
The federal financial regulatory agencies announced today the issuance of a new interagency policy statement on the Allowance for Loan and Lease Losses (ALLL) and supplemental Frequently Asked Questions (FAQs). The policy statement revises and replaces a 1993 policy statement on the ALLL.

The agencies believe an assessment of the appropriateness of the ALLL is critical to the safety and soundness of a financial institution, especially in today's uncertain economic environment and when concentrations in untested loan products are present. The policy statement has been updated to ensure consistency with generally accepted accounting principles (GAAP) and post-1993 supervisory guidance. The 1993 policy statement was issued by the Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation and the Office of Thrift Supervision. It was intended to describe: the responsibilities of the boards of directors, management, and examiners of banks and savings associations regarding the ALLL; factors to be considered in the estimation of the ALLL; and the objectives and elements of an effective loan review system, including a sound credit grading system. The revised policy statement updates this guidance and also extends it to credit unions and their examiners. The National Credit Union Administration has joined the other agencies in issuing the revised policy statement.

This revision reiterates key concepts and requirements included in GAAP and existing ALLL supervisory guidance. The ALLL represents one of the most significant estimates in an
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.