

YBS Rating System

YBS Rating System Objective

Implement a standalone rating system to assess institution's effectiveness in providing credit and services to YBS producers

Develop criteria to consistently measure institution's efforts in serving YBS producers



YBS Rating System Phased Approach

The rating system will be completed in two phases to align with data availability:

- Phase I – Qualitative component
- Phase II – Quantitative component



Phase I – Qualitative Component Data Sources (cont.)

Examinations and ongoing oversight activities:

- Policies and procedures
- Business and marketing plans
- Audit reports
- Reports to shareholders
- Board materials and reports



Phase I – Qualitative Component

Data Sources

YBS non-lending report (NLR)

- Includes information on non-lending activities and serving the non-lending needs of YBS producers in areas such as:
 - Non-lending capital commitments
 - Related services
 - Scholarships and grants
 - Marketing outreach



Phase I – Qualitative Component Rating Criteria (cont.)

Associations:

- Corporate governance
- Credit needs and related services
- Marketing, outreach, and education

Banks:

- Bank oversight



Phase I – Qualitative Component Rating Criteria

Association rating criteria examples:

- Corporate governance
 - Board oversight, direction, and planning
 - Reporting requirements and internal controls
- Marketing, outreach, and education
 - Marketing programs and resources devoted to such
 - Advertising campaigns
 - Educational programs
 - Host/support conference attendance
 - Use of a YBS Advisory Committee



Phase I – Qualitative Component Rating Criteria (cont.)

Association rating criteria examples:

- Credit needs and related services
 - Allocation of capital to YBS programs
 - YBS-specific loan underwriting standards
 - Flexible interest rates or fees
 - Reduced costs on related services
 - Other credit enhancements
 - Coordination with other entities
 - Tracking processes



Phase I – Qualitative Component Rating Criteria (cont.)

Bank rating criteria examples:

- Policy guidance
- Review and approval of direct lender association YBS programs
- Communication with associations on incomplete programs
- Reporting to FCA
- Role in overseeing and encouraging YBS programs within the district
- Working with associations to support and strengthen services to YBS borrowers



Phase II – Quantitative Component

- Develop quantitative benchmarks
- Align with implementation of new YBS program reporting data



YBS Rating Logistics

- Development continues into 2023
- Rating assigned annually by June 30
- Overall rating provided to institution



2022 National Oversight Plan

2022 NOP - Continuing Focus on YBS Programs

- Strengthen our oversight of YBS programs
- Conduct risk-based examination activities of YBS programs
- Develop qualitative component of YBS rating system for institution programs



Questions?

