

September 13, 2001

MEMORANDUM TO: Examiners

FROM: Michael J. Zamorski
Acting Director

SUBJECT: *Supervisory Flexibility due to September 11 Disasters*

The tragedies of September 11th are unprecedented. Fortunately, initial monitoring of FDIC-insured financial institutions does not reveal any immediate concerns, and the health of the U.S. banking system remains strong. In the days ahead, however, a financial institution's interactions with customers and/or correspondents could be affected. There may also be a need to reschedule supervisory reviews. Examiners are requested to use the same good judgment and tolerance employed in instances of natural disasters. During times of national disaster, the FDIC encourages banks to work constructively with its customers, particularly given the unusual circumstances that banks and their customers may encounter.

While examiners must be alert to, and critical of, any operational and managerial weaknesses that may have previously existed, they must also recognize when the institution is taking reasonable steps to deal with these external events. Accordingly, loan restructurings or extended terms of repayments or other steps taken to deal with the disaster and its aftermath should not be criticized as long as there is evidence of proper management oversight. Likewise, settlement issues, which may arise due to these external risks, should be monitored to ensure that they are conducted in a similar commercially reasonable fashion.

Examiners should continue to apply appropriate risk-scoping and time-honored analytical practices. Examiners should also take into consideration the unanticipated challenges that banks may need to address due to these tragic events.