

FDIC Statement on Financial Institutions Working with Customers Affected by the Coronavirus and Regulatory and Supervisory Assistance

The FDIC recognizes the potential for the Coronavirus Disease 2019 (referred to as COVID-19) to adversely affect the customers and operations of financial institutions. The FDIC understands that this unique and evolving situation could pose significant temporary business disruptions and challenges. The FDIC also recognizes that different communities are likely to be affected differently, and that financial institutions will need requisite flexibility to address the needs of their communities and customers. As such, the FDIC encourages financial institutions to work with all borrowers, especially borrowers from industry sectors particularly vulnerable to the volatility in the current economic environment, such as, but not limited to, airlines; energy companies; travel, tourism, and shipping industries; and small businesses and independent contractors that are reliant on affected industries. In addition, the FDIC encourages financial institutions to actively work with small businesses that have less financial flexibility to weather the near-term operational challenges, such as retail, restaurants, and local entertainment businesses, as well as hourly workers and independent contractors.

The FDIC will provide appropriate regulatory and supervisory assistance to affected financial institutions subject to its supervision. The FDIC encourages financial institutions to work with the FDIC regarding additional actions that may effectively manage or mitigate adverse impact on borrowers due to COVID-19.

Working with Customers: The FDIC encourages financial institutions to work with affected customers and communities. The FDIC recognizes that such efforts serve the long-term interests of communities and the financial system when conducted with appropriate management oversight and are consistent with safe and sound banking practices and applicable laws, including consumer protection laws. These efforts may include, but are not limited to:

- Waiving certain fees, such as:
 - Automated teller machine (ATM) fees for customers and non-customers,
 - Overdraft fees,
 - Late payment fees on credit cards and other loans, and
 - Early withdrawal penalties on time deposits;
- Increasing ATM daily cash withdrawal limits;
- Easing restrictions on cashing out-of-state and non-customer checks;
- Increasing credit card limits for creditworthy borrowers;
- Offering payment accommodations, such as allowing borrowers to defer or skip some payments or extending the payment due date, which would avoid delinquencies and negative credit bureau reporting; and
- Working with consumers who are temporarily unable to work due to temporary business closures, slowdowns, or sickness.

The FDIC recognizes there may be other accommodations that could assist customers and communities in responding to challenges from COVID-19. The FDIC supports and will not criticize efforts to accommodate customers in a safe and sound manner.

Lending: Financial institutions should work constructively with borrowers in communities and industries affected by COVID-19. The FDIC encourages financial institutions to engage in prudent and proactive actions, which are in the best interests of the financial institutions, the borrowers, and the economy. For example, when appropriate, a financial institution may modify or restructure a borrower's debt obligations due to temporary hardships resulting from COVID-19 related issues. Such cooperative efforts can ease cash flow pressures on affected borrowers allowing them to continue serving customers and paying employees and suppliers, improve their capacity to service debt, and facilitate the financial institution's ability to collect on its loans. In particular, these types of prudent arrangements for borrowers who operate small businesses can contribute to the well-being of local communities.

Modifications should be based on the facts and circumstances of each borrower and loan. Prudent efforts to modify the terms on existing loans for affected customers of FDIC-supervised banks will not be subject to examiner criticism. Modifications of existing loans should be evaluated to determine whether they represent troubled debt restructurings (TDRs). According to accounting standards, a modification triggers a TDR only if the institution grants a concession to the borrower which it would not otherwise grant because a borrower is experiencing financial difficulties. This could, for example, include extending the term of a loan for a borrower that otherwise meets the institution's underwriting standards, but is experiencing a temporary liquidity shortage due to COVID-19-related economic conditions.

Additionally, while a TDR designation means a modified loan is impaired for accounting purposes, it does not automatically result in an adverse classification. Many modified loans that are designated as a TDR for accounting purposes are fully performing and collectible credits. For this reason, examiners review the entirety of the lending relationship, including the duration of the borrower's cash flow, other assets, value of the collateral and other factors. FDIC examiners are directed to exercise significant flexibility in determining whether to adversely classify credits that are impacted by COVID-19, including those designated as TDRs.

Supervisory Relief: The FDIC will work with affected financial institutions to reduce burden when scheduling examinations, including making greater use of off-site reviews, consistent with applicable legal and regulatory requirements.

Regulatory Reporting Requirements: The FDIC's staff stands ready to work with financial institutions that may experience challenges fulfilling their reporting responsibilities, taking into account each financial institution's particular circumstances. The FDIC will not assess penalties or take other supervisory action against institutions that take reasonable and prudent steps to comply with regulatory reporting requirements if those institutions are unable to fully satisfy those requirements because of the effects of COVID-19.

Alternative Service Options for Customers: The FDIC understands that financial institutions may need to temporarily close a facility due to staffing challenges or to take precautionary measures. For example, some institutions may wish to limit foot traffic within a branch and provide services only through the drive-through lanes. The FDIC encourages financial institutions to reduce disruptions to their customers, provide alternative service options when practical, and reopen affected facilities when it is safe to do so. Affected financial institutions

are encouraged to notify their primary federal or state regulator and their customers of temporary closure of an institution's facilities and the availability of any alternative service options as soon as practical. In such case in which operational challenges persist, the FDIC, working with the state authority, will expedite, as appropriate, any request to operate temporary facilities to provide more convenient availability of services. In most cases, a telephone notice to the FDIC or state authority will suffice to start the approval process, with the necessary written notification being submitted shortly thereafter.