FINANCIAL REPORTING BULLETIN

JUNE 1998

Financial Reporting Division
Office of Thrift Supervision
1700 G Street, Washington, DC 20552

TFR DUE DATE THURSDAY, JULY 30, 1998
CMR DUE DATE FRIDAY, AUGUST 14, 1998

The "Financial Reporting Bulletin" is published quarterly by the Financial Reporting Division of the Office of Thrift Supervision and distributed to all OTS regulated institutions. Its purpose is to provide the Thrift Financial Report preparer with reporting information and guidelines. Comments and suggestions on this bulletin should be sent to Patrick G. Berbakos, Director, Financial Reporting Division, Office of Thrift Supervision, at the above address.

N O T E : It is important that you refer to this bulletin and the attached materials before submitting your June TFR.

UPDATED SOFTWARE FOR JUNE [TOP]

By the end of June, all savings associations should have received updated electronic filing software from DPSC, Inc. The updated version provides for the filing of Schedule SB and corrects errors in the previous version.

If you have not received the software update (Windows Version 3.1 or DOS Version 199801D-3) by June 30, please contact DPSC Customer Support at 1-800-825-3772.

SECOND QUARTER REGULATORY REPORTS [TOP]

The June 1998 TFR should be completed and submitted as soon as possible after the close of the quarter. All schedules except CMR are due no later than Thursday, July 30, 1998. Schedule CMR is due no later than Fri-day, August 14.

Reminder: Schedule SB must be filed with the June TFR.

If you have any questions concerning the preparation of your report, please call your Financial Reporting Division contact in Dallas, TX, or Trudy Reeves in Washington, DC, at 202/906-7317. If you have a problem with the electronic filing software or transmission, call Cheyann White at 972/281-2412 or Doris Jackson at 972/281-2052. If you need additional copies of the TFR form or instruction manual, call 202/906-6078, or obtain them from the OTS website at www.ots.treas.gov/tfrpage.html.

Cost of Funds (COF)

The June Cost of Funds (COF) is due Thursday, July 30; the July COF is due Monday, August 31; and the August COF is due Wednesday, September 30.

Branch Office Survey (BOS) The OTS has completely automated the branch office deposit survey utilizing DPSC software. The survey instructions will be sent to all OTS regulated institutions on July 24; the survey results must be filed electronically with the OTS on or before Monday, August 24. Questions relating to the branch office survey should be directed to Kathy Willard, Senior Systems Analyst, at 202/906-6789 in the Washington office or, in the Dallas office, Financial Reporting Analysts Deray Chatwell, at 972/281-2075, and Cassandra Beasley, at 972/281-2411.

CMR VOLUNTARY FILERS [TOP]

The OTS strongly encourages all institutions to file Schedule CMR even though an exemption is provided. The filing of Schedule CMR by institutions meeting the exemption contributes to our ability to monitor the safety and soundness of the industry. The CMR filing deadline for voluntary filers is the same as for institutions required to file, Friday, August 14. Late reports not only place an undue burden on staff responsible for processing the data, but also increase processing costs. Failure to file Schedule CMR in a timely manner may also result in the institution not receiving an IRR report for the quarter. Please ensure that all regulatory reports are filed on time. Voluntary filers should contact Doris Jackson at 972/281-2052 to verify receipt of their report.

OTS WEBSITE [TOP]

Reminder: TFR forms, the TFR Instruction Manual and all Financial Reporting Bulletins are now available on the OTS website at http://www.ots.treas.gov/tfrpage.html.

FREQUENT FILING ERRORS IN THE MARCH 1998 REPORTING CYCLE [TOP]

Recourse Obligations and Direct Credit Substitutes, CC455, CC465 and CC468:

CC455 should equal the entire principal amount of assets covered by recourse obligations or direct credit substitutes.

CC465 and CC468 represent the extent of recourse exposure from the assets reported on CC455.

CC455 will equal CC465 plus CC468 only in those cases where the reporting savings association has recourse liability (risk of loss) for the entire balance reported on CC455.

