Accounting for Loan Modifications to Borrowers Experiencing Financial Difficulties

In March 2022, the FASB issued ASU No. 2022-02, “Financial Instruments - Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures,” which amended ASC Topic 326, Financial Instruments - Credit Losses. This guidance, once effective, will eliminate the recognition and measurement accounting guidance for Troubled Debt Restructurings and Vintage Disclosures, while enhancing disclosure requirements for loan modifications by creditors when a borrower is experiencing financial difficulty. As a result, an institution must evaluate whether a modification to a borrower experiencing financial difficulty represents a new loan or a continuation of an existing loan.

Click here to access the supplemental instructions.

Additional information can be found on the Federal Register Notice.

Federal Reserve Board Announces the Individual Capital Requirements for all Large Banks, Effective on October 1st

The Federal Reserve Board has announced the individual capital requirements for all large banks following stress testing conducted earlier this year. The results go into effect on October 1st.

Large bank capital requirements are in part determined by the Board’s stress test results, which provide a risk-sensitive and forward-looking assessment of capital needs. The Large Banks Capital Requirements table shows each bank's total common equity tier 1 capital requirement, which is made up of several components, including:

- The minimum capital requirement, which is 4.5 percent;
- The stress capital buffer requirement (determined from the stress test results) is at least 2.5 percent; and
- If applicable, a capital surcharge for global systemically important banks (G-SIBs), which is updated in the first quarter of each year to account for the overall systemic risk of each G-SIB.

FR 2028D - Compilation of Small Business Lending

The most current release of the Small Business Lending Survey (FR 2028D) data compilation is now available on the Federal Reserve Bank of Kansas City’s website.

The Small Business Lending Survey is a quarterly collection of quantitative and qualitative information that is used to understand small bank conditions for bank lending to small business. The survey captures detailed information about small business lending, including:

- The survey provides policymakers and the general public with detailed information on bank lending activity and terms, as well as how it changes from quarter to quarter.
- The survey enables Federal Reserve policymakers to construct a more complete picture of the overall bank lending to businesses.

Brokered Deposit Guidance

The Federal Deposit Insurance Corporation (FDIC) issued a statement on July 15 to remind FDIC-insured depository institutions of certain requirements regarding brokered deposits under Section 337.6 of the FDIC’s Rules and Regulations, as revised by the 2021 Brokered Deposits Final Rule.

The statement added a new Q&A section and updated public information on the Banker Resource Center Brokered Deposits Page. The statement further detailed that FDIC-insured depository institutions must report as brokered any deposits swept from broker dealers with a primary purpose exception to unaffiliated IDIs if there are any additional third parties involved that qualify as a deposit broker, as defined by Section 337.6 – Brokered Deposits, of the FDIC’s Rules and Regulations.

Federal Reserve Board Issues 2021 Annual Report

Check out the Federal Reserve Board’s 2021 Annual Report, which covers the calendar year operations and activities carried out by the Board of Governors in its five key functional areas: (1) monetary policy, (2) financial stability, (3) supervision and regulation, (4) payment system and Reserve Bank oversight, and (5) consumer and community affairs.
Michael S. Barr Sworn in as Vice Chair for Supervision of the Board of Governors of the Federal Reserve System

Michael S. Barr took the oath of office as Vice Chair for Supervision and a member of the Board of Governors of the Federal Reserve System on July 19. The oath was administered by Chair Jerome H. Powell in the press briefing room of the Board’s Martin building.

President Biden nominated Mr. Barr on May 2, and he was confirmed by the United States Senate on July 13. His term as Vice Chair for Supervision ends on July 19, 2026, and his term as a member of the Board ends on January 21, 2032.

Biographies of each Board member are available on the Board’s website.

Federal Register Notice Issued that Provides Default Rules for Some Contracts Using LIBOR Reference Rate

The Federal Reserve Board published a Federal Register Notice on a proposal that provides default rules for certain contracts that use the LIBOR reference rate, which will be discontinued next year. The proposal implements the Adjustable Interest Rate (LIBOR) Act, which Congress enacted earlier this year.

LIBOR, formerly known as the London Interbank Offered Rate, was the dominant reference rate used in financial contracts in recent decades, but the rate in its current form will be discontinued after June 30, 2023. In response to the planned end of LIBOR, Congress enacted the LIBOR Act to provide a uniform, nationwide solution for replacing references to LIBOR in existing contracts without adequate fallback provisions, which are provisions in the contract that define a replacement for the discontinued reference rate.

Consistent with the law, the proposal would replace references to LIBOR in certain contracts with the applicable Board-selected replacement rate after June 30, 2023. The contracts include those governed by domestic law that do not mature before LIBOR ends and that lack adequate fallback provisions.

The proposal identifies separate Board-selected replacement rates for derivatives transactions, contracts where a government-sponsored enterprise is a party, and all other affected contracts. As required by the law, each proposed replacement rate is based on the Secured Overnight Financing Rate. Additional detail can be found on the Federal Register Notice.

Cleveland Fed Digest - Ask the Expert Collection

Cleveland Fed Digests provide Cleveland Fed work directly to you on a regular basis. The Cleveland Fed offers the public economic research and special reports on housing, banking, and labor markets, community development analyses, and graphics that examine issues and illustrate trends.

The Ask the Expert Collection focuses on topics of interest within the Cleveland Fed. Banking Analysts monitor the risks and the overall health of banks in the region served by the Cleveland Fed which includes Ohio and parts of Pennsylvania, West Virginia, and Kentucky. Banks nationwide are also reviewed to determine the state of the industry. Read How the Pandemic Changed the Way We Bank.

Browse the entire collection from the experts.

Ask the Fed®

Ask the Fed® is an educational program that provides critical information on recent financial and regulatory developments. The target audience consists of senior officials of banks and holding companies and their financial institution subsidiaries, state bank commissioners, and state banking organizations. Recent Ask the Fed® sessions have focused on Federal Reserve programs around commercial real estate, agriculture, oil and gas energy policies, and the role of Federal Reserve System banks.

Access the Ask the Fed® registration and login to register for upcoming sessions or to view prior sessions.

Upcoming Events – Cleveland Fed

The Federal Reserve Bank of Cleveland will be sponsoring several events later this year including:

- Conference on Real-Time Data Analysis, Methods, and Applications in Macroeconomics and Finance to be held at the Cleveland Federal Reserve Bank on October 6 – 7;
- Women in Economics Symposium which aims to encourage women to pursue a career in economics by featuring the career tracks of diverse economic professionals and raising awareness of diversity and inclusion in the profession on November 7; and,

Read more about upcoming conference offerings.