Office of the Comptroller of the Currency
U.S. Department of the Treasury

OCC BULLETIN 2015-36
Subject: Tax Refund-Related Products
Date: August 4, 2015
To: Chief Executive Officers of All National Banks and Federal Savings Associations, Department and Division Heads, All Examining Personnel, and Other Interested Parties

Description: Risk Management Guidance

Summary

The Office of the Comptroller of the Currency (OCC) is issuing this guidance to outline safety and soundness measures that national banks and federal savings associations (collectively, banks) should follow if they offer tax refund-related products. This guidance replaces OCC Bulletin 2010-7 (February 18, 2010), which transmitted the "OCC Policy Statement on Tax Refund-Related Products," but does not supersede or amend any other OCC issuances.

Note for Community Banks

This guidance applies to all OCC-supervised banks that offer tax refund-related products.

Highlights

The guidance outlines safety and soundness measures banks should follow if they offer tax refund-related products. Those measures include

- ensuring that the bank's board of directors maintains sound risk management policies, procedures, and practices to oversee all tax refund-related products.
- implementing effective internal controls and review standards for advertising and solicitations.
- providing appropriate disclosures that explain material aspects of the products to consumers.
- implementing appropriate due diligence and adequate procedures to ensure that tax refund-related products provided by third parties comply with applicable guidance.
- ensuring that Bank Secrecy Act (BSA) compliance risk management systems cover tax refund-related products.
- providing training programs (including certification processes) that address regulatory requirements, internal policies and procedures, and responsibilities for maintaining an effective compliance program.
- maintaining adequate capital and liquidity levels.
- developing timely and accurate management information systems (MIS) for tax refund-related products.
- ensuring the bank's compliance with all applicable laws and regulations, including those involving consumer protection.

Background

The term "tax refund-related products" encompasses credit products, deposit products, and settlement services to transmit tax-related funds. Tax refund-related products present particular safety and soundness

and compliance risks, because of (1) their unique repayment and cost structures and (2) banks' reliance on third-party tax return preparers who interact with customers. With appropriate consumer protections and risk management controls that address safety and soundness concerns, however, these products may provide reasonable options for customers.

Tax refund-related products may include some or all of the following features:

- Product is offered through a tax preparation service.
- Product is predominantly offered during tax season.
- Fees associated with tax preparation and other products or services are subtracted from the customer's tax refund.
- Customer's tax refund is used to repay or collateralize the loan, or to open a deposit or prepaid account.
- Only a small percentage of accounts, opened during the tax season, remain active later in the year.

There are three main types of tax refund-related products:

Credit products

Tax refund-related credit products currently in the marketplace include the following:

- Refund anticipation loans (RAL), which are short-term loans made in anticipation of an income tax refund being approved and paid by the Internal Revenue Service (IRS) or a state tax authority. The loan is made by a bank through third-party tax preparers that offer both tax preparation services and RALs.
- "Holiday loans" and "pre-file" or "pay-stub" loans, which are offered through third-party tax preparers before the customer receives a W-2 form for the current year. These loans exhibit more credit risk than typical RALs because funds are advanced based on previous years' income or a current pay stub.
- Other bank programs that anticipate (even if they do not necessarily require) loan repayment from future tax refund proceeds.

Deposit products and prepaid access cards

Tax refund-related deposit products currently in the marketplace involve the transmittal of a tax refund by the applicable tax authority[1] to (1) a limited or special-purpose deposit account that a bank establishes to issue a check to the customer [2] or (2) a bank-issued prepaid access card.[3]

Settlement services

Tax refund-related settlement services involve the transmittal of a tax refund by the applicable tax authority to a bank-controlled account. The bank typically releases funds to the customer after payment to the tax preparer for its tax preparation services.

Safe and Sound Practices in Connection With Tax Refund-Related Products

This guidance addresses sound underwriting and program management practices for banks that offer tax refund-related products and is based on the premise that banks should provide products and services that meet customers' financial needs on a nondiscriminatory basis and without subjecting customers to unfair treatment.

