BOARD OF GOVERNORS

OF THE

FEDERAL RESERVE SYSTEM

WASHINGTON, D.C. 20551

DIVISION OF BANKING SUPERVISION AND REGULATION

DIVISION OF CONSUMER AND COMMUNITY AFFAIRS

SR 14-5

CA 14-4

July 1, 2014

TO THE OFFICERS IN CHARGE OF SUPERVISION AND APPROPRIATE SUPERVISORY AND EXAMINATION STAFF AT THE FEDERAL RESERVE BANKS AND FINANCIAL INSTITUTIONS SUPERVISED BY THE FEDERAL RESERVE

SUBJECT: **Interagency Guidance on Home Equity Lines of Credit Nearing Their End-of-Draw Periods**

Applicability to Community Banking Organizations: This guidance applies to all institutions supervised by the Federal Reserve, including those with $10 billion or less in total consolidated assets.

The Federal Reserve, along with the other federal financial institutions regulatory agencies[1] and the Conference of State Bank Supervisors, issued the attached guidance to reiterate principles of sound risk management for home equity lines of credit (HELOCs) that have reached or will be reaching their end-of-draw periods. The agencies expect supervised institutions to have adequate risk management practices to monitor, manage, and control the risks in their HELOC portfolios as lines near their end-of-draw periods as well as to promote compliance with applicable laws and regulations.

Building on previously issued guidance, this HELOC guidance describes risk management practices that promote a clear understanding of potential exposures and help guide consistent, effective responses to HELOC borrowers who may be unable to meet contractual obligations at their end-of-draw periods.[2] Additionally, the guidance highlights concepts related to financial reporting for HELOCs.

[1] The other federal financial institutions regulatory agencies include the Federal Deposit Insurance Corporation, the National Credit Union Administration, and the Office of the Comptroller of the Currency.

[2] The guidance includes references to relevant existing guidance that should be considered by a supervised institution in developing its risk management practices for HELOCs.

Reserve Banks are asked to distribute this letter to the supervised institutions in their districts and to appropriate supervisory staff. Questions regarding this letter should be directed to the following individuals:

- Division of Banking Supervision and Regulation: David Emmel, Manager, at (202) 912-4602; or Donald Gabbai, Senior Supervisory Financial Analyst, at (202) 452-3358.
- Division of Consumer and Community Affairs: for general questions, Amal Patel, Senior Supervisory Consumer Financial Services Analyst, at (202) 912-7879; and for operational questions, Tim Robertson, Manager, at (202) 452-2565.

In addition, institutions may send questions via the Board's public website.[3]

Maryann F. Hunter Acting Director Division of Banking Supervision and Regulation	Tonda Price Acting Director Division of Consumer and Community Affairs

Attachment:

- *Interagency Guidance on Home Equity Lines of Credit Nearing Their End-of-Draw Periods*

Cross-reference to:

- SR letter 13-17, "Interagency Supervisory Guidance Addressing Certain Issues Related to Trouble Debt Restructurings"
- SR letter 12-3, "Interagency Guidance on Allowance Estimation Practices for Junior Lien Loans and Lines of Credit"
- SR letter 05-11, "Interagency Credit Risk Management Guidance for Home Equity Lending"
- SR letter 00-8, "Revised Uniform Retail Credit Classification and Account Management Policy"
- Federal Reserve Board's real estate lending standards regulation and guidelines (12 CFR part 208, subpart E and Appendix C to subpart E)

[3] See http://www.federalreserve.gov/apps/contactus/feedback.aspx