Generally the amount reported in CC455 must be converted to an on-balance-sheet credit equivalent, using the appropriate credit conversion factor, and included in the appropriate risk-weight category. Refer to the instructions for the 100% credit conversion factor on page 164 of the instruction manual. **CCR27, Tier 1 Capital Requirement:** The amount to be reported here has changed from the amount reported in prior years. As explained in the instructions, this amount represents the Tier 1 capital necessary to be deemed adequately capitalized pursuant to 12 CFR Part 565 (Prompt Corrective Action). Because in most cases this amount is 4% of line CCR25, the electronic filing software will generate CCR27. However, in cases where an "individual minimum capital requirement" (IMCR) is set by OTS, the generated amount may be overridden by the report preparer. **In no case should this amount be less than 4%.**

CCR302: This line has been set aside for a proposed addition to Tier 2 Capital. Until such time as the proposed regulation becomes effective, please do not enter anything on this line.

CHANGES TO THE TFR INSTRUCTION MANUAL [TOP]

Attached are 36 pages of the TFR Instruction Manual updated for June 1998. The revisions are indicated by a bar in the right margin. The revisions to the manual are summarized as follows:

SC660, Goodwill and Other Intangible Assets, Page 27: Under "include": 3. Organization costs added "until adoption of AICPA SOP 98-5;" to clarify that once the savings association has adopted AICPA SOP 98-5, all organization costs will be expensed.

SO420, Other Fees and Charges, Page 48: Under "include" number 7 added "and commissions" to clarify that insurance commissions should be included on this line. CC455, CC465, CC468, Recourse Obligations and Direct Credit Substitutes, Pages 86 and 87: Clarified that line CC455 should contain the principal balance of assets sold with recourse, while CC465 and CC468 represent the extent of total recourse exposure. Therefore CC455 will equal CC465 plus CC468 only in those cases where the savings association has recourse liability (risk of loss) for the entire balance reported on CC455.

CF360, Refinancing Loans, Page 95: Clarified that the full amount of refinanced loans should be reported, even though in cases where no new funds are disbursed, these loans are not reported in the reconciliation on CF190 through CF270.

SQ170, Acquisition date when using Push-down Accounting, Page 118: Clarified that the date of acquisition should be entered during any quarter that push-down adjustments are made, even if subsequent to the quarter that the acquisition took place. Additionally, this field should be completed when additional material adjustments are made.

CCR133, Disallowed Servicing Assets, Disallowed Deferred Tax Assets, and Other Disallowed Assets, Page 142: Added instructions that for purposes of the Tier 1 capital limitation, the deduction of disallowed as-sets should be based on a Tier 1 capital subtotal before the deduction.

CCR145, Assets of "Nonincludable" Subsidiaries, Page 145: Clarified that the amount of assets that should be deducted here is the amount of the subsidiary's assets included in consolidated assets. That is, for a consolidated subsidiary, report total assets of the subsidiary less any assets eliminated in consolidation; for subsidiaries accounted for under the equity method, report the parent savings association's investment account, plus any loans and advances to the subsidiary.

CCR27, Tier 1 (Core) Capital Requirement, Page 146: Added the clarification that associations that have an "individual minimum capital requirement" (IMCR) set by OTS that requires them to maintain a capital level in excess of the minimum requirement should override the amount calculated by the electronic filing software and report their IMCR. Also clarified that the amount reported here is Tier 1 capital necessary to be deemed adequately capitalized pursuant to 12 CFR Part 565.

CCR80, Total Risk-based Capital Requirement, Page 168: Added the clarification that associations that have an "individual minimum capital requirement" (IMCR) set by OTS that requires them to maintain a capital level in excess of the minimum requirement should override the amount calculated by the electronic filing soft-ware and report their IMCR.

Schedule CMR: For the most part the changes to Schedule CMR are editorial.

Reference to **Optional Supplemental Reporting** has been clarified as Optional Supplemental Reporting for Assets/Liabilities.

Mortgage Derivative Securities, Page 197: The instructions for reporting mortgage derivative securities have been clarified to indicate that the amount to be reported in CMR should be equal to that reported in Schedule SC as described in the instructions for Schedule SC on page 5.

CMR378, Total Mortgage-Derivative Securities, on page 200 has been corrected to state that it equals the sum of CMR352, 354, 356, 364, 366, 368, 370 and 374. CMR364 was inadvertently left out of this listing in the March 1998 instruction manual.

CMR464, Equity Securities Subject to SFAS No. 115, on page 204 has been clarified to state that equity securities should be reported on Schedule CMR at fair value.

