

NCUA LETTER TO CREDIT UNIONS

**NATIONAL CREDIT UNION ADMINISTRATION
1775 Duke Street, Alexandria, VA 22314**

DATE: September 2009 **LETTER NO.:** 09-CU-19
TO: Federally Insured Credit Unions
SUBJ: Evaluating Residential Real Estate Mortgage Loan Modification Programs
ENCL: Supervisory Letter – Evaluating Residential Real Estate Mortgage Loan Modification Programs

Dear Board of Directors:

In response to unprecedented levels of mortgage loan defaults and foreclosures credit unions are initiating mortgage loan modification programs or other workout strategies to alleviate or minimize losses. Credit unions must take action to identify and potentially assist borrowers whose financial stress may lead to future impairment in mortgage loan performance. By proactively identifying “at risk” loans, credit unions can measure the potential impact of borrower default on net worth, assess internal liquidity available to help borrowers through loan modifications, and closely monitor the performance of these loans. Further, identifying and assisting “at risk” members before delinquency occurs may improve chances for a successful modification and reduce potential losses.

NCUA examiners were recently provided guidance in evaluating the safety and soundness of residential mortgage loan modification programs. This letter provides all federally insured credit unions with the same guidance via the enclosed Supervisory Letter.

The Supervisory Letter discusses the objectives of a loan modification program and provides NCUA field staff with guidance for evaluating whether management has made a realistic assessment of risk and exercised the proper due diligence in developing, implementing, and monitoring these inherently higher risk programs. Some of the key points addressed in the Supervisory Letter include:

- Loan modification programs will vary in sophistication depending on the size and complexity of the loan portfolio and the level of risk.

- The objectives of a residential real estate loan modification are to help members who are struggling financially to maintain ownership of their homes and to minimize the credit union's default and foreclosure costs.
- Studies suggest that lowering the monthly payment sufficiently to make it affordable in the long term, and reducing the principal balance to create greater borrower equity, may result in a more sustainable loan modification.
- Credit union management should be able to quantify how much of the mortgage loan portfolio is at risk of default and have a prudent strategy for managing or reducing the risk.
- Full and fair financial disclosure warrants separate analysis in the allowance for loan and lease losses (ALLL) for loan modifications as the risk of default is very high, even when policies and procedures are sound.

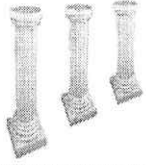
NCUA has issued several letters encouraging credit unions to work constructively with residential mortgage borrowers who may be unable to meet their contractual payment obligations. These letters, and the enclosed Supervisory Letter, provide sound practices for managing the risk associated with residential mortgage loan portfolios, including distressed mortgages.

Sincerely,

/s/

Deborah Matz
Chairman

Enclosure



Supervisory Letter



Evaluating Residential Real Estate Mortgage Loan Modification Programs

Credit unions across the nation are experiencing unprecedented levels of mortgage loan defaults and foreclosures. Many borrowers are financially unable to make their contractual mortgage payments because of unemployment or a reduction in income. Others are unable to afford significant payment increases when their adjustable rate mortgages reset, and they are unable to refinance their loans because of a severe decline in the property's value. Some borrowers, whose home value is "underwater," meaning the value of the home is less than the amount of the mortgage note, are simply walking away from their homes because they lack the incentive to keep their mortgage payments current.

NCUA encourages credit unions to work constructively with residential mortgage borrowers who may be unable to meet their contractual payment obligations. One common workout arrangement is a mortgage loan modification. A loan modification permanently restructures the terms of an existing mortgage loan. It is important to understand a loan modification is not a new loan, but a renegotiation of an existing loan. It does not satisfy or replace the existing note. Loan modification options may include (but are not limited to) any one, or a combination, of the following:

- ✓ Reduction in the interest rate;
- ✓ Extension of the maturity date;
- ✓ Principal forbearance or forgiveness;
- ✓ Conversion of the interest rate from adjustable to fixed;
- ✓ Allowing interest-only payments for a period of time;
- ✓ Balloon Options;
- ✓ Waiver of late fees; and
- ✓ Reduction or capitalization of past due amounts, accrued interest, taxes, insurance, or fees.

