Office of Thrift Supervision
Financial Reporting Division

March 2003

Financial Reporting Bulletin

It is important that you read this bulletin and the attached materials before submitting your Thrift Financial Report.

TFR Deadline — Wednesday, April 30
HC and CMR Deadline — Thursday, May 15

IN THIS ISSUE

The Financial Reporting Division of the Office of Thrift Supervision publishes the Financial Reporting Bulletin quarterly and distributes it to all OTS regulated institutions. The bulletin's purpose is to provide the Thrift Financial Report preparer with reporting information and guidelines. Please send comments and suggestions on this bulletin to Patrick G. Berbakos, Director, National Systems, Information Systems, Administration & Finance, Office of Thrift Supervision, 1700 G Street, NW, Washington, DC 20552 or by e-mail to patrick.berbakos@ots.treas.gov.

FIRST QUARTER DEADLINES

You should complete and transmit your March 2003 TFR as soon as possible after the close of the quarter. All schedules except HC and CMR are due no later than **Wednesday, April 30, 2003**. Schedules HC and CMR are due no later than **Thursday, May 15, 2003**.

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. **OTS will not be able to provide interest rate risk reports to institutions that fail to meet the filing deadline.** We advise all voluntary filers to contact Doris Jackson (972-277-9618 or doris.jackson @ots.treas.gov) two days after transmitting their CMR to confirm that we received your CMR filing.

If you have any questions concerning the preparation of your report, please call your Financial Reporting Division contact in Dallas, Texas. You can find the current list of FRD contacts on the back page of this bulletin. You may email reporting questions to tfr.instructions@ots.treas.gov. Please include your name, institution name and docket number, and your phone number in all email correspondence. If you have a problem with the electronic filing software or transmission, call Cheyann Houts at 972-277-9617 or Doris Jackson at 972-277-9618.

MARKET VALUE ESTIMATES OF MORTGAGE DERIVATIVES

It is very important that you report market value estimates of all mortgage derivatives in the Supplemental Reporting of Market Value Estimates Section of Schedule CMR. To calculate the market value of the mortgage derivatives that you hold, we need more information than is feasible to collect on Schedule CMR. Therefore, in the Supplemental Reporting of Market Value Estimates Section we collect your own estimates of the market values of your mortgage derivatives in each of the seven interest rate scenarios shown in the Interest Rate Risk Exposure Report that we produce each quarter. Please be sure to include your self-valuation of all your mortgage derivatives in this CMR section.

WHERE'S MY INTEREST RATE RISK REPORT?

This is a question that is often directed to FRD in Dallas. However, Interest Rate Risk (IRR) reports are mailed out of the OTS Washington, DC office. Your IRR report is mailed within 10 business days after your original submission of CMR data providing there are no data entry errors and no tolerance check errors in your report. If you have any questions about your Interest Rate Risk report, you may contact Scott Ciardi at 202-906-6960 or scott.ciardi@ots.treas.gov.

NEW ELECTRONIC FILING SOFTWARE

EFS Version 4.0 will be mailed to all institutions on March 20, 2003. This new version contains several new features and enhancements.

After installing the Version 4.0 software, you should go back to the blue *Startup* screen; click on *Help*; and then on *About Electronic Filing System*. You should then verify the EFS release cycle (03-2003) and the version number (4.0).

If you attempt to transmit to OTS with an incorrect version of the software, **your transmission will be aborted.** You will be instructed to install the latest version before attempting to transmit again.

Usernotes Are Now Mandatory For All Critical Edit Checks

Beginning with this release of EFS, you must supply Usernotes for all critical edit checks. An additional step has been incorporated into Step 3 of the transmission process that validates all critical edit checks. Lists of critical edit checks associated with the reports you are submitting that have no Usernotes will be displayed. You may either print the lists in a report or save them to a file to assist in resolving the missing Usernotes.

Application Enhancements in Version 4.0

List view format available for COF, TFR, and CMR printed reports

You can now print the Cost of Funds, TFR, and CMR reports in two formats:

Spreadsheet - This format uses the EFS spreadsheet control. The result is a printed report that is identical to the official OTS TFR forms. This is the default report type and is the format you have been using prior to this release.

List View - The list view format is now available if your attempts to print using the standard format result in program errors. This format is not identical to the official OTS forms, however transmission statuses are included on these reports, and they are sufficient for sources of record. We suggest that you click on the '?' button to view more information on troubleshooting any printing problems you have in EFS.

Note:

- Printing scale percentages are ignored in the List View print format.
- The option to output EFS reports to a file is only available in the Spreadsheet format.

Print Scales Are Now Specific to Report Types

For your convenience, print scalability configurations are now specific to the report type being printed. For example, you can preset your COF report to a print size of 94%, your TFR report to a print size of 88%, and your CMR to a print size of 80%.

Filing Status is Included on All Report Schedules

Report filing statuses (Original / Amended / Submitted on . . .) are now displayed on all TFR and CMR schedules when you print your reports. They are not included if you have selected to print blank reports. These statuses are included on all current and prior cycle reports going back to March 2002.

Re-Importing Overwritten Line Items in CCR During an Amendment

EFS will now reset all overwritten line items at the first user action of amending Schedule CCR. Previously you had to manually re-import the system-calculated values if you amended any of the lines from which they were calculated. Following the initial reset of the system-calculated fields in an amended CCR, you may once again use the override feature to input your user-modified values.

Special Configurations in Your "Transmission Configurations" Screen

There are now three different configurations available for you to use during transmission. For a detailed explanation of each option, read the "What's New in EFS 4.0" document within the EFS application, or the letter that accompanies your software CD.

For additional information or assistance with EFS, you may call Cheyann Houts (972-277-9617), Doris Jackson (972-277-9618), or Jacquie White (202-906-6464.)

2003 TFR CHANGES

The 2003 TFR form is enclosed with this bulletin. A copy of the form may also be accessed on the OTS web site, www.ots.treas.gov, under the TFR tab, click on News.

On July 12th the federal banking regulators requested public comment on the proposed data collection of consumer loan information on subprime lending programs. Comments were received and reviewed by all banking regulators. And at its December 9th meeting, the FFIEC decided **not** to collect data on subprime programs through the Call and TFR reports. Therefore OTS has not included information on subprime lending programs in the 2003 TFR.

The following changes will be made in the 2003 TFR:

- **Schedule FS – Reporting Frequency**

Institutions with fiduciary assets of $250 million or less are required to report fiduciary and related asset balances, lines FS210 through FS291, **each quarter**. Previously those institutions with total fiduciary assets of $250 million or less were required to file only annually. The quarterly reporting requirements are unchanged for institutions with total fiduciary assets greater than $250 million. The annual reporting requirements for all institutions with fiduciary powers are unchanged.

- **Schedule HC – Servicing Assets**

A line has been added to break out servicing assets included in Intangible Assets on HC510 in accordance with FASB Statement No. 141.

HC515: Servicing Assets included in HC510

- **Schedule CMR Coupon Rate Stratifications Reduced To Reflect Current Interest Rates**

The interest rate stratifications in Schedule CMR have been reduced by two percent to reflect the falling interest-rate environment for the following categories.

- Fixed Rate Single-family, First Mortgage Loans & Mortgage-backed Securities, CMR001 – CMR125
- Mortgage Loans Serviced for Others, CMR401 – CMR415
- Fixed-rate, Fixed-maturity FHLB Advances, Other Borrowings, Redeemable Preferred Stock, & Subordinated Debt, CMR675 – CMR706

- **Schedule VA – Credit Card Charge-offs**

The caption for VA145, 148, and 150 has been revised from "Acquisitions" to: "Adjustments" to allow for inclusion of a portion of credit-card charge-offs.

On VA580, institutions should report all charge-offs on credit card loans, including charge-offs that did not reduce valuation allowances, such as those that reduce interest income. The charge-offs reported on VA580 will be carried forward to the reconciliation of valuation allowances on VA155. On VA145, institutions will report that portion of charge-offs included on VA580 that did not reduce valuation allowances. This reporting will permit the valuation allowance reconciliation to balance.

- **Schedule CC – Recourse Obligations**

We deleted the word "Off-Balance-Sheet" in the caption for CC455.

In the case where an institution securitizes loans and retains a subordinate piece, the institution should report the entire securitization including the on-balance-sheet retained portion. Therefore, we changed the caption of CC455 to conform to the current instructions. The new caption is:

CC455: Total Principal Amount of all Assets Covered by Recourse Obligations or Direct Credit Substitutes

- **Changes to "other" codes in Schedules SC and SO:**

Other Assets – Delete two codes:

15 Margin Accounts

23 Other residual interests in financial assets sold not appropriately reported elsewhere

Delete one code in Noninterest Income and move it to Noninterest Expense

Noninterest Income – Delete:

08 Net income or loss allocable to minority shareholders

Noninterest Expense – Add:

18 Net income or loss allocable to minority shareholders

The allocation of the net income or loss of consolidated subsidiaries to minority shareholders, including dividends on REIT preferred stock issued by a consolidated subsidiary, where you have elected to report the REIT preferred stock as a minority interest on line SC799.

Modify one code in Noninterest Expense:

09 Loan origination expense

Include appraisal reports, credit reports, and other similar expenses; also include, as a negative amount, reversals of origination costs when such costs are capitalized.

MARCH 2003 TFR INSTRUCTION MANUAL UPDATES

Attached to this bulletin are 43 updated pages to the TFR Instruction Manual. The updated pages are dated March 2003. All changes are identified by a bar in the right margin. The changes are as follows:

Page 103 – General Instructions: Revised the dates that amendments must be transmitted to be included in the first public release of data. Such amendments must be received within 15 days after the TFR due date.

Page 227 – Schedule SC, SC691-SC697, Detail of Other Assets: Deleted codes 15 and 23 as explained in the March 2003 changes above.

Page 238 – Schedule SC, SC799, Redeemable Preferred Stock and Minority Interest: Revised the reference to reporting the allocation of net income or declaration of dividends on items in this line on Schedule SO. These items should be reported on SO580, Other Noninterest Expense, using Code 18. See the March 2003 changes listed above.

Page 304 – Schedule SO, SO230, Interest Expense: Advances from FHLBank: Deleted an obsolete reference to reporting prepayment penalties on the early extinguishment of debt to conform reporting to that required in FASB Statement No. 145.

Page 311 – Schedule SO, SO495-SO497, Detail of Other Noninterest Income: Deleted code 08, Net income or loss allocable to minority shareholders, as explained in the March 2003 changes above.

Page 315 – Schedule SO, SO581-SO585, Detail of Other Noninterest Expense: Modified Code 09, Loan origination expense, as explained in the March 2003 changes above.

Page 316 – Schedule SO, SO581-SO585, Detail of Other Noninterest Expense: Added code 18, Net income or loss allocable to minority shareholders, as explained in the March 2003 changes above.

Page 403 – Schedule VA, VA105, 108, and 111, Beginning Balance: Deleted reference to pooling mergers.

