

**ARKANSAS STATE BANK DEPARTMENT
EXAMINATION POLICY**

Policy Number	<u>02-2</u>
Effective Date	<u>10-01-02</u>
Supersedes	<u>96-2</u>
Approval	_____

SUBJECT: Classification Guidelines for Repossessions and Credit Card Debt

BACKGROUND

The Bank Department has revised its classification policies regarding repossessed personal property and credit card debt. State banks should modify their internal policies and procedures, if necessary, to ensure compliance with this policy. Exceptions are permissible when extenuating circumstances exist.

POLICY

CREDIT CARD DEBT

Credit card debt will be adversely classified as follows:

Past due 90 - 179 days, or four (4) to six (6) payments: **Substandard**

Past due over 180 days, or seven (7) payments: **Loss**

REPOSSESSIONS

All repossessed automobiles, motorcycles, small boats, and all terrain vehicles (3/4 wheelers) will be adversely classified as follows:

Held 0 - 90 days: **Substandard**

Held over 90 days: **Loss**

For repossessed assets not identified above (i.e. agriculture equipment, large boats, logging equipment, etc) banks must comply with the following statute from the Arkansas Banking Code. Examiner discretion will determine appropriate classifications for other types of personal property (i.e. fixtures, retail inventory, etc). All repossessed assets must be recorded at the lower of the remaining loan amount or fair value of the assets received.

23-47-507. Power to hold and sell collateral

A state bank may hold and sell all kinds of property that may come into its possession as collateral security for loans or any ordinary collection of debts, in the manner provided by law. Any personal property coming into its possession in this manner and which is not otherwise authorized for state banks to own as an asset shall be disposed of as soon as possible and after twelve (12) months from the date of acquisition shall cease to be considered as a part of its assets.