Joint Release

Office of the Comptroller of the Currency
Federal Deposit Insurance Corporation
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                 Federal Banking Regulators Issue Guidance
                   On Sales of 100 Percent Loan Participations

WASHINGTON, D.C. -- Federal banking regulators today released a
joint statement providing uniform guidelines for depository
institutions that have programs to originate loans with the
intention of selling off the entire underlying loan amount,
generally to sophisticated institutional entities.

"If not appropriately structured, these 100 percent loan
participation programs can present unwarranted risks to the
originating institution, including legal, reputation and
compliance risks," said the regulators. According to the
statement, which applies only to a small number of mostly very
large insured depository institutions, policies for a 100
percent loan participation program should meet the following
criteria:

1.   The motivations of the parties involved (the originating
     institution, the borrower, and the participants) should be
     commercial in nature.

 2. Participants should be limited to sophisticated financial
     and commercial entities and individuals with experience in
     dealing with loan participations. The originating
     institution should also have a distribution plan that
     ensures that the general public does not become the target
     of marketing efforts for resales by loan participants.

3.   Only borrowers who meet the originating institution's credit
     requirements should be placed in these programs.

4.   The originating institution should allow potential loan
     participants to obtain and review appropriate credit and
     other information on the borrower to enable the participants
     to make an informed credit decision. Promotional materials
     should clearly state that the participants and not the
     originating depository institution are responsible for
     making the ultimate credit decision based on each
     participant's own review of information pertaining to the
     borrower.

The originating institution should establish procedures for
ensuring compliance with applicable regulations and consistency
with the institution's policies and procedures. The originating

institution also should have written participation agreements that set forth the rights and obligations of the parties participating in the program.

The interagency statement, which does not apply to the vast majority of loan participations typically engaged in by insured depository institutions, stems from a 1992 federal case (Banco Espanol de Credito v. Security Pacific National Bank) in which the court concluded that a particular 100 percent loan participation did not involve the sale of securities under federal securities laws. The court, however, did not preclude the possibility that programs that depart substantially from the criteria set forth in that particular case may inadvertently involve the sale of securities and be subject to federal securities laws. The criteria in the joint statement are consistent with those set forth in the Banco case to ensure that 100 percent loan participations are structured as commercial undertakings and not as investments in securities.

A copy of Interagency Statement on Sales of 100 Percent Loan Participations may be obtained by writing to Comptroller of the Currency, Communications Division, Washington, DC 20219; faxing a request to (202) 874-4448; retrieving the document from the OCC's web site at http://www.occ.treas.gov; ordering by phone -- (202) 874-5043; or visiting the OCC's Public Reference Room at 250 E Street, S.W. in Washington, D.C. (9 a.m.-noon and 1-3 p.m., Monday-Friday).

A copy of the statement may also be obtained by writing to the Federal Deposit Insurance Corporation's Public Information Center, 801 17th Street, N.W., Room 100, Washington, DC 20434; faxing a request to (202) 416-2076; retrieving the document from the FDIC's web site at http://www.fdic.gov (in WordPerfect version 6.1); or ordering by phone -- (202) 416-6949 or (800) 276-6003.

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