



Financial Reporting Bulletin

September 2011

Office of the Comptroller of the Currency:

<http://www.occ.treas.gov>

Central Data Repository:

<https://cdr.ffiec.gov/cdr/>

E-mail General Questions:

tfr.instructions@ots.treas.gov

EFS Helpline:

efs-info@ots.treas.gov

Tollfree: 1.866.314.1744

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Electronic Filing System Version 8.3

The EFS 8.3 software update must be downloaded via EFS-Net and applied prior to preparing and transmitting data for the September 2011 TFR, CMR, and/or HC/HOLA 10(I) regulatory reports. If necessary, you may need to contact your network administrators, in-house, or contract IT personnel for assistance.

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_830_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 is 09-2011, and the System Database and System File versions show 8.3.0 after you have installed the update.

The report filing deadlines for September 2011 are as follows:

Report Filing Deadlines	
Monthly Cost of Funds (COF) and Thrift Financial Report (TFR)	Monday, October 31, 2011
Consolidated Maturity/Rate (CMR) and Holding Company (HC) / HOLA 10(I)	Monday, November 14, 2011

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

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

The listing of TFR Schedules and their Public Availability can be found at:

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

September 2011 TFR Form and Reporting Changes

Caption and instructional changes for line items SC217, SC219, SI312

New and revised edit steps: Q543, Q770, Q771, Q772, Q773

Thrift institutions have the option of electing to file the Call Report beginning with the September reporting cycle. **To do so, contact your Financial Reporting Analyst in Dallas prior to October 14, 2011.** Additionally, you will need to update your status within the Electronic Filing System. From the main EFS screen, click [Institution Setup] and the [Other Info] tab, to select the appropriate box:

This institution is required to file the TFR this cycle but is electing to report the Call Report instead.

When this box is checked, the TFR tab will disappear from the Reports module and you will no longer have the TFR preparation and edit process as a prerequisite to filing schedules CMR and HC. Institutions must continue to file the COF, CMR, and HC schedules as required.

Consolidated Deposit Information (Schedule DI)

In February 2011, the FDIC adopted a final rule that redefined the deposit insurance assessment base for all insured depository institutions and revised the risk-based assessment system for large and highly complex institutions (generally, institutions with \$10 billion or more in total assets). The final assessments rule took effect April 1, 2011, and first applied to institutions' assessments for the second quarter of 2011.

To provide the data needed to implement the redefined assessment base for all institutions and the revised assessment system for large and highly complex institutions, TFR Schedule DI, Consolidated Deposit Information, was revised as of the June 30, 2011, report date. A minimal number of new data items applied to most institutions with less than \$10 billion in total assets. In contrast, the revisions to Schedule DI primarily affected large and highly complex institutions.


The revised Schedule DI instructions issued in June 2011 included transition guidance permitting large and highly complex institutions to use either their existing internal methodologies or definitions found in existing supervisory guidance to identify and report "subprime consumer loans" and "leveraged loans" originated or purchased prior to October 1, 2011, in lieu of using the definitions of these two asset categories in the FDIC's final assessments rule. The October 1 transition date for identifying and reporting subprime and leveraged loans has now been extended to April 1, 2012. The TFR Instructions update for September 2011 includes revised instructions for Schedule DI that incorporate the extended transition date.

Conversion to the Call Report


Thrifts were notified of the March 2012 conversion to the Call Report in a CEO letter, Financial Reporting Bulletin and Federal Register notice. Call Report instructions and forms will be mailed to all thrifts. Thrifts will need to purchase vendor software to prepare and submit the Call Report.

Thrifts are permitted to “early adopt” the Call Report beginning with the September 30, 2011 or December 31, 2011 reporting cycle. The thrift would continue to be responsible for filing all other required reports (Cost of Funds, Holding Company, and CMR). The Electronic Filing System Software (EFS) has been updated to allow the filing of COF, CMR, and HC schedules as normally required. Once a thrift elects to early adopt the Call Report, it must continue to file the Call Report for the remainder of the early adoption period.

Former Office of Thrift Supervision (OTS) staff responsible for Thrift Financial Reports were transferred to the FDIC’s Data Collection & Analysis Section, and in most cases, your assigned analyst will remain the same through the conversion.



Once a thrift elects to early adopt the Call Report, it must continue to file the Call Report for the remainder of the early adoption period.



Contact Information

Name	Email Address	Phone
Jan Florez	juanita.florez@occ.treas.gov	(972) 761-2078
Jim Hanson	james.hanson@occ.treas.gov	(972) 761-2192
Cheyann Houts	cheyann.houts@occ.treas.gov	(972) 761-2030
Kathryn Johnson	kathryn.johnson@occ.treas.gov	(972) 761-2216
Kevin Jones	kevin.jones@occ.treas.gov	(972) 761-2050
Milette Pratt	milette.pratt@occ.treas.gov	(972) 761-2240
Vikki Reynolds	vikki.reynolds@occ.treas.gov	(972) 761-2143
Angela Thorpe-Harris	angela.thorpe-harris@occ.treas.gov	(972) 761-2258
EFS Technical Support	efs-info@ots.treas.gov	(866) 314-1744
TFR Instructions	tfr.instructions@ots.treas.gov	n/a

Cost of Funds (COF)

The Cost of Funds indices will continue to be collected monthly and published through the December 2011 cycle. The indices will be published on the 15th of each month at:

<http://occ.gov/publications/index-publications.html>.

Thrifts were previously notified of the termination of the Office of Thrift Supervision (OTS) Cost of Funds indices. Given its close correlation with the terminated indices and pursuant to the requirements of FIRREA, the OTS is designating the Federal Cost of Funds index as an acceptable substitute for the OTS Cost of Funds indices.

Consolidated Maturity and Rate (Schedule CMR)

Consolidated Maturity and Rate, (Schedule CMR), and with it the OTS Interest Rate Risk (IRR) Model, are eliminated after the December 31, 2011 reporting period. After that period, all savings associations are expected to have their own means to measure and monitor interest rate risk complying with Interagency guidance. Links to relevant interagency guidance are included in CEO Memo #391 and the agencies' July 7, 2011 Federal Register Notice (76 FR 39981).

Savings associations that have a "1" or "2" rating for their most recent UFIRS composite rating, a "1" or "2" rating for their most recent UFIRS Sensitivity component rating, and their own means to adequately measure and monitor IRR should **NOT** file Schedule CMR after the June 30, 2011 reporting period. All other thrifts must continue to file Schedule CMR through the end of 2011.

The agencies expect institutions to be able to measure IRR without the OTS IRR model after 12/31/11. Accordingly, thrifts should be making progress toward fully implementing an independent IRR measurement process by that date. The regulatory evaluation of each thrift's process will take into account its risk profile, capital support, and governance.

Link to Federal Register notice 76 FR 39981: <http://www.ots.treas.gov/files/4830135.pdf>

Link to CEO Memo #391: <http://files.ots.treas.gov/25391.pdf>

Holding Company Report (Schedule HC)

Holding Company Reports will continue to be completed and filed as usual through the December 2011 cycle.

GENERAL INSTRUCTIONS

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

1. REQUESTS FOR INFORMATION OR ASSISTANCE

Please direct all requests for assistance in Thrift Financial Report (TFR) preparation to your assigned financial reporting analyst in the Federal Deposit Insurance Corporation Financial Reporting Division (FRD), Dallas, Texas. A list of Financial Reporting Division contacts is listed in the latest Financial Reporting Bulletin on the OTS web site. If you do not know the name or phone number of your assigned FRD analyst, call 972-761-2030. If you have questions concerning the EFS (Electronic Filing System) software or transmission, call the EFS Helpline Message Center at 866-314-1744 or email efs-info@occ.treas.gov.

OCC maintains a series of TFR questions and answers on the web site at www.occ.treas.gov. If you have a question for which you would like an e-mail response, please submit it to your financial reporting analyst or to tfr.instructions@occ.treas.gov.

The TFR Form, Instructions, and Financial Reporting Bulletins can be viewed and printed from the OTS web site at www.occ.treas.gov.

2. SCHEDULES

The TFR comprises the following schedules:

- NS Optional Narrative Statement: Statement by institution management concerning issues relevant to the TFR
- SC Consolidated Statement of Condition: Assets, liabilities, and equity capital
- SO Consolidated Statement of Operations: Income and expense
- VA Consolidated Valuation Allowances and Related Data: Reconciliation of valuation allowances, charge-offs and recoveries, and other data on troubled assets
- PD Consolidated Past Due and Nonaccrual: Information on delinquent and nonaccrual loans
- LD Loan Data: Information on high loan-to-value loans secured by 1-4 family residential properties without PMI or government guarantee

- CC Consolidated Commitments and Contingencies: Information on commitments and contingencies
- CF Consolidated Cash Flow Information: Information on mortgage, deposit, and other activity affecting cash flow during the quarter
- DI Consolidated Deposit Information: Information on deposits and escrows
- SI Consolidated Supplemental Information: Information on QTL, loans to insiders, reconciliation of equity capital, transactions with affiliates, mutual fund and annuity sales, average balance sheet data, and other data
- SQ Consolidated Supplemental Questions: Questions concerning structural and other activity during the quarter
- SB Consolidated Small Business Loans: Data completed quarterly as of March 31, 2010 pursuant to guidance from the Secretary of the Treasury notwithstanding Section 122 of the FDIC Improvement Act, Reference U.S. Department of the Treasury Press Release, tg-58, March 16, 2009, *Unlocking Credit for Small Businesses Fact Sheet*
- FS Fiduciary and Related Services: Data on trust assets and activities. Summary data is completed quarterly; more detailed information is reported annually at December 31st
- HC Thrift Holding Company: Summary of holding company financial data for both the parent only and consolidated
- CCR Consolidated Capital Requirement: Balances necessary to compute the OTS minimum capital requirement
- FV Consolidated Assets and Liabilities Measure at Fair Value on a Recurring Basis
- RM Annual Supplemental Consolidated Data on Reverse Mortgages: Data completed only for the calendar quarter ending December 31 starting with December 31, 2010
- CMR Consolidated Maturity and Rate: Information on interest rate and repricing/maturity characteristics of selected balance-sheet and off-balance-sheet items

3. FILING DEADLINES

The filing deadline for all schedules except Schedules HC and CMR is no later than the 30th day following the end of the reporting period. The filing deadline for Schedules HC and CMR is no later than the 45th day following the end of the reporting period.

The *Filing Schedule for Regulatory Reports* is included as an attachment to the quarterly Financial Reporting Bulletin that is e-mailed to institution report preparers. The Filing Schedule is also available on the OTS web site at www.occ.treas.gov.

4. FILING THE TFR

OCC provides all savings associations with EFS (Electronic Filing System) software for filing the TFR. The software facilitates the preparation, edit, and transmission of the TFR and other financial reports. Please direct your questions concerning EFS to the EFS Helpline Message Center at 866-314-1744 or by email to efs-info@occ.treas.gov.

All institutions regulated by OCC as of the last day of the quarter are required to file the TFR for the entire quarter. If the documentation submitted to OCC by an institution reflects that the effective date of a charter conversion to **OTS-regulation** from another banking agency is either during the quarter or **prior**

to the close of business on the last day of the quarter, the institution is required to file a TFR for that quarter. An institution with a charter conversion **from OCC to another banking regulator** or merger with a non-OCC regulated institution, effective **after** close of business on the last day of the quarter, is required to file a TFR for the entire previous quarter. Institutions changing banking charters are never required to file a partial report to their former banking regulator; they must file a financial report only with the agency regulating them on the last day of the quarter, reporting activities for the entire quarter. Therefore, an institution that is required to file a TFR is not required to file a Call Report and vice versa. If a newly formed OCC-regulated Federal Savings Association opens for business at any time during the quarter, even if on the last day of the quarter, it is required to file either a *Consolidated Reports of Condition and Income for A Bank With Domestic Office Only – FFIEC 041* or a *Consolidated Reports of Condition and Income for A Bank With Domestic and Foreign Offices- FFIEC 031 (“Call Report”)* for the period of operations during the quarter.

5. RECORD RETENTION

You should retain at least one copy of your completed TFR or Call Report for reference; do not send paper copies to OCC. Section 7(b)(5) of the Federal Depository Institutions Act requires each insured depository institution to maintain records for verifying the correctness of the institution’s insurance assessment for five (5) years from the date of filing.

6. AMENDING THE TFR

To have amendments included in the first public release of the OCC data file, you must transmit your TFR amendments within **45 calendar days** of the end of the quarter; that is, within 15 days after the TFR filing deadline. Amendments submitted after the 45-day period should have the approval of FRD in Dallas, before transmission. **In no case can amendments be processed beyond 135 days after the end of the quarter for the TFR. With every amendment you file, you should send a user note explaining the reason for the amendment.**

You may correct material errors in prior-period TFRs in one of the following ways depending on the time period being corrected:

1. If you can file an amendment within 135 days of the end of the quarter being corrected, transmit the amendment correcting the TFR in which the error occurred after you discuss it with your FRD analyst in Dallas.
2. If the correction is to an income statement in a quarter that can no longer be amended and is within the current calendar year, include the correction with the current TFR in the same data field that would have carried it in the original report. If the adjustment distorts yields or results in negative numbers in fields that do not permit negatives, you may include the amendment in Other Noninterest Income, SO488, or Other Noninterest Expense, SO580.
3. If the correction is to an income statement for a quarter from a prior calendar year that can no longer be amended, make the adjustment directly to retained earnings on SI668, Prior Period Adjustments.

You must file TFR amendments electronically, rather than by phone or fax in order to automatically update your EFS files on your computer. Please direct questions regarding the electronic filing of amended TFRs to the EFS Helpline Message Center at 866-314-1744 or email efs-info@occ.treas.gov.

The amendment filing deadlines above also apply to amending Schedule CMR. All amendments to Schedule CMR must be submitted within 135 days of the end of the quarter.

7. REPORTING BASIS

Prepare the TFR on a consolidated basis in accordance with generally accepted accounting principles (GAAP) unless specifically stated otherwise, and based on calendar year reporting. Unless otherwise specified, all data is reported as of the end of the calendar quarter or in the case of income, expense, and other activity data, for the period of one calendar quarter. Note that Schedule FS requires reporting income and expense on a calendar year-to-date basis.

Report subordinate organizations that are not GAAP-consolidated subsidiaries using the equity or cost methods of accounting. **Subordinate organization** is defined by OTS regulation. It includes 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. It excludes an ownership interest that qualifies as a pass-through investment pursuant to 12 CFR § 560.32 and is so designated by the reporting savings association. GAAP-consolidated subsidiaries as defined in 12 CFR § 559.2 mean entities in which a savings association has a direct or indirect ownership interest and whose assets are consolidated with those of the savings association for purposes of reporting under GAAP.

You should apply GAAP unless we specifically state otherwise in these instructions. Accordingly, the instructions for each data field reflect, to the extent possible, GAAP applicable to savings associations. Note, however, that financial statements of savings associations prepared in accordance with GAAP have flexible presentation formats and may require significantly less detail on a less frequent basis than the TFR. The TFR collects additional detail to facilitate supervision by the OCC and to provide uniform information on industry activities. Certain GAAP reporting and presentation concepts may not be consistent with the conventions and frequency of the TFR. In these cases, the TFR instructions override GAAP presentation practices.

The amounts reported on the TFR must be readily reconcilable to the savings association's books and records.

8. THREE EXEMPTIONS FROM FILING SCHEDULE CMR

- (A) Savings associations that meet the following three criteria are exempt and **should not** file Schedule CMR after the end of the June 30, 2011 reporting period:¹
1. Have for their most recent examination a "Composite" CAMELS (UFIRS) rating of a "1" or "2".
 2. Have for their most recent examination a "Sensitivity to Market Risk" (or "S") CAMELS (UFIRS) component rating of a "1" or "2".
 3. Have the means to adequately monitor and assess interest rate risk through internal processes.
- (B) Savings associations with less than \$300 million in assets and with risk-based capital ratios in excess of 12 percent for two consecutive quarters are exempt from filing Schedule CMR.
- (C) All savings associations newly regulated by the OCC are exempt from filing Schedule CMR for the first two quarters that they are under OCC regulation.

You may also lose your exempt status if either your Assistant Deputy Comptroller ("ADC")² requires or former OTS Regional Director required you to file Schedule CMR. You must continue to file Schedule CMR until your ADC reinstates the exemption in writing.

9. TFR PREPARATION

- a. Round all dollar amounts to the nearest thousand. If any balance sheet data field or other balance as of the end of the reporting period is less than \$500, enter a **1** in the data field to indicate that the amount is not zero. This does not apply to the data fields representing income, expense, and other activity. Where necessary for balancing purposes, make adjustments to the appropriate **other** category.

¹ Reference 76 FR 39985 (July 7, 2011)

²The name and contact information for your ADC can be found using the following address:
<http://www.occ.gov/about/who-we-are/district-and-field-offices/index-organization.html>offices/index-organization.html

- b. Data fields that we indicate in the instructions and forms as being deducted should not be input as negative; these data fields will be subtracted by EFS. Indicate these data fields as negative only when the instructions say that the netting of certain amounts within these data fields might result in an amount that should be added rather than subtracted. We identify these data fields in italics on the form and mention them in the accompanying instructions.
- c. You should check all data before and after input. Crosscheck data fields that should agree with other data fields. All edit failures indicated in EFS should be thoroughly verified and corrected where necessary prior to submission. Explain edit exceptions with the user note function of the filing software.
- d. Persons knowledgeable of the overall financial condition and operations of the savings association should review the final TFR. The Officers' and Directors' Certification at the front of the paper copy of the TFR must be signed by an officer and three directors of the savings association for each TFR submitted, including amendments. You must retain this certification form and have it available for inspection by OCC.
- e. Input into EFS (use *institution setup, report preparer info*) the name and telephone number of the person we should contact if questions arise concerning the TFR. This person should be familiar with the TFR's reporting requirements. When someone other than the savings association's personnel prepares the TFR, the contact should be someone who can either answer questions or can quickly obtain such answers from savings association personnel. The name and address of the TFR contact that you enter is used for the mailing list to distribute quarterly TFR mailings.

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Include:

Federal Reserve Bank deposits earning interest.

Do not include:

Accounts with credit balances that do not have the right of offset. Report on SC760, Other Borrowings, except for credit balances in zero-balance accounts, which are reported on SC710, Deposits.

SC125: Federal Funds Sold and Securities Purchased Under Agreements to Resell**Include:**

1. The balance of excess Federal Funds invested.
2. Securities purchased under agreements to resell that do not meet the criteria for sale treatment, and are therefore accounted for as secured lending arrangements, including dollar-repurchase and fixed-coupon agreements.

