Attached is a notice of proposed rulemaking that seeks public comment on a proposed policy on the classification, valuation and regulatory capital treatment of troubled, collateral-dependent loans and repossessed assets. The proposed policy would require savings associations to establish specific valuation allowances or charge offs based on fair value for troubled, collateral-dependent loans where it is likely that the principal and interest will not be repaid in full. The proposal focuses on the expected cash flows from the underlying collateral over the foreseeable future. The notice also requests comment on whether we should adopt the bank regulatory agencies’ policy of requiring charge offs for amounts classified as loss (rather than allowing associations to use either specific valuation allowances or charge offs). The policy would also require the use of fair value for repossessed assets after foreclosure has occurred and remove the current 200% risk-weight category for such assets. This requirement comports with a recent change in generally accepted accounting principles (GAAP).

The OTS solicits comment on all aspects of this notice of proposed rulemaking.

The notice of proposed rulemaking is published in the Federal Register, Vol. 57, No. 195, pp. 46096-46101. Comments on the notice of proposed rulemaking must be received on or before December 7, 1992, addressed to: Director, Information Services, Public Affairs Office, Office of Thrift Supervision, 1700 G Street NW., Washington, DC 20552.

Director
Office of Thrift Supervision
Attachment