Banks' risk management policies, procedures, and practices for tax refund-related products should be (1) commensurate with the complexity and nature of such activity; (2) consistent with safe and sound banking practices and relevant reporting requirements; and (3) undertaken with an appreciation of and capacity to address all applicable consumer protection and reputation risk considerations, as well as legal compliance obligations, associated with the activity.

The risk management principles set forth in this guidance are divided into three categories: (1) risk

management for all tax refund-related products; (2) supplementary risk management for tax refund-related products involving an extension of credit (tax refund-related credit products); and (3) supplementary risk management for tax refund-related products or services for transmitting a refund (tax refund-related deposit products).

I. Risk Management for All Tax Refund-Related Products

Banks should incorporate the following elements into their risk management practices when offering any tax refund-related product. These risk management elements are foundational in nature. Depending on the characteristics of a particular product, additional risk management practices may be appropriate.

A. **Board and Management Responsibility**

A bank's board of directors should require the bank to maintain sound risk management policies, procedures, and practices to oversee all tax refund-related products, particularly those involving third-party tax preparers.[4] This oversight should include a board role in a comprehensive due diligence process for any new products and material changes to existing products, as detailed in other guidance.[5] The board should also require the bank's compliance management program to identify, measure, monitor, and control the consumer protection risks associated with higher fees, compensation incentives, and reliance by customers on third-party tax preparers for guidance.

Bank management should exercise appropriate oversight of tax refund-related products and services by

- establishing policies and procedures that set forth the eligibility or underwriting criteria that a customer must meet to obtain a tax refund-related product.
- establishing limits for each specific tax refund-related product as a percentage of total capital.
- ensuring compliance with bank policies and applicable laws and regulations through periodic reviews that are regularly reported to the board of directors.
- monitoring third parties that provide services related to the tax refund-related products.
- evaluating product usage through receipt and review of regular reports.
- periodically evaluating the success and profitability of the program.
- monitoring and reviewing for overreliance on either the revenue from, or fees generated by, a particular product.

B. **Consumer Protection Standards**

1. **Marketing**

Effective internal controls and review standards are important for in-house and third-party providers' advertising and solicitations regarding tax refund-related products. Clear guidelines and review processes for advertising, solicitations, and marketing materials developed by third-party providers as part of a binding agreement between the bank and the provider offer necessary safeguards.

Advertising must comply with all applicable laws and regulations. In addition, advertising should be consistent with applicable guidance such as the IRS Advertising Standards Web page. Marketing materials should be factually correct and state specifically that the product described is a tax refund-related credit product or deposit product offered by the bank.

It is important that the bank's compliance or legal counsel review and approve in advance marketing materials, whether prepared by the bank or by a third-party tax preparer, to ensure that all relevant terms and conditions are properly disclosed.

2. **Disclosures**

Transparency of product terms and costs helps customers understand the fundamental characteristics of the product being offered and can help deter inappropriate marketing practices in connection with tax refund-related products. Banks should provide a clear and conspicuous

disclosure of all material aspects of tax refund-related products in writing to each prospective customer *before* the customer applies for such a product or pays any fee. Account materials and marketing should not mislead customers about the optional nature of the product.

Banks offering these products should have appropriate procedures to verify that all required disclosures are properly made, such as requirements for written acknowledgments from customers. Information regarding tax refund-related products can be made available in various forms, for example, on a Web site or in on-site marketing and disclosure materials, so customers can make informed choices about the products that best meet their needs.

