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Office of Thrift Supervision

Financial Reporting Bulletin September 2010

Software CD & Downloadable Update

When you insert the latest software CD dated September 15, 2010, you may notice the Installation Wizard screen has a new look. Click on the appropriate tab for your institution type: **Thrift Institutions** or **Holding Companies**. The applications available for installation by both Thrifts and Holding Companies are the Electronic Filing System (EFS) 7.8, Financial Reports Subscriber (FRS) 5.0, and .NET Framework 3.5.

Electronic Filing System: You must install EFS 7.8 directly from the CD prior to downloading the subsequent update via EFS-Net. After installing EFS version 7.8, launch the EFS program from the Start button on your desktop: select >Start >All Programs >Office of Thrift Supervision >OTS Electronic Filing System. From the main EFS screen, click [Transmit] and select [Download Notices and Software Updates]. Click [Next>>], [EFS-Net] and the gray bar to [Log in to my Internet connection]. Under [Available Software Updates for Download], click the link for ***EFS_790_Setup.exe*** and select to [Print Instructions]. Follow the directions carefully to download and apply the software update to your workstation. Contact the EFS Helpline if you need additional assistance.

Financial Reports Subscriber: If you have not already installed or upgraded your system to the FRS 5.0, you should first read the documentation available on the CD to assist in setting up the FRS Administrator and Windows login accounts. Click on [***Getting Started****] under Financial Reports Subscriber. Print and carefully review the 23-pages of instructions and screen shots. You may need to involve your network administrators or in-house/contract IT personnel for assistance prior to contacting the EFS Helpline.

.NET Framework 3.5: This is a one-time installation. The .NET Framework is the source for new FRS secure administration and communications.

Report Filing Deadlines	
Monthly Cost of Funds (COF) and Thrift Financial Report (TFR)	Monday, November 1, 2010
Consolidated Maturity/Rate (CMR) and Holding Company (HC) / HOLA 10(l)	Monday, November 15, 2010

September 2010 Changes

As discussed in the June Financial Reporting Bulletin, Institutions choosing to remain in the Transaction Account Guarantee (TAG) Program must report line items DI570 and DI575 on an average daily balance basis beginning with the September TFR. Line item DI575 should be reported to two decimal places. The TFR form, instructions, and software have been updated to reflect this reporting change.

Revised Existing Line Items Captions in Schedule DI (Consolidated Deposit Information):

DI570 Average Daily Amount of Noninterest-bearing Transaction Accounts of More than $250,000 (Including Balances Swept from Noninterest-bearing Transaction Accounts to Noninterest-bearing Savings Accounts)

DI575 Average Daily Number of Noninterest-bearing Transaction Accounts ofMore than $250,000

For your reference, the document entitled “What’s New” available with the latest software lists September edit step updates.

Instruction manual clarification/update pages are attached at the end of the Bulletin.

“... Institutions choosing to remain in the Transaction Account Guarantee (TAG) program, must report line items DI570 and DI575 on average daily balance basis.”

Holding Company E-Filer Software

OTS is implementing the Holding Company Electronic Filing System (HC E-Filer) software for submission of H-(b)11 reports, beginning with the September 2010 quarter and fiscal year ends. It is part of our continuing effort to eliminate unnecessary regulatory burden, simplify administrative processes, enhance communications and reduce paperwork for the holding companies we regulate and support e-government mandates.

Personnel at the Holding Company should have received a letter containing an introduction to the software and their unique 12-character authentication PIN number. Upon receipt of the OTS software dated September 15, 2010, insert the CD and click the tab for [Holding Companies] at the top of the initial Installation Wizard screen. Select [***Getting Started****] within the section **Holding Company E-Filer for filing H-(b)11 reports**. Print and carefully review the 9 pages of instructions and screen shots to assist in installing the software and in setting up the FRS Administrator and Windows login accounts. You may need to involve your network administrators or in-house/contract IT personnel for assistance prior to contacting the EFS Helpline.

2010 Branch Office Survey

Electronic amendments to the 2010 Branch Office Survey (BOS) report are due to the OTS no later than September 30, 2010. The Office of Thrift Supervision will provide the data directly to the FDIC for publication on their website under Summary of Deposits, which should be available around mid-October. If you have questions regarding your BOS data, please contact Cheyann Houts at the OTS at cheyann.houts@ots.treas.gov or (972) 277-9617.

Amendments to June 2010 Reports

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

Although the instructions allow for 135 days after the cycle closes for prior-period amendments, FRD analysts may need several days to analyze and process your data. Therefore, we encourage you to file any June 2010 amendments no later than the close of business, Wednesday, November 10, 2010.

When contacting anyone at the OTS by e-mail, fax or phone, please remember to include your five-digit docket number within your voice mail message or on the Subject line of all correspondence. This will help us to access our records and assist you in a timely manner.

December 2010 Changes

As announced earlier this year in a Federal Register Notice, Schedule RM (Annual Supplemental Consolidated Data on Reverse Mortgages) will be filed with the December 2010 TFR. The instructions for Schedule RM are posted on the OTS website under > Publications & Data > Thrift Financial Reports > Instructions and Q&As > Schedule RM, and the report form is available under Report Forms and Bulletins > 2010 Schedule RM.

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RETIREMENT DEPOSITS WITH BALANCES:

DI170: $250,000 or Less

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

DI175: Greater than $250,000

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

NUMBER OF RETIREMENT DEPOSIT ACCOUNTS WITH BALANCES:

DI180: $250,000 or Less

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

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

DI185: Greater than $250,000

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

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

DI200: IRA/KEOGH ACCOUNTS

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

Include other retirement accounts such as SEP accounts.

Do not include:

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

DI210: UNINSURED DEPOSITS

Institutions with less than $1 billion in total assets are not required to complete this item. Institutions with $1 billion or more in total assets are required to report these data on a unconsolidated single FDIC certificate number basis. To determine whether to complete this item, use your institution's total assets from line SC60 as of the June 30 TFR prior to or current with the current reporting cycle. Once an institution passes the $1 billion total assets threshold, it must continue to report its estimated uninsured deposits regardless of subsequent changes in its total assets. Report the uninsured portion of all deposits and escrows in excess of insured limits pursuant to Section 141 of the FDIC Improvement Act, **FDICIA**.

You may not be able to precisely determine the amount of uninsured deposits due to the lack of information about interests by other parties in certain deposit accounts. However, you should diligently seek the best estimate of your uninsured deposits. You should derive the estimate from your existing information systems or personal knowledge of your depositor base.

Report the estimated amount of the thrift's deposits (in domestic offices and in insured branches in Puerto Rico and U.S. territories and possessions) that is not covered by federal deposit insurance. This estimate should reflect the deposit insurance limit of $250,000 for "retirement deposit accounts" as defined in DI170 and the temporarily increased deposit insurance limit of $250,000 for other deposit accounts as defined in DI174, that is in effect through December 31, 2013 without taking into account the bank's participation in the FDIC's Debt Guarantee Program or Transaction Account Guarantee Program. The reporting of this information is mandated by Section 7(a)(9) of the Federal Deposit Insurance Act.

The estimated amount of uninsured deposits reported in this item should be based on the institution's deposits included in Schedule DI, line DI510, "Total deposit liabilities before exclusions (gross) as defined in Section 3(1) of the Federal Deposit Insurance Act and FDIC regulations," less line DI520, "Total allowable exclusions (including foreign deposits)". In addition to the uninsured portion of deposits in "domestic offices" reported in Schedule SC, line SC71, the estimate of uninsured deposits should take into account all other items included in Schedule DI, line DI510 less line DI520, including, but not limited to:

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

DI220: PREFERRED DEPOSITS

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

Do not include:

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

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

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

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

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

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

DI230: RECIPROCAL BROKERED DEPOSITS

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

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

COMPONENTS OF DEPOSITS AND ESCROWS:

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

DI310: Transaction Accounts (Including Demand Deposits)

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

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

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

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

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

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

DI320: Money Market Deposit Accounts

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

MMDAs generally have the following requirements:

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

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

DI330: Passbook Accounts (Including Nondemand Escrows)

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

DI340: Time Deposits

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

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

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

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

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

DI352: TIME DEPOSITS GREATER THAN $250,000

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

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

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

AVERAGE DAILY DEPOSITS TOTALS:

DI544: FULLY INSURED BROKERED TIME DEPOSITS:

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

DI545: OTHER BROKERED TIME DEPOSITS:

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

DI610: NON-INTEREST-BEARING DEMAND DEPOSITS

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

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

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

Demand deposits include:

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

Demand deposits do not include:

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

DEPOSIT DATA FOR DEPOSIT INSURANCE PREMIUM ASSESSMENTS

GENERAL INSTRUCTIONS

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

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

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

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

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

The amounts to be reported as daily averages are the sum of the gross amounts of total deposits (domestic and foreign) and allowable exclusions for each calendar day during the quarter divided by the number of calendar days in the quarter (except as noted above for an institution that becomes insured on or after January 1, 2008, in the first report it files after becoming insured). For days that an office of the reporting institution (or any of its subsidiaries or branches) is closed (e.g., Saturdays, Sundays, or holidays), the amounts outstanding from the previous business day would be used. An office is considered closed if there are no transactions posted to the general ledger as of that date.

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

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

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

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

DI520: TOTAL ALLOWABLE EXCLUSIONS (INCLUDING FOREIGN DEPOSITS)

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

The allowable exclusions include:

1. *Foreign Deposits*: As defined in Section 3(l)(5) of the Federal Deposit Insurance Act, foreign deposits include

   (A) any obligation of a depository institution which is carried on the books and records of an office of such bank or savings association located outside of any State, unless --

      (i) such obligation would be a deposit if it were carried on the books and records of the depository institution, and would be payable at, an office located in any State; and

      (ii) the contract evidencing the obligation provides by express terms, and not by implication, for payment at an office of the depository institution located in any State; and

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

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

2. *Reciprocal balances:* Any demand deposit due from or cash item in the process of collection due from any depository institution (not including a foreign bank or foreign office of another U.S. depository institution) up to the total amount of deposit balances due to and cash items in the process of collection due such depository institution.

3. *Drafts drawn on other depository institutions:* Any outstanding drafts (including advices and authorization to charge the depository institution's balance in another bank) drawn in the regular course of business by the reporting depository institution. These types of drafts only apply to unposted debits and unposted credits which have not been extracted from SC710 (due to the institution's system control Summaries).

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

4. *Depository institution investment contracts*: Liabilities arising from depository institution investment contracts that are not treated as insured deposits under section 11(a)(5) of the Federal Deposit Insurance Act (12 U.S.C. 1821(a)(5)). A Depository Institution Investment Contract is a separately negotiated depository agreement between an employee benefit plan and an insured depository institution that guarantees a specified rate for all deposits made over a prescribed period and expressly permits benefit-responsive withdrawals or transfers.

5. *Accumulated deposits*: Deposits accumulated for the payment of personal loans that are assigned or pledged to assure payment of the loans at maturity. Deposits that simply serve as collateral for loans are not an allowable exclusion.

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

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

DI630: UNSECURED FEDERAL FUNDS PURCHASED

Report on an unconsolidated single FDIC certificate number basis the outstanding amount of unsecured federal funds purchased, i.e., ***immediately available funds*** borrowed (in domestic office) under agreements or contracts that have an original maturity of one business day or roll over under ***a continuing contract***, excluding such funds borrowed in the form of securities sold under agreements to repurchase (which should be reported in Schedule DI*641* and Federal Home Loan Bank advances*.*

- ***Immediately available funds*** are funds that the purchasing institution can either use or dispose of on the same business day that the transaction giving rise to the receipt or disposal of the funds is executed.

- ***A continuing contract,*** regardless of the terminology used, is an agreement that remains in effect for more than one business day, but has no specified maturity and does not require advance notice of the lender or the borrower to terminate, either party to terminate.

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

DI635: SECURED FEDERAL FUNDS PURCHASED

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

DI641: SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE

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

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

(2) Sales of participations in pools of securities, regardless of maturity

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

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

DI645 ONE YEAR OR LESS

DI651 OVER ONE YEAR

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

SUBORDINATED DEBENTURES-WITH A REMAINING MATURITY OF:

DI655 ONE YEAR OR LESS

DI660 OVER ONE YEAR

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

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

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

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

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

DI560: TOTAL DAILY AVERAGE OF FOREIGN DEPOSITS

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

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

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

DI570: AVERAGE DAILY AMOUNT OF NONINTEREST-BEARING TRANSACTION ACCOUNTS OF MORE THAN $250,000 (INCLUDING BALANCES SWEPT FROM NONINTEREST-BEARING TRANSACTION ACCOUNTS TO NONINTEREST-BEARING SAVINGS ACCOUNTS

DI575: AVERAGE DAILY NUMBER OF NONINTEREST-BEARING TRANSACTION ACCOUNTS OF MORE THAN $250,000

Background

On June 22, 2010, the FDIC adopted a final rule extending the Transaction Account Guarantee (TAG) component of the Temporary Liquidity Guarantee Program for six months, through December 31, 2010, with the possibility of extending the program for up to an additional 12 months without further rulemaking. For institutions choosing to remain in the TAG Program, the final rule modified the basis for calculating assessments to one that uses average daily balances in TAG-eligible accounts beginning in the third quarter of 2010.

Reporting Requirements

At present, institutions participating in the TAG Program report the amount and number of qualifying noninterest-bearing transaction accounts of more than $250,000 as of the quarter-end report date in Thrift Financial Report (TFR) Schedule DI, items DI570 and DI575. Beginning with the September 30, 2010, TFR the total dollar amount of TAG-eligible accounts and the total number of accounts must be reported as average daily balances.

The amounts to be reported as daily averages are the total dollar amount of the noninterest-bearing transaction accounts, as defined in 12 C.F.R. 370.2(h), of more than $250,000 for each calendar day during the quarter divided by the number of calendar days in the quarter. For days that an office of the reporting institution is closed (e.g., Saturdays, Sundays, or holidays), the amounts outstanding from the previous business day would be used. The total number of accounts to be reported should be calculated on the same basis.

Documentation supporting the amounts used in the calculation of the average daily balance amounts must be retained and be readily available upon request by the FDIC or the Office of Thrift Supervision. **In addition, all insured depository institutions that do not opt out of the TAG Program must establish procedures to gather the necessary daily data beginning July 1, 2010.**

Rounding

The *Average Daily Number of Accounts* must be reported to two decimal places.

Example 1 - What accounts do I include?

In this example, an institution has only 10 accounts that are potentially TAG-eligible [as defined in 12 C.F.R. 370.2(h)] on any day during the quarter. Due to fluctuating balances, accounts are above and below the $250,000 threshold throughout the quarter. The institution will determine for each day during the quarter the balances and number of accounts that are TAG-eligible (that is, over $250,000) and include only those accounts in their calculations:

Qualifying Noninterest-Bearing Transaction Accounts	July 1	July 2	July 3 (Saturday)	July 4 (Sunday)	July 5 (Holiday)	July 6		92 Day Totals
Account A	275,000	75,000	75,000	75,000	75,000	25,000		
Account B	50,000	450,000	450,000	450,000	450,000	200,000		
Account C	275,000	225,000	225,000	225,000	225,000	1,000,000		
Account D	750,000	1,500,000	1,500,000	1,500,000	1,500,000	2,000,000		
Account E	3,000,000	3,250,000	3,250,000	3,250,000	3,250,000	50,000		
Account F	450,000	35,000	35,000	35,000	35,000	3,000,000		
Account G	600,000	75,000	75,000	75,000	75,000	500,000		
Account H	25,000	425,000	425,000	425,000	425,000	255,000		
Account I	450,000	30,000	30,000	30,000	30,000	375,000		
Account J	600,000	600,000	600,000	600,000	600,000	2,500,000		
Total Amount of TAG-Eligible Accounts (i.e., accounts with balances over $250,000)	6,400,000	6,225,000	6,225,000	6,225,000	6,225,000	9,630,000		644,000,000
Total Number of TAG-Eligible Accounts (i.e., number of accounts with balances over $250,000)	8	5	5	5	5	7		554

Highlighted accounts are TAG-eligible (over $250,000) on that day.

