

Office of Thrift Supervision



Office of Thrift Supervision Financial Reporting Division

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Financial Reporting Bulletin March 2011

Electronic Filing System Version 8.0

The EFS 8.0 software update must be installed from the CD or downloaded via EFS-Net and applied prior to preparing and transmitting data to the OTS for the March 2011 regulatory reports. If necessary, you may need to contact your network administrators, in-house or contract IT personnel for assistance.

OTS Software CD: Insert the CD dated March 29, 2011, into your computer to initiate the installation wizard. Click the appropriate tab for your institution type [Thrift] or [Holding Company], and select to [Install Electronic Filing System 8.0]. Follow the prompts until you have successfully installed the EFS version 8.0 update.

Download via EFS-Net: Launch EFS in the usual manner. From the main menu, select [Transmit], default [x] Download Notices-Software Updates, and click [Next>>]. On the Step 5 of 5 screen, select the [EFS-Net] button and the gray bar to [Log Into My Internet Connection ...]. Under the heading "Software Updates Available for Download," select [**efs_800_setup**] and carefully follow the instructions provided. Note: Ensure that you have read/write access and are able to save an executable file to a root directory on your workstation or network drive, otherwise, the update will not install properly.

Verify EFS Version: Remember to always launch EFS through the Start button on your PC. From the main EFS screen, click on >Help >About Electronic Filing System to verify that the Release cycle shows 03-2011 and System Database and System File versions display 8.0.0 after you have installed the update.

The report filing deadlines for March 2011 are as follows:

Report Filing Deadlines	
Monthly Cost of Funds (COF) and Thrift Financial Report (TFR)	Monday, May 2, 2011
Consolidated Maturity/Rate (CMR) and Holding Company (HC) / HOLA 10(I)	Monday, May 16, 2011

The OTS Filing Schedule of Regulatory Reports for 2011 is available on the OTS website at:

<http://www.ots.treas.gov/?p=NewsFilingInformation>

March 2011 TFR Form and Reporting Changes

The Final Notice for the March 2011 TFR revisions was published in the Federal Register (76 FR 6191, February 3, 2011) available at: <http://edocket.access.gpo.gov/2011/pdf/2011-2348.pdf>

After reviewing the three comments OTS received in response to our initial proposal and recognizing that thrifts will likely convert to the Call Report effective with the March 2012 reporting cycle, the OTS decided to adopt fewer of the proposed reporting changes. Further, all proposed changes to the TFR for 2011 that would increase the differences between the TFR and the Call Report were eliminated from the final notice.

A new quarterly schedule, Variable Interest Entities (VIE) was added to collect information on VIE's that have been consolidated by the reporting savings association for purposes of the Consolidated Statement of Condition and Operations. For more information about schedule VIE, see the TFR Instruction Manual under Publications & Data on the OTS Website at: <http://www.ots.treas.gov/?p=InstructionsQAs>

Line items were added to the following TFR schedules:

SO: 1 line

VA: 16 lines

PD: 108 lines

DI: 1 line

SI: 26 lines

CCR: 1 line

Caption changes were made to the following line items:

SI770, SI772, SI774, SI776, CCR100, and CCR20

Line Items DI570 and DI575 were deleted.

For your reference, attached is a detailed spreadsheet of March 2011 Line Item Changes.

A Note to All Filers of Schedule CMR

On February 8, 2011, The Office of Thrift Supervision issued A PROPOSAL to eliminate Schedule CMR after the December 2010 reporting cycle and to migrate all OTS-regulated institutions to the Call Report for the March 2012 reporting cycle.

If the proposal is adopted in its current form, OTS-regulated entities with a current composite rating and "S" rating of "1" or "2" can opt out of filing Schedule CMR during the transition period provided they have a suitable system for monitoring their interest rate risk exposure. Comments on the proposal are/were due on April 11, 2011.

Please note, however, this opt-out provision WILL NOT be available until after the final rule has been issued. Accordingly, institutions must continue to file Schedule CMR in accordance with current policy until further notice.

For further information or help, please contact Scott Ciardi at 202.906.6960.

Thrift Financial Report Public Availability

All data items reported on the Thrift Financial Report by individual OTS-regulated institutions in 2011 will be publicly available **except** for the following line items:

Schedule SC, Consolidated Statement of Condition

Memo: Detail of Other Assets

SC691, SC693, or SC697: Codes – If code is 06, then the corresponding amount in SC692, SC694 or SC698 is confidential (not publicly available)

Schedule SO, Consolidated Statement of Operations

Memo: Detail of Other Noninterest Expense

SO581, SO583, or SO585: Codes – If code is 01 or 02, then the corresponding amount in SO582, SO584 or SO586 is confidential (not publicly available)

Schedule VA, Valuation Allowances and Related Data

Classification of Assets:

VA960 – Special Mention

VA965 – Substandard

VA970 – Doubtful

VA975 – Loss

Schedule LD, Loan Data - All lines

Schedule SI, Supplemental Information


Transactions with Affiliates, Lines SI750 and SI760

Schedule HC, Thrift Holding Company


Supplemental Questions, Lines HC810 through HC865

Schedule CMR, Consolidated Maturity/Rate – All lines

Amendments to December 2010 Reports



“Before you enter any amendments, be sure to first discuss the changes with your OTS Financial Reporting Analyst...”



Before you enter any amendments to your TFR, CMR, or HC reports, be sure to first discuss the changes with your OTS Financial Reporting Analyst, who may have questions or further instructions for you. All amendments must be transmitted electronically and should include a detailed Message to OTS detailing the changes to the data and the reason for amending the specified report.

Although the instructions allow for 135 days after the cycle closes for prior-period amendments, FRD analysts may need several days to analyze and process your data. Therefore, we

encourage you to file any necessary amendments to your December 2010 report no later than the close of business, Thursday, May 12, 2011.

When contacting anyone in the Financial Reporting Division by e-mail, fax or phone, please remember to include your five-digit docket number within your voice mail message or on the Subject line of all correspondence. This will help us to access your report or login account information and assist you in a timely manner.



2011 FDIC Summary of Deposits

In accordance with the joint-agency Federal Register Notice ([76 FR 7087](#)), the Federal Deposit Insurance Corporation (FDIC) will collect branch office information and deposit balances for all FDIC-insured entities beginning with the June 30, 2011, reporting cycle.

The SOD general description and instructions can be obtained at the FDIC Web site at: <http://www2.fdic.gov/sod/>. There is little difference between the former OTS Branch Office Survey (BOS) and the annual FDIC Summary of Deposits (SOD) report, therefore, for most thrifts the burden of changing processes will be minimal or even reduced:

- The Summary of Deposits branch office information must be filed electronically using either: (1) FDIC Connect or (2) commercially available reporting software acquired by the institution.
- The annual SOD report filing deadline is July 30th, thirty days after the close of the reporting cycle.
- Thrifts with only one (home) office *are not required* to file the SOD report.
- Trust-only institutions with more than one office location *are required* to file data through the SOD.
- Each branch office must be assigned a code indicating the Branch Service Type (i.e., Full Service, Retail Office, Drive-Thru Facility, etc.).

To receive notifications from the FDIC regarding the SOD and other information of interest, you may subscribe to their email notification services at https://service.govdelivery.com/service/multi_subscribe.html?code=USFDIC.

March 2012 Reporting Requirements

Linked below are four notices proposing changes to thrift reporting requirements that were published February 3, 2011, in the Federal Register:

- The first notice is a joint agency notice and 60-day request for comment ([76 FR 7082](#)) for thrifts to convert to filing data through the Call Report beginning with the March 31, 2012, reporting cycle.
- The second notice is a joint agency notice and 60-day request for comment ([76 FR 7087](#)) for thrifts to convert to filing data through the Summary of Deposits Survey with the FDIC beginning with the June 30, 2011, reporting cycle.
- The third notice is a notice of intent and 60-day request for comment ([76 FR 7089](#)) of the OTS proposal to cease collection of data after 2011 used to calculate and publish the Monthly Median Cost of Funds Index (MMCOF), the Quarterly Cost of Funds Index (QCOF), the Semiannual Cost of Funds Index (SCOF), and other related cost of funds ratios currently published monthly in the OTS's Cost of Funds (COF) Report.
- The final notice is a notice of intent and 60-day request for comment ([76 FR 7091](#)) of the Federal Reserve Board to require savings and loan holding companies (SLHCs) to submit the same reports as bank holding companies (BHCs), beginning with the March 31, 2012, reporting period.

March 2011 Line Item Changes

Effects on the TFR (OTS Form 1313), TDP, 5Q TDP, FOIA TDP, and IAR

Last Updated: 2/16/2011

Schedule SO, VA, DI, SI, CCR - New Line Items & Headers

			TFR (OTS Form 1313) Changes
Schedule	Line Item	Caption	FOIA Status
SO	SO422	Service Charges on Deposit Accounts	Public
VA	<header above VA211>	Construction, land development, and other land loans:	/
VA	VA211	1-4 family residential construction loans	Public
VA	VA212	Other construction loans and all land development and other land loans	Public
VA	VA213	Loans secured by 1-4 family residential properties	Public
VA	VA214	Loans secured by multifamily (5 or more) residential properties	Public
VA	<header above VA215>	Loans secured by nonfarm nonresidential properties:	/
VA	VA215	Loans secured by owner-occupied nonfarm nonresidential properties	Public
VA	VA216	Loans secured by other nonfarm nonresidential properties	Public
VA	VA217	Commercial and industrial loans	Public
VA	VA218	All other loans (include loans to individuals for household, family, and other personal expenditures)	Public
VA	<header above VA219>	Itemize loan categories included in VA218 above that exceed 10% of total loans restructured in troubled debt restructurings that are in compliance with their modified terms (sum of VA211–VA218):	/
VA	VA219	Loans secured by farmland	Public
VA	VA221	Loans to depository institutions and acceptances of other banks	Public
VA	<header above VA222>	Loans to individuals for household, family, and other personal expenditures:	/
VA	VA222	Credit cards	Public
VA	VA223	Automobile loans	Public
VA	VA224	Other consumer loans (includes single payment, installment, all student loans, and revolving credit plans other than credit cards)	Public
VA	VA225	Loans to foreign governments and official institutions	Public
VA	VA226	Other loans ¹	Public
VA	<headers above VA227>	Item VA227 is to be completed by: Savings associations with \$300 million or more in total assets, and Savings associations with less than \$300 million in total assets that have loans to finance agricultural production and other loans to farmers (Schedule SC) exceeding five percent of total loans:	/
VA	VA227	Loans to finance agricultural production and other loans to farmers included in VA226 above	Public
VA	<foot note below VA227>	¹ Includes "Loans to finance agricultural production and other loans to farmers," "Obligations (other than securities and loans) of states and political subdivisions in the U.S.," and "Loans to nondepository financial institutions and other loans."	/
DI	DI117	Total Amount of Deposits Obtained Through Deposit Listing Services That Are Not Brokered Deposits	Public
SI	<header above SI762>	Captive Insurance and Reinsurance Subsidiaries:	/
SI	SI762	Total Assets of Captive Insurance Subsidiaries	Public
SI	SI763	Total Assets of Captive Reinsurance Subsidiaries	Public
SI	<headers above SI764>	Loans secured by real estate: Construction, land development, and other land loans:	/
SI	SI764	1-4 family residential construction loans	Public
SI	SI765	Other construction loans and all land development and other land loans	Public
SI	SI766	Secured by farmland	Public
SI	<header above SI767>	Secured by 1-4 family residential properties:	/
SI	SI767	Revolving, open-end loans secured by 1-4 family residential properties and extended under lines of credit	Public
SI	<header above SI768>	Closed-end loans secured by 1-4 family residential properties:	/
SI	SI768	Secured by first liens	Public
SI	SI769	Secured by junior liens	Public
SI	SI771	Secured by multifamily (5 or more) residential properties	Public
SI	<header above SI775>	Secured by nonfarm nonresidential properties:	Public

SI	SI775	Loans secured by owner-occupied nonfarm nonresidential properties	Public
SI	SI777	Loans secured by other nonfarm nonresidential properties	Public
SI	SI779	Commercial and industrial loans	Public
SI	<header above SI780>	Loans to individuals for household, family, and other personal expenditures:	
SI	SI780	Credit cards	Public
SI	SI781	Automobile loans	Public
SI	SI782	Other consumer loans (includes single payment, installment, all student loans, and revolving credit card plans other than credit cards)	Public
SI	SI783	All other loans and all leases	Public
SI	<header above SI784>	Itemize the categories of loans and leases (as defined in Schedule SC) included in item SI783 above that exceed 10% of total loans and leases covered by loss-sharing agreements with the FDIC (sum of Items Item SI764-SI783 above):	
SI	SI784	Loans to depository institutions and acceptances of other banks	Public
SI	SI785	Loans to foreign governments and official institutions	Public
SI	SI786	Other loans ¹	Public
SI	SI787	Lease financing receivables	Public
SI	SI789	Construction, land development, and other land	Public
SI	SI790	Farmland	Public
SI	SI791	1-4 family residential properties	Public
SI	SI792	Multifamily (5 or more) residential properties	Public
SI	SI793	Nonfarm nonresidential properties	Public
SI	SI795	Portion of covered other real estate owned included in items SI789-SI793 above that is protected by FDIC loss-sharing agreements	Public
SI	<foot note below SI776>	¹ Includes "Loans to finance agricultural production and other loans to farmers," "Obligations (other than securities and loans) of states and political subdivisions in the U.S." and "Loans to nondepository financial institutions and other loans."	
CCR	CCR187	Qualifying Noncontrolling (Minority) Interest in Consolidated Subsidiaries	Public

Schedule PD - New Line Items & Headers

Schedule	Line Item			Caption	FOIA Status
	PAST DUE AND STILL ACCRUING	NONACCRUAL			
	30-89 Days	90 Days of More			
PD	<header above PD516>	<header above PD616>	<header above PD716>	Construction, land development and other land loans:	
PD	PD516	PD616	PD716	1-4 family residential construction loans	Public
PD	PD517	PD617	PD717	Other construction loans and all land development and other land loans	Public
PD	PD519	PD619	PD719	Loans secured by 1-4 family residential properties	Public
PD	PD525	PD625	PD725	Loans secured by multifamily (5 or more) residential properties	Public
PD	<header above PD535>	<header above PD635>	<header above PD735>	Secured by nonfarm nonresidential properties:	
PD	PD535	PD635	PD735	Loans secured by owner-occupied nonfarm nonresidential properties	Public
PD	PD536	PD636	PD736	Loans secured by other nonfarm nonresidential properties	Public
PD	PD537	PD637	PD737	Commercial and industrial loans	Public
PD	PD538	PD638	PD738	All other loans (include loans to individuals for household, family, and other personal expenditures)	Public
PD	<header above PD539>	<header above PD639>	<header above PD739>	Itemize loan categories included in PD538-PD738 above that exceed 10% of total loans restructured in troubled debt restructurings that are past due 30 days or more or in nonaccrual status (sum of PD516-PD738):	
PD	PD539	PD639	PD739	Loans secured by farmland	Public
PD	PD540	PD640	PD740	Loans to depository institutions and acceptances of other banks	Public
PD	<header above PD542>	<header above PD642>	<header above PD742>	Loans to individuals for household, family, and other personal expenditures:	
PD	PD542	PD642	PD742	Credit cards	Public
PD	PD545	PD645	PD745	Automobile loans	Public
PD	PD560	PD660	PD760	Other consumer loans (includes single payment, installment, all student loans, and revolving credit plans other than credit cards)	Public
PD	PD580	PD680	PD780	Loans to foreign governments and official institutions	Public
PD	PD581	PD681	PD781	Other loans ¹	Public

PD	<foot note below PD581, PD681, PD781>	1 Includes "Loans to finance agricultural production and other loans to farmers," "Obligations (other than securities and loans) of states and political subdivisions in the U.S.," and "Loans to nondepository financial institutions and other loans."			
PD	<headers above PD582>	<headers above PD682>	<headers above PD782>	Items PD582-PD782 to be completed by: Savings associations with \$300 million or more in total assets. Savings associations with less than \$300 million in total assets that have loans to finance agricultural production and other loans to farmers (Schedule SC) exceeding five percent of total loans:	
PD	PD582	PD682	PD782	Loans to finance agricultural production and other loans to farmers included in PD581-PD781 above	Public
PD	<headers above PD816>	<headers above PD916>	<headers above PD1016>	Loans and leases reported in items PD115-PD380 above that are covered by Loss-Sharing Agreements with the FDIC: Loans secured by real estate: Construction, land development and other land loans:	
PD	PD816	PD916	PD1016	1-4 family residential construction loans	Public
PD	PD817	PD917	PD1017	Other construction loans and all land development and other land loans	Public
PD	PD818	PD918	PD1018	Secured by farmland	Public
PD	<header above PD819>	<header above PD919>	<header above PD1019>	Secured by 1-4 family residential properties:	
PD	PD819	PD919	PD1019	Revolving, open-end loans secured by 1-4 family residential properties and extended under lines of credit	Public
PD	<header above PD820>	<header above PD920>	<header above PD1020>	Closed-end loans secured by 1-4 family residential properties:	
PD	PD820	PD920	PD1020	Secured by first liens	Public
PD	PD821	PD921	PD1021	Secured by junior liens	Public
PD	PD822	PD922	PD1022	Secured by multifamily (5 or More) residential properties	Public
PD	<header above PD823>	<header above PD923>	<header above PD1023>	Secured by nonfarm nonresidential:	
PD	PD823	PD923	PD1023	Loans secured by owner-occupied nonfarm nonresidential properties	Public
PD	PD824	PD924	PD1024	Loans secured by other nonfarm nonresidential properties	Public
PD	PD826	PD926	PD1026	Commercial and industrial loans	Public
PD	<header above PD827>	<header above PD927>	<header above PD1027>	Loans to individuals for household, family and other personal expenditures:	
PD	PD827	PD927	PD1027	Credit Cards	Public
PD	PD828	PD928	PD1028	Automobile Loans	Public
PD	PD829	PD929	PD1029	Other consumer loans (includes single payment, installment, all student loans, and revolving credit plans other than credit cards)	Public
PD	PD830	PD930	PD1030	All other loans and leases	Public
PD	<header above PD831>	<header above PD931>	<header above PD1031>	Itemize the past due and nonaccrual amounts included in items PD830-PD1030 above for the loan and lease categories for which amounts were reported in items SI, items SI784-SI787:	
PD	PD831	PD931	PD1031	Loans to depository institutions and acceptances of other banks	Public
PD	PD832	PD932	PD1032	Loans to foreign governments and official institutions	Public
PD	PD833	PD933	PD1033	Other loans ¹	Public
PD	PD834	PD934	PD1034	Lease financing receivables	Public
PD	<header above PD835>	<header above PD935>	<header above PD1035>	Item PD835-1035 to be completed by: Savings associations with \$300 million or more in total assets Savings associations with less than \$300 million in total assets that have loans to finance agricultural production and other loans to farmers (Schedule SC) exceeding five percent of total loans	
PD	PD835	PD935	PD1035	Loans to finance agricultural production and other loans to farmers included in PD833-PD1033 above	Public
PD	PD840	PD940	PD1040	Portion of covered loans and leases in items PD816-PD1030 above that is protected by FDIC loss-sharing agreements	Public
PD	<foot note below PD840, PD940, PD1040>	1 Includes "Loans to finance agricultural production and other loans to farmers," "Obligations (other than securities and loans) of states and political subdivisions in the U.S.," and "Loans to nondepository financial institutions and other loans."			

Schedule VIE ** New Schedule **

Schedule	Line Item			Caption	FOIA Status
	Securitization Vehicles	ABCP Conduits	Other VIEs		
VIE	<header above VIE115>	<header above VIE215>	<header above VIE315>	Assets of consolidated variable interest entities (VIEs) that can be used only to settle obligations of consolidated VIEs:	
VIE	VIE115	VIE215	VIE315	Cash and balances due from depository institutions	Public
VIE	VIE116	VIE216	VIE316	Held-to-maturity securities	Public
VIE	VIE117	VIE217	VIE317	Available-for-sale securities	Public
VIE	VIE121	VIE221	VIE321	Securities purchased under agreements to resell	Public
VIE	VIE125	VIE225	VIE325	Loans and leases held for sale	Public
VIE	VIE135	VIE235	VIE335	Loans and leases, net of unearned income	Public
VIE	VIE138	VIE238	VIE338	Less: Allowance for loan and lease losses	Public
VIE	VIE140	VIE240	VIE340	Trading assets (other than derivatives)	Public
VIE	VIE143	VIE243	VIE343	Derivative trading assets	Public
VIE	VIE146	VIE246	VIE346	Other real estate owned	Public
VIE	VIE149	VIE249	VIE349	Other assets	Public
VIE	<header above VIE490>	<header above VIE590>	<header above VIE690>	Liabilities of consolidated VIEs for which creditors do not have recourse to the general credit of the reporting bank:	
VIE	VIE490	VIE590	VIE690	Securities sold under agreements to repurchase	Public
VIE	VIE496	VIE596	VIE696	Derivative trading liabilities	Public
VIE	VIE492	VIE592	VIE692	Commercial paper	Public
VIE	VIE495	VIE595	VIE695	Other borrowed money (exclude commercial paper)	Public
VIE	VIE497	VIE597	VIE697	Other Liabilities	Public
VIE	VIE499	VIE599	VIE699	All other assets of consolidated VIEs (not included in items VIE115-VIE349 above)	Public
VIE	VIE400	VIE500	VIE600	All other liabilities of consolidated VIEs (not included in items VIE490-VIE697 above)	Public

Schedule SI, FS, CCR - Revise Existing Captions on Headers and Edit Formula on Line Item Totals

TFR (OTS Form 1313) Changes				
Schedule	Line Item	Caption		FOIA Status
SI	<header above SI770>	Assets Covered by Loss-Sharing Agreements with the FDIC:		
SI	SI770	Loans and leases (included in Schedule SC)		Public
SI	SI772	Real estate owned (included in Schedule SC)		Public
SI	SI774	Debt securities (included in Schedule SC)		Public
SI	SI776	Other assets (excludes FDIC loss-sharing indemnification assets)		Public
FS	<If "YES" statement for FS130>	1. FS210 through FS30 and FS610 – FS65 each quarter ; 3. All memoranda items, FS410 through FS72 (except for FS610 – FS65), annually with the December report.		Public
CCR	CCR100	Total Savings Association Equity Capital (SC80)		Public
CCR	CCR20	Tier 1 (Core) Capital (100 – 105 – 115 – 133 – 134 + 180 + 185 + 187 + 195) <i>Edit Formula - include CCR187 in calculation</i>		Public

Schedule DI - Delete Existing Line Items & Headers

TFR (OTS Form 1313) Changes				
Schedule	Line Item	Caption		FOIA Status
DI	<header above DI570>	Deposit Data for Thrifts Participating in the Transaction Account Guarantee Program Component of the FDIC's Temporary Liquidity Guarantee Program:		
DI	DI570	Average Daily Amount of Noninterest-bearing Transaction Accounts of More than \$250,000		Public
DI	DI575	Average Daily Number of Noninterest-bearing Transaction Accounts of More than \$250,000		Public

Office of Thrift Supervision Filing Schedule for 2011 Regulatory Reports

You can and should complete and transmit your reports
as soon as possible after the close of the quarter.

To preclude the OTS' s consideration of the assessment of civil money penalties, pursuant to the provisions in 12 U.S.C. § 1565(v)(4)-(7), Reports of Condition, please ensure that all TFR reports are filed before the filing deadlines shown below, and are filed accurately in accordance with the instructions.

Reporting "As Of" Date	FILING DEADLINE			
	Thrift Financial Report	Schedule CMR and HC	Cost of Funds	FDIC - Summary of Deposits*
January 31			Wednesday March 2	
February 28			Wednesday March 30	
March 31	Monday May 2	Monday May 16	Monday May 2	
April 30			Tuesday May 31	
May 31			Thursday June 30	
June 30	Monday August 1	Monday August 15	Monday August 1	<i>Monday August 1</i>
July 31			Tuesday August 30	
August 31			Friday September 30	
September 30	Monday October 31	Monday November 14	Monday October 31	
October 31			Wednesday November 30	
November 30			Friday December 30	
December 31	Monday January 30, 2012	Tuesday February 14, 2012	Monday January 30, 2012	

* Former Annual Branch Office Survey

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SCHEDULE SO — CONSOLIDATED STATEMENT OF OPERATIONS

*Throughout these instructions, **you** and **your** refers to the reporting savings association and its consolidated subsidiaries; **we** and **our** refers to the Office of Thrift Supervision.*

Complete this Statement of Operations, Schedule SO, on a consolidated basis from the savings association downward. Do not consolidate your holding company. You should apply generally accepted accounting principles (GAAP) unless we specifically state otherwise in these instructions. Report net income or loss attributable to noncontrolling shareholders on SO880, Net Income (Loss) Attributable to Noncontrolling Interests.

Report income and expense for the quarter ending on the report date, regardless of your fiscal year end. Do not report data in Schedule SO on a year-to-date basis. Note that GAAP requires the accrual basis of accounting.

When you correct errors made in prior periods within the current calendar year, you should report them in the same data field in which you would have reported them on the original report. However, you should not report them in the same data field if the adjustment distorts yields for the quarter or results in negative numbers in fields that do not permit negatives. Where the latter would occur, you may include the adjustments in Other Noninterest Income, SO488, or Other Noninterest Expense, SO580. Generally, you may file amendments only within 45 days of the report date. For further information on correcting prior period errors, see Item 5 in the General Instructions.

INTEREST INCOME

The balance of financial assets carried at fair value where the changes in fair value are reflected in current earnings is reported on SI376. For such assets, report the interest income earned on the appropriate lines described in this section, unless it is not appropriate under GAAP to recognize income (for example, where a loan is on nonaccrual status because of collectibility concerns). Report the changes in fair value of such assets in noninterest income on SO485.

SO11: TOTAL

The EFS software will compute this line as the sum of SO115 through SO172.

SO115: DEPOSITS AND INVESTMENT SECURITIES

Report income on all deposits and investments included in SC112 through SC185.

Include:

1. The gross income earned on all deposits and investment securities including those you use as collateral under agreements to resell.
2. The net amount of yield adjustments made to interest and dividend income on deposits and investment securities.

Do not include:

Interest on assets reported on SC689, Other Assets. Report this interest on SO488, Other Noninterest Income.

SO125: MORTGAGE-BACKED SECURITIES

Report income on mortgage-backed securities reported on SC210 through SC228, including amortization of premiums and discounts.

SO141: MORTGAGE LOANS

Report income on mortgage loans, including amortization of yield adjustments, reported on SC230 through SC265. Do not include prepayment fees, late fees, and assumption fees on mortgage loans.

If you have bought or sold a participating interest in mortgage loans, report only the interest applicable to the portion of the loans you own. If you have purchased mortgage loans or participating interests in mortgage loans on a net-yield basis, report the net interest earned.

If you assume a liability to a third party in connection with a wrap-around mortgage loan where you report the assumed liability on SC760, Other Borrowings, report the gross interest income and charge the interest incurred on the assumed liability to expense on SO260, Interest Expense on Other Borrowed Money.

SO142: PREPAYMENT FEES, LATE FEES, AND ASSUMPTION FEES FOR MORTGAGE LOANS

Report the total prepayment fees, late fees, and assumption fees received for mortgage loans.

NONMORTGAGE LOANS:

Report the contractual interest earned and the net yield adjustments on nonmortgage loans.

SO160: Commercial Loans and Leases

Report the net interest earned, including any yield adjustments, on commercial nonmortgage loans that you reported on SC300 through SC306, Secured and Unsecured Commercial Loans and Financing Leases. Do not include prepayment fees, late fees, and assumption fees on commercial loans and leases.

SO162: Prepayment Fees, Late Fees, and Assumption Fees for Commercial Loans

Report the total prepayment fees, late fees, and assumption fees received for commercial loans.

SO171: Consumer Loans and Leases

Report income including any yield adjustments on consumer loans reported on SC35. Include with yield adjustments the amortization of credit card fees. Do not include prepayment fees, late fees, and assumption fees on consumer loans and leases.

SO172: Prepayment Fees, Late Fees, and Assumption Fees for Consumer Loans

Report the total prepayment fees, late fees, and assumption fees received for consumer loans.

DIVIDEND INCOME ON EQUITY INVESTMENTS NOT CARRIED AT FAIR VALUE**SO18: TOTAL**

The EFS software will compute this line as the sum of SO181 and SO185.

SO181: FEDERAL HOME LOAN BANK STOCK

Report cash and stock dividends on FHLBank stock reported on SC510.

SO185: OTHER

Report dividend and interest income on investments reported on SC540 accounted for using the cost method, including interest income on advances (secured and unsecured) that are included in SC540. Do not include net income or loss recorded under the equity method; include this on SO488, Other Noninterest Income, using Code 06.

INTEREST EXPENSE

The balance of financial liabilities carried at fair value where the changes in fair value are reflected in current earnings is reported on SI377. For such liabilities, report the interest expense incurred on the appropriate lines described in this section. Report the changes in fair value of such liabilities in noninterest income on SO485.

SO21: TOTAL

The EFS software will automatically compute this line as the sum of SO215 through SO260, less SO271.

SO215: DEPOSITS

Report the sum of the following:

1. All interest expense on deposits that you reported on SC710, Deposits.
2. The amortization of yield adjustments to deposits that you reported on SC715, Unamortized Yield Adjustments, less the amount for penalties charged to depositors for early withdrawals.

Do not include:

Interest on escrow accounts that you reported on SC712, Escrows. Report the interest on escrow accounts on SO225.

SO225: ESCROWS

Report interest expense on escrows reported on SC712, Escrows.

SO230: ADVANCES FROM FHLBANK

Report interest expense and the amortization of any related yield adjustments on FHLBank advances that you reported on SC720, Advances from FHLBank.

Generally FHLBank prepayment penalties should be expensed on SO580, Other Noninterest Expense. However, in limited circumstances, prepayment penalties may be deferred and amortized as a yield adjustment increasing interest expense.

SO240: SUBORDINATED DEBENTURES (INCLUDING MANDATORY CONVERTIBLE SECURITIES)

Report interest, dividends, and the amortization of yield adjustments on all subordinated debentures, mandatory convertible securities, and REIT preferred stock that you or your consolidated subsidiaries issued and that you reported on SC736, Subordinated Debentures (Including Mandatory Convertible Securities and Limited Life Preferred Stock).

SO250: MORTGAGE COLLATERALIZED SECURITIES ISSUED

Report interest expense and amortization of yield adjustments on all mortgage collateralized securities that you issued and that you reported on SC740 and SC745, Mortgage Collateralized Securities Issued.

SO260: OTHER BORROWED MONEY

Report interest expense and amortization of yield adjustments on borrowings not included above.

Include interest on:

1. SC730, Federal Funds Purchased and Securities Sold Under Agreements to Repurchase.
2. SC760, Other Borrowings.

Report the gross amount of interest that you pay on securities sold under agreements to repurchase and loans sold with recourse accounted for as financings. Do not reduce the amount of interest that you paid for such securities or loans by the amount of interest income you received on the securities and loans sold under such agreements.

SO271: CAPITALIZED INTEREST

Interest charges incurred on borrowings are added to the cost of certain assets that are constructed or otherwise produced, or while the activities necessary to commence planned principal operations of the assets are in progress. Report all such capitalized interest costs. Do not use an interest rate that exceeds the weighted average rate for total interest-bearing deposits and other liabilities. Capitalized interest will be deducted from interest expense. Therefore, report this as a positive number even though it will always be a credit balance.

SO312: NET INTEREST INCOME (EXPENSE) BEFORE PROVISION FOR LOSSES ON INTEREST-BEARING ASSETS

The EFS software will automatically compute this line as SO11 plus SO18 less SO21.

SO321: NET PROVISION FOR LOSSES ON INTEREST-BEARING ASSETS

Report the provision for losses on all earning assets, including loans, as well as debt and equity securities. Report credit balances as negative.

For a discussion on how to calculate provision for losses, refer to the general instructions for Schedule VA.

Do not report adjustments to valuation allowances as prior period expenses. Report adjustments to valuation allowances as an expense in the period in which you determined the amount of the loss even if the loss actually occurred in a prior period.

Include:

1. Losses you recognized in marking loans to fair value at the time of foreclosure or in-substance foreclosure.

Do not include:

1. Adjustments to available-for-sale securities for unrealized gains or losses. Report the adjustments on SC860, Unrealized Gains (Losses) on Available-for-Sale Securities.
2. Adjustments to trading assets. Report on SO485, Net Income (Loss) from Trading Assets (Realized and Unrealized).
3. Recoveries of valuation allowances at the time of sale. Include these in the gain or loss on the sale.
4. Provisions for losses on noninterest-bearing assets. Report the provision for losses on SO570, Net Provision for Losses on Non-interest-bearing Assets.
5. Adjustments to or recording of a liability for off-balance-sheet commitments or contingencies; include these in SO580, Other Noninterest Expense.

SO332: NET INTEREST INCOME (EXPENSE) AFTER PROVISION FOR LOSSES ON INTEREST-BEARING ASSETS

The EFS software will automatically compute this line as SO312 less SO321.

NONINTEREST INCOME

Do not include material adjustments to income from prior calendar years; refer to page 3 of the General Instructions for procedures to correct prior periods.

SO42: TOTAL

The EFS software will compute this line as the sum of SO410 through SO488.

SO410: MORTGAGE LOAN SERVICING FEES

Include:

1. Fees earned from servicing mortgage loans for others.
2. Impairment losses on servicing assets reported on SC642.

Do not include:

1. Servicing fees for nonmortgage loans. Report the servicing fees on nonmortgage loans on SO420, Other Fees and Charges.
2. Amortization of loan servicing assets or liabilities and valuation adjustments for classes of loan servicing accounted for using the amortization method.
3. Fair value adjustments for classes of servicing carried at fair value.

Report the difference between the net interest retained from mortgage loan servicing and the amortization or other write-down of mortgage servicing assets. Do not deduct servicing expenses.

SO411: AMORTIZATION OF AND FAIR VALUE ADJUSTMENTS TO LOAN SERVICING ASSETS AND LOAN SERVICING LIABILITIES

Report the total servicing amortization and valuation adjustments.

Include:

1. Amortization of loan servicing assets or liabilities and valuation adjustments for classes of loan servicing accounted for using the amortization method
2. Fair value adjustments for classes of servicing carried at fair value.

SO420: OTHER FEES AND CHARGES

Report all fees and charges not reported on SO410.

Include:

1. Loan servicing fee income on nonmortgage loans, including credit card servicing income.
2. Trust fee income.
3. Amortization of commitment fees when it is unlikely that the borrower will exercise the commitment.
4. Brokerage fee income.
5. Annuity fee income.
6. Insurance premiums, fees, and commissions.
7. Transaction account fees, including overdraft and non-sufficient funds (NSF) fees.
8. Credit enhancement fees.
9. All other fees not reported on SO410.

Do not include:

Amortization of loan fees. Report amortization of loan fees as a yield adjustment to interest income.

SO422: SERVICE CHARGES ON DEPOSIT ACCOUNTS

Report all service charges associated with deposit accounts that are reported in SO420.

NET INCOME (LOSS) FROM:

Report net income or loss on the categories below. Enter a loss as negative.

SO430: SALE OF AVAILABLE-FOR-SALE SECURITIES

Report the realized gain or loss from the sale of available-for-sale securities. When you sell securities classified as available-for-sale, reverse the amount of the unrealized gain or loss previously recorded on SC860, Unrealized Gains (Losses) on Available-for-Sale Securities, and report the entire difference between amortized cost and net sales proceeds in earnings.

SO431: SALE OF LOANS AND LEASES HELD FOR SALE

Report the realized gain or loss from the sale of loans and leases held for sale. In computing the gain or loss, the cost of the loans and leases sold reflect the associated valuation allowances.

Do not include "lower of cost or fair value" adjustments on such assets. Rather, report such amounts on SO465.

SO432: SALE OF OTHER ASSETS HELD FOR SALE

Report the gain or loss from the sale of other assets held for sale.

Do not include "lower of cost or fair value" adjustments on such assets. Rather, report such amounts on SO465.

SO441: OTHER-THAN-TEMPORARY IMPAIRMENT CHARGES ON DEBT AND EQUITY SECURITIES

Report other-than-temporary impairment (OTTI) charges on debt and equity securities. Such charges reflect losses resulting from the recognition of credit losses and/or losses related to all factors other than credit. These OTTI losses are not necessarily related to any sale of the securities.

Do not report losses from the sale of securities on this line. Rather report those losses on SO430, SO467, SO475, or SO477, as appropriate.

SO461: Operations and Sale of Repossessed Assets

Include:

1. Net income or loss from repossessed assets reported on SC40, Repossessed Assets. Report direct expenses on repossessed assets, even if there is no income.
2. Gains and losses from the sale of repossessed assets reported on SC40, Repossessed Assets.

Do not include:

1. Adjustments to valuation allowances established on REO. Report these adjustments on SO570, Net Provision for Losses on Noninterest-Bearing Assets.
2. Write-downs taken when marking foreclosed assets to fair value at time of foreclosure. Report these write-downs on SO321, Net Provision for Losses on Interest-bearing Assets.

SO465: LOCOM Adjustments Made to Assets Held for Sale

Report adjustments to assets held for sale to value them at the lower-of-cost-or-market. The amounts reported here should directly adjust the asset and should not be established as a valuation allowance.

Do not include:

1. Any unrealized gains or losses on available-for-sale securities. Report these unrealized gains or losses only as a separate component of equity capital on SC860.
2. Profit or loss on the sale of assets held for sale. Report the profit or loss on SO430.
3. Operating income and expense from mortgage banking activities. Report in the appropriate income or expense category.

SO467: Sale of Securities Held-to-Maturity

Include:

1. Gains and losses from the sale or other disposition of mortgage-backed securities that you reported on SC210 through SC228, Mortgage-Backed Securities, and that were held-to-maturity.
2. Gains and losses from the sale or other disposition of securities that you reported on SC130 through SC185, Cash, Deposits and Investment Securities, and that were held-to-maturity.

Do not include:

1. Gains and losses from the sale of securities held in a trading portfolio. Report these gains or losses on SO485.
2. Gains and losses from the sale of available-for-sale securities. Report these gains and losses on SO430.

SO475: Sale of Loans Held for Investment

Report gains and losses from the sale or other disposition of mortgage and nonmortgage loans that you reported on SC230 through SC265 and SC300 through SC330.

Do not include:

1. Gains and losses from the sale of loans and securities in a trading portfolio. Report these gains and losses on SO485;
2. Gains and losses from the sale of loans held for sale. Report these gains and losses on SO431.
3. Recoveries of losses previously written off. Report on VA140, Recoveries.

SO477: Sale of Other Assets Held for Investment

Report gains and losses from the sale or other disposition of any assets that you did not report on SO430 through SO475 or SO485.

Include:

1. Gains and losses from the sale of real estate held for investment reported on SC45, Real Estate Held for Investment, that you may account for as current income.
2. Gains and losses from the sale of a branch operation or a portion thereof, such as deposits.
3. Gains and losses from the sale of loan servicing rights when sold separately from the loan.
4. Gains and losses from the sale of subsidiaries.

SO485: Gains and Losses on Financial Assets and Liabilities Carried at Fair Value

The balances of financial assets and liabilities carried at fair value where the change in fair value is reflected in current earnings are reported on SI376 and SI377. For such instruments, report interest income earned and interest expense incurred on the appropriate lines under Interest Income and Interest Expense, and report the changes in fair value in noninterest income on this line.

Derivatives are financial assets and liabilities, and therefore the balances of derivatives are included on SI376 and SI377. In general for derivatives, include the changes in fair value in noninterest income on this line. However, for derivatives subject to fair value or cash flow hedge accounting, it may be appropriate under GAAP to include the changes in fair value that are reflected in current earnings in other lines on Schedule SO, including interest income or interest expense.

The balance of available-for-sale securities (carried at fair value) is reported on SI385. For such instruments, the changes in fair value are not reflected in current earnings, but rather in other comprehensive income net of any deferred tax impact. Accordingly, do not include the changes in fair value on available-for-sale securities on this line. Rather, report such changes in other comprehensive income on SI662.

Under a "fair value option", servicing assets may be carried at fair value with the changes in fair value reflected in current earnings. However, servicing assets are not financial assets, and therefore the balance is not included on SI376. Accordingly, do not include the changes in fair value on servicing assets on this line. Rather, report such changes in noninterest income on SO411.

Include:

1. Realized and unrealized gains and losses on financial assets and liabilities carried at fair value where the balances are reported on SI376 and SI377.
2. Realized and unrealized gains and losses on financial assets held for trading purposes where the balance is reported on SI375 (and where the balance is also included on SI376).

SO488: Other Noninterest Income

Report the total of all noninterest income that you did not include on SO410 through SO485. You can find a list of the types of income to include under **Memo: Detail of Other Noninterest Income** below.

Do not include:

1. Loan servicing fees. Report these fees on SO410 or SO420, as appropriate;
2. Trust fee income. Report this income on SO420.
3. Other fees. Report these fees on SO420.

Memo: Detail of Other Noninterest Income

SO489, 495, 497 and SO492, 496, and 498:

Report the three largest items comprising the amount reported on SO488, excluding dividends on FHLBank stock. Codes best describing these items should be selected from the list below and reported on SO489, 495, and 497. You must complete this detail if you reported an amount on SO488.

Because SO488 may consist of both positive and negative amounts – for example, net income or loss from leasing operations, you should report the three amounts that have the greatest impact on the total, regardless of their sign. Therefore, when selecting the three largest amounts comprising the amount reported on SO488, disregard the sign of the number. However, although you should disregard the sign when you **select** the three largest numbers; you should use the correct sign when you **report** the amount.

Combine similar accounts with the same code; that is, do not report a code more than once. However, you should not combine unlike accounts in reporting code 99. You may have more than one code 99 if you cannot find codes describing the items you report.

SO489, 495, and 497: Codes

- 01 No longer used
- 02 Interest income from income tax refunds.
- 03 No longer used
- 04 Net income or loss from leasing or subleasing space in the association's office quarters, future office quarters, and parking lots.
- 05 Net income or loss from real estate held for investment.
- 06 Net income or loss from investments in unconsolidated subordinate organizations and pass-through investments, accounted for using the equity method, after the elimination of intercompany profits.
- 07 Net income or loss from leased property.
- 08 No longer used.
- 09 Net income from data processing equipment leased or services provided to others.
- 10 No longer used.
- 11 Adjustments to prior periods.
- 12 Income received on real estate acquired through foreclosure or deed in lieu of foreclosure on VA or FHA loans pending conveyance to the insuring agency.
- 13 No longer used
- 14 Income from interest-only strip receivables and certain other instruments reported on SC665.
- 15 Income from corporate-owned life insurance
Report adjustments to cash surrender value of corporate-owned life insurance that you reported on SC615 and SC625.

-
- 18 The excess of fair value over cost of net assets acquired in a purchase business combination (negative goodwill) recognized in earnings at the date of combination.
- 99 Other. (Use this code only for an item not identified above.)

SO492, 496, and 498: Amounts

Report the dollar amounts (using the correct positive or negative sign) corresponding to the codes reported on SO489, 495, and 497.

NONINTEREST EXPENSE

Do not include material adjustments to expenses from prior calendar years; refer to page 3 of the General Instructions for procedures to correct prior periods.

SO51: TOTAL

The EFS software will compute this line as the sum of SO510 through SO580.

SO510: ALL PERSONNEL COMPENSATION AND EXPENSE

Report gross salaries, wages, bonuses, and other compensation and expenses of officers, directors and employees, whether employed full- or part-time.

Include:

1. The cost of temporary help and employment contractors.
2. Fringe benefits such as the employer's share of payroll taxes, insurance premiums, lunchroom expenses, tuition fees, uniforms, parking, and other such benefits.
3. Bonuses and awards.
4. Employer contributions to pension and retirement funds and ESOP plans.
5. Pensions paid directly by you.
6. Lump-sum pension contributions.
7. Payments related to past services, such as severance pay.
8. Directors' fees.
9. Travel and other expenses for directors, officers, and employees.
10. The fair value of employee stock options granted.

Do not include:

Allowances for privately owned automobiles used in connection with your business, or any depreciation and other noninterest expense incurred on leased automobiles. Report these figures on SO530.

SO520: LEGAL EXPENSE

Report all legal fees and retainers, including accruals and amortization.

Do not include material legal settlements; most settlement payments should be reported on SO580.

SO530: OFFICE OCCUPANCY AND EQUIPMENT EXPENSE**Include:**

1. Depreciation and other expenses of association-owned space, capital leases, furniture and fixtures, automobiles and equipment reported on SC55, Office Premises and Equipment.
2. Amortization of leasehold improvements.
3. Rent, net of the amortization of deferred gain on a sale/leaseback.
4. Uncapitalized equipment purchases.
5. Taxes, assessments, and insurance premiums on office premises, equipment, and land for future use.
6. Rental costs, maintenance contracts, and expenses on office furniture, machines, and data processing equipment.
7. Accounting servicing fees paid to a data center.

If a portion of office premises and equipment is leased to others, allocate related expenses to SO488, Other Noninterest Income. When actual data are not available, a reasonable, consistent, and documented estimate is acceptable.

SO540: MARKETING AND OTHER PROFESSIONAL SERVICES**Include:**

1. Advertising, production, agency fees, and direct mail.
2. Market research, including consultants.
3. Public relations, including consultants, seminars, or customer magazines.
4. Sales training by consultants.
5. Public accountants' fees.
6. Management services.
7. Consulting fees for economic surveys.
8. Other special advisory services.

Do not include:

1. Legal fees; report on SO520.
2. Data processing fees; report on SO530.
3. Supervisory examination fees; report on SO580.
4. Deposit promotions, giveaways, premiums, and commissions that are capitalized. Report amortization on SO215, Interest Expense on Deposits.

SO550: LOAN SERVICING FEES

Report fees paid to others to service mortgage and nonmortgage loans.

Include:

1. Fees for servicing loans owned by you.
2. Fees for servicing loans owned by others where you own the servicing rights.

Do not include:

1. Amortization of loan servicing assets. Report the amortization on SO411.
-

2. Servicing fees for loans acquired on a net yield basis. Deduct the servicing fees from related interest income.

SO560: GOODWILL AND OTHER INTANGIBLES EXPENSE

Report write-downs and expense related to the assets reported on SC660, Goodwill and Other Intangible Assets.

Include amortization of:

1. Core deposit premium, an identifiable intangible asset.
2. Intangible pension assets recorded.
3. Technology-based intangible assets, such as computer software.
4. Other intangible assets, excluding servicing assets.

Also, include impairment write-downs on goodwill and other intangible assets.

Do not include amortization of Servicing assets; report this on SO410.

SO570: NET PROVISION FOR LOSSES ON NON-INTEREST-BEARING ASSETS

Report the provision for losses on all non-interest-bearing assets. Report credit balances as negative.

Refer to the general instructions for Schedule VA for a discussion of how to properly calculate provision for losses. Report adjustments to valuation allowances as an expense in the period in which you determine the amount of the loss even if that loss actually occurred in a prior period.

Include adjustments to valuation allowances on:

1. Real estate owned.
2. Other assets.

Do not include:

1. Recoveries of valuation allowances at the time of sale. Include these recoveries in the gain or loss on the sale.
2. Provisions for losses on interest-bearing assets. Report the losses on SO321, Net Provision for Losses on Interest-bearing Assets.
3. Direct charge-offs of servicing assets. Report the direct charge-offs on SO410, Mortgage Loan Servicing Fees.
4. Losses recognized in marking foreclosed assets to fair value at the time of foreclosure or in-substance foreclosure. Report these as losses on loans on SO321, Net Provision for Losses on Interest-bearing Assets.

SO580: OTHER NONINTEREST EXPENSE

Report the total of all noninterest expense not included on SO510 through SO570. A list of the types of expense you should include appears below in the memo items detailing other noninterest expense.

Memo: Detail of Other Noninterest Expense

Report the three largest items comprising the amount you reported on SO580. Select codes best describing these items from the list below and report the codes on SO581, 583, and 585. Report the

corresponding amounts on SO582, 584, and 586. You must complete this detail if an amount is reported on SO580.

If SO580 consists of both positive and negative amounts, you should report the three amounts that have the greatest impact on the total, regardless of their sign. Therefore, when selecting the three largest amounts comprising the amount reported on SO580, disregard the sign of the number. However, although you should disregard the sign when you **select** the three largest numbers; you should use the correct sign when you **report** the amount.

Combine similar accounts with the same code; that is, do not report a code more than once. However, you should not combine unlike accounts in reporting code 99. You may have more than one code 99 if you cannot find codes describing the items you report.

SO581, 583, and 585: Codes

- 01 Deposit Insurance premiums.
- 02 OTS assessments.
- 03 Interest expense on income taxes.
- 04 Interest expense on Treasury tax and loan accounts administered under the note option.
- 05 Forfeited commitment fees on FHLBank advances not taken down by the association.
- 06 Supervisory examination fees.
- 07 Office supplies, printing, and postage.
- 08 Telephone, including data lines.
- 09 Loan origination expense
Include appraisal reports, credit reports, and other similar expenses; also include, as a negative amount, reversals of origination costs when such costs are capitalized.
- 10 ATM expense.
- 11 Adjustments to prior periods (and other immaterial audit adjustments).
- 12 Acquisition and organization costs, including mergers and branch office acquisitions.
- 13 Miscellaneous taxes other than income taxes and real estate taxes.
- 14 Losses from fraud.
- 15 Foreclosure expenses.
- 16 Web site expenses.
- 17 Charitable Contributions.
- 99 Other. (**Use this code only for an item not identified above.**)

SO582, 584, and 586: Amounts

Report the dollar amounts corresponding to the codes reported on SO581, 583 and 585.

SO60: INCOME (LOSS) BEFORE INCOME TAXES

The EFS software will compute this line as the sum of SO332 plus SO42 less SO51.

INCOME TAXES

SO71: TOTAL

The EFS software will compute this line as the sum of SO710 and SO720.

SO710: FEDERAL

Report federal income tax expense. Report a net credit as negative.

Include:

1. Deficiency payments, penalties.
2. Immaterial adjustments to correct prior period accruals for which the amendment cycle is no longer open.
3. Amortization of prepaid or deferred federal income taxes.
4. Reductions for refunds from prior periods not previously reported.
5. Reductions for NOL carrybacks.

Do not include:

Interest income and expense on tax accounts. Report these on SO488, Other Noninterest Income, or SO580, Other Noninterest Expense.

SO720: STATE, LOCAL, AND OTHER

Report state, local, and other income tax expenses. Report a net credit as negative.

Include:

1. Deficiency payments, penalties.
2. Immaterial adjustments to correct prior period accruals for which the amendment cycle is no longer open.
3. Amortization of prepaid or deferred state, local and other income taxes.
4. Reductions for refunds from prior periods not previously reported.
5. Reductions for NOL carrybacks.
6. Gross receipts taxes.

Do not include:

1. Interest income and expense on tax accounts. Report these on SO488, Other Noninterest Income, or SO580, Other Noninterest Expense.
2. Any local taxes other than those based on income. Report real estate taxes on SO530, Office Occupancy and Equipment Expense; report franchise and other local taxes on SO580, Other Noninterest Expense.

SO81: INCOME (LOSS) BEFORE EXTRAORDINARY ITEMS

The EFS software will compute this line as the sum of SO60 less SO71.

SO811: EXTRAORDINARY ITEMS

Extraordinary items are material events and transactions that are unusual and infrequent. **Both of these conditions must exist for an event or transaction to be an extraordinary item.**

- **Unusual** – To be unusual, an event or transaction must be highly abnormal or clearly unrelated to the ordinary and typical activities of the association. An event or transaction beyond the control of management is not automatically considered unusual.
- **Infrequent** – To be infrequent, an event or transaction should not reasonably be expected to recur in the foreseeable future. Although the past occurrence of an event or transaction provides a basis for estimating the likelihood of its future occurrence, the absence of a past occurrence does not automatically imply that an event or transaction is infrequent.

Rarely do events or transactions qualify for treatment as extraordinary items. Among those that qualify are:

- Losses that result directly from a major disaster such as an earthquake (except in areas where earthquakes are expected to recur in the foreseeable future);
- Gains or losses from a government expropriation;
- Gains or losses from discontinued operations; or
- Losses from a prohibition under a newly enacted law or regulation.

Do not include:

1. Adjustments to valuation allowances. Report these on SO32, Net Provision for Losses on Interest-Bearing Assets, or SO570, Net Provision for Losses on Noninterest-Bearing Assets, even if the actual loss occurred in a prior period.
2. Audit adjustments for corrections of accruals. For information on correcting prior period errors, see Item 5 in the General Instructions.
3. Adjustments for periods where the cycle is open for amendments to the TFR. Refer to the general instructions for the submission of amended reports.
4. Adjustments related to prior interim periods of your current fiscal year. Report these adjustments currently in the appropriate current income or expense data field.
5. Net income or loss allocable to noncontrolling shareholders. Report in SO488, Other Noninterest Income.
6. Gains and losses on extinguishments of debt that do not meet the criteria for classification as an extraordinary item. Generally prepayment penalties should be expensed on SO580, Other Noninterest Expense.

SO88: NET INCOME (LOSS) ATTRIBUTABLE TO SAVINGS ASSOCIATION AND NONCONTROLLING INTERESTS

The EFS software will compute this line as the sum of SO81 plus SO811.

**SO880: NET INCOME (LOSS) ATTRIBUTABLE TO
NONCONTROLLING INTERESTS**

Report the net income or loss attributable to noncontrolling interests in consolidated subsidiaries. This amount will be subtracted in computing SO91, Net Income (Loss) Attributable to Savings Association. Accordingly, enter net income as a positive amount and a net loss as a negative amount.

**SO91: NET INCOME (LOSS) ATTRIBUTABLE TO SAVINGS
ASSOCIATION**

The EFS software will compute this line as the sum of SO88 less SO880.

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SCHEDULE VA — CONSOLIDATED VALUATION ALLOWANCES

Throughout these instructions, **you** and **your** refers to the reporting savings association and its consolidated subsidiaries; **we** and **our** refers to the Office of Thrift Supervision.

GENERAL INSTRUCTIONS

This schedule reports the combined activity for the period in all valuation allowance accounts. The reconciliation consists of three columns:

1. General valuation allowances, including allowances for loan and lease losses, ALLL.
2. Specific valuation allowances, including valuation allowances established for assets classified as loss.
3. Total valuation allowances. The EFS software generates this column.

Valuation allowances are contra-asset accounts that reduce the recorded investment in an asset to its carrying amount. In preparing financial statements, management should review the carrying amount of all assets and adjust the related valuation allowances as necessary. Assessing the adequacy of valuation allowances is crucial to preparing the financial statement.

The ending balance in a valuation allowance account is the balance at the beginning of the period adjusted for the activity during the period. The following table shows the types of activity that flow through the valuation allowance account:

Beginning Balance (ending balance from previous period)
Add:
Provision for Loss
Recoveries
Adjustments
Deduct:
Charge-offs
Ending Balance

Charge-offs

When you charge off an asset, the accounting entries reduce the total recorded investment of the asset and reduce the valuation allowance. However, since the carrying value is the recorded investment less

the specific valuation allowance, the carrying value decreases when you charge-off a general valuation allowance. The carrying value does not change when you charge-off a specific valuation allowance. Record direct charge-offs in this schedule even though there is no valuation allowance relating to the asset. You should also record a charge-off if the established valuation allowance is inadequate to absorb the entire charge-off. You can record a charge-off against either a general or specific valuation allowance.

The **Sales** section discusses eliminating valuation allowances when you sell the related asset.

Recoveries

A **recovery** is a payment received after you charge-off an asset. A recovery increases both the general valuation allowance and cash accounts.

In Schedule VA, recoveries do not include profits from assets that you had previously written down and later sold at a price exceeding the carrying value. For example, you would record profits from the sale of REO as a gain on the sale.

Provision for Loss

Calculate the provision for loss as the amount required to establish the appropriate ending balance in the valuation allowance account. You should base the amount of the ending balance on your management's review of the following:

- An assessment of all assets.
- Valuation calculations for troubled real estate assets.
- Estimates of credit and other losses inherent in the portfolios of homogeneous assets.
- The results of your self-classification of assets.