Disclosures should provide information to customers such as the following, as applicable:

- Statement of the total cost of the tax refund-related product, including set-up costs, transaction costs, and associated fees, which should be separate from any listing of fees relating to tax preparation services and tax return filing.
- Statement that the costs of a tax refund-related product will be deducted from and can reduce the amount the customer can expect to receive from a tax refund.
- Statement that the IRS and state tax authorities can issue tax refunds directly to the customer without the customer having to incur any additional cost for a tax refund-related product.
- Statement that, if the customer has an existing deposit account or product into which a tax refund can be directly deposited, the customer can file a tax return electronically and receive his or her refund within a similar time frame and without paying the additional fees associated with a tax refund-related product.
- Statement that the customer may consult the IRS Web site (www.irs.gov) or the applicable tax authority for information about tax refund processing.
- Statement explaining whether the tax refund-related product is intended for one-time use only to access the refund or whether the product may be used on a long-term basis.
- In the case of a tax refund-related product that has the capability for long-term use, a statement detailing the ongoing periodic maintenance and transaction fees the customer may be charged.
- Description of any low-cost deposit accounts and prepaid access cards offered by the bank and how to obtain more information from the bank about them.[6]

3. **Costs and Fees**

Fees on tax refund-related products should be based on safe and sound banking principles. Such principles call for review, analysis, and documentation of the fee structure of tax refund-related products, including information about (1) the bank's actual costs and risks of offering, underwriting, and servicing tax refund-related products, or (2) the fee structure for products of comparable risk that are offered by the bank or are available in the marketplace.

C. Third-Party Risk Management

In addition to banks' responsibility to offer tax refund-related products consistent with safe and sound banking principles, banks should also exercise appropriate due diligence and adopt adequate procedures and standards to ensure that tax refund-related products provided by third parties are in compliance with applicable guidance, including OCC guidance on third-party relationships concerning effective risk management processes.[7] To manage these risks and to monitor these third-party activities and relationships, banks should have a sound system of internal controls and comprehensive MIS.

A bank's system of internal controls should include oversight of third-party providers (for example, tax preparers and key intermediaries, such as servicers and data aggregators), with controls tailored to the products offered and the size, complexity, and operating infrastructure of the third-party provider. Examples of controls include

- performing due diligence before entering into a business arrangement with a third-party tax preparer. This practice includes conducting background checks, assessing general competence

and business practices and operations, and evaluating counterparty risk (that is, potential conflicts of interest, reputation, financial capacity and condition, internal controls, record of compliance with applicable licensing requirements, and compliance with consumer protection and other laws). The reviews should also assess any litigation, enforcement actions, or patterns of customer complaints made against the third-party tax preparer.

- establishing limits on the total dollar amount of the bank's tax refund-related products, expressed as a percentage of total capital.
- entering into written agreements with third-party tax preparers that specifically and clearly address the rights and responsibilities of each party. In particular, agreements should (1) specifically describe the products and services that the bank is committed to provide; (2) prohibit the third party from imposing higher fees for tax preparation services to customers based on whether they obtain a tax refund-related product; (3) prohibit the third party from imposing higher fees for tax preparation services to borrowers who claim the earned income tax credit (EITC); (4) develop a process by which third-party providers are required to notify bank management before implementing any critical changes in policies, procedures, or training that would affect product delivery, solicitation, or marketing; and (5) make explicit that the bank can terminate the agreement if directed by the OCC, based on a written determination by the OCC of unacceptable safety and soundness, regulatory, or consumer compliance risks.
- maintaining an oversight program to prevent potentially abusive practices and noncompliance with policies and procedures. Key components of the program should include the following:
    - Ensuring that the tax preparer's compensation is not associated with higher-cost tax refund-related products for customers.
    - Tracking complaints from initiation to closing by putting in place policies and procedures to collect, review, and appropriately respond to customer complaints related to tax refund-related products. The bank should have the necessary systems independent of the third-party provider to capture and monitor customer complaints.
    - Assessing all facets of product delivery to customers. The assessment should be timely and focus on a statistically representative population of customers using tax refund-related products, as well as on a sample of tax preparation firms or personnel identified as high risk through exception reports and other means.
    - Developing and monitoring exception reports designed to identify variances from predetermined acceptable levels of fees and interest charges on bank products and tax preparation services.
- performing due diligence regarding the appropriateness of the third-party provider relationships on an ongoing basis. Management should periodically meet with third-party providers to discuss performance and operations issues, periodically monitor the adequacy of training provided to third-party provider employees, especially front-line personnel, and regularly review third-party provider audit reports.
- regularly monitoring the volume of, and revenue from, tax refund-related products, as well as changes in customer usage, to identify potential risks, such as operational, compliance, reputation, and credit risk.

