

Examination Bulletin: FCA 2008-1
Subject: Reporting Examination Conclusions
Date Published: 3/2008 (Revised 3/2010)

Purpose

The purpose of this guidance is to communicate expectations regarding the Office of Examination's (OE) reporting to FCS institutions. This guidance should be used in conjunction with supplemental procedures provided by Division Directors.

Background

OE's risk-based oversight and examination process has changed the way we communicate with institutions, which requires clarification of reporting expectations. Historically, OE completed examinations and issued a Report of Examination around an "as of" date. The Report of Examination was used to evidence completion of our statutory examination requirements.

Under OE's current business model, examiners conduct risk-based, ongoing risk supervision and examination activities. With this transition to an ongoing approach, OE will communicate with institutions as activities are completed or as concerns are identified. This new model is focused on producing results (safety and soundness or compliance with laws and regulations), rather than producing Reports of Examination. OE's oversight and examination approach will result in more frequent and ongoing reporting to institutions. As such, any document provided to the institution communicating oversight and examination results is considered an official examination document subject to the requirements in this Examination Bulletin.

Statutory Compliance Date Reports

OE will issue a Report to each institution once every 18 months at the time of the Statutory Compliance Date (SCD). The report can be issued either before or after the SCD, once all required oversight and examination activities are completed. The SCD Reports will be in a format prescribed by the Division Director. At a minimum, the Reports will include:

- A letter to the board chairman signed by the Division Director or their designee that includes:
 - ✓ An Executive Summary
 - ✓ Any required and/or recommended actions
 - ✓ Conclusions on each CAMELS factor

- An enclosure or attachment summarizing the ongoing oversight activities completed since the previous SCD, including:
 - ✓ Items, issues, or concerns that are unresolved or remain outstanding at the SCD
 - ✓ Material issues or topics identified during the period
 - ✓ National Examination Activities impacting the institution

The Division Director has broad authority to modify the content as conditions warrant. The dates for financial or asset quality statistics presented in the report are at the discretion of the Division Director, but should be as current as feasible.

Copies of reports of examination, including activity letters and the SCD Report, will be sent to the chairman of the institution's board of directors and the CEO with copies to each member of the board. A copy of each report of examination will be forwarded to the association's funding bank.

FIRS Ratings Letters

FIRS ratings will be assigned quarterly and will be communicated to the institutions at least annually (as of December 31) and when there are changes in any component or composite rating. The FIRS ratings will be communicated with a separate letter sent to the board chairman and CEO. Any changes in the component or composite ratings should be explained. OE will provide a copy of the associations' FIRS ratings letters as well as a quarterly summary report of those ratings to the affiliated funding banks for their confidential use in oversight and servicing of the direct loans.

General Requirements - All Report Products

All report products will be issued under delegated authorities for processing, reviewing, approving, and signing as designated by the Division Director. The reports are subject to the following:

- The reports and FIRS letters must contain the following statement concerning confidentiality of the report and its contents.

“This information is the property of the Farm Credit Administration and is furnished to the institution for its confidential use. Under no circumstances shall the institution or any of its directors, officers, or agents, such as its attorney or accountant, disclose or make public in any manner this information without the prior written consent of the Farm Credit Administration (FCA Regulation 602.2).”

- The report products communicating results of a loan review activity will include details on the scope of the activity.
- The SCD report, activity letters, and FIRS rating letters will be filed immediately upon issuance in the Oversight and Examination Database (OED) under Reports/Examination Reports and Letters - Final section.
- Required or recommended actions must be entered in the OED tracking tool within 15 business days of the document being issued.
- The Examiner in Charge for National Examination Activities will ensure recommended and required actions are included in the OED for each institution, as appropriate.

March 9, 2010

Date

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Thomas G. McKenzie
Director and Chief Examiner