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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

November 10, 2008

Mr. Scott Talbott  
Senior Vice President  
The Financial Services Roundtable  
Suite 500 South  
1001 Pennsylvania Avenue, NW  
Washington, DC 20004

Mr. Travis Plunkett  
Legislative Director  
Consumer Federation of America  
Suite 200  
1620 I Street, NW  
Washington, DC 20006

Dear Messrs. Talbott and Plunkett:

I am responding on behalf of Comptroller Dugan to your October 29, 2008, letter seeking approval to test a new workout program for distressed credit card debtors. In particular, your letter requests that the Office of the Comptroller of the Currency (OCC) issue guidance permitting banks to provide workout programs to credit card borrowers that allows them to repay less than the full amount owed over time, while deferring the loss recognition and income reporting.

The OCC strongly supports efforts by national banks to work with distressed borrowers. To this end, regulatory guidance allows for a number of tools and programs banks may offer their struggling customers. While the majority of these alternatives do not involve principal forgiveness, banks certainly have the option to offer principal relief as long as the loans are accounted for off-balance sheet with any repayment recorded as a recovery. As you are aware, our regulatory and accounting requirements for settlements and workout programs only apply to on-book balances.

I must tell you that I have concerns that the major lenders and credit counseling agencies referenced in your letter are failing to differentiate between working with distressed borrowers and a desire to simply acquire forbearance on loss recognition. In our view, these are clearly two different matters. The OCC does not consider any plan that defers the timely recognition of loss as prudent, and any such proposal cannot be viewed favorably by us. This is particularly the case for borrowers who, as you acknowledge, cannot even qualify for debt relief programs


Messrs. Talbott and Plunkett  
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currently in existence. Our long-standing policy is that banks are not allowed to attempt long-term recoveries while assets deemed uncollectible have not been accounted for as charge offs and reported as losses. To do so compromises the integrity and transparency of financial statement reporting and public confidence in the banking system. The timely identification, reporting, and management of credit losses, along with adequate loan loss reserves and capital levels, provide the public with that confidence.

Our position has not changed since your similar request last year when all the bank regulatory agencies sent you a response clarifying our position on the impermissibility of loss deferral. We appreciate the challenges faced by troubled borrowers in the current environment and by the banks as they attempt to work with those customers. At the same time, I am sure you appreciate our interest in ensuring that banks maintain accurate and transparent financial statements and records.

Our staff would be pleased to meet with you to discuss the matters you have raised and your specific concerns or suggestions. Please contact Ned Pollock, Deputy Comptroller, Credit and Market Risk, at (202) 874-4222 with any questions or comments.

Sincerely,



Timothy W. Long  
Senior Deputy Comptroller, Bank Supervision Policy  
and Chief National Bank Examiner