



Ohio Administrative Code

Rule 1301:9-2-04 Charge-off of uncollectible loans and other losses and reserves.

Effective: [October 25, 2022](#)

(A) The purpose of the allowance for loan losses is to represent the management's estimate of loan losses in a credit union's loan portfolio. The allowance for loan losses will be charged with the amount of uncollectible loans and loan-derived assets which have been authorized for charge-off by the board of directors; likewise, recoveries on loans previously charged-off will be credited to this account.

(B) A record shall be maintained of all loans charged-off. Said record shall contain the following information: account number, name, original date, amount of original loan, security, balance at the time of charge-off; and what, if any, recovery has been made on the security. This record shall be kept current and made available to the examiners at each examination.

(C) Loans should be charged-off when they are deemed uncollectible. That practice should be applied consistently in all interim financial reporting periods . A credit union's loan policy shall address when a loan is deemed uncollectible.

(1) A credit union with total assets of \$10 million or greater shall make charges for loan losses in accordance with GAAP.

(2) A credit union with total assets of less than \$10 million shall make charges for loan losses in accordance with any reasonable reserve methodology (incurred loss) provided it adequately covers known and probable losses.

(D) Interest should not be accrued on loans which are doubtful of collection. For this purpose, loans on which payments have not been received for six months or more, should be considered as doubtful of collection.

(E) Each credit union shall establish and maintain reserves and allowances as required by section 1733.31 of the Revised Code, this rule, other reserves as required by GAAP, and administrative



guidelines issued by the superintendent.

(F) Pursuant to section 1733.31 of the Revised Code, the superintendent has established the following as additional nonrisk assets:

- (1) Prepaid share insurance; other prepaid insurance;
- (2) Other prepaid and deferred expenses;
- (3) Accrued income on nonrisk assets; and
- (4) Deposits in corporate credit unions with maturities of two years or less.

(G) Reserves for corporate credit unions.

(1) At the end of each dividend cycle and prior to paying a dividend (or, at the option of the corporate credit union, on a monthly basis if dividends are paid more frequently than monthly), sums shall be set aside in a corporate reserve in accordance with the following schedule:

(a) When the credit union's corporate reserve and undivided earnings are less than two per cent of the assets at the end of the transfer period, the credit union shall set aside an amount equal to .0015 times the number of days in the transfer period divided by three hundred sixty-five.

(b) When the corporate reserve and undivided earnings are equal to or greater than two per cent of the assets but the corporate reserve is less than four per cent of the assets, the credit union shall set aside an amount equal to .0010 times the credit union's average daily assets for the transfer period times the number of days in the transfer period divided by three hundred sixty-five.

(2) Charges may be made to the corporate reserve for loan losses and for investment losses accrued by factors other than trading losses or market fluctuations. No other charges shall be made except as may be authorized in writing by the superintendent. Charges shall be made in accordance with GAAP.



(H) Repossessions/foreclosures.

After the sale of a repossessed security, the allowance for loan losses is to be funded in an amount equal to the deficiency balance until the loan is charged-off.