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Date: June 25, 2020

To: President/CEO

From: Greg Gonzales

The attached interagency guidance was developed to assist state and federal examiners as agencies resume their examination efforts to promote consistency and flexibility in the supervision and examination of financial institutions affected by the COVID-19 pandemic. Further, the interagency guidance instructs examiners to consider the unique, evolving, and potentially long-term nature of the issues confronting institutions due to the pandemic and to exercise appropriate flexibility in their supervisory response. As Tennessee continues to reopen after the pandemic lockdowns, Tennessee Department of Financial Institutions (TDFI) examiners will begin contacting institutions about their next examination schedule. While the interagency guidance link attached discusses what examiners will be doing generally, I wanted to provide some additional detail on our expectations of financial institutions and your interactions with examiners.

As part of TDFI's efforts to continue to practice social distancing, as well as to not interfere with institution management's efforts to continue serving the public, for the foreseeable future all examination activity will be conducted entirely off-site. It is not expected that the time to complete examinations will increase significantly beyond what is normally experienced with on-site presence of examiners. Meetings to communicate between institution staff and examiners will be conducted telephonically or through other methods of digital communication. With the examination being conducted entirely off-site, it is necessary that enhanced and clear communication be utilized between institution management and examiners. As such, TDFI examiners will increase their efforts to ensure clear communication is maintained throughout the process to make the examination as smooth as possible. Every effort will be made to ensure meetings and personnel involved in meetings are limited to only those necessary to reduce interference with the bank's daily operations.

As part of our normal pre-examination activity, the assigned examiner-in-charge will contact senior management to discuss the logistics of the examination, request information needed, inquire as to the institution's ability to provide digital information, as well as to discuss the general risk profile of the institution to enable the EIC to properly risk scope the examination. TDFI understands that some institutions are not equipped for a complete off-site examination, and in those instances examiners will work with institution management to determine if there is an effective work-around that would allow the examination to move forward, or if a delay in a portion of the examination is the only alternative in the current environment.

Appropriate risk identification remains important for institution management, especially in this current pandemic environment. While examiners will continue to focus their attention on routine and expected risk identification activities, increased focus will be directed at efforts to identify and manage risks created by the pandemic. Examiners will be discussing the risks identified by institution management, how those risks are being mitigated, and what future impact those risks may have upon the institution. TDFI understands that many institutions may not have committed those risks to paper yet due to the significant time demands on managing the pandemic impact upon institution operations, personnel and public responsibilities; however, we do expect management and Board to have discussed these concerns and have a working understanding of the impact on the institution, as well as to have developed a preliminary remediation plan for those risks.

TDFI recognizes the significant impact and unprecedented environment that you have been operating in during the COVID-19 pandemic as you serve your customers and local economies. Tennessee financial institutions have made and continue to make tremendous strides in supporting their customers and Tennessee's economy. Your families, employees, and community are all going to be demanding your undivided attention. During these unprecedented times you will be fully engaged in institution operations, helping employees return to work, and meeting customers' needs. Our constant goal is to provide your institution with a tailored and balanced assessment to assist you in continuing to serve your communities. Working together we hope that the examination process can be an important catalyst towards economic recovery.

Please contact Assistant Commissioner Tod Trulove at 615-289-2156 or by email at Tod.Trulove@tn.gov if you have any question about the examination process going forward.

Examiner Guidance Considering the Effect of the COVID-19 Pandemic on Institutions