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OCC PROPOSES TO IMPROVE REGULATION ON REAL ESTATE LENDING

The Office of the Comptroller of the Currency (OCC) published a proposed rule in today's Federal Register on real estate lending by national banks. This proposal to revise part 34 of the OCC regulations is a result of the OCC's continuing review to update and streamline regulations and to reduce unnecessary regulatory costs and burdens.

The proposal includes a change that gives national banks additional flexibility to dispose of unneeded property formerly used as bank premises.

Former branches and other types of bank premises that a national bank holds under lease but no longer uses to conduct its business are treated as "other real estate owned," or OREO. The bank must dispose of this OREO property within a period that may not exceed ten years from the time the bank ceases to use it. Under the OCC's current rules, a national bank may comply with this requirement by assigning the master lease or by subletting the property. The term of the sublease, however, cannot be shorter than the term of the master lease.

Despite their best efforts, some national banks have been unable to find tenants willing to sublet for the entire remaining term of the lease. Such a sublease remains subject to the OREO rules requiring divestiture. The proposed change would suspend the divestiture period for the term of the sublease on this property formerly used as bank premises. This change would give national banks a wider range of options for the management and disposition of OREO property and enable them to offset some of the cost of holding this OREO pending completion of a prudent divestiture plan.

The proposed rule has a public comment period which ends on September 5, 1995.

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