Financial Reporting Bulletin

December 1999

• Office of Thrift Supervision •

• Office of Research and Analysis • Financial Reporting Division •

1700 G Street, N.W., Washington, DC 20552

TFR DEADLINE MONDAY, JANUARY 31, 2000

CMR DEADLINE TUESDAY, FEBRUARY 15, 2000

It is important that you refer to this bulletin and the attached materials before submitting your December TFR.

Please note that the Financial Reporting Division staff will not be available from December 31 through January 2.

Y2K UPDATE

As we have previously announced, over the past two years OTS has modified its computer programs and conducted several successful tests of the DPSC software and related systems for the forthcoming Y2K rollover. However, as we now near the actual millennium date change, we want to let you know about OTS event and contingency plans for the electronic report transmissions.

From December 31, 1999, through January 2, 2000, OTS staff in Washington will be assessing the actual impact of the millennium date change on OTS electronic report transmissions by transmitting COF, TFR, and CMR data with the DPSC software via the Sprint telecommunications system into OTS systems. **Accordingly, there is no need for thrift report preparers to send test transmissions to OTS.** However, we recommend that you do take the following precautions:

- **Back up all financial data in the DPSC software on or before December 31, 1999, to ensure the information is available should your internal systems encounter problems in January.**
- **Soon after December 31, 1999, check the accuracy of the internal clock/date in the personal computer where the DPSC software resides to ensure that the software is reading proper dates from the computer for the OTS report cycles.**

From the results of our prior tests and activities for the millennium date rollover weekend, we expect no disruptions with electronic transmissions of the OTS reports. But in the event of system problems, we have established a contingency plan that involves revised report submission procedures and manual processing. **If it becomes necessary to implement this contingency plan, you will be notified by FRD staff who will provide you further instructions.** If OTS does not detect transmission problems

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, or by e-mail to patrick.berbakos@ots.treas.gov.

with the DPSC software or Sprint system, but you experience problems in transmitting OTS reports, you should call Cheyann Houts at 972-281-2412 or Doris Jackson at 972-281-2052.

FOURTH QUARTER REGULATORY REPORTS

The December 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 Monday, January 31, 2000. Schedule CMR is due no later than Tuesday, February 15. ***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.***

New electronic filing software was mailed to all savings associations in September. You should use this same software to transmit your December 1999 TFR and your January and February 2000 Cost of Funds report. New software will be distributed in March for transmitting the first quarter 2000 TFR.

Please remember to check your institution information, including the name of the report preparer, telephone number, and e-mail and website addresses, each time you submit a report. 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 Houts 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, send an e-mail to tfr.instructions@ots.treas.gov, or obtain them from the OTS website at www.ots.treas.gov/tfrpage.html.

SCHEDULE CSS

Schedule CSS is filed annually with the December TFR. Schedule CSS is included in the OTS electronic filing software that was distributed in September. Remember to include all subordinate organizations, whether consolidated in the TFR or not. Do not include pass-through investments described in OTS Regulation 560.32. Inactive subsidiaries, which are defined as those with annual gross revenues of less than one thousand dollars, should not be reported in Schedule CSS.

DECEMBER 1999 CHANGES TO THE TFR INSTRUCTION MANUAL

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

Schedule SC, Page 7, SC140, Equity Securities Subject to SFAS No. 115 — Clarified that only equity securities with a readily determined market value are to be reported on this line.

Schedule SC, Page 8, SC185, Other Investment Securities — Clarified that instruments (such as notes) that are not securitized are to be included on this line. Deleted an obsolete reference to junk bonds.

Schedule SC, Page 31, SC710, Deposits — Clarified that assets and liabilities should be reported in accordance with GAAP and that certain items that, under GAAP, may be deducted from assets are included in the deposit premium assessment base as defined by the FDI act. Such adjustments must be reported on SI239 or SI243 through SI248.

Added under dealer reserves, that if the dealer reserves can be deducted from assets in accordance with GAAP, they must also be reported on SI247 or SI248, in order that they are included in the deposit premium assessment base.

Schedule SO, Page 52, Noninterest Expense — Clarified that material adjustments to expenses from prior calendar years should not be included in current expense. When reporting prior period corrections, refer to page 3 of the General Instructions for the procedures to be followed.

Schedule SO, Page 53, SO520, Legal Expense — Added legal retainers to the instructions for this line and clarified that settlement payments should be reported on SO580.

Schedule SO, Page 54, SO550, Loan Servicing Fees — Added fees paid to service loans for which the reporting association owns the servicing rights, but does not own the loans to this line.

Schedule CC, Page 84, CC330, Commitments Outstanding To Sell Loans — This line was inadvertently omitted in the prior publication.

Schedule SI, Pages 108 and 109, Extensions of Credit to Executive Officers, etc. — Expanded the instructions to more fully conform to Section 215 of Regulation O.

Schedule CMR, Page 220, Escrow Accounts — Clarified that when the WAC of escrows is zero, you should report 0.01 (one basis point).

Schedule CMR, Page 239, CMR952-CMR958, Market Value Estimates of CMOs Issued — Replaced an obsolete GAAP reference to SFAS No. 77 with a reference to SFAS No. 125.

MARCH 2000 TFR FORM

There will be no changes to the TFR form for March 2000. However, there will be a distribution of new software to incorporate various changes and corrections to the TFR edits.

SOFTWARE CORNER

There will be no DPSC software update for the December 1999 cycle. Continue to use the September 1999 version: Windows version 199909.W1 or DOS version 199909D1. If you are not sure how to determine which version you are using, contact Cheyann Houts at 972/281-2412 or Doris Jackson at 972/281-2052 for assistance.

We suggest that you back up all financial data on or before December 31, 1999, to ensure the information will be available should your internal systems encounter problems in January.

Cost of Funds: You can transmit your COF report immediately after the close of the reporting month. You no longer have to wait until the 20th of the following month to transmit the report. COF reports are due no later than 30 days after the close of the month. **You should transmit your November 1999 COF before leaving for the holidays.** The filing deadline for November COF is Thursday, December 30, 1999.

Institution Info: All FRD mailings are addressed to the Report Preparer whose name is entered under Institution Info. Also under Institution Info, be sure your institution's website address is entered correctly, as this information will be included in the OTS website as a link directly to your website. **Please verify all Institution Info entries prior to transmitting any of your reports.**

Edit step K742: This edit step, which verifies that allowances for loan and lease losses are less than or equal to 1.25% of risk-weighted assets, is not functioning properly in the software. The edit incorrectly fails when CCR350 is less than the requirement. If you receive a K742 edit failure and your entries are correct, please disregard the edit message failure and transmit your TFR. Edit K742 will be corrected in the March 2000 DPSC electronic filing software.

