



**Kay Ivey**  
Governor

## STATE OF ALABAMA STATE BANKING DEPARTMENT



**Mike Hill**  
Superintendent of Banks

### MEMORANDUM

TO: Chief Executive Officers of All State-Chartered Banks

FROM: Mike Hill, Superintendent of Banks *MEH*

SUBJECT: Further Guidance on COVID-19 – Lending, Operations, Borrowing, and ORE

DATE: March 19, 2020

The Alabama State Banking Department (Department) continues to closely monitor developments regarding the Coronavirus (COVID-19) and the effects on the financial sector. The Department realizes that there are a lot of questions regarding banks working with borrowers and operational issues. This Memorandum is to provide guidance on these and other topics.

#### **COVID 19 Frequently Asked Questions**

On March 19, 2020, the Federal Deposit Insurance Corporation (FDIC) issued a Financial Institution Letter (FIL-18-2020) that includes the document “**Frequently Asked Questions for Financial Institutions Affected by the Coronavirus Disease 2019 (Referred to as COVID-19)**”. This document answers several questions bankers have been asking about working with borrowers and operational issues. The document addresses topics such as payment accommodations, reporting delinquent loans, and TDRs, as well as alternative service options, etc. The link to the document can be found below:

<https://www.fdic.gov/coronavirus/faq-fi.pdf>

Of course, as I stated in my March 16, 2020 memo, I strongly encourage our banks to prudently work with their customers who may be impacted by COVID-19.

[http://banking.alabama.gov/pdf/Covid-19/Superintendent Mike Hill Statement on Working with Bank Customers3162020.pdf](http://banking.alabama.gov/pdf/Covid-19/Superintendent%20Mike%20Hill%20Statement%20on%20Working%20with%20Bank%20Customers3162020.pdf)

#### **Federal Reserve Borrowing Availability**

In addition, the Federal Agencies have also issued a joint statement, “**Statement on Use of the Discount Window**”, encouraging banks to use the discount window in a strategic manner to meet demands for credit from households and businesses. The link to the joint statement can be found below:

<https://www.fdic.gov/news/news/press/2020/pr20028a.pdf>

I want to support and encourage our banks use of the Federal Reserve Discount Window. Having as many sources of liquidity available, at attractive rates, during uncertain times is a positive, and we know from the joint statement and talking directly with the Fed that they stand ready to provide that liquidity to our banks. Today, we view any negative perception of using the Discount Window by media or by bankers as misplaced and out-of-date. As one Fed official told us, "Using the Window is a good thing now, not a bad thing."

### **Centralized Information Links for Banker and Consumer COVID-19 Information**

The FDIC also has a link on their website entitled "**Coronavirus (COVID-19) Information for Bankers and Consumers**" that compiles all FDIC issued FILs, Guidance, and press releases in one place. You can refer to the below link for continuously updated information:

<https://www.fdic.gov/coronavirus/>

Our Department has also, on its website, consolidated information, guidance, and links to resources related to the Coronavirus (COVID-19). That webpage may be found here:

[http://banking.alabama.gov/Covid\\_info.aspx](http://banking.alabama.gov/Covid_info.aspx)

### **Other Real Estate Policy and Write-downs**

The Department also realizes that, with the economic impact of COVID-19, banks will face added challenges of dealing with and disposing of Other Real Estate (ORE), either through the sale or write-down of properties. As you are aware, "**SBD Opinion 2015-01- Policy on Booking and Holding Real Property Interests**" (ORE Policy) requires ORE properties that are held for five years to be written down to \$1 if the bank has not received written approval of the Superintendent for an extended holding period.

Recently, when extensions have been granted, our practice has been to allow banks to hold ORE for up to an additional five years (up to 10 years) beyond the five-year limit, with the condition that the property is written down in equal amounts annually so that the book value will be no greater than \$1 by the end of the tenth year.

Effective immediately and until further notice, where write-downs have been required for properties that are beyond the five-year limit in the ORE Policy, banks may discontinue the required write-downs and hold the properties at current book value. Banks will still have to follow rules for proper valuation and accounting procedures for booking ORE, but the mandatory write-downs required under our ORE Policy that are related to the holding period will not be required. In addition, any banks that have already taken such write-downs in 2020 for properties that are unsold and still on their books may reverse the write-downs taken in 2020 (but not in prior years).

For properties that hit the five-year age limit going forward, if not already granted, my prior approval is still required to hold a property longer than five years, but until further notice, write-downs will not be required to continue to hold the property.