Using the information in the table above, the average daily amount would be calculated as follows:

The sum of "Total Amount of TAG-Eligible Accounts" for each day in the quarter ($644,000,000) / Number of days in the quarter (92)	=	Average Daily Amount of TAG-Eligible Accounts to be Reported in the TFR (7,000,000)

The average daily number of accounts would be calculated as follows:

$$\frac{\text{The sum of “Total Amount of TAG-Eligible Accounts” for each day in the quarter (554)}}{\text{Number of days in the quarter (92)}} = \text{Average Daily Amount of TAG-Eligible Accounts to be Reported in the TFR (6.02)}$$

The institution’s resulting TAG assessment base would equal \$5,495,000 (this amount is calculated by the FDIC and would not be reported in the TFR):

$$\$7{,}000{,}000 – (\$250{,}000 \times 6.02) = \$5{,}495{,}000$$

Example 2 – If I have accounts that are not open or TAG-eligible for the entire quarter, how do I report?

For this example, assume that the institution has only a single qualifying account and that this is a 90 day quarter.

If the qualifying account had a balance of zero for 60 days and a balance of \$1,200,000 for 30 days, the average daily amount to be reported in the TFR would be \$400,000:

$$\frac{(\$0 \times 60 \text{ days}) + (\$1{,}200{,}000 \times 30 \text{ days})}{90 \text{ days}} = \$400{,}000$$

The average daily number of accounts to be reported in the TFR would be 0.33:

$$\frac{(0 \text{ accounts} \times 60 \text{ days}) + (1 \text{ account} \times 30 \text{ days})}{90 \text{ days}} = 0.33 \text{ accounts}$$

The institution’s resulting TAG assessment base would equal \$317,500 (this amount is calculated by the FDIC and would not be reported in the TFR):

$$\$400{,}000 – (\$250{,}000 \times 0.33) = \$317{,}500$$

Example 3 – If I have TAG-eligible accounts during the quarter, but the average daily amount is less than $250,000, how do I report?

If the average daily amount is less than $250,000, the amount should still be reported in the TFR and an assessment will apply based on the fact that TAG-eligible accounts were present during the quarter.

For this example, assume that the institution has only a single qualifying account and that this is a 90 day quarter.

If the qualifying account had a balance of $100,000 for 45 days and a balance of $400,000 for 45 days, the account would only be included in the calculations for those 45 days on which the balance was over $250,000. The account would not be included in the calculations when the balance was $250,000 or less. The average daily amount to be reported in this example would be $200,000:

$$\frac{(\$0 \text{ x } 45 \text{ days}) + (\$400{,}000 \text{ x } 45 \text{ days})}{90 \text{ days}} = \$200{,}000$$

The average daily number of accounts to be reported would be 0.50:

$$\frac{(0 \text{ accounts x } 45 \text{ days}) + (1 \text{ account x } 45 \text{ days})}{90 \text{ days}} = 0.50 \text{ accounts}$$

The institution's resulting TAG assessment base would equal $75,000 (this amount is calculated by the FDIC and would not be reported in the TFR):

$$\$200{,}000 – (\$250{,}000 \text{ x } 0.50) = \$75{,}000$$

Example 4 - How do I handle joint accounts or other accounts which have more than $250,000 of basic FDIC insurance coverage?

An institution may exclude noninterest-bearing transaction accounts with a balance of more than $250,000 if the entire balance in the account is fully insured under the FDIC's deposit insurance rules, such as joint account relationship rules or "pass-through" insurance coverage rules. In noninterest-bearing transaction accounts with a balance of more than $250,000 where the entire balance is not fully insured, an institution may exclude any amounts over $250,000 that are otherwise insured under the FDIC's 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 work papers for this report.

Qualifying Noninterest-Bearing Transaction Accounts	*Account Balance*	*FDIC Insurance Limit*	*TAG Program Reporting*
Mr. John Smith	*300,000*	*250,000*	*The entire account balance is included in TAG Program reporting calculations.*
Mr. and Mrs. John Smith	*300,000*	*500,000*	*Because the account balance would be fully insured under deposit insurance rules, coverage under the TAG Program is not needed. The account and the entire account balance may be excluded from TAG Program reporting calculations. Otherwise, the entire account balance is included in the TAG Program reporting calculations.*
Mr. and Mrs. James Jones	*1,000,000*	*500,000*	*The additional coverage afforded by the joint accountholder may be excluded from TAG Program reporting calculations. The institution may report $750,000 for this account. Otherwise, the entire account balance is included in the TAG Program reporting calculations.*

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SCHEDULE CCR — CONSOLIDATED CAPITAL REQUIREMENT

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

GENERAL INSTRUCTIONS

OTS-regulated savings associations must comply with two overlapping sets of regulatory capital standards listed below:

12 CFR § 567, Capital (FIRREA)

1. Tangible capital: The minimum ratio, as a percent of tangible assets, is 1.5 percent.
2. Core or leverage capital: The minimum ratio, as a percent of adjusted total assets, is 3 percent for savings associations assigned a composite CAMELS rating of "1", and 4 percent for all other savings associations.
3. Risk-based capital: The minimum ratio, as a percent of risk-weighted assets, is 8 percent.

12 CFR § 565, Prompt Corrective Action (FDICIA)

4. Tangible equity: Savings associations with tangible equity equal to or less than 2 percent of tangible assets are critically undercapitalized.
5. Tier 1 or leverage capital: Savings associations are adequately capitalized or well capitalized if the minimum ratios, as a percent of adjusted total assets, are 4 percent or 5 percent, respectively.

   Note: § 567 contains an exception to these standards.
6. Tier 1 risk-based capital: Savings associations are adequately capitalized or well capitalized if the minimum ratios, as a percent of risk-weighted assets, are 4 percent or 6 percent, respectively.
7. Total risk-based capital: Savings associations are adequately capitalized or well capitalized if the minimum ratios, as a percent of risk-weighted assets, are 8 percent or 10 percent, respectively.

Note: The following paragraph refers to numbers 1 through 7 above.

Schedule CCR - Consolidated Capital Requirement uses the following conventions:

- Tangible capital (FIRREA) [See 1 above.]

  Schedule CCR does not include this measure because the minimum ratio is no longer considered a meaningful limitation for most savings associations.

- Tangible equity (FDICIA) [See 4 above.]

  CCR840 reports the calculated tangible equity ratio.

- Core or leverage capital (FIRREA) [See 2 above.] and Tier 1 or leverage capital (FDICIA) [See 5 above.]

  Schedule CCR treats these two measurements as one and refers to them as Tier 1 (core) capital. CCR810 reports the actual ratio. An adequately capitalized savings association must have a minimum Tier 1(core) capital ratio of 4 percent. CCR20 reports the calculated amount.

- Tier 1 risk-based capital (FDCIA) [See 6 above.]

  CR830 reports the calculated ratio.

- Risk-based capital (FIRREA) [See 3 above.] and total risk-based capital (FDICIA) [See 7 above.]

  Schedule CCR treats these two measurements as one and refers to them as total risk-based capital. CCR820 reports the calculated ratio. An adequately capitalized savings association must have a minimum total risk-based capital ratio of 8 percent. CCR39 reports the calculated amount.

Generally, report all data on a consolidated basis with all subsidiaries that you would consolidate under GAAP, except as noted in these instructions.

Where OTS exercises its Reservation of Authority under 12 CFR Section 567.11, and requires a savings association to apply another risk weight, credit equivalent amount, or credit conversion factor that OTS deems appropriate for the risk of a particular asset or off-balance sheet item, the savings association should report these assets, regardless of asset type, on CCR 506 according to the newly assigned risk weight. See instructions for CCR 506. For savings associations subject to an Individual Minimum Capital Requirement (IMCR) imposed pursuant to 12 CFR Section 567.3 that changes the Tier 1 (Core) or Total Risk-Based capital requirement on CCR 27 and CCR 80, respectively, you must over-ride the calculated amount, and self-report the supervisory capital requirement on those lines.

Subsidiary: The term subsidiary means any corporation, partnership, business trust, joint venture, association, or similar organization where you, directly or indirectly, hold an ownership interest and consolidate the assets with yours for purposes of reporting under GAAP. Generally these are majority-owned subsidiaries.

This definition does not include ownership interests taken in satisfaction of debts previously contracted, provided you have not held the interest for more than five years, or a longer period if approved by OTS.

Generally, treat investments in entities not constituting subsidiaries under this definition as equity investments for capital purposes.

The following shows the regulatory capital treatment of debt and equity investments in subsidiaries and other subordinated organizations:

- Consolidate includable subsidiaries in accordance with GAAP.
- Deduct debt and equity investments in nonincludable subsidiaries in full (100 percent) from assets and capital. All previously applicable transition provisions have expired.
- Deduct nonincludable equity investments in subordinate organizations constituting subsidiaries in full (100 percent) in computing total capital for the total risk-based capital standard.

Nonincludable subsidiaries: Generally include subsidiaries engaged as principal in activities not permissible for a national bank. The instructions for CCR105 define nonincludable subsidiaries.

***Note*:** Do not consolidate subsidiaries with investments fully covered by the FDIC. Include all FDIC-covered assets in the zero percent risk-weight category, and report them on CCR409, Notes and Obligations of FDIC, Including Covered Assets.

These instructions deal with investments in **mutual funds** and certain asset pools based on the characteristics of the assets in the fund. Where the mutual fund holds various assets that have different risk weights under the capital requirement, risk weight the entire ownership interest in the mutual fund based on the category of the asset with the highest capital requirement – highest risk weight or subject to deduction. On a case-by-case basis, OTS may allow you to assign the portfolio proportionately to the various risk-weight categories based on the proportion of the risk-weight categories represented in the mutual fund. See 12 CFR § 567.6(a)(1)(vi)(C).

Lower-tier subsidiary: Subsidiaries where you do not directly hold an ownership interest. Rather, your service corporation or operating subsidiary directly or indirectly holds the ownership interest.

TIER 1 (CORE) CAPITAL REQUIREMENT

CALCULATION OF CORE (TIER 1) CAPITAL

CCR100: Total Equity Capital (SC84)

The EFS software generates this line from SC84, Total Equity Capital.

Explanatory Note:

> Schedule CCR adjusts Equity Capital, CCR100 in calculating Tier 1 (core) capital according to the OTS capital rule. For example, the OTS capital rule does not include cumulative perpetual preferred stock in Tier 1 (core) capital. Furthermore, the OTS capital rule requires you to deduct debt and equity investments in nonincludable subsidiaries and certain other assets from total assets and equity capital in computing Tier 1 (core) capital. In addition, OTS's capital rule reverses the adjustment to GAAP equity for unrealized gains and losses on available-for-sale (AFS) debt securities included in SC860 in computing Tier 1 (core) capital. However, you report marketable **equity** securities at the lower of cost or market for Tier 1 (core) capital purposes.

Deduct:

CCR105: Investments in, Advances to, and Noncontrolling Interests in Nonincludable Subsidiaries

Reduce Tier 1 (core) capital by your investment in, advances to, guaranteed obligations of, and noncontrolling interests in certain nonincludable subsidiaries. The general instructions to Schedule CCR define subsidiary.

In consolidation, you eliminate the investment and intercompany loan accounts of subsidiaries, and you establish the noncontrolling interests in subsidiaries on Schedule SC. Therefore, you must obtain the amount of the investment and advances from your books before consolidation (as well as the noncontrolling interests after consolidation). Calculate the investment using the equity method as prescribed by GAAP plus any loans, advances, guaranteed obligations, or other extensions of credit, whether secured or unsecured. Use negative investments to offset loans, guaranteed obligations, or advances to the same subsidiary, but do not reduce this line below zero. If you have a nonincludable subsidiary and the result on this line rounds to zero or is a negative amount, report a one to indicate that you have reported your nonincludable subsidiary.

Note: Report investments in subsidiaries and equity investments where the FDIC fully covers the investments on CCR409, zero percent risk weight: FDIC Covered Assets. This rule applies to your investment regardless of the business activity of such entity.

Nonincludable Subsidiaries

Section 5(f) of HOLA [12 USC 1464(t)(5)(A)] defines nonincludable subsidiaries as subsidiaries of a savings association that engage in activities impermissible for a national bank with the following exceptions:

1. Subsidiaries only engaged in impermissible activities as an agent for its customers where the subsidiary has no risk of loss.
2. Subsidiaries engaged solely in mortgage banking activities.
3. Insured depository institutions acquired as subsidiaries before May 1, 1989.
4. Subsidiaries of federal savings associations that existed on August 8, 1989, and were chartered before October 15, 1982, as a savings bank or cooperative bank under state law.
5. Subsidiaries of federal savings associations that existed on August 8, 1989, that acquired their principal assets from a savings association chartered before October 15, 1982, as a savings bank or cooperative bank under state law.

Generally, a subsidiary of a savings association is nonincludable if any of its unconsolidated assets are impermissible for a national bank. If any **lower-tier subsidiary** engages in impermissible activities or invests in an entity that engages in impermissible activities, but the first-tier subsidiary owned by the parent savings association does not directly engage in impermissible activities, the first-tier subsidiary is an **includable** subsidiary. Deduct only subsidiary's investment in the nonincludable lower-tier subsidiary in computing the capital of the upper-tier subsidiary on an unconsolidated basis and in computing your consolidated capital. Deduct from total capital, equity investments of subsidiaries in lower-tier subordinate organizations that are not considered subsidiaries, if those equity investments are not permissible for national banks.

Fully deduct all nonincludable subsidiaries from capital.

You should report investments in and advances to nonincludable subsidiaries net of all general valuation allowances, specific valuation allowances, and charge-offs, as they have already reduced equity capital.

CCR115: Goodwill and Certain Other Intangible Assets

For some savings associations, this line may equal SC660. However, you may manually override this amount in certain cases. For purposes of regulatory capital only, you may elect to:

- Reduce the amount Goodwill by any associated deferred tax liability.
- Reduce Core Deposit Intangible Assets (CDIs) and Certain Other Intangible Assets acquired in a nontaxable business combination by any associated deferred tax liabilities.
- You do not reduce the amount of Purchase Credit Card Relationships (PCCRs) by any associated deferred tax liability.

Report this as a positive amount. The EFS software will deduct this line from equity capital in calculating Tier 1 (core) capital.

Include:

1. Goodwill.
2. Core deposit intangible assets (CDIs).
3. Purchased credit card relationships (PCCRs).

Do not include:

1. Servicing assets.
2. Certain nonsecurity financial instruments reported on SC665.
3. Net deferred tax assets.
4. Computer software (purchased and internally-developed).
5. Intangible pension assets.

CCR133: Disallowed Servicing Assets, Disallowed Deferred Tax Assets, Disallowed Residual Interests, and Other Disallowed Assets

Report this as a positive amount. The EFS software will deduct this line from equity capital in calculating Tier 1 (core) capital.

Disallowed Servicing Assets

You may include servicing assets reported on SC642 and SC644 in regulatory capital, subject to **both** of the following limitations:

1. For mortgage and nonmortgage servicing assets, and PCCRs, combined — include in capital the lesser of:
   a. 100 percent of Tier 1 (core) capital.
   b. 90 percent of fair value.
   c. 100 percent of reported amount.
2. For nonmortgage servicing assets and PCCRs, as a separate sub-limit — include in capital the lesser of the following:
   a. 25 percent of Tier 1 (core) capital.
   b. 90 percent of fair value.
   c. 100 percent of reported amount.

Accordingly, on CCR133, include the amount of servicing assets reported on SC642 and SC644 (that are not in a nonincludable subsidiary) and PCCRs included on SC660 that exceed the above limitations.

For purposes of the 25 percent and 100 percent of Tier 1 (core) capital limitations above, base the deduction on a Tier 1 (core) capital subtotal before the deduction. In addition, in computing the deduction for the 25 percent and 100 percent limitations, you may reduce the amount of servicing assets by any corresponding deferred tax liability.