D. Third-Party Verification

Bank policies and procedures should monitor and independently verify practices of third-party tax preparers who offer tax refund-related products on banks' behalf and ensure that these third parties' practices are consistent with this guidance and with the standards that the banks apply in their direct dealings with customers. These policies and procedures customarily would include testing of transactions at key points in product and service delivery and monitoring of all facets of the product delivery, from the customer's initial inquiry to the transfer of funds to the customer. A bank may conduct a review pursuant to an independent internal process or through the use of independent third parties, but this review should encompass risk-based factors and appropriate geographic diversity to ensure meaningful testing and verification across the bank's tax refund-related business. The results of such reviews are typically documented, shared with the board of directors, and available to examiners.

Banks should consider incorporating "mystery shopping" programs into their oversight of third-party

tax preparers. Depending on the level of risk to which customers may be exposed, an effective mystery shopping program[8] may assist the bank in performing some or all of the following functions:

- Assessing compliance with procedures and applicable laws.
- Evaluating whether the tax preparer's actions unduly pressure customers to select a tax refund-related product.
- Determining whether customers are provided with the key information necessary to make informed decision regarding tax refund-related products before customers apply for a product or pay any fee.
- Determining whether customers have the opportunity to have any questions answered before applying for any tax refund-related product or paying any fee.
- Determining whether oral statements made by tax preparation personnel to customers regarding a product contradict disclosures or other written marketing materials or dissuade a customer from considering such information.

E. Fraud and Anti-Money Laundering Compliance

Tax refund-related customer fraud can include identity theft, falsified electronically filed tax returns, and falsified W-2 forms to obtain a tax refund-related product from a bank or other lender, with the proceeds from this type of fraud being laundered through the bank.[9] Bank management must ensure that the bank's compliance risk management systems pertaining to the BSA and related regulations cover tax refund-related products. Bank management should also cooperate with all law enforcement investigations regarding tax refund-related fraud and anti-money laundering laws.

Key elements of a BSA risk management program include the following:

- Risk assessment consideration and documentation.
- A customer information program (CIP) commensurate with the bank's risk profile, including tracking exceptions.
- A customer due diligence program, including enhanced due diligence, as appropriate.
- Suspicious activity monitoring and reporting, including BSA and suspicious activity report investigations opened by location, tax preparer, and tax return type (for example, those claiming the EITC).
- Appropriate Office of Foreign Assets Control screening.[10]

F. Training

Training programs and certification requirements for both bank personnel and tax preparation office personnel are a standard business practice. Training and certification are an essential part of risk management and reinforce the importance that the board and senior management place on the bank's compliance program. Training and certification should ensure that employees and business partners understand their roles in maintaining an effective compliance program.

Properly trained employees and business partners can significantly reduce the risks inherent in tax refund-related products. Training should address regulatory requirements (such as consumer protection and BSA laws, regulations, and guidance) and the bank's internal policies, procedures, and processes. Training should be provided on a periodic basis as part of this program and more frequently as appropriate to address changes to internal policies, procedures, processes, and monitoring systems. Training schedules should meet the needs of permanent as well as new and temporary employees. Customized training should be provided for temporary employees, who often are hired during the tax season.

A regular certification process provides management with the assurance that tax preparers and bank personnel have reviewed and understand the products. This process customarily includes documentation of bank and tax preparer training programs. An appropriate training program maintains training and testing materials, calendars of training sessions, and attendance records, which would be made available for examiner review.

