

(2) The obligations, if not rated, are approved by the Office. The aggregate outstanding direct investment in obligations under paragraph (b) of this section shall not exceed the amount of the savings association's total capital.

(c) Each state housing corporation in which a savings association invests under the authority of paragraph (b) of this section shall agree, before accepting any such investment (including any loan or loan commitment), to make available at any time to the Office such information as the Office may consider to be necessary to ensure that investments are properly made under this section.

§ 560.130 Prohibition on loan procurement fees.

If you are a director, officer, or other natural person having the power to direct the management or policies of a savings association, you must not receive, directly or indirectly, any commission, fee, or other compensation in connection with the procurement of any loan made by the savings association or a subsidiary of the savings association.

[61 FR 60178, Nov. 27, 1996]

§ 560.160 Asset classification.

(a)(1) Each savings association shall evaluate and classify its assets on a regular basis in a manner consistent with, or reconcilable to, the asset classification system used by OTS in its Thrift Activities Handbook (Available at the address listed in §516.1 of this chapter).

(2) In connection with the examination of a savings association or its affiliates, OTS examiners may identify problem assets and classify them, if appropriate. The association must recognize such examiner classifications in its subsequent reports to OTS.

(b) Based on the evaluation and classification of its assets, each savings association shall establish adequate valuation allowances or charge-offs, as appropriate, consistent with generally accepted accounting principles and the practices of the federal banking agencies.

§ 560.170 Records for lending transactions.

In establishing and maintaining its records pursuant to §563.170 of this chapter, each savings association and service corporation should establish and maintain loan documentation practices that:

(a) Ensure that the institution can make an informed lending decision and can assess risk on an ongoing basis;

(b) Identify the purpose and all sources of repayment for each loan, and assess the ability of the borrower(s) and any guarantor(s) to repay the indebtedness in a timely manner;

(c) Ensure that any claims against a borrower, guarantor, security holders, and collateral are legally enforceable;

(d) Demonstrate appropriate administration and monitoring of its loans; and

(e) Take into account the size and complexity of its loans.

§ 560.172 Re-evaluation of real estate owned.

A savings association shall appraise each parcel of real estate owned at the earlier of in-substance foreclosure or at the time of the savings association's acquisition of such property, and at such times thereafter as dictated by prudent management policy; such appraisals shall be consistent with the requirements of part 564 of this chapter. The Regional Director or his or her designee may require subsequent appraisals if, in his or her discretion, such subsequent appraisal is necessary under the particular circumstances. The foregoing requirement shall not apply to any parcel of real estate that is sold and reacquired less than 12 months subsequent to the most recent appraisal made pursuant to this part. A dated, signed copy of each report of appraisal made pursuant to any provisions of this part shall be retained in the savings association's records.

Subpart C—Alternative Mortgage Transactions

§ 560.210 Disclosures for variable rate transactions.

A savings association must provide the initial disclosures described at 12

CFR 226.19(b) and the adjustment notices described at 12 CFR 226.20(c) for variable rate transactions, as described in those regulations. The OTS administers and enforces those provisions for savings associations.

[63 FR 38463, July 17, 1998]

§ 560.220 Alternative Mortgage Parity Act.

Pursuant to 12 U.S.C. 3803, housing creditors that are not commercial banks, credit unions, or Federal savings associations may make alternative mortgage transactions as defined by that section and further defined and described by applicable regulations identified in this section, notwithstanding any state constitution, law, or regulation. In accordance with section 807(b) of Public Law 97-320, 12 U.S.C. 3801 note, §§ 560.33, 560.34, 560.35, and 560.210 of this part are identified as appropriate and applicable to the exercise of this authority and all regulations not so identified are deemed inappropriate and inapplicable. Housing creditors engaged in credit sales should read the term “loan” as “credit sale” wherever applicable.

PART 561—DEFINITIONS

Sec.	
561.1	General.
561.2	Account.
561.3	Accountholder.
561.4	Affiliate.
561.5	Affiliated person.
561.6	Audit period.
561.7	BIF.
561.8	[Reserved]
561.9	Certificate account.
561.10	Closed-end consumer credit.
561.11	Closing date.
561.12	Consumer credit.
561.13	Consumer credit classified as a loss.
561.14	Controlling person.
561.15	Corporation.
561.16	Demand accounts.
561.18	Director.
561.19	Financial institution.
561.20	Guaranteed loan.
561.21	Guaranteed obligation.
561.23	Home mortgage.
561.24	Immediate family.
561.25	Insured loan.
561.26	Land loan.
561.27	Low-rent housing.
561.28	Money Market Deposit Accounts.
561.29	Negotiable Order of Withdrawal Accounts.

561.30	Nonresidential construction loan.
561.31	Nonwithdrawable account.
561.32	Normal lending territory.
561.33	Note account.
561.34	Office.
561.35	Officer.
561.36	Open-end consumer credit.
561.37	Parent company; subsidiary.
561.38	Political subdivision.
561.39	Principal office.
561.40	Public unit.
561.41	SAIF.
561.42	Savings account.
561.43	Savings association.
561.44	Security.
561.45	Service corporation.
561.47	Slow consumer credit.
561.48	Slow loans.
561.49	[Reserved]
561.50	State.
561.51	Subordinated debt security.
561.52	Tax and loan account.
561.53	United States Treasury General Account.
561.54	United States Treasury Time Deposit Open Account.
561.55	With recourse.

AUTHORITY: 12 U.S.C. 1462, 1462a, 1463, 1464, 1467a.

SOURCE: 54 FR 49545, Nov. 30, 1989, unless otherwise noted.

§ 561.1 General.

Unless another definition is provided in this chapter, definitions in part 541 of this chapter apply.

§ 561.2 Account.

The term *account* means any savings account, demand account, certificate account, tax and loan account, note account, United States Treasury general account or United States Treasury time deposit-open account, whether in the form of a deposit or a share, held by an accountholder in a savings association.

§ 561.3 Accountholder.

The term *accountholder* means the holder of an account or accounts in a savings association insured by the SAIF. The term does not include the holder of any subordinated debt security or any mortgage-backed bond issued by the savings association.

§ 561.4 Affiliate.

The term *affiliate* of a savings association, unless otherwise defined, means any corporation, business trust,