WASHINGTON, D.C., Aug. 12, 1998 - A final rule issued by the Office of Thrift Supervision (OTS) treats reverse repurchase agreements between thrift institutions and affiliates engaged in non-bank holding company activities as loans or other extensions of credit which are prohibited under the Home Owners' Loan Act (HOLA).

The final rule amends the agency's transactions with affiliates regulation to clarify the prohibition. It does permit one narrow exception for reverse repurchase transactions that meet the following criteria:

- There must be offsetting repurchase agreements between the thrift and the affiliate under which the thrift sells assets to the affiliate, subject to an agreement to repurchase. At all times, when the agreements are netted, the thrift must be a net debtor - in other words, the thrift has lent less to the affiliate than the affiliate has lent to it.
- Assets purchased in the agreements must be U.S. Treasury securities, and the remaining terms of the securities acquired by the thrift must exceed the terms of the reverse repurchase agreement.
- The savings association must have possession or control of the securities it has purchased.
and the right to dispose of the securities at any time during the term of the agreement and upon default.

Notice of the final rule will be published in the Thursday, Aug. 13, 1998, Federal Register.

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