



Office of Inspector General

September 2007
Report No. AUD-07-012

**FDIC's Participation in the Shared
National Credit Program**

AUDIT REPORT

Office of Audits



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FDIC's Participation in the Shared National Credit Program

Results of Audit

Background and Purpose of Audit

A Shared National Credit (SNC) is defined as any loan and/or formal loan commitment extended to a borrower by a supervised institution (subject to supervision by one of the federal banking agencies (FBA)), its subsidiaries, and affiliates that totals \$20 million or more and (1) is shared by three or more insured institutions under a formal lending agreement or (2) a portion of which is sold to two or more insured institutions, with the purchasing institutions assuming a pro rata share of the credit risk. An agent originates a SNC and administers it for the other lenders.

The SNC Program is an interagency program, established in 1977, to provide a periodic credit risk assessment of the largest and most complex credits held or agented by supervised institutions. The SNC Program is administered by the four FBAs: the Office of the Comptroller of the Currency (OCC), Board of Governors of the Federal Reserve System (FRB), FDIC, and Office of Thrift Supervision (OTS). The SNC Program is designed to provide uniformity and efficiency in the FBAs' analysis and rating of the largest and most complex credit facilities in the country. The FDIC's Division of Supervision and Consumer Protection (DSC) is responsible for fulfilling the FDIC's role in the SNC Program.

For 2007, the SNC Program included 205 agent institutions, of which 26 were FDIC-supervised institutions, that originated about 7,700 credits with a \$2.3 trillion commitment balance. About 800 of the more than 5,200 FDIC-supervised banks participate in SNCs. For these 800 institutions, the SNC Program has the potential beneficial effects of avoiding duplicate credit reviews and ensuring consistency in rating determinations.

The audit objectives were to assess the (1) FDIC's role in reviewing SNCs and (2) consideration of SNC ratings in risk management examinations of FDIC-supervised institutions.

The SNC Program is a well-established interagency program with appropriate interagency coordination and documentation. The FDIC has a role similar to that of the other banking agencies in providing a periodic credit risk assessment of the largest and most complex credits held by insured financial institutions in the United States.

The FDIC uses information from the SNC Program in risk management examinations and analyses of emerging risks at large banks, including underwriting and industry performance trends. There were a total of nine sites for the 2007 SNC review where the FDIC examiners served as the Examiner-in-Charge. We reviewed three such SNC examination sites and determined that the FDIC examiners had appropriately followed guidance and that credit ratings were adequately supported by examiner working papers. According to DSC examiners, SNC results help achieve efficiencies in risk management examinations by using the SNC rating assigned to credits, thus avoiding multiple reviews of the same credits as part of individual risk management examinations of participating institutions.

We identified a matter for further consideration by FDIC management involving the process used to identify SNCs that are agented by entities that are not supervised institutions (such as insurance companies and securities firms) meaning that the institution is not subject to examination by one of the FBAs. The interagency letter sent to all known agent financial institutions each December asks these institutions to report SNCs that are agented by an entity that is not a supervised institution. However, this process is unlikely to identify those SNCs in which the agent entities are not supervised institutions. Given the benefits of the SNC Program in terms of insight into industry risk and performance and efficiencies gained in the examination process, the FDIC, together with the other FBAs, should consider assessing the need for additional guidance and controls over the identification of SNCs agented by entities that are not supervised institutions.

Recommendations and Management Response

The report does not contain any recommendations. The FDIC commented that it would discuss the need for additional guidance and controls over the identification of SNCs agented by entities that are not supervised institutions with the other FBAs.

