Table of Contents

Table of Contents i
GENERAL INSTRUCTIONS 1
SCHEDULE SC – CONSOLIDATED STATEMENT OF CONDITION 5
ASSETS 5
CASH, DEPOSITS AND INVESTMENT SECURITIES 5
MORTGAGE POOL SECURITIES 9
MORTGAGE LOANS 11
NONMORTGAGE LOANS 17
REPOSSESSED ASSETS 21
OTHER ASSETS: 26
LIABILITIES 30
DEPOSITS 30
ESCROWS 32
BORROWINGS 33
OTHER LIABILITIES 36
REDEEMABLE PREFERRED STOCK AND MINORITY INTEREST 38
EQUITY CAPITAL 40
PERPETUAL PREFERRED STOCK 40
COMMON STOCK 40
RETAINED EARNINGS 42
SCHEDULE SO — CONSOLIDATED STATEMENT OF OPERATIONS 43
INTEREST INCOME 43
INTEREST EXPENSE 45
NET PROVISION FOR LOSSES ON INTEREST-BEARING ASSETS 47
NONINTEREST INCOME 48
NONINTEREST EXPENSE 52
INCOME TAXES 56
EXTRAORDINARY ITEMS, NET OF TAX EFFECT, AND CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES 57
NET INCOME (LOSS) 58
SCHEDULE VA — CONSOLIDATED VALUATION ALLOWANCES 59
GENERAL INSTRUCTIONS 59
VALUATION ALLOWANCE RECONCILIATION 61
CHARGE-OFFS, RECOVERIES, AND SPECIFIC VALUATION ALLOWANCE ACTIVITY 63
OTHER ITEMS 75
Troubled Debt Restructured 75
Mortgage Loans Foreclosed during the Quarter 76
Classification of Assets 78
SCHEDULE PD — CONSOLIDATED PAST DUE AND NONACCRUAL 79
PAST DUE 79

NONACCRUAL 81
SCHEDULE CC — CONSOLIDATED COMMITMENTS AND CONTINGENCIES 83
COMMITMENTS OUTSTANDING 83
LINES AND LETTERS OF CREDIT 85
RECOURSE OBLIGATIONS AND DIRECT CREDIT SUBSTITUTES 86
OTHER CONTINGENT LIABILITIES 87
CONTINGENT ASSETS 87
SCHEDULE CF — CONSOLIDATED CASH FLOW INFORMATION 89
GENERAL INSTRUCTIONS 89
MORTGAGE POOL SECURITIES 89
MORTGAGE LOANS 90
NONMORTGAGE LOANS CLOSED OR PURCHASED 95
DEPOSITS 95
SCHEDULE SI — CONSOLIDATED SUPPLEMENTAL INFORMATION 99
DEPOSIT DATA 99
DEPOSIT AND ESCROW DATA FOR DEPOSIT INSURANCE PREMIUM ASSESSMENTS 101
OTHER DATA 104
REGULATORY LIQUIDITY 106
QUALIFIED THRIFT LENDER TEST 108
EXTENSIONS OF CREDIT BY THE REPORTING ASSOCIATION (AND ITS CONTROLLED SUBSIDIARIES) TO ITS EXECUTIVE OFFICERS, PRINCIPAL SHAREHOLDERS, DIRECTORS, AND THEIR RELATED INTERESTS AS OF THE REPORT DATE 108
RECONCILIATION OF EQUITY CAPITAL 110
ASSET REPRICING/MATURING DATA 112
MUTUAL FUND AND ANNUITY SALES DURING THE QUARTER 113
SCHEDULE SQ — CONSOLIDATED SUPPLEMENTAL QUESTIONS 117
SCHEDULE YD — YIELDS ON DEPOSITS 121
INTEREST RATE YIELD ON NEW DEPOSITS RECEIVED 121
SCHEDULE SB — CONSOLIDATED SMALL BUSINESS LOANS 125
LOANS TO SMALL BUSINESSES AND SMALL FARMS: 125
SCHEDULE CSS — SUBORDINATE ORGANIZATION SCHEDULE 131
SCHEDULE CCR — CONSOLIDATED CAPITAL REQUIREMENT 137
GENERAL INSTRUCTIONS 137
TIER 1 (CORE) CAPITAL REQUIREMENT 139
Calculation of Core (Tier 1) Capital 139
Calculation of Adjusted Total Assets 145
TOTAL RISK-BASED CAPITAL REQUIREMENT 146
Tier 2 (Supplementary) Capital 146
Allowable Tier 2 (Supplementary) Capital 150
Total Risk-Based Capital 153
Risk-weight Categories 153
Conversion of Off-balance-sheet Items to On-balance-sheet Equivalents 163
Assets to Risk-weight 167
Total Risk-weighted Assets 168
CAPITAL AND PROMPT CORRECTIVE ACTION RATIOS 168
SCHEDULE CMR - CONSOLIDATED MATURITY AND RATE 169
GENERAL INSTRUCTIONS 169
ASSETS 176
LIABILITIES 212
OFF-BALANCE-SHEET CONTRACTS 222
REPORTING OF MARKET VALUE ESTIMATES 236
OPTIONAL SUPPLEMENTAL REPORTING FOR ASSETS/LIABILITIES 240
OPTIONAL SUPPLEMENTAL REPORTING FOR OFF-BALANCE-SHEET POSITIONS 247
APPENDIX A - LIST OF INTEREST RATE INDEX CODES 249
APPENDIX B - LIST OF CONTRACT CODES FOR OBS CONTRACTS 251
APPENDIX C - LIST OF ASSET CODES FOR SUPPLEMENTAL REPORTING 259