Disallowed Deferred Tax Assets

If regulatory capital includes disallowed deferred tax assets, include the amount of the disallowed deferred tax assets on this line. To the extent that realizing deferred tax assets depends on your future taxable income (exclusive of reversing temporary differences and carryforwards), or your tax planning strategies, such deferred tax assets are limited for regulatory capital purposes to the lesser of the following:

1. The amount that you can realize within one year.
2. 10 percent of Tier 1 (core) capital.

Accordingly, disallowed deferred tax assets is that amount includable in assets under GAAP, but **not** includable in regulatory capital pursuant to OTS policy. The deferred tax asset subject to the limitation is the net deferred tax asset or liability included on Schedule SC, adjusted for the deferred tax asset or liability added to or subtracted from total assets related to the following:

1. Accumulated gains and losses on certain AFS securities and cash flow hedges on CCR280.
2. Goodwill and other intangible assets on CCR265 and CCR285.
3. Servicing assets on CCR270.

Note: You can generally realize deferred tax assets without limitation from the following sources:

1. Taxes paid in prior carry-back years.
2. Future reversals of existing taxable temporary differences.

For purposes of the 10 percent of Tier 1 (core) capital limitation above, base the deduction on a Tier 1 (Core) capital subtotal before the deduction.

Disallowed Residual Interests

Include on this line that portion of credit-enhancing interest-only strips (as defined) reported on SI402 that must be deducted in computing Tier 1 capital, pursuant to 12 CFR Part 567. With certain exceptions provided for in the regulation, you must deduct from equity capital the amount of any credit-enhancing interest-only strips that exceeds 25% of Tier 1 capital before the deduction. In computing the deduction, you may reduce the amount by any corresponding deferred tax liability.

CCR134: Other

Report other items required to be deducted from Tier 1 Capital not included in CCR105 through CCR133.

Include equity instruments you issue that we may permit as supplemental capital but not as Tier 1 capital. This includes cumulative preferred stock reported on SC812, and preferred stock reported on SC812 or SC814 where the dividend adjusts based on current market conditions or indexes and the issuer's current credit rating.

Include the accumulated net increase in retained earnings (equity capital) resulting from certain net gains reported on SO485; specifically, those gains, net of losses, on liabilities carried at fair value, net of income taxes, that are attributable to changes in the savings association's own creditworthiness.

Add:

CCR180: ACCUMULATED LOSSES (GAINS) ON CERTAIN SECURITIES AND CASH FLOW HEDGES

Report on this line:

1. Accumulated Unrealized Gains and Losses on Certain Securities

Equity capital on SC80 includes a separate component for accumulated, unrealized gains and losses, net of income taxes, on certain securities. See SC860, Unrealized Gains (Losses) on Certain Securities. However, you cannot include most of that separate component of equity capital in regulatory capital, as specified below.

For regulatory capital purposes on Schedule CCR, but not for reporting purposes on Schedule SC:

- Report aggregate AFS **debt** securities at amortized cost, not at fair value.
- Report aggregate AFS **equity** securities at the lower of cost or fair value, not at fair value.

Report on CCR180 the amount on SC860, Unrealized Gains (Losses) on Certain Securities, adjusted for losses on certain equity securities, as follows:

- SC860, Unrealized Gains (Losses) on Certain Securities
- Plus: As a positive number, any portion of the amount on SC860 that represents unrealized **losses** on **equity** securities (but not debt securities), net of gains and net of income taxes.

2. Accumulated Gains and Losses on Cash Flow Hedges

Equity capital on SC80 includes a separate component for accumulated gains and losses on cash flow hedges. See SC865, Gains (Losses) on Cash Flow Hedges. However, you cannot include that separate component of equity capital in regulatory capital.

Report the result on CCR180 as follows:

- When the amount on this line represents **gains**, net of losses, report a **negative** number **reducing** capital.
- When the amount on this line represents **losses**, net of gains, report a **positive** number **increasing** capital.

Report the corresponding adjustment to assets on CCR280. See the instructions for CCR280 for additional information.

CCR185: Intangible Assets

Report PCCRs included on SC660.

CCR195: Other

Report other items permitted to be added to Tier 1 Capital that are not included in CCR180 through CCR185.

Include the accumulated net decrease in retained earnings (equity capital) resulting from certain net losses reported on SO485; specifically, those losses, net of gains, on liabilities carried at fair value, net of income taxes, that are attributable to changes in the savings association's own creditworthiness.

CCR20: Tier 1 (Core) Capital

The EFS software will compute this line as follows: CCR100 less CCR105, CCR115, CCR133, and CCR134, plus CCR180, CCR185, and CCR195.

CALCULATION OF ADJUSTED TOTAL ASSETS

CCR205: Total Assets

Report total assets of the consolidated entity as reported on SC60, Total Assets. The EFS software will compute this line from SC60, Total Assets.

Deduct:

CCR260: Assets of "Nonincludable" Subsidiaries

Report the entire amount of the assets of nonincludable subsidiaries included in Schedule SC. For consolidated subsidiaries, this amount should equal total assets of the subsidiary less any assets eliminated in consolidation. For subsidiaries accounted for under the equity method, this amount should equal your investment account plus all advances to the subsidiary.

Report this as a positive amount. The EFS software will deduct this line from total assets in calculating Tier 1 (core) capital.

CCR265: Goodwill and Certain Other Intangible Assets

Generally, this line will equal SC660, Goodwill and Other Intangible Assets, with the exception of certain intangible assets such as intangible pension assets and computer software. Accordingly, the EFS software will automatically generate this line from SC660. However, if you have an intangible asset that is not required to be deducted from Tier 1 capital, such as intangible pension assets or capitalized computer software costs, you may change the generated amount.

- **Goodwill**

  If you elect to reduce the amount of Goodwill by any associated deferred tax liability on CCR 115, then you must also reduce the amount of Goodwill on CCR 265 by the same amount.

- **Certain Other Intangible Assets**

  Similarly, if you elect to reduce the amount of Certain Other Intangible Assets arising from nontaxable transactions by any associated deferred tax liability on CCR 115, then you must also reduce the amount of Certain Other Intangible Assets on CCR 265 by the same amount.

Report this as a positive amount. The EFS software will deduct this line from total assets in calculating Tier 1 (core) capital.

CCR270: Disallowed Servicing Assets, Disallowed Deferred Tax Assets, Disallowed Residual Interests, and Other Disallowed Assets

For most savings associations this line will equal CCR133. Accordingly, the EFS software will automatically generate this line from CCR133. However, this amount may change in certain cases. For example, deferred tax liabilities are deductible from servicing assets on CCR133, but are not deductible from servicing assets on CCR270. In which case you may override the generated amount.

Report this as a positive amount. The EFS software will deduct this line from total assets in calculating Tier 1 (core) capital.

CCR275: Other

Report other items required to be deducted from Adjusted Total Assets not included in CCR260 through CCR270.

Add:

CCR280: Accumulated Losses (Gains) on Certain Securities and Cash Flow Hedges

Report on this line:

1. Accumulated Unrealized Gains and Losses on Certain Securities

Report amounts included in total assets for accumulated unrealized gains and losses on certain securities, including any related component of income tax assets. Calculate the amount included on this line for unrealized gains and losses on certain securities as follows:

- The amount included in SC60, Total Assets, that corresponds to the separate component of equity capital on SC860.
- Add to this amount: As a positive number, any amount included in SC60 that represents net unrealized **losses** on **equity** securities. That is, you include all unrealized gains and losses on available-for-sale securities included in assets except for those losses on equity securities.

2. Derivative Instruments Reported as Assets Related to Qualifying Cash Flow Hedges

Report amounts included in total assets for the gains and losses on derivative instruments reflected in SC865, Gains (Losses) on Cash Flow Hedges, including any related component of income tax assets. Do not include derivative instruments reported as liabilities.

Report the result on CCR280 as follows:

- When the amount on this line represents a net amount that **increased assets** reported on Schedule SC, report a **negative** number that will deduct this amount from total assets for regulatory capital purposes.
- When the amount on this line represents a net amount that **decreased assets** reported on Schedule SC, report a **positive** number that will add this amount back to total assets for regulatory capital purposes.

Report the corresponding adjustment to equity capital on CCR180. See the instructions for CCR180 for additional information.

CCR285: Intangible Assets

For most savings associations, this line will equal CCR185; therefore, the EFS software will generate the amount from CCR185.

CCR290: Other

Report other items permitted to be added to Adjusted Total assets that are not included in CCR280 or CCR285.

CCR25: Adjusted Total Assets

The EFS software will compute this line as follows: CCR205 less CCR260, CCR265, CCR270, and CCR275 plus CCR280, CCR285 and CCR290.

CCR27: Tier 1 (Core) Capital Requirement

The EFS software will compute this line as CCR25, Adjusted Total Assets, multiplied by four percent. If we have assigned you a composite CAMELS rating of one, you should override the calculated amount and report CCR25 multiplied by three percent.

If you have an individual minimum capital requirement (IMCR) imposed pursuant to 12 CFR 567.3, you should override the calculated amount and report your IMCR.

This amount should never be less than three percent of CCR25.

CCR30: TIER 1 (CORE) CAPITAL

The EFS software will bring forward Tier 1 (core) capital from CCR20.

TIER 2 (SUPPLEMENTARY) CAPITAL

Under the OTS risk-based capital regulations, there are two types of capital: Tier 1 (core) capital and Tier 2 (supplementary) capital. Tier 2 (supplementary) capital includes certain specified instruments with characteristics of capital that do not qualify as Tier 1 (core) capital. You may include Tier 2 (supplementary) capital in your total risk-based capital, up to a maximum of 100 percent of your Tier 1 (core) capital.

Tier 2 (supplementary) capital consists of the following:

1. Permanent instruments not qualifying as Tier 1 (core) capital. Report on CCR310, Qualifying Subordinated Debt and Redeemable Preferred Stock; CCR340, Other Equity Instruments; and CCR355, Other.

2. Maturing instruments. After adjustments for the limitations described below, report on CCR310, Qualifying Subordinated Debt and Redeemable Preferred Stock; CCR340, Other Equity Instruments; and CCR355, Other.
3. Allowances for Loan and Lease Losses. Report on CCR350, Allowances for Loan and Lease Losses.
4. Up to 45 percent of your pretax unrealized gains, net of unrealized losses, on AFS equity securities. Report on CCR302.
5. Noncontrolling interests in includable subsidiaries consolidated under GAAP that are not eligible for inclusion in Tier 1 (core) Capital on CCR190, provided the noncontrolling interest meets the other requirements for Tier 2 (supplementary) capital and neither you nor any of your subsidiaries or other subordinate organizations that you own, directly or indirectly, hold the noncontrolling interest. Report such noncontrolling interest on CCR340, Other Equity Instruments.

Maturing Capital Instruments Issued on or Before November 7, 1989

Maturing capital instruments approved or grandfathered by the FHLBB before December 5, 1984, continue grandfathered status under the prior and current OTS capital regulation. You may include them in full in Tier 2 (supplementary) capital until the last year before maturity.

With our prior approval, you may include maturing capital instruments issued on or before November 7, 1989, in Tier 2 (supplementary) capital, following the procedures below that are applicable to instruments issued after that date.

Maturing Capital Instruments Issued After November 7, 1989

You may elect to include maturing capital instruments issued after November 7, 1989, by choosing one of the following options. Once you elect either option, you must continue to apply that option for all subsequent issuances of maturing capital instruments as long as there is a balance outstanding of such issuances. Once such issuances have all been repaid, you may elect the other option for future issuances.

Option 1 Tier 2 (supplementary) capital is equal to the outstanding capital instrument multiplied by the applicable percentage from the following amortization schedule:

Years to Maturity	Percentage Counted as Tier 2 (Supplementary) Capital
Greater than 5	100%
Greater than 4, but less than or equal to 5	80%
Greater than 3, but less than or equal to 4	60%
Greater than 2, but less than or equal to 3	40%
Greater than 1, but less than or equal to 2	20%
Less than or equal to 1	0%

Option 2 Tier 2 (supplementary) capital will include only the aggregate amount of maturing capital instruments that mature in any one year during the seven years immediately before an instrument's maturity that does not exceed 20 percent of your capital. Capital is Tier 1 (core) capital plus, without limitation, items included in Tier 2 (supplementary) capital. There is no percentage of assets limitation for general loan and lease valuation allowances. There are no limitations on maturing capital instruments based on maturity dates. There is no limitation on Tier 2 (supplementary) based on the amount of Tier 1 (core) capital.

CCR302: Unrealized Gains on Available-for-Sale Equity Securities

You may include in Tier 2 (supplementary) capital up to 45 percent of the amount of any pretax unrealized gains. This is net of any unrealized losses, on AFS **equity** securities included in SC140, Equity

Securities Carried at Fair Value. If losses exceed gains, do not report an amount on this line. When you report unrealized gains, net of unrealized losses, here and include them in supplementary capital, you must include the entire (100 percent) unrealized gains, net of unrealized losses, in assets to risk weight. In other words, you must risk weight the fair value, not the historical cost of these AFS equity securities.

Do not include unrealized gains on AFS **debt** securities or on equity securities in a trading portfolio.

CCR310: Qualifying Subordinated Debt and Redeemable Preferred Stock

Include:

1. Perpetual subordinated debentures and mandatory convertible securities.
2. Maturing subordinated debentures, mandatory convertible securities, and redeemable preferred stock calculated according to the above instructions. For thrifts that have elected to be taxed under Subchapter S or are organized in mutual form, include the amount of subordinated debt securities issued to the Treasury Department under the CPP in this calculation.

CCR340: Other Equity Instruments

Report equity instruments you issued that we permit as supplemental capital but not as Tier 1 (core) capital and that you deducted on CCR134.

Include:

1. Cumulative preferred stock reported on SC812.
2. Preferred stock reported on SC812 or SC814 where the dividend adjusts based on current market conditions or indexes and the issuer's current credit rating; and
3. Any other equity instruments reported on CCR134 except preferred stock that is, in effect, collateralized by assets of the reporting savings association.

CCR350: Allowances for Loan and Lease Losses

Report ALLL established by you and your consolidated includable subsidiaries as defined in the instructions for CCR105. You cannot grandfather ALLL for nonincludable subsidiaries for this calculation. Note that Tier 2 (supplementary) capital limits the inclusion of ALLL reported on CCR 350 to 1.25 percent of risk-weighted assets. Apply the percentage limitation to Subtotal Risk-Weighted Assets on CCR75.

For regulatory capital purposes, the ALLL potentially reportable on CCR350 consists of:

1. First − allowances established to cover probable, but not specifically identifiable, credit losses associated with on-balance-sheet loans and leases, reported as ALLL on mortgage loans (SC283) and on nonmortgage loans (SC357).
2. Second, if the capital limit mentioned above permits − liabilities for credit losses associated with off-balance-sheet credit exposures (such as commitments, letters of credit, and guarantees) included in Other Liabilities and Deferred Income (SC796), with the following exception: *Any portion of this liability related to transfers of loans or other assets reported as sales with recourse is separate and distinct from the ALLL, and therefore is **not** includable in CCR350.*

Include purchased ALLL where the balance and nature of the purchased ALLL is consistent with OTS policy in the Examination Handbook, Sections 260 and 261.

Do not include:

1. ALLL of unconsolidated subordinate organizations.
2. ALLL of nonincludable subsidiaries.
3. Recourse liability accounts that arise from recourse obligations for any transfers of loans or other assets that are reported as sales. Such accounts are separate and distinct from the ALLL.

CCR355: Other

Report other items permitted in Tier 2 Capital that you do not include in CCR302 through CCR350.

CCR33: Tier 2 (Supplementary) Capital

The EFS software computes this line as the sum of CCR302, CCR310, CCR340, CCR350 and CCR355.

CCR35: ALLOWABLE TIER 2 (SUPPLEMENTARY) CAPITAL

The EFS software computes this line as follows.