Pages 404, 405, and 407 – Schedule VA, Adjustments for Charge-Offs on Credit Card Loans: Revised the caption for VA145, 148, and 150 from "Acquisitions" to: "Adjustments" to allow for inclusion of a portion of credit-card charge-offs. On VA580, institutions should report all charge-offs on credit card loans, including charge-offs that did not reduce valuation allowances, such as those that reduce interest income. The charge-offs reported on VA580 will be carried forward to the reconciliation of valuation allowances on VA155. On VA145, institutions will report that portion of charge-offs included on VA580 that did not reduce valuation allowances. This reporting will permit the valuation allowance reconciliation to balance.

Page 704 – Schedule CC, CC455, Total Principal Amount of all Assets Covered by Recourse Obligations or Direct Credit Substitutes: Deleted "off-balance-sheet" from the caption of this line to agree with existing instructions.

Page 911 – Schedule SI, SI600, Beginning Equity Capital: Deleted reference to pooling mergers.

Page 912 – Schedule SI, SI620, Dividends Declared on Preferred Stock: Deleted items 2 and 3 under "Include", as dividends on preferred stock of consolidated subsidiaries (reported on SC799) should be reported on SO580, Other Noninterest Expense.

Page 1202 – Schedule FS, Filing Requirements: Revised the filing requirements to specify that institutions with fiduciary assets of $250 million or less are required to report fiduciary and related asset balances, lines FS210 through FS291, **each quarter**, rather than annually as previously required.

Page 1303 – Schedule HC, HC515, Servicing Assets Included in HC510: Added a new line (described above) to break out servicing assets included in Intangible Assets on HC510 in accordance with FASB Statement No. 141

Page 1522-1523 – Schedule CCR, CCR460, Qualifying Single-family Residential Mortgage Loans: Clarified that otherwise qualifying single-family residential mortgage loans with a combined loan-to-value ratio of exactly 90% qualify for 50% risk weighting.

Page 1530 – Schedule CCR, One Hundred Percent Credit Conversion Factor: Corrected an example of converting an off-balance-sheet commitment.

Page 1531 and 1532 – Schedule CCR: Corrected typographical errors.

Pages 1609, 1634, 1635 – Schedule CMR: Made changes in coupon rate stratifications discussed above in the March 2003 TFR form changes.

Questions & Answers

We post TFR Questions and Answers on the OTS web site at www.ots.treas.gov/tfrqanda.html. If you have a question that you would like posted, please submit it to tfr.instructions@ots.treas.gov.

Q&A No. 001(Revised)

SUBJECT: OTHER-THAN-TEMPORARY IMPAIRMENT OF SECURITIES
LINE(S): SO321
DATE: Revised March 14, 2003

Question: *How is an other-than-temporary impairment of a security reported on the TFR?*

Answer: An other-than-temporary impairment of a security directly reduces the recorded investment of the security on Schedule SC and should be expensed on SO321 (Net Provision for Losses on Interest-Bearing Assets). Additionally, it should be reported as a charge-off on VA30 and VA155.

Q&A No. 196

SUBJECT: COMMERCIAL LINE OF CREDIT SECURED BY REAL ESTATE
LINE(S): SC260, SC300
DATE: March 14, 2003

Question: *We have a new product, which is a business revolving line of credit fully secured by nonresidential real estate. The line of credit is underwritten as a mortgage loan meeting the requirements of a fully secured mortgage loan.*

Should we report this loan on SC260, Nonresidential Mortgage Loan? Or can we elect either SC260 or SC300, Secured Commercial Loan.

Answer: If you have underwritten the loan as a mortgage; that is with an appraisal or evaluation and the LTV when combined with any more senior liens the line of credit can never exceed 100% LTV, you should report it as a nonresidential mortgage loan on SC260. Otherwise the loan should be reported on SC300.

Q&A No. 197

SUBJECT: RENOVATION LOANS
LINE(S): SC260
DATE: March 14, 2003

Question: *Should the following loan be classified as a permanent loan or a construction loan?*

Facts: Approved a loan of $500 thousand. Of this balance, $150 thousand will be held back and disbursed at a scheduled time. The purpose of the holdback is to make substantial improvements to the property. The payment terms of the loan are interest-only for 24 months, after which time, the entire loan balance is due.

Based on our review of the TFR Instruction Manual, Schedule SC, SC 230, loans to be reported as construction loans include:

> *Combination construction-permanent loans on 1-4 dwelling units until construction is completed or principal amortization payments begin, whichever comes first.*

Our interpretation of this guidance is that renovation/rehabilitation does not constitute construction. Is this correct?

Answer: You are correct. Because this is an occupied, existing building, you should classify the loan as a permanent, single-family mortgage, reported on SC250. However, if the estimated cost of repairs exceeded the purchase price, we would have to reevaluate our answer on a case-by-case basis.

Q&A No. 198

SUBJECT: CHARGE-OFFS ON CREDIT-CARD RECEIVABLES
LINE(S): VA145, VA155, VA580
DATE: March 14, 2003

Question: *During the most recent quarter, we wrote off $1,000 in uncollectable credit card receivables. This amount consisted of $700 in principal and $300 of capitalized finance charges and fees. Therefore, consistent with our accounting policy, 1) the $700 write-off of principal is reported on VA580, Charge-offs of Credit Cards, and 2) interest income on line SO170 has been reduced by $300. Is this correct?*

Answer: You must report the full charge-off on credit-card receivables of $1,000 on VA580. However, to permit the reconciliation of valuation allowances to balance, you should report $300 on line VA145, Adjustments, because the $300 reduced interest income and did not reduce valuation allowances. As a result, the net reduction of valuation allowances included in the reconciliation will be $700 ($1,000 - $300).

Q&A No. 199

SUBJECT: ACQUIRED TROUBLED DEBT RESTRUCTURED
LINE(S): VA941-VA955
DATE: March 14, 2003

Question: *Our institution acquired another institution through a merger. One of the loans acquired from them was a performing TDR loan. At the time of the acquisition, the loan had been performing for more than one year. Therefore, we considered this loan as a performing loan at the time of acquisition, not as a TDR. Is this correct?*

Answer: You do not have to report acquired TDR loans as new TDR, since you did not restructure them. However, you should report it in VA941 unless it was restructured at a rate equal to or exceeding the market rate at the time of restructuring and after the first year the borrower is in compliance with the terms of the restructured contract.

Q&A No. 200

SUBJECT: QTL – LIFE INSURANCE
LINE(S): SI581-SI583
DATE: March 14, 2003

Question: *Is the cash surrender value of life insurance policies on senior management includable for QTL purposes.*

Answer: No. The cash surrender value on life insurance policies on senior management of an institution is not includable for QTL purposes.

Q&A No. 201

SUBJECT: INSIDER LOANS – LOANS TO SPOUSES
LINE(S): SI590
DATE: March 14, 2003

Question: *TFR instructions indicate that a related interest is defined by Regulation O as either:*

1. *A company, other than an insured depository institution or a foreign bank, that is controlled by an executive officer, director, or a principal shareholder.*
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.*

That definition does not include relatives of an executive officer, director, or principal shareholder. Therefore, presumably loans to executive officers' spouses do not need to be included with Insider Loans on the TFR. Is this a correct interpretation or is it addressed elsewhere?

Answer: Although spouses of executive officers are not 'related interests' under Reg O, loans to spouses may be subject to Regulation O under the 'tangible economic benefit' rule (12 CFR 215.3(f)). This rule states: "an extension of credit is considered to be made to an insider to the extent that the proceeds are transferred to the insider or are used for the tangible economic benefit of the insider."

There is guidance to when such a loan to a spouse would **not** be covered by 215.3(f):

1. The spouse is creditworthy;
2. The proceeds of the loan are not transferred, or used for the direct benefit of, the executive officer; and
3. The loan is repaid from the separate income of the spouse.

This guidance is found in a Staff Opinion of the Federal Reserve dated May 23, 1980. Under the Federal Reserve Regulatory Service (FRRS), it can be found as citation FRRS 3-1081.1

Q&A No. 202

SUBJECT: CMR – ROUNDING REMAINING MATURITIES
LINE(S): CMR
DATE: March 14, 2003

Question: *When calculating the remaining maturity for the fixed-rate, fixed-maturity deposits section, should the remaining maturities, shown below, be categorized as 4 to 12 months or 13 to 36 months?*

Remaining maturity of 12 months 5 days?

Remaining maturity of 12 months 15 days?

Remaining maturity of 12 months 16 days?

Remaining maturity of 12 months 25 days?

Currently, if the remaining maturity is 12 months 15 days, we put it in the 13 to 36 month bucket. If the remaining maturity is 12 months 14 days, we put it in the 4 to 12 month bucket.

Answer: You are correct. Months should be rounded based on a 30-day month. Round down with fourteen days or less and round up with fifteen or more days.

Q&A No. 203

SUBJECT: CMR – DEFINITION OF EARLY WITHDRAWAL
LINE(S): SCHEDULE CMR
DATE: March 14, 2003

Question: *If we have a $10,000.00 fixed-rate, fixed-maturity CD subject to a penalty for early withdrawl that is automatically renewable and matured on 2-10-03 but was not redeemed until 2-15-03, would the $10,000.00 be reported in one of fields CMR604, CMR618, CMR633 or CMR642? There was a 10 day grace period.*

Answer: You do **not** have to report this CD as an early withdrawal, because it was withdrawn during the grace period and, therefore, would not be subject to a penalty.

Q&A No. 204

SUBJECT: CMR – MORTGAGE PIPELINE
LINE(S): SCHEDULE CMR – FINANCIAL DERIVATIVES AND OFF-BALANCE-SHEET DERIVATIVES
DATE: March 14, 2003

Question: *We have an agreement with a third party for the origination of mortgage loans. At year-end, we will have a pipeline of approved borrowers of $50 million in approved loans. These loans are not on our balance sheet as of year-end.*

As soon as a loan funds, we have an agreement with the third party to sell the loan to them in two weeks at par. Therefore, we have <u>no interest rate exposure</u> in the transaction as the funding price and subsequent loan sale price are identical (par). The third party is exposed to interest rate changes between the origination commitment date through to the loan resale date. We earn a fee for each loan that funds. This fee is not impacted in any way by changing interest rates.

Must we report firm commitments to originate mortgages and a commitment to sell the same mortgages?

Answer: No you do not have to report the commitments to originate and commitments to sell the same mortgages, provided you never have any interest rate risk exposure associated with those loans.

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GENERAL QUESTIONS AND SOFTWARE DISTRIBUTION

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The Financial Reporting Division uses voice mail extensively. If you reach the voice mail of the person you are calling, please leave a brief message, speaking slowly enough to be clearly understood. Include your name, phone number, region, and docket number. Your call will be returned as quickly as possible.

TFR REPORTING QUESTIONS AND ANSWERS

We post TFR Questions and Answers on the OTS web site at http://www.ots.treas.gov/tfrqanda.html. If you have a question that you would like answered, you may submit it to **tfr.instructions@ots.treas.gov.**

INTEREST RATE RISK REPORTS

If you have a question about your Interest Rate Risk report, contact Scott Ciardi at 202-906-6960 or scott.ciardi@ots.treas.gov.

