As a past Chancellor of the Exchequer Club and a former member of Women in Housing and Finance, it is a pleasure to return to my old stomping grounds today for this speech. Both organizations have long traditions of bringing interesting speakers to their gatherings, so I am honored to be invited, and I will strive mightily to live up to your very high standards. In that vein, I have decided to do something a little bit different today by bringing some technological help to my remarks – not because my remarks need help, mind you, but because my subject matter today will benefit from some visual illustration. And by the way, the slides I will use will also be included in the text of my speech that will be posted on our web site.

In the last twenty years, commercial banks have made important strides to diversify their business. Aided by interstate branching and banking legislation, and enhanced by modern technologies and risk management, banks today provide a broad range of products and services to customers around the country. In the national banking system, a striking aspect of this diversification has been the increased emphasis on products and services for retail customers. Over the years, this trend has led, appropriately, to increased emphasis by the OCC on consumer compliance issues in our supervision of national banks, and on assuring fair treatment of national bank customers.

What I want to talk about today – and show you – is one aspect of this very important part of our supervisory responsibilities: how the OCC handles complaints from consumers. While we always strive to improve, we are proud of what we have accomplished to date in building an
integrated system of skilled people and effective technology to address customer concerns – indeed, we think there is no finer complaint resolution function in government today. My remarks today address four specific points: how we address individual consumer complaints; how we use the information we gather in our supervisory process; how we also use that information to improve retail practices in national banks more generally; and finally, as you may have read about recently and as I am delighted to report, how we can now share information more effectively with state agencies.

How OCC Handles Individual Consumer Complaints

So let’s start at the beginning with the complaints filed with us by individual consumers. By way of background, since the 1970s, the OCC has had consumer affairs units that handle consumer questions and complaints. In 1997, the consumer assistance function, renamed the Customer Assistance Group, or “CAG,” was completely revamped. The agency centralized the function in Houston under the charge of the OCC’s Ombudsman, a position that reports directly to the Comptroller. I’d like to recognize Sam Golden, our Ombudsman, and our deputy Ombudsman, Craig Stone, who are both here today. Under their guidance, we have invested literally millions of dollars in sophisticated technology both to aid in complaint intake and quality control, and to speed communications between the OCC and banks about the complaints we receive so that we can address concerns much more quickly.

Even more important, we have invested in the people who staff CAG. Our well trained customer assistance specialists have backgrounds in consumer law, compliance, and bank supervision. Many of them have advanced certifications as compliance specialists, accountants, and auditors, and collectively, they can handle calls in both Spanish and English. CAG’s managers have an average of 25 years of regulatory or industry experience, and CAG staff has an average of 10 years of experience – all of which means that callers with complex questions can reach
competent, experienced professionals.

The cases come to us from all over the country and through a variety of channels – by phone, fax, Internet, or mail. In response to concerns about accessibility to West Coast callers, we have expanded our hours of operation so that CAG can be reached by telephone 12 hours a day, — from 8 a.m. to 8 p.m. Eastern Time — five days a week. That means when a consumer with a problem calls during those times, he or she will speak to a human being.

Let me pause here to make a very important point about the respective roles of CAG and the banks. Fair dealing with customers and prompt resolution of their problems is, first and foremost, the bank’s responsibility. The bank plainly has a strong interest in resolving complaints, and it typically has the resources and knowledge to do so much more efficiently than we can. Moreover,
in addition to the compliance, legal, and reputation risks that complaints raise, banks understand that having unhappy customers is simply not good business. That’s why we nearly always suggest that a customer contact the bank first to resolve his or her problem.

Of course, that’s not always possible, or the customer may already have done so without success. That’s when customers often turn to us. We receive as many as 70,000 contacts every year from bank customers with questions or complaints. They run the gamut from simple questions about grace periods or fees, to much more complex problems. Some can be handled easily; others demand the expertise of our specialists. And, in those cases where a complaint appears to raise a substantial legal question, we have a process for consultation with the OCC Law Department.

Now we get to the “fun” part of my presentation, which is showing you how all this works.

Figure 2. Remedy: Captures Case Data — Shows customer assistance specialist entering case data.
by walking you through a specific example, beginning with a customer’s initial call, that uses our complaint resolution software called “Remedy.”  

Let’s begin with one of our CAG staff logging in the call of a hypothetical, totally random person who has an ax to grind with a national bank that we’ll call the ABC National Bank.  Let’s call that hypothetical person . . . Diana Taylor.  

(And just so you don’t think this is yet another heartless example of the OCC running roughshod over state officials, I ran this by Diana, who is here today as my guest, to get her blessing before using her name.)

