



FCA Board Meeting June 2021

Semi-Annual Report on Office of Examination Operations June 10, 2021

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OE Operations | Focus Areas



- ▶ Operating Plan objectives
 - Risk supervision and examination activities
 - Operational efficiency and effectiveness
 - Human capital update

- ▶ Summary



Risk Supervision & Examination Activities



System Profile as of 3/31/21

71 Lending Institutions

4 Funding Banks

Asset Size from \$29B to \$160B

67 Associations

Asset Size from \$38M to \$34B

\$404.4
billion **Total Assets**

\$321.8
billion **Gross Loans**

\$1.7
billion **YTD Earnings**

FCS institution activities and guidance

(Fiscal year-to-date 3/31/2021)

- ▶ Conducted examination and/or oversight activities at all funding banks, all associations, and 11 other entities
- ▶ Issued 25 reports of examination and 23 interim activity letters
 - Four institutions are currently under a higher level of supervisory oversight
- ▶ Communications and guidance activities
 - Internal/external communications
 - External meetings and conferences
 - Examination manual updates



Supervision & Examination Initiatives

2021 NOP Risk Topics and Strategies:

- ▶ **Credit | Risk management and loan servicing**
 - Assess risk identification, especially in portfolios with stressed industry/commodity concentrations
 - Examine loan servicing, particularly in view of pandemic-related deferral programs and borrower rights
 - Evaluate the identification and management of affiliated exposures
- ▶ **Operational risk | Response to the pandemic and other risks**
 - Review institutions' adjustments to operations, strategic business plans, controls, and risk assessments in response to the pandemic and other risks
 - Evaluate model risk management, applying our new guidance



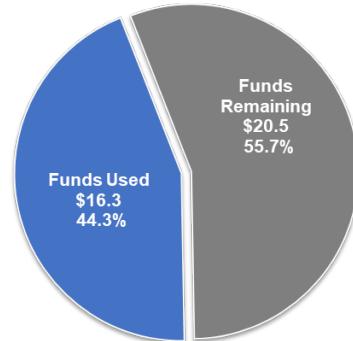


Operational Efficiency & Effectiveness



- ▶ Examination tools | Ongoing technology initiatives
 - EDGe and management reporting
 - Data analytics, FCS loan database and tools
- ▶ OE budget results (Fiscal year-to-date 3/31/2021)
 - FY 2021 OE budget: \$36.9 million

FY 2021 OE Budget



FTEs

| | |
|----------------------|-------|
| Projected Fiscal Yr. | 184.2 |
| Planned Fiscal Yr. | 185.9 |
| Under plan | -1.7 |



Human Capital Update

- ▶ Hiring, developing, and retaining associate examiners
- ▶ Post-commission training
- ▶ Staff development opportunities
- ▶ Staffing



Total OE staff

| Total OE Staff | Planned | Projected | Variance |
|-------------------------|------------|------------|------------|
| Beginning FY 2021 | 185 | 182 | (3) |
| Attrition Retirements | (16) | (19) | (3) |
| Hires | 18 | 20 | 2 |
| Ending FY 2021 | 187 | 183 | (4) |

Commissioned examiners

| Commissioned Examiners ¹ | Planned | Projected | Variance |
|-------------------------------------|-----------|-----------|------------|
| Beginning FY 2021 | 96 | 96 | 0 |
| Attrition Retirements | (7) | (11) | (4) |
| Hires | 0 | 1 | 1 |
| Newly Commissioned | 8 | 2 | (6) |
| Ending FY 2021 | 97 | 88 | (9) |

¹ Projected attrition includes two commissioned examiners moving into senior management.



Summary

- ▶ Continued effectively conducting oversight and examination activities through the 1st half of FY 2021
- ▶ Conditions still requiring some modifications in examination approach, staff development, and recruiting
- ▶ Remain focused on ensuring OE has sufficient highly skilled staff to accomplish its mission
- ▶ On target to accomplish 2021 Operating Plan objectives and meet or exceed all agency performance measures





Discussion



THANK YOU