
Asset Quality

Program

Limited Examination Procedures for Trust-Only Institutions

Examination Objectives

To determine the adequacy of the association's policies, procedures, and internal controls regarding its investments.

To determine the overall quality of the association's investments, and assess the effect of portfolio quality on the overall soundness of the association.

To determine whether any of the association's fixed or other assets have any material impact on its operations, expenses, or capital.

To determine whether the association is in compliance with the Qualified Thrift Lender requirements.

Examination Procedures

Wkp. Ref.

The following examination procedures are provided as a guide for examiner review of this area. In some cases, it may not be necessary to complete all components of the following procedures. You should conduct examination procedures sufficient to: (1) address the concerns in the scope and any other problems found during the examination, (2) assess the safety and soundness of the institution, and (3) update and support the CAMELS composite and component ratings.

1. Review the financial information provided in the PERK response and downloaded in the Report of Examination. Identify and explain trends, material variances, and other significant factors.

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2. Review the association's current written investment policy and procedures related to all investment activities. Ascertain whether the board has adopted any policy revisions since the previous examination.

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3. Obtain a trial balance listing of all investment securities held. At a minimum, the listing should contain the following information:

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- description of the security;
- classification as held-to-maturity, available-for-sale, or trading;
- Committee on Uniform Securities Identification Procedures (CUSIP) number,
- purchase price or cost;
- date of purchase;
- par value and principal amount purchased;
- current book value including any unaccredited discounts or unamortized premiums;
- maturity date and call provisions, if any; and
- current market value.

4. Determine whether there is any credit or market risk associated with the investment portfolio, and if those risks are tolerable for the association.

5. Review the association's QTL calculations since the previous exam. Ascertain whether compliance standards have been met.

6. Ascertain whether the association has policies and procedures relating to fixed, intangible, and other assets. Determine if management oversight processes, such as audit procedures, budgeting, and business plans, appropriately govern these assets.

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Examiner's Summary, Recommendations, and Comments

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