If Tier 1 (core) capital is a positive amount, the software reports the lesser of the following:

1. Tier 2 (supplementary) Capital reported on CCR33.
2. Tier 1 (core) Capital reported on CCR30.
3. If you have negative Tier 1 (core) capital, the software reports zero on CCR35.

The amount of Tier 2 (supplementary) capital included in total capital cannot exceed the amount of Tier 1 capital.

CCR370: Equity Investments and Other Assets Required to be Deducted

Report the assets that 12 CFR § 567.5(c) requires to be deducted from total capital unless deducted elsewhere.

Include:

1. Investments in other depository institutions (reciprocal holdings) that other depository institutions may count in their regulatory capital such as capital stock, qualifying subordinated debt, etc.
2. The entire amount of all the following items:
   a. Your nonincludable debt and equity investments including debt and equity investments in subordinate organizations not constituting subsidiaries under 12 CFR § 567.1 (investments in entities not consolidated under GAAP) that engage as principal in activities impermissible for national banks and not otherwise includable under § 5(t) of HOLA.
   b. Investments in real property except real property primarily used or intended to be used by you, your subsidiaries, subordinate organizations, or affiliates as offices.
   c. Real property acquired in satisfaction of a debt, where you intend to hold the property for real estate investment purposes or do not expect to dispose of it within five years.

The term equity securities means any:

1. Stock.
2. Certificate of interest of participation in any profit sharing agreement.
3. Collateral trust certificate or subscription.
4. Preorganization certificate or subscription.
5. Investment Contract.
6. Voting trust certificate.
7. Securities immediately convertible into equity securities at the option of the holder without payment of substantial additional consideration such as convertible subordinated debt.
8. Securities carrying any warrant or right to subscribe to or purchase an equity security.
9. Investments, loans, advances, and guarantees issued on behalf of unconsolidated subordinate organizations.

10. Investments in real property not classified as fixed assets or repossessed property.

Do not include:

1. Interests in real property that are primarily used by you, your subsidiaries, subordinate organizations, or affiliates as offices or related facilities to conduct business. Report on CCR506, 100 percent Risk weight: All Other Assets.
2. Interests in real property that you acquire in satisfaction of a debt previously contracted in good faith or acquired in sales under judgments or decrees (REO). Report on CCR506, 100 percent Risk weight: All Other Assets.
3. FHLBank Stock.
4. Equity investments permissible for both savings associations and national banks. Risk weight them at 100 percent on CCR506. These include:
   a. Freddie Mac Stock.
   b. Fannie Mae Stock.
   c. Equity investments in subordinate organizations not constituting subsidiaries under 12 CFR § 567.1 – investments in subordinate organizations not consolidated under GAAP, that engage solely in activities as agent for customers or engage as principal in activities permissible for national banks or otherwise includable under § 5(t) of the HOLA.
   d. Real estate loans that are equity investments under GAAP and are permissible investments for national banks.
   e. Mutual funds and pass-through investments, defined in 12 CFR § 560.32 that invest in any of the above categories of permissible equity investments.
5. Investments in subsidiaries and/or equity investments that FSLIC or any successor agency fully covers. Report the entire amount of such investment on CCR409, 0% Risk weight: Notes and Obligations of FDIC, Including Covered Assets. There is no requirement for you to deduct such investments from capital.

Computation of CCR370 When General Valuation Allowances have been established:

Calculate the amount of equity investments reported on CCR370 net of charge-offs and general valuation allowances. For example, if you established a $10 specific valuation allowance against a $100 equity investment, you only deduct $90 from total capital and enter $90 on CCR370.

In computing CCR370, you should reduce the amount you calculated using the above instructions by the amount of general valuation allowances established against equity investments and required deductions in real property investments. To receive this credit, you **must** establish the general valuation allowance at the savings association level as a contra-asset to the equity investments and investments in real property. You must have and maintain adequate records to enable examiners to verify your claim that you established the general valuation allowances against these specific assets.

For example, if you have a $100 equity investment, net of charge-offs and specific valuation allowances, against which you established no general valuation allowance after July 1, 1994, you should enter the full asset amount, $100, on CCR370. If you established a $10 general valuation allowance against that same asset, you should deduct the $10 general valuation allowance from the $100 investment, resulting in deduction of $90.

Do **not** include general valuation allowances established on other assets in the credit computation outlined above.

CCR375: Deduction for Low-Level Recourse and Residual Interests

If you elect the “direct deduction” approach for low-level recourse and residual interests, report on this line the amount of 1) low-level recourse and 2) residual interests reported on SI402 and SI404. However, you should reduce the amount of residual interests reported here by any amount reported on CCR133. In addition, you may reduce the amount of low-level recourse and residual interests reported here by the amount of any corresponding deferred tax liability.

Include:

1. The amount of recourse liability you retain when it is less than the capital requirement for credit-risk exposure and therefore not converted to an on-balance-sheet equivalent. For example, in the sale of most assets with one percent recourse, the amount of liability retained usually is less than the capital requirements, and therefore you would report one percent of the assets sold on CCR375 or CCR605. See the instructions for the 100 percent credit conversion factor in the Conversion of Off-balance-sheet Items to On-balance-sheet Equivalents section above.
2. The amount of on-balance-sheet financial instruments representing subordinated credit risk interests, including interests in spread accounts and asset pools. However, your low-level recourse requirement may exceed the amount of this instrument if you are subject to credit losses exceeding the amount of the instrument.

CCR39: TOTAL RISK-BASED CAPITAL

The EFS software will compute this line as the total of CCR30 plus CCR35 minus CCR370, and CCR375.

RISK-WEIGHT CATEGORIES

General Instructions

To calculate the total risk-based capital standard you must classify your assets in one of four risk-weight categories described below. Do **not** risk weight the assets that you have deducted from Tier 1 (core) capital – for example, nonincludable subsidiaries, nonqualifying intangibles, and disallowed assets.

Consolidate the assets of includable, GAAP-consolidated subsidiaries in determining the appropriate risk-weight categories. However, exclude the assets of **nonincludable subsidiaries** and **nonincludable equity investments** when computing risk-weighted assets.

As discussed under the general instructions to CCR, where OTS exercises its Reservation of Authority under 12 CFR Section 567.11, and requires a savings association to apply another risk weight, credit equivalent amount, or credit conversion factor that OTS deems appropriate for the risk of a particular asset or off-balance sheet item, the savings association should report these assets, regardless of asset type, on CCR 506 according to the newly assigned risk weight. See instructions for CCR 506. For savings associations subject to an Individual Minimum Capital Requirement (IMCR) imposed pursuant to 12 CFR Section 567.3 that changes the Tier 1 (Core) or Total Risk-Based capital requirement on CCR 27 and CCR 80, respectively, you must over-ride the calculated amount, and self-report the supervisory capital requirement on those lines.

Tier 2 (supplementary) capital includes ALLL but does not include other general valuation allowances. Consequently, to calculate the amount to be risk weighted, you may deduct allocated general valuation allowances from assets other than loans and leases but you may **not** deduct **ALLL** from loans and leases. In other words, you should risk weight loans at their recorded investment less only their specific valuation allowances, and risk weight all other assets at their recorded investment less their specific valuation allowances and allocated general valuation allowances.

You should risk weight assets after you make regulatory capital adjustments to those assets. For example, if we required you to deduct gains or add back losses on AFS securities in Tier 1 (core) capital, you should risk weight those securities at historical cost, not at fair value. The same is true for adjustments for disallowed servicing assets, disallowed net deferred tax assets, and other adjustments to Tier 1(core) capital. If you exclude assets, portions of assets, or adjustments to assets from Tier 1 (core) capital, you should exclude them from risk-weighted assets. Additionally, where you have included up to 45 percent of the pretax unrealized gains, net of unrealized losses, on AFS equity securities in Tier 2 capital (CCR302), you should include 100 percent of those unrealized gains in risk-weighted assets. In other words, you should risk weight the fair value, not the historical cost, of these AFS equity securities.

In determining the appropriate risk-weight category for **secured loans**, you must look at the type of collateral. In determining the appropriate risk-weight category for investments in **mutual funds**, you must look to the characteristics of the assets in the fund. Where the portfolio of a mutual fund consists of various assets that require different treatment under the capital requirement, you have two alternatives:

1. You may deal with the entire ownership interest in the mutual fund based on the asset with the highest capital requirement in the portfolio, or exclude the mutual fund from assets and thus deduct it from calculations of total capital, as appropriate.
2. You may assign different risk-weight categories to the mutual fund on a pro-rata basis, according to the investment limits for different categories in the fund's prospectus.

Regardless of the risk-weighting method used, the total risk weight of a mutual fund must be no less than 20 percent.

Accrued interest receivable that is not delinquent is part of the recorded investment in that loan or investment and should be risk-weighted with the underlying asset. Generally, delinquent accrued interest receivable is risk weighted at 100%

Multiply the sum of each risk-weight category by the appropriate risk-weight percentage for that category. For instance, you would multiply the sum of the zero percent risk-weight category by zero percent. After adding each risk-weight category and multiplying by its appropriate risk weight, add the product of each risk-weight category. This results in the on-balance-sheet portion of the total risk-based capital standard.

Include **off-balance-sheet items** in the total risk-based capital standard after converting them into on-balance-sheet equivalents. Convert off-balance-sheet items by taking the dollar amount of the off-balance-sheet item or the grossed up amount of off-balance-sheet recourse obligations under 12 CFR § 567.1, as appropriate. Multiply that amount by the appropriate credit conversion factor from the table that follows the discussion of risk-weight categories. Additionally, you should risk weight interest-rate and exchange-rate contracts by calculating a credit equivalent amount. See explanation following the discussion of off-balance-sheet items.

Report in the appropriate category all on-balance-sheet assets together with all on-balance-sheet equivalents (off-balance-sheet items after converting them according to the discussion above). From the sum of on-balance-sheet and off-balance-sheet risk-weighted assets, deduct ALLL that exceeds the amount you may include as capital on CCR350.

Note: Report all loans and investments that are more than **90 days past due** on CCR506, 100 percent Risk weight. Report all of these loans on CCR506 regardless of the type of investment or collateral, except for certain covered assets. See the instructions for CCR 409 and CCR 450 to report covered assets.

0% Risk weight

CCR400: Cash

Report all cash-on-hand, including the amount of domestic and foreign currency owned and held or in transit in all your offices. Convert any foreign currency into U.S. dollar equivalents as of the date of the report.

Do not include:

1. Cash deposited in another financial institution, whether interest-bearing or non-interest-bearing. Report on CCR445.

2. Cash equivalents such as travelers' checks. Report on CCR445.

CCR405: Securities Backed by Full Faith and Credit of U.S. Government

Report securities, not loans, on this line. Report the amount of securities issued by and other direct claims on the following:

1. The U.S. Government or its agencies to the extent such securities or claims are **unconditionally** backed by the full faith and credit of the U.S. Government.
2. The central government of an Organization of Economic Cooperation and Development (OECD) country.

Include:

1. Most Ginnie Mae securities. (Note that an interest only strip or Ginnie Mae security that exhibits similar interest rate risk would not be eligible for 0% risk weight. Report as 100% risk weight on CCR 505.)
2. U.S. Treasury securities.
3. SBA pools or certificates, or portions thereof, that have an unconditional guarantee by the full faith and credit of the U.S. Government.

Do not include:

1. Notes and obligations of the FDIC. Report on CCR409.
2. Assets collateralized by U.S. Government securities. Report on CCR450, 20% Risk weight: Other.
3. Mortgage-backed securities (MBS) where you have recourse for the underlying loans. The capital requirement on such obligations should follow the standard treatment of recourse obligations.
4. Delinquent mortgage loans previously securitized with Ginnie Mae, where either (a) you have an unconditional repurchase option, or (b) you have repurchased the loans under such an option. Report on CCR450, 20% Risk weight: Other.

CCR409: Notes and Obligations of FDIC, Including Covered Assets

Report notes and obligations of the FDIC that have the unconditional backing by the full faith and credit of the U.S. Government. Include the following items:

1. FDIC insured deposits. For example, time certificates and/or savings deposits at an FDIC - insured institution that the savings association has booked an asset can be risk weighted at 0% up to the limits of FDIC insurance.
2. Direct claims on and claims unconditionally guaranteed by the FDIC.
3. Debt guaranteed under the FDIC's Temporary Liquidity Guarantee Program.
4. Other similarly guaranteed debt.
5. Report the portion of covered assets fully covered against capital loss and/or yield maintenance agreements initially by the Federal Savings and Loan Insurance Corporation (FSLIC), regardless of any successor agency, such as the FDIC. Place assets without initial FSLIC coverage (for example, those included in a deductible) in a risk-weight category according to the characteristics of the asset. If you cannot assign a deductible under a coverage agreement to a specific type of asset, then you should place the deductible in the 100 percent risk-weight category.

Include the portion of assets **fully** covered against capital loss and/or yield maintenance agreements by the FDIC. Place that portion of assets without FDIC coverage (for example, those included in a deductible) in a risk-weight category according to the characteristics of the asset. If you cannot assign a deductible under a coverage agreement to a specific type of asset, then you should place the deductible in the 100 percent risk-weight category.

Include investments in subsidiaries and equity investments with full FDIC coverage, regardless of the percentage of ownership or business activity of the entity in which you have invested.

CCR415: Other

Report all zero percent risk-weight assets not included above as defined in 12 CFR § 567.6(a)(1)(i).

Include:

1. Deposit reserves at, claims on, and balances due from Federal Reserve Banks, excluding interest rate contracts. Report interest rate contracts on CCR450, 20% Risk weight: Other.
2. The book value of paid-in Federal Reserve Bank stock.
3. That portion of assets not included elsewhere in the zero percent risk-weight category directly and unconditionally guaranteed by the U.S. Government or its agencies, or the central government of an OECD country.
4. Prepaid assessments of FDIC deposit insurance premiums.

CCR420: Total

The EFS software will compute this line as the sum of CCR400 through CCR415.

CCR40: 0% Risk-Weight Total

The EFS software will automatically compute this line as zero percent times CCR455, the risk-weighted product of all zero percent risk-weighted assets.

20% Risk weight

CCR430: Mortgage and Asset-Backed Securities Eligible for 20% Risk Weight

Report mortgage-related securities and other asset-backed securities that meet the criteria for 20% risk weight. ***Note*** that if you have a **subordinate** class of an otherwise 20% risk weight, high-quality MBS, you must gross up and risk weight your security plus the balance of all classes senior to it. However, if you are able to utilize the ratings based approach (12 CFR 567.6), it is not necessary to gross up the more senior positions. See also CC455, CC465, and CC468.

Include:

1. Most Fannie Mae and Freddie Mac mortgage-related securities. (Note: Report Fannie and Freddie principal-only stripped securities (POs) and interest-only stripped securities (IOs) that are not credit enhancing on CCR 506.)
2. Asset-backed securities with an AAA or AA rating that meet the criteria of the ratings based approach - 12 CFR § 567.6.

Do not include:

1. Stripped MBS. Report IO and PO strips that are not credit enhancing of otherwise high quality MBS on CCR506, 100% risk weight.
2. Ginnie Mae mortgage pool securities. Refer to instructions for CCR405.

3. MBSs where you have recourse for the underlying loans. The capital requirement on such obligations should follow the treatment of recourse obligations.

CCR435: Claims on FHLBs

Report all investments in, claims on, and balances due from Federal Home Loan Banks.

Include:

1. Book value of Federal Home Loan Bank stock.
2. Demand, savings, and time deposits with a FHLBank.
3. Securities, bonds, and notes issued by the Federal Home Loan Bank System
4. The credit equivalent amount of interest rate contracts, interest-rate swaps and caps, where the counterparty is a Federal Home Loan Bank.

CCR440: General Obligations of State and Local Governments

Report the amount of securities and other general obligations issued by state and local governments.

CCR445: Claims on Domestic Depository Institutions

Include the following obligations of domestic depository institutions:

1. Demand deposits and other transaction accounts.
2. Savings deposits.
3. Time certificates.
4. Travelers' checks and other cash equivalents.
5. Cash items in the process of collection.
6. Federal funds sold.
7. Loans and overdrafts.
8. Debt securities.
9. The credit equivalent amount of interest and exchange rate contracts (interest-rate swaps and caps) where the counterparty is a domestic depository institution.

