

Loans To One Borrower Program

EXAMINATION OBJECTIVES

To determine the adequacy of an association's risk management practices and controls regarding loans to one borrower (LTOB) limits.

To ensure the adequacy of the association's recordkeeping with respect to LTOB.

To assess management's and lending personnel's conformance with established guidelines.

To ensure compliance with applicable laws and regulations.

EXAMINATION PROCEDURES

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You should conduct the following Level I examination procedures in conjunction with [Examination Handbook Section 201, Lending Overview](#), to bring together a review of the entire lending function(s) of an association. As such, the examiner-in-charge (EIC) or assisting examiner responsible for Asset Quality should take added precautions to avoid duplication of efforts by ensuring an exchange of information and results from each examiner responsible for the asset quality sections.

LEVEL I

1. Review the PERK information and the scoping material related to this area.

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2. Determine whether management has taken appropriate corrective action to address any deficiencies noted during the prior examination.

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3. Participate in the appropriate Level I procedures of Section 201 or discuss the findings with the EIC and/or his representative.
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4. Review board and management reports used to monitor high dollar loans and concentrations among affiliated borrowers.

5. Assess the adequacy of the association's documentation for loans in excess of five percent of its unimpaired capital and surplus. (This may be done during the review of large loans.)

6. Determine if the association is in compliance with applicable regulatory LTOB limits and any board imposed "house" limits.

7. Determine the adequacy of reporting to the board and management on LTOB limitations and exceptions.

8. Review the association's large loans and commitments to determine if any approach the legal lending limit and assess management's monitoring of such loans.

9. Determine whether the combination rule of 12 CFR § 32.5 applies to any of the association's borrowers.

10. Review Level II procedures and perform those necessary to test, support, and present conclusions derived from performance of Level I procedures.

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LEVEL II

1. Review any loans made under the exceptions for domestic residential housing development or the lending limits applicable to the special lending limits program of 12 CFR § 32.7. Determine that appropriate notice or application was provided and approval received.

2. Determine whether loans originated under such programs were made in accordance with applicable policy and regulation.

3. In situations where the association has exercised its salvage powers to exceed the LTOB limitations, ensure that the association has adequate justification and appropriately notified the OTS regional office.

4. Summarize findings, comment on any violations, obtain management responses, and update programs and the continuing examination file (CEF) and/or electronic CEF (ECEP) with any information that will facilitate future examinations.

5. Ensure that your review meets the Objectives of this Handbook Section. State your findings and conclusions, as well as appropriate recommendations for any necessary corrective measures, on the appropriate work papers and report pages.

EXAMINER'S SUMMARY, RECOMMENDATIONS, AND COMMENTS

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