



PRESS RELEASE

Federal Deposit Insurance Corporation • Each Depositor insured to at least \$250,000

July 19, 1994

FDIC ANNOUNCES STEPS TO HELP REBUILD AREAS AFFECTED BY FLOODING

FOR IMMEDIATE RELEASE

The Federal Deposit Insurance Corporation announced today a series of steps intended to facilitate the process of rebuilding the areas damaged by the recent flooding in Alabama, Florida and Georgia.

The FDIC said it is encouraging the state-chartered banks it supervises to work constructively with borrowers who are experiencing difficulties due to conditions beyond their control. The FDIC guidelines suggest that extending repayment terms, restructuring existing loans or easing terms for new loans, if done in a manner consistent with sound banking practices, can both contribute to the health of the community and serve the long-term interests of the lending institution.

Other aspects of the FDIC announcement today provide specific regulatory relief. One is a temporary waiver of certain real estate appraisal regulations for the areas affected by the flooding. Another is temporary relief from certain capital requirements if an already adequately capitalized bank finds its asset levels increasing due solely to deposits of insurance proceeds or government assistance funds.

The FDIC's guidelines are attached and will be sent to state nonmember banks and FDIC examiners in the next few days.

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Congress created the Federal Deposit Insurance Corporation in 1933 to restore public confidence in the nation's banking system. It promotes the safety and soundness of these institutions by identifying, monitoring and addressing risks to which they are exposed. The FDIC receives no federal tax dollars — insured financial institutions fund its operations.

FDIC press releases and other information are available on the Internet at www.fdic.gov, by subscription electronically (go to www.fdic.gov/about/subscriptions/index.html) and may also be obtained through the FDIC's Public Information Center (877-275-3342 or 703-562-2200). PR-44-1994

SUPERVISORY PRACTICES REGARDING DEPOSITORY INSTITUTIONS AND BORROWERS AFFECTED BY FLOODING IN THE SOUTHEAST

The Federal Deposit Insurance Corporation recognizes the serious impact of the July 1994 floods on the operations of financial institutions in Alabama, Florida and Georgia, and will provide regulatory assistance to institutions subject to its supervision. These initiatives are being taken to provide regulatory relief and facilitate recovery. The FDIC encourages depository institutions in the affected disaster area to meet the financial service needs of their communities.

Lending. Bankers should work constructively with borrowers in communities affected by the recent flooding in the southeast. The FDIC realizes that the effects of such natural disasters on local businesses and individuals are often transitory, and that prudent efforts to adjust or alter terms on existing loans in areas affected by the flooding should not be subject to examiner criticism. The FDIC in supervising institutions impacted by the disaster will take into consideration the unusual circumstances they face. The FDIC recognizes that efforts to work with borrowers in communities under stress can be consistent with safe and sound banking practices as well as in the public interest.

Loan Documentation. The FDIC reminds lenders of its program on documentation of loans to small and medium-sized businesses and farms. If an institution has adequate capital and is rated 1 or 2, it may designate a basket of loans that examiners will evaluate solely on the basis of performance and will be exempt from criticism for documentation. The program also extends to certain 3-rated institutions. Bankers may discuss the details of the policy with FDIC's Atlanta Regional Office.

Waiver of Real Estate Appraisal Regulations. The Depository Institutions Disaster Relief Act of 1992 (DIDRA) provides the FDIC and the other federal financial regulatory agencies with the authority to grant certain regulatory relief to financial institutions affected by major disasters. Pursuant to section 2 of DIDRA, the FDIC will issue within a few days a waiver of its real estate appraisal regulations for real estate related transactions involving property affected by the flooding.

Capital Requirements. Under section 3 of the Depository Relief Act of 1993, financial institutions may seek relief from regulations governing leverage capital requirements if they are experiencing a temporary increase of assets due to the influx of insurance proceeds or government assistance funds. A financial institution may contact the FDIC's Atlanta Regional Office concerning the program.

Reporting Requirements. FDIC-supervised institutions affected by the flooding should notify the Atlanta Regional Office if they expect a delay in filing their mid-year Reports of Income and Condition (Call Reports) or other reports. The FDIC will take into consideration any causes beyond the control of a reporting institution in considering how long a delay in filing can be accepted.

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Publishing Requirements. The FDIC understands that the flooding may affect compliance with publishing and other requirements for branch closings, relocations and temporary facilities under various laws and regulations. Banks that have flood-related difficulties complying with any publishing or other requirements should contact the FDIC Atlanta Office.

Consumer laws. As regards consumer loans, Regulation Z provides consumers an option to waive or modify the three-day rescission period when a "bona fide personal financial emergency" exists. To exercise this option, the consumer must provide the lender with a statement describing the emergency in accordance with the regulation.

For guidance on these and related matters, please contact the Atlanta Regional Office of the FDIC's Division of Supervision at (404) 525-0308.

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