Large and Highly Complex Bank Requests for Adjustments to Total Score in Large Bank Pricing Scorecards

January 1, 2018 – December 30, 2025

Date of Request	Basis of Request	Decision
May 10, 2018	The Bank argued that the large bank scorecard assessment methodology does not adequately consider certain qualitative and quantitative risk factors that mitigate the Bank's risk profile. Specifically, the Bank contends that its portfolio of interest-only (IO) mortgage loans, which are treated as higher-risk assets in the scorecard, are conservatively underwritten with full documentation and strong collateral protection. The Bank notes that its IO borrowers typically have strong net worth, substantial liquidity, high credit scores, and low debt-to-income (DTI) ratios. The Bank believes these factors, coupled with its low level of historical losses, warrant what amounts to a 10-point reduction in its total score.	Based on a comprehensive analysis of all relevant information, DIR has determined that the Bank's request for a downward adjustment to total score is not warranted. This decision reflects the consideration given to the Bank's portfolio of low-LTV nontraditional mortgage loans in the calculation of the Higher-Risk Assets ratio, and lower loss rates for the 1-4 family first lien portfolio. DIR recalculated the Bank's total score to account for these factors and the changes failed to reach the 5-point materiality threshold.
December 10, 2019	The Bank argued that the 5-point total score upward adjustment implemented by DIR effective the second quarter 2019 assessment period is not warranted because the scorecard fails to adequately consider certain qualitative and quantitative risk factors that mitigate the Bank's risk profile. Specifically, the Bank contends that its portfolio of collateralized loan obligations (CLOs) which are treated as higher-risk assets in the scorecard, are supported by credit enhancement mechanisms (enhanced to AAA and AA credit rating levels) which reduce the portfolio's risk of loss to a negligible level. The Bank believes that the higher-risk assets classification is inappropriate based on the CLO portfolio's actual risk of loss.	After carefully considering the information provided by the Bank, DIR denied the Bank's request to withdraw the 5-point upward adjustment. Prior to application of the 5-point upward adjustment, the Bank's total score did not fully reflect its concentration of higher-risk assets relative to other large banks, and thus did not accurately reflect the Bank's risk to the Deposit Insurance Fund. Moreover, DIR continues to believe that the higher-risk assets classification of the Bank's CLO portfolio is appropriate.

September 10, 2020	The Bank contends that the large bank scorecard loss severity measure overstates the Bank's risk of loss, specifically the high loss rates applied to the Bank's government-backed FHA and VA loans. The Bank argues that because it maintains foreclosure reserves to cover any residual risk of loss on FHA and VA loans that go into foreclosure, these loans pose no incremental risk of loss to the DIF.	Based on a comprehensive analysis of all relevant information, DIR has determined that a 5-point downward adjustment to the Bank's total score is warranted. The Bank's concentration of government guaranteed loans is unique among large institutions, and the standardized loss-rate assumptions applied to such loans materially distort the Bank's total score and overall risk profile. The downward adjustment is retroactive to the second quarter of 2020.
November 4, 2020	The Bank argued that the 5-point total score upward adjustment implemented by DIR effective the second quarter 2014 assessment period is no longer warranted based on a reduction in the Bank's higher-risk assets concentration, specifically its portfolio of higher-risk C&I loans. Additionally, the Bank believes that certain qualitative and quantitative risk factors that mitigate the Bank's risk profile are not adequately captured by the scorecard.	After carefully considering the information provided by the Bank, DIR has determined that a 5-point upward adjustment to the Bank's total score is no longer warranted. DIR acknowledges the improvement in the Bank's risk profile and scorecard metrics, most notably a reduction in the Bank's portfolio of higher-risk C&I loans. Moreover, weaknesses previously cited in the Bank's leverage lending policy have been fully addressed and the Bank's annual growth rate has stabilized to a more moderate level. The upward adjustment was removed effective the third quarter of 2020.
December 11, 2020	The Bank argued that the 5-point total score downward adjustment first implemented by DIR effective the second quarter 2017 assessment period should not have been removed by DIR effective the second quarter 2020 assessment period. The Bank believes that its total score continues to warrant special consideration given the Bank's risk-based assessment rate is not commensurate with the risk it poses to the DIF. Specifically, the Bank's relatively large portions of loans categorized as "other loans" and assets categorized as "other assets" make the Bank particularly sensitive to the standardized loss-rate assumptions used in the scorecard loss severity model.	On June 11, 2020, DIR gave the Bank advance notice of removal of the five-point downward adjustment to its total score starting in the second quarter of 2020. Subsequently DIR carefully considered the information provided by the Bank on August 6, 2020 and December 11, 2020, as well as the Bank's second quarter 2020 scorecard results and all subsequent changes to the relevant risk factors. Based on a comprehensive analysis of all relevant information, DIR has maintained its decision to remove the five-point downward adjustment to the Bank's total score. In support of its determination, DIR reiterated that the sharp decline in the Bank's asset quality no longer supports continued recognition of lower loss rate assumptions in the loss severity measure.

