FDIC
FEDERAL DEPOSIT INSURANCE CORPORATION

NEWS RELEASE

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FDIC OUTLINES MEASURES TO MEET THE FINANCIAL NEEDS OF COMMUNITIES HIT BY MAJOR DISASTERS

The FDIC intends to move quickly to implement the Depository Institutions Disaster Relief Act of 1992 signed into law by President Bush Friday. Some provisions of the new law are activated automatically and others require specific action by the FDIC.

The new authority would apply in any presidentially declared disaster area, but FDIC's immediate actions will be directed to the areas affected by Hurricanes Andrew and Iniki and the Los Angeles civil unrest.

As permitted under the new law, the FDIC's Board of Directors soon will consider waiving certain real estate appraisal regulations in the disaster areas of Florida, Louisiana, Hawaii and Los Angeles. As a result, real estate transactions would not require an appraisal by a state-licensed or state-certified appraisers for up to three years. Also, the required appraisal documentation of property values will not have to be prepared.

Loans, however, will continue to be assessed for credit quality by bank examiners under general safety and soundness considerations. The FDIC waiver does not abrogate any state laws that may be applicable.

The new law also gives the Board of Governors of the Federal Reserve System the authority to grant a six-month waiver of certain provisions of the Truth in Lending Act and the Expedited Funds Availability Act. As the primary federal regulator of state-chartered banks that are not members of the Federal Reserve System, the FDIC, in its enforcement of these two laws, will operate under the waivers adopted by the Federal Reserve.

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The new law also permits the FDIC to grant to individual banks relief from regulations governing leverage capital requirements as a result of a temporary inflation of assets due solely to the deposit of insurance proceeds. In order to qualify, an institution must have been adequately capitalized before the disaster and should contact its FDIC regional office for particulars.

The FDIC will issue guidance later on waivers of procedural requirements concerning an institution's publication of an intent to open or relocate a branch office.

National and state member banks are given authority under the new law to make community development investments of up to five percent of capital stock plus five percent of their unimpaired surplus with regulatory approval. The FDIC is drafting proposed regulations that would grant the same authority to state nonmember banks.

Finally, the FDIC Board supports the intent of Congress to encourage depository institutions in the affected disaster areas to meet the credit and other financial services needs of their communities.

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