

From: Michael Bailey
To: [Regs.Comments](#)
Subject: [EXTERNAL] Docket ID OCC-2017-0018"
Date: Tuesday, December 26, 2017 1:39:59 AM

Proposed Simplifications of and Revisions to the Capital Rule

Question 5: The agencies seek comment on the clarity of the exemption for permanent loans in the proposed HVADC exposure definition and the ease with which banking organizations can determine whether an exposure qualifies for this exemption. What, if any, additional clarification would help banking organizations identify exposures that meet the permanent loan exemption?

Further clarification on whether a loan meets the definition of permanent financing would be helpful in determining if a loan will be classified as HVADC. Specifically when a loan has a repayment source (principal and interest) that is independent of the project (“other sources”), can it always be excluded from the definition of HVADC (whether owner-occupied or non owner-occupied). For example: an equity-out loan where the majority of the proceeds will be used for an AC project. Additionally, could you further define “other sources”.

Further clarification or examples on the following would be helpful: “Finally, even if a credit facility does not meet the definition of a permanent loan at origination, it could subsequently meet the definition as the property generates additional revenue sufficient to service amortizing principal and interest payments. In such a case, the facility may become exempt from the HVADC exposure category, provided the loan was prudently underwritten at origination.”

If you have any questions please contact me using the information below.

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