Updated Software: If you have access to the Internet, you can download updated software from the DPSC web site that corrects the K742 edit using the following procedures:

- Go to the DPSC web site: www.dpscsoftware.com
- Click on "OTS Reporter Users Click Here"
- Click on "OTS Reporter Updates”
- Complete form with Name, Address, Docket Number, and click on Submit
- Enter Username: dpscots   password: webhosting
- Continue to follow on-screen instructions

Schedule CSS: If Schedule CSS data was entered for the December 1998 cycle, then all the information will roll forward to the December 1999 Schedule CSS report.

Please verify the CSS information. Delete any inactive subordinate organizations and send a Usernote identifying the deleted entry(s). Institutions completing Schedule CSS for the first time should refer to the DPSC OTS Reporter User Manual, Chapter 10, for instructions.

Usernotes: Usernotes are cycle- and report-specific. You must create a TFR or CMR Usernote under the appropriate quarterly cycle and a COF Usernote under the appropriate monthly cycle (i.e., do not create a September TFR Usernote under the November COF tab). Print and retain your Usernote(s) prior to transmitting to the OTS.

Amendments: You should always perform an “Edits Check” after making amendments to current or prior cycle reports, as generated values may cause additional edit failures. Print an Amended Difference Report and retain for your records prior to transmitting amendments.

ALLOWANCE FOR LOAN AND LEASE LOSSES (ALLL)

CFR 12 Part 567.5(b)(4) permits institutions to include in supplementary capital allowances for loan and lease losses established pursuant to OTS regulations up to a maximum of 1.25 percent of risk-weighted assets.

Institutions should report their available allowances for loan and lease losses (ALLL) on CCR 350. ALLL is limited to losses for loans and leases (and mortgage pool securities where the underlying loans were originated by the institution) that are probable, but not specifically identifiable. Allowances that meet the definition of ALLL and are reported as contra-assets on TFR lines SC227 (mortgage pool securities), SC283 (mortgage loans), and SC357 (nonmortgage loans) qualify for inclusion on CCR350. However, ALLL does not include specifically identifiable credit losses that must be adjusted directly against the loan, nor does it include general valuation allowances on items such as real estate owned, real estate held for investment, and other assets.

Most errors reported on CCR350 involve an overstatement of available ALLL included in supplementary capital. If ALLL is, in fact, greater than 1.25% of risk-weighted assets (as reflected on CCR75), then the excess should be reported as a deduction from risk-weighted assets on CCR530 (Excess Allowances for Loan and Lease Losses). Usually, errors can be identified through edit K742[1] in the electronic filing software. However, K742 will not capture an **understatement** of ALLL. It is the report preparer’s responsibility to utilize all available ALLL. If an omission of ALLL on CCR is overlooked, Tier 2 Capital will be understated.

Take note that in the current DPSC electronic filing software K742 will fail erroneously when CCR350 is less than, or equal to the 1.25% limitation. This edit step will be corrected in the next software update. In the December cycle, if edit K742 appears and you have verified that CCR350 is less than or equal to 1.25% of risk-weighted assets, you should ignore the edit check and transmit your report.

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[1] K742 CCR350 <= 0.0125 * CCR75
Allowance for loan and lease losses (CCR350) included in supplementary capital is limited to 1.25% of risk-weighted assets (CCR75)

Questions & Answers

TFR Questions and Answers can 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.

REVISED Q&A No. 75

SUBJECT: DEPOSIT PREMIUM ASSESSMENT BASE
LINE(S): SC710
Date: September 15, 1999 (Revised October 26, 1999)

From time to time we get questions on the computation of the assessment base for TFR filers. The computation is as follows:

Demand Deposits:

	SI215	Noninterest-bearing Demand Deposits
	+ SI239	Outstanding Checks Drawn against FHLB and FRB
	+ SI243	Demand Deposits of Consolidated Subsidiaries
	+ SI247	Assets Netted against Deposit Liabilities
	=	Gross Demand Deposits
	Less:	16-2/3% Float Deduction
(1)	=	Adjusted Demand Deposits less Float Deduction

Time and Savings Deposits:

	SC710	Total Deposits
	+ SC783	Escrows
	+ SC763	Accrued Interest Payable - Deposits
	+ SI244	Time and Savings Deposits of Consolidated Subsidiaries
	+ SI248	Assets Netted against Deposit Liabilities
	– SI215	Noninterest Bearing Demand Deposits
	=	Gross Time and Savings Deposits
	– SI245	Depository Institution Investment Contracts & Foreign Deposits
	=	Adjusted Time and Savings Deposits
	Less:	1% Float Deduction
(2)	=	Adjusted Time and Savings Deposits less Float Deduction

Total Assessment Base:

	Adjusted Demand Deposits less Float Deduction - (1) above
+	Adjusted Time and Savings Deposits less Float Deduction - (2) above
	Total Assessment Base

Q&A No. 81

SUBJECT: BANK-OWNED LIFE INSURANCE (BOLI)
LINE(S): SC690
DATE: December 1, 1999

Question: *Can bank-owned life insurance be reported in "Other Investments" so that the income can be included in our net interest margin?*

Answer: It is only permissible for a savings association to hold BOLI if it is incidental to banking. That is, if it is useful in connection with the conduct of a saving association's business. This would include insurance for key-persons, on borrowers, purchased in connection with employee compensation and benefit plans, or the cash value of life insurance taken as security for a loan. As such, it is more appropriately reported as an "other asset" rather than an investment. Income from BOLI should be reported as noninterest income.

Q&A No. 82

SUBJECT: LOANS TO EXECUTIVE OFFICERS
LINE(S): SI900 SI910
DATE: December 1, 1999

Question: *For the purposes of the special report of loans to executive officers, should institutions include loans that officers have guaranteed but not co-signed?*

Answer: Generally, loans guaranteed by officers must be included unless, in accordance with the guidelines in Section 215.3 of Regulation O, both of the following apply: the guarantee is (1) a guarantee of a previously outstanding loan, and (2) made for the purpose of protecting the savings association.

Q&A No. 83

SUBJECT: AGGREGATE AMOUNT OF ALL EXTENSIONS OF CREDITFinancial Reporting Bulletin for December 1999
LINE(S): SI590Financial Reporting Bulletin for December 1999
DATE: December 1, 1999

Question: *An institution has made loans to executive officers and has sold portions of the loans. Should the loans be reported net of the portion sold or gross?*

Answer: If the institution holds no recourse on the loans, they should be reported net of the portion sold.

