

Memo 1994-15 Holding Period for ORE

To: All Field Examiners
Fr: Kevin Glendening, Assistant Deputy Commissioner
Dt: June 20, 1994

Re: Holding period for ORE

Effective April 7, 1994, K.S.A. 9-1102 was amended to permit banks to carry all types of real estate acquired through DPC on their books for a period of 10 years with possible extensions for up to an additional 4 years.

It is important to remember this change applies **only to real estate acquired DPC**, and that possible extensions beyond 10 years must be approved annually by this office. All other appraisal and documentation requirements remain unchanged. The department will apply the 10 year holding period retroactively to ORE currently held as a book asset by banks, with the counting period running from the end of any required redemption period following the bank's acquisition of the property.

In addition, the department has determined that ORE acquired by the bank and previously charged off under the old holding period limitation, may be rebooked for the remaining time as would have been permitted under the new law, to the extent that the combined total number of years (A) held as a book asset and (B) held as a nonbook asset does not exceed 10 years (Refer to example). In these instances, the bank must obtain a current appraisal which supports the rebooked amount.

EXAMPLE

Bank obtains property DPC and has held it as a book asset for 5 years and a nonbook asset for 3 years, or a total of 8 years. Therefore, the bank may rebook the property for a period of 2 years ($10 - 8 = 2$) plus extensions, if granted.

If you have questions on the application of the new rules, please contact the office.