Some loan modifications even allow for the credit union to share in any future appreciation of the collateral property in exchange for a reduction in principal.¹ A credit union's participation in the *Making Home Affordable*² loan modification program can result in reduced monthly loan payments for eligible members as well as other financial incentives for the member and the

¹ OGC Legal Op. 09-0426 (May 28, 2009) recognizes shared appreciation loan modifications as permissible for federal credit unions and notes certain regulatory requirements.

Available at: www.ncua.gov/Resources/RegulationsOpinionsLaws/OpinionLetters/2009/09-0426.pdf

² See NCUA Letter to Credit Unions No. 09-CU-04, March 2009 – Making Home Affordable: A Program for Mortgage Loan Refinancing and Modifications at <http://www.ncua.gov/letters/2009/CU/09-CU-04.pdf>

credit union. A prudently underwritten and appropriately managed mortgage loan modification, consistent with safe and sound lending practices, is generally in the long-term best interest of both the borrower and the credit union. It allows the borrower to remain in their home and helps the credit union minimize the costs of default and foreclosure. Examiners should evaluate the effectiveness of the credit union's loan modification program and ensure that the program is not masking delinquency or delaying the timely recognition of loan losses.

Objectives of Residential Real Estate Mortgage Loan Modifications

There are two objectives of a residential real estate loan modification:

- Help members who are struggling financially to maintain ownership of their homes.
- Minimize the credit union's default and foreclosure costs.

The credit union accomplishes one objective by providing willing borrowers with an affordable and sustainable mortgage payment and the other by determining whether the modification makes economic sense. Examiners should ensure that the credit union's loan modification program achieves both objectives.

Affordable and Sustainable Mortgage Loan Payment

Different mortgage loan modifications have different re-default rates. Many traditional modifications only add the past due payments and fees to the unpaid principal, with little or no change in loan terms, thus increasing the amount of debt and often resulting in higher monthly payments. Many traditional loan modification strategies also fail to verify income or sufficiently consider the borrowers' debt-to-income ratio and payment affordability. However, various analyses suggest that lowering the monthly payment sufficiently to make it affordable in the long term, and reducing the principal balance to create greater borrower equity, may result in a more sustainable loan modification.

The *First Quarter 2009 OCC and OTS Mortgage Metrics Report*³ supports the premise that lower payments produce more sustainable modifications. This report presents performance data on first lien residential mortgages serviced by the nine national banks and four federally regulated thrifts with the largest mortgage servicing portfolios. The combined servicing portfolios for these institutions constitute more than 64 percent of all mortgages outstanding in the United States. According to this report, within six months, over half of all loans modified in 2008 were 30 days or more delinquent and over a third were 60 days or more delinquent. However, re-defaults were highest for modifications that resulted in no change or an increase in the monthly payment. Further, the greater the percentage decrease in the monthly payment, the lower the subsequent rate of re-default.

While delinquencies increased over time for all categories of modifications, delinquencies for modifications resulting in payments reduced by 20 percent or more were well below delinquencies for modifications resulting in payments that were unchanged or increased. Six months after modification, the percentage of loans 60 days or more delinquent was 24 percent for loans with payments reduced by 20 percent or more, 54 percent for loans with payments unchanged, and 50 percent for loans with payments increased. The report also noted that the

³ See *Office of the Controller of the Currency and Office of Thrift Supervision (OCC and OTS) Mortgage Metrics Report: First Quarter 2009*. Available at <http://files.ots.treas.gov/4820471.pdf>

stage of delinquency in which the modification is implemented is a key factor influencing re-default – the more serious the delinquency, the less likely the borrower will remain current after modification.

Another study⁴ analyzed 10,000 loans that were modified to prevent default. These modified loans came from a pool of more than 1.3 million mostly subprime and adjustable-rate mortgages made during the peak of the mortgage boom, 2005-2006. The study found that modifications with a reduced mortgage payment had a lower re-default rate than those with the same or larger mortgage payment (38 percent, 46 percent, and 60 percent, respectively). The study further suggested that combining lower payments with a reduction in principal can prevent even more defaults.