INDEX 261
GLOSSARY 269

GENERAL INSTRUCTIONS

1. REQUESTS FOR INFORMATION OR ASSISTANCE

All requests for assistance in Thrift Financial Report (TFR) preparation should be directed to your assigned Financial Reporting analyst in the Office of Thrift Supervision (OTS) Financial Reporting Division office, Dallas, Texas. If you do not know the name or phone number of your assigned FRD analyst, call Doris Jackson at 972-281-2052.

Additional forms and instructions may be requested from the OTS at 202-906-6078.

2. FORMS

The TFR is comprised of the following schedules:

- SC Consolidated Statement of Condition: Assets, liabilities, and equity capital
- SO Consolidated Statement of Operations: Income and expense
- VA Consolidated Valuation Allowances and Related Data: Reconciliation of valuation allowances, charge-offs and recoveries, and other data on troubled assets
- PD Consolidated Past Due and Nonaccrual: Information on delinquent and/or nonaccrual loans
- CC Consolidated Commitments and Contingencies: Information on commitments and contingencies
- CF Consolidated Cash Flow Information: Information on mortgage, deposit, and other activity affecting cash flow during the quarter
- SI Consolidated Supplemental Information: Information on deposits, liquidity, QTL, loans to insiders, reconciliation of equity capital, mutual fund sales, and other data
- SQ Consolidated Supplemental Questions: Questions concerning structural and other activity during the quarter
- YD Yields on Deposits: Interest rates on deposit accounts offered during the last seven days of the quarter

SB Consolidated Small Business Loans: Data completed annually as of June 30 to comply with Section 122 of the FDIC Improvement Act

CSS Subordinate Organization Schedule: Listing of information on all subordinate organizations and joint ventures completed annually at December 31

CCR Consolidated Capital Requirement: Balances necessary to compute the minimum capital requirement

CMR Consolidated Maturity and Rate: Information on interest rate and repricing/maturity characteristics of selected balance-sheet and off-balance-sheet items

3. FILING DATES

All schedules except CMR are to be filed electronically **no later than** the 30th day following the end of the reporting period. Schedule CMR must be filed **no later than** the 45th day following the end of the reporting period.

A Filing Schedule for Regulatory Reports is distributed with the Forms and Instructions packet to each OTS-regulated institution at the beginning of each year. This schedule should be referred to throughout the year.

If you have any questions concerning the OTS filing schedule, please contact Doris Jackson at 972-281-2052.

4. FILING THE TFR

The OTS provides all savings associations with software for the electronic filing of the TFR through its contractor, DPSC Software, Inc. (DPSC). The software facilitates the preparation, edit, and transmission of the TFR. Questions concerning electronic filing should be directed to the OTS Financial Reporting Division in Dallas, Texas at 972/281-2412 or 972/281-2052. Questions regarding hardware requirements should be directed to the DPSC technical helpline at 1-800-825-3772 or on their website at www.dpscsoftware.com.

All savings associations are also provided with an instruction manual and sample TFR forms. Updates to the instruction manual are also provided quarterly as part of the Financial Reporting Bulletin. Additional copies of the sample form and instruction manual may be obtained from the OTS at 202/906-6078. Copies of the sample form can also be printed from the electronic filing software. The TFR forms and instructions and Financial Reporting Bulletins are also available on OTS' website, www.ots.treas.gov\tfrpage.html.

