



Uniform Retail Credit Classification Policy

FIL-78-98
July 9, 1998

TO: CHIEF EXECUTIVE OFFICER

SUBJECT: *FFIEC Seeks Comment on "Uniform Retail Credit Classification Policy"*

The Federal Financial Institutions Examination Council (FFIEC) is seeking comment on the attached "Uniform Retail Credit Classification Policy," a guide for banks and bank regulators in classifying a consumer loan that is not being repaid under its original loan terms. The proposal updates the classification policy for open-end and closed-end credit issued in 1980.

The regulators are seeking specific comments on two alternative options for classifying open-end and closed-end retail loans. Option one would charge off delinquent retail loans if they are past due 150 days or more from the contractual due date. Option two, which is similar to the existing policy, would charge off delinquent closed-end retail loans that are past due 120 cumulative days and delinquent open-end retail loans that are past due 180 cumulative days.

The attached also includes the following proposed new guidance:

- Unsecured loans to borrowers who subsequently declare bankruptcy should generally be charged off by the end of the month in which the creditor receives notification of filing from the bankruptcy court.
- Secured and partially secured loans to borrowers who declare bankruptcy should be evaluated for repayment potential. Any loss should be charged off within 30 days of notification of filing from the bankruptcy court.
- Fraudulent loans should be charged off within 90 days of discovery.
- In cases where the borrower dies, loans should generally be charged off when the bank determines the amount of loss.
- One- to four-family residential real estate loans and home equity loans that are delinquent 90 days or more and with loan-to-value ratios greater than 60 percent should be classified "substandard."

The proposed policy also details criteria that must be met before banks and thrifts may consider a delinquent open-end account current, such as account re-aging, and extending, deferring and rewriting delinquent closed-end loans.

These changes are being proposed by the Federal Deposit Insurance Corporation (FDIC), the Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, and the Office of Thrift Supervision as members of the FFIEC.

Comments are due by September 4, 1998, to the Executive Secretary, FFIEC, 2100 Pennsylvania Ave., NW, Suite 200, Washington, DC 20037. Comments may also be faxed to (202) 634-6556.

For further information, please call James Leitner, FDIC Examination Specialist, on (202) 898-6790 or Michael Phillips, FDIC Counsel, on (202) 898-3581.

Nicholas J. Ketcha Jr.
Director

[Attachment:](#) July 6, 1998 Federal Register, pages 36403-36408

Distribution: FDIC-Supervised Banks (Commercial and Savings)

NOTE: Paper copies of FDIC financial institution letters may be obtained through the FDIC's Public Information Center, 801 17th Street, NW, Room 100, Washington, DC 20434 (800-276-6003 or (703) 562-2200).