



STATE OF ALABAMA
STATE BANKING DEPARTMENT

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MEMORANDUM

TO: Chief Executive Officers of
State-Chartered Banks

FROM: Kenneth R. McCartha *KRM*
Superintendent of Banks

SUBJECT: Debt Cancellation Contracts

We are aware that the Office of the Comptroller of the Currency permits national banks to enter into debt cancellation contracts, and at least two national banks in Alabama are currently offering them. While the Alabama Banking Code does not expressly authorize or prohibit the offering of such contracts by state-chartered banks, state banks may be authorized, with the prior approval of the Superintendent, to offer such contracts pursuant to § 5-5A-18.1, Code of Alabama 1975. Under this section, any state-chartered bank may, subject to the prior approval of the Superintendent, exercise any power or engage in any activity which it could exercise or engage in if it were a national bank located in Alabama. In view of § 5-5A-18.1, state-chartered banks wishing to offer debt cancellation contracts must submit a request in writing to the Superintendent of Banks for approval prior to offering them; the request should include a detailed plan for the proposed contracts.

KRM/vk