Office of the Comptroller of the Currency

Mission Statement

To ensure a safe and sound national banking system for all Americans.

Program Summary by Budget Activity

Dollars in Thousands

	FY 2009	FY 2010	FY 2011		
	Actual	Estimated	Estimated	$ Change	% Change
Supervise	$597,859	$661,039	$694,220	$33,181	5.0%
Regulate	$94,511	$104,499	$109,744	$5,245	5.0%
Charter	$23,628	$26,125	$27,436	$1,311	5.0%
Total Resources	**$715,998**	**$791,663**	**$831,400**	**$39,737**	**5.0%**
Total FTE	**3,104**	**3,216**	**3,263**	**47**	**1.5%**

FY 2010 Priorities

- Regulate and supervise 1,564 national bank charters and 51 federal branches of foreign banks with total assets of approximately $8.3 trillion, as of September 30, 2009;
- Conduct examinations based on the risk profile of individual national banks to ensure they are safe and sound, sufficiently capitalized, and comply with consumer protection laws and regulations;
- Anticipate and proactively address potential adverse changes in national bank asset quality, liquidity and consumer risk profiles and allocate supervision resources accordingly;
- Assess the adequacy of national banks' credit, liquidity, internal controls, compliance, and corporate governance processes and require corrective action when deficiencies or undue risk concentrations are found;
- Resolve problem bank situations effectively by identifying problems at the earliest possible stage, clearly communicating concerns and expectations to bank management through appropriate enforcement actions, and ensuring timely follow-up on needed corrective actions;
- Continue to work closely with the Department of Treasury to implement provisions of the administration's Financial Stability and Regulatory Reform plans;
- Work with other domestic and international supervisors to strengthen supervisory processes and industry risk management practices, drawing upon key lessons learned from the global disruption in financial markets;
- Maintain a highly skilled and experienced workforce by continuing efforts to identify and develop the next generation of bank supervision leadership, strengthen the breadth and depth of examiner specialty skills, and recruit and retain entry-level examiners;
- Combat fraud and money laundering, and protect the integrity of the financial system through national banks' compliance with the Bank Secrecy Act/Anti-money laundering (BSA/AML), and the Uniting and Strengthening America by Providing

Appropriate Tools Required to Intercept and Obstruct Terrorism (USA PATRIOT) Act laws and regulations;
- Continue to support a competitive national banking system through entry of new charters, other bank structure transactions, and expansion of bank services and products in a safe and sound manner; and
- Continue to refine and improve the Comprehensive Report on Mortgage Performance and develop enhanced supervisory analytics with granular data on major national banks' credit card, home equity, and syndicated loan portfolios.

Information regarding the Administration's comprehensive regulatory reform proposals is provided in a separate budget chapter.

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Section 1 – Purpose

1A – Description of Bureau Vision and Priorities

The Office of the Comptroller of the Currency (OCC) was created by Congress to charter national banks, oversee a nationwide system of banking institutions, and ensure national banks are safe and sound, competitive and profitable, and capable of serving in the best possible manner the banking needs of their customers.

The OCC supervises 1,564 national bank charters and 51 federal branches of foreign banks in the United States. Total assets under the OCC supervision are approximately $8.3 trillion or 70 percent of total U.S. commercial banking assets. The average size and complexity of the institutions in the national banking system continue to grow, creating increasing and diverse challenges for the OCC.

As the regulator of national banks, the OCC has established four strategic goals that help support a strong economy for the American public: 1) a safe and sound national banking system; 2) fair access to financial services and fair treatment of bank customers; 3) a flexible legal and regulatory framework that enables the national banking system to provide a full competitive array of financial services; and 4) an expert, highly motivated, and diverse workforce that makes effective use of OCC resources. The OCC organizes its activities under three programs: (1) Supervise, (2) Regulate, and (3) Charter, to achieve the goals and objectives outlined in its strategic plan.

The OCC's priorities for fiscal year (FY) 2010 include supervisory issues related to continued adverse changes in national bank asset quality and risk profiles: working with the U.S. Treasury and other supervisors domestically and internationally to strengthen supervisory processes and banks' capital, liquidity, corporate governance, risk management practices; assessing the potential impact of, and ensuring national banks' compliance with any new applicable statutory, regulatory, and accounting standards; identifying and resolving potential problem banks at the earliest possible stage; further enhancing the OCC's supervisory analytical tools, including the joint OCC and Office of Thrift Supervision (OTS) mortgage metrics database and reports; and encouraging national banks to continue to meet the needs of credit worthy borrowers, including appropriate and effective residential mortgage modification programs, and ensuring that they comply with Community Reinvestment Act (CRA), fair lending, and other consumer protection laws and with BSA/AML and USA PATRIOT Act requirements.

Assessing the adequacy of national banks' credit and liquidity risk management and consumer compliance practices, and obtaining corrective action to address any identified safety and soundness and consumer compliance weaknesses will continue to be a major focus of the OCC on-site supervisory activities in FY 2010. Coordination and cooperation with state officials will be a significant focus for the agency. Maintaining and enhancing examiners' skill sets, recruiting entry-level examiners and enhancing their retention at the critical three/four-year point of their careers, and continuing to develop the next generation of bank supervision leadership are also critical initiatives of the OCC.

1B – Program History and Future Outlook

The OCC has its headquarters in Washington, D.C., and operates four district offices in Chicago, Dallas, Denver, and New York, and field and satellite offices throughout the United States. Resident examiner teams are located in the largest banking companies, and there is an examining office in London, England.

Operations are funded primarily (approximately 96 percent) from semiannual assessments levied on national banks. Revenue from investments in U.S. Treasury securities and other income comprise the remaining 4 percent of the OCC's funding. The OCC does not receive congressional appropriations to fund any portion of its operations.

The OCC and the banking industry continue to operate in a highly challenging and volatile environment. The financial condition and performance of national banks continue to be adversely affected by deterioration in the housing market and decline in general economic conditions. While economic conditions are expected to improve in FY 2010, the pace and scope of recovery may vary considerably across sectors and geographic markets. Credit conditions in many sectors will continue to deteriorate and national banks will continue to have significant volumes of problem loans and borrowers. As a result, the OCC is expected to experience an increase in the number of problem banks and bank failures. In addition, there will be heightened compliance, reputation, and strategic risks posed by significant changes in the statutory, regulatory, and accounting requirements for various bank products, services, and transaction structures that banks will need to successfully integrate into their operations. These changes may foster fundamental shifts in some banks' business models and strategic plans.

Responding to deteriorating credit quality and ensuring adequate liquidity, loan loss reserves, and capital buffers are maintained, will continue to be major focal points for the agency and the industry in the coming year. To address these challenges, the OCC is identifying those banks which are the most vulnerable to the impact of current economic conditions, and coordinating and allocating bank supervision resources to the areas and institutions of highest risk.

The following are highlights of the OCC's FY 2009 accomplishments and specific FY 2010 challenges.

Supervisory Activities

As the supervisor of national banks, the OCC has various ways to influence the national banking system: policy guidance and regulations that set forth standards for sound banking practices; on-site examinations and ongoing off-site monitoring that enable us to assess compliance with those standards and to identify emerging risks or trends; and a variety of supervisory and enforcement tools – ranging from matters requiring management's attention to informal and formal enforcement actions – that are used to obtain corrective action to remedy weaknesses, deficiencies, or violations.

