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institution's size, complexity, loan types, risk profile, and risk management practices and helps to verify whether the review scope is appropriate. The institution's board of directors or appropriate board committee typically approves the scope of the credit risk review on an annual basis or whenever significant interim changes are made in order to adequately assess the quality of the current portfolio. An effective scope of credit risk review is risk-based and typically includes:

• Loans over a predetermined size;
• A sufficient sample of smaller loans, new loans, and new loan products;
• Loans with higher risk indicators, such as low credit scores, high credit lines, or those credits approved as exceptions to policy;
• Segments of loan portfolios, including retail, with similar risk characteristics such as those related to borrower risk (*e.g.* credit history), transaction risk (*e.g.* product and/or collateral type), or other risk factors as appropriate;
• Segments of the loan portfolio experiencing rapid growth;
• Exposures from non-lending activities that also pose credit risk;
• Past due, nonaccrual, renewed, and restructured loans;
• Loans previously adversely classified and loans designated as warranting the special attention of the institution's management; [13]
• Loans to insiders or related parties;
• Loans to affiliates;
• Loans constituting concentrations of credit risk and other loans affected by common repayment factors.

Depth of Transaction or Portfolio Reviews

Loans and portfolio segments selected for review are typically evaluated for:

• Credit quality, soundness of underwriting and risk identification, borrower performance, and adequacy of the sources of repayment;
  ○ When applicable, this evaluation includes the appropriateness of automated underwriting and credit scoring, including prudent use of overrides, as well as the effectiveness of account management strategies, collections, and portfolio management activities in managing credit risk;
• Reasonableness of assumptions;
• Creditworthiness of guarantors or sponsors;
• Sufficiency of credit and collateral documentation;
• Proper lien perfection;
• Proper approvals consistent with internal policies;
• Adherence to loan agreement covenants;
• Adequacy of, and compliance with, internal policies and procedures (such as those related to nonaccrual and classification or risk rating policies), laws, and regulations;
• The appropriateness of credit loss estimation for those credits with significant weaknesses including the reasonableness of assumptions used, and the timeliness of charge-offs;
• The accuracy of risk ratings and the appropriateness and timeliness of the identification of problem loans by loan officers.

Review of Findings and Follow-Up

An important activity of an effective credit risk review system is the discussion of the review findings, including all noted deficiencies, identified weaknesses, and any existing or planned corrective actions (including time frames for correction) with appropriate loan officers, department managers, and senior management. An effective system includes processes for all noted deficiencies and weaknesses that remain unresolved beyond the scheduled time frames for correction to be promptly reported to senior management and the board of directors or appropriate board committee.

It is important to resolve risk rating differences between loan officers and loan review personnel according to a pre-arranged process. That process may include formal appeals procedures and arbitration by an independent party or may require default to the assigned classification or risk rating that indicates lower credit quality. If credit risk review personnel conclude that a loan or loan portfolio is of a lower credit quality than is perceived by the portfolio management staff, the lower classification or risk rating typically prevails unless internal parties identify additional information sufficient to obtain the concurrence of the independent reviewer or arbiter on the higher credit quality classification or risk rating.

Communication and Distribution of Results

Personnel involved in the credit risk review process typically prepare a list of all loans (and portfolio segments) reviewed, the date of review, and a summary analysis that substantiates the risk ratings assigned to the loans reviewed. Effective communication also typically involves providing results of the credit risk reviews to the board of directors or appropriate board committee quarterly.[14] Comprehensive reporting includes comparative trends that identify significant changes in the overall quality of the loan portfolio, the adequacy of, and adherence to, internal policies and procedures, the quality of underwriting and risk identification, compliance with laws and regulations, and management's response to substantive criticisms or recommendations. Such comprehensive reporting provides the board of directors or appropriate board committee with insight into the portfolio and the responsiveness of management and facilitates timely corrective action of deficiencies.

Joseph M. Otting,

Comptroller of the Currency.

By order of the Board of Governors of the Federal Reserve System.

Ann Misback,

Secretary of the Board.

Federal Deposit Insurance Corporation.

Dated at Washington, DC, on or about May 7, 2020.

Robert E. Feldman,

Executive Secretary.

By the National Credit Union Administration Board.

Gerard Poliquin,

Secretary of the Board.

[FR Doc. 2020–10292 Filed 5–29–20; 8:45 am]

BILLING CODE 4810–33–P; 6210–01–P; 6714–01–P; 7535–01–P

DEPARTMENT OF VETERANS AFFAIRS

Advisory Committee: VA National Academic Affiliations Council, Notice of Meeting

The Department of Veterans Affairs (VA) gives notice under the Federal Advisory Committee Act that the VA National Academic Affiliations Council (NAAC) will meet via conference call on July 15, 2020, from 1:00 p.m. to 3:00 p.m. EST. The meeting is open to the public.

The purpose of the Council is to advise the Secretary on matters affecting partnerships between VA and its academic affiliates.

On July 15, 2020, the Council will receive updates about VA's COVID–19 response; receive briefings from its Subcommittees; receive an update about

[13] *See* footnote 8.

[14] An effective credit risk review system provides for informing the board of directors or appropriate board committee more frequently than quarterly when material adverse trends are noted. When an institution conducts loan file reviews less frequently than quarterly, the board or appropriate board committee will typically receive results on other credit risk review activities quarterly.

VA's Electronic Health Record Modernization; receive briefings on the implementation status of VA MISSION Act educational sections; and discuss other follow-up items. The Council will receive public comments from 2:40 p.m. to 2:50 p.m. EST.

Interested persons may attend and/or present oral statements to the Council. The dial in number to attend the conference call is: 1–800–767–1750. At the prompt, enter access code 12095 then press #. Individuals seeking to present oral statements are invited to submit a 1–2 page summary of their comments at the time of the meeting for inclusion in the official meeting record. Oral presentations will be limited to five minutes or less, depending on the number of participants. Interested parties may also provide written comments for review by the Council prior to the meeting or at any time, by email to *Larissa.Emory@va.gov,* or by mail to Larissa A. Emory PMP, CBP, MS, Designated Federal Officer, Office of Academic Affiliations (10X1), 810 Vermont Avenue NW, Washington, DC 20420. Any member of the public wishing to participate or seeking additional information should contact Ms. Emory via email or by phone at (915) 269–0465.

Dated: May 27, 2020.

Jelessa M. Burney,

Federal Advisory Committee Management Officer.

[FR Doc. 2020–11697 Filed 5–29–20; 8:45 am]

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