



COMMONWEALTH OF MASSACHUSETTS

Office of Consumer Affairs and Business Regulation

DIVISION OF BANKS

1000 Washington Street, 10TH Floor, Boston, MA 02118-6400

(617) 956-1500 · Fax (617) 956-1599 · TDD (617) 956-1577

www.Mass.Gov/DOB

CHARLES D. BAKER
GOVERNOR

KARYN E. POLITO
LIEUTENANT GOVERNOR

MIKE KENNEALY
SECRETARY OF HOUSING AND
ECONOMIC DEVELOPMENT

EDWARD A. PALLESCHI
UNDERSECRETARY

MARY L. GALLAGHER
COMMISSIONER

March 16, 2020

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

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

Working with Customers: The Division encourages financial institutions to work with affected customers and communities. The Division 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 Division 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. Division 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 Division recognizes there may be other accommodations that could assist customers and communities in responding to challenges from COVID-19. The Division supports and will not criticize efforts to accommodate customers in a safe and sound manner. The Division encourages financial institutions to work with their 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 Division 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 Division will consider the unusual circumstances these financial institutions face when reviewing an institution's financial condition and determining any supervisory response. As needed, the Division will work with affected financial institutions to reduce burden when scheduling examinations or inspections, including making greater use of 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 Division to discuss their situation. The Division'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 Division 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 a branch and provide services only through the drive-through lanes. The Division 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. Affected financial institutions are encouraged to notify the Division and their customers of temporary closure of an institution's facilities and the availability of any alternative service options as soon as practical. Refer to the Division's Regulation Bulletin 2.1-105 for guidance on temporary closings of branch offices.

Please notify the Division of Banks as early as possible regarding any business disruptions or other significant developments that result from the effects of Coronavirus. 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 the Commonwealth and identifying both local and systemic issues.

If you wish to notify the Division or should have any questions, please contact Deputy Commissioner James Barrett at james.a.barrett@mass.gov or 617/367-4401.

Additional Resources:

<https://www.mass.gov/news/ffiec-highlights-pandemic-preparedness-guidance>

<https://www.mass.gov/news/federal-state-regulators-encourage-consumer-support-during-coronavirus-crisis>

<https://www.mass.gov/regulatory-bulletin/21-105-emergency-temporary-closing-of-banking-offices>