

## SECURITIZATION

### Core Analysis Decision Factors

*Examiners should evaluate the Core Analysis in this section to determine if an Expanded Analysis is necessary. Click on the hyperlinks found within each of the Core Analysis Decision Factors to reference the applicable Core Analysis Procedures.*

**Do Core Analysis and Decision Factors indicate that risks are appropriately identified, measured, monitored, and controlled?**

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| C.1. Are policies, procedures, and risk limits adequate? Refer to Core Analysis <a href="#">Procedure #7</a> .   |
| C.2. Are internal controls adequate? Refer to Core Analysis <a href="#">Procedures #8-17</a> .   |
| C.3. Are audit and independent review functions adequate? Refer to Core Analysis <a href="#">Procedures #18-20</a> & <a href="#">Procedure #75</a> .   |
| C.4. Are information and communication systems adequate and accurate? Refer to Core Analysis <a href="#">Procedures #21-28</a> .   |
| C.5. Are risks associated with underlying assets clearly identified and measured? Refer to Core Analysis <a href="#">Procedures #29-52</a> .   |
| C.6. Are beneficial interests properly valued? Refer to Core Analysis <a href="#">Procedure #26</a> , <a href="#">Procedure #55</a> , & <a href="#">Procedure #76</a> .  |
| C.7. Are risks from securitizations that require consolidation adequately identified and managed? Refer to Core Analysis <a href="#">Procedures #58-67</a> .   |
| C.8. Do the board and senior management effectively oversee securitization activities? Refer to Core Analysis <a href="#">Procedure #5-6</a> , <a href="#">Procedure #20</a> , & <a href="#">Procedures #68-77</a> . |

## SECURITIZATION

### Core Analysis Procedures

*Examiners are to consider the following procedures but are not expected to perform every procedure at every bank. Examiners should complete only the procedures relevant for the bank's activities, business model, risk profile, and complexity. If needed, based on other identified risks, examiners can complete additional procedures. References to laws, regulations, supervisory guidance, and other resources are not all-inclusive.*

#### Important

***Refer to the Interagency Guidance on Asset Securitization Activities when completing this module. FDIC examiners should, when necessary, contact regional capital markets and securities specialists, or the Capital Markets Branch, for assistance in completing this module.***

***Scope: Examiners should determine whether securitized assets were properly accounted for as transfers of financial assets, secured borrowings, or whether the variable interest entity (VIE) needs to be consolidated. This module primarily applies to examinations of institutions that use securitizations to transfer financial assets off their balance sheets and that meet any of the following criteria: 1) originate or purchase financial assets for securitization, 2) retain beneficial interests in securitized assets, or 3) provide liquidity or credit enhancements.***

***Procedures 58-67 address securitizations accounted for as secured borrowings where the financial assets remain on the balance sheet. This module does not include procedures for assessing servicing activities.***

#### Preliminary Review

**1. Determine whether securitization concerns were identified in:**

- Prior examination reports,
- File correspondence,
- Internal/external audit reports,
- Independent reviews, or
- 10-K and 10-Q reports.

**2. Review reports, correspondence, and audits to identify activities and trends in:**

- Securitization volumes,
- Collateral types,
- Deal structures,<sup>1</sup>
- Cash flows, and
- Performance.<sup>2</sup>

**3. Review performance information (internal and publically available reports) for the institution's pools and comparable pools.**

<sup>1</sup> Such as, VIE type, concentration limitations, representations, and warranties.

<sup>2</sup> Consider issues such as delinquencies, chargeoffs, prepayments, excess spreads, and put-back volume.