COPIES OF TFR MANUAL

OTS provides one free copy of the TFR Instruction Manual and Financial Reporting Bulletins to report preparers of all OTS-regulated institutions. Additional copies of the manual and bulletins may be ordered from our distribution service at (301) 645-6264 at a cost for a one-year subscription of $35. You can also access the manual and bulletins on the OTS web site at http://www.ots.treas.gov/tfrpage.html.

Office of Thrift Supervision
Filing Schedule for 2003 Regulatory Reports

Reporting "As Of" Date	Filing Deadline			
	Thrift Financial Report	Schedules HC and CMR	Cost of Funds	Branch Office Survey
2003 January 31			Monday March 3	
February 28			Monday March 31	
March 31	Wednesday April 30	Thursday May 15	Wednesday April 30	
April 30			Friday May 30	
May 31			Monday June 30	
June 30	Wednesday July 30	Thursday August 14	Wednesday July 30	Monday August 25
July 31			Tuesday September 2	
August 31			Tuesday September 30	
September 30	Thursday October 30	Friday November 14	Thursday October 30	
October 31			Monday December 1	
November 30			Tuesday December 30	
December 31	Friday January 30, 2004	Tuesday February 17, 2004	Friday January 30, 2004	

Thrift Financial Report Instruction Manual Updates

MARCH 2003

Insert these revised pages into your instruction manual. Delete **only** those pages that have replacements.

Refer to the summary of these changes in the March 2003 Financial Reporting Bulletin.

Direct questions to your Financial Reporting Analyst in Dallas, TX, or by e-mail to tfr.instructions@ots.treas.gov.

institution with a charter conversion **from OTS to another banking regulator** or merger with a non-OTS regulated institution**,** effective **after** close of business on the last day of the quarter, is required to file a TFR for the entire previous quarter. Institutions changing banking charters are never required to file a partial report to their former banking regulator; they must file a financial report only with the agency regulating them on the last day of the quarter, reporting activities for the entire quarter. Therefore, an institution that is required to file a TFR is not required to file a Call Report and vice versa. If a newly formed OTS-regulated institution opens for business at any time during the quarter, even if on the last day of the quarter, it is required to file a TFR for the period of operations during the quarter.

5. RECORD RETENTION

You should retain at least one copy of your completed TFR for reference; do not send paper copies to the OTS in Washington. Section 7(b)(5) of the Federal Depository Institutions Act requires each insured depository institution to maintain records for verifying the correctness of the institution's insurance assessment for five (5) years from the date of filing.

6. AMENDING THE TFR

To have amendments included in the first public release of the OTS data file, you must transmit your TFR within **45 calendar days** of the end of the quarter; that is, within 15 days after the TFR due date. Amendments submitted after the 45-day period should have the approval of OTS, FRD in Dallas, before transmission. In no case can OTS process amendments beyond 135 days after the end of the quarter. **With every amendment you file, you should send a user note explaining the reason for the amendment.**

You may correct material errors in prior-period TFRs in one of the following ways depending on the time period being corrected:

1. If you can file an amendment within 140 days of the end of the quarter being corrected, transmit the amendment correcting the TFR in which the error occurred after you discuss it with your FRD analyst in Dallas.
2. If the correction is to an income statement in a quarter that can no longer be amended and is within the current calendar year, include the correction with the current TFR in the same data field that would have carried it in the original report. If the adjustment distorts yields or results in negative numbers in fields that do not permit negatives, include the amendment in Other Noninterest Income, SO490, or Other Noninterest Expense, SO580.
3. If the correction is to an income statement for a quarter from a prior calendar year that can no longer be amended, make the adjustment directly to retained earnings on SI670, Other Adjustments to Equity Capital.

You should file TFR amendments electronically, rather than by phone or fax. Amendments filed electronically automatically update EFS on your computer. Please direct questions regarding the electronic filing of amended TFRs to the OTS Financial Reporting Division in Dallas, Texas, at 972-277-9617 or 972-277-9618.

The amendment filing deadlines above also apply to amending Schedule CMR. All amendments to Schedule CMR must be submitted within 140 days of the end of the quarter.

7. REPORTING BASIS

Prepare the TFR on a consolidated basis in accordance with generally accepted accounting principles (GAAP) based on calendar year reporting. Unless otherwise specified, all data is reported as of the end of the calendar quarter or in the case of income, expense, and other activity data, for the period of one calendar quarter. Report subordinate organizations that are not GAAP-consolidated subsidiaries using the equity or cost methods of accounting. **Subordinate organization** is defined by OTS regulation. It includes any corporation, partnership, business trust, association, joint venture, pool, syndicate, or other similar business organization in which a savings association has a direct or indirect ownership interest. It excludes an ownership interest that qualifies as a pass-through investment pursuant to 12 CFR § 560.32 and is so designated by the reporting savings association. GAAP-consolidated subsidiaries as defined in 12 CFR § 559.2 mean entities in which a savings association has a direct or indirect ownership interest and whose assets are consolidated with those of the savings association for purposes of reporting under GAAP.

You should apply GAAP unless we specifically state otherwise in these instructions. Accordingly, the instructions for each data field reflect, to the extent possible, GAAP applicable to savings associations. Note, however, that financial statements of savings associations prepared in accordance with GAAP have flexible presentation formats and may require significantly less detail on a less frequent basis than the TFR. The TFR collects additional detail to facilitate supervision by the OTS and to provide uniform information on industry activities. Certain GAAP reporting and presentation concepts may not be consistent with the conventions and frequency of the TFR. In these cases, the TFR instructions override GAAP presentation practices.

The amounts reported on the TFR must be readily reconcilable to the savings association's books and records.

8. EXEMPTION FROM FILING SCHEDULE CMR

Savings associations with less than $300 million in assets and with risk-based capital ratios in excess of 12 percent for two consecutive quarters are exempt from filing Schedule CMR. All savings associations newly regulated by the OTS are exempt from filing Schedule CMR for the first two quarters that they are under OTS regulation.

You lose your exemption from filing Schedule CMR if you do not meet the exemption criteria for two consecutive quarters. You must file Schedule CMR beginning the quarter after the second consecutive quarter in which you do not meet the criteria. For example, you fail the criteria in March and June, therefore, you must file Schedule CMR for the September quarter, and each quarter thereafter until your OTS Regional Director reinstates the exempt status.

You may also lose your exempt status if your OTS Regional Director requires you to file Schedule CMR. You must continue to file Schedule CMR until your OTS Regional Director reinstates the exemption in writing.

9. TFR PREPARATION

a. Round all dollar amounts to the nearest thousand. If any balance sheet data field or other balance as of the end of the reporting period is less than $500, enter a **1** in the data field to indicate that the amount is not zero. This does not apply to the data fields representing income, expense, and other activity. Where necessary for balancing purposes, make adjustments to the appropriate **other** category.

13 Non-interest-bearing accounts receivable from a holding company or affiliate.

14 Other miscellaneous, non-interest-bearing, short-term accounts receivable.

16 Unamortized options fees.

19 Receivables from a broker for unsettled transactions.

20 Fair value of all derivative instruments reportable as assets under FASB Statement No. 133.

22 Unapplied loan disbursements.

Include only those loan disbursements that you cannot categorize.

24 Bank-owned life insurance

Include the cash surrender value of all bank-owned life insurance that you do not consider key-person insurance, and therefore that you would not include in Code 25 below. Include accruals of income related to increases in cash surrender value.

25 Key-person life insurance.

Include the cash surrender value of bank-owned life insurance that you consider key-person insurance, where the intended purpose is to provide the institution protection against the potential for losses arising from the untimely death of a key employee or borrower. These policies are generally surrendered when the key employee leaves your institution or when the borrower pays off his loan. Include accruals of interest related to increases in cash surrender value.

99 Other. **Use this code only for those items not identified above**.

SC692, 694, and 698: Amounts

Report the dollar amounts corresponding to the codes reported on SC691, 693, and 697.

SC699: General Valuation Allowances

Report all general valuation allowances established to recognize credit losses on receivables included in Other Assets.

You must include all valuation allowances in the reconciliation of valuation allowances in Schedule VA.

SC60: TOTAL ASSETS

The EFS software will compute this line as the sum of SC10, SC20, SC23, SC30, SC40, SC45, SC50, SC55, and SC 58. This amount must equal SC90, Total Liabilities, Redeemable Preferred Stock, Minority Interest, and Equity Capital.

LIABILITIES

SC710: Deposits

Report all deposits at their face value except zero-coupon deposits, which you report at face value net of the unamortized discount.

Include:

1. All deposits whether interest-bearing or not.
2. Deposits exceeding SAIF insurance limits, including those collateralized by your assets, such as deposits of public funds.
3. Unposted credits, such as:
   a. Deposit transactions that you include in a general ledger account and have not yet posted to a deposit account.
   b. Deposits you received in one branch for deposit into another branch, typically another branch in another state or outside of continental USA.

   You should report unposted credits net of unposted debits. We define unposted debits as cash items in your possession that are drawn on you and immediately chargeable, but not yet charged, against your deposits at the close of business on the reporting date.

   Exclude the following from unposted credits:
   a. Cash items drawn on other financial institutions.
   b. Overdrafts and nonsufficient fund (NSF) items.
   c. Cash items returned unpaid to the last endorser for any reason.
   d. Drafts and warrants that are payable at or payable through you for which there is no written authorization from the depositor and no state statute allowing you at your discretion to charge the items against the deposit accounts of the drawees.

   Report the above excluded unposted debit amounts in assets on SC110. **Note:** If the total of unposted credits is negative, that is, a debit, you can deduct it from SC710.

4. Outstanding cashier's checks, money orders, or other official checks drawn on an internal account issued in the usual course of business for any purpose, including, without being limited to, those that you issued in payment for your debts or expenses, or payable to a third party named by a customer making the withdrawal.
5. Accounts pledged by your directors and organizers as protection against operating deficits and other nonwithdrawable accounts, whether or not they are used in determining compliance with minimum capital requirements.
6. U.S. Treasury tax and loan accounts that represent funds received as of the close of business of the reporting date. Do not include funds credited prior to the reporting date that are automatically converted into open-ended interest-bearing notes. Report such balances on SC796, Other Liabilities and Deferred Income.
7. Unapplied loan balances, such as receipts from borrowers that have not yet been classified as principal, or interest, unless you credit the applicable customer accounts as of the date you initially received the funds.

SC70: TOTAL LIABILITIES

The EFS software will compute this line as the sum of SC710, SC783, SC715, SC72, and SC75.

SC799: REDEEMABLE PREFERRED STOCK AND MINORITY INTEREST

Report items that have characteristics of both liabilities and equity capital and that in accordance with GAAP should not be classified as equity capital.

Include:

1. Redeemable preferred stock you issued.
2. Common and perpetual preferred stock issued by consolidated subsidiaries to third parties constituting a minority interest.
3. REIT preferred stock issued by a consolidated subsidiary to a third party, where you elect to report the instrument as a minority interest rather than as a liability on line SC760.

Do not include:

1. Redeemable preferred stock issued by consolidated subsidiaries to third parties. Report on SC760, Other Borrowings.
2. Preferred stock, both redeemable and perpetual, that consolidated subsidiaries issued to you or your other subordinate organizations. When you are making your consolidating entries, you must eliminate this preferred stock of the consolidated subsidiary.
3. Deferred issuance costs. Report on SC690, Other Assets.

