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CAMDEN R. FINE
President and CEO

August 29, 2017

The Honorable Steven T. Mnuchin
Secretary
Department of Treasury
1500 Pennsylvania Avenue, NW
Room 3330
Washington, DC 20220

The Honorable Keith Noreika
Acting Comptroller
Office of the Comptroller of the Currency
400 7th St., SW
Washington, DC 20219

The Honorable Janet Yellen
Chair
Board of Governors of the Federal Reserve
System
20th Street and Constitution Avenue, NW
Room B-2046, Mail Stop 45
Washington, DC 20551

The Honorable Richard Cordray
Director
Consumer Financial Protection Bureau
1275 First St. N.E.
Washington, D.C. 20002

The Honorable Martin J. Gruenberg
Chairman
Federal Deposit Insurance Corporation
550 17th Street, NW, Room 6028
Washington, DC 20429-9990

Dear Secretary Mnuchin, Chair Yellen, Chairman Gruenberg, Acting Comptroller Noreika and Director Cordray:

The Independent Community Bankers of America (ICBA) and community bankers impacted by the devastating effects of Hurricane Harvey appreciate the prudential bank regulators' timely statement, released August 26, 2017, regarding supervisory practices that will apply to affected institutions and their borrowers. Community bankers, as in past natural disasters, stand ready to assist their customers, including thousands of small

The Nation's Voice for Community Banks.®

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businesses, stabilize and rebound financially as quickly as possible from the still-unfolding damage caused by the hurricane and attendant historical flooding.

As in past natural disasters, we urge the agencies to continue to take steps that will help community banks meet these challenges. We urge the agencies to provide regulatory flexibility that will enable community banks to restore services in the affected areas as quickly as possible, and support and meet the needs of their customers and communities. We also call on the CFPB to collaborate with prudential regulators in providing flexibility and guidance to community bankers as they help their customers and communities recover.

A variety of measures will be required to ensure the continued flow of cash and payments throughout the hurricane-affected communities, as well as to promote short-term, and longer-term recovery. Consideration must be provided for households and small businesses that are existing borrowers, as well as those that will need to borrow to repair, replace and rebuild both personal and real property. Likewise, the agencies must consider the operational, liquidity and other needs of community banks; for example, as deposits and assets balloon due to inflow of customer funds from FEMA and insurance claims, and as banks increase lending to meet rebuilding needs.

We urge the agencies to assist in:

- maintaining public confidence in the safety and soundness of FDIC-insured institutions;
- assuring the liquidity and cash needs of community banks can be met through: cash availability, security and transportation; and liquidity support and flexibility from the discount window, Federal Home Loan Bank advances, and other liquidity and borrowing sources;
- keeping payments flowing with special clearing and settlement arrangements if needed for affected banks;
- waiving certain compliance requirements to expedite provision of services to customers; and
- addressing lending and safety and soundness issues with regulatory flexibility on past due and otherwise classified loans, and flexibility in capital and prompt corrective action requirements.

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We have attached a preliminary list of recommended actions for Hurricane Harvey relief. With appropriate governmental action and support, community banks should be well-positioned to spur the recovery of their communities. We look forward to working with you to realize that goal.

Sincerely,

/s/

Camden R. Fine
President and CEO

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Hurricane Harvey: Recommended Regulatory Actions to Aid Relief and Recovery

August 29, 2017

Immediate Steps

Confidence and Recovery

- **Continue to provide banks with lists of resources and offer advice, guidance,** and any other necessary assistance to help them resume operations.
- **Banking agency leaders should make strong statements about the safety and soundness of all FDIC-insured institutions.** This will bolster public confidence and avoid unnecessary deposit drains or liquidity pressures on financial institutions in the disaster areas.

Liquidity

- **The Federal Reserve—through its discount window and the Federal Home Loan Banks – through advances – should be as flexible as possible** regarding restrictions and collateral requirements, etc. to assure liquidity.
- **Waive reserve requirements** for banks in the affected area.
- **Increase the frequency of currency and coin deliveries to meet additional cash demands.**
- **Extend deposit and presentment deadlines for checks and ACH for banks in the affected areas.**

Customer Service

- Provide additional **flexibility to allow banks in affected areas to open temporary branches and share resources** (lobbies, data processing, office space, other backroom support).
- **Extend the period of time in which banks must obtain and verify customer identification** since many consumers and small businesses may have lost identification and corporate documents.

Lending—General

- **Allow flexibility on past due or classified loans and collateral requirements** (to give banks sufficient flexibility to work with borrowers who may have lost homes, cars, jobs) and **defer enforcement action due to credit quality**.
- **Allow banks to make credit policy exceptions and re-age accounts** that go past due as appropriate to help impacted borrowers without regulatory repercussions, including allowing deferred interest to be rolled into principal balance.
- **Temporarily relax both loan to value guidelines** on real estate loans in the affected areas **and appraisal requirements** (impossible to fairly evaluate property at this time).

Lending—Consumer

- **Waive/relax loan to value guidelines on consumer real estate loans:** allow for loans of in excess of 100% LTV in affected areas where market value and condition of the property are difficult to determine.
- **Waive RESPA/TILA timelines for both Loan Estimate and Closing Disclosures; waive 3-day right of rescission requirements:** This will permit banks to get much needed funds from both closed end mortgage loans and HELOCs to consumers ASAP.
- **Waive Ability-to-Repay rules and grant Qualified Mortgage safe harbor protection for loans originated in affected areas where income and assets could not be documented in accordance with appendix Q and the debt to income ratio may exceed 43%.** Consumers may have difficulty producing required forms of income and asset documentation (especially self-employed borrowers), and borrowers may experience temporary lapses in employment/income.
- **Waive RESPA/TILA servicing rule timelines for notices and disclosures for institutions in the affected areas for 12 months** allowing banks to focus resources on the needs of their customers, employees and their communities as they rebuild.

Reporting and Filing

- **Defer reporting deadlines for regulatory reports**, e.g., call reports, and Report of Transaction Accounts, Other Deposits, and Vault Cash (FR 2900).

- **Suspend implementation of new HMDA requirements for institutions in the affected area for 12 months**, allowing banks to focus resources on the needs of their customers, employees and their communities as they rebuild.
- **Grant banks additional time for submitting Bank Secrecy Act and anti-money laundering regulatory reports** such as Suspicious Activity Reports and Currency Transaction Reports, as well as provide flexibility in complying with other applicable BSA requirements.
- **Extend all monthly and/or quarterly federal tax filing requirement deadlines.**

Compliance

- **Temporarily waive compliance** with consumer regulatory requirements for banks in affected areas **regarding Regulation E**, Electronic Fund Transfers.
- **Grant banks additional time to address errors under TILA and Regulation E** (allow at least 60 to 90 days for banks in affected areas).

Longer Term Steps

- **Offer flexibility on examination cycles until an affected bank resumes normal operations, and allow additional latitude** for banks in affected areas during their first exam, recognizing that they have been impacted by elements outside their control.
- Examiners need to clearly understand the impact of the disaster and **allow all affected banks sufficient flexibility for at least 18 – 24 months to recover.**
- **Relax prompt corrective action standards to avoid closing banks with temporarily impaired capital levels**, for example, due to sudden influx of customer deposits from FEMA payments or insurance claims.
- Issue forward commitments that the FDIC will not **increase deposit insurance assessments for banks in affected areas that have a temporary decrease in capital levels due to sudden deposit growth.**