Do not include:

1. Term Federal Funds
Treat as a commercial loan, not as federal funds sold any lending of immediately available funds where the loan has an original maturity of more than one business day, other than securities purchased under agreements to resell. Such transactions are sometimes referred to as *Term Fed Funds*.

SC130: U.S. Government, Agency, and Sponsored Enterprise Securities

Report nonmortgage debt instruments issued by the U.S. government, its agencies, and sponsored enterprises.

Include:

1. Interest-only and principal-only strips.
2. U.S. Treasury bills, certificates, notes, and bonds.
3. Nonmortgage debt issued by FHLBanks, Federal National Mortgage Association (Fannie Mae), Federal Home Loan Mortgage Corporation (Freddie Mac), and Government National Mortgage Association (Ginnie Mae).
4. Federal agency debt securities, such as those of: Small Business Administration (SBA) nonmortgage pools, Tennessee Valley Authority (TVA), Federal Farm Credit Bank, Federal Land Bank, Federal Intermediate Credit Bank, Student Loan Marketing Association (Sallie Mae), and the Export-Import Bank.
5. Financing Corporation (FICO) bonds.
6. U.S. government and agency securities pledged as collateral on margin accounts for futures and options.

Do not include:

1. Investments in mutual funds that invest in U.S. government, agency, and sponsored enterprise securities. Report on SC140, Equity Securities Carried at Fair Value.
2. Stock of FHLBanks. Report on SC510, Federal Home Loan Bank Stock.
3. Equity securities issued by sponsored enterprises of the U.S. government, such as Freddie Mac preferred stock. Report on SC140.
4. Securities issued by state and local governments. Report on SC180.

5. Securities purchased under a repurchase or dollar-repurchase agreement. Report on SC125, Federal Funds Sold and Securities Purchased Under Agreements to Resell.
6. Mortgage-backed instruments and derivatives issued or guaranteed by U. S. Government agencies or sponsored agencies.³ Report on SC210 or SC217.

SC140: Equity Securities Carried at Fair Value

Report all investments in equity securities that are classified as available-for-sale or trading, and that are carried at fair value.

Include:

1. Common and preferred stock that has a readily determinable market value, including Freddie Mac and Fannie Mae stock.
2. Shares of all mutual funds, including those restricting their investments to debt instruments, such as U.S. government, agency, and sponsored enterprise securities.

Do not include:

1. FHLBank stock. Report on SC510, Federal Home Loan Bank Stock.
2. Other equity investments not carried at fair value, including ownership interests in unconsolidated subordinate organizations and entities designated as pass-through investments, even though they are not subordinate organizations. Report on SC540, Other Equity Investments Not Carried at Fair Value.
3. Your association's own treasury stock. Report as a reduction of capital on SC891, Other Components of Equity Capital.

SC180: State and Municipal Obligations

Report debt securities issued by state and local governments.

SC182: Securities Backed By Nonmortgage Loans

Report the outstanding balance, as determined in accordance with GAAP, of all securities collateralized by nonmortgage loans such as credit card loans and auto loans.

SC185: Other Investment Securities

Report investment securities and other instruments not reported on SC110 through SC182 or SC510 or SC540.

Include:

1. Investments in commercial paper and corporate debt securities.
2. Promissory notes.
3. Mortgage-backed bonds and notes.

³ U. S. Government agencies include, but are not limited to, such agencies as the Government Mortgage Association (GNMA), the Federal Deposit Insurance Corporation (FDIC) and the National Credit Union Administration (NCUA). U.S. Government-sponsored agencies include, but are not limited to, such agencies as the Federal Home Loan Mortgage Corporation (FHLMC) and the Federal National Mortgage Association (FNMA).

SC191: Accrued Interest Receivable

Report accrued interest and dividends receivable on deposits and investment securities reported on SC110 through SC185.

MORTGAGE-BACKED SECURITIES:

Mortgage-backed securities fall into one of the following three categories:

1. **Held-to-maturity securities:** Applies to mortgage-backed securities only if there is a positive intent and ability to hold these securities to maturity. You report held-to-maturity mortgage-backed securities at amortized cost.
2. **Trading securities:** Applies to mortgage-backed securities that you hold for sale in the near term. Report them at fair value, with unrealized gains or losses reported in earnings, on SO485.
3. **Available-for-sale securities:** Applies to mortgage-backed securities not classified as trading or as held-to-maturity. Report available-for-sale securities at fair value. Report the accumulated unrealized gains and losses on such securities, net of taxes, as a separate component of equity capital on SC860.

Adjust the balances in this section for:

1. Discounts and premiums on the purchase of the securities.
2. Specific valuation allowances.
3. The accumulated fair value gain or loss on the security attributable to the designated risk being hedged on a qualifying fair-value hedge.

Do not adjust the balances in this section for: General valuation allowances. Report on SC229.

Do not include:

Mortgage-backed securities purchased subject to repurchase agreements. Report on SC125, Federal Funds Sold and Securities Purchased Under Agreements to Resell.

SC22: Total

The EFS software will compute this line as the sum of SC210 through SC228.

PASS-THROUGH:

A security must meet **all** of the following criteria to be classified as a pass-through security:

1. The security is collateralized by mortgage loans.
2. The security provides each investor with a proportional ownership interest in the underlying collateral.
3. Payments received by the issuer are passed through to the investor proportionate to ownership interest and with the same timing with which they are received.

You should report a security that meets item 1 but not 2 or 3 on SC217, SC219, or SC222, unless it is a mortgage-backed bond, in which case you should report it on SC185, Other Investment Securities. You should report a security collateralized by loans that meets items 2 and 3 but does not meet item 1 on SC182, Securities Backed by Nonmortgage Loans. Report a debt security that does not meet any of the above or meets only item 2 or item 3, but not both, on SC185, Other Investment Securities, except for those government securities reported on SC130 and SC180.

If the subordinate piece of a senior-subordinated security (1) exists solely for the purpose of credit enhancements and not for redirecting cash flows, (2) is no larger than necessary to provide the credit enhancement, and (3) meets the criteria of mortgage pass-through securities, above, then the senior piece is essentially a pass-through security, and you should report it in this section.

Include pass-through securities collateralized by home equity mortgages.

SC210: Insured or Guaranteed by an Agency or Sponsored Enterprise of the U.S.

Report all mortgage pass-through securities insured or guaranteed by an agency or sponsored enterprise of the United States.

Include:

1. Freddie Mac participation certificates.
2. Ginnie Mae and Fannie Mae pools.

Do not include:

1. Fannie Mae and Freddie Mac bonds. Report on SC130, U.S. Government, Agency, and Sponsored Enterprise Securities.
2. Mortgage derivatives, including CMOs collateralized by Fannie Mae, Ginnie Mae, and Freddie Mac mortgage-backed securities. Report on SC217, SC219, or SC222.
3. Mortgage pass-through securities **not** insured or guaranteed by an agency or instrument of the United States, even if they are issued by a government-sponsored enterprise. Report on SC215.

SC215: Other

Report mortgage pass-through securities that are not insured or guaranteed by an agency or sponsored enterprise of the United States.

OTHER MORTGAGE-BACKED SECURITIES (EXCLUDING BONDS):

SC217: Issued or Guaranteed By U. S. Government Agencies or Sponsored Agencies⁴

Report the outstanding balance, as determined in accordance with GAAP, of securitized mortgage derivatives that U. S. Government Agencies or Sponsored Agencies issue or guarantee. Include the following instruments issued or guaranteed: REMICs, IO and PO strips, collateralized mortgage obligations (CMOs), securitized residual interests of such derivatives, and other subordinated tranches.

⁴ U. S. Government agencies include, but are not limited to, such agencies as the Government Mortgage Association (GNMA), the Federal Deposit Insurance Corporation (FDIC) and the National Credit Union Administration (NCUA). U.S. Government-sponsored agencies include, but are not limited to, such agencies as the Federal Home Loan Mortgage Corporation (FHLMC) and the Federal National Mortgage Association (FNMA).

SC219: Collateralized By Mortgage-Backed Securities Issued or Guaranteed By U. S. Government Agencies or Sponsored Agencies (reference footnote #4 on page 206)

Report the outstanding balance, as determined in accordance with GAAP, of securitized mortgage derivatives that are collateralized by mortgage derivatives that U. S. Government Agencies or Sponsored Agencies issue or guarantee. Include the following instruments issued or guaranteed: REMICs, IO and PO strips, collateralized mortgage obligations (CMOs), securitized residual interests of such derivatives, and other subordinated tranches.

SC222: Other

Report the outstanding balance, as determined in accordance with GAAP, of all other mortgage-backed securities not reported on SC210 through SC219. Include: REMICs, IO and PO strips, collateralized mortgage obligations (CMOs), securitized residual interests of such derivatives, and other subordinated tranches.

SC228: Accrued Interest Receivable

Report accrued interest receivable on mortgage backed securities reported on SC210 through SC222.

MORTGAGE LOANS

Mortgage loans are defined as all real estate loans subject to 12 CFR 560.100-101 (real estate lending standards) and OTS Thrift Bulletin 72a and include all loans predicated upon a security interest in real property. When a loan to finance a small business is primarily secured by a single-family residence, you may classify the loan as either a single-family mortgage loan or a commercial nonmortgage loan.

Mortgage loans reported on SC230 through SC265 fall into four categories:

1. **Those held for investment:** Report these at cost.
2. **Those originated for sale:** Report these at the lower of cost or market value at the reporting date.
3. **Those previously held for investment and now held for sale:** Report these at the lower of cost or market value at the reporting date.
4. **Those held in a trading portfolio:** Report these at market value at each reporting date by directly adjusting the asset balance. Do not include adjustments to mark a trading portfolio to market in valuation allowances.

Report all loans at recorded investment reduced by specific valuation allowances, but not reduced by the allowance for loan and lease losses.

Recorded investment is the principal balance of a loan adjusted for:

1. Direct write-downs.
2. Deferred loan fees net of direct costs.
3. Discounts and premiums on the purchase of mortgage loans and contracts.
4. Application of lower-of-cost-or-market accounting treatment to mortgages held for sale but not in a trading account.
5. Any undisbursed balances of loans closed, loans-in-process. Report the undisbursed amounts as commitments on CC105-115.
6. The undisbursed portion of mortgage lines of credit on 1-4 dwelling units. Report these amounts as commitments on CC412.
7. The undisbursed portion of mortgage lines of credit on multifamily residential property. Report these amounts as commitments on CC290.

8. Unearned interest.
9. Interest receivable that is capitalized to the loan balance.
10. Deposits accumulated for the payment of loans, hypothecated deposits.
11. Accumulated fair value gain or loss on mortgage loans attributable to the designated risk being hedged on a qualifying fair-value hedge.

Report the related allowance for loan and lease losses on SC283. Report accrued interest and advances for taxes and insurance on SC272 and SC275, respectively.

Do not divide a loan between categories. You should report loans secured by property with more than one use, such as residential and commercial, in the data field that describes the property type comprising the largest percentage of the value of the property securing the loan.

Include:

1. FHA/VA and conventional first mortgage loans.
2. Junior mortgage liens, both open-end and closed-end.
3. Your share of participating interests in loans.
4. Loans to commercial entities collateralized by mortgages of third-party borrowers, such as warehouse loans, provided the underlying loans are secured by real estate.
5. Disbursed portion of open-end home equity loans if you secure the loan by a lien on real estate.
6. The unpaid balance of the gross loan in a wrap-around mortgage if you wrapped a loan held by a third party. Report the loan payable to the third party as a liability on SC760, Other Borrowings.
7. Loans on units in cooperative buildings.

Do not include:

1. Mortgage-backed securities. Report on SC210 through SC222.
2. The portion of participations sold qualifying as a sale under GAAP; you should no longer report the sold portion in your statement of condition.
3. Mortgage-backed bonds. Report on SC185.
4. Real estate loans where the characteristics dictate treatment as an investment in real estate in accordance with GAAP. Report on SC45, Real Estate Held for Investment.
5. Foreclosed assets. Report on SC405 through SC428, Repossessed Real Estate.
6. Loans secured by assets that you physically possess, although foreclosure has not yet occurred, in-substance foreclosures. Report on SC405 through SC428, Repossessed Real Estate.
7. Loans purchased subject to agreements to resell, that is, you hold these loans as collateral received for loans made to others. Report on SC125, Federal Funds Sold and Securities Purchased Under Agreements to Resell.
8. Loan commitments that you have not yet taken down, even if you have received fees. Prior to disbursement of the loan, report refundable fees on SC712, Escrows, and nonrefundable fees on SC796, Other Liabilities and Deferred Income, as Code 04.
9. Loans on timeshare arrangements. Report on SC330, Other Consumer Loans.
10. Unsecured home improvement loans. Report on SC316, Home Improvement Loans.

SC26: TOTAL

The EFS software will compute this line as the sum of SC230 through SC275, less SC283.

Construction Loans on:

SC230: 1-4 Dwelling Units

Report the outstanding balance of all construction loans secured by 1-4 dwelling units. Adjust balances as described above in the general instructions to mortgage loans.

Include:

1. Construction loans to developers secured by tracts of land on which single-family houses, including townhouses, are being constructed.
2. Construction loans secured by single-family dwelling units in detached or semidetached structures, including manufactured housing.
3. Construction loans secured by duplex units and town houses, excluding garden apartment projects where the total number of units that will secure the permanent mortgage is greater than four.
4. Combination land and construction loans on 1-4 dwelling units regardless of the current stage of construction or development;
5. Combination construction-permanent loans on 1-4 dwelling units until construction is completed or principal amortization payments begin, whichever comes first.
6. Bridge loans to developers on 1-4 dwelling units where the buyer will not assume the same loan, even if construction is completed or principal amortization payments have begun.

Do not include:

Loans for the development of building lots unless the same loan finances the erection of building improvements. Report on SC265.

SC235: Multifamily (5 or More Dwelling Units)

Report the outstanding balance of all construction loans secured by 5 or more dwelling units. Adjust balances as described above in the general instructions to mortgage loans.

Include:

Loans for the construction of apartment buildings including condominium and cooperative apartments.

1. Loans for the construction of fraternity or sorority houses offering sleeping accommodations.
2. Loans for the construction of living accommodations for students or staff of a college or hospital.
3. Loans for the construction of retirement homes with sleeping and eating accommodations for permanent residents. Each bedroom equals one dwelling unit.
4. Combination land-construction loans on 5 or more dwelling units regardless of the current stage of construction or development.
5. Combination construction-permanent loans on 5 or more dwelling units until construction is completed or principal amortization payments begin, whichever comes first.
6. Bridge loans to developers on 5 or more dwelling units where the buyer will not assume the same loan, even if construction is completed or principal amortization payments have begun.
7. Loans for the construction of mobile home parks.

SC240: Nonresidential Property

Report the outstanding balance of all construction loans secured by nonresidential property. Adjust balances as described above in the general instructions to mortgage loans.

Include:

1. Loans for the construction of hospitals, nursing and convalescent homes, hotels, churches, stores, and other commercial properties.
2. Combination land and construction loans on nonresidential property regardless of the current stage of construction or development.
3. Combination construction and permanent loans on nonresidential property until construction is completed or principal amortization payments begin, whichever comes first.
4. Bridge loans to developers on nonresidential property where the buyer will not assume the same loan, even if construction is completed or principal amortization payments have begun.

Do not include:

1. Loans to purchase land. Report on SC265.
2. Loans to purchase land used for farming. Report on SC260.

Permanent Mortgages on:**1-4 Dwelling Units:****Include:**

1. Mortgages secured by all 1-4 dwelling units where construction has been completed.
2. Refinancing loans on 1-4 dwelling units where the original loan was a permanent mortgage.
3. Junior liens on 1-4 dwelling units where the senior lien is a permanent mortgage.

Do not include:

1. Combination land-construction loans regardless of the current stage of construction or development. Report on SC230.
2. Combination construction-permanent loans until construction is completed or principal amortization payments begin, whichever comes first. Report on SC230.
3. Bridge loans to developers where the buyer will not assume the same loan. Report on SC230.
4. Timeshare loans. Report on SC330, Other Consumer Loans.

SC251: Revolving, Open-End Loans

Report the outstanding balance of all revolving, open-end lines of credit secured by 1-4 dwelling units and extended under lines of credit, where you secured the loan with a lien on the real estate. You generally secure these loans, called "home equity lines of credit," by a junior lien, and the funds may be accessible by check or credit card. However, where no senior lien exists, you may secure these lines by a first lien on the real estate. .

SC254: Secured by First Liens

Report the outstanding balance of all closed-end loans secured by first liens on 1-4 family residential properties.

SC255: Secured by Junior Liens

Report the outstanding balance of all closed-end loans secured by junior liens on 1-4 family residential properties.

SC256: Multifamily (5 or More Dwelling Units)

Report the outstanding balance of all loans secured by 5 or more dwelling-unit property. Adjust balances as described above in the general instructions to mortgage loans.

Include:

1. Mortgages on 5 or more dwelling units where construction has been completed.
2. Mortgages on apartment buildings.
3. Refinancing loans on 5 or more dwelling units where the original loan was a permanent mortgage.
4. Junior liens on 5 or more dwelling units where the senior lien is a permanent mortgage.
5. Permanent mortgages secured by fraternity or sorority houses offering sleeping accommodations.
6. Permanent mortgages secured by living accommodations for students or staff of a college or hospital.
7. Permanent mortgages secured by retirement homes with sleeping and eating accommodations for permanent residents, where the units are not condominiums or cooperatives. Each bedroom equals one dwelling unit. Report mortgages secured by retirement community condominiums or cooperatives on SC254 or SC255.
8. Permanent mortgages secured by developed mobile home parks where the individual units are under the mortgage.

Do not include:

1. Mortgages on individual condominium units where the mortgage covers fewer than five units in the same project. Report on SC251 through SC255.
2. Combination land and construction loans regardless of the current stage of construction or development. Report on SC235.
3. Combination construction and permanent loans until construction is completed or principal amortization payments begin, whichever comes first. Report on SC235.
4. Bridge loans to developers where the buyer will not assume the same loan. Report on SC235.

SC260: Nonresidential Property, Except Land

Report the outstanding balance of all loans secured by nonresidential property excluding land. Adjust balances as described above in the general instructions to mortgage loans.

Include:

1. Mortgages on nonresidential properties where construction has been completed.
2. Mortgages on properties to be used extensively for farming, regardless of the presence or absence of a dwelling unit on the property.
3. Refinancing loans where the original loan was a permanent mortgage on nonresidential property.
4. Junior liens on property where the senior lien is a permanent mortgage on nonresidential property.
5. Permanent loans on hospitals, nursing and convalescent homes, hotels, churches, stores, and other commercial properties.