A recent article⁵ summarizes an unrelated study that similarly concluded some combination of payment reduction and either principal forbearance⁶ or forgiveness may be the most effective approach to mortgage modification as it may increase borrower ability and willingness to repay the modified amounts. However, when principal forgiveness is used, as opposed to forbearance where a portion of principal is ballooned to the end of the term, it should be carefully considered and tied to the current value of the home. In other words, when principal forgiveness is used, the credit union should carefully consider the current loan to value (LTV) and forecasted future appreciation of the home, and perform a cash flow analysis to determine that the cash flows from the loan modification exceed the cash flows given foreclosure.

FDIC's loan modification program⁷ suggests that a mortgage loan payment based on a 31 to 38 percent housing (principal, interest, taxes, and insurance payment) to gross income (HTI) ratio is affordable. The *Making Home Affordable* program⁸ targets a 31 percent HTI ratio and requires borrowers with a total debt to gross income (DTI) ratio of 55 percent or more to enter a HUD-certified counseling program as a condition to modification.⁹ Prudent underwriting standards require that the credit union consider both the HTI ratio and DTI ratio when determining affordability. Credit unions should ensure practices use prudent assumptions in analyzing modifications. The assumptions should be based on verifiable and sustainable income rather than projected future income once the economy improves.

Test for Financial Impact of Modification

Once the credit union establishes the modification terms, they should compare the cost of the concessions to the borrower with the estimated loss given foreclosure. One way to accomplish this is by employing a net present value (NPV) test that compares the NPV of expected cash flows from the modification with the NPV of the cash flows from foreclosure. In most cases, the

⁴ See "Loan Modifications and Redefault Risk: An Example of Short-term Impact, Working Paper: March 2009". Available at http://www.ccc.unc.edu/documents/LM_March3_%202009_final.pdf

⁵ See February 10, 2009, article, "Fitch: U.S. RMBS Servicers Must Focus on Sustainability of Borrower Plan". Available at

http://www.businesswire.com/portal/site/home/permalink/?ndmViewId=news_view&newsId=20090210005963&newsLang=en

⁶ Refer to the Glossary on page 8 for the definitions of "principal forbearance" and "principal forgiveness".

⁷ See "FDIC Loan Modification Program", at <http://www.fdic.gov/consumers/loans/loanmod/loanmodguide.html>

⁸ See "Making Home Affordable" guidelines, at <http://www.financialstability.gov/roadtostability/homeowner.html>

⁹ To foster credit union participation in the Department of the Treasury's Making Home Affordable Program (MHAP), the NCUA Board recently issued an interim final rule to permit federal credit unions to extend the term of a modified second lien as part of the MHAP Second Lien Program. See 74 Fed. Reg. 29933 (June 24, 2009). Available at: [http://www.ncua.gov/Resources/RegulationsOpinionsLaws/proposed_regs/701.21\(f\)_Second%20Lien_FINAL_web2.pdf](http://www.ncua.gov/Resources/RegulationsOpinionsLaws/proposed_regs/701.21(f)_Second%20Lien_FINAL_web2.pdf)

credit union should only modify the loan if modification is less costly than foreclosure. NPV tests can be complex, and credit unions without in-house expertise in this area may have to seek outside assistance.

Evaluation of Mortgage Loan Modification Programs

Loan modification programs will vary in sophistication depending on the size and complexity of the loan portfolio and the level of risk. Examiners should evaluate whether management has made a realistic assessment of risk and exercised the proper due diligence in developing, implementing, monitoring, tracking, and reporting the loan modification program.

Risk Assessment and Strategic Planning

By proactively identifying 'at risk' loans before payment performance issues emerge, credit unions can estimate the potential impact of borrower defaults on net worth, assess liquidity available to assist borrowers through loan modifications or refinances, possibly improve chances for a successful modification, and reduce potential losses. Credit union management should be able to quantify how much of the mortgage loan portfolio is at risk of default and have a prudent strategy for managing or reducing the risk. At a minimum, the risk assessment and planning should consider:

- ✓ Number and volume of mortgage loans that are delinquent;
- ✓ Number and volume of adjustable rate mortgage loans that are at risk of default because of impending resets, including junior lien equity loans with subordinate lien positions to senior adjustable rate mortgages;
- ✓ Number and volume of mortgage loans that are stated income, brokered, and/or non-traditional (e.g., interest only payments) as these loan types are of higher risk than traditional mortgage loans;
- ✓ Number and volume of mortgage loans that exceed the current fair value of the property, and anticipated value over the next 12-24 months, and an estimate of the credit union's total loss exposure (difference between the loan balance and fair value) in relation to net worth;
- ✓ Impact of foreclosures versus any proposed loan modifications on the financial performance of the credit union (earnings, net worth, asset liability management (ALM) model results, liquidity, etc.), ensuring management strategy provides for sufficient cash flow to meet operational and lending needs and the least expense to the credit union; and
- ✓ Other foreclosure prevention options if borrowers do not qualify for a loan modification.

Management and Staff

The number of employees administering the loan modification program, and their experience level, must be commensurate with the volume and complexity of the program. A large credit union or portfolio may require professional real estate workout specialists. Staff may also require additional training.

Legal Review

Before initiating a loan modification program, the credit union should consult an attorney versed in the laws of the state in which the real estate is located to make sure all the loan modification documents meet state law standards (including state real estate, lien, consumer protection, and Federal Trade Commission laws and regulations). The analysis by the attorney should focus on protecting the credit union's interest in the property that is securing the loan, including any future appreciation in value if the property is sold and is subject to a 'shared appreciation' agreement. The legal review should also ensure that loan modification documents comply with applicable NCUA and state regulations and consumer protection laws (e.g., Truth-in-Lending, Equal Credit Opportunity, Fair Lending, Real Estate Settlement Procedures Act, etc.). The legal review should address state laws applicable to foreclosure and other debt collection options.

Underwriting Policies

Credit unions should maintain qualification standards that include a credible analysis of a borrower's capacity to repay the loan according to its modified terms. This analysis should consider both principal and interest obligations according to the new terms of repayment, plus a reasonable estimate for real estate taxes and insurance, whether or not escrowed. The credit union should have comprehensive written underwriting policies for loan modifications that, at a minimum:

- ✓ Define eligibility requirements (i.e., under what conditions the credit union will consider a loan modification);
- ✓ Address allowable loan modification options (e.g., interest rate reduction, extended amortization period, principal forbearance or reduction, etc.), including limits on loan terms that may be modified (e.g., interest rate floor, interest rate cap, maximum loan maturity, maximum amount of principal reduction or forbearance, etc.);
- ✓ Include aggregate program limits (for total modification portfolio and each type of modification) as a percentage of net worth;
- ✓ Prohibit cash advances or release of new money to borrowers as part of the modification, except for settlement of delinquent real estate taxes, insurance, and other amounts that protect the credit union's collateral position;
- ✓ Require an updated title search to confirm the credit union's lien position and verify that no one other than the borrower/member has title to the property;
- ✓ Prohibit subordination of the credit union's lien position to a new lender, unless a principal reduction or other significant financial benefit is received by the credit union;
- ✓ Restrict mortgage loan modifications to loans secured by the borrowers' primary residence;

- ✓ Include standards for determining current property value (e.g., standard appraisal, automated valuation model, broker price opinion, etc.)¹⁰ and condition (e.g., physical inspection of the collateral, including interiors), and acceptable LTV limits;
- ✓ Require verification of the gross monthly income¹¹ for all borrowers who have signed the mortgage note (e.g., last year's tax returns, recent pay stubs, etc.);
- ✓ Require a current credit report for each borrower, or a joint report for a married couple, to validate monthly installment debt, revolving debt, and secondary mortgage debt;
- ✓ Include a target affordable HTI ratio and total DTI ratio;
- ✓ Require the estimated cost to the credit union, as measured by a NPV test, of any approved modification be less than the estimated cost of foreclosure¹² or other foreclosure prevention alternative (e.g., short sale, deed in lieu of foreclosure, cash for keys, etc.), unless extenuating circumstances exist, and document the NPV analysis in the loan file;
- ✓ Require any approved modification result in a sustainable mortgage payment to reduce the likelihood of re-default;
- ✓ Require a thorough analysis that considers various options for arriving at an affordable and sustainable mortgage payment (e.g., if reducing the interest rate will not achieve an affordable and sustainable mortgage payment, consider extending the amortization period, etc.);
- ✓ Document who is authorized to approve mortgage loan modifications (there should be a segregation of duties restricting staff recommending loan modifications from approving modifications);
- ✓ Require the loan officer to document the reason for the loan modification (e.g., hardship letter) and the borrower's commitment to pay in the loan file;
- ✓ Require the borrower to demonstrate an "ability and willingness" to repay under the new terms for a period of 90 days (three payments at the modified terms) before completion of the permanent modification;
- ✓ Limit the number of times an individual loan may be modified; and

