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New OCC Oil and Gas Loan Review Guidelines

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The Office of Comptroller of the Currency ("**OCC**") issued a revised Handbook for examination of Oil and Gas Exploration and Production Lending on March 16, 2016 (the "**March 2016 Handbook**"). This March 2016 Handbook replaces and significantly revises the OCC's prior version issued April 9, 2014, which is no longer available on the OCC website (the "**April 2014 Handbook**").

Since April 2014, there has been significant activity and dialogue between energy lending banks and their regulators regarding the appropriate metrics for evaluating risk of repayment for oil and gas secured loans ("**RBLs**"). Under the Shared National Credit Program ("**SNC**"), established in 1977 by the Federal Reserve System ("**Fed**"), the Federal Deposit Insurance Corporation ("**FDIC**"), and the OCC (collectively with Fed and FDIC, the "**Agencies**"), the Agencies agreed to collectively review and assess risk in agented credits of more than $20 million that are shared by three or more financial institutions. Under the SNC review, using the Agencies' guidelines, examiners review banks' assessments for risk of repayment by their borrower under their RBLs. If the examiner determines a bank has improperly risked a credit, then there can be adverse consequences, including the requirement that the bank set aside greater reserves.

Continue reading the alert on OCC's March 2016 Handbook.

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