

Federal Home Loan Bank Board



1700 G Street, N.W.
Washington, D.C. 20552
Federal Home Loan Bank System
Federal Home Loan Mortgage Corporation
Federal Savings and Loan Insurance Corporation

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BOARD MEMBER

Summary - Grandfathering Proposal

Suggestion was made at 12/19/86 open meeting to clear up confusion over undefined regulation term "definitive plan."

Proposal simply allowed institutions to finish real estate projects that had been started prior to 12/10/84 where good faith question arose over what was a "definitive plan," provided they made no more direct investments without PSA approval. It did not apply where there was "no" plan or a "phony" plan.

Proposal was made informally and was subject to being formally drafted later by staff as rulemaking -- subject to a thorough review process.

Extensive staff briefings and comments from industry representatives indicated the problem was general in nature. In formal comments to the Board the U. S. League of Savings Institutions, who represents some 3500 institutions, requested the Board to clarify the grandfathering provision. That is what I proposed to do.

At least 1800 institutions reported grandfathered direct investments of \$34 billion in June, 1986 (\$40 billion in June 1985.) At 6/30/85 at least 180 institutions reported "prospective" grandfathered direct investments of about \$8.7 billion that potentially could or may lead to a violation of the regulation if such investments were undertaken.

Comment on the grandfathering question was requested at the January 29 & 30, 1987 hearings. I will listen closely and withdraw suggestion if its application is limited.

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