The federal banking agencies regularly share supervisory information and undertake coordinated enforcement actions. As an example, when the OCC issues a remedial enforcement action against a national bank, the Federal Reserve Board will often take a complementary action with respect to the bank's holding company. Pursuant to an interagency sharing agreement, the federal banking agencies regularly exchange documents and information concerning fraudulent activities, including suspicious activity reports that involve suspected illegal activities at multiple financial institutions, and notify each other of enforcement actions against banks and individuals.

The OCC also coordinates extensively with other regulatory agencies and with law enforcement authorities. The OCC has entered into similar information sharing agreements with most state banking agencies, and all 50 state insurance departments, and regularly shares information with the Securities and Exchange Commission (SEC). The agency makes enforcement referrals to all of these regulators, as well as to state licensing boards and state professional ethics and responsibility boards, with respect to misconduct by attorneys, accountants, real estate agents, appraisers, and other professionals. The agency also makes enforcement referrals and cooperates in investigations conducted by several federal agencies, including, for example, the Financial Crime Enforcement Network (FinCEN), the Department of Labor (DOL), the Internal Revenue Service (IRS), the Department of Housing and Urban Development (HUD), the Federal Election Commission (FEC), and the Federal Trade Commission (FTC). In FY 2009, the OCC entered into an information-sharing agreement with the FTC to enhance the ability of both agencies to pursue activities of fraudulent payment processors and telemarketers. Suspected criminal violations, including evidence of fraud, are referred to the Department of Justice (DOJ). The OCC assists the DOJ, the Federal Bureau of Investigation (FBI), and the Secret Service in their investigations and prosecutions of fraud, as appropriate, by providing the OCC examiners to serve as special agents to the grand jury and as expert banking witnesses for the prosecution at trial. The OCC is a member of the National Interagency Bank Fraud Working Group and belongs to the President's Corporate Fraud Task Force.

The OCC continuously supervises banks through examination in its community bank, midsize and credit card bank, and large bank programs. A supervisory strategy is developed based on each banking institution's risk profile and condition. Examination activities focus on safety and soundness, consumer compliance, BSA/AML, USA PATRIOT Act, fair lending, asset management, bank information technology, and the CRA.

The OCC monitors and alerts the industry to emerging risks and practices that could adversely affect a bank's safety and soundness or compliance with banking laws and regulations through policy programs. Over the last several years, the OCC issued a series of supervisory guidance to address weaknesses in bank underwriting standards and credit practices. These guidelines addressed credit card account management; loss allowance practices; sound risk management practices for concentration loans in commercial real estate (CRE) lending; credit risk management for home equity lending; and nontraditional and subprime mortgage products. More recently, the OCC has issued guidance on the increased credit risk found in many banks' investment securities portfolios.

In FY 2009, the OCC supervisory activities centered on monitoring and responding to adverse conditions in the credit and financial markets, and national banks' loan portfolios. A primary focus of the OCC on-site supervisory activities has been the quality of national banks' credit risk management practices, as evidenced by effective credit risk rating systems and problem loan identification, adequate loan loss reserves in light of deteriorating credit quality, and effective loan work-out strategies. The OCC continues to encourage bankers to work with credit worthy borrowers who may be facing financial difficulties. Other areas of emphasis have been on sound liquidity risk management, with diversified funding sources and realistic contingeny funding plans, and strengthening capital buffers to weather further earnings pressures and asset quality deterioration. While assessing credit quality, adequacy of loan loss reserves, liquidity, capital, and risk management practices have been and continue to be the OCC's primary focus, the OCC also remains cognizant of the continuing need to address supervisory issues in the areas of fair lending, consumer protection, BSA/AML, and information security.

Monitoring Credit Quality
Monitoring and evaluating the quality of the loans and investments made by national banks are a fundamental component of the OCC's supervision program. Examiners evaluate asset quality and the adequacy of a bank's credit and investment risk management and controls through their on-site examination activities. They also ensure the bank has properly recorded any losses that have occurred in their loans or investments, and that the bank maintains adequate reserves for inherent losses in their loan portfolio.

In addition to individual bank examinations, the OCC conducts a variety of other activities aimed at identifying and responding to systemic trends and emerging risks that could adversely affect asset quality or the availability of credit at national banks and the banking system. Fiscal year 2009 activities included:

- Annual Survey of Credit Underwriting Practices - This annual survey, conducted by the OCC examiners and Credit Risk staff, identifies trends in lending standards and credit risk for the most common types of commercial and retail credit products offered by national banks. It provides an aggregate snapshot of how various factors, such as competition, are affecting how banks price and underwrite loans and whether the OCC believes the inherent credit risk in banks' portfolios are increasing or decreasing. The 2009 survey included examiner assessments of credit underwriting standards at the 59 largest national banks with assets of $3 billion or more. This population covers loans totaling $3.6 trillion as of December 2008, approximately 84 percent of total loans in the national banking system. The 2009 survey indicates that the trend of tighter underwriting that began in mid-2007 continued through 2008, as the majority of the banks surveyed tightened underwriting standards for both commercial and retail loans. This tightening offsets widespread easing that occurred during prior periods and is a measured response to a slowing economy and pockets of deteriorating product performance. Survey results indicate that the majority of banks now use generally the same underwriting standards regardless of the intent to hold or distribute. A key lesson learned from the financial market disruption is the need for bankers to apply sound, consistent underwriting standards regardless of whether a loan is originated with the intent to hold or sell. In releasing this year's survey, the OCC reminded bankers that underwriting standards should not be compromised by competitive pressures or the assumption that the loan will be sold to third parties;

- Shared National Credit Review - The annual Shared National Credit (SNC) review is a joint program conducted by the OCC, the Board of Governors of the Federal Reserve System (FRB), the Federal Deposit Insurance Corporation (FDIC), and OTS. The SNC review addresses large syndicated loans held by multiple banks. The 2009 review covered 8,955 credit facilities with commitments totaling $2.9 trillion. A SNC Press Release with results of the review will be published in late September. The OCC continued work on an interagency project to modernize the collection and analysis of SNC data and to improve the program's efficiency and effectiveness.

- Risk Concentrations - The market turmoil and subsequent economic downturn have highlighted the risks posed by undue asset or liability concentrations in banks' portfolios. Community banks can be especially prone to such concentrations as their lending portfolios tend to be highly concentrated in their local markets. As noted above, the OCC and other federal banking agencies warned financial institutions of the risks that were accumulating in many banks' CRE loan portfolios. During the last four years, the OCC has conducted asset quality reviews of all the OCC community and mid-size banks that have significant CRE concentrations to ensure that the banks have adequate credit underwriting, problem loan identification, and loan loss reserves for these portfolios. More recently, the OCC and other federal banking agencies have issued for comment, guidance on managing concentrations risk that may emerge from various correspondent banking relationships. These concentrations may emerge as credit exposures to banks that are lending or placing funds with a correspondent bank (e.g., selling excess federal funds) or as a liability exposure for banks that are obtaining funds from downstream correspondents; and

- Enhanced Credit Data Analytics - To improve the OCC's ability to monitor credit quality trends at the largest national banks and to identify potential trends that could pose systemic risks to the industry as a whole, during FY 2009 the OCC awarded contracts to several data aggregators to collect, validate, and aggregate data on home equity, credit card and large corporate syndicated credits. These efforts build off of the highly successful mortgage metrics project that the OCC initiated in FY 2008.