Do not include:

1. Combination land and construction loans regardless of the current stage of construction or development. Report on SC240.
2. Combination construction and permanent loans until construction is completed or principal amortization payments begin, whichever comes first. Report on SC240.

3. Bridge loans to developers where the buyer will not assume the same loan. Report on SC240.

SC265: Land

Report the outstanding balance of all mortgage loans secured by land. Adjust balances as described above in the general instructions to mortgage loans.

Include:

1. Loans for the acquisition and development of land, that is, loans to finance the purchase of land and the accomplishment of all improvements to convert it to developed building lots.
2. Loans for the acquisition of developed building lots.
3. Loans secured by vacant land.
4. Refinancing loans where the original loan was a permanent mortgage on land.
5. Junior liens on land where the senior lien is a permanent mortgage.

Do not include:

1. Combination land-construction loans. Report on SC230 through SC240.
2. Land used for farming. Report on SC260, Permanent Mortgages on Nonresidential Property, Except Land.

SC272: Accrued Interest Receivable

Report accrued interest receivable on mortgage loans reported on SC230 through SC265 if collection was probable at the time of accrual. You should place loans on which collection of interest is not probable in a nonaccrual status.

Do not include:

1. Interest receivable if collection was not probable at the time it was recorded.
2. Interest receivable on loans or participations serviced for others. Report on SC689, Other Assets.
3. Interest receivable that is capitalized to the loan balance. Report with the loan balance on SC230 through SC265.

SC275: Advances for Taxes and Insurance

Report amounts you paid by on behalf of borrowers for taxes and insurance on loans reported on SC230 through SC265. This line primarily contains negative balances in tax and insurance escrows for loans you own.

Do not include:

1. Credit balances. Report on SC712, Escrows.
2. Advances for taxes and insurance on loans and participations **serviced for others**. Report on SC689, Other Assets, as Code 09.

SC283: Allowance for Loan and Lease Losses

Report all allowances for loan and lease losses (ALLL) established to recognize credit losses on mortgage loans reported on SC230 through SC275. You must include all ALLL in the reconciliation of valuation allowances in Schedule VA.

Do not include:

1. Mark-to-market adjustments to mortgage loans held in a trading portfolio; these directly adjust the asset balance.
2. Specific valuation allowances; these directly adjust the asset balance.

NONMORTGAGE LOANS

Adjust the balances in this section for:

1. Specific valuation allowances.
2. Deferred loan fees net of direct costs.
3. Discounts and premiums on the purchase of nonmortgage loans and contracts.
4. Application of lower-of-cost-or-market accounting treatment to loans held for sale but not in a trading account.
5. Any undisbursed balance of closed-end loans, loans-in-process. Report the undisbursed amount of nonmortgage loans on CC125.
6. The undisbursed portion of lines of credit. Report the undisbursed amount on CC420-425.
7. Unearned interest, such as add-on interest of loans issued at a discount.
8. Deposits accumulated for the payment of loans, hypothecated deposits.
9. Accumulated gain or loss (change in fair value) on nonmortgage loans attributable to the designated risk being hedged on a qualifying fair-value hedge.

Do not adjust the balances in this section for: Allowance for loan and lease losses. Report these on SC357.

Include:

1. Unsecured loans.
2. Loans secured with tangible property other than real estate, except as noted below.

Do not include:

1. Investments in securities collateralized by nonmortgage loans. Report these securities on SC182, Securities backed by Nonmortgage Loans. **Note:** Although you report pass-through securities backed by nonmortgage loans **with** nonmortgage loans in Schedule CMR, in Schedule SC report securities backed by nonmortgage loans with Investment Securities.
2. Loan commitments that you have not yet taken down, even if you have received fees. Prior to disbursement of the loan, report refundable fees on SC712, Escrows, and nonrefundable fees on SC796, Other Liabilities and Deferred Income, as Code 04.

SC31: Total

The EFS software will compute this line as the sum of SC300 through SC348 less SC357.

Commercial Loans:

SC32: Total

The EFS software will compute this line as the sum of SC300, SC303, and SC306.

SC300: Secured

Report all loans to corporations, partnerships, and individuals for business purposes that are secured by tangible property or insured or guaranteed by a federal, state, or municipal government or agency thereof.

Include:

1. Secured loans for farming operations.
2. Floor-planning, inventory and wholesale, loans to dealers for automobiles or mobile homes.
3. Retail auto loans if the autos are for commercial use.

4. Nonmortgage loans insured or guaranteed by state or municipal government authority or an agency of the federal government, including Farmers Home Administration, Agency for International Development, and the insured portion of nonmortgage Small Business Administration (SBA) loans.
5. Secured nonmortgage loans to unconsolidated subordinate organizations.
6. Outstanding balances of secured commercial lines of credit.
7. Loans secured by residential property to finance small businesses if the loans are not reported as mortgages.

Do not include:

1. Commercial financing leases. Report on SC306.
2. The uninsured portion of SBA loans. Report on SC303.

SC303: Unsecured

Report all unsecured loans to corporations, partnerships, and individuals for business purposes.

Include:

1. Unsecured construction loans to builders.
2. Unsecured loans for the improvement of multifamily and other commercial property.
3. The outstanding balance of unsecured commercial lines of credit, overdrafts on commercial demand deposits, and business credit cards.
4. Unsecured loans for farming operations.
5. Term Federal Funds - Any lending of immediately available funds where the loan has an original maturity of more than one business day, other than securities purchased under agreements to resell, is to be treated as a loan. Such transactions are sometimes referred to as *Term Fed Funds*.
6. All other unsecured loans made for commercial purposes.

Do not include:

1. Unsecured loans to unconsolidated subordinate organizations. Report on SC540, Equity Investments Not Carried at Fair Value: Other.
2. Corporate debt securities even if included in calculating OTS commercial loan limitations. Report on SC185, Other Investment Securities.
3. Non-interest-bearing overdrafts on commercial deposit accounts where the institution grants modest sized overdrafts for the convenience of the customer. Typically, such overdraft protection plans are offered to most customers on a fee for service basis rather than incurring interest charges. Report such overdrafts on SC 689, "Other Assets." Report fee income on such overdrafts as SO 420, "Other Fees and Charges."

SC304: Credit Card Loans Outstanding – Business

Report all unsecured credit card business loans included on SC303.

SC306: Lease Receivables

Report all direct financing leases and leveraged leases to corporations, partnerships, and individuals for business purposes. Include ground rents on commercial properties.

Consumer Loans:

Report loans issued at a discount net of the related unearned interest.

SC35: Total

The EFS software will compute this line as the sum of SC310 through SC330.

SC310: Loans on Deposits

Report share loans and other loans to individuals for household, family, and other personal expenditures fully secured by the pledge or assignment of the borrower's deposits or other credits held by your institution. When a loan is secured by a lien on real estate or chattel and is also secured by a pledge on deposits, you should classify the entire loan based on what you consider the loan's primary collateral.

SC316: Home Improvement Loans (Not Secured by Real Estate)

Report all unsecured home improvement loans, insured or uninsured, for the equipping, alteration, repair, or improvement of 1-4 dwelling units.

Do not include:

1. Unsecured loans for the improvement of multifamily housing, 5 or more dwelling units, or for nonresidential property. Report on SC303, Unsecured Commercial Loans.
2. Home equity lines of credit. Report on SC251.

SC320: Education Loans

Report loans originated solely for funding educational expenses.

SC323: Auto Loans

Report all loans to consumers secured by automobiles, including pickup or panel trucks, vans, and sport utility vehicles that are primarily for personal use.

Do not include:

1. Loans on cars or trucks intended primarily for commercial, industrial, and professional purposes. Report on SC300, Secured Commercial Loans.
2. Loans on motorcycles. Report on SC330, Other Consumer Loans, Including Lease Receivables.
3. Loans on recreational vehicles such as boats and airplanes. Report on SC330, Other Consumer Loans, Including Lease Receivables.
4. Floor-planning loans, both inventory and wholesale. Report on SC300, Secured Commercial Loans.

SC326: Mobile Home Loans

Report consumer loans secured by mobile homes.

Do not include:

Floor-planning loans, both inventory and wholesale. Report on SC300, Secured Commercial Loans.

SC328: Credit Cards

Report the disbursed portion of open-end consumer credit cards.

Do not include:

1. Credit extended under credit card plans to business enterprises; report as commercial loans on SC303.
2. Credit extended to individuals through credit cards secured by real estate; report as mortgage loans.

3. Credit extended to individuals under prearranged overdraft plans underwritten as loans; report on SC330.

SC330: Other, Including Lease Receivables

Report loans to individuals for household, family, and other personal expenditures not included elsewhere, and direct financing leases to consumers.

Include:

1. Loans on timeshare units.
2. Loans on motorcycles.
3. Loans on boats.
4. Loans on airplanes.
5. Loans on other recreational vehicles.
6. Open-ended personal lines of credit extended to individuals including prearranged overdraft lines of credit underwritten as loans.
7. Overdrafts of consumer accounts.
8. Ground rents on properties used for one-to-four dwelling units.

Do not include:

1. Loans on units in cooperative buildings. Report on SC254 or SC255, Permanent Mortgages on 1-4 Dwelling Units.
2. Non-interest-bearing overdrafts on consumer deposit accounts where the institution grants modest sized overdrafts for the convenience of the customer. Typically, such overdraft protection plans are offered to most customers on a fee for service basis rather than incurring interest charges. Report such overdrafts on SC 689, "Other Assets." Report fee income on such overdrafts as SO 420, "Other Fees and Charges."

SC348: Accrued Interest Receivable

Report accrued interest receivable on nonmortgage loans reported on SC300 through SC330, if collection was probable at the time of accrual. You must place loans on which the collection of interest is not probable in a nonaccrual status.

Do not include:

1. Interest receivable if collection was not probable at the time the interest was recorded.
2. Interest receivable on loans or participations serviced for others. Report on SC689, Other Assets.

SC357: Allowance for Loan and Lease Losses

Report all allowances for loan and lease losses (ALLL) established to recognize credit losses on nonmortgage loans reported on SC300 through SC348. You must include all ALLL in the reconciliation of valuation allowances in Schedule VA.

REPOSSESSED ASSETS

Throughout these instructions, we use **foreclosure** and **repossession** and other forms of those terms interchangeably. In addition, **foreclosed assets** and **repossessed assets** include in-substance foreclosures.

Foreclosed assets are deemed held for sale and are initially recorded at the lower of: (1) recorded investment in the loan, carrying value before deduction for valuation allowances, or; (2) fair value, less cost to sell, of the foreclosed asset.

At foreclosure, any excess of recorded investment over fair value less cost to sell is classified **Loss** and is charged off. This loss classification may not be represented by a valuation allowance. Accordingly, the lower of: (1) recorded investment in the loan, or (2) fair value less cost to sell of the foreclosed asset, becomes the new recorded investment in the foreclosed asset. Legal fees and direct costs of acquiring title to foreclosed assets are expensed as incurred, and thus are not part of the recorded investment.

After foreclosure, any excess of recorded investment over the current fair value less cost to sell is classified **Loss** and is charged off, or may be represented by a specific valuation allowance. Deduct valuation allowances from recorded investment to arrive at carrying value. You should report repossessed assets net of specific valuation allowances.

For a foreclosed asset subject to a third-party liability – a lien senior to that settled by the foreclosure, you should report the third-party liability on SC760, Other Borrowings. Therefore, you do not offset the carrying value of such a foreclosed asset by the third-party liability.

Include:

1. Real estate and other assets for which you have acquired a marketable title by foreclosure or by a deed in lieu of foreclosure.
2. Real estate and other assets acquired through in-substance foreclosure for which you have not yet acquired a marketable title.
3. Real estate and other assets you acquired as part of a troubled debt restructuring.
4. Capitalized costs for repossessed assets during construction not exceeding fair value less cost to sell.
5. Property that a loan servicer has acquired through foreclosure on your behalf, including in-substance foreclosures, where there is no recourse to a third party.
6. Real estate originally acquired for future use by you but no longer intended for that purpose.

Do not include:

1. Real estate held for investment or development. Report on SC45, Real Estate Held for Investment.
2. Real estate intended for your future use. Report on SC55, Office Premises and Equipment.
3. Foreclosed real estate from a loan treated as an investment in real estate in accordance with GAAP; continue to report these on SC45, Real Estate Held for Investment.
4. Foreclosed real estate from loans to entities such as joint ventures in which you or your subsidiaries are investors. Report these on SC45, Real Estate Held for Investment.

SC40: Total

The EFS software will compute this line as the sum of SC405 through SC430 less SC441.

Real Estate:**SC405: Construction**

Report repossessed real estate that is under construction. Do not include land being developed into building lots prior to constructing improvements, which you report on SC428.

SC415: 1-4 Dwelling Units

Report repossessed property consisting of 1-4 dwelling units that is not under construction.

SC425: Multifamily (5 or More Dwelling Units)

Report repossessed property consisting of 5 or more dwelling units that is not under construction.

SC426: Nonresidential, Except Land

Report repossessed nonresidential property. Do not include land, which you report on SC428.

SC428: Land

Report repossessed land.

Include:

1. Vacant land.
2. Developed building lots on which no building construction has begun.
3. Land being subdivided and developed into lots.

SC429: U.S. Government-Guaranteed or -Insured Real Estate Owned

Report repossessed property where the loans were wholly or partially guaranteed or insured by agencies of the U.S. government.

SC430: Other Repossessed Assets

Report all other repossessed property, excluding real estate.

SC441: General Valuation Allowances

Report all general valuation allowances established on repossessed assets.

Do not include:

1. Specific valuation allowances; these must directly reduce the asset balance.
2. Write-downs to mark repossessed assets to fair value less cost to sell at foreclosure; these must directly reduce the asset balance.
3. Valuation allowances established prior to transfer to REO.

SC45: REAL ESTATE HELD FOR INVESTMENT

Report the recorded investment of all real estate you acquired for development, investment, or resale, net of specific valuation allowances, general valuation allowances, and accumulated depreciation.

Include:

1. Real estate acquired and held for investment purposes.
-

2. Real estate loans that are accounted for as investments in real estate in accordance with GAAP.
3. Real estate that you formerly occupied, unless you are holding it for sale, in which case you report it on SC55.
4. Real estate you acquired through foreclosure that no longer qualifies as repossessed real estate because of the length of time you have held it or the purpose for which you are holding it.
5. Capitalized carrying costs of real estate under construction.

Do not include:

1. Office buildings and land that you own and use in your business operations. Report on SC55, Office Premises and Equipment.
2. Real estate acquired as part of a troubled debt restructuring. Report on SC405 through SC428, Repossessed Assets: Real Estate.
3. Real estate acquired indirectly through an entity designated as a pass-through investment as described in 12 CFR § 560.32. Report the pass-through investment on SC540, Equity Investments Not Carried at Fair Value: Other.
4. The share of investments owned in real estate joint ventures qualifying as unconsolidated subordinate organizations. Report on SC540, Equity Investments Not Carried at Fair Value: Other.
5. Real estate originally acquired for your future use but no longer intended for that purpose. Report as REO on SC405 through SC428.

SC51: Equity Investments Not Carried at Fair Value

The EFS software will compute this line as the sum of SC510 and SC540.

SC510: Federal Home Loan Bank Stock

Report the carrying value of Federal Home Loan Bank Stock.

SC540: Other

Report (1) investments in all unconsolidated subordinate organizations, and (2) pass-through investments, where such investments are accounted for at either cost or using the equity method. Include in the reported amount any advances (secured or unsecured) to the investee entity.

SC55: OFFICE PREMISES AND EQUIPMENT

Report the book value of all premises and equipment that are used in your business operations net of accumulated depreciation whether they were purchased directly or acquired by means of a capital lease. In a sale-leaseback where the resulting lease is a capital lease, report the capital lease net of the unamortized deferred gain or loss.

Report depreciation expense for the quarter on SO530, Office Occupancy and Equipment Expense.

Include:

1. All land, buildings, and parking lots occupied by you, including those that you only partially occupy.
2. Land or improved real estate intended for future use in your business operations.
3. Real estate you formerly occupied, if the real estate is held for sale.
4. Capital leases for your office premises and equipment.
5. Carrying costs capitalized during the construction of your premises.
6. The unamortized balance of all improvements to leased quarters and any capital improvements made to land leased for your use.

7. Office furniture, fixtures, equipment, and vehicles you own.

Do not include:

1. Repossessed assets, unless you used them on other-than-a-temporary basis. Report on SC405 through SC430.
2. Real estate held for investment. Report on SC45.
3. Real estate you originally acquired for future use but no longer intend to use for that purpose. Report as REO on SC405 through SC428.
4. Real estate you formerly occupied and did not actively hold for sale. Report on SC45.
5. Real estate you acquired as part of a troubled debt restructuring. Report on SC405 through SC428, Repossessed Real Estate.
6. Technology-based intangible assets, such as computer software. Report on SC660.

OTHER ASSETS:**SC59: Total**

The EFS software will compute this line as the sum of SC615 through SC689 less SC699.

Bank-Owned Life Insurance:**SC615: Key Person Life Insurance**

Include the value of bank-owned life insurance that you consider key-person insurance, where the intended purpose is to provide the institution protection against the potential for losses arising from the untimely death of a key employee or borrower. You generally surrender these policies when the key employee leaves your institution or when the borrower pays off his loan. Include amounts represented in the contractual terms of the policy (i.e. cash surrender value, claim stabilization reserves, and tax on deferred acquisition costs).

SC625: Other

Report the value of all bank-owned life insurance that you do not consider key-person insurance, and therefore that you do not include on SC615. Include amounts represented in the contractual terms of the policy (i.e. cash surrender value, claim stabilization reserves, and tax on deferred acquisition costs).

Intangible Assets:**Servicing Assets:**

Report the carrying amount of servicing assets on mortgage and nonmortgage loans.

Servicing assets may be carried at either a.) the lower of cost or fair value, or b.) fair value.

For servicing assets carried at the lower of cost or fair value, adjust the carrying amount for:

1. Accumulated gain or loss (change in fair value) on the servicing asset attributable to the designated risk being hedged on a qualifying fair-value hedge.
2. Any valuation allowances.

Servicing assets are subject to certain regulatory capital limitations. Refer to the instructions for data field CCR133.

Do not include amounts for any rights to future interest income from the serviced loans that exceed contractually specified servicing fees, defined below. Such rights are not servicing assets. Report such amounts on SC665, Interest-only Strip Receivables and Certain Other Instruments.

Contractually specified servicing fees are all amounts that, per the contract, are due to you as the servicer in exchange for the servicing. In other words, you would no longer receive fees if the beneficial owners of the serviced assets were to exercise their actual or potential authority under the contract to shift the servicing to another servicer.

