ARKANSAS STATE BANK DEPARTMENT
EXAMINATION POLICY

Policy Number	14-01
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Supersedes	91-01
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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 an extended 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 Condition and Income 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 loan modifications to borrowers experiencing financial difficulty. The accounting standards for loan modifications to borrowers experiencing financial difficulty are set forth in ASC Topic 326, Financial Instruments – Credit Losses and ASC Topic 310, Receivables. ASC Subtopic 310-10 requires modifications of receivables to borrowers experiencing financial difficulty where the modification results in the form of principal forgiveness, an interest rate reduction, an other-than insignificant payment delay, or a term extension (or a combination thereof) to be disclosed for financial reporting purposes. For additional guidance and information regarding these types of loans, please refer to the Loan Modifications to Borrowers Experiencing Financial Difficulty definition in the glossary of the Report of Condition and Income.