

NR 95-18
February 15, 1995

NEW NATIONAL BANK LENDING LIMIT RULE REDUCES BURDEN,
FOCUSES ON SAFETY AND SOUNDNESS

A new national bank lending limit rule published in today's Federal Register will eliminate unnecessary regulatory burden and promote increased safety and soundness in national banks, the Office of the Comptroller of the Currency (OCC) announced today. The lending limit governs the amount a national bank can lend to one borrower.

"This action is part of our continuing review of regulations to find ways to make them less burdensome and more user-friendly while ensuring bank safety and soundness," said Comptroller of the Currency Eugene A. Ludwig. "The lending limit is one of the most frequently used regulations in national bank operations. This revised regulation will eliminate requirements that were inefficient and unduly costly and refocus the lending limit rules on the areas of greatest safety and soundness concern. National banks will also be better able to serve the credit needs of their customers under this new rule."

The final rule will permit national banks to calculate the lending limit based on capital figures from the quarterly call report. This change will tie lending limit calculations to established and well-recognized capital standards and alleviate the present burden of having to calculate the capital figure more often according to a formula that differs from the call report capital calculation. If the OCC has any safety and soundness concerns, it may require capital calculations more frequently than quarterly.

A new exception to the lending limit in the final rule would permit a national bank to complete the financing of a project in progress in keeping with prior loan commitments. This would protect a national bank's existing loan commitment in a project and protect the bank's loan collateral. This provision provides that a bank will not be found in violation of the lending limit when a loan that was within the bank's lending limit when made, exceeds the bank's lending limit in the future, provided the bank uses reasonable efforts to bring the loan into line with the current lending limit.

The final rule also expands an existing exemption from the lending limit for loans secured by obligations backed by the U.S. government. The previous regulation included an exemption for loans secured by obligations fully guaranteed by the U.S. government. Today's final rule extends that exemption to loans collateralized by loans guaranteed by the U.S. Government, including loans by the Small Business Administration, Federal Housing Administration and Veterans Administration.

Today's action is the third in a series of regulatory changes made as part of the OCC's regulatory review. The OCC has already announced proposed changes to regulations governing

corporate activities and a final regulation on securities filings. The OCC will continue its program to improve OCC regulations by making them less burdensome, more understandable and easier to use.

#