For common or preferred stock issued by a consolidated subsidiary that is accounted for as a minority interest and that is included on this line, report the allocation of net income (for the common stock) or declaration of dividends (for the preferred stock) on SO580, Other Noninterest Expense, using Code 18.

3. Adjustments to discounts and premiums, other than normal amortization. Report these adjustments on SO430 or SO475.

NONMORTGAGE LOANS:

Report the contractual interest earned and the net yield adjustments on nonmortgage loans.

Do not Include:

1. Interest accruals if collection was not probable at the time of accrual. Place loans on which the collection of interest is not probable in a nonaccrual status.
2. Adjustments to reverse uncollected interest accrued in prior periods. Report these adjustments on SO321 (Net Provision for Losses On Interest-Bearing Assets).

SO160: Commercial Loans and Leases

Report the net interest earned, including any yield adjustments, on commercial nonmortgage loans that you reported on SC300 through SC306, Secured and Unsecured Commercial Loans and Financing Leases.

SO170: Consumer Loans and Leases

Report the net interest earned, including any yield adjustments, on nonmortgage loans that you reported on SC310 through SC345, Consumer Loans: Open and Closed-End. Include with yield adjustments the amortization of credit card fees.

INTEREST EXPENSE

SO21: TOTAL

The EFS software will automatically compute this line as the sum of SO215, SO266, and SO230 through SO260, less SO271.

SO215: DEPOSITS

Report the sum of the following:

1. All interest expense on deposits that you reported on SC710, Deposits.
2. The amortization of yield adjustments that you reported on SC715, Unamortized Yield Adjustments, less the amount for penalties charged to depositors for early withdrawals.

Do not include:

Interest on escrow accounts that you reported on SC783, Escrows. Report the interest on escrow accounts on SO266, Interest on Escrows.

SO266: ESCROWS

Report interest paid on all escrow accounts that you reported on SC783, Escrows.

SO230: ADVANCES FROM FHLBANK

Report interest expense and the amortization of any related yield adjustments on FHLBank advances that you reported on SC720, Advances from FHLBank.

SO240: SUBORDINATED DEBENTURES (INCLUDING MANDATORY CONVERTIBLE SECURITIES)

Report interest expense and the amortization of yield adjustments on all subordinated debentures and mandatory convertible securities that you issued and that you reported on SC735, Subordinated Debentures (Including Mandatory Convertible Securities).

Include:

1. The amortization of issuance costs, premiums, and discounts.
2. A deduction for interest earned on FSLIC notes related to subordinated debt issued to FSLIC Resolution Fund.

SO250: MORTGAGE COLLATERALIZED SECURITIES ISSUED

Report interest expense and amortization of yield adjustments on all mortgage collateralized securities that you issued and that you reported on SC740 and SC745, Mortgage Collateralized Securities.

SO260: OTHER BORROWED MONEY

Report interest expense and amortization of yield adjustments on borrowings not included above.

Include interest on:

1. SC730, Federal Funds Purchased and Securities Sold Under Agreements to Repurchase.
2. SC760, Other Borrowings.

Report the gross amount of interest that you pay on securities sold under agreements to repurchase and loans sold with recourse accounted for as financings. Do not reduce the amount of interest that you paid for such securities or loans by the amount of interest income you received on the securities and loans sold under such agreements.

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.

14 Income from interest-only strip receivables and certain other instruments reported on SC655.

15 Income from corporate-owned life insurance

Report adjustments to cash surrender value of corporate-owned life insurance that you reported in other assets under code 24 or code 25.

99 Other. (**Use this code only for an item 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 to correct prior periods.

SO51: TOTAL

The EFS software will compute this line as the sum of SO510 through SO580.

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

Do not include:

Allowances for privately owned automobiles used in connection with your business, or any depreciation and other noninterest expense incurred on leased automobiles. Report these figures on SO530.

SO520: LEGAL EXPENSE

Report all legal fees and retainers, including accruals and amortization.

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

Do not include:

1. Recoveries of valuation allowances at the time of sale. Include these recoveries in the gain or loss on the sale.
2. Provisions for losses on interest-bearing assets. Report the losses on SO321, Net Provision for Losses on Interest-bearing Assets.
3. Direct charge-offs of servicing assets. Report the direct charge-offs on SO410, Mortgage Loan Servicing Fees.
4. Losses recognized in marking foreclosed assets to fair value at the time of foreclosure or in-substance foreclosure. Report these as losses on loans on SO321, Net Provision for Losses on Interest-bearing Assets.

SO580: OTHER NONINTEREST EXPENSE

Report the total of all noninterest expense not included on SO510 through SO570. A list of the types of expense you should include appears below in the memo items detailing other noninterest expense.

Memo: Detail of Other Noninterest Expense

Report the three largest items comprising the amount you reported on SO580. Select codes best describing these items from the list below and report the codes on SO581, 583, and 585. Report the corresponding amounts on SO582, 584, and 586. You must complete this detail if an amount is reported on SO580.

If SO580 consists of both positive and negative amounts, you should report the three amounts that have the greatest impact on the total, regardless of their sign. Therefore, when selecting the three largest amounts comprising the amount reported on SO580, disregard the sign of the number. However, although you should disregard the sign when you **select** the three largest numbers; you should use the correct sign when you **report** the amount.

SO581, 583, and 585: Codes

01 Deposit Insurance premiums.

02 OTS assessments.

03 Interest expense on income taxes.

04 Interest expense on Treasury tax and loan accounts administered under the note option.

05 Forfeited commitment fees on FHLBank advances not taken down by the association.

06 Supervisory examination fees.

07 Office supplies, printing, and postage.

08 Telephone, including data lines.

09 Loan origination expense

Include appraisal reports, credit reports, and other similar expenses; also include, as a negative amount, reversals of origination costs when such costs are capitalized.

10 ATM expense.

11 Adjustments to prior periods (and other immaterial audit adjustments).

12 Acquisition and organization costs, including mergers and branch office acquisitions.

13 Miscellaneous taxes other than income taxes and real estate taxes.

14 Losses from fraud.

15 Foreclosure expenses.

16 Web site expenses.

17 Charitable Contributions.
18 Net income or loss allocable to minority shareholders.
99 Other. (**Use this code only for an item not identified above**.)

SO582, 584 and 586: Amounts

Report the dollar amounts corresponding to the codes reported on SO581, 583 and 585.

SO60: INCOME (LOSS) BEFORE INCOME TAXES

The EFS software will compute this line as the sum of SO331 plus SO40 less SO51.

INCOME TAXES

SO71: TOTAL

The EFS software will compute this line as the sum of SO710 and SO720.

SO710: FEDERAL

Report federal income tax expense. Report a net credit as negative.

Include:

1. Deficiency payments, penalties.
2. Immaterial adjustments to correct prior period accruals for which the amendment cycle is no longer open.
3. Amortization of prepaid or deferred federal income taxes.
4. Reductions for refunds from prior periods not previously reported.
5. Reductions for NOL carrybacks.

Do not include:

Interest income and expense on tax accounts. Report these on SO491, Other Noninterest Income, or SO580, Other Noninterest Expense.

SO720: STATE, LOCAL, AND OTHER

Report state, local, and other income tax expenses. Report a net credit as negative.

assets held for sale, SO465, because LOCOM adjustments are due to changes in interest rates, and not due to credit losses. You should not establish a valuation allowance for the credit to assets resulting from LOCOM adjustments, but rather should directly reduce the asset.

You may record a negative provision for loss when management determines that the valuation allowance is higher than required. If this occurs, management should consider whether it has analyzed all possible situations and determine if the previously established valuation allowances were higher than necessary. To reverse a portion of the valuation allowance, report a negative amount in the provision for loss on SO321 or SO570.

Sales

When you sell an asset with a previously established valuation allowance or that had been reduced by a direct charge-off, compute the gain or loss as follows: Sales price minus the asset's carrying value, which is net of the specific valuation allowance and charge-off.

The sale of an asset in excess of its carrying value is not a recovery when reconciling valuation allowances. Do not report profits from this type of sale in the net provision for loss. Report the profit as a gain on sale.

To remove an existing specific valuation allowance after selling the related asset, you must report the valuation allowance on VA158, Charge-offs of Specific Valuation Allowances.

Foreclosures

In cases involving foreclosure, including in-substance foreclosure, compare the **recorded investment** to the current fair value less cost to sell. Classify as **loss** any excess of recorded investment over fair value less cost to sell. Record this excess as a charge-off against the existing specific valuation allowance. If the specific valuation allowance is not sufficient to absorb the loss, you should record an additional charge-off against the loan. Record assets acquired through in-substance foreclosures as REO at the fair value less cost to sell at date of transfer. You should apply the same procedures described above.

VALUATION ALLOWANCE RECONCILIATION

VA105, 108, AND 110: BEGINNING BALANCE

The EFS software automatically generates these beginning balances from the prior quarter's ending balances. Generally, these data fields must equal the amounts reported on VA165, 168 and 170 from the immediately preceding reporting periods.

Special instructions for Purchase mergers:

> Report the beginning balance of the surviving association only. Typically you should record assets at fair value and write-off all valuation allowances directly against the asset. However, under certain circumstances you may carry valuation allowances over to the surviving association. This applies primarily to general valuation allowances. Report valuation allowances on purchased assets on VA145, 148, and 150, Adjustments.

ADD OR DEDUCT:

Report increases in valuation allowance accounts, net credits, as positive numbers and decreases in valuation allowance accounts, net debits, as negative numbers.

VA115, 118, and 120: Net Provision for Loss

The EFS software automatically generates the total net provision for loss, VA120, from SO321 plus SO570. The EFS software also automatically generates VA118 after you enter VA115.

A net credit to assets increases valuation allowances and charge-offs and flows through to the Statement of Operations as a debit, which is an expense. You should report a net credit as a positive number. Conversely, a net debit to assets decreases valuation allowances and flows through to the Statement of Operations as a credit or income. Report a net debit as a negative number on these lines.

VA125 and 128: Transfers

Report transfers between general and specific valuation allowances. VA125 and VA128 will have opposite signs even though they are always equal. Once you enter VA125, the transfer from general valuation allowances, the EFS software automatically generates VA128, the corresponding transfer to specific valuation allowances.

ADD:

VA135 and 140: Recoveries

You should report any amount recovered during the quarter due to repayment of assets previously charged off. Refer to the discussion of recoveries in the general instructions to Schedule VA. VA135 always equals VA140, and VA 140 is the sum of VA31, 381, 41, 51, 821, and 931. Therefore, once you enter VA31, 381, 41, 51, 821, and 931, the EFS software automatically sums these and generates VA135 and 140.

VA145, 148, and 150: Adjustments

Acquisitions

Report the amount of valuation allowances on assets you purchased but for which you did not take a direct charge-off. Under certain circumstances, you may carry the existing valuation allowances of assets that you purchase forward to your books. You should include any valuation allowances acquired in a business combination accounted for under the purchase method. You should also include necessary adjustments that resulted from purchasing or selling a consolidated subsidiary, where the valuation allowances on the books of the subsidiary are consolidated with yours. The EFS software automatically generates VA150, which is the sum of VA145 and VA148.

