RESCINDED

Office of Thrift Supervision
Department of the Treasury

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Deputy Director, Examinations, Supervision, and Consumer Protection

Outdated – See OCC 2020-11
For more recent information, refer to OCC Bulletin 2005-22 and Comptroller's Handbook, "Residential Real Estate Lending."

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MEMORANDUM FOR: **CHIEF EXECUTIVE OFFICERS**

FROM: Timothy T. Ward, Deputy Director Timothy T Ward

SUBJECT: HELOC Account Management Guidance

OTS expects savings associations to conduct home equity lending programs in a safe and sound manner consistent with the interagency 2005 Credit Risk Management Guidance for Home Equity Lending and OTS's real estate lending standards rule. An association's home equity line of credit (HELOC) program should employ fully articulated policies that address marketing, credit exposure, underwriting standards, collateral valuation management, and loss mitigation. To actively manage the credit risk within their HELOC portfolios, savings associations often structure HELOC plans so that the available credit limit may be reduced, suspended, or terminated. In carrying out these actions to manage credit risk, associations must follow the federal laws and rules designed to protect HELOC customers. The remainder of this letter focuses on the important compliance and consumer protection aspects of HELOC account management.

Regulation Z, which implements the Truth in Lending Act, provides important protections for consumers when a HELOC account is terminated, suspended, or reduced. The Equal Credit Opportunity Act and its implementing Regulation B, the Fair Housing Act and its implementing regulation, and the OTS Nondiscrimination rule all prohibit associations from discriminating based on race, sex/gender, or other protected characteristics when making credit decisions. When taking action to terminate, reduce, suspend, or reinstate HELOC accounts, associations should follow policies that are consistent with prudent risk management principles and should carry them out without regard to prohibited factors. Finally, such actions must be taken in a manner that does not violate the Federal Trade Commission Act prohibition against unfair or deceptive practices or the long-standing OTS rule that prohibits inaccurate representations or advertising.

OTS will review association's HELOC account management policies and practices to ensure compliance with these requirements. To effectively address both credit and legal risk, associations must appropriately integrate safety and soundness actions and compliance measures.

For further information about the specifics of this guidance, please contact:

- April Breslaw (202-906-6989) (compliance/consumer protection issues); or
- Debbie Merkle (202-906-5688) (safety and soundness issues)

Link to HELOC Management Guidance