

Watch List Accounts

Overview

Accounts that require increased or more frequent monitoring should be placed on a Watch List. These may be situations identified under the annual review process or where evidence of increasing risk is noted, such as:

- Deteriorating or lack of financial information
- Covenant breaches (e.g.earnings shortfall or losses)
- Potential security shortfalls (e.g. asset sale, loss or damage, fraud)
- Potential debt service shortfalls (e.g. significant revenue decline)
- Significant adverse developments (e.g. restructuring, unexpected management departures, loss of major customer, legal action, etc., labour dispute /strike, new competition)

Reports

When a loan is placed on a Watch List, a report should be prepared providing a full summary of the credit facility and outstanding loans. The report should also include:

- A history and rationale for Watchlist status
- Comments of recent events
- Recommendations and action plan
- Date of next review

A sample Individual Watch List Report (refer Schedule 1) and sample Summary Report (refer Schedule 2) are provided below.

The credit union should establish the process for reporting new Watch List accounts,the frequency of required updates etc. and outstanding accounts.

This process should cover:

- the materiality/size of accounts to be included
- the frequency and distribution of individual and summary reports
- appropriate escalation procedures.

Watch List Accounts

Schedule 1
Credit Business Memorandum
WATCH LIST ACCOUNT – RR4 (Sample)

Date:				Branch:							
Name of Account:				Number:							
	Facility	Present Position	Current Authorized Credit	Maturity	P +	Proposed Credit	Maturity	P +	LI	RR	
		Date:	Expires:			To Expire:					
1											
1											
3											
Connected/ Related Group Exposure											
Security:											

History and Reason for Watch List:

Reason for Submission:

Comments:

Action Plan:

Account Manager Recommendation:

Portfolio Manager Concurrence:

Enclosures:

Next Review Date:

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Schedule 2

<u>WATCH LIST - SUMMARY UPDATE</u>								
PERIOD ENDING : _____								
<u>BORROWER</u>	<u>BALANCE AT WATCH LIST DATE</u>	<u>CURRENT BAL</u>	<u>ESTIMATED SECURITY VALUE - W/L DATE</u>	<u>ESTIMATED SECURITY VALUE CURRENT</u>	<u>DATE ORIGINALLY WATCH LISTED</u>	<u>CURRENT DELINQUENCY P/I</u>	<u>RISK RATING</u>	<u>INDUSTRY CODE</u>
LOC Term Loans Mortgage Total Connected								
Total	\$0	\$0						
LOC Term Loans Mortgage Total Connected								
Total	\$0	\$0						
LOC Term Loans Mortgage Total Connected								
Total	\$0	\$0						
LOC Term Loans Mortgages Total Connected								
Total	\$0	\$0						
Grand Total	\$0	\$0	\$0	\$0			\$0	
Signature of Reviewer _____								