SC642: Mortgage Loans

Report servicing assets on mortgage loans only.

SC644: Nonmortgage Loans

Report servicing assets of loans other than mortgages, such as automobile and credit card loans.

SC660: Goodwill and Other Intangible Assets

Report the balance of goodwill and other intangible assets.

Include:

1. Goodwill.
2. Core deposit premium.
3. Intangible pension assets.
4. Technology-based intangible assets, such as computer software.
5. Other intangible assets (i.e., purchased credit card relationships (PCCRs)) excluding servicing assets reported on SC642 and SC644.

Do not include:

1. Servicing assets; report on SC642 and SC644.
2. Interest-only strip receivables and certain other instruments; report on SC665.
3. Organization costs, which should be expensed as incurred.

SC665: Interest-only Strip Receivables and Certain Other Instruments

Report the amortized cost of certain nonsecurity financial instruments (CNFIs) accounted for at fair value like investments in debt securities classified as available-for-sale or trading. 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. Adjust the carrying amount for: (1) accumulated gain or loss (change in fair value) on CNFIs attributable to the designated risk being hedged on a qualifying fair-value hedge; and (2) any valuation allowances.

Do not include interest-only strips **in security form**. Report on SC217 through SC222, Other Mortgage-Backed Securities, or SC185, Other Investment Securities, as appropriate.

All CNFIs should be reported on either SI375 or SI385, depending on whether they are classified as held for trading or available-for-sale.

SC689: Other Assets

Report the total of assets not reported elsewhere on Schedule SC. You can find examples of the types of assets to be included in the memo items detailing other assets below.

Do not include:

1. Premiums on deposits and borrowed money that you purchased. Report premiums on deposits on SC715 and premiums on borrowed money with the related borrowing.
2. Deferred credits, deferred income, that do not have a related asset. Report on SC796, Other Liabilities and Deferred Income.
3. Accounts with a material credit balance that are not contra-assets. Report on SC796, Other Liabilities and Deferred Income.
4. Identified core deposit intangibles. Report on SC660, Goodwill and Other Intangible Assets.

Memo: Detail of Other Assets

Report the three largest items constituting the amount reported in SC689. You should select codes best describing these items from the list below and report them on SC691, 693, and 697; report the corresponding amounts on SC692, 694, and 698. You must complete this detail if you report an amount on SC689. You should combine similar accounts, for example, all prepaid expenses should be combined and reported as 07. 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.

SC691, 693 and 697: Codes

- 01 No longer used
- 02 Accrued Federal Home Loan Bank dividends.
- 03 Federal, state, or other taxes receivable, whether as the result of prepayment or net operating loss carrybacks.
- 04 Net deferred tax assets (net of deferred tax liabilities).
- 06 Prepaid deposit insurance premiums.
- 07 Prepaid expenses.
- 08 Deposits for utilities and other services.
- 09 Advances for loans serviced for others, including advances for taxes and insurance and advances to investors.
- 10 Property leased to others under an operating lease as provided in 12 CFR § 560.41, net of accumulated depreciation.
- 11 Deferred issuance costs related to subordinated debentures, mandatory convertible securities, and redeemable preferred stock.
- 12 Amounts receivable under interest rate swap agreements.
- 13 Non-interest-bearing accounts receivable from a holding company or affiliate.
- 14 Other miscellaneous, non-interest-bearing, short-term accounts receivable.
- 15 No longer used
- 16 No longer used
- 17 No longer used
- 18 No longer used
- 19 Receivables from a broker for unsettled transactions.
Include all receivables from a broker or other party for unsettled transactions between trade and settlement dates.
- 20 Fair value of all derivative instruments reportable as assets

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- 21 No longer used
 - 22 Unapplied loan disbursements.
Include only those loan disbursements that you cannot categorize.
 - 23 No longer used
 - 24 No longer used
 - 25 No longer used
 - 26 Non-interest-bearing overdrafts of consumer and commercial deposit accounts where the institution does not perform a credit analysis but offers overdraft protection to most customers for their convenience.
 - 99 Other. **Use this code only for those items not identified above.**

SC692, 694, and 698: Amounts

Report the dollar amounts corresponding to the codes reported on SC691, 693, and 697.

SC699: General Valuation Allowances

Report all general valuation allowances established to recognize credit losses on receivables included in Other Assets.

You must include all valuation allowances in the reconciliation of valuation allowances in Schedule VA.

SC60: TOTAL ASSETS

The EFS software will compute this line as the sum of SC11, SC22, SC26, SC31, SC40, SC45, SC51, SC55, and SC 59. This amount must equal SC90, Total Liabilities and Equity Capital.

LIABILITIES

For the following liabilities that may be included on various lines on this schedule, also report the balance on Schedule SI if the liability is recorded under a fair value option on:

SI377, Financial Liabilities Carried at Fair Value through Earnings

DEPOSITS AND ESCROWS:**SC71: Total Deposits and Escrows**

The EFS software will compute this line as the sum of Deposits (SC710), Escrows (SC712), and Unamortized Yield Adjustments on Deposits and Escrows (SC715).

SC710: Deposits

Report all deposits at their face value except zero-coupon deposits, which you report at face value net of the unamortized discount.

Include:

1. All deposits whether interest-bearing or not.
2. Deposits exceeding DIF insurance limits, including those collateralized by your assets, such as deposits of public funds.
3. Unposted credits, such as:

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- a. Deposit transactions that you include in a general ledger account and have not yet posted to a deposit account.
 - b. Deposits you received in one branch for deposit into another branch, typically another branch in another state or outside of continental USA.

You should report unposted credits net of unposted debits. We define unposted debits as cash items in your possession that are drawn on you and immediately chargeable, but not yet charged, against your deposits at the close of business on the reporting date.

Exclude the following from unposted credits:

- a. Cash items drawn on other financial institutions.
- b. Overdrafts and nonsufficient fund (NSF) items.
- c. Cash items returned unpaid to the last endorser for any reason
- d. Drafts and warrants that are payable at or payable through you for which there is no written authorization from the depositor and no state statute allowing you at your discretion to charge the items against the deposit accounts of the drawees.

Report the above excluded unposted debit amounts in assets on SC110. **Note:** If the total of unposted credits is negative, that is, a debit, you can deduct it from SC710.

4. Outstanding cashier's checks, money orders, or other official checks drawn on an internal account issued in the usual course of business for any purpose, including, without being limited to, those that you issued in payment for your debts or expenses, or payable to a third party named by a customer making the withdrawal.
5. Accounts pledged by your directors and organizers as protection against operating deficits and other nonwithdrawable accounts, whether or not they are used in determining compliance with minimum capital requirements.
6. U.S. Treasury tax and loan accounts that represent funds received as of the close of business of the reporting date. Do not include funds credited prior to the reporting date that are automatically converted into open-ended interest-bearing notes. Report such balances on SC796, Other Liabilities and Deferred Income.
7. Unapplied loan balances, such as receipts from borrowers that have not yet been classified as principal, or interest, unless you credit the applicable customer accounts as of the date you initially received the funds.
8. Credit balances in credit card accounts, credit card customer overpayments.
9. Funds you received or held in connection with drafts or checks that you have drawn on another depository institution, a Federal Home Loan Bank, or a Federal Reserve Bank. The funds reported here are only those drawn either on a zero-balance account or on an account that is not routinely maintained with sufficient balances to cover checks drawn in the normal course of business, including accounts where you remit funds only when the checks or drafts are presented. For example, funds received from a customer for a cashier's check that is drawn on a zero-balance account in another financial institution.
10. Dealer reserve accounts, when considered a liability under GAAP. **Dealer reserve accounts** are 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 is a dealer reserve account, which you should report as a deposit. If you hold dealer reserves that under GAAP are reported as contra-assets, then you should report the assets net of these dealer reserves in Schedule SC.
11. Outstanding travelers' letters of credit and other letters of credit you issued for cash or its equivalent (prepaid letters of credit), less outstanding drafts accepted against the letters of credit.

12. Funds you hold as security for an obligation due to the bank or others, except hypothecated deposits, and funds deposited by a debtor to meet maturing obligations, such as amounts pledged against sinking fund mortgages and as collateral for loans.

Certain items should be added back to the appropriate deposit control totals and reported on SC689, Other Assets, as Code 99. Such items are: the gross amount of debit items (rejects) that you cannot post to the individual deposit accounts without creating overdrafts or that you cannot post for some other reason, such as stop payment, missing endorsement, post or stale date, or account closed, but which have been charged to the control accounts of the various deposit categories on the general ledger.

You should report assets and liabilities in Schedule SC in accordance with GAAP. Certain items defined in the Federal Deposit Insurance Act as includable in the deposit premium assessment base may, under GAAP, be considered contra-assets rather than liabilities. Report assets in Schedule SC net of such items, but you must also report these items on Schedule DI, as appropriate, so that they will be included in the deposit premium assessment base.

You should report reciprocal balances with commercial banks and other savings associations on a net basis where the right of set-off exists. Reciprocal demand balances arise when two depository institutions maintain deposit accounts with each other. In certain cases you will need to report reciprocal demand balances on DI520, Total Allowable Exclusions (Including Foreign Deposits).

Do not include:

1. Escrow accounts. Report on SC712, Escrows.
2. Custodial accounts established pursuant to loan servicing agreements. Report on SC712, Escrows.
3. Deposit accounts that you set up in your own name for which there is a corresponding cash account in assets. Eliminate the cash account from assets and the same amount from deposits. See item 4 under **Include** above concerning outstanding checks.
4. Outstanding checks drawn on, or payable at or through, a non-zero-balance account at a Federal Reserve Bank or a Federal Home Loan Bank. Deduct these amounts from cash-in-bank, typically, from amounts on SC110 or SC112, as appropriate, and also report them on DI510 for inclusion in the deposit base for FDIC insurance assessment purposes. See item 9 under **Include** above concerning outstanding checks drawn on zero-balance accounts.
5. Outstanding checks written against accounts in other depository institutions, as defined by the Federal Deposit Insurance Act. Deduct these from the related deposit reported on SC110 or SC118.
6. Discounts and premiums that result from marking assets and liabilities to fair value because of an acquisition, merger, or change in control. Report on SC715, Unamortized Yield Adjustments on Deposits and Escrows.
7. Deductions for commissions and other capitalized items. Report on SC715, Unamortized Yield Adjustments on Deposits and Escrows.
8. Deductions for customers' overdrafts in NOW and demand accounts unless the right of set-off under a valid cash management arrangement exists for accounts of the same legal entity. Report as loans on SC303, Unsecured Commercial Loans, SC330 Other Consumer Loans or SC689 Other Assets, code 26.
9. U.S. Treasury tax and loan account balances credited prior to the reporting date that are automatically converted into open-ended interest-bearing notes. Report such balances in liabilities on SC796, Other Liabilities and Deferred Income.
10. Hypothecated deposits, deposits accumulated for the payment of loans. Deduct these from the related loan.
11. Accumulated gain or loss, change in fair value, on deposits attributable to the designated risk being hedged on a qualifying fair-value hedge. Report on SC715, Unamortized Yield Adjustments on Deposits and Escrows.

SC712: Escrows

Report all escrow funds held by your savings association and your consolidated subsidiaries on behalf of others. Include only those accounts where the institution or its consolidated subsidiary is a party to the escrow agreement.

Include:

1. Tax and insurance escrows for mortgage loans.
2. Escrow accounts you have established pursuant to loan servicing agreements, including both tax and insurance and principal and interest escrows.
3. Custodial accounts you have established pursuant to loan servicing agreements.
4. Credit balances of uninvested trust funds that you hold. Do not offset balances of different accounts. Report only accounts with credit balances; accounts with debit balances should be reported as loans. However, we permit netting for overdrafts in principal or income cash in individual trust accounts maintained in the same right and capacity.
5. Amounts that you hold in conjunction with the sale of travelers' checks, money orders, and similar instruments.
6. Amounts you hold and have not yet remitted in conjunction with the sale or issuance of government bonds, mutual funds, or other securities.
7. Refundable loan commitment fees you have received prior to loan disbursement.
8. Refundable amounts you received from stock subscribers for unissued stock.
9. Amounts that you have withheld from employee compensation for payment to a third party such as withholding taxes, health and life insurance premiums, and pension funds.
10. Interest you have withheld from deposits for remittance to taxing authorities. .
11. Interest you have accrued on escrows included above.

Do not include:

1. Advances for borrowers' taxes and insurance, T&I escrow accounts with debit balances. If you or your consolidated subsidiaries own the related loan, report the advances on SC275, Advances for Taxes and Insurance. If you service the related loan for others, report them on SC689, Other Assets, as Code 09.
2. Advances to investors for loans you serviced for others prior to receipt from the borrower. Report as assets on SC689, Other Assets, Code 09.
3. Custodial accounts held by a depositor for another for example, a custodial account held for a minor where the parent or some other depositor is the custodian. Report as deposits on SC710.
4. IRA and Keogh accounts. Report as deposits on SC710.
5. Escrows where the funds are deposited in other depository institutions. Report as liabilities on SC796, Other Liabilities, Code 99.
6. Accumulated gain or loss on escrows attributable to the designated risk being hedged on a qualifying fair-value hedge. Report on SC715, Unamortized Yield Adjustments on Deposits and Escrows.
7. Escrows where your holding company or unconsolidated affiliate is a party to the escrow agreement and where you are not a party to the escrow agreement. Report on SC710, Deposits.

SC715: Unamortized Yield Adjustments on Deposits and Escrows

Report the unamortized balance of discounts and premiums on deposits. Report the face amounts of the related deposits on SC710 and SC712. These yield adjustments are amortized to interest expense on SO215, Interest Expense on Deposits. This data field may be negative, representing a debit. .

Include:

1. Discounts and premiums resulting from initially recording purchased deposits and escrows at fair value.
2. Discounts and premiums related to accounting for a derivative instrument embedded in deposits and escrows as either a separate asset or liability.
3. The accumulated gain or loss (the change in fair value) on deposits and escrows attributable to the designated risk being hedged on a qualifying fair value hedge.
4. Unamortized brokers fees.

Do not include:

1. Yield adjustments related to advances and borrowings; these directly reduce the related borrowing.
2. Core deposit intangibles resulting from an acquisition, merger, or change in control. Report on SC660, Goodwill and Other Intangible Assets.

BORROWINGS

Adjust the balance due for (1) discounts and premiums; and (2) the accumulated gain or loss on borrowings attributable to the designated risk being hedged on a qualifying fair-value hedge. Amortize the discounts and premiums to interest expense. Report issuance costs related to borrowings in SC689, Other Assets.

SC72: Total

The EFS software will compute this line as the sum of SC720 through SC760.

SC720: Advances from FHLBank

Report all FHLBank borrowings.

Include:

1. All FHLBank advances.
2. Deferred commitment fees you paid on FHLBank advances; these reduce the outstanding balance.
3. Prepayment penalties you paid on FHLBank advances that qualify for deferral under GAAP; these reduce the outstanding balance. 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 on SO230, Interest Expense: Advances from FHLBank.

Do not include:

1. Amounts due a FHLBank in the form of securities sold under agreements to repurchase. Report on SC730.
2. Accrued interest. Report on SC766, Other Accrued Interest Payable.

SC730: Federal Funds Purchased and Securities Sold Under Agreements to Repurchase**Include:**

1. Funds you received from securities sold under agreements to repurchase that do not meet the criteria for sale treatment, and are therefore accounted for as secured borrowings, including retail repurchase, dollar-reverse-repurchase, and dollar-roll agreements.
2. Amounts due a FHLBank in the form of securities sold under agreements to repurchase.
3. Federal Funds purchased.

Include in the gain or loss on the sale funds received from transactions accounted for as a sale, such as, yield maintenance, dollar-reverse-repurchase agreements, and certain dollar-roll transactions. **Note** that the repurchase transaction and subsequent investment of these borrowed funds are independent transactions. Therefore, you should not offset any income generated by this subsequent investment by the interest expense incurred in the reverse repurchase transaction. Report interest income on SO115, Interest Income on Deposits and Investment Securities, and interest expense on SO260, Interest Expense: Other Borrowed Money.

SC736: Subordinated Debentures (Including Mandatory Convertible Securities and Limited-Life Preferred Stock)

Report subordinated debentures and mandatorily convertible securities that you or your consolidated subsidiaries issued, net of premiums and discounts. For thrifts that have elected to be taxed under Subchapter S or are organized in mutual form, include the full amount of all subordinated debt securities issued to the Treasury Department under the CPP. Include REIT preferred stock issued by a consolidated subsidiary to a third party that you report as a liability. Report related issuance costs on SC689, Other Assets.

SC740: MORTGAGE-COLLATERALIZED SECURITIES ISSUED

Report all mortgage-collateralized securities issued by you and your consolidated subsidiaries adjusted for issuance costs, discounts, and premiums.

SC760: Other Borrowings

Report all other borrowings not included on SC720 through SC745.

Include:

1. Redeemable preferred stock issued by consolidated subsidiaries to third parties.
2. Mortgages and other encumbrances on your office premises or real estate owned for which you are liable.
3. Obligations of an employee stock ownership plan (ESOP) to a lender other than yourself, when such reporting is required under GAAP.
4. The underlying mortgage in a wrap-around loan unless the holder of the underlying mortgage has accepted a subordinated position, in which case you deduct the underlying loan against the related loan.
5. Senior liens on foreclosed real estate.
6. Overdrafts in your transaction accounts in other depository institutions, where there is no right of set-off against other accounts in the same financial institution. If the overdraft is in a zero-balance account or an account that is not routinely maintained with sufficient balances to cover checks drawn in the normal course of business, you should include in deposits the funds received or held in connection with checks drawn on the other depository institutions.
7. Commercial paper that you have issued.

8. Liabilities for capital leases related to assets that you've reported on SC55.
9. Eurodollar issues.
10. The liability from a *sale* of loans with recourse accounted for as a financing.
11. The related liability for delinquent mortgage loans previously securitized with Ginnie Mae, where you have an unconditional repurchase option. The recording of such mortgage loans and the related liability is required under GAAP.
12. Clearing items.
13. Purchase acquisition debt.
14. Borrowings from the Federal Reserve Bank.

Do not include:

1. Accrued interest due and payable. Report on SC766, Other Accrued Interest Payable.
2. Redeemable preferred stock you have issued. Report on SC800, Noncontrolling Interest.

You must charge the interest and dividends on all borrowings and yield adjustments reported on this line to expense on SO260, Other Borrowed Money. You must not net the interest expense against the interest income on the related asset.

OTHER LIABILITIES**SC75: Total**

The EFS software will compute this line as the sum of SC763 through SC796.