The following formula reconciles the provision for loss with the valuation allowance accounts:

+	The valuation allowance ending balance per analysis (VA165 and 168)
-	The valuation allowance beginning balance (VA105 and 108)
<hr style="border: 1px solid black;"/>	
=	Net change in valuation allowances
+	Charge-offs (including sales) (VA155 and 158)
-	Adjustments (VA145 and 148)
-	Recoveries (VA135)
<hr style="border: 1px solid black;"/>	
=	Provision for loss (VA115 and 118)
<hr style="border: 3px double black;"/>	

The process of determining the appropriateness of the ending balances in valuation allowance accounts results in the provision for loss being a net adjustment. For example, in the rare circumstance that a troubled real estate asset with a valuation allowance increases in value, you should adjust the required valuation allowance downward. This increase in the asset's value is a reduction of the current provision. Do not confuse this with a recovery of assets previously charged-off discussed above. Carefully analyze the total valuation allowance before you record a gain or reduction of the provision for loss.

The total provision for loss consists of the provision for loss on interest-bearing assets, SO321, and the provision for loss on non-interest-bearing assets, SO570. Do not include the LOCOM adjustments for assets held for sale, SO465, because LOCOM adjustments are due to changes in interest rates, and not due to credit losses. You should not establish a valuation allowance for the credit to assets resulting from LOCOM adjustments, but rather should directly reduce the asset.

You may record a negative provision for loss when management determines that the valuation allowance is higher than required. If this occurs, management should consider whether it has analyzed all possible situations and determine if the previously established valuation allowances were higher than necessary. To reverse a portion of the valuation allowance, report a negative amount in the provision for loss on SO321 or SO570.

Sales

When you sell an asset with a previously established valuation allowance or that had been reduced by a direct charge-off, compute the gain or loss as follows: Sales price minus the asset's carrying value, which is net of the specific valuation allowance and charge-off.

The sale of an asset in excess of its carrying value is not a recovery when reconciling valuation allowances. Do not report profits from this type of sale in the net provision for loss. Report the profit as a gain on sale.

To remove an existing specific valuation allowance after selling the related asset, you must report the valuation allowance on VA158, Charge-offs of Specific Valuation Allowances.

Foreclosures

In cases involving foreclosure, including in-substance foreclosure, compare the **recorded investment** to the current fair value less cost to sell. Classify as **loss** any excess of recorded investment over fair value less cost to sell. Record this excess as a charge-off against the existing specific valuation allowance. If the specific valuation allowance is not sufficient to absorb the loss, you should record an additional charge-off against the loan. Record assets acquired through in-substance foreclosures as REO at the fair value less cost to sell at date of transfer. You should apply the same procedures described above.

VALUATION ALLOWANCE RECONCILIATION

VA105, 108, AND 110: BEGINNING BALANCE

The EFS software automatically generates beginning balances from the prior quarter's ending balances. Generally, the beginning balances must equal the amounts reported on VA165, 168 and 170, Ending Balances, from the immediately preceding reporting period.

If during the quarter you have consummated a business combination accounted for under the purchase method, report the beginning balance of the surviving association only. Report valuation allowances on purchased assets on VA145, 148, and 150, Adjustments.

ADD OR DEDUCT:

Report increases in valuation allowance accounts, net credits, as positive numbers and decreases in valuation allowance accounts, net debits, as negative numbers.

VA115, 118, and 120: Net Provision for Loss

The EFS software automatically generates the total net provision for loss, VA120, from SO321 plus SO570. The EFS software also automatically generates VA118 after you enter VA115. On VA115, report the provision for loss related to general valuation allowances.

A net credit to assets increases valuation allowances and charge-offs and flows through to the Statement of Operations as a debit, which is an expense. You should report a net credit as a positive number. Conversely, a net debit to assets decreases valuation allowances and flows through to the Statement of Operations as a credit or income. Report a net debit as a negative number on these lines.

VA125 and 128: Transfers

Report transfers between general and specific valuation allowances. VA125 and VA128 will have opposite signs even though they are always equal. Once you enter VA125, the transfer from general

valuation allowances, the EFS software automatically generates VA128, the corresponding transfer to specific valuation allowances.

ADD:

VA135 and 140: Recoveries

You should report any amount recovered during the quarter due to repayment of assets previously charged off. Refer to the discussion of recoveries in the general instructions to Schedule VA. VA135 always equals VA140, and VA 140 is the sum of VA47, 57, and 931. Therefore, once you enter VA47, 57, and 931, the EFS software automatically sums these and generates VA135 and 140.

VA145, 148, and 150: Adjustments

Acquisitions

Report the amount of valuation allowances on assets you purchased but for which you did not take a direct charge-off. Under certain circumstances, you may carry the existing valuation allowances of assets that you purchase forward to your books. You should include any valuation allowances acquired in a business combination accounted for under the purchase method. You should also include necessary adjustments that resulted from purchasing or selling a consolidated subsidiary, where the valuation allowances on the books of the subsidiary are consolidated with yours. The EFS software automatically generates VA150, which is the sum of VA145 and VA148.

Do not include:

Additional valuation allowances established after an acquisition, even if previous management should have established the valuation allowances. Report such additions to the valuation allowances in VA120, Net Provision for Loss.

Adjustments for Charge-Offs on Credit Card Loans

On VA145, report as a positive number that portion of charge-offs included on VA556 that reduce an account other than a valuation allowance (for example, interest income). This reporting will permit the valuation allowance reconciliation to balance, because on VA556 you should report **all** charge-offs on credit card loans, including those that do not reduce valuation allowances.

DEDUCT:

VA155, 158 and 160: Charge-Offs

VA155 equals the sum of the charge-off detail below, VA370, 46, 56, 60, and 930. The EFS software automatically generates VA 155 once you enter charge-offs on VA370, 46, 56, 60, and 930. The software also generates VA160, total charge-offs. VA160 is the sum of VA155, charge-offs against general valuation allowances, and VA158, charge-offs against specific valuation allowances.

Report charge-offs as positive amounts, since EFS will deduct them from the ending valuation allowance balance.

If there is no specific valuation allowance established for the asset you are charging off, report charge-offs in the detail below and on VA155. If there is a specific valuation allowance for the asset, report the charge-off on VA158 for purposes of reconciliation. You should not report charge-offs of specific valuation allowances in the detail below because they have no effect on the balance sheet, Schedule SC, or on the income statement, Schedule SO.

Include:

1. Charge-offs to mark repossessed assets, including in-substance foreclosures, to fair value.
2. Charge-offs to eliminate valuation allowances of sold assets. See **Sales** above.

-
3. Charge-offs on credit card loans that do not reduce valuation allowances, as described in the instructions for VA556.

Do not include:

1. Charge-offs due to recognizing unrealized losses on trading assets.
2. Charge-offs in connection with marking assets to market in a business combination accounted for as a purchase.

VA165, 168 AND 170: ENDING BALANCE

The EFS software automatically generates these balances as the sum of the General, Specific, and Total columns, and brings them forward as the beginning balances for the next reporting period. VA165 must equal the sum of the general valuation allowances that you reported in Schedule SC on SC229, SC283, SC357, SC441, and SC699.

CHARGE-OFFS, RECOVERIES, AND SPECIFIC VALUATION ALLOWANCE ACTIVITY**CHARGE-OFFS**

Report the amount of loss that you charged off during the quarter against general valuation allowances. You should only include charge-offs for which no specific valuation allowance has previously been established.

The sum of VA46, 56, 60, and 930 must equal VA155. The EFS software automatically generates VA155 once you enter charge-offs on VA46, 56, 60, and 930.

Mortgage Loans:

Report charge-offs of mortgage loans, accrued interest receivable, and advances for taxes and insurance in the appropriate mortgage loan category below.

Include charge-offs to mark repossessed assets to fair value at the date of foreclosure.

VA46: Total

The EFS software automatically generates this amount as the sum of VA420, 430, 440, 446, 456, 466, 470, 480, and 490.

Construction:**VA420: 1-4 Dwelling Units**

Report the amount of loss that you charged off on SC230, Construction Loans on 1-4 Dwelling Units.

VA430: Multifamily (5 or More) Dwelling Units

Report the amount of loss that you charged off on SC235, Construction Loans on 5 or More Dwelling Units.

VA440: Nonresidential Property

Report the amount of loss that you charged off on SC240, Construction Loans on Nonresidential Property.

Permanent:**VA446: 1-4 Dwelling Units: Revolving, Open-End Loans**

Report the amount of loss that you charged off on SC251, Permanent: 1-4 Dwelling Units: Revolving, Open-End Loans.

VA456: 1-4 Dwelling Units: Secured By First Liens

Report the amount of loss that you charged off on SC254, Permanent: 1-4 Dwelling Units: Secured By First Liens.

VA466: 1-4 Dwelling Units: Secured by Junior Liens

Report the amount of loss that you charged off on SC255, Permanent: 1-4 Dwelling Units: Secured by Junior Liens.

VA470: Multifamily (5 or More) Dwelling Units

Report the amount of loss that you charged off on SC256, Permanent Mortgages on 5 or More Dwelling Units.

VA480: Nonresidential Property (Except Land)

Report the amount of loss that you charged off on SC260, Permanent Mortgages on Nonresidential Property.

VA490: Land

Report the amount of loss that you charged off on SC265, Permanent Mortgages on Land.

Nonmortgage Loans

Report charge-offs of nonmortgage loans and accrued interest receivable in the appropriate loan category below.

VA56: Total

The EFS software automatically generates this line as the sum of VA520, 510, 516, 530, 540 550, 556, and 560.

VA520: Commercial Loans

Report the amount of loss that you charged off on SC300, Secured Commercial Loans, SC303, Unsecured Commercial Loans, and SC306, Commercial Financing Leases.

Consumer Loans**VA510: Loans on Deposits**

Report the amount of loss that you charged off on SC310, Consumer Loans on Deposits.

VA516: Home Improvement Loans

Report the amount of loss that you charged off on SC316, Consumer Home Improvement Loans.

VA530: Education Loans

Report the amount of loss that you charged off on SC320, Consumer Education Loans.

VA540: Auto Loans

Report the amount of loss that you charged off on SC323 Consumer Auto Loans.

VA550: Mobile Home Loans

Report the amount of loss that you charged off on SC326, Consumer Mobile Home Loans.

VA556: Credit Cards

Report the amount of loss that you charged off on SC328, Credit Cards.

VA560: Other

Report the amount of loss that you charged off on SC330, Other Closed-End Consumer Loans.

Repossessed Assets:

Report all direct charge-offs on repossessed assets. You should mark repossessed assets to fair value at the date of foreclosure and charge the markdown against the loan balance.

VA60: Total

The EFS software automatically generates this amount as the sum of VA605 through VA630.

Real Estate:**VA605: Construction**

Report the amount of loss that you charged off on SC405, Repossessed Real Estate Construction.

VA613: 1-4 Dwelling Units

Report the amount of loss that you charged off on SC415, Repossessed 1-4 Dwelling Unit Real Estate.

VA616: Multifamily (5 or More) Dwelling Units

Report the amount of loss that you charged off on SC425, Repossessed 5 or More Dwelling Unit Real Estate.

VA625: Nonresidential (Except Land)

Report the amount of loss that you charged off on SC426, Repossessed Nonresidential Real Estate, Except Land.

VA628: Land

Report the amount of loss that you charged off on SC428, Repossessed Land.

VA630: Other Repossessed Assets

Report the amount of loss that you charged off on SC430, Other Repossessed Assets.

VA930: Other Assets

Report the amount of loss that you charged off on SC689, Other Assets, and on any other assets not otherwise reported as charge-offs.

Do not include:

1. Write-downs of office buildings, leasehold improvements, furniture, fixtures, equipment, and automobiles. Report these write-downs as an adjustment of depreciation on SO440, Net Income (Loss) from Office Building Operations, and SO530, Office Occupancy and Equipment Expense.
2. Write-downs on SC660, Goodwill and Other Intangible Assets. Report these write-downs as an adjustment of amortization on SO560, Amortization of Goodwill.

RECOVERIES

Report the amount of recoveries during the quarter due to the repayment of assets previously charged off in the recovery column. For additional information, see the general instructions to Schedule VA.

The EFS software automatically generates VA135 once you enter recoveries on VA47, 57, and 931.

Do not include:

1. Sale of an asset at a sales price exceeding the carrying value. Report this amount in income on SO430 and SO467 through SO477.
2. Payments received on assets for which a valuation allowance has been established. Adjust the ending balance of the valuation allowance appropriately.

Mortgage Loans:

Include recoveries of accrued interest receivable and advances for taxes and insurance in the appropriate mortgage loan category below. Report recoveries on deficiency judgments in the mortgage loan category to which the judgment applies.

VA47: Total

The EFS software automatically generates this amount as the sum of VA421, 431, 441, 447, 457, 467, 471, 481, and 491.

Construction:**VA421: 1-4 Dwelling Units**

Report the amount of recoveries on SC230, Construction Loans on: 1-4 Dwelling Units.

VA431: Multifamily (5 or More) Dwelling Units

Report the amount of recoveries on SC235, Construction Loans on: 5 or More Dwelling Units.

VA441: Nonresidential Property

Report the amount of recoveries on SC240, Construction Loans on: Nonresidential Property.

Permanent:**VA447: 1-4 Dwelling Units: Revolving, Open-End Loans**

Report the amount of recoveries on SC251, Permanent: 1-4 Dwelling Units: Revolving, Open-End Loans.

VA457: 1-4 Dwelling Units: Secured By First Liens

Report the amount of recoveries on SC254, Permanent: 1-4 Dwelling Units: Secured By First Liens.

VA467: 1-4 Dwelling Units: Secured by Junior Liens

Report the amount of recoveries on SC255, Permanent: 1-4 Dwelling Units: Secured by Junior Liens.

VA471: Multifamily (5 or More) Dwelling Units

Report the amount of recoveries on SC256, Permanent Mortgages on: 5 or More Dwelling Units.

VA481: Nonresidential Property (Except Land)

Report the amount of recoveries on SC260, Permanent Mortgages on: Nonresidential Property (Except Land).

VA491: Land

Report the amount of recoveries on SC265, Permanent Mortgages on: Land.

Nonmortgage Loans

Report recoveries of nonmortgage loans and accrued interest receivable in the appropriate loan category below.

VA57: Total

The EFS software automatically generates this amount as the sum of VA521, VA511, VA517, 531, 541, 551, 557, and 561.

VA521: Commercial Loans

Report the amount of recoveries on Commercial Loans on SC300, Commercial Loans: Secured, SC303, Commercial Loans: Unsecured, and SC306, Commercial Loans: Financing Leases.

Consumer Loans**VA511: Loans on Deposits**

Report the amount of recoveries on SC310, Closed-End Consumer Loans: Loans on Deposits.

VA517: Home Improvement Loans

Report the amount of recoveries on SC316, Closed-End Consumer Loans: Home Improvement Loans.

VA531: Education Loans

Report the amount of recoveries on SC320, Closed-End Consumer Loans: Education Loans.

VA541: Auto Loans

Report the amount of recoveries on SC323, Closed-End Consumer Loans: Auto Loans.

VA551: Mobile Home Loans

Report the amount of recoveries on SC326, Closed-End Consumer Loans: Mobile Home Loans.

VA557: Credit Cards

Report the amount of recoveries on SC328, Credit Cards.

VA561: Other

Report the amount of recoveries on SC330, Consumer Loans: Other, Including Lease Receivables.

VA931: Other Assets

Report the amount of recoveries on all other financial assets that you did not include above. Include recoveries on miscellaneous receivables that you reported on SC689, Other Assets.

Do not include:

1. Gains on the sale of REO. Report these gains on SO461, Operations and Sale of Repossessed Assets.
2. Recoveries on deficiency judgments or other recoveries of loans foreclosed upon. Report these recoveries as a recovery of the loan in the appropriate loan category above.

SPECIFIC VALUATION ALLOWANCE PROVISIONS & TRANSFERS FROM GENERAL ALLOWANCES

Report the amount of provision for loss established for specific valuation allowances and the transfers between general valuation allowances during the quarter. This applies to any specific valuation allowance activity with the exception of charge-offs and acquisitions.

The sum of VA48, 58, 62, 72, 822, and 932 must equal the sum of VA118 and 128.

Mortgage Loans:

Report the provision for loss established for specific valuation allowances and the transfers between general valuation allowances of mortgage loans in the appropriate mortgage loan category below. You should report specific valuation allowance activity of accrued interest receivable and advances for taxes and insurance in the appropriate mortgage loan category of the related loan.

VA48: Total

The EFS software automatically generates this amount as the sum of VA422, 432, 442, 452, 462, 472, 482, and 492.

Construction:**VA422: 1-4 Dwelling Units**

Report the amount of provision for loss established for specific valuation allowances and the transfers between general valuation allowances on SC230, Construction Loans on: 1-4 Dwelling Units.

VA432: Multifamily (5 or More) Dwelling Units

Report the amount of provision for loss established for specific valuation allowances and the transfers between general valuation allowances on SC235, Construction Loans on: 5 or More Dwelling Units.

VA442: Nonresidential Property

Report the amount of provision for loss established for specific valuation allowances and the transfers between general valuation allowances on SC240, Construction Loans on: Nonresidential Property.

Permanent:**VA448: 1-4 Dwelling Units: Revolving, Open-End Loans**

Report the amount of provision for loss established for specific valuation allowances and the transfers between general valuation allowances on SC251, Permanent: 1-4 Dwelling Units: Revolving, Open-End Loans.

VA458: 1-4 Dwelling Units: Secured By First Liens

Report the amount of provision for loss established for specific valuation allowances and the transfers between general valuation allowances on SC254, Permanent: 1-4 Dwelling Units: Secured By First Liens.

VA468: 1-4 Dwelling Units: Secured by Junior Liens

Report the amount of provision for loss established for specific valuation allowances and the transfers between general valuation allowances on SC255, Permanent: 1-4 Dwelling Units: Secured by Junior Liens.

VA472: Multifamily (5 or More) Dwelling Units

Report the amount of provision for loss established for specific valuation allowances and the transfers between general valuation allowances on SC256, Permanent Mortgages on: 5 or More Dwelling Units.

VA482: Nonresidential Property (Except Land)

Report the amount of provision for loss established for specific valuation allowances and the transfers between general valuation allowances on SC260, Permanent Mortgages on: Nonresidential Property.

VA492: Land

Report the amount of provision for loss established for specific valuation allowances and the transfers between general valuation allowances on SC265, Permanent Mortgages on: Land.

Nonmortgage Loans

Report the provision for loss established for specific valuation allowances and the transfers between general valuation allowances of mortgage loans in the appropriate nonmortgage loan category below. You should report specific valuation allowance activity of accrued interest receivable in the related loan category.

VA58: Total

The EFS software automatically generates this amount as the sum of VA522, 512, 518, 532, 542, 552, 558, and 562.

VA522: Commercial Loans

Report the amount of provision for loss established for specific valuation allowances and the transfers between general valuation allowances on SC300, Commercial Loans: Secured, SC303, Commercial Loans: Unsecured, and SC306, Commercial Loans: Financing Leases.

Consumer Loans**VA512: Loans on Deposits**

Report the amount of provision for loss established for specific valuation allowances and the transfers between general valuation allowances on SC310, Closed-End Consumer Loans: Loans on Deposits.

VA518: Home Improvement Loans

Report the amount of provision for loss established for specific valuation allowances and the transfers between general valuation allowances on SC316, Closed-End Consumer Loans: Home Improvement Loans.

VA532: Education Loans

Report the amount of provision for loss established for specific valuation allowances and the transfers between general valuation allowances on SC320, Closed-End Consumer Loans: Education Loans.

VA542: Auto Loans

Report the amount of provision for loss established for specific valuation allowances and the transfers between general valuation allowances on SC323, Closed-End Consumer Loans: Auto Loans.

VA552: Mobile Home Loans

Report the amount of provision for loss established for specific valuation allowances and the transfers between general valuation allowances on SC326, Closed-End Consumer Loans: Mobile Home Loans.

VA556: Credit Cards

Report the amount of provision for loss established for specific valuation allowances and the transfers between general valuation allowances on SC328, Credit Cards.

VA562: Other

Report the amount of provision for loss established for specific valuation allowances and the transfers between general valuation allowances on SC330, Consumer Loans: Other, Including Lease Receivables.

Reposessed Assets:

Report the provision for loss established for specific valuation allowances and the transfers between general valuation allowances of reposessed assets after the date of foreclosure. Do not include adjustments to mark reposessed assets to fair value at the date of foreclosure; these adjustments should be charged off against the loan balance and reported on VA420 through VA560.

VA62: Total

The EFS software automatically generates this amount as the sum of VA606, 614, 617, 626, 629, and 632.

Real Estate:**VA606: Construction**

Report the amount of provision for loss established for specific valuation allowances and the transfers between general valuation allowances on SC405, Repossessed Assets: Real Estate: Construction.

VA614: 1-4 Dwelling Units

Report the amount of provision for loss established for specific valuation allowances and the transfers between general valuation allowances on SC415, Repossessed Assets: Real Estate: 1-4 Dwelling Units.

VA617: Multifamily (5 or More) Dwelling Units

Report the amount of provision for loss established for specific valuation allowances and the transfers between general valuation allowances on SC425, Repossessed Assets: Real Estate: 5 or More Dwelling Units.

VA626: Nonresidential (Except Land)

Report the amount of provision for loss established for specific valuation allowances and the transfers between general valuation allowances on SC426, Repossessed Assets: Real Estate: Nonresidential (Except Land).

VA629: Land

Report the amount of provision for loss established for specific valuation allowances and the transfers between general valuation allowances on SC428, Repossessed Assets: Real Estate: Land.

VA632: Other Repossessed Assets

Report the amount of provision for loss established for specific valuation allowances and the transfers between general valuation allowances on SC430, Other Repossessed Assets.

VA72: Real Estate Held for Investment

Report the amount of provision for loss established for specific valuation allowances and the transfers between general valuation allowances on SC45, Real Estate Held for Investment.

VA822: Equity Investments Not Carried at Fair Value

Report the amount of provision for loss established for specific valuation allowances and the transfers between general valuation allowances the assets reported on SC51, Equity Investments Not Carried at Fair Value.

VA932: Other Assets

Report the amount of provision for loss established for specific valuation allowances and the transfers between general valuation allowances on SC689, Other Assets.

ADJUSTED NET CHARGE-OFFS

The EFS software automatically generates this column.

This column totals:

- Charge-offs
- Less Recoveries
- Plus specific valuation allowance provisions and transfers from general allowances

Therefore, this total represents **adjusted net charge-offs**.

OTHER ITEMS

TROUBLED DEBT RESTRUCTURED:

A **troubled debt restructuring** (TDR) occurs when you, as a creditor, for economic or legal reasons related to the debtor's financial difficulties, grant a concession to the debtor that you would not otherwise consider. That concession either stems from an agreement between you and the debtor or is imposed by law or a court. Whatever the form of concession you grant to the debtor, your objective is to make the best of a difficult situation. Additionally, you expect to obtain more cash or other value from the debtor by granting the concession than by not granting it.

You may accept any of the following when you restructure a troubled debt:

1. A note, secured or unsecured, from a third party as payment of your receivable from the borrower.
2. The underlying collateral as payment of the loan, either through foreclosure, other title transfer, or in-substance foreclosure.
3. Other assets in payment of a loan.
4. An equity interest in either the borrower or its assets in lieu of its receivable.
5. A modification of the debt terms, including, but not limited to the following:
 - a. Reduction in stated interest rate.
 - b. Extension of maturity.
 - c. Reduction in the face amount of the debt.
 - d. Reduction in the accrued interest.

Include:

1. Restructured real estate loans that are equity investments under GAAP and that you reported on SC45, Real Estate Held for Investment.
2. Restructured loans that you reported on SC230 through SC265 (Mortgage Loans) and SC300 through SC330 (Nonmortgage Loans).
3. Foreclosed assets that you reported on SC405 through SC430 (Repossessed Assets).
4. Troubled debt restructurings even if you recorded no losses this quarter, but had previous charge-offs.
5. Purchased loans whose terms have been modified.

VA940: Amount this Quarter

Report the amount of new TDR this quarter. Report the recorded investment less specific valuation allowances in the restructured asset after restructuring. The **recorded investment** is the outstanding principal balance, adjusted for charge-offs and unamortized yield adjustments. The restructured asset would comprise, for instance, a modified loan or foreclosed asset (if loss was incurred). Report all new TDR even if you subsequently sold or otherwise disposed of the asset during the quarter.

VA942: Included in Schedule SC in Compliance with Modified Terms

Report the recorded investment of loans that have been modified in troubled debt restructurings, reduced by specific valuation allowances, that remain on the books at the end of the quarter that are not past due or in nonaccrual status. Report such TDRs regardless of the quarter in which the restructuring took place.

In general, you should continue to report loans as TDRs until they are paid off. However, you only need to report a TDR that yields a market rate at issuance during the first year of the restructuring if the borrower complies with the terms of the restructured contract.

Do not include:

1. Repossessed assets acquired in troubled debt restructurings.
2. Past due or nonaccrual troubled restructuring (TDR). Report on PD190, PD290 or PD390.

The sum of VA211 through VA216 must equal VA942.

Construction, land development, and other land loans:**VA211: 1-4 family residential construction loans**

Report the recorded investment of 1-4 family residential construction loans included in SC230 that have been modified in TDRs, that remain on the books at the end of the quarter and that are not past due or in nonaccrual status. Loans are reported net of specific valuation allowances. Report such TDRs regardless of the quarter in which the restructuring took place.

VA212: Other construction loans and all land development and other land loans

Report the recorded investment of other construction loans included in SC235 and SC240 and all land development and other land loans included in SC265 that have been modified in TDRs, that remain on the books at the end of the quarter and that are not past due or in nonaccrual status. Loans are reported net of specific valuation allowances. Report such TDRs regardless of the quarter in which the restructuring took place.

VA213: Loans secured by 1-4 family residential properties

Report the recorded investment of 1-4 family residential loans included in SC251, SC254, and SC255 that have been modified in TDRs, that remain on the books at the end of the quarter and that are not past due or in nonaccrual status. Loans are reported net of specific valuation allowances. Report such TDRs regardless of the quarter in which the restructuring took place.

VA214: Loans secured by multifamily (5 or more) residential properties

Report the recorded investment of loans secured by multifamily (5 or more) residential properties included in SC256 that have been modified in TDRs, that remain on the books at the end of the quarter and that are not past due or in nonaccrual status. Loans are reported net of specific valuation allowances. Report such TDRs regardless of the quarter in which the restructuring took place.

Loans secured by nonfarm nonresidential properties:**VA215: Loans secured by owner-occupied nonfarm nonresidential properties**

Report the recorded investment of loans secured by owner-occupied nonfarm nonresidential properties included in Schedule SC that have been modified in TDRs , that remain on the books at the end of the quarter and that are not past due or in nonaccrual status. Loans are reported net of specific valuation allowances. Report such TDRs regardless of the quarter in which the restructuring took place.

VA216: Loans secured by other nonfarm nonresidential properties

Report the recorded investment of loans secured by other nonfarm nonresidential properties included in Schedule SC that have been modified in TDRs , that remain on the books at the end of the quarter and that are not past due or in nonaccrual status. Loans are reported net of specific valuation allowances. Report such TDRs regardless of the quarter in which the restructuring took place.

VA217: Commercial and industrial loans

Report the recorded investments of loans secured by commercial and industrial loans (excluding loans for farming operations) included in SC32 that have been modified in TDRs , that remain on the books at the end of the quarter and that are not past due or in nonaccrual status. Loans are reported net of specific valuation allowances. Report such TDRs regardless of the quarter in which the restructuring took place.

Do not include:

1. Secured loans for farming operations included on SC300. Include these loans in VA218.
2. Unsecured loans for farming operations included on SC303. Include these loans in VA218.

VA218: All Other loans (include loans to individuals for household, family, and other personal expenditures)

Report the recorded investments of loans secured by farmland included in SC260, consumer loans included in SC35, secured loans for farming operations included on SC300 and unsecured loans for farming operations included on SC303 that have been modified by TDRs. These TDRs are loans that remain on the books at the end of the quarter and that are not past due or in nonaccrual status. Loans are reported net of specific valuation allowances and are reported regardless of the quarter in which the restructuring took place.

Itemize loan categories included in VA 218 above that exceed 10% of total loans restructured in troubled debt restructurings that are in compliance with their modified terms (sum of VA211 – VA218):

If any loan categories from VA218 exceed 10% of the amount in VA942 itemize those categories below. The sum of VA219 through VA226 **will not necessarily equal VA218.**

VA219: Loans secured by farmland

Report all farmland, including all land known to be used for agricultural purposes. All loans secured by farmland and guaranteed by the Farmers Home Administration (FmHA) or by the Small Business Administration (SBA) should be included regardless of servicing.

VA221: Loans to depository institutions and acceptances of other banks**Loans to individuals for household, family, and other personal expenditures:****VA222: Credit Cards**

See SC328 for a discussion of credit cards. Do not include commercial credit card loans as shown on SC304.

VA223: Automobile Loans

See SC323 for a discussion of automobile loans.

VA224: Other consumer loans (includes single payment, installment, all student loans, and revolving credit plans other than credit cards)**VA225: Loans to foreign governments and official institutions**

Report all loans (other than those that meet the definition of a "loan secured by real estate"), including planned and unplanned overdrafts, to governments in foreign countries, to their official institutions, and to international and regional institutions. See the Glossary entry for "foreign governments and official institutions" for the definition of this term.

VA226: Other loans¹

Item VA227 is to be completed by savings associations with \$300 million or more in total assets, and savings associations with less than \$300 million in total assets that have loans to finance agricultural production and other loans to farmers (Schedule SC) exceeding five percent of total loans.

VA227: Loans to finance agricultural production and other loans to farmers included in VA226 above.

¹ Includes "Loans to finance agricultural production and other loans to farmers," "Obligations (other than securities and loans) of states and political subdivisions in the U.S.," and "Loans to nondepository financial institution and other loans."

MORTGAGE LOANS FORECLOSED DURING THE QUARTER

Report the **recorded investment** less specific valuation allowances of mortgage loans foreclosed during the quarter.

Include the types of mortgages that you reported on SC230 through SC265 and real estate loans that are considered equity investments under GAAP that you reported on SC45, that you either foreclosed on and

acquired a voluntary deed in lieu of foreclosure or on which you performed an in-substance foreclosure during the quarter.

Note: Even though foreclosed real estate loans that are considered equity investments under GAAP are reported here as foreclosures, do not transfer them on Schedule SC to Repossessed Assets, SC405 through SC430. These foreclosures should remain in Real Estate Held For Investment, SC45.

Report all foreclosures during the quarter, even if you have sold or otherwise disposed of the property since foreclosure.

Include:

1. Cancellations of real estate contracts or similar actions where you reacquire any property you previously owned that you sold on contract or on installment basis.
2. FHA/VA mortgage loans, other federally insured or guaranteed mortgage loans, or privately insured mortgage loans that have been foreclosed, whether or not title has been subsequently transferred to the insurer.
3. The portion of participations that you held at the time of foreclosure whether or not you were the lead lender or initiated foreclosure proceedings.
4. Loans and participations that you sold with recourse and reacquired prior to foreclosure. If you reacquired a loan and obtained a foreclosure judgment, in fact or in substance, in the same quarter, report it as a purchase on CF280 through CF300, Loans and Participations Purchased, and as a foreclosure on VA95.

Do not include:

1. Loans to which title reverted to the seller prior to foreclosure.
2. Loans serviced for others unless you reacquired the loan prior to foreclosure.

VA95: Total

The EFS software will compute this line as sum of VA951 through VA955.

VA951: Construction

Report foreclosures during the quarter on loans that you previously reported on SC230 through SC240, Mortgage Construction Loans, and SC450 through SC470, Real Estate Held for Investment.

Permanent Loans Secured By:

VA952: 1-4 Dwelling Units

Report foreclosures during the quarter on permanent mortgages secured by one-to-four dwelling unit property that you previously reported on SC251 through SC255, Permanent Mortgages on 1-4 Dwelling Units.

VA953: Multifamily (5 or More Dwelling Units)

Report foreclosures during the quarter on permanent mortgages secured by five or more dwelling unit property that you previously reported on SC256, Permanent Mortgages on Multifamily (5 or More) Dwelling Units.

VA954: Nonresidential (Except Land)

Report foreclosures during the quarter on permanent mortgages secured by nonresidential property that you previously reported on SC260, Permanent Mortgages on: Nonresidential Property (Except Land).

VA955: Land

Report foreclosures during the quarter on permanent mortgages secured by land that you previously reported on SC265, Permanent Mortgages on Land.

CLASSIFICATION OF ASSETS

Report **classified assets** and assets designated **special mention**, net of related specific valuation allowances, accumulated charge-offs, and recorded liabilities. Include off-balance-sheet items, such as loan commitments, loans sold with recourse, and lines and letters of credit that you are required to classify.

End of Quarter Balances:**VA960: Special Mention**

Report all assets, portions of assets, and off-balance-sheet items as of the end of the quarter that are not classified but are designated as **special mention** pursuant to the Examination Handbook Section 260 and 12 CFR § 560.160.

VA965: Substandard

Report all assets, portions of assets, and off-balance-sheet items as of the end of the quarter classified as **substandard** pursuant to the Examination Handbook Section 260 and 12 CFR § 560.160.

Assets classified Substandard may be characterized by an asset that is a deteriorating loan or an investment that is nonperforming or nonearning. This includes REO, and nonperforming loans and investments, including residual tranches of securities that are on nonaccrual status.

VA970: Doubtful

Report all assets, portions of assets, and off-balance-sheet items classified **doubtful** as of the end of the quarter pursuant to the Examination Handbook Section 260 and 12 CFR § 560.160.

VA975: Loss

Report all assets, portions of assets, and off-balance-sheet items classified **loss** as of the end of the quarter pursuant to Examination Handbook Section 260 and 12 CFR § 560.160.

You should deduct any related specific valuation allowances, accumulated charge-offs, and recorded liabilities prior to reporting the amount of assets classified **loss**. Accordingly, you should generally report zero in this data field.

OTHER**VA979: Credit Card Charge-Offs Related to Accrued Interest**

Report the amount of loss that you charged off on credit cards (SC328) due to accrued interest.

PURCHASED IMPAIRED LOANS HELD FOR INVESTMENT

Report purchased impaired loans as defined by FASB ASC 310-30 (Receivables; Loans and Debt Securities Acquired Deteriorated Credit Quality) that your savings association has purchased, including those acquired in a purchase business combination, when there is evidence of deterioration of credit

quality since the origination of the loan and it is possible, at the purchase date, that the savings association will be unable to collect all contractually required payments receivable. Any nonaccrual status and any nonaccrual purchased impaired loans should be reported accordingly in Schedule PD. For those purchased impaired loans that are not on nonaccrual status, you should determine the loans' delinquency status in accordance with the contractual repayment terms of the loans without regard to the purchase price of (initial investment in) these loans or the amount and timing of the cash flows expected at acquisition.

VA980: Outstanding Balance (Contractual)

Report the outstanding balance of purchased impaired loans. The outstanding balance is the undiscounted sum of all amounts, including amounts deemed principal, interest, fees, penalties, and other under the loan, owed to the savings association at the report date, whether or not currently due and whether or not any such amounts have been charged off by the savings association. However, the outstanding balance does not include amounts that would be accrued under the contract as interest, fees, penalties, and other after the report date.

VA981: Recorded Investment (Carrying Amount Before Deducting Any Loan Loss Allowances)

Report the recorded investment (carrying amount before deducting any loan loss allowances) as of the report date of the purchased impaired loans held for investment. Loans held for investment are those loans that the savings association has the intent and ability to hold for the foreseeable future or until maturity or payoff. Thus, the outstanding balance and recorded investment of any purchased impaired loans that are held for sale would not be reported in these memorandum items.

VA985: Allowance Amount Included In Allowance for Loan and Lease Losses (SC283, SC357)

Report the amount of post-acquisition loan loss allowances for purchased impaired loans held for investment that is included in the total amount of the allowance for loan and lease losses as of the report date.

SCHEDULE PD – CONSOLIDATED PAST DUE AND NONACCRUAL

*Throughout these instructions, **you** and **your** refers to the reporting savings association and its consolidated subsidiaries; **we** and **our** refers to the Office of Thrift Supervision.*

Report all loans and leases that you own that are contractually past due or are in nonaccrual status, regardless of whether such loans are held for sale or are secured, unsecured, or guaranteed by the Government or by others. Report the entire loan, not simply the amount of the delinquent payment. You should report the balance of the recorded investment after deducting **specific** valuation allowances. **Recorded investment** is the principal balance, adjusted for charge-offs and unamortized yield adjustments.

PAST DUE

1. Do not take grace periods into account when determining past due status.
2. Report loans and lease financing receivables as past due when **either interest or principal** is unpaid in the following circumstances:
 - a) **Amortizing closed-end** mortgage loans, closed-end nonmortgage installment loans, and any other loans and lease financing receivables with:
 - i) **Payments scheduled monthly** – when the borrower’s interest and/or principal amount is past due thirty or more days (or one calendar month). For example, a loan payment is due March 15th. At March 31, the loan is not a full month past due, so it would not be reported in Schedule PD until after April 15th. On April 30 it would be 30 – 89 days past due.
 - ii) **Payments scheduled other than monthly** – when one scheduled payment of interest and/or principal is due and unpaid for 30 calendar days or more.
 - b) **Open-end loans** such as home equity loans, charge-card plans, check credit, and other revolving credit plans when the customer has not made the **minimum** payment for two or more billing cycles.
 - c) **Single payment and demand notes** providing for the payment of interest at stated intervals (such as certain construction loans) after one interest payment is due and unpaid for 30 days or more.
 - d) **Single payment notes** providing for the payment of interest at maturity if interest or principal remains unpaid for 30 days or more after maturity.
 - e) **Unplanned overdrafts** if the account remains continuously overdrawn for 30 days or more.

3. For purposes of reporting on Schedule PD, lines PD115 through PD380, determine the delinquency status of purchased loans (including purchased impaired loans) and other purchased financial assets in accordance with the contractual repayment terms. Report a delinquent loan at its recorded investment after deducting specific valuation allowances, not at its contractual balance due.

You have the option to use actual days as stated in the schedule headings in lieu of months when you calculate the past due period.

Example using months (instead of actual days):

In this example, the payment is due on the first of the month and the first payment missed is the one due March first.

<u>Payment Due Date</u>	<u>Payments Missed</u>	<u>Actual Days Overdue At Month-End</u>	<u>Complete Months Overdue At Month-End</u>	<u>Past-Due Category At Month-End</u>
March 1	(one)	30	0	Under 30 Days
April 1	(two)	60	1	30 - 89 Days
May 1	(three)	91	2	30 - 89 Days
June 1	(four)	121	3	90 Days or More

In the March TFR, you would not report this loan in Schedule PD. In the June TFR, you would report this loan in either the *90 Days or More* or *Nonaccrual* category.

Example using actual days:

In this example, the payment is due on the first of the month and the first payment missed is the one due first.

<u>Payment Due Date</u>	<u>Payments Missed</u>	<u>Actual Days Overdue At Month-End</u>	<u>Past-Due Category At Month-End</u>
March 1	(one)	30	30 - 89 Days
April 1	(two)	60	30 - 89 Days
May 1	(three)	91	90 Days or More
June 1	(four)	121	90 Days or More

In the March TFR, you would report this loan the *30 - 89 Days* category. In the June TFR, you would report this loan in either the *90 Days or More* or *Nonaccrual* category.

Partial Payments for Amortizing Closed-end Loans:

When borrowers make partial payments, they get credit for the amount of payment they make, so the loan will generally not be reported as past due until two or more months of partial payments have been made.

For example:

If the payment due were \$100 and the borrower, due to a temporary condition, only paid \$25 a month, the loan would be \$75 past due at the end of the first month, \$150 past due the second month, and \$225 past due the third month.

If the loan were due on January 1, the loan would be \$75 past due on February 1 (and February 28), \$150 past due on March 1 (and March 31), and \$225 on April 1 (and April 30). On the March 31 TFR, the loan would be more than 30 days delinquent and would be reported as 30-89 days past due on Schedule PD.

Likewise, if the borrower paid \$50 a month, the loan would be \$50 past due on February 1 (and February 28), \$100 past due on March 1 (and March 31), and \$150 on April 1 (and April 30). Again, on the March 31 TFR, the loan would be 30 days delinquent and reported as 30-89 days past due.

However, if the borrower paid \$51 a month, the loan would be \$49 past due on February 1 (and February 28), \$98 past due on March 1 (and March 31), and \$147 on April 1 (and April 30). Therefore, on the March 31 TFR, the loan would be less than 30 days delinquent and would not be reported as past due.

Restructured loans:

You need not maintain a loan in nonaccrual status where you have formally restructured the loan so that you are reasonably assured of repayment and of performance according to the modified terms, provided the restructured loan is well secured and collection under the revised terms is probable. To determine probability of collection, consider the borrower's sustained historical repayment performance for a reasonable period, which may take into account performance prior to restructuring. A sustained period of repayment performance generally would equal a minimum of six months and would involve payments of cash or cash equivalents.

Do not include:

1. Loans on which interest is being accrued for record-keeping purposes but not for reporting purposes.
2. Accrued interest and advance payments of borrowers' taxes and insurance unless they have been capitalized to the loan balance.
3. Deductions for allowances for loan and lease losses (ALLL) or the assumed liability of wrap-around loans applicable to such loans.

NONACCRUAL

Report loans on which you no longer accrue interest.

Interest does not accrue on:

1. An asset that you maintain on a cash basis due to the borrower's deteriorating financial position.
2. An asset for which you do not expect to receive full payment of interest or principal.
3. An asset with principal or interest in default unless the value of the property securing the loan exceeds the receivable balance, including principal, interest, and escrows, and collection is probable.

MORTGAGE LOANS:**PD115, 215, AND 315: CONSTRUCTION**

Report loans included on SC230 through SC240, Construction Loans.

Permanent, Secured by:**1-4 Dwelling Units:****PD121, PD221, and PD321: Revolving, Open-End Loans**

Report past due and nonaccrual revolving, open-end mortgages on 1-4 dwelling units reported on SC251.

All Other:**PD123, PD223, and PD323: Secured by First Liens**

Report past due and nonaccrual mortgages with a first lien on 1-4 dwelling units reported on SC254.

PD124, PD224, and PD324: Secured by Junior Liens

Report past due and nonaccrual mortgages with a junior lien on 1-4 dwelling units reported on SC255.

PD125, 225, and 325: Multifamily (5 or More) Dwelling Units

Report loans included on SC256, Permanent Mortgages on: Multifamily (5 or More) Dwelling Units.

PD135, 235, and 335: Nonresidential Property (Except Land)

Report loans included on SC260, Permanent Mortgages on: Nonresidential Property (Except Land).

PD138, 238, and 338: Land

Report loans included on SC265, Permanent Mortgages on: Land.

NONMORTGAGE LOANS AND LEASES:**PD140, 240, AND 340: COMMERCIAL**

Report loans and leases included on SC300 through SC306, Nonmortgage Loans: Commercial Loans.

CONSUMER LOANS:**PD161, 261, and 361: Loans on Deposits**

Report loans included on SC310, Consumer Loans: Loans on Deposits.

PD163, 263, and 363: Home Improvement Loans

Report loans included on SC316, Consumer Loans: Home Improvement Loans.

PD165, 265, and 365: Education Loans

Report loans included on SC320, Consumer Loans: Education Loans.

PD167, 267, and 367: Auto Loans

Report loans included on SC323, Consumer Loans: Auto Loans.

PD169, 269, and 369: Mobile Home Loans

Report loans included on SC326, Consumer Loans: Mobile Home Loans.

PD171, 271, and 371: Credit Cards

Report past due and nonaccrual consumer credit cards reported on SC328

PD180, 280, and 380: Other

Report past due and nonaccrual consumer loans reported on SC330.

PD10, 20, AND 30: TOTAL

The EFS software automatically computes these totals as the sum of PD115 through PD180 on PD10, the sum of PD215 through PD280 on PD20, and the sum of PD315 through PD380 on PD30.

TROUBLED DEBT RESTRUCTURED:

A troubled debt restructuring is a restructuring of a loan in which a savings association, for economic or legal reasons related to the borrower's financial difficulties, grants a concession to the borrower that it would not otherwise consider. For purposes of this schedule, the concession consists of a modification of terms, such as a reduction of the loan's stated interest rate, principal, or accrued interest or an extension of the loan's maturity date at a stated interest rate lower than the current market rate for new debt with similar risk, regardless of whether the loan is secured or unsecured and regardless of whether the loan is guaranteed by the government or others.

Once an obligation has been restructured in a trouble debt restructuring, it continues to be considered a trouble debt restructuring until paid in full or otherwise settled, sold, or charged off. However, if a restructured obligation is in compliance with its modified terms and the restructuring agreement specifies an interest rate that at the time of the restructuring is greater or equal to the rate that the savings association was willing to accept or a new extension of credit with comparable risk, the loan need not continue to be reported as a troubled debt restructuring in calendar years after the year in which the restructuring took place. A loan extended or renewed at a stated interest equal to the current interest rate for new debt with similar risk is not considered a troubled debt restructuring. Also, a loan to a third party purchaser of "other real estate owned" by the reporting savings association for the purpose of facilitating the disposal of such real estate is not considered a troubled debt restructuring.

For further information, see the Glossary entry for "troubled debt restructurings."

PD190, 290, and 390: Included in PD115 – PD380

Report troubled debt restructurings that you included above in Schedule PD. Refer to the instructions for VA942 for a discussion of troubled debt restructured. These lines plus the amount reported on VA942 will equal the total troubled debt restructured included in your balance sheet as of the quarter end.

CONSTRUCTION, LAND DEVELOPMENT AND OTHER LAND LOANS:

PD516, 616, AND 716: 1-4 Family residential construction loans

Report in the appropriate column all loans secured by real estate for the purpose of constructing 1-4 family residential properties included in items PD115 – PD315 of this schedule that have been restructured in troubled debt restructurings and, under their modified repayment terms, are past due 30 days or more or are in nonaccrual status as of the report date.

PD517, 617, AND 717: Other construction loans and all land development and other land loans

Report in the appropriate column all construction loans for purposes other than constructing 1-4 family residential properties included in items PD115 – PD315, all land development loans, and all other land loans included in items PD138 – PD338 of this schedule that have been restructured in troubled debt restructurings and, under their modified repayment terms, are past due 30 days or more or are in nonaccrual status as of the report date.

PD519, 619, AND 719: Loans secured by 1-4 family residential properties

Report in the appropriate column all loans secured by 1-4 family residential properties included in items PD121 – PD324 of this schedule that have been restructured in troubled debt restructurings and, under their modified repayment terms, are past due 30 days or more or are in nonaccrual status as of the report date.

PD525, 625, AND 725: Loans secured by multifamily (5 or more) residential properties

Report in the appropriate column all loans secured by multifamily (5 or more) residential properties included in items PD125 – PD325 of this schedule that have been restructured in troubled debt restructurings and, under their modified repayment terms, are past due 30 days or more or are in nonaccrual status as of the report date.

SECURED BY NONFARM NONRESIDENTIAL PROPERTIES:**PD535, 635, AND 735: Loans secured by owner-occupied nonfarm nonresidential properties**

Report in the appropriate column all loans secured by owner-occupied nonfarm nonresidential properties included items PD135 – PD335 of this schedule that have been restructured in troubled debt restructurings and, under their modified repayment terms, are past due 30 days or more or are in nonaccrual status as of the report date.

PD536, 636, AND 736: Loans secured by other nonfarm nonresidential properties

Report in the appropriate column all nonfarm nonresidential real estate loans not secured by owner-occupied nonfarm nonresidential properties loans included in items PD135 – PD335 of this schedule that have been restructured in troubled debt restructurings and, under their modified repayment terms, are past due 30 days or more or are in nonaccrual status as of the report date.

PD537, 637, AND 737: Commercial and industrial loans

Report all commercial and industrial loans included in items PD140 – PD340 of this schedule that have been restructured in trouble debt restructurings and, under their modified repayment terms, are past due 30 days or more or are in nonaccrual status as of the report date.

PD538, 638, AND 738: All other loans (include loans to individuals for household, family, and other personal expenditures)

Report in the appropriate column all other loans that cannot properly be reported in items PD516 – PD737 above that have been restructured in troubled debt restructurings and, under their modified repayment items, are past due 30 days or more or are in nonaccrual status as of the report date. Include in the appropriate column of this item all loans in the following categories that have been restructured in troubled debt restructurings and, under their modified repayment items, are past due 30 days or more or are in nonaccrual status as of the report date:

- (1) Loans secured by farmland;
- (2) Loans to depository institutions and acceptances of other bank;
- (3) Loans to finance agricultural production and other loans to farmers;
- (4) Loans to individuals for household, family, and other personal expenditures;

(5) Loans to foreign governments and official institutions;

(6) Obligations (other than securities and leases) of states and political subdivisions in the U.S.; and

(7) Loans to nondepository financial institutions and other loans.

Report in items PD539 – PD781, each category of loans within “All other loans”: items PD538 – PD738 that have been restructured in troubled debt restructurings and, under their modified repayment terms, are past due 30 days or more or are in nonaccrual status as of the report date, and the dollar amount of loans in such category, that exceeds 10 percent of total loans restructured in troubled debt restructurings that are past due 30 days or more or are in nonaccrual status as of report date (i.e., (10 percent of the sum of items PD516 – PD737) plus sum of items PD538 – PD738. Preprinted captions have been provided in items PD539 – PD781 for reporting the amount of such restructured loans for the following loan categories if the amount for a loan category exceeds this 10 percent reporting threshold:

- Loans secured by farmland PD539 – PD739
- Loans to depository institutions and acceptances of other banks PD540 – PD740
- Loans to individuals for household, family, and other personal expenditures: **credit cards** PD542 – PD742
- Loans to individuals for household, family, and other personal expenditures: **automobile loans** PD545 – PD745
- Loans to individuals for household, family, and other personal expenditures: **other consumer loans** (includes single payment, installment, all student loans, and revolving credit plans other than credit cards) PD560 – PD760
- Loans to foreign governments and official institutions PD580 – PD780
- Other loans (i.e. obligations (other than securities and leases) of states and political subdivisions in the U.S., Loans to nondepository financial institutions and other loans, and loans to finance agricultural production and other loans to farmers PD581 – PD781

Items PD582 – PD782 to be completed by: savings associations with \$300 million or more in total assets, and savings associations with less than \$300 million in total assets that have loans to finance agricultural production and other loans to farmers (Schedule SC) exceeding five percent of total loans.

PD582, 682, AND 782: Loans to finance agricultural production and other loans to farmers included in items PD581 – PD781 above

Savings Associations with \$300 million or more in total assets and savings associations with less than \$300 million in total assets that have loans to finance agricultural production and other loans to farmers exceeding five percent of total loans the above preprinted caption has been provided in items PD582 – PD782 for reporting the amount of “Loans to finance agricultural production and other loans to farmers” that have been restructured in troubled debt restructurings and, under modified repayment terms, are past due 30 days or more or are in nonaccrual status as of the report date if the amount of such loans included in items PD581 – PD781, “Other loans,” exceeds 10 percent of total loans restructured in trouble debt restructurings that, under their modified repayment terms, are past due 30 days or more or are in nonaccrual status as of the report date (i.e. 10 percent of the sum of items PD190 – PDPD737 plus items PD538 – PD738).

Memoranda:**PD192, 292, AND 392: LOANS AND LEASES REPORTED IN ITEMS PD115 – PD380 THAT ARE HELD FOR SALE**

Report loans and leases held for sale that are included above in Schedule PD.

PD195, 295, AND 395: LOANS AND LEASES REPORTED IN ITEMS PD115 – PD380 THAT ARE WHOLLY OR PARTIALLY GUARANTEED BY THE U.S. GOVERNMENT, AGENCY, OR SPONSORED ENTITY

Report the recorded investment included above in Schedule PD of past due or nonaccrual loans that are wholly or partially recoverable from the U.S. Government, its agencies, and its government sponsored entities. Exclude loans and leases that are both (a) covered by FDIC loss sharing agreements, and (b) reported as delinquent loans on schedule PD, items PD115 - PD 380.

PD196, 296, AND 396: GUARANTEED PORTION OF OTHER LOANS AND LEASES INCLUDED IN ITEMS PD195-PD395 (EXCLUDE REBOOKED “GNMA LOANS”)

Report the guaranteed portion of loans (excluding rebooked “GNMA loans”) reported in PD195 through PD395 above.

PD197, 297, AND 397 REBOOKED “GNMA LOANS” REPURCHASED OR ELIGIBLE FOR REPURCHASE INCLUDED IN PD195 – PD395

Report the amount of “GNMA loans” repurchased or eligible for repurchase that are reported in PD195 through PD395 above.

LOANS IN PROCESS OF FORECLOSURE:

Report the amount of loans currently in process of foreclosure. Loans in process of foreclosure include loans that have been issued a notice of default, or lis pendens, or notice of trustee sale, or notice of foreclosure sale. Do not include loans where the foreclosure process has been completed (properties that have been repurchased by your institution and taken into real estate owned).

PD415: Construction Loans

Report the amount of loans included in SC230, SC235, and SC240 that are currently in process of foreclosure.

PD421: 1-4 Dwelling Units Secured by Revolving Open-End Loans

Report the amount of loans included in SC251 that are currently in process of foreclosure.

PD 423: 1-4 Dwelling Units Secured by First Liens

Report the amount of loans included in SC254 that are currently in process of foreclosure.

PD 424: 1-4 Dwelling Units Secured by Junior Liens

Report the amount of loans included in SC255 that are currently in process of foreclosure.

PD425: Multifamily (5 or More) Dwelling Units

Report the amount of loans included in SC256 that are currently in process of foreclosure.

PD 435: Nonresidential Property (Except Land)

Report the amount of loans included in SC260 that are currently in process of foreclosure.

PD 438: Land Loans

Report the amount of loans included in SC265 that are currently in process of foreclosure.

PD40: TOTAL

The EFS software automatically computes this total as the sum of PD415 through PD438.

LOANS AND LEASES REPORTED IN ITEMS PD115 – PD380 ABOVE THAT ARE COVERED BY LOSS-SHARING AGREEMENTS WITH THE FDIC:

Report in the appropriate subitem and column the aggregate recorded investment in all loans and leases covered by loss-sharing agreements with the FDIC and reported in Schedule SC that have been included in items PD115 – PD380, because they are past due 30 days or more or are in nonaccrual status as of the report date.

LOANS SECURED BY REAL ESTATE:**CONSTRUCTION, LAND DEVELOPMENT AND OTHER LAND LOANS:****PD816, 916, AND 1016: 1-4 family residential construction loans**

Report in the appropriate column the amount of all covered 1-4 family residential construction loans reported in items PD115 – PD315 because they are past due 30 days or more or are in nonaccrual status as of the report date. Amounts need not be reported if they are considered immaterial.

PD817, 917, AND 1017: Other construction loans and all land development and other land loans

Report in the appropriate column the amount of all other covered construction loans and all covered land development and other land loans reported in items PD115 – PD315 and PD138 – PD338 because they are past due 30 days or more or are in nonaccrual status as of the report date.

PD818, 918, AND 1018: Secured by farmland

Report in the appropriate column the amount of all covered loans secured by farmland reported in items PD135 – PD335, above because they are past due 30 days or more days or in nonaccrual status as of the report date.

SECURED BY 1-4 FAMILY RESIDENTIAL PROPERTIES:**PD819, 919, AND 1019: Revolving, open-end loans secured by 1-4 family residential properties and extended lines of credit**

Report in the appropriate column the amount of all covered revolving, open-end loans secured by 1-4 family residential properties and extended under lines of credit loans held for sale and held for investment reported in items PD121 – PD321 above because they are past due 30 days or more or are in nonaccrual status as of the report date.

Closed-end loans secured by 1-4 family residential properties:**PD820, 920, AND 1020: Secured by first liens**

Report in the appropriate column the amount of all covered close-end loans secured by first liens on 1-4 family residential properties reported in items PD123 – PD323 above because they are past due 30 days or more or are in nonaccrual status as of the report date.

PD821, 921, AND 1021: Secured by junior liens

Report in the appropriate column the amount of all covered close-end loans secured by junior liens on 1-4 family residential properties reported in items PD124 – PD324 above because they are past due 30 days or more or are in nonaccrual status as of the report date.

PD822, 922, AND 1022: Secured by multifamily (5 or more) Residential properties

Report in the appropriate column the amount of all covered loans secured by multifamily (5 or more) residential properties reported in items PD125 – PD325 above because they are past due 30 days or more or are in nonaccrual status as of the report date.

Secured by nonfarm nonresidential properties:**PD823, 923, AND 1023: Loans secured by owner-occupied nonfarm nonresidential property**

Report in the appropriate column the amount of all covered loans secured by owner-occupied nonfarm nonresidential properties reported in items PD135 – PD335 above because they are past due 30 days or more or are in nonaccrual status as of the report date.

**PD824, 924, AND 1024: Loans secured by other nonfarm
Nonresidential properties**

Report in the appropriate column the amount of all covered loans secured by other nonfarm nonresidential properties reported in items PD135 – PD335 above because they are past due 30 days or more or are in nonaccrual status as of the report date.

