

SECTION .0400 - LOANS

04 NCAC 06C .0401 DELINQUENT LOANS AND LOAN LOSSES

(a) Monthly Schedule of Delinquent Loans. Each credit union shall, at the end of each month, prepare and review a schedule of delinquent loans that shall list the account number, name(s) of borrower(s), date of loan, date of last payment, original amount of loan, and outstanding balance of loan at date of schedule, together with space to note current action or status.

(b) The unpaid balance of loans shall be set apart in columns of the schedule of delinquent loans that shall indicate the extent of delinquency as determined by the delinquent installments according to the note contract, as follows:

- (1) loans which the delinquent installments are 60 days but less than 180 days past due;
- (2) loans which the delinquent installments are 180 days but less than 365 days past due; and
- (3) loans which the delinquent installments are past due 365 days or more.

Similar formats customized to a credit union's needs shall be acceptable as long as the report described in this Paragraph may be produced upon request.

(c) Allowance for Loan Losses.

- (1) Each credit union shall establish and maintain the reserves as may be required by State laws and the rules of this Subchapter, or in special cases by the Administrator as set forth in G.S. 54-109.86. Each credit union shall establish an Allowance for Loan Losses Account. The Allowance for Loan Losses Account is not an addition to but a part of the Regular Reserve as required by statute.
- (2) The maintenance of a valuation Allowance for Loan Losses Account shall not eliminate the requirement for transferring a percentage of gross income before the payment of each dividend to the regular reserve as required by State credit union laws and rules of this Subchapter.
- (3) Adjustments to the valuation Allowance for Loan Losses shall be made prior to the distribution or posting of any dividend to the accounts of all the members so that the valuation allowance established presents the value of loans and anticipated losses.
- (4) Adjustments to the valuation Allowance for Loan Losses shall be recorded in the expense account "Provision for Loan Losses."
- (5) Dividends shall not exceed the amount available for that purpose after provisions have been made for the statutory transfer to the Regular Reserve Account and the removal of any deficit in the Regular Reserve Account.
- (6) Each credit union shall review the Allowance for Loan Losses Account quarterly for accuracy prior to completion of the call report. An independent party shall annually review the credit union's Allowance for Loan Losses Account. The independent party shall have no connection to the credit approval, the estimation process, the methodology, and its application.

History Note: Authority G.S. 54-109.11(4); 54-109.12; 54-109.16; 54-109.17; 54-109.86; 54-109.87;
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