Q&A No. 84

SUBJECT: Participated Lines of Credit
LINE(S): CC410 CC420
DATE: December 1, 1999

Question: *An institution is the issuer of credit card loans. Approximately 20% of that is participated out to a bank. The thrift settles daily with the bank on any changes in loans simultaneously with their credit card processor. In other words, when the bank's loans increase, the thrift initially funds that increase but immediately obtains funding from the bank as their participating share.*

The question is how to report the unfunded lines of credit on those accounts for which the thrift is the issuer but the participating bank is the owner. Should the thrift report the unfunded lines on just the accounts they own, or do they report on the entire portfolio as the issuer?

Answer: As long as the thrift has a firm, noncancelable contract with the bank for all of the unfunded lines, they should report only their share of the unfunded lines. If they have a contract with the bank covering only the funded lines or if the bank can cancel at any time, then they should report the entire unfunded lines.

Q&A No. 85

SUBJECT: COMPLEX SECURITIES
LINE(S): CMR485 CMR962:968
DATE: December 1, 1999

Question: *An institution has several securities from the FHLB with call options that were reported as structured securities and rate-shocked on the June TFR. However, some of these securities were callable once, have passed their call date as of September 30, and are no longer callable. Should these continue to be reported as structured securities, or can they be considered simple securities now that the call option has lapsed?*

Answer: Once the call option has expired and they are no longer callable, they should be considered simple securities for Schedule CMR purposes.

SELECTED WEBSITE ADDRESSES AND LINKS

OTS Website Home Page	http:www.ots.treas.gov
FDIC Website Home Page	http:www.fdic.gov
TFR forms, the TFR Instruction Manual, and Financial Reporting Bulletins	http:www.ots.treas.gov/tfrpage.html.
TFR Questions and Answers	http:www.ots.treas.gov/tfrqanda.html
Quarterly aggregate thrift industry data	http:www.ots.treas.gov/quarter.html
Year 2000 Information	http:www.ots.treas.gov/y2k.html
FDIC-insured Inst. and Industry Financial Data	http:www.fdic.gov/bank/index.html
Institution Directory and financial data for individual savings associations and commercial banks	http:www2.fdic.gov/call_tfr_rpts
Annual Report of Trust Assets	http://www2.fdic.gov/artaweb/
Links to OTS industry statistical data • Cost of Funds • Thrift Industry National and Regional Net Annual Chargeoffs by Asset Type • OTS Fact Book (Historical Statistical Information of the Thrift Industry)	http://www.ots.treas.gov/ind-inst-data.html
OTS Press Releases	http:www.ots.treas.gov/news.html
OTS Regulatory Bulletins	http:www.ots.treas.gov/bltn_regulatory.html
OTS Thrift Bulletins	http:www.ots.treas.gov/bltn_thrift.html
Links to OTS Rules and other guidance	http:www.ots.treas.gov/laws-regs.html

Include:

1. Common and preferred stock that has a readily determinable market value, including Freddie Mac and Fannie Mae stock;
2. Shares of all mutual funds, including those restricting their investments to debt instruments (*e.g.*, U.S. Government and agency securities).

Do not include:

1. FHLBank stock; report on SC690 (Other Assets);
2. Other equity investments **not subject to FASB Statement No. 115,** including ownership interests in unconsolidated subordinate organizations and entities designated as pass-through investments (even though they are not subordinate organizations); report on SC50 (Investment in Unconsolidated Subordinate Organizations); and
3. The reporting savings association's own treasury stock; report on SC890 (Other Components of Equity Capital).

SC150: Mortgage Derivative Securities

Report the outstanding balance, as determined in accordance with GAAP, of mortgage derivatives.

Include:

1. Mortgage derivatives issued by REMICs;
2. PO and IO strips of mortgage-backed securities, including those issued or guaranteed by Fannie Mae, Freddie Mac, and Ginnie Mae;
3. CMOs (collateralized mortgage obligations) including those collateralized by Fannie Mae, Freddie Mac, and Ginnie Mae pass-through securities; and
4. Residuals of CMOs.

Do not include:

1. PO and IO strips of U.S. Government and agency nonmortgage debt instruments; report on SC130;
2. Mortgage-backed bonds; report on SC185; and
3. Mortgage pool securities; report on SC210 and SC215.

SC162: Interest-Earning Deposits in FHLBs

Report all interest-earning checking accounts and time deposits (certificates of deposit) held with Federal Home Loan Banks.

Do not include:

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

SC166: Other Interest-Earning Deposits

Report all interest-earning checking accounts and time certificates held with banks and other depository institutions.

Do not include:

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

SC170: Federal Funds Sold and Securities Purchased Under Agreements to Resell

Include:

1. The balance of excess Federal Funds invested.

2. Securities purchased under agreements to resell that do not meet the criteria for a sale under FASB Statement No. 125, including dollar-repurchase, fixed coupon agreements (see SC730 for reporting requirements).

SC180: State and Municipal Obligations

Report debt securities issued by state and local governments.

SC185: Other Investment Securities

Report investment securities and other instruments not reported on SC110 through SC180 or SC50.

Include:

1. Investments in commercial paper and corporate debt securities;
2. Promissory notes;
3. Mortgage-backed bonds and notes; and
4. Securities collateralized by nonmortgage loans.

SC190: Accrued Interest Receivable

Report the accrued interest and dividends receivable on investment securities reported on SC110 through SC185 if collection was probable at the time of accrual. Investment securities on which collection of interest is not probable must be placed in a nonaccrual status.

SC199: General Valuation Allowances

Report all general valuation allowances established on investment securities reported on SC110 through SC190. All valuation allowances must be included in the reconciliation of valuation allowances in Schedule VA.

Do not include the following items which directly adjust the asset balance:

1. Adjustments in the fair value of investment securities classified as trading assets;
2. Specific valuation allowances; and
3. Discounts and premiums on securities purchased at other than face value.

7. Unapplied loan balances (*i.e.*, receipts from borrowers that have not yet been classified as principal, interest, etc.), unless the reporting savings association credits the applicable customer accounts "as of" the date the funds are initially received.
8. Credit balances in card credit accounts (*i.e.*, credit card customer overpayments).
9. Funds received or held in connection with drafts or checks drawn by the reporting savings association on another depository institution, a Federal Home Loan Bank, or a Federal Reserve Bank either on a zero-balance account or on an account that is not routinely maintained with sufficient balances to cover checks drawn in the normal course of business (including accounts where funds are remitted by the reporting savings association only when it has been advised that the checks or drafts have been presented). For example, funds received from a customer for a cashier's check which is drawn on a zero-balance account in another financial institution.
10. Dealer reserve accounts, when considered a liability under GAAP. Dealer reserve accounts are refundable amounts held as collateral in the purchase of installment notes from a dealer. For example, a savings association purchases $100,000 in installment notes from a dealer for the full face amount for which it pays $90,000 to the dealer and holds the remaining $10,000 as collateral. The $10,000 held as collateral is a dealer reserve account, which is reported as a deposit. If you hold dealer reserves that under GAAP are reported as contra-assets, then assets should be reported net of these dealer reserves in Schedule SC, and the dealer reserves must also be reported on SI247 or SI248, as appropriate.
11. Outstanding travelers' letters of credit and other letters of credit issued by the reporting savings association for cash or its equivalent (*i.e.*, prepaid letters of credit), less outstanding drafts accepted against the letters of credit.
12. Funds (except hypothecated deposits) held as security for an obligation due to the bank or others, and funds deposited by a debtor to meet maturing obligations (*e.g.*, amounts pledged against sinking fund mortgages and as collateral for loans).