PD826, 926, AND 1026: Commercial and industrial loans

Report in the appropriate column the amount of all covered commercial and industrial loans reported in items PD140 – PD340 above because they are past due 30 days or more or are in nonaccrual status as of the report date.

**LOANS TO INDIVIDUALS FOR HOUSEHOLD, FAMILY AND
OTHER PERSONAL EXPENDITURES:**

PD827, 927, AND 1027: Credit Cards

Report in the appropriate column the amount of all covered extensions of credit arising from credit cards that are reported in items PD171 – PD371 above because they are past due 30 days or more or are in nonaccrual status as of the report date.

PD828, 928, AND 1028: Automobile Loans

Report in the appropriate column the amount of all covered automobile loans reported in items PD167 – PD367 above because they are past due 30 days or more or are in nonaccrual status as of the report date.

**PD829, 929, AND 1029: OTHER CONSUMER LOANS (INCLUDES
SINGLE PAYMENT, INSTALLMENT, ALL
STUDENT LOANS, AND REVOLVING
CREDIT PLANS OTHER THAN CREDIT
CARDS)**

Report in the appropriate column the amount of other consumer loans (includes single payment installment, all student loans, and revolving credit plans other than credit cards) reported in items PD161 – PD365; and PD169 – PD369 covered by loss-sharing agreements with the FDIC that are past due and nonaccrual.

PD830, 930, AND 1030: ALL OTHER LOANS AND LEASES

Report in the appropriate column the amount of covered loans and leases reported in items PD180 – PD380 “Other,” loans and leases that are past due 30 days or more or are in nonaccrual status as of the report date. Include in the appropriate column of this item covered loans in the following categories that are past due 30 or more or are in nonaccrual status as of the report date:

- (1) Loans to depository institutions and acceptances of other banks PD831, PD931, PD1031
- (2) Loans to foreign governments and official institutions PD832, PD932, PD1032
- (3) Other loans¹ PD833, PD933, PD1033
- (4) Lease financing receivables PD834, PD934, PD1034

Itemize the past due and nonaccrual amounts included in items PD830 – PD1030 above for the loan and lease categories for which amounts were reported in items SI784- SI787:

- PD831, 931, AND 1031: LOANS TO DEPOSITORY INSTITUTIONS AND ACCEPTANCES OF OTHER BANKS**
- PD832, 932, AND 1032: LOANS TO FOREIGN GOVERNMENTS AND OFFICIAL INSTITUTIONS**
- PD833, 933, AND 1033: OTHER LOANS¹**
- PD834, 934, AND 1034: LEASE FINANCING RECEIVABLES**

¹ Includes “Loans to finance agricultural production and other loans to farmers,” “Obligations (other than securities and loans) of states and political subdivisions in the U.S., “and “loans to nondepository institutions and other loans.”

Items PD835 – PD1035 below to be completed by savings associations with \$300 million or more in total assets, and savings associations with less than \$300 million in total assets that have loans to finance agricultural production and other loans to farmers (Schedule SC) that are five percent of total loans.

- PD835, 935, AND 1035: LOANS TO FINANCE AGRICULTURAL PRODUCTION AND OTHER LOANS TO FARMERS INCLUDED IN ITEMS PD833 – PD1033 ABOVE.**

Report loans to finance agricultural production and other loans to farmers included in PD833 – PD1033.

- PD840, 940, AND 1040: PORTION OF COVERED LOANS AND LEASES IN ITEMS PD816 – PD1030 ABOVE PROTECTED BY FDIC-LOSS SHARING AGREEMENTS**

Report the maximum amount recoverable from the FDIC under loss-sharing agreements covering the past due and nonaccrual loans and leases reported in PD816 – PD1030 above beyond the amount that has already been reflected in the measurement of the reporting savings association’s indemnification asset, which represents the right to receive payments from the FDIC under the loss-sharing agreement.

In general, the maximum amount recoverable from the FDIC on covered past due and nonaccrual loans and leases is the recorded amount of these loans and leases, as reported in PD816 – PD1030 multiplied by the currently applicable loss coverage rate (e.g. 80 percent or 95 percent). This product will normally be the maximum amount recoverable because reimbursements from the FDIC for covered assets related to the amount by which the “book value” of a covered asset on the failed institution’s books (which is the amount upon which payments under FDIC loss-sharing agreements are based) exceeds the amount at which the reporting savings association reports the covered asset on Schedule SC – Consolidated Statement of Condition, should already have been taken into account in measuring the carrying amount of the reporting savings association’s loss-sharing indemnification asset, which is reported in Schedule SC.

SCHEDULE DI — CONSOLIDATED DEPOSIT INFORMATION

*Throughout these instructions, **you** and **your** refers to the savings association and its consolidated subsidiaries; **we** and **our** refers to the Office of Thrift Supervision.*

DEPOSIT DATA:

TOTAL BROKER-ORIGINATED DEPOSITS:

DI100: Fully Insured: With Balances Less than \$100,000

Report brokered deposits included on SC710, Deposits, and SC712, Escrows, and received from brokers, dealers, or agents, for the account of others where the individual account balances are less than \$100,000. Include reciprocal brokered deposits reported in DI230 below.

DI102: Fully Insured: With Balances of \$100,000 through \$250,000

Report brokered deposits included on SC710, Deposits, and SC712, Escrows, and received from brokers, dealers, or agents, for the account of others where the individual account balances are \$100,000 through \$250,000. Include reciprocal brokered deposits reported in DI230 below.

DI110: Other

Report brokered deposits included on SC710, Deposits, and SC712, Escrows, received from brokers, dealers, or agents, for the account of others where the individual account exceeds the account insurance limit. Report the full amount of the deposit, both insured and uninsured portions. Include reciprocal brokered deposits reported in DI230 below.

DI114: INTEREST EXPENSE FOR FULLY INSURED BROKERED DEPOSITS

Report interest expense for fully insured brokered deposits.

DI116: INTEREST EXPENSE FOR OTHER BROKERED DEPOSITS

Report interest expense for other brokered deposits.

DI117: TOTAL AMOUNT OF DEPOSITS OBTAINED THROUGH DEPOSIT LISTING SERVICES THAT ARE NOT BROKERED DEPOSITS:

Report the estimated amount off all nonbrokered deposits obtained through the use of deposit listing services included in total deposits (SCXXX) regardless of the size or type of the deposit instrument.

The objective of this line item is not to capture all deposits obtained through the Internet, such as deposits that a institution receives because a person or entity has seen the rates the institution has posted on its own Web site or on a rate-advertising Web site that has picked up and posted the institution's rates on its site without management's authorization. Rather, the objective of this line item is to collect the estimated deposits amount of deposits obtained as a result of action taken by management to have its deposit rates listed by a listing service, and the listing service is compensated for this listing either by the institution whose rates are being listed or by the persons or entities who view the listed rates. Management should establish a reasonable and supportable estimation process for identifying listing service deposits that meet these reporting parameters and apply this process consistently over time. However, for those nonbrokered deposits acquired through the use of a deposit listing service that offers deposit tracking, the actual amount of listing service deposits, rather than an estimate, should be reported.

Exclude from this item all brokered deposits reported in Schedule.

A deposit listing service is a company that compiles information about the interest rates offered on deposits, such as certificates of deposit, by insured depository institutions. A particular company could be a deposit listing service (compiling information about certificates of deposits) as well as a deposit broker (facilitating the placement of certificates of deposit). A deposit listing service is not a deposit broker if all of the following four criteria are met:

- (1) The listing service is not involved in placing deposits. Any funds to be invested in deposit accounts are remitted directly by the depositor to the insured depository institution and not, directly or indirectly, by or through the listing service.
- (2) The person or entity providing the listing service is compensated solely by means of subscription fees (i.e., the fees paid by subscribers as payment for their opportunity to see the rates gathered by the listing service) and/or listing fees (i.e., the fees paid by depository institutions as payment for their opportunity to list or "post" their rates). The listing service does not require a depository institution to pay for other services offered by the listing service or its affiliates as a condition precedent to being listed.
- (3) The fees paid by depository institutions are flat fees: they are not calculated on the basis of the number of dollar amount of deposits accepted by the depository institution as a result of the listing or "posting" of the depository institution's rates.
- (4) In exchange for these fees, the listing service performs no services except (A) the gathering and transmission of information concerning the availability of deposits; and/or (B) the transmission of messages between depositors and depository institutions (including purchase orders and trade confirmations). In publishing or displaying information about depository institutions, the listing service must not attempt to steer funds toward particular institutions (except that the listing service may rank institutions according to interest rates and also may exclude institutions that do not pay, the listing fee). Similarly, in any communications with depositors or potential depositors, the listing service must not attempt to steer funds toward particular institutions.

DEPOSITS (EXCLUDING RETIREMENT ACCOUNTS) WITH BALANCES:

Based on the FDIC definition of deposits in Section 3(l), each institution must complete lines DI120 through DI185, DI210, DI510, DI520, and DI530 on an unconsolidated single FDIC certificate number basis. Each separately chartered depository institution that is insured by the FDIC has a unique FDIC certificate number. When an insured institution owns another depository institution as a subsidiary, each institution should report only its own deposit liabilities in this section (i.e., the parent institution should not combine the subsidiary institution's deposit liabilities with its own in this section). Each of the above referenced lines should also include accrued interest that is reported on SC763 and exclude unposted debits and unposted credits.

The sum of DI120, DI130, DI170, and DI175 must equal the institution's assessable deposits, i.e. line DI510, less DI520.

DI120: \$250,000 or Less

Report deposits (excluding retirement accounts) included on SC710, Deposits, and SC712, Escrows, and SC763, Accrued Interest Payable-Deposits, with current balances of \$250,000 or less. Include broker-originated deposits (excluding retirement accounts) where the current balances of the investors' participating shares are \$250,000 or less.

DI130: Greater than \$250,000

Report deposits (excluding retirement accounts) included on SC710, Deposits, and SC712, Escrows, and SC763, Accrued Interest Payable-Deposits, with current balances greater than \$250,000. Include broker-originated deposits (excluding retirement accounts) where the current balances of the investors' participating shares exceed \$250,000.

NUMBER OF DEPOSIT ACCOUNTS (EXCLUDING RETIREMENT ACCOUNTS) WITH BALANCES:**DI150: \$250,000 or Less**

Report the actual number of accounts (excluding retirement accounts) that have outstanding balances including accrued interest of \$250,000 or less. Do not report the outstanding balances. Report each investor participation in a broker-originated deposit (excluding retirement accounts) as a separate account. Report the actual number; do not round to thousands.

The sum of DI150, DI160, DI180, and DI185 must equal the total number of deposit accounts that you hold and that you report on SC710, Deposits, and SC712, Escrows.

DI160: Greater than \$250,000

Report the actual number of accounts (excluding retirement accounts) that have outstanding balances including accrued interest greater than \$250,000. Do not report the outstanding balances. Report each investor participation in a broker-originated deposit as a separate account. Report the actual number; do not round to thousands.

The sum of DI150, DI160, DI180, and DI185 must equal the total number of deposit accounts that you hold and that you report on SC710, Deposits, and SC712, Escrows.

RETIREMENT DEPOSITS WITH BALANCES:**DI170: \$250,000 or Less**

Report retirement deposits included on SC710, Deposits, and SC712, Escrows, and SC763, Accrued Interest Payable-Deposits, with current balances of \$250,000 or less. Include broker-originated deposits where the current balances of the investors' participating shares are \$250,000 or less.

DI175: Greater than \$250,000

Report retirement deposits included on SC710, Deposits, and SC712, Escrows, and SC763, Accrued Interest Payable-Deposits, with current balances greater than \$250,000. Include broker-originated deposits where the current balances of the investors' participating shares exceed \$250,000.

NUMBER OF RETIREMENT DEPOSIT ACCOUNTS WITH BALANCES:**DI180: \$250,000 or Less**

Report the actual number of retirement accounts that have outstanding balances including accrued interest of \$250,000 or less. Do not report the outstanding balances. Report each investor participation in a broker-originated retirement deposit as a separate account. Report the actual number; do not round to thousands.

The sum of DI150, DI160, DI180, and DI185 must equal the total number of deposit accounts that you hold and that you report on SC710, Deposits, and SC712, Escrows.

DI185: Greater than \$250,000

Report the actual number of retirement accounts that have outstanding balances including accrued interest greater than \$250,000. Do not report the outstanding balances. Report each investor participation in a broker-originated retirement deposit as a separate account. Report the actual number; do not round to thousands.

The sum of DI150, DI160, DI180, and DI185 must equal the total number of deposit accounts that you hold and that you report on SC710, Deposits, and SC712, Escrows.

DI200: IRA/KEOGH ACCOUNTS

Report IRA and Keogh accounts included in SC710, Deposits, and SC712, Escrows.

Include other retirement accounts such as SEP accounts.

Do not include:

1. 401(k) accounts.
2. Accounts that, under applicable tax laws, are predominantly for uses other than retirement.

DI210: UNINSURED DEPOSITS

Institutions with less than \$1 billion in total assets are not required to complete this item. Institutions with \$1 billion or more in total assets are required to report these data on an unconsolidated single FDIC certificate number basis. To determine whether to complete this item, use your institution's total assets from line SC60 as of the TFR prior to or current with the current reporting cycle. Once an institution passes the \$1 billion total assets threshold, it must continue to report its estimated uninsured deposits

regardless of subsequent changes in its total assets. Report the uninsured portion of all deposits and escrows in excess of insured limits pursuant to Section 141 of the FDIC Improvement Act, FDICIA.

Report the estimated amount of the savings association's deposits (in domestic offices and in insured branches in Puerto Rico and U.S. territories and possessions) that is not covered by federal deposit insurance. This estimate should reflect the temporary unlimited insurance coverage on noninterest-bearing transaction accounts¹ (as defined in DI580) as well as the deposit insurance limits of \$250,000 for "retirement deposit accounts" (as defined in DI170 and DI175) and \$250,000 for other deposit accounts (exclusive of noninterest-bearing transaction accounts). The reporting of this uninsured deposit information is mandated by Section 7(a)(9) of the Federal Deposit Insurance Act.

The estimated amount of uninsured deposits reported in this item should be based on the savings association's deposits included in DI510, "Total Deposit Liabilities Before Exclusions (Gross) as Defined in Section 3(l) of the FDI Act and FDIC regulations," less DI520, "Total Allowable Exclusions (including foreign deposits)." In addition to the uninsured portion of deposits in "domestic offices" reported in Schedule SC, item SC710, the estimate of uninsured deposits should take into account all other items included in Schedule DI510 less DI520, including, but not limited to:

- Interest accrued and unpaid on deposits in domestic offices;
- Deposits in insured branches in Puerto Rico and U.S. territories and possessions (including interest accrued and unpaid on these deposits);
- Deposits of consolidated subsidiaries in domestic offices and in insured branches in Puerto Rico and U.S. territories and possessions (including interest accrued and unpaid on these deposits); and
- Deposit liabilities that have been reduced by assets netted against these liabilities in accordance with generally accepted accounting principles.

The savings association's estimate of its uninsured deposits should be reported in accordance with the following criteria. Regardless of these criteria, all noninterest-bearing transaction accounts (as defined in DI580: DI585) must be treated as insured deposits and excluded from the estimate of uninsured deposits. Furthermore, it is recognized that a savings association may have multiple automated information systems for different types of deposits and that the capabilities of a savings association's information systems to provide an estimate of its uninsured deposits will differ from savings association to savings association at any point in time and, within an individual institution, may improve over time.

- (1) If the savings association has brokered deposits, which must be reported in DI100 and DI102, it must use the information it has developed for completing these items to determine its best estimate of the uninsured portion of its brokered deposits.
- (2) If the savings association has deposit accounts whose ownership is based on a fiduciary relationship, Part 330 of the FDIC's regulations generally states that the titling of the deposit account (together with the underlying records) must indicate the existence of the fiduciary relationship in order for insurance coverage to be available on a "pass-through" basis.

Fiduciary relationships include, but are not limited to, relationships involving a trustee, agent, nominee, guardian, executor, or custodian.

¹ Pursuant to Section 343 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, unlimited insurance coverage on noninterest-bearing transaction accounts is in effect from December 31, 2010, through December 31, 2012.

A savings association with fiduciary deposit accounts with balances of more than \$250,000 must diligently use the available data on these deposit accounts, including data indicating the existence of different principal and income beneficiaries and data indicating that some or all of the funds on deposit represent retirement deposit accounts eligible for \$250,000 in deposit insurance coverage, to determine its best estimate of the uninsured portion of these accounts.

- (3) If the savings association has deposit accounts of employee benefit plans, Part 330 of the FDIC's regulations states that these accounts are insured on a "pass-through" basis for the noncontingent interest of each plan participant provided that certain prescribed recordkeeping requirements are met. A savings association with employee benefit plan deposit accounts with balances of more than \$250,000 must diligently use the available data on these deposit accounts to determine its best estimate of the uninsured portion of these accounts.
- (4) If the savings association's deposit accounts include benefit-responsive "Depository Institution Investment Contracts," which must be included in D1520, these deposit liabilities are not eligible for federal deposit insurance pursuant to Section 11(a)(8) of the Federal Deposit Insurance Act. A savings association with benefit-responsive "Depository Institution Investment Contracts" must include the entire amount of these contracts in the estimated amount of uninsured deposits it reports in this line item.
- (5) If the savings association has deposit accounts with balances in excess of the federal deposit insurance limit that it has collateralized by pledging assets, such as deposits of the U.S. Government and of states and political subdivisions in the U.S. the savings association should make a reasonable estimate of the portion of these deposits that is uninsured using the data available from its information systems.
- (6) If the savings association has deposit accounts with balances in excess of the federal deposit insurance limit for which it has acquired private deposit insurance to cover this excess amount, the savings association should make a reasonable estimate of the portion of these deposits that is not insured by the FDIC using the data available from its information systems.
- (7) For all other deposit accounts, the savings association should make a reasonable estimate of the portion of these deposits that is uninsured using the data available from its information systems. In developing this estimate, if the savings association has automated information systems in place that enable it to identify jointly owned accounts and estimate the deposit insurance coverage of these deposits, the higher level of insurance afforded these joint accounts should be taken into consideration. Similarly, if the savings association has automated information systems in place that enable it to classify accounts by deposit owner and/or ownership capacity, the savings association should incorporate this information into its estimate of the amount of uninsured deposits by aggregating accounts held by the same deposit owner in the same ownership capacity before applying the \$250,000 insurance limit. Ownership capacities include, but are not limited to, single ownership, joint ownership, business (excluding sole proprietorships), revocable trusts, irrevocable trusts, and retirement accounts.

In the absence of automated information systems, a savings association may use nonautomated information such as paper files or less formal knowledge of its depositors if such information provides reasonable estimates of appropriate portions of its uninsured deposits. A savings association's use of such nonautomated sources of information is considered appropriate unless errors associated with the use of such sources would contribute significantly to an overall error in the FDIC's estimate of the amount of insured and uninsured deposits in the banking system.

DI220: PREFERRED DEPOSITS

Report all deposits and escrows from states and political subdivisions in the U.S. included in SC710, Deposits, secured or collateralized as required under state law, pursuant to Section 141 of FDICIA.

Do not include:

1. Deposits of the U.S. Government secured or collateralized as required under federal law.
2. Deposits of trust funds secured or collateralized as required under state law unless the beneficiary is a state or political subdivision in the U.S.

State law may require you to pledge securities or other readily marketable assets to cover the uninsured portion of the deposits of a state or political subdivision. If you pledge securities with a value that exceeds the amount of the uninsured portion of the state or political subdivision's deposits, report only the uninsured amount and none of the insured portion of the deposits as a preferred deposit.

For example, you hold a political subdivision's \$350,000 in deposits. Under state law, you must pledge securities to cover only the uninsured portion of such deposits, or \$100,000. Although you have pledged securities with a value of \$300,000 to secure these deposits, consider only \$100,000 of the political subdivision's \$350,000 in deposits – the uninsured amount – as preferred deposits.

In other states, you must participate in a state public deposits program to receive deposits from the state or from political subdivisions within the state in amounts exceeding federal deposit insurance. Under state law, you calculate annually the value of the securities you must pledge to the state, but this represents only a percentage of the uninsured portion of your public deposits. State law may require you to participate in the state program that may ultimately require you to share in any loss to public depositors incurred in the failure of another participating institution.

As long as the value of the securities pledged to the state exceeds the calculated requirement, you protect all of your uninsured public deposits from loss under the operation of the state program if you fail. Therefore, consider all of the uninsured public deposits preferred deposits.

For example, you are participating in a state public deposits program with \$1,000,000 in public deposits under the program and \$700,000 of this amount is uninsured; you pledge securities with an actual value of \$800,000. You should report the \$700,000 in uninsured public deposits as preferred deposits.

DI230: RECIPROCAL BROKERED DEPOSITS

Report the total amount of reciprocal deposits included in "Total Broker-Originated Deposits" from Lines DI100 and DI110 above. Report the data on an unconsolidated single FDIC certificate number basis pursuant to the first paragraph under GENERAL INSTRUCTIONS in the DEPOSIT DATA FOR DEPOSIT INSURANCE PREMIUM ASSESSMENTS section.

As defined in Section 327.8(s) of the FDIC's regulations, "reciprocal deposits" are "[d]eposits that an insured depository institution receives through a deposit placement network on a reciprocal basis, such that; (1) for any deposit received, the institution (as agent for depositors) places the same amount with other insured depository institutions through the network; and (2) each member of the network sets the interest rate to be paid on the entire amount of funds it places with other network members."

COMPONENTS OF DEPOSITS AND ESCROWS:

The sum of DI310, DI320, DI330, and DI340 must equal SC710 plus SC712.

DI310: Transaction Accounts (Including Demand Deposits)

Report the balance of all transaction accounts included in SC710, Deposits, and SC712, Escrows.

Transaction accounts are those deposit and escrow accounts from which the depositor is permitted to make:

- Transfers or withdrawals by negotiable or transferable instruments.
- Payment orders of withdrawal, telephone transfers, or other similar devices for purpose of making payments or transfers to third persons or others.
- Third party payments at an automated teller machine (ATM), a remote service unit (RSU), or other electronic device, including by debit card.

Transaction accounts include demand deposits, NOW (negotiable order of withdrawal) accounts, ATS (automatic transfer service) accounts, and telephone and preauthorized transfer accounts. These accounts may be interest-bearing or non-interest-bearing.

Exclude money market deposit accounts (MMDAs) and other savings deposits as defined below in DI320 and DI330, even though such deposits permit some third-party transfers. However, report as a transaction account an account that otherwise meets the definition of a savings deposit but that authorizes or permits the depositor to exceed the transfer limitations specified for that account.

DI310 plus DI320 plus DI330 plus DI340 must equal SC710 plus SC712.

DI320: Money Market Deposit Accounts

Report the balance of money market deposit accounts (MMDAs) as defined in 12 CFR §561.28 or applicable state law.

MMDAs generally have the following requirements:

- The savings association reserves the right to require at least seven days' notice prior to withdrawal or transfer of funds in the account.
- The depositor may make no more than six transfers per calendar month or statement cycle, provided that no more than three of the six transfers may be by check, draft, debit card, or similar order.

Refer to 12 CFR §561.28 for more detailed requirements of MMDAs.

DI330: Passbook Accounts (Including Nondemand Escrows)

Report the balance of nontransactional savings accounts that are not MMDAs or time deposits.

DI340: Time Deposits

Report the balance of time deposits. Time deposits are nontransactional savings deposits payable at a specified future date with earnings at a specified rate of interest. The interest specified may adjust periodically according to a predetermined formula or index or may be fixed for the term of the deposit. The specified maturity date must be not less than seven days after the date of the deposit. Time deposits may be an open savings deposit or may be evidenced by a negotiable or nonnegotiable instrument or receipt commonly known as a certificate of deposit (CD). Open time deposits include club accounts, such as Christmas club and vacation club accounts, are made under written contracts that provide that no withdrawal may be made until the customer makes a certain number of periodic deposits or a certain period of time has elapsed.

Time deposits issued to deposit brokers in the form of large (\$100,000 or more) certificates of deposit that have been participated out by the broker in shares of less than \$100,000 should also be reported as deposits of \$100,000 or less.

Data reported in lines DI350, DI352, and DI360 are used by the Federal Reserve to ensure accurate construction of the monetary aggregates for monetary policy purposes.

DI350: Time Deposits of \$100,000 through \$250,000 (Excluding Brokered Time Deposits Participated Out by the Broker in Shares of Less Than \$100,000 and Brokered Certificates of Deposit Issued In \$1,000 Amounts Under a Master Certificate of Deposit)

Report the balance of time deposits of \$100,000 through \$250,000. Do not include brokered time deposits participated out by the broker in shares of less than \$100,000 and brokered certificates of deposit issued in \$1,000 amounts under a master certificate of deposit. Include IRA/Keogh accounts reported on DI360 that are defined as time deposits of \$100,000 through \$250,000.

DI352: TIME DEPOSITS GREATER THAN \$250,000

Report the balance of time deposits greater than \$250,000. Include IRA/Keogh accounts reported in DI360 that are greater than \$250,000.

DI360: IRA/Keogh Accounts of \$100,000 or Greater Included in Time Deposits

Report the balance of IRA / Keogh accounts of \$100,000 or greater included in time deposits.

AVERAGE DAILY DEPOSITS TOTALS:**DI544: FULLY INSURED BROKERED TIME DEPOSITS:**

Report the average daily deposits totals for fully insured brokered time deposits.

DI545: OTHER BROKERED TIME DEPOSITS:

Report the average daily deposits totals for other brokered time deposits.

DI610: NON-INTEREST-BEARING DEMAND DEPOSITS

Report all demand deposits reported on SC710, Deposits, and SC712, Escrows. FDIC Regulations 12 CFR § 329.1, 329.101, and 329.102 define the demand deposits to report on this line.

A demand deposit is a non-interest-bearing deposit with the following characteristics:

1. Is payable immediately on demand.
2. Is issued with an original maturity or required notice period of less than seven days.
3. Where the depository institution does not reserve the right to require at least seven days' written notice of an intended withdrawal.

Demand deposits include:

1. Matured time deposits that do not have automatic renewal provisions, unless the deposit agreement provides for the transfer of funds at maturity to another type of account.
2. Escrow accounts reported on SC712 that meet the definition of demand deposits.
3. Outstanding checks drawn against zero-balance accounts reported on SC710, including those at Federal Home Loan Banks.

Demand deposits do not include:

1. Money market deposit accounts, MMDAs.

2. NOW accounts not meeting the three criteria listed above for demand deposits.
3. Deposits held either in branches outside of the territories and possessions of the U.S. or by an Edge or Agreement Subsidiary or by an International Banking Facility (IBF).
4. Amounts not included in SC710 or SC712, such as outstanding checks drawn against Federal Home Loan Banks.

DEPOSIT DATA FOR DEPOSIT INSURANCE PREMIUM ASSESSMENTS

GENERAL INSTRUCTIONS

Each institution must complete lines DI510, DI520, DI530, DI630, DI635, DI641, DI645, DI651, DI655, and DI660 on an unconsolidated single FDIC certificate number basis. Each separately chartered depository institution that is insured by the FDIC has a unique FDIC certificate number. When an insured institution owns another depository institution as a subsidiary, each institution should report only its own deposit liabilities in this section (i.e., the parent institution should not combine the subsidiary institution's deposit liabilities with its own in this section).

In addition, an institution that meets one of the criteria discussed below must complete lines DI540, DI550, and DI560 on an unconsolidated single FDIC certificate number basis each quarter.

Effective March 31, 2008, an institution that (a) reported \$1 billion or more in total assets as of the March 31, 2007, report date (regardless of its asset size in subsequent quarters) or (b) became insured by the FDIC on or after April 1, 2007, but before January 1, 2008, must report both quarter-end balances and daily averages for the quarter in this section of Schedule DI. In addition, an institution that meets one of the following criteria must report both quarter-end deposit totals and daily averages in Schedule DI:

1. If an institution reports \$1 billion or more in total assets in two consecutive Thrift Financial Reports subsequent to its March 31, 2007, report, the institution must begin reporting both quarter-end balances and daily averages for the quarter beginning on the later of the March 31, 2008, report date or the report date six months after the second consecutive quarter in which it reports total assets of \$1 billion or more. For example, if an institution reports \$1 billion or more in total assets in its reports for June 30 and September 30, 2007, it would have to begin reporting daily averages in its report for March 31, 2008. If the institution reports \$1 billion or more in total assets in its reports for December 31, 2008, and March 31, 2009, it would have to begin reporting daily averages in its report for September 30, 2009.
2. If an institution becomes newly insured by the FDIC on or after January 1, 2008, the institution must report daily averages in Schedule DI beginning in the first quarterly Thrift Financial Report that it files. The daily averages reported in the first report the institution files after becoming FDIC-insured would include the dollar amounts for the days since the institution began operations and zero for the days prior to the date the institution began operations, effectively pro-rating the first quarter's assessment base.

Any institution that reports less than \$1 billion in total assets in its March 31, 2007, report may continue to report only quarter-end total deposits and allowable exclusions until it meets the two-consecutive-quarter asset size test for reporting daily averages. Alternatively, the institution may opt permanently at any time to begin reporting daily averages for purposes of determining its assessment base. After an institution begins to report daily averages for its total deposits and allowable exclusions, either voluntarily or because it is required to do so, the institution is not permitted to switch back to reporting only quarter-end balances.

The amounts to be reported as daily averages are the sum of the gross amounts of total deposits (domestic and foreign) and allowable exclusions for each calendar day during the quarter divided by the

number of calendar days in the quarter (except as noted above for an institution that becomes insured on or after January 1, 2008, in the first report it files after becoming insured). For days that an office of the reporting institution (or any of its subsidiaries or branches) is closed (e.g., Saturdays, Sundays, or holidays), the amounts outstanding from the previous business day would be used. An office is considered closed if there are no transactions posted to the general ledger as of that date.

DI510: TOTAL DEPOSIT LIABILITIES BEFORE EXCLUSIONS (GROSS) AS DEFINED IN SECTION 3(L) OF THE FEDERAL DEPOSIT INSURANCE ACT AND FDIC REGULATIONS

Report on an unconsolidated single FDIC certificate number basis the gross total deposit liabilities as of the calendar quarter-end report date that meet the statutory definition of deposits in Section 3(l) of the Federal Deposit Insurance Act before deducting exclusions from total deposits that are allowed in the determination of the assessment base upon which deposit insurance assessments (and FICO premiums) are calculated. Since the FDIC's amendments to its assessment regulations in 2006 did not substantially change the definition of deposits for assessment purposes, an institution's gross total deposit liabilities are the combination of all deposits reported in line SC710 (excluding unposted credits net of unposted debits), all escrows reported in line SC712, and accrued interest payable on deposits reported in line SC763.

An institution's documentation to support the amounts reported for purposes of determining its assessment base has always been, and continues to be, subject to verification. This documentation includes the actual system control summaries in the institution's systems that provide the detail sufficient to track, control, and handle inquiries from depositors about their specific individual accounts. These systems can be automated or manual. If the system control summaries have been reduced by accounts that are overdrawn, these overdrawn accounts are extensions of credit that must be treated and reported as "loans" rather than being treated as negative deposit balances.

Unposted debits and unposted credits should not be included in an institution's system control summaries. However, if they are included in the gross total deposit liabilities reported in this line, they may be excluded in line DI520 below.

DI520: TOTAL ALLOWABLE EXCLUSIONS (INCLUDING FOREIGN DEPOSITS)

Report, on an unconsolidated single FDIC certificate number basis, the total amount of allowable exclusions from deposits as of the calendar quarter-end report date if the institution maintains such records as will readily permit verification of the correctness of its reporting of exclusions. Any accrued and unpaid interest on the allowable exclusions listed below should also be reported in this item as an allowable exclusion.

The allowable exclusions include:

1. *Foreign Deposits:* As defined in Section 3(l)(5) of the Federal Deposit Insurance Act, foreign deposits include
 - (A) any obligation of a depository institution which is carried on the books and records of an office of such bank or savings association located outside of any State, unless --
 - (i) such obligation would be a deposit if it were carried on the books and records of the depository institution, and would be payable at, an office located in any State; and
 - (ii) the contract evidencing the obligation provides by express terms, and not by implication, for payment at an office of the depository institution located in any State; and

- (B) any international banking facility deposit, including an international banking facility time deposit, as such term is from time to time defined by the Board of Governors of the Federal Reserve System in regulation D or any successor regulation issued by the Board of Governors of the Federal Reserve System.

NOTE: Foreign deposits are deposit obligations under the FDIC certificate number of the reporting institution only. Deposit obligations of a subsidiary depository institution chartered in a foreign country should not be included in amounts reported in Schedule DI under the domestic institution's FDIC certificate number.

2. *Reciprocal balances*: Any demand deposit due from or cash item in the process of collection due from any depository institution (not including a foreign bank or foreign office of another U.S. depository institution) up to the total amount of deposit balances due to and cash items in the process of collection due such depository institution.
3. *Drafts drawn on other depository institutions*: Any outstanding drafts (including advices and authorization to charge the depository institution's balance in another bank) drawn in the regular course of business by the reporting depository institution. These types of drafts only apply to unposted debits and unposted credits which have not been extracted from SC710 (due to the institution's system control Summaries).

Pass-through reserve balances: Reserve balances passed through to the Federal Reserve by the reporting institution that are also reflected as deposit liabilities of the reporting institution. This exclusion is not applicable to an institution that does not act as a correspondent bank in any pass-through reserve balance relationship. A state nonmember bank generally cannot act as a pass-through correspondent unless it maintains an account for its own reserve balances directly with the Federal Reserve.

4. *Depository institution investment contracts*: Liabilities arising from depository institution investment contracts that are not treated as insured deposits under section 11(a)(5) of the Federal Deposit Insurance Act (12 U.S.C. 1821(a)(5)). A Depository Institution Investment Contract is a separately negotiated depository agreement between an employee benefit plan and an insured depository institution that guarantees a specified rate for all deposits made over a prescribed period and expressly permits benefit-responsive withdrawals or transfers.
5. *Accumulated deposits*: Deposits accumulated for the payment of personal loans that are assigned or pledged to assure payment of the loans at maturity. Deposits that simply serve as collateral for loans are not an allowable exclusion.

DI530: TOTAL FOREIGN DEPOSITS (INCLUDED IN TOTAL ALLOWABLE EXCLUSIONS)

Report on an unconsolidated single FDIC certificate number basis the total amount of foreign deposits (including International Banking Facility deposits) as of the calendar quarter-end report date included in line DI520.

DI630: UNSECURED FEDERAL FUNDS PURCHASED

Report on an unconsolidated single FDIC certificate number basis the outstanding amount of unsecured federal funds purchased, i.e., **immediately available funds** borrowed (in domestic office) under agreements or contracts that have an original maturity of one business day or roll over under **a continuing contract**, excluding such funds borrowed in the form of securities sold under agreements to repurchase (which should be reported in Schedule DI641 and Federal Home Loan Bank advances).

- **Immediately available funds** are funds that the purchasing institution can either use or dispose of on the same business day that the transaction giving rise to the receipt or disposal of the funds is executed.
- **A continuing contract**, regardless of the terminology used, is an agreement that remains in effect for more than one business day, but has no specified maturity and does not require advance notice of the lender or the borrower to terminate, either party to terminate.

Note: Report federal funds purchased on a gross basis; i.e., do **not** net them against federal funds sold, except to the extent permitted by GAAP.

DI635: SECURED FEDERAL FUNDS PURCHASED

Report on an unconsolidated single FDIC certificate number basis the outstanding amount of secured federal funds purchased pursuant to the instructions under Schedule DI630 for unsecured federal funds purchased.

DI641: SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE

Report on an unconsolidated single FDIC certificate number basis the outstanding amount of:

- (1) Securities repurchase agreements, regardless of maturity, if the agreement requires the institution to repurchase the identical security sold or a security that meets the definition of substantially the same in the case of a dollar roll.
- (2) Sales of participations in pools of securities, regardless of maturity

Note: Report securities sold under agreements to repurchase on a gross basis, i.e., do **not** net them against securities purchased under agreements to resell, except to the extent permitted by GAAP. Include the fair value of securities sold under agreements to repurchase that are accounted for at fair value under a fair value option.

UNSECURED "OTHER BORROWINGS" - WITH A REMAINING MATURITY OF:

DI645 ONE YEAR OR LESS

DI651 OVER ONE YEAR

Report the amount of the institution's unsecured "Other borrowings" in the appropriate lines DI645 or DI651 according to the amount of time remaining until their final contractual maturities. Include both fixed rate and floating rate "Other borrowings" that are unsecured. In general, "Other borrowings" are unsecured if the institution (or a consolidated subsidiary) has not pledged securities, loans, or other assets as collateral for the borrowing. Exclude "Other borrowings" that are guaranteed by the FDIC under the Debt Guarantee Program component of the FDIC's Temporary Liquidity Guarantee Program.

SUBORDINATED DEBENTURES-WITH A REMAINING MATURITY OF:**DI655 ONE YEAR OR LESS****DI660 OVER ONE YEAR**

Report the amount of the institution's subordinated debentures in the appropriate lines according to the time remaining until their final contractual maturities. Include both fixed rate and floating rate subordinated debentures.

DI540: TOTAL DAILY AVERAGE OF DEPOSIT LIABILITIES BEFORE EXCLUSIONS (GROSS) AS DEFINED IN SECTION 3(L) OF THE FEDERAL DEPOSIT INSURANCE ACT AND FDIC REGULATIONS

Report on an unconsolidated single FDIC certificate number basis the total daily average for the quarter of gross total deposit liabilities that meet the statutory definition of deposits in Section 3(l) of the Federal Deposit Insurance Act before deducting exclusions from total deposits that are allowed in the determination of the assessment base upon which deposit insurance assessments (and FICO premiums) are calculated. For further information on deposit amounts to be calculated, see the instructions for line DI510. For information on calculating the total daily average for the quarter, see the General Instructions for reporting Deposit Data for Deposit Insurance Assessment Purposes above.

DI550: TOTAL DAILY AVERAGE OF ALLOWABLE EXCLUSIONS (INCLUDING FOREIGN DEPOSITS)

Report on an unconsolidated single FDIC certificate number basis the total daily average for the quarter of the total amount of allowable exclusions from deposits (as defined in line DI520) if the institution maintains such records as will readily permit verification of the correctness of its reporting of exclusions.

DI560: TOTAL DAILY AVERAGE OF FOREIGN DEPOSITS

Report on an unconsolidated single FDIC certificate number basis the total daily average for the quarter of the total amount of foreign deposits (including International Banking Facility deposits) included in line DI550.

DEPOSIT DATA FOR THRIFTS PARTICIPATING IN THE TRANSACTION ACCOUNT GUARANTEE PROGRAM COMPONENT OF THE FDIC'S TEMPORARY LIQUIDITY GUARANTEE PROGRAM

NOTE: Thrifts will stop reporting data in Schedule DI, Items DI570 and DI575, below, for the Transaction Account Guarantee (TAG) program after the December 31, 2010 TFR Report.

The following items are to be reported by insured institutions that are participating in (i.e., have not opted out of) the Transaction Account Guarantee Program component of the FDIC's Temporary Liquidity Guarantee Program (TLGP). Thrifts would report noninterest-bearing transaction accounts (as defined in the FDIC's Temporary Liquidity Guarantee Program regulations) of more than \$250,000. (Do not include custodial or escrow accounts on which "pass-through" coverage applies).

DEPOSIT DATA FOR THRIFTS PARTICIPATING IN THE TRANSACTION ACCOUNT GUARANTEE PROGRAM COMPONENT OF THE FDIC'S TEMPORARY LIQUIDITY GUARANTEE PROGRAM

NOTE: Thrifts will stop reporting data in Schedule DI, Items DI570 and DI575, below, for the Transaction Account Guarantee (TAG) program after the December 31, 2010 TFR Report.

The following items are to be reported by insured institutions that are participating in (i.e., have not opted out of) the Transaction Account Guarantee Program component of the FDIC's Temporary Liquidity Guarantee Program (TLGP). Thrifts would report noninterest-bearing transaction accounts (as defined in the FDIC's Temporary Liquidity Guarantee Program regulations) of more than \$250,000. (Do not include custodial or escrow accounts on which "pass-through" coverage applies).

DI580 – DI585: DEPOSIT DATA FOR NONINTEREST BEARING TRANSACTION ACCOUNTS AS DEFINED IN SECTION 343 OF THE “DODD-FRANK WALL STREET REFORM AND CONSUMER PROTECTION ACT OF 2010”

NOTE: Schedule DI, Items DI580 and DI585, below, for the amount of noninterest-bearing transactions accounts of more than \$250,000 are to be completed – beginning in the reports for December 31, 2010 – by all FDIC-insured depository institution, whether or not they had previously opted to participate in the FDIC's Transaction Account Guarantee Program. Line items DI580 and DI585 are to be reported as of the quarter-end report date, not as daily averages for the quarter.

Section 343 of the Dodd-Frank Wall Street Reform and Consumer Protection Act amended the Federal Deposit Insurance Act with respect to the insurance coverage of noninterest-bearing transaction accounts. These amendments take effect December 31, 2010, and require the FDIC to “fully insure the net amount that any depositor at an insured depository institution maintains in a noninterest-bearing transaction account.” This unlimited insurance coverage will be in effect only through December 31, 2012.

As defined in Section 343 of the Dodd-Frank Act, a “noninterest-bearing transaction account” is an account (in a domestic office of an insured branch in Puerto Rico or a U.S. territory or possession) “(I) with respect to which interest is neither accrued nor paid; (II) on which the depositor or account holder is permitted to make withdrawals by negotiable or transferable instrument, payment orders of withdrawal, telephone or other electronic medias transfers, or other similar items for the purpose of making payments or transfers to third parties or others; and (III) on which the insured depository institution does not reserve the right to require advance notice of an intended withdrawal.” In addition as of the December 31, 2010 TFR Report, include “**Interest on Lawyer Trust Accounts (IOLTAs)**” with balances of more than \$250,000 in the total amount and number of Dodd-Frank Act noninterest-bearing transaction accounts of more than \$250,000 that you report on DI580 and DI585. Reference the FDIC's *Financial Institution Letter*, FIL-2-2011, dated January 21, 2011, for a discussion of the December 29, 2010, amendment to the FDI Act to include IOLTAs.

Thus the term “noninterest-bearing transaction account” includes all demand deposits, including certified checks and official checks (such as cashiers' checks and money orders) drawn on the reporting institution. However, pursuant to Section 627 of the Dodd-Frank Act as of July 21, 2011, institutions will

no longer be restricted from paying interest on demand deposit accounts. At that time, if an institution modifies the terms of its demand deposit agreement so that the account may earn interest, the account will no longer satisfy the definition of a noninterest-bearing transaction account, will no longer be eligible for full deposit insurance coverage, and should no longer be reported in Line Items DI580 and DI585.

Even if checks may be drawn on the account, a “noninterest-bearing transaction account” does not include, for example, any transaction account that may earn interest, such as a negotiable order of withdrawal (NOW) account; or, a money market deposit account (MMDA) as defined in Federal Reserve Regulation D.

Account features such as the waiver of fees or the provision of free-reducing credits do not prevent an account from qualifying as a noninterest-bearing transaction account as long as the account otherwise satisfies the definition of a noninterest-bearing transaction account.

In determining whether funds are in noninterest-bearing transaction account for purposes of reporting in Line Items DI580 and DI585, the FDIC will apply its normal rules and procedures under Section 360.8 of the FDSIDC’s regulations for determining account balances at a failed insured depository institution. Under these procedures, funds may be swept or transferred from a noninterest-bearing transaction account to another type of deposit account or product that is not a noninterest-bearing transaction account. Except as described in the following sentence, unless the funds are in a noninterest-bearing transaction account after the completion of the sweep under Section 360.8, the funds in the resulting account or product will not be eligible for full deposit insurance coverage and they should not be reported in Line Items DI580 and DI585. However, in the case of funds swept from a noninterest-bearing transaction account to a noninterest-bearing savings account as defined in Federal Reserve Regulation D, the FDIC will treat the swept funds as being in a noninterest-bearing savings account plus any amount remaining in the related noninterest-bearing savings account plus and amount remaining in the related noninterest-bearing transaction account is more than \$250,000, this sum should be reported in Line Items DI580 and the swept funds and the related noninterest-bearing transaction account should be reported as one account in Line Item DI585.

Include public funds held in “noninterest-bearing transactions accounts” of more than \$250,000 whether or not they are collateralized with pledges securities or other pledged assets.

Report in the appropriate sub item the amount outstanding and the number of noninterest-bearing transaction accounts (as defined above and in any FDIC regulations implementing Section 343) with a balance on the report date of more than \$250,000. An institution may exclude noninterest-bearing transaction accounts with a balance of more than \$250,000 where the entire balance is not fully insured under the FDIC’s regular deposit insurance rules. These amounts may be excluded to the extent that they can be determined by the institution and fully supported in the institution’s user notes that are electronically transmitted using the Electronic Filing System software. An institution is not required to make a determination of amounts otherwise insured but may do so at its option.

SCHEDULE SI —SUPPLEMENTAL INFORMATION

*Throughout these instructions, **you** and **your** refers to the savings association and its consolidated subsidiaries; **we** and **our** refers to the Office of Thrift Supervision.*

MISCELLANEOUS:

SI370: NUMBER OF FULL-TIME EQUIVALENT EMPLOYEES

Report the actual number of full-time equivalent employees employed by you and your consolidated subsidiaries. Report the actual whole number; do not round to thousands.

SI375: FINANCIAL ASSETS HELD FOR TRADING PURPOSES

Financial assets held for trading purposes are defined as securities and other financial assets that are bought and held for the purpose of short term resale or with the intent of benefiting from actual or expected price movements, and carried at fair value with the change in fair value reflected in current earnings. Trading generally reflects active and frequent buying and selling to generate profits in the short-term.

Report financial assets held for trading purposes on this line and also on SI376. Financial assets held for trading purposes reported on this line should include any trading securities where it is management's intent to actively buy and sell such securities to generate profits in the short term.

SI376: FINANCIAL ASSETS CARRIED AT FAIR VALUE THROUGH EARNINGS

Report the balance of financial assets carried at fair value where the changes in fair value are reflected in current earnings for trading securities, derivatives, and all other financial assets where the fair value option is elected. Such assets are reported on various lines on Schedule SC and, therefore, the total of all assets reported at fair value is included on SC60. For example, derivative assets are included in SC689.

Include financial assets held for trading purposes on this line. Such assets are also reported on SI375.

Available-for-sale securities are financial assets carried at fair value. However for available-for-sale securities, the changes in fair value are not reflected in current earnings, but rather in other comprehensive income net of any deferred tax impact. Accordingly, do not include the balance of available-for-sale securities on this line. Rather, report such amount on SI385.

Under a "fair value option," servicing assets may be carried at fair value with the changes in fair value reflected in current earnings. However, servicing assets are not financial assets. Accordingly, do not include the balance of any servicing assets on this line.

SI377: FINANCIAL LIABILITIES CARRIED AT FAIR VALUE THROUGH EARNINGS

Report the balance of financial liabilities carried at fair value where the changes in fair value are reflected in current earnings for derivatives and all other financial liabilities where the fair value option is elected. Such liabilities are reported on various lines on Schedule SC, and therefore the total of all net liabilities reported at fair value is included on SC70. For example, derivative liabilities are included in SC796.

SI385: AVAILABLE-FOR-SALE SECURITIES

Report all investments in debt securities including mortgage securities, and all investments in equity securities that have readily determinable fair values that are classified as available-for-sale and are carried at fair value, with the change in fair value reflected in other comprehensive income. Do not include equity securities whose sale is restricted by governmental or contractual requirement – for example, FHLB stock. Include amounts reported on SC665, Interest-Only Strip Receivables and Certain Other Instruments, that are not classified as trading.

Exclude unrealized gains and losses from current earnings and report, net of taxes, as a separate component of equity on SC860, Unrealized Gains (Losses) on Available-for-Sale Securities, until realized. In addition, report certain nonsecurity financial instruments, CNFIs, classified as available-for-sale.

Transfer securities from the available-for-sale category to held-to-maturity at fair value as of the date of transfer.

SI387: ASSETS HELD FOR SALE

Report all assets held for sale except securities and repossessed assets. Report assets held for sale at the lower of cost or market, LOCOM. Recognize unrealized losses in current earnings on SO465, Net Income (Loss) from LOCOM Adjustments Made to Assets Held for Sale.

Transfer assets from the "for sale" category to an investment account at the lower-of-cost-or-market as of the date of transfer.

Include:

1. Loans and participations originated or purchased by you with the intent to sell.
2. Assets originally held for investment but now held for sale.
3. Assets held for sale, including real estate and branch offices, whether or not there is an outstanding commitment to sell.

Do not include:

1. Securities, report on SI385.
2. Repossessed assets.

SI390: LOANS SERVICED FOR OTHERS

Report the principal balance of mortgage and nonmortgage whole loans and participating interests in loans serviced by you, but owned by others.

Include:

1. Loans and securities that you sold to others but for which you perform the servicing.
2. Loans serviced by you for others, where the loans have been securitized, whether or not you own the securities and whether or not you have reported any servicing assets.
3. Loans serviced by you for others, where you have transferred the loans to others, but have not reported the transaction as a sale.
4. Loans and securities serviced by you under a contract to a third party who owns the servicing rights.

Do not include:

1. Loans and securities where you own the servicing rights and where the servicing has been subcontracted to a third party.
2. Loans and securities serviced for you by a consolidated subsidiary or a subsidiary depository institution.

SI394: PLEDGED LOANS

Report the recorded investment in loans included in SC26 and SC31 that have been pledged as collateral for borrowings. Include the recorded investment for loans pledged to the Federal Reserve or to the Federal Home Loan Bank.

When a thrift has pledged an entire portfolio of loans to secure its Federal Home Loan Bank advances, it should report the amount of the entire portfolio in this line, excluding any loans within the portfolio that the thrift has the right, without constraint, to repledge to another party. (However, if any such loans have been repledged to another party, they should be reported in this item.)

SI395: PLEDGED TRADING ASSETS

Report trading assets included in SI375 and SI376 that have been pledged as collateral for borrowings. Trading assets are financial assets held for trading purposes, as defined in the instructions to SI375.

RESIDUAL INTERESTS

Residual interests are defined in 12 CFR Part 567.1 as any balance sheet asset that represents an interest, including a beneficial interest, created by a transfer of financial assets that qualifies as a sale under GAAP and that exposes the institution to a credit risk that exceeds a pro rata share of the institution's claim on the transferred assets. The transfer of assets may be through securitization or otherwise; the credit risk may be directly or indirectly associated with the transferred assets; and the exposure to credit risk may be through either subordination provisions or other credit enhancement techniques.

This definition of residual interests is for regulatory reporting purposes, and, therefore, is **not** the same as **purchased or retained beneficial interests in securitized financial assets**, as that term is used in authoritative accounting literature.

Examples of residual interests include, but are **not** limited to, credit-enhancing interest-only strips defined below, spread accounts, cash collateral accounts, and retained subordinated interests.

You report all residual interests somewhere on Schedule SC, typically on SC182, SC185, SC217 through 222, SC665, or SC689. The total of lines SI402 and SI404 should equal all residual interests, as defined above, that you have included on Schedule SC.

In addition, you should report the appropriate amounts in Schedule CC, on CC455 and CC465 or CC468, related to direct credit substitutes and recourse obligations. Also, as residual interests are subject to specialized regulatory capital treatment pursuant to 12 CFR Parts 567.6 and 567.12, you should report the appropriate amounts in Schedule CCR, on CCR133, CCR270, CCR375, and CCR605.

SI402: RESIDUAL INTERESTS IN THE FORM OF INTEREST-ONLY STRIPS

Report residual interests as defined above in the form of credit-enhancing interest-only strips.

Credit-enhancing interest-only strips are defined in 12 CFR Part 567.1 as any on-balance-sheet asset that, in form or in substance, represents the contractual right to receive some or all of the interest due on transferred assets, and that through subordination provisions or other credit enhancement techniques exposes the institution to credit risks that exceed its pro rata claim on the transferred assets.

Report both retained and purchased credit-enhancing interest-only strips. However, do not include interest-only strips issued by government-sponsored entities or other interest-only strips that do not function in a credit enhancing or otherwise subordinate capacity.

SI404: OTHER RESIDUAL INTERESTS

Report any other residual interests and on-balance-sheet recourse assets that you have not reported on SI402. Include purchased subordinated interests, purchased subordinated securities, and any other type of residual or recourse position that you have purchased from others. Do not include interest-only strips issued by the government or government sponsored enterprises, unless they meet the definition of residual interest in 12 CFR 567.1.

QUALIFIED THRIFT LENDER TEST

SI581, SI582, AND SI583: ACTUAL THRIFT INVESTMENT PERCENTAGE AT MONTH-END

To be a Qualified Thrift Lender, QTL, you must either meet the Home Owners' Loan Act, HOLA, QTL test or the Internal Revenue Service tax code Domestic Building and Loan Association, DBLA, test.

If you use the HOLA QTL test, report the ATIP from the OTS QTL worksheets, OTS Form 1427, for the three months. If you use the IRS DBLA test, leave lines SI581, 582, and 583 blank, and complete SI585 and SI586.

IRS DOMESTIC BUILDING AND LOAN TEST:

Complete these lines only if you do not use the Home Owners' Loan Act (HOLA) Qualified Thrift Lender (QTL) test, but instead use the IRS Domestic Building and Loan Association (DBLA) test (IRS regulation 26 CFR § 301.7701-13A) to determine if you are a Qualified Thrift Lender. Refer to Appendix A of the OTS Examination Handbook, Section 270.

SI585: PERCENT OF ASSETS TEST**SI586: DO YOU MEET THE DBLA BUSINESS OPERATIONS TEST?****SI588: AGGREGATE INVESTMENT IN SERVICE CORPORATIONS**

Report your aggregate investment in the capital stock, loans and obligations, and other securities of all service corporations, determined in a manner consistent with 12 CFR Part 559.

Loans and obligations include all loans and other debt instruments, and all guarantees or take-out commitments of such loans or debt instruments.

For purposes of this reporting only, the measurement of the investment in capital stock should be based on the cost method, and not the equity method. Under the cost method, your investment in capital stock will include amounts paid to acquire the stock, but will not include accumulated undistributed earnings and losses of the service corporations. As a result, your aggregate investment reported on this line will likely differ from the related amount obtained from your accounting records and from the amount reported on SC540.

EXTENSIONS OF CREDIT BY THE REPORTING ASSOCIATION (AND ITS CONTROLLED SUBSIDIARIES) TO ITS EXECUTIVE OFFICERS, PRINCIPAL SHAREHOLDERS, DIRECTORS, AND THEIR RELATED INTERESTS AS OF THE REPORT DATE

Federal Reserve Regulation O defines the terms used in this item.

An **extension of credit** is a making or renewal of any loan, a granting of a line of credit, or an extension of credit in any manner whatsoever. Extensions of credit include, among others, loans, prearranged overdrafts, cash items, standby letters of credit, and securities purchased under agreements to resell. For lines of credit, the amount reported as an extension of credit is normally the total amount of the line of credit extended to the insider, not just the current balance of the funds that have been advanced to the insider under the line of credit. See 12 CFR § 215.3, Regulation O.

An **executive officer** of the reporting savings association is person who participates or has authority to participate, other than as a director, in major policy-making functions of the reporting savings association, an executive officer of the savings association's holding company, and, unless excluded by the savings association's board of directors or bylaws, any other subsidiary of that holding company. See 12 CFR § 215.2(e), Regulation O.

A **director** of the reporting savings association is person who is a director of the savings association, whether or not receiving compensation, a director of the holding company of which the savings association is a subsidiary, and, unless excluded by the savings association's board of directors or bylaws, a director of any other subsidiary of that holding company. See 12 CFR § 215.2(d), Regulation O.

A **principal shareholder** of the reporting savings association is an individual or a company other than an insured depository institution that directly or indirectly, or acting through or in concert with one or more persons, owns controls, or has the power to vote more than 10% of any class of voting stock of the reporting savings association. Regulation O considers shares owned or controlled by a member of an individual's immediate family to be held by the individual. A principal shareholder includes a principal shareholder of a holding company of which the reporting savings association is a subsidiary and a

principal shareholder of any other subsidiary of that holding company. See 12 CFR § 215.11(a)(1), Regulation O.

A **related interest** is either:

1. A company, other than an insured depository institution or a foreign bank that is controlled by an executive officer, director, or principal shareholder.
2. A political or campaign committee that is controlled by or the funds or services of which will benefit an executive officer, director, or principal shareholder. See 12 CFR § 215.11(a)(2), Regulation O.

