

# Federal Regulators Urge Banks to Work with Borrowers Affected by the Coronavirus

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**In the last week, COVID-19 has upended the normal routines of daily life in America. While the health and safety of all Americans is the paramount concern, the economic impact is a reality that cannot be ignored.**

On March 9, 2020, the Federal Reserve, Office of the Comptroller of the Currency, Federal Deposit Insurance Corp., Consumer Financial Protection Bureau, National Credit Union Administration, and Conference of State Bank Supervisors issued a joint statement to financial institutions urging them to "work constructively with borrowers and other customers in affected communities." They added: "Prudent efforts that are consistent with safe and sound lending practices should not be subject to examiner criticism."

Customers and borrowers are going to experience financial difficulties due to the shutdowns, quarantines, and limited economic activity caused by COVID-19. The regulators' statement provides banks space to assist their customers and help survive the economic effects stemming from the COVID-19 response.

The regulators do not make specific recommendations, but banks may want to prepare to offer borrowers payment deferral, extension, modification, or forbearance agreements. We can assist you with preparing form documents that provide relief while protecting your contract rights under your loan documents. In these uncertain times, when no one is unaffected, banks dealing with defaulting borrowers need to consider what they "should" do and not rely solely on what they "can" do under their loan documents. Not every customer relationship is identical, and responses should be determined case-by-case.

The regulators recognize that the COVID-19 response may affect your operations. In the statement, they clarify that they "understand that many financial institutions may face current staffing and other challenges," and insist that they will "work with affected financial institutions in scheduling examinations or inspections to minimize disruption and burden."

We will be monitoring this frightening and fluid situation and we will be ready to assist you when questions arise. You can read the regulators' full statement [here](#).

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