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OCC Concludes Review of Real Estate Regulation

Washington, DC -- The Office of the Comptroller of the Currency (OCC) published a final rule in today's Federal Register on real estate lending by national banks. This final rule revises part 34 of the OCC regulations in order to update and streamline it and to reduce unnecessary regulatory costs and burdens.

The final rule includes a change that gives national banks additional flexibility to dispose of unneeded property formerly used as bank premises. As bank consolidation and advances in technology continue, this change is intended to assist banks that need to dispose of unneeded branches and back office space.

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 applicable statute requires that a bank dispose of this OREO property within five years, with a possible five-year extension, from the time the bank ceases to use it. A national bank may comply with this requirement by assigning the master lease or by subletting the property.

Despite their best efforts, some national banks have been unable to find tenants willing to sublet for the entire remaining term of the master lease. Under the previous rule, a sublease for less than the entire remaining term of the master lease remained subject to the OREO rules requiring divestiture. The change made in the final rule would suspend the 10-year divestiture period for the term of subleases, including any extensions, that are shorter than the term of the master lease. This change will give national banks a wider range of options for the management and disposition of former bank premises and enable them to offset some of the cost of holding this property pending completion of a prudent divestiture plan.

The effective date of the final rule is April 19, 1996.

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The OCC charters, regulates and examines approximately 2,800 national banks and 70 federal branches and agencies of foreign banks in the U.S., accounting for more than half the nation's banking assets. Its mission is to ensure the safety and soundness of the national banking system.