Permissible Interest on Loans That Are Transferred: Notice of Proposed Rulemaking

Summary

The Office of the Comptroller of the Currency (OCC) is issuing a notice of proposed rulemaking requesting comment on a proposed rule that would clarify that when a national bank or savings association sells, assigns, or otherwise transfers a loan, interest permissible prior to the transfer continues to be permissible following the transfer. Comments must be received by January 21, 2020.

Note for Community Banks

This proposed rule would apply to all national banks and savings associations (collectively, banks), including community banks.

Highlights

Federal law establishes that banks may charge interest at the maximum rate permitted to any state-chartered or licensed lending institution in the state where the bank is located. Federal law also provides national banks and federal savings associations with the authority to enter into and assign contracts. Well-established authority also authorizes banks to sell, assign, or otherwise transfer loans. Despite these authorities, recent developments have created uncertainty about the ongoing validity of the interest term after a bank sells, assigns, or otherwise transfers a loan. This rule would clarify that when a bank sells, assigns, or otherwise transfers a loan, interest permissible prior to the transfer continues to be permissible following the transfer.

Further Information

Please contact Andra Shuster, Senior Counsel; Karen McSweeney, Special Counsel; or Priscilla Benner, Attorney, Chief Counsel’s Office, at (202) 649-5490.

Jonathan V. Gould
Senior Deputy Comptroller and Chief Counsel

Related Link

- Permissible Interest on Loans That are Sold, Assigned, or Otherwise Transferred (PDF)