

Federal Agencies Regulating Lenders Issue Joint Statement Regarding Loan Modifications

The various federal agencies that govern lending institutions issued a joint statement encouraging lenders to proactively work with borrowers to modify loans to cope with the ongoing COVID-19 pandemic. The agencies noted that they will not automatically treat these loan modifications as troubled debt restructurings, noting that this is prudent management of credit risk. Specifically, those loans that are modified to account for the economic impacts of COVID-19, if the borrower is still current, will not be treated as a troubled debt restructuring. For borrowers, this encourages lenders to help them through the business disruption, while lenders are given a reprieve to work with borrowers without adverse consequence to their overall risk profile.

A copy of the statement by the federal regulators is attached.

<https://www.fdic.gov/news/news/press/2020/pr20038a.pdf>