FDIC Advisory Committee on Community Banking
October 28, 2020

Supervision Update
Joint Statement on Additional Loan Accommodations Related to COVID-19

- Discusses risk management principles relevant to institutions that work with their borrowers as loans near the end of initial loan accommodation periods related to COVID-19
- Applies to commercial and retail loan accommodations
- Encourages institutions to work prudently with borrowers

See FIL-74-2020, issued August 3, 2020
Describes accounting and regulatory reporting for COVID-19 related loan modifications, including subsequent modifications and the temporary relief provided by Section 4013 of the CARES Act

Provides supervisory views on past-due and nonaccrual regulatory reporting

See FIL-74-2020, issued August 3, 2020
### Accounting for Loan Modifications

<table>
<thead>
<tr>
<th></th>
<th>Section 4013 of the CARES Act</th>
<th>Non-Section 4013 Loan Modifications (Interagency Statement)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Evaluation date of whether borrower was current (&lt;30 days past due)</td>
<td>December 31, 2019</td>
<td>No earlier than when the modification program is implemented</td>
</tr>
<tr>
<td>Modification terms</td>
<td>Any modification</td>
<td>Short term (e.g., six months)</td>
</tr>
<tr>
<td>Time period of when the modification occurs</td>
<td>Between March 1, 2020, and the earlier of (i) December 31, 2020, or (ii) the 60th day after the end of the COVID-19 national emergency declared by the President.</td>
<td>Management should use judgement to determine if the modification is related to COVID-19.</td>
</tr>
<tr>
<td>Duration of non-TDR designation</td>
<td>Term of loan modification. Reevaluation for TDR designation is only required for subsequent modifications.</td>
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</tr>
<tr>
<td>Why is it not a TDR?</td>
<td>By law, the institution is not required to designate the loan as a TDR.</td>
<td>The institution may presume that the borrower is not experiencing financial difficulty.</td>
</tr>
</tbody>
</table>

If neither section 4013 of the CARES Act criteria nor the Interagency Statement considerations apply, the institution should follow existing accounting policies to determine whether the modification should be accounted for as a TDR.
Interagency Statement on Loan Modifications by Financial Institutions Working with Customers Affected by the Coronavirus

- **Past Due Reporting**
  - Determined in accordance with the original contractual terms of a loan or the revised terms if the terms have changed as part of the modification
  - Past due status of a loan may be “frozen” during the modification period
  - Payments that were previously missed or would have been due during the modification period may be restructured and not contractually due until a later date

- **Nonaccrual Status**
  - Nonaccrual assessment for a loan is unchanged by the law
  - Loan should be placed in nonaccrual status if full payment of principal or interest is not expected

See FIL-74-2020, issued August 3, 2020
Threshold Adjustments Due to Unusual Asset Growth

- Institutions have experienced temporary increases in their total assets as a result of their participation in the Paycheck Protection Program (PPP) and the Paycheck Protection Program Liquidity Facility (PPPLF) and the effects of other stimulus activities.
- The FDIC is evaluating regulatory thresholds in light of these balance sheet increases.

See FIL-99-2020, issued October 20, 2020
Significant regulatory reporting revisions related to COVID-19 were made to the June 30, 2020 Call Report. Instructions for regulatory reporting revisions related to COVID-19 are provided in the separate standalone, September 2020 COVID-19 Related Supplemental Instructions. These instructions update the June 2020 version of these Supplemental Instructions, as appropriate.