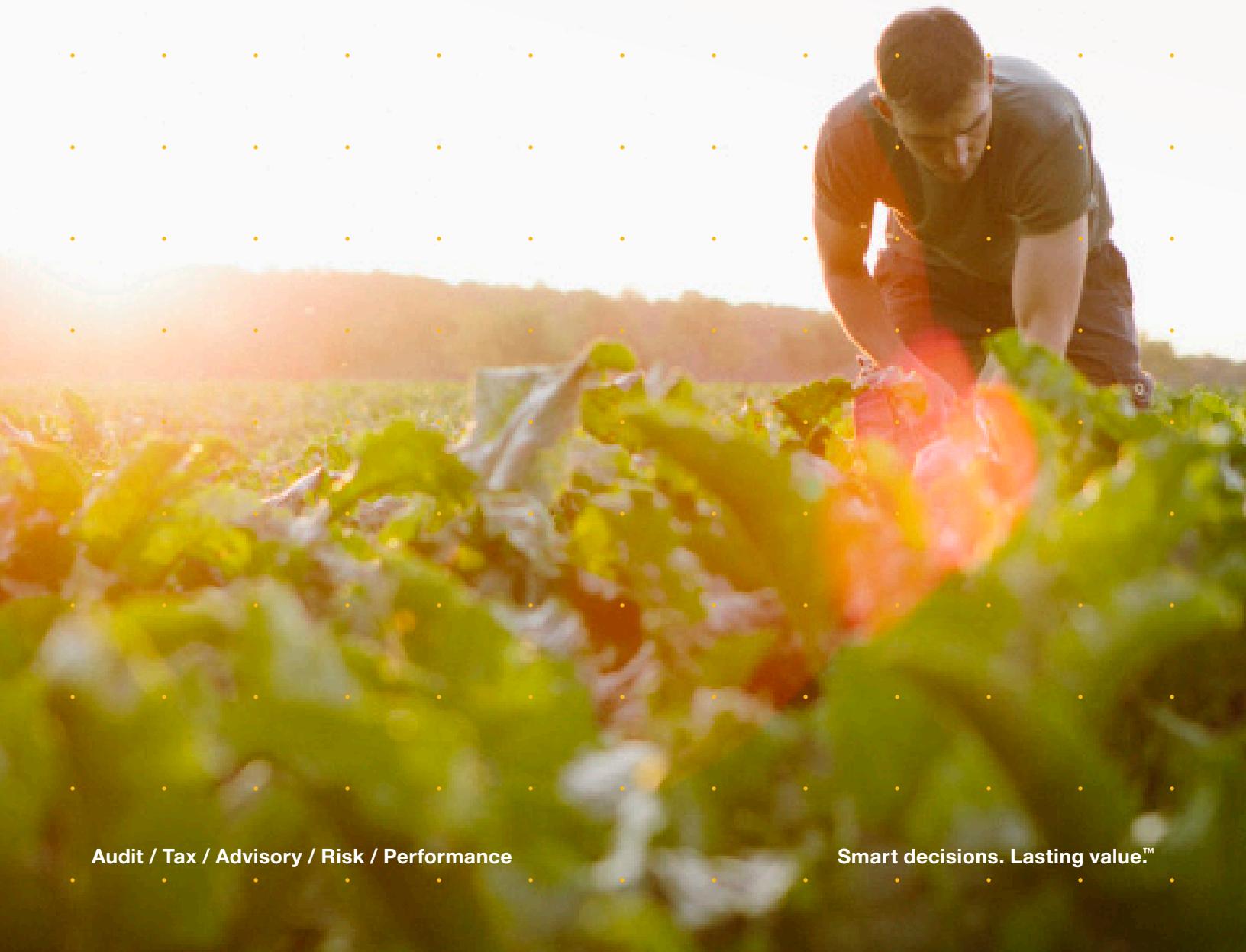




Crowe Loan Review Services

Credible, Effective, Risk-Based Analysis



Audit / Tax / Advisory / Risk / Performance

Smart decisions. Lasting value.™

As regulatory agencies and external auditors intensify their scrutiny of farm credit associations' lending and credit risk management practices, effective and credible loan review is an increasingly critical concern. As a longstanding provider of credit review services, Crowe offers independent, objective loan review services for all or part of an association's portfolio using a risk-based approach with an emphasis on quality, consistency, and thorough documentation.