<b>4. Review internal and third-party valuation reports regarding beneficial interests.</b>
<b>5. Review board/committee minutes and internal management reports for evidence of oversight, responsibility, and any identified concerns.</b>
<b>6. Discuss with management, its securitization strategy and determine if it is consistent with the board's strategic plans and policies.</b>
<b>Policies, Procedures, and Risk Limits</b>
<b>7. Determine whether securitization policies, procedures, and risk limits adequately address:</b> <ul style="list-style-type: none"> <li>• Permissible (i.e., board authorized) securitization activities;</li> <li>• Authority and responsibility over: <ul style="list-style-type: none"> <li>○ Transaction approvals and cancellations,</li> <li>○ Deal negotiations and executions,</li> <li>○ Deal summaries,</li> <li>○ Counterparty approvals,</li> <li>○ Transaction monitoring,</li> <li>○ Pricing approvals,</li> <li>○ Personnel supervision,</li> <li>○ Risk management, and</li> <li>○ Processes for reporting and approving policy exceptions;</li> </ul> </li> <li>• Underwriting standards for loans originated or purchased for securitization;</li> <li>• Credit ratings;</li> <li>• Servicing standards, including criteria for selecting third-party servicers;</li> <li>• Exposure limits, such as beneficial-interest concentration limits by type, maturity, and volume as a percent of Common Equity Tier 1 and Tier 1 capital;</li> <li>• Limits on the amount of funding derived from securitization;</li> <li>• Standards (consistent with contractual recourse obligations) for repurchasing loans from securitized asset pools;</li> <li>• Hedging activities, including embedded derivatives;</li> <li>• Approval of hedging counterparties;</li> <li>• Legal-counsel reviews of contracts and agreements;</li> <li>• Accounting methodologies;</li> <li>• Regulatory reporting requirements;</li> <li>• Methods for valuing beneficial interests, including procedures for reviewing and approving underlying assumptions;</li> </ul>

<ul style="list-style-type: none"> <li>• <b>Management reporting;</b></li> <li>• <b>Contingency plans;</b></li> <li>• <b>Compensation policies; and</b></li> <li>• <b>Credit-risk-retention requirements and standards to ensure regulatory compliance.<sup>3</sup></b></li> </ul>
<b>Internal Controls</b>
<b>8. Determine whether internal control programs address key issues, such as:</b> <ul style="list-style-type: none"> <li>• <b>Individual authority limits,</b></li> <li>• <b>Separation of duties,</b></li> <li>• <b>Physical and electronic access controls, and</b></li> <li>• <b>Independent reviews.</b></li> </ul>
<b>9. Determine whether separation-of-duty controls effectively restrict interactions between management and operational personnel, so that no one can unduly affect established securitization procedures.</b>
<b>10. Determine whether controls adequately restrict access to, or manipulation of, securitization records.</b>
<b>11. Determine whether loan-servicing statements and trustee reports for each securitization are routinely reconciled.</b>
<b>12. Determine whether controls are in place to verify that transfers of financial assets to VIEs are not required to be consolidated under ASC Topic 810, Consolidation.</b>
<b>13. Determine whether controls are in place to verify that financial assets transferred meet the sales criteria in ASC Topic 860, Transfers and Servicing.</b>
<b>14. Determine whether policy deviations are addressed and reported in accordance with approved policies.</b>

<sup>3</sup> **FDIC: Part 373. FRB: Part 244.**

<b>15. When the bank retains recourse in a securitization, assess controls to ensure recourse payments to the trust do not exceed the bank's contractual obligation.</b>
<b>16. When the bank acts as servicer or retains a beneficial interest in the securitization, determine whether the bank properly identifies and tracks cash flows through lockboxes, trust accounts, and bond payments. Assess procedures for ensuring that collected servicing and finance fees are not comingled with the bank's own collection accounts.</b>
<b>17. If the bank uses models in securitization activities or to value beneficial interests, determine whether controls prevent the individual who establishes model assumptions from being responsible for reviewing model results.</b>
<b>Internal Audit or Independent Review</b>
<b>18. Determine whether the scope of internal audits/independent reviews is sufficient to identify policy, risk management, internal control, and compliance deficiencies. Typical audit/review scopes include assessments of:</b> <ul style="list-style-type: none"> <li>• The valuation process for beneficial interests and the appropriateness of underlying assumptions;</li> <li>• Modeling processes and validation mechanisms;</li> <li>• Verification procedures designed to prove that loans serviced by a third party, including a subsidiary or an affiliate, reconcile to internal records;</li> <li>• Compliance with deal covenants;</li> <li>• Conformance with pooling and servicing agreements;</li> <li>• The adequacy of information systems to process data accurately;</li> <li>• The accuracy of regulatory and public reporting;</li> <li>• Compliance with policy guidelines;</li> <li>• Procedures for monthly reconciliations of loans held-for-sale;</li> <li>• Accounting procedures for loans held-for-sale;</li> <li>• Accounting procedures for loans transferred from the institution's held-for-sale portfolio to the held-for-investment loan portfolio;</li> <li>• Accounting procedures for original bookings, subsequent valuations, and regulatory reporting of beneficial interests;</li> <li>• Policies and procedures to ensure that a sale under ASC Topic 860 occurred; and</li> <li>• Compliance with the credit-risk retention rule.<sup>2</sup></li> </ul>
<b>19. Determine whether regular and unscheduled reviews are performed.</b>

