

FEDERAL RESERVE BANK OF SAN FRANCISCO
101 MARKET STREET, SAN FRANCISCO, CALIFORNIA 94105

July 31, 2002

**BANKING SUPERVISION AND REGULATION:
CREDIT CARD LENDING GUIDANCE**

To State Member Banks, Bank
Holding Companies, U.S. Branches
and Agencies of Foreign Banks,
and Others Concerned,
in the Twelfth Federal Reserve District

Federal Financial Institutions Draft Credit Card Lending Guidance

Under the auspices of the Federal Financial Institutions Examination Council, the Office of the Comptroller of the Currency, the Board of Governors of the Federal System, the Federal Deposit Insurance Corporation, and the Office of Thrift Supervision have developed account management and loss allowance guidance for credit card lending. A draft of this interagency guidance, which the agencies intend to issue on August 16, 2002, can be viewed and printed at <http://www.federalreserve.gov/BoardDocs/Press/bcreg/2002/20020722/>.

The draft guidance would apply to all institutions under the agencies' supervision that offer credit card programs. It describes the agencies' expectations for prudent risk management practices for credit card activities, particularly with regard to credit line management, over-limit accounts, and workouts. The draft guidance also addresses income recognition and loss allowance practices for credit card lending.

The agencies recognize that some institutions may require time to implement changes in policies, practices, and systems in order to achieve full consistency with the credit card guidance. Such institutions would be expected to work with their primary federal regulator to ensure implementation of needed changes as promptly as possible after the issuance of the guidance. With respect to those elements of the guidance that reflect existing, longstanding regulatory reporting requirements, the agencies' expect, as always, continued and ongoing compliance.

As the agencies complete their review of the draft document, they are interested in the views of affected institutions and other interested parties as to whether the draft provides clear guidance concerning the agencies' expectations in the areas of credit card account management, risk management, and loss allowance practices. Institutions and other parties that choose to respond should provide their views electronically **no later than 5:00 p.m. Eastern time, on August 9, 2002**. Responses to the agencies should be submitted electronically to the FFIEC web site, at <http://www.FFIEC.gov>. Once on this page, click on the option ffiec-suggest@frb.gov.

E-Notification

The Federal Reserve Bank of San Francisco will notify depository institutions by e-mail of new Banking Supervision and Regulation circular letters recently posted on the Twelfth District Federal Reserve Bank web site. We will e-mail a summary of the letter as well as a link to the full text of the letter and its attachments to view and print. To subscribe to this free service, simply visit our web site at <http://www.frbsf.org/banking/> and click on the E-Notification logo.

Additional Information

All circulars and documents are available on the Internet through the Federal Reserve Bank of San Francisco's Internet site, at <http://www.frbsf.org/banking/letters>. Paper copies of the guidance are available from our Corporate Services Department. To request copies to be sent by mail, please call (415) 974-2060.

For additional information about the draft credit card lending guidance, please contact our Banking Supervision and Regulation Department at (415) 974-2940.