G. Management Information Systems

The use of timely and accurate MIS for tax refund-related products is an important practice.[11] Information reported to the board of directors customarily includes reports and analysis of the following, as applicable:

- Production and portfolio trends (such as volume, approval rate, interest, and fees) by tax refund transmittal cycle, product, originator channel,[12] EITC, and credit score (if any).
- Exception (override) tracking, including reasons for denial by product and originator channel, and tracking for trends in cases of individuals who were not eligible for the product but who still applied and were then denied.
- Delinquency and loss distribution trends by product and originator channel, with accompanying analysis of significant underwriting characteristics (such as EITC, credit score, if any, and other internal risk scores).
- Vintage tracking (tax payment delinquency by tax transmission and tax e-file refund cycle), by both the tax year as a whole and by week or month within the tax year to determine whether there is a difference in delinquency rates between early and late filers.
- IRS payment analysis segmented by EITC or non-EITC.
- Profitability by product.
- The performance, by tax preparer location, of third-party originators, including volume, profitability, incentive fees paid, and quality of information by product type.

In addition to such reports, a bank should maintain MIS consistent with the MIS maintained for similar non-tax-refund-related products.[13] Furthermore, specific products may require additional reports, depending on the nature of the products and the risks involved. The frequency of MIS reporting should be directly related to the anticipated life cycle of the product. Additionally, certain MIS reporting may warrant increased frequency during the peak season for tax return filings.

H. **Capital and Liquidity**

The seasonal influx of significant amounts of tax refund-related products may place stress on a bank's capital and liquidity levels. A bank should ensure that reliable contingency plans are in place before engaging in material activities.[14] Banks should be mindful that tax refund-related credit products are typically risk-weighted at 100 percent for risk-based capital purposes.

II. Supplementary Risk Management for Tax Refund-Related Credit Products

In addition to the risk management expectations outlined in section I for all tax refund-related products, banks should incorporate the following supplementary elements into their risk management practices when offering tax refund-related credit products.

A. **Consumer Protection Standards**

1. **Eligibility**

   Safe and sound underwriting criteria should include an evaluation of each applicant's creditworthiness and ability to repay the tax refund-related credit product according to its terms. Underwriting practices among banks may vary, but the practices should be appropriate based on the amount of credit extended and type of credit product and should be consistent with established credit underwriting standards.[15] The bank should evaluate the applicant's independent ability to repay the entire amount of the tax refund-related credit product for which the applicant is approved. Prior evaluation of ability to repay is particularly important if the bank does not receive the tax refund from the applicable tax authority or the amount of the tax refund is less than the amount of the credit extended to the customer.

2. **Marketing**

   Advertising and marketing materials must comply with all applicable laws and regulations governing credit advertising, and should be consistent with relevant IRS advertising standards. Advertising and other marketing materials should clearly note that the money provided is a *loan*

and *not* the actual income tax refund. In addition, marketing of tax refund-related credit products should not include misleading statements, such as the following, to suggest that the product is a tax refund or is not a loan:

- "Instant tax money"
- "Get your refund fast"
- "Rapid refund"

3. **Disclosures**

Disclosures customarily state that the tax refund-related credit product is a loan and must be repaid according to the contract terms. The following are examples of disclosures, as applicable:

- Statement, clearly more conspicuous than other information set forth, that the customer is receiving a loan and not a tax refund.
- Statement that a tax refund-related credit product may cost more in some cases than other sources of credit and that the customer should consider whether the loan offered is consistent with his or her personal needs and financial circumstances.
- Statement on whether any fees imposed in connection with an application for a tax refund-related credit product will be refunded if the loan application is denied.
- If applicable, a statement describing how a customer would receive his or her tax refund proceeds if the request for a tax refund-related credit product is denied. For example, receipt of refund proceeds may be made through a tax refund-related deposit or transfer product such as a refund anticipation check or bank-issued prepaid access card, which are subject to the fees that apply to those tax refund-related products.
- Statement that the customer's application for a credit product may be denied if the customer has any delinquent child support or outstanding unpaid taxes, student loans, or other federal debt.
- Clear explanation that, if the tax refund is less than the amount borrowed, the customer is obligated to repay any difference, as well as an explanation of the timing and available methods for meeting any such obligation.
- Explanation of any cross-collection provisions, including, if applicable, that by signing the application the customer authorizes the bank to deduct from the customer's refund any amounts necessary to repay any past-due debt.[16]
- In a case in which the tax refund acts as collateral, a statement that addresses
  - how the amount of the tax refund in excess of the required collateral will be given to the customer.
  - the bank's security interest in the collateral.
  - whether the amount of the tax refund affects the amount or terms of the loan.