<p><b>20. Determine whether internal audit results are promptly reported to the board, and whether responses to recent internal audits or independent reviews are reasonable and timely.</b></p>
<p><b>Information and Communication Systems</b></p>
<p><b>21. Review the use of modeling for beneficial interests (whether using an external party or using in-house models) and determine whether:</b></p> <ul style="list-style-type: none"> <li>• Bank personnel have a reasonable understanding of how the model works and what the output means (and if used in-house, the ability to operate the model);</li> <li>• The model and model assumptions have historically produced results in line with past projections (back testing);</li> <li>• Modeling software and systems are: <ul style="list-style-type: none"> <li>○ Appropriate for performing required tasks and calculations;</li> <li>○ Appropriate for the types of collateral and transactions that create the cash flows being modeled; and</li> <li>○ Independently maintained by individuals authorized to install updates and make changes to the model.</li> </ul> </li> </ul>
<p><b>22. Determine whether financial reports and disclosures are compliant with the SEC’s Regulation AB and the enhanced disclosure requirements of Regulation AB II.<sup>4</sup> Assess the adequacy of other regulatory reports and disclosures as applicable.</b></p>
<p><b>23. Determine whether institutions using advanced approaches under Basel III capital rules comply with the qualitative and quantitative disclosure requirements related to their securitization activities.</b></p>
<p><b>24. Determine whether internal reports provide management with sufficient information to make informed decisions and to monitor the results of those decisions. If the institution maintains a beneficial interest in securitized assets, reports should address:</b></p> <ul style="list-style-type: none"> <li>• Deal summaries for completed, current, and prospective securitization transactions, that include relevant information, such as: <ul style="list-style-type: none"> <li>○ Collateral type,</li> <li>○ Facility amount,</li> <li>○ Maturity,</li> <li>○ Class structure,</li> <li>○ Termination events,</li> </ul> </li> </ul>

<sup>4</sup> Regulation AB applies to registered securities only.

<ul style="list-style-type: none"> <li>○ Credit enhancement and subordination features,</li> <li>○ Financial covenants,</li> <li>○ Rights of repurchase,</li> <li>○ Servicing responsibilities, and</li> <li>○ Counterparty exposures;</li> <li>• Pool performance factors, such as:             <ul style="list-style-type: none"> <li>○ Gross portfolio yields,</li> <li>○ Probability of default,</li> <li>○ Loss severities (under default),</li> <li>○ Payment rates, and</li> <li>○ Excess spreads;</li> </ul> </li> <li>• Vintage analysis (using monthly data) for each pool;</li> <li>• Static pool cash-collection analysis;</li> <li>• Monthly statements of covenant compliance;</li> <li>• Quarterly (or more frequent) sensitivity analyses or stress tests;</li> <li>• Exposure by counterparties and functions (e.g., originator, seller, servicer);</li> <li>• Profitability analysis by securitization and function (e.g., originator, seller, servicer);</li> <li>• Liquidity usage and expected funding requirements;</li> <li>• Roll-rate analysis that tracks delinquency trends and the timing and age of chargeoffs; and</li> <li>• Sufficient details on beneficial interests to allow management to assess credit, concentration, valuation, and liquidity risks.</li> </ul>
<p><b>25. Determine whether management properly determines risk-based capital requirements for all securitization exposures.</b></p>
<p><b>26. Determine whether the bank correctly applies the appropriate approach for calculating regulatory capital for beneficial interests (e.g., supervisory formula approach, simplified supervisory formula approach (SSFA), or 1,250% risk weighting).</b></p>
<p><b>27. For re-securitization exposures, determine whether management is using the SSFA to measure risk-based capital charges based on the underlying exposures.</b></p>
<p><b>28. Determine whether information on securitization activities is effectively communicated to the lending, credit review, funds management, and risk management areas.</b></p>