The gross amount of debit items ("rejects") that cannot be posted to the individual deposit accounts without creating overdrafts or for some other reason (*e.g.*, stop payment, missing endorsement, post or stale date, or account closed), but which have been charged to the control accounts of the various deposit categories on the general ledger, should be added back to the appropriate deposit control totals and reported on SC690 (Other Assets, Code 99).

Note that assets and liabilities are reported in Schedule SC in accordance with GAAP. Certain items defined in the FDI act as includable in the deposit premium assessment base, may under GAAP, be considered contra-assets rather than liabilities. Assets in Schedule SC should be reported net of such items, but these items must also be reported on SI239 or SI243 through SI248, as appropriate, so that they will be included in the deposit premium assessment base.

Reciprocal balances with commercial banks and other savings associations should be reported on a net basis where the right of set-off exists. Reciprocal demand balances arise when two depository institutions maintain deposit accounts with each other.

Do not include:

1. Escrow accounts; report on SC783 (Escrows).
2. Custodial accounts established pursuant to loan servicing agreements; report on SC783 (Escrows).
3. Deposit accounts set up by the savings association in its own name. Eliminate the cash account from assets and the same amount from deposits. See item 4 under "include" above concerning outstanding checks.
4. Outstanding checks drawn on, or payable at or through, a non-zero-balance account at a Federal Reserve Bank or a Federal Home Loan Bank. These amounts should be deducted from cash-in-bank (typically, SC110 or SC162, as appropriate), and also reported on SI239 for inclusion in the deposit base for FDIC insurance assessment purposes. See item 9 under "Include" above concerning outstanding checks drawn on zero-balance accounts.

5. Outstanding checks written against accounts in other depository institutions, as defined by the Federal Deposit Insurance Act; deduct these from the related deposit reported on SC110 or SC166.
6. Discounts and premiums established as a result of marking assets and liabilities to fair value as a result of an acquisition, merger, or change in control; report on SC715 (Unamortized Yield Adjustments on Deposits).
7. Deductions for commissions and other capitalized items; report on SC715 (Unamortized Yield Adjustments on Deposits);
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);
9. U.S. Treasury tax and loan account balances credited prior to the reporting date that are automatically converted into open-ended interest-bearing notes; such balances are reported in liabilities on SC796 (Other Liabilities and Deferred Income);
10. Hypothecated deposits (deposits accumulated for the payment of loans); deduct these from the related loan; and
11. Accumulated gains and losses on deposits subject to a qualifying fair value hedge; report on SC715 (Unamortized Yield Adjustments on Deposits).

ESCROWS

SC783:

Report all escrow funds held by the reporting savings association and its consolidated subsidiaries on behalf of others.

Include:

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

Do not include:

1. Advances for borrowers' taxes and insurance (i.e., T&I escrow accounts with debit balances). If the related loan is owned by the reporting savings association or its consolidated subsidiaries, report on

SC275 (Advances for Taxes and Insurance). If the related loan is serviced for others, report on SC690 (Other Assets, Code 09).

2. Advances to investors for loans serviced for others prior to receipt from the borrower; report as assets on SC690 (Other Assets, Code 09).
3. Custodial accounts held by a depositor for another (*e.g.*, custodial account held for a minor where the parent or some other depositor is the custodian); report as deposits on SC710.
4. IRA and Keogh accounts; report as deposits on SC710.
5. Escrows where the funds are deposited in other depository institutions; report as liabilities on SC796 (Other Liabilities, Code 99).

SC715: Unamortized Yield Adjustments on Deposits

Report the unamortized balance of discounts and premiums on deposits. Report the face amounts of the related deposits on SC710 (Deposits). These yield adjustments are amortized to interest expense on SO215 (Deposits).

In marking assets and liabilities to fair value, discounts and premiums must be recorded and amortized in accordance with GAAP as principally prescribed in APB No. 16, “Business Combinations” and SFAS No. 72, “Accounting for Certain Acquisitions of Banking or Thrift Institutions.”

Include:

1. Discounts and premiums from marking deposits to fair value as a result of an acquisition, merger, or change in control;
2. The net deferred gain or loss on termination of interest-rate swaps hedging deposits; and
3. Accumulated gains and losses on deposits and escrows subject to a qualifying fair value hedge.

This data field may be negative (*i.e.*, a debit).

Do not include:

1. Yield adjustments related to advances and borrowings; these directly reduce the related borrowing;
2. Core deposit intangibles resulting from an acquisition, merger, or change in control; report on SC660 (Goodwill and Other Intangible Assets); and
3. Deferred gains and losses on deposit hedges; report on SC796 (Other Liabilities and Deferred Income, Code 03).

BORROWINGS

Report all borrowings net of deferred discounts, premiums, and issuance costs in accordance with FASB Statement of Financial Accounting Concepts No. 6, Paragraphs 236 and 237. The deferred discounts, premiums, and issuance costs are amortized to interest expense.

SC72: Total

Report the sum of SC720 through SC760. This line will be automatically computed by the electronic filing software.

SC720: Advances from FHLBank

Report all FHLBank borrowings.

Include:

1. All FHLBank advances.
2. Reverse repurchase agreements with the FHLBank.
3. Deferred commitment fees paid on FHLBank advances; these reduce the outstanding balance.

Do not include:

1. Accrued interest; report on SC766 (Accrued Interest Payable - Other).
2. FHLBank advances that have been defeased in substance in accordance with GAAP, as principally prescribed in SFAS No. 76, “Extinguishment of Debt,” and FASB Technical Bulletin 84-4, “In-substance Defeasance of Debt.” These advances and the related assets are not reported in the reporting savings association’s Statement of Condition.

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

Include:

1. Funds received from securities sold under agreements to repurchase that do not meet the criteria for a sale under FASB Statement No. 125, including retail repurchase, dollar-reverse-repurchase, and “dollar-roll” agreements.