CMR543, Miscellaneous I Assets, on page 209 has been clarified to include all general valuation allowances for Other Assets reported on SC699.

Appendix C: An asset code (187) has been added for **recreational vehicle loans.**

CHECKLIST FOR BUSINESS COMBINATIONS [TOP]

This checklist may be used as a guide in preparing the TFR when a merger or acquisition (including push-down accounting transaction) has occurred during the quarter. This checklist should be considered simply as a guide to reporting these transactions on the Thrift Financial Report and should not be considered as all-inclusive.

Step 1 SQ100: Did the reporting association acquire any assets through merger with an-other depository institution?

This question appears immediately when you select a cycle in the software for the first time. Answer yes if your association merged with another depository institution whether that institution was insured by SAIF, BIF or some other insurer.

Do **not** answer yes for:

- an acquisition by a holding company or other change of control even where push-down accounting was applied or
- for an acquisition of a firm that was not a depository institution.

Step 2 SQ160: Has there been a merger accounted for under the purchase method?

If SQ100 was answered "yes" and the purchase method of accounting was used in the merger, respond "Yes." This question should not be answered "yes" if there was an acquisition by a holding company, but no merger with another depository institution.

Step 3 SQ170: If the reporting association restated its balance sheet for the first time this quarter as a result of applying push-down accounting, enter the date of the reorganization (MMDDYYYY).

Report the month, day and year (four digits) of the acquisition if push-down accounting was applied this quarter. This date should be reported during the quarter that push-down accounting is first applied and should be entered subsequently if material adjustments are made to the original entries. It should also be completed if push-down adjustments are made retroactively during the first year after the acquisition. This item should be completed only for a change of control in which push-down accounting was applied; do not complete this data item for a merger of two depository institutions.

Step 4 Schedule SO: Statement of Operations

Pooling Merger: The Statement of Operations should contain the income and expense for the entire quarter of all institutions involved in the merger combined on a line-by-line basis.

Purchase Merger: The Statement of Operations should contain the income and expense for the acquired institution from the date of the merger forward combined with the full period data for the acquiring institution.

Change of Control in which push-down accounting was applied: Income should only be reported from the date of the reorganization forward, not for the entire quarter.

Step 5 Reconciliation of Equity Capital SI600: Beginning Equity Capital
Pooling Merger: Report the sum of the ending balance of equity (SI680) of all pooled institutions. Purchase Mergers: Report the ending balance of equity (SI680) of the surviving savings association only. Change of Control involving push-down accounting (including receiverships) - report SI680 for the previous quarter. Adjustments should be reported on SI660. Note: Income is only reported from the date of the reorganization forward. The "old" Retained Earnings SC880 is eliminated to zero and moved to SC830 Paid in Excess of Par. The reported income from the date of the reorganization forward becomes the "new" Retained Earnings.

SI660: New Basis Accounting Adjustments
Include adjustments made to eliminate retained earnings when applying push-down accounting.

Step 6 Valuation Allowance Reconciliation

VA105, 108, and 110: Beginning Balance
Pooling Mergers - Report the combined beginning balance of the merged associations.
Purchase Mergers - Report the beginning balance of the surviving association only. When assets are recorded at fair value in applying the purchase method, typically all valuation allowances are written off directly against the asset.

VA145, 148 and 150: Acquisitions
Under certain circumstances valuation allowances (primarily general valuation allowances) may be carried over to the surviving association in a merger using the purchase method. These valuation allowances on assets purchased are reported on VA145 and 148.

Step 7 Schedule CF: Cash Flow Information Do not report assets and deposits acquired through a merger as new activity in this schedule. In the case of a merger of two depository institutions, activity for both institutions involved in the merger should be reported for the entire quarter regardless of whether the purchase or pooling method was applied.

CF420: New Deposits Received Less Deposits Withdrawn and CF430: Interest Credited to De-posits
In a merger with a savings association previously regulated by the OTS, report the combined activity of the re-porting savings association and any savings association that merged into it for the full quarter, regardless of whether the purchase or pooling methods were used. Do not include the acquired savings association’s deposits at the beginning of the quarter as "new deposits"; report only the activity during the quarter.

In a merger with a depository institution previously not regulated by the OTS, report the acquiring association’s deposit activity for the full quarter and the acquired institution’s activity from the date of acquisition.