Adjustments for Charge-Offs on Credit Card Loans

On VA145, report as a positive number that portion of charge-offs included on VA580 that reduce an account other than a valuation allowance (for example, interest income). This reporting will permit the valuation allowance reconciliation to balance, because on VA580 you should report **all** charge-offs on credit card loans, including those that do not reduce valuation allowances.

Do not include:

Additional valuation allowances established after an acquisition, even if previous management should have established the valuation allowances. Report such additions to the valuation allowances in VA120, Net Provision for Loss.

DEDUCT:

VA155, 158 and 160: Charge-Offs

VA155 equals the sum of the charge-off detail below, VA30, 380, 40, 50, 60, 70, 820, and 930. The EFS software automatically generates VA 155 once you enter charge-offs on VA30, 380, 40, 50, 60, 70, 820, and 930. The software also generates VA160, total charge-offs. VA160 is the sum of VA155, charge-offs against general valuation allowances, and VA158, charge-offs against specific valuation allowances.

Report charge-offs as positive amounts, since we deduct them from the ending valuation allowance balance.

If there is no specific valuation allowance established for the asset you are charging off, report charge-offs in the detail below and on VA155. If there is a specific valuation allowance for the asset, report the charge-off on VA158 for purposes of reconciliation. You should not report charge-offs of specific valuation allowances in the detail below because they have no effect on the balance sheet, Schedule SC, or on the income statement, Schedule SO.

Include:

1. Charge-offs to mark repossessed assets, including in-substance foreclosures, to fair value.
2. Charge-offs to eliminate valuation allowances of sold assets. See **Sales** above.
3. Charge-offs on credit card loans that do not reduce valuation allowances, as described in the instructions for VA580.

Do not include:

1. Charge-offs due to recognizing unrealized losses on trading assets.
2. Charge-offs in connection with marking assets to market in a business combination accounted for as a purchase.

VA165, 168 AND 170: ENDING BALANCE

The EFS software automatically generates these balances as the sum of the General, Specific, and Total columns, and brings them forward as the beginning balances for the next reporting period. VA165 must equal the sum of the general valuation allowances that you reported in Schedule SC on SC199, SC227, SC283, SC357, SC441, SC481, SC529 and SC699.

CHARGE-OFFS, RECOVERIES, AND SPECIFIC VALUATION ALLOWANCE ACTIVITY

CHARGE-OFFS

Report the amount of loss that you charged off during the quarter against general valuation allowances. You should only include charge-offs for which no specific valuation allowance has previously been established.

The sum of VA30, 380, 40, 50, 60, 70, 820, and 930 must equal VA155. The EFS software automatically generates VA 155 once you enter charge-offs on VA30, 380, 40, 50, 60, 70 820 and 930.

VA30: Deposits, and Investment Securities

Report the amount of loss that you charged off on all deposits and investment securities reported on SC110 through SC190.

VA380: Mortgage Pool Securities

Report the amount of loss that you charged off on SC210 through SC215, Mortgage Pool Securities.

Mortgage Loans:

Report charge-offs of mortgage loans, accrued interest receivable, and advances for taxes and insurance in the appropriate mortgage loan category below.

Include charge-offs to mark repossessed assets to fair value at the date of foreclosure.

VA40: Total

The EFS software automatically generates this amount as the sum of VA420, 430, 440, 450, 460, 470, 480, and 490.

Construction:

VA420: 1-4 Dwelling Units

Report the amount of loss that you charged off on SC230, Construction Loans on 1-4 Dwelling Units.

VA430: 5 or More Dwelling Units

Report the amount of loss that you charged off on SC235, Construction Loans on 5 or More Dwelling Units.

VA440: Nonresidential Property

Report the amount of loss that you charged off on SC240, Construction Loans on Nonresidential Property.

Permanent:

VA450: 1-4 Closed-End First Mortgages and Junior Liens

Report the amount of loss that you charged off on SC250, Permanent Mortgages on Closed-End First Mortgages and Junior Liens.

VA460: 1-4 Revolving, Open-End Loans

Report the amount of loss that you charged off on SC253, Permanent Mortgages on Revolving, Open-End Loans.

VA470: 5 or More Dwelling Units

Report the amount of loss that you charged off on SC256, Permanent Mortgages on 5 or More Dwelling Units.

VA480: Nonresidential Property (Except Land)

Report the amount of loss that you charged off on SC260, Permanent Mortgages on Nonresidential Property.

VA490: Land

Report the amount of loss that you charged off on SC265, Permanent Mortgages on Land.

Nonmortgage Loans

Report charge-offs of nonmortgage loans and accrued interest receivable in the appropriate loan category below.

VA50: Total

The EFS software automatically generates this line as the sum of VA520, 530, 540, 550, 560, 570, and 580.

VA520: Commercial

Report the amount of loss that you charged off on SC300, Secured Commercial Loans, SC303, Unsecured Commercial Loans, and SC306, Commercial Financing Leases.

Consumer (Closed-End):

VA510: Loans on Deposits

Report the amount of loss that you charged off on SC310, Consumer Loans on Deposits.

VA516: Home Improvement Loans

Report the amount of loss that you charged off on SC316, Consumer Home Improvement Loans.

VA530: Education Loans

Report the amount of loss that you charged off on SC320, Consumer Education Loans.

VA540: Auto Loans

Report the amount of loss that you charged off on SC323 Consumer Auto Loans.

VA550: Mobile Home Loans

Report the amount of loss that you charged off on SC326, Consumer Mobile Home Loans.

VA560: Other

Report the amount of loss that you charged off on SC330, Other Closed-End Consumer Loans.

Consumer (Open-End):

VA570: Revolving Loans Secured by 1-4 Dwelling Units

Report the amount of loss that you charged off on SC340, Revolving Open-End Consumer Loans Secured by 1-4 Dwelling Units.

VA580: Credit Cards and Related Plans

Report the amount of loss that you charged off on SC345, Consumer Credit Cards and Related Plans.

Report **all** charge-offs on credit card loans, including those that reduce accounts other than valuation allowances. For example, include charge-offs of accrued interest receivable that reduce interest income reported on SO170, Interest Income on Consumer Loans.

Repossessed Assets:

Report all direct charge-offs on repossessed assets. You should mark repossessed assets to fair value at the date of foreclosure and charge the markdown against the loan balance.

VA60: Total

The EFS software automatically generates this amount as the sum of VA605 through VA630.

Real Estate:

VA605: Construction

Report the amount of loss that you charged off on SC405, Repossessed Real Estate Construction.

VA613: 1-4 Dwelling Units

Report the amount of loss that you charged off on SC415, Repossessed 1-4 Dwelling Unit Real Estate.

VA616: 5 or More Dwelling Units

Report the amount of loss that you charged off on SC425, Repossessed 5 or More Dwelling Unit Real Estate.

VA625: Nonresidential (Except Land)

Report the amount of loss that you charged off on SC426, Repossessed Nonresidential Real Estate, Except Land.

VA628: Land

Report the amount of loss that you charged off on SC428, Repossessed Land.

CC330: TO SELL LOANS

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

CC340: TO PURCHASE MORTGAGE POOL SECURITIES

Report outstanding commitments to purchase mortgage pool securities of the types reported on SC210 and SC215.

CC350: TO SELL MORTGAGE POOL SECURITIES

Report outstanding commitments to sell mortgage pool securities of the types reported on SC210 and SC215.

CC360: TO PURCHASE INVESTMENT SECURITIES

Report outstanding commitments to purchase investment securities of the types reported on SC130 through SC150, SC180, and SC185.

CC370: TO SELL INVESTMENT SECURITIES

Report outstanding commitments to sell investment securities of the types reported on SC130 through SC150, SC180, and SC185.

LINES AND LETTERS OF CREDIT:

UNUSED LINES OF CREDIT:

Report all unused lines of credit that you issue in connection with credit cards or open-end loans, including those secured by a mortgage, equity loans, or other collateral. **Unused lines of credit** are defined as the difference between the amount authorized by contract and the actual amount outstanding at quarter-end.

Do not include loans-in-process on constructions loans; report construction LIP on CC105.

CC410: Open-End Consumer Lines

CC420: Commercial Lines

LETTERS OF CREDIT

Report the undrawn portion of outstanding letters of credit at the end of the quarter. Do not report any other type of commitment. Report most other types of commitments on CC280 through CC370.

There are two classifications of letters of credit:

1. A **commercial letter of credit** is one where the issuer expects to pay drafts or other demands for payment.
2. A **standby letter of credit** is one where the issuer stands ready to pay in the unexpected event that the customer defaults or fails to perform on the underlying contract with the third party.

Do not include unused lines of credit.

CC430: Commercial

Report the undrawn portion of commercial letters of credit.

CC435: Standby, Not Included on CC465 or CC468

Report the undrawn portion of all standby letters of credit not included on CC465 or CC468. Include both collateralized and uncollateralized standby letters of credit.

RECOURSE OBLIGATIONS AND DIRECT CREDIT SUBSTITUTES

If you have recourse obligations, residual interests, credit-enhancing interest-only strips, subordinated securities, or direct credit substitutes, you should use the lines below to report these interests and the amount of assets that they enhance.

You may find it helpful to review the definitions in 12 CFR 567.1. While that section does not include a specific definition for subordinated securities, in context you should consider subordinated securities as a type of direct credit substitute.

You also use these lines to report exposures arising through a nonsecurity financial instrument under FASB Statement No. 140.

CC455: TOTAL PRINCIPAL AMOUNT OF ALL ASSETS COVERED BY RECOURSE OBLIGATIONS OR DIRECT CREDIT SUBSTITUTES

Report the outstanding principal balance of assets you enhance, fully or partially, by recourse obligations, credit-enhancing interest-only strips, residual interests, subordinated securities, or direct credit substitutes.

Include:

1. The full amount of assets enhanced by your recourse obligations, requiring you to absorb credit losses on assets held by a third party.

   Example: If you sell $1000 in loans, and agree to absorb the first 10% of losses, you report $1000 on this line, and $100 on line CC468.
2. The full amount of assets enhanced by your residual interests.

Example: If you create and securitize a $1000 pool of loans and you sell $900 and retain a “first loss” residual interest of $100, you report $1,000 on this line and $100 on line CC468.

3. The full amount of assets enhanced by your subordinated securities:

   Example: If you buy a subordinated security in a senior/subordinated structure, the total structure is $1,000, and your subordinated security is $200, you report $1,000 on this line and $200 on line CC465.

4. The full amount of assets enhanced by your letters of credit, or other direct credit substitutes, both collateralized and uncollateralized, to cover credit obligations of another party.

   Example: If you provide a simple line of credit of $100 to another party, you report $100 on this line, and $100 on line CC465.

   Example: If you provide a line of credit of $100 to another party that is available to enhance the other party’s “first loss” or otherwise subordinate obligation on a $1,000 loan pool, you report $1000 on this line and $100 on line CC465.

Do not Include:

Positions subordinate to your own.

