



October 3, 2022

Submitted Electronically

Chief Counsel's Office
Attention: Comment Processing
Office of the Comptroller of the Currency
400 7th Street SW,
Suite 3E-218,
Washington, DC 20219

James P. Sheesley
Assistant Executive Secretary
Attention: Comments RIN 3064–ZA33
Federal Deposit Insurance Corporation,
550 17th Street NW,
Washington, DC 20429

Melane Conyers-Ausbrooks,
Secretary of the Board,
National Credit Union Administration,
1775 Duke Street,
Alexandria, Virginia 22314-3428

Re: Policy Statement on Prudent Commercial Real Estate Loan Accommodations and Workouts; RIN 3064–ZA33

Dear Ladies and Gentlemen,

The Wisconsin Bankers Association (WBA) is the largest financial trade association in Wisconsin, representing nearly 200 state and nationally chartered banks, savings and loan associations, and savings banks. WBA appreciates the opportunity to comment on the Office of the Comptroller of the Currency, Federal Deposit Insurance Corporation, and National Credit Union Administration's (agencies) proposed policy statement for prudent commercial real estate loan accommodations and workouts (proposal).

In 2009, the agencies adopted the Policy Statement on Prudent Commercial Real Estate Loan Workouts (2009 Statement) issued by the Federal Financial Institutions Examination Council. The 2009 Statement has proved useful in understanding risk management and accounting practices for commercial real estate (CRE) loan workouts. The proposal would update and expand the 2009 Statement by incorporating recent policy guidance on loan accommodations and accounting developments for estimating loan losses, build on existing guidance for financial institutions to work prudently and constructively with creditworthy borrowers during times of financial stress, update existing interagency guidance on commercial real estate loan workouts, and add a new section on short-term loan accommodations. The updated statement would also

provide updated examples of how to classify and account for loans modified or affected by loan accommodations or loan workout activity.

WBA appreciates the agencies efforts to update the 2009 statement and incorporate recent policy guidance and accounting developments into the proposal. Such updates will be useful for both agency staff as well as financial institutions. Wisconsin banks handle CRE loan accommodations and workouts in accordance with risk-based principles, and the updates within the proposal will serve to help understand supervisory expectations, standards for working constructively with borrowers, regulatory reporting requirements, and accounting considerations. Overall, WBA supports the agencies efforts, and reaffirmation of key principles from the 2009 statement which would maintain that prudent CRE loan accommodation and workout arrangements after performing a comprehensive review of a borrower's financial condition will not be subject to criticism for engaging in these efforts, even if these arrangements result in modified loans that have weaknesses that result in adverse credit classification, and modified loans to borrowers who have the ability to repay their debts according to reasonable terms will not be subject to adverse classification solely because the value of the underlying collateral has declined to an amount that is less than the loan balance.

In the proposal, the agencies request comment on five questions. The first question asks the extent to which the proposal reflects safe and sound practices currently incorporated in a financial institutions CRE loan accommodation and workout activities. WBA has found that, for the most part, the proposal accurately reflects approaches Wisconsin banks already take with regard to troubled CRE loans. WBA would not recommend an additions, modifications, or removal of any elements as currently proposed.

The agencies also ask in Question 5 the extent to which the troubled debt restructuring (TDR) examples continue to be relevant in 2023, given that ASU 2022-02 eliminates the need for a financial institution to identify and account for a new loan modification as a TDR. The proposal would update existing reporting guidance and instructions to include current general accepting accounting principal requirements, including relevant accounting and regulatory guidance on estimating loan losses. Determination of TDR status and TDR reporting is included in the examples provided in the proposals Appendices. In response to Question 5, WBA would offer that the discussion of TDRs, including examples, is unnecessary. As acknowledged within the proposal, ASU 2022-02 will eliminate the need for financial institutions to identify and account for loan modifications as TDR. WBA is in support of removing the TDR determination from the examples.

However, financial institutions will still be required to report on borrowers experiencing financial difficulties for loan modifications. It is WBA's understanding that ASU 2022-02 still requires creditors to report on debtors experiencing financial difficulty when modifications are made regardless of TDR status in the form of reduction of principal, interest rate, extensions, or other delays. As such, WBA would recommend that the agencies consider including within the appendix, examples of how to report modifications under such circumstances.

Conclusion

WBA supports the agencies efforts to update the 2009 Statement. When finalizing the proposal,

WBA recommends the agencies consider the relevancy of TDR examples, and replace unnecessary examples instead with examples of qualifications for modification and corresponding reporting

WBA appreciates the opportunity to comment on the agencies' proposed rulemaking.

Thank you,



Rose Oswald Poels
President/CEO