SI590: AGGREGATE AMOUNT OF ALL EXTENSIONS OF CREDIT

Report the aggregate amount outstanding as of the report date of all extensions of credit by you and your controlled subsidiaries to all of your executive officers, principal shareholders, directors, and their related interests.

Include each extension of credit in the aggregate amount only one time, regardless of the number of borrowers.

SI595: NUMBER OF EXECUTIVE OFFICERS, PRINCIPAL SHAREHOLDERS, AND DIRECTORS TO WHOM THE AMOUNT OF ALL EXTENSIONS OF CREDIT (INCLUDING EXTENSIONS OF CREDIT TO RELATED INTERESTS) EQUALS OR EXCEEDS THE LESSER OF \$500,000 OR FIVE PERCENT OF UNIMPAIRED CAPITAL AND UNIMPAIRED SURPLUS (CCR30 + CCR35 + CCR530 + CCR105)

Report the number of your executive officers, principal shareholders, and directors to whom the amount of all extensions of credit outstanding by you and your controlled subsidiaries as of the report date equals or exceeds the lesser of \$500,000 or five percent of unimpaired capital and unimpaired surplus. That is, five percent x (CCR30 + CCR35 + CCR530 + CCR105). Report the actual number; do not round to thousands.

For purposes of this item, the amount of all extensions of credit by you and your controlled subsidiaries to an executive officer, principal shareholder, or director includes all extensions of credit by you to the related interests of the executive officer, principal shareholder, or director. A single extension of credit to more than one borrower must be included in full for all extensions of credit for each executive officer, principal shareholder, and director included in the credit. That is, one loan may be included more than once in the calculation of the \$500 thousand or 5% of unimpaired capital and unimpaired surplus limit, because it will be included for each executive officer, principal shareholder, and director listed on the loan.

SUMMARY OF CHANGES IN SAVINGS ASSOCIATION EQUITY CAPITAL

SI600: SAVINGS ASSOCIATION EQUITY CAPITAL, BEGINNING BALANCE

The EFS software automatically generates this amount from your prior quarter's SC80.

Special instructions for mergers and reorganizations:

- Purchase Mergers – Report SI680 for the previous quarter for the surviving savings association only.
- Change of Control involving pushdown accounting including receiverships – Report SI680 for the previous quarter. Adjustments should be reported on SI660.

SI610: NET INCOME (LOSS) ATTRIBUTABLE TO SAVINGS ASSOCIATION (SO91)

The EFS software automatically generates this amount from SO91.

DIVIDENDS DECLARED:**SI620: Preferred Stock**

Report the dollar amount of cash dividends declared during the period on preferred stock. These dividends are not charged to interest expense, but directly reduce retained earnings.

Include:

Dividends declared on preferred stock reported on SC812 and SC814.

SI630: Common Stock

Report the dollar amount of cash dividends declared during the period for common stock reported on SC820. These dividends are not charged to interest expense, but directly reduce retained earnings. Include cash dividends made to holding companies as well as to individual shareholders.

Do not include:

1. Stock dividends.
2. Stock splits.
3. Property dividends. Report as a negative amount on SI655.

SI640: STOCK ISSUED

Report the amount of cumulative and noncumulative perpetual preferred stock and common stock issued during the quarter.

Include:

1. Perpetual preferred stock, including discounts and premiums, issued by you during the quarter that qualifies as equity under GAAP.
2. The par value and paid-in-capital received in connection with the stock issue.

Do not include:

1. The conversion of preferred stock into common stock.
2. Gains on treasury stock sold. Report on SI671.
3. Capital contributed not connected with a stock issue. Report on SI655.

When applying push-down accounting, report the amount paid in a change of control for your stock. Report the previously recorded par value and capital in excess of par value on SI650.

SI650: STOCK RETIRED

Report the amount paid for common and perpetual preferred stock retired during the quarter. Report the amount as a positive number.

When applying push-down accounting, report the previously recorded par value and capital paid in excess of par value of the stock acquired by the new owners. The amount paid for this stock is reported on SI640.

SI655: CAPITAL CONTRIBUTIONS (WHERE NO STOCK IS ISSUED)

Report increases during the quarter in SC830, Common Stock: Paid in Excess of Par, that came from stockholders but that did not result from the issuing of stock.

Include the fair value of employee stock options granted as compensation.

Also include as a negative amount property distributions to stockholders. Record the transfer of dividends other than cash at the fair value of the asset on the declaration date of the dividend. Recognize a gain or loss on the transferred asset in the same manner as if you disposed of the property in an outright sale at or near the declaration date.

SI660: NEW BASIS ACCOUNTING ADJUSTMENTS**Include:**

1. Adjustments made during the period in applying push-down accounting in the change-of-control.
2. Adjustments made in accounting for a savings association taken into receivership during the period.

SI662: OTHER COMPREHENSIVE INCOME

The EFS software automatically generates this amount as the change during the quarter in SC86, Accumulated Other Comprehensive Income: Total.

Other comprehensive income includes the change in:

1. Accumulated unrealized fair value gains and losses on available-for-sale securities, net of taxes.
2. Accumulated fair value gains and losses on cash flow hedges, net of taxes.
3. Any minimum pension liability adjustment.
4. Cumulative foreign currency translation adjustments and qualifying foreign currency transaction gains and losses, net of taxes.

SI668: PRIOR PERIOD ADJUSTMENTS

Prior period adjustments for purposes of the TFR include:

1. Changes to a beginning balance of equity capital pursuant to transition requirements under newly adopted accounting pronouncements.
2. Corrections to an income statement for a quarter from a prior calendar year where the TFR for that quarter can no longer be amended.
3. Cumulative effects of a change in accounting principle.

Also refer to item number 6 in the General Instructions for the TFR.

Do not include:

1. Audit adjustments and prior period adjustments within the current calendar year. Correct these through an amended report within 140 days of the report date or report them currently in Schedule SO.
2. Corrections of accruals. Report these in the current period in the same data field in Schedule SO that they would have been reported had the accruals been made when incurred.

SI671: OTHER ADJUSTMENTS

Report other adjustments to equity capital that cannot be included elsewhere in SI610 through SI668.

Include:

1. Issuance costs of common stock offerings.
2. The change in SC891, Other Components of Equity Capital.

Do not include:

1. Property distributions to stockholders; report as a negative amount on SI655.
2. Prior period adjustments to prior calendar years; report on SI668.
3. Additional contributions of paid-in capital; report on SI655.
4. Adjustments within the current calendar year. Correct these through an amended report within 135 days of the report date, or report them currently in Schedule SO.
5. Corrections of accruals. Report these in the current period in the same data field in Schedule SO that they would have been reported had the accruals been made when incurred.

SI680: TOTAL SAVINGS ASSOCIATION EQUITY CAPITAL, ENDING BALANCE (SC80)

The EFS software automatically calculates this as the sum of SI600, SI610, SI640, SI655, SI660, SI662, SI668, and SI671 less SI620, SI630, and SI650. SI680 must equal SC80, Total Savings Association Equity Capital, on the current TFR.

TRANSACTIONS WITH AFFILIATES:

The following two line items parallel 12 CFR 563.41, Transactions with Affiliates. Section 563.41(c)(3) requires each association to maintain records that reflect all transactions between a savings association and its affiliates.

Section 563.41 implements the affiliate transactions regulation found in Sections 23A and 23B of the Federal Reserve Act, as codified in 12 CFR Part 223 (Regulation W). Sections 23A and 23B of the Federal Reserve Act are made applicable to savings associations by Section 11(a)(1) of the Home Owners' Loan Act. You should include transactions subject to the quantitative limits of Section 23A in SI750. Include all other covered affiliate transactions in SI760, including transactions subject only to Section 23B.

Affiliate and **covered transaction** are defined in Regulation W, as modified as appropriate for savings associations in Section 563.41. Generally, an **affiliate** is defined as:

1. Your parent company.
2. Any company controlled by your parent company that is not a subsidiary of yours (except a bank or thrift subsidiary of yours).

3. Any company that you or another affiliate sponsors or advises.
4. Any company which shares a majority of the same directors with you or your parent company.

Information in this section is not made public on an individual institution basis, but is available in the OTS aggregates.

SI750: ACTIVITY DURING THE QUARTER OF COVERED TRANSACTIONS WITH AFFILIATES SUBJECT TO QUANTITATIVE LIMITS

Report all covered affiliate transactions subject to quantitative limits. Generally, these include:

- All purchases of assets by you from affiliates. This includes all commitments outstanding at the end of the quarter to purchase assets entered into with affiliates that will close in your name. Report such commitments on a gross basis. Do not net commitments to sell against commitments to purchase, even if the commitments are for the same or similar items and even if you will disburse or receive no cash.
- All extensions of credit to affiliates. This includes, but is not limited to, loans and receivables whether or not supported by a loan document or contract; purchasing a note or other obligation of an affiliate, as well as loan guarantees or letters of credit on behalf of an affiliate. Acceptance of a security issued by an affiliate as collateral for an extension of credit to any third party.

Include all transactions that occurred during the quarter, regardless of whether you have paid affiliates during the quarter or owe the amount as of the end of the quarter.

SI760: ACTIVITY DURING THE QUARTER OF OTHER COVERED TRANSACTIONS WITH AFFILIATES NOT SUBJECT TO QUANTITATIVE LIMITS

Report all other affiliate transactions that are **not** included in SI750. Generally, these include:

- The sale of securities or other assets from you to an affiliate, including assets subject to a repurchase agreement.
- Your payment of funds to, or furnishing of services to, an affiliate, including such tasks as collection of debt payments, data processing, maintenance, office supplies or payroll.
- Any transaction in which an affiliate receives an agency or broker's fee from you for its services on behalf of you or a third party.

Include all transactions that occurred during the quarter, regardless of whether you have paid affiliates during the quarter or owe the amount as of the end of the quarter.

CAPTIVE INSURANCE AND REINSURANCE SUBSIDIARIES

SI762: TOTAL ASSETS OF CAPTIVE INSURANCE SUBSIDIARIES

Report the carrying amount of assets held by captive insurance subsidiaries of the reporting savings association. A captive insurance company is a limited purpose insurer licensed as a direct writer of insurance. Some common lines of business include credit, life, accident, health, disability insurance, and employee benefits coverage. Report total assets before eliminating

intercompany transactions between the consolidated insurance subsidiary and other offices or subsidiaries of the consolidated savings association.

SI763: TOTAL ASSETS OF CAPTIVE REINSURANCE SUBSIDIARIES

Report the carrying amount of all assets held by captive insurance subsidiaries of the reporting savings association. Reinsurance is the transfer, with indemnification, of all or part of the underwriting risk from one insurer to another for a portion of the premium or other consideration. For further information, see Glossary entry for “reinsurance.”

Some common lines of business include credit life, accident, and health reinsurance; disability reinsurance; reinsurance of employee benefits coverage; private mortgage guaranty reinsurance; and terrorism risk reinsurance. Report total assets before eliminating intercompany transactions between the consolidated reinsurance subsidiary and other offices or subsidiaries of the consolidated savings association.

ASSETS COVERED BY FDIC LOSS-SHARING AGREEMENTS:

Under a loss-sharing agreement, the FDIC agrees to absorb a portion of the losses on a specified pool of a failed insured depository institution’s assets in order to maximize asset recoveries and minimize the FDIC’s losses. In general, for transactions that occurred before April 2010, the FDIC reimburses 80 percent of losses incurred by an acquiring institution on covered assets over a specified period of time up to a stated threshold amount, with the acquirer absorbing 20 percent of the losses on these assets. Any losses above the stated threshold amount will be reimbursed by the FDIC at 95 percent of the losses recognized by the acquirer. For more recent transactions, the FDIC generally reimburses 80 percent of the losses incurred by the acquirer on covered assets, with the acquiring institution absorbing 20 percent.

Report in the appropriate line items below the Schedule SC – Consolidated Statement of Condition carrying amount as of the report date of all assets acquired from failed insured depository institutions or otherwise purchased from the FDIC that are covered by loss-sharing agreements with the FDIC. These asset amounts should also be included in the balance sheet category appropriate to the asset on Schedule SC.

Do not report the “book value” of the covered assets on the failed institution’s books, which may be the amount upon which payments from the FDIC to the reporting bank are to be based in accordance with the loss-sharing agreement.

ASSETS COVERED BY FDIC LOSS-SHARING AGREEMENTS:

SI770: LOANS AND LEASES (INCLUDED IN SCHEDULE SC)

Report the carrying amount of loans and leases held for sale and the recorded investment in loans held for investment (included in SC306, SC330 and SC26) acquired from the failed insured depository institutions or otherwise purchased from the FDIC that are covered by loss-sharing agreements with the FDIC.

LOANS SECURED BY REAL ESTATE:**CONSTRUCTION, LAND DEVELOPMENT, AND OTHER LAND LOANS:****SI764: 1-4 FAMILY RESIDENTIAL CONSTRUCTION LOANS**

Report the amount of 1-4 family residential construction loans included in Schedule SC230 acquired from failed insured depository institutions or otherwise purchased from the FDIC that are covered by loss-sharing agreements with the FDIC.

SI765: OTHER CONSTRUCTION LOANS AND ALL LAND DEVELOPMENT AND OTHER LAND LOANS

Report the amount of other construction loans and all land development and other land loans included in Schedule SC acquired from failed insured depository institutions or otherwise purchased from the FDIC that are covered by loss-sharing agreements with the FDIC.

SI766: SECURED BY FARMLAND

Report the amount of loans secured by farmland (as defined in the glossary) included in Schedule SC acquired from failed insured depository institutions or otherwise purchased from the FDIC that are covered by loss-sharing agreements with the FDIC.

SECURED BY 1-4 FAMILY RESIDENTIAL PROPERTIES:**SI767: REVOLVING, OPEN-END LOANS SECURED BY 1-4 FAMILY RESIDENTIAL PROPERTIES AND EXTENDED UNDER LINES OF CREDIT**

Report the amount of revolving, open-end loans secured by 1-4 family residential properties and extended under lines of credit included in Schedule SC251 acquired from failed insured depository institutions or otherwise purchased from the FDIC that are covered by loss-sharing agreements with the FDIC.

CLOSED-END LOANS SECURED BY 1-4 FAMILY RESIDENTIAL PROPERTIES:**SI768: SECURED BY FIRST LIENS**

Report the amount of revolving, closed-end loans secured by first liens on 1-4 family residential properties included in Schedule SC254 acquired from failed insured depository institutions or otherwise purchased from the FDIC that are covered by loss-sharing agreements with the FDIC.

SI769: SECURED BY JUNIOR LIENS

Report the amount of closed-end loans secured by junior liens on 1-4 family residential properties included in Schedule SC255 acquired from failed insured depository institutions or otherwise purchased from the FDIC that are covered by loss-sharing agreements with the FDIC.

SI771: SECURED BY MULTIFAMILY (5 OR MORE) RESIDENTIAL PROPERTIES

Report the amount of loans secured by multifamily (5 or more) residential included in Schedule SC256 acquired from failed insured depository institutions or otherwise purchased from the FDIC that are covered by loss-sharing agreements with the FDIC.

SECURED BY NONFARM NONRESIDENTIAL PROPERTIES:**SI775: LOANS SECURED BY OWNER-OCCUPIED NONFARM NONRESIDENTIAL PROPERTIES**

Report the amount of loans secured by owner-occupied nonfarm nonresidential properties included in Schedule SC260 acquired from failed insured depository institutions or otherwise purchased from the FDIC that are covered by loss-sharing agreements with the FDIC.

SI777: LOANS SECURED BY OTHER NONFARM NONRESIDENTIAL PROPERTIES

Report the amount of loans secured by other nonfarm nonresidential properties included in Schedule SC acquired from failed insured depository institutions or otherwise purchased from the FDIC that are covered by loss-sharing agreements with the FDIC.

SI779: COMMERCIAL AND INDUSTRIAL LOANS

Report the amount of commercial and industrial loans included in Schedule SC items SC300 – SC306 acquired from failed insured depository institutions or otherwise purchased from the FDIC that are covered by loss-sharing agreements with the FDIC. “Commercial And Industrial Loans” are defined in the Glossary.

LOANS TO INDIVIDUALS FOR HOUSEHOLD, FAMILY, AND OTHER PERSONAL EXPENDITURES:**SI780: CREDIT CARDS**

Report the amount of extensions of credit arising from credit cards included in SC328 acquired from failed insured depository institutions or otherwise purchased from the FDIC that are covered by loss-sharing agreements with the FDIC.

SI781: AUTOMOBILE LOANS

Report the amount of automobile loans included in SC323 acquired from failed insured depository institutions or otherwise purchased from the FDIC that are covered by loss-sharing agreements with the FDIC.

SI782: OTHER CONSUMER LOANS (INCLUDES SINGLE PAYMENT, INSTALLMENT, ALL STUDENT LOANS, AND REVOLVING CREDIT CARD PLANS OTHER THAN CREDIT CARDS)

Report the amount of extensions of credit arising from other revolving credit plans and other consumer loans included in Schedule SC acquired from failed insured depository institutions or otherwise purchased from the FDIC that are covered by loss-sharing agreements with the FDIC.

SI783: ALL OTHER LOANS AND LEASES

Report the amount of loans that cannot be properly reported in items SI764 – SI782, above acquired from failed insured depository institutions or otherwise purchased from the FDIC that are covered by loss-sharing agreements with the FDIC. Include in these items covered loans in the following categories:

- (1) Loans to depository institutions and acceptances of other banks included in Schedule SC;
- (2) Loans to foreign governments and official institutions included in Schedule SC;
- (3) Other loans (loans to finance agricultural production and other loans to farmers,” obligations (other than securities and loans) of states and political subdivisions in the U.S., “ and “Loans to nondepository institutions and other loans.”);and,
- (4) Lease financing receivables included in Schedule SC acquired from failed depository institutions or otherwise purchased from the FDIC that are covered by loss-sharing agreements with the FDIC.

Report in items SI784 through SI787, each category of loans and leases within “All other loans and leases” covered by loss-sharing agreements with the FDIC, and the dollar amount of covered assets in such category that exceeds 10 percent of total loans and leases covered by loss-sharing agreements with the FDIC (i.e. 10 percent of the sum of items SI764 through SI783). Preprinted line items have been provided in items SI784 – SI787 for reporting the amount of covered loans and leases for the following loan and lease categories if the amount for a loan or lease category exceeds the 10 percent reporting threshold: Loans to depository institutions and acceptances of other banks (SI784), Loans to foreign governments and official institutions (SI785), Other loans (i.e. Obligations (other than securities and leases) of states and political subdivisions in the U.S., Loans to nondepository financial institutions and other loans, and Loans to finance agricultural production and other loans to farmers) (SI786), and Lease financing receivables (SI787).

SI772: REAL ESTATE OWNED (included in Schedule SC):

Report the carrying amount of real estate owned (included in SC40) acquired from failed insured depository institutions or otherwise purchased from the FDIC that are covered by loss-sharing agreements with the FDIC.

SI789: CONSTRUCTION, LAND DEVELOPMENT, AND OTHER LAND

Report the carrying amount of real estate owned included in SC405 and SC428 acquired from failed insured depository institutions or otherwise purchased from the FDIC that are covered by loss-sharing agreements with the FDIC.

SI790: FARMLAND

Report the carrying amount of real estate owned in Schedule SC40 for farmland acquired from failed insured depository institutions or otherwise purchased from the FDIC that are covered by loss-sharing agreements with the FDIC.

SI791: 1-4 FAMILY RESIDENTIAL PROPERTIES

Report the carrying amount of real estate owned included in Schedule SC415 for 1-4 family residential properties acquired from failed insured depository institutions or otherwise purchased from the FDIC that are covered by loss-sharing agreements with the FDIC.

SI792: MULTIFAMILY (5 OR MORE) RESIDENTIAL PROPERTIES

Report the carrying amount of real estate owned included in Schedule SC425 for multifamily (5 or more) family residential properties acquired from failed insured depository institutions or otherwise purchased from the FDIC that are covered by loss-sharing agreements with the FDIC.

SI793: NONFARM NONRESIDENTIAL PROPERTIES

Report the carrying amount of real estate owned included in Schedule SC426 for nonfarm nonresidential properties acquired from failed insured depository institutions or otherwise purchased from the FDIC that are covered by loss-sharing agreements with the FDIC.

SI795: PORTION OF COVERED OTHER REAL ESTATE OWNED INCLUDED IN ITEMS SI789 – SI793 ABOVE THAT IS PROTECTED BY FDIC LOSS-SHARING AGREEMENTS

Report the maximum amount recoverable from the FDIC under loss-sharing agreements covering the real estate owned reported in items SI789 – SI793, beyond the amount that has already been reflected in the measurement of the reporting savings association's indemnification asset, which represents the right to receive payments from the FDIC under the loss-sharing agreement.

In general, the maximum amount recoverable from the FDIC on covered other real estate owned is the carrying amount of the other real estate, as reported in the preceding Schedule SI items, multiplied by the current applicable loss coverage rate (e.g., 80 percent or 95 percent). This product will normally be the maximum amount recoverable because reimbursements from the FDIC for covered losses related to the amount by which the "book value" of a covered asset on the failed institution's books (which is the amount upon which the payments under FDIC loss-sharing agreement are based) exceeds the amount at which the reporting savings association reports the covered asset on Schedule SC – Consolidated Statement of Condition should already have been taken into account in measuring the carrying amount of the reporting savings association's loss-sharing indemnification asset, which is reported in Schedule SC.

SI774: DEBT SECURITIES (INCLUDED IN SCHEDULE SC)

Report the amortized cost of held-to-maturity debt securities and the fair value of available-for-sale debt securities (included in SC11 and SC22) acquired from failed insured depository institutions or otherwise purchased from the FDIC and covered by loss-sharing agreements with the FDIC.

SI776: OTHER ASSETS (EXCLUDES FDIC LOSS-SHARING INDEMNIFICATION ASSETS)

Report the carrying amount of all assets that cannot properly be reported on SI770, SI772, and SI774, and have been acquired from failed insured depository institutions or otherwise purchased from the FDIC and are covered by loss-sharing agreements with the FDIC.

Exclude FDIC loss-sharing indemnification assets. These indemnification assets represent the carrying amount of the right to receive payments from the FDIC for losses incurred on specified assets acquired from failed depository institutions or otherwise purchased from the FDIC that are covered by loss-sharing agreements with the FDIC. Report FDIC loss-sharing indemnification assets in SC689, "Other Assets".

MUTUAL FUND AND ANNUITY SALES:

SI815: TOTAL ASSETS YOU MANAGE OF PROPRIETARY MUTUAL FUNDS AND ANNUITIES

Report the total of net assets held by mutual funds and annuities as of the report date for which you, your subsidiaries, your affiliates, or parent company acts as investment adviser.

AVERAGE BALANCE SHEET DATA (BASED ON MONTH-END DATA)

Report average balance sheet data for the quarter. At a minimum, compute these data based on balances at month-end. However, you may compute these data based on other than month-end balances, such as daily or weekly balances. All balances should be as reported in Schedule SC. For example, the balance of loans should reflect premiums, discounts, deferred loan fees, allowances for credit losses, etc. Each month's average should be computed using the prior month's ending balance plus the current month's ending balance divided by two. For example, the balance at December 31 is considered to be the beginning balance at January 1. The average for the three months in the quarter should then be summed and divided by three.

In the case of a business combination accounted for using the purchase method of accounting or acquisition by a holding company where you used pushdown accounting, you should include amounts for the acquired entity from the date of its acquisition through the end of the quarter.

Example of Averaging:

Month	Balances		
	Beginning	Ending	Average
December	N/A	1,500	N/A
January	1,500	1,575	1,538
February	1,575	1,550	1,563
March	1,550	1,695	1,623
Sum			4,724

Quarter Average Balance = \$4,724 / 3 = \$ 1,575

If you consummated a merger on February 20, the calculation would be as follows:

	Beginning	Ending	Average	Adjustment	Adjusted Average
December	N/A	1,500	N/A		N/A
January	1,500	1,575	1,538		1,538
February pre-merger	1,575	1,550	1,563	x 19 days = 29,698	
February post-merger	3,200	3,280	3,240	x 9 days = 29,160	
				(29,698+ 29,160)/28	2,102
March	3,280	3,965	3,623		<u>3,623</u>
Sum					<u>7,263</u>

Quarter Average Balance = \$7,263 / 3 = \$2,421

SI870: TOTAL ASSETS

Report your average assets for the quarter based on the calculation explained above using total assets reported on SC60.

SI875: DEPOSITS AND INVESTMENTS EXCLUDING NON-INTEREST-EARNING ITEMS

Report your average deposits and investments for the quarter based on the calculation explained above using interest-earning deposits and investments reported on SC112 through SC185. Do not include mortgage loans and mortgage-backed securities included in SI880.

If you invest in adjustable rate products on which the interest rate has been reduced to zero as a result of market conditions, you should continue to report such investments in these averages.

SI880: MORTGAGE LOANS AND MORTGAGE-BACKED SECURITIES

Report your average mortgage loans and mortgage-backed securities for the quarter based on the calculation explained above using mortgage loans and mortgage-backed securities reported on SC210 through SC222 and SC230 through SC265.

SI885: NONMORTGAGE LOANS

Report your average nonmortgage loans for the quarter based on the calculation explained above using nonmortgage loans reported on SC300 through SC330.

SI890: DEPOSITS AND ESCROWS

Report your average **interest-earning** deposits and escrows for the quarter based on the calculation explained above using interest-earning deposits included in SC710 and SC712. If you offer deposit products on which you periodically adjust the interest rate, and the interest rate has been reduced to zero as a result of market conditions, you should continue to report such deposits as interest-bearing accounts in these averages.

SI895: TOTAL BORROWINGS

Report your average **interest-bearing** borrowings for the quarter based on the calculation explained above using interest-bearing borrowings reported on SC720 through SC760.

BROKERAGE ACTIVITIES:**SI901: DOES YOUR INSTITUTION, WITHOUT TRUST POWERS, ACT AS TRUSTEE OR CUSTODIAN FOR INDIVIDUAL RETIREMENT ACCOUNTS, HEALTH SAVINGS ACCOUNTS, AND OTHER SIMILAR ACCOUNTS THAT ARE INVESTED IN NON-DEPOSIT PRODUCTS?**

Indicate whether the institution acts as trustee or custodian for Individual Retirement Accounts (IRAs), Health Savings Accounts (HSAs), or other similar accounts. To answer "Yes" on this line, the institution must be acting as trustee or custodian for accounts that are invested, to some extent, in non-deposit products (e.g. stocks, bonds, variable annuities, mutual funds) but those same accounts may also be invested in deposit products. Note that this line item is related to that of DI200 which asks the amount of IRA and Keogh accounts invested in deposit products.

Other similar accounts include Roth IRAs, Coverdell Education Savings Accounts, and Archer Medical Savings Accounts. Federal savings associations are permitted, under certain circumstances, to act as trustee or custodian for these types of accounts without obtaining trust powers. Place an "X" in the box marked "Yes" if the reporting institution acts as trustee or custodian for these types of accounts, regardless of whether it has trust powers, as long as the accounts are invested, to some extent, in non-deposit products. Otherwise, place an "X" in the box marked "No."

SI905: DOES YOUR INSTITUTION PROVIDE CUSTODY, SAFEKEEPING OR OTHER SERVICES INVOLVING THE ACCEPTANCE OF ORDERS FOR THE SALE OR PURCHASE OF SECURITIES?

Indicate whether the institution takes orders from customers for the sale or purchase of securities (e.g. stocks, bonds, mutual funds, variable annuities), in custody, escrow, safekeeping, and other similar types of accounts. In some institutions this activity takes place in a trust department but federal savings associations are permitted to conduct this activity without obtaining trust powers. The account holders may be employee benefit plans, Individual Retirement Accounts, foundations, or other types of customers. Place an "X" in the box marked "Yes" if the reporting institution takes orders from customers for the sale or purchase of securities. Otherwise, place an "X" in the box marked "No."

SI911: DOES YOUR INSTITUTION ENGAGE IN THIRD PARTY BROKER ARRANGEMENTS, COMMONLY REFERRED TO AS “NETWORKING”, TO SELL SECURITIES PRODUCTS OR SERVICES TO THRIFT CUSTOMERS?

Indicate whether the institution has entered into a contract with a broker-dealer or registered investment adviser to provide non-deposit products (e.g. stocks, bonds, mutual funds) or services (investment advisory or financial planning) to its customers. The broker-dealer or registered investment adviser may or may not be an affiliate of the institution. Institutions that have entered into a contract with an insurance company to only provide insurance products (e.g. life insurance, fixed annuities, property & casualty insurance) to its customers should place an “X” in the box marked “No”. Place an “X” in the box marked “Yes” if the reporting institution has entered into a contract with a broker-dealer or registered investment adviser to provide non-deposit products or services to its customers. Otherwise, place an “X” in the box marked “No.”

SI915: DOES YOUR INSTITUTION SWEEP DEPOSIT FUNDS INTO ANY OPEN-END INVESTMENT MANAGEMENT COMPANY REGISTERED UNDER THE INVESTMENT COMPANY ACT OF 1940 THAT HOLDS ITSELF OUT AS A MONEY MARKET FUND?

Indicate whether the institution offers a “sweep” program to its customers whereby the customer’s deposit funds are invested or reinvested into money market mutual funds on a regular basis such as daily, weekly, etc. Place an “X” in the box marked “Yes” if the reporting institution offers a sweep program to its customers that invests or reinvests on a regular basis deposit funds into a money market mutual fund. Otherwise, place an “X” in the box marked “No.”

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SCHEDULE FS — FIDUCIARY AND RELATED SERVICES

*Throughout these instructions, **you** and **your** refers to the reporting savings association and its consolidated subsidiaries; **we** and **our** refers to the Office of Thrift Supervision.*

Complete Schedule FS on a consolidated basis, including the fiduciary or related services of any significant, majority-owned operating subsidiaries or service corporations.

For report dates through December 31, 2008, the information reported in Schedule FS on fiduciary and related services income (except total gross fiduciary and related services income) and on fiduciary settlements, surcharges, and other losses will not be made available to the public on an institution basis. Beginning with the March 31, 2009 report date, all of the information reported in Schedule FS for each savings association will be publicly available.

The income and expense data reported on FS310 through FS35 and the fiduciary settlements, surcharges, and other losses reported on FS710 through FS72 must be reported for the calendar year-to-date.

FS110: DOES YOUR INSTITUTION HAVE FIDUCIARY POWERS?

Check **Yes** if OTS, a state, or another banking authority has granted you trust powers to administer accounts in a fiduciary capacity. You should check **Yes** if your significant, majority-owned subsidiaries have been granted trust powers by OTS, a state, or another banking authority. Fiduciary capacity generally includes acting as a trustee, executor, administrator, registrar of stocks and bonds, transfer agent, assignee, receiver, guardian or conservator of the estate of a minor or incompetent, acting in connection with a Uniform Gift to Minors Act account, investment adviser (if you receive a fee for your investment advice), any capacity in which you possess investment discretion on behalf of another, or any other similar capacity.

FS120: DOES YOUR INSTITUTION EXERCISE THE FIDUCIARY POWERS IT HAS BEEN GRANTED?

Check **Yes** if you exercise your fiduciary powers. Exercising fiduciary powers means that you serve in a fiduciary capacity as described in the instructions for FS110.

FS130: DOES YOUR INSTITUTION HAVE ANY FIDUCIARY OR RELATED ACTIVITY (IN THE FORM OF ASSETS OR ACCOUNTS) TO REPORT IN THIS SCHEDULE?

Check **Yes** if you have assets, accounts, or income from fiduciary or related services. You should check **No** if you have trust powers and **only** use those powers to provide services in connection with land trusts or if you act as a document custodian for mortgage-backed securities, such as those offered by Fannie Mae (FNMA), Freddie Mac (FHLMC), or Ginnie Mae (GNMA). If you check **No**, do not complete the remainder of this schedule.

Reportable related services are those services that do not require trust powers but are related to fiduciary services. Specifically, this includes custodial services for assets held by you in a fiduciary capacity. You should report on this schedule fiduciary related services that are offered through your trust department, fiduciary business unit, or other distinct department or business unit that is devoted to the provision of fiduciary or related services. You should not include custodial services provided to commercial bank services such as hold in custody repurchase assets, escrow accounts that benefit third parties, safety deposit boxes, and other similar commercial arrangements.

FILING REQUIREMENTS

If your answer to FS130 is **Yes**, complete the applicable items of Schedule FS as follows:

If your total fiduciary assets (items FS20 and FS21) are greater than \$250 million for the preceding calendar year or your gross fiduciary and related services income was greater than 10 percent of total revenue (net interest income plus noninterest income), you must complete:

1. Items FS210 through FS30 and FS610 through FS65 **each quarter**;
2. Items FS391 through FS35 **annually** with the December report; and
3. Memorandum items FS410 through FS72 **annually** with the December report.

If your total fiduciary assets (items FS20 and FS21) are greater than \$100 million but less than or equal to \$250 million for the preceding calendar year or your gross fiduciary and related services income was **not** greater than 10 percent of total revenue (net interest income plus noninterest income), you must complete:

1. Items FS210 through FS291 **each quarter**; and
2. FS310 through FS35 and FS410 through FS72, **annually** with the December report.

If your total fiduciary assets (items FS20 and FS21) are \$100 million or less for the preceding calendar year or your gross fiduciary and related services income was **not** greater than 10 percent of total revenue (net interest income plus noninterest income), you must complete:

1. Items FS210 through FS291 **each quarter**; and
2. Memorandum items FS410 through FS65 **annually** with the December report.

FIDUCIARY AND RELATED ASSETS

Report fiduciary and related assets using market value as of the report date. While market value quotations are readily available for marketable securities, many financial and physical assets held in fiduciary accounts are not widely traded or easily valued. If the methodology for determining market value is not set or governed by applicable law (including state or federal law governing the fiduciary relationship, the terms of an instrument governing the fiduciary relationship, or any court order pertaining

to the relationship), you may use any reasonable method to establish values for purposes of reporting on this schedule. Reasonable methods may include appraisals, book value, or reliable estimates. Valuation methods should be consistent from reporting period to reporting period. This “reasonable method” approach to reporting market value applies both to financial assets that are not marketable and to physical assets. Physical assets held in fiduciary accounts may include equipment, art, collectibles, and household goods.

Only those Individual Retirement Accounts, Health Savings Accounts, and other similar accounts offered through a fiduciary business unit should be reported in Schedule FS. When such accounts are not offered through the trust department or fiduciary business unit, they should not be reported in Schedule FS. Accounts that consist solely of deposits in the thrift itself should not be reported in Schedule FS.

If two institutions are named cofiduciary in the governing instrument, both institutions should report the account. In addition, where one institution provides fiduciary or related services to another institution’s accounts (for example: Bank A provides custody services to the trust accounts of Bank B; or Bank A provides investment management services to the trust accounts of Bank B) both institutions should report the accounts, according to the services provided.

Exclude unfunded trusts, anticipated testamentary executor appointments, and any other arrangements that represent potential future fiduciary accounts.

Report asset values net of any outstanding liabilities. For example, report: (1) an employee benefit account with participant loans net of the outstanding loan balances; (2) an account with a real estate asset and corresponding mortgage loan net of the mortgage liability; (3) gross fiduciary assets net of any associated overdrafts; and (4) gross assets net of the fair value of derivative instruments, even if the fair value is negative.

Reflect securities lending transactions as sales or as secured borrowings according to GAAP. A transferee (borrower) of securities generally is required to provide collateral to the transferor (lender) of securities. When such transactions do not qualify as sales, securities lenders and borrowers should account for the transactions as secured borrowings in which cash (or securities that the holder is permitted by contract or custom to sell or repledge) received as collateral by the securities lender is considered the amount borrowed and the securities loaned are considered pledged against the amount borrowed. For purposes of this schedule, securities held in fiduciary accounts that are loaned in securities lending transactions and are accounted for as secured borrowings should be reported as an asset of the respective fiduciary account that loaned the securities, but the collateral received should not be reported as an asset of the fiduciary account.

In the Fiduciary and Related Assets section (FS210 through FS291), you should include for each account in whatever line item is pertinent, the market value of common trust fund units, collective investment fund (CIF) units, and shares of proprietary mutual funds held by the account. **Proprietary mutual funds** are those funds where you, your affiliates, or your subsidiaries act as investment adviser to the fund. You **should not** report a **common** trust fund or a **collective** investment fund administered by you as a separate account in FS260/262. You should report each proprietary mutual fund as a separate account in FS260 and include its assets in FS262. When reporting a proprietary mutual fund in FS290, subtract from the value of the mutual fund as a whole, those shares held by fiduciary or custodial accounts that are already reported in the fiduciary and related section on FS210 through FS291. This will prevent duplicate reporting.

MANAGED ASSETS

Report the total market value of assets held in managed fiduciary accounts. An account should be categorized as managed if you have investment discretion over the assets of the account. Investment discretion is defined as the sole or shared authority to determine what securities or other assets to purchase or sell on behalf of the fiduciary account, even if that authority is not exercised. If you have delegated your investment authority to another institution, then you **both** have investment discretion for reporting purposes. You should report an account as either managed or nonmanaged based on your predominant responsibility.

Whether an account where investment discretion has been delegated to a registered investment adviser, whether affiliated or nonaffiliated, should be reported as a managed account depends on whether the delegation of investment authority to the registered investment adviser was made pursuant to the exercise of investment discretion. If so, the account is deemed to be a managed account. Otherwise, the account would be a non-managed account for purposes of Schedule FS.

NONMANAGED ASSETS

Report the total market value of assets held in nonmanaged fiduciary accounts. An account should be categorized as nonmanaged if you do not have investment discretion. Accounts should be categorized as nonmanaged where you are a fiduciary and provide a menu of investment options but the ultimate selection authority remains with the account holder or an external manager. For example, if you provide a choice of sweep vehicles or an array of mutual funds, you are not necessarily exercising investment discretion. Another example of a fiduciary nonmanaged account is where you serve as trustee for a 401(k) employee benefit plan and the plan participants make their own investment selections. Investment advisory agency accounts for which a savings association provides investment advice for a fee but where the ultimate investment decision rests with the customer should be reported as a nonmanaged account.

NUMBER OF MANAGED ACCOUNTS

Report the total number of managed fiduciary accounts.

NUMBER OF NONMANAGED ACCOUNTS

Report the total number of nonmanaged fiduciary accounts.

FS210 Through 213: Personal Trust and Agency Accounts

Report the market value and number of accounts for all testamentary trusts, revocable and irrevocable living trusts, and any other personal trusts and estates. Include accounts in which you serve as trustee, executor, administrator, guardian, or conservator. Do not include personal investment management accounts, these should be reported on FS260/262. Personal investment advisory accounts should be reported on FS261/263. Also, do not include Keogh Act plans, and other pension or profit sharing plans for self-employed individuals. These should be included in FS240 through FS243. Individual Retirement Accounts, Health Savings Accounts and other similar accounts should be included in FS234 through FS237 and in FS240 through FS243. Include accounts that only receive custody or safekeeping services in FS280 and FS281.

Retirement-related Trust and Agency Accounts:

FS220 Through FS223: Employee Benefit - Defined Contribution

Report the market value and number of accounts for all employee benefit, defined contribution accounts for which you serve as trustee or in another fiduciary capacity. Include 401(k) plans, 403(b) plans, profit-sharing plans, money purchase plans, target benefit plans, stock bonus plans, employee stock ownership plans, and thrift savings plans. Employee benefit accounts for which you serve as a directed trustee should be reported as non-managed. The number of accounts reported should reflect the total number of plans administered rather than the number of plan participants. Report employee benefit accounts for which you are a custodian in FS280 and FS281.

FS230 Through FS233: Employee Benefit - Defined Benefit

Report the market value and number of accounts for all employee benefit, defined benefit plans for which you serve as trustee or in another fiduciary capacity. The number of accounts reported should reflect the total number of plans administered rather than the number of plan participants. Report employee benefit accounts for which you are a custodian in FS280 and FS281.

FS240 Through FS243: Other Retirement Accounts

Report the market value and number of accounts for all other retirement related accounts in which you serve as trustee or in another fiduciary capacity. Include Keogh Act plans and other pension or profit-sharing plans for self-employed individuals. Also report the market value of assets and the number of accounts for employee welfare benefit trusts and agencies. Employee welfare benefit plans include plans, funds, or programs that provide medical, surgical, or hospital care benefits; benefits in the event of sickness, accident, disability, death, or unemployment; vacation benefits; apprenticeship or other training programs; day care centers; scholarship funds; or prepaid legal services. Individual Retirement Accounts, Health Savings Accounts, Medical Savings Accounts where you are the trustee should be reported on this line as well as on FS234 through 237. Report employee benefit accounts for which you are a custodian in FS280 and FS281 as well as on FS234 through FS236. The number of accounts reported should reflect the total number of plans or accounts administered rather than the number of plan participants.

FS250 Through FS253: Corporate Trust and Agency Accounts

Report the market value and number of all your corporate trust accounts. Report assets for which you have the responsibility to manage or administer in accordance with the corporate trust agreement. Include assets of unrepresented bonds or coupons relating to issues that have been called or matured. Do not include the entire market value of the associated securities or the outstanding principal of associated debt issues. Include accounts where you are the trustee for corporate securities, tax-exempt and other municipal securities, and other debt securities including unit investment trusts. Also, include accounts for which you are the dividend or interest paying agent or any other type of corporate trustee or agent.

FS260 Through FS263: Investment Management and Investment Advisory Agency Accounts

Report the market value and number of accounts for all investment management and investment advisory accounts that are administered within the fiduciary area. Investment management accounts are those accounts for which you have investment discretion although title to the assets remains with the client. Investment advisory accounts are those agency accounts that you provide investment advice for a fee, but for which some other person is responsible for investment decisions. Investment management accounts should be reported as managed. Investment advisory agency accounts should be reported as non-managed. Investment management and advisory accounts maintained for foundations and endowments should be reported in FS264 through FS267. Include accounts for which you serve as a sub-advisor. Include those mutual funds that you advise in a separately identifiable department or division or by an operating subsidiary. The different investment classes of a single mutual fund should be combined and reported as a single account.

FS 264 Through FS267: Foundations and Endowments

Report the market value and number of accounts for all foundations and endowments (whether established by individuals, families, corporations, or other entities) that file Form 990, regardless of which version, for which you serve as trustee or agent. Also report those foundations and endowments that do not file Form 990, 990EZ, or 990PF solely because the organization's gross receipts or total assets fall below reporting thresholds, but would otherwise be required to file. Foundations and endowments established by churches, which are exempt from filing Form 990, should also be reported in this item. Employee benefit accounts maintained for a foundation's or endowment's employees should be reported

in the Retirement-related Trust and Agency Accounts section. Accounts that are solely custodial or safekeeping should be reported in FS280 and FS281.

FS270 Through FS273: Other Fiduciary Accounts

Report the market value and number of accounts for all other fiduciary accounts not reported in FS210 through FS267. Report custody and safekeeping accounts in FS280 and FS281.

FS20 THROUGH FS23: TOTAL FIDUCIARY ACCOUNTS

The EFS software will compute these lines as the sums of their respective columns, from FS210, FS211, FS212, and FS213 through FS270, FS271, FS272, and FS273.

FS280 and FS281: Custody and Safekeeping Accounts

Report the market value and the number of accounts for all individual and institutional custody and safekeeping accounts administered by you. Safekeeping and custody accounts are a type of account for which you perform custody or safekeeping services. In these accounts, you do not act in a fiduciary capacity, such as trustee, and you do not provide investment advice for a fee or have investment discretion. Safekeeping and custodial services may include holding assets, processing income and redemptions, recordkeeping, or customer reporting. For employee benefit custody or safekeeping accounts, the number of accounts you report should reflect the total number of plans administered rather than the number of plan participants. Include accounts in which you serve as a sub-custodian for another institution. For example, where you contract with another institution for custody services, both of you should report the accounts. **Do not** include accounts for which you provide document custodial services for Ginnie Mae, Fannie Mae, or other mortgage-backed securities. Also, **do not** include accounts for which you provide services to land trusts.

Individual Retirement Accounts, Health Savings Accounts, Medical Savings Accounts where you serve as custodian should be reported on this line as well as on FS234 through FS237. Exclude, IRAs, HSAs, and other similar accounts not offered through your trust department or fiduciary business unit.

Accounts in which you serve as trustee or in an agency capacity in addition to being custodian should be reported in the category of the primary relationship. For example, personal trust accounts in which you serve as trustee and custodian should be reported as personal trust accounts and not as custodian accounts. Include custody and safekeeping accounts that are administered by your trust department or other identifiable business unit area that focuses on offering custodial services to individual or institutional fiduciary clients. Do not include those custodial, escrow, and safekeeping activities that are related to commercial bank services such as hold in custody repurchase assets, securities safekeeping services for correspondent banks, escrow assets held for the benefit of third parties, safety deposit box assets or any other similar commercial arrangement.

FS234 Through 237: IRAs, HSAs, and Similar Accounts

Report the market value and number of Individual Retirement Accounts, Health Savings Accounts, and other similar accounts, included in FS240 through FS243 or FS280 and FS281. Other similar accounts include Roth IRAs, Coverdell Education Savings Accounts, and Archer Medical Savings Accounts. Exclude accounts not offered through your trust department or fiduciary business unit.

FS290 and FS291: Assets Included Above, Excluded for Purposes of the OTS Assessment Complexity Component

OTS imposes semiannual assessments on savings associations based on three components: the thrift's size, its condition, and the complexity of its portfolio. For savings associations that have trust powers, a complexity component is assessed for those associations that administer over \$1 billion in trust assets.

This complexity component, broken into three different categories, is calculated by utilizing different line items of this schedule. There are situations where OTS requires savings associations to report certain assets on a line item in Schedule FS that will not be included for assessment purposes. Therefore, the purpose of FS290 and FS291 is to exclude certain assets for OTS assessment purposes.

Report on FS290 those assets of proprietary mutual funds that are reported as a separate account in lines FS260 through FS263. Do not include in FS290 those shares of the proprietary mutual fund held by fiduciary or custodial accounts that are reported in other sections of Schedule FS.

Also, include in FS290 and FS291, any amounts you have included in FS234 through FS237. Since these assets are already included in FS240 through FS243 or FS280 and FS281 as well as FS234 through FS237, they should be excluded for purposes of assessment so as to avoid duplicate assessment.

FIDUCIARY AND RELATED SERVICES INCOME (CALENDAR YEAR-TO-DATE)

Report fiduciary and related services income and expense for the calendar year-to-date. The following income categories correspond to the asset categories described in FS210 through FS237. Report income and expense on an accrual basis. You may report both income and expense on a cash basis **only** if the results would not materially differ from those obtained using an accrual basis. For report dates through December 31, 2008, the information reported in Schedule FS on fiduciary and related services income (except total gross fiduciary and related services income) will not be made available to the public on an individual basis. Beginning with the March 31, 2009 report date, all of the information reported in Schedule FS will be publicly available.

FS310: PERSONAL TRUST AND AGENCY ACCOUNTS

Report gross income generated from the services provided to personal trust and agency accounts reported on FS210 through FS213.

RETIREMENT RELATED TRUST AND AGENCY ACCOUNTS:

FS320: Employee Benefit – Defined Contribution

Report gross income generated from the services provided to defined contribution, employee benefit trust and agency accounts reported on FS220 through FS223.

FS330: Employee Benefit – Defined Benefit

Report gross income generated from the services provided to defined benefit, employee benefit trust and agency accounts reported on FS230 through FS233.

FS340: Other Retirement Accounts

Report gross income generated from the services provided to other retirement accounts reported on FS240 through FS243.

FS350: CORPORATE TRUST AND AGENCY ACCOUNTS

Report gross income generated from the services provided to corporate trust and agency accounts reported on FS250 through FS253.

FS360: INVESTMENT MANAGEMENT AND INVESTMENT ADVISORY AGENCY ACCOUNTS

Report gross income generated from the services provided to investment management and investment advisory agency accounts reported on FS260 through FS263. Include income received from investment advisory activities when the assets are not held by the institution.

FS365: FOUNDATIONS AND ENDOWMENTS

Report gross income generated from the services provided to foundation and endowment accounts reported on FS264 through FS267.

FS370: OTHER FIDUCIARY ACCOUNTS

Report gross income generated from services provided to other fiduciary accounts reported on FS270 through FS273.

FS380: CUSTODY AND SAFEKEEPING ACCOUNTS

Report gross income generated from services provided to custody and safekeeping accounts reported on FS280 and FS281.

FS390: OTHER FIDUCIARY AND RELATED SERVICES INCOME

Report all other gross fiduciary and related services income that cannot properly be reported on FS310 through FS380. Include income received from others, including affiliates, for fiduciary and related services provided by you. Income received from investment advisory services in which the account assets are held in a custody or safekeeping account at the reporting institution should be reported in FS380. Also, include net income generated from securities lending activities, after deduction of broker rebates and income paid to lending accounts. Include income from providing services for land trusts and mortgage-backed securities if you have these activities in addition to other trust and fiduciary activities. Do not include allocations of income to the trust department from other areas of your savings association, such as credits for fiduciary cash held as a deposit on your commercial side.

FS30: TOTAL GROSS FIDUCIARY AND RELATED SERVICES INCOME

The EFS software will compute this line as the sum of FS310 through FS390.

FS391: LESS: EXPENSES

Report total direct and indirect expenses attributable to the fiduciary and related services reported in this schedule.

Direct expenses are immediately identifiable as costs for and directly chargeable to the trust department or fiduciary business unit. These expenses include: salaries, bonuses, hourly wages, overtime pay, employee benefits, and incentive pay associated with officers and employees of, or associated with, the fiduciary and related services reported in this schedule. If only a portion of their time is allocated to reportable activities, report that proportional share of their salaries and employee benefits. For trust only

institutions, include expenses directly chargeable to the fiduciary and related services reported in this schedule such as those associated with occupancy, i.e. maintenance, service and repairs, telephones and utilities, insurance coverage, real estate or property taxes, depreciation/amortization, lease/rental payments for premises and equipment, and any leasehold improvements. Also include fees paid directly for external or internal audits of the fiduciary and related services, trust examination fees, employee training, fees directly paid for outside legal counsel and/or consultants, and expenses paid directly for advertising and business development activities.

Indirect expenses are those expenses charged to the fiduciary and related services activity from other departments of the institution. The expenses are generally reflected in your retail accounting system and include any allocation for the proportionate share of corporate expenses that you do not directly charge to a particular department or function. If your internal accounting system is unable to provide the information, you may use a reasonable alternate method to estimate indirect costs. Indirect expenses include: the proportionate share of data processing expenses; building rent or depreciation; utilities; real estate taxes; insurance; in-house and/or outside legal counsel; business development activities; charitable contributions; corporate overhead, such as allocated expenses for corporate planning and/or financial staff; board of director/committee fees; temporary personnel and professionals; travel; entertainment; stationary and postage; and automobile expenses. You must keep your reporting methods for indirect expenses consistent from period to period.

Do not include settlements, surcharges, and other losses reported in FS710 through FS742.

FS392 LESS: NET LOSSES FROM FIDUCIARY AND RELATED SERVICES

Report net losses resulting from fiduciary and related services. Net losses are gross losses less recoveries. Gross losses may result from settlements, surcharges, errors from trade processing, miscalculation of fees or taxes, pricing discrepancies and other losses that are realized in the reporting period attributable to the fiduciary and related services. Recoveries should include those that are attributable to prior and current period losses. FS392 must equal the sum of gross managed and nonmanaged account losses minus recoveries (FS 70 + FS 71 - FS 72) reported in the Memoranda section of the FS Schedule.

FS393 PLUS: INTRACOMPANY INCOME CREDITS FOR FIDUCIARY AND RELATED SERVICES

If applicable, report credits from other areas of your association for activities reportable in this schedule. Include any intracompany income credit made available to the fiduciary area for fiduciary account holdings of own-bank deposits. Also, include credits for other intracompany services and transactions.

FS35 NET FIDUCIARY AND RELATED SERVICES INCOME

The EFS software will compute this line as the sum of FS30 less FS391 and FS392 plus FS393.

MEMORANDA

MANAGED ASSETS HELD IN FIDUCIARY ACCOUNTS

Column A, Personal Trust and Agency and Investment Management Agency Accounts

Report the market value of managed assets held in personal trust and agency accounts (as defined for FS210/212) and investment management agency accounts (as defined for FS260/262 in accordance with how the account is invested. Do not include investment advisory agency accounts (as defined for FS261/263).

Column B, Employee Benefit and Retirement Related Accounts

Report the market value of managed assets held in employee benefit and retirement related trust and agency accounts (as defined for FS220/FS222, FS230/232, and FS240/242)

Column C, All Other Accounts

Report the market value of managed assets held in corporate trust and agency accounts (as defined for FS250/252), foundations and endowments (as defined for FS264/266), and other fiduciary accounts (as defined for FS270/272).

For units in common trust funds and collective investment funds that are held by a managed fiduciary account, report the market value of the units in this section. Do not allocate the underlying assets of each common trust fund or collective investment fund attributable to managed accounts in the other lines of this section. Please note that line items FS463 through FS465 should be used to report investments in common trust funds and collective investment funds. Report securities held in fiduciary accounts that are loaned in securities lending transactions, accounted for as secured borrowings, as an asset of the fiduciary account that loaned the securities. Do not report the collateral received as an asset of this fiduciary account.

FS410 Through FS412: Non-interest-bearing Deposits

Report all non-interest-bearing deposits, including deposits of both principal and income cash.

FS415 Through FS417: Interest-bearing Deposits

Report interest-bearing savings and time deposits. Include NOW accounts, MMDA accounts, BICs (bank investment contracts) that are insured by the FDIC, and certificates of deposit. Report interest-bearing deposits of both principal and income cash.

FS420 Through FS422: U.S. Treasury and U.S. Government Agency Obligations

Report all securities issued by and loans to the U.S. Government and agencies and sponsored enterprises of the U.S. Include certificates or other obligations that represent pass-through participations in pools of real estate loans when the participation instruments: (1) are issued by FHA-approved mortgagees and guaranteed by Ginnie Mae, or (2) are issued, insured, or guaranteed by a U.S. Government agency or sponsored enterprise, such as Freddie Mac. Also include CMOs and REMICs issued by Fannie Mae and Freddie Mac.

FS425 Through FS427: State, County and Municipal Obligations

Report all short and long-term obligations of state and local governments and political subdivisions of the United States. Include obligations of U.S. territories and their political subdivisions and all Federal income tax exempt obligations of authorities such as local housing and industrial development authorities that derive their tax-exempt status from relationships with state or local governments. Tax-exempt money market mutual funds should be reported with money market mutual funds on FS428 through 430.

FS428 Through FS430: Money Market Mutual Funds

Report all holdings of mutual funds registered under the Investment Company Act of 1940 that attempt to maintain net asset values at \$1.00 per share or that meet the SEC's requirements at 17 C.F.R. § 270.2a-

7. Include both taxable and tax-exempt money market mutual funds. Do not include any short-term common or collective investment funds.

FS431 Through FS433: Equity Mutual Funds

Report all holdings of mutual funds registered under the Investment Company Act of 1940, exchange traded funds (ETFs), and unit investment trusts (UITs) that invest primarily in equity securities. For this item you should categorize these investments either on the basis of the fund's investment objective as stated in the fund prospectus or the fund classification of a company that tracks information on these funds, such as Morningstar, Lipper, etc. Your methodology for categorizing mutual fund, UIT, and ETF investments should be consistently applied.

FS437 Through FS439: Other Mutual Funds

Report all holdings of all other mutual funds registered under the Investment Company Act of 1940, ETFs and UITs. For this item you should categorize these investments either on the basis of the fund's investment objective as stated in the fund prospectus or the fund classification of a company that tracks information on these funds, such as Morningstar, Lipper, etc. Your methodology for categorizing mutual fund, UIT, and ETF investments should be consistently applied.

FS463 Through FS465: Common Trust Funds and Collective Investment Funds

Report all holdings of all common trust funds and collective investment funds. Common trust funds and collective investment funds are funds that banks are authorized to administer by Section 9.18 of the Office of the Comptroller of the Currency's regulations or comparable state regulations.

FS434 Through FS436: Other Short-Term Obligations

Report all other short-term obligations. Short-term obligations are defined as obligations with original maturities of less than 1 year, or 13 months in the case of the time portion of master notes. In addition to short-term notes, include in this item such money market instruments as master note arrangements, commercial paper, bankers' acceptances, securities repurchase agreements, and other short-term liquidity investments. Do not include any state, county or municipal obligations.

FS440 Through FS442: Other Notes and Bonds

Report all other bonds, notes other than personal notes, and debentures.