2. Federal Funds Purchased.

Funds received from transactions accounted for as a sale (*i.e.*, yield maintenance, dollar-reverse-repurchase agreements and certain “dollar-roll” transactions) are included in the gain or loss on the sale. Note that the repurchase transaction and subsequent investment of these “borrowed” funds are independent transactions and, therefore, any income generated by this subsequent investment should not offset the interest expense incurred in the reverse repurchase transaction. Report interest income on SO110 (Interest Income: Deposits and Investment Securities) and interest expense on SO260 (Interest Expense: Other Borrowed Money).

Do not include:

Agreements entered into with the FHLBank; report these as FHLBank advances on SC720.

SC735: Subordinated Debentures (Including Mandatory Convertible Securities)

Report subordinated debentures and mandatory convertible securities issued by the reporting savings association or its consolidated subsidiaries net of premiums and discounts. Report issuance costs related to subordinated debentures and mandatory convertible securities on SC690 (Other Assets).

3. Gains (losses) from the sale of loan servicing rights when sold separately from the loan; and
4. Gains (losses) from the sale of subsidiaries.

SO485: Trading Assets (Realized and Unrealized)

Include:

1. Realized gains (losses) on trading assets;
2. Changes in unrealized gains (losses) on trading assets;
3. Current-period net income (loss) from options contracts that are not accounted for as yield adjustments; include the amortization of “time value” from short positions and market gains in the immediate exercise value (“intrinsic value”) of options positions that are either unmatched or matched with assets or liabilities reported at fair value;
4. Changes in unrealized gains (losses) on options positions if the forward-commitment position hedged by the option is terminated or will not occur;
5. Changes in unrealized gains (losses) on futures positions, interest rate swaps, caps and collars that are either unmatched or matched with assets or liabilities reported at fair value; and
6. Changes in unrealized gains (losses) on futures transactions that can no longer be accounted for as hedges under GAAP.

SO491: Other Noninterest Income

Report the total of all noninterest income not included on SO410 through SO485. A list of the types of income to be included can be found in the memo items detailing other noninterest income below.

Do not include:

1. Loan servicing fees; report on SO410 or SO420, as appropriate;
2. Trust fee income, report on SO420; and
3. Other fees, report on SO420.

Memo: Detail of Other Noninterest Income

SO493, 494: Reserved for FHLBank Dividends

These data fields are reserved for cash and stock dividends on FHLBank stock. The code in SO493 will always be code 01, which represents FHLBank dividends, and the amount in SO494 will always represent the amount of FHLBank dividends included in SO491.

SO495, 497 and SO496 and 498:

Report the two largest items comprising the amount reported on SO491, excluding dividends on FHLBank stock. Codes best describing these items should be selected from the list below and reported on SO495, and 497. This detail must be completed if an amount is reported on SO491.

Because SO491 can be made up of both positive and negative amounts (*e.g.*, net income (loss) from leasing operations), the two items which have the greatest impact on the total, regardless of their sign, should be reported. Therefore, in selecting the two largest items comprising the amount reported on SO491, disregard the sign of the number. Although the sign should be disregarded in the selection of the two largest items; the amount should be reported with the correct sign.

SO495 and 497: Codes

- 02 Interest income from income tax refunds
- 03 Interest income from margin accounts
- 04 Net income (loss) from leasing or subleasing space in the association's office quarters, future office quarters, and parking lots
- 05 Net income (loss) from real estate held for investment
- 06 Net income (loss) from investments in unconsolidated subordinate organizations and pass-through investments, accounted for using the equity method, after the elimination of intercompany profits
- 07 Net income (loss) from leased property
- 08 Net income (loss) allocable to minority shareholders
- 09 Net income from data processing equipment leased or services provided to others
- 10 Dividends from subordinate organizations reported on SC50 and accounted for by the cost method
- 11 Adjustments to prior periods
- 12 Income received on real estate acquired through foreclosure or deed in lieu of foreclosure on VA or FHA loans pending conveyance to the insuring agency
- 13 Amortization of negative goodwill reported on SC796
- 99 Other (**Use this code only for those items not identified above**.)

SO496 and 498: Amounts

Report the dollar amounts corresponding to the codes reported on SO493, 495 and 497.

NONINTEREST EXPENSE

Do not include material adjustments to expenses from prior calendar years; refer to page 3 of the General Instructions for procedures for correcting prior periods.

SO51: Total

Report the sum of SO510 through SO580. This line will be automatically computed by the electronic filing software.

SO510: All Personnel Compensation and Expense

Report gross salaries, wages, bonuses, and other compensation and expenses of officers, directors and employees, whether employed full- or part-time.

Include:

1. The cost of temporary help and employment contractors;
2. Fringe benefits such as the employer's share of payroll taxes, insurance premiums, lunchroom expenses, tuition fees, uniforms, parking, etc.;

3. Bonuses and awards;
4. Employer contributions to pension and retirement funds and ESOP plans;
5. Pensions paid directly by the reporting association;
6. Lump-sum pension contributions;
7. Payments related to past services, such as severance pay;
8. Directors' fees; and
9. Travel and other expenses for directors, officers, and employees.

Do not include:

Allowances for privately owned automobiles used in connection with the reporting association's business, or any depreciation and other noninterest expense on leased automobiles; report on SO530.

SO520: Legal Expense

Report all legal fees and retainers.

Do not include legal settlements; most settlement payments should be reported on SO580.

SO530: Office Occupancy and Equipment Expense

Include:

1. Depreciation and other expenses of association-owned space, capital leases, furniture and fixtures, automobiles and equipment reported on SC55 (Office Premises and Equipment);
2. Amortization of leasehold improvements;
3. Rent, net of the amortization of deferred gain on a sale/leaseback;
4. Uncapitalized equipment purchases;
5. Taxes, assessments, and insurance premiums on office premises, equipment, and land for future use;
6. Rental costs, maintenance contracts, and expenses on office furniture, machines, and data processing equipment; and
7. Accounting servicing fees paid to a data center.

If a portion of office premises and equipment is leased to others, allocate related expenses to SO491 (Other Noninterest Income). When actual data are not available, a reasonable, consistent, and documented estimate is acceptable.

SO540: Marketing and Other Professional Services

Include:

1. Advertising, production, agency fees, and direct mail;
2. Marketing research, including consultants;
3. Public relations, including consultants, seminars, or customer magazines;
4. Sales training by consultants;
5. Public accountants' fees;
6. Management services;

7. Consulting fees for economic surveys; and
8. Other special advisory services.

Do not include:

1. Legal fees; report on SO520;
2. Data processing fees; report on SO530;
3. Supervisory examination fees; report on SO580; and
4. Deposit promotions, giveaways, premiums, and commissions that are capitalized; report amortization on SO215 (Interest Expense: Deposits).

SO550: Loan Servicing Fees

Report fees paid to others to service mortgage and nonmortgage loans.

