

**Frequently Asked Questions for Financial Institutions
Affected by the Coronavirus Disease 2019 (Referred to as COVID-19)**

Working with Borrowers

- 1. *Payment Accommodations.* Would it be acceptable for a bank to offer borrowers affected by COVID-19 payment accommodations, such as allowing borrowers to defer or skip some payments or extending the payment due date.**

The FDIC encourages financial institutions to provide borrowers affected in a variety of ways by the COVID-19 outbreak with payment accommodations that facilitate their ability to work through the immediate impact of the virus. Such assistance provided in a prudent manner to borrowers facing short-term setbacks could help the borrower and a community to recover. The FDIC understands that effective loan accommodation programs may involve protracted resolutions, but all should be ultimately targeted toward loan repayment.

Financial institutions may want to consider addressing any deferred or skipped payments by either extending the original maturity date or by making those payments due in a balloon payment at the maturity date of the loan. When deferring or skipping payments, providing borrowers with accurate disclosures that are consistent with federal and state consumer protection laws will help to avoid any misunderstandings relative to the changes in the terms. Financial institutions can call their FDIC Regional Office, which can assist them by discussing key considerations and regulations on payment accommodations and disclosures.

- 2. *Reporting Delinquent Loans.* Do loans that receive payment accommodations have to be reported as delinquent or non-performing?**

Borrowers who were current prior to becoming affected by COVID-19 and then receive payment accommodations as a result of the effects of COVID-19 generally would not be reported as past due. Each financial institution should consider the specific facts and circumstances regarding its payment accommodations for borrowers affected by COVID-19 in determining the appropriate reporting treatment in accordance with generally accepted accounting principles (GAAP) and regulatory reporting instructions. Past due reporting status in regulatory reports should be determined in accordance with the contractual terms of a loan, as its terms have been revised under a payment accommodation or similar program provided to an individual customer or across-the-board to all affected customers. Accordingly, if all payments are current in accordance with the revised terms of the loan, the loan would not be reported as past due.

For loans subject to a payment deferral program on which payments were past due prior to the borrower being affected by COVID-19, it is the FDIC's position that the delinquency status of the loan may be adjusted back to the status that existed at the date of the borrower becoming affected, essentially being frozen for the duration of the payment deferral period. For example, if a consumer loan subject to a payment deferral program was 60 days past due on the date of the borrower being affected by COVID-19, an institution would continue to report the loan in its regulatory reports as 60 days past due during the deferral period (unless the loan is reported in nonaccrual status or charged off).

3. *Documentation.* What type of documentation should financial institutions maintain relative to providing an accommodation to a borrower affected by COVID-19?

Financial institutions should maintain appropriate documentation that considers borrowers' payment status prior to being affected by COVID-19, and borrowers' payment performance according to the changes in terms provided by the payment accommodation. Documentation could also include the borrowers' recovery plans, sources of repayment, additional advances on existing or new loans, and value of the collateral.

4. *Troubled Debt Restructurings (TDRs).* Do loans that receive payment accommodations have to be reported as TDRs?

Financial institutions should determine whether loans with payment accommodations made to borrowers affected by COVID-19 should separately be reported as TDRs in separate memoranda items for such loans in regulatory reports. A TDR is a loan restructuring in which an institution, for economic or legal reasons related to a borrower's financial difficulties, grants a concession to the borrower that it would not otherwise consider. However, a loan deferred, extended, or renewed at a stated interest rate equal to the current interest rate for new debt with similar risk is not reported as a TDR. Financial institutions may refer to Accounting Standards Code (ASC) 310-40 (formerly Financial Accounting Standards Board (FASB) Statement No. 15) for additional guidance on determining whether a loan with renegotiated terms should be accounted for as a TDR. ASC 310-10-35 (formerly FASB Statement No. 114) also provides guidance on accounting for impairment losses on TDRs.

5. *Nonaccrual Status, Allowance for Credit Losses (ACL), Allowance for Loan and Lease Losses (ALLL), and Charge-offs.* Do loans that receive payment accommodations have to be reported as nonaccrual, reflect appropriate ACL or ALLL, and be charged off?

Each financial institution should refer to the applicable regulatory reporting instructions, as well as its internal accounting policies, in determining whether to report loans with accommodations to customers affected by COVID-19 as nonaccrual assets in regulatory reports. (See also the response to question 3.) Each institution should maintain an appropriate ALLL for these loans, considering all information available prior to filing its reports about their collectability. As information becomes available that indicates a specific loan will not be repaid, institutions should preserve the integrity of their internal loan grading methodology and maintain appropriate accrual status on affected credits. Financial institutions should appropriately recognize credit losses according to their charge-off policies as soon as a loss can be reasonably estimated.

Operational Issues

6. *Alternative Service Options.* In an effort to protect employees and customers, can a financial institution limit access to branch offices and require customers to use the drive-up window?

Yes. Financial institutions can consider alternative service options to provide access to financial services. Financial institutions may want to remind customers of the various ways they can access banking services without physically coming to a facility, such as managing their accounts online, performing transactions at an automated teller machine (ATM), using telephone banking, or accessing a mobile banking application. Financial institutions could also provide information about how to use electronic payments, bill pay, and mobile remote deposit capture services.

