FDIC

Federal Deposit Insurance Corporation
550 17th Street NW, Washington, D.C. 20429-9990

Financial Institution Letter
FIL-12-2012
March 7, 2012

REGULATORY RELIEF

Guidance to Help Financial Institutions and Facilitate Recovery in Areas of Kentucky Affected by Severe Storms, Tornadoes, Straight-Line Winds, and Flooding

Summary: The FDIC has announced a series of steps intended to provide regulatory relief to financial institutions and facilitate recovery in areas of Kentucky affected by severe storms.

Statement of Applicability to Institutions with Total Assets Under $1 Billion: This Financial Institution Letter applies to all FDIC-supervised financial institutions.

Suggested Distribution:
FDIC-Supervised Banks (Commercial and Savings) in Kentucky

Suggested Routing:
Chief Executive Officer
Compliance Officer
Chief Lending Officer

Related Topics:
Lending
Investments
Publishing Requirements
Consumer Laws
Community Reinvestment Act

Contact:
Assistant Regional Director John J. Poskonka at (312) 382-7520 or jposkonka@fdic.gov

Note:
FDIC Financial Institution Letters (FILs) may be accessed from the FDIC's Web site at www.fdic.gov/news/news/financial/2012/index.html.

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

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

Highlights:

- Severe storms caused significant property damage in areas of Kentucky from February 29 through March 3, 2012.
- A federal disaster for selected areas in Kentucky was declared on March 6, 2012. Additional designations may be made after damage assessments are completed in the affected areas. A current list of designated areas is available at www.fema.gov.
- The FDIC is encouraging banks to work constructively with borrowers experiencing difficulties beyond their control because of damage caused by the severe weather.
- 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 local community and serve the long-term interests of the lending institution.
- Banks may receive favorable Community Reinvestment Act (CRA) consideration for community development loans, investments, and services in support of disaster recovery.
- The FDIC also will consider regulatory relief from certain filing and publishing requirements.

SUPERVISORY PRACTICES REGARDING DEPOSITORY INSTITUTIONS AND BORROWERS AFFECTED BY SEVERE STORMS, TORNADOES, STRAIGHT-LINE-WINDS, AND FLOODING IN AREAS OF KENTUCKY

The Federal Deposit Insurance Corporation (FDIC) recognizes the serious impact of severe weather on customers and operations of financial institutions in Kentucky 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.

The affected counties in Kentucky are Johnson, Kenton, Laurel, Lawrence, Menifee, Morgan, and Pendleton.

Lending: Bankers should work constructively with borrowers in communities affected by the severe storms. The FDIC realizes the effects of natural 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 affected by the severe storms, 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.

Community Reinvestment Act (CRA): Financial institutions may receive CRA consideration for community development loans, investments, or services that revitalize or stabilize federally designated disaster areas in their assessment areas or in the states or regions that include their assessment areas. For additional information, institutions should review the *Interagency Questions and Answers Regarding Community Reinvestment* at http://www.ffiec.gov/cra/pdf/2010-4903.pdf at Section 12(g)(4)(ii). For help in identifying community development activities to revitalize or stabilize a disaster area, financial institutions can contact their regional Community Affairs Officer (see http://www.fdic.gov/consumers/community/offices.html).

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

Reporting Requirements: FDIC-supervised institutions affected by the severe weather should notify the Chicago Regional Office if they expect a delay in filing Reports of Income and Condition or other reports. The FDIC will evaluate any causes beyond the control of a reporting institution when considering the length of an acceptable delay.

Publishing Requirements: The FDIC understands the damage caused by the severe weather may affect compliance with publishing and other requirements for branch closings, relocations, and temporary facilities under various laws and regulations. Banks experiencing disaster-related difficulties in complying with any publishing or other requirements should contact the Chicago Regional Office.

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.

Temporary Banking Facilities: The Chicago Regional Office will expedite any request to operate temporary banking facilities by an institution whose offices have been damaged or that desires to provide more convenient availability of services to those affected by severe storms. In most cases, a telephone notice to the FDIC will suffice initially. Necessary written notification can be submitted later.