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DATE: September 13, 2007

MEMORANDUM TO: Sandra L. Thompson, Director
Division of Supervision and Consumer Protection

FROM: /Signed/
Russell A. Rau
Assistant Inspector General for Audits

SUBJECT: *FDIC's Participation in the
Shared National Credit Program*
(Report No. AUD-07-012)

This report presents the results of our audit of the FDIC's participation in the Shared National Credit (SNC)¹ Program. The SNC Program is an interagency program established in 1977 to provide a periodic credit risk assessment of the largest and most complex credits held or agented² by supervised institutions.³ For 2007, the SNC Program covered almost 7,700 credits (or loans) totaling nearly \$2.3 trillion in commitments with over \$800 billion in outstanding balances.⁴

The objectives of the audit were to assess (1) the FDIC's role in reviewing SNCs and (2) the consideration of SNC ratings in risk management examinations of FDIC-supervised institutions. As part of the objectives, we also reviewed the programmatic goals and objectives of the SNC Program. We conducted this performance audit in accordance with generally accepted government auditing standards. Appendix I of this report discusses our audit objectives, scope, and methodology in detail.

The FDIC's Division of Supervision and Consumer Protection (DSC) operates a number of supervisory and risk assessment programs to evaluate large bank risks. DSC's Large

¹ A SNC is defined as any loan and/or formal loan commitment extended to a borrower by a supervised institution, its subsidiaries, and affiliates that totals \$20 million or more and (1) is shared by three or more insured institutions under a formal lending agreement or (2) a portion of which is sold to two or more insured institutions, with the purchasing institutions assuming a pro rata share of the credit risk.

² According to FDIC guidance, one or more lenders take on the role of lead or "agent" (co-agents in the case of more than one) of the credit and assume responsibility of administering the loan for the other lenders. The agent assumes the lead role in originating a SNC and may retain varying percentages of the credit.

³ A supervised institution is one that is subject to supervision by one of the federal bank regulatory agencies, including all FDIC-insured banks, their branches, subsidiaries, and affiliates; bank or financial holding companies and their non-bank subsidiaries and affiliates; and federal and state-licensed branches and agencies of foreign banks. SNCs may be agented by an entity that is not a supervised institution.

⁴ A commitment is an agreement between a lender and a borrower to lend money at a future date, while outstanding balance refers to amounts currently outstanding or drawn against the commitment.

Bank Supervision Branch is responsible for establishing minimum standards and supervisory strategies necessary to ensure a consistent approach to large bank supervision on a national basis.

BACKGROUND

The SNC Program is administered by the four federal banking agencies: the Office of the Comptroller of the Currency (OCC), Board of Governors of the Federal Reserve System (FRB), FDIC, and Office of Thrift Supervision (OTS). Cooperating state bank supervisors also participate in annual examinations. The SNC Program is designed to provide uniformity and efficiency in the federal banking agencies' analysis and rating of the largest and most complex credits in the country. A March 1998 Interagency Agreement entitled, *Shared National Credit Program* (Interagency Agreement), provides policies for the SNC Program and the definitions used by program participants. In addition, the FDIC, OCC, and FRB have developed SNC procedures manuals to help assist examiners performing SNC reviews. With the exception of administrative details, the procedures manuals are similar.

According to the DSC's 2007 *Shared National Credit Program Procedures Manual*, the key objectives of the SNC Program are to:

- Provide uniformity in approach and risk-rating determinations.
- Gain efficiencies in risk analysis.
- Provide timely results to banks and regulatory agencies.
- Gather and analyze bank and industry credit data.

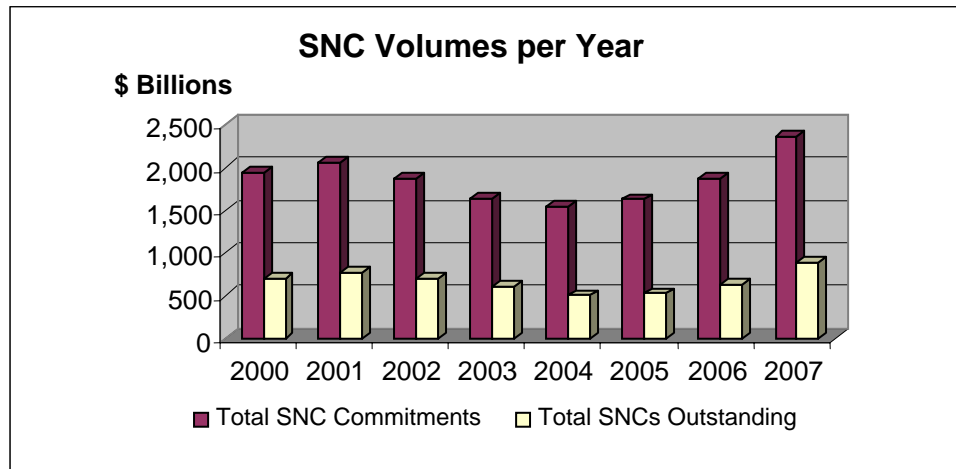
Other benefits of the program include the following:

