



Federal Deposit Insurance Corporation
550 17th Street NW, Washington, D.C. 20429-9990

Financial Institution Letter
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Federal Regulators Seek Comment on Proposed Guidance for Credit Risk Review Systems

Summary: The FDIC, the Federal Reserve, the Office of the Comptroller of the Currency, and the National Credit Union Administration (the Agencies) are seeking comment on proposed guidance for credit risk review systems. The proposed guidance discusses sound management of credit risk, a system of independent and ongoing credit review, and appropriate communication regarding the performance of the institution's loan portfolio to its management and board of directors. The proposed guidance updates, as a stand-alone document, the elements of an effective credit risk review system currently contained in the *Interagency Policy Statement on the Allowance for Loan and Lease Losses (Attachment 1 - Loan Review Systems)*, issued in 2006.

Statement of Applicability to Institutions Under \$1 Billion in Total Assets: This Financial Institution Letter applies to all FDIC-supervised institutions.

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FDIC-Supervised Institutions

Suggested Routing:

Board of Directors
Chief Executive Officer
Chief Credit Officer
Chief Risk Officer

Related Topics

[Appendix A to Part 364—Interagency Guidelines Establishing Standards for Safety and Soundness](#)

[Interagency Policy Statement on the Allowance for Loan and Lease Losses](#)

Attachment:

[Proposed Interagency Guidance on Credit Risk Review Systems](#)

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Highlights:

- FDIC-supervised institutions should “Establish a system of independent, ongoing credit review and appropriate communication to management and to the board of directors.”¹
- The proposed guidance aligns with the *Interagency Guidelines Establishing Standards for Safety and Soundness* for insured depository institutions.
- The proposed guidance updates and reaffirms the key elements of an effective credit risk review system contained in *Attachment 1 – Loan Review Systems*, including: qualifications and independence of credit risk review personnel; the frequency, scope, and depth of reviews; and the review, follow-up, communication, and distribution of results.
- The proposed guidance includes updates to reflect current industry credit review practices as well as terminology to align with the “current expected credit losses” (CECL) methodology.
- The extent to which the principles discussed in the proposed guidance are applicable depend on an institution's size, complexity, loan type, risk profile, and risk management practices.
- The proposed guidance will be issued as a stand-alone document, and not part of loan loss reserve guidance, to highlight the important role of credit risk review systems in an institution's overall risk management program.
- Comments will be accepted for 60 days after publication in the Federal Register.

¹ See item II.D.4 of the Interagency Guidelines Establishing Standards for Safety and Soundness, Appendix A to Part 364 of the FDIC's Rules and Regulations.