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FINANCIAL REGULATORS CONDITIONALLY ENCOURAGE COVID-19 LOAN MODIFICATIONS

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The Federal Reserve Board, FDIC, NCUA, OCC, CFPB and the State Banking Regulators issued an **interagency statement dated March 22, 2020**, that guides regulated financial institutions for loan modifications resulting from the COVID-19 virus pandemic. The statement encourages lenders to work with borrowers who may be unable to make their loan payments. The statement says: "The agencies view loan modification programs as positive actions that can mitigate adverse effects on borrowers due to COVID-19."

Institutions will not be criticized for extending short-term payment modifications on loans to borrowers that arise due to COVID-19. Agencies will likely not designate such changes as troubled debt restructurings (TDR), in the absence of other relevant criteria. The statement sets forth requirements for short term loan modifications that the agencies will view positively:

A. Term loans only
B. Short term modifications – 6 months or less
C. The borrower is less than 30 days past due
D. The modification is made in good faith and is a result of the COVID-19 pandemic

The statement specifies that loan modifications may allow for payment deferrals, fee waivers or extensions of payment terms. Regulators will consider the amount of the delayed payment and whether it is insignificant concerning the debt, and whether the timing of the delay is insignificant related to the frequency of payments under the loan. It also states financial institutions are not expected to designate modified loans that meet the previous criteria as "past due."

If you need help with qualifying modification agreements or review of your templates, please contact **Jim Lane** at 304.205.6373 **jlane@flahertylegal.com**.

PEOPLE

James W. Lane, Jr.