

[**BSP CIRCULAR NO. 246, June 01, 2000**]

ADDITIONAL REGULATIONS ON RESTRUCTURED LOANS

The Monetary Board, in its Resolution No. 706 dated May 5, 2000, approved the following amendments to Circular No. 202 dated May 27, 1999:

Section 2 of Circular No. 202 is hereby amended to read as follows:

"SECTION 2. Additional Regulations on Restructured Loans. — The following additional regulations on restructured loans are hereby issued:

a. In the restructuring process, the bank shall encourage the borrower to improve the quality of the loan either by strengthening financial capacity or providing additional collateral.

b. The real estate security and/or other first class collaterals offered shall be appraised at the time of restructuring to ensure that current market values are being used. Real estate security shall be appraised by an independent appraisal company acceptable to the BSP and shall be reappraised every year thereafter.

i. For commercial banks, a loan benchmark is set at P5 million, such that loans beyond this amount will require an independent appraisal company: *Provided*, that the appraisal company contracted to do the appraisal is not a subsidiary or an affiliate of the commercial bank.

ii. For thrift banks, the loan benchmark is set at P1 million such that loans beyond this amount will require an independent appraisal company: *Provided*, that the appraisal company contracted to do the appraisal is not a subsidiary or an affiliate of the thrift bank.

A thrift bank may be allowed to use a commercial bank or another thrift bank acceptable to the BSP to do the appraisal for it: *Provided*, the thrift bank requesting the appraisal is not a subsidiary or affiliate of the commercial bank/other thrift bank contracted to do the appraisal.

iii. For rural banks, the benchmark is set at P500 thousand such that loans beyond this amount will require an independent appraisal company: *Provided*, that the appraisal company contracted to do the appraisal is not a subsidiary or an affiliate of the rural bank.

A rural bank may be allowed to use a commercial bank or a thrift bank acceptable to the BSP to do the appraisal for it: *Provided*, the rural bank requesting the appraisal is not a subsidiary or affiliate of the commercial bank/thrift bank contracted to do the appraisal.

c. A loan which is restructured shall be considered non-performing except when the loan is current and performing (i.e., with updated principal and interest