- Avoiding redundant reviews of the same credit in multiple banks.
- Ensuring that credits are reviewed in a uniform and consistent manner.
- Maximizing human and financial resources.
- Limiting disruptions to the operations of the participating banks.

After a period of decline from 2002 through 2004, SNC commitments have been increasing since 2005 and reached an all-time high of approximately \$2.3 trillion in 2007⁵ (see the figure on the next page).

⁵ For 2006, the most current data available, the portion of SNC commitments held by FDIC-insured institutions and banking organizations was approximately 47 percent.

SNC Commitments and Outstanding Balances from 2000 to 2007



Source: DSC's SNC Summary Reports.

On September 25, 2006, the FRB, OCC, FDIC, and OTS issued the results of their joint review of SNCs. The review showed that the volume of syndicated credits rose rapidly, in part, reflecting a rise in merger and acquisition activity over 2005. The review also noted a small increase in problem credits as a share of commitments in 2006. The bulk of this increase was associated with credits held by non-bank entities, while problem loans at regulated institutions, particularly those with insured deposits, grew slightly. Deterioration in exposures to the manufacturing sector, primarily the automotive industry, accounted for most of the softening in asset quality. The published review results affirmed that most other industries exhibited improved credit quality from peak problem levels experienced in prior years. As shown in the figure above, in 2007 SNC commitments increased nearly \$490 billion, nearly a 26-percent increase since 2006.

SNC Review Process

In December of each year, the federal banking agencies notify known agent banks of the upcoming SNC review. Such banks are directed to provide year-end SNC information to their respective banking agencies by January 31. During February and March, the banking agencies exchange preliminary SNC data and develop a sample of SNCs that will be reviewed at selected agent banks. The banking agencies have adopted a sampling methodology that includes both judgmental and statistical sampling processes that focus on riskier types of borrowers and industries. The primary factors used to determine the riskier borrowers are previous SNC risk ratings, bank risk ratings, rating agency ratings, credit size, the borrower's primary industry, and general economic trends. As part of the SNC process, the banking agencies prepare high-risk industry reports each year to assist in the review and selection of targeted industries. For example, the 2007 SNC review targeted the automotive, residential real estate construction, and broadcasting industries. For the 2007 review, the federal banking agencies reported 205 agent institutions that originated the universe of about 7,700 credits. Generally, the federal banking agency with supervisory responsibility for an agent institution assumes overall administrative

responsibility for the SNC review, including acting as the examiner-in-charge (EIC). For 2007, SNC reviews were performed at 71 agent banks of which 9 institutions are FDIC supervised. At the 71 agent banks, examiners sampled about 2,100 credits (27 percent) of the 7,695 SNCs (see Table 1).

Table 1: Total SNCs and Sampled Credits

Banking Agency*	Total Number of Credits	Dollar Amount of Credits (\$ in millions)	Number of Sampled Credits	Dollar Amount of Sampled Credits (\$ in millions)
OCC	5,509	\$1,866,930	1,279	\$545,686
FRB	1,962	\$391,750	689	\$176,893
FDIC	179	\$13,262	113	\$8,213
OTS	45	\$4,694	17	\$1,452
Totals	7,695	\$2,276,636	2,098	\$732,244

Source: DSC's Large Bank Supervision Branch.

