FDIC

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

Financial Institution Letter
FIL-70-2011
November 7, 2011

REGULATORY RELIEF

Guidance to Help Financial Institutions and Facilitate Recovery in an Area of Virginia Affected by an Earthquake

Summary: The FDIC has announced a series of steps intended to provide regulatory relief to financial institutions and facilitate recovery in Louisa County, Virginia, which was affected by an earthquake.

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 Virginia

Suggested Routing:
Chief Executive Officer
Compliance Officer
Chief Lending Officer

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

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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/2011/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:

- An earthquake caused significant property damage in Louisa County, Virginia, from August 23 to October 25, 2011.
- A federal disaster for Louisa County, Virginia, was declared on November 4, 2011. Additional designations may be made after damage assessments are completed in the affected area. 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 earthquake.
- 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 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 AN EARTHQUAKE IN LOUISA COUNTY, VIRGINIA

The Federal Deposit Insurance Corporation (FDIC) recognizes the serious impact of the earthquake on customers and operations of financial institutions in Virginia 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 area to meet the financial services needs of their communities.

The affected area in Virginia is Louisa County.

Lending: Bankers should work constructively with borrowers in communities affected by the earthquake. 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 the affected area should not be subject to examiner criticism. In supervising institutions affected by the earthquake, 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 earthquake. 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 earthquake should notify the Atlanta 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 earthquake 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 Atlanta 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 Atlanta 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 the earthquake. In most cases, a telephone notice to the FDIC will suffice initially. Necessary written notification can be submitted later.