# Letter from the Director

As the economic recovery continues, loan volume at the nation's banks is growing. A large majority of insured institutions, nearly 80 percent, grew their loan portfolios during the third quarter of 2016, a figure not far from the peak of nearly 83 percent of institutions that grew their loan portfolios in 2005. Historically, institutions that have effectively and prudently managed loan growth have been better positioned to withstand periods of volatility and stress and, as result, have been able to continue to serve their local economies through economic cycles.

As evidenced by the lessons learned from the recent crisis, loan portfolios warrant close monitoring during a growth cycle. Underwriting standards, credit administration practices, funding sources, and external market factors should be evaluated as part of ongoing oversight of loan portfolios, particularly when portfolios are growing rapidly or are large in relation to capital levels.

This issue's feature article, "Credit Risk Trends and Supervisory Expectation Highlights," provides an overview of industry loan metrics and describes the expectations articulated in supervisory guidance for managing growing loan concentrations. This article focuses on three loan categories — commercial real estate, agriculture, and oil and gas-related lending. These categories were selected because of how critical they are to FDIC-supervised banks and how quickly trends are shifting within these loan types. The article emphasizes the need, in this current robust loan market, to apply effective and sound risk management practices to maintain strong credit quality.

This issue of *Supervisory Insights* also includes an overview of recently released regulatory and supervisory guidance.

I hope you find the article in this issue to be a valuable resource in the area of credit risk management. We encourage our readers to provide feedback and suggest topics for future issues. Please e-mail your comments and suggestions to SupervisoryJournal@fdic.gov.

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