

Banks Seek Relief from Effects of Oil Spill

by Eric Dyas

July 2010

On April 20, 2010, an explosion at the Deepwater Horizon oil rig in the Gulf of Mexico claimed the lives of 11 platform workers, injured 17 others and set in motion a series of events that will significantly and adversely impact the entire Gulf Coast and many industries doing business there for years to come. Financial institutions in this area will not be spared.

Within a few weeks following the accident, estimates of the spill's impact on coastal real estate values and various industries in the coastal area became commonplace. In a June 11 [article](#), Bloomberg reported that CoStar Group, Inc. had estimated that the spill would drive down coastal real estate values by approximately 10% for a three-year period. As reported, in the 600-mile stretch from Venice, Louisiana to Clearwater, Florida, losses to real estate values were estimated to be \$4.3 billion.

In addition to the impact on real estate values, industries critical to the financial well-being of these affected markets have been dramatically impacted, as have been businesses and people who rely upon them. Reports indicate that in some of the affected coastal markets, hotel reservations have declined by as much as 50%. The loss of jobs in industries impacted by the spill has compounded the economic stress being felt throughout the Gulf Coast.

For financial institutions with significant operations in this area—many of which were already struggling as a result of the ongoing recession—the spill could not have come at a worse time. Earnings reports of certain banks affected by the spill and analyst coverage of banks with exposure to these coastal markets have acknowledged the financial impact of the spill.

Responding to these circumstances, the head of the Florida Bankers Association, Alex Sanchez, in a June 15 [letter to the heads of the four federal banking agencies](#), outlined the impact of the spill on the State of Florida and the banks doing business there and asked the agencies to work with Florida banks with regard to classification of impacted credits and delays in raising capital. In a [separate letter to the federal regulators approximately a month later](#), Sanchez sought additional relief for Florida banks from the banking agencies.

On July 14, the federal banking agencies, in conjunction with the Conference of State Bank Supervisors, issued a [joint statement](#) "intended to assist financial institutions and their customers" that were being affected by the spill. In short, the statement encouraged financial institutions to work cooperatively with those customers affected by the spill and highlighted ways in which they might do so—waiving certain fees, expediting lending decisions, extending or restructuring certain obligations, and easing credit terms or fees under appropriate circumstances.

It remains to be seen whether the interagency statement will provide the affected institutions and their customers with much-needed relief during this difficult time.

For more information, contact:

[Eric Dyas](#) in Mobile at (251) 345-8214 or edyas@burr.com

or your Burr & Forman attorney with whom you regularly work.



No representation is made that the quality of services to be performed is greater than the quality of legal services performed by other lawyers.