CF435: Deposits Acquired In mergers with institutions that were not previously regulated by the OTS, regardless of whether the merger is accounted for as a purchase or a pooling, report the deposits acquired.

Step 8 Oakar Deposits

The information on SI255, 265, and 266 should be reported if (1) the reporting institution had Oakar deposits prior to the merger; (2) an Oakar institution was acquired; or (3) the deposits of the acquired institution were insured by a different fund than the acquiring institution.

SOFTWARE CORNER [TOP]

This quarter we have added a column which will address questions and problems and offer helpful tips regarding the electronic filing software. If you have a topic you would like to see discussed in this column, please send your comments and questions to Doris Jackson via fax at 972/281-2002, or via the Internet at doris.jackson@ots.treas.gov.

Verify Software Version You can (and should) always be sure you are using the correct version of the soft-ware. In Windows click "HELP" from any DPSC software screen, then select "ABOUT." Please note that the June 1998 version will be Version 3.1. In DOS, the software version is displayed on the initial sign-on screen. The June 1998 DOS version is 199801D-3. If you see reference to any other version after you have installed the new software, contact DPSC Customer Support at 800/825-3772.

Institution Information Remember to review and keep current your Institution Information. The report preparer's name and address entered here are used by the OTS to prepare mailing labels for the quarterly mailings. The phone and fax numbers are used by the FRD analysts to contact you about your report. If you do not have a fax number or an e-mail address, please leave the field blank.

Report Preparer Note When you create a Report Preparer Note in the Windows version for a line item in any report schedule, that line item will display a red background as a reminder that you have a note regarding that item. The red background (and the note) will carry forward each cycle until you delete the note. The Report Preparer Note is not transmitted to the OTS.

Switching To Windows If you would like to upgrade from DOS to the Windows version of the filing software, contact DPSC Customer Service at 800/825-3772, ext. 210.

Receiving Acknowledgments You must log into the Sprint network to retrieve acknowledgments and Notices from the OTS. To do this:

In Windows:

From any schedule screen, click the telephone (Transmit) icon, click on Receive Acknowledgments/Notices. Click Next, then click on Dial Network. You can then view the acknowledgments and notices by clicking Utilities, then View Transmission Log.

In DOS:

From the Main Menu, select Option 3 - Transmit Report to OTS, then Option M - Messages/Acknowledgments from OTS. Press F4 (Chk Mail) to connect to the network. If messages and/or acknowledgments are found, the screen will return to the "Messages Received from OTS" screen. Use the UP or DOWN arrows to highlight a line and press ENTER to view.

User Notes The new DPSC regulatory reporting software contains a two-way messaging system between each institution and the Office of Thrift Supervision (OTS). Your institution should transmit edit comments to the OTS via the **Edit Check** feature. The **Edit Check** feature compares two or more related items and allows the report preparer to immediately address the discrepancies within the TFR, CMR, COF or BOS reports.

As each **Edit Check** is displayed on the screen, the report preparer should type an explanation for the error. The message then becomes a part of the report and is included when the report is transmitted to the OTS. The report preparer can access the **Edit Check** button [þ] from any schedule screen in the Windows version of the software. In the DOS version, the **Edit Check** feature is accessed through Main Menu Option 1 [Manual Input], sub-option W [Display Reasonable Edit], then F3 [Notes].

Also available is the Message feature which allows the OTS Financial Reporting Division to communicate late-breaking information to your institution.

In Windows: Click on the [(Transmit Data to OTS] button, selecting [Receive Acknowledgments/Notices], and then [Dial Network].

In DOS: Enter Main Menu Option 3 [Transmit], sub-option M [Messages/Acknowledgments from the OTS], then F4 [Check Mail].

Questions & Answers [TOP]

LINE(S): Schedule SB Q&A No. 034
SUBJECT: Business Checking Account Overdraft Protection Lines
DATE: June 19, 1998

Question 1: An institution has small business checking accounts with overdraft protection. If the checking accounts are overdrawn, are they reported on SB as a loan?

Answer 1: Yes. Schedule SB follows the same definitions of a loan as Schedule SC. If there is no right of off-set against another deposit of the customer, the overdraft is reported as a loan on SC303 (Unsecured Commercial

Loans). Any loans outstanding at 6/30 in SC303 that meet the definition of a small business loan for purposes of Schedule SB, should be reported on Schedule SB.

