



OCC BULLETIN

Comptroller of the Currency
Administrator of National Banks

Subject: Subprime Lending

Description:

Expanded Guidance for Subprime
Lending Programs

TO: Chief Executive Officers of National Banks, Department and Division Heads, and All Examining Personnel

The Office of the Comptroller of the Currency (OCC), the Federal Deposit Insurance Corporation, the Federal Reserve Board, and the Office of Thrift Supervision have jointly issued the attached “Expanded Guidance for Subprime Lending Programs.” The issuance supplements the “Interagency Guidance on Subprime Lending” issued March 1, 1999. Examiners should use these interagency issuances in conjunction with OCC Bulletin 1999-15, Subprime Lending, Risks and Rewards, when reviewing subprime activities.

The expanded guidance applies specifically to institutions with subprime lending programs that are greater than or equal to 25 percent of tier 1 regulatory capital. While the OCC believes that responsible subprime lending can expand credit access for consumers and offer attractive returns for bankers, during recent years institutions engaged in subprime programs have represented a disproportionate number of problem institutions and bank failures. As a result, institutions with significant subprime lending activities will be subject to closer examination scrutiny to ensure that their programs have appropriate risk management controls and capital support.

Primary issues discussed in the guidance include:

- Analysis and documentation standards for the allowance for loan and lease losses and regulatory capital maintenance.
- Examination review and classification standards for individual loans and portfolios.
- Documentation requirements for re-aging, renewing, or extending delinquent subprime accounts.
- Examination review of potentially abusive lending practices.

This guidance is effective immediately. For banks with subprime programs greater than or equal to 25 percent of tier 1 regulatory capital, examiners should evaluate subprime lending activities during their next on-site review for compliance with this guidance.

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