1. To some bankers, compliance with an environmental risk policy may seem like an unnecessary waste of time and money. However, with the rise of environmental liability and adverse fines and judgments under federal and state statutes and private toxic tort suits, banks and their customers have found it necessary to reduce their exposure to environmental risk. The FDIC, OCC, SBA, IRS, SEC and other agencies have also issued guidelines and requirements for banks and publicly traded corporations to follow in establishing an environmental risk management program, and disclosing known environmental liabilities.

2. Environmental risk can come in many different forms and can directly affect the smallest community banks and businesses as well as the largest commercial banks and corporations. Accordingly, your bank needs to adopt an environmental policy that recognizes the environmental risks and implements an efficient and cost effective method for quantifying known environmental risks and minimizing their impact to customers and the bank itself. Evaluation of environmental risk has become an integral part of the credit analysis, and should be included within any bank’s credit risk policy.
Advice for Building a Solid Environmental Risk Management Policy

A lender writing a policy for the first time has a number of questions to answer such as:

1. What is our appetite for risk? How much are we willing to accept?

2. What types of environmental due diligence do we want to require (e.g., Borrower Questionnaire, Transaction Screen, SBA Records Search with Risk Assessment, Phase I ESA, etc.)?

3. Do we want different requirements for new originations vs. refinance or foreclosures?

4. Do we have environmental expertise in-house or are we relying exclusively on outside experts?

5. What are the risk management regulations that apply to our institution?

6. What do other types of lenders of comparable size require in their environmental policies?
Why does a bank need a policy on environmental risk?

Advice for Building a Solid Environmental Risk Management Policy

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Testimonials

“When Credit challenged a section of Policy, Risk Perspective, or a decision tree.. the EBA was a sounding board and source of metrics.”

“We have attended presentations given directly by our clients about their preferences in dealing with vendors and have taken that information back to our company to disseminate to the team.”

“We have presented to the EBA membership on technical topics and have gained exposure as a company.”

“We have developed closer relationships with our peer consultants, which benefits us when our clients have needs for services we do not provide.”

Benefits:

“The general session meetings being held in cities one wouldn’t normally, otherwise visit.”

“Valuable professional relationships formed that have helped in my job and personal life.”
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