Frequently Asked Questions for Financial Institutions Affected by the Coronavirus Disease 2019 (Referred to as COVID-19) – As of March 27, 2020

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.**

   Yes. 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 became 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 became 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)*. When does a payment accommodation become a TDR?**

Modifications of loan terms do not automatically result in TDRs. According to U.S. GAAP, a restructuring of a debt constitutes a TDR if the creditor, for economic or legal reasons related to the debtor's financial difficulties, grants a concession to the debtor that it would not otherwise consider.[1] The agencies have confirmed with staff of the Financial Accounting Standards Board (FASB) 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 (e.g., six months) modifications such as payment deferrals, fee waivers, extensions of repayment terms, or other delays in payment that are insignificant.[2] Borrowers considered current are those that are less than 30 days past due on their contractual payments at the time a modification program is implemented.

Working with borrowers that are current 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, generally would not be considered TDRs. For modification programs designed to provide temporary relief for current borrowers affected by COVID-19, financial institutions may presume that borrowers that are current on payments are not experiencing financial difficulties at the time of the modification for purposes of determining TDR status, and thus no further TDR analysis is required for each loan modification in the program.

Modification or deferral programs mandated by the federal or a state government related to COVID-19 would not be in the scope of ASC 310-40, e.g., a state program that requires all institutions within that state to suspend mortgage payments for a specified period. The agencies' examiners will exercise judgment in reviewing loan modifications, including TDRs, and will not automatically adversely risk rate credits that are affected by COVID-19, including those considered TDRs. Regardless of whether modifications result in loans that

---

[1] The TDR designation is an accounting categorization, as promulgated by the FASB and codified in Accounting Standards Codification (ASC) Subtopic 310-40, Receivables – Troubled Debt Restructurings by Creditors (ASC 310-40).

[2] According to ASC 310-40, factors to be considered in making this determination, which could be qualitative, are whether the amount of delayed restructured payments is insignificant relative to the unpaid principal or collateral value of the debt, thereby resulting in an insignificant shortfall in the contractual amount due from the borrower, and whether the delay in timing of the restructured payment period is insignificant relative to the frequency of payments due under the debt, the debt's original contractual maturity, or the debt's original expected duration.

are considered TDRs or are adversely classified, agency examiners will not criticize prudent efforts to modify the terms on existing loans to affected customers.

5. ***Accommodations for Loans Guaranteed by the Small Business Administration.* Can financial institutions provide payment accommodations to borrowers whose loans are guaranteed by the SBA?**

Financial institutions can provide payment accommodations that modify, extend, suspend, or defer the repayment terms on SBA-guaranteed loans to borrowers affected by COVID-19. While the majority of payment accommodations do not require SBA approval, financial institutions should determine what types of modifications require the SBA's approval. More information regarding the SBA's programs is available at https://www.sba.gov/.

6. ***TDR Categorization.* Will FDIC examiners make banks categorize all loan modifications related to COVID-19 events as a TDR?**

No. The FDIC continues to encourage financial institutions to work with borrowers who may be impacted by COVID-19, by offering to modify, extend, suspend, or defer the repayment terms. FDIC examiners will not direct financial institutions to categorize all loan modifications to borrowers affected by COVID-19 as TDRs. FDIC examiners have been directed to exercise significant flexibility in reviewing credits that are impacted by COVID-19 and will work with financial institutions relative to any reporting issues. Please refer to interagency supervisory guidance,[3] which provides more information on TDRs.

7. ***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 questions 4 and 6). Each institution should maintain an appropriate allowance allocation 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 credit loss can be reasonably estimated.

[3] See at https://www.fdic.gov/news/news/financial/2013/fil13050.html.

Operational Issues

1. ***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.

   Providing regularly updated information about the operating status of the bank, branch offices, remote access facilities, and mobile and online services as pandemic conditions evolve could be helpful to customers. Posting this information on the institution's website, providing recorded information on its customer support lines, and pushing notifications out to customers that have signed up for alerts are just some of the ways institutions could help customers.

2. ***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 a safe environment for 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.

3. ***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.

