with the ability of bank employees to explain clearly bank products, services, or customer rights.

In most instances, the CAG is able to guide and educate customers on service issues.

Fair Credit Reporting Act/Debt Collection

Fair Credit Reporting Act issues arise typically after a customer has already approached the credit bureau about a bank's reporting of account information that the customer believes is incorrect. The CAG facilitates an evaluation at the bank to ensure that the credit report is accurate.

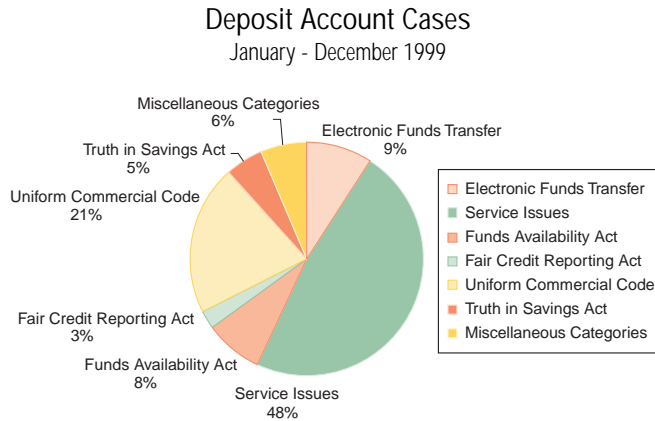
Debt collection issues often involve complaints about the conduct of collection agents employed by the bank. A bank customer may also assert that the account was placed in collection in error. The CAG facilitates a review by the bank to ensure collection practices are within permissible guidelines or that the account has been referred properly for collection.

Equal Credit Opportunity Act

Many complaints involving the Equal Credit Opportunity Act (ECOA) result from reasons provided by banks to customers in letters declining credit applications. Standardized declination letters do not always provide customers with a clear understanding of the bank's reasons for credit denial. In other cases, customers misunderstand their protections under ECOA. When the basic provisions of ECOA are explained to them by CAG staff or provided to them in writing, customers often realize their rights have not been violated. The CAG considers seriously every complaint alleging illegal discrimination under the ECOA. If the CAG has reason to believe that illegal discrimination may have occurred, its staff will notify the OCC's division responsible for fair lending issues.

Deposit Accounts

Customer concerns about deposit accounts focus on the Uniform Commercial Code (21 percent) and service issues (48 percent).



Uniform Commercial Code

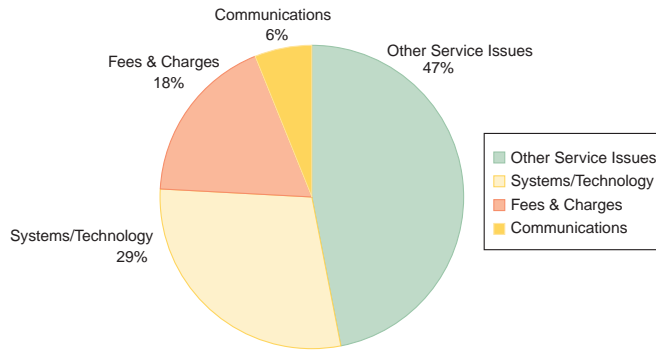
The Uniform Commercial Code (UCC) covers the negotiation and collection of checks and drafts involving commercial transactions along with sales contracts and agreements. Disputes over UCC issues are primarily contractual issues between the bank and its customer, and the OCC does not intervene. Forged instruments, and stop-payment procedures are two of the most common transactions that initiate consumer calls. The customers are informed to consult an attorney for guidance regarding these types of transactions.

Service Issues

Service issues comprise a majority of consumer concerns involving deposit accounts. Concerns about deposit accounts are typically the same as those for credit card accounts. Fees and charges, systems/technology, and communications collectively represent the largest causes of customer dissatisfaction (53 percent). The remaining service issues involve customer privacy; bank employee

knowledge about terms, products and services offered; access to bank premises or products; and other inquiries concerning checking accounts.

Deposit Account Service Issues
January - December 1999



Cases involving fees and charges are categorized as service issues when no regulation exists on the nature and amount of fees banks charge their customers. One of the most common issues is an increase in or imposition of additional fees (such as fees for check cashing and presentment of checks against insufficient funds).

Issues with systems and technology include ATM failures, lost/misplaced deposits, or processing problems with on-line banking.