Restoring Financial Stability and Strengthening Prudential Supervision
The OCC has and continues to actively support the administration's efforts to restore stability to the U.S. financial sector and overall economy. The OCC is also working closely with other domestic and international supervisors, including the President's Working Group (PWG), the Basel Committee on Bank Supervision, the Financial

Stability Board (FSB) and the Senior Supervisors' Group (SSG), to identify and coordinate actions aimed at both restoring functioning markets and strengthening risk management and disclosure practices. For example, the FRB and the OCC are working with the Federal Reserve Bank of New York, the SEC, and other key global regulators and market participants to strengthen the operational infrastructure and backroom processes used for various over-the-counter derivative transactions. Through the OCC's ongoing supervisory process, the OCC monitors and benchmarks the efforts of the largest national banks to implement various recommendations and best practices that have been identified in various reports issued by the PWG, SSG, Financial Stability Forum and Basel Committee.

Other key initiatives are highlighted below:

- Troubled Assets Relief Program (TARP) - The OCC worked closely with the U.S. Treasury Department to provide technical assistance on the design and operation of various initiatives under TARP, including the Capital Purchase Program (CPP). The OCC, along with the other federal banking agencies and Treasury, developed a uniform application form for Qualified Financial Institutions (QFIs) that wanted to participate in the TARP CPP and used common evaluation factors and decision forms to review and provide recommendations on those applications to Treasury. As part of this process, the OCC supervisory staff reviewed all CPP applications submitted by national banks to evaluate their eligibility for the program and to provide recommendations to Treasury. The OCC also chaired and provided secretariat support to the interagency TARP CPP Council that is an advisory body to Treasury. For much of FY 2009, the OCC also provided on-site staff to assist Treasury in developing an effective administrative and oversight function for the TARP program. The OCC staff also worked with Treasury to develop reporting mechanisms to monitor and assess the use and effectiveness of TARP CPP proceeds by QFIs;

- Supervisory Capital Assessment Program - In conjunction with Treasury's Capital Assistance Program, the OCC, the FRB, and the FDIC, conducted a comprehensive, forward looking assessment of the financial condition of the nation's 15 largest bank holding companies to determine if those companies had sufficient capital buffers to withstand losses and sustain lending during a sustained economic downturn. This assessment involved staff from the OCC's on-site supervisory teams and policy and economic divisions. Institutions that needed to augment their capital levels were required to submit detailed capital plans and the OCC is closely monitoring national banks' compliance with those plans. Since the results of these assessments were announced in May, national banking organizations have raised or converted over $108 billion in core capital instruments;

- Residential Mortgage Lending, Loan Modifications, and Reporting Metrics - Continued strains in the housing markets are having an adverse affect on national banks' residential mortgage and home equity loan portfolios. To improve the OCC's ability to monitor conditions in this important market segment, in FY 2008 the OCC began requiring the nine largest national bank mortgage servicers to submit comprehensive mortgage data to the OCC on a monthly basis. In the summer of 2008, the OCC established the first loan-level source of mortgage performance data with the OTS by gathering validated information and reporting on more than 34 million first-lien mortgages, which represents 64 percent of all mortgages in the country. In FY 2009, the OCC and OTS refined and expanded the data collected to include information on the performance of modified loans, the sustainability and changes in payments that result from loan modifications, and the types of actions taken to modify loans.

The OCC also continues to encourage national banks to work constructively with borrowers who may be facing difficulties with their current mortgage obligations and to continue to meet the needs of credit worthy borrowers. In November 2008, the OCC and other federal banking agencies issued the *Interagency Statement on Meeting the Needs of Creditworthy Borrowers*. The OCC also has worked closely with Treasury and the HUD on formulating various programs to assist homeowners, including Treasury's Home Affordable Mortgage Program (HAMP). To ensure that regulatory capital was not hindering banks' ability to participate in this program, in November 2009 the OCC and other federal banking agencies issued a final rule that provides a common interagency capital treatment for mortgage loans modified under HAMP. The rule provides that loans modified under HAMP will retain the capital risk-weight assigned to a loan prior to its modification, so long as the loan continues to meet other applicable prudential criteria;

- Enhanced Liquidity Risk Management - In September 2008, the OCC joined other global supervisors in endorsing the Basel Committee's *Principles for Sound Liquidity Risk Management and Supervision*. The principles underscore the importance of establishing a robust liquidity risk management framework that is well integrated into the bank-wide risk management process. In June 2009, the OCC and other U.S. federal banking agencies issued for comment, guidance on the application of these principles to U.S. depository institutions;

- Basel II Capital Rules - The recent market turmoil highlighted areas where the current Basel II capital framework needed to be strengthened. The OCC has been actively involved in the package of measures announced by the Basel Committee in July 2009 to strengthen the 1996 rules governing the capital required for trading activities and to enhance the three pillars of the Basel II framework. The refinements announced in July include: 1) higher capital requirements to capture the credit risk of complex trading activities, including a stressed value-at-risk requirement designed to dampen the cyclicality of the minimum regulatory capital framework; and 2) higher capital requirements for re-securitizations to better reflect the risk inherent in these products, and for short-term liquidity facilities to off-balance sheet conduits. Banks will also be required to conduct more rigorous credit analyses of externally rated securitization exposures and to comply with higher supervisory standards for firm-wide risk governance and risk management.

These measures are part of the Basel Committee's broader program to strengthen capital by: 1) promoting the build-up of capital buffers that can be drawn down in periods of stress; 2) strengthen the quality of bank capital; and 3) introduce a leverage ratio backstop to Basel II for countries that currently do not have a leverage-based capital ratio. The U.S. agencies will jointly consider the adoption of these and other changes to the Basel II Accord for U.S. institutions through the agencies' notice and comment process; and

- Accounting and Financial Disclosure Issues -The OCC and other federal banking agencies continue to work closely with the SEC and the Financial Accounting Standards Board (FASB) on various accounting and disclosure issues related to the recent market disruptions, including various interpretations and application of guidance related to mortgage loan modifications, fair value measurement in illiquid markets, and accounting for asset-backed commercial paper and structured financial instruments. The agencies provided input as needed to the FASB as it developed revised accounting and disclosure standards governing securitization transactions and off-balance sheet entities that culminated in the FASB's Statements of Financial Accounting Standards Nos. 166 and 167 (FAS 166 and FAS 167), published in June 2009. These statements amend Statement of Financial Accounting Standards No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities* (FAS 140), and FASB Interpretation No. 46(R), *Consolidation of Variable Interest Entities*. These changes will have material effects on banking organizations' accounting for off-balance sheet items as well as the regulatory capital requirements for these items. In September 2009, the OCC and other federal banking agencies issued a proposed rulemaking for comment on the regulatory capital treatment and impact of the new standards. A final rule is expected before year end.

  Under Comptroller Dugan's chairmanship of the Financial Stability Board's Working Group on Provisioning, the OCC is also actively involved with banking supervisors and accounting standard setters world-wide to ensure that banks have the ability to strengthen their loan loss reserves at an appropriate time in the credit cycle, as their potential future loan losses are increasing. A more forward-looking "life of the loan" or "expected loss" concept would allow provisions to incorporate losses expected over a more realistic time horizon, and would not be limited to losses incurred as of the balance sheet date, as under the current regime. Such a revision would help to dampen the decidedly pro-cyclical effect that the current rules are having today.