Include:

1. Corporate debt, insurance annuity contracts, GICs and BICs that are not insured by the FDIC, and obligations of foreign governments.
2. Certificates or other obligations, however named, representing pass-through participation in pools of real estate loans when the participation instruments are issued by financial institutions and guaranteed in whole or in part by private guarantors.
3. CMOs and REMICs that are **not** issued by Fannie Mae or Freddie Mac, even if the collateral consists of Ginnie Mae or Fannie Mae pass-throughs or Freddie Mac PCs.

Do not include:

1. Short-term obligations that should be reported on FS435.
2. Personal notes.

FS466 Through FS468: Investment in Unregistered Funds and Private Equity Investments

Report all holdings of funds exempt from registration under Sections 3c1 or 3c7 of the Investment Company Act of 1940, for example, "hedge funds". Report all holdings of private equity investments exempt from registration under Securities Act of 1933 Regulation D. Private equity investments is an asset class consisting of purchased equity securities in operating companies that are not publicly traded on a stock exchange or otherwise registered with the SEC under federal securities laws. Private equity-related funds are funds that invest primarily in private equity investments. Unregistered private equity funds should be reported in this item.

Investments in family businesses that are associated with the grantors or beneficiaries of a fiduciary account should not be reported in this Memorandum item as a "private equity investment". Such investments may arise, for example, from an in-kind transfer to a fiduciary account of securities of a closely-held family business or an increase in a fiduciary account's percentage ownership of an existing closely-held family business whose securities are held in the account. Such investments should be reported in FS460 through FS462.

FS445 Through FS447: Other Common and Preferred Stocks

Report all holdings of domestic and foreign common and preferred equities, including warrants and options. Exclude investments in unregistered funds and private equity investments (which should be reported in FS466 through FS468).

FS450 Through FS452: Real Estate Mortgages

Report real estate mortgages, real estate contracts, land trust certificates, and ground rents. These assets may be reported at their unpaid balance if that figure is a fair approximation of market value.

FS455 Through FS457: Real Estate

Report real estate and other similar assets.

Include:

1. Mineral interests.
2. Royalty interests.
3. Leaseholds.
4. Land and buildings associated with farm management accounts.
5. Investments in limited partnerships that are solely or primarily invested in real estate.

FS460 Through FS462: Miscellaneous Assets

Report personal notes, tangible personal property, and other miscellaneous assets that cannot be properly reported on FS410 through FS457. Include crops, equipment, and livestock associated with farm management accounts. Also, include investments in closely-held family businesses if such investments represent in-kind transfers to a fiduciary account of securities in a closely-held family business or an increase in a fiduciary account's percentage ownership of an existing closely-held family business whose securities are held in the account.

FS40 Through FS442: Total Managed Assets

The EFS software will compute these lines as the sums of their respective columns, from FS410, FS411, and FS412 through FS460, FS461, and FS462

INVESTMENTS OF MANAGED FIDUCIARY ACCOUNTS IN ADVISED OR SPONSORED MUTUAL FUNDS**FS495: Market Value of Accounts Invested in Advised/Sponsored Mutual Funds**

Report the market value of all fiduciary managed assets invested in mutual funds that you, a subsidiary or affiliate sponsors or acts as investment adviser.

FS496: Number of Accounts Invested in Advised/Sponsored Mutual Funds

Report the number of fiduciary managed accounts with assets invested in advised or sponsored mutual funds.

CORPORATE TRUST AND AGENCY ACCOUNTS:**FS510 and FS515: Corporate and Municipal Trusteeships**

Report in FS510 the total number of corporate and municipal issues, including equities, such as trust preferred securities, or asset-backed securities, for which you serve as trustee. Also, report other debt issues such as unit investment trusts and private placement leases, for which you serve as trustee. If more than one institution is trustee for an issue, both institutions should report the issue. Consider securities with different CUSIP numbers as separate issues; however, consider serial bond issues as a single issue. When you serve as trustee of a bond issue and you also perform agency functions for the issue such as transfer agent or paying agent, you should report the issue only in FS510, as the trustee appointment is considered the primary function. Do not include issues that have been called in their entirety or matured even if they are unrepresented bonds or coupons for which funds are being held.

Report on FS515 the unpaid principal balance of the outstanding securities for the issues reported on FS510. For zero-coupon bonds, report the final maturity amount. For trust preferred securities, report the redemption price. Do not include assets, such as cash, deposits, and investments, that are being held for corporate trust purposes; report these on FS250 or FS251.

FS516 and FS517:

Report in FS516 the total number and in FS517 the unpaid principal balance (redemption price for trust preferred securities) of the issues reported in FS510 that are in substantive default. A substantive default occurs when the issuer (a) fails to make a required payment of principal or interest, defaults on a required payment into a sinking fund, files for bankruptcy, or is declared bankrupt or insolvent, and (b) default has been declared by the trustee. Issues should not be reported as being in substantive default during a cure period, provided the indenture for the issue provides for a cure period. Private placement leases where the trustee is required to delay or waive the declaration of an event of default, unless requested in writing to make such declaration, should not be reported as being in substantive default, provided such written request has not been made. Once a trustee's duties with respect to an issue in substantive default have been completed, the issue should no longer be reported as being in default.

Do not report issues that are in technical default, i.e., if the obligor failed to provide information or documentation to the trustee within specified time period.

FS520: Transfer Agent, Registrar, Paying Agent, and Other Corporate Agency

Report the total number of issues for which you act in a corporate agency capacity. Include the total number of equity, debt, and mutual fund issues for which you act as transfer agent or registrar regardless of whether the transfer agent is registered with its appropriate regulatory agency. Separate classes of a mutual fund should be consolidated and reflected as a single issue. Include the total number of stock or bond issues for which you disburse dividend or interest payments. Also include the total number of issues of any other corporate appointments that are performed by you through your fiduciary capacity. Issues where you serve in a dual capacity should be reported once. Corporate and municipal trusteeships reported in FS510, in which you also serve as transfer agent, registrar, paying agent, or other corporate agency capacity should not be included in FS520. Include only those agency appointments that do not relate to issues reported in FS510.

COLLECTIVE INVESTMENT FUNDS AND COMMON TRUST FUNDS:

Report in the appropriate subitem the number of funds and the market value of the assets held in Collective Investment Funds (CIFs) and Common Trust Funds administered by you. Common trust funds and collective investment funds are funds that banks are permitted to administer by Section 9.18 of the Office of the Comptroller of the Currency's regulations or comparable state regulations. If you administer a common or collective fund that is used more than one institution, the entire fund should be reported in this section only by the institution that administers the fund. Do not include proprietary mutual funds in this section. Each common or collective investment fund should be reported in the one subitem that best fits the fund type.

FS610 and FS615: Domestic Equity

Report funds investing primarily in U.S. equities.

Include:

1. Funds seeking growth, income, or both growth and income.
2. U.S. index funds and those concentrating on small, mid, or large cap domestic stocks.

Do not include funds specializing in a particular sector, such as technology, health care, financial institutions, or real estate. Sector funds should be reported on FS670 and FS675.

FS620 and FS625: International/Global Equity

Report funds investing exclusively in equities of issuers located outside the U.S. and those funds representing a combination of U.S. and foreign issuers. Include funds that specialize in a particular country, region, or emerging market.

FS630 and FS635: Stock/Bond Blend

Report funds investing in a combination of equity and bond investments. Include funds with a fixed allocation along with those having the flexibility to shift assets between stocks, bonds, and cash.

FS640 and FS645: Taxable Bond

Report funds investing in taxable debt securities.

Include funds that specialize in:

1. U.S. Treasury and U.S. Government agency debt.
2. Investment grade corporate bonds.

3. High-yield debt securities.
4. Mortgage-related securities.
5. Global, international, and emerging market debt funds.

Do not include funds that invest in:

1. Municipal bonds; report these on FS650 and FS655.
2. Funds that qualify as short-term investments that should be reported on FS660 and FS665.

FS650 and FS655: Municipal Bond

Report funds investing in debt securities issued by states and political subdivisions in the U.S. Such securities may be taxable or tax-exempt. Include funds that invest in municipal debt issues from a single state. Do not include funds that qualify as short-term investments that should be reported on FS660 and FS665.

FS660 and FS665: Short Term Investments/Money Market

Report funds subject to the provisions of 12 C.F.R. 9.18(b)(4)(ii)(B) or comparable state regulations that invest in short-term money market instruments. Money market instruments may include U.S. Treasury bills, commercial paper, bankers' acceptances, and repurchase agreements. Include taxable and nontaxable funds.

FS670 and FS675: Specialty/Other

Report funds that specialize in equity securities of particular sectors, such as technology, health care, financial, or real estate. Also report funds that do not fit into any of the above categories.

FS60 AND FS65: TOTAL COLLECTIVE INVESTMENT FUNDS

The EFS software will compute these lines as the sum of FS610 through FS670 and the sum of FS615 through FS675.

**FIDUCIARY SETTLEMENTS, SURCHARGES, AND OTHER LOSSES
(CALENDAR YEAR-TO-DATE)**

Report for the calendar year-to-date all aggregate gross settlements, surcharges, and other losses arising from errors, misfeasance, or malfeasance on managed accounts on FS710 through FS740 and on nonmanaged accounts, including custody and safekeeping accounts on FS711 through FS741. Gross losses should reflect losses recognized on an accrual basis before recoveries or insurance payments. Do not include fiduciary related contingent losses, including those for pending or threatened litigation.

Report recoveries on FS712 through FS742. Recoveries may be for current or prior years' losses and should be reported when payment is actually realized, not upon the filing of an insurance claim.

For report dates through December 31, 2008, the information reported on fiduciary settlements, surcharges, and other losses will not be made available to the public on an individual institution basis. Beginning with the March 31, 2009 report date, all of the information reported in Schedule FS for each savings association will be publicly available.

FS710 through FS712: Personal Trust and Agency Accounts

Report gross losses and recoveries for managed and nonmanaged personal trust and agency accounts.

FS720 through FS722: Retirement Related Employee Benefit Accounts

Report gross losses and recoveries for managed and nonmanaged retirement related employee benefit accounts. Include gross losses and recoveries for all defined contribution, defined benefit, and other retirement accounts.

FS730 through FS732: Investment Management and Investment Advisory Agency Accounts

Report gross losses and recoveries for investment management and investment advisory agency accounts.

FS740 through FS742: Other Fiduciary Accounts and Related Services

Report gross losses and recoveries for all other fiduciary accounts and related services that are not included in FS710 through FS732. Include losses and recoveries from corporate trust and agency accounts, foundations and endowments, other fiduciary accounts, custody and safekeeping accounts, and other fiduciary related service accounts.

FS70 THROUGH FS72: TOTAL FIDUCIARY SETTLEMENTS, SURCHARGES, AND OTHER LOSSES

The EFS software will compute these lines as the sum of FS710 through FS740, FS711 through FS741, and FS712 through FS742. The sum of FS70 and FS71 minus FS72 must equal FS392.

SCHEDULE CCR — CONSOLIDATED CAPITAL REQUIREMENT

Throughout these instructions, **you** and **your** refers to the reporting savings association and its consolidated subsidiaries; **we** and **our** refers to the Office of Thrift Supervision.

GENERAL INSTRUCTIONS

OTS-regulated savings associations must comply with two overlapping sets of regulatory capital standards listed below:

12 CFR § 567, Capital (FIRREA)

1. Tangible capital: The minimum ratio, as a percent of tangible assets, is 1.5 percent.
2. Core or leverage capital: The minimum ratio, as a percent of adjusted total assets, is 3 percent for savings associations assigned a composite CAMELS rating of "1", and 4 percent for all other savings associations.
3. Risk-based capital: The minimum ratio, as a percent of risk-weighted assets, is 8 percent.

12 CFR § 565, Prompt Corrective Action (FDICIA)

4. Tangible equity: Savings associations with tangible equity equal to or less than 2 percent of tangible assets are critically undercapitalized.
5. Tier 1 or leverage capital: Savings associations are adequately capitalized or well capitalized if the minimum ratios, as a percent of adjusted total assets, are 4 percent or 5 percent, respectively.

Note: § 567 contains an exception to these standards.

6. Tier 1 risk-based capital: Savings associations are adequately capitalized or well capitalized if the minimum ratios, as a percent of risk-weighted assets, are 4 percent or 6 percent, respectively.

Total risk-based capital: Savings associations are adequately capitalized or well capitalized if the minimum ratios, as a percent of risk-weighted assets, are 8 percent or 10 percent, respectively.

Note: The following paragraph refers to numbers 1 through 7 above.

Schedule CCR - Consolidated Capital Requirement uses the following conventions:

- Tangible capital (FIRREA) [See 1 above.]
Schedule CCR does not include this measure because the minimum ratio is no longer considered a meaningful limitation for most savings associations.
- Tangible equity (FDICIA) [See 4 above.]
CCR840 reports the calculated tangible equity ratio.
- Core or leverage capital (FIRREA) [See 2 above.] and Tier 1 or leverage capital (FDICIA) [See 5 above.]
Schedule CCR treats these two measurements as one and refers to them as Tier 1 (core) capital. CCR810 reports the actual ratio. An adequately capitalized savings association must have a minimum Tier 1(core) capital ratio of 4 percent. CCR20 reports the calculated amount.
- Tier 1 risk-based capital (FDICIA) [See 6 above.]
CR830 reports the calculated ratio.
- Risk-based capital (FIRREA) [See 3 above.] and total risk-based capital (FDICIA) [See 7 above.]
Schedule CCR treats these two measurements as one and refers to them as total risk-based capital. CCR820 reports the calculated ratio. An adequately capitalized savings association must have a minimum total risk-based capital ratio of 8 percent. CCR39 reports the calculated amount.

Generally, report all data on a consolidated basis with all subsidiaries that you would consolidate under GAAP, except as noted in these instructions.

Where OTS exercises its Reservation of Authority under 12 CFR Section 567.11, and requires a savings association to apply another risk weight, credit equivalent amount, or credit conversion factor that OTS deems appropriate for the risk of a particular asset or off-balance sheet item, the savings association should report these assets, regardless of asset type, on CCR 506 according to the newly assigned risk weight. See instructions for CCR 506. For savings associations subject to an Individual Minimum Capital Requirement (IMCR) imposed pursuant to 12 CFR Section 567.3 that changes the Tier 1 (Core) or Total Risk-Based capital requirement on CCR 27 and CCR 80, respectively, you must over-ride the calculated amount, and self-report the supervisory capital requirement on those lines.

Subsidiary: The term subsidiary means any corporation, partnership, business trust, joint venture, association, or similar organization where you, directly or indirectly, hold an ownership interest and consolidate the assets with yours for purposes of reporting under GAAP. Generally these are majority-owned subsidiaries.

This definition does not include ownership interests taken in satisfaction of debts previously contracted, provided you have not held the interest for more than five years, or a longer period if approved by OTS.

Generally, treat investments in entities not constituting subsidiaries under this definition as equity investments for capital purposes.

The following shows the regulatory capital treatment of debt and equity investments in subsidiaries and other subordinated organizations:

- Consolidate includable subsidiaries in accordance with GAAP.
- Deduct debt and equity investments in nonincludable subsidiaries in full (100 percent) from assets and capital. All previously applicable transition provisions have expired.
- Deduct nonincludable equity investments in subordinate organizations constituting subsidiaries in full (100 percent) in computing total capital for the total risk-based capital standard.

Nonincludable subsidiaries: Generally include subsidiaries engaged as principal in activities not permissible for a national bank. The instructions for CCR105 define nonincludable subsidiaries.

Note: Do not consolidate subsidiaries with investments fully covered by the FDIC. Include all FDIC-covered assets in the zero percent risk-weight category, and report them on CCR409, Notes and Obligations of FDIC, Including Covered Assets.

These instructions deal with investments in **mutual funds** and certain asset pools based on the characteristics of the assets in the fund. Where the mutual fund holds various assets that have different risk weights under the capital requirement, risk weight the entire ownership interest in the mutual fund based on the category of the asset with the highest capital requirement – highest risk weight or subject to deduction. On a case-by-case basis, OTS may allow you to assign the portfolio proportionately to the various risk-weight categories based on the proportion of the risk-weight categories represented in the mutual fund. See 12 CFR § 567.6(a)(1)(vi)(C).

Lower-tier subsidiary: Subsidiaries where you do not directly hold an ownership interest. Rather, your service corporation or operating subsidiary directly or indirectly holds the ownership interest.

TIER 1 (CORE) CAPITAL REQUIREMENT

CALCULATION OF CORE (TIER 1) CAPITAL

CCR100: Total Savings Association Equity Capital (SC80)

The EFS software generates this line from SC80, Total Savings Association Equity Capital.

Explanatory Note:

Schedule CCR adjusts Total Savings Association Equity Capital, CCR100 in calculating Tier 1 (core) capital according to the OTS capital rule. For example, the OTS capital rule does not include cumulative perpetual preferred stock in Tier 1 (core) capital. Furthermore, the OTS capital rule requires you to deduct debt and equity investments in nonincludable subsidiaries and certain other assets from total assets and equity capital in computing Tier 1 (core) capital. In addition, OTS's capital rule reverses the adjustment to GAAP equity for unrealized gains and losses on available-for-sale (AFS) debt securities included in SC860 in computing Tier 1 (core) capital. However, you report marketable **equity** securities at the lower of cost or market for Tier 1 (core) capital purposes.

Deduct:

CCR105: Investments in, Advances to, and Noncontrolling Interests in Nonincludable Subsidiaries

Reduce Tier 1 (core) capital by your investment in, advances to, guaranteed obligations of, and noncontrolling interests in certain nonincludable subsidiaries. The general instructions to Schedule CCR define subsidiary.

In consolidation, you eliminate the investment and intercompany loan accounts of subsidiaries, and you establish the noncontrolling interests in subsidiaries on Schedule SC. Therefore, you must obtain the amount of the investment and advances from your books before consolidation (as well as the noncontrolling interests after consolidation). Calculate the investment using the equity method as prescribed by GAAP plus any loans, advances, guaranteed obligations, or other extensions of credit, whether secured or unsecured. Use negative investments to offset loans, guaranteed obligations, or advances to the same subsidiary, but do not reduce this line below zero. If you have a nonincludable subsidiary and the result on this line rounds to zero or is a negative amount, report a one to indicate that you have reported your nonincludable subsidiary.

Note: Report investments in subsidiaries and equity investments where the FDIC fully covers the investments on CCR409, zero percent risk weight: FDIC Covered Assets. This rule applies to your investment regardless of the business activity of such entity.

Nonincludable Subsidiaries

Section 5(f) of HOLA [12 USC 1464(t)(5)(A)] defines nonincludable subsidiaries as subsidiaries of a savings association that engage in activities impermissible for a national bank with the following exceptions:

1. Subsidiaries only engaged in impermissible activities as an agent for its customers where the subsidiary has no risk of loss.
2. Subsidiaries engaged solely in mortgage banking activities.
3. Insured depository institutions acquired as subsidiaries before May 1, 1989.
4. Subsidiaries of federal savings associations that existed on August 8, 1989, and were chartered before October 15, 1982, as a savings bank or cooperative bank under state law.
5. Subsidiaries of federal savings associations that existed on August 8, 1989, that acquired their principal assets from a savings association chartered before October 15, 1982, as a savings bank or cooperative bank under state law.

Generally, a subsidiary of a savings association is nonincludable if any of its unconsolidated assets are impermissible for a national bank. If any **lower-tier subsidiary** engages in impermissible activities or invests in an entity that engages in impermissible activities, but the first-tier subsidiary owned by the parent savings association does not directly engage in impermissible activities, the first-tier subsidiary is an **includable** subsidiary. Deduct only subsidiary's investment in the nonincludable lower-tier subsidiary in computing the capital of the upper-tier subsidiary on an unconsolidated basis and in computing your consolidated capital. Deduct from total capital, equity investments of subsidiaries in lower-tier subordinate organizations that are not considered subsidiaries, if those equity investments are not permissible for national banks.

Fully deduct all nonincludable subsidiaries from capital.

You should report investments in and advances to nonincludable subsidiaries net of all general valuation allowances, specific valuation allowances, and charge-offs, as they have already reduced equity capital.

CCR115: Goodwill and Certain Other Intangible Assets

For some savings associations, this line may equal SC660. However, you may manually override this amount in certain cases. For purposes of regulatory capital only, you may elect to:

- Reduce the amount Goodwill by any associated deferred tax liability.
- Reduce Core Deposit Intangible Assets (CDIs) and Certain Other Intangible Assets acquired in a nontaxable business combination by any associated deferred tax liabilities.
- You do not reduce the amount of Purchase Credit Card Relationships (PCCRs) by any associated deferred tax liability.

Report this as a positive amount. The EFS software will deduct this line from equity capital in calculating Tier 1 (core) capital.

Include:

1. Goodwill.
2. Core deposit intangible assets (CDIs).
3. Purchased credit card relationships (PCCRs).

Do not include:

1. Servicing assets.
2. Certain nonsecurity financial instruments reported on SC665.
3. Net deferred tax assets.
4. Computer software (purchased and internally-developed).
5. Intangible pension assets.

CCR133: Disallowed Servicing Assets, Disallowed Deferred Tax Assets, Disallowed Residual Interests, and Other Disallowed Assets

Report this as a positive amount. The EFS software will deduct this line from equity capital in calculating Tier 1 (core) capital.

Disallowed Servicing Assets

You may include servicing assets reported on SC642 and SC644 in regulatory capital, subject to **both** of the following limitations:

1. For mortgage and nonmortgage servicing assets, and PCCRs, combined — include in capital the lesser of:
 - a. 100 percent of Tier 1 (core) capital.
 - b. 90 percent of fair value.
 - c. 100 percent of reported amount.
2. For nonmortgage servicing assets and PCCRs, as a separate sub-limit — include in capital the lesser of the following:
 - a. 25 percent of Tier 1 (core) capital.
 - b. 90 percent of fair value.
 - c. 100 percent of reported amount.

Accordingly, on CCR133, include the amount of servicing assets reported on SC642 and SC644 (that are not in a nonincludable subsidiary) and PCCRs included on SC660 that exceed the above limitations.

For purposes of the 25 percent and 100 percent of Tier 1 (core) capital limitations above, base the deduction on a Tier 1 (core) capital subtotal before the deduction. In addition, in computing the deduction for the 25 percent and 100 percent limitations, you may reduce the amount of servicing assets by any corresponding deferred tax liability.

Disallowed Deferred Tax Assets

If regulatory capital includes disallowed deferred tax assets, include the amount of the disallowed deferred tax assets on this line. To the extent that realizing deferred tax assets depends on your future taxable income (exclusive of reversing temporary differences and carryforwards), or your tax planning strategies, such deferred tax assets are limited for regulatory capital purposes to the lesser of the following:

1. The amount that you can realize within one year.
2. 10 percent of Tier 1 (core) capital.

Accordingly, disallowed deferred tax assets is that amount includable in assets under GAAP, but **not** includable in regulatory capital pursuant to OTS policy. The deferred tax asset subject to the limitation is the net deferred tax asset or liability included on Schedule SC, adjusted for the deferred tax asset or liability added to or subtracted from total assets related to the following:

1. Accumulated gains and losses on certain AFS securities and cash flow hedges on CCR280.
 2. Goodwill and other intangible assets on CCR265 and CCR285.
-

3. Servicing assets on CCR270.

Note: You can generally realize deferred tax assets without limitation from the following sources:

1. Taxes paid in prior carry-back years.
2. Future reversals of existing taxable temporary differences.

For purposes of the 10 percent of Tier 1 (core) capital limitation above, base the deduction on a Tier 1 (Core) capital subtotal before the deduction.

Disallowed Residual Interests

Include on this line that portion of credit-enhancing interest-only strips (as defined) reported on SI402 that must be deducted in computing Tier 1 capital, pursuant to 12 CFR Part 567. With certain exceptions provided for in the regulation, you must deduct from equity capital the amount of any credit-enhancing interest-only strips that exceeds 25% of Tier 1 capital before the deduction. In computing the deduction, you may reduce the amount by any corresponding deferred tax liability.

CCR134: Other

Report other items required to be deducted from Tier 1 Capital not included in CCR105 through CCR133.

Include equity instruments you issue that we may permit as supplemental capital but not as Tier 1 capital. This includes cumulative preferred stock reported on SC812, and preferred stock reported on SC812 or SC814 where the dividend adjusts based on current market conditions or indexes and the issuer's current credit rating.

Include the accumulated net increase in retained earnings (equity capital) resulting from certain net gains reported on SO485; specifically, those gains, net of losses, on liabilities carried at fair value, net of income taxes, that are attributable to changes in the savings association's own creditworthiness.

Add:

CCR180: ACCUMULATED LOSSES (GAINS) ON CERTAIN SECURITIES AND CASH FLOW HEDGES

Report on this line:

1. Accumulated Unrealized Gains and Losses on Certain Securities

Equity capital on SC80 includes a separate component for accumulated, unrealized gains and losses, net of income taxes, on certain securities. See SC860, Unrealized Gains (Losses) on Certain Securities. However, you cannot include most of that separate component of equity capital in regulatory capital, as specified below.

For regulatory capital purposes on Schedule CCR, but not for reporting purposes on Schedule SC:

- Report aggregate AFS **debt** securities at amortized cost, not at fair value.
- Report aggregate AFS **equity** securities at the lower of cost or fair value, not at fair value.

Report on CCR180 the amount on SC860, Unrealized Gains (Losses) on Certain Securities, adjusted for losses on certain equity securities, as follows:

- SC860, Unrealized Gains (Losses) on Certain Securities
- Plus: As a positive number, any portion of the amount on SC860 that represents unrealized **losses** on **equity** securities (but not debt securities), net of gains and net of income taxes.

2. Accumulated Gains and Losses on Cash Flow Hedges

Equity capital on SC80 includes a separate component for accumulated gains and losses on cash flow hedges. See SC865, Gains (Losses) on Cash Flow Hedges. However, you cannot include that separate component of equity capital in regulatory capital.

Report the result on CCR180 as follows:

- When the amount on this line represents **gains**, net of losses, report a **negative** number **reducing** capital.
- When the amount on this line represents **losses**, net of gains, report a **positive** number **increasing** capital.

Report the corresponding adjustment to assets on CCR280. See the instructions for CCR280 for additional information.

CCR185: Intangible Assets

Report PCCRs included on SC660.

CCR187: Qualifying Noncontrolling (Minority) Interest In Consolidated Subsidiaries

Report from Line item SC800 only the qualifying portion of noncontrolling interests in consolidated subsidiaries that are permissible in Tier 1 regulatory capital.

CCR195: Other

Report other items permitted to be added to Tier 1 Capital that are not included in CCR180 through CCR185.

Include the accumulated net decrease in retained earnings (equity capital) resulting from certain net losses reported on SO485; specifically, those losses, net of gains, on liabilities carried at fair value, net of income taxes, that are attributable to changes in the savings association's own creditworthiness.

CCR20: Tier 1 (Core) Capital

The EFS software will compute this line as follows: CCR100 less CCR105, CCR115, CCR133, and CCR134, plus CCR180, CCR185, CCR187, and CCR195.

CALCULATION OF ADJUSTED TOTAL ASSETS

CCR205: Total Assets

Report total assets of the consolidated entity as reported on SC60, Total Assets. The EFS software will compute this line from SC60, Total Assets.

Deduct:**CCR260: Assets of "Nonincludable" Subsidiaries**

Report the entire amount of the assets of nonincludable subsidiaries included in Schedule SC. For consolidated subsidiaries, this amount should equal total assets of the subsidiary less any assets eliminated in consolidation. For subsidiaries accounted for under the equity method, this amount should equal your investment account plus all advances to the subsidiary.

Report this as a positive amount. The EFS software will deduct this line from total assets in calculating Tier 1 (core) capital.

CCR265: Goodwill and Certain Other Intangible Assets

Generally, this line will equal SC660, Goodwill and Other Intangible Assets, with the exception of certain intangible assets such as intangible pension assets and computer software. Accordingly, the EFS software will automatically generate this line from SC660. However, if you have an intangible asset that is not required to be deducted from Tier 1 capital, such as intangible pension assets or capitalized computer software costs, you may change the generated amount.

- **Goodwill**

If you elect to reduce the amount of Goodwill by any associated deferred tax liability on CCR 115, then you must also reduce the amount of Goodwill on CCR 265 by the same amount.

- **Certain Other Intangible Assets**

Similarly, if you elect to reduce the amount of Certain Other Intangible Assets arising from nontaxable transactions by any associated deferred tax liability on CCR 115, then you must also reduce the amount of Certain Other Intangible Assets on CCR 265 by the same amount.

Report this as a positive amount. The EFS software will deduct this line from total assets in calculating Tier 1 (core) capital.

CCR270: Disallowed Servicing Assets, Disallowed Deferred Tax Assets, Disallowed Residual Interests, and Other Disallowed Assets

For most savings associations this line will equal CCR133. Accordingly, the EFS software will automatically generate this line from CCR133. However, this amount may change in certain cases. For example, deferred tax liabilities are deductible from servicing assets on CCR133, but are not deductible from servicing assets on CCR270. In which case you may override the generated amount.

Report this as a positive amount. The EFS software will deduct this line from total assets in calculating Tier 1 (core) capital.

CCR275: Other

Report other items required to be deducted from Adjusted Total Assets not included in CCR260 through CCR270.

Add:**CCR280: Accumulated Losses (Gains) on Certain Securities and Cash Flow Hedges**

Report on this line:

1. Accumulated Unrealized Gains and Losses on Certain Securities

Report amounts included in total assets for accumulated unrealized gains and losses on certain securities, including any related component of income tax assets. Calculate the amount included on this line for unrealized gains and losses on certain securities as follows:

- The amount included in SC60, Total Assets, that corresponds to the separate component of equity capital on SC860.
- Add to this amount: As a positive number, any amount included in SC60 that represents net unrealized **losses** on **equity** securities. That is, you include all unrealized gains and losses on available-for-sale securities included in assets except for those losses on equity securities.

2. Derivative Instruments Reported as Assets Related to Qualifying Cash Flow Hedges

Report amounts included in total assets for the gains and losses on derivative instruments reflected in SC865, Gains (Losses) on Cash Flow Hedges, including any related component of income tax assets. Do not include derivative instruments reported as liabilities.

Report the result on CCR280 as follows:

- When the amount on this line represents a net amount that **increased assets** reported on Schedule SC, report a **negative** number that will deduct this amount from total assets for regulatory capital purposes.
- When the amount on this line represents a net amount that **decreased assets** reported on Schedule SC, report a **positive** number that will add this amount back to total assets for regulatory capital purposes.

Report the corresponding adjustment to equity capital on CCR180. See the instructions for CCR180 for additional information.

CCR285: Intangible Assets

For most savings associations, this line will equal CCR185; therefore, the EFS software will generate the amount from CCR185.

CCR290: Other

Report other items permitted to be added to Adjusted Total assets that are not included in CCR280 or CCR285.

CCR25: Adjusted Total Assets

The EFS software will compute this line as follows: CCR205 less CCR260, CCR265, CCR270, and CCR275 plus CCR280, CCR285 and CCR290.

CCR27: Tier 1 (Core) Capital Requirement

The EFS software will compute this line as CCR25, Adjusted Total Assets, multiplied by four percent. If we have assigned you a composite CAMELS rating of one, you should override the calculated amount and report CCR25 multiplied by three percent.

If you have an individual minimum capital requirement (IMCR) imposed pursuant to 12 CFR 567.3, you should override the calculated amount and report your IMCR.

This amount should never be less than three percent of CCR25.

CCR30: TIER 1 (CORE) CAPITAL

The EFS software will bring forward Tier 1 (core) capital from CCR20.

TIER 2 (SUPPLEMENTARY) CAPITAL

Under the OTS risk-based capital regulations, there are two types of capital: Tier 1 (core) capital and Tier 2 (supplementary) capital. Tier 2 (supplementary) capital includes certain specified instruments with characteristics of capital that do not qualify as Tier 1 (core) capital. You may include Tier 2 (supplementary) capital in your total risk-based capital, up to a maximum of 100 percent of your Tier 1 (core) capital.

Tier 2 (supplementary) capital consists of the following:

1. Permanent instruments not qualifying as Tier 1 (core) capital. Report on CCR310, Qualifying Subordinated Debt and Redeemable Preferred Stock; CCR340, Other Equity Instruments; and CCR355, Other.
2. Maturing instruments. After adjustments for the limitations described below, report on CCR310, Qualifying Subordinated Debt and Redeemable Preferred Stock; CCR340, Other Equity Instruments; and CCR355, Other.
3. Allowances for Loan and Lease Losses. Report on CCR350, Allowances for Loan and Lease Losses.
4. Up to 45 percent of your pretax unrealized gains, net of unrealized losses, on AFS equity securities. Report on CCR302.
5. Noncontrolling interests in includable subsidiaries consolidated under GAAP that are not eligible for inclusion in Tier 1 (core) Capital on CCR190, provided the noncontrolling interest meets the other requirements for Tier 2 (supplementary) capital and neither you nor any of your subsidiaries or other subordinate organizations that you own, directly or indirectly, hold the noncontrolling interest. Report such noncontrolling interest on CCR340, Other Equity Instruments.

Maturing Capital Instruments Issued on or Before November 7, 1989

Maturing capital instruments approved or grandfathered by the FHLBB before December 5, 1984, continue grandfathered status under the prior and current OTS capital regulation. You may include them in full in Tier 2 (supplementary) capital until the last year before maturity.

With our prior approval, you may include maturing capital instruments issued on or before November 7, 1989, in Tier 2 (supplementary) capital, following the procedures below that are applicable to instruments issued after that date.

Maturing Capital Instruments Issued After November 7, 1989

You may elect to include maturing capital instruments issued after November 7, 1989, by choosing one of the following options. Once you elect either option, you must continue to apply that option for all subsequent issuances of maturing capital instruments as long as there is a balance outstanding of such issuances. Once such issuances have all been repaid, you may elect the other option for future issuances.

Option 1 Tier 2 (supplementary) capital is equal to the outstanding capital instrument multiplied by the applicable percentage from the following amortization schedule:

<u>Years to Maturity</u>	<u>Percentage Counted as Tier 2 (Supplementary) Capital</u>
Greater than 5	100%
Greater than 4, but less than or equal to 5	80%
Greater than 3, but less than or equal to 4	60%
Greater than 2, but less than or equal to 3	40%
Greater than 1, but less than or equal to 2	20%
Less than or equal to 1	0%

Option 2 Tier 2 (supplementary) capital will include only the aggregate amount of maturing capital instruments that mature in any one year during the seven years immediately before an instrument's maturity that does not exceed 20 percent of your capital. Capital is Tier 1 (core) capital plus, without limitation, items included in Tier 2 (supplementary) capital. There is no percentage of assets limitation for general loan and lease valuation allowances. There are no limitations on maturing capital instruments based on maturity dates. There is no limitation on Tier 2 (supplementary) based on the amount of Tier 1 (core) capital.

CCR302: Unrealized Gains on Available-for-Sale Equity Securities

You may include in Tier 2 (supplementary) capital up to 45 percent of the amount of any pretax unrealized gains. This is net of any unrealized losses, on AFS **equity** securities included in SC140, Equity Securities Carried at Fair Value. If losses exceed gains, do not report an amount on this line. When you report unrealized gains, net of unrealized losses, here and include them in supplementary capital, you must include the entire (100 percent) unrealized gains, net of unrealized losses, in assets to risk weight. In other words, you must risk weight the fair value, not the historical cost of these AFS equity securities.

Do not include unrealized gains on AFS **debt** securities or on equity securities in a trading portfolio.

CCR310: Qualifying Subordinated Debt and Redeemable Preferred Stock

Include:

1. Perpetual subordinated debentures and mandatory convertible securities.
2. Maturing subordinated debentures, mandatory convertible securities, and redeemable preferred stock calculated according to the above instructions. For thrifts that have elected to be taxed under Subchapter S or are organized in mutual form, include the amount of subordinated debt securities issued to the Treasury Department under the CPP in this calculation.

CCR340: Other Equity Instruments

Report equity instruments you issued that we permit as supplemental capital but not as Tier 1 (core) capital and that you deducted on CCR134.

Include:

1. Cumulative preferred stock reported on SC812.
2. Preferred stock reported on SC812 or SC814 where the dividend adjusts based on current market conditions or indexes and the issuer's current credit rating; and
3. Any other equity instruments reported on CCR134 except preferred stock that is, in effect, collateralized by assets of the reporting savings association.

CCR350: Allowances for Loan and Lease Losses

Report ALLL established by you and your consolidated includable subsidiaries as defined in the instructions for CCR105. You cannot grandfather ALLL for nonincludable subsidiaries for this calculation. Note that Tier 2 (supplementary) capital limits the inclusion of ALLL reported on CCR 350 to 1.25 percent of risk-weighted assets. Apply the percentage limitation to Subtotal Risk-Weighted Assets on CCR75.

For regulatory capital purposes, the ALLL potentially reportable on CCR350 consists of:

1. First – allowances established to cover probable, but not specifically identifiable, credit losses associated with on-balance-sheet loans and leases, reported as ALLL on mortgage loans (SC283) and on nonmortgage loans (SC357).
2. Second, if the capital limit mentioned above permits – liabilities for credit losses associated with off-balance-sheet credit exposures (such as commitments, letters of credit, and guarantees) included in Other Liabilities and Deferred Income (SC796), with the following exception: *Any portion of this liability related to transfers of loans or other assets reported as sales with recourse is separate and distinct from the ALLL, and therefore is **not** includable in CCR350.*

Include purchased ALLL where the balance and nature of the purchased ALLL is consistent with OTS policy in the Examination Handbook, Sections 260 and 261.

Do not include:

1. ALLL of unconsolidated subordinate organizations.
2. ALLL of nonincludable subsidiaries.
3. Recourse liability accounts that arise from recourse obligations for any transfers of loans or other assets that are reported as sales. Such accounts are separate and distinct from the ALLL.

CCR355: Other

Report other items permitted in Tier 2 Capital that you do not include in CCR302 through CCR350.

CCR33: Tier 2 (Supplementary) Capital

The EFS software computes this line as the sum of CCR302, CCR310, CCR340, CCR350 and CCR355.

CCR35: ALLOWABLE TIER 2 (SUPPLEMENTARY) CAPITAL

The EFS software computes this line as follows.

If Tier 1 (core) capital is a positive amount, the software reports the lesser of the following:

1. Tier 2 (supplementary) Capital reported on CCR33.
2. Tier 1 (core) Capital reported on CCR30.
3. If you have negative Tier 1 (core) capital, the software reports zero on CCR35.

The amount of Tier 2 (supplementary) capital included in total capital cannot exceed the amount of Tier 1 capital.

CCR370: Equity Investments and Other Assets Required to be Deducted

Report the assets that 12 CFR § 567.5(c) requires to be deducted from total capital unless deducted elsewhere.

Include:

1. Investments in other depository institutions (reciprocal holdings) that other depository institutions may count in their regulatory capital such as capital stock, qualifying subordinated debt, etc.
2. The entire amount of all the following items:
 - a. Your nonincludable debt and equity investments including debt and equity investments in subordinate organizations not constituting subsidiaries under 12 CFR § 567.1 (investments in entities not consolidated under GAAP) that engage as principal in activities impermissible for national banks and not otherwise includable under § 5(t) of HOLA.
 - b. Investments in real property except real property primarily used or intended to be used by you, your subsidiaries, subordinate organizations, or affiliates as offices.
 - c. Real property acquired in satisfaction of a debt, where you intend to hold the property for real estate investment purposes or do not expect to dispose of it within five years.

The term equity securities means any:

1. Stock.
2. Certificate of interest of participation in any profit sharing agreement.
3. Collateral trust certificate or subscription.
4. Preorganization certificate or subscription.
5. Investment Contract.
6. Voting trust certificate.
7. Securities immediately convertible into equity securities at the option of the holder without payment of substantial additional consideration such as convertible subordinated debt.
8. Securities carrying any warrant or right to subscribe to or purchase an equity security.
9. Investments, loans, advances, and guarantees issued on behalf of unconsolidated subordinate organizations.
10. Investments in real property not classified as fixed assets or repossessed property.

Do not include:

1. Interests in real property that are primarily used by you, your subsidiaries, subordinate organizations, or affiliates as offices or related facilities to conduct business. Report on CCR506, 100 percent Risk weight: All Other Assets.
 2. Interests in real property that you acquire in satisfaction of a debt previously contracted in good faith or acquired in sales under judgments or decrees (REO). Report on CCR506, 100 percent Risk weight: All Other Assets.
 3. FHLBank Stock.
 4. Equity investments permissible for both savings associations and national banks. Risk weight them at 100 percent on CCR506. These include:
 - a. Freddie Mac Stock.
 - b. Fannie Mae Stock.
 - c. Equity investments in subordinate organizations not constituting subsidiaries under 12 CFR § 567.1 – investments in subordinate organizations not consolidated under GAAP, that engage solely in activities as agent for customers or engage as principal in activities permissible for national banks or otherwise includable under § 5(t) of the HOLA.
 - d. Real estate loans that are equity investments under GAAP and are permissible investments for national banks.
 - e. Mutual funds and pass-through investments, defined in 12 CFR § 560.32 that invest in any of the above categories of permissible equity investments.
-

- Investments in subsidiaries and/or equity investments that FSLIC or any successor agency fully covers. Report the entire amount of such investment on CCR409, 0% Risk weight: Notes and Obligations of FDIC, Including Covered Assets. There is no requirement for you to deduct such investments from capital.

Computation of CCR370 When General Valuation Allowances have been established:

Calculate the amount of equity investments reported on CCR370 net of charge-offs and general valuation allowances. For example, if you established a \$10 specific valuation allowance against a \$100 equity investment, you only deduct \$90 from total capital and enter \$90 on CCR370.

In computing CCR370, you should reduce the amount you calculated using the above instructions by the amount of general valuation allowances established against equity investments and required deductions in real property investments. To receive this credit, you **must** establish the general valuation allowance at the savings association level as a contra-asset to the equity investments and investments in real property. You must have and maintain adequate records to enable examiners to verify your claim that you established the general valuation allowances against these specific assets.

For example, if you have a \$100 equity investment, net of charge-offs and specific valuation allowances, against which you established no general valuation allowance after July 1, 1994, you should enter the full asset amount, \$100, on CCR370. If you established a \$10 general valuation allowance against that same asset, you should deduct the \$10 general valuation allowance from the \$100 investment, resulting in deduction of \$90.

Do **not** include general valuation allowances established on other assets in the credit computation outlined above.

CCR375: Deduction for Low-Level Recourse and Residual Interests

If you elect the "direct deduction" approach for low-level recourse and residual interests, report on this line the amount of 1) low-level recourse and 2) residual interests reported on SI402 and SI404. However, you should reduce the amount of residual interests reported here by any amount reported on CCR133. In addition, you may reduce the amount of low-level recourse and residual interests reported here by the amount of any corresponding deferred tax liability.

Include:

- The amount of recourse liability you retain when it is less than the capital requirement for credit-risk exposure and therefore not converted to an on-balance-sheet equivalent. For example, in the sale of most assets with one percent recourse, the amount of liability retained usually is less than the capital requirements, and therefore you would report one percent of the assets sold on CCR375 or CCR605. See the instructions for the 100 percent credit conversion factor in the Conversion of Off-balance-sheet Items to On-balance-sheet Equivalents section above.
- The amount of on-balance-sheet financial instruments representing subordinated credit risk interests, including interests in spread accounts and asset pools. However, your low-level recourse requirement may exceed the amount of this instrument if you are subject to credit losses exceeding the amount of the instrument.

CCR39: TOTAL RISK-BASED CAPITAL

The EFS software will compute this line as the total of CCR30 plus CCR35 minus CCR370, and CCR375.

RISK-WEIGHT CATEGORIES

General Instructions

To calculate the total risk-based capital standard you must classify your assets in one of four risk-weight categories described below. Do **not** risk weight the assets that you have deducted from Tier 1 (core) capital – for example, nonincludable subsidiaries, nonqualifying intangibles, and disallowed assets.

Consolidate the assets of includable, GAAP-consolidated subsidiaries in determining the appropriate risk-weight categories. However, exclude the assets of **nonincludable subsidiaries** and **nonincludable equity investments** when computing risk-weighted assets.

As discussed under the general instructions to CCR, where OTS exercises its Reservation of Authority under 12 CFR Section 567.11, and requires a savings association to apply another risk weight, credit equivalent amount, or credit conversion factor that OTS deems appropriate for the risk of a particular asset or off-balance sheet item, the savings association should report these assets, regardless of asset type, on CCR 506 according to the newly assigned risk weight. See instructions for CCR 506. For savings associations subject to an Individual Minimum Capital Requirement (IMCR) imposed pursuant to 12 CFR Section 567.3 that changes the Tier 1 (Core) or Total Risk-Based capital requirement on CCR 27 and CCR 80, respectively, you must over-ride the calculated amount, and self-report the supervisory capital requirement on those lines.

Tier 2 (supplementary) capital includes ALLL but does not include other general valuation allowances. Consequently, to calculate the amount to be risk weighted, you may deduct allocated general valuation allowances from assets other than loans and leases but you may **not** deduct **ALLL** from loans and leases. In other words, you should risk weight loans at their recorded investment less only their specific valuation allowances, and risk weight all other assets at their recorded investment less their specific valuation allowances and allocated general valuation allowances.

You should risk weight assets after you make regulatory capital adjustments to those assets. For example, if we required you to deduct gains or add back losses on AFS securities in Tier 1 (core) capital, you should risk weight those securities at historical cost, not at fair value. The same is true for adjustments for disallowed servicing assets, disallowed net deferred tax assets, and other adjustments to Tier 1 (core) capital. If you exclude assets, portions of assets, or adjustments to assets from Tier 1 (core) capital, you should exclude them from risk-weighted assets. Additionally, where you have included up to 45 percent of the pretax unrealized gains, net of unrealized losses, on AFS equity securities in Tier 2 capital (CCR302), you should include 100 percent of those unrealized gains in risk-weighted assets. In other words, you should risk weight the fair value, not the historical cost, of these AFS equity securities.

In determining the appropriate risk-weight category for **secured loans**, you must look at the type of collateral. In determining the appropriate risk-weight category for investments in **mutual funds**, you must look to the characteristics of the assets in the fund. Where the portfolio of a mutual fund consists of various assets that require different treatment under the capital requirement, you have two alternatives:

1. You may deal with the entire ownership interest in the mutual fund based on the asset with the highest capital requirement in the portfolio, or exclude the mutual fund from assets and thus deduct it from calculations of total capital, as appropriate.
2. You may assign different risk-weight categories to the mutual fund on a pro-rata basis, according to the investment limits for different categories in the fund's prospectus.

Regardless of the risk-weighting method used, the total risk weight of a mutual fund must be no less than 20 percent.

Accrued interest receivable that is not delinquent is part of the recorded investment in that loan or investment and should be risk-weighted with the underlying asset. Generally, delinquent accrued interest receivable is risk weighted at 100%

Multiply the sum of each risk-weight category by the appropriate risk-weight percentage for that category. For instance, you would multiply the sum of the zero percent risk-weight category by zero percent. After adding each risk-weight category and multiplying by its appropriate risk weight, add the product of each risk-weight category. This results in the on-balance-sheet portion of the total risk-based capital standard.

Include **off-balance-sheet items** in the total risk-based capital standard after converting them into on-balance-sheet equivalents. Convert off-balance-sheet items by taking the dollar amount of the off-balance-sheet item or the grossed up amount of off-balance-sheet recourse obligations under 12 CFR § 567.1, as appropriate. Multiply that amount by the appropriate credit conversion factor from the table that follows the discussion of risk-weight categories. Additionally, you should risk weight interest-rate and exchange-rate contracts by calculating a credit equivalent amount. See explanation following the discussion of off-balance-sheet items.

Report in the appropriate category all on-balance-sheet assets together with all on-balance-sheet equivalents (off-balance-sheet items after converting them according to the discussion above). From the sum of on-balance-sheet and off-balance-sheet risk-weighted assets, deduct ALLL that exceeds the amount you may include as capital on CCR350.

Note: Report all loans and investments that are more than **90 days past due** on CCR506, 100 percent Risk weight. Report all of these loans on CCR506 regardless of the type of investment or collateral, except for certain covered assets. See the instructions for CCR 409 and CCR 450 to report covered assets.

0% Risk weight

CCR400: Cash

Report all cash-on-hand, including the amount of domestic and foreign currency owned and held or in transit in all your offices. Convert any foreign currency into U.S. dollar equivalents as of the date of the report.

Do not include:

1. Cash deposited in another financial institution, whether interest-bearing or non-interest-bearing. Report on CCR445.
2. Cash equivalents such as travelers' checks. Report on CCR445.

CCR405: Securities Backed by Full Faith and Credit of U.S. Government

Report securities, not loans, on this line. Report the amount of securities issued by and other direct claims on the following:

1. The U.S. Government or its agencies to the extent such securities or claims are **unconditionally** backed by the full faith and credit of the U.S. Government.
2. The central government of an Organization of Economic Cooperation and Development (OECD) country.

Include:

1. Most Ginnie Mae securities. (Note that an interest only strip or Ginnie Mae security that exhibits similar interest rate risk would not be eligible for 0% risk weight. Report as 100% risk weight on CCR 505.)
2. U.S. Treasury securities.
3. SBA pools or certificates, or portions thereof, that have an unconditional guarantee by the full faith and credit of the U.S. Government.

Do not include:

1. Notes and obligations of the FDIC. Report on CCR409.
2. Assets collateralized by U.S. Government securities. Report on CCR450, 20% Risk weight: Other.
3. Mortgage-backed securities (MBS) where you have recourse for the underlying loans. The capital requirement on such obligations should follow the standard treatment of recourse obligations.
4. Delinquent mortgage loans previously securitized with Ginnie Mae, where either (a) you have an unconditional repurchase option, or (b) you have repurchased the loans under such an option. Report on CCR450, 20% Risk weight: Other.

CCR409: Notes and Obligations of FDIC, Including Covered Assets

Report notes and obligations of the FDIC that have the unconditional backing by the full faith and credit of the U.S. Government. Include the following items:

1. FDIC insured deposits. For example, time certificates and/or savings deposits at an FDIC - insured institution that the savings association has booked an asset can be risk weighted at 0% up to the limits of FDIC insurance.
2. Direct claims on and claims unconditionally guaranteed by the FDIC.
3. Debt guaranteed under the FDIC's Temporary Liquidity Guarantee Program.
4. Other similarly guaranteed debt.
5. Report the portion of covered assets fully covered against capital loss and/or yield maintenance agreements initially by the Federal Savings and Loan Insurance Corporation (FSLIC), regardless of any successor agency, such as the FDIC. Place assets without initial FSLIC coverage (for example, those included in a deductible) in a risk-weight category according to the characteristics of the asset. If you cannot assign a deductible under a coverage agreement to a specific type of asset, then you should place the deductible in the 100 percent risk-weight category.

Include the portion of assets **fully** covered against capital loss and/or yield maintenance agreements by the FDIC. Place that portion of assets without FDIC coverage (for example, those included in a deductible) in a risk-weight category according to the characteristics of the asset. If you cannot assign a deductible under a coverage agreement to a specific type of asset, then you should place the deductible in the 100 percent risk-weight category.

Include investments in subsidiaries and equity investments with full FDIC coverage, regardless of the percentage of ownership or business activity of the entity in which you have invested.

CCR415: Other

Report all zero percent risk-weight assets not included above as defined in 12 CFR § 567.6(a)(1)(i).

Include:

1. Deposit reserves at, claims on, and balances due from Federal Reserve Banks, excluding interest rate contracts. Report interest rate contracts on CCR450, 20% Risk weight: Other.
2. The book value of paid-in Federal Reserve Bank stock.
3. That portion of assets not included elsewhere in the zero percent risk-weight category directly and unconditionally guaranteed by the U.S. Government or its agencies, or the central government of an OECD country.
4. Prepaid assessments of FDIC deposit insurance premiums.

CCR420: Total

The EFS software will compute this line as the sum of CCR400 through CCR415.

CCR40: 0% Risk-Weight Total

The EFS software will automatically compute this line as zero percent times CCR455, the risk-weighted product of all zero percent risk-weighted assets.

20% Risk weight**CCR430: Mortgage and Asset-Backed Securities Eligible for 20% Risk Weight**

Report mortgage-related securities and other asset-backed securities that meet the criteria for 20% risk weight. **Note** that if you have a **subordinate** class of an otherwise 20% risk weight, high-quality MBS, you must gross up and risk weight your security plus the balance of all classes senior to it. However, if you are able to utilize the ratings based approach (12 CFR 567.6), it is not necessary to gross up the more senior positions. See also CC455, CC465, and CC468.

Include:

1. Most Fannie Mae and Freddie Mac mortgage-related securities. (Note: Report Fannie and Freddie principal-only stripped securities (POs) and interest-only stripped securities (IOs) that are not credit enhancing on CCR 506.)
2. Asset-backed securities with an AAA or AA rating that meet the criteria of the ratings based approach - 12 CFR § 567.6.

Do not include:

1. Stripped MBS. Report IO and PO strips that are not credit enhancing of otherwise high quality MBS on CCR506, 100% risk weight.
2. Ginnie Mae mortgage pool securities. Refer to instructions for CCR405.
3. MBSs where you have recourse for the underlying loans. The capital requirement on such obligations should follow the treatment of recourse obligations.

CCR435: Claims on FHLBs

Report all investments in, claims on, and balances due from Federal Home Loan Banks.

Include:

1. Book value of Federal Home Loan Bank stock.
2. Demand, savings, and time deposits with a FHLBank.
3. Securities, bonds, and notes issued by the Federal Home Loan Bank System
4. The credit equivalent amount of interest rate contracts, interest-rate swaps and caps, where the counterparty is a Federal Home Loan Bank.

CCR440: General Obligations of State and Local Governments

Report the amount of securities and other general obligations issued by state and local governments.

CCR445: Claims on Domestic Depository Institutions

Include the following obligations of domestic depository institutions:

1. Demand deposits and other transaction accounts.
2. Savings deposits.
3. Time certificates.
4. Travelers' checks and other cash equivalents.
5. Cash items in the process of collection.
6. Federal funds sold.
7. Loans and overdrafts.
8. Debt securities.
9. The credit equivalent amount of interest and exchange rate contracts (interest-rate swaps and caps) where the counterparty is a domestic depository institution.

Do not include:

1. Investments in other depository institutions where those institutions may count the investments in their regulatory capital, such as capital stock, qualifying subordinated debt, etc. Report on CCR370, Assets Required to be Deducted.
2. Interest rate contracts with a FHLBank or a Federal Reserve Bank. Report on CCR435 and CCR450, respectively.

CCR450: Other

Report all twenty percent risk-weight assets, not included above, as defined in 12 CFR § 567.6(a)(1)(ii).

Include:

1. Assets conditionally guaranteed by the U.S. Government, such as VA and FHA insured mortgage loans, the guaranteed portion of SBA, FhMA, and AID loans, and FICO and REFCO bonds, etc.
2. Delinquent mortgage loans previously securitized with Ginnie Mae, where either (a) you have an unconditional repurchase option, or (b) you have repurchased the loans under such an option.
3. Loans and other assets fully collateralized by deposits.
4. The credit equivalent amount of interest rate contracts (interest-rate swaps and caps) where the counterparty is a Federal Reserve Bank.
5. Assets collateralized by U.S. Government securities other than mortgage related securities on CCR430.
6. Securities issued by, or other direct claims on, U. S. Government-sponsored agencies, including notes issued by Fannie Mae and Freddie Mac. Do not include equity securities or MBSs.
7. Loss sharing agreements entered into by the FDIC with the acquirers of assets from failed institutions are considered conditional guarantees for risk-based capital purposes due to contractual conditions that must be met. The guaranteed portion of assets subject to a loss-sharing agreement may be assigned a 20 percent risk weight. Consult with your regional supervisory regarding the appropriate risk-based capital treatment for specific loss-sharing arrangements.

CCR455: Total

The EFS software will compute this line as the sum of CCR430 through CCR450.

CCR45: 20% Risk-Weight Total

The EFS software will compute this line as twenty percent times CCR455, the risk-weighted product of all 20 percent risk-weighted assets.

50% Risk weight

CCR460: Qualifying Single-family Residential Mortgage Loans

Report the carrying value, outstanding balance less all specific valuation allowances, of all qualifying single-family residential mortgage loans secured by a first lien when you have no other extensions of credit secured by a second lien on the same property to the same consumer, if such loans meet all of the following criteria:

1. You have prudently underwritten the loan.
2. The loan is performing and not more than 90 days past due.
3. The current LTV ratio is 90% or less, calculated using the value at origination, including loans individually insured by private mortgage insurance or other appropriate credit enhancement that brings the effective LTV down to 90% or less.

