

File

RB 24 was rescinded 10/21/91. It was incorporated into Thrift Activities 211.

Regulatory Bulletin

Handbook: Thrift Activities
Subject: Loans-to-One-Borrower Delegation
for Special Rule

Section: 211
RB 24

February 8, 1990

RESCINDED

Guidelines for Approval of Higher
Loans-to-One-Borrower Limits

Summary: FIRREA provides a Special Rule allowing the Office of Thrift Supervision (OTS) to approve higher limits for loans to one borrower (LTOB) to develop domestic residential housing. This Special Rule is discussed in Thrift Bulletin 32-2. This regulatory bulletin provides guidelines for District Director approval of thrift applications to use the higher limit.

For Further Information Contact:
Your District Office or the Corporate Activities or Thrift Programs Divisions of the Office of Thrift Supervision, Washington, D.C.

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The Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA) substantially lowered savings associations' loans-to-one-borrower (LTOB) limit, effective August 9, 1989. As described in Thrift Bulletin 32, the new general limitation has been changed to 15% of unimpaired capital and unimpaired surplus. FIRREA, however, authorizes the Director of the OTS to increase this limit to 30% for qualified thrifts to develop domestic residential housing.

The Director delegated this authority to the District Directors through the Senior Deputy Director for Supervision Operations. The District Director may provide a blanket approval for higher LTOB limits for a thrift for lending to develop domestic residential housing upon determination that the higher limits pose no undue risk to the safety and soundness of the thrift.

Thrifts desiring the higher LTOB limits must apply to their District Director for approval. Applications must include sufficient information to permit a thorough evaluation of the merits and risks of approving the higher LTOB limits.

Approval Considerations

District Directors should base their decisions on applications for higher lending limits on criteria related to the safety and soundness of the thrift. When considering applications under this policy, the District Directors should consider the following types of information and any other relevant facts:

1. Any significant lending policy, documentation, or related problems, which may include the volume and severity of classified assets, nonperforming and past due assets, and concentrations of credit;
2. The experience and record of the thrift's current staff in lending on the type of dwelling units proposed and in the local markets of the proposed units; and
3. The current business plan of the thrift and how it addresses loans of this size and type.

Standard Conditions

Any approval should be conditioned as follows:

The District Director approves this application to exceed the limits in Section 301, subsection 5(u)(1) of FIRREA and exercises the authority at subsection 5(u)(2)(A)(ii) permit-

ting institution name, city, state, to lend up to the lesser of \$30 million or 30 percent of its unimpaired capital and unimpaired surplus to one borrower for the development of domestic residential housing units, subject to the following conditions:

1. The savings association is and continues to be in compliance with its fully phased-in capital standards as set forth in 12 C.F.R. Part 567;
2. The loans made under this Special Rule do not, in the aggregate, exceed 150% of the institution's unimpaired capital and unimpaired surplus;
3. The purchase price of each single family dwelling unit financed under this clause does not exceed \$500,000;
4. Such loans comply with all loan-to-value requirements applicable to federal savings associations;
5. The loans are made pursuant to a prudent program of domestic residential lending to meet both the community's and the savings association's present needs or reasonable future needs in accordance with a business plan acceptable to the District Director;
6. If requested, the savings association will provide a quarterly

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report to the District Director of all loans granted under this Special Rule; and

7. Approval is for a period of twelve months from the date of this letter, subject to review, modification, and/or reconsideration by the District Director at any time.

Nonstandard Conditions

The District Director may impose additional limits or nonstandard conditions after obtaining concurrence from the appropriate Regional

Director in the Corporate Activities Division.

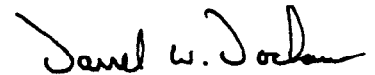
Recordkeeping and Monitoring Requirements

Applications for use of the higher limits will be processed in accordance with the applications processing guidelines set forth in 12 C.F.R. section 571.12 and will be placed on the National Applications Tracking System (NATS).

After approval or denial, the District should retain a copy of the application, the approval or denial letter,

and the supporting digest in its permanent records and send a microfiche copy to Information Services. The Corporate Activities Division will conduct any post audit review using the Districts' files.

The District Office shall closely monitor the condition of the institution, especially the loans granted under this Special Rule, to ensure that all activities are conducted in a safe and sound manner, that there is no adverse effect on the thrift's operations or capital, and that such loans comply with all relevant laws, regulations, and policies.



— Darrel W. Dochow
Senior Deputy Director, Supervision Operations