Resolving Problem Banks

The goal of the OCC's supervision is to identify and correct potential issues at an early stage, before they adversely affect the safety and soundness of the banking system or the viability of any individual bank. Despite these efforts, given current market conditions, the OCC expects to see an increase in problem banks that will require more in-depth supervisory attention. As a bank reaches this stage, the OCC's efforts focus on developing a specific plan that takes into consideration the ability and willingness of management and the board to correct deficiencies in a timely manner and return the bank to a safe and sound condition. In most instances these efforts, coupled with the commitment of bank management, result in a successful rehabilitation of the bank. The OCC makes every effort to address and seek correction of bank problems through its examination program. However, when problems are serious and well-documented, enforcement action may be warranted to address violations of laws, rules, and regulations; unsafe or unsound banking practices and breaches of fiduciary duty; and noncompliance with the OCC directives or orders by national banks, their insiders, and other affiliated parties.

The OCC has used a variety of tools that were helpful in dealing with the industry-wide increase in problems and troubled institutions in FY 2009, including statutory Prompt Corrective Action determinations when a bank's capital deteriorates below specified thresholds, requirements for increased capital and liquidity sources, required changes in bank management, and prior OCC approval of changes in business plans.

In combating mismanagement during FY 2009, the OCC took such formal enforcement actions as final cease and desist orders, removal or prohibition orders, Civil Money Penalties, and formal agreements. Documents relating to the OCC enforcement actions can be found on the OCC's Web site at (www.occ.gov).

There will be cases, however, where the situation is of such significance that the OCC will require the sale, merger, or liquidation of the bank, if possible. Where that is not possible, the FDIC may be appointed as receiver. The OCC works closely with the FDIC in these cases to affect least cost resolution, consistent with the provisions of the Federal Deposit Insurance Corporation Improvement Act. For FY 2009 there were 13 national bank failures where the OCC appointed the FDIC as receiver. In the first two months of FY 2010 there were nine failures.

Bank Secrecy Act/Anti-Money Laundering

Through on-site examination activities, the OCC examiners evaluate banks' compliance with BSA/AML requirements and, where weaknesses are noted, seek corrective action. The OCC has also developed a Money Laundering Risk System (MLRS) that provides approximately 1,500 national community bank charters with succinct BSA/AML risk assessment information. This information also enhances the OCC's effectiveness in BSA/AML supervision. In FY 2009, FinCEN and the OCC each assessed Civil Money Penalties of $5 million against a foreign bank branch for alleged violations of the Bank Secrecy Act, which the bank agreed to pay under a consent order.

Fair Access to Financial Services and Fair Treatment of Bank Customers

The OCC fulfills its strategic goal of fair access to financial services and fair treatment of bank customers through its ongoing supervisory programs for national banks and their operating subsidiaries. These programs include ongoing supervisory examinations to ensure compliance with fair lending laws, the CRA, section 5 of the Federal Trade Commission Act (prohibiting unfair or deceptive acts and practices), and other consumer laws and regulations. In addition to supervisory activities, the OCC issues guidance and handbooks, and offers training to bankers and bank directors to help them understand and meet their compliance and CRA obligations.

Fair Lending

The OCC's fair lending supervisory process is designed to assess and monitor the level of fair lending risk in every national bank. The OCC assesses compliance with fair lending laws and regulations; obtains corrective action when significant weaknesses or deficiencies are found in a bank's policies, procedures, and controls relating to fair lending; and ensures enforcement action is taken when warranted. This includes referrals to the DOJ and notifications to the HUD.

As described in more detail in the Supervision section, the OCC responded to the mortgage crisis by encouraging national banks to work with consumers, supporting private and public sector initiatives and programs that seek to assist these borrowers, and collecting and analyzing extensive mortgage lending and workout data from the largest national banks.

Community Development

The OCC actively supports the efforts of national banks to engage in sound and successful community development activities and processes community development investment notices and proposals under title 12, Code of Federal Regulations Part 24. The federal financial institution regulatory agencies published new and revised Interagency Questions and Answers Regarding Community Reinvestment, and proposed revisions to regulations implementing the CRA to require consideration of low-cost education loans provided to low-income borrowers when assessing a financial institution's record of meeting community credit needs. The proposal also addresses crediting an institutions involvement with minority- and women-owned institutions. The OCC also conducts outreach with a variety of organizations, including advocacy groups, research organizations, community development practitioners, and community development membership organizations whose constituencies include or affect low- and moderate-income consumers, distressed communities, and small and minority-owned businesses. The OCC was particularly active in FY 2009 in identifying potential bank responses to the foreclosure crisis, such as working with community development organizations to rehabilitate foreclosed properties and stabilize neighborhoods, including use of the HUD's Neighborhood Stabilization Program and use of new markets and low income housing tax credits. The agency sponsored a series of banker community development workshops and participated in Hope Now mortgage foreclosure prevention events. Also in FY 2009, the bank regulatory agencies extended by an additional three years the period during which loans, investments, and services that help stabilize the areas impacted by Hurricanes Katrina and Rita will receive positive CRA consideration.

While maintaining its consumer help website, which was launched in 2007 (www.helpwithmybank.gov), the OCC continued to seek ways to work with the other federal financial regulatory agencies to better assist consumers when they have questions or need help in resolving issues with their banks. The agency also issued *Community Development Insights* reports on uses of the Historic Tax Credit and on bank sponsorship of school-based savings program, and also published a *Community Developments* newsletter focusing on financial literacy.

Consumer Protection
During FY 2009, the OCC continued its work with the other federal banking agencies to improve consumer protection. In December 2008, the agencies issued a revised Identity Theft brochure to assist consumers in preventing and resolving identity theft. In April 2009, the OCC issued a consumer advisory to help homeowners avoid scams that claim to help them save their homes, but can cause them to lose their homes and their money. The OCC is also leading the interagency effort to implement the registration requirements of the Secure and Fair Enforcement for Mortgage Licensing Act of 2008 (S.A.F.E. Act). In June 2009, the agencies issued a proposal that establishes the registration requirements for mortgage loan originators employed by agency-regulated institutions as well as requirements for these institutions, including the adoption of policies and procedures to ensure compliance with the S.A.F.E Act and final rule. As required by the law, the proposal also requires these mortgage loan originators to obtain a unique identifier through the Registry that will remain with that originator, regardless of changes in employment. When the system is fully operational, consumers will be able to use the unique identifiers to access employment and other background information of registered mortgage loan originators. The OCC is also taking the lead in developing interagency guidance for managing the risks presented by reverse mortgage loan products. A key aspect of the guidance is to ensure that there are appropriate consumer safeguards with these products as the market for them expands. The OCC anticipates that this guidance will be published for comment in the near future. The OCC also created public service announcements in English and Spanish advising consumers of the potential risks of reverse mortgage products.

Enforcement
As needed, the OCC uses its enforcement authority to address problems and noncompliance arising from unfair treatment of bank customers, including failure to meet requirements for proper disclosures relating to financial products and services.

In FY 2009, the OCC entered into an amended settlement agreement directing a national bank to make restitution to consumers harmed by its relationships with telemarketers and third party processors. As a result of the OCC's actions, which were based on findings of unsafe and unsound practices, and unfair practices in violation of the Federal Trade Commission Act, the bank issued checks totaling over $150 million to more than 74,000 consumers. The OCC took a total of 346 enforcement actions against banks and 333 enforcement actions against institution-affiliated parties during FY 2009. In FY 2010, the OCC expects to continue to be active on mortgage and credit fraud and fair treatment issues, through agency enforcement processes and in conjunction with interagency efforts.