As we walk through this example, I hope you will see how our investment in technology is by no means an effort to replace a live person with an automated menu system.  Instead, the technology leverages the work of our very human customer assistance specialists to make it
possible for them to help more people in a day, and to make the complaint resolution process as efficient as possible.

For example, the technology makes it easier for our specialists to follow individual cases. As you can see here, [See Figure 3, page 5.] the electronic case file that is created includes a record of every contact with the caller and key documents related to the complaint. The specialist can then use the software to drill down for more information on each one. For example, under the “Letters” section, the specialist can click on “complaint form” [See Figure 4, page 6.] and see an
Figure 5. Remedy: Acknowledgement Letter — Remedy also provides access to all correspondence sent to the customer including the acknowledgement letter, as shown here.

electronic image of the OCC letter that requested information from the customer. In this regard, it’s essential that we get a signed complaint back from the customer because, among other things, it gives us permission to contact the bank and make inquiries on that person’s behalf. [See Figure 3, page 5. Repeated Slide.] Likewise, by clicking on the next entry, [See Figure 5, page 7.] you can see the letter we sent to inform the customer that a case was opened to investigate her complaint.

The next step in the process is to transmit the complaint to the relevant bank. We used to
Figure 6. CAGNet: Exchange Data w/ Banks — Shows case information available to national banks via a secure Web-based access.

have to do that primarily through a paper process using mail or faxes. Not any more. Now we have CAGNet, [See Figure 6, page 8.] a secure, web-based telecommunications platform. This platform allows both us and our banks to electronically communicate with and send documents to
each other on complaint matters – instantaneously. Here, for example, the ABC national bank can use CAGNet on its computer desktop to see a summary of all the pending complaints that its customers have filed with the OCC.  [See Figure 7, page 9.]  And as you can see, it can then click through to get details about each, including the one just posted by OCC staff regarding the bank’s hypothetical customer, Ms. Taylor.  [See Figure 6. page 8. Repeated slide.]

Not surprisingly, many of the complaints that come to us are complex, requiring a number
of conversations among the bank, the customer, and our staff to understand the underlying issues – and, for OCC staff only, all such confidential conversations are summarized in detailed case notes, [See Figure 8, page 10.] as you can see with respect to our hypothetical case. Here it turned out that, instead of a charging a $20 fee for a returned check as stated in its “Schedule of Fees,” the bank charged $200. The bank recognized its mistake and, as shown by this letter captured in our database, [See Figure 9, page 11.] it credited Ms. Taylor’s account for the disputed $200 fee and
waived the $20 fee for the returned check.

Now, while this complaint involved a situation that the bank readily corrected, not all situations are that easy. In some cases, we question the bank’s response, and send it back for additional work until we get a satisfactory response.

The point of all this is not that I enjoy showing you these visuals (even though I do). Instead, it’s that we have developed what we believe is an excellent system of people and technology to handle customer complaints expeditiously and effectively – and in the process we
Most important for individual customers of national banks, I think the bottom line is impressive. [See Figure 10, page 12.] During 2006, for example, we handled 63,000 cases, of which 28,000 were complaints. [See Figure 11, page 13.] The result was nearly $7 million in financial relief in 2006 for national bank customers, as shown by the bar on the right. And all told, we have generated more than $30 million of such relief over the last five years.

How the Customer Assistance Function Is Integrated Into OCC Supervision

So that’s our “micro” story about retail customers, but there’s a “macro” story as well. Aggregated together, individual consumer complaints can provide a window on larger consumer
Figure 11. Financial Relief — Shows the amount of financial relief generated for bank customers each year as a result of CAG assistance with 2006 resulting in nearly $7 million in financial relief.

compliance issues at a bank, and I believe the OCC is unique in the way we use the information obtained and analyzed by CAG in support of our bank supervision activities. The complaint data CAG collects, summarizes, and distributes to OCC’s examiners help them identify practices and activities that warrant further review or investigation. OCC supervision guidance also requires examiners to consider consumer complaint information when assessing a bank’s overall compliance risk and ratings, and when scoping and conducting examinations. And OCC guidance requires that national banks have procedures in place to monitor and address consumer complaints.

CAG’s work also has a direct impact on how we supervise banks. Examiners and other
OCC team members have direct access to complaint information through a system called CAG Wizard, shown here. [See Figure 12, page 14.] This application allows examiners to access near real-time data, review specific complaints, or conduct customized searches of the data. For example, the examiner can access complaints summarized by category. [See Figure 13, page 15.]
Figure 13. CAG Wizard: Informs Supervision — Shows an example report that OCC employees can generate. This example groups complaints about credit cards into more specific categories including “disclosures,” “billing,” and “prompt crediting.”

