

## **COMPLIANCE RATING SCALE**

OTS defines the five-point Compliance Ratings as follows:

### **Rating 1**

**An association in this category is in a strong compliance management position.** The compliance management program completely and reliably covers all six SMAART components and applies best practices in developing, maintaining and executing that program. The institution conducts thorough and reliable self-assessments in accordance with a well-conceived risk schedule and promptly corrects any violations or operational deficiencies. System records are complete. Review reports are well prepared and integral to management and board decisions. Training maintains staff compliance expertise. Monitoring controls are strong resulting in any compliance violations being infrequent, self-identified and timely corrected. There is no evidence of prohibited discrimination, reimbursable violations, or systemic deficiencies resulting in repeated substantive violations. The institution's compliance management gives no cause for supervisory concern.

### **Rating 2**

**An association in this category is in an adequate compliance management position.** Management has a demonstrated capacity to administer an effective compliance program that satisfactorily addresses the SMAART components. Self-assessments may or may not be conducted, but in any case are not thorough enough, or their results adequately assimilated, to be a sufficient basis upon which to grade compliance management performance. Separate evaluation of the other SMAART components by the examiner supports favorable findings of compliance management capabilities and performance given the institution's size, business strategy, operational complexity and risk profile. Some areas of programmatic weakness or areas for improvement may occur that either had not been self-identified or were self-identified but not promptly self-corrected. Readily attainable enhancements to the institution's compliance program and/or the establishment of additional review/audit procedures will eliminate performance deficiencies. Although there may be technical compliance violations and limited infrequent substantive violations readily remedied, there is no evidence of prohibited discrimination, reimbursable violations, or programmatic deficiencies resulting in repeated substantive violations.

### **Rating 3**

**An association in this category is in a less than satisfactory compliance position requiring a further supervisory review.** Management does not conduct reliable self-assessments, and the other components of the compliance management program do not perform sufficiently well to prevent systemic or repeated non-technical compliance violations. Overall implementation of the SMAART components is not up to the standards expected of institutions of similar capacity. Violations may be numerous. Substantive regulatory violations were either not self-identified or were not fully remedied as part of the institution's regular monitoring or response processes. There is no finding of prohibited discrimination. By identifying an institution with marginal compliance early, additional supervisory oversight may be

employed to assure compliance management improvements are implemented and further deterioration of the institution's compliance performance is prevented.

**Rating 4**

**An association in this category requires prompt supervisory intervention to correct serious compliance program deficiencies.** Management has material shortfalls in its implementation of a comprehensive compliance management program as measured by SMAART. Management failures have resulted in substantive compliance violations, often involving a significant segment of consumers or requiring substantial monetary remedies, that have not been remedied on the institution's initiative in a timely fashion, or are significantly below standards for the institution's expected level of competence given its size, strategy, sophistication and risk profile. Close supervision of agency-directed institution self-assessment may be required to assure reliability or thoroughness of corrective actions. Transaction analysis supports the need for agency intervention to effectively supervise the institution's return to an acceptable level of compliance performance.

**Rating 5**

**An association in this category is in need of the strongest supervisory intervention and oversight.** SMAART components have been ineffectually implemented or ignored. The association is substantially in noncompliance with several of the civil rights, consumer or public interest statutes and regulations. The severity of its noncompliance creates legal and financial exposure of significant risk to the association. Management has demonstrated its unwillingness or inability to operate within the scope of these statutes and regulations. Previous efforts on the part of the regulatory authority to obtain voluntary compliance have not been effective. Discrimination, substantial overcharges or other practices resulting in systemic or serious repeat violations are present.