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

January 1, 2018 – December 31, 2018

Date of Request	Basis of Request	Decision
May 10th	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.