At least one copy of the TFR as filed should be retained by the reporting association for its reference; copies should not be sent to the OTS in Washington, DC. 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 years from the date of filing.

5. AMENDING THE TFR

To have amendments included in the first public release of the OTS data file, amendments must be transmitted within fifty-five calendar days of the close of the reporting period (twenty-five days after the

TFR due date). Amendments submitted after the fifty-five-day period should have the approval of OTS (FRD-Dallas) before transmission. After the 55-day amendment period, all corrections should be included in the TFR for the next quarter. Corrections for errors in prior-period TFRs included in the current TFR should be reported in the same data field in which they would have been reported on the original report, unless the adjustment distorts yields or results in negative numbers in fields that do not permit negatives; in which case they should be included in Other Noninterest Income (SO490) or Other Noninterest Expense (SO580).

TFRs for prior quarters should be amended only when directed by the OTS for purposes of safety and soundness and for material items affecting report integrity. Audit adjustment amendments should be made in the next TFR due after management becomes aware of the required audit adjustments. Generally, examination adjustments that are communicated in a Report of Examination (ROE) or by other means should be made in the next TFR due.

TFR amendments must be filed electronically rather than by phone or Fax. Amendments filed electronically automatically update the association's filing software. Additional questions regarding the electronic filing of amended TFRs should be directed to the OTS Financial Reporting Division in Dallas, Texas at 972-281-2412 or 972-281-2052.

6. REPORTING BASIS

The TFR must be prepared on a consolidated basis in accordance with generally accepted accounting principles (GAAP). Subordinate organizations that are not GAAP-consolidated subsidiaries are reported using the equity or cost methods of accounting. The term "subordinate organization" is defined by OTS regulation and means 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, unless that ownership interest qualifies as a pass-through investment pursuant to OTS Regulation 560.32 and is so designated by the reporting savings association. GAAP-consolidated subsidiaries as defined in OTS Regulation 559.2 means an entity 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.

GAAP should be applied unless specifically stated 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 because it is necessary to provide consistent and uniform information on all OTS-regulated savings associations to facilitate supervision by the OTS and to collect 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.

7. EXEMPTION FROM FILING SCHEDULE CMR

Savings associations with less than $300 million in assets **and** with risk-based capital ratios in excess of 12% 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.

Savings associations lose their exemption from filing Schedule CMR if they do not meet the exemption criteria for two consecutive quarters. A savings association must file Schedule CMR beginning the quarter after the second consecutive quarter in which it does not meet the criteria. For example, if a savings association fails the criteria in March and June, it must file Schedule CMR for the September quarter and each quarter thereafter.

A savings association may also lose its exemption when directed to file Schedule CMR by the Regional Director. The filing of Schedule CMR must continue until the savings association is notified in writing that the Regional Director has reinstated the exemption.

8. TFR PREPARATION

a. All dollar amounts should be rounded 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, a “1” should be entered 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.

b. Certain data fields which are indicated in the instructions and forms as being deducted should not be input as negative; these data fields will be subtracted by the electronic filing software. These data fields should be indicated as negative only when the instructions indicate that the netting of certain amounts within these data fields might result in an amount that should be added rather than subtracted. These data fields are identified in italics on the form and are identified in the instructions for the appropriate data fields.

c. All data should be checked and totals proved before and after input. Data fields that should agree with other data fields should be cross-checked. All edit failures indicated in the electronic filing software should be thoroughly verified and corrected where necessary prior to submission. Edit exceptions should be explained using the “User Note” function of the filing software.

d. The final TFR should be reviewed by persons knowledgeable of the overall financial condition and operations of the savings association. The Officers’ and Directors’ Certification at the front of the paper copy of the TFR must be signed by an officer and three directors of the savings association for each TFR submitted, including amendments. This certification form must be retained by the savings association and be available for inspection by the OTS.

e. Indicate the name and telephone number of the person who is to be contacted if questions arise concerning the TFR. The contact should be someone who is familiar with the reporting requirements of the OTS. When the TFR is prepared by someone other than the savings association’s personnel, the contact should be someone who can either answer questions or can quickly obtain such answers from savings association personnel. It is important that the name and address of the TFR contact be correct and up-to-date, because this information is used in the distribution of quarterly TFR mailings.

SCHEDULE SC – CONSOLIDATED STATEMENT OF CONDITION

The Consolidated Statement of Condition (Schedule SC) is completed on a consolidated basis. Generally accepted accounting principles (GAAP) should be applied unless specifically stated otherwise in these instructions. In general, all assets are reported net of specific valuation allowances (SVAs), charge-offs, unamortized yield adjustments, unearned income, and loans-in-process (LIP).