* The banking agencies track the number of SNCs and dollar amounts by the banking supervisor of the agent banks. This does not necessarily reflect the overall impact of SNCs on each banking supervisor because, in many cases, the participants in a SNC include banks that are supervised by other banking agencies. While FDIC-supervised institutions tend not to agent SNCs, approximately 800 of the more than 5,200 FDIC-supervised institutions, with total commitments of \$91 billion, are participants in the SNC Program.

For sampled credits, a risk rating is assigned during the SNC review by an interagency team and reported to each participant bank by its federal banking supervisor. According to FDIC officials, any credit that was sampled in the SNC Program is not reviewed during risk management examinations at the participant banks unless significant changes have occurred that warrant a change to the credit rating. In this manner, the banking agency can achieve considerable efficiency through the SNC Program.

The federal banking agencies can use the results of the SNC reviews to identify trends in industry sectors and banks' credit risk management practices. As discussed previously, these trends are typically published annually in September to aid the industry in understanding economic and credit risk management trends. DSC's Large Bank Supervision Branch uses information from the SNC Program in analyses of emerging risks at large banks.

SNC Modernization Project

During 2002, the agencies initiated a SNC Modernization project, the goal of which was to enhance and streamline the SNC Program by standardizing the SNC data collection system and the creation of a shared SNC database that would improve the efficiency and accuracy of data. The FRB and the OCC maintain separate SNC databases with collection processes that slightly differ (the OCC also processes SNC data for the FDIC

and OTS). The agencies will augment data collection after the Basel II capital standard⁶ becomes effective. Collection of the Basel II data elements will give the agencies additional insight into implementation of the capital standard by allowing comparison on commonly-held SNCs. The bank officials we interviewed generally agreed that SNC modernization could be helpful in streamlining the SNC process, which is viewed as largely manual and labor intensive.

RESULTS OF AUDIT

The SNC Program is a well-established interagency program with appropriate interagency coordination and documentation. The FDIC has a role similar to that of the other banking agencies in providing a periodic credit risk assessment of the largest and most complex credit facilities held by insured financial institutions in the United States. The FDIC uses information from the SNC Program in risk management examinations and analyses of emerging risks at large banks, including underwriting and industry performance trends. Our review at three SNC examination sites for which FDIC examiners served as the EIC (there were a total of nine such sites for the 2007 SNC review) showed that examiners had appropriately followed guidance and that credit ratings were adequately documented in examiner working papers. According to DSC examiners, SNC results help achieve efficiencies in risk management examinations by using the SNC rating assigned to credits, thus avoiding duplicate credit reviews (see **The FDIC's Role in the SNC Program**).

We identified a matter for further consideration by FDIC management involving the process used to identify SNCs that are agented by entities that are not supervised institutions, meaning that the institution is not subject to examination by the federal banking agency. The interagency letter sent to all known agent financial institutions each December asks the institutions to report SNCs that are agented by an entity that is not a supervised institution. However, this process is unlikely to identify those SNCs in which the agent entities are not supervised institutions. Given the benefits of the SNC Program in terms of insight into industry risk and performance and efficiencies gained in the examination process, the FDIC, together with the other federal banking agencies, should consider assessing the need for additional guidance and controls over the identification of SNCs agented by entities that are not supervised institutions (see **Matter for Management Consideration**).

THE FDIC'S ROLE IN THE SNC PROGRAM

The FDIC's role in the SNC Program is similar to that of the OCC and FRB with its primary focus being to provide a periodic credit risk assessment of the largest and most

⁶ The objective of Basel II, *International Convergence of Capital Measurement and Capital Standards: A Revised Framework*, is to more closely align regulatory capital with risk in large or multinational banks. U.S. regulators expect that about 11 banking organizations, which account for about 50 percent of U.S. banking assets, will be required to implement Basel II.

complex credit facilities held by insured financial institutions. The FDIC coordinates with the other banking agencies in developing a universe of SNCs and then targeting a sample for review. Our review at three FDIC examination sites showed that examiners had followed guidance and adequately supported their SNC reviews. Further, according to DSC officials, the SNC results are considered in risk management examinations by using the SNC rating assigned to a particular credit, thereby, avoiding duplicate credit reviews.

