

PRIVACY IMPACT ASSESSMENT

Automated Loan Examination and Review Tool (ALERT)

September 2011

FDIC Internal System

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System Overview

The Federal Deposit Insurance Corporation (FDIC) is an independent agency of the U.S. government that protects the funds depositors place in banks and savings associations, also known as "insured banks" or "insured depository institutions."

FDIC's Division of Risk Management Supervision (RMS) has primary responsibility for examining and supervising State-chartered, non-Federal Reserve member banks to ensure that they operate in a safe and sound manner. (As deposit insurer, FDIC has back-up regulatory authority for other charter types.) During its examinations, RMS examiners devote significant attention to reviewing the quality of a bank's loan portfolio in order to determine risk to the FDIC insurance fund. Loans typically represent the bulk of a bank's assets and, therefore, ordinarily present the greatest credit risk and potential loss exposure to banks¹. Assessing loan portfolio quality puts examination staff into contact with personally identifiable information (PII) for both individual and commercial borrowers.

The Automated Loan and Examination Review Tool (ALERT) is a software application designed to facilitate loan review by RMS examiners at Risk Management examinations. Specifically, the tool enables RMS examiners to acquire, manipulate, process, and create examination work papers² from electronic loan trial balance data³. This data is provided by banks via secure e-mail, an FDIC secure file exchange, floppy disc, or CD. Work papers document the work that was performed by the examiner(s).

In addition to printing relevant work-papers, ALERT gives examiners a powerful analytical tool for identifying and assessing loans posing the greatest risk and identifying lending abnormalities in the bank's overall loan portfolio.

In addition to RMS bank examiners, ALERT is used by most state bank regulatory agencies and the Federal Reserve System (FRS). In some cases, FDIC may perform concurrent or joint examinations with a State or FRS team. In addition, FDIC, FRS, and State examiners may contact the FDIC Examiner Help Desk to obtain technical support on the use of the ALERT application.

Personally Identifiable Information (PII) in ALERT

PII that is contained in the loan customer records provided by banks and required by RMS examiners using ALERT includes: borrower's full name; borrower identification number (i.e., customer information file number assigned by the bank); loan/note number(s); and outstanding balance(s), interest rates, and payment information.

¹ For further information, see *FDIC Risk Management Manual of Examination Policies, Section 3.2-Loans*, at: <http://www.fdic.gov/regulations/safety/manual/section3-2.html#introduction>.

² Work papers are examination documentation that provide a written record of the examiner's decisions and analysis, provide support for assertions of fact or opinion in the Report of Examination, and provide sufficient data to reconstruct the examiner's decision process for each step of the examination. For further information, see <http://www.fdic.gov/regulations/compliance/manual/pdf/II-6.1.pdf>.

³ A loan trial balance is a listing of all of the bank's commercial and consumer loans.

In addition, on occasion, the record may contain additional borrower data that is not required, including: Social Security number (SSN); tax identification number (TIN); and home or business mailing address.

In addition, the borrower's record may contain the bank's risk rating of a particular loan (e.g., non-public, confidential bank loan classifications and loan exposure risk level), as well as the appraised value of the collateral used to secure the loan. Moreover, during the examination process, examiners may review hard copies of complete loan files, which may include credit reports for individual borrowers.

Purpose & Use of Information in ALERT

ALERT was designed to support RMS's examination mission by acquiring, manipulating, processing and printing loan examination data. The data in ALERT is both relevant and necessary for the purpose for which the application was designed.

Sources of Information in ALERT

- **Financial institutions:** Authorized RMS staff request electronic loan data from the financial institutions during the examination planning stage. The financial institution or its servicer provides the data via an FDIC secure file exchange, CD, secure email, or memory stick (i.e., USB drive). At the examiner's discretion, the financial institution provides RMS staff with either a full download or subset of the bank's loan records. Each state-chartered financial institution typically is examined annually, in accordance with state regulations.
- **RMS Bank Examiners** – Examiners review and may edit or add information (e.g., relevant loan terms and payment performance information) to the loan record, in order to meet the scope and requirements of the examination.

Notice & Consent

Individuals do not have the opportunity to opt out of providing their data or consenting to particular uses of their information. Financial institutions provide examiners commercial and consumer loan data pursuant to the supervisory and regulatory authority granted the FDIC by the Federal Deposit Insurance Act. As data is not collected directly from individual borrowers, there is no opportunity to opt-out of providing such data to the FDIC. This also applies when financial institutions provide such data to any of the other financial institution regulatory bodies at the state or federal level who also use the ALERT application in their examination process.

