

Banks Face Certain Criticisms in Their Loan Loss Methodology

It's not just hype. It's true. Regulators are scrutinizing bank policy and protocol more than ever before. As we deploy the Loan Loss Analyzer to banks ranging from in size of total assets from \$6 billion to \$100 million throughout the US, it has become obviously clear that banks almost always face certain criticism within their ALLL methodology, many of which are presented in the form of an Enforcement Action. Often, this is due to the lack of adequate documentation necessary to support a decision. Others criticisms may result from directional inconsistencies with past trends of historical loss allocations and or other qualitative or quantitative factors. Another reason for criticism may lie within the granularity of the FAS 5 pooling, or lack thereof.

If you thought your Excel model was enough, consider this: that same Excel model offers no transparency, no security of policy or protocol, limited user access, and virtually no output for useful analytics. Furthermore, the documentation is either non-existent or will most likely deteriorate over time as a result of multiple owners. Any of these issues may get your bank an unwelcome notice by the regulators. Like so many others have already done, you can avoid such criticisms and risk by implementing a true server-based application that integrates to your core process - MST Loan Loss Analyzer.

The MST Loan Loss Analyzer is the first commercial, policy-driven management and reporting application that combines loan data along with your banks ALLL policy in order to automate, consolidate, and substantiate adequate loan loss reserves. Implementation can often take less than 30 days, and with only an annual maintenance fee there are no large, upfront capital expenditures required.

Don't wait to be criticized before perfecting your ALLL methodology. If there is even the slightest doubt, contact MST to learn how the Loan Loss Analyzer can help your bank avoid any regulatory publicity.