

# Interagency Statement Encourages Financial Institutions to Work with Customers Impacted by the Coronavirus Disease 2019

---

March 25, 2020 James Markus

---

**PRACTICES** Finance, Asset-Based Lending

---

On March 22, 2020, several federal financial institution regulatory agencies and state banking regulators issued an [interagency statement](#) encouraging all financial institutions to work constructively with borrowers impacted by the ongoing Coronavirus Disease 2019 (“COVID-19”). Recognizing that COVID-19 has caused unexpected disruptions and will continue to create challenges for banks, credit unions, businesses, and borrowers, the Federal Deposit Insurance Corporation (“FDIC”), the Board of Governors of the Federal Reserve System (“FRB”), the Office of the Comptroller of the Currency (“OCC”), the National Credit Union Administration, the Conference of State Bank Supervisors, and the Consumer Financial Protection Bureau (hereinafter the “agencies”) provided guidance to financial institutions, highlighting potential methods of cooperation with customers and outlining the agencies’ response to such cooperation.

The agencies’ statement directly addressed four areas of concern: accounting for loan modifications, past due reporting, non-accrual status and charge-offs, and discount window eligibility.

## **Loan Modification**

Due to the impact of COVID-19 on the ability of borrowers to meet their contractual payment obligations, the agencies encouraged loan modification programs that can mitigate adverse effects on borrowers. 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. Agencies will not criticize financial institutions for making good-faith loan modifications for borrowers who were current prior to any relief. Such modifications will not be categorized as troubled debt restructurings. Likewise, assistance to borrowers of one-to-four family residential mortgages will not result in the loans being considered restructured or modified for the purposes of the FRB, FDIC, or OCC risk-based capital rules.

## **Past Due Reporting**

If institutions grant payment deferrals due to COVID-19, the institutions are not required to designate loans with such deferrals as past due. This also applies for risk-based capital purposes.

## **Nonaccrual Status and Charge-offs**

During short-term arrangements discussed in the agencies’ statement, loans to distressed borrowers generally should not be reported as nonaccrual. Institutions are encouraged to refer to the applicable regulatory reporting instructions, their internal accounting policies, and the instructions for Consolidated Reports of Condition and Income for additional guidance.

## **Discount Window Eligibility**

Loans that have been restructured as described in the agencies' statement will continue to be eligible as collateral at the FRB's discount window.

Since President Trump declared a national emergency on March 13, 2020, several federal and state agencies have announced various measures and statements to help confront the COVID-19 pandemic. The FDIC maintains a [webpage](#) with all relevant COVID-19 updates and will continue to communicate with the industry, including through additional statements, webinars, and frequently asked questions. To date, the FDIC has provided answers to frequently asked questions from [financial institutions](#) and [bank customers](#) affected by COVID-19.

[View the statement](#)