

Home Owners' Loan Act

Lending Authority
12 U.S.C. 1464(c)



HOLA

- # Nonresidential Mortgage Loans
 - # Commercial Nonmortgage Loans
 - # Nonconforming Loans
 - # Consumer Loans
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HOLA – Available Guidance

- # 12 U.S.C. 1464(c)
- # 12 C.F.R. Section 560.30
- # TB 78 – Classifying Commercial and Other Loans Under the HOLA
- # TB 78a – Investment Limitations Under the HOLA

Nonresidential Mortgage Loans

- # Regulation – 12 U.S.C. 1464(c)(2)(B)
- # Limitation = 400% of Total Capital
- # Total Capital = Risk Based Capital

The OTS Director may permit a thrift to exceed the limitation on a case by case basis.

Nonresidential Mortgage Loans

Include from TFR:

- Nonresidential Property (SC 240, SC260, SC265)

Deduct:

- Guaranteed portions of loans (ex. EDA, USDA, FmHA, SBA)
 - Farm land with residences
 - Assisted living properties and nursing homes
 - Specific loss allowances
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Commercial Nonmortgage Loans

- # Regulation – 12 U.S.C. 1464(c)(2)(A)
 - # Limitation – 20 percent of Total Assets
 - # Amounts in excess of 10 percent may be used only for small business loans
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Commercial Nonmortgage Loans

- # Types of Commercial Loans included:
 - Secured or unsecured loans
 - For commercial, corporate, business, or agricultural purposes
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Commercial Nonmortgage Loans

Include from TFR:

- Secured SC300
- Unsecured SC303
- Lease Receivables SC306

Deduct:

- General leases (Separate 10% limit, certain finance leases can be included in the lease limit)
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Commercial Nonmortgage Loans

Categorization Options

- Leases – Finance leases can be categorized as general leases and possibly certain RE categories
 - Credit Cards – Must meet credit card defⁿ
 - Consumer related – Floor plans of consumer goods, loans secured by consumer credit, etc.
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Nonconforming Loans

- # Regulation – 12 U.S.C. 1464(c)(3)(B)
 - # Limitation = 5% of total assets
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Nonconforming Loans

- # Used when other limits are already filled.
 - # What is a nonconforming loan?
 - Regulation creates a basket for loans “upon the security of or respecting real property or interests therein used for primarily residential or farm purposes that do not comply with the limitations of this subsection”.
 - In layman’s terms, what does it mean?
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Nonconforming Loans

Examples of when a thrift would use this bucket:

- A loan secured by nonresidential farm land.
 - Loans for the purchase of, and secured by, seed, livestock, or equipment that is to be placed on or used on farmland.
 - Basically, you need a connection to farm or residential land.
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Consumer Loans (and certain securities)

- # Regulation – 12 U.S.C. 1464(c)(2)(D)
 - # Limitation
 - Loans and other investments may not exceed 35% of total assets, except that amounts in excess of 30% may be invested only in loans which are made directly to the original obligor and for which the thrift does not pay any finder, referral, or other fee, directly or indirectly to any third party.
 - Certain securities = commercial paper and corporate debt securities
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Consumer Loans (and certain securities)

Types of consumer loans

- Loans made for personal, family, or household purposes, including loans reasonably incident to providing such credit.
 - For consumer loans, the limit excludes loans on residences, mobile homes, credit cards, education, or savings deposits.
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Consumer Loans (and certain securities)

- # What's left to include?
 - Auto loans, and consumer leases.
- # However, TB 78 and TB 78a identifies other credits that could also be included.

Consumer Loans (and certain securities)

- # Other loans that could be included as consumer loans.
 - Floor plan lending.
 - A merchant's line of credit secured by the merchant's installment loans to customers.
 - Retail inventory (consumer goods) loans.
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