Customer Assistance
The OCC's Customer Assistance Group (CAG) assists consumers who have questions or complaints about national banks and their operating subsidiaries. As of September 30, 2009, the CAG had received 144,505 contacts from consumers in the form of telephone calls, letters, faxes, and e-mails of which 61,679 were consumer complaints. The

majority of complaints received by the CAG involve credit card, retail checking and mortgage issues.

During FY 2009, outreach activities to state bank regulators continued. Memorandums of Understanding (MOU) have now been signed between the OCC and 45 state banking departments and the Commonwealth of Puerto Rico with several others in process. The agreements detail ways to gain efficiencies in processing cases by streamlining the way the states and the CAG exchange bank customers' complaint information. The CAG goals for FY 2010 include a continuation of outreach activities to state regulators and others.

Regulatory Activities

As one of its four strategic goals, the OCC strives to maintain a flexible legal and regulatory framework that enables the national banking system to provide a full, competitive array of financial services.

In FY 2009, the federal financial agencies, including the OCC, issued proposed rules requiring mortgage loan originators who are employees of agency-regulated institutions to meet the registration requirements of the S.A.F.E. Act. These mortgage loan originators must be registered with the Nationwide Mortgage Licensing System and Registry, a database established by the Conference of State Bank Supervisors and the American Association of Residential Mortgage Regulators. As part of the registration process, mortgage loan originators will be subject to a background check. When the system is fully operational, consumers will be able to use unique identifiers to access employment and other background information of registered mortgage loan originators. The proposal also establishes requirements that financial institutions adopt policies and procedures to ensure compliance with the S.A.F.E. Act and the rules.

As required by the Fair and Accurate Credit Transactions Act (FACT Act), the federal financial agencies and the FTC published final rules and guidelines to promote the accuracy and integrity of information furnished to credit bureaus and other consumer reporting agencies. This information is widely used to determine credit eligibility and access to employment, insurance and rental housing. Among other provisions, a consumer may submit a dispute directly to an entity that provided information to a consumer reporting agency for investigation. The rules are effective July 1, 2010. The agencies, at the same time, issued an Advanced Notice of Proposed Rulemaking to identify possible additional information that entities must provide to consumer reporting agencies when furnishing credit information.

With regard to capital requirements, the federal financial agencies issued an interim final rule in June 2009 and a final rule in November 2009 specifying a 50 percent risk weight for loans modified pursuant to the Treasury's HAMP. The federal banking and thrift agencies also issued a final rule permitting a reduction in the amount of goodwill a covered financial institution must deduct from Tier 1 capital equal to an associated deferred tax liability.

The OCC initiated a review of its regulations dealing with the scope of visitorial powers under the National Bank Act, in light of the U.S. Supreme Court decision in Cuomo, Attorney General of New York v. Clearing House Association, L.L.C., et al.

In FY 2010, the OCC will continue regulatory work on implementation of Basel II capital requirements and in response to accounting standards developments. Regulatory efforts related to Treasury, the FRB and other U.S. Government actions to address the recent market crisis are also expected to continue.

The OCC's strategic objectives emphasize regulatory oversight practices that support national banks' ability to compete while maintaining safety and soundness. The OCC issued its annual publication, "2008 Significant Legal, Licensing, and Community Development Precedents for National Banks" as well as the cumulative companion edition of "Permissible Activities for a National Bank." Analysis during FY 2009 included proposed reforms of the over-the-counter derivatives markets, proposed amendments to securities laws, and permissibility of various capital and securities structures and instruments. The agency provided legal analysis for bank participation in the TARP, Term Asset Backed Securities Loan Facility (TALF) and Public-Private Investment program (PPIP) participation. The agency also reviewed affiliate transactions and lending limits topics, including expansion of Supplemental Lending Limits for qualifying banks. In FY 2010, the agency will continue to consider and issue opinions regarding the safe and sound implementation of bank activities and products. The OCC will also continue to provide case-by-case analysis, when appropriate, with respect to the enforcement of state law in cases involving national banks and their subsidiaries.

Charter Activities

The OCC made several significant licensing decisions in FY 2009 involving national bank business realignments and acquisitions. In order to address potential safety and soundness problems before they arise, the OCC may impose conditions upon bank transaction approvals covering, for example, capital and liquidity arrangements and deviations from business plans. In FY 2009, the OCC responded quickly and effectively in reviewing and making decisions on applications related to resolving problem conditions brought on by the mortgage and credit crises. The Licensing Department works closely with Supervision and Law units in consideration of the viability and legality of proposals for dealing with problem banks. Proposed restructurings that may avoid bank failures and their associated costs can include mergers, purchases and assumptions, and temporary bridge banks.

In FY 2009, the agency conditionally approved the first "shelf charter" to expand the pool of qualified bidders for troubled institutions. The new mechanism involves the granting of preliminary approval to investors for a national bank charter. Shelf charters remain inactive until such time as the investor group holding the charter is in a position to acquire a troubled institution. This process expands the pool of potential buyers available to purchased troubled institutions.

1C – Industry Outlook

Turmoil in the financial markets, the mortgage and foreclosure crises, and the long and deep recession have all added to the challenges facing the banking system. Past experience says that growth in the banking system is likely to resume when the economy emerges from the current recession. Further, the long-term trend of bank consolidation is likely to continue and will accelerate in the near term, as the credit cycle culls out weaker performers. If bank assets continue to grow at about the rate of nominal Gross Domestic Product (GDP), and if GDP growth returns to its historical average over the next five years, assets could grow and the number of banks could shrink, as shown in the following table.

	Commercial Banks		National Banks		Share of Total System Assets
	Assets ($t)	Number	Assets ($t)	Number	in Banks Over $10M
2008	12.3	7,085	8.5	1,537	71.8%
2013e[1]	15.7	6,460	10.8	1,401	85.0%

[1] e - Estimated

But the depth, breadth, and duration of this downturn suggest that when recovery does come, bank assets and loans could grow more slowly than in the recent past. The combination of recession and financial crisis has already caused widespread deleveraging among both households and firms. Most expect this to continue, reducing the rate of credit growth throughout the economy. This could limit the pace of bank lending and asset growth as the economy begins to recover, as happened after the 1990-91 recession.

Large banks will continue to dominate the industry. Banks with over $10 billion in assets now account for 80 percent of national bank system assets. This share has been increasing, and the trend is expected to continue. The financial crisis could increase consolidation among these large banks, thinning their ranks from the 86 that exist now. As several non-banks have recently been brought into the banking system, the relative size of the banking system has increased. This trend may continue as well.

Until about six years ago, national banks consistently accounted for about 56 percent of all commercial bank assets. Since then, a series of mergers and conversions have increased the national bank share to approximately 70 percent of commercial bank assets.

Risks to the banking system include continued problems in the credit markets, and a slow recovery from the real estate slump and the recession.

