

Transmittal

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Attached is a final rule amending the OTS capital regulations to place all assets previously assigned to the 200% risk-weight category, including foreclosed assets, in the 100% risk-weight category. The preamble to this final rule also announces a revision to OTS policy with respect to the valuation of foreclosed assets. Beginning with regulatory reports prepared for periods ending on or after December 31, 1992, the OTS will require savings associations to use fair value, rather than net realizable value, to value foreclosed assets. We expect that, for most associations, the effect of the more stringent valuation methodology will be mitigated by the removal of the 200% risk-weight category.

The OTS had previously published a notice of proposed rulemaking soliciting comment on these two changes as well as on two others: a proposed requirement that savings associations use fair value for the valuation of troubled, collateral-dependent loans and a proposed elimination of specific valuation allowances in favor of charge-offs. We have deferred action on these latter two issues pending further consultation with the other Federal banking agencies. The rule is published in the *Federal Register*, Vol. 58, No. 3, pp. 474-476.

Acting Director
Office of Thrift Supervision

Attachment