



NEWS RELEASE

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FDIC ANNOUNCES STEPS TO HELP REBUILD FLOODED AREAS OF THE MIDWEST

The Federal Deposit Insurance Corporation announced today a series of initiatives intended to help rebuild Midwest states that have been damaged by recent serious flooding.

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." 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-run interests of the lending institution," the FDIC said.

The agency added that those banks showing flexibility in working with borrowers in the affected areas "will not be subject to examiner criticism," provided that proper risk controls and management oversight are exercised. The FDIC said it will take these unusual circumstances into consideration when examining lenders whose levels of delinquent and nonperforming loans increase.

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 current 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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