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United States Senate
COMMITTEE ON BANKING, HOUSING, AND
URBAN AFFAIRS

WASHINGTON, DC 20510-6075

February 10, 2012

The Honorable Eric M. Thorson
Inspector General
The Department of Treasury
1500 Pennsylvania Avenue, NW
Washington, D.C. 20220

The Honorable Jon T. Rymer
Inspector General
Federal Deposit Insurance Corporation
3501 Fairfax Drive
Arlington, VA 22226

Mr. Mark Bialek
Inspector General
Federal Reserve Board
20th and C Streets, NW
Mail Stop 300
Washington, D.C. 20551

Mr. William DeSarno
Inspector General
National Credit Union Association
1775 Duke Street
Alexandria, VA 22314

Dear Inspectors General:

As Chairman of the Senate Banking Committee, I firmly believe a strong financial system must be vigorously supervised to ensure all firms play by the rules and consumers are fully protected. This is why Congress enacted the Wall Street Reform and Consumer Protection Act: to restore confidence in our financial system by addressing regulatory gaps and enhancing protections for consumers, investors, and taxpayers. As the regulators continue to improve oversight with their new tools from the Wall Street Reform Act, I believe we must also ensure that the financial regulators fulfill and modernize their supervisory responsibilities in a consistent and responsible manner.

Recently, I have heard numerous concerns from community banks and credit unions that the financial regulators' examiners are conducting examinations with unclear standards or with inconsistent application of agency policies and procedures. Community banks and credit unions indicate that examination concerns create uncertainty in their business operations and hesitation to provide credit to their customers. While the regulators must ensure the safety and soundness of financial institutions, I believe responsible lending to families and small business owners is one key to our economic recovery. If current supervisory practices discourage business growth and responsible lending, we should understand the causes and possible solutions, if any.

To help the Committee better understand the supervisory processes of the Federal Reserve, the Federal Insurance Deposit Corporation, the Consumer Financial Protection Bureau, the Office of the Comptroller of the Currency, and the National Credit Union Administration, I respectfully request that each of your offices conduct an audit of the specific agencies under your purview as appropriate. Specifically, please report on each agency's examination process for small

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community banks and credit unions, including, examination timelines and how agencies ensure consistency in the administration of exams across the country. Please also report on the ability of regulated institutions to question examination results, such as through an Ombudsman, an appeals process, or informal channels, and the frequency and success of such appeals. I ask that you report back as soon as practicable.

I look forward to working with your office to better understand the examination process at these agencies and any effect on business growth and responsible lending across the country. Thank you for your study of this important topic.

Sincerely,

A handwritten signature in blue ink that reads "Tim Johnson". The signature is fluid and cursive, with a long horizontal stroke at the beginning and a large, sweeping flourish at the end.

Tim Johnson
Chairman