



Federal Deposit Insurance Corporation
550 17th Street NW, Washington, DC 20429

Division of Supervision

REGULATORY RELIEF

FIL-75-2001

September 7, 2001

TO: CHIEF EXECUTIVE OFFICER

SUBJECT: *Agricultural Loans Affected by the Drought in the Klamath Basin of Southern Oregon and Northern California*

The Federal Deposit Insurance Corporation (FDIC) is encouraging banks to work constructively with agricultural borrowers affected by the severe drought in the Klamath Basin of Southern Oregon and Northern California.

The FDIC recognizes that the effects of 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 drought should not be subject to examiner criticism. In supervising institutions impacted by the drought, the FDIC will take into consideration the unusual circumstances these institutions 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.

For guidance on these and related matters, please contact the FDIC's San Francisco Regional Office at (415) 546-0160.

Michael J. Zamorski
Acting Director

Distribution: FDIC-Supervised Banks in the States of Oregon and California

NOTE: Paper copies of FDIC financial institution letters may be obtained through the FDIC's Public Information Center, 801 17th Street, NW, Room 100, Washington, DC 20434 (800-276-6003 or (703) 562-2200).