Joint News Release

Federal Reserve Board

Comptroller of the Currency

Office of Thrift Supervision

Federal Deposit Insurance Corporation

National Credit Union Administration

For immediate release November 13, 1992

The federal financial institutions regulatory agencies today announced several initiatives to facilitate recovery in major disasters areas such as those areas affected by Hurricanes Andrew and Iniki and the Los Angeles civil unrest. These initiatives are being taken to implement the provisions of the Depository Institutions Disaster Relief Act of 1992 ("DIDRA"), which was enacted on October 23, 1992.

As authorized under section 2 of DIDRA, the Federal Deposit Insurance Corporation (FDIC), the Federal Reserve Board, the National Credit Union Administration (NCUA), the Office of the Comptroller of the Currency (OCC), and the Office of Thrift Supervision (OTS) have jointly issued an interagency order to waive the real estate appraisal requirements of Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 ("FIRREA"), and the agencies' appraisal regulations promulgated under FIRREA, for a period of 36 months from the date the President declared a major disaster in the areas affected by Hurricanes Andrew and Iniki and the Los Angeles civil unrest. A copy of the Federal Register notice is attached.

The FDIC, Federal Reserve, OCC, and OTS are also in the process of implementing section 4 of DIDRA, Deposit of Insurance Proceeds. This section allows the agencies, by individual order, to grant relief from leverage ratio capital standards under prompt corrective action if an institution experiences a temporary increase in its total asset position because of the deposit of insurance proceeds or government assistance funds paid to depositors in connection with damage or loss caused by a major disaster. Depository institutions that are headquartered in a major disaster area and that derive more than 60 percent of their total deposits from the area of intense devastation should contact the appropriate Federal Reserve Bank, FDIC or OTS regional office, or OCC district office if they believe that an exception from the leverage ratio capital standards will be necessary. Such regulatory relief may be allowed for an 18-month period from the enactment of DIDRA.

The Federal Reserve Board has also adopted an order to permit an exception to the Regulation Z rules regarding consumer waivers of the right to cancel certain home-secured loans so that borrowers in the major disaster areas may more readily gain access to loan funds. Regulation Z sets a mandatory waiting period of three days before funds can be disbursed so that consumers have time to reflect on the terms of the loan and to elect to cancel the loan. This order makes it easier for a consumer in a major disaster area to waive the three-day waiting period if the home securing the extension of credit is located in the disaster area. This exception expires one year from the date of enactment of DIDRA or from the date the area was declared a major disaster, whichever is earlier. A copy of the <u>Federal Register</u> notice is attached.

Further, the FDIC, Federal Reserve, OCC, and OTS have extended the interagency statement on supervisory practices issued in connection with the Los Angeles civil unrest and Hurricane Andrew to communities devastated by Hurricane Iniki. The statement indicates that efforts to restructure debt or extend repayment terms--so long as these efforts are consistent with safe and sound banking practice--should not be subject to examiner criticism. A copy of this statement is attached.

Finally, in keeping with the intent of DIDRA and the agencies' previous initiatives to encourage financial institutions to meet the needs of communities devastated by major disasters, the FDIC, Federal Reserve, OCC, and OTS in assessing Community Reinvestment Act ("CRA") performance will give positive consideration to a financial institution's active participation in programs where most or all of the financing provided may ultimately benefit low- and moderate-income borrowers or such neighborhoods located outside of the institution's delineated community. In determining whether and to what extent positive consideration will be given, the agencies will assess the activities undertaken in the context of an institution's overall CRA program. Where such participation augments or complements an overall CRA program that is directly responsive to the credit needs in an institution's delineated community, it will be considered favorably in reaching an overall CRA conclusion. Further, under section 6 of DIDRA, national banks and state member banks are authorized to make community development investments of up to 5 percent of capital stock plus 5 percent of their unimpaired surplus.