

BANKS AND CREDIT UNIONS

Regulatory Relief

On December 27, 2020, the *Coronavirus Response and Relief Supplemental Appropriations Act* (“COVID relief law”) was signed into law, extending regulatory relief for banks and credit unions to encourage continued lending to households and small businesses.

***** EXTENSION OF CERTAIN TEMPORARY RELIEF *****

The COVID relief law extends temporary provisions on troubled debt restructuring and Current Expected Credit Loss accounting standards, both of which were established in the *Coronavirus Aid, Relief, and Economic Security (CARES) Act*. It also extends a CARES Act provision that temporarily expanded borrowing limits for the National Credit Union Administration’s (NCUA) Central Liquidity Facility.

Troubled Debt Restructuring

- The CARES Act allowed banks and credit unions to suspend Generally Accepted Accounting Principles (GAAP) requirements for loan modifications related to losses from the COVID pandemic.
 - Banks and credit unions that modified loans between March 1, 2020, and December 31, 2020, were not required to categorize those modifications as troubled debt restructurings (TDR).
- **The COVID relief law extends this temporary relief from TDR accounting until January 1, 2022, or 60 days after the end of the national public health emergency, whichever is sooner.**
- **The COVID relief law also clarifies that this provision covers insurance companies.**

Current Expected Credit Losses

- The CARES Act allowed banks and credit unions to temporarily delay the adoption of a new Financial Accounting Standards Board accounting standard: Current Expected Credit Loss (CECL).
 - CECL requires financial institutions to recognize lifetime estimated credit losses as an allowance upon origination of a loan.
- The CARES Act permitted institutions to delay CECL adoption until December 31, 2020.
 - **The COVID relief law extends this temporary relief until January 1, 2022, or the first day of the financial institution’s fiscal year after the end of the national emergency, whichever is sooner.**

Credit Union Liquidity Facility

- The NCUA’s Central Liquidity Facility (CLF) serves as a liquidity lender to credit unions experiencing unusual or unexpected liquidity shortfalls. To fund the CLF, the NCUA may borrow from any source, as long as the total face value of the obligations do not exceed 12 times the capital stock and surplus of the facility.
- The CARES Act allowed the CLF to borrow up to 16 times its subscribed capital stock and surplus, up from the statutory limit of 12 times, until December 31, 2020.
 - **The COVID relief law extends this temporary expansion of the CLF’s borrowing capacity to December 31, 2021.**