

Financial Institutions Affected by the Deepwater Horizon Oil Spill

The federal financial institution regulatory agencies¹ and the state supervisors² (collectively, the “regulators”) are issuing this statement to assist financial institutions and their customers being affected by the explosion and oil spill related to the Deepwater Horizon Mobile Offshore Drilling Unit in the Gulf of Mexico (Gulf Oil Spill).

The regulators encourage financial institutions to work with their customers and consider measures to assist borrowers affected by this situation and its subsequent impact on local communities. Substantial business disruption and damage to businesses along the Gulf Coast Region have occurred. In response to this disaster, financial institutions can take measures to meet the critical financial needs of their customers and their communities. Efforts taken by financial institutions to work with their borrowers and customers in affected communities, if conducted in a reasonable and prudent manner, are consistent with safe and sound banking practice. In this regard, the regulators encourage institutions to consider alternatives for customers who can demonstrate they are affected by the disaster; such alternatives may include:

- Temporarily waiving late payment charges, ATM fees, and penalties for early withdrawal of savings;
- Expediting lending decisions when possible, consistent with safety and soundness;
- Extending or restructuring borrower debt obligations in anticipation of the receipt of funds based on claims the borrower may have filed with BP; and
- Easing credit terms or fees for loans to certain borrowers, consistent with prudent banking practice.

These measures could help customers recover financially and be better positioned to honor their obligations. In the affected areas, these efforts can contribute to the health of the local community and the long-term interests of the institution and its customers. Giving consideration to the terms of any modification or workout agreement, examiners will expect institutions to appropriately recognize credit losses as soon as a loss can be reasonably estimated. Moreover, examiners will expect an institution to preserve the integrity of its internal loan grading methodology and maintain appropriate accrual status and reserves on affected credits.

¹ The Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the Office of the Comptroller of the Currency, the Office of Thrift Supervision, and the National Credit Union Administration.

² The state supervisors are represented through the Conference of State Bank Supervisors.

Consistent with the regulators' longstanding practice in assessing the financial condition of institutions directly affected by natural and other disasters, examiners will consider the unusual circumstances banks and credit unions in affected areas may have with respect to safety-and-soundness issues in determining the appropriate supervisory response. If significant declines in an affected institution's capital ratios have occurred or are projected, examiners will consider whether the institution's board of directors has developed a satisfactory capital restoration plan that provides for capital augmentation in a timely manner.

The regulators are committed to working with the industry to respond to issues that arise in the aftermath of the Gulf Oil Spill and to minimize disruption and burden on banks and credit unions in affected areas.