Section 2 – Budget Adjustments and Appropriation Language

2.2 – Operating Levels Table

Office of Comptroller of the Currency	FY 2009 Obligated	FY 2010 Estimated	FY 2011 Estimated
FTE	**3,104**	**3,216**	**3,263**
Object Classification:			
11.1 - Full-time permanent	347,999	387,216	395,762
11.3 - Other than full-time permanent	8,821	9,256	9,782
11.5 - Other personnel compensation	1,820	2,301	10,623
12 - Personnel benefits	124,954	137,866	145,706
13 - Benefits for former personnel	108	195	206
21 - Travel and transportation of persons	45,246	51,552	54,484
22 - Transportation of things	2,913	2,668	2,819
23.1 - Rental payments to GSA	2,524	2,524	2,668
23.2 - Rental payments to others	35,787	37,272	39,392
23.3 - Comm, utilities, and misc charges	11,311	11,839	12,512
24 - Printing and reproduction	1,015	1,118	1,181
25.1 - Advisory and assistance services	21,095	37,219	39,336
25.2 - Other services	15,075	19,085	20,170
25.3 - Other purchases of goods and services from Govt. accounts	5,285	6,871	7,262
25.4 - Operation and maintenance of facilities	4,847	5,790	6,119
25.7 - Operation and maintenance of equip	51,926	52,335	55,312
26 - Supplies and materials	3,956	6,835	7,224
31 - Equipment	17,015	13,171	13,920
32 - Land and structures	14,112	6,320	6,679
42 - Insurance claims and indemnities	189	230	243
Total Budget Authority	**$715,998**	**$791,663**	**$831,400**
Budget Activities:			
Supervise	597,859	661,039	694,220
Regulate	94,511	104,499	109,744
Charter	23,628	26,125	27,436
Total Budget Authority	**$715,998**	**$791,663**	**$831,400**

2.3 – Resource Detail Table

	FY 2009 Obligated		FY 2010 Budget		FY 2011 Estimated		% Change FY 2010 to FY 2011	
	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
Budgetary Resources:								
Revenue / Offsetting Collections								
Assessments		$751,181		$800,100		$844,500		5.55%
Interest		21,525		25,300		26,600		5.14%
Other Income		1,996		1,700		1,700		0.00%
Total Revenue / Offsetting Collections		$774,702		$827,100		$872,800		5.53%
Unobligated balances, Start of year		$660,261		$671,332		$682,948		1.73%
Recoveries of prior year obligations		0		0		0		0.00%
Net transfers *(includes capital transfers)*		0		0		0		0.00%
Total Budgetary Resources Available		$1,434,963		$1,498,432		$1,555,748		3.83%
Expenses/Obligations								
Supervision	2,592	$597,859	2,671	$661,039	2,710	$694,220	1.46%	5.02%
Regulate	410	94,511	447	104,499	454	109,744	1.57%	5.02%
Charter	102	23,628	98	26,125	99	27,436	1.02%	5.02%
Total Expenses / Obligations	3,104	$715,998	3,216	$791,663	3,263	$831,400	1.46%	5.02%

2B – Appropriations Language and Explanation of Changes

The OCC receives no appropriations from Congress.

Section 3 – Budget and Performance Plan

This table lists all FY 2010 resources by strategic goal, objective and outcome outlined in the FY 2007-2012 Treasury Department Strategic Plan. The Treasury Strategic Plan is a corporate level plan for the Department that provides a description of what the agency intends to accomplish over the next five years.

For detailed information about the FY 2007-2012 Treasury Strategic Plan, please go to: http://www.treasury.gov/offices/management/budget/strategic_plan.shtml

3.1 – Budget by Strategic Outcome

Dollars in Thousands

Treasury Strategic Outcome	FY 2010 Estimated	FY 2011 Estimated	Percent Change
Economic competitiveness	130,624	137,180	**5.02%**
Fin. & econ.crises	661,039	694,220	**5.02%**
Total	**$791,663**	**$831,400**	**5.02%**

3A – Supervise *($661,039,000 from reimbursable programs):* The Supervise program consists of those ongoing supervision and enforcement activities undertaken to ensure that each national bank is operating in a safe and sound manner and is complying with applicable laws, rules, and regulations relative to the bank and the customers and communities it serves. This program includes bank examinations and enforcement activities; resolution of disputes through the National Bank Appeals process; ongoing monitoring of banks; and analysis of systemic risks and market trends in the national banking system or groups of national banks, the financial services industry, and the economic and regulatory environment.

3.2.1 – Supervise Budget and Performance Plan

Supervise Budget Activity					
Resource Level	FY 2007 Obligated	FY 2008 Obligated	FY 2009 Obligated	FY 2010 Estimated	FY 2011 Estimated
Appropriated Resources	$0	$0	$0	$0	$0
Reimbursable Resources	$528,622	$565,921	$597,859	$661,039	$694,220
Total Resources	**$528,622**	**$565,921**	**$597,859**	**$661,039**	**$694,220**
Budget Activity Total	**$528,622**	**$565,921**	**$597,859**	**$661,039**	**$694,220**

Supervise Budget Activity						
Measure	FY 2007	FY 2008	FY 2009		FY 2010	FY 2011
	Actual	Actual	Target	Actual	Target	Target
Percent of national banks with composite CAMELS rating 1 or 2	96	92	90	82	90	90
Percentage of national banks that are categorized as well capitalized	99	99	95	86	95	95
Percentage of national banks with consumer compliance rating of 1 or 2	97	97	94	97	94	94
Rehabilitated national banks as a percentage of problem national banks one year ago (CAMEL 3,4, or 5)	52	47	40	29	40	40
Total OCC costs relative to every $100,000 in bank assets regulated ($)	8.89	8.39	9.22	8.81	9.22	9.22

Key: Oe - Outcome Measure, E - Efficiency Measure, Ot - Output/Workload Measure, DISC – discontinued, and B - baseline

Description of Performance:

Well Capitalized National Banks

The Federal Deposit Insurance Act established a system that classifies insured depository institutions into five categories (well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized) based on their capital levels relative to their risks. Through September 30, 2009, 86 percent of national banks were classified as well capitalized. This decline is reflective of the increasing number of problem national banks whose capital levels have been adversely affected by substantial asset quality problems or who may otherwise meet the minimum ratios to be considered Well Capitalized but are not considered so under Prompt Corrective Action as they are under a capital order, Cease and Desist, Formal Agreement or Prompt Corrective Action Directive to reflect increased risks to their capital. The OCC works closely with problem banks to develop rehabilitation plans. Such plans typically include directives to improve or restore capital levels. More broadly, the OCC is working with other regulators both domestically and internationally to strengthen capital standards and improve credit risk management practices.

National Banks with Composite CAMELS Rating of 1 or 2

The composite CAMELS (**C**apital adequacy, **A**sset quality, **M**anagement, **E**arnings, **L**iquidity, and **S**ensitivity to market risk) rating reflects the overall condition of a bank. Bank regulatory agencies use the Uniform Financial Institutions Rating System, CAMELS, to provide a general framework for evaluating all significant financial, operational, and compliance factors inherent in a bank. The rating scale is 1 through 5 of which 1 is the highest rating granted. CAMELS ratings are assigned at the completion of every supervisory cycle or when there is a significant event leading to a change in

CAMELS. Through September 30, 2009, 82 percent of national banks earned composite CAMELS rating of either 1 or 2. The increase in the number of banks with lower composite CAMELS ratings is not unexpected at this stage of the credit cycle and reflects impaired asset quality and earnings that is affecting many banks. Our primary focus is to ensure that CAMELS ratings are an accurate reflection of each bank's current financial position and thus we would not take action to prematurely restore a favorable CAMELS rating even though the current distribution of ratings is below our target. As bank performance and asset quality improves, we would expect CAMELS ratings to adjust accordingly.

Rehabilitated National Banks
Problem banks ultimately can reach a point at which rehabilitation is no longer feasible. The OCC's early identification and intervention with problem banks can lead to successful remediation of these banks. The OCC recommends corrective actions to problem banks for improving their operations and, as a result, 29 percent of banks with composite CAMELS ratings of 3, 4, or 5 one year ago have improved their ratings to either 1 or 2 this year. As with the other measures, this target benchmark has been adversely affected by the underlying economic conditions facing the banking industry. The number of serious problem banks, where successful resolution is more difficult, has increased. In addition, the sharp contraction in certain segments of the economy, including the real estate sector, has resulted in a more rapid deterioration in some banks' financial condition.

