

The training will focus on TFR and CMR preparation and using the DPSC filing software. Sessions will also include an overview of the OTS organization as well as tips on researching reporting issues on the OTS Internet website (www.ots.treas.gov).

The training will be offered free by OTS, but attendees will be responsible for their own travel, hotel, and meal arrangements and costs. A complimentary Continental breakfast will be served in the classroom at 7:30 a.m. on the second day of the session. To allow attendees time to travel to and from Dallas, each session will begin at 1 p.m. on the first day and will conclude at 12:30 p.m. on the next day. In most cases, attendees will need to spend only one night in the Dallas area.

The Sumner Suites hotel has offered to set aside a block of rooms and provide attendees with a special rate of \$75 plus tax per person per night. The hotel is located approximately two miles from the OTS Midwest Regional office at 5455 Green Park Drive, Irving, Texas 75038 (phone 972/550-7400). Sumner Suites will provide complimentary shuttle service to and from the OTS training site. Please do not make reservations until you have received class confirmation from OTS. If you make reservations at Sumner Suites, inform the reservationist that you are attending the OTS Financial Reporting Division training class in order to get the reduced room rate.

A two-sided registration form is attached to this bulletin. Please complete both sides of the form and mail or fax it to the address given on the form. Sessions will be filled on a first-come, first-served basis. We will try to accommodate all requests; however, in order to keep the class size small, we may have to limit the number of participants from each institution. A Class Confirmation will be faxed to all registrants by August 12, at which time the rosters are scheduled to be finalized.

SECOND QUARTER REGULATORY REPORTS

The June 1999 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 Friday, July 30, 1999. Schedule CMR is due no later than Monday, August 16. ***Savings institutions that are exempt from filing Schedule CMR but choose to voluntarily file must follow the same filing deadlines as those institutions that are required to file. Institutions that fail to meet the filing deadline may not receive their Interest Rate Risk reports for the quarter.***

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.

SCHEDULE SB (SMALL BUSINESS LOANS)

Schedule SB, Consolidated Small Business Loans, is filed annually with the June 30 TFR. The software for Schedule SB is included with the electronic filing software you were sent in March. We have made no changes to the form or instructions for Schedule SB. Schedule SB must be submitted with the TFR and is due no later than Friday, July 30, 1999.

BRANCH OFFICE SURVEY (BOS)

The OTS will mail the 1999 BOS instructions to all savings associations on Friday, July 23, 1999. The survey results must be filed electronically, using the OTS electronic filing software, on or before Monday, August 23, 1999. DPSC will mail each institution updated electronic filing software containing the 1999 Branch Office Survey on or about July 16, 1999. The 1999 BOS report should not be transmitted before July 27, 1999. If you have not received your 1999 software by July 23, 1999, contact DPSC Customer Support at 800/825-3772. If you have any other questions relating to the Branch Office Survey, contact Pam Schaar, Financial Reporting Analyst, at 202/906-7205 in the Washington office or, in the Dallas office, Financial Reporting Analysts, Deray Chatwell, 972/281-2075 or Cassandra Beasley, 972/281-2411.

FILING DEADLINES

The filing deadline for each report as indicated on the Filing Schedule for 1999 Regulatory Reports represents the last date you can file your report before it is considered late. You can transmit reports 24 hours a day, 7 days a week, and should do so as soon after the close of the reporting quarter as possible. The Filing Schedule for 1999 Regulatory Reports was included in the TFR Instruction package that was mailed to all institutions in December 1998, and can also be found on the OTS Website, www.ots.treas.gov/docs.78126.pdf. If you need a hard copy of this filing schedule, please contact Doris Jackson at 972/281-2052.

Filing deadline extensions cannot be granted except in the event of a natural disaster. Late reports inhibit the OTS' ability to monitor thrift institutions on a timely basis, prepare aggregate data regarding the financial condition of the industry, and provide the industry with specific financial reports.

JUNE 1999 CHANGES TO THE TFR INSTRUCTION MANUAL

Attached are 18 pages of the TFR Instruction Manual, which have been updated for June 1999. All pages are dated June 1999, and the revisions are indicated by a bar in the right margin.

The changes are as follows:

Schedule SC - Page 12: Corrected an OTS regulation site.

Schedule SC - Page 17: Corrected the general instructions to Nonmortgage Loans to include certain loans secured by real estate.

Schedule SC - Page 18: Amended the instructions for secured commercial loans to include loans secured by residential property to finance small businesses, where the institution elects to classify the loans as commercial loans rather than as mortgage loans.

Schedule SO - Page 55: Included organization costs with Code 12 under Other Noninterest Expense.

Schedule CCR - Page 161: Corrected the instructions for 100% risk-weighting to exclude second mortgages that qualify for 50% risk-weighting when combined with first mortgages to the same borrower.

