

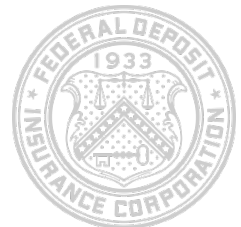
Standardized Export of Imaged Loan Documents Update

February 19, 2019



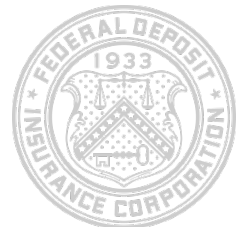
Examination Modernization Efforts

- The FFIEC's Examination Modernization Project was undertaken in 2017 to explore opportunities to enhance current processes in an effort to improve examination efficiencies and address banker feedback stemming from the Economic Growth and Regulatory Paperwork Reduction Act (EGRPRA) process
 - Refer to the FFIEC Press Release dated March 22, 2018, for an update on the Interagency Examination Modernization Project



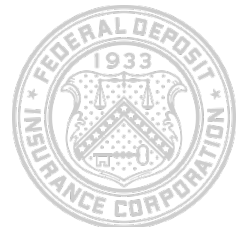
Examination Modernization Efforts

- To improve examination efficiency, the FDIC has tested a standardization process envisioned to simplify the review of imaged loan files.
- A loan image data export, along with a universal file image viewer, allows examination staff to review imaged loan documentation, using-FDIC systems, from any work location.



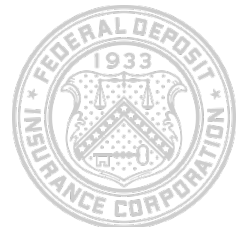
Objectives

- Reduce financial institution burden by eliminating the need to:
 - Train examiners on local loan imaging software
 - Manually retrieve / provide loan documentation
- Facilitates offsite review activities
 - Reducing examination space requirements
 - Limiting disruption caused by ongoing examination activities




Standardized Export

- Loan imaging software providers develop the standardized export by leveraging financial institutions' pre-existing indexing data
- The standardized export requires seven data elements for each document:
 - **Requirements**
 - CIF Number
 - CIF Name
 - Account Number (*if applicable*)
 - Doc Name
 - Doc Description
 - Doc Category
 - Doc Date
 - **Example**
 - 123456
 - John Doe
 - 987654a
 - D1292kef.pdf
 - Tax Return 2014
 - Financials
 - 2014-12-31



Examiner Interface

File Image Viewer for Examinations Help



First State Bank

> HOME > FIRST STATE BANK > HE

Hemingway, Inc. # 45678

Financials

Year End Financials	01/01/2010	
Year End Financials	10/31/2011	
Year End Financials	09/30/2012	
Year End Financials	11/30/2012	

Corporate Documents

Articles of Incorporation	12/04/2014	
Borrowing Resolution	12/03/2014	

Miscellaneous

Credit Doc Checklist	12/31/2014	
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Account Numbers

#4070247	#4120205	#4140048
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Note

Promissory Note	10/31/2014	
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Guaranties

Entity Guaranty	12/31/2012	
Personal Guaranty	12/31/2013	

Insurance

Insurance Policy	12/31/2014	
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Review Documentation

Calculations	12/31/2010	
Committee Approval	12/31/2014	
Loan Checklist	12/31/2014	
Loan Doc Prep Worksheet	12/31/2014	

Real Estate Mortgage / Deed of Trust

Recorded Deed of Trust	04/15/2010	
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CIF Name

CIF Number

Account Number

Description

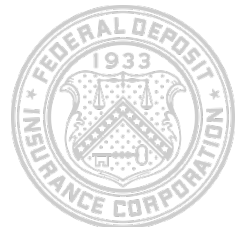
Date Context

Category

BORROWERS

Efforts to Date

- Completed proof of concept testing with several loan imaging software providers and financial institutions
- Conducted pilot testing with financial institutions to validate technical specifications and business processes
 - *Financial Institution Letter 22-2018: Advisory: Standardized Export of Imaged Loan Documents* issued on April 24, 2018
 - Provides overview of standardized export of imaged loan documents initiative
 - Outlines the FDIC's planned testing of a uniform process for obtaining and reviewing imaged loan documentation
- Collected information about financial institution loan imaging practices and providers to assess impact of remote loan review technologies



Testing Overview

- Objective: Assess feasibility and value of broader adoption of the standardized export of imaged loan documents
- Testing period: June 2018 – January 2019
- Completed several examinations/tests with multiple providers and financial institutions
 - Asset sizes from \$130 million to \$1.4 billion
 - Voluntary participation
 - Primarily included safety and soundness examinations



Lessons Learned

- **Barriers to adoption exist**
 - **Cost**
 - Providers may charge fees for an export capability
 - **Timeframe for implementation**
 - Providers may be unable to accommodate installation requests in time for the examination
 - **Mitigation Efforts:**
 - The FDIC will continue to work with loan imaging software providers to explore opportunities to reduce costs
 - Financial institutions are encouraged to initiate conversations with providers well in advance of examinations, or outside the examination cycle, if interested in acquiring the export functionality



