

Proposal: 1681 Request Information-Application Uniform Financial Institutions Rating System(CAMELS Ratings)

Description:

Comment ID: 137439

From: Hoeg & Company, Ltd., Gregory J. Hoeg

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Subject: OP-1681 - Request for Information on Application of the Uniform Financial Rating System

Comments:

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I believe that the effectiveness of the CAMELS ratings can be improved by better targeting institutions in need of review. This would improve detection of faltering institutions in time to institute appropriate corrective or mitigating actions.

The highly detailed and complex nature of the CAMELS ratings does not lend itself to broad and frequent application as a scanning tool to identify troubled or problem banks. To target such banks efficiently I propose a very simple and easily developed set of ratings that would measure the quality of each banks' business portfolio and the efficiency of the operations of each bank. Ratings of bank operating performance and book of business quality based on Efficient Frontier Analysis are easily developed from Call Report data quarterly. These ratings accurately measure operational efficiency and business quality and are developed quickly and easily. They are currently developed on over 99% of all U.S. banks.

With such a tool the process to apply the full CAMELS reviews process can be refined to better target institutions most in need of it.

Gregory J. Hoeg
Hoeg & Company, Ltd.
5625 Fox Valley Drive
Lahaska, PA 18931
267-614-4224