FDIC

Federal Deposit Insurance Corporation
550 17th Street NW, Washington, D.C. 20429-9990

Financial Institution Letter
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REGULATORY CAPITAL STANDARDS

Interim Final Rule for Mortgages Modified Under the Making Home Affordable Program

Summary: On March 4, 2009, the U.S. Department of the Treasury announced guidelines under the *Making Home Affordable Program* (MHAP) to promote sustainable loan modifications for homeowners at risk of losing their homes due to foreclosure. The interim final rule clarifies that a banking organization may retain the risk weight assigned to a mortgage loan before the loan was modified under the MHAP following modification of the mortgage loan.

The federal banking and thrift agencies are issuing the attached interim final rule, which will take effect when published in the *Federal Register*. Public comments must be submitted within 30 days after publication of the interim final rule in the *Federal Register.*

Distribution:
FDIC-Supervised Banks (Commercial and Savings)

Suggested Routing:
Chief Executive Officer
Chief Financial Officer
Chief Accounting Officer

Related Topics:
Risk-Based Capital Rules
12 CFR Part 325

Attachment:
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Contact:
Ryan D. Sheller, Senior Capital Markets Specialist, at rsheller@fdic.gov or (202) 898-6614

Mark Handzlik, Senior Attorney, at mhandzlik@fdic.gov or (202) 898-3990

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Highlights:

- Mortgage loans risk weighted at 50 percent before modification would continue to be risk weighted at 50 percent after modification provided they continue to meet other applicable prudential criteria. Mortgage loans risk weighted at 100 percent would continue to be risk weighted at 100 percent after modification.

- Under the FDIC's general risk-based capital rules, a state nonmember bank may assign a 50 percent risk weight to any modified mortgage loan, provided the loan, as modified, is not 90 days or more past due or in nonaccrual status and meets other applicable criteria for a 50 percent risk weight. Thus, the revisions provided under this interim final rule relative to the FDIC's risk-based capital rules are clarifying in nature.

- Consistent with current practice, the agencies will continue to allow past due and nonaccrual loans that receive a 100 percent risk weight to return to a 50 percent risk weight under certain circumstances, including after demonstration of a sustained period of repayment performance.