



March 23, 2020

Subject: SPECIAL ALERT: Loan Modifications Are Not TDR's

Lately, there has been a tremendous amount of new information available. So, we decided to start sending some of this information through special alerts, allowing you to use it immediately when making important decisions on your business. Today, we discuss payment modifications, as the regulatory agencies just made some changes here.

**Loan modifications:** It might seem to make sense as a first thought to offer payment modifications for up to 90 days on loans, but bankers should take note that this is a very short timeline for customers to recover, given so many unknowns. Further, your team might be hurting your bank on day 91 by creating a huge new issue. Regulators have [clarified that modifications are not TDRs](#) and you can do modifications for much longer than 90 days. So, don't create a traffic jam for your teams with so many people now working remotely or on lockdown. **Customers need more time** to get back on their feet and a 90-day clock is very short.

No one knows how long this will last, so give your customers the time they need to work out of this problem and rebuild their businesses. It does not make sense to put in short triggers that few can hit right now because the problem that will surface in 91 days could be a bad one. Avoid short triggers at all costs. We would even strongly suggest your teams go back to customers NOW to even extend those with a 90-day extension to something like 6 months or even into early next year perhaps.

**Hedged Loans:** If your bank is modifying a loan that also has a hedge such as our BLP solution, be sure to call us. These contractual agreements **do not allow deferrals or waivers**. You can:

- Modify the borrower's loan with interest-only options utilizing the current swap structure,
- Pay the swap payment for the borrower, or get the borrower to do so,
- Or, even pay off the swap to gain maximum flexibility to work with the borrower.

These are all options—so **call us first** to discuss these options to avoid unintended consequences.

If you want to get updated information like this, we offer a complimentary daily newsletter that keeps a finger on the pulse of the industry. [Sign up for this newsletter](#) to receive market insights, latest banking and regulatory information, and much more straight to your inbox.

I hope these special alerts will be useful as together we journey through this unprecedented situation.

Regards,

**Steve Brown**

President & CEO | PCBB