



executive officer of the bank in any amount if the loan is to finance or refinance the purchase, construction, maintenance, or improvement of a residence of the executive officer, provided the extension of credit is secured by a first lien on the residence and the residence is owned (or expected to be owned) by the executive officer. Thus, Regulation O requires that, in order to qualify for this exception, a loan must be made for one or more of the purposes specified therein.

As noted above, the loan at issue was a general home equity line of credit made without any restriction on the use of its proceeds. Accordingly, both the OCC and the FRB have reached the same conclusion with respect to the issue raised by your letter. A home equity line of credit granted by a national bank to its executive officer that can be used for any purpose does not qualify for the exception set forth at section 215(c)(2). Such a line of credit can only be extended on the basis of section 215(c)(4) of Regulation O, and is therefore subject to the aggregate limit imposed on general purpose loans made to executive officers.<sup>1</sup>

This conclusion obtains even when the line of credit is secured by a first lien on the executive officer's residence, as it is in the situation you describe. An extension of credit can only qualify for treatment under the exception provided by section 215(c)(2) if it is secured by a first lien. However, the existence of the first lien is not sufficient to bring the extension of credit within section 215(c)(2). Rather, the purpose for which the extension of credit was granted must be restricted to conform with one of the purposes provided in section 215(c)(2).

Please feel free to call me or Jonathan Fink, Attorney at (202) 874-5300 if you should have any further questions.

Sincerely,

\s\

Aline Henderson  
Senior Attorney  
Bank Activities & Structure

---

<sup>1</sup> See Letter from J. Virgil Mattingly, General Counsel, FRB (Oct. 15, 1992); Letter from Sharon Miyasato, Senior Attorney, OCC (Sept. 22, 1988). See attached.