



FEDERAL RESERVE BANK  
OF DALLAS

ROBERT D. McTEER, JR.  
PRESIDENT  
AND CHIEF EXECUTIVE OFFICER

June 1, 1992

DALLAS, TEXAS 75222

Notice 92-48

**TO:** The Chief Executive Officer of each  
member bank and others concerned in  
the Eleventh Federal Reserve District

**SUBJECT**

**Steps Designed to Expedite the Provision of Financial Services  
and Help Rebuild Areas of Los Angeles and Other Cities  
Affected by Recent Civil Disturbances**

**DETAILS**

The Federal Reserve Board has announced a series of steps designed to expedite the provision of financial services and help rebuild areas of Los Angeles and other cities affected by recent civil disturbances. Steps include a supervisory statement adopted by the federal regulatory agencies regarding banks and thrifts that are working in a constructive and prudent fashion with borrowers experiencing temporary difficulties.

The statement from the Federal Deposit Insurance Corporation, the Federal Reserve Board, the Office of the Comptroller of the Currency, and the Office of Thrift Supervision 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.

Additional steps approved by the Federal Reserve Board are outlined in the attached press release.

**ATTACHMENT**

A copy of the Board's press release and a copy of the supervisory statement are attached.

**MORE INFORMATION**

For additional copies of this Bank's notice, please contact the Public Affairs Department at (214) 651-6289.

Sincerely yours,

A handwritten signature in cursive script that reads "Robert D. McTeer, Jr.".

# FEDERAL RESERVE press release



For immediate release

May 12, 1992

The Federal Reserve Board today announced a series of steps designed to expedite the provision of financial services and help rebuild areas of Los Angeles and other cities affected by recent civil disturbances.

Steps include a supervisory statement adopted by the Federal regulatory agencies regarding banks and thrifts that are working in a constructive and prudent fashion with borrowers experiencing temporary difficulties.

The statement from the Federal Deposit Insurance Corporation, the Federal Reserve Board, the Office of the Comptroller of the Currency and the Office of Thrift Supervision says 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 the statement is attached.

Other steps approved by the Federal Reserve include:

1. Investments in the affected areas by state member banks located outside those areas will be taken into account when assessing CRA performance and evaluating applications submitted to the Federal Reserve.
2. Provide human resources to the Ueberroth program and

provide space, to the extent possible, at the Los Angeles Branch of the Federal Reserve Bank of San Francisco.

3. Support the development of a multi-bank community development corporation to focus on South Central Los Angeles. This corporation would provide technical assistance, loans and equity investments for small business which are rebuilding, relocating or expanding in South Central Los Angeles.
4. Seek passage of an amendment to the Federal Reserve Act to grant clear authority to state member banks to make equity investments in community development projects and corporations. Presently, bank holding companies and national banks are authorized to make debt and equity investments in projects and corporations for public purposes such as low-income housing, small business development and job creation.
5. Develop and sponsor training programs for bankers and members of the community on the specific programs that will be available to business and property owners who are rebuilding in Los Angeles.
6. Expedite the applications process for state member banks and bank holding companies that are expanding into the affected areas or are undertaking new activities designed to assist in the economic redevelopment of affected areas.

The Community Affairs office at the Federal Reserve Bank of San Francisco routinely offers training to bankers and community organizations on community reinvestment and finance. In expanding this program to affected areas, business and community training will include information on the types and operation of programs that are available to assist them, and on how to develop business plans and structure financial statements for presentation to a financial institution.

Senior management from the Federal Reserve Bank of San Francisco has already been in contact with the Los Angeles Mayor's office and has extended general offers of assistance in the efforts to restore communities affected by the disturbances.

To encourage financial institutions in areas not directly affected by the disturbances to help in the rebuilding effort, the Federal Reserve will give positive consideration in assessing CRA performance for active participation by a financial institution in programs where most or all of the financing provided may ultimately benefit low and moderate-income borrowers or neighborhoods located outside of the institution's delineated community.

In determining whether and to what extent positive consideration will be given, the Federal Reserve 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.

For further information, banking and community groups in the affected areas in California may telephone Ron Supinski at the Federal Reserve Bank of San Francisco at 415-974-3231 or Sandra Conlan at the Los Angeles Branch at 213-683-2902.

**Interagency Statement on Supervisory Practices Regarding  
Depository Institutions and Borrowers Affected by  
Disturbances in Los Angeles.**

It has been a long-standing practice of the Federal bank and thrift regulatory agencies (Federal Deposit Insurance Corporation, Board of Governors of the Federal Reserve System, Office of the Comptroller of the Currency and The Office of Thrift Supervision) to promote supervisory actions that encourage depository institutions to work constructively with borrowers who are experiencing difficulties due to conditions beyond their control. The recent disturbances in Los Angeles and other cities have placed financial pressures on businesses and individuals in the affected areas, in some cases adversely affecting their ability to repay loans in accordance with original terms and conditions. Often the financial pressures stemming from such events are transitory in nature, and borrowers are able to resume payments when economic conditions improve or the borrowers' financial positions stabilize. Under such circumstances, depository institutions may determine that the most prudent policy is to work with borrowers experiencing difficulty, in a manner that is consistent with sound banking practices, rather than take more precipitous actions such as foreclosure and/or forcing the borrower into bankruptcy.

Lenders may find that it is beneficial to work with borrowers experiencing difficulties by extending terms of

repayment or otherwise restructuring the borrower's debt obligations. Such cooperative efforts can ease pressures on troubled borrowers, improve the capacity of such borrowers to service debt, and strengthen a depository institution's ability to collect on its loans. Depository institutions in areas affected by widespread disruption may also deem it appropriate to ease credit-extending terms for new loans to certain borrowers, consistent with prudent banking practices, in order to assist the borrowers in recovering their financial strength and place them in a better economic position to service their debts. With proper risk controls and management oversight, these steps can contribute both to the health of the local community, as well as serve the long-run interests of the lending institution. If carried out in a prudent manner, such efforts on the part of the lender will not be subject to examiner criticism.

In addition, depository institutions in the affected areas may find that their levels of delinquent and nonperforming loans will increase. Consistent with long-standing practice, the Federal bank and thrift regulatory agencies in supervising these institutions will take into consideration the unusual circumstances they face.

One of the principal objectives of the examination and supervision process is to achieve an accurate assessment of a depository institution's loan portfolio and financial

condition. In carrying out their supervisory responsibilities, the Federal bank and thrift regulatory agencies recognize that efforts to work with borrowers in communities under stress, if conducted in a reasonable way, are consistent with safe and sound banking practice as well as in the public interest.



FEDERAL RESERVE BANK OF DALLAS  
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