Do not include:

1. Investments in other depository institutions where those institutions may count the investments in their regulatory capital, such as capital stock, qualifying subordinated debt, etc. Report on CCR370, Assets Required to be Deducted.
2. Interest rate contracts with a FHLBank or a Federal Reserve Bank. Report on CCR435 and CCR450, respectively.

CCR450: Other

Report all twenty percent risk-weight assets, not included above, as defined in 12 CFR § 567.6(a)(1)(ii).

Include:

1. Assets conditionally guaranteed by the U.S. Government, such as VA and FHA insured mortgage loans, the guaranteed portion of SBA, FhmA, and AID loans, and FICO and REFCO bonds, etc.
2. Delinquent mortgage loans previously securitized with Ginnie Mae, where either (a) you have an unconditional repurchase option, or (b) you have repurchased the loans under such an option.
3. Loans and other assets fully collateralized by deposits.

4. The credit equivalent amount of interest rate contracts (interest-rate swaps and caps) where the counterparty is a Federal Reserve Bank.
5. Assets collateralized by U.S. Government securities other than mortgage related securities on CCR430.
6. Securities issued by, or other direct claims on, U. S. Government-sponsored agencies, including notes issued by Fannie Mae and Freddie Mac. Do not include equity securities or MBSs.
7. Loss sharing agreements entered into by the FDIC with the acquirers of assets from failed institutions are considered conditional guarantees for risk-based capital purposes due to contractual conditions that must be met. The guaranteed portion of assets subject to a loss-sharing agreement may be assigned a 20 percent risk weight. Consult with your regional supervisory regarding the appropriate risk-based capital treatment for specific loss-sharing arrangements.

CCR455: Total

The EFS software will compute this line as the sum of CCR430 through CCR450.

CCR45: 20% Risk-Weight Total

The EFS software will compute this line as twenty percent times CCR455, the risk-weighted product of all 20 percent risk-weighted assets.

50% Risk weight

CCR460: Qualifying Single-family Residential Mortgage Loans

Report the carrying value, outstanding balance less all specific valuation allowances, of all qualifying single-family residential mortgage loans secured by a first lien when you have no other extensions of credit secured by a second lien on the same property to the same consumer, if such loans meet all of the following criteria:

1. You have prudently underwritten the loan.
2. The loan is performing and not more than 90 days past due.
3. The current LTV ratio is 90% or less, calculated using the value at origination, including loans individually insured by private mortgage insurance or other appropriate credit enhancement that brings the effective LTV down to 90% or less.

Notes:

1. See 12 CFR 567.1 for the definition of Qualifying Mortgage Loan.
2. A loan with an LTV higher than 90%, without PMI or other readily marketable collateral enhancement, would not typically qualify for the 50% risk weight. The Real Estate Lending Guidelines urge savings associations as well as other types of banking organizations, to require PMI or other appropriate credit enhancement if a mortgage exceeds 90% LTV. See 12 CFR 560.101, and the footnote in the section on supervisory loan-to-value limits. These guidelines constitute a supervisory presumption of safety and soundness. To overcome that presumption for a loan that exceeds 90% LTV, a bank or thrift must demonstrate to the examiners' satisfaction that the loan is both prudently underwritten, and that it qualifies for the 50% risk weight in spite of the absence of private mortgage insurance or other appropriate credit enhancement.

Also, report the combined carrying value of all mortgage and consumer loans secured by liens on the **same** one- to four-family residential property, with no intervening liens. For example, you hold extensions of credit secured by first lien and second lien positions. Include in 50 percent risk weighting, if the loan meets all the following criteria:

1. You have prudently underwritten each loan.
2. Each loan is performing and not more than 90 days past due.
3. One of the following is true:
   a. The combined loan-to-value ratio (CLTV) does not exceed 90 percent at origination.
   b. The combined extension of credit is insured to at least a 90 percent LTV ratio by private mortgage insurance, or there is other appropriate credit enhancement to bring the effective LTV down to 90 percent or less.
   c. The current LTV ratio is 90% or less, calculated using the value at origination, including loans individually insured by private mortgage insurance or other appropriate credit enhancement that brings the effective LTV down to 90% or less.

When you hold the first lien and junior liens on a 1-to-4-family residential property and no other party holds an intervening lien, view the loans as a **single** extension of credit secured by a first lien on the underlying property. Use this treatment to determine the LTV ratio, as well as for risk weighting. Assign the combined loan amount to either the 50 percent or 100 percent risk category, depending on whether the credit satisfies the criteria for 50 percent risk weighting. In determining the LTV ratio, you need not include loans classified in Schedule SC as commercial loans made to businesses and secured by residential property when you calculate the CLTV ratio for that property. If such loans are not included in the CLTV ratio for that property, you should risk weight such commercial loans at 100 percent.

If there is an intervening lien, do not combine the loans because another entity holds the second lien (the intervening lien). For example, you hold a first mortgage and third lien as a home equity line. In this case, you risk weight the carrying value of the loan secured by the first lien at 50 percent if the LTV is less than 90 percent and it otherwise meets the 50 percent risk-weight criteria. You risk weight the carrying value of the loan secured by the third lien at 100 percent, regardless of the CLTV.

In addition, include the following types of loans in the definition of single-family mortgage loans. These loans must meet the criteria above to be risk weighted at 50 percent:

1. Loans on interests in cooperative buildings.
2. Loans to individuals to fund the construction of their own home that meet the definition of a qualifying mortgage loan in 12 CFR § 567.1. You may include any accrued interest receivable in the loan balance.
3. Mortgage loans on mixed-use properties that are primarily single-family residential properties.

Do not include:

1. The combined carrying value of mortgage and consumer loans secured by first or second liens on the same property when the CLTV ratio exceeds 90 percent. Report the combined carrying value of these loans on CCR506, 100% Risk weight: All Other Assets.
2. The combined carrying value of mortgage and consumer loans secured by first and second liens on the same property if any of the extensions of credit are nonperforming (nonaccrual) or more than 90 days past due. Report on CCR506, 100% Risk weight: All Other Assets.
3. A loan to a consumer collateralized by a junior lien when another lender holds an intervening lien. For example, you hold the second lien and another lender holds the first lien, or you hold the first lien and the third lien, but do not hold the second lien (intervening lien). Report the junior lien on CCR506, 100% Risk weight: All Other Assets.
4. Foreclosed real estate. Report on CCR506, 100% Risk weight: All Other Assets.
5. Loans to individuals to construct their own home that are not qualifying mortgage loans as defined in 12 CFR § 567.1. Report on CCR506, 100% Risk weight: All Other Assets.
6. The portion of loans guaranteed by FHA that may be risk weighted at 20 percent. Report on CCR450.

7. Loans to commercial entities collateralized by mortgages of third-party borrowers (warehouse loans), or small business loans collateralized by a lien on a residential property. Report on CCR506, 100% Risk weight: All Other Assets.

CCR465: Qualifying Multifamily Residential Mortgage Loans

Qualifying Multifamily Mortgage Loans (12 CFR § 567.1) Under Current Rule

Report the carrying value plus accrued interest receivable, of permanent, first mortgages secured by first liens on multifamily residential properties consisting of five or more dwelling units that meet **all** the following criteria:

1. Amortization of principal and interest occurs over a period of not more than 30 years.
2. Original minimum maturity for repayment of principal on the loan is not less than seven years.
3. At the time you placed the loan in the 50 percent risk-weight category, the owner had made all principal and interest payments on the loan for the preceding year on a timely basis according to the loan terms (not 30 days or more past due).
4. The loan is performing and not 90 days or more past due.
5. You made the loan according to prudent underwriting standards.
6. The current outstanding loan balance does not exceed 80 percent (75 percent for variable rate loans) of the value of the property securing the loan. “Value of the property” (when you originate a loan to purchase a multifamily property) means the lower of either the purchase price or the amount of the initial appraisal, or if appropriate, the initial evaluation. Where a purchaser is not purchasing a multifamily property, but taking a new loan on his currently owned property, determine the value of the property by the most current appraisal, or if appropriate, the most current evaluation.
7. For the property’s most recent fiscal year, the ratio of annual net operating income generated by the property, before payment of any debt service on the loan, to annual debt service on the loan is not less than 120 percent, (115 percent for variable-rate loans). In the case of cooperative or other not-for-profit housing projects, the property generates sufficient cash flows to provide you comparable protection. The debt service coverage ratio should be based on a fully indexed payment that will amortize the loan over its contractual term. It has long been industry practice to offer multifamily property loans with relatively short terms compared to the amortizing payment schedule. For example, the loan may have a 10-year term and a payment based on a 30-year amortization schedule with a balloon payment at the end of the term. In such cases, the DSCR should be based on the fully amortizing, fully indexed payment over the scheduled amortization period, but no longer than 30 years.

In cases where a borrower refinances a loan on an existing property, the borrower must comply with the above criteria.

12 CFR § 567.1 defines residential property as houses, condominiums, cooperative units, and manufactured homes. This definition does not include hospitals and nursing homes. Manufactured homes are those subject to HUD regulations under Title VI of the U.S. Code.

Include mortgage loans on mixed-use properties that are primarily multifamily residential properties if they satisfy the criteria for qualifying multifamily mortgage loans.

Grandfathered Qualifying Multifamily Mortgage Loans

Qualifying multifamily mortgage loans include multifamily mortgage loans that on March 18, 1994, met the criteria of qualifying multifamily mortgage loans under our capital rule on March 17, 1994, and continue to meet those criteria, namely:

1. An existing property consisting of 5 to 36 dwelling units secures the mortgage.

2. The initial LTV ratio is not more than 80 percent.
3. For the past full year, the property's average annual occupancy rate is 80 percent or more of total units.

CCR470: Mortgage and Asset-Backed Securities Eligible for 50% Risk Weight

Mortgage-Backed Securities:

Report MBS, other than high quality MBS reported on CCR430, secured by **qualifying single-family** residential mortgage loans eligible to be reported on CCR460 or **qualifying multifamily** residential mortgage loans eligible to be reported on CCR465. Include POs secured by qualifying single-family or multifamily residential mortgage loans unless you can report them on CCR430.

If **qualifying multifamily residential mortgage loans** back the securities, you must receive timely payments of principal and interest according to the terms of the security. Generally, consider payments timely if they are not 30 days or more past due.

Note that if you have a subordinate class of an otherwise 50% risk-weight, high-quality MBS, you must gross up and risk weight your security plus the balance of all classes senior to it. However, if you are able to utilize the ratings based approach (12 CFR 567.6), it is not necessary to gross up the more senior positions. See also CC455, CC465, and CC468.

Asset-Backed Securities:

Also include asset-backed securities eligible for 50% risk weight under the ratings-based approach ("A" rated that meet all the criteria of the ratings based approach).

Do not include:

Interest Only Strips. Report credit-enhancing interest-only strips as residuals. Refer to the definitions in 12 CFR 567.1 and to the capital treatment in 12 CFR 567.6(b). See instructions for lines CCR133, CCR270, CCR375, CCR605, and SI402. Report IO and PO strips that are not credit enhancing of otherwise high quality MBS on CCR506, 100% risk weight.

CCR475: State and Local Revenue Bonds

Report securities issued by state and local governments where the revenues from a stated project such as a toll road repay the security.

CCR480: Other

Report all fifty-percent risk-weight assets not included above as defined in 12 CFR § 567.6(a)(1)(iii).

Include:

1. The credit equivalent amount of interest and exchange rate contracts (interest-rate swaps and caps) where the counterparty is an entity other than a domestic depository institution, a FHLBank, or a Federal Reserve Bank.
2. Revenue bonds issued by any public-sector entity in an OECD country that are payable solely from the revenues generated from the project financed through the issuance of the obligations.
3. Qualifying residential construction loans, also called residential bridge loans, meeting the criteria of 12 CFR § 567.1. Such loans must satisfy the following criteria:
   a. You must make the loan according to sound lending principles to a builder with at least 15 percent equity in the project (or higher, depending upon the risk of the project) who will construct a one- to four-family residence that, when sold, will be owner-occupied.

b. You must obtain sufficient documentation from a permanent lender (that may be the construction lender) demonstrating all the following:
   i. The homebuyer intends to purchase the residence.
   ii. The homebuyer has the ability to obtain a permanent qualifying mortgage loan sufficient to purchase the residence.
   iii. The homebuyer has made a substantial earnest money deposit.
c. The construction loan must meet all the following requirements:
   i. Not exceed 80 percent of the sales price of the residence.
   ii. Be secured by a first lien on the lot, residence under construction, and other improvements.
   iii. Be performing and not more than 90 days past due.
d. The home purchaser(s) must intend that the home will be owner-occupied and must not be a business entity or any entity that is purchasing the home(s) for speculative purposes.
e. You must retain sufficient undisbursed loan funds throughout the construction period to ensure project completion. The builder must incur a significant percentage of direct costs; for example, the actual costs of land, labor, and material, before he draws on the loan.

CCR485: Total

The EFS software will compute this line as the sum of CCR460 through CCR480.

CCR50: 50% Risk-Weight Total

The EFS software will compute this line as 50 percent times CCR485, the risk-weighted product of all 50 percent risk-weight assets.

100% Risk weight

CCR501: Securities Risk Weighted at 100% (or More) Under Ratings-Based Approach

Include on this line:

1. Asset-backed securities or exposures eligible for 100% risk weight under the ratings-based approach. Example: “BBB” rated.
2. Also include asset-backed securities or exposures that receive a 200% risk weight under the ratings-based approach. Example: “BB” rated. For these 200% risk weight items, you must first multiply the balance by 2 (two).

Note: *Only a limited set of asset-backed securities and other exposures arising from securitization activities qualify for this risk weighting, and these must meet all of the requirements of the ratings-based approach. Refer to 12 CFR 567.6(b)(3).*

CCR506: All Other Assets

Report all other assets except those included above or in any other risk-weight category.

Include:

1. Consumer loans.
2. Commercial loans.

3. All assets that are nonperforming or more than 90 days past due, except for certain covered assets. See the instructions for CCR 409 and CCR 450 for reporting covered assets.
4. All repossessed assets including repossessed real estate (REO), other repossessed assets, and equity investments that have the same characteristics as REO, for example stock from an REO workout firm that has been approved for inclusion in the 100% risk-weight category.
5. First and junior mortgages on one- to four-family dwelling unit properties that do not qualify for inclusion on CCR460 (50% Risk weight: Qualifying Single family Residential Mortgage Loans).
6. Multifamily mortgage loans that do not meet the qualifying criteria for inclusion on CCR465, 50% Risk weight: Qualifying Multifamily Residential Mortgage Loans.
7. Residential construction loans, except those to individuals to build their own homes that you report on CCR460, and except qualifying residential construction loans (bridge loans) as defined in CCR480.
8. Nonresidential construction loans as defined in the instructions for SC260, Nonresidential Property.
9. Obligations issued by a state or political subdivision for the benefit of a private party or enterprise where that party or enterprise, rather than the issuing state or political subdivision, is responsible to pay principal and interest on the obligation (industrial development bonds).
10. Private-issue debt securities, including commercial paper, except those that you report in the 20 percent or 50 percent risk-weight categories.
11. Investments in fixed assets and premises.
12. Qualifying intangible assets reported on CCR185.
13. Servicing assets, less the amount included on CCR133.
14. The gross amount of wrap-around loans where you are liable on the first mortgage or must assume the first mortgage to perfect your position. Report the wrap-around loan net of the first mortgage if you have no liability on the first mortgage loan or obligation to assume it.
15. Equity investments that are permissible for both savings associations and national banks and including the following:
    a. Fannie Mae Stock.
    b. Freddie Mac Stock.
    c. Equity investments in unconsolidated subordinate organizations (those that do not qualify as subsidiaries under 12 CFR § 567.1) that engage solely in activities as agent for customers or engage as principal in activities permissible for national banks or otherwise are includable under § 5(t) of the HOLA.
    d. Real estate loans that are equity investments under GAAP and are includable under the Office of the Comptroller of the Currency's (OCC's) capital rule.
    e. Mutual funds and pass-through investments, defined in 12 CFR § 560.32, that invest in any of the above categories of permissible equity investments.
16. Loans to commercial entities collateralized by mortgages of third party borrowers (warehouse loans).
17. Interest-only (IO) and principal only (PO) stripped securities that are not credit enhancing. This category includes most IOs and POs issued by Fannie Mae and Freddie Mac.
18. Any other remaining assets that you do not deduct from capital on CCR133 or CCR375, or that you do not "super risk-weight" using CCR605 and CCR62.
19. Assets reported on this line generally receive a 100 percent risk weight. The risk-weighted amount is automatically calculated. However, you will need to override the automatically calculated amount where OTS exercises its Reservation of Authority under 12 CFR 567.11, and requires a savings association to apply another risk-weight, credit equivalent amount, or credit conversion factor that OTS deems appropriate for the risk of a particular asset or off-balance sheet item. For those assets, report at the assigned risk-weight, conversion factor, or credit equivalent amount on this line regardless of the asset category. For example, if the assigned risk

weight for certain assets is 200 percent, multiply those assets by the assigned 200 percent risk weight, and manually include this amount with the amount of assets risk-weighted at 100 percent for a new total. If the assigned risk-weight is 75 percent for certain assets, multiply those assets by 75 percent, and include them on this line as well. If a conversion factor is assigned at 100 percent, multiply the asset times 100 percent and times the appropriate risk-weight (assigned or not assigned), and include the amount on this line.