ASSETS

CASH, DEPOSITS AND INVESTMENT SECURITIES

In accordance with SFAS No. 115, “Accounting for Certain Investments in Debt and Equity Securities,” securities reported on SC130, SC140, SC150, SC180, and SC185 are classified into three categories:

1. **Held-to-maturity securities measured at amortized cost:** this classification is used for debt securities only if there is a positive intent and ability to hold these securities to maturity;
2. **Trading securities:** securities that are bought and held for the purpose of sale in the near term shall be reported at fair value, with unrealized gains or losses reported in earnings on SO485; and
3. **Available-for-sale securities:** securities not classified as trading or as held-to-maturity shall be classified as available-for-sale, and shall be reported at fair value, with the unrealized gains and losses excluded from earnings and reported, net of taxes, as a separate component of equity capital on SC860

Do not include securities pledged on a margin account for futures and options contracts; report these on SC690 (Other Assets).

SC10: Total

Report the sum of SC110 through SC190 less SC199. This line will be automatically computed by the electronic filing software.

SC110: Cash and Noninterest-Earning Deposits

Report the total amount of cash, cash items, and noninterest-earning deposits.

Include:

1. Noninterest-earning deposits in a bank or savings association under the control of a supervisory authority;
2. Cash items in the process of collection, such as redeemed U.S. Savings Bonds; and
3. Checks or drafts in process of collection that are drawn on another depository institution, Federal Reserve Bank, FHLBank, or the U.S. Government.

Do not include:

1. Accounts with credit balances that do not have the right of offset; report on SC760 (Other Borrowings); and
2. Checks drawn against zero-balance accounts or accounts not routinely maintained with sufficient balances to cover checks drawn in the normal course of business; report on SC710 (Deposits).

SC130: U.S. Government and Agency Securities

Report nonmortgage debt instruments issued by the U.S. government and its agencies.

Include:

1. Interest-only and principal-only strips of U.S. government and agency securities;
2. U.S. Treasury bills, certificates, notes, and bonds;
3. Nonmortgage debt issued by FHLBanks, FannieMae, FreddieMac, and GinnieMae;
4. Federal agency debt securities, such as: SBA nonmortgage pools, TVA, Federal Farm Credit Bank, Federal Land Bank, Federal Intermediate Credit Bank, SallieMae, and the Export-Import Bank; and
5. FICO bonds.

Do not include:

1. Investments in mutual funds that invest in U.S. government and agency securities; report on SC140 (Equity Securities);
2. Stock of FHLBanks; report on SC690 (Other Assets);
3. Equity securities issued by agencies of the U.S. government (*e.g.*, FreddieMac preferred stock);
4. Securities issued by state and local governments; report on SC180;
5. Securities pledged as collateral on margin accounts for futures and options; report on SC690 (Other Assets);
6. Securities purchased under a repurchase or dollar-repurchase agreement; report on SC170 (Federal Funds Sold and Securities Purchased Under Agreements to Resell); and
7. Mortgage-backed instruments and derivatives issued or guaranteed by FannieMae, FreddieMac, or GinnieMae; report on SC150.

SC140: Equity Securities Subject to SFAS No. 115

Report all investments in equity securities that have readily determinable fair values and that are accounted for pursuant to SFAS No. 115.

Include:

1. Common and preferred stock, including Freddie Mac and FannieMae stock;
2. Shares of all mutual funds, including those restricting their investments to debt instruments (*e.g.*, U. S. Government and agency securities).

Do not include:

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

SC150: Mortgage Derivative Securities

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

Include:

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

Do not include:

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

SC162: Interest-Earning Deposits in FHLBs

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

Do not include:

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

SC166: Other Interest-Earning Deposits

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

Do not include:

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

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

Include:

1. The balance of excess Federal Funds invested.

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

SC180: State and Municipal Obligations

Report debt securities issued by state and local governments.

SC185: Other Investment Securities

Report investment securities not reported on SC110 through SC180.

Include:

1. Investments in commercial paper and corporate debt securities, including junk bonds;
2. Promissory notes;
3. Notes received from unconsolidated subordinate organizations, a pass-through investment vehicle as described in OTS Regulation 560.32, or affiliates secured by below-investment-grade debt instruments including the security of mutual funds investing in below-investment-grade debt instruments;
4. Mortgage-backed bonds and notes; and
5. Securities collateralized by nonmortgage loans.

