FEDERAL RESERVE BANK
OF DALLAS

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

DALLAS, TEXAS 75222

November 27, 1992

Notice 92-114

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

SUBJECT

Initiatives to Facilitate Recovery in Major Disasters Areas

DETAILS

The federal financial institutions regulatory agencies have announced several initiatives to facilitate recovery in major disaster areas such as those areas affected by Hurricanes Andrew and Iniki and the Los Angeles civil unrest. These initiatives are being taken to implement the provisions of the Depository Institutions Disaster Relief Act of 1992 (DIDRA), which was enacted on October 23, 1992. The initiatives include:

- issuance of a joint interagency order to waive the real estate appraisal requirements and the agencies' appraisal regulations, for a period of 36 months from the date the President declared a major disaster in the areas affected by Hurricanes Andrew and Iniki and the Los Angeles civil unrest;

- implementation of agency orders granting relief from leverage ratio capital standards under prompt corrective action if an institution experiences a temporary increase in its total asset position because of the deposit of insurance proceeds or government assistance funds paid to depositors in connection with damage or loss caused by a major disaster;

- adoption of exceptions to the Regulation Z rules regarding consumer waivers of the right to cancel certain home-secured loans so that borrowers in the major disaster areas may more readily gain access to loan funds;

- extension of the interagency statement on supervisory practices issued in connection with the Los Angeles civil unrest and Hurricane Andrew to communities devastated by Hurricane Iniki; and,

- giving positive consideration in assessing performance under the Community Reinvestment Act to a financial institution's active participation in programs where most or all of the financing provided may ultimately benefit low- and moderate-income borrowers or such neighborhoods located outside of the institution's delineated community.

ATTACHMENTS

A copy of the agencies' joint news release, the Board's notice, and the interagency statement concerning those affected by Hurricane Iniki are attached.

MORE INFORMATION

For more information, please contact Gloria Vasquez Brown at (214) 922-5266. For additional copies of this Bank's notice, please contact the Public Affairs Department at (214) 922-5254.

Sincerely yours,

Robert D. McTeer, Jr.

Joint News Release

Federal Reserve Board

Comptroller of the Currency

Office of Thrift Supervision

Federal Deposit Insurance Corporation

National Credit Union Administration

For immediate release November 13, 1992

The federal financial institutions regulatory agencies today announced several initiatives to facilitate recovery in major disasters areas such as those areas affected by Hurricanes Andrew and Iniki and the Los Angeles civil unrest. These initiatives are being taken to implement the provisions of the Depository Institutions Disaster Relief Act of 1992 ("DIDRA"), which was enacted on October 23, 1992.

As authorized under section 2 of DIDRA, the Federal Deposit Insurance Corporation (FDIC), the Federal Reserve Board, the National Credit Union Administration (NCUA), the Office of the Comptroller of the Currency (OCC), and the Office of Thrift Supervision (OTS) have jointly issued an interagency order to waive the real estate appraisal requirements of Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 ("FIRREA"), and the agencies' appraisal regulations promulgated under FIRREA, for a period of 36 months from the date the President declared a major disaster in the areas affected by Hurricanes Andrew and Iniki and the Los Angeles civil unrest. A copy of the Federal Register notice is attached.

The FDIC, Federal Reserve, OCC, and OTS are also in the process of implementing section 4 of DIDRA, Deposit of Insurance Proceeds. This section allows the agencies, by individual order, to grant relief from leverage ratio capital standards under prompt corrective action if an institution experiences a temporary increase in its total asset position because of the deposit of insurance proceeds or government assistance funds paid to depositors in connection with damage or loss caused by a major disaster. Depository institutions that are headquartered in a major disaster area and that derive more than 60 percent of their total deposits from the area of intense devastation should contact the appropriate Federal Reserve Bank, FDIC or OTS regional office, or OCC district office if they believe that an exception from the leverage ratio capital standards will be necessary. Such regulatory relief may be allowed for an 18-month period from the enactment of DIDRA.

