



MARYLAND COMMISSIONER OF FINANCIAL REGULATION

ADVISORY



March 19, 2020

Statement on Financial Institutions Working with Customers Affected by the Coronavirus and Regulatory Assistance

The Office of the Commissioner of Financial Regulation (OCFR) recognizes the potential for the Coronavirus Disease (referred to as COVID-19) to adversely affect the customers and operations of financial institutions. The OCFR encourages financial institutions to take steps to meet the financial services needs of affected customers and communities. The OCFR will continue to provide appropriate regulatory assistance to affected financial institutions subject to their supervision, as warranted.

Working with Customers

The OCFR encourages financial institutions to work with affected customers and communities. The OCFR recognizes that such efforts serve the long-term interests of communities and the financial system when conducted with appropriate management oversight and consistent with safe and sound banking practices and applicable laws. These efforts may include, but are not limited to:

- Waiving certain fees, such as:
 - Automated teller machine (ATM) fees for customers and non-customers,
 - Overdraft fees,
 - Late payment fees on credit cards and other loans, and
 - Early withdrawal penalties on time deposits;
- Increasing ATM daily cash withdrawal limits;
- Easing restrictions on cashing out-of-state and non-customer checks;
- Increasing credit card limits for creditworthy borrowers; and
- Offering payment accommodations, such as allowing borrowers to defer or skip some payments or extending the payment due date, which would avoid delinquencies and negative credit bureau reporting caused by COVID-19-related disruptions.

The OCFR emphasizes that loan modifications should be based on the facts and circumstances of each borrower and loan. Prudent efforts to modify the terms on existing loans for affected customers will not be subject to examiner criticism. Modifications of existing loans should be evaluated to determine

whether they represent troubled debt restructurings (TDRs). According to accounting standards, a modification triggers a TDR only if the institution grants a concession to the borrower which it would not otherwise grant because a borrower is experiencing financial difficulties. This could, for example, include extending the term of a loan for a borrower that otherwise meets the institution's underwriting standards, but is experiencing a temporary liquidity shortage due to COVID-19-related economic conditions.

Additionally, while a TDR designation means a modified loan is impaired for accounting purposes, it does not automatically result in an adverse classification. Many modified loans that are designated as a TDR for accounting purposes are fully performing and collectible credits. For this reason, examiners review the entirety of the lending relationship, including the duration of the borrower's cash flow, other assets, value of the collateral and other factors. OCFR examiners are directed to exercise significant flexibility in determining whether to adversely classify credits that are impacted by COVID-19, including those designated as TDRs. Financial institutions may also ease terms for new loans to affected borrowers, consistent with prudent banking practices. Such practices may help borrowers to recover or maintain their financial capacity and enhance their ability to service their debt.

The OCFR recognizes there may be other accommodations that could assist customers and communities in responding to challenges from COVID-19. The OCFR supports and will not criticize efforts to accommodate customers in a safe and sound manner, and encourages financial institutions to work with our Office and federal regulators regarding additional actions that may more effectively manage or mitigate any adverse impact due to COVID-19.

Financial Condition Review, Supervisory Response, and Regulatory Relief

The OCFR appreciates that some financial institutions with customers affected by COVID-19 related issues may experience an increase in their levels of delinquent and nonperforming loans. Consistent with long-standing practices, the OCFR will consider the unusual circumstances these financial institutions face when reviewing an institution's financial condition and determining any supervisory response. As needed, the OCFR will work with affected financial institutions to reduce burden when scheduling examinations, including making greater use of remote off-site reviews, consistent with applicable legal and regulatory requirements.

Regulatory Reporting Requirements

Financial institutions affected by COVID-19 related issues that expect to encounter difficulty meeting regulatory reporting requirements, including audited financial statements and related reports, as applicable, are encouraged to contact the OCFR to discuss their situation. The OCFR's staff stand ready to work with affected financial institutions that may experience problems fulfilling their reporting responsibilities, considering each financial institution's circumstances.

Alternative Service Options for Customers

The OCFR understands that financial institutions may need to temporarily close a facility due to staffing challenges or to take precautionary measures. For example, some institutions may wish to limit foot traffic within the lobby of a branch and provide services only through the drive-through lanes. The OCFR encourages financial institutions to reduce disruptions to their customers, provide alternative service options when practical, and reopen affected facilities when it is safe to do so. Please notify the OCFR of all temporary branch closure, lobby closures, and the use of drive-through only branch locations. Financial institutions should also notify their customers of temporary closures of an institution's facilities and the availability of any alternative service options as soon as practical. Refer to the OCFR's Emergency Preparedness Guide for Maryland-Chartered Banks, Credit Unions, and Trust Companies for guidance on temporary closings of branch offices at labor.maryland.gov/finance/advisories/fremergencyprepguide.pdf.

Please notify the OCFR as early as possible regarding any business disruptions or other significant developments that result from the effects of COVID-19. Examples include closures of office or branch locations, significant staff shortages, or the rapid withdrawal of deposits and other signs of erosion in consumer confidence. Receiving this information will be critical to our monitoring of the industry throughout Maryland and identifying both local and systemic issues.

If you have any questions, please contact Deputy Commissioner Teresa M. Louro at Teresa.louro@maryland.gov or (410) 230-6022.

Additional Resources

- ❖ Maryland Department of Health Coronavirus (COVID-19) Website (<https://phpa.health.maryland.gov/Pages/Novel-coronavirus.aspx>)
- ❖ CDC Coronavirus (COVID-19) Website (<https://www.cdc.gov/coronavirus/2019-nCoV/index.html>)
- ❖ CDC Interim Guidance for Businesses (<https://www.cdc.gov/coronavirus/2019-ncov/specific-groups/guidance-business-response.html>)
- ❖ CDC Travel Website (<https://wwwnc.cdc.gov/travel/>)
- ❖ FDIC Coronavirus (COVID-19) Information for Bankers and Consumers (<https://www.fdic.gov/coronavirus/index.html>)
- ❖ Board of Governors of the Federal Reserve System – Coronavirus Disease 2019 (COVID-19) (<https://www.federalreserve.gov/covid-19.htm>)
- ❖ National Credit Union Administration – Coronavirus (COVID-19): Information for Federally Insured Credit Unions (<https://www.ncua.gov/coronavirus>)



Office of the Commissioner of Financial Regulation
Maryland Department of Labor