¹⁰ For appraisal requirements, see Part 722 of the NCUA Rules and Regulations, available at http://www.ncua.gov/Resources/RegulationsOpinionsLaws/rules_and_regs/NCUA%20R%20&%20R%20Book%201%20May%208%202008%20w%20March%2009%20Change.pdf and NCUA Letter to Credit Unions No. 03-CU-17, November 2003 – *Independent Appraisal and Evaluation Functions for Real Estate-Related Transactions*, available at <http://www.ncua.gov/letters/2003/03-CU-17.pdf> (Use of tax assessments is discouraged because the municipalities issuing the tax assessments may be slow to recognize the decline in property values. Many use multiple years to compute the assessed values, so values may not be current.)

¹¹ For self-employed borrowers, business expenses must be deducted from gross business income to determine personal gross monthly income.

¹² The cost of foreclosure includes, but is not limited to, lost interest during the time required to complete the foreclosure, clean-up and repair costs, yard maintenance, sales commission, insurance costs, legal fees, processing fees, appraisal fees, other carrying costs, time to market, etc.

- ✓ Require reversion clauses allowing for the reversion of terms and continuance of deferred foreclosure processes when payments are delinquent or the borrower defaults on the modification.

Collection Policies and Procedures

Different modified mortgage loans have different likelihoods of re-default. The credit union should have staff experienced in this area and written collection policies and procedures that comply with applicable state laws and require close monitoring and aggressive follow-up on missed payments.

Monitoring and Reporting

Success is measured by the performance of the loan following modification. The credit union should establish an effective risk monitoring system that provides for monthly reporting to the board of directors on modified real estate loans, supports a successful collection process, ensures timely recognition of losses, and confirms that modification is the least costly strategy. This may include reports that profile delinquent and charged-off loans (identifying common characteristics or variables that may lead to loss) and reports tracking:

- ✓ Number and volume of each type of modified loan;
- ✓ Delinquency and charge-offs;
- ✓ First payment defaults;
- ✓ Principal reductions;
- ✓ High LTV ratios, particularly in areas with continued market declines, and total loss exposure in relation to net worth;
- ✓ High DTI ratios;
- ✓ Credit quality; and
- ✓ Number of times a loan has been modified.

Financial Reporting Considerations

Generally, but not always, a residential mortgage loan that undergoes a modification of terms represents a troubled debt restructuring (TDR). The determination of whether a modification is a TDR requires the exercise of judgment and depends on a number of factors. The relevant generally accepted accounting principles (GAAP) guidance is Statement of Financial Accounting Standard No. ("FAS") 15, *Accounting by Debtors and Creditors for Troubled Debt Restructurings* and Emerging Issues Taskforce Opinion No. ("EITF") 02-4, *Determining Whether a Debtor's Modification or Exchange of Debt Instruments is within the Scope of FASB Statement No. 15*. The credit union should consult their independent accountant regarding the appropriate application of GAAP to their facts and circumstances.¹³

The credit union should report these modifications as instructed on the 5300 Call Report. Any modification where TDR is applicable should be reported as delinquent until a six-month payment history is established.¹⁴

¹³ See NCUA Accounting Bulletin No. 06-01, December 2006 – *Interagency Policy Statement on the Allowance for Loan and Lease Losses*, available at: http://www.ncua.gov/GenInfo/GuidesManuals/accounting_bulletins/2006/06-01ALLL.pdf

¹⁴ See current NCUA 5300 Call Report Form and Instructions, available at: <http://www.ncua.gov/DataServices/Data/5300/September2009CallReportFormandInstructions1.pdf>

The allowance for loan and lease losses (ALLL) funding needs to separately factor losses for loan modifications as the expectation for re-default is highly probable even with sound underwriting, as noted in studies referenced earlier. Since actual loss experience may not exist, the credit union should consider default rates noted in the referenced studies.