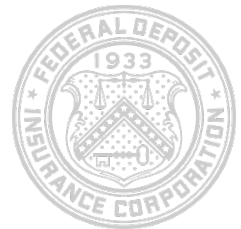
Lessons Learned

- Variances in indexing and mapping processes, as well as unique technical attributes, can result in incomplete export packages
 - **Mitigation Efforts:**
 - Financial institutions and providers should thoroughly discuss indexing practices during the initial setup/installation process to ensure required fields are appropriately mapped and all relevant documentation is captured by the export
 - Other considerations such as asset purchases and/or core conversions should also be discussed in order to identify potential export issues or limitations



Lessons Learned

- Miscommunication regarding timelines and expectations may impact the ability to use the standardized export on an examination
 - **Mitigation Efforts:**
 - Communication about examination timeframes is critical to ensure data is received in a timely manner
 - The FDIC is drafting guidance for participating providers to offer additional insight into the examination process and timeline



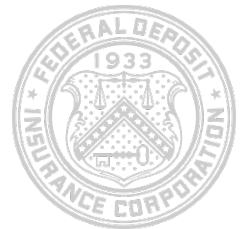
Lessons Learned

- Enhancements to the FDIC's technical environment are needed to facilitate expanded implementation
 - **Mitigation Efforts:**
 - File transfer and technical infrastructure improvements are in process
 - Availability of the capability may be limited until improvements are completed



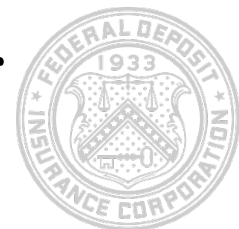
Discovery Period Results

- A standardized export of imaged loan documents creates efficiencies and reduces burden for financial institutions
- The FDIC will expand use in a limited capacity while the supporting infrastructure is improved.



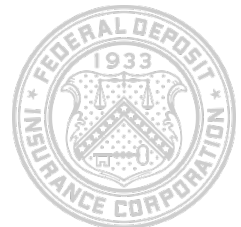
Implementation

- Use of the standardized export of imaged loan documents remains voluntary
- Institutions do not need to alter existing file indexing practices for imaged loan documents to leverage this functionality
- Institutions that have not implemented a loan document imaging system will not be required to do so
- Financial institution management preferences, along with those of FDIC staff, will be considered when determining if reviews will be conducted onsite or offsite



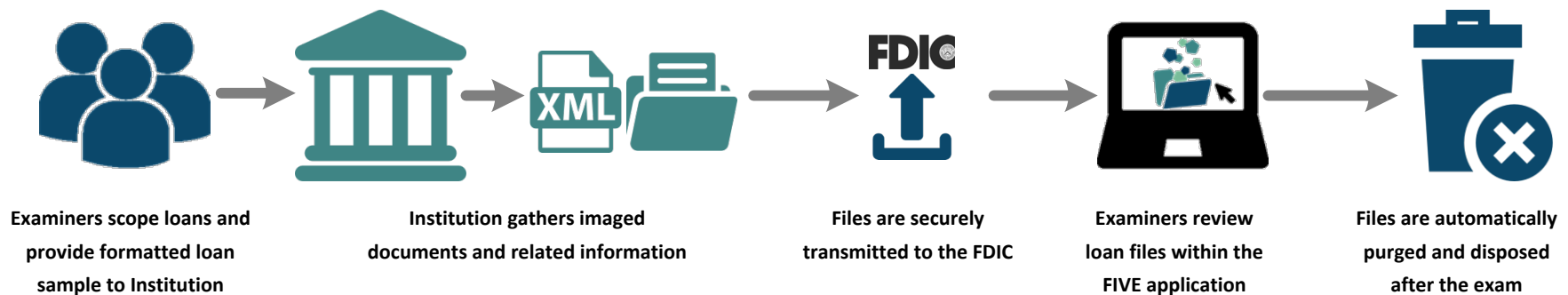
Implementation

- Examination staff will collect information regarding financial institutions' loan imaging practices and providers during pre-examination discussions
 - Determine eligibility to use the standardized export of imaged loan documents
 - Assess potential impact of remote loan review capabilities
- If interested, institution staff should discuss eligibility and next steps with applicable loan imaging software providers



Examination Process

- The diagram below outlines the process for using the standardized export of imaged loan documents during an examination:

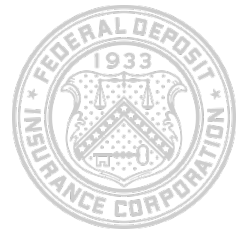


Note: Examination staff may refer to FIVE in discussions referring to the standardized export functionality

- *FIVE is the examiner-facing application used to view documentation included in the standardized export of imaged loan documents*

Next Steps

- Adoption and use of the standardized export of imaged loan documents will be continuously assessed for possible enhancements
- Usability improvements will be implemented
- The FDIC will continue to monitor and assess technical capabilities that facilitate remote examination activities
 - A multi-faceted approach may be necessary to accommodate the unique needs of FDIC-supervised institutions



Next Steps

- The FDIC will continue to consult with other Federal and State regulatory agencies to determine if the standardized export of imaged loan documents can be incorporated into existing examination processes
- Further analysis will be completed to determine if the standardized export can be expanded to additional examination types
 - Consumer Compliance, HMDA Reviews, Trust, etc.



Questions?

- Resources:
 - Anthony Perry
Associate Director for Technology Services
 - anperry@fdic.gov
 - General Mailbox
 - FIVE@fdic.gov

