

Reminder of Supervisory Guidance for Financial Institutions Affected by Hurricane Katrina

Financial institutions serving the U.S. Gulf Coast region have demonstrated significant flexibility in responding to the changing needs of their customers by offering relief when appropriate to the customer's circumstances. These temporary hardship and workout programs have facilitated recovery efforts throughout the Gulf Coast. However, given the extent of devastation caused by Hurricane Katrina, many uncertainties remain, including insurance claims that are still being processed. As a result, some customers may need additional time to resolve financial uncertainties related to the effects of the hurricane.

The Agencies¹ and the state supervisory authorities in Alabama, Louisiana, and Mississippi remind their examiners, and the financial institutions doing business in the Gulf Coast region, that the principles outlined in the *Hurricane Katrina Examiner Guidance (Katrina Guidance)*² remain in effect and should be considered when making decisions regarding payment deferrals, loan modifications, extensions, restructurings or other workout programs. Effective loan workout and recovery programs may involve protracted resolutions, but should be ultimately targeted toward loan repayment.

The *Katrina Guidance* makes it clear that an institution retains flexibility in its workout or restructuring arrangements with customers still facing uncertainties. Working constructively with borrowers is in the long-term best interest of both the financial institution and the customer. Following the prudent practices outlined in the *Katrina Guidance* will enable financial institutions to continue to assist customers and communities throughout the recovery process.

¹ The federal financial institutions regulatory Agencies consist of the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the National Credit Union Administration, the Office of the Comptroller of the Currency, and the Office of Thrift Supervision (collectively, the Agencies).

² The *Katrina Guidance* can be located at: http://www.ffiec.gov/pdf/katrina_examinerguidance.pdf