CEIS REVIEW, INC.

WHITEPAPER · 2026 EDITION

Beyond Risk Ratings

The Strategic Value of Independent Credit Review

A practical guide for management, boards, and credit-risk leaders on converting credit-level findings into portfolio intelligence.

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A practical guide for management, boards, and credit-risk leaders on converting credit-level findings into portfolio intelligence.

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THE CENTRAL PREMISE

A credit review program is measured not by how many loans it examines, but by how clearly it shows leadership where risk is building.

01 — EXECUTIVE SUMMARY

Seeing risk before it surfaces

Portfolio risk can shift before conventional reporting captures it. Rapid growth in a segment, weakening borrower performance, rising policy exceptions, collateral deterioration, or inconsistent risk-rating practices may emerge gradually — becoming evident only after losses increase or supervisory concerns arise.

An effective independent credit-review function gives the chief credit officer, executive management, and the board an objective, disciplined assessment of credit quality and credit administration. Its role extends beyond validating individual risk ratings. A well-designed program identifies portfolio-level patterns, evaluates whether underwriting and policy practices remain aligned with the institution's risk appetite, and strengthens the information used for risk governance, capital and allowance decisions, and strategic planning.

OBJECTIVITY

An informed assessment independent from loan origination and day-to-day portfolio management.

EARLY IDENTIFICATION

Timely recognition of credit weaknesses, risk-rating differences, documentation issues, and emerging portfolio trends.

GOVERNANCE

Clear reporting that helps management and the board evaluate credit quality, policy adherence, and any corrective actions.

DECISION SUPPORT

Portfolio intelligence that can inform lending strategy, concentration management, and allowance governance.

THE CENTRAL QUESTION

Not simply whether an institution has a credit-review program — but whether the program remains independent, risk-based, appropriately scoped, and capable of converting file-level observations into actionable portfolio intelligence.

02 — WHY IT MATTERS

Why independent credit review matters

Independent credit review is a foundational element of effective credit-risk governance. The 2020 *Interagency Guidance on Credit Risk Review Systems* emphasizes the need for an independent, continuous review process and timely, meaningful reporting on portfolio performance to executive management and the board.[1]

Independence gives senior leaders greater confidence in the conclusions they rely on. Credit officers responsible for origination, approval, and portfolio management bring essential knowledge, but their proximity to individual relationships can limit objective challenge. An independent review function provides a distinct line of sight, tests management's assumptions, and assesses whether credit standards and risk ratings are applied consistently across the institution.

An effective loan review program goes beyond identifying individual issues. It converts findings into actionable insight about the institution's credit discipline and the effectiveness of its overall risk-management framework.

SHIFT ONE

From individual credits to portfolio insight

A rating disagreement matters. A recurring pattern of disagreement across a product, geography, officer, or vintage may matter more.

SHIFT TWO

From policy exceptions to risk signals

An exception may be supportable on its own. Trends in exception volume, type, approval, or follow-up can reveal changing underwriting discipline.

SHIFT THREE

From findings to action

A review has greater value when conclusions are prioritized, communicated clearly, assigned to responsible parties, and tracked through resolution.

03 — SCOPE & OBJECTIVES

What an effective review should accomplish

Review scope should be calibrated to the institution's size, complexity, portfolio composition, risk profile, concentrations, growth trajectory, and prior findings. Although program design will vary, an effective review should address four interrelated areas that, together, support a credible assessment of portfolio risk and credit administration.

I

CREDIT QUALITY

- Test risk-rating accuracy
- Identify well-defined weaknesses
- Evaluate criticized and watch credits
- Assess workout or action plans

II

PORTFOLIO GOVERNANCE

- Evaluate underwriting and policy adherence
- Analyze exceptions and concentrations
- Assess administration practices
- Review prior findings

III

DOCUMENTATION & COLLATERAL

- Identify financial information gaps
- Review collateral support
- Assess appraisal timeliness
- Highlight emerging trends

IV

MANAGEMENT INFORMATION

- Distinguish systemic issues
- Prioritize corrective actions
- Support board reporting

04 — PROGRAM DESIGN

Building a risk-based review program

A program should be designed around risk — and its coverage must be broad enough to support a conclusion about the portfolio as a whole.

Review scope and frequency should evolve with the portfolio's risk profile. Segments experiencing rapid growth, adverse credit migration, increasing concentrations, control weaknesses, or material policy exceptions should receive deeper analysis, expanded coverage, or more frequent review.