The Federal Reserve Board has also adopted an order to permit an exception to the Regulation Z rules regarding consumer waivers of the right to cancel certain home-secured loans so that borrowers in the major disaster areas may more readily gain access to loan funds. Regulation Z sets a mandatory waiting period of three days before funds can be disbursed so that consumers have time to reflect on the terms of the loan and to elect to cancel the loan. This order makes it easier for a consumer in a major disaster area to waive the three-day waiting period if the home securing the extension of credit is located in the disaster area. This exception expires one year from the date of enactment of DIDRA or from the date the area was declared a major disaster, whichever is earlier. A copy of the Federal Register notice is attached.

Further, the FDIC, Federal Reserve, OCC, and OTS have extended the interagency statement on supervisory practices issued in connection with the Los Angeles civil unrest and Hurricane Andrew to communities devastated by Hurricane Iniki. The statement 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. A copy of this statement is attached.

Finally, in keeping with the intent of DIDRA and the agencies' previous initiatives to encourage financial institutions to meet the needs of communities devastated by major disasters, the FDIC, Federal Reserve, OCC, and OTS in assessing Community Reinvestment Act ("CRA") performance will give positive consideration to a financial institution's active participation in programs where most or all of the financing provided may ultimately benefit low- and moderate-income borrowers or such neighborhoods located outside of the institution's delineated community. In determining whether and to what extent positive consideration will be given, the agencies 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. Further, under section 6 of DIDRA, national banks and state member banks are authorized to make community development investments of up to 5 percent of capital stock plus 5 percent of their unimpaired surplus.

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Attachments

[4810-33-M]
[6210-01-F]
[6714-01-M]
[6720-01-M]
[7535-01-M]

DEPARTMENT OF THE TREASURY
Office of the Comptroller of the Currency
12 CFR Part 34, Subpart C

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
12 CFR Parts 208 and 225, Subpart G

FEDERAL DEPOSIT INSURANCE CORPORATION
12 CFR Part 323

DEPARTMENT OF THE TREASURY
Office of Thrift Supervision
12 CFR Part 564

NATIONAL CREDIT UNION ADMINISTRATION
12 CFR Part 722

Real Estate Appraisal Exceptions in Major Disaster Areas

AGENCIES: Office of the Comptroller of the Currency, Treasury; Board of Governors of the Federal Reserve System; Federal Deposit Insurance Corporation; Office of Thrift Supervision, Treasury; and National Credit Union Administration.

ACTION: Statement and Order; Temporary exceptions.

SUMMARY: Section 2 of the Depository Institutions Disaster Relief Act of 1992 (DIDRA), signed by the President on October 23, 1992, authorizes the agencies to make exceptions to statutory and regulatory requirements relating to appraisals for certain transactions. The exceptions are available for transactions that involve real property in major disaster areas

DATES: This order is effective as of November 12, 1992.

FOR FURTHER INFORMATION CONTACT: Adrienne D. Hurt, Senior Attorney, Division of Consumer and Community Affairs, at (202) 452-2412; for the hearing impaired only, contact Dorothea Thompson, Telecommunications Device for the Deaf, at (202) 452-3544, Board of Governors of the Federal Reserve System, Washington, DC 20551.

SUPPLEMENTARY INFORMATION: In May 1992, civil unrest occurred in Los Angeles and in August 1992, Hurricanes Andrew and Iniki devastated areas in Florida, Louisiana, and Hawaii. Subsequently, the President declared the affected communities major disaster areas. To facilitate recovery from major disasters, the Depository Institutions Disaster Relief Act of 1992 (DIDRA), Pub. L. 102-485, 106 Stat. 2771 (1992), was enacted into law on October 23, 1992. Section 3 of DIDRA authorizes the Board, until April 23, 1993, to take immediate action to make temporary exceptions to the Truth in Lending Act (TILA) and Regulation Z for transactions in an area the President has declared to be a major disaster area, pursuant to section 401 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act, 42 U.S.C. 5170.