4. ***First Quarter 2020 Regulatory Report Filings.*** **The effects of COVID-19 may affect the ability of financial institutions to submit timely and accurate regulatory reports for March 31, 2020. These reports include bank Reports Condition and Income (Call Reports). What approach does the FDIC expect to take in situations where institutions affected by COVID-19 expect to encounter difficulty completing their March 31, 2020, regulatory reports?**

The FDIC understands that financial institutions may need additional time to submit certain regulatory reports in light of staffing priorities and disruptions caused by the Coronavirus Disease 2019 (COVID-19). The FDIC will not take action against any institution for submitting its March 31, 2020, Reports of Condition and Income (Call Reports) after the respective filing deadline, as long as the report is submitted within 30 days of the official filing date. FDIC-supervised institutions are encouraged to contact the FDIC in advance of the official filing date if they anticipate a delayed submission.[4]

5. ***First Quarter 2020 Regulatory Reporting Disclosure.*** **Is there an ability for a financial institution to disclose additional information in its regulatory reports about the consequences of the impacts of COVID-19?**

Yes, the FDIC notes that for financial institutions that file Call Reports, the management of such financial institutions may, if it wishes, submit a brief narrative statement on the amounts reported in the Call Report. This optional narrative statement will be made available to the public, along with the publicly available data in the Call Report. This statement has long been available for the use of financial institutions that are required to file a Call Report. Financial institutions may wish to comment on certain financial consequences to their institutions resulting from the effects of COVID-19 in the optional narrative statement. Institutions can refer to the General Instructions to the Call Report Instructions for more information.

6. ***Sales of Held-to-Maturity Securities.*** **If a financial institution affected by the impact of COVID-19 sells investment securities that were classified as "held to maturity" (HTM) to meet its liquidity needs, will that financial institution's intent to hold other investment securities to maturity be questioned?**

Under normal circumstances, the sale of any HTM investment would call into question an institution's intent to hold its remaining HTM investments to maturity. However, ASC Section 320-10-25 indicates that events that are isolated, nonrecurring, and unusual for the reporting enterprise that could not be reasonably anticipated may cause an enterprise to sell or transfer an HTM debt security without necessarily calling into question its intent to hold other HTM debt securities to maturity. ASC Section 320-10-25 specifically states that extremely remote disaster scenarios should not be anticipated by an entity in deciding whether it has the positive intent and ability to hold a debt security to maturity. Accordingly, in this situation, the sale of any HTM investment security would not necessarily call into question the bank's intent to hold its remaining HTM investment securities until maturity.

[4] See March 25, 2020 Federal Financial Institutions Examination Council release, *Financial Regulators Highlight Coordination and Collaboration of Efforts to Address COVID-19* https://www.ffiec.gov/press/pr032520.htm.

7. ***First Quarter 2020 Allowance for Loan and Lease Losses or Allowances for Credit Losses.* How should financial institutions with borrowers affected by the effects of COVID-19 determine the appropriate amount to report for their allowance for loan and lease losses (ALLL) or allowances for credit losses (ACLs), if applicable, in their first quarter regulatory reports?**

   For financial institutions that have not adopted FASB Accounting Standards Update (ASU) No. 2016-13, "Measurement of Credit Losses on Financial Instruments," with loans to borrowers impacted by the effects of COVID-19, it may be difficult at this time to determine the overall effect that the situation will have on the collectability of these loans. Many of these financial institutions will need time to evaluate their individual borrowers, assess the repayment capacity, and other available sources.

   For its first quarter regulatory reports, management should consider all information available prior to filing the report about the collectability of the financial institution's loan portfolio in order to make its best estimate of probable losses within a range of loss estimates, recognizing that there is a short time between the beginning effects of COVID-19 and the required filing date for the first quarter regulatory report. Consistent with generally accepted accounting principles (GAAP), the amounts included in the ALLL in first quarter regulatory reports for estimated credit losses incurred as a result of the effects of COVID-19 should include those amounts that represent probable losses that can be reasonably estimated. As financial institutions are able to obtain additional information about their loans to borrowers affected by COVID-19, estimates of the effect of COVID-19 on loan losses could change over time and revised estimates of loan losses would be reflected in financial institution's subsequent regulatory reports.