01

DEFINE GOVERNANCE AND INDEPENDENCE

Establish authority, reporting lines, reviewer qualifications, access to records, and protocols for resolving differences.

02

SET A RISK-BASED UNIVERSE

Consider criticized and watch assets, large relationships, concentrations, recent originations, higher-risk products, policy exceptions, and pass-rated credits.

03

CALIBRATE SCOPE AND FREQUENCY

Use portfolio risk, complexity, growth, prior findings, and emerging conditions to determine review depth and timing.

04

APPLY CONSISTENT METHODOLOGY

Document how reviewers evaluate risk ratings, underwriting, repayment capacity, guarantor support, collateral, covenants, policy adherence, and administration.

05

REPORT AND FOLLOW THROUGH

Communicate material conclusions promptly, distinguish systemic themes from exceptions, and monitor corrective action through closure.

05 — PORTFOLIO INTELLIGENCE

Turning review findings into portfolio intelligence

The most valuable outcome of an independent credit review is not a catalog of file-level exceptions, but decision-ready intelligence. A strong report explains what the evidence reveals about the institution's risk profile, the effectiveness of its governance and controls, and the strategic actions management and the board should consider.

DIAGNOSTIC QUESTIONS

- Are risk-rating differences concentrated in a particular segment, lending team, geography, or origination period?
- Do documentation findings point to administrative capacity, process, or control weaknesses?
- Are underwriting exceptions isolated decisions or signs that standards are changing?
- Are concentrations being monitored with sufficient depth and frequency?
- Are criticized assets migrating in a manner consistent with management reporting?
- Have prior findings been corrected, or do recurring issues suggest that root causes remain unresolved?

A strong report translates observations into clear business and risk implications. For each material finding, it should identify the supporting evidence, explain the significance and affected population, document management's response, establish accountable ownership, and assign a priority and timeline for corrective action.

A USEFUL REPORTING HIERARCHY

LEVEL	FOCUS	EXAMPLE OUTPUT
Credit-level	Borrower and relationship conclusions	Risk-rating conclusion, repayment analysis, documentation or collateral findings
Portfolio-level	Patterns across segments and exposures	Migration, exception, concentration, underwriting, and administration trends
Program-level	Effectiveness of governance and controls	Scope adequacy, independence, methodology, reporting, escalation, and remediation

06 — TECHNOLOGY

Technology that sharpens independent judgment

Technology is changing how credit review is performed. Loan-level data, document automation, and analytical tools now allow a review program to see more of the portfolio, direct effort where risk is concentrating, and report findings with greater consistency.

Used well, these tools strengthen the program. Used without discipline, they can create a false sense of coverage.

PORTFOLIO ANALYTICS	Loan-level data can reveal concentrations, risk-rating migration, exception trends, and maturity or rate-reset exposure across the entire portfolio. That view can help determine where file-level review should focus.
DOCUMENT AUTOMATION	Tools that extract and organize information from financial statements, tax returns, rent rolls, and loan agreements can reduce manual data entry, so reviewers spend more of their time on analysis and judgment.
CONSISTENCY & TRACEABILITY	Structured templates, standardized data, and documented audit trails make conclusions easier to compare across reviews and periods, and easier to support with examiners.
GOVERNANCE OF THE TOOLS	Automated and AI-assisted tools should be understood, tested, and appropriately governed. Their outputs should be traceable to source documents and verified by qualified reviewers, consistent with the institution's model-risk and third-party risk-management practices.

Technology also raises practical questions for management and the board: how data quality is controlled, how sensitive borrower information is protected, and how reliance on any tool, whether built internally or provided by a vendor, is evaluated and documented.

THE PRINCIPLE

Technology should sharpen where reviewers look and how clearly findings are reported. It does not replace the independent, experienced judgment on which a credible review depends.

07 — ALLOWANCE GOVERNANCE

Credit review, ACL, and CECL governance

For institutions subject to FASB ASC Topic 326, the ACL is governed by the CECL framework. The revised April 2023 Interagency Policy Statement[2] and the OCC's July 2026 *Allowances for Credit Losses*[3] handbook emphasize a disciplined, well-documented process supported by reliable data, sound measurement, validation, internal controls, and effective board and management oversight. Institutions with acquired loan portfolios should also evaluate the applicability and effective date of ASU 2025-08.[4]

Individually evaluated assets

File-level analysis may inform management's understanding of borrower performance, collateral support, and identified weaknesses.