Schedule CMR - Page 176: A minor clarification was made to the definition of "nonperforming loans" that is used on Schedule CMR to make it consistent with the definitions used on Schedule PD.

Schedule CMR - Pages 204 - 206: The contents of CMR485, Structured Securities, has been broadened to include all securities that are callable or puttable, other than mortgage derivative securities. Thus, callable Agency and corporate securities will no longer be reported in CMR473 and CMR479, respectively; they will be reported in CMR485 instead. Additionally, a minor clarification was made to CMR461 to include investments in money market mutual funds.

Schedule CMR - Page 239: If the balance reported in CMR485 is greater than zero, the reporting institution is also responsible for reporting the estimated aggregate market value of those securities in CMR962 through CMR968.

Schedule CMR, Appendix A: A code was added for the Fannie Mae LAMA index to be used for liabilities only.

SOFTWARE CORNER

Websites

Please be sure your institution's complete website address is entered correctly on the appropriate line in the Institution Information section of the electronic filing software before you transmit your next report. These websites are public information and in the future will be published on the OTS website, and, therefore, available to the general public as well as OTS staff. Remember, if your institution does not have a website address, you should leave the line completely blank.

Safety Net Tips (Windows Version)

- Immediately install software updates upon receipt. Store the diskettes in a safe place.
- Back up your report every time you enter or change data.
- If your hard-drive crashes, re-install the current OTS electronic filing software and restore the report data from the backup disk. This will ensure that your prior period data is brought forward.
- When you input your report data on one computer and transmit from a different computer, follow the instructions in the DPSC User Manual, Chapter 4 *Copy to Diskette for Transmission*.
- You must dial the network to retrieve your acknowledgments. Keep a printed copy with the hard copy of your report(s).

Training

As discussed elsewhere in this bulletin, the Financial Reporting Division will conduct industry training in September. A segment of this training will include a presentation on using the Windows version of the electronic filing software.

Each quarter, the Software Corner addresses questions, problems, helpful tips, etc., regarding the OTS electronic filing software. If you have a topic you would like to see discussed in the Software Corner, 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.

Questions & Answers

TFR Questions and Answers can now be found on the OTS Website at www.ots.treas.gov/tfrqanda.html. If you have a question that you would like to appear in this column or to which you would like an e-mail response, please submit it to tfr.instructions@ots.treas.gov.

Q&A No. 62**SUBJECT: SMALL BUSINESS LOANS SECURED BY RESIDENTIAL REAL ESTATE**

Line: SC300
Schedule SB
Date: June 16, 1999

Question: *Are loans secured by the borrower's residence to finance small businesses considered small business loans?*

Answer: Loans that meet the definition of mortgage loans, for purposes of reporting in Schedule SC, may be classified as mortgage loans or may be classified as nonmortgage loans according to the purpose of the loan, at the option of the reporting institution. However, once classified, these loans should not be repeatedly switched between classifications. Loans secured by a residence may be included in Schedule SB as small business loans only if they are reported on the TFR as nonmortgage, commercial loans on SC300.

Loans that do not meet the definition of mortgage loans either because they are not fully secured by real estate or because the security property is not supported by an appraisal or qualifying evaluation, must be classified as nonmortgage loans according to the purpose of the loan.

Q&A No. 63**SUBJECT: RISK-WEIGHTING FHA-INSURED SECOND MORTGAGES**

Line: CCR460
Date: June 16, 1999

Question: *In the revised instructions for March 1999, CCR460 now says to combine first and second mortgage loans in determining the LTV for risk weighting purposes, when both the first and second liens are held by the institution and there are no intervening liens. How does this apply to second mortgages that are 90% insured by the FHA under their "Title One Home Improvement" program.*

Answer: The portion of the home improvement loan that is guaranteed by the FHA may be risk-weighted at 20%. It is not necessary to combine the guaranteed portion of a home improvement loan with any other mortgage to the same borrower.

Q&A No. 64**SUBJECT: AUTOMOBILE FINANCING THROUGH DEALERS**

Lines: SC710
SC690
Date: June 16, 1999

Question: *An institution contracts with auto dealers to originate auto loans for the institution. The dealers run a credit report on the customer purchasing a car and the dealers issue checks to themselves, drawn on the institution, for the loan. Basically, the institution is advancing funds to the dealer, upon the verification of the credit report of the customer. Since it takes a few days for the loan application drawn*

up by the dealer to reach the bank, the check payable to the dealer might clear the bank before the loan is put on-line. Once the loan is on-line, the debit on the internal checking account is funded.

If at report date this account has a debit balance, should the debit in deposit accounts (SC710) be reclassified as an accounts receivable?

