Consumer Compliance Supervisory
HIGHLIGHTS

FEDERAL DEPOSIT INSURANCE CORPORATION

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INSURANCE CORPORATION

JULY 2025

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INTRODUCTION

The FDIC supervises approximately 2,800 state-chartered banks and thrifts that are not members of the Federal Reserve System (supervised institutions). Most of these institutions are community banks that provide credit and services locally. The FDIC examines supervised institutions for compliance with federal consumer financial protection laws.

In general, the FDIC's consumer compliance examinations of supervised institutions are risk focused. As part of every consumer compliance examination, FDIC examination staff review information gathered about a financial institution to direct resources to those consumer compliance areas that pose the greatest potential risks of consumer harm. Overall, the FDIC's consumer compliance supervision actions in 2024 revealed that our supervised institutions continue to maintain effective compliance management systems (CMS) and take appropriate steps to identify and mitigate risks to consumers.

This issue of the FDIC Consumer Compliance Supervisory Highlights includes:

- A summary of the overall results of the FDIC's consumer compliance examinations of supervised institutions in 2024;
- A description of the most frequently cited violations in 2024; and
- An overview of trends in consumer complaints that were processed by the FDIC in 2024.

SUMMARY OF OVERALL CONSUMER COMPLIANCE PERFORMANCE IN 2024

The FDIC carries out its responsibility to ensure compliance with federal consumer financial protection laws primarily through the examination and supervision process. In 2024, the FDIC conducted approximately 800 consumer compliance examinations.

The FDIC uses the Federal Financial Institutions Examination Council's (FFIEC) Uniform Interagency Consumer Compliance Rating System to evaluate supervised institutions' adherence to consumer protection laws and regulations. As of December 31, 2024, 97 percent of all FDIC-supervised institutions were rated satisfactory or better for consumer compliance (*i.e.*, ratings of "1" or "2"), and 97 percent were rated "Outstanding" or "Satisfactory" for the Community Reinvestment Act (CRA).

Institutions rated less than satisfactory for consumer compliance (*i.e.*, ratings of "3," "4," or "5") had overall CMS weaknesses, which often resulted in violations of law and either potential or actual consumer harm. Institutions rated "Needs to Improve" or "Substantial Noncompliance" for CRA represented a weak performance under the lending, investment and service tests, the community development test, the small bank performance standards, or an approved strategic plan, as applicable.

MOST FREQUENTLY CITED VIOLATIONS

In 2024, FDIC consumer compliance examiners identified regulatory violations that ranged in severity from the highest to lowest level of concern (*i.e.*, Levels 3, 2 and 1, with Level 1 representing the lowest level of concern).[1] This publication focuses on the five most frequently cited Level 3 or Level 2 violations.

The FDIC cited 1,275 violations of consumer protection statutes and regulations in 2024. Together, the top five most frequently cited violations represented 929 violations or approximately 73 percent of the total violations cited in 2024. As illustrated in the chart below, the Truth in Lending Act (TILA) and its implementing regulation, Regulation Z represented 470 violations; the Flood Disaster Protection Act (FDPA) and its implementing regulation, 12 CFR Part 339 represented 143 violations; the Truth in Savings Act (TISA) and its implementing regulation, Regulation DD represented 129 violations; the Electronic Fund Transfer Act (EFTA) and its implementing regulation, Regulation E represented 122 violations; and the Home Mortgage Disclosure Act (HMDA) and its implementing regulation, Regulation C represented 65 violations. While this list contains four of the same laws and regulations from the 2024 Consumer Compliance Supervisory Highlights, HMDA replaced Section 5 of the Federal Trade Commission Act (Section 5 of the FTC Act) as the fifth most cited violation.

Because the FDIC conducts consumer compliance examinations using a risk-focused methodology, the most frequently cited violations generally involve regulations that represent the greatest potential for consumer harm. For example, TILA requires disclosures about mortgage costs, and if institutions do not comply with TILA, consumers could be harmed and reimbursements may be required. Moreover, the flood insurance provisions included in the FDPA ensure that consumers are protected against certain risks related to flooding if the property is located in a special flood hazard area.

