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# CAMELS Ratings Program

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## Examination Objectives

To consider all significant financial, operational, and compliance performance measures for an institution and assign CAMELS ratings that accurately reflect the institution's condition and viability.

To clearly support the CAMELS ratings in the examination report and enable OTS to initiate corrective action with the institution's directors and management.

To provide the institution's management and the board of directors with CAMELS ratings that signify the OTS assessment of the institution's overall condition.

## Examination Procedures

*The following procedures depend on information obtained from all phases of the examination and from all off-site sources. The examiner in charge (EIC), or designee, should complete the following procedures for developing the CAMELS ratings during the final stages of the examination.*

### On-Site CAMELS Ratings

*Note: If the EIC completed the overall conclusions program, Section 070 of this Handbook, on-site steps are substantially complete.*

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1. Review analyses, exceptions, and conclusions in the work papers for each CAMELS component. Support all conclusions with objective information. Resolve any contradictory conclusions.  

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2. Review assisting examiners' comments on individual CAMELS criteria. If necessary, make adjustments to ensure that comments are comprehensive and to eliminate any duplication. If the EIC is aware of other criteria that are not known to assisting personnel, the EIC should determine if these criteria are relevant and whether or not to include the comments.  

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3. Review the proposed corrective actions related to any violation or exception to ensure it is appropriate.  

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4. Review the preliminary CAMELS component ratings that assistant examiners recommend. Discuss the recommendations with assistant examiners to ensure the accuracy of their interpretations. Ensure that assistant examiners provided well-supported conclusions and opinions. Ensure that assistant examiners consistently applied the standard criteria set forth in this Handbook Section for determining and weighing the CAMELS criteria and assigning the CAMELS component ratings.

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5. If necessary, adjust the CAMELS ratings so that they accurately and objectively present the institution's performance in each CAMELS component. Document the basis for each rating. Include the ROE ratios as well as any other pertinent ratios. Also include the most significant points supporting each CAMELS rating.

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6. Weigh the relative importance of the various criteria considered when developing the CAMELS component ratings, and analyze their effect on the overall condition of the thrift. Determine the composite rating, applying the standard criteria set forth in the UFIRS statement following this Handbook Section. Clearly support the composite rating with the facts and comments within the ROE.

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7. Prepare the Examination Conclusions and Comments page. Refer to the ROE Instructions manual for a list of the elements you should include on this page.

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8. Discuss findings with management. Refer to Section 070, Overall Conclusions, for further instructions for meeting with thrift management.

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9. Review the comments again to ensure consistency with the assigned ratings. Finalize the CAMELS ratings and comments after a thorough review. Ensure that the assistant examiner correctly completed the Examination Data System (EDS) ratings section.
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10. Ensure your review meets the Examination Objectives of this Handbook Section.
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### Off-Site CAMELS Ratings

*Supervisory managers, analysts, or other staff should complete the following procedures as applicable when analyzing and updating CAMELS ratings off-site:*

*Note: Any off-site CAMELS rating updates should be done using the Type 22 Examination Report, "Off-Site Monitoring."*

1. Review the most recent examination report and the Regulatory Profile for the institution to identify areas of concern.  

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2. Analyze reported financial information to determine current trends and any new areas of concern, with an emphasis on the period since the last examination.  

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3. Review any applications the thrift submitted since the last rating to determine whether there are any material changes in the structure or business plan.  

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4. Review correspondence between the thrift and OTS to learn the status of significant issues arising since the most recent examination. Verify, to the extent possible, through a review of the financial statements and other reports that the thrift is correcting any problem areas.  

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5. Review the most recent external audit report, the certified public accountant's management letter addressing internal control issues, and the institution's response to that letter to determine if management corrected all reported internal control deficiencies.  

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6. If necessary, contact the institution to verify specific facts or address concerns.

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7. Identify any changes in the institution's condition and operating practices. Determine if a change in a CAMELS component or composite rating more appropriately reflects the condition of the thrift.

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8. Determine the need for and recommend, if necessary, a supplemental or full-scope examination or an on-site review of areas that you cannot adequately analyze off-site.

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9. Recommend any change in the CAMELS component or composite ratings to the supervisory manager or other appropriate manager in the regional office. Support any recommendation for change with a narrative memorandum and documented analysis explaining and supporting the reasons for the change.

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10. If the regional office approves a change in a composite or component CAMELS rating, prepare a supervisory letter or memorandum to the institution's board of directors to inform them of the change in the rating. The memo should explain the reasons for the change and any resulting consequences. The memorandum should also contain a definition of the new rating assigned and standard language prohibiting disclosure of the rating.

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11. Enter the new rating(s) in the EDS ratings section and make certain they are correct.

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12. Update the Regulatory Profile with any other appropriate information.

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**Examiner's Summary, Recommendations, and Comments**

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