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Occ Regulatory Review Extends to Leasing

WASHINGTON, D.C. -- The Office of the Comptroller of the Currency (OCC) published a proposed rule in today's Federal Register that would revise part 23 (12 CFR 23) of its regulations on personal property leasing by national banks. The proposed rule is another component of the OCC's regulation review program to update and streamline OCC regulations and to reduce unnecessary regulatory costs and other burdens.

The OCC is proposing changes primarily designed to improve the clarity of the regulation on leasing. In addition, the OCC is asking for comment in several areas where substantive revisions may be appropriate. For example, the OCC requests comment on the rules that limit how much a bank can rely on the residual value of leased property to recover its costs in lease financing. The purpose of the limit, which is currently 25 percent of the original cost of the property, is to ensure that banks rely primarily on the lessee's ability to make payments on the lease, rather than on the value of the underlying property. The OCC asks that commenters who request a more flexible limit also address how to account for any increased risk from a higher limit. The OCC will determine if the limit should be changed based on comments and safety and soundness considerations.

The OCC over the years has issued interpretive letters that permit national banks to engage in activities incidental to leasing. These activities include lease consulting services to customers, financial advice on leasing and lease management services. The OCC requests comment on whether these incidental activities should be specified in the regulation or continue to be handled on a case-by-case basis, as is done now. The OCC invites commenters to identify other incidental activities that may be appropriate for case-by-case consideration, such as real estate leasing that is incidental to personal property leasing.

When leases expire, the current rule requires that a national bank dispose of the leased property within two years. The OCC requests comment on whether this period should be modified to allow national banks more time to dispose of property in depressed markets. The OCC asks that commenters who support a longer disposal period should, among other things, address how to ensure that property will not be held for speculation and whether any longer disposal period should be limited to specific types of assets.

The comment period for the proposed regulation ends on November 6, 1995.

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