Include:

1. Fees for servicing loans owned by the reporting association and its consolidated subsidiaries;
2. Fees for servicing loans owned by others where the reporting association owns the servicing rights.

Do not include:

1. Amortization of purchased loan servicing rights; deduct from SO410 (Mortgage Loan Servicing Fee Income); and
2. Servicing fees for loans acquired on a net yield basis; deduct from related interest income.

SO560: Amortization of Goodwill

Report amortization of SC660 (Goodwill and Other Intangible Assets).

Include:

1. Amortization of goodwill;
2. Amortization of core deposit premiums and other intangibles; and
3. Write-downs of goodwill and other intangible assets.

Do not include:

Amortization of loan servicing assets; deduct from SO410 (Mortgage Loan Servicing Fee Income).

SO570: Net Provision for Losses on Noninterest-bearing Assets

Report the provision for losses on all noninterest-bearing assets. Report credit balances as negative.

Refer to the general instructions for Schedule VA for a discussion of the proper calculation of provision for losses. Adjustments to valuation allowances should be reported as an expense in the period in which the reporting association determined the amount of the loss even if that loss actually occurred in a prior period, that is, adjustments to valuation allowances should not be reported as prior period expenses.

Include adjustments to valuation allowances on:

1. Real estate owned;
2. Real estate held for investment;

SCHEDULE CC — CONSOLIDATED COMMITMENTS AND CONTINGENCIES

COMMITMENTS OUTSTANDING

Report all commitments outstanding for which settlement will be made in the name of the reporting savings association or its consolidated subsidiaries. In the case of securities held by an agent, report commitments made on behalf of the reporting savings association or its consolidated subsidiaries.

In reporting commitments to originate loans on CC280 through CC310, do not include the portion of refinancings (including wrap-around loans) that will not involve the disbursement or receipt of cash by the reporting savings association. Report only the amount to be disbursed; do not report the gross commitment amount.

Report commitments to purchase or sell loans or securities on CC320 through CC370 on a gross basis. Do not net commitments to sell against commitments to purchase, even if the commitments are for the same or similar investments and even if no cash will be disbursed or received. For example, a commitment to swap mortgages for mortgage pool securities should be reported as a commitment to sell mortgages and purchase mortgage pool securities, even though no cash will be involved in the transaction. Do not include resale agreements that are accounted for as financings.

Undisbursed Balance of Loans Closed (Loans-in-process Excluding Lines of Credit)

Report loan distributions on loans that have been closed but not yet disbursed.

Include:

1. Loans disbursed according to a specified schedule or completion of specified terms;
2. Loans awaiting completion of certain contractual terms prior to disbursal;
3. Loans for which the documents have been executed but the loan distribution has not yet been made.

Do not include:

1. The undisbursed portion of open-ended lines of credit (mortgage or nonmortgage);

2. Borrowers advances or deposits that are reported on SC710(Deposits) or SC783(Escrows).

CC105: Mortgage Construction Loans

Report loans in process on mortgage construction loans of the types reported on SC230 through SC240.

CC115: Other Mortgage Loans

Report the undisbursed balance of permanent mortgage loans of the types reported on SC250 through SC265.

CC125: Nonmortgage Loans

Report the undisbursed balance of closed-end nonmortgage loans of the types reported on SC300 through SC330.

To Originate Mortgages Secured By

Report outstanding commitments made to builders, owners, or purchasers of real estate to originate mortgage loans (*i.e.*, to be closed in the name of the reporting savings association or its consolidated subsidiaries), classified by the type of property securing the loan.

CC280: 1-4 Dwelling Units

CC290: 5 or More Dwelling Units

CC300: All Other Real Estate

Report outstanding commitments to originate mortgage loans on nonresidential property and land.

CC310: To Originate Nonmortgage Loans

Report outstanding commitments to originate nonmortgage loans (*i.e.*, to be closed in the name of the reporting savings association or its consolidated subsidiaries).

CC320: To Purchase Loans

Report outstanding commitments to purchase whole mortgage and nonmortgage loans and participating interests therein.

CC330: To Sell Loans

Report outstanding commitments to sell whole mortgage and nonmortgage loans and participating interests therein.

1. Cash, demand deposits, and time deposits;
2. U.S. Government and Agency securities (including GinnieMae, FannieMae, and FreddieMac mortgage pool securities);
3. State and local obligations with a remaining maturity of two years or less;
4. Federal funds sold, fully collateralized repurchase agreements, bankers acceptances, and commercial paper;
5. Shares in an open-end management investment company (mutual funds) with a portfolio restricted to eligible liquid assets;
6. Corporate debt rated in one of the four highest categories by a nationally recognized rating service with a remaining maturity of three years or less (including corporate bonds and notes, privately issued CMOs, REMICs, and other derivative loan products);
7. FSLIC promissory notes, including those offsetting liabilities and capital instruments;
8. Accrued interest on liquid assets or on assets which would qualify for regulatory liquidity except for their maturity;
9. Certain mortgage-related securities, rated in one of the two highest rating categories by at least one nationally recognized statistical rating organization, that:
   a) Have one year or less remaining until maturity; or
   b) Are subject to a repurchase agreement, put option, right of redemption, or takeout commitment that requires purchase of the securities within one year by a:
      1) capital compliant insured institution;
      2) primary dealer in U. S. securities; or
      3) registered broker dealer;
10. Certain first lien residential mortgage loans that qualify as backing for mortgage-backed securities issued by FannieMae or FreddieMac or guaranteed by GinnieMae, and the mortgage loans either:
   a) Have one year or less remaining until maturity; or
   b) Are subject to a repurchase agreement, put option, right of redemption or takeout commitment that requires purchase of the loans within one year by a:
      1) capital compliant insured institution;
      2) primary dealer in U.S. securities; or
      3) registered broker dealer
11. Assets which would qualify as liquid assets except for their maturity and are hedged at a value equal to or exceeding their book value by a:
   a) Forward commitment to sell the asset;
   b) Futures contract;
   c) Long put option; or
   d) Call option that can be exercised within the period appropriate to qualify as a liquid asset.

The following are not eligible for inclusion in regulatory liquidity:

1. Securities pledged as collateral on a margin account;
2. Securities collateralizing repurchase, resale, dollar-reverse-repurchase, and fixed coupon agreements;

3. Securities pledged for deposits of public units reported on SC710 (Deposits); and
4. Principal and interest custodial cash accounts, such as for FHLMC, FNMA and GNMA, used to effect timely payments.

QUALIFIED THRIFT LENDER TEST

SI581, SI582, and SI583: Actual Thrift Investment Percentage at Month-end

To be a Qualified Thrift Lender (QTL), a savings association must either meet the Home Owners' Loan Act (HOLA) QTL test or the Internal Revenue Service (IRS) tax code Domestic Building and Loan Association (DBLA) test.

