



Troubled Debt Restructuring

I. Overview & Definition of TDR

Benefits of a TDR

Potential Bank Benefits

- Obtaining updated financial information
- Tightening loan covenants
- Securing additional collateral
- Avoiding foreclosure and a costly legal process
- Improving the collectability of the loan

Potential Borrower Benefits

- Obtaining payment relief
- Avoiding immediate legal actions, such as foreclosure.

Discussion Topics

Definition of a TDR

Identifying a TDR: Financial Difficulty & Concessions

Accounting & Regulatory Treatment

A/B Note Structure

Review & Resources

TDR Definition

“A restructuring of a debt constitutes a troubled debt restructuring...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.”

Source: Accounting Standards Codification 310