Portfolio Diversification

Questionnaire

	Yes	No
General Questionnaire		
1. Does the association have written goals and objectives for loan portfolio diversification?	☐	☐
2. Does the policy include the following items:		
• Aggregate limits by type of loan and portfolios?	☐	☐
• Limits for loans to one borrower?	☐	☐
• Aggregate limits on loans purchased and sold, including those from a single source?	☐	☐
• Concentration limits for credit within specific industries?	☐	☐
• Geographic lending areas?	☐	☐
• Pricing, term, and collateral requirements for all types of loans?	☐	☐
• Guidelines for loans to affiliated persons, organizations, and industries?	☐	☐
• Standards of staff expertise in the various lending areas in which the association is active?	☐	☐
• Maximum advances as a percentage of collateral value or purchase price?	☐	☐
• Minimum down payments and/or equity for various loans offered?	☐	☐
3. Is the loan policy compatible with business plan and conditions?	☐	☐
4. If the association does not have a written policy that addresses loan portfolio diversification and/or concentrations, ask management to elaborate upon the following:		
• The percentage of loans to assets/deposits that the association strives to maintain.	☐	☐
• Portfolio composition goals.	☐	☐

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	Yes	No
• The geographic areas where the association originates or purchases loans.	☐	☐
• Concentrations identified by association personnel.	☐	☐
5. Do these concentrations expose the association to more than acceptable risk? If yes, provide an explanation. ______	☐	☐
6. What efforts has the association taken to reduce risky concentrations and/or minimize credit concentration risk? ______		
7. Has management considered the need to employ personnel with specialized experience when needed?	☐	☐
8. Despite written or unwritten policies, has the association instituted controls to monitor the following types of concentrations:		
• Loans to one borrower?	☐	☐
• Loans dependent upon one industry?	☐	☐
• Loans to consumers working for the same employer or the same industry?	☐	☐
• Loans to commercial companies that are dependent on the same manufacturers or suppliers, or sell to the same customer?	☐	☐
• Loans dependent on one crop or herd?	☐	☐
• Loans predicated on the collateral support afforded by a debt equity issue of a corporation?	☐	☐
• Loans considered out of their normal lending area?	☐	☐
• Loans purchased or sold from specific sources?	☐	☐
• Loan participations purchased and sold from specific sources?	☐	☐

	Yes	No
9. What management reports does the association use to monitor these various concentrations of credit? ______		
10. Does the board of directors or equivalent committee receive these same reports to review?	☐	☐
11. Are there areas of the loan portfolio mix that the institution anticipates changing in the next 12 to 24 months? If yes, state dollar and percentages. ______	☐	☐
12. Does management anticipate introducing a new loan product within the next 12 to 24 months?	☐	☐
13. Does management anticipate originating or purchasing loans from any new geographic locations?	☐	☐
14. What means does the association use to monitor the economic conditions of loans in territories outside its lending areas? ______		
15. List the sources from which the association purchases a significant volume of loans. ______		
16. If a concentration exists predicated upon a particular industry, does the association make a periodic review of industry performance and trends?	☐	☐
17. If a concentration exists predicated on a particular crop or herd of livestock, does the association attempt to diversify the inherent potential risk by means of participations or arrangements with government agencies such as guarantees or lending arrangements?	☐	☐
18. Describe any risk reduction efforts and factors besides diversification that the association uses to limit risk from concentrations. ______		

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	Yes	No

Comments