

November 18, 2020

To: Members of the MDP Class of 2020-2021  
Fr: Andy Davies

cc: Vicki, Courtney and Gail

# Re: Reminder: 3 Key Good Takeaways from Vicki Kraai's Session 3 Today!

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Ladies and Gentlemen:

Re-mention of three GOOD takeaways from Vicki's presentation... which I recommend you include on the list of questions you ultimately ask of your "CEO or Other Senior Officer" as part of your pre-work for MDP Session Five.

## . Loan Participations:

- . does your bank have a loan participation policy within the bank's overall credit policy? (many banks do have a specific policy which includes geographic descriptions of areas in which the bank will engage in loan participations when such opportunities may arise);
- . if your bank has, in the past, engaged in participations, what's the current 'risk appetite' for these loans?
- . is there interest in the SALE of participations from your bank to other banks?
- . is there interest in the PURCHASE of participations from other banks?
- . why or why not?

## . Legal Lending Limit:

- . what is your bank's legal lending limit?
- . does your bank have a 'house limit' which is, in essence, a ceiling of comfort above which the bank will only rarely, and by policy exception, extend credit *at a limit BELOW a legal lending limit*?
- . do you have many loans 'near' your legal lending limit or house limit?
- . what, generally, would give your chief credit officer/chief lending officer comfort in extending credit at these levels?
- . are there any special 'approval authorities' required to approve loans near or at a house or legal limit?

## . Loan Loss Reserve Allowance (ALLL):

- . what is your bank's ALLL ratio as of end of 3Q?
- . what individuals (title) and/or committees are responsible for managing your ALLL ratio?
- . what is management's plan going forward:
  - . has the ratio reached a pre-determined goal?
  - . will future quarterly additions be made?
  - . how does your bank's ratio compare to peer banks (in peer groups used by your mgt team)?
- . does management consider your bank to be 'over-reserved'?
- . what considerations go into decision-making on over/under/adequately reserved?