   For financial institutions that have adopted FASB ASU No. 2016-13, with financial assets impacted by the effects of COVID-19, it may also be difficult at this time to determine the overall effect that the situation will have on the collectability of these assets. Many of these financial institutions will need time to evaluate their collective assessments on the net amount expected to be collected.

   For its first quarter regulatory reports, management should consider all information available prior to filing the report about the collectability of the financial institution's financial assets in order to make a good faith estimate on the net amount expected to be collected. Furthermore, management should ensure the measurement of expected credit losses includes forward-looking information, such as reasonable and supportable forecasts, in assessing the collectability of financial assets. The FDIC expects financial institutions to make good faith efforts to include its best estimate of expected credit losses within a range of expected loss estimates, recognizing that there is a short time between the beginning effects of COVID-19 and the required filing date for the first quarter regulatory report.

   Consistent with generally accepted accounting principles (GAAP), the amounts included in the ACL in first quarter regulatory reports for expected credit losses as a result of the effects of COVID-19 should include those amounts that represent expected credit losses over the remaining contractual term of the financial asset, adjusted for prepayments. As financial institutions are able to obtain additional information about their financial assets affected by COVID-19, estimates of the effect of COVID-19 on credit losses could change over time and revised estimates of credit losses would be reflected in financial institution's subsequent regulatory reports.

8. ***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.

9. *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.

10. *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 will reflect their CBLR election on the March 31, 2020 Reports of Condition and Income (March Call Reports). The decision to elect CBLR for the March Call Report is not binding, and may be reversed in a subsequent quarter.

11. *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 inspector cannot access the interior of a property due to concerns related to COVID-19.

12. *Interior Inspection Alternatives.* What alternative options are available in lieu of obtaining an interior inspection for real estate secured loans due to concerns related to COVID-19?

Responses to COVID-19 related questions[5] provided by The Appraisal Foundation note that the Uniform Standards of Professional Appraisal Practice (USPAP) address situations where access to the interior of a property may not be feasible. USPAP permits an appraiser to make an extraordinary assumption about the interior of a property due to health concerns or other emergency conditions, such as the COVID-19 pandemic. Appraisers may have a variety of reasonable bases for an extraordinary assumption, including, but not limited to:

- Determining an interior inspection is not needed because the appraiser has a reasonable basis for an extraordinary assumption and its use still results in a credible analysis.
- Having conducted a prior inspection of the property in the recent past.
- Obtaining an affidavit and/or pictures from the borrower regarding the interior.

[5] See at http://www.appraisalfoundation.org/iMIS/TAF/Coronavirus_and_Appraisers.aspx. Refer to USPAP Standards Rule 1-2, Standards Rule 2-2, and Advisory Opinion 2 for more information.

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. *Updated Valuation Information.* Do financial institutions need to obtain updated valuation information for real estate related transactions when granting a short-term loan modification to a borrower affected by COVID-19?

No. There is no regulatory requirement for a financial institution to obtain updated valuation information for real estate related transactions when granting short-term loan modifications to borrowers affected by COVID-19. The 2010 *Interagency Appraisal and Evaluation Guidelines*[6] (Guidelines) note that "A loan modification that entails a decrease in the interest rate or a single extension of a limited or short-term nature would not be viewed as a subsequent transaction." Conducting a fact-specific review would enable financial institutions to consider whether loan modifications that provide long-term extensions constitute a subsequent transaction, which would require updated valuation information. Financial institutions also may want to obtain updated valuation information to assess and mitigate higher risk real estate related financial transactions.

15. *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-22-2020: *Interagency Statement on Loan Modifications and Reporting for Financial Institutions Working with Customers Affected by the Coronavirus*, March 22, 2020, https://www.fdic.gov/news/news/press/2020/pr20038a.pdf.
- FIL-19-2020: *Joint Statement on CRA Consideration for Activities in Response to COVID-19*, March 19, 2020, https://www.fdic.gov/news/news/financial/2020/fil20019a.pdf.
- FIL-17-2020: *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.

[6] See footnote 34 at https://www.fdic.gov/news/news/financial/2010/fil10082a.pdf.

- 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