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**M E M O R A N D U M**

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To Our Clients and Friends

Re: OCC Rule Regarding Change in Asset Composition

The Comptroller of the Currency (“OCC”) has issued a final rule requiring national banks to obtain its approval before changing the composition of all or substantially all of their assets. The purpose of the rule is to ensure that the change in the bank’s activities does not expose the bank to undue or imprudent levels of risk. The rule will become effective on October 1, 2004.

The OCC’s rule requires a national bank to obtain approval before it sells or disposes of all or substantially all of its assets. The rule also requires OCC approval if, after having sold or disposed of all or substantially all of its assets, a dormant national bank increases its asset size through purchases, acquisitions or other expansions and again engages in banking.

The OCC’s rule does not apply to changes in asset composition undertaken at the OCC’s direction, nor to changes that occur as a result of a bank’s ordinary and ongoing business of originating and securitizing loans. Moreover, no application will be required if the bank’s disposition of assets is in connection with a voluntary liquidation and the bank’s charter will be returned to the OCC within one year.

A copy of the OCC’s final rule can be found on our web site at [http://www.schwartzandballen.com/whats\\_new.html](http://www.schwartzandballen.com/whats_new.html).

If you have any questions, please call Gilbert Schwartz, Robert Ballen or Tom Fox at (202) 776-0700.