
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**

For immediate release

March 28, 2005

**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.

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Attachments:

March 28, 2005, Federal Register, pages 15681–15688

March 28, 2005, Federal Register, pages 15681–15688

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