Forbearance and modification are two options to avoid foreclosure.

Foreclosure is a legal process in which a lender attempts to recover the balance of a loan from a borrower who has stopped making payments to the lender by forcing the sale of the asset used as the collateral for the loan.

While

- a loan forbearance agreement provides short-term relief for borrowers,
- a loan modification agreement is a permanent solution to unaffordable payments.

For **forbearance,** the solution supports the specific disclosure requirements.

IFRS financial statements require specific disclosures relating to forbearance activities and their impact on the financial position and performance.

For this purpose the solution supports a “Forbearance Flag” that can be used to

- Identify deals with such agreements
- Assign specific credit spreads to the customer

In addition, it supports a "Forbearance start date" which should be updated each time a forbearance action is taken. The forbearance date is important for specific disclosure requirements.

Regarding **modification,** the solution supports modifications without derecognition as well as modifications with derecognition.

The solution covers the accounting requirements according to derecognised and fresh new deals, especially the treatment of modification gain/losses.

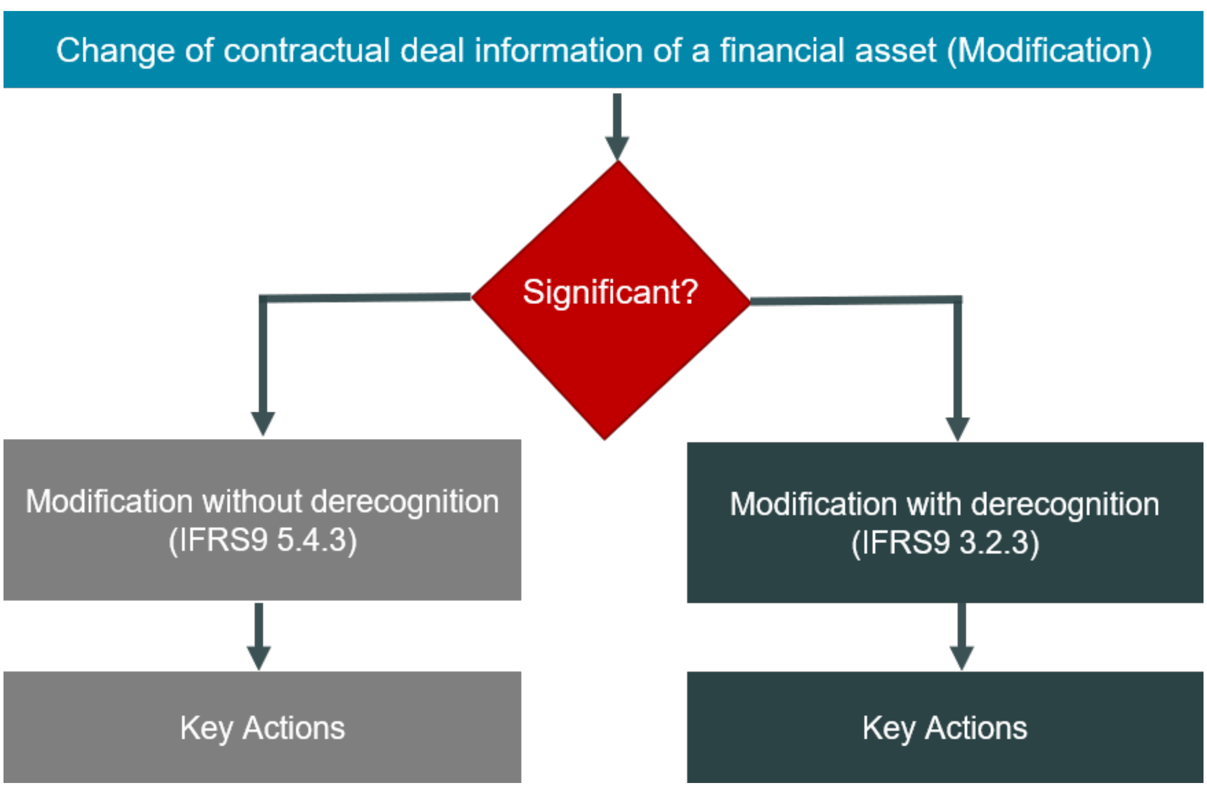

Figure: Types of modification