Federal Deposit Insurance Corporation
550 17th Street NW, Washington, D.C. 20429-9990

Financial Institution Letter
FIL-22-2018
April 24, 2018

Advisory: FDIC Conducting Testing of Standardized Export of Imaged Loan Documents

Summary: The Federal Deposit Insurance Corporation (FDIC) is developing and testing a standardized export of imaged loan documents in an effort to streamline examination processes. This initiative is anticipated to improve efficiencies during onsite examination activities and provide additional opportunities for conducting examination activities offsite. The FDIC will conduct a teleconference at 2 p.m. Eastern Time, on May 16, 2018, for FDIC-supervised institutions interested in learning more about the project.

Statement of Applicability to Institutions with Total Assets under $1 billion: This Financial Institution Letter provides information to all FDIC-supervised financial institutions.

Suggested Distribution:
FDIC-Supervised Institutions

Suggested Routing:
Chief Executive Officer
Chief Lending Officer
Compliance Officer
Chief Information Officer
Chief Information Security Officer

Attachment:
Advisory: Standardized Export of Imaged Loan Documents

Contact:
Anthony Perry, Associate Director, at (202) 898-3990

Note:
FDIC Financial Institution Letters (FILs) may be accessed from the FDIC's website at www.fdic.gov/news/news/financial/2018/.

To receive FILs electronically, please visit www.fdic.gov/about/subscriptions/index.html.

Paper copies of FDIC FILs may be obtained through the FDIC's Public Information Center, 3501 Fairfax Drive, Room E 1002, Arlington, VA 22226 (877-275-3342 or 703-562-2200).

Highlights:

- The FDIC is working to develop a standardized process for obtaining imaged loan files electronically.
- The standardized export will leverage the insured institutions' preexisting indexing data for imaged loan documents.
- The FDIC intends to conduct testing of the standardized export on upcoming examinations to validate technical specifications and related business processes.
- FDIC-supervised institutions may be asked if they wish to participate in the testing process. Participation during testing and any broader implementation will remain voluntary.
- After a testing and discovery period, the FDIC plans to conduct a virtual symposium to share lessons learned, discuss processes and technical specifications, and communicate plans for broader implementation of this initiative.
- Data security continues to be of the utmost importance to the FDIC, and appropriate information security protocols will be employed throughout the testing phase and broader implementation.
- The FDIC has consulted with the Federal Financial Institutions Examination Council (FFIEC) members[1] in developing the standardized export file format specifications, and will keep them apprised of testing results.
- The FDIC will host a teleconference at 2 p.m. Eastern Time, May 16, 2018, for FDIC-supervised institutions who wish to learn more about the initiative, goals, testing phase, and potential benefits of the standardized export.

[1] FFIEC members: Board of Governors of the Federal Reserve System; Federal Deposit Insurance Corporation; Consumer Financial Protection Bureau; Comptroller of the Currency; National Credit Union Administration; and the State Liaison Committee.

Advisory: Standardized Export of Imaged Loan Documents

The Federal Deposit Insurance Corporation (FDIC) is continuously exploring opportunities to modernize examination processes and incorporate industry feedback. In an effort to streamline examination processes and improve efficiencies, the FDIC is developing a standardized process for reviewing imaged loan files.

The standardized export will leverage financial institutions' preexisting loan indexing data in a specified format, which allows examination staff to access and review imaged loan documents within FDIC systems. The goal is to leverage technology to improve examination efficiency, both onsite and offsite. Possible benefits include lessening financial institution burden when supporting onsite examination teams, and potentially, reduce the amount of onsite examiner activity.

This proposed process complements current examination data review practices that rely on technology to improve examination processes. For example, the Interagency Loan Data Request (ILDR) uses electronically transmitted data about an institution's overall loan portfolio to assist in examination planning. While comparisons to the ILDR can be made, this new process is a separate capability.[2] Specifically, this initiative consolidates requested loan documentation and images into data files for secure transmission to examination teams. This allows examination staff to be equally effective at conducting loan review activities both inside and outside of an insured institution's premises.

The FDIC will conduct testing over the next several months to validate technical specifications and related business processes for the standardized export. As such, some FDIC-supervised institutions may be asked if they wish to participate in testing on upcoming examinations on a voluntary basis. Information security continues to be a primary focus for the FDIC, and appropriate protocols will be employed throughout all phases of this initiative to protect sensitive data.

After the testing and discovery period, the FDIC plans to conduct a virtual symposium to share lessons learned, discuss processes and technical specifications, and communicate plans for broader implementation of the initiative. If the initiative moves from a testing phase, into production, adoption by financial institutions will remain voluntary. If the FDIC decides to proceed to a broader implementation, technical and process information will be made available to insured institutions and their service providers/software vendors.

If implemented, FDIC-supervised institutions will have the option of electronically submitting loan files using the standardized export process as part of the pre-examination request for information. The FDIC will not require submission of imaged loan files electronically, nor will this initiative request that institutions alter existing file indexing practices for imaged loan documents. Further, institutions that have not implemented a loan document imaging system will not be required, or expected, to do so.

Timeline Summary:

- Testing and Discovery: Through December 2018
- Information Sharing Teleconference: May 16, 2018, 2 p.m. Eastern Time
- Information Sharing Virtual Symposium: December 2018
- Potential Production Implementation: First Quarter 2019

[2] Testing of this new process will have no effect on existing ILDR data requests.

The FDIC is in consultation with other Federal and State regulatory agencies to determine if the standardized export of imaged loan documents can be integrated into their existing examination processes.

The FDIC will host a teleconference for FDIC-supervised institutions who wish to learn more about the initiative, goals, testing and discovery phase, and potential benefits of the standardized export of imaged loan documents. This event will be recorded and include computer based information sharing via WebEx. To attend, please use the following information.

Date: Wednesday, May 16, 2018
Time: 2-3 p.m. Eastern Time
Conference Call: Toll: 1-203-827-7026, Toll Free: 888-323-9701
Participant Code: 9157610

Presentation Materials - WebEx Link:

https://www.mymeetings.com/nc/join.php?i=PWXW7322104&p=9157610&t=c

(Overflow Link)
https://www.mymeetings.com/nc/join.php?i=PWXW7322210&p=9886296&t=c

Doreen R. Eberley
Director
Risk Management Supervision