

Federal Reserve Bank of San Francisco
101 Market Street, San Francisco, California 94105

April 11, 2012

To State Member Banks, Bank
Holding Companies, Financial Holding
Companies, Foreign Bank Offices and
Savings and Loan Holding Companies
in the Twelfth Federal Reserve District

Federal Reserve Board Issues Policy Statement Regarding Rental of Residential Properties Acquired in Foreclosure

The Federal Reserve Board on April 5, 2012 released a policy statement reiterating that statutes and Federal Reserve regulations permit rental of residential properties acquired in foreclosure as part of an orderly disposition strategy. The statement also outlines supervisory expectations for residential rental activities.

The general policy of the Federal Reserve is that banking organizations should make good faith efforts to dispose of foreclosed properties (also known as "other real estate owned" or "OREO"), including single-family homes, at the earliest practicable date. In this context, and in light of the extraordinary market conditions that currently prevail, the policy statement explains that banking organizations may rent residential OREO properties within legal holding-period limits without demonstrating continuous active marketing of the property for sale, provided that suitable policies and procedures are followed.

Moreover, to the extent that OREO rental properties meet the definition of community development under the Community Reinvestment Act (CRA) regulations, the banking organizations would receive favorable CRA consideration. In all respects, banking organizations that rent OREO properties are expected to comply with all applicable federal, state, and local statutes and regulations, some of which the policy statement highlights. The policy statement, in providing guidance to banking organizations and examiners, also describes specific supervisory expectations for banking organizations with a larger number of rental OREO properties, generally more than 50 properties available for rent or rented.

The policy statement applies to banking organizations for which the Federal Reserve is the primary federal supervisor, including state member banks, bank holding companies, non-bank subsidiaries of bank holding companies, savings and loan holding companies, non-thrift subsidiaries of savings and loan holding companies, and U.S. branches and agencies of foreign banking organizations.

Additional Information

All circulars and documents are available on the Internet through the Federal Reserve Bank of San Francisco's website, at <http://www.frbsf.org/banking/letters>.

For additional information, please contact:

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Attachment: [Policy Statement \(38 KB PDF\)](#)