



**Federal Deposit Insurance Corporation**  
550 17th Street NW, Washington, D.C.

**Financial Institution Letter**  
**FIL-24-2010**  
**May 7, 2010**

**GUIDANCE FOR FINANCIAL INSTITUTIONS WORKING WITH  
BORROWERS IN THE GULF COAST REGION AFFECTED BY A  
“SPILL OF NATIONAL SIGNIFICANCE”**

**Summary:** The FDIC has announced a series of steps intended to provide guidance to financial institutions working with borrowers in the Gulf Coast Region affected by a Spill of National Significance (SONS).

**Distribution:**

FDIC-Supervised Banks (Commercial and Savings)

**Suggested Routing:**

Chief Executive Officer  
Compliance Officer  
Chief Lending Officer

**Related Topics:**

Lending  
Investments  
Consumer Laws

**Attachment:**

Supervisory Practices Regarding Depository Institutions and Borrowers Affected by the Spill of National Significance in the Gulf Coast Region

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**Note:**

FDIC financial institution letters (FILs) may be accessed from the FDIC's Web site at [www.fdic.gov/news/news/financial/2010/index.html](http://www.fdic.gov/news/news/financial/2010/index.html).

To receive FILs electronically, please visit <http://www.fdic.gov/about/subscriptions/fil.html>.

Paper copies of FDIC financial institution letters may be obtained through the FDIC's Public Information Center, 3501 Fairfax Drive, E-1002, Arlington, VA 22226 (1-877-275-3342 or 703-562-2200).

**Highlights:**

- Between April 20 and 22, 2010, the Deepwater Horizon Mobile Offshore Drilling Unit in the Gulf of Mexico exploded and sank, resulting in a significant oil spill that has caused substantial business disruption and property damage in the Gulf Coast Region.
- A SONS was declared on April 30, 2010, by the U.S. Department of Homeland Security and is defined as "a spill that, due to its severity, size, location, actual or potential impact on the public health and welfare or the environment, or the necessary response effort, is so complex that it requires extraordinary coordination of federal, state, local, and responsible party resources to contain and clean up the discharge." The SONS designation allows greater federal involvement.
- The FDIC is encouraging banks to work constructively with borrowers experiencing difficulties beyond their control because of damage caused by this SONS.
- Extending repayment terms, restructuring existing loans, or easing terms for new loans, if done in a manner consistent with sound banking practices, can contribute to the health of the community and serve the long-term interests of the lending institution.

## **SUPERVISORY PRACTICES REGARDING DEPOSITORY INSTITUTIONS AND BORROWERS AFFECTED BY THE SPILL OF NATIONAL SIGNIFICANCE IN THE GULF COAST REGION**

The Federal Deposit Insurance Corporation (FDIC) recognizes the serious impact of the recent Spill of National Significance (SONS) on the customers of financial institutions in the Gulf Coast Region and will provide regulatory assistance to institutions subject to its supervision. These initiatives will provide regulatory relief and facilitate recovery. The FDIC encourages depository institutions in the affected areas to meet the financial services needs of their communities.

**Lending.** Bankers should work constructively with borrowers in communities affected by the SONS. The FDIC realizes the effects of disasters on local businesses and individuals are often transitory, and prudent efforts to adjust or alter terms on existing loans in affected areas should not be subject to examiner criticism. In supervising institutions impacted by this oil spill, the FDIC will consider the unusual circumstances they face. The FDIC recognizes that efforts to work with borrowers in communities under stress can be consistent with safe-and-sound banking practices as well as in the public interest.

**Investments.** Bankers should monitor municipal securities and loans affected by the disaster. The FDIC realizes that local government projects may be negatively impacted. Appropriate monitoring and prudent efforts to stabilize such investments are encouraged.

**Consumer Laws.** Regarding consumer loans, Regulation Z provides consumers an option to waive or modify the three-day rescission period when a "bona fide personal financial emergency" exists. To exercise this option, the consumer must provide the lender with a statement describing the emergency in accordance with the regulation.