

Press Releases

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OTS 96-77 - OTS Issues Credit Card & Small Business Lending Rule

Office of Thrift Supervision

News Release

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OTS ISSUES CREDIT CARD AND SMALL BUSINESS LENDING RULE

WASHINGTON, D.C., Nov. 27, 1996 -- With a rule issued today by the Office of Thrift Supervision (OTS), the nation's federally chartered thrift institutions can now take advantage of the expanded credit card and small business lending flexibility they were afforded by the Economic Growth and Regulatory Paperwork Reduction Act of 1996. The rule is effective immediately.

OTS said many thrifts have expressed an interest in expanding their consumer, small business and agricultural lending to better meet the needs of their communities. The agency said it supports providing thrifts with greater operating flexibility, consistent with safety and soundness.

The new law confirms and clarifies that thrifts may engage in credit card lending without a percentage of assets investment limitation. It also expands federal thrifts' commercial lending authority from 10 to 20 percent of assets so long as amounts over 10 percent are solely for small business loans. To implement the law, Congress requires OTS to define "small business" and "credit card." OTS is defining these terms in the same way for both its lending regulations and for the Qualified Thrift Lender (QTL) test.

For "credit card," OTS based its definition on the plain meaning of the term as defined by sources such as Black's Law Dictionary. That definition encompasses "a card, plate, or like credit device that allows the holder to purchase goods or obtain services or cash by charging them to a previously established line of credit with the issuer of the card, plate or device." A companion definition of "credit card account" includes credit card debt consolidation loans and securities backed by credit card accounts and receivables. OTS said it reserves the right to establish investment limits on a case-by-case basis if there is a safety and soundness concern.

For "small business" and "small business loan," the OTS rule tied its definition to those found in the regulations of the Small Business Administration. Thrifts may now count both small business loans and credit cards in meeting their QTL test without restriction. Although the regulation is effective immediately, OTS invites comments for the next 60 days. The agency

specifically asked for comment on whether to include a simple, minimum qualification that a loan to any business with annual sales of less than a specified amount is deemed a small business loan.

OTS removed its QTL regulations because they simply reiterate provisions in the Home Owners' Loan Act. The removal is part of OTS' program to streamline its regulations and remove duplicative requirements.

In addition, OTS has amended its acquisition of control and holding company regulations to conform to changes made by the new legislation. OTS will no longer examine dual bank/thrift holding companies.

Finally, the rule permits savings associations and their affiliates to offer discounts to customers who maintain a combined minimum balance in certain accounts. This regulatory exception reflects OTS' new authority under the anti-tying statute to make exceptions that conform to exceptions granted by the Federal Reserve Board to banks.

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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' 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 call PubliFax at 202/906-5660, or visit the OTS web page at www.ots.treas.gov.