



Office of Thrift Supervision  
Department of the Treasury

Director

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June 11, 1993

**MEMORANDUM FOR CHIEF EXECUTIVE OFFICERS**

FROM: Jonathan L. Fiechter *J. Fiechter*  
Acting Director

SUBJECT: Credit Availability and Fair Lending Initiatives

On June 10, 1993, the four Federal bank and thrift regulatory agencies (Office of Thrift Supervision [OTS], Office of the Comptroller of the Currency, Federal Deposit Insurance Corporation, and Federal Reserve Board) issued interagency statements on credit availability and fair lending.

The statements released on credit availability are intended to improve the ability of small businesses and consumers to gain access to credit. The agencies' policy statements address six specific issues and establish the following policies:

- **In-Substance Foreclosures (ISF):** Under the new policy, loans that meet the existing ISF criteria need not be reported as real estate owned (REO) until the institution actually takes possession of the collateral (though the loan should still be written down to the fair value of the collateral).
- **Returning Nonaccrual Loans to Accrual Status:** Under the new policy, institutions are given two methods by which they can return certain nonaccrual loans to accrual status: (1) the use of troubled debt restructurings that involve multiple notes and (2) when borrowers have resumed paying the full amount due and the institution expects to collect all principal and interest due (along with some other conditions).
- **Reporting Requirements for Financed Sales of REO:** Under the new policy, the minimum down payment requirement previously in place for financed sales of REO is removed and, instead, thrifts and banks can report financed sales of REO as "sales" so long as the GAAP criteria established in FAS 66 is met. The OTS will implement this change through a revision to the instructions to the June 30, 1993 Thrift Financial Report.
- **Reaffirmation of the November 7, 1991 Policy Statement:** This statement reaffirms the agencies' support for the policies announced in 1991 on the review and classification of commercial real estate loans.

- **Supervisory Definition of Special Mention Assets:** This policy statement establishes a uniform definition of the Special Mention designation and sets forth several other related new policies.
- **Coordination of Holding Company, Thrift and Bank Examinations:** This policy statement outlines a program for coordinating examinations of institutions and their holding companies so as to minimize disruption and avoid duplicative examination efforts and information requests, whenever possible.

Attached are a press release that summarizes these initiatives and the interagency policy statements that discuss the initiatives in greater detail.

The agencies also announced on June 10 several initiatives we will pursue to enhance our ability to detect lending discrimination, to improve the level of education we provide to the industry and to our examiners, and to strengthen fair lending enforcement. Attached is a copy of the interagency policy statement that discusses these initiatives.

Please contact your Regional office if you have any questions about the initiatives and Policy Statements.

Attachments