Increased Expectations, Greater Demands

Lenders across the country face greater expectations from regulators and auditors for enhanced monitoring procedures and more extensive documentation of credit administration procedures, conclusions, and validation. In addition to this heightened regulatory scrutiny, today's low interest rate environment and increasingly complex credit products have combined to further challenge farm credit associations.

In the face of these growing pressures, many farm credit providers find it prudent to step back and assess whether their loan review functions have adjusted to the changing environment and the products they now offer. In helping farm credit associations address these widespread concerns, Crowe has developed a widely recognized reputation as a leading provider of credit risk consulting services, particularly in the areas of loan review – cosourced and outsourced – and credit administration consultation.

Through our client base, interaction with regulators, and access to our financial statement audit services group, we continue to adjust with the times and help clients respond to regulator concerns. Crowe loan review reporting and work papers are produced using our proprietary software, which allows us not only to tailor our services to fit each individual client's needs but to emphasize consistency and well-documented conclusions – two of the most critical regulatory expectations.

“We have used Crowe for credit review services for several years. They have a solid understanding of agricultural financing and bring forth a new perspective during their reviews. The Crowe team has been very responsive to our needs and changes throughout the years. We appreciate the insight and value Crowe has provided.”

– Erik Person, Internal Audit, American AgCredit



The Crowe Approach: Specialized and Focused

The Crowe vision is built on deep specialization and a “One Crowe” approach – that is, a focus on our clients, our people, and the hallmarks of our profession, which are integrity, objectivity, and independence.

By aligning our specialists along industry lines, we bring deeper, broader knowledge to our services. This industry specialization gives us a better view to understand your business and the unique challenges you face.

As a specialist in the farm credit system, you undoubtedly understand the importance of specialization. Much like our clients, your customers work with you because of your knowledge and industry specialization.

As part of our comprehensive range of risk services, Crowe provides a team of experienced lending and regulatory professionals to perform or support your internal loan review process – through either an outsourcing agreement or working side by side with your teams in a cosourcing arrangement.

How Crowe Can Help

Many midsize farm credit associations find that it generally is not cost-effective to maintain the necessary in-house expertise to perform the mandated loan review process internally. In these situations, Crowe can offer a complete third-party loan review function, providing objective, credible, in-depth analysis, including:

- Assessing credit quality
- Evaluating credit administration processes
- Assessing risk rating accuracy
- Testing credit and collateral documentation

For larger farm credit associations where maintaining an internal loan review function is more typical, Crowe can serve as a valuable source of specialized expertise in reviewing specific types of credit products or loans to industries that present particular risk profiles. Additionally, we work with internal loan review departments across the country to assist them in meeting their annual plans when the scope of a plan increases or an association does not have the capacity to complete reviews in a timely manner.

We strive to exceed clients' expectations by not only assessing risk rating accuracy but going a step further to evaluate the credit administration process, underwriting and approval processes, lending policies, approved policy trends, peer comparison data, and recommended best practices for associations to consider.

A Risk-Based Approach

Despite regulators' frequent recommendations that associations apply a risk-based approach to the loan review function, many struggle to fully embrace this concept. Crowe has extensive experience helping associations develop more mature, fine-tuned risk assessment methods, enabling associations to focus their resources more effectively based on the size of the risk, problem credits or commodities, and other objective criteria.

In addition to confirming that an association's stated risk rating policy is carried out accurately, Crowe evaluates how rated loans are monitored, noting how policies are implemented and administered.

