Agencies Issue Further Encouragement for Banks to Work with Borrowers

On March 22, 2020 the federal banking agencies, jointly with the NCUA, the CFPB and the Conference of State Bank Supervisors, issued a further statement encouraging banks to work with borrowers affect by COVID-19 and providing additional information regarding loan modifications. In the statement, regulators said they will not criticize institutions for working with borrowers in a safe and sound manner and will not direct supervised institutions to automatically categorize loan modifications as troubled debt restructurings (TDRs).

The agencies said they have confirmed with staff of the Financial Accounting Standards Board that short-term modifications made on a good faith basis in response to COVID-19 to borrowers who were current prior to any relief are not TDRs. This includes short-term modifications such as payment deferrals, fee waivers, extensions of repayment terms, or other delays in payment that are insignificant.

The agencies stated that examiners will exercise judgment in reviewing loan modifications and will not automatically adversely risk rate credits that are affected, including those considered TDRs. Regardless of whether modifications are considered TDRs or are adversely criticized, regulators said they will not criticize prudent efforts to modify terms on existing loans for affected customers.

The agencies said they will continue to communicate with the industry as this situation unfolds, including through additional statements, webinars, frequently asked questions, and other means, as appropriate.