SC763: Accrued Interest Payable - Deposits

Report accrued interest that has not been credited to deposit or escrow accounts.

Do not include:

Interest withheld from deposits for remittance to taxing authorities. Report on SC712, Escrows.

SC766: Accrued Interest Payable - Other**Include:**

Accrued interest and dividends due on borrowings that you have reported on SC720 through SC760.

SC776: Accrued Taxes**Include:**

1. Current portion of federal, state, and local income taxes.
2. Real estate taxes.
3. Employer's share of payroll taxes.
4. Other miscellaneous taxes.

Do not include:

1. Taxes withheld from employees' salaries. Report on SC712, Escrows.
2. Tax accrual accounts with debit balances. Report as accounts receivable on SC689, Other Assets, as Code 03.
3. Interest withheld from deposits for remittance to taxing authorities. Report on SC712, Escrows.

SC780: Accounts Payable

Report the amount accrued for services, supplies, materials, and other expenses.

Reclassify accounts payable with material debit balances to accounts receivable. Report on SC689, Other Assets, as Code 14.

SC790: Deferred Income Taxes

Report net deferred income taxes with a credit balance. Report deferred income taxes from the same jurisdiction net. Report net debit balances as deferred tax assets on SC689, Other Assets, Code 04.

SC796: Other Liabilities and Deferred Income

Report the total of liabilities not reported elsewhere on Schedule SC. You can find a list of the types of liabilities to be included in the memo items detailing other liabilities below.

Memo: Detail of Other Liabilities

Report the three largest items constituting the amount reported on SC796. You should select codes best describing these items from the list below and report them on SC791, 794, and 797; report the corresponding amounts on SC792, 795, and 798. You must complete this detail if you report an amount on SC796. You should combine similar accounts, for example, all nonrefundable loan fees received prior to loan disbursement should be combined and reported as 04. 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.

SC791, 794 and 797: Codes

- 01 Dividends payable on stock.
- 02 No longer used
- 03 No longer used
- 04 Nonrefundable loan fees received prior to loan disbursement.
- 05 Deferred gains from sale/leaseback where the resulting lease is an operating lease.
- 06 Balances in U.S. Treasury tax and loan accounts administered under the note option that provide for the conversion of the previous day's balance to an interest-bearing demand note.
- 07 Deferred gains from the sale of real estate recorded under the percentage-of-completion or deposit methods.
- 08 Negative investments in entities accounted for under the equity method.
- 09 Fees received for standby contracts and other option arrangements where the savings association is obligated to purchase or sell securities at the option of the other party.
- 10 Amounts due brokers for unsettled transactions.
- 11 The liability recorded for pensions and other postretirement benefits.
- 12 No longer used.
- 13 Amounts payable under interest-rate-swap agreements.
- 14 Unapplied loan payments received for which the customer's account will be credited as of the date of receipt.
- 15 Liability when the benefits of a loan servicing contract are not expected to adequately compensate the servicer.
- 16 Recourse loan liability.
Do not include liabilities for credit losses on off-balance-sheet credit exposures; include these under code 21.
- 17 Non-interest-bearing payables due to holding companies and affiliates.

- 18 Litigation reserves.
- 19 Nonrefundable stock subscriptions. Note that refundable stock subscriptions are reported as escrows on SC712.
- 20 Fair value of all derivative instruments reportable as liabilities.
- 21 Liabilities for credit losses on off-balance-sheet credit exposures.
Include liabilities established for credit losses on commitments, standby letters of credit, and guarantees. Do not include liabilities for sale of loans with recourse; include these under code 16.
- 22 Deposit insurance assessments payable.
- 99 Other. **Use this code only for those items not identified above.**

Do not include:

1. Escrows. Report on SC712, Escrows.
2. Deferred credits classified as contra-assets, such as loans in process and deferred loan fees. Deduct these from the related asset.
3. Yield adjustments on deposits. Report on SC715, Unamortized Yield Adjustments on Deposits and Escrows.
4. Yield adjustments, commitment fees, and issue costs on FHLBank advances and other borrowings. Report as part of the borrowings' balance.
5. Accrued interest on escrow accounts. Report on SC712, Escrows, or SC763, Accrued Interest Payable - Deposits.
6. U.S. Treasury tax and loan accounts administered under the remittance option requiring the remittance of the previous day's balance to a federal reserve bank. Report on SC710, Deposits.
7. Unapplied loan payments received for which the customer's account will be credited as of the date of transfer rather than the date of receipt from the customer. Report on SC710, Deposits.

SC792, 795, and 798: Amount

Report the dollar amounts corresponding to the codes reported on SC791, 794, and 797.

SC70: TOTAL LIABILITIES

The EFS software will compute this line as the sum of SC71, SC72, and SC75.

EQUITY CAPITAL**PERPETUAL PREFERRED STOCK****Include:**

1. Preferred stock you issued that is nonredeemable by the purchaser and that qualifies as equity capital under GAAP.
2. Preferred stock convertible into common stock.

Report preferred stock net of issuance costs, premiums, and discounts. If you issued preferred stock above par value, include the amount paid in excess of par with the par value.

Dividends on perpetual preferred stock reduce retained earnings when declared. Report them on SI620, Dividends Declared on Preferred Stock.

Do not include:

1. Redeemable preferred stock you issued. Report on SC800, Noncontrolling Interest.

2. Redeemable preferred stock issued by a consolidated subsidiary. Report on SC760, Other Borrowings.
3. Permanent preferred stock issued by a consolidated subsidiary. Report on SC800, Noncontrolling Interest.

SC812: Cumulative

Report permanent preferred stock where the stockholders are entitled to receive unpaid dividends before the payment of dividends on other classes of stock. Include U.S. Treasury Department Capital Purchase Program preferred stock and warrants.

SC814: Noncumulative

Report permanent preferred stock whose dividends do not accumulate if unpaid.

COMMON STOCK**SC820: Par Value**

Report the par value of all outstanding common stock – permanent, reserve, or guaranty stock – that you have issued.

If the par value of common stock issued is less than \$500, report “1” in this data field to indicate that it is not zero, and, if necessary, reduce the amount that you report on SC830 by one.

You must reduce retained earnings at the time that you declare dividends on common stock. Report the reduction of retained earnings on SI630, Dividends Declared on Common Stock.

Do not include deductions for:

Stock you reacquired – treasury stock. Report as a negative on SC891, Other Components of Equity Capital.

Unallocated ESOP shares. Report as a negative on SC891, Other Components of Equity Capital.

SC830: Paid in Excess of Par**Include:**

1. Amounts paid in excess of par value from the issuance of common stock for cash or nonmonetary assets. Deduct the costs of issuing common stock.
2. Permanent capital contributions by the stockholders not related to the purchase of stock.

Do not include:

Paid-in capital from the issuance of preferred stock. Report on SC812 or SC814, Perpetual Preferred Stock.

ACCUMULATED OTHER COMPREHENSIVE INCOME

SC86: Total

The EFS software will compute this line as the sum of Unrealized Gains (Losses) on Available-for-Sale Securities (SC860), Gains (Losses) on Cash Flow Hedges (SC865), and Other Accumulated Other Comprehensive Income (SC870).

SC860: Unrealized Gains (Losses) on Certain Securities

Report unrealized gains (losses), net of taxes, for you and your subordinate organizations on securities and on certain nonsecurity financial instruments (CNFIs) classified as available for sale (AFS).

Gains and losses reported here are not reported in the statement of operations until either the asset is sold, an other-than-temporary impairment loss is recognized, or this amount is amortized in accordance with the following paragraph.

Include the unamortized amount of the unrealized gain or loss at the date of transfer of debt securities transferred from AFS to held-to-maturity (HTM). Continue to report this gain or loss on this line until it is completely amortized over the remaining life of the security as an adjustment of yield in the same manner as a discount or premium.

In addition, report on this line the amount of the other-than-temporary impairment (OTTI) on AFS and HTM debt securities that is related to all factors other than credit, where that amount is appropriately recognized in other comprehensive income.

Do not report unrealized gains (losses) on securities and CNFIs as valuation allowances.

Report this data field as negative when your unrealized losses exceed unrealized gains.

Do not include declines in fair value that you judge to be other-than-temporary. Report such losses in earnings on SO441, Other-Than-Temporary Impairment Charges on Debt and Equity Securities.

SC865: Accumulated Gains (Losses) on Cash Flow Hedges

Report the accumulated fair value gain or loss, net of taxes, on cash flow hedges.

SC870: Other

Report any accumulated other comprehensive income not included on SC860 or SC865.

Include:

1. Any minimum pension liability adjustment.
2. Any cumulative foreign currency translation adjustments and qualifying foreign currency transaction gains and losses, net of applicable income taxes.
3. Any other items of accumulated other comprehensive income.

SC880: RETAINED EARNINGS

Retained earnings are your accumulated net income since inception less distributions to shareholders and amounts transferred to other equity capital accounts.

Include:

1. Undistributed income – net income from interim periods of operation prior to closing your books;
2. Retained earnings from prior operating periods.
3. Restrictions or appropriations of retained earnings as designated by your board of directors.

4. If you are in receivership, a deduction for the amount by which liabilities exceed identified assets, because you may not report goodwill upon conversion to receivership.

SC891: OTHER COMPONENTS OF EQUITY CAPITAL

Report amounts reported under GAAP as separate components of equity capital. In most cases the amounts in this data field will be negative, as these items typically reduce equity capital.

Include:

1. Treasury stock.
2. Unearned employee stock ownership plan (ESOP) shares, when such reporting is required under GAAP.

SC80: TOTAL SAVINGS ASSOCIATION EQUITY CAPITAL

The EFS software will compute this line as the sum of SC812, SC814, SC820, SC830, SC86, SC880, plus SC891.

SC800: NONCONTROLLING INTERESTS IN CONSOLIDATED SUBSIDIARIES

Include:

Common and perpetual preferred stock issued by consolidated subsidiaries to third parties constituting a noncontrolling interest.

Report any net income or loss attributable to noncontrolling interest in a consolidated subsidiary on SO880, Net Income (Loss) Attributable to Noncontrolling Interests.

SC84: TOTAL EQUITY CAPITAL

The EFS software will compute this line as the sum of SC80 plus SC800.

SC90: TOTAL LIABILITIES AND EQUITY CAPITAL

The EFS software will compute this line as the sum of SC70 and SC84. This line must equal SC60, Total Assets.

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. Exclude all costs incurred by the savings association in connection with noninterest-bearing demand deposits. See the Glossary for “deposits” for the definitions of “interest-bearing deposit accounts,” “demand deposits,” “NOW accounts,” “ATS accounts,” and “telephone or preauthorized transfer accounts.”

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.

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:

1. 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.

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.

PAST DUE LOANS:

Under interagency guidance, ("*Revised Interagency Guidance on Returning Certain Nonaccrual Loans to Accrual Status: Commercial Real Estate Lending*") dated June 10, 1993 found in Appendix C of the OCC's Comptroller's Handbook: "[Commercial Real Estate and Construction Lending](#)", past due loans may be returned to accrual status, even though the loans are not fully current, and any previous charge-offs not fully recovered, provided the past due loans meet the following conditions:

- There is reasonable assurance of repayment within a reasonable period, of all principal and interest amounts contractually due (including amounts past due).
- There is a sustained period of repayment performance (generally a minimum of six months) in accordance with the contractual terms, involving payments of cash or cash equivalents.

However, savings associations would continue to disclose past due loans that meet the above conditions, until they are fully current.

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 loans ⁹	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

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.

⁹ 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."

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.

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SCHEDULE CF — CONSOLIDATED CASH FLOW INFORMATION

*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

You should report on this schedule only the activity of you and your consolidated subsidiaries. Do not include activity of your holding company, affiliates, or unconsolidated subsidiaries. **Do not report as new activity the following: bulk sales and purchases of loans and deposits, branch purchases and sales, and assets and deposits acquired through a merger.** In the case of a **merger** of depository institutions, you should report activity for all institutions involved in the merger **for the entire quarter**. If you have been acquired by a holding company where you used **pushdown accounting**, you should report your activity for the **entire quarter** regardless of the date of acquisition.

MORTGAGE-BACKED SECURITIES

Report purchases and sales of securities included on SC210 through SC222, including those that you purchased and sold during the same quarter.

PASS-THROUGH:

CF143: Purchases

Report the purchase price of mortgage-backed securities reported on SC210 and SC215 that you purchased during the quarter.

CF145: Sales

Report the carrying value of mortgage pool securities reported on SC210 and SC215 that you sold during the quarter.

CF148: Other Balance Changes

Report other balance changes of mortgage pool securities reported on SC210 and SC215. Include cash repayments of principal and amortization of discounts and premiums. Report as negative amounts decreases in the security balance, and as positive amounts, increases in the security balance.

OTHER MORTGAGE-BACKED SECURITIES:**CF153: Purchases**

Report the purchase price of mortgage-backed securities reported on SC217 through SC222 that you purchased during the quarter.

CF155: Sales

Report the carrying value of mortgage-backed securities reported on SC217 through SC222 that you sold during the quarter.

CF158: Other Balance Changes

Report other balance changes of mortgage-backed securities reported on SC217 through SC222. Include cash repayments of principal, amortization of discounts and premiums, and market value adjustments. Report as negative amounts decreases in the security balance, and as positive amounts, increases in the security balance.

MORTGAGE LOANS**MORTGAGE LOANS DISBURSED:**

Report the amount disbursed for mortgage loans during the quarter. Note that you report all amounts net of loans-in-process, LIP. Report additional disbursements in the quarter in which you make them.

Include:

1. All loans closed in your name. Report all loans closed, even if a third party funds the loans or you immediately transfer the loans to a third party. Include loans whether or not you, an affiliate, or another entity performs the actual closing. Do not report subsequent transfers to you from the closing entity as purchases. This is because you already reported the loans as your originations.
2. Increases in loan balances of existing loans such as the following:
 - a. Disbursement of LIP.
 - b. Disbursement of a previously closed but undisbursed mortgage.
 - c. Negative amortizations.
 - d. Additional disbursements of home equity loans.
 - e. The amount disbursed for refinanced loans.
3. Combination construction-permanent loans both when the construction loan closes and when the loan converts to permanent financing, even if you disburse no new funds.
4. All loans meeting the above definitions, even if you immediately securitize or sell the loans. Also report these loans on CF310 through CF330.

Do not include:

1. Loans closed in the name of an affiliated unconsolidated entity. If you subsequently acquire mortgages closed in the name of an affiliated unconsolidated entity, you should report the acquisition as a purchase on CF280 through CF300.

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 AND OTHER DATA FOR INSURANCE PREMIUM ASSESSMENTS

GENERAL INSTRUCTIONS

Each insured depository association must complete lines DI510, DI520, DI521, DI522, DI523, DI524, DI526, DI645, DI646, DI647, DI648, DI655, DI656, DI657, DI658, DI230, DI659, DI661, DI662, DI663, DI664, DI665, DI120, DI150, DI130, DI160, DI170, DI180, DI175, DI185, DI580, and DI585 and, if applicable, DI210 and DI586, DI587, and DI588 each quarter. Each "large institution" which generally are insured depository institutions with \$10 billion or more in total assets, must complete Schedule VA, Lines VA960, VA965, VA970, and VA975, DIDI589, DI590, DI591, DI592, DI593, DI594, DI595, DI596, DI597, DI598, DI599, DI600, DI601, and DI602 each quarter. The terms "large institution" are more fully described in the General Instructions preceding DI589.

Schedule DI should be completed 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 one FDIC-insured institution owns another FDIC-insured institution as a subsidiary, it should complete Schedule DI by accounting for this subsidiary under the equity method of accounting instead of consolidating it. Thus, each FDIC-insured institution should report only its own amounts in Schedule DI under its own FDIC certificate number without eliminating the parent and subsidiary institutions' intercompany balances. In contrast, when an FDIC-insured institution has entities other than FDIC-insured institutions that must be consolidated for purposes of Schedule SC- Consolidated Statement of Condition, the institution should complete Schedule DI on a consolidated basis with respect to these entities.

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 allowable exclusions from total deposits. An institution's gross total deposit liabilities are the combination of:

- All deposits in "domestic offices" reported in Schedule SC, items SC710-SC715;
- Interest accrued and unpaid on deposits in "domestic offices" reported in Schedule SC, item SC763 (for savings banks, includes "dividends accrued and unpaid on deposits);
- Uninvested trust funds held in the institution's own trust department;
- Deposits of consolidated subsidiaries and the interest accrued and unpaid on such deposits; and
- The amount by which demand deposits reported in Schedule SC, item SC710, have been reduced from the netting of the reporting institution's reciprocal demand balances with foreign banks and foreign offices of other U.S. banks (other than insured branches in Puerto Rico and U.S. territories and possessions);
- The amount by which any other deposit liabilities reported in Schedule SC, item SC710, have been reduced by assets netted against these liabilities in accordance with generally accepted accounting principles;

- Less the amount of unamortized premiums included in the amount of deposit liabilities reported in Schedule SC, item SC715;
- Plus the amount of unamortized discounts reflected in the amount of deposit liabilities reported in Schedule SC, item SC715;
- Plus other obligations meeting the Section 3(l) statutory definition of a deposit that may be housed in systems of record not normally thought of as deposit systems, such as loan, payroll, and escrow systems and manual records that contain information needed to answer depositors' questions on their deposits.

See the Call Report Glossary entry for "deposits" for the statutory definition of deposits.

If unposted debits and unposted credits 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 INTEREST ACCRUED AND UNPAID ON 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).

4. *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.
5. *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.
6. *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.

DI521: AVERAGE CONSOLIDATED TOTAL ASSETS

Report average consolidated total assets for the calendar quarter on a single FDIC certificate number basis.

Averaging methods – An institution that reported \$1 billion or more in quarter-end consolidated total assets in its Thrift Financial Report (Schedule SC, line item SC60, "Total Assets") for March 31, 2011, and any institution that becomes FDIC-insured after March 31, 2011, must report average consolidated assets in this item on a daily average basis. An institution that reported less than \$1 billion in quarter-end consolidated total assets in its Thrift Financial Report (Schedule SC, line item SC60, "Total Assets") for March 31, 2011, may report average consolidated total assets in this item on a weekly average basis, or it may at any time opt permanently to report average consolidated total assets on a daily average basis. Once an institution that reports average consolidated total assets using a weekly average reports average consolidated total assets of \$1 billion or more in this item for two consecutive quarters, it must permanently report average consolidated total assets using daily averaging beginning the next quarter.

