

## **Georgia Legal Lending Limit Statute HB 926**

**Summary:** HB 926 proposes a change in state law that could provide more flexibility for state-chartered banks whose legal lending limits to one person or business have been lowered because of capital erosion.

The current state law mandates that banks cannot renew or restructure credit for any customer if the renewal or restructuring exceeds the bank's legal lending limit to that customer or business.

This has become an issue for banks looking to renew loans from customers that are currently in good standing and qualify for renewal. At the time the loan was made, it conformed to the bank's legal lending limit. However, as bank capital has become constrained by the economy, declining property valuations and other loan losses, some banks' lending limits are now lower. This artificially prevents creditworthy customers from renewing their loans and could even result in banks having to sever relationships with customers that are in good standing.

The proposed change would exempt renewals or restructuring of certain loans or lines of credit to customers in good standing from the legal lending limits.

### **Why this change is good for businesses and borrowers:**

- Customers who are current with their loans and lines of credit will be spared the cost and inconvenience of seeking credit from other lenders in a difficult credit market.

### **Why this change is good for banks:**

- A bank will not be forced to sever a relationship with a customer who is in good standing and remove a performing asset from its portfolio.

### **Safeguards built into the legislation to avoid abusive lending above legal limits:**

- The renewal can't be done until the bank has undertaken reasonable efforts to find a way to renew the loan under current lending limits.
- The Banking Department is specifically authorized to review the loan to ensure it wasn't renewed to intentionally evade the lending limits in place.

**Position:** Support HB 926.