



FEDERAL RESERVE BANK *of* KANSAS CITY

July 18, 2014

Subject: Interagency Guidance on Home Equity Lines of Credit (HELOCs) Nearing Their End-of-Draw Periods

To the Chief Executive Officer of Each Tenth District State Member Bank, Bank Holding Company, and Savings and Loan Holding Company:

On July 1, 2014, the Board of Governors of the Federal Reserve System, in conjunction with the Federal Deposit Insurance Corporation, the National Credit Union Administration, the Office of the Comptroller of the Currency, and the Conference of State Bank Supervisors issued guidance that articulates supervisory expectations regarding the management of risks associated with HELOCs nearing their end-of-draw periods.

The guidance describes core operating principles and prudent risk management practices that promote an understanding of potential risk exposures within a financial institution's HELOC portfolio, and help ensure consistent, effective responses to borrowers who are unable to meet contractual obligations. In addition, the guidance highlights important concepts related to the financial reporting of HELOCs and references existing guidance that addresses product underwriting, account management, accounting, and loss mitigation activities.

A copy of the joint SR 14-5 and CA 14-4 letter is attached and also available on the Board's public web site at <http://www.federalreserve.gov/bankinfo/srletters/sr1405.htm>. Please direct any questions concerning the guidance or policy statement to your Federal Reserve Bank of Kansas City central point of contact or Consumer Affairs contact at (800) 333-1010.

Sincerely,

James H. Hunter
Vice President
Examinations & Inspections

Linda S. Schroeder
Vice President
Consumer Affairs