Risk Identification and Measurement
<p><b>29. Review credit quality ratios for portfolio, securitized, and held-for-sale loans to determine whether underwriting standards for securitized and held-for-sale loans are comparable to portfolio loan ratios. Compare ratios such as:</b></p> <ul style="list-style-type: none"> <li>• Noncurrent loans to gross loans,</li> <li>• Total past due loans to gross loans, and</li> <li>• Net losses to average total loans.</li> </ul>
<p><b>30. Review performance factors and counterparty profiles to determine whether events triggered, or are close to triggering, over-collateralization or early-amortization protections as defined in the securitization documents.</b></p>
<p><b>31. Determine whether curing or re-aging practices mask poor performance in securitized assets.</b></p>
<p><b>32. Review internal standards for approving originators and brokers, and assess how management ensures originators and brokers maintain acceptable underwriting standards.</b></p>
<p><b>33. Determine whether management monitors portfolio risks by obtaining FICO scores, behavioral patterns or scores, or other credit data on borrowers.</b></p>
<p><b>34. Review aging reports for held-for-sale loans. Identify loans with longer-than-average holding periods and determine the cause.</b></p>
<p><b>35. Consider whether unmarketable loans are transferred from the held-for-sale loan portfolio to the general (held for investment) portfolio. Assess the level, frequency, and cause of transfers, and the effect on the institution's overall asset quality.</b></p>
<p><b>36. If the institution retains a beneficial interest in securitized assets, determine whether management monitors prepayments, delinquencies, defaults, and losses on sold assets.</b></p>



<p><b>37. For banks with beneficial interests, ensure documentation demonstrates the bank's clear ownership in the beneficial interests and the right to cash flows.</b></p>
<p><b>38. If the bank acts as servicer, determine if servicer advances are made for principal, interest, escrow, and/or foreclosure-related payments. If so:</b></p> <ul style="list-style-type: none"> <li>• <b>Determine whether management:</b> <ul style="list-style-type: none"> <li>○ Properly accounts for the advances as receivables,</li> <li>○ Assesses the credit risk of the advances, and</li> <li>○ Establishes contingency reserves as needed;</li> </ul> </li> <li>• <b>Determine whether the advances fall under the risk-based capital rules as recourse arrangements, by considering whether:</b> <ul style="list-style-type: none"> <li>○ The servicer is entitled to full reimbursement or, for any one loan, non-reimbursable advances are limited to an insignificant amount of the outstanding principal on that loan; and</li> <li>○ The servicer's entitlement to reimbursement is not subordinated.</li> </ul> </li> </ul>
<p><b>39. Assess the financial impact on the institution if management takes action to prevent early amortizations or rating downgrades. Such actions may include purchasing pool assets, exchanging assets within the pool, or waiving certain fees.</b></p>
<p><b>40. Determine whether management identified any embedded derivatives<sup>5</sup> within securitizations. Consider:</b></p> <ul style="list-style-type: none"> <li>• The counterparties to the derivatives and their financial strength,</li> <li>• Accounting implications, and</li> <li>• The potential for reportable recourse arrangements (such as clean-up calls over 10% of pool).</li> </ul>
<p><b>41. Determine whether the bank's beneficial interest is subject to basis risk due to differences between indices on the underlying loans and the bond classes. Assess how the risk is identified and managed.</b></p>
<p><b>42. Determine whether assets related to securitization activity (such as, beneficial interests and held-for-sale loans) are properly reflected in the bank's interest rate risk model.</b></p>

<sup>5</sup> Derivatives may include interest rate swaps, caps, forward arrangements, or call options.

<b>43. Assess management’s statements of covenant compliance and their potential impact on securitization activities.</b>
<b>44. Assess the adequacy of capital and liquidity contingency plans designed to manage trigger events and market disruptions that could render further securitizations unfeasible. When applicable, sound stress-testing practices capture severe-but-plausible scenarios, and appropriate contingency planning addresses:</b>
<ul style="list-style-type: none"> <li>• <b>Alternative sources of liquidity; and</b></li> <li>• <b>Management and operation of cash flows to implement covenants concerning over-collateralization accounts, reserve funds, and other related accounts.</b></li> </ul>
<b>45. If a third party servicer is used, including a subsidiary or an affiliate, determine whether management reviews audits or other documentation to analyze the operating soundness of this entity.</b>
<b>46. Determine whether the use of credit substitutes (such as standby letters of credit) is subject to the review and approval of the credit department.</b>
<b>47. Determine whether exposures arising from recourse exposures or direct credit substitutes are analyzed during internal credit reviews.</b>
<b>48. Review agreements to provide back-up liquidity and determine the institution’s obligations to fund advances and its rights to withhold advances.</b>
<b>49. Determine whether the bank retains an ownership interest in, or acts as a sponsor to, a securitization structure that falls within the Volcker Rule’s definition of a covered fund.</b>
<b>50. Determine whether covered funds qualify for exclusion from the Volcker Rule’s restrictions.</b>
<b>51. Determine whether any bank plans to divest of beneficial interests that do not meet the Volcker Rule’s exclusions comply with the divestiture timelines of the rule.</b>