Qualitative considerations & governance

Recurring underwriting, documentation, concentration, or administration findings may be relevant to management's broader assessment of risk, subject to the institution's documented methodology and controls.

Any use of credit-review findings within the ACL process should be documented, appropriately governed, and consistent with the institution's accounting policies, internal controls, and validation framework.

08 — SOURCING MODELS

When independent outside review adds value

Institutions may maintain an internal credit-review function, engage an independent provider, or adopt a co-sourced model. The appropriate structure should reflect the institution's scale, portfolio complexity, risk profile, internal capacity, and need for specialized expertise.

An outside review can provide particular value when senior management or the board requires objective challenge, additional capacity, specialized portfolio expertise, or an independent assessment of the program's design, coverage, and effectiveness.

QUESTIONS TO ASK A PROSPECTIVE PROVIDER

EXPERIENCE	Do reviewers have relevant commercial credit, credit administration, workout, and executive-level banking experience?
INDEPENDENCE	How are conflicts identified and managed? Who receives and controls the final report?
METHODOLOGY	Is the approach documented, consistent, and tailored to the institution's portfolio and policies?
SCOPE	How does the provider determine which credits, segments, and program elements warrant review?
COMMUNICATION	How are material differences discussed, escalated, documented, and resolved?
REPORTING	Will the report distinguish individual exceptions from systemic themes and prioritize corrective action?
CONTINUITY	Can the provider compare findings over time and monitor whether prior issues have been addressed?

09 — BOARD OVERSIGHT

Questions management and the board should ask

01 Does the review program remain sufficiently independent from credit origination and administration?

02 Does the scope reflect current concentrations, growth areas, criticized assets, exceptions, and emerging risks?

03 Are pass-rated credits included in a manner that can test whether deterioration is being identified promptly?

04 What trends are visible across rating differences, policy exceptions, documentation, collateral, and covenant monitoring?

05 Are material findings communicated promptly and translated into accountable corrective actions?

06 Do recurring findings indicate that remediation is addressing symptoms rather than root causes?

07 Does reporting explain the strategic implications of findings, not only the number of exceptions?

08 How are credit-review conclusions considered within broader risk management and ACL governance?

09 How does the review program use portfolio data and technology to direct its scope, and how are those tools governed?

10 — CONCLUSION

Independence that supports better decisions

Independent credit review delivers its greatest value when it operates as a strategic risk-management function rather than a periodic quality-control exercise. It should challenge assumptions, identify emerging portfolio trends, assess the effectiveness of credit administration, and provide senior decision-makers with a clear view of developing risk and control weaknesses.

For senior management and the board, the benefits are tangible: more reliable information, earlier identification of deterioration, clearer accountability, and stronger alignment between lending activity and the institution's risk appetite. Delivering these benefits requires a review function that is independent, risk-based, appropriately resourced, and focused on the portfolio and governance implications of its findings.

> *The goal is not simply to review more loans. It is to see the portfolio more clearly.*

— ABOUT CEIS REVIEW, INC.

CEIS Review was established in 1989 to provide professional services to banks and other financial institutions. Its services include independent loan review, allowance and methodology support, portfolio stress testing, acquisition review, credit-risk-management process review, loan-policy maintenance, workshops, seminars, and specialty reviews.

CEIS works with financial institutions seeking an independent perspective on commercial credit quality, portfolio trends, and emerging risk. Engagements are designed around the institution's portfolio, policies, risk profile, and governance needs.

Is your credit-review program keeping pace with your portfolio?

CEIS can help evaluate credit quality, test risk-rating accuracy, identify emerging portfolio risk, and strengthen reporting to management and the board.

DISCUSS YOUR CREDIT-REVIEW PROGRAM

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Revised and updated the paper for the 2026 edition, including the new section on technology in credit review.

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REGULATORY REFERENCES

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CEIS REVIEW, INC.

Engaged, Proven, and Trusted Commercial Portfolio Advisors

For more than 35 years, CEIS Review has helped commercial lenders identify and manage credit risk. As an independently owned firm, CEIS gives senior management and the board an objective view of credit-risk quality and credit administration.

1989
ESTABLISHED

35+
YEARS OF SERVICE

PRACTICE AREAS

LOAN REVIEW PROGRAMS

Commercial loan review; due diligence and acquisition review; leveraged loan and specialty finance review; international (off-shore) loan review.

LOAN PORTFOLIO STRESS TESTING

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