Under the TILA and Regulation Z, with some exceptions, a consumer has the right to cancel a credit obligation that is secured by the consumer's principal dwelling. Because of the

Board of Governors of the Federal Reserve System (Board):
Rhoger H. Pugh, Assistant Director, (202) 728-5883, Stanley B. Rediger, Supervisory Financial Analyst, (202) 452-2629, or Virginia M. Gibbs, Senior Financial Analyst, (202) 452-2521, Division of Banking Supervision and Regulation; or Christopher Bellini, Attorney (202) 452-3269, Legal Division; 20th and Constitution Avenue, NW., Washington, DC 20551.

Federal Deposit Insurance Corporation (FDIC):
Robert F. Miailovich, Associate Director, (202) 898-6918, James D. Leitner, Examination Specialist, (202) 898-6790, Division of Supervision; or Walter P. Doyle, Counsel, (202) 898-3682, Legal Division, 550 17th Street, NW., Washington, D. C. 20429.

National Credit Union Administration (NCUA)
Michael J. McKenna, Office of General Counsel, (202) 682-9630, or Alonzo Swann, Office of Examination and Insurance, (202) 682-9640; 1776 G Street NW., Washington, D. C. 20456.

SUPPLEMENTARY INFORMATION:

Statement

Section 2 of DIDRA authorizes the agencies to make exceptions to existing appraisal requirements to facilitate recovery in designated major disaster areas, so long as safety and soundness are not compromised. This has the effect of excluding transactions to which the exceptions apply from the definition of "federally related transaction." Such exceptions expire not later than three years after the disaster is declared by the President.

The agencies have determined that recovery from Hurricanes Andrew and Iniki and from the Los Angeles civil unrest in May 1992 would be facilitated by excepting transactions involving real estate located in the areas directly affected by those disasters from the real estate appraisal requirements of title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA) and the regulations promulgated pursuant to title XI of FIRREA. Disruption of real estate markets in the affected areas interferes with the ability of regulated institutions to obtain appraisals that comply with statutory and regulatory requirements. The order issued with this statement removes that impediment to depository institutions making loans and engaging in other transactions that would help to finance reconstruction and rehabilitation of such areas.

The agencies also have determined that safety and soundness would not be adversely affected by such exceptions so long as the institution's records relating to any such excepted transaction clearly indicate either that the property involved was directly affected by the disaster or that the transaction would facilitate recovery from the disaster. In addition, the transaction must continue to be subject to review by management and by the agencies in the course of examination of the institution under normal supervisory standards relating to safety and soundness, though the transactions need not comply with the specific requirements of title XI of FIRREA and the agencies' existing appraisal regulations.

Expiration Dates

Exceptions for Florida and Louisiana counties affected by Hurricane Andrew expire August 23, 1995 and August 25, 1995, respectively. Exceptions for Hawaii counties affected by Hurricane Iniki expire September 11, 1995. Exceptions for Los Angeles County expire May 1, 1995.

Order

In accordance with section 2 of DIDRA, relief is hereby granted from the provisions of title XI of FIRREA and the agencies' appraisal regulations promulgated thereunder[1] for any real estate-related financial transaction that requires an appraisal under those provisions; provided that the transaction involves real property located in an area designated eligible for Federal assistance by the Federal Emergency Management Agency as

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1 12 CFR part 34, subpart C (OCC);
12 CFR parts 208 and 225, subpart G (Board);
12 CFR part 323 (FDIC);
12 CFR part 564 (OTS);
12 CFR part 722 (NCUA).

a result of Hurricanes Andrew[2] or Iniki[3] or of the Los Angeles civil unrest in May 1992;[4]

PROVIDED:

The real property involved was directly affected by the major disaster; or

The real property involved was not directly affected by the major disaster but the institution's records explain how the transaction would facilitate recovery from the disaster;

AND FURTHER PROVIDED:

There is a binding commitment to fund a transaction that is made within three years after the date the major disaster was declared by the President; and

The regulated institution retains in its files, for examiner review, appropriate documentation supporting the property's valuation.

