

May 13, 2024

The Honorable Elizabeth Warren
United States Senate
Washington, D.C. 20510

Dear Senator Warren:

Thank you for your letter regarding New York Community Bancorp and Flagstar Bank, N.A. (Flagstar). The Office of the Comptroller of the Currency (OCC) has supervised Flagstar and its predecessor, Flagstar Bank, FSB since the agency began supervising federal savings associations (FSAs) in 2011. The OCC takes seriously its regulatory and supervisory responsibilities for national banks and FSAs (collectively, banks) of all sizes.

As discussed in the OCC's decision letter approving the merger between Flagstar and New York Community Bank in 2022,¹ the OCC evaluated the proposed merger under the statutory factors provided by the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994, 12 USC 1831u, and the Bank Merger Act, 12 USC 1828(c). These factors include competitive effects; financial and managerial resources and future prospects; effectiveness in combating money laundering activities; the convenience and needs of the community to be served; and the applicant's record of performance under the Community Reinvestment Act (CRA), 12 USC 2901 *et seq.* As part of its review of Flagstar's merger application, the OCC sought supervisory information from the Federal Deposit Insurance Corporation (FDIC) and the New York State Department of Financial Services regarding New York Community Bank as the target institution, as is typical for this type of merger transaction. The OCC also fully considered the public comment letters received on the application.

The OCC's evaluation of the proposed merger was consistent with the agency's conditional approval of the application. Under 12 CFR 5.13(a)(1), the OCC may impose conditions on an approval to ensure that the resulting bank operates consistent with relevant statutory and regulatory standards, OCC policies, and safe and sound banking practices. Consistent with this regulation, the OCC imposed conditions that included obtaining OCC supervisory non-objection prior to declaring or paying dividends.

With respect to the public disclosures and recent news regarding New York Community Bancorp and Flagstar, the OCC does not comment on supervisory matters pertaining to specific institutions. In general, however, if the OCC identifies weaknesses, including in banks where a significant portion of assets or activities are new to the bank, it will take prompt supervisory

¹ Conditional Approval #1299 (Nov. 2022), available at <https://occ.gov/topics/charters-and-licensing/interpretations-and-actions/2022/ca1299.pdf>

action. Should the OCC find deficiencies in an institution’s operation, it will communicate its concerns using Matters Requiring Attention, pursue an enforcement action, or take other appropriate supervisory action.²

Since becoming Acting Comptroller, I have consistently emphasized to bankers the importance of guarding against complacency and having strong risk management systems in place. In 2023, the OCC carefully reviewed the condition of the federal banking system, ensuring banks, including those with significant levels of uninsured deposits, had sufficient cash holdings and borrowing capacity to meet potential withdrawals. In its Spring 2023 Semiannual Risk Perspective, the OCC noted that “signs of stress are increasing, for instance in certain segments of commercial real estate.”³ To assist banks in addressing the risks in their commercial real estate portfolios, in June 2023, the OCC, together with the Board of Governors of the Federal Reserve System, FDIC, and National Credit Union Administration, released the revised “Policy Statement on Prudent Commercial Real Estate Loan Accommodations and Workouts.”⁴ Looking forward, the OCC’s Fiscal Year Bank Supervision Operating Plan establishes that the OCC’s risk-based supervision will focus on areas including asset and liability management, credit, and allowances for credit losses.⁵

We hope this information is helpful. If you have any questions, please do not hesitate to contact me or Carrie Moore, Director, Public Affairs and Congressional Relations, at (202) 649-6737.

Sincerely,



Michael J. Hsu
Acting Comptroller of the Currency

² Refer to *Comptroller’s Handbook*, “Bank Supervision Process” at 46-52, available at <https://www.occ.gov/publications-and-resources/publications/comptrollers-handbook/files/bank-supervision-process/pub-ch-bank-supervision-process.pdf>.

³ OCC, *Semiannual Risk Perspective*, at 1, available at <https://www.occ.gov/publications-and-resources/publications/semiannual-risk-perspective/files/pub-semiannual-risk-perspective-spring-2023.pdf>.

⁴ OCC Bulletin 2023-23, available at <https://www.occ.gov/news-issuances/bulletins/2023/bulletin-2023-23.html>.

⁵ Available at <https://www.occ.gov/news-issuances/news-releases/2023/nr-occ-2023-109a.pdf>.