

Thrift Bulletin

Handbook: Thrift Activities
Subject: Asset Quality

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Serving Communities Affected by Natural Disasters

Summary: This Bulletin encourages savings associations to work with borrowers in communities adversely affected by disasters. The effects of such disasters on businesses and individuals are often temporary. Prudent efforts to alter terms on existing loans in affected areas or to extend extra efforts to meet the needs of the community will not be subject to examiner criticism.

For Further Information Contact: Your OTS Regional Office or William J. Magrini, Supervision Policy, and David H. Enzel, Office of Chief Counsel, Washington, D. C.

Thrift Bulletin 71.

Serving Communities Affected by Disasters

The OTS recognizes that the efforts of savings associations to work with borrowers in communities affected by disasters, if conducted in a prudent manner, are consistent with the principles of safety and soundness and the public interest. It is OTS' policy not to criticize reasonable efforts to alter or adjust payment terms or to grant new loans to borrowers affected by disasters.

OTS encourages savings associations operating in or extending services near the affected areas to:

- Reassess the current credit needs of the community or communities and help meet those needs by making or participating in sound loans to re-build damaged or lost property;
- Work with borrowers who have been affected;
- Solicit state and federal guarantees or other means to help mitigate excessive credit risks;

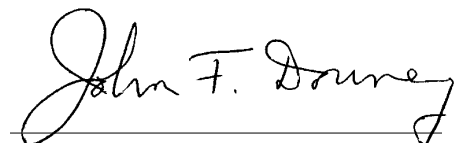
- Consider temporarily waiving late payment charges and early withdrawal of savings penalties; and
- Take advantage of programs offered by Federal Home Loan Banks.

The effects of such disasters on individuals and businesses are usually temporary, and prudent efforts by savings associations to assist borrowers by adjusting or altering payment terms on existing loans in affected areas should not be criticized by OTS examiners. Within the constraints of safety and soundness and statutory requirements, OTS will facilitate those efforts. For example:

- OTS may waive the Qualified Thrift Lender requirement to allow capital compliant institutions to help re-build businesses.
- OTS may grant emergency exceptions to applicable appraisal standards if the Director determines that the exception is consistent with safety and soundness and would facilitate recovery from a natural disaster. 12 U.S.C. § 3352.
- OTS may grant filing extensions for institutions that are unable to file their Thrift Financial Reports because of flooding or other disasters.

- OTS will not criticize reasonable loan documentation deficiencies arising from office relocation or personnel shortages during disasters.
- OTS will consider the institution's response to a disaster as an important element of "performance context" under OTS' Community Reinvestment Act regulations (12 C.F.R. § 563e.21 (b)) when evaluating the institution's reconstruction, stabilization and redevelopment activities in its community.
- For thrifts with destroyed or severely damaged facilities, OTS will accelerate procedures to approve temporary facilities to serve customers affected by disasters.

Thrifts in need of assistance in dealing with disasters or in helping customers affected by disasters should contact their regional office.



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