



DEPARTMENT OF FINANCIAL INSTITUTIONS  
911 LEAWOOD DRIVE  
FRANKFORT, KENTUCKY 40601  
TELE. 502/564-3390  
FAX 502/564-8787

BHERETON C. JONES  
GOVERNOR

EDWARD B. HATCHETT, JR.  
COMMISSIONER

### Parity Letter 92-1

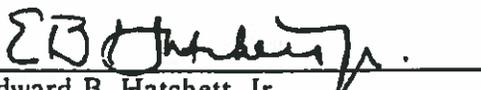
The Commissioner of the Department of Financial Institutions issues this Finding of Permissible Activity, Product, or Service pursuant to KRS 287.020(3). Competitive inequality exists between some state banks and national banks as a result of the different calculations of their legal lending limits, which for state banks is found in KRS 287.280 and for national banks is found in 12 USC 84 and 12 CFR § 32.4. Because of the differences in the two legal lending limits, a state bank having the same capital as a national bank nonetheless has different legal lending limits.

Therefore, a state bank may in its discretion choose to calculate its legal lending limits as if it were a national bank. Any state bank making such a choice shall:

- (1) Pass a formal resolution by its board of directors adopting the legal lending limits set forth in 12 USC 84 and 12 CFR § 32.4;
- (2) Amend the bank's loan policy to conform to the new legal lending limits;
- (3) Secure and maintain updated copies of all national bank rules and regulations relating to legal lending limits; and
- (4) Notify the Department and the FDIC that the bank has made such a choice.

Any state bank electing to operate under the national bank lending limits shall make all loans under such limits. The legal lending limit in effect when the loan is extended shall be the applicable legal lending limit for examination purposes. A bank is advised to consult with its legal counsel for assistance in determining whether it would be better served by electing to operate under the national bank lending limits.

Effective Date: August 25, 1992

  
Edward B. Hatchett, Jr.  
Commissioner

AN EQUAL OPPORTUNITY EMPLOYER M/F/H

Printed on  recycled paper

FINDING OF PERMISSIBLE ACTIVITIES, SERVICES, OR PRODUCTS  
92-2  
OTHER REAL ESTATE OWNED

The Commissioner of Financial Institutions issues this Finding of Permissible Activities, Services, or Products pursuant to KRS 287.020(3). Competitive inequality exists between some state banks and national banks as a result of different rules relating to the **treatment of Other real estate owned**, which for state banks is found in KRS 287.100(3) and for national banks is found in 12 USC Section 29 and 12 CFR § 7.3025. Because of the differences between the two treatments, state banks must write down the value of Other real estate owned by 10% annually, while national banks may carry on their books a realistic fair market value determined by annual appraisal.

Therefore, a state bank may at its discretion choose to handle Other real estate owned as if it were a national bank. Any state bank making such a choice shall:

- (1) Pass a formal resolution by its board of directors adopting the rules for handling Other real estate owned set forth in 12 USC Section 29 and 12 CFR § 7.3025;
- (2) Amend the bank's policies to conform to these new rules;
- (3) Secure and maintain updated copies of all national bank rules and regulations relating to the handling of Other real estate owned; and
- (4) Notify the Department and the FDIC that the Bank has made such a choice.

Any state bank electing to handle Other real estate owned under the national bank rules shall handle all such real estate acquired after the date of the election under such rules. A bank is advised to consult with its legal counsel and accountant for assistance in determining whether it would be better served by electing to operate under the national bank rules.

January 15, 1993  
Date

  
Edward B. Hatchett, Jr., Commissioner  
Department of Financial Institutions



DEPARTMENT OF FINANCIAL INSTITUTIONS  
477 VERSAILLES ROAD  
FRANKFORT, KENTUCKY 40601  
TELE. 502/564-3390  
FAX 502/564-8787

BRIERLEY C. JONES  
GOVERNOR

EDWARD B. HATCHETT, JR.  
COMMISSIONER

## MEMORANDUM

**TO:** All Kentucky Banks

**FROM:** Edward B. Hatchett, Jr. *E B Hatchett Jr.*  
Commissioner

**DATE:** November 12, 1993

**RE:** Finding of Permissible Activities, Services, or Products  
Parity Letter 93-1  
Bank Holidays

**Summary:** The referenced Finding was proposed and public comment was solicited. The comment period has expired. This Finding will permit state-chartered banks to exercise the same discretion regarding holiday closings as national banks pursuant to 12 USC Section 95(b)(1).

**Comments Received:** A total of fourteen (14) comments were received, including one (1) from the Kentucky Bankers Association. Of the total number of comments received, all supported the proposed Finding.

Generally, those who support the Finding stated that in order to properly serve the banking public, state-chartered banks should have the same discretion as national banks in closing in observance of holidays.

One (1) comment requested clarification of the effect of the Finding on the other provisions of KRS 287.193, specifically KRS 287.193(2), 287.193(3), 287.193(4), and 287.199. The Finding has been revised to provide this clarification.

Page -2-

Memorandum to State Banks

Re: Parity letter 92-3

Main Office Relocation

November 12, 1993

**Conclusion:** It is the position of the Department that state-chartered banks suffer a competitive disadvantage with national banks in the area of holiday closings. Therefore, the attached revised Finding of Permissible Activities, Services, or Products is issued.

**Attachments:** Finding of Permissible Activities, Services or Products  
KRS 287.193  
12 USC Section 95(b)(1)

EBHJr:brw

FINDING OF PERMISSIBLE ACTIVITIES, SERVICES, OR PRODUCTS

93-1

BANK HOLIDAYS

The Commissioner of Financial Institutions issues this Finding of Permissible Activities, Services, or Products pursuant to KRS 287.020(3). Competitive inequality exists between state banks and national banks as a result of the difference in statutes governing closings in observance of holidays. KRS 287.193(1) requires state banks to close on certain state-designated holidays. 12 USC Section 95(b)(1) allows national banks to remain open or close at their discretion on a state-designated holiday unless the Comptroller of the Currency by written order directs otherwise.

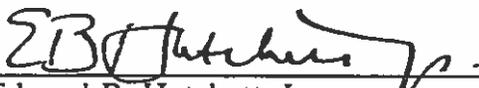
Therefore, a state bank may, at its discretion, choose to adopt the provisions of 12 USC Section 95(b)(1). Any state bank making such a choice shall:

- (1) Pass a formal resolution by its board of directors adopting the holiday provision set forth in 12 USC Section 95 (b)(1);
- (2) If necessary, amend the bank's policies to conform to these new provisions;
- (3) Secure and maintain updated copies of national bank rules and regulations relating to holidays; and
- (4) Notify the Department and the FDIC that the bank has made such a choice.

This finding applies only to KRS 287.193(1). The provisions of KRS 287.193(2), (3), and (4) and KRS 287.199 remain fully applicable to banks that choose to adopt the provisions of 12 USC Section 95(b)(1).

November 12, 1993

Date

  
\_\_\_\_\_  
Edward B. Hatchett, Jr.  
Commissioner of Financial Institutions