

GUIDANCE DOCUMENT

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STATEMENT OF POLICY #11

INCLUSION OF NONLEDGER ASSETS IN TOTAL AMOUNT LOANED UNDER STATE LENDING LIMITS

The Nebraska Department of Banking and Finance ("Department") sets forth Statement of Policy #11 regarding the treatment of ledger and nonledger assets in the same line of credit. For the purposes of the state lending limit (see Neb. Rev. Stat. § 8-141), both ledger and nonledger assets of an individual, firm, corporation or partnership will be combined to determine the total amount which has been borrowed.

This means that even though the ledger assets may be less than 25% of paid-up capital, surplus, and capital notes and debentures of the bank, or 15% of the bank's unimpaired capital and unimpaired surplus, the loan will be in violation of the lending limit if the nonledger portion when combined with the ledger portion causes the line of credit to exceed the statutory limitation.

A line of credit in excess of the bank's lending limit cannot be corrected by charging off the excess portion. To do otherwise would encourage lending limit abuses.

In the event the bank has exhausted all avenues of collection, and there is no possibility that any further recovery will be made, the Board of Directors of the bank may formally declare a debt to be worthless. This action, however, should not be used to circumvent the lending limits. If, in the examiner's opinion, the Board of Directors has declared a debt worthless only to circumvent the lending limit, then the examiner will cite the loan as being in violation. Each case will be determined on an individual basis.

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