

[Company Letterhead]

[Date]

[Recipient Name]

[Recipient Title]

[Department/Organization]

RE: Review of Historical Loss Rate Methodology for Allowance for Credit Losses (ACL)

Dear [Recipient Name],

This letter serves to document the formal review of the Historical Loss Rate methodology used by [Company Name] to calculate credit loss reserves for the period ending [Date].

1. Scope of Review

The review covered the data integrity, look-back periods, segmentation of the loan portfolio, and the calculation formulas applied to derive the historical loss percentages.

2. Methodology Overview

The current methodology utilizes a [Number]-year historical look-back period. The portfolio is segmented by [Risk Rating/Asset Type/Geography] to ensure that loss rates reflect similar risk characteristics. Charge-offs and recoveries are netted to determine the net historical loss rate for each segment.

3. Review Findings

Based on our assessment, the following was determined:

- Data inputs align with general ledger records and loan servicing systems.
- Segmentation remains appropriate given the current portfolio composition.
- The look-back period captures a representative economic cycle.

4. Qualitative Adjustments (Q-Factors)

While the historical rate provides the baseline, the following qualitative factors were considered to adjust the historical rate to reflect current conditions:

- Changes in lending policies and procedures.
- Current economic and business conditions.
- Changes in the nature and volume of the portfolio.

5. Conclusion

The Historical Loss Rate methodology currently in use is deemed appropriate and compliant with [Accounting Standard, e.g., CECL or ASC 310]. No material weaknesses were identified during this review period.

Sincerely,

[Signature]

[Name of Reviewer]

[Title]

[Company Name]