

Ratings: Developing, Assigning, and Presenting Program

EXAMINATION OBJECTIVES

To formulate conclusions regarding the risks, condition, trends, management practices, and future prospects of the savings association.

To formulate conclusions on the safety and soundness and regulatory compliance of the thrift and propose supervisory action, if needed.

To evaluate the performance of the compliance management program and evaluate any self-assessment reviews.

To effectively communicate conclusions and recommendations, both orally and in writing, in the Report of Examination according to the ROE Instructions and plain language principles.

To consider all significant financial, operational, and compliance performance measures for a savings association and assign CAMELS and Compliance ratings that accurately reflect the association's condition and viability.

To clearly support the CAMELS and Compliance ratings in the examination report and enable OTS to initiate corrective action with the association's directors and management.

To provide the association's management and the board of directors with CAMELS and Compliance ratings that signifies the OTS's assessment of the association's overall condition.

To record management's response to examination findings, conclusions, and proposed corrective action.

EXAMINATION PROCEDURES

WKP. REF.

1. Review analyses, comments, exceptions, and conclusions in the work papers for each CAMELS and Compliance area, and perform the following:
 - Resolve any contradictory conclusions. Support all conclusions with facts obtained during the examination.
 - Determine the significance of the findings related to safety and soundness and overall regulatory compliance.
 - Discuss findings with appropriate institution personnel and verify conclusions

Exam Date:	
Prepared By:	
Reviewed By:	
Docket #:	

Ratings: Developing, Assigning, and Presenting Program

WKP. REF.

as appropriate.

2. Review the draft CAMELS and Compliance comments. Review assisting examiners' comments on management's self-assessment efforts and record of self-correcting compliance deficiencies. Talk with assisting examiners about their overall observations and findings applicable to the comments and determine whether conclusions are reasonable. Consider the interrelationships between findings noted for each CAMELS component and Compliance. If necessary, make adjustments to ensure that comments are comprehensive and to eliminate any duplication. If the EIC is aware of other criteria that are not known to assisting personnel, the EIC should determine if these criteria are relevant and whether or not to include the comments.
3. Revise CAMELS and Compliance comments so that they fairly represent examination results according to ROE instructions. Ensure conclusions are well supported in work papers and comments include any significant items noted in work papers. The tone and content of each comment should be concise and appropriate, as outlined in the Handbook.
4. Review the proposed corrective actions related to any violation or exception to ensure it is appropriate.
5. Review the preliminary CAMELS component and Compliance ratings and meet with assisting examiners. Follow definitions and instructions pertinent to the rating system to ensure national consistency. Discuss the recommendations with assistant examiners to ensure the accuracy of their interpretations. Ensure that assistant examiners provided well-supported conclusions and opinions. Ensure that assistant examiners consistently applied the standard criteria set forth in this Handbook Section for determining and weighing the CAMELS and Compliance criteria and assigning the ratings.

Exam Date:	
Prepared By:	
Reviewed By:	
Docket #:	

Ratings: Developing, Assigning, and Presenting Program

WKP. REF.

6. If necessary, adjust the CAMELS component and Compliance ratings so that they accurately and objectively present the association's performance in each area. Document the basis for each rating. Include the ROE ratios as well as any other pertinent ratios. Also include the most significant points supporting each rating. Review CAMELS comments again to ensure that they are consistent with the component ratings assigned.

Consider the impact of findings for compliance management performance and technology risk controls in rating the Management component.

-
7. Make an overall assessment of the association and its future prospects in terms of risk, including technology risk, and adequacy of management and its system for risk and compliance management.

-
8. Prepare the Examination Conclusions and Comments page. Refer to the ROE Instructions for a list of elements you should include on this page. Ensure the report is written in plain language.

-
9. Determine the CAMELS composite rating and Compliance rating by weighing the importance of various criteria used to develop conclusions. To ensure national consistency, you should follow the rating instructions in the UFIRS Statement following this Handbook Section. Clearly support the composite rating with the facts and comments within the ROE.

