



Press Release

For Immediate Release

November 30, 2005

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 (the agencies), and the Conference of State Bank Supervisors are encouraging insured depository institutions to consider all reasonable and prudent actions that could help meet the critical financial needs of their customers and their communities affected by Hurricane Katrina.

Following Katrina, the agencies encouraged lenders to work with borrowers affected by the devastating storm. Many lenders responded by deferring loan payments from 60 to 120 days, with 90 days being the most common period. As the end of many initial deferral periods approaches, many insured depository institutions and customers have inquired about the agencies' views on additional deferral periods, as well as what happens to the amount due when the deferral period ends.

The agencies continue to encourage lenders to work with both individual and commercial borrowers who have been affected by the storms. It is recognized that a great deal of uncertainty exists for many borrowers and it will take time to work through each individual situation. Granting additional deferral periods for some borrowers in accordance with sound risk

management practices may be appropriate given that the timing and amount of insurance payments, disaster payments, and other assistance may still be unknown.

Although deferral programs and individual workout arrangements may vary, the agencies encourage institutions to provide flexible repayment terms at the end of the deferral period, such that lump sum payments of all deferred interest and principal do not become due immediately when payments resume. In cases where principal and interest have been temporarily deferred, at the end of the deferral period the lender should accord the account the same payment status it had before the deferral period began. In such circumstances, loans that were current before Katrina would be current when the deferral period ends and loans that were past due prior to the storm would be past due the same number of days they were past due when the deferral was made.

The agencies encourage institutions to continue efforts to contact their customers. By the same token, it is of vital importance that borrowers displaced by the storm contact their lending institution, if they have not already done so. If contact has not been made by the end of the deferral period, the loan would be viewed as carrying a higher level of risk that should be addressed by the financial institution.

Institutions, consumers, and other interested parties are encouraged to visit the Federal Financial Institutions Examination Council's (FFIEC) Web site at <http://www.ffiec.gov/katrina.htm> for more detailed guidance that addresses various repayment options and the regulatory reporting requirements surrounding them. The agencies will continue to closely monitor the situation and the needs of insured depository institutions and their customers. Additional guidance will be provided, as required, to help address those needs. Institutions in need of assistance in dealing with the effects of the hurricane should contact their primary supervisor.

For additional information concerning this press release, please contact Tamara J. Wiseman,
Executive Secretary for the FFIEC, at 703-516-5590.

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The FFIEC was established in March 1979 to prescribe uniform principles, standards, and report forms and to promote uniformity in the supervision of financial institutions. The Council has five member agencies: the Board 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. The Council's activities are supported by interagency task forces and by an advisory State Liaison Committee, comprised of five representatives of state agencies that supervise financial institutions.