Office of the Comptroller of the Currency
Federal Deposit Insurance Corporation
Federal Reserve Board
National Credit Union Administration
Office of Thrift Supervision

Joint Release

August 12, 1993 (PR-97-93)

AGENCIES MOVE TO MAKE LENDING EASIER IN FLOOD AREAS

Banks, savings institutions, credit unions and other federally regulated entities making loans in designated flood areas will be able to make them faster to finance the repair and rebuilding effort under an action taken today by the five federal financial institutions regulatory agencies.

The order exempts lending institutions in the flood areas from current federal requirements that institutions obtain appraisals on real estate pledged as collateral for loans. The agencies said the exemption is necessary because the disruption of real estate markets in the flood areas interferes with the ability of institutions to obtain appraisals that meet the requirements of federal law and regulations.

The order was published jointly in the August 11, 1993, edition of the Federal Register by the Office of the Comptroller of the Currency (OCC), the Federal Deposit Insurance Corporation (FDIC), the Board of Governors of the Federal Reserve System, the National Credit Union Administration (NCUA) and the Office of Thrift Supervision (OTS). Real estate appraisals are required in normal times for loans over certain dollar amounts by Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA). However, under the Depository Institutions Disaster Relief Act of 1992 (DIDRA), the federal regulatory agencies are authorized to waive those requirements when disasters occur.

The exemption extends for three years from the date the President declared a major disaster area, and is in effect for institutions making loans secured by affected real property in disaster designated areas in Illinois, Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, South Dakota and Wisconsin. The order will also apply to any other Midwest flood areas added to this summer's list by the President and published by the Federal Emergency Management Agency (FEMA).

The agencies determined that the exceptions would not adversely affect the lending institution's safety and soundness so long as their records indicate either that the property was directly affected by the major disaster or that the transaction would facilitate recovery from the disaster, and there is a binding commitment to fund the loan within the three-year period.

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NOTE: The interagency order is attached.