



## Revised Policy for Classifying Retail Credits

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February 19, 1999

TO: CHIEF EXECUTIVE OFFICER  
SUBJECT: *FFIEC Revises Uniform Retail Credit Classification and Account Management Policy*

The Federal Financial Institutions Examination Council (FFIEC) has revised the *Uniform Retail Credit Classification and Account Management Policy* issued in 1980. The amendments update and expand the classification policy for retail credit loans. The amended policy is attached.

The revised policy retains and clarifies a requirement that open-end loans, such as credit card balances, that are 180 days or more overdue should be charged off. Closed-end loans, such as installment loans, should be charged off after they are 120 days delinquent. Previous policy guidance had been interpreted and applied inconsistently.

In addition, the federal financial institution regulators adopted the following new guidance:

- Retail loans to borrowers who subsequently declare bankruptcy should be charged off within 60 days of receiving notification of FILING from the bankruptcy court.
- Fraudulent loans should be charged off within 90 days of discovery.
- In cases where the borrower dies, loans should be charged off when the bank determines the amount of loss.
- One- to four-family residential real estate loans and home equity loans that are delinquent 90 days or more and with loan-to-value ratios greater than 60 percent should be classified "substandard." If delinquency exceeds the general charge-off time frames for open-end and closed-end loans, the institution should evaluate its collateral position and classify as "loss" any loan amount that exceeds the value of the collateral.

The policy also details criteria that must be met before banks and thrifts may consider a delinquent open-end account current, such as the process of account re-aging, extension, and deferral. For an account to be eligible for re-aging, it must meet the following conditions:

- The borrower should show a renewed willingness and ability to repay the loan.
- The account should exist for at least nine months.
- The borrower should make at least three minimum consecutive monthly payments or an equivalent lump sum payment.
- A loan should not be re-aged more than once within any 12-month period or more than twice within a five-year period.
- New credit should not be extended to the borrower until the balance falls below the designated predelinquency credit limit.

The *Uniform Retail Credit Classification and Account Management Policy* applies to all FDIC-supervised institutions. Changes in these policies and practices that do not require programming resources should be implemented for reporting in the June 30, 1999, Call Report or Thrift Financial Report. Changes requiring programming resources should be implemented for reporting in the December 31, 2000, Call Report or Thrift Financial Report.

For further information, please contact your Division of Supervision Regional Office or James Leitner, Examination Specialist, at (202) 898-6790.

James L. Sexton  
Director

Attachments: Feb. 10, 1999 *Federal Register*, Vol. 64, No. 27, pages 6655-6659 [HTML](#) [PDF](#)  
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