

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



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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



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Outstanding Guidance

- **Financial Institution Letters:** (<http://www.fdic.gov/news/news/financial/2011/index.html>)
- [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)
- [Interagency Advisory on Mortgage Banking Activities](#) (FIL-15-2003)
- [Subprime Lending](#) (FIL-9-2001)
- [Acquisition, Development, and Construction Lending](#) (FIL-110-1998)
- [Investment Activities](#) (FIL-45-1998)



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More Outstanding Guidance

- **Supervisory Insights Journal Articles:**
(<http://www.fdic.gov/regulations/examinations/supervisory/insights/>)
- [Managing CRE Concentrations](#), FDIC Supervisory Insights Journal (Winter 2007)
- [Managing Agricultural Credit Concentrations](#), FDIC Supervisory Insights Journal (Winter 2010)

- **Rules and Regulations:** (<http://www.fdic.gov/regulations/laws/rules/2000-50.html>)
- [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>)
- [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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