

Press Releases

May 9, 2002

OTS 02-26 - OTS Adjusts Capital Requirements For 1-4 Family Mortgages

Office of Thrift Supervision

FOR RELEASE at 12:15 P.M. EDT

For further information

Thursday, May 9, 2002

Contact: Sam Eskenazi

OTS 02-26

202/906-6677

OTS Adjusts Capital Requirements For 1-4 Family Mortgages

WASHINGTON - The Office of Thrift Supervision announced today that it is adjusting its capital requirements to bring them in line with the other federal banking agencies. Under a final rule that will be published in tomorrow's Federal Register, a one- to four-family residential first mortgage loan will qualify for 50 percent risk weight capital treatment if the loan is underwritten in accordance with prudent underwriting standards, including standards in the Interagency Guidelines for Real Estate Lending.

While the interagency guidelines do not specify a loan-to-value limit for one- to four-family loans, the guidelines provide that loans exceeding a 90 percent loan-to-value ratio at origination should include appropriate credit enhancements in the form of either mortgage insurance or readily marketable collateral. OTS is eliminating the requirement that a loan-to-value ratio of 80 percent or less is necessary for a loan to qualify for the 50 percent risk weight.

"This change will provide federal thrifts flexibility to use their capital more effectively to make residential loans on a competitive basis with other financial institutions," said OTS Director James E. Gilleran. "It enables thrifts to increase qualifying residential lending under existing capital levels in a prudent manner. This is a win-win for thrifts and their customers." One- to four-family lending constitutes 48 percent of thrift industry assets.

In addition, consistent with the other banking agencies, the final rule eliminates the requirement that a thrift deduct from capital the portion of a land loan or nonresidential construction loan exceeding an 80 percent loan-to-value ratio.

Final Rule - <http://www.occ.gov/static/news-issuances/ots/press-releases/ots-pr-2002-26a.pdf>

###

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.