SC190: Accrued Interest Receivable

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

SC199: General Valuation Allowances

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

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

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

MORTGAGE POOL SECURITIES

In order to be categorized as a mortgage pool security **all** of the following criteria must be met:

1. The underlying collateral qualifies as a mortgage;
2. The security provides each investor with a proportional ownership interest in the underlying collateral; and
3. Payments received by the issuer are passed through to the investor proportionate to ownership interest and with the same timing with which they are received.

A security that meets item 1 but not 2 and/or 3 is reported on SC150 (Mortgage Derivative Securities), unless it is a mortgage-backed bond in which case it is reported on SC185 (Other Investment Securities). A security collateralized by loans that meets items 2 and 3 but does not meet item 1 is reported on SC185 (Other Investment Securities). A debt security that does not meet any of the above or meets only item 2 or item 3, but not both, is reported on SC185 (Other Investment Securities), except for those government securities reported on SC130 and SC180.

If the subordinate piece of a senior/subordinated security (1) exists solely for the purpose of credit enhancements and not for redirecting cash flows, (2) is no larger than necessary to provide the credit enhancement, and (3) meets the criteria of mortgage pool securities, above, then the senior piece is essentially a pass-through security and should be reported with mortgage pool securities.

In accordance with SFAS No. 115, “Accounting for Certain Investments in Debt and Equity Securities,” mortgage pool securities reported on SC210 and SC215 fall into three categories:

1. **Held-to-maturity securities measured at amortized cost:** this classification is used for debt securities only if there is a positive intent and ability to hold these securities to maturity;
2. **Trading securities:** securities that are bought and held for the purpose of sale in the near term shall be reported at fair value, with unrealized gains or losses reported in earnings on SO485 [Note: Mortgage-backed securities that are held for sale in conjunction with mortgage banking activities are included as trading securities.] and
3. **Available-for-sale securities:** securities not classified as trading or as held-to-maturity shall be classified as available-for-sale, and shall be reported at fair value, with the unrealized gains and losses excluded from earnings and reported, net of taxes, as a separate component of equity capital on SC860.

The balances in this section are adjusted for:

1. Discounts and premiums on the purchase of mortgage pool securities; and
2. Specific valuation allowances.

The balances in this section are not adjusted for:

1. Gains and losses on futures and options positions that hedge assets held for long-term investment purposes; report on SC690 (Other Assets); and
2. General valuation allowances; report on SC227.

Do not include:

1. Securities pledged on a margin account for futures and options contracts; report on SC690 (Other Assets);
2. Mortgage pool securities purchased subject to repurchase agreements (*i.e.*, the reporting savings association holds these securities as collateral received for loans made to others); report on SC170 (Federal Funds Sold and Securities Purchased Under Agreements to Resell); and
3. CMOs, POs, or IOs; report on SC150 (Mortgage Derivative Securities).

SC20: Total

Report the sum of SC210, SC215, and SC220 less SC227. This line will be automatically computed by the electronic filing software.

SC210: Insured or Guaranteed by an Agency or Instrument of the United States

Report all mortgage pool securities insured or guaranteed by an agency or instrument of the United States.

Include:

1. FreddieMac Participation Certificates; and
2. GinnieMae and FannieMae pools.

Do not include:

1. FannieMae and FreddieMac Bonds; report on SC130 (U.S. Government and Agency Securities; and
2. Mortgage derivatives, including CMOs collateralized by FannieMae, GinnieMae, and FreddieMac mortgage-backed securities; report on SC150 (Mortgage Derivative Securities).

SC215: Other Mortgage Pool Securities

Report privately issued mortgage pool securities that are not insured or guaranteed by an agency or instrument of the United States.

SC220: Accrued Interest Receivable

Report accrued interest receivable on mortgage pool securities reported on SC210 and SC215 if collection was probable at the time of accrual. Securities on which collection of interest is not probable must be placed in a nonaccrual status.

SC227: General Valuation Allowances

Report all general valuation allowances established on mortgage pool securities reported on SC210 through SC220. All valuation allowances must be included in the reconciliation of valuation allowances in Schedule VA..

MORTGAGE LOANS

Report mortgage loans, contracts, and leases that are the functional equivalent of loans (see OTS Regulation 560.41) secured by real estate whether purchased or originated. All loans reported in this section must meet the requirements of mortgage classification in OTS Regulation 564 and 560.100-101 and the definition of real estate loans per OTS Regulation 560.3.

