Concentrations

Director College Material

Division of Risk Management Supervision
Policy Considerations

• Policies should address:
  – Portfolio mix and limits
    • Lending to individuals, related group, industry, product lines
    • Investments
    • Other asset types
  – Mitigation plans
  – Ongoing monitoring and tracking
  – Reporting
Analytical Best Practices

• Identification methodology
• Economic and competitive factors
• Risk stratification and vulnerability assessment
  – Measure potential financial impact
• Risk Management and Control Processes
  – Policy and procedures
  – Strategic responses
  – Board reporting
Regulatory Treatment

• Examiner review

• Report of Examination treatment

Division of Risk Management Supervision
Outstanding Guidance

- Prudent Management of Agricultural Credit through Farming and Economic Cycles (FIL-85-2010)
- Funding and Liquidity Risk Management - Interagency Guidance (FIL-13-2010)
- Correspondent Concentration Risks - Interagency Guidance (FIL-18-2010)
- Risk Management of Investments in Structured Credit Products (FIL 20-2009)
- Liquidity Risk Management (FIL-84-2008)
- Managing Commercial Real Estate Concentrations in a Challenging Environment (FIL-22-2008)
- Allowance for Loan and Lease Losses - Revised Policy Statement and Frequently Asked Questions (FIL-105-2006)
- Commercial Real Estate Lending - Joint Guidance (FIL 104-2006)
- Home Equity Lending - Credit Risk Management Guidance (FIL-45-2005)
- Guidelines for Payday Lending (FIL 14-2005)
- Subprime Lending (FIL-9-2001)
- Acquisition, Development, and Construction Lending (FIL-110-1998)
- Investment Activities (FIL-45-1998)
More Outstanding Guidance

  - Managing Agricultural Credit Concentrations, FDIC Supervisory Insights Journal (Winter 2010)

  - Part 365—Real Estate Lending Standards
  - Part 364—Standards for Safety and Soundness

- **Statements of Policy:** [http://www.fdic.gov/regulations/laws/rules/5000-100.html](http://www.fdic.gov/regulations/laws/rules/5000-100.html)
  - Correspondent Concentration Risks
  - Interagency Guidance on Nontraditional Mortgage Product Risks
  - Interagency Policy Statement on Funding and Liquidity Risk Management
  - Interagency Policy Statement on the Allowance for Loan and Lease Losses
  - Policy Statement on Allowance for Loan and Lease Losses Methodologies and Documentation for Banks and Savings Institutions
  - Supervisory Policy Statement on Investment Securities and End-User Derivatives Activities
  - RMS Manual of Examination Policies, Section 3.2

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