



Comptroller of the Currency
Administrator of National Banks

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To: All *Comptroller's Handbook* Subscribers

The enclosed booklet, "Loan Portfolio Management (LPM)," is part of the ongoing revision of the *Comptroller's Handbook*. It updates the material contained in the Loan Portfolio Management section of *The Comptroller's Handbook for National Bank Examiners*, and expands guidance contained in Advisory Letter 97-3, "Credit Underwriting Standards and Portfolio Credit Risk Management."

In recent years, the OCC and banks have recognized there are benefits that can be derived from expanded portfolio management practices. Because credit risk is so large relative to other risks, enhancing credit risk management practices will benefit banks during both good and bad economic times. Viewing portfolios as well as individual loan transactions proactively can aid bankers and examiners in better understanding the risks an institution assumes.

This booklet incorporates the OCC's Supervision by Risk philosophy. It includes a discussion of the risks inherent in lending activities, and describes how they occur and are inter-related. It discusses the key components of an effective credit risk management process from the fundamentals of sound underwriting to more advanced portfolio management concepts.

Examiners who are conducting asset quality or loan portfolio management examinations should be familiar with this Handbook. Where warranted by an institution's credit risk profile, selected procedures from this Handbook should be used to supplement the procedures contained in the Large and Community Bank programs. Examiners should use their own judgment in deciding which procedures are relevant to a particular bank.

If you have questions regarding this booklet, please contact the Credit Risk Division at (202) 874-5170.

To order more copies of this booklet, please send your request and \$15 for each booklet to the Comptroller of the Currency, PO Box 70004, Chicago, Illinois 60673-0004.