National Banks with Consumer Compliance Rating of 1 or 2
To ensure fair access to financial services and fair treatment of bank customers, the OCC evaluates a bank's compliance with consumer laws and regulations. Bank regulatory agencies use the Uniform Financial Institutions Rating System, Interagency Consumer Compliance Rating, to provide a general framework for assimilating and evaluating significant consumer compliance factors inherent in a bank. Each bank is assigned a consumer compliance rating based on an evaluation of its present compliance with consumer protection and civil rights statutes and regulations, and the adequacy of its operating systems designed to ensure continuing compliance. Ratings are on a scale of 1 through 5 in increasing order of supervisory concern. National banks continue to show strong compliance with consumer protection regulations with 97 percent earning a consumer compliance rating of either 1 or 2 through September 30, 2009.

Total OCC Costs Relative to Every $100,000 in Bank Assets Regulated
Beginning in FY 2006, the OCC implemented a performance measure—Total OCC Costs Relative to Every $100,000 in Bank Assets Regulated—that reflects the efficiency of its operations while meeting the increasing supervisory demands of a growing and more complex national banking system. The OCC costs are those reported as total program costs on the annual audited Statement of Net Cost. Bank assets are those reported quarterly by national banks on their Reports of Condition and Income. Total national bank assets represent the growth and complexity of the national banking system. This measure supports the OCC's strategic goal of efficient use of agency resources. The

OCC's ability to control its costs while ensuring the safety and soundness of the national banking system benefits all national bank customers.

3B – Regulate *($104,499,000 from reimbursable programs):* The Regulate program consists of those ongoing activities that result in the establishment of regulations, policies, operating guidance, and interpretations of general applicability to national banks. These regulations, policies, and interpretations may establish system-wide standards, define acceptable banking practices, provide guidance on risks and responsibilities facing national banks, or prohibit (or restrict) banking practices deemed to be imprudent or unsafe. This program includes the establishment of examination policies, handbooks, and interpretations for examiners as well as representation of the OCC's regulatory authorities and interpretations in administrative, judicial, and congressional hearings.

3.2.2 – Regulate Budget and Performance Plan

Regulate Budget Activity					
Resource Level	**FY 2007 Obligated**	**FY 2008 Obligated**	**FY 2009 Obligated**	**FY 2010 Estimated**	**FY 2011 Estimated**
Appropriated Resources	$0	$0	$0	$0	$0
Reimbursable Resources	$91,296	$87,583	$94,511	$104,499	$109,744
Total Resources	**$91,296**	**$87,583**	**$94,511**	**$104,499**	**$109,744**
Budget Activity Total	**$91,296**	**$87,583**	**$94,511**	**$104,499**	**$109,744**

Regulate Budget Activity					
Measure	**FY 2007 Actual**	**FY 2008 Actual**	**FY 2009 Actual**	**FY 2010 Target**	**FY 2011 Target**

Key: Oe - Outcome Measure, E - Efficiency Measure, Ot - Output/Workload Measure, DISC – discontinued, and B - baseline

There are no measures specified at this time.

3C – Charter *($26,125,000 from reimbursable programs):* The Charter program involves those ongoing activities that result in the chartering of national banks as well as the evaluation of the permissibility of structures and activities of national banks and their subsidiaries. This includes the review and approval of new national bank charters, federal branches and agencies, mergers, acquisitions, conversions, business combinations, corporate reorganizations, changes in control, operating subsidiaries, branches, relocations, and subordinated debt issues.

3.2.3 – Charter Budget and Performance Plan

Charter Budget Activity					
Resource Level	FY 2007 Obligated	FY 2008 Obligated	FY 2009 Obligated	FY 2010 Estimated	FY 2011 Estimated
Appropriated Resources	$0	$0	$0	$0	$0
Reimbursable Resources	$18,515	$20,212	$23,628	$26,125	$27,436
Total Resources	**$18,515**	**$20,212**	**$23,628**	**$26,125**	**$27,436**
Budget Activity Total	**$18,515**	**$20,212**	**$23,628**	**$26,125**	**$27,436**

Charter Budget Activity						
Measure	FY 2007	FY 2008	FY 2009		FY 2010	FY 2011
	Actual	Actual	Target	Actual	Target	Target
Percentage of licensing applications and notices completed within established timeframes	96	95	95	95	95	95

Key: Oe - Outcome Measure, E - Efficiency Measure, Ot - Output/Workload Measure, DISC – discontinued, and B - baseline

Description of Performance:

Licensing Applications and Notices Completed within Time Frames The OCC's timely and effective approval of corporate applications contributes to the nation's economy by enabling national banks to complete various corporate transactions and introduce new financial products and services. Delays in providing prompt decisions on applications and notices can deprive a bank of a competitive or business opportunity, create business uncertainties, or diminish financial results. Time frames have been established for completing each type of application and notice. The OCC completed 95 percent of applications and notices within the time standard through September 30, 2009. Institutions receiving decisions on their corporate applications and notices rated the OCC's overall licensing services an average of 1.2. The licensing survey is based on a five-point rating scale, in which 1 indicates outstanding and 5 indicates significantly deficient.

For detailed information about each performance measure, including definition, verification and validation, please go to: http://treas.gov/offices/management/budget/

Section 4 – Supporting Materials

4A – Human Capital Strategy Description

The OCC has developed bureau-specific human capital goals to meet its overall strategic goals of ensuring the safety and soundness of national banks and maintaining an expert, highly motivated, and diverse workforce. The first is to align and employ the OCC workforce resources consistent with current and projected agency priorities. To help achieve this goal, on an annual basis, the OCC identifies business changes and imperatives, and assesses its current staffing structure to identify potential recruitment challenges and skill imbalances/gaps. The agency then develops strategies to meet these challenges and approve incentives specifically designed to address them. Other strategies include: 1) using all qualified personnel on priority assignments, realizing the increasing dependence and need for "fungibility" among and within various disciplines; 2) using the midsize/community banks area as the primary entry-level recruitment, training, and development vehicle to provide a diverse bank examiner selection pool for many departments and divisions in the bureau; and 3) identifying skill gaps and using them to establish recruitment and training priorities as part of the OCC's ongoing strategic planning process. The OCC has implemented a number of programs to increase and strengthen its examiner and leadership pools. The OCC has a highly successful college hiring and training team program to ensure a steady pipeline of entry-level bank examiners. Since the program's inception in FY 2003, 833 examiners have been hired, including 128 in FY 2009. While the OCC expects hiring to continue at current levels, strategies are being reviewed to ensure that the OCC has an integrated staffing process that allows supervision resources to be deployed to their highest and best use and maximizes staff development opportunities in alignment with the OCC's national priorities.

The OCC has focused heavily on recruiting the expertise needed to fill positions in the agency's Chief National Bank Examiner's office and Large Bank Supervision line of business. The OCC has also recognized the challenge of ensuring that it has the skill sets needed now and in the future to supervise the increasingly complex array of activities and businesses found in the national banking system. As a result, the OCC uses a framework to assess where and when specialized skills are needed and to ensure it has the staffing necessary to meet those needs. This framework, the Specialty Skills Assessment, allows the OCC to measure gaps in its current skill levels in eight critical business areas (Asset Management, Bank Information Technology, Capital Markets, Compliance, Commercial Lending, Retail Lending, Mortgage Banking, and Operational Risk) and to develop strategic plans to fill those gaps. It establishes a standard process to identify an individual's specialty skills, which can be compared to actual examination resources necessary for the effective supervision of national banks. These skill level designations are made on an annual basis. Also, on an annual basis, there is a review of the policy to ensure that the criteria used to determine assignment complexity and assess examiner skill levels in each specialty remain current and relevant as the industry evolves.