Notes:

1. See 12 CFR 567.1 for the definition of Qualifying Mortgage Loan.
2. A loan with an LTV higher than 90%, without PMI or other readily marketable collateral enhancement, would not typically qualify for the 50% risk weight. The Real Estate Lending Guidelines urge savings associations as well as other types of banking organizations, to require PMI or other appropriate credit enhancement if a mortgage exceeds 90% LTV. See 12 CFR 560.101, and the footnote in the section on supervisory loan-to-value limits. These guidelines constitute a supervisory presumption of safety and soundness. To overcome that presumption for a loan that exceeds 90% LTV, a bank or thrift must demonstrate to the examiners' satisfaction that the loan is both prudently underwritten, and that it qualifies for the 50% risk weight in spite of the absence of private mortgage insurance or other appropriate credit enhancement.

Also, report the combined carrying value of all mortgage and consumer loans secured by liens on the **same** one- to four-family residential property, with no intervening liens. For example, you hold extensions of credit secured by first lien and second lien positions. Include in 50 percent risk weighting, if the loan meets all the following criteria:

1. You have prudently underwritten each loan.
2. Each loan is performing and not more than 90 days past due.
3. One of the following is true:
 - a. The combined loan-to-value ratio (CLTV) does not exceed 90 percent at origination.
 - b. The combined extension of credit is insured to at least a 90 percent LTV ratio by private mortgage insurance, or there is other appropriate credit enhancement to bring the effective LTV down to 90 percent or less.
 - c. The current LTV ratio is 90% or less, calculated using the value at origination, including loans individually insured by private mortgage insurance or other appropriate credit enhancement that brings the effective LTV down to 90% or less.

When you hold the first lien and junior liens on a 1-to-4-family residential property and no other party holds an intervening lien, view the loans as a **single** extension of credit secured by a first lien on the underlying property. Use this treatment to determine the LTV ratio, as well as for risk weighting. Assign the combined loan amount to either the 50 percent or 100 percent risk category, depending on whether the credit satisfies the criteria for 50 percent risk weighting. In determining the LTV ratio, you need not

include loans classified in Schedule SC as commercial loans made to businesses and secured by residential property when you calculate the CLTV ratio for that property. If such loans are not included in the CLTV ratio for that property, you should risk weight such commercial loans at 100 percent.

If there is an intervening lien, do not combine the loans because another entity holds the second lien (the intervening lien). For example, you hold a first mortgage and third lien as a home equity line. In this case, you risk weight the carrying value of the loan secured by the first lien at 50 percent if the LTV is less than 90 percent and it otherwise meets the 50 percent risk-weight criteria. You risk weight the carrying value of the loan secured by the third lien at 100 percent, regardless of the CLTV.

In addition, include the following types of loans in the definition of single-family mortgage loans. These loans must meet the criteria above to be risk weighted at 50 percent:

1. Loans on interests in cooperative buildings.
2. Loans to individuals to fund the construction of their own home that meet the definition of a qualifying mortgage loan in 12 CFR § 567.1. You may include any accrued interest receivable in the loan balance.
3. Mortgage loans on mixed-use properties that are primarily single-family residential properties.

Do not include:

1. The combined carrying value of mortgage and consumer loans secured by first or second liens on the same property when the CLTV ratio exceeds 90 percent. Report the combined carrying value of these loans on CCR506, 100% Risk weight: All Other Assets.
2. The combined carrying value of mortgage and consumer loans secured by first and second liens on the same property if any of the extensions of credit are nonperforming (nonaccrual) or more than 90 days past due. Report on CCR506, 100% Risk weight: All Other Assets.
3. A loan to a consumer collateralized by a junior lien when another lender holds an intervening lien. For example, you hold the second lien and another lender holds the first lien, or you hold the first lien and the third lien, but do not hold the second lien (intervening lien). Report the junior lien on CCR506, 100% Risk weight: All Other Assets.
4. Foreclosed real estate. Report on CCR506, 100% Risk weight: All Other Assets.
5. Loans to individuals to construct their own home that are not qualifying mortgage loans as defined in 12 CFR § 567.1. Report on CCR506, 100% Risk weight: All Other Assets.
6. The portion of loans guaranteed by FHA that may be risk weighted at 20 percent. Report on CCR450.
7. Loans to commercial entities collateralized by mortgages of third-party borrowers (warehouse loans), or small business loans collateralized by a lien on a residential property. Report on CCR506, 100% Risk weight: All Other Assets.

CCR465: Qualifying Multifamily Residential Mortgage Loans

Qualifying Multifamily Mortgage Loans (12 CFR § 567.1) Under Current Rule

Report the carrying value plus accrued interest receivable, of permanent, first mortgages secured by first liens on multifamily residential properties consisting of five or more dwelling units that meet **all** the following criteria:

1. Amortization of principal and interest occurs over a period of not more than 30 years.
2. Original minimum maturity for repayment of principal on the loan is not less than seven years.
3. At the time you placed the loan in the 50 percent risk-weight category, the owner had made all principal and interest payments on the loan for the preceding year on a timely basis according to the loan terms (not 30 days or more past due).

4. The loan is performing and not 90 days or more past due.
5. You made the loan according to prudent underwriting standards.
6. The current outstanding loan balance does not exceed 80 percent (75 percent for variable rate loans) of the value of the property securing the loan. "Value of the property" (when you originate a loan to purchase a multifamily property) means the lower of either the purchase price or the amount of the initial appraisal, or if appropriate, the initial evaluation. Where a purchaser is not purchasing a multifamily property, but taking a new loan on his currently owned property, determine the value of the property by the most current appraisal, or if appropriate, the most current evaluation.
7. For the property's most recent fiscal year, the ratio of annual net operating income generated by the property, before payment of any debt service on the loan, to annual debt service on the loan is not less than 120 percent, (115 percent for variable-rate loans). In the case of cooperative or other not-for-profit housing projects, the property generates sufficient cash flows to provide you comparable protection. The debt service coverage ratio should be based on a fully indexed payment that will amortize the loan over its contractual term. It has long been industry practice to offer multifamily property loans with relatively short terms compared to the amortizing payment schedule. For example, the loan may have a 10-year term and a payment based on a 30-year amortization schedule with a balloon payment at the end of the term. In such cases, the DSCR should be based on the fully amortizing, fully indexed payment over the scheduled amortization period, but no longer than 30 years.

In cases where a borrower refinances a loan on an existing property, the borrower must comply with the above criteria.

12 CFR § 567.1 defines residential property as houses, condominiums, cooperative units, and manufactured homes. This definition does not include hospitals and nursing homes. Manufactured homes are those subject to HUD regulations under Title VI of the U.S. Code.

Include mortgage loans on mixed-use properties that are primarily multifamily residential properties if they satisfy the criteria for qualifying multifamily mortgage loans.

Grandfathered Qualifying Multifamily Mortgage Loans

Qualifying multifamily mortgage loans include multifamily mortgage loans that on March 18, 1994, met the criteria of qualifying multifamily mortgage loans under our capital rule on March 17, 1994, and continue to meet those criteria, namely:

1. An existing property consisting of 5 to 36 dwelling units secures the mortgage.
2. The initial LTV ratio is not more than 80 percent.
3. For the past full year, the property's average annual occupancy rate is 80 percent or more of total units.

CCR470: Mortgage and Asset-Backed Securities Eligible for 50% Risk Weight

Mortgage-Backed Securities:

Report MBS, other than high quality MBS reported on CCR430, secured by **qualifying single-family** residential mortgage loans eligible to be reported on CCR460 or **qualifying multifamily** residential mortgage loans eligible to be reported on CCR465. Include POs secured by qualifying single-family or multifamily residential mortgage loans unless you can report them on CCR430.

If **qualifying multifamily residential mortgage loans** back the securities, you must receive timely payments of principal and interest according to the terms of the security. Generally, consider payments timely if they are not 30 days or more past due.

Note that if you have a subordinate class of an otherwise 50% risk-weight, high-quality MBS, you must gross up and risk weight your security plus the balance of all classes senior to it. However, if you are able to utilize the ratings based approach (12 CFR 567.6), it is not necessary to gross up the more senior positions. See also CC455, CC465, and CC468.

Asset-Backed Securities:

Also include asset-backed securities eligible for 50% risk weight under the ratings-based approach (“A” rated that meet all the criteria of the ratings based approach).

Do not include:

Interest Only Strips. Report credit-enhancing interest-only strips as residuals. Refer to the definitions in 12 CFR 567.1 and to the capital treatment in 12 CFR 567.6(b). See instructions for lines CCR133, CCR270, CCR375, CCR605, and SI402. Report IO and PO strips that are not credit enhancing of otherwise high quality MBS on CCR506, 100% risk weight.

CCR475: State and Local Revenue Bonds

Report securities issued by state and local governments where the revenues from a stated project such as a toll road repay the security.

CCR480: Other

Report all fifty-percent risk-weight assets not included above as defined in 12 CFR § 567.6(a)(1)(iii).

Include:

1. The credit equivalent amount of interest and exchange rate contracts (interest-rate swaps and caps) where the counterparty is an entity other than a domestic depository institution, a FHLBank, or a Federal Reserve Bank.
2. Revenue bonds issued by any public-sector entity in an OECD country that are payable solely from the revenues generated from the project financed through the issuance of the obligations.
3. Qualifying residential construction loans, also called residential bridge loans, meeting the criteria of 12 CFR § 567.1. Such loans must satisfy the following criteria:
 - a. You must make the loan according to sound lending principles to a builder with at least 15 percent equity in the project (or higher, depending upon the risk of the project) who will construct a one- to four-family residence that, when sold, will be owner-occupied.
 - b. You must obtain sufficient documentation from a permanent lender (that may be the construction lender) demonstrating all the following:
 - i. The homebuyer intends to purchase the residence.
 - ii. The homebuyer has the ability to obtain a permanent qualifying mortgage loan sufficient to purchase the residence.
 - iii. The homebuyer has made a substantial earnest money deposit.
 - c. The construction loan must meet all the following requirements:
 - i. Not exceed 80 percent of the sales price of the residence.
 - ii. Be secured by a first lien on the lot, residence under construction, and other improvements.
 - iii. Be performing and not more than 90 days past due.
 - d. The home purchaser(s) must intend that the home will be owner-occupied and must not be a business entity or any entity that is purchasing the home(s) for speculative purposes.

- e. You must retain sufficient undisbursed loan funds throughout the construction period to ensure project completion. The builder must incur a significant percentage of direct costs; for example, the actual costs of land, labor, and material, before he draws on the loan.

CCR485: Total

The EFS software will compute this line as the sum of CCR460 through CCR480.

CCR50: 50% Risk-Weight Total

The EFS software will compute this line as 50 percent times CCR485, the risk-weighted product of all 50 percent risk-weight assets.

100% Risk weight**CCR501: Securities Risk Weighted at 100% (or More) Under Ratings-Based Approach**

Include on this line:

1. Asset-backed securities or exposures eligible for 100% risk weight under the ratings-based approach. Example: "BBB" rated.
2. Also include asset-backed securities or exposures that receive a 200% risk weight under the ratings-based approach. Example: "BB" rated. For these 200% risk weight items, you must first multiply the balance by 2 (two).

Note: Only a limited set of asset-backed securities and other exposures arising from securitization activities qualify for this risk weighting, and these must meet all of the requirements of the ratings-based approach. Refer to 12 CFR 567.6(b)(3).

CCR506: All Other Assets

Report all other assets except those included above or in any other risk-weight category.

Include:

1. Consumer loans.
2. Commercial loans.
3. All assets that are nonperforming or more than 90 days past due, except for certain covered assets. See the instructions for CCR 409 and CCR 450 for reporting covered assets.
4. All repossessed assets including repossessed real estate (REO), other repossessed assets, and equity investments that have the same characteristics as REO, for example stock from an REO workout firm that has been approved for inclusion in the 100% risk-weight category.
5. First and junior mortgages on one- to four-family dwelling unit properties that do not qualify for inclusion on CCR460 (50% Risk weight: Qualifying Single family Residential Mortgage Loans).
6. Multifamily mortgage loans that do not meet the qualifying criteria for inclusion on CCR465, 50% Risk weight: Qualifying Multifamily Residential Mortgage Loans.
7. Residential construction loans, except those to individuals to build their own homes that you report on CCR460, and except qualifying residential construction loans (bridge loans) as defined in CCR480.

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8. Nonresidential construction loans as defined in the instructions for SC260, Nonresidential Property.
 9. Obligations issued by a state or political subdivision for the benefit of a private party or enterprise where that party or enterprise, rather than the issuing state or political subdivision, is responsible to pay principal and interest on the obligation (industrial development bonds).
 10. Private-issue debt securities, including commercial paper, except those that you report in the 20 percent or 50 percent risk-weight categories.
 11. Investments in fixed assets and premises.
 12. Qualifying intangible assets reported on CCR185.
 13. Servicing assets, less the amount included on CCR133.
 14. The gross amount of wrap-around loans where you are liable on the first mortgage or must assume the first mortgage to perfect your position. Report the wrap-around loan net of the first mortgage if you have no liability on the first mortgage loan or obligation to assume it.
 15. Equity investments that are permissible for both savings associations and national banks and including the following:
 - a. Fannie Mae Stock.
 - b. Freddie Mac Stock.
 - c. Equity investments in unconsolidated subordinate organizations (those that do not qualify as subsidiaries under 12 CFR § 567.1) that engage solely in activities as agent for customers or engage as principal in activities permissible for national banks or otherwise are includable under § 5(t) of the HOLA.
 - d. Real estate loans that are equity investments under GAAP and are includable under the Office of the Comptroller of the Currency's (OCC's) capital rule.
 - e. Mutual funds and pass-through investments, defined in 12 CFR § 560.32, that invest in any of the above categories of permissible equity investments.
 16. Loans to commercial entities collateralized by mortgages of third party borrowers (warehouse loans).
 17. Interest-only (IO) and principal only (PO) stripped securities that are not credit enhancing. This category includes most IOs and POs issued by Fannie Mae and Freddie Mac.
 18. Any other remaining assets that you do not deduct from capital on CCR133 or CCR375, or that you do not "super risk-weight" using CCR605 and CCR62.
 19. Assets reported on this line generally receive a 100 percent risk weight. The risk-weighted amount is automatically calculated. However, you will need to override the automatically calculated amount where OTS exercises its Reservation of Authority under 12 CFR 567.11, and requires a savings association to apply another risk-weight, credit equivalent amount, or credit conversion factor that OTS deems appropriate for the risk of a particular asset or off-balance sheet item. For those assets, report at the assigned risk-weight, conversion factor, or credit equivalent amount on this line regardless of the asset category. For example, if the assigned risk weight for certain assets is 200 percent, multiply those assets by the assigned 200 percent risk weight, and manually include this amount with the amount of assets risk-weighted at 100 percent for a new total. If the assigned risk-weight is 75 percent for certain assets, multiply those assets by 75 percent, and include them on this line as well. If a conversion factor is assigned at 100 percent, multiply the asset times 100 percent and times the appropriate risk-weight (assigned or not assigned), and include the amount on this line.

CCR510: Total

The EFS software will compute this line as the sum of CCR501 and CCR506.

CCR55: 100% Risk-Weight Total

The EFS software will compute this line as 100 percent times CCR510, the risk-weighted product of all 100 percent risk-weight assets.

CONVERSION OF OFF-BALANCE-SHEET ITEMS TO ON-BALANCE-SHEET EQUIVALENTS

Include off-balance-sheet items in the total risk-based capital standard after converting them into on-balance-sheet equivalents. Convert off-balance-sheet items to on-balance-sheet equivalents by taking the dollar amount of the off-balance-sheet item and multiplying it by the appropriate credit conversion factor from the table below.

SC689, Other Assets, and SC796, Other Liabilities and Deferred Income, include the fair value of derivative instruments. We treat on-balance-sheet derivative instruments used for risk management purposes, rather than for trading, as off-balance-sheet items for risk-based capital purposes. Accordingly, you should risk weight only the converted on-balance-sheet equivalent amounts, not the amounts reported on SC689 and SC796.

Place the on-balance-sheet equivalents (converted off-balance-sheet items) in the appropriate risk-weight category just as any other on-balance-sheet assets. For example, place an off-balance-sheet letter of credit in the same risk-weight category as the loan would be upon execution of the letter of credit.

As mentioned, where OTS assigns a conversion factor to certain off-balance sheet assets under its Reservation of Authority, convert those assets into on-balance sheet equivalents by multiplying those assets times the assigned conversion factor. If OTS does not assign a risk-weight, use the risk-weight normally applied to the assets' category. However, report the amount on CCR 506. Do not report the asset in any other risk-weight category. Similarly, OTS may also assign a risk-weight in addition to a credit conversion factor. Report this amount on CCR 506 as well.

Loans in Process (Undisbursed Loan Balances)

You may convert all LIP that meets the following criteria at a zero percent conversion factor. In other words, you do not risk weight it.

1. LIP that contractually must be fully disbursed or expire in one year or less under the original terms of the contract.
2. LIP that you may disburse over a period of time exceeding one year and that meets both of the following criteria:
 - a. You may unconditionally cancel the agreement.
 - b. You make a separate credit decision before each draw.

Convert all LIP that does not meet the criteria in #1 or #2 above at a 50 percent conversion factor and place in the risk-weight category appropriate for the related loan, except as follows:

1. When the borrower pays interest on the full amount of the loan, including both the disbursed and undisbursed portions, you must convert the LIP to an on-balance-sheet equivalent at a 100 percent credit conversion factor.
2. When the LIP is a direct credit substitute, you must convert it to an on-balance-sheet equivalent at a 100 percent credit conversion factor.

Table of Conversion Factors for Off-Balance-Sheet Items

This calculation translates the face amount of an off-balance-sheet exposure into an on-balance-sheet credit equivalent amount.

Zero Percent Credit Conversion Factor (not risk weighted)

Include:

1. Unused commitments with an original maturity of one year or less.
2. Unused commitments with an original maturity of greater than one year:
 - a. That you may unconditionally cancel at any time, and
 - b. You have the contractual right to make, and you do make, either:
 - i. A separate credit decision based upon the borrower's current financial condition before each draw, or,
 - ii. An annual, or more frequent credit review, based upon the borrower's current financial condition to determine whether or not to continue the lending arrangement.
3. Unused portions of retail credit card lines of credit that you may unconditionally cancel to the extent allowed by applicable law.
4. Unused portion of home equity lines of credit:
 - a. That you may unconditionally cancel at any time to the extent allowed by federal law, and
 - b. You have the contractual right to make, and you do make, either:
 - i. A separate credit decision based upon the borrower's current financial condition before each draw, or,
 - ii. An annual, or more frequent credit review, based upon the borrower's current financial condition to determine whether to continue the lending arrangement.
5. A commitment to make a permanent loan, where either the balance sheet or off-balance-sheet includes the construction loan. If the commitment to make the permanent loan exceeds the construction loan, treat the excess as a separate commitment and convert it to an on-balance-sheet equivalent.

Twenty Percent Credit Conversion Factor

Trade-related contingencies are short term, self-liquidating instruments used to finance the movement of goods and collateralized by the underlying shipment. For example, a commercial letter of credit.

Fifty Percent Credit Conversion Factor

Include:

1. Transaction-related contingencies, including performance bonds and performance-based standby letters of credit.
2. Unused commitments with an original maturity greater than one year, including home equity lines of credit that are not in the zero percent credit conversion factor category because they are not unconditionally cancelable.
3. Revolving underwriting facilities, note issuance facilities, and similar arrangements where the customer can issue short-term debt in its own name, but where you have a legally binding commitment to either:
 - a. Purchase the obligations the customer is unable to sell by a certain date.
 - b. Advance funds to its customer if the customer is unable to sell the obligations.

Example:

You have a \$1 million off-balance-sheet letter of credit guaranteeing the completion of a road in a residential construction project. Letters of credit that guarantee performance have a conversion factor of 50 percent. You convert the \$1 million off-balance-sheet item into a \$500,000 on-balance-sheet

equivalent (\$1 million times 50 percent), and place this in the 100 percent risk-weight category on CCR506, which is the same risk-weight category as on-balance-sheet residential construction loans.

One Hundred Percent Credit Conversion Factor

Include:

1. Financial guarantee-type standby letters of credit. Convert the face amount to a credit-equivalent amount.
2. Assets sold with recourse:
 - a. If you sell a \$100 loan with ten percent recourse, you must convert the full \$100 – the grossed up amount – at 100 percent, except where the amount of recourse liability that you retain is less than the capital requirement for credit-risk exposure. In that situation, the low-level recourse provision limits your capital charge to a dollar-for-dollar requirement against the amount of credit-risk exposure retained. For example, in the sale of most assets with one percent recourse, the amount of liability retained is less than the capital requirement. Therefore, one percent of the assets sold would be the capital requirement. Report this low-level recourse amount on CCR375 or CCR605. No off-balance-sheet conversion is necessary.
 - b. Loans serviced for others where you or your subsidiaries are liable for credit losses on the loans serviced. In general, do not consider servicing of VA loans in GNMA pools as recourse servicing; however, we reserve the right on a case-by-case basis to treat such servicing as recourse. **Note:** You should not risk weight the on-balance-sheet asset. You should convert the full outstanding balance of the loans serviced at 100 percent.
 - c. Treat the subordinated portions of senior/subordinated securities, both retained and purchased subordinated pieces, identically to assets sold with partial, first-loss recourse under 2(a) above. You generally should not risk weight the on-balance-sheet-subordinated security. You should convert the full amount of both the senior and subordinate portions of the mortgage pool security at 100 percent.
 - d. You may elect to apply the 100 percent credit conversion factor to only the retained recourse amount related to transfers of small business loans and leases of personal property, according to § 208 of the Riegle Community Development and Regulatory Improvement Act of 1994. Qualifying savings associations may apply the treatment under § 208, as implemented, to transfers on or after March 22, 1995. See § 208 of the Riegle Act and 12 CFR § 567.6(a)(2)(i)(C).
3. Forward agreements and other contingent obligations with a specified draw down are legally binding agreements to purchase assets at a specified future date. You should convert the principal amount of the assets you will purchase on the date you enter into the agreement.
4. Securities of customers where you lend such securities to others as agent and you indemnify the customer against loss.

Example:

You have a \$1 million off-balance-sheet, legally binding commitment to purchase and the institution has the intent to take delivery of (e.g., a regular-way trade, which is not accounted for as a derivative) FannieMae or FreddieMac MBS. Forward agreements to purchase assets at a specified date have a conversion factor of 100 percent. You convert the \$1 million off-balance-sheet item into a \$1 million on-balance-sheet equivalent, and you place it in the 20 percent risk-weight category on CCR450.

Interest-rate and Exchange-rate Contracts, and Certain Derivative Contracts

Credit Equivalent Amount

This calculation translates interest-rate and exchange-rate contracts into an on-balance-sheet credit equivalent amount. The credit equivalent amount of interest-rate and exchange-rate contracts is the sum of: (1) current credit exposure, and (2) potential credit exposure.

The credit equivalent amount, consisting of the current exposure plus the potential credit exposure, is assigned to the appropriate risk-weight category and reported on one of the following lines:

20% Risk weight		
	CCR435	Claims on FHLBs
	CCR445	Claims on Domestic Depository Institutions
	CCR450	Other (where the counter party is a Federal Reserve Bank)
50% Risk weight		
	CCR480	Other – where the counter party is other than a domestic depository institution, a FHLBank, or a Federal Reserve Bank

1. Current Credit Exposure

Current credit exposure is the replacement cost of the contract, measured in U.S. dollars, regardless of the currency specified in the contract.

Replacement cost is the loss that you would incur if a counterparty defaults. You measure replacement cost as the net cost of replacing the contract at the current market value. If default would result in a theoretical profit, the replacement value is zero. The replacement cost calculation incorporates changes in both interest rates and counterparty credit quality.

2. Potential Credit Exposure

Potential credit exposure means the estimated potential increase in credit exposure over the remaining life of the contract. You calculate it as follows:

Interest-rate Contracts

Multiply the notional principal amount of the contract by either:

1. Zero percent, if the contract has a remaining maturity of one year or less.
2. One-half of one percent if the contract has a remaining maturity greater than one year.

Exchange-rate Contracts

Multiply the notional principal amount of the contract by either:

1. One percent if the contract has a remaining maturity of one year or less.
2. Five percent if the contract has a remaining maturity greater than one year.

Interest Rate Contract Example:

You have a \$10 million notional amount interest rate swap agreement. You report the positive fair value of this derivative instrument of \$80 thousand as an asset and include it in line SC689, Other Assets. However, you do **not** include this \$80 thousand on-balance-sheet amount in assets to risk weight. Instead, you include in assets to risk weight the credit equivalent amount of this interest rate exchange agreement, which you have calculated to be \$130 thousand. You computed the \$130 thousand by adding the current credit exposure of \$80 thousand (equal to the replacement cost of the contract) to the potential credit exposure of \$50 thousand (equal to the \$10 million notional amount times 0.5%, for this

contract with a remaining maturity of 2 years). You include the \$130 thousand in assets to risk weight, in the 20 percent risk-weight category on CCR435, because the counterparty is a Federal Home Loan Bank.

Foreign Exchange Rate Example:

Your thrift has a foreign currency exchange rate contract where the thrift will deliver €1 million (Euros) and receive \$1.8 million (US Dollars) in 90 days. The exchange rate was 0.90 (US Dollars/Euros) and it is now 0.95. No matter which side of the contract your thrift has taken, it should always be measured in dollars for capital purposes. The market loss of \$100,000 is reported on SC796. As there is a market loss, the current credit portion is \$0. The potential credit portion is \$18,000 because the term is less than one year. You would report \$18 on CCR480 as the counterparty is a broker (non-bank).

Do not include in risk-based assets:

- (1) A foreign exchange rate contract with an original maturity of 14 calendar days or less; and
- (2) Any interest rate or foreign exchange rate contract that is traded on an exchange requiring the daily payment of any variations in the market value of the contract.

See 12 CFR 567.6 for more information.

Netting of Current Replacement Value under Qualifying Bilateral Netting Agreements

You may net the current replacement values of multiple rate contracts with a single counterparty under a qualifying bilateral netting agreement in accordance with the OTS' bilateral netting rule according to 12 CFR § 567.6(a)(2)(v)(B). A bilateral netting agreement is a master contract under which two parties agree to net the amounts they owe each other under rate contracts covered by the agreement to reduce their credit exposure. You may only net contracts for capital purposes under this rule if **all** of the following are true:

1. The rate contracts are between the same two parties.
2. You net only interest rate contracts and foreign exchange rate contracts for capital purposes.
3. The bilateral netting contract covering the rate contracts results in a single netted amount being payable or receivable in case of the default, insolvency, bankruptcy, or similar circumstance of either party.
4. If you are party to the bilateral netting agreement, you have legal opinions concluding that the courts and other legal authorities of relevant jurisdictions would uphold the contract.

CCR605: Amount of Low-Level Recourse and Residual Interests Before Risk weighting

If you elect the "super risk weighting" approach for low-level recourse and residual interests, report on this line the amount of 1) low-level recourse and 2) residual interests reported on SI402 and SI404. However, you should reduce the amount of residual interests reported here by any amount reported on CCR133.

Include:

1. The amount of recourse liability (low-level recourse amount) that you retain when it is less than the capital requirement for credit-risk exposure. Therefore, you do not convert it to an on-balance-sheet equivalent. In the sale of most assets with one percent recourse, the amount of liability retained usually is less than the capital requirement. You would report one percent of the assets sold on CCR375 or CCR605. See the instructions for the 100 percent credit conversion factor in the Conversion of Off-balance-sheet Items to On-balance-sheet Equivalents section.
2. The amount of on-balance-sheet financial instruments representing subordinated credit risk interests, including interests in spread accounts and asset pools. However, your low-level

recourse requirement may exceed the amount of this instrument if you are subject to credit losses exceeding the amount of the instrument.

Do not Include:

Credit-enhancing interest-only strips reported on SI402 that exceed 25% of your Tier 1 Capital. You must deduct the amount that exceeds 25% of Tier 1 capital on CCR 133.

CCR62: RISK-WEIGHTED ASSETS FOR LOW-LEVEL RECOURSE AND RESIDUAL INTERESTS (CCR605 X 12.5)

This notional risk-weighted amount is your low-level recourse and residual interests amount on CCR605 multiplied by 12.5. **Note:** This computation results in a risk-weighted asset amount that when multiplied by 8 percent results in your low-level recourse amount. By converting your low-level recourse and residual interests amount into risk-weighted assets, this method increases your total risk-based capital requirement instead of reducing your total risk-based capital like the deduction method.

The EFS software will compute this line as CCR605 multiplied by 12.5, the reciprocal of the 8 percent risk-based capital requirement.

CCR64: ASSETS TO RISK WEIGHT

The EFS software will automatically compute this line as the sum of CCR420, CCR455, CCR485, CCR510, and CCR605.

Total assets subject to risk weighting are as follows:

1. Adjusted Total Assets, CCR25.
2. ALLL, CCR350 plus CCR530.
3. Assets you are required to deduct, reported on CCR370.
4. Off-balance-sheet items you are required to convert to assets to risk weight.
5. Unrealized gains on AFS equity securities reported on CCR302.
6. Less any on-balance-sheet assets reported on CCR375.

CCR75: Subtotal Risk-Weighted Assets

The EFS software will compute this line as the sum of CCR40, CCR45, CCR50, CCR55, and CCR62.

CCR530: Excess Allowances for Loan and Lease Losses (ALLL)

Report an amount on CCR530 only when the ALLL reported on CCR350 is less than the ALLL reported on SC283 and SC357. This could occur when the total ALLL reported on Schedule SC exceeds the regulatory capital limit of 1.25 percent of risk-weighted assets. Report on CCR530 the ALLL reported on SC283 and SC357 that is not included on CCR350. Excess ALLL may not include amounts for liabilities for credit losses on off-balance-sheet credit exposures.

CCR78: TOTAL RISK-WEIGHTED ASSETS

The EFS software will compute this line as CCR75 minus CCR530.

CCR80: Total Risk-Based Capital Requirement

The EFS software will compute this line as CCR78, Total Risk-Weighted Assets multiplied by eight percent.

If you have an individual minimum capital requirement (IMCR) imposed pursuant to 12 CFR Section 567.3, you should override the calculated amount and report your IMCR.

This amount should never be less than eight percent of CCR78.

CAPITAL AND PROMPT CORRECTIVE ACTION RATIOS

The EFS software will compute the following ratios. These ratios provide you and the data user with instantaneous calculation of important capital ratios.

CCR810: Tier 1 (Core) Capital Ratio

The EFS software will compute this ratio as Tier 1 (core) capital divided by adjusted total assets (CCR20/CCR25), expressed as a percentage.

CCR820: Total Risk-Based Capital Ratio

The EFS software will compute this ratio as total risk-based capital divided by risk-weighted assets (CCR39/CCR78), expressed as a percentage.

CCR830: Tier 1 Risk-Based Capital Ratio

The EFS software will compute this ratio as Tier 1 (core) capital, less the deduction for low-level recourse and residual interests, divided by risk-weighted assets ((CCR20-CCR375)/CCR78), expressed as a percentage.

CCR840: Tangible Equity Capital

If you do not report purchased credit card relationships (PCCRS) or servicing assets on nonmortgage loans or if you do not have non-qualifying PCCRs or non-qualifying servicing assets on nonmortgage loans, the EFS software will compute this ratio as Tier 1 (core) capital plus cumulative perpetual preferred stock less PCCRS and servicing assets on nonmortgage loans divided by tangible assets less PCCRS and servicing assets on nonmortgage loans $([CCR20-CCR185+SC812-SC644]/[CCR25-CCR285-SC644])$, expressed as a percentage.

If you have non-qualifying PCCRs or non-qualifying servicing assets on nonmortgage loans, as determined under CCR133, you should manually override the software calculation for CCR840. You should take into consideration adjustments made on CCR 133 so that PCCRs and servicing assets on nonmortgage loans in Tier 1 (core) capital are fully deducted for purposes of the tangible equity ratio.

SCHEDULE VIE – ASSETS AND LIABILITIES OF CONSOLIDATED VARIABLE INTEREST ENTITIES (VIEs)

*Throughout these instructions, **you** and **your** refers to the reporting savings association and its consolidated subsidiaries, **we** and **our** refers to the Office of Thrift Supervision.*

GENERAL INSTRUCTIONS

A variable interest entity (VIE), as described in ASC Topic 810, Consolidation (formerly FASB Interpretation No. 46 (revised December 2003), “Consolidation of Variable Interest Entities,” as amended by FASB Statement No. 167, “Amendments to FASB Interpretation No. 46(R)”), is an entity in which equity investors do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support or, as a group, the holders of the equity investment at risk lack one or more of the following three characteristics: (a) the power, through voting rights or similar rights, to direct the activities of an entity that most significantly impact the entity’s economic performance, (b) the obligation to absorb the expected losses of the entity, or (c) the right to receive the expected residual returns of the entity.

Variable interests in VIE are contractual, ownership, or other pecuniary interests in an entity that change with changes in the fair value of the entity’s net assets exclusive of variable interests. When a savings association or other company has a variable interest or interests in a VIE, ASC Topic 810 provides guidance for determining whether the savings association or other company must consolidate the VIE. If a savings association or other company has a controlling financial interest in a VIE, it is deemed to be the primary beneficiary of the VIE and, therefore, must consolidate the VIE. For further information, see the Glossary entry for “variable interest entity.”

Schedule VIE collects information on VIEs that have been consolidated by the reporting savings association for purposes of the Consolidated Statement of Condition and Operations because the savings association or a consolidated subsidiary is the primary beneficiary of the VIE. Schedule VIE should be completed on a fully consolidated basis after eliminating intercompany transactions. The asset and liability amounts to be reported in Schedule VIE should be the same amounts at which these assets and liabilities are reported on Schedule SC, Consolidated Statement of Condition, e.g., held-to-maturity securities should be reported at amortized cost and available-for-sale securities should be reported at fair value.

Column Instructions

First Column, Securitization Vehicles: Securitization vehicles include VIEs that have been created to pool and repackage mortgages, other assets, or other credit exposures into securities that can be transferred to investors.

Second Column, ABCP Conduits: Asset-backed commercial paper (ABCP) conduits include VIEs that primarily issue externally rated commercial paper backed by assets or other exposures.

Third Column, Other VIEs: Other VIEs include VIEs other than securitization vehicles and ABCP conduits.

For purposes of Schedule VIE, information about each consolidated VIE should be included in only one of the three columns of the schedule. The column selected for a particular consolidated VIE should be based on the purpose and design of the VIE and this column should be consistently used over time.

Assets of consolidated variable interest entities (VIEs) that can be used only to settle obligations of the consolidated VIEs.

Report in the appropriate line item and column those assets of consolidated VIEs reported in Schedule SC, Consolidated Statement of Condition, that can be used only to settle obligations of the same consolidated VIEs and any related allowance for loan and lease losses. Exclude assets of consolidated VIEs that cannot be used only to settle obligations of the same consolidated VIEs (report such assets in line item: **All other assets of consolidated VIEs, Line Numbers VIE499, VIE599, VIE699 below**)

Cash and balances due from depository institutionsVIE115, 215, 315

Report in the appropriate column the amount of cash and balances due from depository institutions held by consolidated VIEs included in Schedule SC110, "Cash and Non-Interest Earning Deposits," SC112, "Interest-Earning Deposits in FHLBS," and SC118, "Other Interest-Earning Deposits," that can be used only to settle obligations of the same consolidated VIEs.

Held-to-maturity securitiesVIE116, 216, 316

Report in the appropriate column the amount of held-to-maturity securities held by consolidated VIEs included in Schedule SC that can be used only to settle obligations of the same consolidated VIEs.

Available-for-sale securitiesVIE117, 217, 317

Report in the appropriate column the amount of available-for-sale securities held by consolidated VIEs included in Schedule SC that can be used only to settle obligations of the same consolidated VIEs.

Securities purchased under agreements to resell.....VIE121, 221, 321

Report in the appropriate column the amount of securities purchased under agreements to resell held by consolidated VIEs included in Schedule SC125, "Federal Funds Sold and Securities Purchased Under Agreements to Resell," that can be used only to settle obligations of the same consolidated VIEs

Loans and leases held for sale.....VIE125, 225, 325

Report in the appropriate column the amount of loans and leases held for sale held by consolidated VIEs included in Schedule SC that can be used only to settle obligations of the same consolidated VIEs

Loans and leases, net of unearned income..... VIE135, 235, 335

Report in the appropriate column the amount of loans and leases held for investment by consolidated VIEs included in Schedule SC that can be used only to settle obligations of the same consolidated VIEs.

Less: Allowance for loan and lease losses..... VIE138, 238, 338

Report in the appropriate column the amount of the allowance for loan and lease losses held by consolidated VIEs included in Schedule SC "Allowance for loan and lease losses," that is allocated to these consolidated VIEs loans and leases held for investment that can be used only to settle obligations of the same consolidated VIEs and reported in Schedule Line Items VIE135, 235,335 above.

Trading assets (other than derivatives) VIE140, 240, 340

Report in the appropriate column the amount of trading assets (other than derivatives) held by consolidated VIEs included in Schedule SC that can be used only to settle obligations of the same consolidated VIEs.

Derivative trading assets VIE143, 243, 343

Report in the appropriate column the amount of derivative trading assets held by consolidated VIEs included in Schedule SC that can be used only to settle obligations of the same consolidated VIEs.

Other real estate owned VIE146, 246, 346

Report in the appropriate column the amount of other real estate owned held by consolidated VIEs included in Schedule SC that can be used only to settle obligations of the same consolidated VIEs.

Other assets VIE149, 249, 349

Report in the appropriate column the amount of all other assets held by consolidated VIEs included in Schedule SC60, "Total Assets," and not reported in items VIE115 – VIE346 above, that can be used only to settle obligations of the same consolidated VIEs.

Liabilities of consolidated VIEs for which creditors do not have recourse to the general credit of the reporting savings association:

Report in the appropriate line item and column those liabilities of consolidated VIEs reported in Schedule SC, Consolidated Statement of Condition, for which creditors do not have recourse to the general credit of the reporting savings association. Exclude liabilities of consolidated VIEs for which creditors have recourse to the general credit of the reporting bank (report such liabilities in Line Items VIE400, 500,600 below).

Securities sold under agreements to repurchase..... VIE490, 590, 690

Report in the appropriate column the amount of securities sold under agreements to repurchase by consolidated VIEs reported in Schedule SC730, Federal Funds Purchased and Securities Sold Under Agreements to Repurchase," for which the holders of these repurchase agreements do not have recourse to the general credit of the reporting savings association.

Derivative trading liabilities..... VIE496, 596, 696

Report in the appropriate column the amount of derivative trading liabilities of consolidated VIEs reported in Schedule SC for which the derivative counterparties do not have recourse to the general credit of the reporting savings association.

Commercial Paper..... VIE492, 592, 692

Report in the appropriate column the amount of commercial paper issued by consolidated VIEs reported in Schedule SC for which the holders of this commercial paper do not have recourse to the general credit of the reporting savings association.

Other borrowed money (exclude commercial paper)... VIE495, 595, 695

Report in the appropriate column the amount of other borrowed money (other than commercial paper) of consolidated VIEs included in Schedule SC for which the creditors on these liabilities do not have recourse to the general credit of the reporting savings association.

Other liabilities..... VIE497, 597, 697

Report in the appropriate column the amount of all other liabilities of consolidated VIEs included in Schedule SC70, "Total Liabilities," and not reported in Lines VIE490 - VIE695 above, for which the creditors on these liabilities do not have recourse to the general credit of the reporting savings association.

All other assets of consolidated VIEs (not included in items VIE115 – VIE349 above).....VIE499, 599, 699

Report in the appropriate column the amount of assets of consolidated VIEs reported in Schedule SC that have not been reported in items VIE115 - VIE349 above. Loans and leases held for investment that are included in this item should be reported net of any allowance for loan and lease losses allocated to these loans and leases.

All other liabilities of consolidated VIEs.....VIE400, 500, 600

Report in the appropriate column the amount of liabilities of consolidated VIEs reported in Schedule SC that have not been included in items VIE490 - VIE697 above.

GLOSSARY

Throughout these instructions, **you** and **your** refers to the reporting savings association and its consolidated subsidiaries; **we** and **our** refers to the Office of Thrift Supervision.

We use this glossary to explain terms that we use in connection with the Thrift Financial Report. We have neither officially approved nor sanctioned the definitions. They are not legal definitions and you should not use them to interpret or define provisions of our regulations or other official documents. A more extensive glossary of financial terms is available on the OTS web site. Also refer to the glossary in the OTS Trust and Asset Management Handbook.

a

Above Par (Value)

A higher dollar amount than the face value, or par, of a security. Above par occurs when a security sells at a premium – for more than par or face value. The premium is the difference between the face value and the market price.

Accelerated Mortgage Amortization

(1) The restructuring of an existing mortgage loan by increasing the monthly payment to pay off the loan in a shorter time than the original maturity. (2) Prepayment of loan principal.

Acceleration Clause

A clause commonly included in mortgages and bonds, it gives the holder the right to demand that the borrower pay the entire outstanding balance in the event of default or other breach of contract.

Accounts Payable

Short-term liabilities incurred and amounts recorded on the books of a company or individual that are owed to a creditor for previously purchased merchandise or services rendered.

Accounts Receivable

Amounts recorded as assets on the books of a company or individual that are due for merchandise sold or services rendered.

Accretion

Addition to income resulting from gradual, periodic reduction of deferred income.

Accrual Basis

(1) The basis of accounting under which revenues are recorded when earned and expenditures are recorded as soon as they result in liabilities for benefit received, notwithstanding that the receipt of the revenue or the payment of the expenditure may take place, in whole or in part, in another accounting

period. (2) Opposite of cash basis accounting. The accrual basis of accounting must be used in the preparation of the Thrift Financial Report.

Accrued Dividend

A dividend declared by the Board of Directors and considered to be earned and payable but not yet paid on stock or other instruments of ownership of a business.

Accrued Expense

Costs incurred during an accounting period but not paid.

Accrued Interest

Interest earned, but not received or credited, for the period of time that has elapsed since interest was last received.

Actual Thrift Investment Percentage (ATIP)

A ratio whose numerator is housing-related investments, called qualified thrift investments, and whose denominator is portfolio assets. The ratio is used to determine whether a savings association meets the qualified thrift lender (QTL) test. Savings associations may elect to use the Internal Revenue Service tax code Domestic Building and Loan Association (DBLA) test rather than the QTL test.

ADC

Acquisition, development, and/or construction.

Add-on Interest

The amount of interest the borrower will pay during the term of the loan that is added to the principal of the loan to determine the face amount of the note. The borrower signs a note promising to repay the face amount (principal plus interest), although only the principal is disbursed to the borrower. Since the interest is not yet earned at the date of closing, a contra-account to the loan is set up representing the unearned interest. This contra-account is reduced monthly and credited to interest income until at the time of maturity the contra-account is zero and the full principal is due. Report loans with add-on interest net of the unearned interest in Schedule SC. See Discount Loan.

Adjustable Rate

An asset or liability repriced (rate adjusted) periodically during its life according to a predetermined formula or index. The interest rate is automatically adjusted at stated intervals. See Adjustable-Rate Mortgage, Floating-Rate Securities, and Floating-Rate Tranches.

Adjustable-Rate Mortgage (ARM)

A loan with an interest rate that is periodically adjusted, moving higher or lower in the same ratio as a preselected index, such as Treasury bill rates. ARM loans may limit interest rate increases, caps, within a given time period and over the life of the loan, and may limit the frequency of interest rate adjustments. ARM loans may initially have below-market interest rates, *teaser rates*, in return for the borrower sharing the risk that interest rates may rise during the course of the loan.

Adjusted Basis

Equals cost at which an asset is acquired and adjusted for certain occurrences since the day of acquisition. For example, the adjusted basis of real property is generally the purchase price plus capital improvements to the property less any depreciation taken. Adjusted basis is used in calculating gains and losses on the sale of an asset.

Adjusting Entries

Bookkeeping entries made after the trial balance is prepared but before the closing entries. The adjusting entries are necessary to make the income and expense accounts consistent with the accrual method of accounting.

Advances

Loans the Federal Home Loan Banks issue to member savings associations.

Affiliated Company

(1) A company that exercises control over another company either directly or indirectly. (2) A company that has common ownership with another company.

Affiliated Person

(1) A director, officer, or controlling person of a savings association or its holding company. (2) A member of the immediate family residing in the same household as a director, officer, or controlling person of a savings association.

Agencies

Securities issued by an agency or government-sponsored enterprise of the federal government, for example, Fannie Mae, Ginnie Mae, etc.

AICPA

American Institute of Certified Public Accountants.

ALLL

Allowance for loan and lease losses.

Allowance

A reserve set aside for bad debts or for depreciation. See Allowance for Loan and Lease Losses (ALLL) and Valuation Allowances.

Allowance for Loan and Lease Losses (ALLL)

Valuation allowances established to absorb unidentified losses inherent in a savings association's overall loan and lease portfolio. See General Valuation Allowances and Specific Valuation Allowances.

Alternative Mortgage Instruments

Mortgage plans that differ from conventional fixed rate, fixed term, fixed monthly payment, fully amortized mortgages.

Amortization

(1) The gradual reduction of an asset or liability by means of periodic charges to reduce income or to increase expense. (2) The repayment of a loan calculated so that the principal will be paid in full through monthly payments of principal and interest for a predetermined period of time.

Amortized Cost

Equals the face value net of unamortized discounts and premiums less write-offs. See Book Value, Face Value, and Recorded Investment.

Annual Percentage Rate (APR)

A requirement of Truth in Lending laws designed to show consumers the total cost of credit, including the effective interest rate plus certain finance and service charges, points.

Annual Percentage Yield (APY)

The effective annual rate of income expressed as a percentage of the price originally paid. This calculation assumes that interest earned is reinvested.

Annuity

(1) A series of equal payments at fixed intervals, such as monthly or annually. (2) An investment yielding fixed payments during the holder's lifetime or for a stated number of years.

Anticipatory Hedge

(1) A long anticipatory hedge is initiated by buying futures contracts to protect against a rise in the price of an asset to be purchased at a later date. (2) A short anticipatory hedge is initiated by selling futures contracts to protect against the decline in price of an asset to be sold at a future date, or to protect against a rise in interest rates of a fixed-rate liability or a future repricing on a variable-rate liability.

APB

Accounting Principles Board.

Appraisal

An estimate of the market value of an asset by a qualified appraiser.

Appreciation

The increase in value of an asset, specifically the increase in market value of real estate.

APR

Annual Percentage Rate.

APY

Annual Percentage Yield.

ARB

Accounting Research Bulletins.

Arbitrage

A transaction that involves buying a commodity in one market and simultaneously selling it in another market to profit from a disparity in prices between two markets. In a true arbitrage, the timing of the transactions must be simultaneous, thus imposing no risk to the investor.

Arm's-Length Transaction

(1) A transaction negotiated by unrelated parties, each acting in his or her own best interest. (2) The basis for a fair market value determination.

Arrears

A payment not made when due. Frequently used in connection with installment notes, mortgages, rent, and other obligations due and payable on a certain specified date.

Asked Price

The price at which a security is offered for sale.

Assessment

(1) An estimate of the value of real property for levying taxes; also called assessed valuation. (2) A charge against real property levied by a public governing body for a local improvement, such as a sewer repair or street paving.

Asset

Anything owned by an individual or company that has commercial usefulness or value if sold. An asset may be physical property, enforceable claims against others, including loans and accounts receivable, and deferred expenses. An asset may be tangible or intangible.

Asset/Liability Management

A planning and control process, the key concept of which is the integrated approach to matching the mix and maturities of assets and liabilities to achieve a favorable and even flow of "net interest margin."

Assisted Merger

The takeover of a troubled savings association by another depository institution with financial assistance provided from a federal deposit insurance fund.

ATIP

Actual Thrift Investment Percentage.

ATM

Automated teller machine.

At-the-Money Option

An option with a strike price equal to the current market price of the underlying cash or futures contract. In this instance, the intrinsic value is zero and the value of the option reflects a premium paid for: (1) the time the holder has to decide whether or not to exercise the option, and (2) the expected price volatility. The value of this premium declines over time.

Automated Teller Machine (ATM)

A machine that permits customers to gain access to their accounts through the use of a magnetically encoded plastic card and by pushing appropriate buttons on a computer terminal. ATMs dispense cash, accept deposits, transfer funds from one account to another, and perform other functions. Generally, ATMs are available 24 hours a day.

Average Rate of Return

The return of an investment calculated by totaling the cash flow over the years divided by the amount of the investment, and dividing that amount by the number of years (or months) that the investment is outstanding.

b

Bad Debt Reserve

A valuation allowance that savings associations maintain for income tax purposes to offset losses from foreclosed or uncollectable loans.

Balloon Loan

A loan that does not fully amortize during the loan term, and at maturity the unpaid principal is due in a lump sum. Periodic payments may be for principal and interest, or for interest only.

Bank Check

A check that a bank draws on itself then has it signed by an authorized bank officer. See Cashier's Checks and Official Checks.

Bank Insurance Fund (BIF)

A fund, administered by the FDIC, that insures deposits of member banks (primarily commercial banks) up to \$100,000 per depositor. BIF was merged into the Deposit Insurance Fund in 2006 pursuant to the Federal Deposit Reform Act of 2005. See Deposit Insurance Fund.

Bank Investment Contract (BIC)

Investment contract issued by a bank where interest is guaranteed by the bank in a portfolio over a specific time frame with a specific yield. Unlike guaranteed investment contracts (GICs), BICs do not include annuity provisions.

Banker's Acceptance

A draft drawn on a depository institution by another, which when accepted by the depository institution, obligates the depository institution to pay specific obligations of the draft writer when due. Acceptance converts a depositor's "order to pay" into an unconditional "promise to pay" by the accepting depository institution. Bankers acceptances are effectively a guaranty of payment for a purchase and are generally used in financing the import, export, transfer or storage of goods.

Banking Act of 1933

Legislation that (1) created the Federal Deposit Insurance Corporation to provide insurance of deposits for member banks; (2) provided for the regulation of banks; and (3) limited branch banking. Also known as the Glass-Steagall Act.

Basis Point

A measurement of yields or changes in prices or yields for securities. One basis point equals one one-hundredth of one percent. One hundred basis points equal one percent.

Bear Market

(1) A period of falling prices. (2) A condition of a stock market characterized by a selling trend and declining prices. (3) Opposite of a bull market.

Bearer Bond

A bond that does not have the owner's name registered on the books of the issuing agency or company, and is payable to whomever holds the bond.

Before-Tax Income

Gross income less all expenses except for income tax expense.

Below Market

A price that is lower than the prevailing level at which a security is currently quoted or traded.

Below-Market Interest Rate

A lower interest rate than the current rate for conventional financing in a given geographical area. Programs with below-market rates may be used to assist low or moderate income buyers.

Below Par

A price lower than par or face value. The difference between the price and the face value is the discount.

BIC

Bank Investment Contract.

Bid

(1) The price that a potential buyer is willing to pay for a security. (2) An offer to purchase something.

BIF

Bank Insurance Fund.

BIF HOLA Savings Association

A BIF-insured, OTS-regulated savings association.

Blanket Mortgage Loan

A loan made to developers or contractors to purchase one or more tracts of land with the intention of dividing the land into smaller parcels for resale or development.

Bond

A certificate that evidences a debt. The debt is initiated when the issuer sells the bond to the holder for a specific amount of cash. The issuer is obligated to pay the holder of the bond a fixed sum (the bond's face value) at a stated future date and to pay interest (usually twice a year) at a specified rate during the life of the bond. Corporations, the federal government, and state and local governments may issue bonds as a means of raising funds in the capital markets. Bonds may be issued in registered form, in which the name of the holder is on record with the issuer, or in bearer form, in which the name of the owner is not registered and the bond is payable to whomever bears or presents the bond to the issuer for redemption.

Bond Discount

The difference between the purchase price and face value of a bond when the face value exceeds the purchase price. Normally a bond sells at a discount when the stated interest rate of the bond is less than the current market interest rate. The discount is accreted to interest income over the life of the bond, increasing the stated interest rate of the bond to the market interest rate at the time of purchase.

Bond Equivalent

A yield based on a 365-day year with two semiannual coupon payments.

Bond Premium

The difference between the purchase price and the face value of a bond when a bond sells above par. Normally a bond sells at a premium when the stated interest rate is greater than the current market interest rate. The premium is amortized to interest income over the life of the bond, decreasing the stated interest rate of the bond to the market interest rate at the time of purchase.

Bond, Debenture

A bond for which there is no specific security, collateral, set aside or allocated for repayment of the principal.

Bond, Interim

Sometimes used before the issuance of permanent bonds to raise funds needed only temporarily. Synonymous with temporary bond.

Bond, Junk

Bonds rated lower than investment grade that yield higher rates of interest than the current investment-grade bond market.

Bond, Par

A bond selling at par, whose interest rate is in line with prevailing market interest rates.

Bond, Stripped

Bonds whose coupons have been clipped off. The principal and interest (coupons) are sold to separate groups of investors. Those seeking current income buy the strip of coupons, and those wanting a lump sum at maturity buy the principal or "corpus" portion. Because each portion is worth less than its whole, both are sold at a deep discount from their face values.

Bond, Treasury

A U.S. Government long-term security sold to the public with a maturity longer than five years.

Bond, Zero-Coupon

A security sold at a deep discount from its face value and redeemed at the full amount at maturity. The difference between the cost of the bond and its value when redeemed is the investor's return. These notes provide no interest payments to holders.

Book Value

(1) The amount at which a business carries an asset on the accounting books. (2) Book value is equal to face value less unamortized discounts, plus unamortized premiums, plus accrued interest, less depreciation, valuation allowances, and write-offs. (3) Equivalent to Carrying Value.

Branch Office

An office of a savings association physically separate from the home office that offers the same kinds of deposit and most loan services conducted at the home office.

Broker

An agent or middleman who does not actually own the securities or property he sells or buys. A broker, as opposed to a dealer, is always acting on behalf of another individual.

Broker-Originated Deposit

Any deposit placed in a savings association by or through a deposit broker.

Brokerage Fee

A fee, usually referred to as a commission fee, charged by a broker for execution of a transaction. The broker may base the fee on an amount per transaction or a percentage of the total value of the transaction.

Bull Market

(1) A period of rising prices. (2) Opposite of bear market.

Buy-Back Agreement

A provision in a sales contract stating that the seller will repurchase the asset sold within a specified period of time, usually for the selling price, if certain stated conditions exist. See Repurchase Agreement and Recourse.

Buying Hedge

Buying futures contracts to protect against possible increased cost of commodities or financial instruments that will be needed in the future. Also referred to as a long hedge.

Buying Long

Buying stocks, bonds, or commodities outright with the expectation of holding them for a rise in price and then selling.

c

Call

(1) An option to buy a specific security at a specified price within a designated period. (2) A demand by a lender for payment of a loan because of the failure of the borrower to comply with the terms of the loan. (3) A demand by the issuer of the redemption of stocks or bonds. See Put Option.

Call Option

An option that gives the option buyer the right to purchase – go long – the underlying futures contract at the strike price on or before the expiration date.

Call Price

The price at which a callable bond is redeemable. It is used in connection with preferred stocks and debt securities having a fixed claim. It is the price that an issuer must pay to voluntarily retire such securities. This often exceeds the par or liquidating price to compensate the holder of the called security for his or her loss of income and investment position resulting from the call.

Callable Bond

A bond that is redeemable by the issuer prior to maturity; for example, most Treasury bonds are callable five years before maturity at a specific price.

C and D

Cease and Desist Order.

Cap

(1) The maximum rate to which an ARM may adjust, also referred to as a ceiling. (2) A contractual agreement, akin to an insurance policy, in which a third party limits the interest that will be received or paid if interest rates increase by a predetermined number of percentage points, also referred to as an interest-rate cap.

Capital

Generally represents the owners' interest in the company's net assets. It is also called equity capital, stockholders' equity, and net worth. The capital of a company includes capital contributed by the owners' plus the retention of earnings over time.

Capital Asset

(1) An asset with an expected life of over one year and one that is not bought and sold in the normal course of business. (2) A fixed asset.

Capital Expenditure

Money spent for additions or improvements to structures or equipment used to carry on the activities of an organization or individual.

Capital Gain or Loss

The gain or loss incurred from the sale or disposition of assets other than inventory, such as investment securities, and real estate.

Capitalize

The treatment of large expenses as part of a firm's assets. Thus, rather than treating an expenditure as a deduction from the income statement, it is treated as an asset.

Capitalized Interest

Interest not expensed, but added to the carrying value of an asset. The purpose of capitalizing interest is to obtain a measure of acquisition cost that reflects the total investment in the asset. Interest is typically capitalized for assets that are constructed for a business's own use or for assets intended for sale or lease that are constructed as a discrete project.