Although the association maintains ultimate responsibility for both policy and implementation, Crowe can provide invaluable expertise and insight into the scoping process, working with the association's management, board, and internal auditors to identify specific areas of concern and attention.

What to Expect

Although the scope of our involvement naturally varies from one association to another, the quality of the Crowe team and the quality of its work remain constant.

From the outset, Crowe credit professionals maintain clear, open communication with all stakeholders, providing regular reporting while on-site, including executive summaries that outline any findings and recommendations throughout the duration of fieldwork. At the conclusion of the review, Crowe conducts a comprehensive

exit meeting with senior management to discuss any issues and supplies written findings and best-practice recommendations.

Throughout this process, Crowe teams take particular pride in the quality of their work papers and documentation. Customized software incorporates account and borrower information into a secure database for detailed analysis and documentation while also enabling the Crowe team to note and document potential issues regarding administration or monitoring.

The final work papers summarize the review, findings, and conclusions on risk rating, including not only final ratings but detailed information that demonstrates how critical ratios were determined. This extensive documentation helps satisfy regulatory expectations and provides valuable information for the association's internal use in fine-tuning credit administration policies and procedures.

Although we tailor each engagement, the table shown here provides an example of a typical credit review schedule for our loan review engagements.

Typical Credit Review Schedule

DATES	ACTIONS
Once Engaged by Client	We contact management to discuss the engagement, including potential review dates, logistics for the engagement, scope, questions, and concerns.
Prior to Start	We send a request letter to the client to gather data needed to draw a sample.
One Week Prior to Start	We provide our sample of loans selected and make adjustments as needed based on conversations with management.
Day One of Review	We meet with the client-assigned liaison, as well as other members of management, to discuss the organization and the engagement we are working on.
Fieldwork	We provide exception reports generated from our proprietary loan review system on a daily basis to update management regularly.
Last Day in Field	We have an informal exit meeting with members of management to discuss high-level observations and recommendations from the review, including an exit agenda with detailed information.
Week Following Fieldwork	We schedule a formal exit meeting with management. Typically, we prefer that this meeting take place the week following fieldwork. This meeting includes all recommended rating changes, findings, and observations that would likely be included in the draft report. This meeting gives another opportunity to discuss these items with management.
Three Weeks After Exit Meeting	We issue a draft report. Management has an opportunity to respond to findings and recommendations listed in the draft report.
Final Report	Once management provides formal responses to the draft report, we issue a final report with management responses, usually within three days.
Present Final Report	We present our final report to audit committees or boards upon request from some clients.

Part of a Broad Portfolio of Services

Crowe loan review services are part of an array of advanced credit consulting services. In addition to outsourced and cosourced loan review services, Crowe offers in-depth assessment of financial institutions' internal loan review function, focusing on internal loan review processes and procedures, as well as risk rating practices and methods.

Our assessments of internal loan review departments often are performed to assist an association's internal audit department, which may not have resources with the necessary expertise to perform these assessments. In addition, Crowe can provide a fully independent assessment of the department to an audit committee, board, or regulators.

Crowe credit consulting services include:

- Credit due diligence
- Stress testing
- Model validation
- Model reviews and assessments
- Process improvement
- Targeted reviews of specific credit products or services
- Credit review outsourcing
- Credit administration process reviews
- Assessment of internal loan review departments
- Scorecard lending targeted reviews
- Capital market group targeted reviews
- Special asset group targeted reviews
- Allowance for loan and lease loss methodology

Experience, Credibility, and a Nationwide Presence

For more than 60 years, Crowe professionals have helped institutions of all sizes improve their credit processes, underwriting, problem loan identification, and loan monitoring effectiveness. Crowe provides credit risk review services to more than 120 financial services entities, including some of the largest banking institutions, farm credit organizations, credit unions, and insurance companies.

Crowe credit consulting teams are composed of full-time, dedicated credit risk professionals with years of experience as lending executives and credit officers, as well as executives with direct regulatory experience. Moreover, Crowe maintains extensive professional contacts throughout both the financial services industry and the regulatory community.

