

## Press Releases

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### OTS 01-87 - Gilleran Announces Revised Lending Rule To Enhance Thrift Flexibility

#### Office of Thrift Supervision

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For further information

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### Gilleran Announces Revised Lending Rule To Enhance Thrift Flexibility

WASHINGTON - Office of Thrift Supervision Director James E. Gilleran today announced that OTS changed its lending and investment regulations to allow federal savings associations greater flexibility to provide low-cost credit to their customers and to invest in their communities while still operating safely and soundly.

"The changes we announced today enhance the ability of thrifts and their operating subsidiaries and service corporations to serve their communities through consumer and small business lending," Mr. Gilleran said.

To assist thrifts with their small business lending authority, OTS raised the dollar amount limit in the definition of small business loans under the Home Owners' Loan Act from \$1 million to \$2 million and farm loans from \$500,000 to \$2 million. The rule announced today further clarifies that a loan to an individual meeting these limits will be a small business loan if used for commercial, corporate, business or agricultural purposes.

The rule also revised OTS regulations to reflect changes in the Consolidated Appropriations Act - FY 2001 that give thrifts the same authority that banks enjoy to invest in small business investment companies.

OTS enhanced the ability of federal savings associations to invest in state and local government obligations by lifting many of the current restrictions. Thrifts are now permitted unlimited investment authority in general obligations. Investment-quality, non-general obligation investments are subject only to the statutory 10 percent of total capital limitation for investments in the obligations of any one issuer. Investments in other municipal securities are permitted with the approval of an OTS Regional Director.

OTS also raised the aggregate level that a thrift can invest directly in community development funds, community centers and economic development initiatives in its communities from the greater of a quarter of one percent of its total capital or \$100,000 to one percent of its total capital or \$250,000.

OTS modified its definition of real estate loans to remove the requirement that the real estate be the primary security for a loan, and instead focus on whether the thrift "substantially relies upon a security interest in real estate given by the borrower as a condition of making the loan." This action gives thrifts greater flexibility, within statutory limits, by treating a real estate loan as a loan that would not have been made in the same amount or on the same terms unless it was secured, in whole or in part, by real estate. This recognizes that loans may be secured by both real and personal property.

The final rule will appear in the December 21, Federal Register and will become effective January 1, 2002.

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The Office of Thrift Supervision (OTS), a bureau of the U.S. Treasury, regulates and supervises the nation's thrift industry. OTS's mission is to ensure the safety and soundness of thrift institutions and to support their role as home mortgage lenders and providers of other community credit and financial services. For copies of news releases or other documents visit the OTS web page at [www.ots.treas.gov](http://www.ots.treas.gov).