

I. Sec. 4013, Temporary Relief from Troubled Debt Restructurings (TDR)

As provided for under the CARES Act, a financial institution may account for an eligible loan modification either under Sec. 4013 or in accordance with ASC Subtopic 310-40.2 If a loan modification is not eligible under Sec. 4013, or if the institution elects not to account for the loan modification under Sec. 4013, the financial institution should evaluate whether the modified loan is a TDR.

To be an eligible loan under Sec. 4013 (section 4013 loan), a loan modification must be (1) related to COVID-19; (2) executed on a loan that was not more than 30 days past due as of December 31, 2019; and (3) executed between March 1, 2020, and the earlier of (A) 60 days after the date of termination of the national emergency concerning the COVID-19 outbreak declared by the President on March 13, 2020, under the National Emergencies Act (National Emergency) or (B) December 31, 2020.

Financial institutions accounting for eligible loans under Sec. 4013 are not required to apply ASC Subtopic 310-40 to the section 4013 loans for the term of the loan modification. Financial institutions do not have to report section 4013 loans as TDRs in regulatory reports. However, consistent with the statute, the agencies are collecting information about the volume of loans modified under Section 4013. Financial institutions should report the total number of loans outstanding that have been modified under Section 4013 and the outstanding balance of these loans in Schedule C, Part I, Memorandum items 5.a and 5.b, respectively. These two items are being collected on a confidential basis.

- Institutions should continue to follow reporting instructions and U.S. GAAP for section 4013 loans, including:
- Appropriately reporting past due and nonaccrual status;
- Maintaining an appropriate allowance for loan and lease losses in accordance with ASC Subtopic 450-20 or ASC Subtopic 310-10, or an appropriate allowance for credit losses in accordance with ASC Subtopic 326-20, as applicable.