

**Office of Thrift Supervision**Department of the Treasury *Managing Director, Examinations, Supervision, and Consumer Protection*

1700 G Street, N.W., Washington, DC 20552 • (202) 906-7984

August 29, 2005

MEMORANDUM FOR: CHIEF EXECUTIVE OFFICERS**FROM:**

Scott M. Albinson

SUBJECT:

Advisory on Hurricane Katrina

PURPOSE

Federal thrifts are not subject to a statutory restriction requiring a declaration by the Office of Thrift Supervision (OTS) in order for institutions to close their offices in the event of a natural disaster or other emergency. OTS, however, does receive frequent inquiries about whether the agency will make a pronouncement permitting federal thrifts to close their offices.

OTS regulated thrift institutions have discretion to make individual decisions whether to maintain or close business operations in the event of a natural disaster or other community emergency, including situations where an emergency is imminent. This is often a difficult decision in which the interests of employee and customer safety must be weighed against the needs and interests of customers in having access to their deposit funds in anticipation of, or following, a natural disaster or other emergency situation.

Today's guidance highlights the flexibility you have when making decisions regarding how best to serve your customers. In addition, this guidance reminds you of OTS's disaster relief guidelines set forth in Thrift Bulletin (TB) 71.

PRE-DISASTER PLANNING AND OPERATIONS CONTINUITY

If your institution is in the path of Hurricane Katrina, you should exercise the utmost care and caution to protect the personal safety of employees while continuing to assist customers in need. You should consider all reasonable steps available to maintain operations for as long as prudently possible to assist customers' cash and financial needs in connection with hurricane preparations, evacuation, and recovery procedures.

In particular, you should, to the extent possible, continue to maintain and service ATM facilities and other cash disbursement operations, as well as any other operations essential to evacuation and hurricane preparedness for as long as possible prior to the impact of Hurricane Katrina in

your area. Under no circumstances, however, should the personal safety of your employees or customers be compromised to maintain operations. In this regard, OTS will work with you to maintain operations prior to the hurricane as well as to help restore operations and continuity after Hurricane Katrina.

While it may be difficult to assess the ultimate impact of Hurricane Katrina, effective communication will allay customer fears and concerns while also protecting the personal safety of employees and customers. If your institution is affected, OTS will assist you to ensure an effective communication and business continuity strategy.

Finally, you are reminded about steps you may take to assist affected customers in areas that experience the effects of Hurricane Katrina. In particular, OTS examiners will give due consideration to modifications to existing loans in areas impacted by the damage from Hurricane Katrina.

OTS also encourages all thrifts operating in or extending services near areas affected by the hurricane to work with customers and affected communities by considering:

- Temporarily waiving late payment charges and early withdrawal of savings penalties;
- Offering prudent loans to help rebuild damaged property after assessing the current community credit needs;
- Expediting lending decisions when possible, consistent with safety and soundness principles;
- Restructuring borrowers' debt obligations, where appropriate, by altering or adjusting payment terms;
- State and federal guarantees and other means to help mitigate excessive credit risks; and
- All available programs offered by the Federal Home Loan Banks.

To facilitate rebuilding efforts in the areas affected by the hurricane, while maintaining standards of safety and soundness, OTS will:

- Consider granting emergency exceptions to applicable appraisal standards;
- Take into account an institution's disaster relief efforts when evaluating the institution's CRA performance;
- Consider granting extensions of time for submissions of regulatory filing requirements;
- Work with institutions that experience sudden growth due to temporary deposits of insurance proceeds;
- Allow reasonable loan documentation deficiencies necessitated by thrift office relocation or personnel shortages during the period of recovery efforts;
- Temporarily waive the Qualified Thrift Lender requirements for institutions meeting their capital requirements in order to help rebuild businesses; and

- Consider accelerating procedures to approve temporary facilities so thrifts with destroyed or severely damaged facilities will be able to continue to serve their customers and communities.

OTS believes these measures will help borrowers affected by the hurricane recover their financial strength and place them in a better position to meet their financial obligations. These efforts will help revitalize affected communities and ensure the continued stability of thrift institutions involved in the recovery of areas affected by the hurricane. Additional information on OTS disaster relief guidelines is in TB 71, which is available at the OTS web site at www.ots.treas.gov/docs/8/84058.pdf.

Thrifts requiring assistance in dealing with customers in areas affected by Hurricane Katrina should contact their regional OTS office.