Question 2: If the overdrafts are reported on Schedule SB, what is the amount to be reported, the actual overdrawn amount or the amount of overdraft protection?

Answer 2: The amount of the overdraft protection is the "original amount" of the loan. The size of the "original amount" determines where it is reported in Schedule SB. Overdraft loans should follow the reporting instructions for lines of credit. "the 'original amount' of the loan is the amount when the line of credit or loan commitment was most recently approved, extended, or renewed prior to the report date. However, if the amount currently outstanding as of the report date exceeds this size, the 'original amount' is the amount currently outstanding." The amount reported is the amount outstanding at the report date.

Question 3: Should the checking account itself be reported on Schedule SB, since it is a small business checking account?

Answer 3: No, only loans with an outstanding balance are reported on Schedule SB.

LINE(S): VA940, VA941 Q&A No. 035
SUBJECT: Troubled Debt Restructuring
DATE: June 19, 1998

Question: An old internal Q&A for Troubled Debt Restructured (TDR) stated that "If there is a full settlement there would not be a TDR, but if there is a loss it would be a TDR." Does this rule still hold true for line VA941, TDR included in the statement of condition, if the restructure is as REO?

Items # 3 & 4 in the new instructions for TDR say to include:

3. Foreclosed assets as TDR.
4. TDR even if no losses were recorded this quarter.

Answer: If there has been no loss on the original loan (i.e., the loan and all interest payments have been or will be recovered), the transaction normally would not be considered TDR. This applies to both loan restructuring and REO. With REO, the fair value of the property less the costs to sell must equal or exceed the full payments that would have been received under the loan.

The statement about including TDR even if no losses were recorded this quarter means that if a transaction is TDR but the loss was taken as a charge off or SVA in a prior period, it should still be reported as TDR. The circumstance that no loss is taken during the accounting period in which restructuring takes place does not avoid TDR reporting when full recovery of the original terms of the loan is not effected.

The definition of TDR in the TFR is intended to be the same as the GAAP definition of TDR.

LINE(S): SC-799 Q&A No. 036
SUBJECT: Minority Interest
DATE: June 19, 1998

Question 1: How is minority interest reported if an institution owns 90% of a subsidiary and what is the off-set of this transaction?

Answer 1: When an institution owns a controlling interest (typically defined as more than 50% ownership) in another company, they must consolidate 100% of the assets and liabilities of that company. However, they report in the equity section only their own equity. The amount of assets less liabilities owned by others is called "minority interest" and is reported on SC799 in order to balance. Likewise, 100% of the income and expense of the subsidiary is consolidated on a line-by-line basis, and the minority share of net income is deducted on SO491 or SO580, as applicable.

Question 2: An association is owned by a holding company that also owns 10% of a subsidiary of the association. In other words there are three tiers: the savings and loan holding company, the savings association, and the subsidiary. The holding company owns the savings association and 10% of the subsidiary. The savings association owns 90% of the subsidiary. In the TFR of the savings association, how much of the subsidiary is consolidated? If 100% of the subsidiary is consolidated, how is the 10% owned by the holding company reported?

Answer 2: One hundred percent of the subsidiary is consolidated. When looking at the savings association's report, the 10% owned by the holding company is reported as minority interest in Schedule SC on SC799 and in Schedule SO on SO491 or SO580, as applicable. The principle of minority interest applies when the minority interest is held by an unconsolidated affiliate or by an unrelated third party.

LINE(S): CCR145 Q&A No. 037
SUBJECT: Deductions for Assets of Consolidated Nonincludable Subsidiaries
DATE: June 19, 1998

Question: Should line CCR145 (Total Assets of Non-includable Subs) be reduced by the amount of inter-company eliminations that are done during consolidation?

Line CCR145 is a deduction from Total Assets on CCR135. CCR135 has already been reduced by checking accounts that the sub has with the parent through the equity method of consolidation.

It seems that without the reduction of line CCR145 for the intercompany accounts that they would be reducing assets twice for the cash items. This overstated deduction would result in an understatement of assets and an understatement of capital reserves required.

Answer: The deduction for adjusted total assets related to consolidated nonincludable subsidiaries on line CCR145 should reduce total assets by the amount of assets of the subsidiary included in consolidated as-sets. This amount will equal the subsidiary's total assets less those assets eliminated in consolidation. We have found the easiest way to understand this is to use T-accounts and work through examples. In every example that we used, the amount reported on CCR145 equaled the difference in total assets between the stand-alone parent thrift and the consolidated entity, plus the thrift's investment account and loans and advances to the subsidiary.