Mortgage loans reported on SC230 through SC265 fall into four categories:

1. **Those held for investment:** report these at cost adjusted for unamortized premiums and discounts if purchased at a price other than par;
2. **Those originated for sale:** report these at the lower of cost or market value at the reporting date; unamortized deferred loan fees and unamortized deferred gains and losses on asset hedges (reported on SC690) must be included in calculating cost;
3. **Those previously held for investment and now held for sale:** report these at the lower of cost or market value at the reporting date; unamortized deferred loan fees, discounts, and premiums, and unamortized deferred gains and losses on asset hedges (reported on SC690) must be included in calculating cost; and
4. **Those held in a trading portfolio:** report these at the market value at each reporting date by directly adjusting the asset balance; adjustments to mark a trading portfolio to market are not included in the valuation allowances reported on SC283.

Loans are reported at outstanding balance adjusted for:

1. Specific valuation allowances;
2. Deferred loan fees net of direct costs;
3. Discounts and premiums on the purchase of mortgage loans and contracts;
4. Adjustments made to apply lower-of-cost-or-market accounting treatment to mortgages held for sale but not in a trading account;
5. Any undisbursed balances of loans closed (loans-in-process); report these amounts on CC105-115;
6. The undisbursed portion of mortgage lines of credit; report these amounts as commitments on CC410-420;
7. Unearned interest; and
8. Deposits accumulated for the payment of loans (hypothecated deposits).

The loan balances in this section are not adjusted for

1. General valuation allowances (allowance for loan and lease losses); these are reported on SC283; and
2. Gains and losses on futures and options positions that hedge assets held for long-term investment purposes; these are reported on SC690 (Other Assets).

Loans secured by property including farm land with more than one use (*e.g.*, residential and commercial should be reported in their entirety in the data field that describes the property type representing the largest percentage of the total value of all property securing the loan.

Capitalized loans should include accrued interest receivable and advances for the payment of taxes and insurance in the mortgage loan balance. Accrued interest and advances for taxes and insurance on all other loans are reported on SC272 and SC275, respectively.

Include:

1. FHA/VA and conventional first mortgage loans;
2. Junior or second mortgage loans (both open-end and closed-end);
3. Mortgage loans to unconsolidated subordinate organizations;
4. Participating interests in loans originated by others;
5. Loans to commercial entities collateralized by mortgages of third party borrowers (*e.g.*, warehouse loans), provided the underlying loans are secured by real estate and meet the requirements of OTS Regulations 564 and 560.100-101;
6. Disbursed portion of open-end home equity loans where the savings association secures the loan by a lien on real estate that meets the requirements of OTS Regulations 564 and 560.100-101;
7. The unpaid balance of the gross loan in a wrap-around mortgage where the reporting savings association wraps a loan held by a third party. The loan payable to the third party is reported as a liability on SC760 (Other Borrowings); and
8. Loans on units in cooperative buildings.

Do not include:

1. Mortgage pool securities; report on SC210 and SC215;
2. The portion of participations sold; these are no longer reported on the savings association's statement of condition;
3. Mortgage-backed bonds; report on SC185;
4. Real estate loans where the characteristics dictate treatment as an investment in real estate in accordance with GAAP; report on SC45 (Real Estate Held for Investment);
5. Foreclosed assets; report on SC405 through SC428 (Repossessed Real Estate);
6. Loans secured by assets of which the savings association has obtained physical possession, but for which foreclosure has not yet taken place (*i.e.*, in-substance foreclosures); report on SC405 through SC428 (Repossessed Real Estate);
7. Loans purchased subject to agreements to resell (*i.e.*, the reporting savings association holds these loans as collateral received for loans made to others); report on SC170 (Federal Funds Sold and Securities Purchased Under Agreements to Resell);
8. Loan commitments that have not yet been taken down, even if fees have been received;
9. Loans on time-share arrangements; report on SC330 (Other Closed-end Consumer Loans); and
10. Home improvement loans; report on SC316 (Consumer Loans: Home Improvement Loans).

SC23: Total

Report the sum of SC230 through SC275 less SC283. This line will be automatically computed by the electronic filing software.

Construction Loans on:

SC230: 1-4 Dwelling Units

Report the outstanding balance of all construction loans secured by 1-4 dwelling units. Balances are to be adjusted as described above in the general instructions to mortgage loans.

