OTS ADOPTS FINAL RULE ON LETTERS OF CREDIT, SURETY AND GUARANTEE

WASHINGTON, D.C., Aug. 26, 1999 - The Office of Thrift Supervision (OTS) today issued a final rule making it clear that a federal savings association's existing authority to act as surety also includes the ability to act as a guarantor. The rule also clarifies that a federal savings association may issue letters of credit, eliminating confusion regarding the scope of activities authorized for federal savings associations that was caused by the deletion of a regulation in 1996.

The new rule also reduces minimum collateral requirements on suretyship and guaranty agreements from 110 percent to 100 percent of the surety or guarantee, provided the collateral is cash or similar safe obligation. The rule states that all agreements must be limited to a fixed dollar amount and duration.

The final rule was published in today's Federal Register and is effective Oct. 1, 1999. It is substantially identical to the version proposed Sept. 18, 1998, except that it also deletes 13 unnecessary or outdated lending-related definitions.

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 visit the OTS web page at www.ots.treas.gov.