CCR510: Total

The EFS software will compute this line as the sum of CCR501 and CCR506.

CCR55: 100% Risk-Weight Total

The EFS software will compute this line as 100 percent times CCR510, the risk-weighted product of all 100 percent risk-weight assets.

CONVERSION OF OFF-BALANCE-SHEET ITEMS TO ON-BALANCE-SHEET EQUIVALENTS

Include off-balance-sheet items in the total risk-based capital standard after converting them into on-balance-sheet equivalents. Convert off-balance-sheet items to on-balance-sheet equivalents by taking the dollar amount of the off-balance-sheet item and multiplying it by the appropriate credit conversion factor from the table below.

SC689, Other Assets, and SC796, Other Liabilities and Deferred Income, include the fair value of derivative instruments. We treat on-balance-sheet derivative instruments used for risk management purposes, rather than for trading, as off-balance-sheet items for risk-based capital purposes. Accordingly, you should risk weight only the converted on-balance-sheet equivalent amounts, not the amounts reported on SC689 and SC796.

Place the on-balance-sheet equivalents (converted off-balance-sheet items) in the appropriate risk-weight category just as any other on-balance-sheet assets. For example, place an off-balance-sheet letter of credit in the same risk-weight category as the loan would be upon execution of the letter of credit.

As mentioned, where OTS assigns a conversion factor to certain off-balance sheet assets under its Reservation of Authority, convert those assets into on-balance sheet equivalents by multiplying those assets times the assigned conversion factor. If OTS does not assign a risk-weight, use the risk-weight normally applied to the assets' category. However, report the amount on CCR 506. Do not report the asset in any other risk-weight category. Similarly, OTS may also assign a risk-weight in addition to a credit conversion factor. Report this amount on CCR 506 as well.

Loans in Process (Undisbursed Loan Balances)

You may convert all LIP that meets the following criteria at a zero percent conversion factor. In other words, you do not risk weight it.

1. LIP that contractually must be fully disbursed or expire in one year or less under the original terms of the contract.
2. LIP that you may disburse over a period of time exceeding one year and that meets both of the following criteria:
    a. You may unconditionally cancel the agreement.
    b. You make a separate credit decision before each draw.

Convert all LIP that does not meet the criteria in #1 or #2 above at a 50 percent conversion factor and place in the risk-weight category appropriate for the related loan, except as follows:

1. When the borrower pays interest on the full amount of the loan, including both the disbursed and undisbursed portions, you must convert the LIP to an on-balance-sheet equivalent at a 100 percent credit conversion factor.
2. When the LIP is a direct credit substitute, you must convert it to an on-balance-sheet equivalent at a 100 percent credit conversion factor.

Table of Conversion Factors for Off-Balance-Sheet Items

This calculation translates the face amount of an off-balance-sheet exposure into an on-balance-sheet credit equivalent amount.

Zero Percent Credit Conversion Factor (not risk weighted)

Include:

1. Unused commitments with an original maturity of one year or less.
2. Unused commitments with an original maturity of greater than one year:
    a. That you may unconditionally cancel at any time, and
    b. You have the contractual right to make, and you do make, either:
        i. A separate credit decision based upon the borrower's current financial condition before each draw, or,
        ii. An annual, or more frequent credit review, based upon the borrower's current financial condition to determine whether or not to continue the lending arrangement.
3. Unused portions of retail credit card lines of credit that you may unconditionally cancel to the extent allowed by applicable law.
4. Unused portion of home equity lines of credit:
    a. That you may unconditionally cancel at any time to the extent allowed by federal law, and
    b. You have the contractual right to make, and you do make, either:
        i. A separate credit decision based upon the borrower's current financial condition before each draw, or,
        ii. An annual, or more frequent credit review, based upon the borrower's current financial condition to determine whether to continue the lending arrangement.
5. A commitment to make a permanent loan, where either the balance sheet or off-balance-sheet includes the construction loan. If the commitment to make the permanent loan exceeds the construction loan, treat the excess as a separate commitment and convert it to an on-balance-sheet equivalent.

Twenty Percent Credit Conversion Factor

Trade-related contingencies are short term, self-liquidating instruments used to finance the movement of goods and collateralized by the underlying shipment. For example, a commercial letter of credit.

Fifty Percent Credit Conversion Factor

Include:

1. Transaction-related contingencies, including performance bonds and performance-based standby letters of credit.

2. Unused commitments with an original maturity greater than one year, including home equity lines of credit that are not in the zero percent credit conversion factor category because they are not unconditionally cancelable.
3. Revolving underwriting facilities, note issuance facilities, and similar arrangements where the customer can issue short-term debt in its own name, but where you have a legally binding commitment to either:
    a. Purchase the obligations the customer is unable to sell by a certain date.
    b. Advance funds to its customer if the customer is unable to sell the obligations.

Example:

You have a $1 million off-balance-sheet letter of credit guaranteeing the completion of a road in a residential construction project. Letters of credit that guarantee performance have a conversion factor of 50 percent. You convert the $1 million off-balance-sheet item into a $500,000 on-balance-sheet equivalent ($1 million times 50 percent), and place this in the 100 percent risk-weight category on CCR506, which is the same risk-weight category as on-balance-sheet residential construction loans.

One Hundred Percent Credit Conversion Factor

Include:

1. Financial guarantee-type standby letters of credit. Convert the face amount to a credit-equivalent amount.
2. Assets sold with recourse:
    a. If you sell a $100 loan with ten percent recourse, you must convert the full $100 – the grossed up amount – at 100 percent, except where the amount of recourse liability that you retain is less than the capital requirement for credit-risk exposure. In that situation, the low-level recourse provision limits your capital charge to a dollar-for-dollar requirement against the amount of credit-risk exposure retained. For example, in the sale of most assets with one percent recourse, the amount of liability retained is less than the capital requirement. Therefore, one percent of the assets sold would be the capital requirement. Report this low-level recourse amount on CCR375 or CCR605. No off-balance-sheet conversion is necessary.
    b. Loans serviced for others where you or your subsidiaries are liable for credit losses on the loans serviced. In general, do not consider servicing of VA loans in GNMA pools as recourse servicing; however, we reserve the right on a case-by-case basis to treat such servicing as recourse. ***Note***: You should not risk weight the on-balance-sheet asset. You should convert the full outstanding balance of the loans serviced at 100 percent.
    c. Treat the subordinated portions of senior/subordinated securities, both retained and purchased subordinated pieces, identically to assets sold with partial, first-loss recourse under 2(a) above. You generally should not risk weight the on-balance-sheet-subordinated security. You should convert the full amount of both the senior and subordinate portions of the mortgage pool security at 100 percent.
    d. You may elect to apply the 100 percent credit conversion factor to only the retained recourse amount related to transfers of small business loans and leases of personal property, according to § 208 of the Riegle Community Development and Regulatory Improvement Act of 1994. Qualifying savings associations may apply the treatment under § 208, as implemented, to transfers on or after March 22, 1995. See § 208 of the Riegle Act and 12 CFR § 567.6(a)(2)(i)(C).
3. Forward agreements and other contingent obligations with a specified draw down are legally binding agreements to purchase assets at a specified future date. You should convert the principal amount of the assets you will purchase on the date you enter into the agreement.
4. Securities of customers where you lend such securities to others as agent and you indemnify the customer against loss.

Example:

You have a $1 million off-balance-sheet, legally binding commitment to purchase and the institution has the intent to take delivery of (e.g., a regular-way trade, which is not accounted for as a derivative) FannieMae or FreddieMac MBS. Forward agreements to purchase assets at a specified date have a conversion factor of 100 percent. You convert the $1 million off-balance-sheet item into a $1 million on-balance-sheet equivalent, and you place it in the 20 percent risk-weight category on CCR450.

Interest-rate and Exchange-rate Contracts, and Certain Derivative Contracts

Credit Equivalent Amount

This calculation translates interest-rate and exchange-rate contracts into an on-balance-sheet credit equivalent amount. The credit equivalent amount of interest-rate and exchange-rate contracts is the sum of: (1) current credit exposure, and (2) potential credit exposure.

The credit equivalent amount, consisting of the current exposure plus the potential credit exposure, is assigned to the appropriate risk-weight category and reported on one of the following lines:

20% Risk weight

CCR435	Claims on FHLBs
CCR445	Claims on Domestic Depository Institutions
CCR450	Other (where the counter party is a Federal Reserve Bank)

50% Risk weight

CCR480	Other – where the counter party is other than a domestic depository institution, a FHLBank, or a Federal Reserve Bank

1. Current Credit Exposure

Current credit exposure is the replacement cost of the contract, measured in U.S. dollars, regardless of the currency specified in the contract.

Replacement cost is the loss that you would incur if a counterparty defaults. You measure replacement cost as the net cost of replacing the contract at the current market value. If default would result in a theoretical profit, the replacement value is zero. The replacement cost calculation incorporates changes in both interest rates and counterparty credit quality.

2. Potential Credit Exposure

Potential credit exposure means the estimated potential increase in credit exposure over the remaining life of the contract. You calculate it as follows:

Interest-rate Contracts

Multiply the notional principal amount of the contract by either:

1. Zero percent, if the contract has a remaining maturity of one year or less.
2. One-half of one percent if the contract has a remaining maturity greater than one year.

Exchange-rate Contracts

Multiply the notional principal amount of the contract by either:

1. One percent if the contract has a remaining maturity of one year or less.
2. Five percent if the contract has a remaining maturity greater than one year.

Interest Rate Contract Example:

You have a $10 million notional amount interest rate swap agreement. You report the positive fair value of this derivative instrument of $80 thousand as an asset and include it in line SC689, Other Assets. However, you do **not** include this $80 thousand on-balance-sheet amount in assets to risk weight. Instead, you include in assets to risk weight the credit equivalent amount of this interest rate exchange agreement, which you have calculated to be $130 thousand. You computed the $130 thousand by adding the current credit exposure of $80 thousand (equal to the replacement cost of the contract) to the potential credit exposure of $50 thousand (equal to the $10 million notional amount times 0.5%, for this contract with a remaining maturity of 2 years). You include the $130 thousand in assets to risk weight, in the 20 percent risk-weight category on CCR435, because the counterparty is a Federal Home Loan Bank.

Foreign Exchange Rate Example:

Your thrift has a foreign currency exchange rate contract where the thrift will deliver €1 million (Euros) and receive $1.8 million (US Dollars) in 90 days. The exchange rate was 0.90 (US Dollars/Euros) and it is now 0.95. No matter which side of the contract your thrift has taken, it should always be measured in dollars for capital purposes. The market loss of $100,000 is reported on SC796. As there is a market loss, the current credit portion is $0. The potential credit portion is $18,000 because the term is less than one year. You would report $18 on CCR480 as the counterparty is a broker (non-bank).

Do not include in risk-based assets:

(*1*) A foreign exchange rate contract with an original maturity of 14 calendar days or less; and

(*2*) Any interest rate or foreign exchange rate contract that is traded on an exchange requiring the daily payment of any variations in the market value of the contract.

See 12 CFR 567.6 for more information.

Netting of Current Replacement Value under Qualifying Bilateral Netting Agreements

You may net the current replacement values of multiple rate contracts with a single counterparty under a qualifying bilateral netting agreement in accordance with the OTS' bilateral netting rule according to 12 CFR § 567.6(a)(2)(v)(B). A bilateral netting agreement is a master contract under which two parties agree to net the amounts they owe each other under rate contracts covered by the agreement to reduce their credit exposure. You may only net contracts for capital purposes under this rule if **all** of the following are true:

1. The rate contracts are between the same two parties.
2. You net only interest rate contracts and foreign exchange rate contracts for capital purposes.
3. The bilateral netting contract covering the rate contracts results in a single netted amount being payable or receivable in case of the default, insolvency, bankruptcy, or similar circumstance of either party.
4. If you are party to the bilateral netting agreement, you have legal opinions concluding that the courts and other legal authorities of relevant jurisdictions would uphold the contract.

CCR605: Amount of Low-Level Recourse and Residual Interests Before Risk weighting

If you elect the "super risk weighting" approach for low-level recourse and residual interests, report on this line the amount of 1) low-level recourse and 2) residual interests reported on SI402 and SI404. However, you should reduce the amount of residual interests reported here by any amount reported on CCR133.

Include:

1. The amount of recourse liability (low-level recourse amount) that you retain when it is less than the capital requirement for credit-risk exposure. Therefore, you do not convert it to an on-balance-sheet equivalent. In the sale of most assets with one percent recourse, the amount of liability retained usually is less than the capital requirement. You would report one percent of the assets sold on CCR375 or CCR605. See the instructions for the 100 percent credit conversion factor in the Conversion of Off-balance-sheet Items to On-balance-sheet Equivalents section.
2. The amount of on-balance-sheet financial instruments representing subordinated credit risk interests, including interests in spread accounts and asset pools. However, your low-level recourse requirement may exceed the amount of this instrument if you are subject to credit losses exceeding the amount of the instrument.

Do not Include:

Credit-enhancing interest-only strips reported on SI402 that exceed 25% of your Tier 1 Capital. You must deduct the amount that exceeds 25% of Tier 1 capital on CCR 133.

CCR62: RISK-WEIGHTED ASSETS FOR LOW-LEVEL RECOURSE AND RESIDUAL INTERESTS (CCR605 X 12.5)

This notional risk-weighted amount is your low-level recourse and residual interests amount on CCR605 multiplied by 12.5. ***Note:*** This computation results in a risk-weighted asset amount that when multiplied by 8 percent results in your low-level recourse amount. By converting your low-level recourse and residual interests amount into risk-weighted assets, this method increases your total risk-based capital requirement instead of reducing your total risk-based capital like the deduction method.

The EFS software will compute this line as CCR605 multiplied by 12.5, the reciprocal of the 8 percent risk-based capital requirement.

CCR64: ASSETS TO RISK WEIGHT

The EFS software will automatically compute this line as the sum of CCR420, CCR455, CCR485, CCR510, and CCR605.

Total assets subject to risk weighting are as follows:

1. Adjusted Total Assets, CCR25.
2. ALLL, CCR350 plus CCR530.
3. Assets you are required to deduct, reported on CCR370.
4. Off-balance-sheet items you are required to convert to assets to risk weight.
5. Unrealized gains on AFS equity securities reported on CCR302.
6. Less any on-balance-sheet assets reported on CCR375.

