

OCC BULLETIN 2014-29

**Subject: Risk Management of Home Equity Lines of Credit  
Approaching the End-of-Draw Periods**  
Date: July 1, 2014

**To: Chief Executive Officers of All National Banks, Federal Savings  
Associations, Federal Branches and Agencies of Foreign Banks,  
Department and Division Heads, All Examining Personnel, and Other  
Interested Parties**

### Description: Interagency Guidance

#### Summary

The Office of the Comptroller of the Currency (OCC), the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, and the National Credit Union Administration (collectively, the agencies), in conjunction with the Conference of State Bank Supervisors, have jointly issued supervisory guidance on risk management practices for home equity lines of credit (HELOC) approaching the end-of-draw (EOD) period.

#### Highlights

As HELOCs approach scheduled maturity or repayment phases, borrowers could face substantial payment shock when they are required to start amortizing principal. Borrowers may be unable to meet new payment terms or refinance existing debt as economic conditions and property values may have changed since origination. As HELOC draw periods approach expiration, the agencies expect lenders to manage risks in a disciplined, prudent manner; to work with troubled borrowers to avoid unnecessary defaults; and to engage in appropriate risk recognition.

The guidance describes

- five core operating principles that should govern management's oversight of HELOCs nearing their EOD period.
- 10 EOD risk management expectations that promote a clear understanding of potential exposures and help guide consistent, effective responses to HELOC borrowers who may be unable to meet contractual obligations.

#### Note for Community Banks

This supervisory guidance is applicable to all OCC-supervised institutions. While this guidance includes comprehensive and detailed risk management expectations, the size and complexity of the risk management processes should be commensurate with HELOC volumes and exposure types.

#### Further Information

Please contact your supervisory office or direct questions to Robert Piepergerdes, Director for Retail Credit Risk, at (202) 649-6360.

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#### Related Link

- "Interagency Guidance on Home Equity Lines of Credit Nearing Their End-of-Draw Periods" (PDF)