Of the top statutes/regulations cited for violations, the following list describes the most frequently cited violation in each area.

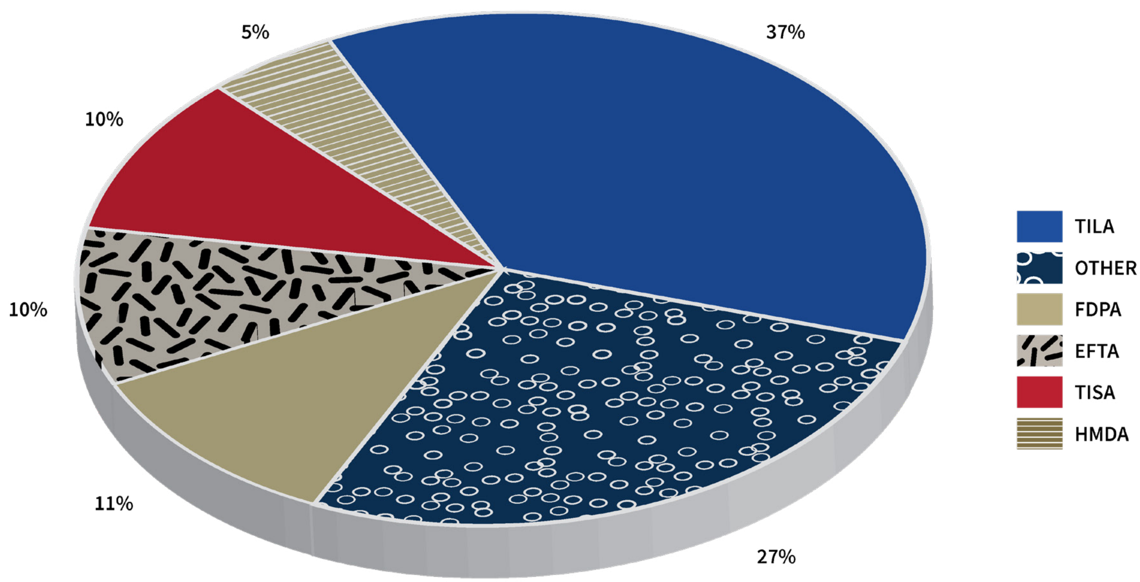
- **TILA/Regulation Z:** TILA/Regulation Z requires creditors to provide borrowers with clear information about the terms and costs of credit. For institutions with TILA/Regulation Z violations, the most common violations involved institutions failing to provide some of the required information. The three TILA violations cited most frequently were: 1) 15 U.S.C. § 1637 and 12 CFR § 1026.7(b), which requires the creditor to provide the consumer with a periodic statement for certain open-end credit plans that discloses information as outlined in § 1026.7(b) such as the previous balance, transaction details, credits, the balance on which finance charges are computed, periodic rates, annual percentage rates, grace period, and other relevant information; 2); 15 U.S.C. § 1638 and 12 CFR § 1026.19(e), which requires a creditor to provide the consumer with good faith estimates of the disclosures required by § 1026.37 for closed-end transactions secured by real property and provides specific timing requirements; and 3) 15 U.S.C. § 1604 and 12 CFR §§ 1026.38(f) – (k), which requires the creditor to provide a detailed breakdown of all loan costs associated with closed-end credit transactions secured by real property, listed in a prescribed table format. Collectively, these three violations comprised 21 percent of the total TILA violations cited in 2024.

[1] Level 3/High Severity violations are those of the highest concern that have resulted in significant harm to consumers or members of a community. These violations typically result in a request or a requirement that the institution provide restitution in excess of $10,000 (in aggregate), or include, for example, pattern or practice violations of anti-discrimination provisions. Level 2/Medium Severity violations are those of moderate concern reflecting systemic, recurring, or repetitive violations that represent a failure of the bank to meet a key purpose of an underlying regulation or statute. These violations may have had a small, but negative impact on consumers or have the potential to have a negative impact if uncorrected. Level 2 violations may also include those resulting in potential restitution in an amount below the Level 3 threshold. Level 1/Low Severity violations are those of the lowest concern and are isolated or sporadic, or systemic violations that are unlikely to affect consumers or the underlying purposes of an applicable regulation or statute. These violations are typically due to individual instances of failure to follow established procedures or minor errors in the implementation of reasonable procedures to comply with a regulation or statute. See FDIC Consumer Compliance Examination Manual, Section II-6.1 (Communicating Findings).

