Loan Payment Deferrals and Extensions - Reminders

Dallas Region
August 19, 2016

The Federal Deposit Insurance Corporation (FDIC) issued FIL-54-2016 (August 15, 2016) to provide regulatory relief and guidance to help financial institutions, and to help facilitate recovery in areas of Louisiana affected by severe storms and flooding. The FDIC encourages banks to work with customers in communities affected by severe weather, including prudent efforts to adjust or alter terms on existing loans. As financial institutions are assisting customers by extending repayment terms, restructuring existing loans, or easing terms for new loans, the FDIC's Dallas Region is providing the following reminders, which we hope are helpful as you work to meet the needs in your communities.

- Customer notices/disclosures should clearly describe how the deferral/extension process will work, including ensuring customers understand the following as applicable:
  - Interest accrual on the loans during the deferral period;
  - Effect on principal balance reduction;
  - Impact on any balloon payments and/or the maturity date of the loan;
  - Change in the amount of interest paid over the life of the loan (which may increase if maturity is extended);
  - Impact on escrow payments and balances, such as notice that any shortfall in the customer's escrow account balance will need to be covered in the future; and
  - Procedures for the customer to notify the institution of their request to defer payments, including the timeframe to avoid any late payment penalties.
- Extending loans secured by improved property in Special Flood Hazard Areas (SFHA's) could trigger escrow requirements under FDIC Rules and Regulations Part 339.5. However, there is a small institution exception to these requirements. In addition, for banks that do not qualify for that exception, prudent efforts to adjust or alter terms on existing loans in affected areas will not be subject to examiner criticism regarding the establishment of escrow accounts.
- Modifications of existing loans should be evaluated individually to determine whether they represent troubled debt restructurings (TDRs). This evaluation should be based on the facts and circumstances of each borrower and loan, which requires judgment, as not all modifications are TDRs, including an insignificant change in amount or insignificant delay in timing. Further guidance on TDRs is provided in the following resources:
  - ASC Subtopic 310-40: Receivables – Troubled Debt Restructurings by Creditors
  - ASU 2011-02: A Creditor's Determination of Whether a Restructuring is a TDR
  - Glossary to the Consolidated Reports of Condition and Income (Call Report)
  - Technical Assistance Video which may be viewed at https://www.fdic.gov/regulations/resources/director/video.html.
- Please contact the following FDIC personnel for additional guidance:
  - TDR Related Issues: Regional Accounting Specialist Danita Thompson (DanThompson@fdic.gov) at 972-761-2014.
  - Consumer Protection Related Issues: Field Supervisor Jenipher Smith (JenSmith@fdic.gov) at (225) 201-1724 x6712; Supervisory Examiner Tim Evans (TiEvans@fdic.gov) at (615) 391-0098 x4814; or Assistant Regional Director G. Chris Finnegan (gfinnegan@fdic.gov) at (901)-821-5243.
  - Other Risk Management Related Issues: Field Supervisor Vic Ingram (VIngram@fdic.gov) at (318) 868-6661 X4925 or Assistant Regional Director J. Mark Love (JLove@fdic.gov) at (972) 761-2034.

Note: The purpose of this communication is not official FDIC guidance or instruction, but should provide your institution with helpful information.