



**PUBLIC PROTECTION CABINET
DEPARTMENT OF FINANCIAL INSTITUTIONS**

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Parity Letter 2017-1

The Commissioner of the Department of Financial Institutions ("Department") issues this Finding of Permissible Activity pursuant to Kentucky Revised Statute ("KRS") 286.1-020(3). This shall serve to update the previous Parity Letter, 92-1, which provided guidance regarding legal lending limits. Lending limit guidelines for state-chartered banks are enumerated in KRS 286.3-280, and national banks guidelines are detailed in 12 U.S. Code § 84 and 12 CFR Part 32.

To eliminate potential competitive disadvantages arising from differences in state and federal statutes, a state-chartered bank may choose to follow lending limits established for national banks. Therefore, a state-chartered bank may choose, in its discretion, to calculate its legal lending limit as if it were a national bank. To implement such an election, a state-chartered bank shall:

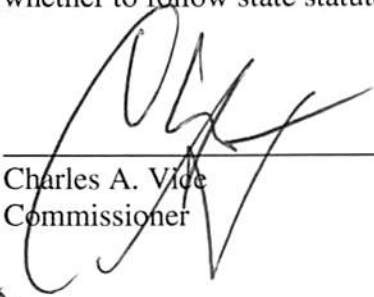
- (1) Pass a formal resolution by its board of directors adopting the legal lending limit set forth in 12 U.S. Code § 84 and 12 CFR Part 32 (or KRS 286.3-280 if reverting back to state statutes);
- (2) Amend the bank's loan policy and procedures to conform to the new legal lending limits; and
- (3) Notify the Department and the bank's primary federal regulator within 30 days that the bank has made such election.

Any state-chartered bank electing to operate under the national bank legal lending limits shall, from the time of election, originate all loans under such limits. Loans originated prior to the election of the national limits shall continue to comply with the state legal lending limits until the loan matures. If the loan is extended, renegotiated, or modified in any manner, the legal lending limit in effect as of the date of the change in loan terms shall apply.

A state-chartered bank may, through petition to the Commissioner, request to revert back state legal lending limits. Should the Commissioner approve the reversion back to state legal lending limits, the bank shall follow the same three procedures as detailed above for electing national legal lending limits.

A bank should consult with legal counsel for determining whether to follow state statutes or to adopt national bank legal lending limits.

Effective Date: May 1, 2017



Charles A. Vice
Commissioner