

**ARKANSAS STATE BANK DEPARTMENT
EXAMINATION POLICY**

Policy Number	<u>14-01</u>
Effective Date	<u>08-01-14</u>
Supersedes	<u>91-01</u>
Approval	_____

SUBJECT: Loan Repayment

Loan payment plans approved by the bankruptcy court frequently do not conform to the original loan payment plan contracted at the beginning of the loan. Many times the court approved payment plan calls for a more lengthy maturity, reduced interest or reduced principal for the loan. Questions have arisen concerning the calculation of past due status for these loans and the correct categorization of these loans for Examination Report and Report of Income and Condition purposes.

POLICY

Loans which have been accorded new payment plans by a bankruptcy court will be deemed to have received a new contractual payment plan and the past due status will be evaluated based upon the new plan. Loans performing according to the court-approved plan will not be considered past due even though the loans are not performing according to the original payment plan. Loans which become delinquent under the court approved plan will be included in the appropriate past due category according to established guidelines.

However, loans which have a court-approved payment plan may be considered restructured debt. Restructured Loans are loans whose terms have been modified, because of a deterioration in the financial position of the borrower, to provide for a reduction of either interest or principal.

Once an obligation has been restructured because of such credit problems, it continues to be considered restructured until paid in full or until time as the terms are substantially equivalent to terms on which loans with comparable risks are being made. For additional guidance and information regarding restructured loans, please refer to the Troubled Debt Restructurings definition in the glossary of The Reports of Condition and Income.