- **FDPA/12 CFR Part 339:** The most cited FDPA/Part 339 violation related to institutions' failure to provide flood insurance, when required. According to 42 U.S.C. § 4012(b) of the FDPA and 12 CFR § 339.3(a), adequate flood insurance must be in place at the time a loan secured by a building or mobile home located in a special flood hazard area is made, increased, extended, or renewed. This section represented 45 percent of the total FDPA violations cited in 2024.
- **TISA/Regulation DD:** TISA/Regulation DD requires banks to provide clear disclosures about the terms and costs of consumer deposit accounts. For institutions with TISA/Regulation DD violations, the most common violations involved institutions failing to provide accurate disclosures. The two TISA violations cited most frequently were: 1) 12 U.S.C. § 4303 and 4305 and 12 CFR §§ 1030.3, which requires the institution to make disclosures required by §§ 1030.4 through 1030.6 clearly and conspicuously, in writing; and 2) 12 U.S.C. §§ 4303-4305 12 CFR §§ 1030.4(a) and (b) which sets forth general requirements for providing disclosures to consumers before opening an account and details the specific information that must be included in the deposit account disclosures such as information on rates, compounding and crediting of interest, balance computation, fees, transaction limitations, features of time accounts, and bonuses. Violations were split evenly between these two sections and together represented 68 percent of the total TISA violations cited in 2024.
- **EFTA/Regulation E:** The most cited EFTA/Regulation E violation related to investigations of electronic fund transfer errors. For institutions with EFTA/Regulation E violations, institutions typically failed to properly investigate such allegations. According to 15 U.S.C. § 1693f and 12 CFR § 1005.11(c), a financial institution must investigate allegations of electronic fund transfer errors, determine whether an error occurred, report the results to the consumer, and correct the error within certain timeframes. This section represented 47 percent of the total EFTA violations cited in 2024.
- **HMDA/Regulation C:** HMDA/Regulation C requires financial institutions to collect, report, and publicly disclose data about their mortgage lending activity. For institutions with HMDA/Regulation C violations, the most common violations involved institutions failing to provide sufficient data for one or more of the required data fields. According to 12 U.S.C. § 2801 and 12 CFR § 1003.4(a), financial institutions must collect data regarding applications for covered loans received, originated, and purchased for each calendar year. For example, data is reported on the borrower (ethnicity, race, sex, age, and income) and on the loan (amount, purpose, type, action taken, and location). This section represented 77 percent of the total HMDA violations cited in 2024.

In 2024, the FDIC initiated 31 formal enforcement actions and 23 informal enforcement actions to address consumer compliance examination findings. During this period, the FDIC issued civil money penalty (CMP) orders totaling approximately $5.6 million against institutions to address violations of the FDPA, Section 5 of the FTC Act, HMDA, and unsafe and unsound banking practices related to an institution's compliance with various consumer financial protection laws and regulations. Supervised institutions provided voluntary restitution payments totaling $33.3 million to approximately 400,000 consumers for violations of various consumer protection laws and regulations. In addition, the FDIC referred three matters to the United States Department of Justice after having a reason to believe the institution engaged in a pattern or practice of discrimination in violation of the Equal Credit Opportunity Act.

