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FDIC Report Highlights Challenging Environments for Interest-Rate Risk Management, Community Reinvestment Act

In light of today's low interest-rate environment, the FDIC's Winter 2009 issue of Supervisory Insights - released today - focuses on the critical need for banks to have strong, effective interest-rate risk (IRR) management programs that help mitigate excessive exposure.

"We are seeing evidence that some financial institutions are becoming more exposed to a rise in interest rates," said Sandra L. Thompson, Director, Division of Supervision and Consumer Protection. "In our current issue of Supervisory Insights, we remind bankers of longstanding guidance on managing IRR exposures, and we offer observations about best practices for measuring, monitoring and controlling interest-rate risk."

On another topic, even as economic conditions show signs of rebounding, deteriorating credit quality is reinforcing the need for financial institutions to work with stressed borrowers faced with employment disruptions and declining housing values. "Not Just Adding Up the Numbers: Achieving CRA Objectives in Challenging Times" describes how Community Reinvestment Act (CRA) examiners should balance concerns about a low volume of loans with the quality of a bank's programs to meet challenging community needs.

This issue's "From the Examiner's Desk" addresses financial institutions' frequent struggle with conducting effective customer information risk assessments. Recent phishing attacks are one example demonstrating the critical need to safeguard information assets. "Customer Information Risk Assessments: Moving Toward Enterprise-wide Assessments of Business Risk" summarizes three types of risk assessments, identifies issues and areas for improvement often observed by examiners, and discusses the supervisory response to deficiencies.

Supervisory Insights provides a forum for discussing how bank regulation and policy are put into practice in the field, sharing best practices, and communicating about the emerging issues that bank supervisors face. The journal is available on the FDIC's Web site at http://www.fdic.gov/regulations/examinations/supervisory/insights/index.html. Suggestions for future topics and requests for permission to reprint articles should be e-mailed to supervisoryjournal@fdic.gov. Requests for print copies should be e-mailed to publicinfo@fdic.gov.