B. **Loss Recognition**

Bank management should follow applicable guidelines for account management, including adverse classification of customer loans and charge-offs of uncollectible balances.

Banks that offer tax refund-related credit products should, at a minimum, follow the interagency guidance for retail credit.[17] This guidance classifies as substandard retail loans that are past due 90 cumulative days from the contractual due date. Retail closed-end loans that become past due 120 cumulative days and open-end loans that become past due 180 cumulative days from the contractual due date generally are to be classified as losses and charged off.

Tax refund-related credit products generally do not have a contractual due date. Therefore, the bank should determine a reasonable date to begin the delinquency calculation. Generally, this date is no more than three e-file refund cycles after the tax return is submitted to the applicable tax authority. Some tax refund-related credit products have a stated contractual due date. These products should follow the delinquency and charge-off guidelines based on that date.

III. Supplementary Risk Management for Tax Refund-Related Deposit Products

In addition to the risk management expectations outlined in section I for all tax refund-related products, the OCC expects all banks offering tax refund-related deposit products to comply with all applicable federal and state laws and regulations. In particular, any prepaid access cards must meet the requirements of 31 CFR 210.5(b)(5) involving account requirements for federal payments. The requirements include the following:

- Card must provide pass-through federal deposit insurance.[18]
- Card account must not be attached to a line of credit for which repayment is triggered by delivery of a federal payment.
- Card must provide the consumer protections that apply to payroll cards under Regulation E, 12 CFR 1005.18.[19]

Related Issuances and Publications

Regulations

12 CFR 330.5, "Recognition of Deposit Ownership and Fiduciary Relationships"
12 CFR 1005.18, "Requirements for Financial Institutions Offering Payroll Card Accounts"
31 CFR 210.5(b)(5)

Comptroller's Handbook

"Management Information Systems" (May 1995)
"Sampling Methodologies" (August 1998)

OCC Issuances

Advisory Letter 2002-3, "Guidance on Unfair or Deceptive Acts or Practices" (March 22, 2002)
Advisory Letter 2004-6, "Payroll Card Systems" (May 6, 2004) (national banks)
OCC Bulletin 1996-48, "Stored Value Card Systems: Information for Bankers and Examiners" (September 3, 1996)
OCC Bulletin 2004-20, "Risk Management of New, Expanded, or Modified Bank Products and Services" (May 10, 2004) (national banks)
OCC Bulletin 2005-15, "Bank Secrecy Act/Anti-Money Laundering: Joint Statement on Providing Banking Services to Money Services Businesses" (April 25, 2005)
OCC Bulletin 2006-34, "Gift Card Disclosures: Guidance on Disclosure and Marketing Issues" (August 14, 2006)
OCC Bulletin 2008-12, "Payment Processors: Risk Management Guidance" (April 24, 2008)
OCC Bulletin 2011-27, "Prepaid Access Programs: Risk Management Guidance and Sound Practices" (June 28, 2011)
OCC Bulletin 2012-16, "Guidance for Evaluating Capital Planning and Adequacy" (June 7, 2012)
OCC Bulletin 2013-29, "Third-Party Relationships: Risk Management Guidance" (October 30, 2013)