MOST FREQUENTLY CITED STATUTES AND REGULATIONS IN 2024						
Statute/Regulation	Level 3 Violations		Level 2 Violations		Total Violations	
	#	%	#	%	#	%
TILA	14	1%	456	36%	470	37%
FDPA	0	0%	143	11%	143	11%
TISA	2	<1%	127	10%	129	10%
EFTA	0	0%	122	10%	122	10%
HMDA	0	0%	65	5%	65	5%
Total 5 Most Commonly Cited Statutes	16	1%	913	72%	929	73%
All Cited Statutes in 2024	40	3%	1235	97%	1275	100%



AN OVERVIEW OF CONSUMER COMPLAINT TRENDS

The FDIC's National Center for Consumer and Depositor Assistance, Consumer Response Unit (CRU), closed 26,451 written complaints[2] (including webform submissions) and telephone call inquiries[3] in 2024 compared to 23,290 written complaints and telephone call records closed in 2023. This represents a 14 percent increase. In 2024, the CRU acknowledged 100 percent of written complaints within 14 days and investigated and responded to 98.6 percent of complaints within established performance goal timeframes.

Of the 23,444 written complaints closed in 2024, the CRU retained and investigated 10,860 and referred 12,478 to other federal banking regulators.[4] As a result of these investigations, the CRU identified 305 apparent errors made by institutions, 132 apparent federal consumer protection regulation violations, and 59 cases requiring escalation to the appropriate FDIC Regional Office for further review. Fair lending complaints decreased from 68 in 2023 to 62 in 2024, representing a 9 percent decrease.

One or more third-party providers (TPPs) were identified among 4,282 consumer complaint cases in 2024, representing nearly a 13 percent increase from 2023 when 3,800 complaints involved one or more TPPs. A TPP is a non-bank financial company that performs single or multiple services on behalf of banks, such as credit card servicing and processing, payment processing, and transaction error disputes. An apparent violation of a federal consumer protection regulation was identified in 116 consumer complaint cases involving a TPP in 2024.

The CRU's interactions with consumers and banks resulted in consumers receiving $2,044,071 in total voluntary restitution and compensation in 2024, compared to $7,091,241 received during the previous year.[5] In addition to monetary compensation, the CRU's efforts resulted in 937 cases resulting in non-monetary compensation such as updating credit reports, updating bank records, reinstating an account or releasing a block on a card, ceasing collection calls or actions, forgiving debt, and granting loan modifications.

The CRU coded each complaint within its case management system with at least one product, issue, regulation, and finding for data analysis and reporting purposes. In 2024, the CRU determined the top four banking products and topics it received complaints about were credit cards (4,733), checking accounts (3,152), installment loans and consumer lines of credit (CLOC) (2,708), and residential real estate loans (844). The following graphic provides a breakdown of the top banking products and topics identified among investigated consumer complaints by the CRU in 2024.

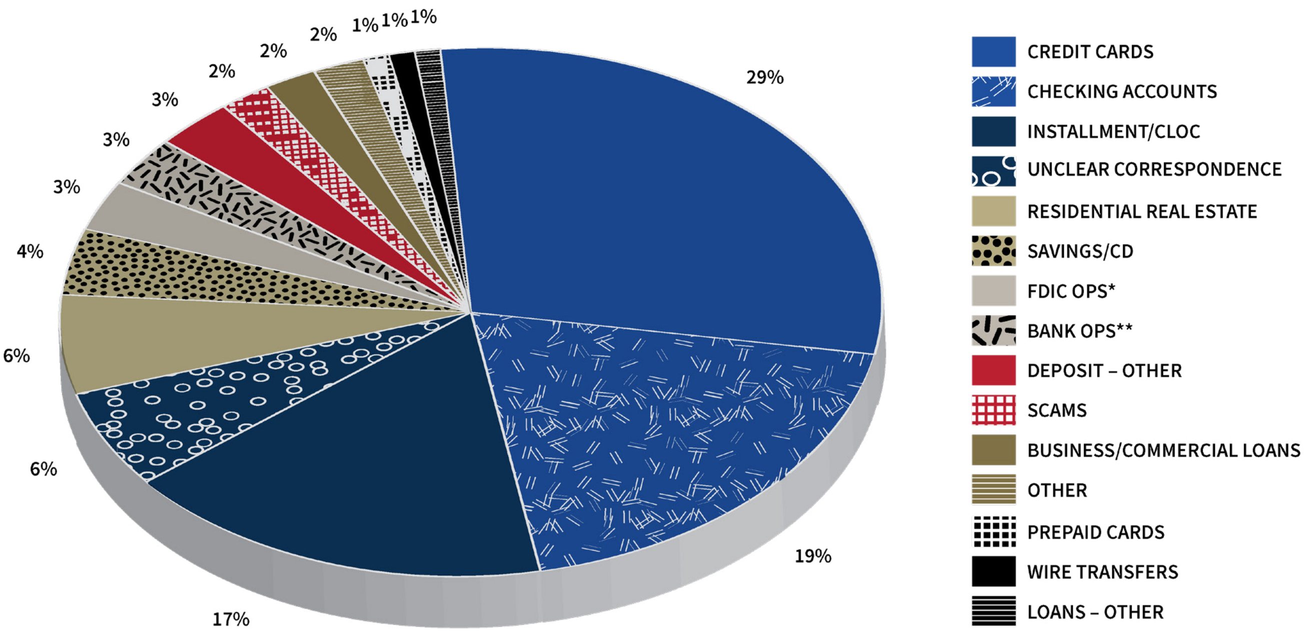
[2] Of the 23,444 written complaints closed in 2024, 54 percent were referred to another federal banking regulator or internally to another FDIC Office for review. Processing a complaint referral requires triaging the case record in the database system and the preparation of notification letters to the consumer and the appropriate federal banking regulator.

