

MEMORANDUM

To: Subscribers to *Bank Policies, Procedures, and Internal Audit Service* on CD

From: Sheshunoff Information Services

Subject: 07.1 Update

We hope you found your 06.2 update to be useful and informative. Enclosed is the 07.1 update to your subscription to *Bank Policies, Procedures, and Internal Audit Service* on CD.

Install the CD as soon as you receive it to ensure that your files are always up-to-date. A welcome screen appears at the beginning of the installation prompting you to install Microsoft Word files. Follow the prompts to install the files in a "PPIACD" directory on your hard drive. You need approximately 200 MB of hard drive space to install the files.

Bank Policies and Bank Procedures

With this update, information is provided to enhance existing policies, as well as to add new policy language to address recently issued regulatory requirements. The following new policies and procedures have been developed:

Remote deposit capture. Remote deposit capture (RDC) is an exciting service opportunity that may be offered to deposit customers. However, similar to other products and services offered by financial institutions, there are certain caveats on selecting customers, and thereafter, ensuring proper controls and procedures are in place to address RDC activities. With this update, a detailed and extensive sample policy statement and procedures are provided for your management team's consideration and review. Each financial institution will have to weigh the opportunities and the risks associated with this service.

Policy revisions. In addition, specific enhancements have been provided for the following policies, procedures, and checklists:

- Credit Risk
 - Expansion of policy guidance on participation purchases
 - Guidance on recent changes to appraisal regulatory guidelines
- Loans to Insiders
 - Changes noted regarding elimination of certain Regulation O reporting requirements
 - Guidance on regulatory reporting pertaining to FFIEC OOO4 form
- Allowance for Loan and Lease Losses
 - Changes reflecting recent FFIEC changes in ALLL regulatory guidance and accounting procedures plus addition of the FFIEC's questions and answers
 - Guidance on transfer risk treatment

- Appraisal Policy
 - Changes noted regarding revisions to appraisal regulatory guidelines
- Human Resources
 - Insights and guidance regarding providing employee references

Bank Internal Audit

Regulatory agencies continue to focus on the level of internal audit monitoring, the timeliness of reviews, the depth and scope of testing, and the integrity of reporting with respect to establishing risk supervision strategies. New internal audit procedures were developed to address:

To further support the internal work performed by your institution's internal audit staff, the following detailed internal audit policy checklists have been developed and are included in this update:

- Purchase of Insurance
- Personal Banking

New audit procedures and detailed internal audit policy checklists have been developed addressing CRA—Small Intermediate Bank reviews. These procedures and checklist focus on the major points identified in regulatory examination reviews.

In addition, edits and enhancements have been provided for audit program procedures and supporting questionnaires/checklists for the following:

- *Credit Risk Policy*. Revisions noted to reflect regulatory changes pertaining to appraisals and insider loan activities. Separately, detailed information and a checklist have been provided pertaining to loan participations purchased.
- *Loans to Insiders Policy*. Revisions noted to reflect regulatory changes pertaining to reporting as it pertains to insider loan activities.
- *Appraisal Policy*. Revisions noted to reflect regulatory changes pertaining to appraisal language and reports.
- *ALLL Policy*. Revisions noted to reflect regulatory changes pertaining to ALLL treatment.

Product Support Help Line

If you have questions about your *Bank Policies, Procedures, and Internal Audit Service* on CD or need help with the installation, please contact the Sheshunoff technical support staff at 1-800-456-2340 or e-mail us at propubs.support@sheshunoff.com. Our representatives are happy to help you.