SNC Program Examinations

The March 1998 Interagency Agreement outlines the policies and procedures for the SNC Program. The Interagency Agreement addresses, among other things: program administration, disposition and notification to banks, data processing, and an appeal process if banks disagree with the review. Further, the agreement provides that the OCC and FRB are to maintain separate SNC databases – OCC for national banks and the FRB for state-chartered banks. The Interagency Agreement was amended in 2000 to allow for the OCC to maintain the database for FDIC-supervised institutions. In addition, the Interagency Agreement notes that each agency will maintain its own SNC procedures manual that provides details on procedures for preparing, editing, and processing SNC data. We reviewed the various manuals and found that with the exception of administrative matters, the procedures manuals for the three agencies are similar.

We visited three out of nine SNC sites where the FDIC was the EIC. These 3 sites represented 37 borrowers (42 percent) out of a total of 88 borrowers at the 9 FDIC sites. Based on our review of examiner working papers and line sheets at the three SNC sites, we determined that the examiners' reviews had been completed in accordance with SNC guidance. Sufficient documentation was available in working paper files for us to determine which steps the examiners had performed and which bank records had been reviewed, including examiners' analyses of debt service coverage/cash flow, collateral, guarantors, appraisals, and other financial information and analyses. In our opinion, the examiner working papers and line sheets contained sufficient documentation to support the credit rating.

The FDIC provides considerable staffing to the SNC Program. FDIC examiners who participate in the SNC Program must possess the:

- ability for and experience in reviewing multi-million dollar loan relationships;
- ability to communicate effectively with bank personnel and staff of other regulatory agencies; and
- ability to evaluate complex segments of a multi-billion dollar banking company, assess the level of risk within the company, and relay findings both in written and oral form to regional office personnel.

According to DSC, the FDIC and FRB each provide about 25 percent of the total staffing for SNC reviews, with the OCC providing about 50 percent. FDIC staffing has fluctuated

in recent years. As shown in Table 2, FDIC staffing commitments to the SNC Program ranged from 102 to 202 examiners from 2002 through 2007. SNC assignments for FDIC examiners generally last from a few days up to 6 weeks.

Table 2: Number of FDIC Examiners and Examiner Hours Dedicated to the SNC Program

Year	Total Number of Examiners	Aggregate Examiner Hours
2007	122	15,411
2006	102	12,946
2005	133	19,263
2004	170	24,886
2003	176	29,128
2002	202	32,830

Source: DSC's national SNC coordinator.

As noted earlier, SNC volume has been increasing since 2005, yet examiner hours have generally been decreasing. DSC officials told us that contributing factors to the decrease in hours have been improved credit quality and efficiencies gained through better sampling techniques.

Use of SNC Information in Risk Management Examinations

Two of the stated purposes of the SNC Program are to (1) avoid redundancy in reviewing the same credit in multiple banks and (2) ensure that credits are reviewed in a uniform and consistent manner. For example, if a loan is made to a borrower with eight participants, that loan (or credit) could be reviewed in risk management examinations at all eight banks. By reviewing the credit once as part of the SNC Program, the individual loans would not need to be reviewed during risk management examinations. The credit quality rating assigned by the examiners is reported to all banks that participate in the credit. These ratings are used during subsequent examinations of supervised institutions to avoid duplicate reviews and to ensure consistent treatment of credits.

To assess the impact of SNCs on FDIC risk management examinations, we obtained a copy of the national SNC database for 2007. From the database, we determined there were 205 agent institutions—of which 26 were FDIC-supervised institutions—in the SNC Program that originated the 7,700 credits with a \$2.3 trillion commitment balance. About 800 of the more than 5,200 FDIC-supervised banks participate in SNCs. For these 800 institutions, the SNC Program has the potential beneficial effects of avoiding duplicate credit reviews and ensuring consistency in rating determinations.