Answer: The instructions for SC710, under "Do Not Include", Item 8, read as follows:

8. Deductions for customers' overdrafts in NOW and demand accounts unless the right of set-off under a valid cash management arrangement exists for accounts of the same legal entity; report as loans on SC303 (Commercial Loans: Unsecured) or SC345 (Consumer Loans: Open-End: Unsecured);

Therefore, unless a right of set-off against other deposit accounts of the same auto dealership exists and until the consumer loan is approved and established in the records of the savings association, the debit balance should be reported as an unsecured commercial loan on SC303.

Q&A No. 65

SUBJECT: INCLUSION OF COLLATERALIZED FHLB ADVANCES IN THE LIQUIDITY BASE

Line: SI500

Date: June 16, 1999

Question: *When an association pledges liquid assets as collateral for short-term FHLB advances (payable in one year or less), must the association include the advances in its liquidity base (denominator) in computing its liquidity ratio? Liquid pledged assets are not includable as regulatory liquidity, and thus are not included in the numerator of the liquidity ratio.*

Answer: Yes. The association must include the short-term advances in its liquidity base. OTS regulation 12 CFR § 566.1(c) defines liquidity base to mean withdrawable accounts plus short-term borrowings. The definition does not take into account whether or not the short-term borrowings are secured by pledged liquid assets.

Q&A No. 66

SUBJECT: PLEDGED SECURITIES IN QTL

Lines: SI581 - SI583

Date: June 16, 1999

Question: *Does a mortgage-backed security that qualifies as a Qualified Thrift Investment (QTI) for QTL remain a QTI if it is pledged against borrowings? The TFR instructions state that pledged securities are not eligible for inclusion in regulatory liquidity, but the instructions for QTL do not address this question.*

Answer: Yes. Qualified thrift investments are QTIs whether pledged or not.

Q&A No. 67

SUBJECT: UNDISBURSED BALANCE (LIP) OF LAND DEVELOPMENT LOANS

Lines: CC115

CC105

SC265

Date: June 16, 1999

Question: *The instructions for CC115, Undisbursed balance of loans closed, Other Mortgage Loans, state "Report the undisbursed balance of permanent mortgage loans of the types reported on SC250 through SC265." An institution has land loans on SC265 for the acquisition and development of land. Funds are advanced over a nine-month period, for developing the land by clearing trees and installing sewer lines, based on the completion status of the project much like a construction loan. On*

schedule SC, Land is categorized as a Permanent Mortgage. Should the LIP on land development loans be included on CC105 (Mortgage Construction Loans) or CC115 (Other Mortgage Loans)?

Answer: The LIP on land development loans should be reported on CC115, Undisbursed Balance of Other Mortgage Loans.

Q&A No. 68

SUBJECT: REGULATORY LIQUIDITY - SHORT-TERM ACCOUNTS RECEIVABLE

Line: SI 500

Date: June 16, 1999

Question 1: *Are short-term accounts receivable from a broker between trade and settlement dates on the sale of securities eligible for inclusion in regulatory liquidity?*

Answer 1: Yes. Because brokers, when purchasing securities, typically make payment in three business days, associations may consider such accounts receivable as cash and include the amounts in regulatory liquidity.

Question 2: *Are other short-term accounts receivable eligible for inclusion in regulatory liquidity?*

Answer 2: A general answer cannot be given to this question. The eligibility of accounts receivable for inclusion in liquidity must be evaluated on a case-by-case basis.

SELECTED WEBSITE ADDRESSES AND LINKS

OTS Website Home Page	www.ots.treas.gov
FDIC Website Home Page	www.fdic.gov
TFR forms, the TFR Instruction Manual, and Financial Reporting Bulletins	www.ots.treas.gov/tfrpage.html
TFR Questions and Answers	www.ots.treas.gov/tfrqanda.html
Quarterly aggregate thrift industry data	www.ots.treas.gov/quarter.html
Year 2000 Information	www.ots.treas.gov/y2k.html
FDIC-insured Inst. and Industry Financial Data	www.fdic.gov/databank/index.html
Institution Directory and financial data for both savings associations and commercial banks	www2.fdic.gov/call_tfr_rpts
Links to OTS industry statistical data	http://www.ots.treas.gov/ind-inst-data.html
<ul style="list-style-type: none"> • Cost of Funds • Thrift Industry National and Regional Net Annual Chargeoffs by Asset Type • OTS Fact Book (Historical Statistical Information of the Thrift Industry) 	
OTS Press Releases	www.ots.treas.gov/news.html
OTS Regulatory Bulletins	www.ots.treas.gov/bltn_regulatory.html
OTS Thrift Bulletins	www.ots.treas.gov/bltn_thrift.html
Links to OTS Rules and other guidance	www.ots.treas.gov/laws-regs.html