

RESCINDED

Troubled Debt Restructuring Program

This document and any attachments are superseded by the OCC Bank Accounting Advisory Series.

EXAMINATION OBJECTIVES

To assess the savings association's policies, procedures, and controls on troubled debt restructurings (TDRs) and to determine whether the policies are adequate to ensure that TDRs benefit the savings association.

To determine if savings associations report TDRs and repossessions in substance in accordance with OTS policy and GAAP.

To assess the reasonableness of concessions granted to borrowers by management under TDR agreements.

To assess the risk that TDR policies and practices pose to the savings association and ultimately to the FDIC insurance funds, its members, and the public.

EXAMINATION PROCEDURES

LEVEL I

WKP. REF.

1. Evaluate the adequacy of the savings association's policies, procedures, and controls on troubled debt restructuring to ensure that the savings association structures TDRs to its benefit.
2. Review the preceding report of examination and all TDR-related exceptions noted and determine if management has taken appropriate corrective action.
3. Review the Matters Requiring Board Attention and Corrective Actions from the three or four previous ROEs to ensure that the board and management have taken appropriate corrective action where necessary and persistent problems have not recurred.

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4. Ascertain through review of minutes, audit reports, and other management reports whether the savings association properly approves TDRs in accordance with policy and reports pertinent information to the savings association's board of directors.

5. Obtain from management a current list of TDRs. Determine whether the savings association correctly reports TDRs in audited financial statements and in reports to the OTS. Discuss missing material disclosures with the regional accountant.

6. Review Level II procedures and perform those necessary to test, support, and present conclusions derived from performance of Level I procedures.

LEVEL II

7. If the effect of TDRs is material relative to regulatory capital or earnings, test TDRs for compliance with the savings association's policies and procedures and for compliance with GAAP. You may rely on the savings association's work papers and internal and external audit work as appropriate.

8. Ensure that your review meets the Objectives of this Handbook Section. State your findings and conclusions, and appropriate recommendations for any necessary corrective measures, on the appropriate work papers and report pages.

EXAMINER'S SUMMARY, RECOMMENDATIONS, AND COMMENTS

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