Daily average consolidated total assets should be calculated by adding the institution's consolidated total assets as of the close of business for each day of the calendar quarter and dividing by the number of days in the calendar quarter (the number of days in a quarter ranges from 90 days to 92 days). For days that an institution is closed (e.g., Saturdays, Sundays, or holidays), the amount from the previous business day would be used. An institution is considered closed if there are no transactions posted to the general ledger as of that date.

Weekly average consolidated total assets should be calculated by adding the institution's consolidated total assets as of the close of business on each Wednesday during the calendar quarter and dividing by the number of Wednesdays in the quarter.

An institution that becomes newly insured and begins operating during the calendar quarter should report average consolidated total assets on a daily average basis. Daily average consolidated total assets for such an institution should be calculated by adding the institution's consolidated total assets as of the close of business for each day during the quarter since it became insured and operational, and dividing by the number of calendar days since it became insured and operational.

Measuring consolidated total assets – Consolidated total assets should be measured as follows:

Report the quarterly average for the savings association's total assets, as defined for "Total Assets," on Schedule SC, item SC60, except that this quarterly average should reflect all debt securities (not held for trading) at amortized cost and available-for-sale equity securities with readily determinable fair values at the lower of cost or fair value, and equity securities without readily determinable fair values at historical cost. In addition, to the extent that net deferred tax assets included in the savings association's total assets, if any, include the deferred tax effects of any unrealized holding gains and losses on available-for-sale debt securities, these deferred tax effects may be excluded from the determination of the quarterly

DI664: CUSTODIAL BANK DEDUCTION

An institution that meets the definition of a custodial bank is eligible to have the FDIC deduct certain assets from its assessment base, subject to a limit. Report in this item the custodial bank deduction, which equals average qualifying low-risk assets. Qualifying low-risk assets are determined without regard to the maturity of the assets. Average qualifying low-risk assets equals the sum of:

- (1) The average amount of cash (CCR400) and balances due from depository institutions (included in CCR409) with a risk weighting for risk-based capital purposes of zero percent (as defined for Schedule CCR 0% Risk-Weight) plus 50 percent of the average amount of cash and balances due from depository institutions with a risk weighting of 20 percent (included in CCR445);
- (2) The average amount of held-to-maturity securities with a risk weighting for risk-based capital purposes of zero percent (as defined for Schedule CCR, item CCR405) plus 50 percent of the average amount of held-to-maturity securities with a risk weighting of 20 percent (as defined for Schedule CCR, item CCR430);
- (3) The average amount of available-for-sale securities with a risk weighting for risk-based capital purposes of zero percent (CCR405) plus 50 percent of the average amount of available-for-sale securities with a risk weighting of 20 percent (included CCR450); and
- (4) The average amount of federal funds sold and securities purchased under agreements to resell with a risk weighting for risk-based capital purposes of zero percent (as defined in CCR, item 415) plus 50 percent of the average amount of federal funds sold and securities purchased under agreements to resell with a risk weighting of 20 percent (as defined in CCR 450).

These averages should be calculated on a daily or weekly basis consistent with the custodial bank's calculation of its average consolidated total assets in DI521 and as reported in either DI522 or DI523.

DI665: CUSTODIAL BANK DEDUCTION LIMIT

An institution that meets the definition of a custodial bank is eligible to have the FDIC deduct certain assets from its assessment base, subject to a limit. Report in this item the custodial bank deduction limit, which equals the average amount of the institution's transaction account deposit liabilities identified by the institution as being directly linked to a fiduciary, custodial, or safekeeping account reported in Schedule FS – Fiduciary and Related Services. The titling of a transaction account or specific references in the deposit account documents should clearly demonstrate the link between the transaction account and a fiduciary, custodial, or safekeeping account.

For deposits in domestic offices, the term "transaction account" is defined in Federal Reserve Regulation D and in the Call Report Glossary entry for "deposits" and such deposits are reported in Schedule SC, Item SC710. In general, a transaction account is a deposit or account from which the depositor or account holder is permitted to make transfers or withdrawals by negotiable or transferable instruments, payment orders of withdrawal, telephone transfers, or other similar devices for the purpose of making payments or transfers to third persons or others or from which the depositor may make third party payments at an automated teller machine, a remote service unit, or another electronic device, including by debit card. For purposes of reporting the custodial bank deduction limit in this item, a custodial bank with deposits in foreign offices should include foreign office deposit liabilities with the characteristics of a transaction account that are linked to a fiduciary, custody, or safekeeping account reported in Schedule FS – Fiduciary and Related Services.

Exclude from this item escrow accounts, interest on Lawyers Trust Accounts, and other trust and custody-related deposit accounts related to commercial bank services, or otherwise offered outside a custodial bank's fiduciary business unit or another distinct business unit devoted to institutional custodial services. Also exclude all nontransaction account deposit liabilities (i.e. savings and time deposits).

This average should be calculated on a daily or weekly basis consistent with the custodial bank's calculation of its average consolidated total assets in DI521 and as reported in either DI522 or DI523.

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 institutions, 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, on which the institution makes no payment to or for the account of any depositor as compensation for the use of funds constituting a deposit. However, pursuant to Section 627 of the Dodd-Frank Act as of July 21, 2011, institutions are no longer be restricted from paying interest on demand deposit accounts. If an institution modifies the terms of its demand deposit agreement on or after July 21, 2011, 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.

DI586: HAS THE REPORTING INSTITUTION BEEN CONSOLIDATED WITH A PARENT BANK OR SAVINGS ASSOCIATION IN THAT PARENT BANK’S OR PARENT SAVINGS ASSOCIATION’S CALL REPORT OR THRIFT FINANCIAL REPORT?

Report either yes or no.

DI587: IF THE ANSWER TO DI586 IS “YES”

Report the legal title of that parent bank or parent savings association.

DI588: IF THE ANSWER TO DI586 IS “YES”

Report the five digits FDIC Certificate Number of that parent bank or parent savings association using leading zeros if necessary. For example if the FDIC Certificate Number is “1” report “00001.”

SCHEDULE DI ITEMS DI589-DI602 ARE TO BE COMPLETED BY SAVINGS ASSOCIATIONS THAT ARE “LARGE INSTITUTIONS” AS DEFINED IN THE FDIC REGULATIONS

GENERAL INSTRUCTIONS FOR DI ITEMS DI589-DI602

DI589-DI602 are applicable only to large savings associations. Amounts reported in items DI589-DI591 will not be made available to the public on an individual institution basis.

According to Section 327.8(f) of the FDIC’s regulations, a large institution is an FDIC-insured savings association that reported total assets of \$10 billion or more as of December 31, 2006, that does not meet the definition of a highly complex institution. After December 31, 2006, if a savings association not previously classified as a large institution reports total assets of \$10 billion or more for four consecutive quarters, the savings association will be classified as a large institution beginning the following quarter. In

the Consolidated Statement of Condition and Income, an FDIC-insured savings association's total assets are reported in item SC60.

Transition Guidance for Reporting “Subprime Consumer Loans” and “Leveraged Loans and Securities” as Defined for Assessment Purposes Only in FDIC Regulations¹¹

For loans originated or purchased prior to April 1, 2012, and for securities where the underlying loans were originated predominantly prior to April 1, 2012, for which the reporting institution does not have the information necessary to determine subprime consumer or leveraged status in accordance with the definitions of these asset categories set forth in the FDIC's assessment regulations and these instructions, the institution may use its existing internal methodology for identifying subprime consumer or leveraged loans and securities as the basis for reporting these assets for deposit insurance assessment purposes in Schedule DI, items DI590 and DI591. Institutions that do not have an existing methodology in place to identify subprime consumer or leveraged loans and securities (because they are not required to report on these exposures to their primary federal regulator for examination or other supervisory purposes or did not measure and monitor loans and securities with these characteristics for internal risk management purposes) may, as an alternative to applying the definitions in the FDIC's assessment regulations to pre-April 1, 2012, loans and securities, apply existing guidance provided by their primary federal regulator, the agencies' 2001 Expanded Guidance for Subprime Lending Programs,¹² or the February 2008 Comptroller's Handbook on Leveraged Lending¹³ for purposes of identifying subprime consumer and leveraged loans originated or purchased prior to April 1, 2012, and subprime consumer and leveraged securities where the underlying loans were originated predominately prior to April 1, 2012. All loans originated on or after April 1, 2012, must be reported according to definitions of these asset categories set forth in the FDIC's assessment regulations and these instructions.

For loans purchased on or after April 1, 2012, institutions may apply this transition guidance to loans originated prior to that date. Loans purchased on or after April 1, 2012, that also were originated on or after that date must be reported as subprime or leveraged according to the definitions of these asset categories set forth in the FDIC's assessment regulations and these instructions.

Amounts Guaranteed or Insured by the U.S. Government, its Agencies, or its Government-Sponsored Agencies – The instructions for Schedule VA, items VA960-VA975 and DI589-DI591, DI593, DI594; and, DI596-DI602, refer to amounts recoverable from, or guaranteed or insured by, the U.S. government, its agencies, or government-sponsored agencies under guarantee or insurance provisions. Examples include guarantees or insurance (or reinsurance) provided by the Department of Veterans Affairs, the Federal Housing Administration, the Small Business Administration (SBA), the Department of Agriculture Rural Development Loan Program, and the Department of Education for individual loans as well as coverage provided by the FDIC under loss-sharing agreements. For loan securitizations and securities, examples include those guaranteed by the Government National Mortgage Association, the Federal National Mortgage Association (Fannie Mae), and the Federal Home Loan Mortgage Corporation (Freddie Mac) as well as SBA Guaranteed Loan Pool Certificates and securities covered by FDIC loss-sharing agreements. However, if an institution holds securities backed by mortgages it has transferred to Fannie Mae or Freddie Mac with recourse or other transferor-provided credit enhancements, these securities should not be considered guaranteed to the extent of the institution's maximum contractual credit exposure arising from the credit enhancements. NOTE: Because certain information on coverage under FDIC loss-sharing agreements is reported elsewhere in the Consolidated Statement of Condition

¹¹ The definitions for subprime consumer and leveraged loans included in these instructions are essentially the same as the definitions for subprime consumer and leveraged loans included in the FDIC's assessment regulations (12 CFR Part 327). However, to assist institutions in properly identifying subprime consumer and leveraged loans for reporting in Schedule DI and deposit insurance pricing purposes, certain clarifications to the definitions in the assessment regulations have been included in these instructions to facilitate the identification of subprime consumer and leveraged loans for deposit for assessment reporting purposes.

¹² <http://www.fdic.gov/news/news/press/2001/pr0901a.html>

¹³ <http://www.occ.gov/static/publications/handbook/LeveragedLending.pdf>

and the Consolidated Statement of Operations, the treatment of FDIC loss-sharing agreements varies in items found in Schedule VA960-VA975 and DI589-DI591, DI593, DI594; and, DI596-DI602.

NOTE: Schedule VA, items VA960-VA975 and Schedule DI, items DI589-DI595 are to be completed by “large institutions.”

CRITICIZED AND CLASSIFIED ITEMS

Reference Schedule VA Instructions for items: VA960, VA965, VA970, and VA975.

DI589: “NONTRADITIONAL 1- 4 FAMILY RESIDENTIAL MORTGAGE LOANS (IN DOMESTIC OFFICES)” AS DEFINED FOR ASSESSMENT PURPOSES ONLY IN FDIC REGULATIONS

Report the balance sheet amount of nontraditional 1-4 family residential mortgage loans (in domestic offices), as defined for assessment purposes only in Appendix C to subpart A to Part 327 of the FDIC’s regulations, which includes all 1-4 family residential loan products that allow the borrower to defer repayment of principal or interest and includes all interest-only products, teaser rate mortgages, and negative amortizing mortgages, with the exception of home equity lines of credit and reverse mortgages. Nontraditional mortgage loans do not include loans reported as trading assets in Schedule SI, conventional fully amortizing adjustable rate mortgage loans that do not have a teaser rate, and interest-only residential construction loans, but include conventional fully amortizing adjustable rate mortgage loans that have a teaser rate.

A teaser-rate mortgage loan is defined for assessment purposes as a mortgage with a discounted initial rate. A discounted initial rate is an effective interest rate at the time of origination or refinance that is less than the rate the bank is willing to accept for an otherwise similar extension of credit with comparable risk.¹⁴ A mortgage loan is no longer considered a nontraditional mortgage once the teaser rate has expired, or in the case of an escalating interest rate, once the rate is no longer discounted and the borrower is making full principal and interest payments (has not been granted any principal and interest concessions). Nontraditional mortgage loans can be reclassified as traditional loans once they become fully amortizing loans, provided they no longer have a teaser rate.

Nontraditional 1-4 family residential mortgage loans as defined for assessment purposes also include securitizations where more than 50 percent of the assets backing the securitization meet one or more of the preceding criteria for nontraditional 1-4 family residential mortgage loans, with the exception of those securities reported as “trading assets” in Schedule SI.

The amount to be reported in this item for nontraditional mortgage loans should include purchased credit impaired loans as defined in ASC Subtopic 310-30, Receivables – Loans and Debt Securities Acquired with Deteriorated Credit Quality (formerly AICPA Statement of Position 03-3, “Accounting for Certain Loans or Debt Securities Acquired in a Transfer”), provided they meet the characteristics of nontraditional as described above. The amount to be reported in this item should exclude amounts recoverable on nontraditional mortgage loans from the U.S. government, its agencies, or its government-sponsored agencies, under guarantee or insurance provisions, including FDIC loss-sharing agreements.

¹⁴ The discount rate is a short-term subsidy on a loan rate. If the rate is below market rates, it is likely discounted or subsidized.

DI590: “SUBPRIME CONSUMER LOANS” AS DEFINED FOR ASSESSMENT PURPOSES ONLY IN FDIC REGULATIONS

Report the balance sheet amount of subprime consumer loans as defined for assessment purposes only in Appendix C to Subpart A to Part 327 of the FDIC’s regulations, excluding subprime consumer loans that have been reported as nontraditional 1-4 family residential mortgage loans in DI589 above. For assessment purposes, subprime consumer loans are loans secured by 1-4 family residential properties (as defined for Schedule SC, items SC251, SC254, and SC255) and loans to individuals for household, family, and other personal expenditures (as defined for Schedule SC, items SC328, SC330, SC323, SC310, SC316, SC320, and SC326) that have been made to borrowers who display one or more of the following credit risk characteristics at origination or upon refinancing, whichever is more recent:

- Two or more 30-day delinquencies in the last 12 months, or one or more 60-day delinquencies in the last 24 months;
- Judgment, foreclosure, repossession, or charge-off in the prior 24 months;
- Bankruptcy in the last 5 years; or
- Debt service-to-income ratio of 50 percent or greater, or otherwise limited ability to cover family living expenses after deducting total monthly debt-service requirements from monthly income.¹⁵

For assessment purposes, subprime consumer loans also include loans identified by an insured depository institution as subprime loans based upon similar borrower characteristics and securitizations where more than 50 percent of assets backing the securitization meet one or more of the preceding criteria for subprime loans, excluding those securities reported as trading assets in Schedule SI.

The amount to be reported in this item for subprime consumer loans should include purchased credit impaired loans as defined in ASC Subtopic 310-30, Receivables – Loans and Debt Securities Acquired with Deteriorated Credit Quality (formerly AICPA Statement of Position 03-3, “Accounting for Certain Loans or Debt Securities Acquired in a Transfer”), provided they meet the characteristics of subprime above.

The amount to be reported in this item should exclude consumer loans reported as trading assets in Schedule SI and amounts recoverable on subprime consumer loans from the U.S. government, its agencies, or its government-sponsored agencies, under guarantee or insurance provisions, including FDIC loss-sharing agreements.

DI591: “LEVERAGED LOANS AND SECURITIES” AS DEFINED FOR ASSESSMENT PURPOSES ONLY IN FDIC REGULATIONS

Report the balance sheet amount plus the unfunded amount of leveraged loans and securities as defined for assessment purposes only in Appendix C to Subpart A to Part 327 of the FDIC’s regulations. For assessment purposes, leveraged loans and securities include:

¹⁵ <http://www.fdic.gov/news/news/press/2001/pr0901a.html>; however, the definition of subprime consumer loans in the FDIC’s assessment regulations and in these instructions for this item excludes any reference to FICO or other credit bureau scores.

DI594: AMOUNT OF OTHER REAL ESTATE OWNED RECOVERABLE FROM THE U.S. GOVERNMENT UNDER GUARANTEE OF INSURANCE PROVISIONS (EXCLUDING FDIC LOSS-SHARING AGREEMENTS)

Report the amount of other real estate owned (as defined in Schedule SI, SI789-SI793, and foreclosed properties from "GNMA loans") that is recoverable from the U.S. government, its agencies or its government-sponsored agencies, under guarantee or insurance provisions, excluding any other real estate owned that is covered under FDIC loss-sharing agreements.

Exclude other real estate owned that is protected under guarantee or insurance provisions by state or local governments, state or local government agencies, foreign (non-U.S.) governments, and private agencies or organizations.

DI595: NONBROKERED TIME DEPOSITS OF MORE THAN \$250,000 (INCLUDED IN DI352)

Report the amount of nonbrokered time deposits of more than \$250,000 included in Schedule DI, item DI352 that are not brokered deposits.

DI596-DI602: PORTION OF FUNDED LOANS GUARANTEED OR INSURED BY THE U.S. GOVERNMENT (EXCLUDING FDIC LOSS-SHARING AGREEMENTS)

Report in the appropriate subitem the portion of the balance sheet amount of funded loans that is guaranteed or insured by the U.S. government, including its agencies and its government-sponsored agencies, other than by the FDIC under loss-sharing agreements.

Exclude loans guaranteed or insured by state or local governments, state or local government agencies, foreign (non-U.S.) governments, and private agencies or organizations as well as loans collateralized by securities issued by the U.S. government, including its agencies and its government-sponsored agencies.

DI596: CONSTRUCTION, LAND DEVELOPMENT, AND OTHER LAND LOANS (IN DOMESTIC OFFICES)

Report the portion of the balance sheet amount of construction, land development, and other land loans (in domestic offices) (as defined for Schedule SC, items SC230, SC235, SC240, and SC265) that is guaranteed or insured by the U.S. government, including its agencies and its government-sponsored agencies, other than by the FDIC under loss-sharing agreements.

DI597: LOANS SECURED BY MULTIFAMILY RESIDENTIAL AND NONFARM NONRESIDENTIAL PROPERTIES (IN DOMESTIC OFFICES)

Report the portion of the balance sheet amount of loans secured by multifamily (5 or more) residential properties and loans secured by nonfarm nonresidential properties (in domestic offices) (as defined for Schedule SC, item SC256 and nonfarm property included in item SC260, respectively) that is guaranteed or insured by the U.S. government, including its agencies and its government-sponsored agencies, other than by the FDIC under loss-sharing agreements.