If the reporting savings association uses the HOLA QTL test, report the ATIP from the OTS QTL worksheets (OTS Form 1427) for the three months. If the reporting savings association uses the IRS DBLA test, leave lines SI581, 582, and 583 blank.

EXTENSIONS OF CREDIT BY THE REPORTING ASSOCIATION (AND ITS CONTROLLED SUBSIDIARIES) TO ITS EXECUTIVE OFFICERS, PRINCIPAL SHAREHOLDERS, DIRECTORS, AND THEIR RELATED INTERESTS AS OF THE REPORT DATE

The terms used in this item are defined in Federal Reserve Regulation O.

An **"extension of credit"** is a making or renewal of any loan, a granting of a line of credit, or an extending of credit in any manner whatsoever. Extensions of credit include, among others, loans, overdrafts, cash items, standby letters of credit, and securities purchased under agreements to resell. For lines of credit, the amount to be reported as an extension of credit is normally the total amount of the line of credit extended to the insider, not just the current balance of the funds that have been advanced to the insider under the line of credit. See Section 215.3 of Regulation O.

An **"executive officer"** of the reporting savings association means a person who participates or has authority to participate (other than as a director) in major policy-making functions of the reporting savings association, an executive officer of the savings association's holding company, and (unless excluded by the savings association's board of directors or bylaws) any other subsidiary of that holding company. See Section 215.2(e) of Regulation O.

A **"director"** of the reporting savings association means a person who is a director of the savings association, whether or not receiving compensation, a director of the holding company of which the savings association is a subsidiary, and (unless excluded by the savings association's board of directors or bylaws) a director of any other subsidiary of that holding company. See Section 215.2(d) of Regulation O.

A **"principal shareholder"** of the reporting savings association means an individual or a company (other than an insured depository institution) that directly or indirectly, or acting through or in concert with one or more persons, owns controls, or has the power to vote more than 10% of any class of voting stock of the reporting savings association. Shares owned or controlled by a member of an individual's immediate family are considered to be held by the individual. A principal shareholder includes a principal shareholder of a holding company of which the reporting savings association is a subsidiary and a principal shareholder of any other subsidiary of that holding company. See Section 215.11(a)(1) of Regulation O.

A **"related interest"** means (1) a company (other than an insured depository institution or a foreign bank) that is controlled by an executive officer, director, or principal shareholder or (2) a political or campaign committee that is controlled by or the funds or services of which will benefit an executive officer, director, or principal shareholder. See Section 215.11(a)(2) of Regulation O.

SI590: Aggregate amount of all extensions of credit

Report the aggregate amount outstanding as of the report date of all extensions of credit by the reporting savings association and its controlled subsidiaries to all of the savings association's executive officers, principal shareholders, directors, and their related interests.

Include each extension of credit in the aggregate amount only one time, regardless of the number of borrowers.

SI595: Number of executive officers, principal shareholders, and directors to whom the amount of all extensions of credit (including extensions of credit to related interests) equals or exceeds the lesser of $500,000 or 5 percent of unimpaired capital and unimpaired surplus (CCR30 + CCR35 + CCR530 + CCR105)

Report the actual number (do not round to thousands) of executive officers, principal shareholders, and directors of the reporting savings association to whom the amount of all extensions of credit outstanding by the reporting savings association and its controlled subsidiaries as of the report date equals or exceeds the lesser of $500 thousand or 5% of unimpaired capital and unimpaired surplus (*i.e.*, 5% x (CCR30 + CCR35 + CCR530 + CCR105)).

For purposes of this item, the amount of all extensions of credit by the reporting savings association and its controlled subsidiaries to an executive officer, principal shareholder, or director includes all extensions of credit by the reporting savings association to the related interests of the executive officer, principal shareholder, or director. A single extension of credit to more than one borrower must be included in full in the amount of all extensions of credit for each executive officer, principal shareholder, and director included in the credit. That is, one loan may be included more than once in the calculation of the $500 thousand or 5% of unimpaired capital and unimpaired surplus limit, because it will be included for each executive officer, principal shareholder, and director listed on the loan.

RECONCILIATION OF EQUITY CAPITAL

SI600: Beginning Equity Capital

Report the amount of total equity capital reported on SI680 from the previous quarter end. This amount will be automatically generated by the electronic filing software.

Special instructions for mergers and reorganizations:

- Pooling Mergers - Report the sum of SI680 of all pooled institutions for the previous quarter.

- Purchase Mergers - Report SI680 for the previous quarter for 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.

SI610: Net Income (Loss)

Report the amount of net income (loss) for the quarter from SO91. This amount will be automatically generated by the electronic filing software.

Dividends Declared:

SI620: Preferred Stock

Report the dollar amount of cash dividends declared during the period on preferred stock. These dividends are not charged to interest expense, but directly reduce retained earnings.

Include:

1. Dividends declared on preferred stock reported on SC812 and SC814;
2. Dividends declared on redeemable preferred stock reported on SC799; and
3. Dividends declared on perpetual preferred stock of consolidated subsidiaries reported on SC799.

SI630: Common Stock

Report the dollar amount of cash dividends declared during the period on common stock reported on SC820. These dividends are not charged to interest expense, but directly reduce retained earnings. Include cash dividends made to holding companies as well as to individual shareholders.

Do not include:

1. Stock dividends;
2. Stock splits; and
3. Property dividends; report on SI670.

percentage yield in the same manner as the WAC computation described in the General Instructions to Schedule CMR, and report it in CMR763.

CMR764: Balances in New Accounts (Optional)

Reporting in this cell is optional for all savings associations. Balances in New Accounts are defined as end-of-quarter balances in accounts whose holders had no transaction accounts with the reporting savings association at the end of the prior quarter.

CMR765-CMR766: Money Market Deposit Accounts

Money market deposit accounts (MMDAs) are defined by OTS Regulation 561.28 or by applicable state law. Report **total balances** of MMDAs on CMR765.

Report the WAC for MMDA balances on CMR766. Determine the annual percentage yields of balances reported on CMR765 and use these to calculate the weighted average annual percentage yield, in the same manner as the WAC computation described in the General Instructions to Schedule CMR, and report it in CMR766.

CMR767: Balances in New Accounts (Optional)

Reporting in this cell is optional for all savings associations. Balances in New Accounts are defined as end-of-quarter balances in accounts whose holders had no MMDA with the reporting savings association at the end of the prior quarter.

CMR768 Through CMR769: Passbook Accounts

Passbook accounts consist of all nonmaturity deposits not reported in CMR762, CMR765, and CMR771. Report **total balances** of Passbook Accounts on CMR768.

