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Financial Institution Letter

Additional Loan Accommodations Related to COVID-19 Event

August 3, 2020 | FIL-74-2020
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Summary:

The Federal Financial Institutions Examination Council (FFIEC) on behalf of its members issued a statement to provide prudent risk management and consumer protection principles for financial institutions to consider while working with borrowers as loans near the end of the initial loan accommodation periods provided during the Coronavirus Disease 2019 (COVID-19 event). The statement also addresses issues relative to accounting and regulatory reporting and internal control systems.

The Interagency Statement on [Additional Loan Accommodations Related to COVID-19 Event](#) can be found on the FDIC's website.

Statement of Applicability to Institutions with Total Assets Under \$1 Billion: This Financial Institution Letter (FIL) applies to all FDIC-supervised institutions.

Highlights:

- FFIEC members encourage financial institutions to consider prudent accommodation options that can ease cash flow pressures on affected borrowers, improve their capacity to service debt, and facilitate institutions' ability to collect loans, consistent with applicable laws and regulations. Such arrangements may mitigate the long-term impact of a financial challenge on borrowers by helping to avoid delinquencies or other adverse consequences.
- Effective risk management includes providing clear, conspicuous, and accurate communications and disclosures to inform borrowers of affordable and sustainable accommodation options prior to the end of the accommodation period
- In accordance with U.S. generally accepted accounting principles and regulatory reporting instructions, management should consider the effects of external events, such as the COVID-19 event, in its allowance estimation processes.
- Internal controls for initial and additional accommodation periods include quality assurance, credit risk review, operational risk management, compliance risk management, and internal audit functions that are commensurate with the size, complexity, and risk of a financial institution's activities.

[Interagency Statement on Additional Loan Accommodations Related to COVID-19](#)

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