

FINANCIAL INSTITUTION GOVERNANCE AND REGULATION

Credit Risk Services

Representative Engagements

- FTI Consulting was engaged by a large international bank to review its specialized commercial real estate mortgage portfolio and identify ways to help strengthen its internal control framework. Our work focused on evaluating compliance with regulatory requirements and client underwriting standards, collateral evaluation, and independent analysis of internal risk ratings.
- Counsel for a large investment bank retained FTI Consulting to provide assistance in litigation relating to residential mortgage loan origination, servicing and securitization practices. We independently reviewed a sample of loans to help refute claims of that securitized loans did not comply with standards.
- FTI Consulting was retained by a large community bank to investigate whistleblower allegations that the bank's financial performance and credit quality were misstated. FTI conducted interviews, reviewed loan files, the ALLL model inputs, assumptions, and reports, and identified loan loss calculation errors. We recommended changes to address identified control weaknesses and specific adjustments by quarter.
- In numerous litigation matters, FTI Consulting experts were retained to provide testimony and expert opinions regarding financial institution lending practices and compliance with industry practice and regulatory expectations.
- FTI Consulting was retained by several private equity firms to evaluate loan quality and ALLL adequacy in numerous community banks acquisitions. We evaluated the target bank's underwriting policies/procedures, performed credit reviews on a sample of loans, and evaluated ALLL models and their underlying assumptions.

FTI Consulting, a leading independent consulting firm, is a preferred provider of critical credit risk management services to financial institutions. Our Financial Institutions Governance and Regulation practice helps financial institutions manage credit risk and implement policies and procedures that are consistent with industry best practice and regulatory expectations. Our experts are routinely retained by counsel to address credit issues in complex litigation and regulatory enforcement actions. We work closely with clients and their legal counsel, to promote effective governance, credit risk management and compliance and to remediate identified weaknesses and resolve regulatory inquiries and enforcement actions.

Who We Are

The FTI Consulting Financial Institution Governance and Regulation practice consists of experienced professionals, including former senior managers at bank regulatory agencies and financial institutions, who have the experience to help clients resolve critical regulatory or litigation issues and provide value-added service in the process. Our credit professionals are former bankers, CPAs, CFAs, attorneys, financial analysts, and forensic specialists. These financial professionals have broad credit risk management expertise that covers the entire credit life cycle. We provide consulting services on credit policy development and underwriting, portfolio objectives and risk tolerance limits, MIS and exception systems, segmentation and diversification, credit loss reserve methodologies, loan review and financial and regulatory accounting. Our team includes former staff members of the Federal Reserve, Office of the Comptroller of the Currency, Federal Deposit Insurance Corporation, Securities and Exchange Commission, Federal Housing Finance Agency, Department of Justice, and States Attorney Generals.

Meeting the Challenges:

Whether through examination or enforcement action, regulators continue to expect more from the credit risk management function. For example, under the OCC's recently issued Heightened Supervisory Expectations and Prudential Management Operating Standards for Credit Risk Management, "Strong," not "Satisfactory" is the expected performance measure for credit and counterparty risk management policies, personnel and control systems. Our professionals provide strategic and transactional credit related advisory services, evaluating and enhancing critical components of the credit life cycle to help clients meet increased regulatory and investor expectations. The following summarizes our credit risk management consulting services.

Credit Risk Strategy and Execution

Our consultants provide independent reviews of credit risk appetite frameworks, organizational structures, and policies to help ensure clients meet business objectives and regulatory expectations. Our approach is both institution-specific and product-specific.

Pre-examination and Readiness Reviews

Given our extensive experience helping clients resolve regulatory issues, we understand regulator "hot buttons." We use this practical knowledge to provide pre-examination reviews designed to ensure that the credit function is prepared for regulatory "asset quality" examinations. Ideally, we conduct our independent analysis months before a scheduled regulatory examination to ensure that recommendations can be implemented prior to the beginning of the examination.