Capitalized Loan

A loan to which all amounts due are added to the balance of the loan and all payments received are deducted from the balance of the loan. For example, each month as interest is earned and escrow payments become due, these amounts are added to the loan balance; when payment is received it is deducted from the loan balance. Any unpaid amounts become part of the loan principal.

Captive Insurance Company

An insurance company in which an association is required to purchase stock in order to receive insurance.

Carrying Amount of Loan

Recorded investment in the loan minus valuation allowances.

Carrying Value

(1) The amount at which an asset is carried on the books of a business. (2) Amortized cost – face value adjusted for unamortized discounts and premiums, accrued interest, depreciation, valuation allowances, and write-offs. (3) Equivalent to Book Value.

Cash Basis Accounting

(1) A method of accounting in which income and expense items are recorded and recognized when cash is received or disbursed. (2) Opposite of accrual basis accounting. The accrual basis of accounting must be used in the preparation of the Thrift Financial Report.

Cash Market

A market in which securities are traded for immediate delivery for a cash payment.

Cash Price

The price that a specific financial instrument is presently selling in the open market.

Cashier Checks

A check drawn by a financial institution on itself, signed by an institution's authorized officer and payable to a third party named by a customer making the withdrawal. See Official Checks.

CD

Certificate of Deposit.

Cease and Desist Order (C & D)

A demand from the courts or government agency that an entity cease an activity.

CEBA

Competitive Equality Banking Act of 1987.

Chattel Mortgage

A mortgage on personal property, such as an automobile or furniture, that is given as security to pay an obligation.

Certain Nonsecurity Financial Instruments (CNFI)

Unsecuritized financial instruments accounted for at fair value. CNFIs include interest-only strip receivables, loans receivable, other receivables, or retained interests in securitizations that can be contractually prepaid or otherwise settled in such a way that the holder would not recover substantially all of its recorded investment.

Certificate of Deposit (CD)

A written document a financial institution issues to a depositor as evidence of its deposit. It includes the institution's promise to return the deposit at a specified future date with earnings at a specified rate of interest. It may be negotiable (transferable to another party) or nonnegotiable. The interest specified may adjust periodically according to a predetermined formula or index or may be fixed for the term of the deposit.

Certificate of Deposit (demand)

A negotiable or transferable receipt issued for funds deposited with a financial institution and payable on demand to the holder. These receipts normally do not bear interest and are used principally by contractors and others as a guarantee of performance of a contract or as evidence of good faith when submitting a bid. They may also be used as collateral.

Charge-Off

The amount of loss to an asset that, when recorded, directly reduces the balance of an asset. Consequently, the loss is not established separately as a valuation allowance. See Write-off.

CIF

Collective Investment Fund.

Classified Assets

Assets, generally loans, whose value may not be recoverable. Such assets are classified as substandard, doubtful, or loss. Refer to OTS Regulation § 560.160.

Clear Title

A title to real or personal property that has no liens recorded against it and that is transferable to another party. Synonymous with good title, just title, and marketable title.

Close of Business

The time established by the reporting institution as the cut-off time for receipt of work for posting transactions to its general ledger accounts for that day. The time designated as the *close of business* should be reasonable and applied consistently. The posting of a transaction to the general ledger means that both debit and credit entries are recorded as of the same date.

Closed Position

Forward or futures contracts offset in full are *closed* because the obligations cancel each other out.

Closed-End Credit

A loan where the entire amount is disbursed to the borrower. Overdraft privileges, credit cards, most home equity loans, and lines of credit are open-end rather than closed-end loans because, although they have a fixed ceiling, the association will not necessarily disburse the full amount of the line of credit.

Closed-End Mortgage

A mortgage with a prohibition against additional borrowing using the same lien. The prohibition against additional borrowing protects the existing creditors from having the security diluted.

Closing

Consummating a financial transaction. In mortgage lending, closing is the process of the delivery of a deed, the signing of loan documents, and the advancing of funds by the lender.

Closing Price

The price at which transactions are made just before the end of trading on a given day.

Closing Transaction

(1) The final transaction for a particular security during a trading day. (2) An option order that will eliminate or decrease the size of an existing option position.

CMO

Collateralized mortgage obligation.

CNFI

Certain nonsecurity financial instruments.

Collar

A maximum and minimum rate of interest that will be paid on the par value of a floating-rate note. See Interest-Rate Collar.

Collateral

Something of value pledged as security for a loan. The lender can repossess the collateral if the loan is not repaid.

Collateral Loan

A loan for which the borrower deposits certain property with the lender as a pledge of payment. The lender usually has the right to sell the property to pay off the debt if the borrower does not pay according to its term.

Collateral Mortgage

A document used with a loan that effects a lien on real estate, where the loan is not a purchase-money mortgage.

Collateralized Mortgage Obligation (CMO)

A multiclass, mortgage-backed security. An underlying pool of mortgages held by the issuer serves as collateral for the debt obligation, and principal and interest payments from the pool of mortgages are used to retire the CMOs. Typically, a single issue of CMOs contains three or more classes, tranches, of bonds having fixed or floating interest rates, and different lengths of maturity for each class of bond that provides a form of call protection to the holder of a CMO.

Collateral Trust Notes

Bonds secured by the deposit of other bonds or stocks, usually issued by holding companies, investment trusts, and railroads.

Collective Investment Fund (CIF)

The collective investment of fiduciary accounts. Generally includes accounts held by a trustee, executor, administrator or guardian. Used primarily to describe the collective investment of tax-qualified retirement plans. Also referred to as Group Trusts. See Common Trust Fund.

Combined Construction-Permanent Loan

Loans used to finance construction and that are converted to permanent loans upon completion of construction. Typically, the borrower makes no principal payments during the construction period, and upon conversion to a permanent loan begins to make both interest and principal payments.

Commercial Letter of Credit

An instrument by which a financial institution lends its credit to a customer to enable him to finance the purchase of goods. Addressed to the seller, the letter authorizes him to draw drafts on the financial institution under the terms stated.

Commercial and Industrial Loans

Report loans for commercial and industrial purposes to sole proprietorships, partnerships, corporations, and other business enterprises, whether secured (other than those that meet the definition of a "loan secured by real estate") or unsecured, single-payment or installment.

Commercial and industrial loans may take the form of direct or purchased loans. Include loans to individuals for commercial, industrial, and professional purposes but not for investment or personal expenditure purposes. Also include the savings association's own acceptances that it holds in its portfolio when the account party is a commercial or industrial enterprise. Exclude all commercial and industrial loans held for trading.

Include loans of the types listed below as commercial and industrial loans. These descriptions may overlap and are not all inclusive.

- (1) Loans for commercial, industrial, and professional purposes to:
 - (a) mining, oil- and gas-producing, and quarrying companies;
 - (b) manufacturing companies of all kinds, including those which process agricultural commodities;
 - (c) construction companies;
 - (d) transportation and communications companies and public utilities;
 - (e) wholesale and retail trade enterprises and other dealers in commodities;
 - (f) cooperative associations including farmers' cooperatives;
 - (g) service enterprises such as hotels, motels, laundries, automotive service stations, and nursing homes and hospitals operated for profit;
 - (h) insurance agents; and
 - (i) practitioners of law, medicine, and public accounting.
- (2) Loans for the purpose of financing capital expenditures and current operations.
- (3) Loans to business enterprises guaranteed by the Small Business Administration.
- (4) Loans to farmers for commercial and industrial purposes (when farmers operate a business enterprise as well as a farm).
- (5) Loans supported by letters of commitment from the Agency for International Development.
- (6) Loans made to finance construction that does not meet the definition of a "loan secured by real estate."
- (7) Loans to merchants or dealers on their own promissory notes secured by the pledge of their own installment paper.
- (8) Loans extended under credit cards and related plans that are readily identifiable as being issued in the name of a commercial or industrial enterprise.
- (9) Dealer flooring or floor-plan loans.
- (10) Loans collateralized by production payments (e.g., oil or mining production payments). Treat as a loan to the original seller of the production payment rather than to the holder of the production payment.
- (11) Loans and participations in loans secured by conditional sales contracts made to finance the purchase of commercial transportation equipment.

-
- (12) Commercial and industrial loans guaranteed by foreign governmental institutions.
 - (13) Overnight lending for commercial and industrial purposes.

Exclude from commercial and industrial loans:

- (1) Loans that meet the definition of a "loan secured by real estate," even if for commercial and industrial purposes.
- (2) Loans to depository institutions.
- (3) Loans to nondepository financial institutions such as real estate investment trusts, mortgage companies, and insurance companies.
- (4) Loans for the purpose of purchasing or carrying securities.
- (5) Loans for the purpose of financing agricultural production, whether made to farmers or to nonagricultural businesses.
- (6) Loans to nonprofit organizations, such as hospitals or educational institutions, except those for which oil or mining production payments serve as collateral.
- (7) Holdings of acceptances accepted by other banks.
- (8) Holdings of the saving association's own acceptances when the account party is another financial institution.
- (9) Equipment trust certificates.
- (10) Any commercial or industrial loans held by the reporting savings association for trading purposes.
- (11) Commercial paper.

Commercial Mortgage

A loan secured by real estate that is used, zoned, or intended for business purposes or multi-unit dwellings, or is part of a real estate investment portfolio.

Commercial Paper

An unsecured debt instrument issued by a corporation with a fixed maturity, typically for a short-term period (30, 45, 60, or 90 days). It is generally priced at a discount from par and is redeemable at par on the maturity date. Individual and corporate investors buy, sell, and trade commercial paper. .

Commissions

(1) A fee for services rendered. (2) The fees that a broker charges a customer for executing a trade.

Commitment

An advance agreement to perform in the future, such as to provide funds for a mortgage loan or to buy or sell securities. Commitments may be at a fixed interest rate or price determined on the commitment date or at a rate or price to be determined at closing date. Commitments may be in the form of a commitment letter or may be verbal.

Commitment Fee

(1) A fee paid by a borrower to a lender for the lender's promise to loan money at a future date. (2) In the secondary market, a commitment fee is a payment by a financial institution to a mortgage buyer, such as Freddie Mac, Fannie Mae, etc., for the buyer's promise to buy loans at a future date.

Common Stock

Securities that are evidence of proportionate equity or ownership of a corporation. They give the holder an unlimited proportionate interest in the corporation's earnings and assets after satisfaction of claims from creditors and the holders of preferred stock.

Common Trust Fund

The collective investment of fiduciary accounts. Generally includes accounts held by a trustee, executor, administrator or guardian. See Collective Investment Fund.

Community Reinvestment Act of 1977 (CRA)

Legislation that requires financial institutions to meet the credit needs of all segments of their communities, including low- and moderate-income neighborhoods.

Compensating Balance

A dollar amount equal to the lowest percentage of a line of credit that the customer of a financial institution is expected to maintain, usually in a demand deposit account, as a condition for being granted a line of credit.

Competitive Equality Banking Act of 1987 (CEBA)

Legislation passed by the U.S. Congress in 1987 that resulted in the following:

- Established the adoption of generally accepted accounting principles (GAAP) in financial reporting.
- Established classification of impaired assets.
- Changed appraisal standards.
- Affected minimum capital requirement provisions.
- Established capital forbearance.
- Mandated Troubled Debt Restructuring (TDR) disclosure.
- Gave the thrift industry the Qualified Thrift Lender test (QTL).

Compliance Exam

An examination of a savings institution to determine how well it is complying with federal law and regulations, particularly those dealing with consumer protection and nondiscrimination.

Compound Interest

The interest that accrues when earnings for a specified period of time are added to the principal, so that interest during subsequent periods is computed on the principal plus all accumulated interest.

Comprehensive Income

The change in equity of a business enterprise during a period from transactions and other events and circumstances from nonowner sources. It includes all changes in equity during a period except those resulting from investments by owners and distributions to owners.

Condominium

(1) A single dwelling unit in a multi-unit structure in which each unit is individually owned. (2) A form of real estate ownership in which the purchaser receives title to a particular unit in a project and proportionate interest in common areas.

Conforming Loan

A mortgage loan that conforms to specified limits such as loan-to-value ratio, term, interest rates, or other characteristics. Typically these conform to guidelines established by Freddie Mac, Fannie Mae, or Ginnie Mae.

Conservator/Conservatorship

An individual or institution the Court or the FDIC appoints to protect and conserve the assets of a troubled financial institution to facilitate liquidation, merger, or replacement of management. A conservatorship affects the control and operation of an institution or company but does not alter its ownership. See Receivership.

Consolidation

The results obtained when the accounts of a parent company and its majority-owned subordinate organizations are combined to reflect the financial position and results of operations of the group as if operated as a single entity. This involves intercompany eliminations and noncontrolling interest adjustments.

Consolidation Loan

A loan that combines several debts into one loan, usually to reduce the annual percentage rate or dollar amount of payments made each month, by extending them over a longer period of time.

Constant Prepayment Rate (CPR)

The percentage of principal amount of a pool of mortgages that have been or are expected to be prepaid on an annual basis over the life of a pool.

Construction Loan

A short-term interim loan for financing the cost of construction. The lender makes payments to the builder at periodic intervals upon completion of certain phases of construction as provided in the loan contract. See Loans in Process.

Consumer Credit

See Consumer Loan.

Consumer Loan

Loans to individuals or families where the proceeds are used for consumer purposes, versus business or investment.

Contingency Fund

Assets or other resources placed aside for unexpected expenditures, or for anticipated expenditures of an uncertain amount.

Contra Account

An account offset against another account. A contra account to an asset, contra-asset, has a credit balance and a contra account to a liability, contra-liability, has a debit balance. A contra account has no value in its own right and can only be stated in terms of the asset or liability to which it applies. Examples of contra-assets are discounts, deferred loan fees, and accumulated depreciation. An example of a contra-liability is a discount paid for deposits.

Contract Month

The month in which the futures contract may be fulfilled by making or taking delivery. Most interest rate futures contracts are liquidated prior to the contract month.

Conventional Mortgage

A mortgage originated by a financial institution without government insurance or guarantee.

Cooperative

A system of indirect ownership of a single unit in a multi-unit structure. The individual owns shares in a nonprofit corporation that holds title to the building. In turn, the corporation gives the owner a long-term proprietary lease on the unit. Also called a co-op.

Core Capital

One of three capital standards established for savings associations in 1989. Also known as Tier 1 Capital.

Core Deposits

The base of deposits a savings association expects to retain over relatively long periods. In the application of purchase accounting in a merger, a dollar amount is allocated to the value of retaining the core deposits and this amount is established as an intangible asset known as a core deposit intangible (CDI).

Correspondent Bank

A bank that is the depository for another depository institution, typically located in another city or marketing area. The correspondent bank provides services such as accepting deposits and collection of loan payments for the other depository institution.

Cost of Capital

The rate of interest that an association must pay to a third party to borrow money or raise equity capital.

Cost of Funds

The interest paid or accrued on savings and borrowings, expressed as a percent of the average total savings and borrowings during a given accounting period.

Coupon

A tab attached to a bond, which can be torn off and presented to collect an interest payment at a given date.

Coupon Rate

The rate of interest paid on a particular security. For mortgage-backed securities, the word coupon is customarily used to describe the stated contract interest rate.

Coupon Strips

Ordinary bonds, typically, U.S. Treasury bonds, purchased and then repackaged so that the rights to interest and principal payments are sold separately. The effect is to transform a regular interest-paying security into zero-coupon securities. See Bond, Strip.

Covered Interest Arbitrage

Investing dollars in an instrument denominated in a foreign currency and hedging the resulting foreign exchange risk by selling the proceeds of the investment forward for dollars.

CRA

Community Reinvestment Act of 1977.

Credit

Any amount that, when posted, will increase the balance of a liability, income, or capital account or decrease the balance of an asset or expense account. Liability, capital, and income accounts normally have credit balances, and asset and expense accounts normally have debit balances.

Credit Loss

Loan losses that arise from a contractual relationship between a creditor and a borrower.

Credit losses may result from the creditor's own underwriting, processing, servicing, or administrative activities along with the borrower's failure to pay according to the terms of the loan agreement. While the creditor's personnel, systems, policies, or procedures may affect the timing or magnitude of a credit loss, they do not change its character from credit to operational.

Credit Risk

The potential for a borrower to default on all or part of a loan and, consequently, the potential for the value of the loan held by a savings association to decrease.

Cross-Hedge

A hedge transaction whereby the correlation between the two items being hedged is similar but not perfect. For example, hedging a commercial loan with a Ginnie Mae futures contract.

d

DBLA

Domestic Building and Loan Association.

Dealer Reserve Accounts

Refundable amounts held as collateral in the purchase of installment notes from a dealer. For example, a savings association purchases \$100,000 in installment notes from a dealer for the full face amount for which it pays \$90,000 to the dealer and holds the remaining \$10,000 as collateral. The \$10,000 held as collateral is a dealer reserve account.

Debenture

A debt instrument secured only by the general credit of the issuer. A corporate obligation sold as an investment.

Debit

Any amount that, when posted, will increase the balance of an asset or expense account and decrease the balance of a liability, income, or capital account. Asset and expense accounts normally have debit balances; and liability, capital, and income accounts normally have credit balances.

Debt

Money owed by one person or entity to another.

Debt Securities

A security representing borrowed funds that must be repaid. Examples of debt securities include bonds, certificates of deposit, commercial paper, and debentures.

Deed

A written agreement in proper legal form that conveys title to, or an interest in, real property.

Deed in Lieu

A deed given by a borrower to a lender to repay a mortgage loan and avoid foreclosure. A deed given in lieu of foreclosure.

Default

Failure to do what the law requires or to carry out the terms of a contract.

Defer

To delay payment to a future time.

Deferred Expense

An expense paid before the corresponding benefit is fully received, such as a prepaid insurance premium. For accounting purposes, the expense is recorded as an asset until benefit is obtained, and may be prorated over a number of subsequent accounting periods.

Deferred Income

Any income received before it is due or before it is earned. Rent paid in advance is an example of deferred income received during one accounting period but earned in a later accounting period. Deferred income is generally recorded as a liability until it is earned, at which time it is taken into income. Interest received in advance is also deferred income; however, instead of being recorded as a liability, interest received in advance offsets the balance of the loan to which it applies.

Deferred Loan Fee

A loan fee, also referred to as points, typically received at loan closing. Deferred loan fees are considered interest paid in advance. Once the loan is disbursed, the deferred loan fee is reported on the balance sheet as a contra-asset to the loan and is accreted to interest income.

Deficiency Judgment

A court order that authorizes the collection from the debtor of the part of the debt remaining unsatisfied after foreclosure and sale of collateral.

Delinquency

Failure to make payment on a debt when due.

Demand Deposit Account

A non-interest-bearing account from which a depositor may withdraw funds immediately without prior notice. Since funds may be withdrawn on demand in person or by presentation of a check, the account has many of the liquid characteristics of circulating currency. See FDIC Regulations §§ 329.1, 329.101, and 329.102.

De Novo Association

A newly chartered savings association.

Deposit

Money placed in a depository institution for safekeeping. Includes demand – usually checking – accounts, savings – passbook – accounts, time deposits, negotiable certificates of deposit, money market accounts, etc. Most deposits are interest bearing.

Deposit Broker

A person or entity engaged in the business of placing funds or facilitating the placement of funds of third parties in accounts issued by a depository institution.

Deposit Insurance Fund (DIF)

A fund, administered by the FDIC, insuring deposits of member banks and savings associations. DIF was established by the Federal Deposit Reform Act of 2005 to replace BIF and SAIF as the insurer of banks and savings associations.

Depository Institution

A financial intermediary that accepts savings and demand deposits from the general public.

Depreciation

The gradual decline in the value of a property over its useful life. Depreciation is recognized through a systematic charge-off of the cost less salvage value over the estimated useful life. It is a bookkeeping entry that does not involve any cash outlay.

DIF

Deposit Insurance Fund.

Direct Investment

Investment by savings associations directly in the equity of a venture, as opposed to investment in a debt instrument. With direct investment, an association actually owns all or part of a venture, rather than loaning money to finance the venture.

Discharge of Lien

The recorded release of a lien when debt has been repaid.

Discount

The difference between the purchase price and face value of a security when the face value exceeds the purchase price. Normally a security sells at a discount when the stated interest rate of the security is less than the current market interest rate. The discount is accreted to interest income over the life of the security, increasing the stated interest rate of the security to the market interest rate at the time of purchase.

Discount Bond

See Bond Discount.

Discount Loan

A loan on which the amount disbursed at closing equals the face amount of the loan less interest that will be earned over the life of the loan, and sometimes miscellaneous charges. The borrower must repay the full face amount of the loan. See Add-on Interest.

Discount Paper

Short-term non-interest-bearing securities issued at a price below par. The difference between the purchase price and the amount redeemed at maturity is accreted to interest income over the life of the security.

Discount Rate

(1) The rate representing the amount of money deducted from the face value of a note. (2) The add-on rate of interest charged to Federal Reserve System member banks for borrowing at the discount window.

Discount Securities

Short-term non-interest-bearing debt instruments issued at a price below par and redeemed at maturity for full face value; usually short-term such as Treasury bills.

Discount Window

A "window" available to Federal Reserve System members that allows them to borrow against collateral.

Discounted Cash Flows

Anticipated net cash receipts from an investment discounted to present value under the theory that cash received in the future has a lesser value than the same amount of cash received today. Several assumptions must be made in this calculation: estimated cash flows, timing of the cash flows, and the discount rate used.

Dividend

A portion of the net profits the Board of Directors officially declares for distribution to the shareholders. A dividend is paid at a certain rate for each share of stock held by each stockholder, such as, at ten cents per share.

Dividend, Extra

Distribution of excess profits over and above the regular dividend.

Dividend, Scrip

A promissory dividend payable in the future. The directors vote to withhold actual cash dividend until a certain future event has taken place.

Dividend, Stock

A payment of stock in lieu of a cash dividend on a pro rata basis according to the amount of stock held by each stockholder.

Docket Number

A five-digit number the OTS assigns to each savings association it regulates. The number is used to file and retrieve all financial, organizational, and regulatory data regarding that institution.

Dollar Reverse Repurchase Agreement

A financial transaction similar to a reverse repurchase agreement in which a dealer loans money by buying a security and agreeing to sell it back to the customer at a higher price at a later date. In a dollar reverse repurchase agreement (dollar reverse repo) the dealer does not sell back the exact same security but another, substantially identical security. See Repurchase Agreement.

Domestic Building and Loan Association (DBLA)

Defined in the IRS Tax Code as a domestic or federal savings and loan association whose principal business is acquiring savings deposits from the public and investing in loans. Savings associations may substitute the IRS DBLA test for the Qualified Thrift Lender (QTL) test.

Doubtful Assets

(1) Those assets that will probably not bring full value upon liquidation. (2) A classification of assets under OTS Regulations. See Classified Assets.

Duration

(1) The number of years required to receive the present value of future payments, both interest and principal, from a bond. To determine duration, calculate the present value of the principal and each coupon, and then multiply each result by the period of time before payment is to occur. (2) The concept of duration relates the sensitivity of bond price changes to changes in interest rates.

Dwelling Unit

(1) A unified combination of rooms, whether existing or under construction, designed for residence by one family. (2) Living quarters consisting of contiguous rooms providing complete independent facilities for living, eating, cooking, sleeping, and sanitation.

Dwelling Units, One- to Four-

(1) Single-family dwellings in detached or semidetached structures including manufactured housing. (2) Permanently financed units in a condominium or cooperative arrangement, where the owner of each unit has an undivided proportional interest in the underlying real estate and common elements of the structure. (3) Structures consisting of two- to four-dwelling units.

Dwelling Units, Five or More

A structure, or structures, containing five or more dwelling units; also referred to as multi-family residential property. This mortgage classification includes:

- A single mortgage secured by five or more dwelling units in one structure, or in semi-detached or detached structures.
- The construction financing of condominium or cooperative apartments until the construction phase is complete because the units are in structures containing five or more units and are covered by one mortgage.
- Fraternity/sorority houses offering sleeping accommodations, living accommodations for students or staff of a college or hospital, and retirement homes with sleeping and eating accommodations that are not condominiums or cooperatives. In these cases, the number of bedrooms in the structure will be the number of dwelling units.
- Mobile home parks.

This category does not include the construction of single-family dwellings in one project, even though it may involve only one construction loan. In this case, the future use of the property as single-family dwellings and the fact that the dwellings are in detached or semi-detached structures determines the classification.

e

Education Loan

An advance of funds for the purpose of financing a college or vocational education.

Effective Rate

The actual yield of interest as opposed to the stated rate. For deposits, the effective rate of interest is based on the accounting method used to compute interest and the frequency of compounding. For loans, the effective rate is the stated interest rate plus fees and charges prorated over the life of the mortgage.

Employee Stock Option Plan (ESOP)

An employee benefit where employees receive as compensation equity shares (stock) of the employer. Stock acquired for this purpose by a loan or guarantee of the employer is transferred to a trust. The loan is then typically paid off through dividends received on the stock and through additional contributions from the employer.

Equity Investment

Investment in the ownership of property or a business where the investor's profit depends on the profit of the underlying investment. The investor may receive a specified rate of return dependent on the profit of the underlying investment.

Equity Kicker

Added to a stated rate of return, the investor participates in the profits of the underlying investment.

Equity Loan

A loan that uses the borrower's equity in real property as collateral; also called a home equity loan. The loan may be for a variety of purposes. It is typically an open-ended second or junior mortgage loan.

Equity Method

A method of accounting for an equity investment in another company or joint venture. The carrying value of the investment reflects a share of the acquired firm's increases (or decreases) in retained earnings. Example: If association A purchases 20% of association B's stock and association B earns \$3 million after taxes during the next year, association A will increase the carrying value of its investment by 20% of \$3 million, or \$600,000. If association B pays half of its earnings in cash dividends, association A will decrease its investment by \$300,000.

Equity to Assets Ratio

Total equity divided by total assets. This ratio provides information on the proportion of total assets provided by shareholders, owners, on any given date. A high equity ratio may indicate the existence of a protective buffer in the event the company suffers a loss.

Equity to Liabilities Ratio

Total equity divided by total liabilities.

Escrow

A written agreement under which funds transferred from one party to another are placed with a third person or entity, usually a depository institution, acting as custodian. The custodian completes the transfer to the second party only upon the fulfillment of certain specified conditions. For purposes of the calculation of deposit insurance premiums, escrows are included as deposits.

ESOP

Employee stock ownership plan.

Eurobond

A bond issued for release by a U.S. or other non-European company or government for sale in Western Europe. In that market, corporations and governments normally issue medium-term securities with maturities of 10 to 15 years.

Eurodollars

Deposits denominated in U.S. dollars at banks and other financial institutions outside the United States. Although this name originated because of the large amounts of such deposits held at banks in Western Europe, similar deposits in other parts of the world are also called Eurodollars.

EWP

Early withdrawal penalty. A penalty for withdrawing funds from a time savings account prior to a stated date.

Exercise

To execute the right granted under the terms of a contract. To exercise a call, holders exchange the call option position for a long futures position. To exercise a put, holders exchange the put option position for a short position in T-Bond futures.

Exercise Price

See Strike Price.

Expense

The costs of resources used to create, or intended to create, revenues.

f

Face Value

The sum of money denoted on the principal or “face” side of a financial instrument representing: (1) the amount of money the issuer promises to pay at maturity and (2) the amount on which interest is computed. Synonymous with par value.

Farmland

Farmland includes all land known to be used or usable for agricultural purposes, such as crop and livestock production. Farmland includes grazing or pasture land, whether tillable or not and whether wooded or not. Include loans secured by farmland that are guaranteed by the Farmers Home Administration (FmHA) or by the Small Business Administration (SBA) and that are extended, serviced, and collected by any other party than FmHA or SBA.

Fair Market Value

The price at which property transfers from a willing seller to a willing buyer, each of whom has a reasonable knowledge of all pertinent facts concerning the property in question and similar properties on the market, and neither being under any compulsion to buy or sell.

Fannie Mae

Federal National Mortgage Association (FNMA). A U.S. government sponsored enterprise.

Fannie Mae/Freddie Mac Pool

Mortgage-backed security that represents a proportional undivided ownership interest in a pool of mortgage loans where the full and timely payment of principal and interest is guaranteed by Fannie Mae/Freddie Mac.

Farmers Home Administration (FmHA)

A federal government agency that finances and insures loans to farmers and other qualified borrowers for rural housing and other purposes.

FASB

Financial Accounting Standards Board.

FASB ASC

Reference to the FASB’s Accounting Standards Codification

FDIC

Federal Deposit Insurance Corporation.

Federal Deposit Insurance Corporation (FDIC)

A government corporation that insures deposits in savings associations and commercial banks through the Deposit Insurance Fund.

Federal Funds

Overnight, unsecured loans of funds between banks. Generally considered as funds that are immediately available and invested only for one business day, they are typically treated as cash equivalents. Federal funds bought and sold for longer periods ranging up to 90 days are referred to as *term federal funds*.

Federal Housing Administration (FHA)

The FHA is a division of the Department of Housing and Urban Development whose activities include insuring residential mortgage loans under a nationwide system. This enables lenders to loan a higher percentage of the value of the underlying property. FHA loans generally require a down payment of not less than five percent of the original amount of the loan.

Federal Home Loan Banks (FHLBs)

Twelve regional banks of the Federal Home Loan Bank System that provide credit to member savings associations.

Federal Home Loan Bank Board (FHLBB)

A former independent agency in the executive branch of the federal government that regulated and supervised the savings and loan industry, the Federal Home Loan Banks, the Federal Savings and Loan Insurance Corporation, and the Federal Home Loan Mortgage Corporation. In 1989, FIRREA abolished the FHLBB and transferred its functions to other agencies, including the Office of Thrift Supervision.

Federal Home Loan Bank System

The group made up of the Federal Housing Finance Board and the twelve regional Federal Home Loan Banks. The fundamental purpose of the System is to serve as a central credit facility for member associations.

Federal Home Loan Mortgage Corporation (Freddie Mac)

A government-sponsored but privately owned corporation, Freddie Mac is a secondary market facility under the supervision of the Office of Federal Housing Enterprise Oversight. Freddie Mac is authorized to buy conventional whole mortgage loans and sell participation certificates secured by pools of these conventional mortgage loans.

Federal Housing Finance Board (FHFB)

An independent agency in the executive branch of the federal government that replaced the FHLBB in its authority to govern the Federal Home Loan Bank System. Its duties are:

- To supervise the Federal Home Loan Banks.
- To ensure the Federal Home Loan Banks carry out their housing finance mission.
- To ensure the Federal Home Loan Banks remain adequately capitalized and able to raise funds in the capital markets.
- To ensure the Federal Home Loan Banks operate in a safe and sound manner.

Federal National Mortgage Association (Fannie Mae)

A government-sponsored but privately owned corporation, Fannie Mae is a secondary market facility under the supervision of the Office of Federal Housing Enterprise Oversight. Fannie Mae supplements private mortgage funds by buying FHA, VA, and conventional loans and issuing mortgage-backed securities.

Federal Reserve Board

The seven governing members of the Federal Reserve System who are appointed by the President of the U.S. for 14-year terms. Board members play an important role in determining the country's monetary policy, which, in turn, strongly influences economic activity.

Federal Reserve System

The system of independent central banks that influences the United States' money supply and credit through its control of bank reserves. Federal Reserve actions impact security prices. For example, restriction of bank reserves and lending ability in an attempt to restrain inflation tends to drive up interest rates and drive down security prices over the short run. Also called the Fed.

Federal Savings & Loan Insurance Corporation (FSLIC)

A government corporation the National Housing Act established in 1934 that insured deposit accounts in federal savings associations, federally chartered national savings banks, and state-chartered savings associations that were members of the Federal Home Loan Bank System. Under the Financial Institutions Reform, Recovery, and Enforcement Act (FIRREA) of 1989, the Savings Association Insurance Fund, SAIF, replaced the FSLIC as an insurer. All assets and liabilities of FSLIC were transferred to the FSLIC Resolution Fund.

FHA/HUD

Federal Housing Administration/Housing and Urban Development

FHLB or FHLBank

One of the twelve district banks of the Federal Home Loan Bank System.

FHLBB

Federal Home Loan Bank Board.

FHLMC

Federal Home Loan Mortgage Corporation. Also known as Freddie Mac.

Fiduciary

Someone who is entrusted with the care of another person's money, property or other items of value. Acting in a fiduciary capacity generally includes acting as a trustee, executor, administrator, registrar of stocks and bonds, transfer agent, assignee, receiver, guardian or conservator of the estate of a minor or incompetent, investment adviser, any capacity in which you possess investment discretion on behalf of another, or any other similar capacity.

Finance Subsidiary

A savings association's subsidiary whose sole purpose is to issue securities, typically preferred stock or mortgage-backed securities, that the parent itself is authorized to issue directly – or, if the parent is a mutual association, is authorized to issue if it converted to the stock form – and to remit the net proceeds of such securities to its parent association.

Financial Accounting Standards Board (FASB)

An accounting organization established in 1973 that is responsible for establishing generally accepted account principles (GAAP). FASB is a self-regulated organization whose impact affects accounting firms and practitioners.

Financial Asset

A financial asset represents Cash, evidence of an ownership interest in an entity, or a contract that conveys to a second entity a contractual right (a) to receive cash or another financial instrument from a first entity or (b) to exchange other financial instruments on potentially favorable terms with the first entity

Financial Futures

A futures contract based on financial instruments or indices.

Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA)

An act of Congress to reform, recapitalize, and consolidate the federal deposit insurance system, and to enhance the regulatory and enforcement powers of federal financial institutions' regulatory agencies. FIRREA established the Office of Thrift Supervision (OTS), the Federal Housing Finance Board, the FSLIC Resolution Fund, the Resolution Trust Corporation, and the Resolution Funding Corporation. FIRREA dissolved the Federal Home Loan Bank Board (FHLBB) and Federal Savings and Loan Insurance Corporation (FSLIC).

FIRREA

Financial Institutions Reform, Recovery, and Enforcement Act of 1989.

First Mortgage

A mortgage that creates a lien against real property. A first mortgage has first priority against other claims in the event of foreclosure. Also called a senior or first lien.

Fiscal Year

Any consecutive 12 months designated as the time frame for financial reporting and preparation of balance sheets, profit and loss statements, and other financial summations.

Fixed Assets

Those tangible assets, such as office buildings, furniture, fixtures, and equipment, used in the operation of a business that are not intended to be sold in the normal process of the business.

Fixed-Rate Mortgage

A mortgage in which the interest rate and the amount of each interest and principal payment remain constant throughout the life of the loan.

Floating-Rate Securities

A security whose interest rate varies or floats in relation to a specific index or benchmark, such as the rate on Treasury securities, LIBOR, etc.

Floating-Rate Tranches

CMO tranches that have rates that adjust in the same direction, and by the same amount, as an index such as LIBOR.

Floor Planning

Commercial loans that finance automobile or mobile home floor stock (dealer inventory).

FmHA

Farmers Home Administration.

FNMA

Federal National Mortgage Association or Fannie Mae.

Forbearance Agreement

A verbal or written agreement providing that the savings association will delay exercising its rights in the case of a mortgage loan foreclosure as long as the borrower performs certain agreed-upon actions.

Foreclosure

Legal process protecting the mortgagee should the mortgagor default on the mortgage, whereby the mortgagee obtains title to the collateral.

Foreign Exchange Rate

The price of one currency denominated in another currency such as the value of British pounds expressed in U.S. dollars.

Foreign Governments and Official Institutions

Foreign governments and official institutions are central, state, provincial, and local governments in foreign countries and their ministries, departments, and agencies. These include treasuries, ministries of finance, central banks, development banks, exchange control offices, stabilization funds, diplomatic establishments, fiscal agents, and nationalized banks and other banking institutions that are owned by central governments and that have as an important part of their function activities similar to those of a treasury, central bank, exchange control office, or stabilization fund. For purposes of the TFR, other government-owned enterprises are not included.

Also included as foreign official institutions are international, regional, and treaty organizations, such as the International Monetary Fund, the International Bank for Reconstruction and Development (World Bank), the Bank for International Settlements, the Inter-American Development Bank, and the United Nations.

Forward Commitment or Forward Commitment Contract

Agreement between a buyer and seller to purchase or sell a specified amount of mortgages or securities at an agreed-upon price, and at a specified future date. Sometimes called a forward delivery contract or forward coverage.

Forward Delivery

Delivery of loans or securities to be made at a future date.

Freddie Mac

FHLMC, Federal Home Loan Mortgage Corporation.

Freddie Mac Participation Certificate (PC)

A mortgage-backed security, guaranteed by the Federal Home Loan Mortgage Corporation as to the timely payment of interest at the certificate rate and the ultimate collection of principal, which represents a proportional undivided ownership interest in a pool of mortgage loans. Generally, each PC group contains fixed-rate equal installment conventional residential mortgage loans with original terms to maturity of between 10 and 30 years.

FRR

SEC Financial Reporting Release.

FSLIC

Federal Savings and Loan Insurance Corporation.

FSLIC Resolution Fund

A fund FIRREA established to assume all the assets and liabilities of FSLIC. The RTC managed the FSLIC Resolution Fund. The RTC was dissolved in December 1995, upon the satisfaction of all debt and liabilities and the sale of all assets assumed by it.

Funded Debt

Debt that is usually long-term, for which certain assets have been set aside to satisfy the debt.

Futures Call Option

An option contract that gives the buyer the right to assume a long T-Bond futures position at a fixed strike price any time prior to the contract's expiration date. When assigned, a call option seller automatically assumes a short futures position.

Futures Contract

An agreement to take (by the buyer) or make (by the seller) delivery of a specific commodity on a particular date. The commodities and contracts are standardized so that an active resale, secondary, market will exist. Futures contracts are available for a variety of items including grains, metals, and foreign currencies.

Futures Price

The price of a contract for delivery of a specific dollar amount of a standardized financial instrument in a designated future month.

Futures Put Option

An option contract that gives the buyer the right to assume a short T-Bond futures position, at a fixed strike price, any time prior to the contract's expiration date. When assigned, a put option writer automatically assumes a long futures position.

g**GAAP**

Generally accepted accounting principles.

Gap

The imbalance between the maturities (or repricing) of assets and liabilities of a financial institution; a measure of that imbalance. Gap refers to a specific time interval, such as a 30-day gap, which is the degree to which assets repricing within 30 days exceed or fall short of liabilities repricing in 30 days. See Net Portfolio Value Model.

General Valuation Allowance

A contra-asset established against receivables and investments based on the amount expected to be collected. General valuation allowances are established for the purpose of covering probable but not specifically identifiable credit losses. See Allowance for Loan and Lease Losses and Specific Valuation Allowance.

Generally Accepted Accounting Principles (GAAP)

The basic principles of accounting promulgated either through authoritative sources such as the Financial Accounting Standards Board (FASB), or, if no written standards exist, through widespread common practices.

GIC

Guaranteed Investment Contract. See Bank Investment Contract (BIC).

Government National Mortgage Association (Ginnie Mae)

A wholly owned U.S. government corporation, known as Ginnie Mae, which is part of the Department of Housing and Urban Development (HUD). Ginnie Mae guarantees the timely payment of principal and interest on mortgage-backed securities that represent an interest in a pool of mortgages insured by VA or FHA, and are backed by the full faith and credit of the United States government.

Ginnie Mae Certificates

Mortgage pass-through securities with the full and timely payment of principal and interest guaranteed by Ginnie Mae. A Ginnie Mae certificate represents a proportional, undivided ownership interest in a pool of fixed-rate mortgage loans. Also known as Ginnie Mae Pools.

Ginnie Mae Pool

See Ginnie Mae Certificates.

Goodwill

The premium exceeding fair value of net identifiable assets of an acquired association in a purchase business combination.

Government Sponsored Enterprise (GSE)

Privately owned corporations chartered and supervised by the U. S. Government. GSEs include Fannie Mae and Freddie Mac who are supervised by the Office of Federal Housing Enterprise Oversight (OFHEO), a part of HUD. Federal Home Loan Banks are also GSEs and are supervised by the Federal Housing Finance Board.

Graduated-Payment Adjustable Mortgage Loan (GPAML)

A graduated payment mortgage that has a variable interest rate. The initial scheduled payment is insufficient to pay all the interest due. The unpaid interest increases the principal of the loan and the scheduled payments increase over the term of the loan so the loan will fully amortize at maturity.

Graduated-Payment Mortgage (GPM)

A graduated payment mortgage with a fixed interest rate. The initial payment is lower than that on a standard fixed-rate mortgage and is insufficient to pay all the interest due. The unpaid interest increases the principal of the loan and the scheduled payments increase over the term of the loan so the loan will fully amortize at maturity.

Grandfather Clause

Any condition that ties existing rights or privileges to previous or remote conditions or acts. More popularly used when a new regulation goes into effect, to exempt associations already engaged in the activity being regulated.

Gross

The total amount before any deductions.

Gross Income

Total income before deducting expenses.

Gross Margin

See Net Interest Margin.

GSE

Government Sponsored Enterprise.

Guaranteed Student Loans

Education loans primarily made by banks, savings and loan associations, and credit unions, and some colleges, payment of which is guaranteed by the federal or state government.

h

Hedging

The matching of assets to liabilities of a similar nature; the assumption of one risk calculated to offset another. The buying or selling of offsetting positions to protect against an adverse change in price or interest rates. In mortgage banking, the purchase or sale of mortgage futures contracts to offset cash market transactions to be made at a later date.

HMDA

Home Mortgage Disclosure Act.

Holding Company

A corporation or other entity that owns a majority of voting stock or securities of another corporation, thus obtaining control of the other corporation. Section 1730a of the National Housing Act (NHA) defines a savings and loan holding company as follows: "savings and loan holding company means any company which directly or indirectly controls an insured institution or controls any other company which is a savings and loan holding company by virtue of this subsection". NHA defines control as owning 25 percent or more of the voting stock. Also referred to as Thrift Holding Company.

Home Equity Loan

Revolving, open-end loans secured by a one- to four-family property and extended under lines of credit. Although residential property secures home equity loans, in some cases they may not have an appraisal meeting OTS standards, or may not have a sufficient loan-to-value level and, thus, are classified as a nonmortgage loan.

Home Improvement Loan

A loan usually not secured by a recorded lien on the property and usually short-term, made to a property owner for such improvements as maintenance and repair, additions and alterations, or replacement of equipment or structural elements.

Home Loan

A residential mortgage loan secured by a one- to four-family property.

Home Mortgage Disclosure Act (HMDA)

A law that requires the annual disclosure of mortgage loan data by depository institutions, service corporations, and mortgage banking subsidiaries located in metropolitan statistical areas. Institutions subject to the Act are required to disclose data on all mortgage loans and home improvement loans that they originate and purchase each year.

Hypothecated Deposit

Deposits accumulated until the sum of the payments equals the entire amount of principal and interest on the contract, at which time the loan is considered paid in full. Typically state law determines the handling of hypothecated deposits. In reporting Schedule SC, you should net hypothecated deposits against the related loans.

i

Income

Money or its equivalent, earned or accrued, arising from the sale of goods or services.

Income Tax

A tax on annual earnings and profits of a person, corporation, or organization. Traditionally, there are federal, state, and city taxes, although not all states and not all cities tax income.

Index

A price indicator such as LIBOR or T-Bill rates. The repricing of the interest rate on an adjustable rate mortgage is typically governed by an index rate. Rate movements of the mortgage are adjusted to correspond to movements in the index. The index rate generally is a published interest-rate series that is readily verifiable by the borrower and not under the control of the lender.

Individual Retirement Account (IRA)

Special accounts where you can save and invest, where the taxes generally are deferred until money is withdrawn. These plans are defined by statute and are subject to frequent changes by Congress. Withdrawals of tax-deferred contributions are generally taxed as income, including the capital gains from such accounts. Withdrawal prior to a specified retirement age or for purposes other than those specified by law may be subject to a tax penalty. Types of IRAs include Keogh Plans, Roth IRAs, and Education IRAs.

Initial Margin

The amount of deposit a broker initially requires to purchase securities on behalf of an investor. See Margin.

Insolvent

(1) A condition in which the value of liabilities exceeds the value of assets according to some accounting standard such as generally accepted accounting principles (GAAP). That is, net worth, or capital, is negative. (2) The state of being unable to pay debts when demanded by creditors at maturity.

Installment

The regular, periodic payment to repay a debt that a borrower agrees to pay. .

In-Substance Foreclosure

A situation in which the lender considers the collateral underlying a loan repossessed in substance by the lender and accounts for it at its fair value, consistent with generally accepted accounting principles (GAAP). In-substance foreclosure occurs when the debtor formally or effectively abandons control of the collateral to the creditor.

Interest

A fee paid for using money that belongs to another, usually expressed as an annual percentage of the amount used. A financial institution makes periodic payments of interest to savers for the use of their deposited funds. A borrower pays interest on a loan to the financial institution for the use of its funds.

Interest-Only (I/O) Strip

The interest portion of a security (debt security or mortgage security). The owner of an IO strip receives only the interest payments of the security. The owner of an IO strip of a mortgage pool security receives only the interest payments on the cash flow of the underlying mortgages.

Interest-Rate Cap

See Cap.

Interest-Rate Collar

(1) A contractual agreement that limits the interest paid or received if the interest rates increase or decrease by a predetermined number of percentage points. (2) A two-sided cap.

Interest-Rate Swaps

A transaction that involves two parties exchanging their interest payment obligations – no principal is exchanged – on two different kinds of debt instruments, one bearing a fixed interest rate and the other a floating interest rate. If a savings association has fixed-rate assets and floating-rate liabilities, it typically will swap its floating rate payment for a fixed-rate payment to match liability repricing to asset repricing.

In-the-Money

An option with a favorable price opportunity. The strike price is less than market for a call and above the market for a put.

Intrinsic Value

The amount by which an option is in-the-money. For call options, it is the current T-Bond futures price minus the strike price if the difference is a positive number. For put options, it is the strike price minus the current price of T-Bond futures if the difference is a positive number. See Swap.

Inverse Floater

An asset that adjusts in the opposite direction of the movement of interest rates. Generally the inverse floater adjusts by a multiple of an interest-rate index. It is usually repriced based on a formula containing a multiple of the LIBOR rate. For example, if an inverse floater adjusts at an inverse of 1.25 times LIBOR, a decrease of two basis points in LIBOR would result in an increase in the rate of the inverse floater of 2.5 (2 x 1.25) basis points.

Inverse-Floating Rate Tranches

CMO tranches that have adjustable rates that adjust in the opposite direction as an index such as LIBOR. Frequently, the rate adjusts by a multiple of the change in the index.

Investment

The use of capital to create more money, either through income-producing vehicles or through more risk-oriented ventures designed to result in longer term capital gains.

Investment Accounts

Accounts that range from short-term, highly liquid securities, such as U.S. Treasury Bills, to long-term railroad equipment trust certificates that are not always liquid. In between, there are debentures, floaters, notes, put bonds, and cushion bonds, along with a broad array of short-term money market instruments. Investment accounts may be trading accounts, available-for-sale, or held-to-maturity.

I/O

Interest Only.

I/O Strip

Interest-only strip. The interest portion of a security (debt security or mortgage security). See Interest-only Strip.

IRA

Individual Retirement Account.

Issuer

One who issues securities to others.

j**Joint Venture**

Any joint undertaking between two or more parties in such legal form as joint tenancy, tenancy in common, partnership, or a corporation.

Judgment

A formal decision given by a court. A judgment against a property is generally a lien against the property. See Lien.

Junior Lien

A lien that is subordinate to the claims of prior lien(s) or mortgage(s). See Second Mortgage.

Junk Bonds

Bonds issued by companies without long track records of sales and earnings. These bonds are more volatile and pay higher yields than investment-grade bonds.

l**Land Loan**

Loan for unimproved land, developed building lots, and the acquisition and development of land.

Letter of Credit

A document issued by a financial institution on behalf of its customer authorizing a third party, or in some cases the customer, to draw drafts on the institution up to a stipulated amount and with specified terms and conditions. The letter of credit is a conditional commitment, except when prepaid by the customer, on the part of the institution to provide payment on drafts drawn in accordance with the terms of the document.

Liabilities

Debts incurred but not paid. For savings associations, liabilities consist of deposits, borrowings including long-term debentures, and other liabilities.

LIBOR

London Interbank Offered Rate. An international interest-rate index, similar to the federal funds rate of banks in the United States. It is commonly used as a repricing index for various financial instruments such as ARMs, CMO tranches, and interest-rate swaps.

Lien

A claim by one person or entity on the specific property of another and that serves as security for a debt. The security interest in real estate created by a mortgage. A lien is typically recorded in the legal jurisdiction (county) in which the property is located.

Line of Credit

A pre-established loan authorization with a specified borrowing limit extended by a lending institution to an individual or business. Most lines of credit are unsecured; however, certain lines of credit, such as home equity loans, are secured by the borrower's equity in property. A line of credit allows borrowers to obtain a number of loans without re-applying each time as long as the total of borrowed funds does not exceed the pre-established credit limit.

LIP

Loans-in-process.

Liquidation

Closing a savings association by paying the claims of insured depositors and other secured creditors. Liquidation may be a voluntary decision made by the board of directors, or may be mandated and executed by the FDIC.

Liquidity

The amount an entity holds in cash and other assets quickly convertible into cash without significant loss.

Loan

Money advanced by one entity to another to be repaid within a specified time, typically with a specified rate of interest, as set forth in a note or other evidence of indebtedness. Loans may be unsecured or secured by real or personal property but do not represent an equity interest in the underlying security for the lender. See Mortgage Loan.

Loan Loss Reserve

A contra-asset set up to compensate for anticipated losses from loans. See Allowance for Loan and Lease Losses.

Loan Origination

The steps a lending institution takes to obtain a borrower and underwrite a loan up to the time a loan is booked, including soliciting, processing applications, appraising, and closing.

Loan Origination Fee

The initial service charge that a lending institution imposes on a borrower for underwriting a loan. See Origination.

Loan Participation

(1) The purchase of portions of outstanding loans by investors, who then participate on a pro rata basis in interest and principal payments; (2) a loan or package of loans in which two or more lenders share ownership. See Participation Loan.

Loan Portfolio

The total loans held by a financial institution or other lender, at a given time.

Loans-in-Process

Loans that an association closed, but the full principal of which has yet to be disbursed. Generally, these are construction loans that are typically disbursed in stages as construction is completed. The full amount of a loan is recorded on the savings association's books at closing, with the undisbursed portion recorded in the contra-asset account called loans-in-process. Report loans on the TFR net of loans-in-process.

Loans to Facilitate

A mortgage loan in which the lender provides a borrower with funds at a high loan-to-value ratio and/or below-market interest rates to facilitate the borrower's acquisition of a piece of property owned by the lender.

LOCOM

Lower of cost or market.

Long

(1) As a noun, one who has bought futures contracts and has not yet offset that position. (2) As an adverb, *going long*, the action of taking a position in which one has bought futures contracts without taking the offsetting action. The long protects against declining rates of interest.

Long-Term, Fixed-Rate Tranches

CMO tranches that have fixed rates and are expected to mature in five years or more.

Long-Term Planned Amortization Classes (PACs)

CMO tranches that have fixed rates, a prioritized repayment schedule within certain prepayment speeds, and expected maturity of more than five years. Targeted Amortization Classes (TACs) are considered to be substantially similar to PACs for reporting purposes.

Long-Term PAC Support Tranches

CMO tranches that have fixed rates, expected maturity of more than five years, and are part of a CMO structure that contains a PAC or TAC tranche(s).

Loss

(1) The amount of all expenses exceeding revenues for a period or for a transaction. (2) A classification of assets under OTS regulations where recovery is unlikely. See Specific Valuation Allowance, Classified Assets.

Lower-of-Cost-or-Market (LOCOM)

An accounting method used to establish the amount at which certain assets are recorded. The amount established is the lower of the cost of the asset or the current market value. Under this method, assets must be written down if the market value falls below amortized cost but the asset may never be written up to a market value above amortized cost.

LTV

Loan-to-value. The ratio of a loan to the appraised value of the property securing the loan.

m

Maintenance Margin

Additional assets required by a broker on a margin account due to decreases in the market value of the securities that guarantee the margin account. See Margin.

Majority Stockholders

Stockholders whose share of voting stock is so large that they can exercise control over the corporation. Generally, an ownership of 20% or more is deemed to constitute control.

Majority-Owned Subsidiary

A subsidiary whose parent company, or parent's majority-owned subsidiaries, owns more than 50 percent of the outstanding voting capital stock.

Mandatory Convertible Securities

Subordinated debt instruments that are eventually transformed into common or perpetual preferred stock within a specified period of time. Generally, there are two types: (1) equity contract notes - securities that oblige the holder to take common or perpetual preferred stock of the issuer in lieu of cash for repayment of principal; and (2) equity commitment notes - securities that are redeemable only with the proceeds from the sale of common or preferred stock.

Mandatory Delivery

A lender's commitment to deliver loans or securities or pay a penalty.

Margin

(1) The amount of deposit money that a securities broker requires from an investor to purchase securities on credit. (2) An amount of money or securities deposited by buyers and sellers of futures contracts and short options to ensure performance of the contract terms, such as, the commitment to make or take delivery of the commodity or the cancellation of the position by a subsequent offsetting trade at such price as can be attained. Margin in commodities is not a payment of equity or down payment on the commodity itself, but rather is in the nature of a performance bond or security deposit. See Initial Margin and Maintenance Margin.

Mark-to-Market

An accounting procedure by which assets are recorded at current market value, which may be higher or lower than their purchase price or book value. Examples of the use of mark-to-market accounting are: purchase accounting, pushdown accounting, and accounting for certain securities. See FSAS No. 115, *Accounting for Certain Investments in Debt and Equity Securities*.

Market Value

(1) The price established in a competitive market where buyers and sellers meet to buy and sell similar products. (2) A price determined by supply and demand factors rather than by management. (3) The price at which an owner is prepared to sell and an unrelated buyer is willing to buy.

Marketable Title

Title to property that is free from a claim, lien, charge or defect and that will not be subject to legal objection. Also known as perfect title, clear title, and good title.

Master Netting Agreement

A master netting arrangement commonly creates a right of set-off that becomes enforceable and affects the realization or settlement of individual financial assets and financial liabilities only following a specified event of default or in other circumstances not expected to arise in the normal course of business. A master netting arrangement does not provide a basis for offsetting unless (1) a company has a legally enforceable right to set off the recognized amounts, and (2) it intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously. When financial assets and financial liabilities subject to a master netting arrangement are not offset, the effect of the arrangement on an entity's exposure to credit risk is disclosed.

Maturity

The date on which the principal balance of a debt becomes due and payable. The date when a debt is paid in full.

Maturity Mix

The variety of assets found in an investment portfolio that vary in terms of length, such as 90-day Treasury bills, 20-year corporate bonds, etc.

MBS

Mortgage-backed security.

MCD

Mandatory Convertible Debt.

Merger

The combining of two or more entities either through one purchasing the assets and liabilities of the other(s) or the pooling or combining of two or more entities into one new entity.

Noncontrolling Interest

The portion of net worth of a subsidiary relating to shares not owned by the controlling company or other members of the combined group. Example 1: A parent owns 75% of the controlling interest in Company B; therefore, there is a 25% noncontrolling interest in Company B. Example 2: A parent owns 50% of the voting stock of Company B and 100% of Company C; Company C owns 25% of Company B. Therefore, the parent effectively controls 75% of Company B and there is a 25% noncontrolling interest in Company B.

MMDA

Money Market Deposit Accounts.

Mobile Home

A movable, portable dwelling without permanent foundation, designed for year-round living.

Mobile Home Certificates

Variations of the Ginnie Mae certificate. Fully guaranteed, pass-through securities that are collateralized by mobile home loans.

Mobile Home Loan

A loan to finance the purchase of a mobile home, secured by the lender's claim on the mobile home. The loan may include funds for associated costs such as transportation of the mobile home and setup on a new site.

Monetary Policy

Federal Reserve Board policy that pertains to the control of credit availability, and thus interest rate levels.

Money Market Deposit Accounts (MMDA)

A savings account offered by Federal savings associations in accordance with 12 U.S.C. §1464(b)(1) and by state-chartered savings associations in accordance with applicable state law on which market rates of interest may be paid if issued subject to certain limitations. Limitations include: (1) Minimum of seven days' notice required prior to withdrawal or transfer. (2) Transfers limited to no more than six per calendar month.

Money Market Fund

The combined money of many individuals jointly invested in high yield financial instruments such as U.S. government securities, certificates of deposits, and commercial paper. A money market fund is a mutual fund that strives to make a profit by buying and selling various forms of money rather than buying and selling shares of ownership in corporations.

