**FDIC** FEDERAL DEPOSIT INSURANCE CORPORATION

# NEWS RELEASE

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## FDIC OUTLINES SUPERVISORY POLICIES TO PROMOTE LENDING IN LOS ANGELES, OTHER COMMUNITIES AFFECTED BY RECENT DISTURBANCES

The FDIC has outlined a series of steps aimed at encouraging banks and thrifts to help revitalize recently riot-torn areas of Los Angeles and other communities through flexible but sound lending practices.

First, the FDIC joined with the Federal Reserve Board, the Office of the Comptroller of the Currency and the Office of Thrift Supervision in issuing a detailed, joint statement urging lenders to recognize that businesses and individuals in the affected areas may be experiencing temporary financial difficulties due to conditions beyond their control. The four agencies said that actions such as restructuring existing loans and easing credit terms for new borrowers, if done in a prudent manner, will not be subject to criticism from examiners.

"With proper risk controls and management oversight," the agencies agreed, "these steps can contribute to the health of the local community, as well as serve the long-run interests of the lending institution. If carried out in a prudent manner, such efforts on the part of the lender will not be subject to examiner criticism."

The joint statement, which is a reminder of long-standing practices and not the adoption of new policies, also noted that institutions in the affected areas may find that their levels of delinquent and non-performing loans will increase. In those cases, the regulators supervising these institutions "will take into consideration the unusual circumstances they face."

Separately, FDIC Chairman William Taylor today outlined three additional steps the agency is implementing to help restore economic activity

-more-in the Los Angeles area and other locations affected by the disturbances. For the more than 7,500 state-chartered commercial banks and savings banks supervised by the FDIC, the agency has pledged to:

- o Remind banks that a policy adopted in 1972 generally authorizes them to invest in the equity or debt securities of corporations engaging in community rehabilitation or development projects "without fear of criticism" by the FDIC or its examiners. The authority is subject to certain limits under applicable federal and state law.
- o Take into consideration investments made by banks from outside the affected areas when the FDIC assesses each institution's performance under the Community Reinvestment Act (CRA). This policy expands somewhat on the primary focus of CRA, which is to encourage lending in the bank's own community.
- o Give expedited consideration to applications from FDIC-supervised banks that wish to expand or relocate within the affected areas.

A copy of the interagency statement on supervisory practices is attached.

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