March 12, 2021	The Bank is requesting an adjustment to its core earnings measure to add back a provision expense for non-purchase credit deteriorated loans which were marked to fair value at the time of a recent acquisition. The Bank argues that the provision expense double counts the potential for loss with no additional risk to the FDIC.	Based on a comprehensive analysis of all relevant information, DIR has determined that the assessment regulations were correctly applied, and as a result, the Bank's request is denied. Additionally, the requested adjustments to core earnings and allowances would reduce the Bank's total score by less than one point, short of the five-point materiality threshold. Thus, if DIR were to accept the Bank's argument that the "double counting" overstates the Bank's risk to the DIF, the Bank would not be eligible for an adjustment to its total score.
May 5, 2022	The Bank requested a 5-point downward adjustment to its total score, arguing that its interest-only residential mortgage loan portfolio is overstated in the higher-risk asset measure due to its strict underwriting standards, credit monitoring process, low loan-to values ratios, low probability of defaults and strong historical performance. The Bank also cited its low risk securities-based lending consumer loan program, positive scorecard outliers and strong parental support for consideration of the adjustment.	Based on a comprehensive analysis of all relevant information, DIR granted the Bank's downward adjustment request, effective first quarter 2022. DIR agrees that a significant portion of the Bank's IO loans are conservatively underwritten with strong collateral protections, but the Bank's other arguments were not a significant factor in warranting the request.
June 15, 2024	The Bank requested a 5-point downward adjustment to its total score, arguing that loss severity is overstated due to its concentration in government guaranteed loan programs, such as the SBA and USDA loans. The Bank also argued that certain qualitative factors, such as strong underwriting and loan performance, diversified revenue sources, and parental support are not captured in the scorecard.	After a comprehensive analysis of all relevant information pertaining to this request, DIR granted the Bank's downward adjustment request, effective second quarter 2024. The standardized loss-rate assumptions applied to the Bank's conservatively underwritten concentration of government guaranteed loans materially distort its total score and overall risk profile. The Bank's other arguments were not a significant factor in warranting the request.
March 14, 2025	The Bank submitted a Request for Review to remove its current 5-point upward adjustment to its total score for fourth quarter 2024, citing declines in its higher-risk assets concentrations as well as enhanced collateral protections from its unique structured credits.	After completing a comprehensive review of all relevant data, DIR denied this request and maintained the adjustment. The Bank still maintains a large, material higher-risk asset concentration as well as relevant supervisory issues that remain outstanding.

May 2, 2025	The Bank argued that its 5-point upward adjustment implemented by DIR in second quarter 2024 is no longer warranted due to improvements in multiple financial metrics, noting capital, concentration and funding stress ratios.	After carefully considering the information provided by the Bank and reevaluating the adjustment on a quarterly basis, DIR determined that the 5-point upward adjustment to the Bank's total score is no longer warranted as of first quarter 2025. DIR acknowledged improvement in the Bank's risk profile and scorecard metrics. In addition, analysis of the Bank's risk relative to peers indicated that an adjustment to the Bank's total score is not needed.
May 5, 2025	The Bank requested a 5-point downward adjustment to its total score as of first quarter 2025, asserting its nontraditional interest-only mortgage loans should be removed from higher-risk assets on account of strong underwriting standards, collateral protections, and historical credit performance. Additionally, the Bank claimed that loss rates were overstated for certain portfolios within the loss severity measure.	After requesting additional data from the Bank and conducting a comprehensive analysis of all relevant information, DIR did not grant the Bank's downward adjustment request. The reclassification did not meet the 5-point materiality threshold, and its risk relative to peers does not rank unfavorably; therefore, the request was not approved.
June 10, 2025	The Bank submitted a Request for Review for the removal of its 10-point upward adjustment for fourth quarter 2024, noting its improved funding profile and reduction of its ratio of venture-backed start-up loans to total loans.	After reviewing all relevant data, DIR maintained the Bank's upward adjustment due to its large deposit concentration and remaining supervisory concerns related to liquidity metrics. However, the Bank has improved its credit administration practices regarding VC-backed lending, and DIR granted a partial, 5-point reduction of its existing upward adjustment, effective first quarter 2025.
August 5, 2025	The Bank requested a downward adjustment to its total score as of second quarter 2025 related to the reclassification of its securities-based lending portfolio on the Call Report that led to the material overstatement of its loss severity. It contends these loans are low risk due to low modeled stress test losses.	Based on a comprehensive analysis of all pertinent data, DIR agreed that the reclassification of this loan portfolio materially distorts its loss severity and total score calculations and granted a 5-point downward adjustment for second quarter 2025.

November 3, 2025	The Bank requested a 5-point downward adjustment based on its leverage ratio, core deposit ratio, and GAPC ratio. The Bank supports the adjustment because the leverage ratio and core deposit ratios are above the cutoff range, and the bank argues the GAPC ratio is too high as a result of the risk weights used in the scorecard.	After requesting additional data from the Bank and conducting a comprehensive analysis of all relevant information, DIR did not grant the Bank's downward adjustment request. DIR denied the downward adjustment request. First the bank does not provide analytical support for the leverage and core deposit ratios. Second the bank's analysis of GAPC is incorrect for several reasons: it does not consider the bank's 3-year growth rate of 505%, which is capped in the GAPC formula at 80%, and the bank's analysis related to risk weights is inappropriate as it is done in isolation and does not consider the relative impact to other banks.