Include:

1. Construction loans secured by single-family dwelling units in detached or semi-detached structures (including manufactured housing);
2. Construction loans secured by structures consisting of 2-4 dwelling units (excluding garden-type apartment projects where the total number of apartments securing the mortgage is greater than four);
3. Construction loans to developers secured by tracts of land on which single-family houses (including town houses) are being constructed;
4. Combination land/construction loans on 1-4 dwelling units regardless of the current stage of construction or development;
5. Combination construction/permanent loans on 1-4 dwelling units until construction is completed or principal amortization payments begin, whichever comes first; and
6. “Bridge” loans to developers on 1-4 dwelling units where the same loan will not be assumed by the buyer, even if construction is completed or principal amortization payments have begun.

Do not include:

Loans for the development of building lots unless the same loan finances the erection of building improvements; report on SC265.

SC235: 5 or More Dwelling Units

Report the outstanding balance of all construction loans secured by 5 or more dwelling units. Balances are to be adjusted as described above in the general instructions to mortgage loans.

Include:

1. Loans for the construction of condominium and cooperative apartments;
2. Loans for the construction of fraternity/sorority houses offering sleeping accommodations;
3. Loans for the construction of living accommodations for students or staff of a college or hospital;
4. Loans for the construction of retirement homes with sleeping and eating accommodations that are not condominiums or cooperatives; the number of bedrooms determines the number of dwelling units;
5. Combination land/construction loans on 5 or more dwelling units regardless of the current stage of construction or development;
6. Combination construction/permanent loans on 5 or more dwelling units until construction is completed or principal amortization payments begin, whichever comes first; and
7. “Bridge” loans to developers on 5 or more dwelling units where the same loan will not be assumed by the buyer, even if construction is completed or principal amortization payments have begun; and
8. Loans for the construction of mobile home parks.

SC240: NONRESIDENTIAL PROPERTY

Report the outstanding balance of all construction loans secured by nonresidential property. Balances are to be adjusted as described above in the general instructions to mortgage loans.

Include:

1. ; Loans for the construction of hospitals, nursing (assisted living) homes, hotels, churches, stores, and other commercial properties
2. Combination land/construction loans on nonresidential property regardless of the current stage of construction or development;
3. Combination construction/permanent loans on nonresidential property until construction is completed or principal amortization payments begin, whichever comes first; and
4. “Bridge” loans to developers on nonresidential property where the same loan will not be assumed by the buyer, even if construction is completed or principal amortization payments have begun.

Do not include:

1. Loans to purchase land; report on SC265; and
2. Loans to purchase farm land; report on SC260.

Permanent Mortgages on:

1-4 Dwelling Units:

SC250: Closed-End First Mortgages and Junior Liens

Report the outstanding balance of all closed-end loans secured by first and junior liens on 1-4 dwelling units. Balances are to be adjusted as described above in the general instructions to mortgage loans.

Include:

1. Mortgages secured by previously occupied and newly built 1-4 dwelling units where construction has been completed;
2. Refinancing loans on 1-4 dwelling units where the original loan was a permanent mortgage; and
3. Junior liens on 1-4 dwelling units where the senior lien is a permanent mortgage.

Do not include:

1. Combination land/construction loans regardless of the current stage of construction or development; report on SC230;
2. Combination construction/permanent loans until construction is completed or principal amortization payments begin, whichever comes first; report on SC230;
3. “Bridge” loans to developers where the same loan will not be assumed by the buyer; report on SC230; and
4. Time share loans; report on SC330 (Consumer Loans: Closed End: Other, Including Leases).

SC253: Revolving, Open-End Loans

Report the outstanding balance of all revolving, open-end loans secured by 1-4 dwelling units and extended under lines of credit (home-equity loans) where the savings association secured the loan by a lien on the real estate. Balances are to be adjusted as described above in the general instructions to mortgage loans.

All loans reported in this classification must meet the requirements of real estate loans as set forth in OTS Regulations 564 and 560.100-101. Loans that do not have an appraisal meeting these guidelines but would otherwise meet the definition of this data field must be reported on SC340 (Consumer Loans: Open-end: Revolving Loans Secured by 1-4 Dwelling Units).

SC256: 5 OR MORE DWELLING UNITS

Report the outstanding balance of all loans secured by 5 or more dwelling unit residential property. Balances are to be adjusted as described above in the general instructions to mortgage loans.

Include:

1. Mortgages on previously occupied or newly built 5 or more dwelling units where construction has been completed;
2. Refinancing loans on 5 or more dwelling units where the original loan was a permanent mortgage;
3. Junior liens on 5 or more dwelling units where the senior lien is a permanent mortgage;
4. Permanent mortgages secured by fraternity/sorority houses offering sleeping accommodations;
5. Permanent mortgages secured by living accommodations for students or staff of a college or hospital;
6. Permanent mortgages secured by retirement homes with sleeping and eating accommodations that are not condominiums or cooperatives; the number of bedrooms determines the number of dwelling units; and
7. Permanent mortgages secured by developed mobile home parks.