Example: If you have retained a $100 mezzanine “second loss” security in a $1000 pool of assets that you have securitized or purchased and you have sold the $100 first loss security (subordinate to your security) and the $800 security (senior to your security), you report $900 on this line and $100 on line CC468.

CC465: AMOUNT OF DIRECT CREDIT SUBSTITUTES ON ASSETS IN CC455

Include the amount of direct credit substitutes, including purchased credit-enhancing interest-only strips, purchased subordinated securities, and other similar exposures that you have purchased from another party.

Report the face amount of the exposure, residual, or security that you have purchased from another party, or the face amount of a letter of credit that you supply to another party. Refer to the examples in item 4, CC455 above.

CC468: AMOUNT OF RECOURSE OBLIGATIONS ON ASSETS IN CC455

Include the amount of recourse obligations, residuals, credit-enhancing interest-only strips, and subordinated securities that arise from your own securitization activities.

Report the face amount of the exposure, residual, or security that arises from your own securitization activities. Include letters of credit issued on behalf of affiliates or on behalf of any securitization trust that you have created. Refer to the examples under CC455 above.

CC480: OTHER CONTINGENT LIABILITIES

Report all contingent liabilities that you do not report elsewhere in this schedule or in Schedule SC.

CC490: CONTINGENT ASSETS

Report all contingent assets not reported elsewhere in this schedule or Schedule SC.

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 five percent of unimpaired capital and unimpaired surplus (CCR30 + CCR35 + CCR530 + CCR105)

Report the number of your executive officers, principal shareholders, and directors to whom the amount of all extensions of credit outstanding by you and your controlled subsidiaries as of the report date equals or exceeds the lesser of $500,000 or five percent of unimpaired capital and unimpaired surplus. That is, five percent x (CCR30 + CCR35 + CCR530 + CCR105). Report the actual number; do not round to thousands.

For purposes of this item, the amount of all extensions of credit by you and your controlled subsidiaries to an executive officer, principal shareholder, or director includes all extensions of credit by you 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 for 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

The EFS software automatically generates this amount from your prior quarter's SI680.

Special instructions for mergers and reorganizations:

- Purchase Mergers – Report SI680 for the previous quarter for the surviving savings association only.
- Change of Control involving pushdown accounting including receiverships – Report SI680 for the previous quarter. Adjustments should be reported on SI660.

SI610: Net Income (Loss)

The EFS software automatically generates this amount from SO91, Net Income.

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:

Dividends declared on preferred stock reported on SC812 and SC814.

SI630: Common Stock

Report the dollar amount of cash dividends declared during the period for 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.
3. Property dividends. Report on SI670.

SI640: Stock Issued

Report the amount of cumulative and noncumulative perpetual preferred stock and common stock issued during the quarter.

Include:

1. Perpetual preferred stock, including discounts and premiums, issued by you during the quarter that qualifies as equity under GAAP.
2. The par value and paid-in-capital received in connection with the stock issue.

Do not include:

1. The conversion of preferred stock into common stock.
2. Gains on treasury stock sold. Report on SI670.
3. Capital contributed not connected with a stock issue. Report on SI670.

When applying push-down accounting, report the amount paid in a change of control for your stock. Report the previously recorded par value and capital in excess of par value on SI650.

SCHEDULE FS — FIDUCIARY AND RELATED SERVICES

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

Complete Schedule FS on a consolidated basis, including the fiduciary or related services of any significant, majority-owned operating subsidiaries or service corporations.

The information reported on FS310 through FS35, on fiduciary and related services income and FS710 through FS72 on fiduciary settlements, surcharges and other losses will not be made available to the public on an individual association basis. All other information on this schedule will be made available to the public.

The income and expense data reported on FS310 through FS35 and the fiduciary settlements, surcharges, and other losses reported on FS710 through FS72 must be reported for the **calendar year-to-date.**

FS110: DOES YOUR INSTITUTION HAVE FIDUCIARY POWERS?

Check ***Yes*** if OTS, a state, or another banking authority has granted you trust powers to administer accounts in a fiduciary capacity. You should check ***Yes*** if your significant, majority-owned subsidiaries have been granted trust powers by OTS, a state, or another banking authority. If you check ***No***, you should not complete the remainder of this schedule. **Fiduciary capacity** generally includes acting as a trustee, executor, administrator, registrar of stocks and bonds, transfer agent, assignee, receiver, guardian or conservator of the estate of a minor or incompetent, investment adviser (if you receive a fee for your investment advice), any capacity in which you possess investment discretion on behalf of another, or any other similar capacity.

FS120: DOES YOUR INSTITUTION EXERCISE THE FIDUCIARY POWERS IT HAS BEEN GRANTED?

Check ***Yes*** if you exercise your fiduciary powers. Exercising fiduciary powers means that you serve in a fiduciary capacity as described in the instructions for FS110.

FS130: DOES YOUR INSTITUTION HAVE ANY FIDUCIARY OR RELATED ACTIVITY (IN THE FORM OF ASSETS OR ACCOUNTS) TO REPORT IN THIS SCHEDULE?

Check ***Yes*** if you have assets, accounts, or income from fiduciary or related services. You should check ***No*** if you have trust powers and **only** use those powers to provide services in connection with land trusts or if you act as a document custodian for mortgage-backed securities, such as those offered by Fannie Mae (FNMA), Freddie Mac (FHLMC), or Ginnie Mae (GNMA). If you have trust powers and provide land trust or document custodian services, along with other fiduciary or related services reportable on this schedule, you should include your land trust or document custodian activities on this schedule. If you check ***No***, do not complete the remainder of this schedule.

Reportable **related services** are those services that do not require trust powers but are related to fiduciary services. Specifically, this includes custodial services for assets held by you in a fiduciary capacity. You should report on this schedule fiduciary related services that are offered through your trust department, fiduciary business unit, or other distinct department or business unit that is devoted to the provision of fiduciary or related services. You should not include custodial services provided to retail bank accounts. Retail bank accounts may include brokerage accounts, escrow accounts that benefit third parties, safety deposit boxes, and other similar arrangements.

FILING REQUIREMENTS

If your answer to FS130 is ***Yes***, complete the applicable items of Schedule FS as follows:

If your total fiduciary assets (items FS20 and FS21) are greater than $250 million or for the preceding calendar year your gross fiduciary and related services income was greater than 10 percent of revenue (net interest income plus noninterest income), you must complete:

1. Items FS210 through FS30 **each quarter**;
2. Items FS391 through FS35 **annually** with the December report; and
3. Memorandum items FS410 through FS72 **annually** with the December report.

If your total fiduciary assets (items FS20 and FS21) are greater than $100 million but less than or equal to $250 million and for the preceding calendar year your gross fiduciary and related services income was **not** greater than 10 percent of revenue (net interest income plus noninterest income), you must complete:

1. Items FS210 through FS291 **each quarter**; and
2. FS310 through FS35 and all memorandum items, FS410 through FS72, **annually** with the December report.

If your total fiduciary assets (items FS20 and FS21) are $100 million or less or for the preceding calendar year your gross fiduciary and related services income was not greater than 10 percent of revenue (net interest income plus noninterest income), you must complete:

1. Items FS210 through FS291 **each quarter**; and
2. Memorandum items FS410 through FS65 **annually** with the December report.

OTHER DATA:

HC510: INTANGIBLE ASSETS AND DEFERRED POLICY ACQUISITION COSTS

Report the unamortized balance of intangible assets and deferred policy acquisition costs of the consolidated holding company.

Include on this line the following intangible assets (taken from examples provided in FASB Statement No. 141):

1. Goodwill.
2. Customer relationships and customer lists, including core deposit premiums.
3. Employment agreements.
4. Noncompetition agreements.
5. Lease agreements.
6. Computer software costs.
7. Loan servicing contracts, including mortgage servicing rights.

Deferred policy acquisition costs are capitalized costs that are incurred by insurance companies. They include variable acquisition costs such as commissions and underwriting and policy issuance expenses, related to both new and renewal premium revenue that are deferred, and then expensed as the related premium revenue is earned.

HC515: SERVICING ASSETS INCLUDED IN HC510

Report the outstanding balance of loan-servicing contracts including both mortgage and nonmortgage servicing rights. These amounts are also properly included as intangible assets on HC510. Include servicing assets reported on SC642 and SC644 as well as other servicing assets consolidated on the holding company's balance sheet.

HC520: DEBT MATURING WITHIN THE NEXT 12 MONTHS (EXCLUDING DEPOSITS)

Report all borrowings of the consolidated holding company that would be classified as current liabilities if the holding company were to present a classified balance sheet. In other words, include all borrowings that, within the next 12 months, either (1) contractually mature, (2) are callable at the option of the lender, or (3) otherwise become due and payable.

Borrowings, as the term is used here and for line HC530 below, means short-term or long-term debt, negotiated with specified terms, usually including interest rates and repayment dates. *Borrowings* exclude deposits and transactional liabilities, such as accounts payable, income taxes payable, and accrued liabilities. *Callable*, as the term is used here, refers to an option by the lender to require repayment of the borrowing before its contractual maturity.

A classified balance sheet is one that includes subtotals for current assets and current liabilities. Most thrift holding companies do not present a classified balance sheet. However, for purposes of HC520 and HC530, all borrowings should be classified as either current or noncurrent. The parameters of current liabilities are detailed in Accounting Research Bulletin No. 43, *Restatement and Revision of Accounting Research Bulletins*, Chapter 3A, as revised by SFAS No. 78, *Classification of Obligations That Are Callable by the Creditor*.

Example: A holding company's borrowings, on a consolidated basis, include a Federal Home Loan Bank (FHLB) advance where the contractual maturity date is beyond the next 12 months. However, beginning on a date within the next 12 months, the FHLB may exercise its option to require immediate repayment of the advance. You should include that advance in line HC520.

HC530: ALL OTHER DEBT (EXCLUDING DEPOSITS)

Report all borrowings of the consolidated holding company **except**:

1. Debt maturing within the next 12 months reported on HC520.
2. Deposit and escrow liabilities held by you or any other subsidiary depository institution.

HC540: NET CASH FLOW FROM OPERATIONS FOR THE QUARTER

Report the net increase or decrease in cash and cash equivalents from operating activities for the quarter as would appear in a consolidated statement of cash flows prepared in accordance with FASB No. 95. Do not include any change in cash and cash equivalents from investing and financing activities.

HC550: NET INCOME FOR THE QUARTER

Report the consolidated net income of the holding company for the quarter.

HC560: INTEREST EXPENSE FOR THE QUARTER (EXCLUDING INTEREST ON DEPOSITS)

Report the consolidated interest expense of the holding company for the quarter, excluding interest expense on deposit and escrow liabilities held by you or any other subsidiary depository institution.

2. Asset-backed securities with an AAA or AA rating that meet the criteria of the ratings based approach - 12 CFR § 567.6.

Do not include:

1. Stripped MBS. Report IO and PO strips that are not credit enhancing of otherwise high quality MBS on CCR505, 100% risk weight.
2. Ginnie Mae mortgage pool securities. Refer to instructions for CCR405.
3. MBSs where you have recourse for the underlying loans. The capital requirement on such obligations should follow the treatment of recourse obligations.

