

## Proposed 1999 Changes to the Thrift Financial Report (Form No. 1313)

After reviewing its current supervisory and examination needs, the OTS proposes to revise the Thrift Financial Report (TFR), effective with the March 31, 1999 report. The OTS has limited the proposed changes for 1999 to minimize the burden to the savings and loan industry to allow it to focus on year 2000 compliance. Notice of the proposed changes was published in the Federal Register on September 1, page 46508. The OTS invites comments on its proposal. All comments must be received by November 2, 1998. The following is a discussion of the proposed changes to the Thrift Financial Report.

### High Loan-to-Value Loans

The OTS has considerable supervisory concerns regarding high loan-to-value (LTV) lending, particularly LTV ratios in excess of 100% of the market value of the collateral. Currently, the OTS requires associations to report loans with LTV ratios of 90% or greater at least quarterly to their board of directors (OTS Regulation 560.100-101). However, the OTS does not currently require associations to report LTV data on the Thrift Financial Report (TFR). Due to increased concern regarding high LTV lending, coupled with the OTS's current inability to effectively monitor off-site potential high risk lending, the OTS proposes to collect eight additional data items. With this change, the TFR will be more useful in promptly identifying a changing risk profile of regulated institutions. This change should impact only a small number of savings associations.

### Comprehensive Income (SFAS No. 130)

Under Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income," entities must report accumulated other comprehensive income separately from retained earnings in the equity section of the balance sheet. Accumulated other comprehensive income includes: (1) unrealized gains and losses on available-for-sale securities; (2) minimum pension liability adjustments; (3) foreign currency translation adjustments; and, upon the adoption of SFAS No. 133, (4) gains and losses associated with cash flow hedges. Under the current TFR format, savings associations report unrealized gains and losses on available-for-sale securities separately on line SC860, and report (1) minimum pension liability adjustments, (2) foreign currency translation adjustments, and (3) gains and losses associated with cash flow hedges on line SC890, Other Components of Equity Capital. The OTS proposes to delete SC860 and replace this item with SC885, Accumulated Other Comprehensive Income, to better reflect generally accepted accounting principles.

### Asset Maturity Data

The OTS also proposes to delete five lines that collect data on asset maturities on Schedule SI. Currently, only savings associations that meet the Schedule CMR exemption criteria (assets less than \$300 million and risk-based capital in excess of 12%) and that opt not to file Schedule CMR (Asset Maturity and Interest Rates) must provide these data. OTS no longer needs to collect these data.

### **The OTS proposes to delete the following lines:**

SC860, SI700, SI710, SI720, SI730, SI740

### **The OTS proposes to add the following lines:**

### **SCHEDULE SC**

**Accumulated Other Comprehensive Income**

<b>SC885</b>	
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"Other comprehensive income" is defined in SFAS No. 130 as "all components of comprehensive income that are excluded from net income." Comprehensive income is defined as the change in equity during a reporting period from transactions and other events, except those resulting from investments by owners

and distributions to owners. Therefore, the following types of items are included in Accumulated Other Comprehensive Income, SC885:

1. Unrealized gains and losses on available-for-sale securities (currently reported on SC860)
2. Minimum pension liability adjustments (currently reported on SC890)
3. Foreign currency translation adjustments (currently reported on SC890)
4. Gains and losses associated with cash flow hedges (after adoption of FAS No.133) (currently reported on SC890)

Total comprehensive income will equal Net Income (SO91) plus the change in Other Comprehensive Income (SC885).

Treasury stock and unearned ESOP shares will remain in SC890, Other Components of Equity Capital.

If this change is made, the equity section will consist of the following

Perpetual Preferred Stock:

Cumulative

SC812	
SC814	

Noncumulative

Common Stock:

Par Value

SC820	
SC830	

Paid in Excess of Par

Retained Earnings

SC880	
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Accumulated Other Comprehensive Income

SC885	
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Other Components of Capital

SC890	
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Total Equity Capital

SC80	
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## **SCHEDULE SI**

### **High Loan-to-Value Loans (Outstanding Balances)**

#### **Loans Without PMI or Government Guarantee**

##### **Permanent Mortgages On 1-4 Dwelling Units**

90% to 100% LTV

SI412	
SI415	

Over 100% LTV

##### **Consumer Loans Secured (in Whole or in Part) by Real Estate, Reported on SC316 and SC340**

90% to 100% LTV

SI422	
SI425	

Over 100% LTV

## **SCHEDULE CF**

### **High Loan-to-Value Loans**

#### **Permanent Mortgages On 1-4 Dwelling Units and Consumer Loans Secured (in Whole or in Part) by Real Estate Without PMI or Government Guarantee:**

##### **Originated or Purchased During the Quarter:**

**90% to 100% LTV**

<b>CF405</b>	
<b>CF407</b>	

**Over 100% LTV**

##### **Sold During the Quarter:**

**90% to 100% LTV**

<b>CF409</b>	
<b>CF410</b>	

**Over 100% LTV**

LTV must be calculated using the loan extended plus all senior liens, Refer to 560.101.

The following definitions apply:

- Report on these lines only the loans that exceed the described limits (e.g., if there are two loans secured by the same property, and the first lien has a 75% LTV and the second lien brings the LTV to 95%, report only the second lien).
- Loan-to-value ratios are calculated based on the most recent qualifying appraised value or evaluation amount. The loan amount is the current balance of the loan.

In Schedule SI, include the following that meet the definition above:

1. Outstanding loan balances currently reported in Schedule SC; and
2. The principal balance of loans sold with recourse.

Exclude:

1. Loans to facilitate the sale of repossessed real estate; and
2. Non-real estate loans for which a lien on real estate is taken as an abundance of caution per OTS Thrift Bulletin 72.

In Schedule CF include all loans originated in the name of the reporting association, including those loans sold immediately after origination.