CCR75: Subtotal Risk-Weighted Assets

The EFS software will compute this line as the sum of CCR40, CCR45, CCR50, CCR55, and CCR62.

CCR530: Excess Allowances for Loan and Lease Losses (ALLL)

Report an amount on CCR530 only when the ALLL reported on CCR350 is less than the ALLL reported on SC283 and SC357. This could occur when the total ALLL reported on Schedule SC exceeds the regulatory capital limit of 1.25 percent of risk-weighted assets. Report on CCR530 the ALLL reported on SC283 and SC357 that is not included on CCR350. Excess ALLL may not include amounts for liabilities for credit losses on off-balance-sheet credit exposures.

CCR78: TOTAL RISK-WEIGHTED ASSETS

The EFS software will compute this line as CCR75 minus CCR530.

CCR80: Total Risk-Based Capital Requirement

The EFS software will compute this line as CCR78, Total Risk-Weighted Assets multiplied by eight percent.

If you have an individual minimum capital requirement (IMCR) imposed pursuant to 12 CFR Section 567.3, you should override the calculated amount and report your IMCR.

This amount should never be less than eight percent of CCR78.

CAPITAL AND PROMPT CORRECTIVE ACTION RATIOS

The EFS software will compute the following ratios. These ratios provide you and the data user with instantaneous calculation of important capital ratios.

CCR810: Tier 1 (Core) Capital Ratio

The EFS software will compute this ratio as Tier 1 (core) capital divided by adjusted total assets (CCR20/CCR25), expressed as a percentage.

CCR820: Total Risk-Based Capital Ratio

The EFS software will compute this ratio as total risk-based capital divided by risk-weighted assets (CCR39/CCR78), expressed as a percentage.

CCR830: Tier 1 Risk-Based Capital Ratio

The EFS software will compute this ratio as Tier 1 (core) capital, less the deduction for low-level recourse and residual interests, divided by risk-weighted assets ((CCR20-CCR375)/CCR78), expressed as a percentage.

CCR840: Tangible Equity Capital

If you do not report purchased credit card relationships (PCCRS) or servicing assets on nonmortgage loans or if you do not have non-qualifying PCCRs or non-qualifying servicing assets on nonmortgage loans, the EFS software will compute this ratio as Tier 1 (core) capital plus cumulative perpetual preferred stock less PCCRS and servicing assets on nonmortgage loans divided by tangible assets less PCCRS and servicing assets on nonmortgage loans ([CCR20-CCR185+SC812-SC644]/[CCR25-CCR285-SC644]), expressed as a percentage.

If you have non-qualifying PCCRs or non-qualifying servicing assets on nonmortgage loans, as determined under CCR133, you should manually override the software calculation for CCR840. You should take into consideration adjustments made on CCR 133 so that PCCRs and servicing assets on nonmortgage loans in Tier 1 (core) capital are fully deducted for purposes of the tangible equity ratio.

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CMR285: Remaining Term to Full Amortization

For balloon mortgages only, on CMR285 report the weighted-average number of months until the mortgage would fully amortize if not for the scheduled balloon payment. For interest-only loans – loans that do not amortize – use 360 months. Do not report this item for fully amortizing loans.

CMR287 and CMR288: Weighted-Average Coupon (WAC)

Calculate the WAC as described in the general instructions to Schedule CMR. Report the WAC for balloon mortgages on CMR287 and the WAC for fully amortizing mortgages on CMR288. For securities backed by multifamily or nonresidential mortgages, use the coupon rate of the security, the pass-through rate.

Supplemental Reporting

If you hold adjustable-rate multifamily and nonresidential mortgages tied to a variety of different indices, you may wish to report those balances disaggregated by index type in the Supplemental Reporting Section. In addition, you may report loans and securities separately for both fixed- and adjustable-rate balances. The additional detail provided by such reporting improves the estimates produced by the OTS Model. For more information, see the instructions for Supplemental Reporting for Assets and Liabilities.

CONSTRUCTION AND LAND LOANS

Report information on land loans and on the disbursed amount of construction loans secured by single-family dwelling units, multifamily dwelling units, or nonresidential property on CMR291 through CMR298. Include combination construction-permanent mortgages where you have not set the interest rate on the permanent financing. Report only the construction period in the WARM for these combination loans. Do not include combination construction-permanent mortgages that have a set rate for the entire term of the mortgage. Report instead with permanent mortgages in the relevant section of Schedule CMR. Report construction LIP in the Off-Balance-Sheet section of Schedule CMR.

If the agreement contains a commitment to provide a mortgage loan upon completion of the construction, report the mortgage commitment as an optional or firm, as appropriate, commitment to originate a mortgage as an off-balance-sheet position.

Adjustable-Rate

Report the following items for performing adjustable-rate construction and land loans:

CMR291: Balances

Report the outstanding balance of adjustable-rate construction and land loans.

CMR293: Weighted-Average Remaining Maturity (WARM)

Report the WARM calculated as described in the general instructions to Schedule CMR for all adjustable-rate construction and land loans. Calculate the WARM using the lesser of the remaining maturity or the time to rate reset. For combination construction-permanent loans, use the number of months remaining in the construction phase of the loan.

CMR295: Rate Index Code

Report the rate index code which you can obtain from the List of Interest Rate Index Codes in Appendix A. From the list of codes, determine the rate index code that represents the largest percentage of your adjustable-rate construction and land loan balances. For example, if 60 percent of your balances use the prime rate as an index and the remaining 40 percent use the one-year Treasury rate as an index, you would report the code for the prime rate, code 830.

CMR297: Margin

For the adjustable-rate balances tied to the index on CMR295, calculate the weighted-average margin as described in the general instructions to Schedule CMR. Report the result, in basis points. Do not include adjustable-rate construction loans tied to indices other than the one on CMR295.

CMR299: Reset Frequency

For the adjustable-rate construction and land loans tied to the index on CMR295, report the coupon reset frequency, in months. For loans with payments and accrual rates that reset with different frequencies, report the accrual rate reset frequency. If loans tied to the index on CMR295 reset with varying frequencies, calculate the weighted-average reset frequency in the same manner as described for the WARM in the general instructions to Schedule CMR.

Fixed-Rate

Report the following items for performing fixed-rate construction and land loans:

CMR292: Balances

Report the outstanding balance of fixed-rate construction and land loans.

CMR294: Weighted-Average Remaining Maturity (WARM)

Report the WARM, calculated as described in the general instructions to Schedule CMR, for all fixed-rate construction and land loans. For combination construction-permanent loans, use the number of months remaining in the construction phase of the loan.

CMR298: Weighted-Average Coupon (WAC)

For the fixed-rate balances on CMR292, calculate the WAC as described in the general instructions to Schedule CMR. Report the result, in percent.

Supplemental Reporting

If you hold adjustable-rate construction and land loans tied to a variety of different indices you may wish to report those balances disaggregated by index type in the Supplemental Reporting Section. The additional detail provided by such reporting improves the estimates produced by the OTS Model. For more information, see the instructions for Supplemental Reporting for Assets and Liabilities.

SECOND MORTGAGE LOANS AND SECURITIES

Report information about performing second mortgage loans on single-family dwellings and pass-through securities backed by such loans. Report all mortgages where you hold a junior lien, even if you also hold the first lien. Include the outstanding balance of all secured, open-end revolving home equity loans and lines of credit even if secured by a first lien.

Report loans that were once adjustable-rate but are now fixed-rate for their remaining term and ARMs with coupons that are currently at their lifetime caps, as fixed-rate mortgages.

You would report the positions as follows:

	[1] Contract Code	[2] Notional Amount	[3] Maturity or Fees	[4] Price/Rate #1	[5] Price/Rate #2
Position 1	9040	10 000	9503	93.00	
Position 2	9040	15 000	9506	93.00	
Position 3	9060	5 000	9603	102.00	

Construction Loans-in-Process (LIP)

Construction LIP includes the portion of construction loans that you have closed but have not yet disbursed the proceeds. The funded portion of construction loans is included in the relevant on-balance-sheet asset section. Report the undisbursed LIP for both loans reported as construction-only loans and construction-permanent loans reported as single-family, multifamily, or nonresidential loans.

Report construction LIP where you have specified an interest rate. Include fixed-rate loans and all adjustable-rate loans that reprice less often than monthly. You should not report agreements where you determine the rate at the time when you disburse the funds.

If the agreement contains a commitment to provide a mortgage loan upon completion of the construction, report the mortgage commitment as an optional or firm, as appropriate, commitment to originate a mortgage in the corresponding sections above.

For construction-permanent loans where the permanent rate has been set, use the construction phase as the WARM for the LIP.

Aggregation

Report fixed-rate construction LIP separately from adjustable-rate construction LIP.

Column 1: Contract Code
Enter the contract code for the position in column 1. Refer to Appendix B for the list of codes.

Column 2: Notional Amount
Report in Column 2 the amount of undisbursed funds, that portion of the commitments that have not been drawn down.

Column 3: Maturity or Fees
For fixed-rate construction-only LIP, report an estimate of the weighted-average term to maturity, in months. **For construction-permanent loans, report an estimate of the term to completion of the construction phase only; do not include the maturity of the mortgage**. For adjustable-rate loans, use the number of months until the next reset to calculate the WARM. (Note: loans that reset more often than monthly do not need to be reported on this line).

Column 4: Price/Rate #1
Report the weighted-average interest rate on the loans in Column 4. Refer to the calculation of the WAC in the general instructions to Schedule CMR.

Column 5: Price/Rate #2
Leave Column 5 blank.

Example:

You have two fixed-rate construction loan commitments outstanding. On the first commitment, a $1 million loan with a one-year term that you expect to disburse in approximately four months, for a term to maturity of 16 months, at an interest rate of 10 percent. On the second, a $2 million loan with an 18-month term you expect to disburse in approximately two months, for a term to maturity of 20 months, at an interest rate of 11 percent.

You would report the position as follows:

	[1] Contract Code	[2] Notional Amount	[3] Maturity or Fees	[4] Price/Rate #1	[5] Price/Rate #2
Position 1	9502	3 000	19	10.67	

SUPPLEMENTAL REPORTING FOR ASSETS AND LIABILITIES

INTRODUCTION

This section allows you to report selected assets and liabilities at a more disaggregate level than you report in the Assets and Liabilities sections of Schedule CMR. For example, if you have adjustable-rate second mortgage loans tied to different indices, you may report the balances tied to each rate index separately. We will derive the interest rate risk exposure estimates using this detailed information instead of the more aggregated data reported for those assets in the other sections. This results in more accurate market value estimates for the instruments on the supplemental form.

Supplemental reporting is available for the following:

Assets (Optional Reporting)

1. Certain types of loans.
2. Other investment securities of the types on CMR473 and CMR479.

Liabilities (Required Reporting)

1. VRFM liabilities.

Supplemental reporting is also available for OBS positions, as described below.

Each line on the supplemental reporting form for assets and liabilities consists of a balance with a given asset or liability code, a rate index code, and information describing those balances – margin, coupon, remaining maturity, etc. Number all lines used to report supplemental information sequentially, with the first line on the form receiving the number 1 in the column titled *Entry #.* We describe all other entries in detail below. If there are insufficient lines on the Supplemental Reporting page to report the different combinations of instrument and index codes, use as many continuation pages as necessary.

SUPPLEMENTAL REPORTING FOR ASSETS (OPTIONAL)

You may report three broad classes of assets on the Supplemental Reporting form:

1. The following types of loans:
   a. Adjustable- and fixed-rate multifamily and nonresidential mortgage loans and securities.
   b. Adjustable-rate construction and land loans.
   c. Adjustable-rate second mortgages.
   d. Adjustable-rate commercial loans.
   e. Adjustable- and fixed-rate consumer loans.
2. Investments in securities of the types on CMR479, Municipal securities, mortgage-backed bonds, corporate securities, commercial paper.

Besides a column for the entry number, there are nine input columns on the Supplemental Reporting form. You will not always use all nine columns, depending on the asset. Below we describe the reporting for each column for each of the three classes of assets.

Loans

Column 1: Asset Code

Loans where OTS permits supplemental reporting are in Appendix C by Schedule CMR cell number. For each CMR cell number, you may use one or more codes to represent types of loans in that cell. For example, CMR335 and CMR336, Adjustable-rate and Fixed-rate Consumer Loans, respectively, may each be disaggregated into seven asset codes that correspond to different types of consumer loans. For example, you can report auto loans by entering asset code 183 in column 1 of the first line; education loans by entering asset code 182 on the next line; etc. Other CMR cell numbers – construction and land loans, second mortgages, and commercial loans – have only one code each. For those assets, balances cannot be disaggregated further by loan type, only by index code. See the description of column 2 below.

Column 2: Rate Index Code

From the list of Interest Rate Index Codes in Appendix A, report the code representing the index the reported loan uses. For example, you could report adjustable-rate auto loans tied to the prime rate with an asset code of 183 in column 1 and an index code of 830 in column 2. You could report auto loans tied to the one-year Treasury rate on a separate line with an asset code of 183 and an index code of 312.

Column 3: Balance

Report the outstanding balance of the loan in column 3.

Balances reported for asset codes within a given CMR cell number must sum to the balance reported in that cell in the Assets sections of Schedule CMR. For example, balances on the Supplemental Reporting form with asset codes 180 through 189, various types of consumer loans, and index codes designating adjustable-rate loans, must sum to the balance reported for total adjustable-rate consumer loans on CMR335. Likewise, the balances with asset codes 180 through 189 and an index code designating fixed-rate loans, must sum to CMR336, total fixed-rate consumer loans.

Column 4: Margin/WAC

If the entry represents an adjustable-rate loan, report the weighted-average margin, in basis points, in column 4. If it is a fixed-rate loan, report the WAC, in basis points, in column 4. Note that this differs from treatment in the Assets section of Schedule CMR, where the WAC is in percentage points. Report the net margin or the pass-through rate for adjustable-rate and fixed-rate securities, respectively. We describe how to calculate the weighted-average margin and the WAC in the general instructions to Schedule CMR.

Column 5: Rate Reset Frequency

If the loan is adjustable-rate, report the weighted-average frequency where the coupon rate resets, in months, in column 5. You should calculate the weighted-average frequency of the coupon reset in the same manner as the WARM, as described in the general instructions to Schedule CMR. However, instead of months to maturity, use months between coupon reset dates. If the loan is fixed-rate, leave column 5 blank.

Column 6: Months to Full Amortization

Leave this column blank for all assets except multifamily and nonresidential balloon mortgage loans and securities – asset codes 100, 105, 106, 107, 108, and 109. For those assets, report the weighted-average number of months remaining until the balloon mortgage would fully amortize. Calculate this item in the same manner as described for WARM, in the general instructions to Schedule CMR. However, instead of months to maturity, use months to full amortization.

Column 7: Remaining Maturity

Report the WARM, in months, in column 7. Calculate the WARM as described in the general instructions to Schedule CMR. For balloon mortgages, use the number of months until payment of the balloon.

Column 8: Distance to Lifetime Cap

Use this column only for adjustable-rate multifamily and nonresidential mortgage loans and securities, asset codes 100 through 119. For all other types of loans, leave it blank.

For each asset code, calculate the difference between the WAC and the weighted-average lifetime cap for the loans or securities in that category. Report the result in column 8, in basis points. For example, for a WAC of 10 percent and a cap of 12 percent, report a value of 200 basis points. Calculate the WAC as described in the general instructions to Schedule CMR. Calculate the weighted-average lifetime cap the same way. For loans and securities that have no lifetime caps, report 9999 in this column.

Column 9: Distance to Lifetime Floor

Use this column only for adjustable-rate multifamily and nonresidential mortgage loans and securities, asset codes 100 through 119. For all other types of loans, leave it blank.

For each asset code, calculate the difference between the current WAC and the weighted-average lifetime floor for the loans in that category. Report the result in column 9, in basis points. For example, for a WAC of 10 percent and a floor of 8 percent, report a value of 200 basis points. For loans and securities that have no lifetime floor, report 9999 in this column.