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2 Florida counties: Broward, Collier, Dade, Monroe.

Louisiana parishes: Acadia, Allen, Ascension, Assumption, Avoyelles, Calcasieu, Cameron, East Baton Rouge, East Feliciana, Evangeline, Iberia, Iberville, Jefferson, Jefferson Davis, Lafayette, Lafourche, Livingston, Orleans, Plaquemines, Pointe Coupee, Rapides, St. Bernard, St. Charles, St. Helena, St. James, St. John the Baptist, St. Landry, St. Martin, St. Mary, St. Tammany, Tangipahoa, Terrebonne, Vermilion, Washington, West Baton Rouge, West Feliciana.

3 Hawaiian counties: Hawaii, Kahoolawe, Kauai, Lanai, Maui, Molokai, Niihau, Oahu.

4 Los Angeles county.

DEPARTMENT OF THE TREASURY
OFFICE OF THE COMPTROLLER OF THE CURRENCY

11-2-92
Date

Stephen R. Steinbrink
Stephen R. Steinbrink
Acting Comptroller of the Currency

CERTIFIED TO BE A TRUE COPY OF THE ORIGINAL DOCUMENT

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

11/5/92
Date

William W. Wiles
William W. Wiles
Secretary of the Board

FEDERAL DEPOSIT INSURANCE CORPORATION

November 4, 1992
Date

Robert E. Feldman
Robert E. Feldman
Deputy Executive Secretary

DEPARTMENT OF THE TREASURY
OFFICE OF THRIFT SUPERVISION

11/6/92
Date

Jonathan L. Fiechter
Jonathan L. Fiechter
Acting Director

NATIONAL CREDIT UNION ADMINISTRATION

November 2, 1992
Date

Becky Baker
Becky Baker
Secretary of the Board

FEDERAL RESERVE SYSTEM

Depository Institutions Disaster Relief Act of 1992; Truth in Lending Act

[Docket No. R-0780]

AGENCY: Board of Governors of the Federal Reserve System.

ACTION: Notice of Order.

SUMMARY: The Depository Institutions Disaster Relief Act of 1992 temporarily authorizes the Board to take immediate action to make exceptions to the Truth in Lending Act and Regulation Z (which implements the Act) for transactions in an area the President has declared to be a major disaster area. In accordance with this law, the Board is granting temporary relief from certain provisions of Regulation Z governing waivers by consumers of the right to rescind certain home-secured loans, so that borrowers in disaster affected communities in Florida, Hawaii, Louisiana, and California can gain easier access to loan funds for emergency purposes. The relief from Regulation Z provides that a consumer's need to obtain funds immediately shall be regarded as a bona fide personal financial emergency for purposes of Regulation Z, and the use of preprinted forms for consumers to waive the right of rescission is permitted; provided that the home securing the extension of credit is located in the disaster area. A consumer must still provide the creditor with a signed, dated waiver statement that a personal financial emergency exists.

when the exceptions would facilitate recovery from the disaster and would not be inconsistent with safety and soundness. Any such exceptions would expire no later than three years after the disaster is declared by the President. The specific expiration dates are set out in SUPPLEMENTARY INFORMATION.

DATES: This order is effective on [DATE OF PUBLICATION IN THE FEDERAL REGISTER] and expires for specific areas on the dates listed in SUPPLEMENTARY INFORMATION.

FOR FURTHER INFORMATION CONTACT:

Office of the Comptroller of the Currency (OCC):
Thomas E. Watson, National Bank Examiner, (202) 874-5350, or William C. Kerr, National Bank Examiner, (202) 874-5170, Office of the Chief National Bank Examiner; or Horace G. Sneed, Senior Attorney, (202) 874-5310, Bank Operations and Assets Division, 250 E Street, SW., Washington, DC 20219.

