

BOARD ACTION MEMORANDUM

TO: NCUA Board

DATE: January 20, 2012

FROM: Larry Fazio, Director
Office of Examination and Insurance

SUBJ: Loan Workouts and Nonaccrual
Policy, and Regulatory
Reporting of Troubled Debt
Restructured Loans

ACTION REQUESTED: Approval to publish in the Federal Register the attached proposed amendment to 12 CFR 741 and accompanying Appendix C, Proposed Interpretive Ruling and Policy Statement, "*Loan Workouts and Nonaccrual Policy, and Regulatory Reporting of Troubled Debt Restructured Loans*" for a 30-day period of public comment.

DATE ACTION REQUESTED: January 26, 2012

OTHER OFFICES CONSULTED: Office of General Counsel

VIEWS OF OTHER OFFICES CONSULTED: Recommendations incorporated

SUBMITTED TO INSPECTOR GENERAL FOR REVIEW: No

BUDGET IMPACT, IF ANY: None

RESPONSIBLE STAFF MEMBERS: Director of Supervision Matthew Biliouris and Chief Accountant Karen Kelbly, Office of Examination and Insurance.

SUMMARY: NCUA proposes to amend its regulations to require federally insured credit unions (FICUs) to maintain written policies that address the management of loan workout arrangements and nonaccrual policies for loans, consistent with industry practice or Federal Financial Institutions Examination Council requirements. The proposed rulemaking includes an interpretive ruling and policy statement (IRPS) incorporated as an appendix to the rule that will assist FICUs in complying with the rule. The IRPS also addresses regulatory reporting of troubled debt restructured loans on FICU Call Reports. This proposed rulemaking and IRPS is timely considering the growth of these types of loans during the recent economic stresses experienced in the financial industry.

RECOMMENDED ACTION: Approve the proposed changes to 12 CFR 741 including the addition of Appendix C, IRPS on *Loan Workouts and Nonaccrual Policy, and Regulatory Reporting of Troubled Debt Restructured Loans* for a 30-day comment period.

ATTACHMENTS: Notice of Proposed revisions to 12 CFR 741 and accompanying Appendix C, IRPS, “*Loan Workouts and Nonaccrual Policy, and Regulatory Reporting of Troubled Debt Restructured Loans*” with request for comments.