Forbearance

Changes to a contract that are related to a borrower's credit rating are referred to as forbearance measures and thus, are business events in a crisis-related restructuring process.

A change is made regardless of whether if it qualifies as a forbearance measure. For example, this means that a deferment affects the payment plan regardless of whether it is classified as a forbearance measure or not.

However, a forbearance measure can only be implemented if an enhanced data set has been captured and processed. This enhancement does not only entail simply marking a measure as a forbearance measure but it also involves data fields that are relevant for allocating the EBA status.

1. **Capture date for a forbearance measure**
2. **Business event**
3. **Documentation**
4. **Impairment Trigger**

The impairment trigger provides information on why a delay in payment is expected. This is selected by the user from a list of reasons that is stored in Jabatix.

5. **Flag 'Impairment expected'**

This flag describes the loan officer's assumption regarding the probability of default after restructuring. The flag is 'inherited' at the risk position, meaning that the information is stored at the loan up to the next forbearance measure and cannot be changed.

6. **Advantages of forbearance measures**

When analysing the advantages of such a measure, the defined forbearance measure is compared to other alternative methods. In particular, it should be examined whether cancelling the loan and liquidating the collateral would result in a higher fair value than if the loan were to continue under the forbearance measure.

The alternatives are to be compared using the fair value (Net present value approach). The measure resulting in the greatest fair value should be the most suitable and sustainable measure.

The results of the comparative analysis as well as the parameters used in the calculation can be traced in detail and used for auditing purposes after approval.