TO: The Chief Executive Officers and Chief Financial Officers of all National Banks, Deputy Comptrollers, Department and Division Heads, and all Examining Personnel

Attached is an Interagency statement discussing a change in the reporting of certain nonaccrual loans and leases which are federally guaranteed. Beginning with the March 31, 1993, reporting period, Schedule RC-N of the Consolidated Report of Condition (Call Report) is being revised to capture the amounts of past due and nonaccrual loans and leases that are partially or wholly guaranteed by the U.S. Government, its agencies or its government-sponsored agencies, and the guaranteed portion of these loans and leases. This announcement is being made jointly by the Office of the Comptroller of the Currency, the Federal Deposit Insurance Corporation, and the Board of Governors of the Federal Reserve System.

Questions regarding this issuance may be directed to the Office of the Chief Accountant, Office of the Chief National Bank Examiner, at (202) 874-5180.

Donald G. Coonley
Chief National Bank Examiner

Related Links

- Interagency Statement
OFFICE OF THE COMPTROLLER OF THE CURRENCY
FEDERAL DEPOSIT INSURANCE CORPORATION
BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

March 11, 1993

TO: The Chief Executive Officers and Chief Financial Officers of all insured commercial banks and FDIC-supervised savings banks

PURPOSE

The purpose of this issuance is to alert insured commercial banks and FDIC-supervised savings banks to a change in the reporting for certain past due and nonaccrual loans and leases which are federally guaranteed.

BACKGROUND

A bank's level of past due and nonaccrual loans and leases continues to be used by bank analysts in evaluating a bank's financial condition. Past due and nonaccrual loans and leases are reported in Schedule RC-N of the Call Report. Prior to the change described below, the Instructions to the Call Report have provided for past due and nonaccrual loans whose repayment is guaranteed by the U.S. Government or its agencies to be reported in the same manner as loans which are not guaranteed. Consequently, users of this information have not had sufficient information to determine the amount of past due and nonaccrual loans which are covered by federal guarantees. The banking industry has long been concerned about the appropriate reporting of nonaccrual loans. OCC Banking Bulletin 91-5, issued in January 1991, encouraged national banks to consider providing additional detail in their public disclosures about nonaccrual loans. The federal banking and thrift agencies reiterated the importance of disclosing additional information on nonaccrual loans in their Joint Policy Statement clarifying certain regulatory and accounting policies issued in March 1991.

Some banks have provided this additional information in their annual reports. However, some analysts and other users obtain information about a bank's levels of past due and nonaccrual assets by relying upon the information in Schedule RC-N and may not consider additional information about the character of nonaccrual loans included in a bank's annual report, if one is available.

CALL REPORT CHANGE

Schedule RC-N is being revised to allow examiners and other users to readily determine the amount of past due and nonaccrual loans and leases which are covered and not covered by federal guarantees. Beginning with the March 31, 1993, Call Report, the "Total" line will be eliminated from RC-N. In addition, two items will be added to capture the total amount of past due and nonaccrual loans and leases that are wholly or partially guaranteed by the U.S. Government, its agencies or its government-sponsored agencies, and the guaranteed portion of these loans and leases.
Loans and leases subject to these guarantees will continue to be reflected in RC-N by type of credit extension (items 1 through 8 on the FFIEC 031 and 032 versions of the report forms; items 1 through 5 on the FFIEC 033 and 034 report forms), while also being reported separately in the additional items described above. Consequently, the amount of past due and nonaccrual loans and leases not covered by federal guarantees can be determined by subtracting the guaranteed portion from the total of items 1 through 8 on the FFIEC 031 and 032 report forms and items 1 through 5 on the FFIEC 033 and 034 report forms. As a result, users of Schedule RC-N will obtain more accurate information about the risk inherent in the bank's loan portfolio.

Only loans and leases guaranteed by the U.S. Government, its agencies and its government-sponsored agencies are considered in the additional disclosure in the revised Schedule RC-N. Examples include loans guaranteed by the FDIC (through loss-sharing arrangements in FDIC-assisted transactions), the Small Business Administration, the Federal Housing Administration, and certain Commodity Credit Corporation programs. Loans and leases guaranteed by state or local governments, state or local government agencies, foreign (non-U.S.) governments, and private agencies or organizations should be excluded. Also excluded are loans and leases collateralized by securities issued by the U.S. Government or a U.S. Government agency. Copies of the revised Schedule RC-N (for the FFIEC 031 and 034 report forms) and the change in the related instructions are attached for illustrative purposes.

Questions concerning this issuance should be directed to the Office of the Chief Accountant, Office of the Chief National Bank Examiner, OCC, at (202) 874-5180; the Accounting Section, Division of Supervision, FDIC, at (202) 898-8914; or the Regulatory Reporting and Accounting Issues Section, Board of Governors of the Federal Reserve System, at (202) 452-2741.

Susan F. Krause   Stanley J. Poling   Richard Spillenkothen
Senior Deputy      Director, Division   Director, Division of
Comptroller for    of Supervision,      Banking Supervision,
Bank Supervision   Federal Deposit      Board of Governors of
Policy,            Insurance           the Federal Reserve
Office of the      Corporation         System
Comptroller of
the Currency

Attachments
FFIEC 031 -- Page RC-18 -- Schedule RC-N -- Past Due and Nonaccrual Loans, Leases, and Other Assets

FFIEC 031 -- Page RC-19 -- Schedule RC-N -- Continued

FFIEC 034 -- Page RC-15 -- Schedule RC-N -- Past Due and Nonaccrual Loans, Leases, and Other Assets

SCHEDULE RC-N -- PAST DUE AND NONACCRUAL LOANS, LEASES, AND OTHER ASSETS
Item Instructions

1 See instructions for loan classifications used in this schedule.
Item 7 on the FFIEC 033 and 034 Loans and leases reported in items 1 through 5 above which are wholly or partially guaranteed by the U.S. Government.

Item 10 on the FFIEC 031 and 032, Loans and leases reported in items 1 through 8 above which are wholly or partially guaranteed by the U.S. Government.

Report the aggregate book value of all loans and leases reported in items 1 through 5 on the FFIEC 033 and 034 and in items 1 through 8 on the FFIEC 031 and 032 for which repayment of principal is wholly or partially guaranteed by the U.S. Government, including its agencies and its government-sponsored agencies. Examples include loans guaranteed by the FDIC (through loss-sharing arrangements in FDIC-assisted acquisitions), the Small Business Administration, and the Federal Housing Administration. Amounts need not be reported in this item if they are considered immaterial.

Exclude from this item loans and leases guaranteed by state or local governments, state or local government agencies, foreign (non-U.S.) governments, and private agencies or organizations. Also exclude loans and leases collateralized by securities issued by the U.S. Government, including its agencies and its government-sponsored agencies.

Item 7.a on the FFIEC 033 and 034, Guaranteed portion of loans and leases included in item 7 above.

Item 10.a on the FFIEC 031 and 032, Guaranteed portion of loans and leases included in item 10 above.

Report the maximum amount recoverable from the U.S. Government, including its agencies and its government-sponsored agencies, under the guarantee provisions applicable to the loans and leases included in item 7 above on the FFIEC 033 and 034 and in item 10 above on the FFIEC 031 and 032.