



# Bangko Sentral ng Pilipinas

MAYNILA, PILIPINAS

## OFFICE OF THE GOVERNOR

Circular No. 246  
Series of 2000

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 payments) on the date of restructuring, in which case, the loan shall retain its performing status.

The classification of a loan prior to restructuring, e.g., "Loans Especially Mentioned", "Substandard" or "Doubtful", shall be retained: *Provided*, that a loan that is not classified but which is non-performing prior to restructuring shall be classified, at least, "Loans Especially Mentioned": *Provided further*, that restructured loans with capitalized interest shall be classified, at least, "Substandard".

- d. The restoration to a performing loan status and/or the upgrading of loan classification, e.g., from "Substandard" to "Loans Especially Mentioned", if circumstances warrant an upgrading in accordance with the criteria under Appendix 18 of the Manual of Regulations for Banks (MOR), shall only be effective after a satisfactory track record of payments of the required amortization of principal and/or interest has been established.

For this purpose, a satisfactory track record of payments of principal and/or interest shall mean three (3) consecutive payments of the required amortization of principal and/or interest have been made. However, in the case of a restructured loan with capitalized interest but not fully secured by real estate with loan value of up to 60% of the appraised value of the real estate security and the insured improvements thereon or other first class collaterals,

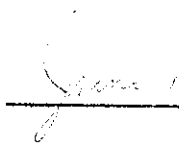
six (6) consecutive payments of the required amortization of principal and/or interest must have been made.

- e. A restructured loan which has been restored to a performing loan status shall be immediately considered non-performing in case of default of any principal or interest payment; *however*, it shall be considered past due in accordance with existing rules and regulations [Section X306 of the MOR, as amended by Circulars No. 143 dated October 1, 1997 and No. 202 dated May 27, 1999]
- f. A second restructuring of a loan shall be allowed only if there are reasonable justifications: *Provided*, it shall be considered a non-performing loan and classified, at least, "Substandard". The restoration to a performing loan status and/or the upgrading of loan classification, e.g., from "Substandard" to "Loans Especially Mentioned", if circumstances warrant an upgrading in accordance with the criteria under Appendix 18 of the MOR, shall only be effective after a satisfactory track record of at least six (6) consecutive payments of the required amortization of principal and/or interest has been established."

This Circular shall take effect immediately.

FOR THE MONETARY BOARD:

  
RAFAEL B. BUENAVENTURA  
Governor

  
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