
Joint Statement

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

For immediate release

**Interagency Statement on the
Supervisory Definition of Special Mention Assets**

June 10, 1993

The March 10, 1993 Interagency Policy Statement on Credit Availability indicated the federal banking and thrift regulatory agencies would issue guidance clarifying use of the Special Mention definition for regulatory supervision purposes. The four agencies have agreed on the definition of "Special Mention" as stated below. This definition should also be considered by an institution when performing its own internal asset review.

The definition of Special Mention is as follows:

A Special Mention asset has potential weaknesses that deserve management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the asset or in the institution's credit position at some future date. Special Mention assets are not adversely classified and do not expose an institution to sufficient risk to warrant adverse classification.

In the past, the agencies used different terminology and definitions for Special Mention. Supervisory reports and their contents also varied between agencies. The use of a common definition will lead to more consistent application of supervisory procedures. The definition will also enable examiners to more readily segregate Special Mention assets from those warranting adverse classification. It will also ensure that the Special Mention category is not used to identify an asset which has as its sole weakness credit data exceptions or collateral documentation exceptions that are not material to the repayment of the asset.

The agencies are in the process of developing examiner guidance explaining how the Special Mention category will be used in the assessment of the overall condition of an institution. The agencies have agreed to conform their policies and guidance to the following principles:

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- Classified assets, which by definition do not include Special Mention assets, will be the standard measure used in expressing the quality of a bank or thrift's loan portfolio and other assets. The agencies will not express asset quality in terms of "criticized assets," a term that is generally recognized as including both Special Mention and classified assets.
- The agencies will ensure their policies, examiner guidance, and internal monitoring systems do not call for internal reporting of criticized asset totals or percentages. However, examiners will continue to consider the level and trends of assets categorized as Special Mention in their analysis as appropriate.
- In implementing Section 132 of the FDIC Improvement Act, Standards for Safety and Soundness, the agencies will use classified assets and not use criticized assets as a measure of asset quality.
- Special Mention assets will not be combined with classified assets in reports of examination or in corporate applications.

Each agency will make appropriate revisions to its examiner guidance, and all will work to ensure their guidance is consistent among the agencies. The guidance will emphasize that it is inappropriate to use the Special Mention category to capture loans solely because of their nature or type, such as small business lending or affordable housing lending.

Implementation of the revised definition will be effective immediately. Examiner guidance will be forthcoming shortly.

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