-
10. Review the Examination Conclusions and Comments page to ensure the tone and content supports the assigned composite rating. Finalize the CAMELS and Compliance ratings and comments after a thorough review. Ensure that the assistant examiner correctly completed the EDS/ROE ratings section, including the Technology Risk Controls (TRC) flag.
-

Exam Date:	
Prepared By:	
Reviewed By:	
Docket #:	

Ratings: Developing, Assigning, and Presenting Program

WKP. REF.

11. Discuss findings with management, typically the CEO. We recommend that you use an agenda. Discuss at least the following topics:

- The purpose of the meeting.
 - All items that you might include in the examination report.
 - Overall conclusions regarding the institution.
 - Management's corrective action responses.
 - Composite and component ratings.
-

12. After the meeting, correct any items in the ROE that are inaccurate, misleading, or misinterpreted.

13. The Matters Requiring Board Attention page should include corrective actions, if appropriate. These include specific recommendations to correct deficiencies and violations listed in the report. Obtain a firm commitment for improvement of corrective action.

You may also include on this page recommendations for: supervisory agreements, consent agreements, cease-and-desist orders, receiverships, conservatorships, civil money penalties, compliance plans pursuant to 12 CFR Part 570, Appendix A and Appendix B, and criminal referrals to appropriate agencies. For suspected violations of criminal statutes, refer to [Examination Handbook Section 360, Fraud/Insider Abuse](#).

14. Provide any information to the regional office that will be useful for revising the Regulatory Profile.

Exam Date:	
Prepared By:	
Reviewed By:	
Docket #:	

Ratings: Developing, Assigning, and Presenting Program

WKP. REF.

15. Prepare the ROE cover page letter, if necessary, in accordance with regional office policy.
-

16. Prepare to meet with the board of directors regarding findings.
-

17. Ensure that your review meets the Objectives of this Handbook Section.
-

Off-Site Ratings

Supervisory managers, analysts, or other staff should complete the following procedures as applicable when analyzing and updating CAMELS and Compliance ratings off-site.

Note: You should use the Type 46 Limited Examination Report to make any off-site rating updates.

1. Review the most recent examination report and the Regulatory Profile to identify areas of concern.
-

2. Review the association's compliance management program and the reports made as a result of the association's self-assessment process.
-

3. Analyze reported financial information to determine current trends and any new areas of concern, with an emphasis on the period since the last examination.
-

Exam Date:	
Prepared By:	
Reviewed By:	
Docket #:	

Ratings: Developing, Assigning, and Presenting Program

WKP. REF.

4. Review any applications and notifications the association submitted since the last rating to determine whether there are any material changes in the structure or business plan.
-

5. Review correspondence between the association and OTS to learn the status of significant issues arising since the most recent examination. Verify, to the extent possible, through a review of the financial statements and other reports that the association is correcting any problem areas.
-

6. Review the most recent external audit report, the certified public accountant's management letter addressing internal control issues, and the association's response to that letter to determine if management corrected all reported internal control deficiencies.
-

7. If necessary, contact the association to verify specific facts or address concerns.
-

8. Identify any changes in the association's condition and operating practices. Determine if a change in a CAMELS component or composite rating, or Compliance rating, more appropriately reflects the condition of the association.
-

9. Determine the need for and recommend, if necessary, a regular examination or a limited on-site examination of areas that you cannot adequately analyze off-site.
-

Exam Date:	
Prepared By:	
Reviewed By:	
Docket #:	

Ratings: Developing, Assigning, and Presenting Program

WKP. REF.

10. Recommend any change in the CAMELS component or composite ratings, or Compliance rating, to the supervisory manager or other appropriate manager in the regional office. Support any recommendation for change with a narrative memorandum and documented analysis explaining and supporting the reasons for the change.
-

11. If the regional office approves a change in a composite or component CAMELS rating, or Compliance rating, prepare a supervisory letter or memorandum to the association's board of directors to inform them of the change in the rating. The memo should explain the reasons for the change and any resulting consequences. The memorandum should also contain a definition of the new rating assigned and standard language prohibiting disclosure of the rating.
-

12. Enter the new rating(s) in the EDS ratings section and make certain they are correct.
-

13. Update the Regulatory Profile with any other appropriate information.
-

EXAMINER'S SUMMARY, RECOMMENDATIONS, AND COMMENTS

Exam Date:	
Prepared By:	
Reviewed By:	
Docket #:	