CCR435: Claims on FHLBs

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

Include:

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

CCR440: General Obligations of State and Local Governments

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

CCR445: Claims on Domestic Depository Institutions

Include the following obligations of domestic depository institutions:

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

Do not include:

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

CCR450: Other

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

Include:

1. Assets conditionally guaranteed by the U.S. Government, such as VA and FHA insured mortgage loans, the guaranteed portion of SBA, FhmA, and AID loans, and FICO and REFCO bonds, etc.
2. Loans and other assets fully collateralized by deposits..
3. The credit equivalent amount of interest rate contracts (interest-rate swaps and caps) where the counterparty is a Federal Reserve Bank.
4. Assets collateralized by U.S. Government securities other than mortgage related securities on CCR430.
5. Securities issued by, or other direct claims on, U. S. Government-sponsored agencies, including notes issued by Fannie Mae and Freddie Mac. Do not include equity securities or MBSs.

CCR455: Total

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

CCR45: 20% Risk-weight Total

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

50% Risk weight

CCR460: Qualifying Single-family Residential Mortgage Loans

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

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

Notes:

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

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

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

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

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

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

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

Do not include:

1. The combined carrying value of mortgage and consumer loans secured by first or second liens on the same property when the CLTV ratio exceeds 90 percent. Report the combined carrying value of these loans on CCR505, 100% Risk weight: All Other Assets.
2. The combined carrying value of mortgage and consumer loans secured by first and second liens on the same property if any of the extensions of credit are nonperforming (nonaccrual) or more than 90 days past due. Report on CCR505, 100% Risk weight: All Other Assets.
3. A loan to a consumer collateralized by a junior lien when another lender holds an intervening lien. For example, you hold the second lien and another lender holds the first lien, or you hold the first lien and the third lien, but do not hold the second lien (intervening lien). Report the junior lien on CCR505, 100% Risk weight: All Other Assets.
4. Foreclosed real estate. Report on CCR505, 100% Risk weight: All Other Assets.
5. Loans to individuals to construct their own home that are not qualifying residential construction loans as defined in 12 CFR § 567.1. Report on CCR505, 100% Risk weight: All Other Assets.

6. The portion of loans guaranteed by FHA that may be risk weighted at 20 percent. Report on CCR450.
7. Loans to commercial entities collateralized by mortgages of third-party borrowers (warehouse loans), or small business loans collateralized by a lien on a residential property. Report on CCR505, 100% Risk weight: All Other Assets.

CCR465: Qualifying Multifamily Residential Mortgage Loans

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

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

1. Amortization of principal and interest occurs over a period of not more than 30 years.
2. Original minimum maturity for repayment of principal on the loan is not less than seven years.
3. At the time you placed the loan in the 50 percent risk-weight category, the owner had made all principal and interest payments on the loan for the preceding year on a timely basis according to the loan terms (not 30 days or more past due).
4. The loan is performing and not 90 days or more past due.
5. You made the loan according to prudent underwriting standards.
6. The current outstanding loan balance does not exceed 80 percent (75 percent for variable rate loans) of the value of the property securing the loan. "Value of the property" (when you originate a loan to purchase a multifamily property) means the lower of either the purchase price or the amount of the initial appraisal, or if appropriate, the initial evaluation. Where a purchaser is not purchasing a multifamily property, but taking a new loan on his currently owned property, determine the value of the property by the most current appraisal, or if appropriate, the most current evaluation.
7. For the property's most recent fiscal year, the ratio of annual net operating income generated by the property, before payment of any debt service on the loan, to annual debt service on the loan is not less than 120 percent, (115 percent for variable-rate loans). In the case of cooperative or other not-for-profit housing projects, the property generates sufficient cash flows to provide you comparable protection.

In cases where a borrower refinances a loan on an existing property, instead of complying with criteria (3) and (7) above, a loan may qualify by satisfying the following criteria:

1. For the preceding year, the owner made all principal and interest payments on the loan being refinanced on a timely basis, not 30 days or more past due, according to the loan terms.
2. The net income on the property for the preceding year would have supported timely payment of principal and interest on the new loan according to the applicable debt service requirement.

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

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

Grandfathered Qualifying Multifamily Mortgage Loans

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

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

Zero Percent Credit Conversion Factor (not risk weighted)

Include:

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

Twenty Percent Credit Conversion Factor

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

Fifty Percent Credit Conversion Factor

Include:

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

Example:

You have a $1 million off-balance-sheet letter of credit guaranteeing the completion of a road in a residential construction project. Letters of credit that guarantee performance have a conversion factor of 50 percent. You convert the $1 million off-balance-sheet item into a $500,000 on-balance-sheet equivalent ($1 million times 50 percent), and place this in the 100 percent risk-weight category on CCR505, which is the same risk-weight category as on-balance-sheet residential construction loans.

One Hundred Percent Credit Conversion Factor

Include:

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

Example:

You have a $1 million off-balance-sheet, legally binding commitment to purchase FannieMae or FreddieMac MBS. Forward agreements to purchase assets at a specified date have a conversion factor of 100 percent. You convert the $1 million off-balance-sheet item into a $1 million on-balance-sheet equivalent, and you place it in the 20 percent risk-weight category on CCR450.

Interest-rate and Exchange-rate Contracts

Credit Equivalent Amount

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

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

20% Risk weight

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

50% Risk weight

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

1. Current Credit Exposure

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

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

2. Potential Credit Exposure

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

Interest-rate Contracts

Multiply the notional principal amount of the contract by either:

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

Exchange-rate Contracts

Multiply the notional principal amount of the contract by either:

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

Example:

You have a $10 million notional amount interest rate swap agreement. You report the positive fair value of this derivative instrument of $80 thousand as an asset under FASB Statement No. 133, and include it in line SC690, Other Assets. However, you do **not** include this $80 thousand on-balance-sheet amount in assets to risk weight. Instead, you include in assets to risk weight the credit equivalent amount of this interest rate exchange agreement, which you have calculated to be $130 thousand. You computed the $130 thousand by adding the current credit exposure of $80 thousand (equal to the replacement cost of the contract) to the potential credit exposure of $50 thousand (equal to the $10 million notional amount times 0.5%, for this contract with a remaining maturity of 2 years). You include the $130 thousand in assets to risk weight, in the 20 percent risk-weight category on CCR435, because the counterparty is a Federal Home Loan Bank.

Netting of Current Replacement Value under Qualifying Bilateral Netting Agreements

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

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

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

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

Include:

1. The amount of recourse liability (low-level recourse amount) that you retain when it is less than the capital requirement for credit-risk exposure. Therefore, you do not convert it to an on-balance-sheet equivalent. In the sale of most assets with one percent recourse, the amount of liability retained usually is less than the capital requirement. You would report one percent of the assets sold on CCR375 or CCR605. See the instructions for the 100 percent credit conversion factor in the Conversion of Off-balance-sheet Items to On-balance-sheet Equivalents section.
2. The amount of on-balance-sheet financial instruments reported pursuant to FASB Statement No. 125 representing subordinated credit risk interests, including interests in spread accounts and asset pools. However, your low-level recourse requirement may exceed the amount of this instrument if you are subject to credit losses exceeding the amount of the instrument.

Do not Include:

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

CCR62: Risk-weighted Assets for Low-level Recourse and Residual Interests (CCR605 x 12.5)

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

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

CCR64: ASSETS TO RISK WEIGHT

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

Total assets subject to risk weighting are as follows:

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

CCR75: Subtotal Risk-weighted Assets

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

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

Report total ALLL less the amount reported on CCR350, Tier 2 (supplementary) Capital: Allowances for Loan and Lease Losses.

CCR78: TOTAL RISK-WEIGHTED ASSETS

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

CCR80: Total Risk-based Capital Requirement

The EFS software will compute this line as CCR78, Total Risk-weighted Assets multiplied by eight percent. This represents the Total Risk-based Capital necessary to be deemed adequately capitalized pursuant to 12 CFR Part 565.

If you have an individual minimum capital requirement (IMCR) set by OTS that requires the maintenance of a capital level in excess of the minimum requirement, you should override the calculated amount and report your IMCR.

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

CAPITAL AND PROMPT CORRECTIVE ACTION RATIOS

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

CCR810: Tier 1 (Core) Capital Ratio

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

CCR820: Total Risk-Based Capital Ratio

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

CCR830: Tier 1 Risk-Based Capital Ratio

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

CCR840: Tangible Equity Ratio

The EFS software will compute this ratio as Tier 1 (core) capital plus cumulative perpetual preferred stock less servicing assets on nonmortgage loans divided by tangible assets less servicing assets on nonmortgage loans ([CCR20-CCR220+SC812-SC644]/[CCR25-CCR250-SC644]), expressed as a percentage.

8. Combination construction-permanent mortgages for single-family dwellings that have fixed interest rates for the entire term of the loan.

Do not include:

1. Nonperforming mortgages. Report on CMR501.
2. Mortgage warehouse loans, loans collateralized by mortgage loans rather than liens directly on real estate. Report as commercial loans on CMR326.
3. Mortgages you service for others. Report in the section dealing with mortgage servicing rights, CMR401 through CMR450.
4. Second mortgages, secured home improvement loans, or home equity loans, regardless of whether you also hold the first lien or whether there is a first lien. Report as second mortgages on CMR312.

We collect all information described below according to coupon range and type of loan or security.

Coupon Range: Divide mortgages into the following coupon categories:

1. Less than 5 percent.
2. 5 to 5.99 percent.
3. 6 to 6.99 percent.
4. 7 to 7.99 percent.
5. 8 percent and greater.

Report each mortgage **loan** and participation in the coupon range that corresponds to its contract rate. For loans serviced by others, be careful to report according to the contract rate of the loans. Do not subtract the servicing fee.

Report each mortgage **security** in the coupon range that corresponds to the pass-through rate of the security. For example, you should report a FNMA security with a pass-through rate of 6.5 percent and where the collateral has a WAC of 7.25 percent in the 6 to 6.99 percent coupon column.

Within each coupon range, divide mortgages into the following broad groups:

1. Thirty-year mortgage loans.
2. Securities backed by 30-year conventional mortgages.
3. Securities backed by 30-year FHA or VA mortgages.
4. Fifteen-year mortgages and mortgage securities.
5. Balloon mortgages and mortgage securities.

Information requested for the five groups differs somewhat; however, the following general information applies, unless the instructions state differently.

1. Wherever there is a request for a balance use the following guidelines:
   a. Report the outstanding principal balance, not the carrying value, of mortgage loans.
   b. Report the pro rata share of the outstanding principal balance of participations in mortgages.
   c. Report the outstanding principal balance of mortgage securities.
2. Wherever we request a WARM, refer to the calculation of the WARM in the general instructions to Schedule CMR.
3. Wherever we request a weighted average WAC, refer to the calculation of the WAC in the general instructions to Schedule CMR.
4. Wherever we request a weighted-average pass-through rate, refer to the calculation of the weighted-average pass-through rate in the general instructions to Schedule CMR.

A detailed description of the information to report for each group follows.