Access to Data in ALERT

ALERT data is restricted to end users that could include the members of the examination team of the financial institution regulatory agency involved. Access is required to fulfill each regulatory agency's statutory and regulatory obligations to evaluate the loan portfolio as part of insuring the safe and sound operating of the banking system. In the case of the FDIC, the additional responsibility as the insurer of the deposits of all financial institutions necessitates access to such data to ascertain the safety and soundness of institutions. Specifically, for FDIC, the following internal and external users will have access to borrower data that is processed by ALERT:

- **RMS Examiner-in-Charge (EIC):** At the start of an examination, the EIC obtains a download of bank customer loan records from the institution via an FDIC secure file exchange, secure e-mail, floppy disc, or CD and provides the data to the examination's Asset Manager. At the conclusion of the on-site loan review, the EIC receives a summary of findings from the Asset Manager. At the conclusion of the overall examination, the EIC is responsible for compiling and entering all significant findings into the final Report of Examination for the bank, which may include the names of borrowers whose loans pose a significant risk of exposure for the bank.
- **RMS Asset Manager:** Upon receiving the data from the EIC, the Asset Manager imports the bank data into ALERT and uses ALERT to receive and sort through the data from the institution, perform an analysis of the institution's loan portfolio, and print the examiner's loan line sheets and other work papers for use in the on-site loan review process during the examination. The loan line sheets represent a subset of loans to be included in the on-site loan review. The Asset Manager also provides a loan listing to the bank, so that relevant loan files may be retrieved and provided to the on-site examination team. The Asset Manager oversees the examination team reviewing the loans and is responsible for collecting and compiling the examination findings for forwarding to the EIC.
- **RMS Bank Examiners:** Upon receiving the data from the Asset Manager, the examiners use the hard copy loan line sheets and work papers, as well as the bank's actual loans files provided to them while on site, to perform the loan review. The on-site examiners use ALERT to identify and assess loans posing the greatest risk and identify lending abnormalities in the bank's overall loan portfolio. Their analysis results in the findings that are provided to the Asset Manager and ultimately to the EIC and that are summarized in the Report of Examination.
- **FDIC Division of Information Technology (DIT) Examiner Help Desk:** At times, Federal and State examiners require technical assistance while using the ALERT application. As the licensor of the ALERT software, FDIC has established a Help Desk to provide such assistance. For example, on occasion, a RMS Asset Manager may require assistance with importing a bank's loan file. In those instances, the loan files may be sent via secure email to the Help Desk staff. The file is downloaded and securely stored until the issue is resolved. The Help Desk staff returns the file via secure email to the examiner and retains the data for a short period of time, in the event further assistance is required. The data is then deleted.

Data Sharing

Other Systems that Share or Have Access to Data in the System:

System Name	System Description	Type of Information Processed
General Examination System (GENESYS)	GENESYS produces a Report of Examination on the bank under examination. This may include a listing of their adverse findings or criticisms with respect to the subject institution's asset quality. As such, it may contain the names of individual borrowers who hold the criticized loan(s) along with an indication of potential risk exposure for the subject institution.	The bank's entire loan portfolio or only the data for those loans determined to be within the scope of the loan review.

Data Accuracy in ALERT

All data used by this system/application is obtained from the financial institution under examination. Simultaneous to acquiring the electronic loan data file, the examination staff obtains the financial institution's loan trial balance for the same day. The loan trial balance is a listing of all of the bank's commercial and consumer loans. Examiners reconcile the trial balance to the electronic data file to confirm the data file's integrity.

The financial institution is responsible for providing FDIC with borrower data that is accurate and complete for use in the examination. Once the data is received, the RMS EIC is responsible for insuring the accuracy and completeness of the data acquired and processed by the ALERT application through their examination team. This review is performed manually, when the EIC assigns the electronic loan trial balance file to an individual examiner whose responsibility is to insure the file is properly imported, reconciled against separately provided documents, and processed correctly by comparing/sampling of the data.

Data Security for ALERT

For each bank examination, an RMS Field Supervisor is responsible for assigning RMS examination team members. This assignment conveys approval for access, by management, to loan data provided at the time of the examination. Access is controlled through built-in encryption controls and passwords. Only examination staff is given this application and access rights to load data into the application. Federal and State regulatory agency users follow a similar structure for controlling ALERT access.

While the RMS ALERT Program Manager is ultimately responsible, all members of the examination team share the responsibility for ensuring that privacy rights are protected. The EIC is specifically responsible for all members of an examination team and for the ultimate distribution of all data acquired through its final disposition. Additionally, requirements for ensuring the security and confidentiality of bank and customer-related data are covered by several directives in the RMS Regional Director

Memoranda system. Plus, mandatory security awareness training conducted on-line annually by the RMS Information Security Manager covers general data security issues.

System of Records Notice (SORN)

ALERT does not operate as a Privacy Act System of Records, as ALERT data is indexed and retrieved by reference to financial institution identifiers and not by reference to an individual's name or other personal identifier.

Contact Us

To learn more about the FDIC's Privacy Program, please visit:
<http://www.fdic.gov/about/privacy/>.

If you have a privacy-related question or request, email Privacy@fdic.gov or one of the [FDIC Privacy Program Contacts](#). You may also mail your privacy question or request to the FDIC Privacy Program at the following address: 3501 Fairfax Drive, Arlington, VA 22226.

