Portfolio Diversification
Questionnaire

General Questionnaire

1. Does the association have written goals and objectives for loan portfolio diversification?  
   Yes  No

2. Does the policy include the following items:
   - Aggregate limits by type of loan and portfolios?  
     Yes  No
   - Limits for loans to one borrower?  
     Yes  No
   - Aggregate limits on loans purchased and sold, including those from a single source?  
     Yes  No
   - Concentration limits for credit within specific industries?  
     Yes  No
   - Geographic lending areas?  
     Yes  No
   - Pricing, term, and collateral requirements for all types of loans?  
     Yes  No
   - Guidelines for loans to affiliated persons, organizations, and industries?  
     Yes  No
   - Standards of staff expertise in the various lending areas in which the association is active?  
     Yes  No
   - Maximum advances as a percentage of collateral value or purchase price?  
     Yes  No
   - Minimum down payments and/or equity for various loans offered?  
     Yes  No

3. Is the loan policy compatible with business plan and conditions?  
   Yes  No

4. If the association does not have a written policy that addresses loan portfolio diversification and/or concentrations, ask management to elaborate upon the following:
   - The percentage of loans to assets/deposits that the association strives to maintain.  
     Yes  No
   - Portfolio composition goals.  
     Yes  No

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• The geographic areas where the association originates or purchases loans.

• Concentrations identified by association personnel.

5. Do these concentrations expose the association to more than acceptable risk?
   If yes, provide an explanation.

6. What efforts has the association taken to reduce risky concentrations and/or minimize credit concentration risk?

7. Has management considered the need to employ personnel with specialized experience when needed?

8. Despite written or unwritten policies, has the association instituted controls to monitor the following types of concentrations:
   • Loans to one borrower?
   • Loans dependent upon one industry?
   • Loans to consumers working for the same employer or the same industry?
   • Loans to commercial companies that are dependent on the same manufacturers or suppliers, or sell to the same customer?
   • Loans dependent on one crop or herd?
   • Loans predicated on the collateral support afforded by a debt equity issue of a corporation?
   • Loans considered out of their normal lending area?
   • Loans purchased or sold from specific sources?
   • Loan participations purchased and sold from specific sources?

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9. What management reports does the association use to monitor these various concentrations of credit?

_____________________________________________________________________

10. Does the board of directors or equivalent committee receive these same reports to review?

□ □

11. Are there areas of the loan portfolio mix that the institution anticipates changing in the next 12 to 24 months?

If yes, state dollar and percentages.

_____________________________________________________________________

12. Does management anticipate introducing a new loan product within the next 12 to 24 months?

□ □

13. Does management anticipate originating or purchasing loans from any new geographic locations?

□ □

14. What means does the association use to monitor the economic conditions of loans in territories outside its lending areas?

_____________________________________________________________________

15. List the sources from which the association purchases a significant volume of loans.

_____________________________________________________________________

16. If a concentration exists predicated upon a particular industry, does the association make a periodic review of industry performance and trends?

□ □

17. If a concentration exists predicated on a particular crop or herd of livestock, does the association attempt to diversify the inherent potential risk by means of participations or arrangements with government agencies such as guarantees or lending arrangements?

□ □

18. Describe any risk reduction efforts and factors besides diversification that the association uses to limit risk from concentrations.

_____________________________________________________________________

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Comments

Yes  No

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