Tax Implications

Some loan modifications that involve a reduction or forgiveness of principal may result in additional tax liabilities for the borrower that should be considered in any assessment of the borrower's ability to meet future obligations. The credit union should consult their independent accountant regarding applicable IRS reporting requirements. The credit union should also encourage the borrower to consult with a tax advisor regarding the tax implications of principal forgiveness before the modification is completed.

Conclusion

During this economic downturn, many credit unions are offering some type of loan modification, or other workout solution, to their distressed residential mortgage borrowers. The loan modifications will vary by credit union and by loan. However, there are some fundamental components that examiners should look for in any loan modification program:

- ✓ Realistic assessment of the risk to net worth;
- ✓ Overall strategy for managing or reducing the risk;
- ✓ Prudent policies, procedures, and controls for administering the program; and
- ✓ Process for monitoring, measuring, and reporting the program's success to the board.

A successful loan modification program balances helping the financially distressed member with protecting the credit union's interests. Management should be willing to try different options (e.g., interest rate reduction, extended amortization period, or a combination of both) to arrive at a modification that provides the borrower an affordable and sustainable loan payment at the least cost to the credit union. This may include offering principal forbearance or forgiveness to achieve an affordable payment and motivate the borrower to stay in the home and repay the loan.

Unfortunately, there will be times when a loan modification is not economically feasible or appropriate and management may need to consider other loss mitigation strategies such as short sale, deed in lieu of foreclosure, cash for keys, etc., to avoid foreclosure and reduce the credit union's loss exposure. Regardless of the loss mitigation strategy employed, the credit union should continue to appropriately identify and report credit risk, maintain an adequate allowance for loan losses, and recognize credit losses in a timely manner.

Glossary

Cash for keys – a deal which a financial institution may make with a homeowner in which the homeowner is given a cash settlement in exchange for surrendering the keys and vacating his or her foreclosed home. The agreement typically sets forth a specific date that the home will be left vacant and stipulates the home will be left in good condition and cleaned.

Conditional forbearance agreement – an agreement between the lender and the borrower, whereby the lender delays his right to foreclosure, and allows the borrower to make lower payments for a limited amount of time (typically three months).

Deed in lieu of foreclosure – a disposition option in which a borrower voluntarily deeds all interest in collateral property to the lender in exchange for a release from all obligations under the mortgage to avoid foreclosure

Foreclosure – A legal proceeding following a default by a borrower in which real estate secured by a mortgage or deed of trust is sold to satisfy the underlying debt.

Mortgage loan modification – a modification to an existing loan made by a lender in response to a borrower's long-term inability to repay the loan. A loan modification is not a new loan, but a renegotiation of an existing loan. It does not satisfy or replace the existing note. Loan modifications typically involve a reduction in the interest rate on the loan, an extension of the length of the term of the loan, a different type of loan, or any combination of these or other options. A lender might be open to modifying a loan because the cost of doing so is less than the cost of default. Where a forbearance agreement provides short-term relief for borrowers who have temporary financial problems, a loan modification agreement is a long-term solution for borrowers who will never be able to repay an existing loan.

Principal reduction or forgiveness – a loan modification where the lender reduces or forgives a portion of the unpaid principal balance of a loan completely and the borrower never has to repay the forgiven amount.

Principal forbearance – a loan modification where the lender reduces the unpaid principal balance of a loan for amortization purposes. The borrower's monthly loan payment is lower based on amortizing the reduced amount of principal, but the borrower still owes the "postponed" principal when the loan is paid in full or the property is sold or refinanced.

Refinance – to pay off an existing loan with the proceeds from a new loan, usually of the same size, and using the same property as collateral.

Short sale – a disposition option in which the lender allows the homeowner (borrower) to sell the mortgaged property for less than the outstanding balance of the loan and turn over the proceeds of the sale to the lender, sometimes (but not always) in full satisfaction of the debt, to avoid foreclosure

Troubled debt restructuring (TDR) – TDR loans are loans whose terms have been modified because the credit union, *for economic or legal reasons related to the debtor's financial difficulties*, grants a concession to the member debtor that it would not otherwise consider, providing for a reduction of either interest or principal. This concession either stems from an agreement between the credit union and the member debtor or is imposed by law or a court.

