



COMMONWEALTH OF MASSACHUSETTS

Office of Consumer Affairs and Business Regulation

DIVISION OF BANKS

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June 23, 2020

As the Commonwealth of Massachusetts continues to reopen after the pandemic lockdowns, examiners from the Massachusetts Division of Banks (Division) will be contacting institutions about the examinations. As part of its examinations, the Division examiners will be utilizing guidance issued today by the Federal Financial Institutions Examination Council (FFIEC) titled *Interagency Examiner Guidance for Assessing Safety and Soundness Considering the Effect of the COVID-19 Pandemic on Institutions* ([link](#)).

While the interagency guidance discusses how state and federal examiners will be performing safety and soundness examinations, the following is additional detail about the Division's expectations of financial institutions and the interactions with examiners.

The Division will continue operating primarily off-site for the foreseeable future. While our goal is to conduct our examinations as efficiently as possible, please understand that it may take longer than usual due to the need to perform the vast majority of the work off-site. Risk scoping will help examiners determine how to use your time (and theirs) most efficiently. The examiners will attempt to make the process as smooth as possible.

When examiners assess risk management systems, they consider the institution's policies, processes, personnel, and control system. Examiners will place emphasis on how well the institution has identified and managed risks related to the COVID-19 pandemic. The institution's risk assessment will provide examiners with information on how any challenges related to the pandemic are being addressed. The risk assessment should cover the full scope of how the pandemic is affecting your institution. Changes in strategy, personnel, operations, and outlook should be highlighted. The institution's capital levels must also be considered given losses or potential losses from the pandemic. If capital shortfalls are possible, the risk assessment or the capital plan must establish how the institution's capital levels will be augmented.

The risk assessment should include a discussion of the institution's response to recently introduced government programs and regulatory relief issuances. The impact of these programs on operations should be described. For example, if the institution took advantage of the 120-day delay in securing

June 23, 2020

Page 2

real estate appraisals or evaluations, the risk assessment should elaborate on how it used that relief and if it presents the institution with follow-up concerns such as dealing with a backlog of appraisals. It should also address the impact of state and federal legislation addressing forbearance, credit modifications, and foreclosure moratoriums, including Chapter 65 of the Acts of 2020, to assist borrowers impacted by the COVID-19 pandemic. The risk assessment should discuss how the local recovery is progressing and the additional challenges that presents. Any credit concentrations should also be addressed, whether they are long-standing or newly emerging from the pandemic. Examiners will review management's plans for those credit concentrations.

Finally, a note regarding loan files: the Division's examination process must include loan review, and our examiners will need to review the same information typically required and interact with bank personnel. Such discussions provide the examiners with valuable information and remain a vital part of every examination. During our initial contact to coordinate examination scheduling, the Division's Field Operations Manager Keith Vaidya will discuss options for conducting loan review including whether your institution has digital loan files and the process for granting access. We endeavor to work with you and recognize the need to consider factors including health and safety, availability of staff, efficiency, and burden on the institution.

We recognize the significant impact the COVID-19 Pandemic has on the financial sector in general and your institution directly. We appreciate that your families, employees, and community continue to demand your attention while you continue to be fully engaged in institution operations, facilitating return to work, and meeting the needs of your customers. Working together, we hope that the examination process will be smooth and a possible catalyst towards a more normal situation. Please contact Field Operations Manager Keith Vaidya at (617)368-1614 or keith.vaidya@mass.gov if you have any question about the examination process.

Sincerely,

A handwritten signature in blue ink that reads "Mary L. Gallagher". The signature is written in a cursive style with a large initial "M".

Mary L. Gallagher
Commissioner of Banks