Interagency Guidance on Credit Risk Review Systems

**Summary:** The FDIC, the Federal Reserve Board, the Office of the Comptroller of the Currency, and the National Credit Union Administration have jointly issued the final *Interagency Guidance on Credit Risk Review Systems* (interagency guidance). The interagency guidance replaces the guidance in Attachment 1 – Loan Review Systems, which is part of the December 2006 Interagency Policy Statement on the Allowance for Loan and Lease Losses. Additionally, the interagency guidance aligns with the *Interagency Guidelines Establishing Standards for Safety and Soundness.*

**Statement of Applicability to Institutions with Total Assets Under $1 Billion:** This Financial Institution Letter (FIL) applies to all FDIC-supervised depository institutions.

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<th>Distribution:</th>
<th>All FDIC-Supervised Depository Institutions</th>
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| Suggested Routing: | Board of Directors  
Chief Executive Officer  
Chief Credit Officer  
Chief Risk Officer |
| Related Topics: | Appendix A to Part 364—Interagency Guidelines Establishing Standards for Safety and Soundness  
Interagency Policy Statement on the Allowance for Loan and Lease Losses |
| Attachment: | *Interagency Guidance on Credit Risk Review Systems* |
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| Notes: | Access FDIC Financial Institution Letters (FILs) on the FDIC’s website  
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**Highlights:**

- The interagency guidance highlights the important role of credit risk review systems in an institution’s overall risk management program.

- The interagency guidance is a stand-alone document that updates and replaces existing guidance on the elements of an effective credit risk review system currently contained in *Attachment 1 - Loan Review Systems* to the December 2006 *Interagency Policy Statement on the Allowance for Loan and Lease Losses.*

- The interagency guidance:
  - Articulates principles for sound credit risk management that include a system of independent, ongoing credit risk review and appropriate communication to management and the board of directors regarding the performance of the institution’s loan portfolio.
  - Describes a broad set of practices and principles to be considered when developing and maintaining a credit risk review system, including: qualifications and independence of credit risk review personnel; the frequency, scope, and depth of reviews; and the review, follow-up, communication, and distribution of results.
  - Reflects current industry credit review practices, as well as terminology that is consistent with Accounting Standards Update No. 2016-13, which introduces the current expected credit losses (CECL) methodology and replaces the existing incurred loss methodology in U.S. GAAP. A new Interagency Policy Statement on Allowances for Credit Losses that describes the CECL methodology is being issued separately.
  - The principles described in the interagency guidance are designed to be commensurate with the institution’s size, nature and scope of operations, loan portfolio types, risk profile, and risk management practices.

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