Resources

NCUA Rules and Regulations, Interim Final Rule amending Section 701.21 - Exception to the Maturity Limit for Second Mortgages

[http://www.ncua.gov/Resources/RegulationsOpinionsLaws/proposed_reqs/701.21\(f\)_Second%20Lien_FINAL_web2.pdf](http://www.ncua.gov/Resources/RegulationsOpinionsLaws/proposed_reqs/701.21(f)_Second%20Lien_FINAL_web2.pdf)

NCUA Rules and Regulations, Part 722 Appraisals.

http://www.ncua.gov/Resources/RegulationsOpinionsLaws/rules_and_regs/NCUA%20R%20&%20R%20Book%201%20May%208%202008%20w%20March%2009%20Change.pdf

NCUA Letter to Credit Unions No. 99-CU-12, August 1999 – *Real Estate Lending and Balance Sheet Risk Management*

<http://www.ncua.gov/letters/1999/99-CU-12.pdf>

NCUA Regulatory Alert No. 01-RA-14, December 2001 – *Soldiers' and Sailors' Civil Relief Act of 1940* <http://www.ncua.gov/Resources/RegulatoryAlerts/Files/Prior2003/01-RA-14.pdf>

NCUA Letter to Credit Unions No. 09-CU-12, June 2009 – *Interagency Examination Procedures on Credit Extended to the Military and their Dependents*

<http://www.ncua.gov/Resources/CorporateCU/Files/CULetters/09-CU-12.pdf>

NCUA Letter to Credit Unions No. 03-CU-17, November 2003 – *Independent Appraisal and Evaluation Functions for Real Estate-Related Transactions*

<http://www.ncua.gov/letters/2003/03-CU-17.pdf>

NCUA Accounting Bulletin No. 06-01, December 2006 – *Interagency Policy Statement on the Allowance for Loan and Lease Losses*

http://www.ncua.gov/GenInfo/GuidesManuals/accounting_bulletins/2006/06-01ALLL.pdf

NCUA Letter to Credit Unions No. 07-CU-06, April 2007 - *Working with Residential Mortgage Borrowers*

<http://www.ncua.gov/letters/2007/CU/07-CU-06.pdf>

NCUA Letter to Credit Unions No. 08-CU-20, August 2008 - *Evaluating Current Risks to Credit Unions*

<http://www.ncua.gov/letters/2008/CU/08-CU-20%20LCU.PDF> and enclosed *Supervisory Letter* - <http://www.ncua.gov/letters/2008/CU/08-01%20Sup%20Letter.pdf>

NCUA Letter to Credit Unions No. 08-CU-25, December 2008 - *Credit Unions Holding Foreclosed Properties as Foreclosed and Repossessed Assets (FRA)*
<http://www.ncua.gov/letters/2008/CU/08-CU-25.pdf>

NCUA Letter to Credit Unions No. 09-CU-04, March 2009 - *Making Home Affordable: a Program for Mortgage Loan Refinancing and Modifications* <http://www.ncua.gov/letters/2009/CU/09-CU-04.pdf>

FDIC Loan Modification Program Guide "Mod in a Box",
<http://www.fdic.gov/consumers/loans/loanmod/loanmodguide.html>

FASB Statement No.15 – Accounting by Debtors and Creditors for Troubled Debt Restructurings
http://www.fasb.org/pdf/aop_FAS15.pdf

FASB Statement No.114 – Accounting by Creditors for Impairment of a Loan
http://www.fasb.org/pdf/aop_FAS114.pdf

Emerging Issues Taskforce Opinion No. ("EITF") 02-4, *Determining Whether a Debtor's Modification or Exchange of Debt Instruments is within the Scope of FASB Statement No. 15*
<http://www.fasb.org/cs/BlobServer?blobcol=urldata&blobtable=MungoBlobs&blobkey=id&blobwhere=1175818738444&blobheader=application%2Fpdf>