Table 3, on the next page, summarizes the number of supervised institutions participating in SNCs, by banking agency.

Table 3: Supervised Institutions in the SNC Program

Banking Agency	Number of Institutions
FDIC	803
FRB	702
OCC	479
OTS	97
Total	2,081*

* The 2,081 represents supervised institutions. Some supervised institutions such as foreign banking organizations do not have FDIC insurance.

According to FDIC officials, the annual risk management examination specifically excludes any credits that have been sampled as part of the SNC Program. The SNC review was particularly useful in assessing banks' loan classification systems during the risk management examination and helped to reduce the size of the loan sample during the annual risk management examination.

The FDIC, as the insurer of financial institutions, uses information from the SNC Program to assess overall risk to the industry and to integrate this information into analyses of emerging risks at large banks. Further, the SNC Program provides the FDIC insight into underwriting trends.

MATTER FOR MANAGEMENT CONSIDERATION

While assessing the FDIC's implementation of the SNC Program, we noted an issue that may warrant further attention by the federal banking agencies. This issue involves the process used to identify SNCs that are agented by entities that are not supervised institutions.⁷

A SNC is defined as any loan and/or formal loan commitment extended to a borrower by a supervised institution, its subsidiaries, and affiliates. SNCs may include credits agented by either financial institutions that are supervised by the federal banking agencies or entities that are not supervised institutions. The interagency letter and enclosures sent to all known agent financial institutions each December (the letter for the 2007 review was distributed on December 14, 2006) provide, in part, that:

SNCs that are agented by an entity that is not a supervised institution should be reported by the supervised institution at which the credit was reviewed in 2006. If you are unsure of the review bank, the identity of the non-supervised agent, or if the credit was not reviewed in 2006, report the credit.

However, the requested responses to the letter may not fully capture information on SNCs that are agented by an entity that is not a supervised institution because the letter is sent to only the 205 supervised agent institutions. Therefore, this process is unlikely to identify those SNCs that are agented by entities that are not supervised institutions.

⁷ Entities that are not supervised institutions may include insurance companies, investment banks, securities firms, finance companies, real estate development subsidiaries, and foreign banks.

Additionally, current FDIC risk management examination guidance does not include procedures to identify SNCs that are not included in the SNC Program, including SNCs that are agented by an entity that is not a supervised institution. Instead, reporting guidance in the FDIC 2007 SNC manual applies when examiners discover that an FDIC-supervised institution that agents SNCs has not reported them to FDIC Headquarters. As a result, neither the responses to the interagency letter nor FDIC risk management examinations can be fully relied upon to identify SNCs agented by entities that are not supervised institutions.

DSC officials indicated that if a SNC is agented by an entity that is not a supervised institution, then the supervised financial institution participating in the SNC with the largest percentage of the credit should assume reporting duties. However, we did not find that this potential responsibility has been communicated to financial institutions or is subject to review as part of risk management examinations. Additionally, performing this function could represent a burden to the financial institution in terms of the administrative cost of tracking participation information and accommodating SNC examinations of the credit that would need to be considered in the assignment of this responsibility.

According to DSC and Division of Insurance and Research (DIR) officials, the number and dollar magnitude of SNCs agented by entities that are not supervised institutions is unknown, and there is no clear indication of the relative risk of these credits compared to those agented by supervised institutions. Therefore, the benefits of additional controls to ensure these credits are included in the SNC Program are uncertain. As a result, we are not including a specific recommendation to address this matter. However, given the benefits of the SNC Program in terms of insight into industry risk and performance and efficiencies gained in the examination process, the FDIC, together with the other federal banking agencies, should consider assessing the need for additional guidance and controls over the identification of SNCs agented by entities that are not supervised institutions.

CORPORATION COMMENTS

In a memorandum dated September 6, 2007, the Director, DSC, provided a written response to a draft of this report. DSC's response is presented in its entirety as Appendix II. DSC noted that the SNC Program is an important part of its large bank supervisory and risk assessment program. The response also noted that DSC will discuss the need for additional guidance and controls over the identification of SNCs agented by entities that are not supervised institutions with the other banking agencies.