[3] Telephone inquiries totaled 3,007.

[4] An additional 106 complaints were referred internally to other FDIC Divisions and Offices for handling, as deemed appropriate.

[5] The large drop in voluntary restitution and compensation from 2023 to 2024 is attributed to an outlier situation at one institution that resulted in approximately $4.5 million in restitution in 2023.

2024 BANK PRODUCTS BREAKDOWN



* FDIC Ops is defined as a concern or inquiry about the FDIC's operations or services.
** Bank Ops is defined as concerns or inquiries about a bank's operations or product/service options.

The CRU also classified consumer complaints with the relevant banking product or topic, with the top issues being credit reporting (2,926), discrepancy transaction error (1,384), account opened without knowledge (1,026), disclosures (1,023), and unable to provide requested service (886). The top 15 issues of 2024 are noted below:

MOST COMMON ISSUES IN CONSUMER COMPLAINTS AND INQUIRIES INVOLVING AN FDIC-SUPERVISED INSTITUTION	
Credit Reporting Disputes	18%
Discrepancy Transaction Error	9%
Account Opened W/O Knowledge	6%
Disclosures	6%
Unable to Provide Requested Service*	5%
Collection Practices	5%
Account Block	4%
Billing Disputes and Error Resolution	3%
Account Closure	3%
Customer Identification Program	3%
Privacy Concerns	2%
Fees and Finance Charges	2%
Funds Availability/Hold Notifications	2%
General Banking/Consumer Information	2%
Adverse Action Notice	2%

* Includes service disruption issues and other service-related concerns when customers cannot immediately access their accounts.

The following table provides a five-year analysis of the top four banking products and top three corresponding issues among consumer complaints investigated by the CRU:

MOST COMMON PRODUCT COMPLAINTS REVIEWED BY THE CRU IN 2024	% OF PRODUCTS COMPARED TO TOTAL VOLUME					MOST COMMON ISSUES (2024) (% OF PRODUCT TOTALS)
	2020	2021	2022	2023	2024	
Credit Cards	18%	23%	30%	30%	29%	1. Credit Reporting Errors (38%) 2. Acct Opened W/O Knowledge (13%) 3. Collection Practices (11%)
Checking Accounts	25%	23%	22%	23%	19%	1. Discrepancy Transaction Error (30%) 2. Account Closure (14%) 3. Account Block (12%)
Installment Loans/ Consumer Lines of Credit (CLOC)	12%	15%	14%	13%	12%	1. Credit Reporting Errors (36%) 2. Disclosures (12%) 3. Collection Practices (11%)
Residential Real Estate Loans	8%	9%	5%	5%	5%	1. Disclosures (13%) 2. Escrow (11%) 3. Credit Reporting Errors (11%)