



# Troubled Debt Restructuring

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## V. Review & Resources

# Definition & Identification of a TDR

- **Two-Pronged Test**
  - Financial Difficulty
  - Concession
- **Indicators of Financial Difficulty**
- **Common Types of Concessions**
  - Not all modifications are concessions
  - Insignificant delays in payment or shortfalls in amount do not constitute a concession

# Accounting & Regulatory Treatment

- **All TDR loans are impaired**
  - Must be measured for impairment according to ASC 310
  - Zero or nominal impairment is unlikely
- **Nonaccrual status of TDR loans**
  - Under certain criteria, may return to accrual
- **Regulatory reporting**
  - Under certain criteria, may discontinue reporting on the Call Report
- **Adverse classification**
  - Under certain conditions, may be upgraded to Pass

# A/B Note Structure

- **“A” Note = Good Note**
- **“B” Note = Bad Note**
  - Charged Off
- **Potential Benefits for the “A” Note**
  - Can return to accrual status
  - Can be upgraded to Pass
  - Not reported on the Call Report if performing and yielding a market rate at the time of restructuring

# Resources

- **Tabletop Exercises**
- **Directors' Resource Center:**
  - [www.fdic.gov/resourcecenter](http://www.fdic.gov/resourcecenter)
- **Outstanding Accounting Guidance**
  - ASC 310-40: Receivables - TDRs by Creditors
  - ASC 310-10: Receivables - Overall
  - ASU 2011-02: A Creditor's Determination of Whether a Restructuring is a TDR

# Resources

- **Outstanding Regulatory Guidance**
  - FFIEC Call Report Instructions
  - FFIEC Call Report Supplemental Instructions
  - Interagency Policy Statement on Prudent CRE Loan Workouts (FIL-61-2009)
  - Interagency Supervisory Guidance Addressing Certain Issues Related to Troubled Debt Restructurings (FIL-50-2013)
- **Regional Accounting Specialists**
- **Mailbox: [supervision@fdic.gov](mailto:supervision@fdic.gov)**