Office of Thrift Supervision (OTS):
OTS: Robert Fishman, Program Manager, Credit Risk, (202) 906-5672; Deirdre Kvartunas, Program Analyst, (202) 906-7933; Diana Garmus, Deputy Assistant Director, Corporate Activities, (202) 906-5683; Ellen J. Sazzman, Attorney, Regulations and Legislation Division, Chief Counsel's Office, (202) 907-7133; 1700 G Street, NW., Washington, DC 20552.

risk of loss of the consumer's home in the event of default, there is a mandatory waiting period of three business days before funds can be disbursed in order to give consumers an opportunity to reflect on the loan terms and to elect to cancel the transaction.

A consumer may modify or waive this right of rescission to meet a bona fide personal financial emergency. Under Regulation Z, 12 CFR 226.15(e) and 226.23(e), the consumer must provide the creditor a written, signed and dated waiver statement that describes the emergency. The waiver statement may not be executed on a preprinted form.

Through discussions with various sources about the major disaster areas noted above, and based on the Board's experience in monitoring compliance with Regulation Z, the Board has determined that the three-day waiting period that provides a consumer the opportunity to rescind a loan, and the restriction on the use of a preprinted form to execute a waiver of the right of rescission, may disadvantage borrowers in the major disaster areas who are in immediate need of the loan proceeds. Therefore, the Board believes that granting relief in these situations can reasonably be expected to produce benefits to the public that outweigh possible adverse effects.

Accordingly, pursuant to its authority under section 3 of DIDRA, provided that the dwelling securing the extension of credit is located in an area of Florida, Louisiana, Hawaii, or

California that was declared a major disaster by the President under section 401 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act, 42 U.S.C. 5170, as a result of Hurricanes Andrew[1] or Iniki[2] or the civil unrest in Los Angeles in May 1992,[3] the Board hereby: (1) determines that a consumer's need to obtain funds immediately shall be regarded as a bona fide personal financial emergency for purposes of §§ 226.15(e) and 226.23(e) of Regulation Z and (2) grants relief from §§ 226.15(e) and 226.23(e) of Regulation Z to permit the use of preprinted forms for consumers to waive the right of rescission. The Board notes that consumers must still provide creditors with signed, dated waiver statements in these transactions.

As required by section 3 of DIDRA, the relief from Regulation Z provided in this Order shall expire on: (1) May 2, 1993, for areas affected by the civil unrest in Los Angeles; (2) August 24, 1993, for areas affected by Hurricane Andrew in Florida; (3) August 26, 1993, for areas affected by Hurricane

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[1] Florida counties: Broward, Collier, Dade, Monroe.

Louisiana parishes: Acadia, Allen, Ascension, Assumption, Avoyelles, Calcasieu, Cameron, East Baton Rouge, East Feliciana, Evangeline, Iberia, Iberville, Jefferson, Jefferson Davis, Lafayette, Lafourche, Livingston, Orleans, Plaquemines, Pointe Coupee, Rapides, St. Bernard, St. Charles, St. Helena, St. James, St. John the Baptist, St. Landry, St. Martin, St. Mary, St. Tammany, Tangipahoa, Terrebonne, Vermilion, Washington, West Baton Rouge, West Feliciana.

[2] Hawaiian counties: Hawaii, Kahoolawe, Kauai, Lanai, Maui, Molokai, Niihau, Oahu.

[3] Los Angeles County.

Andrew in Louisiana; and (4) September 12, 1993, for areas affected by Hurricane Iniki in Hawaii.

By order of the Board of Governors of the Federal Reserve System, dated November 5, 1992.

(signed) William W. Wiles
William W. Wiles
Secretary of the Board

Interagency Statement on Supervisory Practices Regarding Depository Institutions and Borrowers Affected by Hurricane Iniki

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 physical destruction and disruption caused by the hurricane in Kauai has 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 destruction 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 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.