<p><i>Prior to completing item 52, determine whether securitizations are, or create, asset-backed securities and whether the bank is a sponsor as defined in the credit risk retention rule. Complete item 52 only if the securitized assets consist of asset-backed securities and the bank is a sponsor.</i></p> <p><b>52. Assess compliance with the requirements of the credit risk retention rule by reviewing items such as:</b></p> <ul style="list-style-type: none"> <li>• Type, amount, and measurement of risk retention;</li> <li>• Eligibility conditions if a transaction-specific or allocation-to-originator option is used;</li> <li>• Qualification standards and conditions if an exemption, exception, or reduction is used;</li> <li>• Maintenance of, and adherence to, applicable policies and procedures when risk retention is allocated to the originator, originator-seller, or third-party;</li> <li>• Disclosures;</li> <li>• Repurchase, cure, or buy-backs for qualified residential mortgages or qualifying assets;</li> <li>• Hedging and transfer prohibitions and pledging restrictions; and</li> <li>• Record maintenance.</li> </ul>
<b>Valuation of Retained Interests</b>
<p><b>53. Determine whether management reviews contractual documents to ensure valuation modeling is properly mapping the cash flows legally owed to the beneficial interests. The cash flows may include excess principal and interest payments from the collateral and the release of reserve funds.</b></p>
<p><b>54. Determine whether management appropriately stratifies securitized assets by loan characteristics when making valuation assumptions.</b></p>
<p><b>55. Assess the reasonableness of prepayment, default, loss, and discount rate assumptions used to value beneficial interests.</b></p> <ul style="list-style-type: none"> <li>• Review management's documentation supporting the appropriateness of assumptions.</li> <li>• Determine whether management regularly (at least quarterly) reviews and updates (based on current and projected market conditions) the reasonableness of assumptions.</li> <li>• Assess management's procedures for identifying impairment.</li> </ul>
<p><b>56. Review cash flow documentation to determine whether:</b></p> <ul style="list-style-type: none"> <li>• The amount of interest paid to bond classes matches the stated coupon rate for each bond class;</li> <li>• Cash flows are distributed to bond classes and beneficial interests according to the terms of the prospectus, offering circular, or pooling and servicing agreement; and</li> </ul>

<ul style="list-style-type: none"> <li>• The deal redemption or cleanup provision is accurately reflected in the cash flows to beneficial interest holders.</li> </ul>
57. If a third party values the beneficial interest(s), review management's documentation, and evaluate the due diligence performed for determining the qualifications of the third party.
<b>Securitizations that Require Consolidation</b>
58. Determine whether the creditors of any of the bank's consolidated VIEs have recourse to the general credit of the institution rather than only to the assets of the VIE (i.e., whether the bank provided a guarantee to the securitization).
59. If creditors have recourse to the general assets of the institution, determine the circumstances under which creditors have recourse, whether management is monitoring the performance of the bank's securitizations (to assess the likelihood of general creditor claims), and actions management is taking to mitigate the risk exposure.
60. Determine whether management's assumptions and judgments are reasonable, adequately supported, and properly documented. <sup>6</sup>
61. Determine whether management considers the bank's exposure to general creditor claims in its assessment of capital adequacy and in capital planning.
62. Review the institution's involvement with consolidated VIEs, including judgments and assumptions made in determining consolidation requirements. <sup>7</sup>
63. Determine whether the institution's involvement with VIEs affects the institution's financial position, financial performance, or cash flows.

<sup>6</sup> For example, if the bank provides guarantees, the obligation should be periodically fair valued based on the performance of the underlying collateral.

<sup>7</sup> Management should validate whether the institution is the primary beneficiary.