Mortgage-Backed Bonds

Bonds secured by mortgages. Unlike mortgage-backed pass-through securities, mortgage-backed bonds do not convey ownership of any portion of the underlying pool mortgages. However, mortgage-backed bonds do offer a more predictable maturity and thus offer a form of call protection.

Mortgage-Backed Security (MBS)

A security backed by mortgages, the owners of which participate in receiving payments of principal and/or interest. See Mortgage Derivative and Mortgage Pool Security.

Mortgage Banker

(1) A firm or individual who, acting as a broker, originates loans and then sells them to investors. A mortgage banker may retain the servicing rights to the loans it originates, but does not retain the loans as an investment (all loans held by a mortgage banker are held for sale).

(2) A firm or individual who brings a borrower and lender together, receiving a commission if a loan is made.

Mortgage Derivative

Any variety of mortgage-backed securities of complex structures whose payments to investors are derived from the cash flows of mortgages, but in which the cash flows from the mortgages are not passed through proportionately to the holders of the securities.

Mortgage Loan

An advance of funds from a lender, the mortgagee, to a borrower, the mortgagor, secured by real property and evidenced by a document called a mortgage. The mortgage sets forth the conditions of the loan, the manner and duration of repayment, and the rights of the mortgagee to repossess the pledged property if the mortgagor defaults.

Mortgage Loans Outstanding

The total amount of money that is owed by mortgagors (borrowers).

Mortgage Origination

The making of a new mortgage. See Loan Origination.

Mortgage Participation

The division of a mortgage or pool of mortgages into units owned by one or more investors, who participate in receiving payments of principal and interest. See Loan Participation.

Mortgage Pool Security

A number of mortgages combined and issued as a single security. Repayments from the mortgages in the pool are passed through to the investor(s) proportionate to ownership interest and with the same timing with which they are received. The security provides each investor with a proportional ownership interest in the underlying collateral.

Mortgage Portfolio

All mortgage loans or obligations held as assets by a financial institution or other lender.

Mortgagee

The financial institution, group, or individual that lends money secured by real estate. The lender.

Mortgagor

Real estate owner who pledges real estate as security for a loan. The borrower.

Multifamily Residential Property

Property containing five or more dwelling units. An apartment building, a residence hall for students or employees, a retirement complex, etc. See Dwelling Units, 5 or More.

Municipal Bond

A tax exempt debt obligation issued by a state or local government agency to raise funds for the public good, such as for building low-income housing, improving streets, or building bridges. The bonds are redeemed with interest and are backed by the government's taxing authority. Municipal bonds are generally exempt from Federal income taxes.

Municipal Deposits

Deposits of state and local government funds, which, under the laws of certain jurisdictions, are secured by the pledge of acceptable securities or by a surety contract (depository bond) to directly protect these funds. See Preferred Deposits.

Mutual Association

A savings association that issues no capital stock, but is owned and controlled solely by its savings depositors, who are called members. Members do not share in profits, but they exercise other ownership rights such as electing the board of directors.

Mutual Fund

A mutual fund pools the funds of many investors and provides professional management in investing those funds. Also called an open-end investment company. See Proprietary Mutual Funds.

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National Bank

A commercial bank organized with the consent and approval of the Office of the Comptroller of the Currency and operated under the supervision of the Federal government. National banks are required to be members of the Federal Reserve System and must purchase stock in the Federal Reserve Bank in their district.

Negative Amortization

Any increase in the loan balance arising from a mortgage payment being too small to pay all the interest due that month. The lender effectively makes the borrower an additional loan at the mortgage rate for the amount of unpaid interest. This additional loan must be repaid over the remaining term of the mortgage.

Negotiable Order of Withdrawal (NOW) Account

A savings account with characteristics of a checking account. An account holder can withdraw funds by writing a negotiable order of withdrawal payable to a third party. NOW accounts may earn interest.

Net

That which remains after making certain designated deductions from the gross amount.

Net Assets

The assets of an individual or entity remaining after all obligations have been met. Assets minus liabilities. The owners' equity.

Net Income

Gross income less expenses, including taxes, but before dividends.

Net Interest Margin

Interest income less interest expense, before the inclusion of noninterest income and deduction of noninterest expense. This is the gross margin for financial institutions.

Net Loss

The excess of expenses and losses over revenues and gains during a specified period of time. A negative net income.

Net Operating Income

Net interest margin less provision for losses and operating expenses plus noninterest income.

Net Operating Loss (NOL)

A loss for tax purposes that can be applied against net income from prior periods (NOL carry-back) or subsequent periods (NOL carry-forward) to reduce the tax liability of those periods.

Net Portfolio Value Model

A model used by the OTS to measure each association's exposure to interest rate risk by estimating how a change in interest rates affects the market value of its assets, liabilities, and off-balance-sheet.

Net Present Value

Sum of the future cash flows (positives and negatives) discounted to present value under the theory that money received today is worth more than the same amount received in the future.

Net Profit

See Net Income.

Net Realizable Value (NRV)

The estimated sales price from a property, reduced by the sum of:

- (1) Direct selling expenses such as sales commissions, cost of title policy, etc.
- (2) Costs of completion or improvement necessary for sale.
- (3) Direct holding costs, net of rental or other income, including taxes, maintenance, insurance, and cost of all capital, debt and equity, during the period held for sale.

Net Undistributed Income

Profit earned but not distributed to stockholders.

Net Worth

The owner's equity. Assets less liabilities, deferred income, redeemable preferred stock, and noncontrolling interest. Also called net assets, equity, stockholders' equity, and equity capital. See Capital.

NOL

Net operating loss.

Nominal Interest Rate

The stated or contractual interest rate in a loan agreement, bond, or other security, which may differ from the effective interest rate.

Nonconforming Loans

A real estate mortgage loan is **nonconforming** if the unpaid principal balance or unexpired term exceeds lending limits set by purchasers or guarantors of mortgages in the secondary market – Freddie Mac, Fannie Mae, etc.

Nonmortgage Loan

An advance of funds not secured by a lien on real estate. See Loan.

Nonperformance

The failure of a contracting party to provide goods or services according to an agreement.

Nonperforming Assets

Assets that do not earn income, including those originally acquired to earn income (delinquent loans) and those not intended to earn income (fixed assets). Typically assets originally acquired to earn income are deemed nonperforming when (1) full payment of interest or principal is no longer anticipated, or (2) the principal or interest that is due at a regularly scheduled payment date or the maturity date is 90 days or more delinquent even if the asset is still in accrual status. Nonperforming loans that are restructured continue to be considered nonperforming until a cash payment from the borrower brings the loan current under its restructured terms; for instance, a loan cannot be taken out of the nonperforming category simply by restructuring the loan.

Nonresidential Mortgage Loan

A mortgage loan secured by nonresidential property such as an office building, store, factory, church, or vacant land.

Note

An instrument that bears the recognized legal evidence of debt. A note is signed by the maker (borrower) and promises to pay a specified sum of money to the lender at a certain future date and place.

Notice of Default

A notice to a borrower with property as security under a mortgage or deed of trust that he/she is overdue in payments. If the amount owed, plus costs of preparing the legal papers for the default, are not paid within a certain time, foreclosure proceedings may be brought against the property. The filing of a notice of default is the initial step in the process of foreclosure.

Notional Principal

The amount of principal underlying an interest rate swap transaction, and upon which the swap payment calculation is based. See Interest-rate Swaps.

NRV

Net Realizable Value.

o

Oakar

An "Oakar" savings association is a savings association (OTS-regulated institution) that was a member of one insurance fund, generally the Savings Association Insurance Fund (SAIF), and acquired deposits insured by a secondary insurance fund, generally the Bank Insurance Fund (BIF), by means of a so-called "Oakar transaction." The most common Oakar transaction occurred when a SAIF-member acquired deposits from a BIF-member, either by means of a whole-institution acquisition or through a branch acquisition. The reverse, an acquisition of SAIF-insured deposits by an OTS-regulated, BIF-member ("BIF HOLA" savings association), was also considered an "Oakar transaction." BIF and SAIF were merged into the Deposit Insurance Fund in April 2006 pursuant to the Federal Deposit Reform Act of 2005.

OBS

Off-balance-sheet.

Occupancy Rate

The percentage of space or units that are leased or occupied. The inverse of the vacancy rate.

OFHEO

Office of Federal Housing Enterprise Oversight.

Off-Balance-Sheet

An asset or obligation that in accordance with GAAP you do not report on the balance sheet. Such as commitments to originate loans, undisbursed loan balances, unused letters of credit, etc.

Offer

An expression of willingness to sell something at a given price; opposite of bid.

Offering

An issue of securities or bonds presented for sale. An offering may be public (open to anyone wishing to buy) or private (predetermined buyers or market).

Office of Federal Housing Enterprise Oversight (OFHEO)

A government agency responsible for ensuring the financial safety and soundness of the nation's two largest players in the secondary mortgage market, the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac). OFHEO is an independent office of the Department of Housing and Urban Development, and was established by the Federal Housing Enterprises Financial Safety and Soundness Act of 1992.

Office of Thrift Supervision (OTS)

An office of the Treasury Department of the Federal government. The OTS was established in 1989 by FIRREA to succeed the Federal Home Loan Bank Board for chartering and regulating federal savings associations.

Official Checks

A financial institution's check drawn on its own account for paying its operating expenses and other debts. See Cashier's Checks.

Offset

The process used to close an open futures option; for instance, to sell after having previously purchased, or to buy after having previously sold.

Open Position

An outstanding position in a futures contract, which has not been offset. If not covered prior to maturity, the trader is liable for taking or delivering the underlying commodities.

Open Repo

A repo with no definite term that can be terminated by either party. The rate paid is typically higher than that paid on overnight repos and is subject to adjustment on a day-to-day basis.

Open-End Credit

An unsecured line of credit that may be used repeatedly up to an established overall limit. Commonly known as revolving credit or a line of credit, in which the customer may pay in full or in installments. A finance charge is assessed on the unpaid balance. The term does not include negotiated advances under an open-end real estate mortgage or a letter of credit. See Line of Credit.

Open-End Mortgage

A mortgage that by mutual agreement may have the balance or maturity extended to provide additional funds to the mortgagor. See Home Equity Loan.

Operating Assets

Those assets that contribute to the regular income from business operations, such as loans and investments; the opposite of which are nonoperating assets, such as real estate held for future use and non-income-producing intangibles such as goodwill. Nonperforming assets that were acquired with the intent to produce operating income are included in operating assets.

Operating Capital

Funds available for use in financing daily business activities.

Operating Expense

Any expense incurred in the normal operation of a business. This is distinguished from capital expenditures, which are disbursements that are capitalized and depreciated over a period of years.

Operating Income

Income generated in the ordinary course of business. For savings associations, income generated by the customary lending and deposit-taking business.

Operational Loss

Loan losses that arise outside of a relationship between a creditor and a borrower. Losses incurred in the normal operation of a business.

For example, an independent third party created credit cards through the use of an illegal credit card machine and stole the identification and credit card numbers of various individuals. The subsequent charges on these credit cards and losses incurred by the bank would be an operational loss, because the bank did not issue these credit cards and did not have a contractual relationship with a borrower.

Option

A right to buy or sell specific securities or properties at a specified price within a specified time. (1) Call option: The right but not the obligation to purchase a specific amount of a specific commodity or security at a specified price before a specified date. The seller (writer) grants such right to the buyer of the call. (2) Put option: The right to sell a specific amount of a commodity or security to the writer of the put at a specific price on or before a specific date. The buyer of a call or put pays to the seller (writer) a "premium" for being granted the right. There are options on actual securities or commodities as well as options on futures contracts.

Option ARM

It is an adjustable rate mortgage on which the interest rate adjusts monthly and the payment adjusts annually, with borrowers offered options on how large a payment they will make. Payment options include fully amortizing, interest-only, and a "minimum" payment that may be less than the interest-only payment. The minimum payment option results in a growing loan balance, or negative amortization.

Option Buyer (Holder)

A person who holds the rights granted by the option contract.

Option Seller (Writer)

A person who, in exchange for receiving the premium, agrees to assume the opposite side of an option contract at a fixed price any time prior to the contract's expiration date.

Originate a Loan

To make or issue a loan; the process whereby a lender qualifies a borrower, appraises the collateral, processes all documents, advances funds, and places the loan on its books.

Origination Fee

A charge imposed by a lender for evaluating, preparing, and processing loan applications.

OTS

Office of Thrift Supervision.

Out-of-The-Money

An option where the strike price exceeds market for a call and is less than market for a put.

Over-Collateralization

Providing collateral in excess of what is needed to support the principal amount of secured debt. It is viewed as using two separate loan pools. One pool provides sufficient cash flow to support the debt; the other pool subsidizes cash flow shortfalls for loans with losses or delinquencies.

Overdraft

A draft or check written for an amount that exceeds the funds in the account on which the check is drawn. An overdraft, if not covered immediately by the writer of the check, essentially becomes a borrowing.

Overnight Money

(1) Any money that is replaced daily. (2) Funds loaned by one financial institution to another overnight, including but not limited to the federal funds market. A means for firms to earn interest on undrawn funds in their operating account at the end of the business day.

p**P & I**

Abbreviation for principal and interest. This is customarily used to describe the regular monthly checks that the servicer pays to the registered owner of the mortgage-backed securities.

P/O

Principal-only.

P/O Strip

Principal-only strip.

PAC

Planned Amortization Class.

Paid-In-Capital

The amount of capital in excess of the par value of common stock contributed to a corporation by its owners.

Paper Gain Or Loss

An expression for unrealized gains or losses on securities in a portfolio, based on comparison of current market quotations and the original costs.

Par Value

(1) The value assigned to a share of stock by the issuer at the time the stock is first offered for sale. The par value may be more or less than the market value. (2) The value of a bond or note at maturity. (3) The face value of a security.

Partially Amortizing Loan

A loan in which the periodic payments cover all of the interest charges but only part of the principal, therefore an unpaid balance is left when the loan matures. See Balloon Loan.

Participation

(1) Ownership by two or more lenders or investors of all or a portion of a single mortgage or a package of mortgages. (2) The cooperative origination by two or more lenders of a single, usually large, mortgage loan. See Loan Participation.

Participation Certificate (PC)

A document that describes a package of loans and the portion that is being bought or sold. See Freddie Mac Participation Certificate.

Participation Loan

(1) A loan made by one lender, known as the lead lender, in which one or more other lenders, known as participants, own a part interest. (2) A loan originated by two or more lenders. (3) A loan having two or more banks as creditors. See Loan Participation.

Pass-Through

This term, as used for mortgage-backed securities, signifies that the interest and principal payments due and/or paid on the underlying mortgages are passed through to the holders of the securities on a *pro rata* basis.

Pass-Through Securities

Securities that convey ownership of a fraction of each mortgage in a pool of mortgages backing the security. Each security owner shares proportionally the interest and principal payments generated by the underlying pool of mortgages.

Passbook Account

A savings account that normally requires no minimum balance, or a nominal minimum balance of perhaps \$50 to \$100, no minimum term, no specified frequency of deposits, and no notice or penalty for withdrawals. A periodic statement mailed to the depositor has generally replaced the actual passbook, in which transactions are recorded.

Passbook Loan

A loan secured by funds in a savings account on deposit with the same association originating the loan. The pledged funds may not be withdrawn during the life of the loan. See Share Loan.

Past Due

An account on which payment has not been made according to the terms of the loan document. Delinquent.

Payables

A bookkeeping term for any accounts or notes payable.

Payoff

The complete repayment of loan principal, interest, and any other sums due. Payoffs result from either installment payments over the full term of the loan or lump sum payments, including payments made on the sale of the underlying collateral.

PC

Participation Certificate.

PCCR

Purchased credit card relationship.

Pension Fund

A fund set up to collect regular premiums from employees and/or their employers, invest those premiums safely and profitably, and pay out a monthly income to employees who retire after reaching a specific age and length of service.

Permanent Mortgage Loan

A mortgage that is not a construction loan. Typically permanent mortgage loans are fully amortized for a period of 20 years or more. However, this classification also includes balloon mortgages and short-term mortgage loans that are not construction loans.

Permanent, Reserve, or Guaranty Stock

Par value of common stock outstanding. See Common Stock.

Personal Check

A check drawn on a depository institution by an individual against the individual's own funds, as opposed to a check drawn against a business account.

Planned Amortization Class (PAC)

The PAC feature of a security creates a reserve or sinking fund that attempts to ensure the planned maturity for the bond or CMO tranche. Therefore, the payments on a PAC security are virtually insulated from prepayment risk. See Short-term Planned Amortization Classes and Long-term Planned Amortization Classes.

Pledged Assets

Assets pledged as collateral security against liabilities.

Pledged Deposits

Deposits to which a security interest has been attached or perfected by a creditor. Also called loans on deposits and share loans.

PMI

Private mortgage insurance.

Point

An amount equal to one percent of the principal amount of an investment or note. Loan discount points are a one-time charge assessed at closing by the lender to increase the yield on the mortgage loan to a competitive position with other types of investments.

Pool

A large group of mortgages which back a mortgage security. See Mortgage Pool Security.

Pooling-of-Interest Method

A method of accounting for business combinations which is no longer permitted by GAAP.

In the pooling-of-interest method, assets, liabilities, and capital of the combining associations are added together on a line-by-line basis without any adjustments for current market value. The current carrying value (typically, historical costs adjusted for amortization of premiums and depreciation and accretion of discounts) of each asset, liability, and capital account of the disappearing association is added to the corresponding account of the surviving association.

In the reporting period in which the merger occurs, income and expense is reported as though the entities had been combined for the entire period. See Purchase Method.

Portfolio

Holdings of securities by an individual or entity. A portfolio may contain any marketable or potentially marketable investment such as bonds, mortgages, debt securities, equity securities, etc.

Position

Having a position in a futures contract means to have bought or sold a contract that has not been offset. See Open Position.

Positive Gap

An excess of assets repricing during a period of time over liabilities repricing during the same period; an asset sensitive position. See Gap.

Preferred Deposits

Deposits of states and political subdivisions in the U.S. that are secured or collateralized as required under state law. See Municipal Deposits.

Preferred Stock

Capital stock with preferences or special rights attached. *For example*, a stockholder may have a preferred position to receive dividends and/or proceeds in liquidation. Preferred stock typically yields a stated rate of interest, dividends, that may be cumulative or noncumulative. Preferred stock may be redeemable by the holder or nonredeemable.

Premium

(1) The amount, often stated as a percentage, paid in addition to the face value of a note or bond to adjust the yield to market. (2) A fee charged for the granting of a loan – points. (3) The price paid for an insurance contract. (4) A product given free or sold at discount, offered as an inducement to the public to open or add to a savings account, or to purchase other specified products or services. (5) The price paid by the buyer of an option contract. See Discount.

Prepayment

A payment made before its due date. For example, a 30-year mortgage may be prepaid after ten years if the mortgagor sells the property and the purchaser does not assume the mortgage. Borrowers typically prepay loans when interest rates fall and they can obtain cheaper financing.

Prepayment Clause

A provision in a promissory note stating the amount a borrower may repay ahead of schedule without incurring a penalty.

Prepayment Penalty

A fee assessed by a lender on a borrower who repays all or part of the loan principal before it is due. The prepayment penalty compensates the lender for the loss of interest that would have been earned had the loan remained in effect for its full term.

Present Value

The discounted value of a certain sum to be paid in the future, based on the theory that cash received today is worth more than the same amount of cash received in the future. See Net Present Value.

Price

The amount of money a seller receives for goods or services sold. Price is the amount of money actually received by the seller, not necessarily the amount originally asked for or the face value. In the buying and selling of bonds and mortgages, price is stated as a percentage of the face value of that instrument. For example, if sold at par, the price is 100 percent of the face value; a premium price could be 105 percent; and a discount price could be 95 percent of face value. See Premium, definition 1, and Discount.

Prime Rate

The interest rate charged by leading banks to their most secure customers. The prime rate tends to be a yardstick for general trends in interest rates. The interest on adjustable rate loans is sometimes stated in terms of the prime rate. For example, the rate of an adjustable rate loan may be stated as fifty basis points (0.5%) over prime.

Principal

(1) The amount of funds borrowed. (2) At closing, the face amount of a loan. (3) The amount of debt, exclusive of accrued interest, remaining on a loan.

Principal-Only

An account that does not charge interest on the remaining balance, so that payments are credited to principal only.

Principal-Only Strip (P/O)

A security from which the interest coupons have been separated. The owner of a P/O strip of a mortgage pool receives only the principal payments on the cash flow of the underlying mortgages. See Interest-Only Strip.

Private Mortgage Insurance (PMI)

Insurance policies written by private companies insuring lenders against loss resulting from defaults on mortgages. Generally, OTS will recognize only those insurance companies whose PMI is accepted by Fannie Mae or Freddie Mac, for purposes such as calculating high LTV and the risk weighting of a loan.

Profit

The excess income after all costs and expenses are paid. Net income.

Profit and Loss Statement

A summary listing a firm's total revenues and expenses within a specified period of time. Also called a statement of operations or an income statement.

Profitability

A firm's ability to earn a profit and its potential for future earnings.

Promissory Note

A written promise to pay a specific sum of money to a specified party under conditions mutually agreed upon. Also called a note, promise, or bond.

Proprietary Mutual Funds

Those funds where the savings association, its affiliates, or its subsidiaries act as investment advisor to the fund.

Prospectus

A written offer to sell property or a security that provides a detailed description of what is being sold, including its characteristics and quality.

Prospectus Supplement

A document supplementing the Prospectus, disclosing pertinent information relating to the specific series of securities that are being issued. It includes stated maturities, repayment periods under different scenarios, specific financial assumptions as to the composition of the underlying collateral, the capitalizations of the issuer, and other terms relevant to the series.

Provision for Loan Losses

A charge to expense for loan losses. See Valuation Allowance, Allowance for Loan and Lease Losses, Specific Valuation Allowances, Charge-off, Write-off.

Purchase Method

A method of accounting for a business combination as the acquisition of one enterprise by another.

In an acquisition accounted for under the purchase method, the assets and liabilities of the disappearing association must be recorded on the books of the surviving entity at fair value. The fair value of an asset is generally its market or appraised value. The fair value of liabilities is generally their present value using an appropriate discount rate. The carrying values of the capital accounts of the disappearing association are not carried forward onto the books of the surviving association. To the extent possible, the cost of the acquisition must be allocated to each identifiable asset or liability being acquired. Identifiable assets can

be tangible (such as securities or mortgage loans) or intangible (such as core deposit base). Any excess of the cost of the acquisition over the fair value of the identifiable assets and liabilities is recorded as goodwill.

The adjustments to record purchased assets at fair value due to interest rate fluctuations are reported as a direct adjustment to assets. Adjustments to purchased deposits are reported on SC715, Unamortized Yield Adjustments on Deposits; adjustments to any other liability are reported as a direct adjustment to the liability.

Purchase-Money Mortgage

A mortgage where the purpose of the loan is to purchase the property securing the loan.

Purchased Credit Card Relationships

The premium paid to acquire established credit card accounts from a financial institution. Buyers pay a premium over the dollar value of the credit card accounts themselves in order to acquire the customer loyalty in an established line of business.

Push-Down Accounting

A method of accounting used when an entity changes ownership. The purchase cost to the new owner is pushed down to the entity, thereby marking all assets and liabilities to market. This is also known as new-basis accounting. At the date of acquisition, the purchased entity is given a new basis, which is valued at market.

Put Option

A buyer acquires the right to sell a specific security, at a specified strike price, at any time before the expiration of the option.

Q

QTL

Qualified Thrift Lender.

Qualified Thrift Lender (QTL)

A savings institution that qualifies for low cost advances from its Federal Home Loan Bank by virtue of having at least a certain percentage of its assets in housing-related investments. Institutions may use the HOLA QTL test or the Internal Revenue Service tax code Domestic Building and Loan Association (DBLA) test.

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Rate of Return

The measure of income from or profitability of an investment. See Return on Investment and Yield.

Rate-Sensitive Asset

An asset that will experience a change in its market value over some specific time period due to changing interest rates in the market.

Rate-Sensitive Liability

A liability that will experience a change in its market value over some specific time period due to changing interest rates in the market.

Real Estate

Land and all physical property attached to the land. Includes all physical substances below, upon, or attached to land; thus houses, trees, and fences are classified as real estate. All else is personal property.

Real Estate Investment Trust (REIT)

An organization, usually corporate, established for the accumulation of funds for investing in real estate holdings, or the extension of credit to others engaged in real estate construction. These funds are usually accumulated by the sale of shares of ownership in the trust.

Real Estate Loan

A loan fully secured by real estate, regardless of how the proceeds will be used.

Real Estate Mortgage Investment Conduit (REMIC)

A mortgage securities vehicle authorized by The Tax Reform Act of 1986. The REMIC rules authorize a new entity (a REMIC) to hold commercial or residential mortgages and issue securities representing interests in those mortgages. The REMIC itself generally is exempt from Federal income tax, and the income from the mortgages held by the REMIC is taxed to the holders of the REMIC regular and residual interests.

Real Estate Owned (REO)

A term frequently used by lending institutions to describe ownership of real property, generally acquired as a result of foreclosure.

Receivables

Accounts receivable owned by a business. These may be pledged as collateral for a loan secured from a bank or other financial institution, known as factored receivables, and classified as a secured commercial loan.

Receiver/Receivership

A party appointed by a court or the FDIC to manage property subject to litigation, or the property and affairs of a bankrupt financial institution. The receiver maintains and manages the property in the interest of lenders or creditors until a final disposition of the property is made. A receivership ends the corporate existence of an institution; it removes the institution from its owners, who lose their equity interest. See Conservator.

Recorded Investment in a Loan

The principal balance of the loan less direct write-downs, adjusted for related discounts or premiums and other yield adjustments. Carrying value before deducting valuation allowances. See Schedule SC, Mortgage Loans.

Recourse

The rights of a holder in due course of a negotiable instrument to force prior endorsers to meet their legal obligations by making good the payment of the instrument if dishonored by the maker or acceptor. The holder in due course must meet the legal requirements of presenting and delivering the instrument to the maker of a note or acceptor of a draft, and must find that this legal entity is in default. See Residual.

Recovery

The collection of money on a loan that you previously charged-off.

Refinancing

The repayment of a loan with funds from a new loan secured by the same property as the first loan. The new loan may be secured from the same lending institution or a different one, and typically has a modified interest rate or maturity date. See Restructured Debt.

Registration Statement

A document containing a prospectus and other information required by the SEC in transactions involving public offerings, such as the issuance of CMOs. The registration statement enables a series or, in the case of a shelf registration, several series of securities to be offered.

REIT

Real Estate Investment Trust.

Release

(1) The discharge of property from a mortgage lien. (2) A written statement that an obligation has been satisfied.

REMIC

Real Estate Mortgage Investment Conduit.

Rent

Income received from leasing property.

REO

Real estate owned.

REPO

Repurchase Agreement.

Reporting Period

The period for reporting the statement of operations and activity of an entity. This may be any number of days or months, normally one, three, six, or twelve months. The reporting period for the TFR is three months. The reporting period for Cost of Funds is one month.

Repossession

The reclaiming or taking back of items purchased on an installment sales contract on which the buyer has fallen behind in payments and consequently defaulted.

Repriced at Maturity

An asset or liability that carries a fixed interest rate during its term and, therefore, cannot reprice until maturity.

Repricing

A feature of some specific assets and liabilities, where the interest rates (and possibly other associated features) change, based on predetermined terms and schedules. This feature may occur periodically or only once.

Repurchase Agreement (REPO)

A financial transaction in which an organization borrows money by selling securities and simultaneously agreeing to buy them back later at a higher price, generally less than 30 days. Repurchase agreements are commonly called "repos", and they function similarly to a secured loan with the securities serving as collateral. In a resale agreement, the organization, in effect, loans money by buying securities and agreeing to sell them back to the borrower later at a higher price. In either case, the difference between the bought and sold price of the securities constitutes the yield on the transaction. See Resale Agreement.

Resale Agreement

A financial transaction in which an organization lends short-term money by buying securities and simultaneously agreeing to sell them back later at a higher price. See Repurchase Agreement.

Reserve

(1) A valuation allowance. (2) A portion of retained earnings that has been set aside for the purpose of assuming liabilities. (3) Cash set aside to absorb losses or contingencies that have not yet occurred but are foreseen. See Valuation Allowances.

Reserve For Bad Debts

See Bad Debt Reserve.

Reserve Requirements

The portion of deposits in transaction accounts that member banks are required to maintain with a Federal Reserve Bank.

Residential Mortgage

A loan extended with residential real estate as collateral.

Residual

(1) Defined in 12 CFR Part 567.1 as any balance sheet asset that represents an interest, including a beneficial interest, created by a transfer of financial assets that qualifies as a sale under GAAP and that exposes the institution to a credit risk that exceeds a pro rata share of the institution's claim on the transferred assets. The transfer of assets may be through securitization or otherwise; the credit risk may be directly or indirectly associated with the transferred assets; and the exposure to credit risk may be through either subordination provisions or other credit enhancement techniques.

(2) Purchased or retained beneficial interests in securitized financial assets.

(3) The tranche of a CMO that represents the difference between the cash flows received on the mortgages collateralizing the CMO and the required interest payments to holders of all other tranches. The residual tranche represents an equity interest in the CMO.

Restructured Debt

Debt that has been restructured by adding to the outstanding principal balance or by modifying the terms of the debt. Restructured debt involves debt of borrowers who may or may not be experiencing financial difficulty. See Troubled Debt Restructuring.

Retained Earnings

An equity capital account comprised of accumulated unallocated profits from the current and all prior reporting periods. Retained earnings are the profits that are neither paid out in cash dividends to stockholders nor used to increase other equity accounts.

Return on Assets

A financial measurement of how efficient a business is in using its assets. Return on assets is the ratio of net income divided by average total assets.

Return on Equity

A measure of how effective a business has been in investing its net worth. Return on equity is expressed as a ratio, calculated by dividing net income by average equity.

Return On Investment

The rate, usually expressed on a bond equivalent basis, needed to equate the present value of future cash flows with a given purchase price for that issue. It assumes that periodic cash distributions can be reinvested at the same rate.

Revenue

All earnings received from selling a firm's product or service during a given period.

Revenue Bonds

Issued by state and local governments whereby the revenues from a project, such as a toll bridge, repay the borrowing. In contrast to a general obligation bond backed by the taxing power of an issuer.

Reverse Repurchase Agreement

See Repurchase Agreement.

Revolving Credit

A line of credit extended to customers to use as often as desired up to a certain dollar limit. The line of credit may be paid in full upon receipt of a monthly statement or paid off in several installments, in which case an interest charge is added.

Risk

The possibility that a loss will occur if a debt is not paid.

Risk-Controlled Arbitrage

A method used to fund long-term assets with short-term liabilities, using a hedge to reduce interest-rate risk. For example, using repurchase agreements (short-term) to purchase mortgage-backed securities (long-term) and using a futures contract to hedge against rising interest rates.

Rollover

The practice of reinvesting capital and interest of one investment into a substantially identical new investment.

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Safety Factor

The difference between net income from collateral and the payment of interest on a funded debt. See Spread.

SAIF

Savings Association Insurance Fund.

Sale and Servicing Agreement

In secondary market transactions, a contract under which the seller/servicer agrees to supply, and the buyer to purchase, loans from time to time. The contract sets forth the conditions for the transactions and the rights and responsibilities of both parties.

Sale-Leaseback

The sale of property that is then leased back to the seller.

Sales Draft

An instrument that arises from using a bankcard that obligates the cardholder to pay money to the card issuer.

Sallie Mae (SLMA)

Student Loan Marketing Association.

Salvage

An attempt to recover some portion of a loan that has been written off the bank's books.

SAM

Shared-Appreciation Mortgage.

Sasser

A SAIF-insured institution that has a bank charter and, therefore, that OTS does not regulate.

Satisfaction of Judgment

The legal procedure followed when a debtor pays the amount due as determined by the court in a judgment.

Savings

The amount of income that is not consumed.

Savings Account

Money that is deposited in a depository institution, normally not subject to withdrawal by check. Savings accounts usually bear interest. Also called passbook accounts.

Savings Association Insurance Fund (SAIF)

A fund, administered by the FDIC, insuring deposits of member savings associations up to \$100,000 per depositor. SAIF was established by FIRREA in 1989 to replace the FSLIC as the insurer of savings associations. SAIF was merged into the Deposit Insurance Fund in 2006 pursuant to the Federal Deposit Reform Act of 2005. See Deposit Insurance Fund.

Savings Certificate

Evidence of the ownership of a savings account typically representing a fixed amount of funds deposited for a fixed term at a specified rate of interest. See Certificate of Deposit.

Savings Liability

The aggregate amount of an association's deposits, including earnings credited to such accounts, less redemptions or withdrawals.

SBA

Small Business Administration.

Seasoned Loan

A loan that has been on the association's books long enough to demonstrate that the borrower's credit is sound.

SEC

Securities and Exchange Commission.

Second Lien

A lien subordinate to the first. See Junior Lien, Second Mortgage.

Second Mortgage

A mortgage that has rights subordinate to the first mortgage (the proceeds from a foreclosure sale must pay the first mortgage before any funds can go to repay the second).

Secondary Market

The market for reselling outstanding securities, opposite of primary market in which newly created securities are sold. See Freddie Mac, Fannie Mae, and Ginnie Mae.

Secured Creditor

A creditor whose obligation is backed by collateral.

Secured Debt

Any debt for which some form of acceptable collateral has been pledged.

Securities

Any documents that identify legal ownership of a physical commodity or legal claims to another's wealth.

Securitize

To put in the form of a security. For example, Freddie Mac securitizes a savings association's loans when they pool the loans into a participation certificate.

Security

- (1) The collateral given, deposited, or pledged to secure the fulfillment obligation or payment of a debt.
- (2) An instrument that provides evidence of debt or of rights to share in earnings or distribution of property.

Security Ratings

Ratings placed on securities according to the degree of investment risk incurred by the purchaser.

Segregated Account

Funds set aside to meet specific obligations. Usually applies to cash set aside to meet drafts drawn under a letter of credit issued by the savings association; may also apply to funds set aside to honor checks certified by the savings association.

Self-Liquidating

Describes an asset that can be converted into cash or subject to the total recovery of invested money over a period of time.

Selling Hedges

See Short Hedge.

Senior Lien

Opposite of Junior Lien. See First Mortgage.

Sensitivity Analysis

Another term for gap analysis, an evaluation of an association's make-up, revealing the areas in which it is exposed to the risk of changing interest rates. See Gap.

Serial Bond Issue

Bonds of a single issue that mature on staggered dates rather than all at once. The purpose of a serial bond issue is to help the issuer retire the bonds in small quantities over a long period.

Service Charge

A fee for services rendered or to be rendered.

Service Corporation

A corporation previously defined in OTS regulations as being owned by one or more savings associations and performing services and engaging in certain activities for its owners, such as originating, holding, selling, and servicing mortgages; performing appraisal, brokerage, clerical, escrow, research, and other services; and acquiring, developing, or renovating and holding real estate for investment purposes. This term became obsolete with the issuance of the Subsidiary and Equity Investment Rule, effective January 1, 1997.

Servicing Assets

Benefits recognized by an entity undertaking a contract to service loans and other financial assets. Servicing includes collecting principal, interest, and escrow payments from the borrowers; paying taxes and insurance from escrowed funds; monitoring delinquencies; executing foreclosure, if necessary; temporarily investing funds pending distribution; remitting fees to guarantors, trustees, and others providing services; and accounting for and remitting principal and interest payments to the holders of beneficial interests in the financial assets.

SFAC

Statement of Financial Accounting Concepts issued by the Financial Accounting Standards Board.

Share Loan

A loan secured by funds on deposit at a financial institution. One purpose of a share loan is to preserve interest due on deposits by not withdrawing the funds until the date on which the interest payment is due or the account matures. See Passbook Loan

Shared-Appreciation Mortgage (SAM)

A home-financing technique where the borrower receives a mortgage rate that is lower than the prevailing rates. The borrower must agree to give the lender a share of the profits from the eventual sale of the property. A SAM has payments that are based on a normal (typically 30- year) amortization schedule, but the loan becomes due and payable at an earlier date (typically not later than at the end of 10 years). A SAM has an interest rate below that on a conventional mortgage and a contingent interest feature, where at either the sale or transfer of the property or the refinancing or maturity of the loan, the borrower must pay the lender a share of the appreciation of the property securing the loan.

Shareholder

The owner of shares of equity in an organization. The owners of a corporation.

Shelf Registration

A type of Registration Statement, pursuant to Rule 415 of the SEC, that authorizes a certain principal amount of securities to be issued, in whole or in parts, in the future, thereby spreading the issuance dates over a period of time.

Short

(1) The sale of a futures contract. (2) A trader who has a short position in a commodity.

Short Hedge

A hedge transaction in which futures contracts are sold and then purchased; a short hedge protects the hedger against interest rate increases, the major risk faced by financial institutions.

Short-Term Debt

An obligation that is usually due within one year.

Short-Term Fixed-Rate Tranches

CMO tranches that have fixed rates and expected maturity of five years or less.

Short-Term Planned Amortization Classes (PACs)

CMO tranches that have fixed rates, a prioritized repayment schedule within certain prepayment speeds, and expected maturity of five years or less. Targeted Amortization Classes (TACs) are considered to be substantially similar to PACs for reporting purposes.

Short-Term PAC Support Tranches

CMO tranches that have fixed rates, expected maturity of five years or less, and are part of a CMO structure that contains a PAC or TAC tranche(s).

Single-Family Dwelling

A housing unit designed for occupancy by one individual or family. See Dwelling Units, 1-4.

Sinking Fund

The obligation to retire debt instruments according to a predetermined schedule.

Special Redemption

Special redemptions are designed to allow the issuer to retire a security earlier than scheduled, precluding interest from accruing during the remaining period. The amount of principal redeemed is limited to the amount that would have been retired at the next scheduled payment date.

Specific Valuation Allowance

A valuation allowance representing an amount classified as a loss on specific assets. In the TFR, assets are reported net of specific valuation allowances. See Valuation Allowance.

Spread

(1) The difference between interest income and interest expense. (2) The simultaneous purchase of one futures contract and sale of another, either different contract months or underlying instruments. One does this to try to profit from differing rates of change in different contract months or contracts, often due to changing market factors, such as, rising or falling rates, shifts in yield curve.

Standard Prepayment Assumption

A commonly used prepayment model based on an assumed monthly rate of prepayment of the then current principal balance of a pool of new mortgage loans.

Standby Letter of Credit

A letter of credit that can only be drawn against if a specified business transaction is not performed.

Standbys

Non-binding commitments to make or take delivery of securities, commonly used in the mortgage market when dealing with Fannie Mae.

Stock Dividend

See Dividend, Stock.

Strike Price

The price at which the holder of the call or put may exercise his right to purchase or sell the underlying futures contract. Synonymous with exercise price.

Strip

A hedge transaction which involves selling or buying the same futures contract across several delivery months, such as, selling T-Bills for June, September, and December at the same time. The objective is to lengthen the effective hedging period.

Strip Certificate

A certificate showing ownership of a fractional share of stock that can be converted into a full share when presented in amounts equal to a full share.

Strip Hedge

The selling of a series of futures contracts with different maturities. The purpose is to lock in interest costs that vary based on the contract settlement date.

Structured Securities

Debt securities with derivative-like characteristics that are issued by corporations and government-sponsored enterprises (GSEs), including Freddie Mac, Fannie Mae, and the Federal Home Loan Banks. Structured notes take various forms and often contain complex rate-adjustment formulas and embedded options, such as, calls, caps, and collars.

Student Loan Marketing Association (Sallie Mae)

A government-sponsored private corporation created to increase the flow of funds into loans by facilitating the purchase of student loans in the secondary market.

Subordinate Organization

Any corporation, partnership, business trust, association, joint venture, pool, syndicate, or other similar business organization in which a savings association has a direct or indirect ownership interest. There is an exception when that ownership interest qualifies as a pass-through investment pursuant to 12 C.F.R. § 560.32 and the savings association designates it as such.

Subordinated Debt

Obligations whose liquidation preference is inferior to that of other debt.

Subprime Lending

Credit extended to borrowers exhibiting higher (frequently much higher) risk of default characteristics than traditional bank lending customers. Risk of default may be measured by traditional credit risk measures (credit/repayment history, debt-to-income levels, etc.) or by alternative measures such as credit scores. Subprime borrowers represent a broad spectrum of debtors ranging from those who have exhibited repayment problems due to an adverse event, such as job loss or medical emergency, to those who persistently mismanage their finances and debt obligations. Subprime lending does not include loans to borrowers who have had minor, temporary credit difficulties but are now current.

Subsidiary

Any organization controlled by another organization. The OTS Subsidiary and Equity Investment Rule defines subsidiary as a consolidated subsidiary and refers generically to organizations under the control of a parent organization as subordinate organizations. See Consolidation.

Substandard

Describing conditions making a risk less desirable than normal for its class. A classification of assets under OTS Regulations. See Classified Assets.

Super-Floater

An asset that has a variable rate that adjusts by a multiple of a change in an interest-rate index. Thus if the super-floater adjusts at 1.25 times the change in LIBOR, a decrease of two basis points in LIBOR would cause a decrease of 2.5 (2 x 1.25) basis points in the super-floater. Super-floater is most commonly used to describe CMO tranches that reprice based on a formula containing a multiple of the three-month LIBOR rate.

Super Floating Rate Tranches

CMO tranches that have rates adjusting at some multiple of, and in the same direction as, an index such as LIBOR.

Super Principal Only (P/O) Tranche

A long-term zero coupon, deep discount PAC that is the only support tranche of a PAC or TAC CMO.

Supervisory Authority

The official or officials authorized by law to ensure that associations comply with the governing charter, statutes, and by-laws.

Supervisory Merger

The takeover of one savings association – typically an insolvent association – by another with our oversight.

Suspense Account

A general ledger account used to hold over unposted items so the business day can balance at closing.

Swap

An agreement between two parties to exchange a series of cash flows, one representing a fixed rate and the other a floating rate. In a currency swap, two parties contract to exchange the cash flows - of equal net present value of specific assets or liabilities that are expressed in different currencies.

In the classic – widely known as plain vanilla – interest-rate swap, two parties contract to exchange interest service payments, and sometimes principal service payments, on the same amount of indebtedness of the same maturity with the same payment dates - one providing fixed interest-rate payments in return for variable-rate payments from the other and vice versa. Basis swaps – floating rate swaps based on different indices, such as prime against LIBOR – and combined interest rate and currency swaps, circus swaps, are also common. There are numerous variations involving many counterparts that result in highly complex swap transactions.

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T-Bill

Treasury Bill.

TAC

Targeted Amortization Class.

Tangible Capital

Our capital regulations define tangible capital as equity in accordance with GAAP, adjusted for unrealized gains and losses on certain available-for-sale securities, less investments in nonincludable subsidiaries, less goodwill and other intangible assets, less certain nonqualifying equity instruments, plus noncontrolling interest in includable consolidated subsidiaries, plus nonwithdrawable deposits of mutual associations. Our capital rule requires savings associations to hold a ratio of 1.5% tangible capital to tangible assets.

Tangible Net Worth

GAAP net worth less goodwill and other intangible assets.

TBA

Abbreviation for future pools **to be announced** which are bought and sold for future settlement. To be announced refers to interest rates and due dates which are determined at a later date. Trading in these securities is done on a yield basis.

TDR

Troubled Debt Restructuring.

Teaser Rate

The initial below-market interest rate offered on an adjustable-rate mortgage in return for the borrower sharing the risk of rising rates during the course of the loan.

Term Federal Funds

Federal funds with a term of more than one business day.

TFR

Thrift Financial Report.

Threshold Rate

Represents the rate established by management policy for a fixed-rate asset category above which new assets may be added and below which lower yielding assets will be sold. Should be tied to policies related to dollar volume and maturity limits.

Thrift Financial Report

The financial report that we require of all savings associations under our jurisdiction; OTS Form 1313.

Thrift Holding Company

See Holding Company.

Tick

Refers to a change in price, either up or down. Synonymous with minimum fluctuation.

Time Deposit

An interest-bearing deposit that will mature on a specific date.

Time-Share Loan

A loan that enables a buyer to take part in a form of real property ownership that grants each of several owners the exclusive right to occupy a housing unit during a specified time period each year. These loans are reported as nonmortgage loans on the TFR.

Time Value

A portion of an option premium unrelated to buying and selling at a more favorable price.

Trade

A term that indicates the consummation of a security transaction, either a purchase or a sale.

Trade Date

The date a security transaction is actually executed.

Trading Account

Securities that you intend to hold principally for the purpose of selling them in the near term. Trading activity includes frequent buying and selling of securities for the purpose of generating profits from price fluctuations. Securities in a trading account must be listed on financial reports at market value.

Tranche

Also called a class. CMOs generally have several bond classes; each bond is considered a separate tranche or class, each with different maturities and/or interest rates and accrual structures.

Troubled Debt Restructuring

A troubled debt restructuring occurs when the financial institution provides the borrower certain concessions that it would not normally consider. The concessions must be in light of the borrower's financial difficulty, and the objective must be to maximize recovery of the institution's investment. Troubled debt restructures are often, but not always, the result of legal proceedings or negotiations between the parties.

Troubled debt restructures include situations in which the reporting association accepts any one of the following:

- A note, secured or unsecured, from a third party in payment of its receivable from the borrower.
- The underlying collateral in payment of the loan, either through foreclosure, other transfer of title, or in-substance foreclosure.
- Other assets in payment of the loan.
- An equity interest in the borrower or its assets in lieu of its receivable.
- A modification of the terms of the debt including, but not limited to any of the following:

- Reduction in stated interest rate.
- Extension of maturity at an interest rate below market.
- Reduction in the face amount of the debt.
- Reduction in the accrued interest.

A foreclosure or other asset received in payment of a loan is TDR only if a loss is incurred. In calculating whether or not a loss occurred, the fair value of the foreclosed property is compared to the recorded investment in the receivable without deducting valuation allowances or charge-offs.

Treasury Bill

A U.S. government short-term security sold to the public each week at a discount, maturing in 91 to 182 days.

Treasury Bond

See Bond, Treasury.

Treasury Note

A U.S. government long-term security, sold to the public, maturing in one to five years.

Treasury Stock

Stock reacquired by the same company that issued it with the intention of subsequent resale or transfer, such as an Employee Stock Option Plan.

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Unlimited Mortgage

An open-end mortgage; a mortgage not limited to a fixed amount.

Unrealized Gain or Loss

A loss that you have not yet realized because the related asset has not yet been sold or disposed of.

VA

(1) Valuation Allowance. (2) Veterans' Administration.

Valuation Allowance

A contra-asset established against receivables and investments based on the amount expected to be collected. Valuation allowances are established for covering probable and estimably credit losses. See Allowance for Loan and Lease Losses, Allowance, Specific Valuation Allowance, and General Valuation Allowance.

FFIEC 031 and 041 A-87 GLOSSARY (9-10) Trust Preferred Securities: As bank investments, trust preferred securities are hybrid instruments possessing characteristics typically associated with debt obligations. Although each issue of these securities may involve minor differences in terms, under the basic structure of trust preferred securities a corporate issuer, such as a bank holding company, first organizes a business trust or other special purpose entity. This trust issues two classes of securities: common securities, all of which are purchased and held by the corporate issuer, and trust preferred securities, which are sold to investors. The business trust's only assets are deeply subordinated debentures of the corporate issuer, which the trust purchases with the proceeds from the sale of its common and preferred securities. The corporate issuer makes periodic interest payments on the subordinated debentures to the business trust, which uses these payments to pay periodic dividends on the trust preferred securities to the investors. The subordinated debentures have a stated maturity and may also be redeemed under other circumstances. Most trust preferred securities are subject to mandatory redemption upon the repayment of the debentures.

Trust preferred securities meet the definition of a security in ASC Topic 320, Investments-Debt and Equity Securities (formerly FASB Statement No. 115, "Accounting for Certain Investments in Debt and Equity Securities"). Because of the mandatory redemption provision in the typical trust preferred security, investments in trust preferred securities would normally be considered debt securities for financial accounting purposes. Accordingly, regardless of the authority under which a bank is permitted to invest

in trust preferred securities, banks should report these investments as debt securities for purposes of these reports (unless, based on the specific facts and circumstances of a particular issue of trust preferred securities, the securities would be considered equity rather than debt securities under ASC Topic 320). If not held for trading purposes, an investment in trust preferred securities issued by a single U.S. business trust should be reported in Schedule RC-B, item 6.a, "Other domestic debt securities." If not held for trading purposes, an investment in a structured financial product, such as a collateralized debt obligation, for which the underlying collateral is a pool of trust preferred securities issued by U.S. business trusts should be reported in Schedule RC-B, item 5.b.(1), "Cash instruments," and in the appropriate subitem of Schedule RC-B, Memorandum item 6, "Structured financial products by underlying collateral or reference assets."

U.S. Banks: See "banks, U.S. and foreign."

U.S. Territories and Possessions: United States territories and possessions include American Samoa, Guam, the Northern Mariana Islands, and the U.S. Virgin Islands.

Valuation Allowance: In general, a valuation allowance is an account established against a specific asset category or to recognize a specific liability, with the intent of absorbing some element of estimated loss. Such allowances are created by charges to expense in the Report of Income and those established against asset accounts are netted from the accounts to which they relate for presentation in the Report of Condition. Provisions establishing or augmenting such allowances are to be reported as "Other noninterest expense" except for the provision for loan and lease losses which is reported in a separate, specifically designated income statement item on Schedule RI.

Variable Interest Entity

A variable interest entity (VIE), as described in ASC Subtopic 810-10, Consolidation – Overall (formerly FASB Interpretation No.46 (revised December 2003), "Consolidation of Variable Interest Entities," as amended by FASB Statement No. 167, "Amendments to FASB Interpretation No. 46(R)"), is an entity in which equity investors do not have sufficient equity at risk for that entity to finance its activities without additional subordinated financial support or, as a group, the holders of the equity investment at risk lack one or more of the following three characteristics: (a) the power, through voting rights or similar rights, to direct the activities of an entity that most significantly impact the entity's economic performance, (b) the obligation to absorb the expected losses of the entity, or (c) the right to receive the expected residual returns of the entity.

Variable interests in a VIE are contractual, ownership, or other pecuniary interests in an entity that change with changes in the fair value of the entity's net assets exclusive of variable interests. For example, equity ownership in a VIE would be a variable interest as long as the equity ownership is considered to be at risk of loss.

ASC Subtopic 810-10 provides guidance for determining when a bank or other company must consolidate certain special purposes entities, such as VIEs. Under ASC Subtopic 810-10, a savings association must perform a qualitative assessment to determine whether it has a controlling financial interest in a VIE. This must include an assessment of the characteristics of the savings association's variable interest or interests and other involvements (including involvement of related parties and *de facto* agents), if any, in the VIE, as well as the involvement of other variable interest holders. The assessment must also consider the entity's purpose and design, including the risks that the entity was designed to create and pass through to its variable interest holders. In making this assessment, only substantive terms, transactions, and arrangements, whether contractual or noncontractual, are to be considered. Any term, transaction, or arrangement that does not have a substantive effect on an entity's status as a VIE, the savings association's power over a VIE, or the savings association's obligation to absorb losses or its right to receive benefits of the VIE are to be disregarded when applying the provisions of ASC Subtopic 810-10.

If a savings association has a controlling financial interest in a VIE, it is deemed to be the primary beneficiary of the VIE and, therefore, must consolidate the VIE. An entity is deemed to have a controlling financial interest in a VIE if it has both of the following characteristics:

- The power to direct the activities of a variable interest entity that most significantly impact the entity's economic performance.

Variable Interest Entity (cont.):

- The obligation to absorb losses of the entity that could potentially be significant to the variable interest entity or the right to receive benefits from the entity that could potentially be significant to the variable interest entity.

If a savings association holds a variable interest in a VIE, it must reassess each reporting period to determine whether it is the primary beneficiary. Based on a savings association's reassessment it may be required to consolidate or deconsolidate the VIE if a change in the savings association's status as the primary beneficiary has occurred.

ASC Subtopic 810-10 provides guidance on the initial measurement of a VIE that the primary beneficiary must consolidate. For example, if the primary beneficiary and the VIE are not under common control, the initial consolidation of a VIE that is a business is a business combination and must be accounted for in accordance with ASC Topic 805, Business Combinations (formerly FASB Statement No. 141 (revised 2007), "Business Combinations"). If a bank is required to deconsolidate a VIE, it must follow the guidance for deconsolidating subsidiaries in ASC Subtopic 810-10 (formerly FASB Statement No. 160, "Noncontrolling Interests in Consolidated Financial Statements").

When a savings association is required to consolidate a VIE because it is the primary beneficiary, the standard principles of consolidation apply after initial measurement (see "Rules of Consolidation" in the General Instructions). The assets and liabilities of consolidated VIEs should be reported on the Consolidated Statement of Condition (Schedule SC) in the balance sheet category appropriate to the asset or liability.

Variable Rate

An interest rate on an asset or liability that can be repriced periodically when market interest rates change, without regard to maturity. Also called "floating rate". See Adjustable Rate Mortgage.

Variation Margin

See Maintenance Margin.

Voting Stock

Stock for which the holder has the right to vote in the election of directors, the appointment of auditors, and other matters brought up at the annual stockholders' meeting. Most common stock is voting stock; most preferred stock is nonvoting stock.

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Warehouse Loan

A short-term line of credit used by mortgage bankers to fund loans prior to sale. Financial institutions that hold loans as collateral until collateral is delivered to the investor usually provide this type of credit.

Warehousing

Inventory financing. See Warehouse Loan.

Weighted Average Coupon (WAC)

The WAC is calculated as a weighted-average of the underlying mortgage interest rates as of the issue date, using the balance of each mortgage as the weighting factor. A WAC is needed only when the underlying mortgages have varying interest rates.

Weighted Average Maturity (WAM)

The weighted average is the remaining term to maturity of the underlying mortgages at the issue date, using the balance of each mortgage as the weighting factor.

Weighted Average Remaining Term

The remaining term to maturity over time as the security ages. This number can be calculated at any point in time. Sometimes weighted average remaining term is mistaken for the weighted average maturity, which is the remaining term at the issue date. The weighted average remaining term must be recalculated each month and is impacted by prepayments.

Whole Loans

Mortgages that are not divided into participation units or pooled to back securities or participation certificates.

Whole Pools

A mortgage certificate where ownership is represented by an entire pool of mortgage loans, as opposed to a fractional interest in a pool.

With Recourse

An agreement where the seller assumes a stated level of risk for the performance of the asset sold; the purchaser has the right to endorse a claim against the seller for sustained damages in the case of nonperformance. See Recourse.

Without Recourse

An agreement where the purchaser accepts all risks in the transaction, and gives up rights to any recourse. See Recourse.

Wraparound Mortgages

A second mortgage that wraps around, or exists in addition to, a first or other mortgage(s). The lender assumes the existing mortgage(s) thus continues to pay the monthly installments at the original lower interest rate(s), and also loans the purchaser additional money to meet the higher purchase price specified in the contract. The rate charged to the purchaser on the total mortgage amounts is higher than the original rate. This type of mortgage allows the terms of the original mortgage to be satisfied, compensates the seller for the sale of his or her investment, and allows the buyer to purchase a home. The wraparound lender benefits from the below-market rates of the existing mortgage that the lender has assumed while charging the purchaser a higher rate on the full loan.

Wraparound mortgages are also used as a method of obtaining refinancing when an owner wants to increase the amount of mortgage outstanding. In this case the lender assumes the existing mortgage and the borrower enters into a loan in an amount covering both the old mortgage and the additional funds disbursed.

Write-Off

An asset or portion of an asset charged off as a loss because it is determined to be uncollectable. See Charge-off.

Write-Up

Increasing an asset's book value by adjusting the value of an asset to correspond to an appraisal or market value. Unrealized gains.

Year-End Adjustment

A ledger account modification entered at the close of a fiscal period. The modification might be the result of an accrual, prepayment, physical inventory, reclassification, policy change, audit adjustment, or other entry.

Yield

The effective annual rate of income being accrued on an investment, expressed as a percentage of the original price.

Yield Adjustment

A portion of the purchase price of an asset that is an adjustment to interest over a specified period, typically over the life of the asset. A yield adjustment is set up in a separate account from the asset and is accreted to income at a rate similar to interest. Examples: Discounts and premiums, loan fees, prepaid interest, etc.

Yield to Maturity

The rate of return earned by a debt instrument held to maturity. The rate of return calculates interest payments reinvested at the coupon rate, and factors in capital gains or losses.

YTD

Year-to-date. Generally designates that income figures are for the year up to a given date, rather than for a shorter period such as a month or a quarter.

Zero Rate

A type of asset or liability that bears no interest. Examples: Commercial checking accounts and vault cash.

Zero-Coupon Bond

See Bond, Zero Coupon.

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