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#### Lending Limit Revision Would Protect Bank Loan Collateral

WASHINGTON, DC -- The Office of the Comptroller of the Currency (OCC) proposes to modify the regulation on bank lending limits in a way that provides added protection to bank loan collateral. The proposal appears in today's Federal Register.

The OCC proposal mirrors a provision in the existing lending limit rule that permits additional funds to be extended beyond the single borrower lending limit on loans secured by real estate, provided the funds are needed to pay for maintenance and operating expenses to the extent necessary to preserve collateral, consistent with safe and sound banking practices.

Today's proposal extends the same treatment to loans secured by collateral other than real estate. For example, a bank would be able to extend additional funds on a loan secured by perishable crops to enable the crops to get to market. Not to do so would endanger the value of the crops that serve as collateral for the bank's loan.

Safety and soundness standards would apply when additional funds are extended. A national bank would be expected to document what collateral is being protected, why the amount to be advanced is the necessary amount, and how the additional funds preserve collateral. Documentation would also be needed on how the bank's position would be protected by preserving the collateral as compared to attempting to sell the collateral.

The OCC proposal also clarifies that a national bank is to calculate its lending limit based on capital and surplus as of the end of the most recent quarter. The recalculated lending limit would be effective on the date that a bank files its call report.

Public comments on the proposed rule are due by September 16. The lending limit is part 32 of the OCC's regulations.

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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.