OBJECTIVES, SCOPE, AND METHODOLOGY

Objectives

The audit objectives were to assess (1) the FDIC's role in reviewing SNCs and (2) the consideration of SNC ratings in risk management examinations of FDIC-supervised institutions.

Scope and Methodology

We focused our review on the completed 2006 SNC reviews and the ongoing 2007 SNC reviews. We conducted this performance audit from March through July 2007 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We reviewed the background and current status of the SNC Modernization project; however, we did not perform specific audit work related to SNC Modernization. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

To accomplish our objectives, we performed the following:

- Reviewed DSC policies and procedures manuals related to SNCs and made a comparison of the guidance to other regulators' guidance.
- Reviewed existing Interagency Agreements and memoranda related to SNCs.
- Interviewed various examiners at three SNC sites.
- Interviewed bank officials at three SNC sites.
- Reviewed and queried the SNC database maintained by the FRB.
- Assessed examiner staffing dedicated to SNCs.
- Reviewed SNC identification and sampling methodologies.
- Interviewed DSC officials in the Large Bank Supervision Branch.
- Reviewed DSC's Web site for documents relating to SNCs.
- Reviewed selected SNC assessments at three FDIC-supervised institutions to determine how SNC results are factored into the FDIC's risk management examinations.

Internal Controls Reliance on Computer-based Data

We reviewed the effectiveness of controls in place for identifying the universe of SNCs and sampling SNCs for individual review. Further, we observed loan reviews and reviewed examiner line sheets and workpapers to assess whether internal controls were adequate pertaining to examiner review of individual loans. In our opinion, the internal controls in place are reasonable for assessing loans in the SNC Program.

The OCC and FRB share responsibility for SNC data collection. OCC and FRB responsibilities were outside the purview of this review, and accordingly, we cannot opine of the accuracy of the data maintained by those agencies. Additionally, our audit

objective did not require that we separately assess the reliability of computer-based data. However, based on our review of data the FDIC received and the use of other analytical techniques, nothing came to our attention that indicated the data were not reliable. We used unaudited data provided primarily by the FRB and FDIC to compile charts and tables for this report.

Government Performance and Results Act

We reviewed DSC's performance measures under the Government Performance and Results Act, Public Law 103-62. We reviewed the FDIC's *2007 Annual Performance Plan* and the FDIC's *Strategic Plan for 2005-2010*. Neither plan includes goals, objectives, and/or indicators specifically related to the subject of our audit, and no specific performance measures exist to gauge whether the SNC Program is meeting its goals and objectives. DSC officials told us that the banking agencies meet every October to discuss the activities of the previous year, any complaints received from SNC participants and bankers, and recommendations for the next examination.

Compliance With Laws and Regulations and Fraud or Illegal Acts

There are no specific FDIC laws or regulations in place that relate to the SNC Program. Additionally, our audit program included steps for providing reasonable assurance of detecting fraud or illegal acts, and none came to our attention.

CORPORATION COMMENTS



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

Division of Supervision and Consumer Protection

DATE: September 6, 2007

TO: Russell A. Rau
Assistant Inspector General for Audits

FROM: Sandra L. Thompson [signed Deputy Director John M. Lane for]
Director

SUBJECT: Response to Draft Report Entitled:
FDIC's Participation in the Shared National Credit Program (2007-016)

The Division of Supervision and Consumer Protection (DSC) is pleased you found that FDIC examiners appropriately followed the Shared National Credit Program guidance and adequately supported their credit risk ratings. The Shared National Credit Program is an important element of DSC's large bank supervisory and risk assessment program, and it provides the banking agencies with uniform and efficient credit risk ratings for syndicated loans held by multiple insured financial institutions.

We are committed to delivering the effective and efficient oversight that this program provides to the banking industry and its depositors. DSC will discuss the matter you offered for our consideration with the other banking agencies.