As shown here, the credit card complaints are divided into such groups as “disclosure,” “billing,” “prompt crediting,” etc. The data can also be used to generate reports on complaint trends in a number of different ways, [See Figure 14, page 16.], including, as you see here, industry-wide trends across major product groups. [Pause] Or, as this slide shows for mortgage complaints, [See
Figure 14. 2006 Complaints by Major Product — Shows breakdown in percentage of complaints with credit cards representing 34 percent, checking making up 30 percent, mortgages totaling 12 percent, and other products sharing the remaining 24 percent.

Figure 15, page 17.] a report can provide a breakdown of issues within a specific product category.

How do OCC examiners actually use complaint information in their compliance supervision? One important use is in the process of planning and adjusting examinations, both as to timing and focus, to better target areas of potential concern. Examiners also use the information when developing their annual risk assessments of banks. And CAG staff may alert examiners if there are certain types of complaints that appear to warrant further attention or if they see patterns emerging in the overall complaint volume concerning a bank.

Other parts of the agency use CAG data as well. Our policy shop has used it to help formulate guidance in areas such as use of third-party vendors, predatory lending, and credit cards.
And, when we see individual complaints or patterns of complaints that could indicate inappropriate or unfair or deceptive practices, OCC lawyers are called in. We can and we have taken enforcement action to correct practices that we found to be unfair or deceptive.

CAG Feedback to Banks

In addition to putting CAG data directly to work in supervision, we use it for another important purpose as well: to provide aggregate feedback to banks as a way to identify retail
practices that need improvement.  [See Figure 16, page 18.] For larger banks with substantial complaint volume, CAG staff communicates on a regular basis with management regarding trends in specific product lines, as illustrated by this slide.  Senior CAG managers also meet annually with officials at the banks that receive the most consumer complaints during the previous year.  [See Figure 17, page 19.] At these meetings, CAG officials discuss significant issues, such as peer data on complaint volume.  As shown here, the year-over-year change in complaint volume for ABC
bank is compared to similar data at eight other banks. CAG officials consult with OCC examiners on the additional issues that warrant more analysis or attention by bank officials, and OCC examiners participate in the meetings CAG officials have with bank management. Indeed, on occasion it has been CAG data provided by the OCC that first alerted a bank management team to an emerging issue.

Collaboration with States

Let me shift gears now to my last topic. As all of you here can appreciate, it is often difficult for a consumer to know whether his or her depository institution is a bank or a thrift, or has a state or national charter. Even if the type of institution is apparent, there is often understandable
confusion about which agency to go to with a complaint. That’s why CAG receives numerous inquiries and complaints from customers of institutions that we don’t regulate, and the same is true for our sister agencies at the federal and state level. Over the years we have developed ad hoc methods for appropriately referring these complaints, so that, during 2006, we referred 2,500 complaints to other regulators, and we received more than 5,000 referrals from other agencies about national banks. Unfortunately, that process takes time; is sometimes constrained by customer privacy restrictions; and has afforded few systematic opportunities to follow up on the disposition of complaints that have been referred.

That’s why I am so pleased that the OCC and the Conference of State Bank Supervisors agreed just two months ago on a model Memorandum of Understanding to facilitate the sharing of complaints between the OCC and state agencies. For our part, the MOU allows us to promptly direct non-national bank complaints to the appropriate regulator of that institution; it preserves and protects a customer’s privacy; and it enables state officials, if they wish, to get periodic reports from us regarding the disposition of complaints they refer to CAG. In addition, we are exploring ways to transmit complaint information through an all-electronic system that would also extend to the other federal banking agencies.

The very first state to translate the model document into an actual Memorandum of Understanding with the OCC was New York. [See Figure 18, page 21.] The picture you see here, of course, is of New York State Banking Superintendent Diana Taylor and me, taken right after we signed that agreement. I want to thank Diana for moving so quickly, but I was not at all surprised since I know she feels exactly as I do about the importance of effectively handling referrals. (It might also have helped that her hypothetical complaint got resolved.)

And I know that state officials across the country feel equally strongly about this issue. I
Figure 18. Information-Sharing MOU — Shows Comptroller of the Currency John C. Dugan and New York State Banking Superintendent Diana L. Taylor after they signed a memorandum of understanding to share complaint-related data to help ensure customers reach the right regulator and receive assistance from the right source more effectively.

want to thank CSBS and Neil Milner for their leadership and guidance in hammering out the model MOU. I also want to thank my colleagues from Arizona and North Dakota who have also already signed MOUs on behalf of their states. My hope and expectation is that other states will do the same in the weeks and months to come.

In conclusion, let me say again how much I appreciate both of your great organizations for giving me this opportunity to speak today about the crucial function of complaint resolution. At this time, I would be happy to answer your questions – and of course, expeditiously address your complaints.

Thank you very much.