

Federal Reserve Bank of San Francisco
101 Market Street, San Francisco, California 94105

August 14, 2014

To State Member Banks
in the Twelfth Federal Reserve District

Loan Coverage Requirements for Safety and Soundness Examinations of Community Banks

On July 22, 2014, the Board of Governors of the Federal Reserve System released [SR letter 14-7, Loan Coverage Requirements for Safety and Soundness Examinations of Community Banks](#). This letter applies to community state member banks with \$10 billion or less in total consolidated assets that are supervised by the Federal Reserve. The letter superseding SR letter 94-13, Loan Review Requirements for On-site Examinations.

This guidance updates loan sampling expectations for Federal Reserve led examinations of community state member banks and clarifies when statistical sampling is expected to be used. In addition, the guidance establishes minimum coverage expectations for judgmental samples for full-scope and asset quality target examinations. Examiners are expected to select for review a sample of loans that is of sufficient size and scope to enable them to reach sound and well-supported conclusions about the quality of, and risk management over, a community state member bank's lending portfolio.

Additional Information

All circulars and documents are available on the Internet through the Federal Reserve Bank of San Francisco's website, at <http://www.frbsf.org/banking-supervision/publications/district-circular-letters/>.

For additional information, please contact:

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