Other Investment Securities

You can provide additional information about securities on CMR473 and CMR479. You may distinguish three different types of instruments – fixed coupon, floating-rate, and inverse floating-rate securities – using the codes listed in the appropriate sections of Appendix C.

Column 1: Asset Code

Asset codes for reporting supplemental information are in Appendix C. For CMR473, Government and Agency Securities including SBA securities, applicable asset codes are 300 through 304. For CMR479, Other Securities – Munis, Mortgage-Backed Bonds, Corporate Securities, Commercial Paper, Etc. – applicable codes are 120, 122, and 124.

Column 2: Rate Index Code

From the list of Interest Rate Index Codes in Appendix A, report the code representing the index the security uses. Use code 900 if the security has a fixed coupon.

Column 3: Balance

For each type of security, report the outstanding balance of all securities of that type on CMR473 or CMR479. The total outstanding balance on the Supplemental Reporting section with asset codes 300 through 304 must equal the amount on CMR473. In addition, the total balance with asset codes 120, 122, and 124 must equal the amount on CMR479.

Column 4: Margin/WAC

If the entry represents a floating-rate security, report the margin, **in basis points**, in column 4. If the security is a fixed-coupon security, report the coupon, **in basis points**, in column 4. Note that this differs from treatment in the Assets section of Schedule CMR, where the coupon is in percentage points.

Column 5: Rate Reset Frequency

If the balance reported in column 3 is floating-rate or inverse floating-rate, report the frequency that the coupon rate resets, in months, in column 5. If the balance reported in column 3 is fixed-coupon, leave column 5 blank.

Column 6:

Leave this column blank.

Column 7: Remaining Maturity

Report the remaining maturity, in months, in column 7.

Column 8:

Use this column only for reporting the benchmark rate (in basis points) of inverse floating-rate securities. For example, if you derive the coupon of such a security using the formula 17.5 minus six-month LIBOR, the benchmark rate is 17.5, and you should report it as 1750 basis points in column 8. For all other types of securities, leave this column blank.

Column 9:

Leave this column blank.

SUPPLEMENTAL REPORTING FOR LIABILITIES (REQUIRED)

Report variable-rate, fixed-maturity liabilities in the section, **Supplemental Reporting for Assets and Liabilities**.

Include liabilities of the following types that have contractually stated maturities and indexed rates:

1. Certificates of deposit.
2. FHLB advances.
3. Commercial bank loans.
4. Repurchase agreements.
5. Retail repurchase agreements.
6. Commercial paper issued.
7. Subordinated debt.
8. Redeemable preferred stock.
9. All other borrowings.

Do not include:

1. Mortgage collateralized securities. Report on Supplemental Reporting of Market Value Estimates.
2. Structured borrowings. Report on Supplemental Reporting of Market Value Estimates.

General Instructions:

Report information about your VRFM liabilities as follows:

Assign liability and index codes to each VRFM liability that you issue, using the lists of codes in Appendix D and Appendix A, respectively. For example, each variable-rate FHLB advance indexed to the Fed Funds rate would have the liability code 220, the code for FHLB advances, and the index code 800 (the code that shows that the interest rate on the advances uses the Fed Funds rate as an index). Report each VRFM liability you issue using either one of two ways:

A. **Individually –** This option produces a very accurate valuation, but it might require the reporting of a large amount of data.

B. **Aggregated with similar liabilities** – This option produces somewhat less accurate valuations, but it requires the reporting of a smaller amount of data.

1. If you choose the individual option, supply the required information – liability code, index code, balance, margin, rate reset frequency, months to reset, and remaining maturity – for each VRFM liability issued that you report individually. For example, you would report each FHLB advance described in the example above individually.
2. If you choose the aggregated option, report VRFM liabilities on the Supplemental Reporting Form aggregated by liability and index code. Thus, you would report all VRFM liabilities that have the same liability and index code aggregated as a single position. For example, you would report all FHLB advances described in the preceding example together as a single position regardless of differences in margin, rate reset frequency, months to next reset, or remaining maturity.

Entry Number

Number all lines used to report supplemental information, starting with the number 1.

Column 1: Liability Code
The liability code is a three-digit code that denotes the type of liability reported. The codes are included in Appendix D – **List of Codes Used for Supplemental Reporting**.

Column 2: Rate Index Code
The index code is a three-digit code that describes the index of the VRFM liability reported. The codes are in Appendix A, **List of Interest Rate Index Codes**.

Column 3: Balance
If you choose option A, report the outstanding balance of each individual VRFM liability. If you choose option B, report the total outstanding balance of that position. In either case, do not report the carrying values.

Column 4: Margin in Basis Points
The margin of a variable rate liability is the amount added to the index rate to derive the coupon rate. If you choose option A, report the margin, in basis points, of each **individual** VRFM liability.

If you choose option B, report the weighted-average margin for each **position**. See the general instructions to Schedule CMR.

Column 5: Rate Reset Frequency
If you choose option A, report the index rate reset frequency, in months, of each individual VRFM liability.

If you choose option B, calculate the weighted-average rate reset frequency for each position by multiplying the reset frequency of each liability expressed in months by the ratio of that liability's balance to the position's total balance. Calculate the weighted-average rate reset frequency for each position. See the general instructions to Schedule CMR.

Column 6: Months to Next Reset
If you choose option A, report the number of months until the next index rate reset for each individual VRFM liability.

If you choose option B, calculate the weighted-average months to next reset for each position. To do this, multiply the number of months until next reset for each liability by the ratio of that liability's balance to the position's total balance. Calculate the weighted-average months to next reset for each position. See the general instructions to Schedule CMR. Round the weighted-average months to next reset to the nearest month.

Column 7: Remaining Maturity
If you choose option A, report the remaining maturity, in months, of each individual VRFM liability.

If you choose option B, calculate the WARM for each position. To do this, multiply the remaining maturity of each liability expressed in months by the ratio of that liability's balance to the position's total balance. Calculate the weighted-average remaining term for each position. See the general instructions to Schedule CMR.

Column 8:
Leave this column blank for all VRFM liabilities.

Column 9:
Leave this column blank for all VRFM liabilities.

SUPPLEMENTAL REPORTING OF MARKET VALUE ESTIMATES

To calculate the market value of some of the assets, liabilities, and financial derivatives and OBS instruments that you hold, we need more information than is feasible to collect on Schedule CMR. This section of Schedule CMR collects your own estimates of the market values of certain instruments in each of the seven interest rate scenarios shown in the Interest Rate Risk Exposure Report that we produce each quarter. We combine the estimates you report with the market value estimates calculated by the OTS Model to evaluate your exposure to interest rate changes.

You **must** report market value estimates **if** you have the following types of financial instruments:

1. Financial derivatives and OBS contracts that you cannot identify by a contract code. For instance, CMO swaps.
2. Mortgage-derivative securities.
3. Complex securities. If you have complex securities, you must report market value estimates for those securities. Common types of complex securities include structured securities, such as step-up bonds, index-amortizing notes, dual index notes, de-leveraged bonds, range bonds, and inverse floaters.
4. Structured Borrowings.

Moreover, you have the option to report market value estimates for collateralized mortgage securities you issue and for mortgage-related mutual funds.

If you report your own estimates for a given type of instrument, you should do so consistently across quarters. If you do not report market value estimates, you should leave the cells blank.

Reporting Guidelines

When estimating the market values for this section, you should use the same methodology you use in your TB 13a analyses. First, calculate the base case market value of each instrument in the current interest rate environment. Then calculate market value estimates in the six shocked interest rate scenarios – the plus and minus 100, 200, and 300 basis point shocks described in TB 13a – by assuming parallel shifts in the term structure of interest rates. In periods of low interest rates, it is possible that the simulation of the - 300 interest rate scenario could result in negative interest rates. To avoid this possibility, you should set a floor of ten basis points for all interest rates when performing your own simulations.

Assumptions used in the calculations must be reasonable and consistent with the analysis you perform to satisfy TB 13a. Your prepayment assumptions should relate reasonably to market consensus in the current interest rate scenario. In the six shocked scenarios, prepayment assumptions should reflect changes likely to occur in prepayment rates under each interest rate shock. If you perform the valuation by estimating the present value of future cash flows, both the discount rates and expected future cash flows should reflect the current yield curve or that or similar instruments in the current rate scenario. In the shocked scenarios, discount rates and expected future cash flows should reflect likely changes that would occur under each shock.

To evaluate an institution’s market value estimates, OTS examiners will, at a minimum, determine whether the institution:

1. Uses zero-coupon (spot) rates of the appropriate maturities to discount cash flows.
2. Uses implied forward interest rates to model variable rate cash flows.
3. Values embedded options using appropriate option valuation methodology, e.g., Black-Scholes type formulas, Monte-Carlo simulations, lattice methods, etc.

Examiners may determine an institution should use more sophisticated measurement techniques to address specific supervisory concerns (e.g., high volume and price sensitivity of a group of structured advances; the institution’s results may materially misstate the level of risk; a combination of low Postshock NPV Ratio and high Sensitivity Measure; etc.). In any case, the institution should be very familiar with the details of the assumptions, term structure, and logic used in performing the measurements. Measures obtained from either a third party or from an FHLB originating a structured FHLB advance may, therefore, not always be adequate.

Report the following type of instruments on the Supplemental Reporting of Market Value Estimates.

Market Value Estimates of Financial Derivatives and Off-Balance-Sheet Contracts

Report an estimate of the market value of financial derivatives and OBS contracts according to the instructions for either case 1 or case 2 below.

Case 1: You hold financial derivatives and OBS contract(s) that do not have contract codes listed in the instructions. In such instances, report market value estimates for those contracts, in each of the seven interest rate scenarios listed, using contract code 500, from Appendix D, on the *Supplemental Reporting of Market Value Estimates*.

Case 2: You have more than 16 financial derivatives and OBS contract positions and have chosen to provide your own market value estimates of the additional positions instead of reporting them in the section, *Supplemental Reporting for Financial Derivatives and OBS Positions*. See *Reporting More Than 16 OBS Positions* in the section *Off-Balance-Sheet Contracts*. In such instances, you must report the estimated aggregate market value of the additional positions in each of the seven interest rate scenarios listed on the *Supplemental Reporting of Market Value Estimates* using contract code 500 from Appendix D.

You may also include estimates of the market value of loan servicing rights other than single-family first mortgages; for instance, servicing of commercial real estate, second mortgages, home equity loans, auto loans, credit cards, etc.

Market Value Estimates of Mortgage Derivative Securities

Reporting Information: Report the estimated aggregate market value of mortgage-derivative securities in each of the seven interest rate scenarios. This is in addition to the general requirement that you report the recorded investment of these securities on CMR351 through CMR376 as described in *Mortgage-Derivative Securities* in the *Assets* section.

You must report the market value of all CMOs, residuals, stripped MBS, and CMO swaps under the seven interest rate scenarios on the *Supplemental Reporting of Market Value Estimates* using asset code 123 found in Appendix D. In valuing floating-rate CMOs, on CMR351 and CMR352, you should use a methodology that accomplishes the following:

1. Values the cap and floor of the floater.
2. Discounts cash flows using the zero-coupon Treasury curve and a spread to the curve.

CEO Memo 55, dated April 30, 1996 contains a detailed description of a methodology that incorporates these two requirements. The memo is available on OTS's web site, www.ots.treas.gov.

Use of Information: When calculating your Interest Rate Risk Report, the OTS Model will use market value estimates of mortgage derivatives if you report them. If you have such derivatives but do not report market value estimates, the OTS Model will estimate market values using values of similar instruments as proxies.

Market Value Estimates of Complex Securities

Reporting Information: If you report any complex securities you must report the estimated aggregate market value of those securities in each of the seven interest rate scenarios using contract code 121 from Appendix D.

Use of Information: When producing your Interest Rate Risk Exposure Report, the OTS Model will include in NPV the market value estimates of these securities.

Market Value Estimates of Structured Borrowings

For the purpose of these instructions, structured borrowings include borrowings and Federal Home Loan Bank (FHLB) advances with embedded options or derivative-like features where the advance's coupon, average life, and redemption value are dependent on a reference rate, an index, or a formula. Structured borrowings include, but are not limited to, putable and callable advances, variable rate advances with embedded caps, floors, or collars, step-up variable rate advances and amortizing advances. The amounts you enter in the rate shock scenarios are the estimated market values of the contract after the rate change. See Appendix D, codes 280 through 290, for a detailed description of structured borrowings whose market value estimates you report on Supplemental Reporting of Market Value Estimates.

The important contractual terms used in classifying these positions are 1) who owns (has the right to exercise) the option, and 2) the type of option. The type of option is classified using standard option terminology, i.e., the owner of a call has the right to buy at the exercise price, and the owner of a put has the right to sell at the exercise price. Standard option terminology is not always consistent with the terminology used in marketing these instruments.

For example, with a putable advance, an FBLB effectively purchases a put option from the borrowing member. This put option provides the FHLB with the right to terminate the advance and offer alternative credit on new terms if interest rates increase. An advance with these terms would have position code 280. The terminology on these products may be an issue since some FHLBs call putable advances putable advances, and other FHLBs call them callable advances. From the perspective of standard option terminology callable is not the proper term for this instrument, since the FHLB has the right to sell (put) the advance back to the member when interest rates increase and the value of the debt has fallen.

A callable advance in standard option terminology allows the member to prepay the advance. The position code for this contract is 282. If the advance allowed the FHLB to convert the advance from fixed to floating rate, the advance would be termed a convertible advance and would have position code 281.

A similar, but more complicated advance is the periodic floating rate advance. In this advance the interest rate floats by being periodically reset to LIBOR. However, the member effectively sells a floor to the FHLB, which limits the reduction in interest payments when LIBOR decreases. The position code for this advance is 283.

Market Value Estimates of Mortgage-Related Mutual Funds (Optional)

Reporting Information: If you report mortgage-related mutual funds on CMR584, you may use code 129 from Appendix D to report the estimated aggregate market value estimates of those mutual funds in each of the seven interest rate scenarios.

Use of Information: When producing your Interest Rate Exposure Report, the OTS NPV model will use the market value estimate you provide for these mutual funds.

Market Value Estimates of Collateralized Mortgage Securities Issued (Optional)

Reporting Information: Report only those collateralized mortgage securities issued that you do not record as sales. Report information on collateralized mortgage securities issued in two places: one mandatory, the other optional:

1. Report the book value of CMOs and other collateralized mortgage securities issued on CMR785. Balances on CMR785 should not be on CMR678 through CMR706.
2. At your option, you may use code 210 to report your estimate of the value of the collateralized mortgage securities issued, in each of seven interest rate scenarios listed on the Supplemental Reporting of Market Value Estimates.

Reporting Guidelines

Report positions in the Supplemental Reporting of Market Value Estimates as follows:

Column 1: Entry Number
Number all lines used to report supplemental market value information, starting with the number 1.

Column 2: Position Code
The position code is a 3-digit code that denotes the type of instrument reported. The codes are included in Appendix D.

Column 3: Balance
Report the outstanding balance for each position whose market value estimates are reported in Column 3 through Column 9. For zero-coupon instruments, report the recorded investment, which is the amortized value of the investment.

Column 4 through Column 10: Estimated Market Value After Specified Rate Shock
Report the estimate of the market value in each of the following interest rates scenarios: -300 basis points, -200bp, -100bp, No Change, +100bp, +200bp, +300bp, respectively.

SUPPLEMENTAL REPORTING FOR DERIVATIVES AND OFF-BALANCE-SHEET POSITIONS

In this section, you may report supplemental information about OBS contracts as described in *Reporting More Than 16 OBS Positions* in the section *Off-Balance-Sheet Contracts*. If you have more than 16 OBS positions, you may report those positions in the same manner that you reported the initial 16 positions on the continuation page *Supplemental Reporting for Financial Derivatives and OBS Positions*.

To report positions using supplemental pages, number the positions sequentially in the column *Entry #,* beginning with number 1 for the first position on the first supplemental page. The same instructions in the section *Off-Balance-Sheet Contracts* used to report the initial 16 positions apply. Use as many continuation pages as necessary to report the remaining positions.