



CBAI Urges the OCC to Codify the “Valid When Made” Loan Interest Rate Principal

On January 20, 2020, the Community Bankers Association of Illinois (CBAI) urged the Office of Comptroller of the Currency to codify the “valid when made” loan interest rate principal which has been called into question by a United State Court of Appeals for the Second Circuit (Madden v. Midland Funding, LLC). This principal states that when a bank sells, assigns or otherwise transfers a loan, the interest permissible prior to the transfer continues to be permissible following the transfer. CBAI believes that the ability to sell, assign or otherwise transfer a loan is universally recognized as a crucial risk and liquidity management tool which enhances the safety and soundness of financial institutions particularly in times of stress. This management tool would be significantly weakened if the interest on assigned loans to third parties were uncertain for fear of violating state usury caps.

[Read CBAI Comment Letter »](#)