In addition to our extensive portfolio of loan review and credit consulting services, Crowe provides a broad array of related risk consulting services, including:

- Internal audit outsourcing and cosourcing
- IT audit and information security consulting
- Regulatory compliance services
- Corporate governance consulting
- Enterprise risk management consulting
- Model risk management consulting
- Third-party risk management consulting
- Technology consulting
- Human resource audit and consulting



Crowe Offices

Crowe serves clients coast to coast from offices in many states:

California

Los Angeles (2)
Orange County
Sacramento
San Francisco
San Jose

Colorado

Denver

Connecticut

Hartford

Florida

Fort Lauderdale
Lakeland
Miami
Tampa

Georgia

Atlanta

Illinois

Chicago
Oak Brook
Springfield

Indiana

Elkhart
Fort Wayne
Indianapolis (2)
South Bend

Kentucky

Lexington (2)
Louisville

Massachusetts

Boston

Michigan

Grand Rapids

Missouri

St. Louis

New Jersey

Livingston

New York

New York

Ohio

Cleveland
Columbus

Tennessee

Knoxville
Nashville

Texas

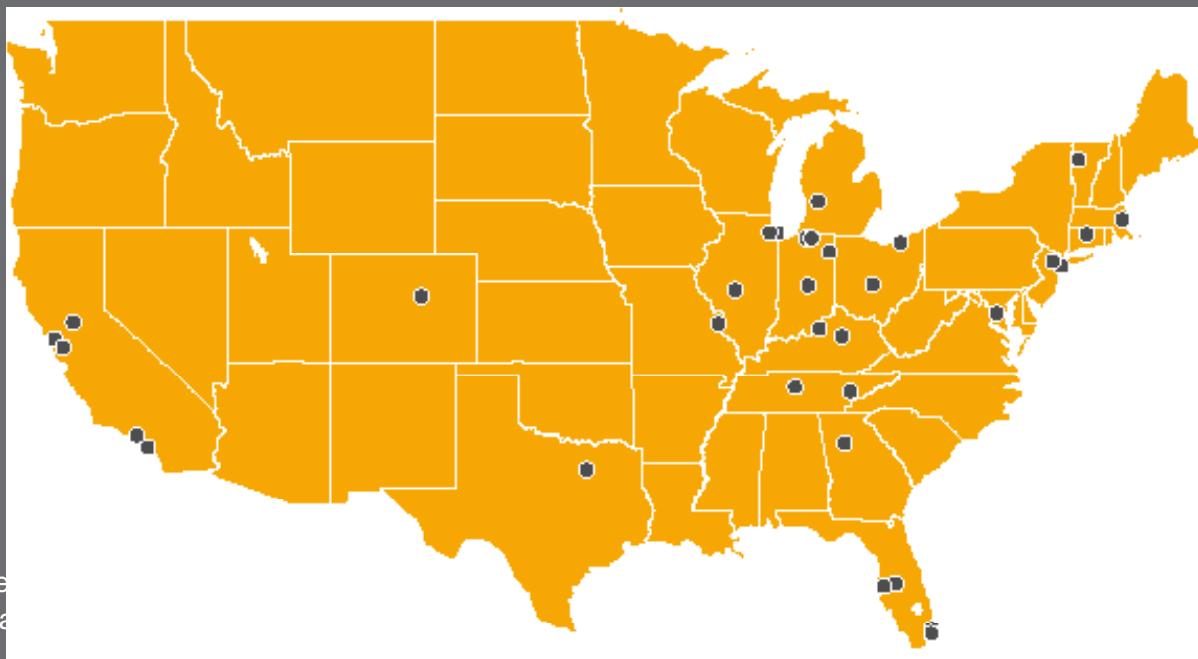
Dallas

Vermont

Burlington

Washington, D.C.

Washington, D.C.



Crowe serves
the U.S. and

Canada

Toronto

Cayman Islands

Grand Cayman

France

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About Crowe

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