

FEDERAL RESERVE BANK
OF NEW YORK

Atty. Gen. No. 9691 (1)

June 18, 1984

To the Chief Executive Officer of Each State Member Bank
in the Second Federal Reserve District:

The following joint statement has been issued by the Board of Governors of the Federal Reserve System and the Office of the Comptroller of the Currency clarifying the policy of both agencies relative to interest accrual for bookkeeping and reporting purposes:

Some questions have arisen concerning the methodology to be employed in determining the nonaccrual status of loans, including those involving transfer risk that have resulted in reporting differences among banks. In order to assure uniformity in this area, the Office of the Comptroller of the Currency and the Federal Reserve are clarifying their policy.

It is the policy of the Office of the Comptroller of the Currency and the Federal Reserve that:

- Banks may not accrue interest on any loan when principal or interest is due and has remained unpaid for 90 days or more unless the loan is *both* well secured and in the process of collection;
- Loans which reach nonaccrual status may not be restored to accruing status until all delinquent principal and/or interest has been brought current, or the loan becomes *both* well secured and in the process of collection;
- The date on which a loan reaches nonaccrual status is determined by the contractual terms of the loan. If a loan reaches nonaccrual status on a date which falls between official reporting dates, it remains on nonaccrual status until it meets the criteria for restoration to accruing status, described above.

Any bank that has followed a policy which deviates from the above *must* conform its method of interest accrual for bookkeeping and reporting purposes to the stated policy for the period beginning July 1. Material amounts resulting from such deviations should, of course, be disclosed in June 30 public reports.

Questions regarding this matter may be directed to Thomas P. McQueeney, Assistant Chief Examiner (Tel. No. 212-791-7934).

ANTHONY M. SOLOMON,
President