Other Resources

Bureau of the Fiscal Service, U.S. Department of the Treasury, "Electronic Funds Transfer: Direct Deposit of IRS Tax Refunds Resource Page"
Federal Financial Institutions Examination Council, *FFIEC Information Technology Examination Handbook*, "Retail Payment Systems" (February 2010) and "Outsourcing Technology Services" (June 2004)
Federal Financial Institutions Examination Council, *FFIEC Bank Secrecy Act/Anti-Money (BSA/AML) Laundering Examination Manual*, "Electronic Banking," "Electronic Cash," and "Third-Party Payment Processors" (November 2014)
Financial Crimes Enforcement Network, "Refund Anticipation Loan Fraud," *SAR Activity Review–Trends, Tips & Issues*, issue 7 (August 2004)
"Interagency Questions and Answers Regarding Community Reinvestment," 75 *Fed. Reg.* pp. 11642-

11680 (March 11, 2010)
IRS, "Advertising Standards"

Further Information

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[1] Applicable tax authorities include the IRS and any state tax authority.

[2] The industry commonly refers to this product as a refund anticipation check.

[3] See OCC Bulletin 2011-27, "Prepaid Access Programs" (June 28, 2011).

[4] See OCC Bulletin 2013-29, "Third-Party Relationships: Risk Management Guidance" (October 30, 2013).

[5] See OCC Bulletin 2004-20, "Risk Management of New, Expanded, or Modified Bank Products and Services" (May 10, 2004) (national banks) and OTS Examination Handbook 760 (federal savings associations).

[6] The OCC and other banking agencies have stated that providing low-cost savings and checking accounts that meet consumer needs can be appropriate community development services. See "Interagency Questions and Answers Regarding Community Reinvestment," 12 CFR __.12(i)-3, 75 Fed. Reg. 11,642, 11,651 (March 11, 2010).

[7] See OCC Bulletin 2013-29, "Third-Party Relationships: Risk Management Guidance" (October 30, 2013), which provides expectations for third-party risk management processes, including risk assessment and strategic planning, due diligence in selecting third-party providers, and contracting and oversight issues; and OCC Advisory Letter 2003-3, "Avoiding Predatory and Abusive Lending Practices in Brokered and Purchased Loans" (February 21, 2003). See also the "Related Issuances and Publications" list in this guidance.

[8] A mystery shopping program should include an appropriate sampling methodology (see the "Sampling Methodologies" booklet of the *Comptroller's Handbook*) of tax preparation firms, as well as a sample of tax preparation personnel identified as high risk because of such factors as length of experience, resources devoted to compliance oversight, complaints, or other red flags identified through exception reports and other means.

[9] For a discussion of fraud and money laundering risks, including "red flags" for possible tax refund-related fraud, see Financial Crimes Enforcement Network, "Refund Anticipation Loan Fraud," *SAR Activity Review: Trends, Tips, & Issues*, issue 7, pp. 15–20 (August 2004).

[10] See, for example, the FFIEC *Bank Secrecy Act/Anti-Money Laundering (BSA/AML) Examination Manual*, "Office of Foreign Assets Control—Overview," pp. 142–151 (2014).

[11] See the "Management Information Systems" booklet of the *Comptroller's Handbook* for the OCC's foundational MIS expectations.

[12] The definition of an originator channel depends on the nature and scope of a bank's activities.

[13] For example, MIS reports should reflect matters such as CIP exceptions or potential fraud in a similar manner.

[14] See OCC Bulletin 2012-16, "Guidance for Evaluating Capital Planning and Adequacy" (June 7, 2012).

[15] See, for example, 12 CFR Part 30, Appendix A, II. D.

[16] Banks that enter into cross-collection agreements with other lenders that offer tax-refund related credit products must comply with all applicable laws and regulations.

[17] See OCC Bulletin 2000-20, ''Uniform Retail Credit Classification and Account Management Policy" (June 20, 2000).

[18] See also 12 CFR 330.5, "Recognition of Deposit Ownership and Fiduciary Relationships."

[19] Bureau of the Fiscal Service, U.S. Department of the Treasury, "Electronic Funds Transfer: Direct Deposit of IRS Tax Refunds Resource Page."