RESCINDED

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Replaced - See OCC 2020-35

Troubled Debt Restructurings: Interagency Statement on Loan Modifications and Reporting for Financial Institutions Working With Customers Affected by COVID-19

Summary

The Office of the Comptroller of the Currency (OCC), Board of Governors of the Federal Reserve System (FRB), Consumer Financial Protection Bureau, Federal Deposit Insurance Corporation (FDIC), National Credit Union Administration, and the state banking regulators (collectively, the agencies), issued this statement to provide information to financial institutions that are working with borrowers affected by Coronavirus Disease (also referred to as COVID-19). This statement focuses on loan modifications and reporting. The agencies understand that this unique and evolving situation could pose temporary business disruptions and challenges that affect banks, businesses, borrowers, and the economy.

Note for Community Banks

This statement applies to community banks.[1]

To

Chief Executive Officers of All National Banks, Federal Savings Associations, and Federal Branches and Agencies; Department and Division Heads; All Examining Personnel; and Other Interested Parties

Highlights

The interagency statement encourages financial institutions to work prudently with borrowers who are or may be unable to meet their contractual payment obligations because of COVID-19-related issues:

- Agency examiners will not to criticize prudent efforts to modify the terms on existing loans for affected customers.
- The agencies will not direct supervised institutions to automatically categorize all COVID-19-related loan modifications as troubled debt restructurings (TDR).
- The agencies encourage working with borrowers on existing loans, either individually or as part of a program, for creditworthy borrowers who are experiencing short-term financial or operational problems as a result of COVID-19. These efforts generally would not be considered TDRs.
- The OCC, FRB, and FDIC note that efforts to work with borrowers of one- to four-family residential mortgages affected by COVID-19 in which the loans are not considered TDRs, are prudently underwritten, and are not past due or carried on nonaccrual will not result in the loans being considered restructured or modified for the purposes of the agencies' respective risk-based capital rules.
- The agencies will not criticize institutions that work with borrowers as part of risk mitigation strategies intended to improve existing non-pass loans.

Further Information

Please contact Lou Ann Francis, Director for Commercial Credit Risk Policy, or James Calhoun, Technical Expert for Commercial Credit Risk Policy, at (202) 649-6670, or contact Sarah Nawrocki, Professional Accounting Fellow with the Office of the Chief Accountant, at (202) 640-6280.

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Related Links

- "Agencies Provide Additional Information to Encourage Financial Institutions to Work With Borrowers Affected by COVID-19"
- "Interagency Statement on Loan Modifications and Reporting for Financial Institutions Working with Customers Affected by the Coronavirus" (PDF)

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[1] The term "banks" refers collectively to national banks, federal savings associations, and federal branches and agencies of foreign banking organizations.