Assessment results aid examination staffing and recruiting initiatives, and provide employees and managers with a valuable tool that can be used to identify developmental opportunities to further an individual's career objectives.

In further recognition of the need to provide expert-level support related to the current financial and housing market situations, the OCC requested and was granted authority to waive the dual compensation reduction to reemploy certain annuitants. The extensive knowledge and superior skills reemployed annuitants have developed in specific specialty areas are an invaluable resource.

A second human capital goal is to develop current and future leaders who demonstrate strong strategic, people management, and technical skills. To achieve this goal, the OCC has implemented a leadership development program, LeaderTRACK, based on identified competencies. The program, which began in FY 2007, offers participants three six-month assignments, with significant managerial and supervisory roles, that will develop leadership skills rather than prepare them for a specific position. There have been ten participants in this program since its inception, eight of whom have already been placed in permanent managerial positions. The OCC also continues to focus on aligning leadership performance expectations with organizational goals, and preparing leaders to create and sustain a productive work environment and assume responsibility for developing staff.

The OCC operates under a merit-based pay and performance system. Annual across-the-board increases are not granted. Salary increases are awarded based on merit to reward employee performance, employee development that is relevant to the OCC's needs, and employee contributions to the OCC's priorities.

Therefore, a third human capital goal is to maintain strategic compensation/benefit programs and performance systems that link with organizational goals and mission accomplishment, enable the OCC to recruit and retain critical positions, and reward high performers. To assure the agency accomplishes this goal, the OCC is nearing completion of a study of the compensation program to assess the appropriateness of the pay bands, evaluate the relationship between performance management and merit pay systems, and evaluate the current compensation policies and programs to ensure they support the OCC in attracting, retaining, and motivating a high-caliber workforce.

The OCC is confident these strategies will enable it to avoid any critical deficiencies in terms of having the right numbers of people with the right skills to accomplish its mission.

4.1 – Summary of IT Resources Table

Dollars in Thousands

Major IT Investments / Funding Source	Budget Activity	FY 2009 Obligated	FY 2010 Estimated	% Change from FY 09 to FY 10	FY 2011 Estimated	% Change from FY 10 to FY 11
Fiscal Management	Manage	1,920	1,930	0.52%	2,000	3.63%
Total, Major IT Investments		**$1,920**	**$1,930**	**0.52%**	**$2,000**	**3.63%**

4B – Information Technology Strategy

The OCC's capital planning process ensures that all Information Technology (IT) investments are aligned with its mission, goals, and objectives, and target architecture before a project is selected for funding. The capital planning process ensures business cases are reviewed to leverage opportunities to use existing technology, to capitalize on enterprise opportunities as well as ensure there are no redundancy in IT systems that are considered for the portfolio.

The Department's overall strategy to effectively use technology to support the mission, goals, and objectives of the agency is enforced by the Investment Review Board (IRB), comprised of business unit and IT representatives from across the agency. The IRB makes recommendations to the OCC's Technology and Systems Subcommittee (TSS). Both the IRB and TSS meet regularly to select, monitor, and control IT investments. This process ensures that the overall IT strategy has adequate funding, resources, and prioritization.

Linkage to the OCC programs and strategic goals are documented in each project business case and prioritized by the IRB and TSS. Performance metrics are linked to the delivery, alignment, and achievement of the OCC strategic program objectives.

The OCC developed a Technology Vision 2012 Roadmap that aligns to the agency's core mission to ensure a safe and sound national banking system for all Americans. In addition, in FY 2009, the OCC established specific IT goals to leverage information technology as a strategic business enabler to support the OCC's strategic goals. Additionally, the OCC implemented a Modernization Vision & Strategy (MV&S) initiative. Modernization Vision & Strategy is a business-driven initiative that brings together multiple business organizations and follows best-practice methodologies to develop an IT "roadmap" based on the OCC business needs. The results of the MV&S will be integrated into the OCC target enterprise architecture and enhance the OCC's IT investment decision-making process to reduce costs and align IT with current and anticipated business needs.

FY 2010 Plans

Even though there are no new major IT initiatives planned in FY 2010, the OCC will continue to implement the OCC Technology Vision 2012 Roadmap with a focus on enterprise data analytics and information sharing, optimizing technology solutions for the mobile workforce, aligning IT investment decision making with the enterprise architecture and business objectives and managing the risk to OCC assets and improving internal efficiency and effectiveness.

To address the challenges faced by the OCC mobile workforce, the OCC will continue the Integrated-Mobile Employee Technical Refresh & Optimization (I-METRO) initiative. I-METRO will provide new laptops, PCs, and other peripheral devices and provide enhanced connectivity and mobile access. This initiative will reduce the costs of desktops, laptops and peripheral devices through a strategic sourcing service management approach. Examiners in the field will now have access to the best providers of wireless services commensurate with the geographic location of their bank examination.

The OCC will continue to modernize the agency's technical infrastructure. The Data Center Modernization & Optimization (DCM&O) initiative began in FY 2009 and focuses on the development and implementation of strategies and initiatives for infrastructure optimization. The DCM&O will maximize service delivery of the OCC data center and includes investing in human capital by addressing training needs; realigning multiple contract vehicles to better deliver core services and lower total cost of ownership for these services; and improving processes and reducing the number of servers to attain a "green" data center.

Homeland Security Presidential Directive 12 (HSPD-12)

In FY 2009, the OCC continued to develop an HSPD-12 program for SmartID card issuance and subsequent use of that card for both physical access to the OCC facilities and logical access to the OCC information systems. Among the bureau's accomplishments for FY 2009, the OCC activated and issued SmartID cards to its employee population and began contractor enrollment and activations. The OCC also successfully integrated the HSPD-12 enrollment procedures into existing on-boarding and personnel security programs. The OCC also began using HSPD-12 compliant SmartIDs for physical access at the OCC facilities and is credited with being among the first to enable Physical Access Control System (PACS) card interoperability with other federal agency issued HSPD-12 cards. In addition, during FY 2009, the OCC completed five new HSPD-12 compliant PACS installations and upgrades at the OCC facilities.

In FY 2010 the OCC will continue to install and upgrade HSPD-12 compliant PACS completing an additional 14 locations nationwide. In addition, the OCC will completely phase out existing proximity security cards, transitioning exclusively to HSPD-12 SmartID cards for all OCC employees and contractors. During FY 2010 the OCC will begin to integrate HSPD-12 policy, procedures and SmartID card usage into other existing agency processes moving towards full HSPD-12 compliance by the established Treasury and Federal milestones.

4.2 – Program Evaluation

Program Name: Bank Supervision

Assessment and Improvement Actions

- Regulatory agencies that include the OCC, OTS, FDIC, FRB, National Credit Union Administration, Federal Housing Finance Agency, and the SEC continue to share their strategic plans, performance budgets, and performance measures on a regular basis. This allows each agency to consider the approaches used by other agencies when developing or revising their goals and measures.

- The OCC and OTS, as bureaus in the Department of Treasury, continue to work together to maintain alignment of their performance measures.