

DATE: January 10, 2003

SUBJECT: Account Management and Loss Allowance Methodology for Credit Card Lending (SR Letter 03-1)

HIGHLIGHTS: This SR letter provides guidance to clarify expectations regarding account management, risk management, and loss allowance practices with respect to credit card lending.

On January 8, 2003, the Federal Reserve, along with the Office of the Comptroller of the Currency, the Federal Deposit Insurance Corporation, and the Office of Thrift Supervision, under the auspices of the Federal Financial Institutions Examination Council, issued supervisory account management and loss allowance guidance for credit card lending.

In addition to setting forth supervisory expectations with regard to credit line management, over-limit practices, minimum payments and negative amortization, and workout and forbearance practices, the guidance clarifies various reporting requirements related to income recognition and loss allowance practices.

Additional information, including the guidance, is included in the SR letter.

DOCUMENT LOCATION: The January 8, 2003 SR letter is available under the Board of Governors' web site: <http://www.federalreserve.gov/boarddocs/SRLETTERS/2003>

FURTHER INFORMATION: Tim Bosch, Vice President (314) 444-8440
(or 1-800-333-0810, ext. 44-8440)
Banking Supervision and Regulation Department