



**Federal Deposit Insurance Corporation**  
550 17th Street NW, Washington, DC 20429

Division of Supervision

Regulatory Relief

FIL-58-98  
June 2, 1998

TO: CHIEF EXECUTIVE OFFICER

SUBJECT: *Steps to Help Rebuild Spencer, South Dakota*

The Federal Deposit Insurance Corporation (FDIC) has announced steps intended to facilitate the process of rebuilding Spencer, South Dakota, which was recently destroyed by a tornado.

The FDIC is encouraging state-chartered banks to work constructively with borrowers who are experiencing difficulties due to the tornado. The FDIC realizes that the effects of such natural disasters on local businesses and individuals are often transitory, and that prudent efforts to adjust or alter terms on existing loans in areas affected by the storms should not be subject to examiner criticism. In supervising institutions hit by the disaster, the FDIC will take into consideration the unusual circumstances they face. The agency 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.

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.

For guidance on these and related matters, please contact Assistant Regional Director Randall T. Daughenbaugh in the FDIC's Kansas City Regional Office at (800) 209-7459 or (816) 234-8000.

Nicholas J. Ketcha Jr.  
Director

Distribution: All FDIC-Supervised Institutions in South Dakota

NOTE: Paper copies of FDIC financial institution letters may be obtained through the FDIC's Public Information Center, 801 17th Street, N.W., Room 100, Washington, D.C. 20434 (800-276-6003 or (703) 562-2200).