Thirty-year Mortgages and MBS

CMR001 Through CMR020: Mortgage Loans

Include all fully amortizing mortgage loans and participations in fully amortizing mortgage loans with an original maturity of at least 25 years. Include combination construction-permanent mortgages that have fixed rates for the entire term of the loan. Do not report mortgage loans with a biweekly payment feature.

Report outstanding balances, by coupon range, on CMR001 through CMR005. For each balance, report the WARM and the WAC on the corresponding column of CMR006 through CMR010 and CMR011 through CMR015, respectively. Of the loan balances on CMR001 through CMR005, report the amount of each that is FHA or VA guaranteed on CMR016 through CMR020, as appropriate.

CMR026 Through CMR040: Securities Backed by Conventional Mortgages

Include FHLMC, FNMA, and privately issued mortgage securities backed by fully amortizing mortgage loans with original maturity of at least 25 years. Do not report mortgage loans with a biweekly payment feature.

Report the outstanding balances of securities on CMR026 through CMR030 according to the coupon rates of the securities. For each balance, report the WARM on CMR031 through CMR035, and report the weighted-average pass-through rate corresponding to each balance on CMR036 through CMR040.

CMR046 Through CMR060: Securities Backed by FHA or VA Mortgages

Include all GNMA and other mortgage securities backed by fully amortizing FHA and VA mortgage loans with an original maturity of at least 25 years. Do not report mortgage loans with a biweekly payment feature.

On CMR046 through CMR050 report, by coupon range, outstanding balances of these mortgage securities. For each balance entered CMR046 through CMR050, report the WARM on CMR051 through CMR055 and the weighted-average pass-through rate on CMR056 through CMR060.

CMR066 Through CMR090: Fifteen-year Mortgages and MBS

Include all fully amortizing mortgage loans with an original maturity of less than 25 years. Include participations in such loans, and mortgage securities backed by such loans. Include biweekly payment mortgages having an original maturity of 25 years or more. Include combination construction-permanent mortgages that have fixed rates for the entire term of the loan.

On CMR066 through CMR070 report, by coupon range, the outstanding principal balances of such mortgage loans and participations. On CMR071 through CMR075, report the WAC of each balance reported on CMR066 through CMR070. Report the outstanding principal balance of mortgage securities backed by loans of this type, by coupon range, on CMR076 through CMR080.

Place security balances into the coupon range corresponding to the pass-through rate of the security. Report the weighted-average pass-through rate of the securities on CMR081 through CMR085. Report on CMR086 through CMR090, by coupon range, the WARM of the loans and securities reported in each coupon range.

CMR371 and CMR372: Weighted-Average Coupon (WAC)

Report the WAC of the underlying collateral of the IO strips or IO CMO tranches on CMR371 and CMR372, as appropriate.

CMR373 and CMR374: Principal-Only MBS

Report on CMR373 and CMR374 the amount of PO strips and PO tranches of CMOs that are not super POs. The high-risk test will classify most POs as high risk. Report them in CMR373. However, if you can demonstrate that a PO is low risk, you should report that tranche on CMR374.

CMR375 and CMR376: Weighted-Average Coupon (WAC)

Report on CMR375 and CMR376 the WAC of the underlying collateral of the PO strips or PO tranches that are not super POs.

CMR377 and CMR378: Total Mortgage-Derivative Securities

The EFS software computes CMR377 as the sum of CMR351, CMR353, CMR355, CMR357, CMR359, CMR361, CMR363, CMR365, CMR367, CMR369, and CMR373. The EFS software computes CMR378 as the sum of CMR352, CMR354, CMR356, CMR364, CMR366, CMR368, CMR370, and CMR374.

Reporting Estimated Market Values

Besides reporting book values as described above, all savings associations must also report the estimated market values of their high- and low-risk mortgage-derivatives on **Supplemental Reporting of Market Value Estimates using** asset code 123 in Appendix D. Specific instructions are described in the section, **Reporting of Estimated Market Values**.

MORTGAGE LOANS SERVICED FOR OTHERS

Report information on all performing, single-family, adjustable- and fixed-rate first mortgage loans that you service for others.

Include:

1. Mortgage loans you have sold to others but where you perform the servicing, even if you do not receive an ongoing servicing fee.
2. The mortgage balances of mortgage servicing rights you purchased.
3. Securitized mortgages – for example, a FHLMC swap – if you continue to perform the servicing. In this case, you own a mortgage security and the servicing rights on the mortgages underlying the security. Report the outstanding balance of the mortgages underlying the mortgage security both here and as a mortgage security, in the relevant lines of the fixed-rate or ARMs section.
4. Mortgage balances where you own the servicing right but someone else performs the servicing, if you receive a net fee after you pay the subservicer.
5. Mortgage balances where you perform servicing on a contractual basis – you act as subservicer – for another entity that owns the servicing rights and this arrangement will continue for the life of those mortgages.
6. In cases where you own a share of a pool but service the entire pool, report only the share you do not own.

Do not include:

1. Mortgage loans that a consolidated subsidiary services for you.
2. Loans being serviced other than single-family first mortgage loans.

3. Mortgage loans where you will perform servicing on a contractual basis – you act as subservicer – for another entity for less than the life of the mortgages.

Use code 500 in **Supplemental Reporting of Market Value Estimates** to report your estimates of the economic value of servicing rights described in items 2 and 3 under *Do not include*.

Fixed-Rate Mortgage Loan Servicing

CMR401 through CMR405: Balances Serviced

Report the outstanding balances of fixed-rate mortgages that you service for others according to the five following coupon ranges:

1. Less than 5 percent.
2. 5 percent to 5.99 percent.
3. 6 percent to 6.99 percent.
4. 7 percent to 7.99 percent.
5. 8 percent and above.

CMR406 through CMR410: Weighted-Average Remaining Maturity (WARM)

For each coupon range, report the WARM of the mortgages on CMR401 through CMR405. Calculate the WARM as described in the general instructions to Schedule CMR.

CMR411 through CMR415: Weighted-Average Servicing Fee

For each coupon range, report the weighted-average net servicing fee you retain, in basis points. See the example below for a description of the calculation. The mortgage servicing fee is the spread you retain. This is the difference between the weighted-average note rate on the mortgages being serviced and the rate of interest passed on to the owner of the mortgages, less any payments to third parties such guarantors, master servicers, and subservicers.

CMR421: Total Number of Fixed-Rate Loans Serviced That Are Conventional Loans

Report on CMR421 the number of conventional loans in the balances on CMR401 through CMR405.

CMR422: Total Number of Fixed-Rate Loans Serviced That Are FHA/VA Loans

Report on CMR422 the number of FHA and VA loans in the balances on CMR401 through CMR405.

CMR423: Total Number of Fixed-Rate Loans Serviced That Are Subserviced by Others

Report the total number of fixed-rate mortgage loans included on CMR421 through CMR422 where you own the right to service for others but have contracted the servicing out to a subservicer.

The following example illustrates how to calculate the weighted-average servicing fee:

Example: You have a servicing portfolio consisting of the following three fixed-rate loans, each with a current outstanding balance of $100,000.

1. You purchased the rights to service a GNMA security with a pass-through rate of 6 percent, and a WAC on the underlying mortgages of 6.5 percent. Although the difference between the pass-

through rate and the WAC is 50 basis points, GNMA receives six basis points for its guarantee fee and you retain 44 basis points. You should use 44 basis points when you calculate the weighted-average servicing fee.

2. You originated a mortgage with a coupon of 6.5 percent and sold it on the secondary market to yield 5.5. You should include the full one hundred 100-basis point fee when you calculate the weighted-average servicing spread.
3. You own the servicing rights on an 6.6 percent mortgage with a servicing fee of 45 basis points; however, you contracted with a subservicer to service the loan for 30 basis points. You should use the remaining 15-basis point fee you retain in calculating the weighted-average servicing spread. Because another savings association subservices this loan, you should include it in the number of loans on CMR423.

Calculate the weighted-average servicing fee for these three loans as follows:

$$\text{Weighted-Average Servicing Fee} = \frac{44(\$100{,}000) + 100(\$100{,}000) + 15(\$100{,}000)}{\$300{,}000}$$

$$= 53 \text{ basis points}$$

You would report this as ***53*** on CMR413.

Adjustable-Rate Mortgage Loan Servicing

CMR431 through CMR432: Balances Serviced

Report the outstanding balances of ARMs serviced for others that reset based on current market indices on CMR431 and those that reset based on lagging market indices on CMR432. See the instructions for adjustable-rate single-family mortgages for a definition of current market versus lagging indices.

CMR433 through CMR434: Weighted-Average Remaining Maturity (WARM)

Report the WARM of ARMs of each index type on CMR433 and CMR434. Calculate the WARM as described in the general instructions to Schedule CMR.

CMR435 and CMR436: Weighted-Average Servicing Fee

Report the weighted-average net servicing fee that you retain in basis points for current market index ARMs on CMR435 and for lagging market index ARMs on CMR436. See example above for description of its calculation. The mortgage servicing fee is the spread you retain. This is the difference between the weighted-average note rate on the mortgages being serviced and the rate of interest passed on to the owner of the mortgages, less any payments to third parties such as guarantors, master servicers, and subservicers.

CMR441: Total Number of Adjustable-Rate Loans Serviced

On CMR441 report the total number of adjustable-rate loans in the balances on CMR431 and CMR432.

CMR442: Of Which, Number Subserviced by Others

On CMR442 report the total number of ARM loans in CMR441 where you own the right to service for others but have contracted the servicing out to a subservicer.

CMR450: Total Balances of Mortgage Loans Serviced for Others

The EFS software automatically computes this line as the sum of the balances on CMR401 through CMR405, CMR431, and CMR432.

CASH, DEPOSITS, AND SECURITIES

We collect information about most of the financial instruments on SC10, Cash, Deposits, and Investment Securities, in this section. We do not include mortgage-derivative securities. General instructions to Schedule CMR that apply to this section are:

1. Report outstanding principal balances, not carrying values, unless explicitly instructed otherwise. Do not deduct or add discounts and premiums or valuation allowances.
2. Report coupon rates, not effective rates, unless explicitly instructed otherwise.
3. In calculating the WARM, observe the following:
   a. For a security that will repay principal periodically over its life, such as through scheduled sinking fund repayments, you should treat each repayment as a separate instrument when calculating the WARM.
   b. For variable-rate instruments, calculate the WARM using the months to the next repricing as the remaining months to maturity.

CMR461: Cash, Non-Interest-Earning Demand Deposits, Overnight Fed Funds, Overnight Repurchase Agreements

Report on CMR461 the outstanding balance of cash, cash items, non-interest-earning demand deposits, overnight Federal funds sold, securities purchased under overnight repurchase agreements, and investments in money market mutual funds. **Also, include accrued interest or dividends receivable on deposits and investment securities that you report on CMR377, CMR378, and CMR461 through CMR481 or as code 121 in Supplemental Reporting of Market Value Estimates, as appropriate.**

CMR464: Equity Securities (Including Mutual Funds) Subject to SFAS No. 115

Report the fair value of investments in equity securities subject to FASB Statement No. 115 and the fair value of investments in mutual funds. Include limited partnership investment funds subject to FASB