<b>64. Assess the impact of the interest income recognized on VIE financial assets and the interest expense on VIE liabilities on the bank's net interest income (since the financial assets and liabilities of the VIE are consolidated).</b>
<b>65. Determine whether:</b> <ul style="list-style-type: none"> <li>• Management evaluates the collectability of VIE loans that are reported as held-for-investment,</li> <li>• The bank's methodology for the allowance for loan and lease losses (ALLL) properly incorporates VIE loans within its scope, and</li> <li>• The level of the consolidated ALLL is appropriate to cover the estimated credit losses on VIE loans.</li> </ul>
<b>66. Assess the earnings impact resulting from timing differences caused by loan and lease losses that must be taken on VIE loans in the periods when the credit losses are incurred.<sup>8</sup></b>
<b>67. Determine whether there are restrictions on consolidated VIE assets or the settlement of its liabilities reported on the institution's balance sheet.</b>
<b>Board and Senior Management Oversight</b>
<b>68. Determine whether management properly accounts for the transfer of financial assets in securitized transactions.<sup>9</sup></b>
<b>69. Determine whether management properly designates SPEs as VIEs under ASC Topic 860.</b>
<b>70. Determine whether the institution is the primary beneficiary of the VIE.<sup>10</sup> If so, determine whether management appropriately consolidates VIEs.<sup>11</sup></b>

<sup>8</sup> Any expected reductions in the cash flow to investors who hold beneficial interests in the securitization normally will not result in a reduction in the VIE's liabilities to these beneficial interest holders.

<sup>9</sup> Refer to the Call Report Instructions and ASC Topics 810 and 860 for additional information.

<sup>10</sup> A controlling financial interest exists when the institution has the power to direct significant VIE activities and the obligation to absorb significant VIE losses or the right to receive significant VIE benefits.

<sup>11</sup> Sales accounting treatment cannot be achieved when the institution is the primary beneficiary (when the VIE is consolidated).

<p><b>71. Assess management’s analysis of securitization activities to determine whether the activities and associated risks are consistent with the institution’s strategic and financial objectives. Appropriate analysis generally includes assessments of:</b></p> <ul style="list-style-type: none"> <li>• The cost of securitizing assets compared to the cost of alternative funding sources,</li> <li>• Initial/ongoing costs and projected returns of transactions, and</li> <li>• Risks related to a transaction.</li> </ul>
<p><b>72. Determine whether securitization documents contain any adverse covenants<sup>12</sup> that are tied to supervisory actions or thresholds, (such as downgrades in the institution’s composite CAMELS or RFI/(C) D ratings, changes in the institution’s Prompt Corrective Action capital category), or if the institution is placed under any type of written enforcement action by a supervisory authority.<sup>13</sup></b></p>
<p><b>73. Determine whether management provides sufficient capital in relation to risks arising from securitization activities.</b></p>
<p><b>74. Determine whether the board reviews and approves securitization policies (at least annually), new products, and material changes in securitization activities.</b></p>
<p><b>75. Determine whether management reviews financial audits (or other information) to analyze the condition of any third party credit enhancement provider, including a subsidiary or an affiliate,<sup>14</sup> involved in the institution’s securitizations.</b></p>
<p><b>76. Determine whether management complies with laws, accounting standards, and regulatory requirements.</b></p> <ul style="list-style-type: none"> <li>• Determine whether management appropriately applies the minimum risk-based capital standards to securitization transactions that involve recourse, including low-level recourse.</li> </ul>

<sup>12</sup> Adverse covenants include items such as termination triggers, early amortization events, and servicing transfer covenants.

<sup>13</sup> Refer to the Interagency Advisory On The Unsafe And Unsound Use Of Covenants Tied To Supervisory Actions In Securitization Documents. (FDIC: FIL-53-2002. FRB: SR 02-14)

<sup>14</sup> If necessary, refer to the Related Organizations Module to determine compliance with Sections 23A and B of the Federal Reserve Act.

- If the institution securitizes assets and retains an interest that serves as a credit enhancement supporting transferred assets, determine whether management reflects these transactions as assets sold with recourse in schedules RC-L, RC-R, RC-S of the Consolidated Reports of Income and Condition.
- Determine whether the securitization and the beneficial interests are accounted for consistent with ASC Topic 810, ASC Topic 860, and other applicable accounting standards.
- Determine whether held-for-sale loans are valued at the lower of cost or fair value
- Determine whether management appropriately follows risk retention rules.

**77. Determine whether historical performance indicates adequate board and senior management oversight.**

**End of Core Analysis. If needed, Continue to the Expanded and Impact Analyses.**