Example 1:
Assume a 100%-owned, consolidated nonincludable subsidiary, with total assets of $100, total liabilities of $80, and capital of $20.

Also assume total assets of the subsidiary include insured deposits of $10 with the thrift parent. In consolidation, the insured deposits of $10 that are included in the subsidiary's total assets, and also in the thrift parent's total liabilities, are eliminated from consolidated total assets and from consolidated total liabilities. Consolidated total assets, net of the elimination entry, include $90 ($100 - $10) of the subsidiary's total assets; therefore, the amount reported on CCR145 is $90. The deduction on CCR105 for "investments in and advances to" is $20.

Example 2:
Assume a 90%-owned, consolidated nonincludable subsidiary, with total assets of $100 and total liabilities of $80.

Also assume total assets of the parent thrift include a loan to the subsidiary of $10. In consolidation, the loan of $10 that is included in the thrift's total assets, and also in the subsidiary's total liabilities, is eliminated from consolidated total assets and from consolidated total liabilities. Consolidated total assets, after the elimination entry, include $100 of the subsidiary's assets.

The deduction on CCR145 is $100. The deduction on CCR105 is $28, which is calculated as follows: $18 ($20 equity of subsidiary times 90% ownership interest) plus $10 (loan to subsidiary).

Example 3:
Assume a 100%-owned subsidiary is nonincludable because its stated purpose is an impermissible activity. It has not yet begun operations, but has cash of $100 which has been deposited in the parent savings association; additionally, the subsidiary has no liabilities. In consolidation, the $100 of assets of the subsidiary has been eliminated against the deposit on the parent's books. Therefore, the amount of deduction on CCR145 is zero. However, because the investment in the subsidiary is $100, the amount reported on CCR105 is $100.

LINE(S): CMR261 Q&A No. 038
SUBJECT: Multifamily and Nonresidential Mortgage Loans
DATE: June 19, 1998

Question: Are multifamily and nonresidential ARMs, with rate changes greater than 60 months reported as balloon loans? My understanding is that any adjustable mortgage with a next rate change greater than 60 months would be considered a balloon, until such time that the rate change period falls below 5 years. Is this correct, or does this rule only apply to single family dwellings?

Answer: The short answer to your question is that the 60 month rule used in classifying single family ARMs as balloons does not apply to multifamily and nonresidential mortgages. The latter are classified as bal-loons if the remaining maturity is a least ten years shorter than the remaining time to full amortization. With multifamily and nonresidential loans, the first thing to determine is if the loan is fully amortizing or is a bal-loon. Balloon mortgages have a remaining time to full amortization that is a least 10 years longer than their remaining maturity; all others are considered to be fully amortizing. Once it is established whether the loan is fully amortizing or a balloon, the next step is to categorize it as fixed or adjustable rate. If the interest accrual rate on the loan is ever scheduled to be reset (based on an index whose future level is presently unknown), the loan is considered adjustable rate. That is true regardless of when the coupon is scheduled to reset.

LINE(S): SC253, 340 Q&A No. 039
SUBJECT: Over-extended Home Equity Loans
DATE: December 16, 1997

Question: An association has home equity loans where disbursements have been made on the loans over the contractual limit. These loans were made about ten years ago and, although at the time they were made, the limit of the loans was 80% of the value of the properties, the values of the properties have decreased. Be-cause these loans have been drawn down in excess of the contractual limit, some of them are no longer fully secured. How must these loans be reported on the TFR? If they are in excess of the contractual limit, but still fully secured is the reporting different?

Answer: Home equity loans that are fully secured at origination (i.e., no greater than the value of the security property) should be reported as 1-4 family open-end or closed end residential loans provided the institution has perfected a mortgage. If the collateral value is not fully documented with either an appraisal or evaluation, the loan should be reported on SC 316 or SC340, depending on whether it is an open-or closed-end loan. The categorization is made when the loan is originated or acquired. We would be hesitant to make the institution re-categorize the loan because of declining property value, unless the contract states that the line is to be renewed on a regular basis and/or a reappraisal or evaluation is to be obtained.
