



Office of Thrift Supervision

Department of the Treasury *Managing Director, Examinations, Supervision, and Consumer Protection*

1700 G Street, N.W., Washington, DC 20552 • (202) 906-7984

November 2, 2006

MEMORANDUM FOR: Chief Executive Officers

FROM:

Scott M. Albinson

SUBJECT:

Change in Loans to One Borrower Limitation

Effective immediately, savings associations may rely on Section 404 of the Financial Services Regulatory Relief Act of 2006, "Repeal of Limitation on Loans to One Borrower." This section revises the conditions under which a savings association may make loans to one borrower to develop domestic residential housing units. While the revision does not alter the overall limitation of the lesser of \$30 million or 30 percent of a savings association's unimpaired capital and unimpaired surplus for residential housing development, it does remove the specific limitation that the final purchase price of each single-family dwelling unit in the development not exceed \$500,000.

OTS supported the change because the per-unit cap had restricted a savings association's ability to use the special exception for domestic residential housing developments in many high cost areas. It was burdensome to many small- and mid-sized community lenders.

OTS plans to revise 12 C.F.R. § 560.93 and related guidance to reflect this change soon. All other criteria for loans to one borrower as discussed in Examination Handbook Section 211, Loans to One Borrower, remain unchanged. This statutory change does not diminish the need for savings associations to effectively manage the risk of concentrating too great a portion of their assets in any single borrower or to provide sufficient information to examiners to permit a thorough evaluation of the safety and soundness of all loans and lending programs.

If you have questions regarding the change in loans to one borrower requirements, please contact William Magrini at 202-906-5744 or william.magrini@ots.treas.gov.