Report the **WAC** for passbook accounts balances on CMR769. Determine the annual percentage yields of balances reported on CMR768 and use these to calculate the weighted average annual percentage yield, in the same manner as the WAC computation described in the General Instructions to Schedule CMR, and report in CMR769.

CMR770: Balances in New Accounts (Optional)

Reporting in this cell is optional for all savings associations. Balances in New Accounts are defined as end-of-quarter balances in accounts whose holders had **no** passbook accounts with the reporting savings association at the end of the prior quarter.

CMR771: Noninterest-Bearing Nonmaturity Deposits

Report **balances** of all nonmaturity deposit accounts that are permanently noninterest-bearing on CMR771. Do **not** include balances in nonmaturity deposits (*i.e.*, transaction accounts or MMDAs) that do not currently earn interest because they are below the contracted minimum balance required to earn interest.

CMR773: Balances in New Accounts (Optional)

Reporting in this cell is optional for all savings associations. Balances in New Accounts are defined as end-of-quarter balances in accounts whose holders had **no** noninterest-bearing nonmaturity deposits with the reporting savings association at the end of the prior quarter.

Escrow Accounts

Escrow accounts include the types of accounts reported in SC783. Report balances of **escrow accounts associated with single-family, first mortgages owned by the savings association** on CMR775. Report balances of **tax and insurance escrows associated with single-family, first mortgages serviced for others** on CMR777. (Balances of **principal and interest escrows** established pursuant to loan servicing agreements, including those in custodial accounts, should be reported in CMR786, Miscellaneous Liabilities I.) On CMR779, report balances of all escrow accounts not reported in CMR775, CMR777, and CMR786.

Escrow accounts associated with mortgages **partially** owned by the savings association should be reported according to the percentage of ownership. For example, a savings association has sold an 80% participating interest in a pool of mortgages and has retained the servicing. The savings association has $60,000 in tax and insurance escrow accounts and $40,000 in principal and interest escrow accounts that are associated with the pool of mortgages. The savings association would report the following amounts: in CMR775, $12,000 (= $60,000 x .20); in CMR777, $48,000 (= $60,000 x .80); and in CMR786, $40,000.

Report the **WAC** of escrows reported on CMR775, CMR777, and CMR779 in CMR776, CMR778, and CMR780, respectively. Calculate the WAC as described in the General Instructions to Schedule CMR. If the WAC is zero, report 0.01 (one basis point).

CMR781: Total Nonmaturity Deposits and Escrow Accounts

Report on CMR781 the sum of CMR762, CMR765, CMR768, CMR771, CMR775, CMR777, and CMR779.

CMR782: Unamortized Yield Adjustments on Deposits

Report on CMR782 unamortized yield adjustments of the type reported in SC715. For institutions that have adopted SFAS No. 133, also include the component of the carrying value of deposit liabilities that consists of accumulated gains and losses related to qualifying fair value hedges.

CMR784: Unamortized Yield Adjustments on Borrowings

Report on CMR784 unamortized yield adjustments applicable to liabilities of the types reported on SC720 (Advances from FHLBank), SC730 (Federal Funds Purchased and Securities Sold Under Agreements to Repurchase), SC735 (Subordinated Debentures, Including Mandatory Convertible Securities), SC740 (CMOs, Including REMICs), SC745 (Other Mortgage Collateralized Securities Issued), and SC760 (Other Borrowings). Add to this amount any unamortized yield adjustments related to redeemable preferred stock of the type reported on SC799. For institutions that have adopted SFAS No. 133, also add the component of the carrying value of borrowings that consists of accumulated gains and losses related to qualifying fair value hedges.

Other Liabilities

CMR785: Collateralized Mortgage Securities Issued

Report the carrying value of collateralized mortgage securities issued that are not recorded as sales in accordance with GAAP as principally prescribed by FAS No. 77, “Reporting by Transferors of Receivables with Recourse” and FASB Technical Bulletin 85-2, “Accounting for Collateralized Mortgage Obligations (CMO).” Include CMOs and other collateralized mortgage securities issued.

the options on liabilities, the results of the OTS Model will include only the value of the underlying liabilities and not the value of the options.

CMR952 Through CMR958: Market Value Estimates of Collateralized Mortgage Securities Issued

Reporting Information: Report only those collateralized mortgage securities issued that are not recorded as sales in accordance with SFAS No. 125, “Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities.” Information on collateralized mortgage securities issued is reported in two places: one is mandatory, the other is optional.

1. Report the book value of CMOs and other collateralized mortgage securities issued in CMR785. Balances reported on CMR785 should not be reported on CMR675 through CMR705, CMR723, CMR730, CMR737, or CMR744.
2. At the option of the reporting savings association, it may report its estimate of the value of the collateralized mortgage securities issued, in each of seven interest rate scenarios listed, on CMR952 through CMR958.

CMR962 Through CMR968: Market Value Estimates of Structured Securities

Reporting Information: Institutions reporting any securities in CMR485 must report the estimated aggregate market value of those securities in each of the seven interest rate scenarios.

Use of Information*:* When producing a savings association’s Interest Rate Risk Exposure Report, the OTS Model will include in NPV the market value estimates of these securities as reported by the savings association in CMR962 through CMR968.

OPTIONAL SUPPLEMENTAL REPORTING FOR ASSETS/LIABILITIES

Introduction

In this section, savings associations may report selected assets and liabilities at a more disaggregate level than is reported in the Assets and Liabilities sections of Schedule CMR. For example, a savings association with adjustable-rate second mortgage loans tied to different indices, may report the balances tied to each rate index separately. The interest rate risk exposure estimates of savings associations that choose to report on the Supplemental Reporting form will be derived using this detailed information, instead of the more aggregated data reported for those assets and liabilities in the other sections. This should result in more accurate market value estimates for the instruments reported on the supplemental form.

Supplemental reporting is available for the following:

Assets

1. Certain types of loans,
2. Mortgage-related mutual funds,
3. “Other” investment securities of the types reported on CMR479.

Liabilities

1. Variable-rate, fixed-maturity liabilities.

Supplemental reporting is also available for off-balance-sheet positions, as described beginning on page 250.

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 (*e.g.*, margin, coupon, remaining maturity, etc.). All lines used to report supplemental information should be numbered sequentially, with the first line on the form receiving the number 1 in the column titled “Entry #.” All other entries are described 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.

Savings associations that report information for assets or liabilities on the Supplemental Reporting form **must also** include those items in the information reported in the Assets and Liabilities sections of Schedule CMR. If reporting errors are encountered in the information reported in the Supplemental Reporting section, the aggregate data from the Assets and Liabilities sections will be used to derive savings associations’ interest rate risk exposure estimates instead.