Credit Related Enforcement Action and Management Reviews

FTI Consulting has been retained by large and small financial institutions to remediate regulatory findings and comply with regulatory enforcement actions or management/board directives. We independently evaluate client practices for problem asset identification, risk rating design, loss mitigation strategy and execution, reporting, and other credit risk management controls

Counterparty Credit Risk and Third-Party / Vendor Relationship Management

FTI Consulting is well-positioned to conduct regulatory-mandated independent reviews of client risk management processes when third parties perform critical credit activities. Our team helps clients develop and maintain comprehensive third-party relationship management oversight programs and sound counterparty credit risk management systems that are compliant with current regulatory expectations.

Credit Risk Rating Design, Implementation and Testing

The accuracy of credit risk ratings is one of the most important elements in regulatory examinations. Our experts independently evaluate the reasonableness and reliability of client internal risk rating systems and help design and implement credit risk rating systems that provide institutions with useful, accurate and objective risk ratings.

Independent Loan Review

FTI Consulting experts provide independent and comprehensive loan review services and assist financial institutions in developing, or enhancing an internal system of independent, ongoing credit review. Our experts independently design samples to review loan file, assign credit risk ratings, determine compliance with loan policies, underwriting standards, laws and regulations, and evaluate the performance of individual departments and personnel. We also take steps to ensure that management and the board of directors receive relevant and timely reports.

Credit/Loan Loss Reserve (Allowance for Loan and Lease Losses)

To assist clients meet both GAAP and regulatory financial reporting requirements, our credit and accounting experts conduct independent assessments of the adequacy of the ALLL and related policies and procedures. We evaluate the accuracy of ALLL models and the underlying assumptions, and provide recommendations to help clients enhance key credit and loan loss reserve governance components.

Loan Portfolio Management Diagnostics

We provide comprehensive and independent valuation and risk assessments of client credit portfolios in response to regulatory actions, market conditions, or changes in business strategy. Our experts assess and help clients better understand credit culture, portfolio objectives and risk tolerance limits; segmentation and diversification objectives; participations/syndications; policy and underwriting exception systems; independent control functions; and portfolio risk/reward tradeoffs.

Credit Risk Modeling, Scoring Evaluation and Quality

Control Assessments

Working closely with other FTI Consulting professionals with expertise in technology and data and analytics, our credit experts help financial institutions implement and validate credit risk lending and loan loss models and scoring/analytic systems.

Leveraged Lending Reviews

Our experts assist clients comply with the increasing level of regulatory scrutiny over highly leveraged transactions as prescribed through regulatory guidance, advisory bulletins and other supervisor directives. For example, we help institutions comply with the 2013 Interagency Guidance on Leveraged Lending, which requires independent credit reviews and collateral assessments.

Shared National Credit Review Services

Our team provides program management, reporting, and transactional credit review services to financial institutions to help them prepare for Shared National Credit reviews performed by the OCC, Federal Reserve and FDIC. Our experts review credit exposures from a regulatory perspective, focusing on underwriting, risk management and the accuracy of risk ratings.

Credit Training Services

We design, implement, and deliver training across all applicable credit risk topics. Our programs are designed to meet specific regulatory or other client needs and are tailored to the individual needs of the Board, or management as requested.

Visit the FTI Consulting Financial Institution Governance and Regulation website to learn more about our credit risk management and other related services:

<http://www.fticonsulting.com/industries/financial-institutions/bank-governance-regulation>



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About FTI Consulting

FTI Consulting, Inc. is an independent global business advisory firm dedicated to helping organizations manage change and mitigate risk: financial, legal, operational, political & regulatory, reputational and transactional. FTI Consulting professionals, located in all major business centers throughout the world, work closely with clients to anticipate, illuminate and overcome complex business challenges and opportunities. Connect with us on [Twitter \(@FTI_FLC\)](#), [Facebook](#) and [LinkedIn](#).