DI598: CLOSED-END LOANS SECURED BY FIRST LIENS ON 1-4 FAMILY RESIDENTIAL PROPERTIES (IN DOMESTIC OFFICES)

Report the portion of the balance sheet amount of closed-end loans secured by first liens on 1-4 family residential properties (in domestic offices) (as defined for Schedule SC, item SC254) that is guaranteed or insured by the U.S. government, including its agencies and its government-sponsored agencies, other than by the FDIC under loss-sharing agreements.

DI599: CLOSED-END LOANS SECURED BY JUNIOR LIENS ON 1-4 FAMILY RESIDENTIAL PROPERTIES AND REVOLVING, OPEN-END LOANS SECURED BY 1-4 FAMILY RESIDENTIAL PROPERTIES AND EXTENDED UNDER LINES OF CREDIT (IN DOMESTIC OFFICES)

Report the portion of the balance sheet amount of closed-end loans secured by junior liens on 1-4 family residential properties revolving, open-end loans secured by 1-4 family residential properties and extended under lines of credit (in domestic offices) (as defined for Schedule SC, item SC255 and SC, item SC251, respectively) that is guaranteed or insured by the U.S. government, including its agencies and its government-sponsored agencies, other than by the FDIC under loss-sharing agreements.

DI600: COMMERCIAL AND INDUSTRIAL LOANS

Report the portion of the balance sheet amount of commercial and industrial loans (as defined for Schedule SC, items SC300-SC303) that is guaranteed or insured by the U.S. government, including its agencies and its government-sponsored agencies, other than by the FDIC under loss-sharing agreements.

DI601: CREDIT CARD LOANS TO INDIVIDUALS FOR HOUSEHOLD, FAMILY, AND OTHER PERSONAL EXPENDITURES

Report the portion of the balance sheet amount of credit card loans to individuals for household, family, and other personal expenditures (as defined for Schedule SC, item SC328) that is guaranteed or insured by the U.S. government, including its agencies and its government-sponsored agencies, other than by the FDIC under loss-sharing agreements.

DI602: OTHER CONSUMER LOANS (INCLUDES OTHER REVOLVING CREDIT PLANS, AUTOMOBILE LOANS, SINGLE PAYMENT, INSTALLMENT, AND ALL STUDENT LOANS)

Report the portion of the balance sheet amount of other consumer loans (as defined for Schedule SC, items SC310, SC316, SC320, SC326, and SC330) that is guaranteed or insured by the U.S. government, including its agencies and its government-sponsored agencies, other than by the FDIC under loss-sharing agreements.

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.

TRADING ASSETS, LIABILITIES, AND OTHER DATA ITEMS

Savings associations that are defined as large institutions as defined in the 12 C.F.R. 327.8(h) of the FDIC Regulations or report \$10 billion or more in total assets in their June 30, 2011, or subsequent TFR must provide data on the fair value of trading assets and liabilities included in various balance sheet assets and liability categories reported in TFR Schedule SC in items SI301-SI331 below as follows: TRADING ASSETS (SI301-SI329), TRADING LIABILITIES (SI331), and OTHER DATA ITEMS (SI332-SI342).

Trading activities typically include (a) regularly underwriting or dealing in securities; interest rate, foreign exchange rate, commodity, equity and credit derivative contracts; other financial instruments; and other assets for resale, (b) acquiring or taking positions in such items principally for the purpose of selling in the near term or otherwise with the intent to resell in order to profit from short-term price movements, and (c) acquiring or taking positions in such items as an accommodation to customers or for other trading purposes.

Pursuant to ASC Subtopic 825-10, Financial Instruments (formerly FASB Statement No. 159,

“The Fair Value Option for Financial Assets and Financial Liabilities”), – Overall all securities within the scope of ASC Topic 320, Investments – Debt and Equity Securities (formerly FASB Statement No. 115,

“Accounting for Certain Investments in Debt and Equity Securities”), that a savings association has elected to report at fair value under a fair value option (with changes in fair value reported in current earnings) should be classified as trading securities. In addition, for purposes of these reports, savings associations may classify assets (other than securities within the scope of ASC Topic 320) and liabilities as trading if the savings association applies fair value accounting (with changes in fair value reported in current earnings) and manages these assets and liabilities as trading positions, subject to the controls and applicable regulatory guidance related to trading activities.

For example, a savings association would generally not classify a loan to which it has applied the fair value option as a trading asset unless the savings association holds the loan, which it manages as a trading position, for one of the following purposes: (a) for market making activities, including such activities as accumulating loans for sale or securitization; (b) to benefit from actual or expected price movements; or (c) to lock in arbitrage profits. When reporting loans classified as trading in Schedule SI, savings associations should include only the fair value of the funded portion of the loan in this schedule.

If the unfunded portion of the loan, if any, is classified as trading (and does not meet the definition of a derivative), the fair value of the commitment to lend should be reported as an “Other trading asset” or an “Other trading liability,” as appropriate, in Schedule SI, item SI329 or item SI331, respectively.

Assets, liabilities, and other financial instruments classified as trading shall be consistently valued at fair value.

Exclude from this schedule all available-for-sale securities and all loans and leases that do not satisfy the criteria for classification as trading as described above. (Also see the FFIEC Call Report Instructions – Glossary entry for “trading account.”). Loans and leases that do not satisfy the criteria for the trading account should not be reported in Schedule SI.

TRADING ASSETS

SI301: Other Interest-Earning Deposits (line item SC118)

Report the total fair value of interest-earning checking accounts and time certificates held with depository institutions held for trading.

SI302: Federal Funds Sold and Securities Purchased Under Agreements to Resell (line item SC125)

Report the total fair value of Federal Funds Sold and Securities Purchased Under Agreements to Resell held for trading.

SI303: U.S. Government, Agency, and Sponsored Enterprise Securities (line item SC130)

Report the total fair value of nonmortgage debt instruments issued by the U.S. Government, its agencies and sponsored enterprises held for trading. Exclude mortgage-backed securities.

SI304: Equity Securities Carried at Fair Value (line item SC140)

Report the total fair value of all investments in equity securities held for trading.

SI305: State and Municipal Obligations (line item SC180)

Report the total fair value of debt securities issued by states and political subdivisions in the United States local governments held for trading.

SI306: Securities Backed by Nonmortgage Loans (line item SC182)

Report the total fair value of the outstanding balance, as determined in accordance with GAAP, of all securities collateralized by nonmortgage loans such as credit card loans and auto loans held for trading.

SI307: Other Investment Securities (line item SC185)

Report the total fair value of investment securities and other instruments not reported on SC110 through SC182 or SC510 or SC540 held for trading.

SI308: Other Pass-Through Mortgage-Backed Securities (line item SC215).

Report the total fair value of mortgage pass-through securities that are not insured or guaranteed by an agency or sponsored enterprise of the U.S. held for trading.

SI309: Other Mortgage-Backed Securities (line item SC222).

Report the total fair value of all other mortgage-backed securities not reported on SC210 through SC219 held for trading.

SI312: Other Mortgage-Backed Securities (Excluding Bonds) Issued or Guaranteed by U. S. Government Agencies or Sponsored Agencies (line item SC219)

Report the total fair value of all residential mortgage pass-through securities issued or guaranteed by and securitized mortgage derivatives that are collateralized by mortgage derivatives issued by U. S. Government Agencies or Sponsored Agencies that are held for trading.¹⁹

SI313: Mortgage-Backed Securities Other Than the Two Preceding Categories (line items SC210 and SC217)

Report the total fair value of mortgage pass-through securities insured or guaranteed by an agency or sponsored enterprise of the U.S. and securitized mortgage derivatives issued or guaranteed held for trading.¹⁶

SI314: Construction Loans (line items SC230, SC235, and SC240)

Report the total fair value of all construction, land development, and other land loans held for trading.

SI315: Revolving Open-End Loans on 1-4 Family Residential Properties (line item SC251)

Report the total fair value of revolving, open-end loans secured by 1-4 family residential properties and extended under lines of credit held for trading.

SI316: Loans Secured By First Liens on 1-4 Family Residential Properties (line item SC254)

Report the total fair value of the outstanding balance of closed-end loans secured by first liens on 1-4 family residential properties held for trading.

SI317: Loans Secured By Junior Liens on 1-4 Family Residential Properties (line item SC255)

Report the total fair value of the outstanding balance of closed-end loans secured by junior liens on 1-4 family residential properties held for trading.

SI318: Real Estate Loans on Multifamily (5 or more) Dwelling Units (line item SC256)

Report the total fair value of loans secured by multifamily (5 or more) residential properties held for trading.

¹⁹ U. S. Government agencies include, but are not limited to, such agencies as the Government Mortgage Association (GNMA), the Federal Deposit Insurance Corporation (FDIC) and the National Credit Union Administration (NCUA). U.S. Government-sponsored agencies include, but are not limited to, such agencies as the Federal Home Loan Mortgage Corporation (FHLMC) and the Federal National Mortgage Association (FNMA).

SI319: Real Estate Loans on Nonresidential Property (Except Land) – Only Loans Secured by Nonfarm Nonresidential Properties (line item SC260)

Report the total fair value of loans secured by nonfarm nonresidential properties held for trading.

SI321: Real Estate Loans on Nonresidential Property (Except Land) – Only Loans Secured by Farmland (line item SC260)

Report the total fair value of the outstanding balance of all loans secured by farmland held for trading.

SI322: Loans Secured by Land (line item SC265)

Report the total fair value of the outstanding balance of all loans secured by land held for trading.

SI323: Commercial Loans (Except Loans to Finance Agricultural Production and Other Loans to Farmers) (line item SC32)

Report the total fair value of the outstanding balance of all loans secured by Commercial Loans (except loans to finance agricultural production and other loans to farmers) held for trading.

SI324: Loans to Finance Agricultural Production and Other Loans To Farmers (line item SC32)

Report the total fair value of the outstanding balance of loans to finance agricultural production and Other Loans to Farmers held for trading.

SI325: Credit Cards (line item SC328)

Report the total fair value of all extensions of credit to individuals for household, family, and other personal expenditures held for trading.

SI326: Other Consumer Loans (line items SC310, SC316, SC320, SC323, SC326 and SC330)

Report the total fair value of all extensions of credit to individuals for household, family, and other personal expenditures arising from prearranged overdraft plans and other revolving credit plans not accessed by credit cards held for trading.

SI327: Other Equity Investments Not Carried at Fair Value (line item SC540)

Report the total fair value of investments in unconsolidated subordinate organizations and other pass-through investments held for trading.

SI328: Interest-Only Strip Receivables and Certain Other Instruments (line item SC665)

Report the total fair value of certain nonsecurity financial instruments (CNFIs) accounted for at fair value like investments in debt securities classified as available-for-sale or trading held for trading.

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.

Brokered Deposits

Brokered deposits represent funds which the reporting bank obtains, directly or indirectly, by or through any deposit broker for deposit into one or more deposit accounts. Thus, brokered deposits include both those in which the entire beneficial interest in a given bank deposit account or instrument is held by a single depositor and those in which the deposit broker sells participations in a given bank deposit account or instrument to one or more investors.

Fully insured brokered deposits are brokered deposits that are issued in denominations of \$100,000 or less or that are issued in denominations greater than \$100,000 and participated out by the deposit broker in shares of \$100,000 or less. Fully insured brokered deposits also include brokered deposits that represent retirement deposit accounts (as defined in Schedule RC-O, Memorandum item 1) eligible for \$250,000 in deposit insurance coverage that (a) are issued in denominations of more than \$100,000 through \$250,000 or (b) are shares of more than \$100,000 through \$250,000 participated out by the deposit broker in brokered deposits issued in denominations greater than \$100,000.

For purposes of the Thrift Financial Report ("TFR"), the term deposit broker includes:

- (1) any person engaged in the business of placing deposits, or facilitating the placement of deposits, of third parties with insured depository institutions or the business of placing deposits with insured depository institutions for the purpose of selling interests in those deposits to third parties, and
- (2) an agent or trustee who establishes a deposit account to facilitate a business arrangement with an insured depository institution to use the proceeds of the account to fund a prearranged loan.

The term deposit broker does not include:

- (1) an insured depository institution, with respect to funds placed with that depository institution;
- (2) an employee of an insured depository institution, with respect to funds placed with the employing depository institution;
- (3) a trust department of an insured depository institution, if the trust in question has not been established for the primary purpose of placing funds with insured depository institutions;
- (4) the trustee of a pension or other employee benefit plan, with respect to funds of the plan;
- (5) a person acting as a plan administrator or an investment adviser in connection with a pension plan or other employee benefit plan provided that that person is performing managerial functions with respect to the plan;
- (6) the trustee of a testamentary account;
- (7) the trustee of an irrevocable trust (other than a trustee who establishes a deposit account to facilitate a business arrangement with an insured depository institution to use the proceeds of the account to fund a prearranged loan), as long as the trust in question has not been established for the primary purpose of placing funds with insured depository institutions;
- (8) a trustee or custodian of a pension or profit-sharing plan qualified under Section 401(d) or 430(a) of the Internal Revenue Code of 1986; or
- (9) an agent or nominee whose primary purpose is not the placement of funds with depository institutions. (For purposes of applying this ninth exclusion from the definition of deposit broker, "primary purpose" does not mean "primary activity," but should be construed as "primary intent.")

Notwithstanding these nine exclusions, the term deposit broker (as amended on September 23, 1994, by the Riegle Community Development and Regulatory Improvement Act of 1994) includes any insured depository institution that is not well capitalized (as defined in Section 38 of the Federal Deposit Insurance Act, Prompt Corrective Action), and any employee of such institution, which engages, directly or indirectly, in the solicitation of deposits by offering rates of interest which are significantly higher than the prevailing rates of interest on deposits offered by other insured depository institutions in such

depository institution's normal market area.²⁶ For purposes of these reports, only those deposits accepted, renewed, or rolled over on or after June 16, 1992, in connection with this form of deposit solicitation are to be reported as brokered deposits. For further information, see Section 337.6(b) of the FDIC's Rules and Regulations.

In addition, deposit instruments of the reporting savings association that are sold to brokers, dealers, or underwriters (including both bank affiliates of the reporting bank and nonbank subsidiaries of the reporting savings associations' parent holding company) who then reoffer and/or resell these deposit instruments to one or more investors, regardless of the minimum denomination which the investor must purchase, are considered brokered deposits.

In some cases, brokered deposits are issued in the name of the depositor whose funds have been placed in a bank by a deposit broker. In other cases, a bank's deposit account records may indicate that the funds have been deposited in the name of a third party custodian for the benefit of others (e.g., "XYZ Corporation as custodian for the benefit of others," or "Custodial account of XYZ Corporation"). Unless the custodian meets one of the specific exemptions from the "deposit broker" definition in Section 29 of the Federal Deposit Insurance Act and this Glossary entry, these custodial accounts should be reported as brokered deposits in Schedule DI, Deposit Liabilities.

A deposit listing service whose only function is to provide information on the availability and terms of accounts is not facilitating the placement of deposits and therefore is not a deposit broker per se. However, if a deposit broker uses a deposit listing service to identify an institution offering a high rate on deposits and then places its customers' funds at that institution, the deposits would be brokered deposits and the institution should report them as such in Schedule RC-E. The designation of these deposits as brokered deposits is based not on the broker's use of the listing service but on the placement of the deposits in the institution by the 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.

²⁶ Any deposit accepted, renewed, or rolled over by a well capitalized institution before September 23, 1994, in connection with this form of deposit solicitation should continue to be reported as a brokered deposit as long as the deposit remains outstanding under the terms in effect before September 23, 1994. Notwithstanding the amendment to the "deposit broker" definition, all institutions that obtain deposits, directly or indirectly, by or through any other deposit broker must report such funds as brokered deposits in the Report of Condition.

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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.
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- (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.

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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

The basic statutory and regulatory definitions of "deposits" are contained in Section 3(l) of the Federal Deposit Insurance Act (FDI Act) and in Federal Reserve Regulation D. The definitions in these two legal sources differ in certain respects. Furthermore, for purposes of these reports, the reporting standards for deposits specified in these instructions do not strictly follow the precise legal definitions in these two sources. The definitions of deposits to be reported in the deposit items of the Consolidated Statement of Condition and Operations Reports ("TFR") are discussed below under the following headings:

(I) FDI Act definition of deposits.

(II) Transaction-nontransaction deposit distinction.

(III) Interest-bearing-noninterest-bearing deposit distinction.

