



# Office of the Comptroller of the Currency

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## Interpretive Letter #736

*Published in Interpretations and Actions August 1996*

**12 U.S.C. 84D2H**

July 25, 1996

[ ]

Dear [ ]:

This letter responds to your July 1, 1996, request regarding the [ ] ("Bank"). Specifically, you inquired whether 12 CFR 32.2(j)(2)(vi)(B), which addresses the purchase of loan participations by banks, applies equally to participations purchased by non-banks.

Although section 32.2(j)(2)(vi)(B) specifically states that "participating banks" must provide their funding within one business day of the originating bank's funding of a loan, the OCC did not intend to limit this exception to bank participants alone. The purpose of the participation exception to the lending limit rule is to ensure that a sale of a portion of a loan by an originating bank relieves that bank from the credit risks associated with the loan. It is irrelevant to whom that credit risk is passed, as long as the bank has complied with the restrictions of the rule.

Therefore, it is my opinion that if the Bank otherwise complies with section 32.2(j)(2)(vi), the Bank's sale of a loan participation to a non-bank will reduce its legal lending limit exposure to the original borrower.

I trust this has been responsive to your inquiry.

Very truly yours,

/s/

Laura G. Goldman

Attorney

Bank Activities & Structure Division