

## Press Releases

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March 28, 2005

### OTS 05-11 - Comments Requested on Proposed Classification of Commercial Credit Exposures

#### Office of Thrift Supervision

FOR RELEASE at 1:00 P.M. EST

For further information

Monday, March 28, 2005

Contact: Erin Hickman

OTS 05-11

202/906-6677

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#### Joint Release

**Board of Governors of the Federal Reserve System  
Federal Deposit Insurance Corporation  
Office of the Comptroller of the Currency  
Office of Thrift Supervision**

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### Comments Requested on Proposed Classification of Commercial Credit Exposures

The federal bank and thrift regulatory agencies requested comment today on proposed changes to the supervisory framework for the classification of commercial credit exposures.

The proposed guidance would replace the current commercial loan classification system categories --"special mention," "substandard," and "doubtful"-- with a two-dimensional framework. The two-dimensional rating system has one dimension that measures the risk of the borrower defaulting (borrower rating) and a second focused on the loss severity the institution would likely incur in the event of the borrower's default (facility rating). Facility ratings would be required only for those borrowers rated default, typically a very small proportion of all commercial exposures.

The proposed framework would increase consistency among the agencies in assessing the credit risk in an institution's commercial loan portfolio. It also more closely aligns the determination of a facility's accrual status with an institution's allowance for loan and lease loss methodology and rating assessment process.

Comments on the proposed guidance are requested by June 30, 2005. Specific information on how to file a comment is contained in the Federal Register notice.

The interagency Federal Register notice is attached.

Attachment - <http://www.occ.gov/static/news-issuances/ots/press-releases/ots-pr-2005-11a.pdf>

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The Office of Thrift Supervision, an office of the Department of the Treasury, regulates and supervises the nation's thrift industry. OTS's mission is to ensure the safety and soundness of, and compliance with consumer protection laws by, thrift institutions, and to support their role as home mortgage lenders and providers of other community credit and financial services. OTS also oversees the activities and operations of thrift holding companies that own or control thrift institutions. Copies of OTS news releases and other documents are available at the OTS web page at [www.ots.treas.gov](http://www.ots.treas.gov).