(I) FDI Act definition of deposits – Section 3(l) states that the term "deposit" means –

- (1) the unpaid balance of money or its equivalent received or held by a bank or savings association in the usual course of business and for which it has given or is obligated to give credit, either conditionally or unconditionally, to a commercial, checking, savings, time, or thrift account, or which is evidenced by its certificate of deposit, thrift certificate, investment certificate, certificate of indebtedness, or other similar name, or a check or draft drawn against a deposit account and certified by the bank or savings association, or a letter of credit or a traveler's check on which the bank or savings association is primarily liable: Provided, that, without limiting the generality of the term "money or its equivalent", any such account or instrument must be regarded as evidencing the receipt of the equivalent of money when credited or issued in exchange for checks or drafts or for a promissory note upon which the person obtaining any such credit or instrument is primarily or secondarily liable, or for a charge against a deposit account, or in settlement of checks, drafts, or other instruments forwarded to such bank or savings association for collection,
- (2) trust funds as defined in this Act received or held by such bank or savings association, whether held in the trust department or held or deposited in any other department of such bank or savings association,
- (3) money received or held by a bank or savings association, or the credit given for money or its equivalent received or held by a bank or savings association, in the usual course of business for a special or specific purpose, regardless of the legal relationship thereby established, including without being limited to, escrow funds, funds held as security for an obligation due to the bank or savings association or others (including funds held as dealers reserves) or for securities loaned by the bank or savings association, funds deposited by a debtor to meet maturing obligations, funds deposited as advance payment on subscriptions to United States Government securities, funds held for distribution or purchase of securities, funds held to meet its acceptances or letters of credit, and withheld taxes: Provided, That there shall not be included funds which are received by the bank or savings association for immediate application to the reduction of an indebtedness to the receiving bank or savings association, or under condition that the receipt thereof immediately reduces or extinguishes such an indebtedness,
- (4) outstanding draft (including advice or authorization to charge a bank's or a savings association's balance in another bank or savings association), cashier's check, money order, or other officer's check issued in the usual course of business for any purpose, including without being limited to those issued in payment for services, dividends, or purchases, and
- (5) such other obligations of a bank or savings association as the Board of Directors, after consultation with the Comptroller of the Currency, and the Board of Governors of the Federal Reserve System, shall find and prescribe by regulation to be deposit liabilities by general usage, except that the following shall not be a deposit for any of the purposes of this Act or be included as part of the total deposits or of an insured deposit:

- (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; and
- (C) any liability of an insured depository institution that arises under an annuity contract, the income of which is tax deferred under section 72 of the Internal Revenue Code of 1986.
- (II) **Transaction-nontransaction deposit distinction:** The Monetary Control Act of 1980 and the current Federal Reserve Regulation D, "Reserve Requirements of Depository Institutions," establish, for purposes of federal reserve requirements on deposit liabilities, a category of deposits designated as "transaction accounts." All deposits that are not transaction accounts are "nontransaction accounts."
- (1) Transaction accounts -- With the exceptions noted below, a "transaction account," as defined in Regulation D and in these instructions, is a deposit or account from which the depositor or account holder is permitted to make transfers or withdrawals by negotiable or transferable instruments, payment orders of withdrawal, telephone transfers, or other similar devices for the purpose of making payments or transfers to third persons or others or from which the depositor may make third party payments at an automated teller machine (ATM), a remote service unit (RSU), or another electronic device, including by debit card.
- Excluded from transaction accounts are savings deposits (both money market deposit accounts (MMDAs) and other savings deposits) as defined below in the nontransaction account category, even though such deposits permit some third-party transfers. However, an account that otherwise meets the definition of a savings deposit but that authorizes or permit the depositor to exceed the transfer limitations specified for that account shall be reported as a transaction account. (Please refer to the definition of savings deposits for further detail.)
- NOTE: Under the Federal Reserve's current Regulation D, no transaction account, regardless of its other characteristics, is classified either as a savings deposit or as a time deposit. Thus, those transaction accounts that are not demand deposits – NOW accounts, ATS (Automatic Transfer Service) accounts, and telephone and preauthorized transfer accounts – are excluded from Regulation D time and savings deposits. For all items in the TFR involving time or savings deposits, a strict distinction, based on Regulation D definitions, is to be maintained between transaction accounts and time and savings accounts.
- Transaction accounts consist of the following types of deposits: (a) demand deposits; (b) NOW accounts; (c) ATS accounts; and (d) telephone and preauthorized transfer accounts, all as defined below. Interest that is paid by the crediting of transaction accounts is also included in transaction accounts.
- (a) Demand deposits are deposits that are payable immediately on demand, or that are issued with an original maturity or required notice period of less than seven days, or that represent funds for which the depository institution does not reserve the right to require at least seven days' written notice of an intended withdrawal. Demand deposits include any matured time deposits without automatic renewal provisions, unless the deposit agreement provides for the funds to be transferred at maturity to another type of account. Effective July 21, 2011, demand deposits may be interest-bearing or noninterest-bearing.

Demand deposits do not include: (i) money market deposit accounts (MMDAs) or (ii) NOW accounts, as defined below in this entry.

- (b) NOW accounts are interest-bearing deposits (i) on which the depository institution has reserved the right to require at least seven days' written notice prior to withdrawal or transfer of any funds in the account and (ii) that can be withdrawn or transferred to third parties by issuance of a negotiable or transferable instrument.

NOW accounts, as authorized by federal law, are limited to accounts held by:

- (i) Individuals or sole proprietorships;
- (ii) Organizations that are operated primarily for religious, philanthropic, charitable, educational, or other similar purposes and that are not operated for profit. These include organizations, partnerships, corporations, or associations that are not organized for profit and are described in section 501(c)(3) through (13) and (19) and section 528 of the Internal Revenue Code, such as church organizations; professional associations; trade associations; labor unions; fraternities, sororities and similar social organizations; and nonprofit recreational clubs; or
- (iii) Governmental units including the federal government and its agencies and instrumentalities; state governments; county and municipal governments and their political subdivisions; the District of Columbia; the Commonwealth of Puerto Rico, American Samoa, Guam, and any territory or possession of the United States and their political subdivisions.

Also included are the balances of all NOW accounts of certain other nonprofit organizations that may not fall within the above description but that had established NOW accounts with the reporting institution prior to September 1, 1981.

NOTE: There are no regulatory requirements with respect to minimum balances to be maintained in a NOW account or to the amount of interest that may be paid on a NOW account.

- (c) ATS accounts are deposits or accounts of individuals or sole proprietorships on which the depository institution has reserved the right to require at least seven days' written notice prior to withdrawal or transfer of any funds in the account and from which, pursuant to written agreement arranged in advance between the reporting institution and the depositor, withdrawals may be made automatically through payment to the depository institution itself or through transfer of credit to a demand deposit or other account in order to cover checks or drafts drawn upon the institution or to maintain a specified balance in, or to make periodic transfers to, such other accounts.

Some institutions may have entered into agreements with their customers providing that in the event the customer should overdraw a demand deposit (checking) or NOW account, the institution will transfer from that customer's savings account an amount sufficient to cover the overdraft. The availability of the overdraft protection plan would not in and of itself require that such a savings account be regarded as a transaction account provided that the overall transfer and withdrawal restrictions of a savings deposits are not exceeded. Please refer to the definition of savings deposit for further detail.

- (2) Nontransaction accounts – All deposits that are not transaction accounts (as defined above) are nontransaction accounts. Nontransaction accounts include: (a) savings deposits ((i) money market deposit accounts (MMDAs) and (ii) other savings deposits) and (b) time deposits ((i) time certificates of deposit and (ii) time deposits, open account). Regulation D no longer distinguishes between money market deposit accounts (MMDAs) and other savings deposits. However, these two types of accounts are defined below for purposes of the TFR, which call for separate data on each in Schedule DI, line items DI330: Passbook Accounts (including Nondemand Escrows) and DI320: Money Market Deposit Accounts.

NOTE: Under the Federal Reserve's current Regulation D, no transaction accounts, regardless of other characteristics, are defined as savings or time deposits. Thus, savings deposits as defined here, under the heading nontransaction accounts, constitute the entire savings deposit category. Likewise, time deposits, also defined here under nontransaction accounts, constitute the entire time deposits category.

- (a) Passbook Accounts (or savings deposit account) are deposits with respect to which the depositor is not required by the deposit contract but may at any time be required by the depository institution to give written notice of an intended withdrawal not less than seven days before withdrawal is made, and that is not payable on a specified date or at the expiration of a specified time after the date of deposit.

The term Passbook Account also means a deposit or account, such as an account commonly known as a passbook savings account, a statement savings account, or a money market deposit account (MMDA), that otherwise meets the requirements of the preceding paragraph and from which, under the terms of the deposit contract or by practice of the depository institution, the depositor is permitted or authorized to make no more than six transfers and withdrawals, or a combination of such transfers and withdrawals, per calendar month or statement cycle (or similar period) of at least four weeks, to another account (including a transaction account) of the depositor at the same institution or to a third party by means of a preauthorized or automatic transfer, or telephonic (including data transmission) agreement, order, or instruction, and no more than three of the six such transfers may be made by check, draft, debit card, or similar order made by the depositor and payable to third parties. Transfers from savings deposits for purposes of covering overdrafts (overdraft protection plans) are included under the withdrawal limits specified for savings deposits.

There are no regulatory restrictions on the following types of transfers or withdrawals from a savings deposit account, regardless of the number:

- (1) Transfers for the purpose of repaying loans and associated expenses at the same depository institution (as originator or servicer).
- (2) Transfers of funds from this account to another account of the same depositor at the same institution when made by mail, messenger, automated teller machine, or in person.
- (3) Withdrawals for payment directly to the depositor when made by mail, messenger, automated teller machine, in person, or by telephone (via check mailed to the depositor).

Further, for a savings deposit account, no minimum balance is required by regulation, there is no regulatory limitation on the amount of interest that may be paid, and no minimum maturity is required (although depository institutions must reserve the right to require at least seven days' written notice prior to withdrawal as stipulated above for a savings deposit).

Any depository institution may place restrictions and requirements on savings deposits in addition to those stipulated above. In the case of such further restrictions, the account would still be reported as a savings deposit.

On the other hand, an account that otherwise meets the definition of a savings deposit but that authorizes or permits the depositor to exceed the six-transfer/withdrawal rule or three-draft rule shall be reported as a transaction account, as follows:

- (1) If the depositor is ineligible to hold a NOW account, such an account is considered a demand deposit.
- (2) If the depositor is eligible to hold a NOW account, the account will be considered either a NOW account, a telephone or preauthorized transfer account, or an ATS account:

- (a) If withdrawals or transfers by check, draft, or similar instrument are permitted or authorized, the account is considered a NOW account.
- (b) If withdrawals or transfers by check, draft, or similar instrument are not permitted or authorized, the account is considered either an ATS account or a telephone or preauthorized transfer account.

Regulation D no longer distinguishes between money market deposit accounts (MMDAs) and other savings deposits. However, these two types of accounts are defined as follows for purposes of these reports, which call for separate data on each.

- (1) Money Market deposit accounts (MMDAs) are deposits or accounts that meet the above definition of a savings deposit that permit up to (but no more than) three of the six allowable transfers to be made by check, draft, debit card or similar order made by the depositor and payable to third parties.
- (2) Other savings deposits are deposits or accounts that meet the above definition of a savings deposit but that permit no transfers by check, draft, debit card, or similar order made by the depositor and payable to third parties. Other savings deposits are commonly known as passbook savings or statement savings accounts.

Examples illustrating distinctions between MMDAs and other savings deposits for purposes of these reports are provided at the end of this Glossary entry.

- (b) Time deposits are deposits that the depositor does not have a right, and is not permitted, to make withdrawals from within six days after the date of deposit unless the deposit is subject to an early withdrawal penalty of at least seven days' simple interest on amounts withdrawn within the first six days after deposit. A time deposit from which partial early withdrawals are permitted must impose additional early withdrawal penalties of at least seven days' simple interest on amounts withdrawn within six days after each partial withdrawal. If such additional early withdrawal penalties are not imposed, the account ceases to be a time deposit. The account may become a savings deposit if it meets the requirements for a savings deposit; otherwise it becomes a demand deposit.

NOTE: The above prescribed penalties are the minimum required by Federal Reserve Regulation D. Institutions may choose to require penalties for early withdrawal in excess of the regulatory minimums. Time deposits take two forms:

- (i) Time certificates of deposit (including rollover certificates of deposit) are deposits evidenced by a negotiable or nonnegotiable instrument, or a deposit in book entry form evidenced by a receipt or similar acknowledgement issued by the bank, that provides, on its face, that the amount of such deposit is payable to the bearer, to any specified person, or to the order of a specified person, as follows:
 - (1) on a certain date not less than seven days after the date of deposit,
 - (2) at the expiration of a specified period not less than seven days after the date of the deposit, or
 - (3) upon written notice to the bank which is to be given not less than seven days before the date of withdrawal.
- (ii) Time deposits, open account are deposits (other than time certificates of deposit) for which there is in force a written contract with the depositor that neither the whole nor any part of such deposit may be withdrawn prior to:
 - (1) the date of maturity which shall be not less than seven days after the date of the deposit, or

- (2) the expiration of a specified period of written notice of not less than seven days.

These deposits include those club accounts, such as Christmas club and vacation club accounts, that are made under written contracts that provide that no withdrawal shall be made until a certain number of periodic deposits has been made during a period of not less than three months, even though some of the deposits are made within six days of the end of such period.

Time deposits do not include the following categories of liabilities even if they have an original maturity of seven days or more:

- (1) Any deposit or account that otherwise meets the definition of a time deposit but that allows withdrawals within the first six days after deposit and that does not require an early withdrawal penalty of at least seven days' simple interest on amounts withdrawn within those first six days. Such deposits or accounts that meet the definition of a savings deposit shall be reported as savings deposits; otherwise they shall be reported as demand deposits.
- (2) The remaining balance of a time deposit if a partial early withdrawal is made and the remaining balance is not subject to additional early withdrawal penalties of at least seven days' simple interest on amounts withdrawn within six days after each partial withdrawal. Such time deposits that meet the definition of a savings deposit shall be reported as savings deposits; otherwise they shall be reported as demand deposits.

Reporting of Retail Sweep Arrangements Affecting Transaction and Nontransaction Account

In an effort to reduce their reserve requirements, some banks have established "retail sweep arrangements" or "retail sweep programs." In a retail sweep arrangement, a depository institution transfers funds between a customer's transaction account(s) and that customer's nontransaction account(s) (usually savings deposit account(s)) by means of preauthorized or automatic transfers, typically in order to reduce transaction account reserve requirements while providing the customer with unlimited access to the funds.

There are three key criteria for retail sweep programs to comply with the Federal Reserve Regulation D definitions of "transaction account" and "savings deposit:"

- (1) A depository institution must establish by agreement with its transaction account customer two legally separate accounts: a transaction account (a NOW account or demand deposit account) and a savings deposit account, including those sometimes called a "money market deposit account" or "MMDA";
- (2) The swept funds must actually be moved from the customer's transaction account to the customer's savings deposit account on the official books and records of the depository institution as of the close of the business on the day(s) on which the depository institution intends to report the funds in question as savings deposits and not transaction accounts, and vice versa. In addition to actually moving the customer's funds between accounts and reflecting this movement at the account level:
 - (a) If the depository institution's general ledger is sufficiently disaggregated to distinguish between transaction and savings deposit accounts, the aforementioned movement of funds between the customer's transaction account and savings deposit account must be reflected on the general ledger.
 - (b) If the depository institution's general ledger is not sufficiently disaggregated, the distinction may be reflected in supplemental records or systems, but only if such supplemental records or systems constitute official books and records of the institution and are subject to the same prudent managerial oversight and controls as the general ledger.

A retail sweep program may not exist solely in records or on systems that do not constitute official books and records of the depository institution and that are not used for any purpose other than generating its *Report of Transaction Accounts, Other Deposits and Vault Cash* (FR 2900) for submission to the Federal Reserve; and

- (3) The maximum number of preauthorized or automatic funds transfers (“sweeps”) out of a savings deposit account and into a transaction account in a retail sweep program is limited to not more than six per month. Transfers out of the transaction account and into the savings deposit account may be unlimited in number.

If any of the three criteria is not met, all swept funds must continue to be reported as transaction accounts, both for purposes of these reports and of FR 2900 deposit reports. All three criteria must be met in order to report the nontransaction account component of a retail sweep program as a nonreservable savings deposit account.

Further, for purposes of the TFR, if all three of the criteria above are met, a savings association must report the transaction account and nontransaction account components of a retail sweep program separately when it reports its quarter-end deposit information in Schedules RC, RC-E, and RC-O; its quarterly averages in Schedule RC-K; and its interest expense (if any) in Schedule RI. Thus, when reporting quarterly averages in Schedule RC-K, a bank should include the amounts held in the transaction account (if interest-bearing) and the nontransaction savings account components of retail sweep arrangements each day or each week in the appropriate separate items for average deposits. In addition, if the bank pays interest on accounts involved in retail sweep arrangements, the interest expense reported in Schedule RI should be allocated between the transaction account and the nontransaction (savings) account based on the balances in these accounts during the reporting period.

For additional information, refer to the Federal Reserve Board staff guidance relating to the requirements for a retail sweep program under Regulation D at <http://www.federalreserve.gov/boarddocs/legalint/FederalReserveAct/2007/20070501/20070501.pdf>.

(III) Interest-bearing-noninterest-bearing deposit distinction:

- (a) Interest-bearing deposit accounts consist of deposit accounts on which the issuing depository institution makes any payment to or for the account of any depositor as compensation to the holder for the use of funds constituting a deposit. Such compensation may be in the form of cash, merchandise, or property or as a credit to an account. An institution’s absorption of expenses incident to providing a normal banking function or its forbearance from charging a fee in connection with such a service is not considered a payment of interest.

Deposits with a zero percent interest rate that are issued on a discount basis are to be treated as interest-bearing. Deposit accounts on which the interest rate is periodically adjusted in response to changes in market interest rates and other factors should be reported as interest-bearing even if the rate has been reduced to zero, provided the interest rate on these accounts can be increased as market conditions change.

- (b) Noninterest-bearing deposit accounts consist of deposit accounts on which the issuing depository institution makes no payment to or for the account of the depositor as compensation for the use of funds constituting a deposit. Noninterest-bearing deposit accounts include (i) matured time deposits that are not automatically renewable (unless the deposit agreement provides for the funds to be transferred at maturity to another type of account) and (ii) deposits with a zero percent stated interest rate that are issued at face value.

*Examples Illustrating Distinctions Between*MONEY MARKET DEPOSIT ACCOUNTS (MMDAs) and OTHER SAVINGS DEPOSITSExample 1

A savings deposit account permits no transfers of any type to other accounts or to third parties. Report this account as an other savings deposit.

Example 2

A savings deposit permits up to six, but no more than six, "preauthorized, automatic, or telephonic" transfers to other accounts or to third parties. None of the third-party payments may be made by check, draft, or similar order (including debit card). Report this account as an other savings deposit.

Example 3

A savings deposit permits no more than six "preauthorized, automatic, or telephonic" transfers to other accounts or to third parties. Up to three, but no more than three, of the six transfers may be by check, draft, debit card or similar order made by the depositor and payable to third parties. Report this account as an MMDA.

Example 4

A savings deposit permits up to three, but no more than three, "preauthorized, automatic, or telephonic" transfers to other accounts or to third parties, any or all which may be by check, draft, debit card or similar order made by the depositor and payable to third parties.

Report this account as an MMDA.

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

A hypothecated deposit is the aggregation of periodic payments on an installment contract received by a reporting institution in a state in which, under law, such payments are not immediately used to reduce the unpaid balance of the installment note, but are 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. For purposes of these reports, hypothecated deposits are to be netted against the related loans.

Deposits that simply serve as collateral for loans are not considered hypothecated deposits for purposes of these reports.

See also "deposits."

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.

n

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.

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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.

r**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.

s

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.

Small Business and Small Farm Loans

Report the number and amount currently outstanding as of the **report date** of business loans with "original amounts" of \$1,000,000 or less and farm loans with "original amounts" of \$500,000 or less. The following guidelines should be used to determine the "original amount" of a loan: (1) For loans drawn down under lines of credit or loan commitments, the "original amount" of the loan is the size of the line of credit or loan commitment when the line of credit or loan commitment was **most recently** approved, extended, or renewed prior to the report date. However, if the amount currently outstanding as of the report date exceeds this size, the "original amount" is the amount currently outstanding on the report date. (2) For loan participations and syndications, the "original amount" of the loan participation or syndication is the entire amount of the credit originated by the lead lender. (3) For all other loans, the "original amount" is the total amount of the loan at origination or the amount currently outstanding as of the report date, whichever is larger.

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.
- 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.