As with credit cards, another major concern is dissatisfaction with the ability of bank employees to clearly explain bank products, services, or customer rights. When customers have problems with a transaction or a product, employees often restate bank policy without providing clear explanation of what the policy means or why it has been implemented. The result can be ineffective communication among customers and bank employees.

The CAG routinely provides information and educational materials to national bank customers who call or write to the office. Improved communication among bank customers and

bank employees — combined with greater understanding of applicable banking regulations by bank employees — could result in fewer customer cases brought to the CAG’s attention. Often, customers have already attempted direct resolution with the bank before contacting the CAG.

Some Lessons Learned

Bank sensitivity to customer concerns has become increasingly important as banking — and its law and regulation — has become more complex. Bank sensitivity to customer concerns can affect a bank’s position in a very competitive marketplace. The CAG’s experience reflects how:

- Banks benefit from customer loyalty and favorable marketplace reputation when they keep their customers informed beyond the minimum regulatory requirements.
- Customers’ misconceptions often persist even when they have received all required disclosures; these misconceptions could be minimized, if bank employees provided a clear explanation of disclosures and corresponding disclosure rules when customers express confusion.
- The empowerment of bank employees to efficiently resolve customer concerns at the lowest practical level can increase satisfaction and loyalty; the dollar amount in dispute is often lower than the cost of processing a bank customer complaint.
- The type and nature of the bank’s primary business line and its business practices are better indicators of potential case volume than bank asset size.

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Service to Others

For decades, national banks have cooperated with the OCC to resolve customer concerns. This benefits financial institutions, consumers, and the OCC.

Industry Partnerships

The CAG helps facilitate regulatory compliance and provides information to help national banks strengthen their risk management systems. To accomplish this, the group conducts formal and informal meetings or discussions with bank representatives and generates reports for individual institutions that identify complaint trends and consumer issues. Information provided by the CAG can serve as an early identification warning system for potential problems.

Educational Partnerships

The CAG facilitates communication between a bank and its customers in the resolution of individual cases. Customers receive information and education on banking practices and laws. Through the customer assistance process, the CAG gains insight about standard bank products, such as loans and deposits, and obtains information about a broad spectrum of other financial products and services offered by national banks and their affiliates. This information provides insight into specific issues arising from account transactions, banking practices, and issues that may affect risk management. The CAG also provides banks with information gleaned from the process to enable them to respond internally to issues that shape bank customer satisfaction.

Supervisory Partnerships

The CAG develops and maintains ongoing dialogue with the OCC's bank supervision staff. The CAG also compiles and analyzes data and prepares internal reports for the OCC's bank supervision staff that give information on volume, trends, and categories of customer cases. Through this process, the CAG identifies risk management issues and potential violations of law that may be included in the examination strategy. In an effort to prevent systemic replication of problems identified in individual institutions, the CAG routinely discusses "hot topic" consumer issues with bank supervision personnel.

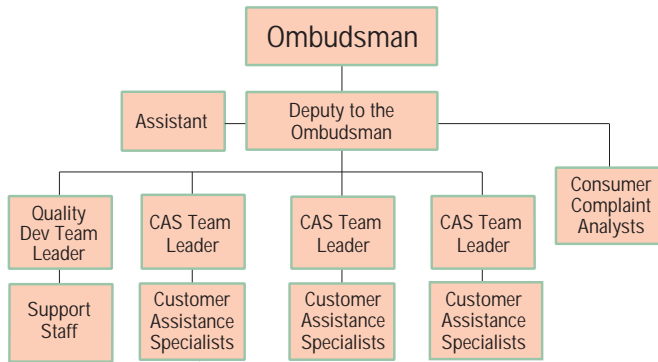
Mission Statement

The mission of the Customer Assistance Group is to ensure bank customers receive fair treatment in resolving their complaints with national banks and to provide courteous and professional service by:

- Educating consumers on federal banking laws and regulations; on dealing with national banks; and on the Office of the Comptroller of the Currency's authority to resolve complaints.
- Facilitating the resolution of complaints from customers of national banks.
- Handling most customer cases on a toll-free hotline.
- Analyzing complaint data to ensure the OCC considers complaint information in conducting supervisory activities and developing policies.
- Providing national banks and consumers with statistical information.
- Fostering a "Best in Class" operating model for the Customer Assistance Group.

Organizational Structure

OCC Customer Assistance Group



These mission elements are achieved through identifying customer expectations and needs, developing processes designed to meet those expectations and needs, and staffing with compliance specialists able to fulfill both customer needs and the OCC's responsibilities. Call us at 800-613-6743.