7. *Filing Applications.* Does the FDIC require financial institutions impacted by COVID-19 to file applications for temporary office closures?

No. The FDIC does not require an application to temporarily close a facility due to staffing challenges or to take precautionary measures. For example, some institutions may wish to limit foot traffic within a branch and provide services only through the drive-through lanes. The FDIC supports flexible approaches and encourages financial institutions to maintain safety of their employees, reduce disruptions to their customers, provide alternative service options when practical, and reopen affected facilities when it is safe to do so. However, financial institutions should check with their state regulator to determine whether state laws and regulations require applications to be filed. While no official application is required by the FDIC, affected financial institutions are encouraged to notify their primary federal and state regulator and their customers of temporary closure of an institution's facilities and the availability of any alternative service options as soon as practical.

8. *Difficulties Filing Reports.* Will the FDIC give some forbearance to financial institutions experiencing difficulties in meeting regulatory reporting requirements?

The FDIC's staff stands ready to work with financial institutions that may experience challenges fulfilling their reporting responsibilities, taking into account each financial institution's particular circumstances. The FDIC encourages institutions affected by COVID-19 to take reasonable and prudent steps to comply with regulatory reporting requirements to the extent possible, and to contact their Regional Office if they are unable to do so.

9. *Security.* How should a bank handle customers wearing masks coming into a branch? It may be difficult to distinguish between a customer and a bank robber.

The FDIC encourages financial institutions to provide appropriate training to staff and to take appropriate measures to maintain the security of their staff as well as their customers. Local law enforcement should be contacted whenever staff are concerned about individuals on bank premises.

10. *Cash Management.* With the financial market disruptions caused by COVID-19, some customers may seek to deposit their money into FDIC-insured deposit accounts, while other customers may feel the need to withdraw large amounts of cash. What can a financial institution do to protect customers looking to hold onto large sums of cash?

Financial institutions may want to remind customers about the safety of their money in a financial institution that is FDIC-insured and discuss deposit insurance coverage of the customer's accounts. Closely monitoring deposits, withdrawals, and the availability of cash can ensure financial institutions are prepared to meet customers' cash needs.

11. *Community Bank Leverage Ratio (CBLR) Election.* Should financial institutions considering to elect the delay their CBLR election?

The decision to elect the CBLR rests with financial institutions. Financial institutions have until April 30, 2020 to file the March 31, 2020 Reports of Condition and Income (March Call Reports) that reflect their CBLR election. The decision to elect CBLR for the March Call Report is not binding, and may be reversed in a subsequent quarter.

12. *Real Property Inspections.* How should financial institutions respond to COVID-19 related issues relative to inspections of real property?

Financial institutions should consult with appraisers and other persons performing real estate inspections about alternative arrangements if the property owner does not want to permit access to the interior of a property due to concerns related to COVID-19.

13. *Real Property Appraisals.* How should COVID-19 related issues be addressed in appraisal reports?

Financial institutions should consult with appraisers about how to address any short-term, temporary reduction in the income stream produced by income-producing real estate that has been affected by COVID-19.

14. *Bank Secrecy Act.* Do financial institutions with reduced staff have to meet the timeframes for processing reports related to Bank Secrecy Act?

On March 16, 2020, the Financial Crimes Enforcement Network (FinCEN) issued a press release encouraging financial institutions affected by COVID-19 to contact FinCEN and their functional regulators as soon as practicable if there were concerns about any potential delays in their ability to file required BSA reports. FinCEN's Regulatory Support Section will continue to be available to support financial institutions for the duration of the COVID-19 pandemic. Financial institutions supervised by the FDIC should contact their Regional Office to discuss any concerns with filing BSA reports.

Available Resources

- FIL-11-2020: *FDIC Statement on Financial Institutions Working with Customers Affected by the Coronavirus and Regulatory and Supervisory Assistance*; March 13, 2020, <https://www.fdic.gov/news/news/financial/2020/fil20017a.pdf>
- FFIEC Statement on Pandemic Planning, March 6, 2020, <https://www.ffiec.gov/press/pr030620.htm>.
- Financial Crimes Enforcement Network (FinCEN) Encourages Financial Institutions to Communicate Concerns Related to the Coronavirus Disease 2019 (COVID-19) and to Remain Alert to Related Illicit Financial Activity, March 16, 2020, https://www.google.com/search?q=fincen+working+with+covid&rlz=1C1GCEA_enUS856US856&oq=fincen+working+with+covid&aqs=chrome..69i57j33.6258j0j7&sourceid=chrome&ie=UTF-8&safe=active&ssui=on.
- Call Report forms and instructions: https://www.ffiec.gov/ffiec_report_forms.htm
- Accounting and Regulatory Reporting Questions and Answers: <https://www.ffiec.gov/katrina.htm>
- FIL-50-2013: Troubled Debt Restructurings Interagency Supervisory Guidance: <https://www.fdic.gov/news/news/financial/2013/fil13050.html>