I. Statement of Mission and Objectives
   A. Policy Goals
      1. External: Serve community needs
      2. Internal
         a. Safe and sound operations
         b. Earnings performance, liquidity, asset/liability management
         c. Risk Management
         d. Desirable Loans
         e. Undesirable Loans
   B. Complying with laws and regulations

II. Geographic Limitations
    A. Primary trade area
    B. Secondary trade area
    C. External or internal restrictions

III. Confidentiality

IV. Consumer and Equal Credit Opportunity Laws

V. Determination of Lending Policy
   A. Originators
      1. Board of directors
      2. Chief executive officer
      3. Loan committee
   B. Responsible parties
      1. Chief executive officer
      2. Senior loan officer
      3. Loan committee
      4. Loan officers
   C. Regulatory requirements
   D. FASB standards

VI. Administration of Loan Policy
   A. Director responsibility
   B. Daily operation by designated parties
   C. Periodic review and modification, determined by:
      1. General economic conditions
      2. Money market conditions
      3. Bank asset and liability position
4. Bank capital structure
5. Variable nature of loan applicants
6. Problem loan reporting system
7. Competition

D. Credit Grading System
E. Funding procedures
F. Monitoring technical exceptions
G. Guidelines for maximum maturities
H. Outline of loan-to-collateral values
I. Problem loan identification
J. Acceptable types of loans and purposes
K. Exceptions to policy

VII. Lending Authorities
A. Delegation of authority by the Board of directors
B. Specific dollar amounts delegated to lending personnel by:
   1. Title and level of experience
   2. Area of responsibility
   3. Combination authority by group, such as committee, for larger limits
C. Secured and unsecured loans, and overdrafts
D. Authorities for branches and other offices
E. Maximum loan permissible
   1. Relationship to the bank’s lending limit
   2. Experience of lending staff
   3. Corporate objectives
   4. Economic conditions and trends
F. Minimum loan permissible

VIII. Loan Committee Organization
A. Composition
B. Frequency of meeting
C. Responsibilities
D. Loan review procedures
E. Relationship to officer support groups

IX. Lending Staff Capabilities
A. Relationship to effective operations
B. Need for effective communications
C. Training program

X. Credit Analysis Requirements
A. Customer history vs. noncustomer
B. Financial statement evaluation
C. Character and management ability
D. Historical performance with emphasis on established, profitable businesses with proven track records
E. Loan-to-collateral value ratios and valuation methods
F. Outline of maximum maturities and repayment programs
G. Rules on special types of loans

XI. Credit file maintenance
A. Importance of records
B. Loan applications
   1. Nature and history of borrower
   2. Purpose of loan
   3. Repayment programs
   4. Sources of repayment
   5. Collateral description and value
   6. Loan and deposit summary
C. Memoranda by loan officers on individual loans
D. Correspondence
E. Credit reports
F. Appraisals
G. Financial statements and analysis
H. Note and documents to perfect security interest
I. Documentation checklist
J. Inspection reports

XII. Types of High Risk Lending
A. Capital loans including venture capital
B. Newly established businesses
C. Loans originating outside the bank’s defined trade area
D. Loans secured by stocks or bonds in closely-held companies or by non-marketable or restricted stocks
E. Low-priced stocks as collateral
F. Highly leveraged transactions
G. Speculative real estate loans
H. Credit lines for new business solicitation
I. Bridge loans (in anticipation of a public issue or certain event)
J. Loans to enable borrower to speculate on futures in the commodities market
K. Loans to undercapitalized businesses
L. Loans secured by furniture, fixtures, and leasehold improvements
M. Loans secured by household goods such as jewelry, art, guns, or furs
N. Non-amortizing term loans
O. Loans to individuals of questionable character
P. Loans to provide debt service for other credits or taxes

XIII. Financial Statement Requirements and Evaluations
XIV. Interest Rates and Pricing
   A. Interest rate schedule that is influenced by:
      1. Cost of funds
      2. Loan administration factor
      3. Loan loss factor
      4. Desired profit margin
      5. Market rate risk
      6. Bank capitalization
      7. Compensating balances
   B. Minimum and maximum rate limits
   C. Differentials determined by:
      1. Risk
      2. Deposit balances
      3. Liquidity of collateral
      4. Repayment program
      5. Labor-intensive monitoring
      6. Other considerations

XV. Collateral margins

XVI. Appraisal Policy
   A. Qualifications and independence
   B. Types or methods used
   C. Criteria to determine which loans require appraisals
   D. Requirements of FIRREA and other regulatory guidelines
   E. Minimum standards
   F. Review procedures after receipt of the appraisal
   G. Instruction letters to appraisers

XVII. Repayment Program and Maximum Terms
   A. Loan repayment schedules
   B. Maximum maturity
   C. Clean-up periods

XVIII. Credit Line Policy
   A. Credit lines and “guidance” lines
      1. Bank’s policy
      2. Method of establishing
      3. Duration (maturity)
      4. Records and controls over funding
      5. Reports for monitoring
      6. Loan agreement
   B. Consumer lines of credit
      1. Home equity
      2. Personal lines of credit
XIX.  Purchasing Loans  
A.  Loans from other institutions  
B.  Dealer paper  
C.  Underwriting standards and documentation  

XX.  Concentrations of Loans  
A.  By type of classification  
B.  By field of business  
C.  By geographical area  
D.  By common source of repayment  
E.  Loan demand and liquidity  
F.  Future outlook  

XXI.  Portfolio Mix and Aggregate Percentages  
A.  Guidelines, with aggregate percentages  
B.  Relationship to deposits, capital, and assets  

XXII.  Loan Review and Problem Loan Identification  
A.  Loan officers  
B.  Loan committee  
C.  Loan review team or department  
D.  Outside, independent reviews  
E.  Scope, including penetration  

XXIII.  Problem Loan Administration and Collection  
A.  Internal system to identify problem loans independently  
B.  Formulate action plans  
C.  Establish responsibility for the workout plan  
D.  Monitoring system  
E.  Risk assessment with appropriate reserves  
F.  Collection procedures  
G.  Charge-off guidelines and recovery procedure  
H.  Early warning signs of a problem loan  

XXIV.  Restructured and Renegotiated Loans  
A.  Definitions in concert with federal guidelines  
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XXV.  Charge-off and Nonaccrual Policies  
A.  Guidelines for definitions and criteria  
B.  Establish procedures and responsibility  
C.  Follow-up criteria  
D.  Criteria for placing a loan on nonaccrual status  
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   A. Systematic problem loan identification program
   B. Methodology for allocated reserves for classified and problem loans
   C. Methodology for unallocated reserves based on various criteria

XXVII. Capitalization of Interest

XXVIII. Financing Other Real Estate

XXIX. Conflicts of Interest
   A. Maintain objectivity and integrity
   B. Define types of interests
   C. Limitations on gifts or services

XXX. Loans to Employees, Officers, Directors, and Their Related Interests
   A. Define insiders and related interests
   B. Outline permissible loans

XXXI. Miscellaneous
   A. Demand loans
      1. Amortization
      2. Periodic reviews
   B. Deposit Balance Requirements
      1. Method of assessment (gross, collected, net of costs of other services, etc.)
      2. Weight given collateral business from borrower
   C. Loans from other institutions
   D. Dealer paper
   E. Underwriting standards and documentation
   F. Other considerations

XXXII. Exceptions to Policy
   A. Tracking system
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XXXIII. Monitoring Compliance with Policy
   A. Responsibility of directors
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XXXIV. Conclusion