Do not include:

1. Combination land/construction loans regardless of the current stage of construction or development; report on SC235;
2. Combination construction/permanent loans until construction is completed or principal amortization payments begin, whichever comes first; report on SC235; and
3. “Bridge” loans to developers where the same loan will not be assumed by the buyer; report on SC235.

SC260: NONRESIDENTIAL PROPERTY (EXCEPT LAND)

Report the outstanding balance of all loans secured by nonresidential property excluding land. Balances are to be adjusted as described above in the general instructions to mortgage loans.

Include:

1. Mortgages on previously occupied or newly built nonresidential properties where construction has been completed;
2. Mortgages on properties to be used extensively for farming, regardless of the presence or absence of a dwelling unit on the property;
3. Refinancing loans where the original loan was a permanent mortgage on nonresidential property;
4. Junior liens on property where the senior lien is a permanent mortgage on nonresidential property; and
5. Permanent loans on hospitals, nursing homes, hotels, churches, stores, and other commercial properties.

Do not include:

1. Combination land/construction loans regardless of the current stage of construction or development; report on SC240;
2. Combination construction/permanent loans until construction is completed or principal amortization payments begin, whichever comes first; report on SC240; and
3. “Bridge” loans to developers where the same loan will not be assumed by the buyer; report on SC240.

SC265: LAND

Report the outstanding balance of all mortgage loans secured by land. Balances are to be adjusted as described above in the general instructions to mortgage loans.

Include:

1. Loans for the acquisition and development of land (loans to finance the purchase of land and the accomplishment of all improvements required to convert it to developed building lots);
2. Loans for the acquisition of developed building lots;
3. Loans secured by vacant land;
4. Refinancing loans where the original loan was a permanent mortgage on land; and
5. Junior liens on land where the senior lien is a permanent mortgage.

Do not include:

1. Combination land/construction loans; report on SC230 through SC240; and
2. Land used for farming; report on SC260 (Permanent Mortgages on Nonresidential Property (Except Land)).

SC272: Accrued Interest Receivable

Report accrued interest receivable on mortgage loans reported on SC230 through SC265 if collection was probable at the time of accrual. Loans on which collection of interest is not probable must be placed in a nonaccrual status.

Do not include:

1. Interest receivable if collection was not probable at the time it was recorded;
2. Interest receivable on loans or participations serviced for others; report on SC690 (Other Assets); and
3. Interest receivable that is capitalized to the loan balance; report with the loan balance on SC230 through SC265.

SC275: Advances for Taxes and Insurance

Report amounts paid by the reporting savings association on behalf of borrowers for taxes and insurance on loans reported on SC230 through SC265. This line primarily contains negative balances in tax and insurance escrows for loans owned by the savings association.

Do not include:

1. Credit balances; report on SC783 (Escrows);
2. Advances for taxes and insurance on loans and participations **serviced for others**; report on SC690 (Other Assets); and
3. Advances for taxes and insurance on capitalized loans; these are reported in the mortgage loan balance on SC230 through SC265.

SC283: Allowance for Loan and Lease Losses

Report all allowances for loan and lease losses (ALLL) established to recognize credit losses on mortgage loans reported on SC230 through SC275. All ALLL must be included in the reconciliation of valuation allowances in Schedule VA

Do not include:

1. Mark-to-market adjustments to mortgage loans held in a trading portfolio; these directly adjust the asset balance; and
2. Specific valuation allowances; these directly adjust the asset balance.

NONMORTGAGE LOANS

The balances in this section are adjusted for:

1. Specific valuation allowances;
2. Deferred loan fees net of direct costs;
3. Discounts and premiums on the purchase of mortgage loans and contracts;
4. Adjustments made to apply lower-of-cost-or-market accounting treatment to mortgages held for sale but not in a trading account;
5. Any undisbursed balances of closed-end loans (loans-in-process); report these amounts on CC125;
6. The undisbursed portion of lines of credit; report these amounts on CC410-420;
7. Unearned interest; (*i.e.*, add-on interest of loans issued at a discount); and
8. Deposits accumulated for the payment of loans (hypothecated deposits).

The balances in this section are not adjusted for

1. General valuation allowances (allowance for loan and lease losses); these are reported on SC357; and
2. Gains and losses on futures and options positions that hedge assets held for long-term investment purposes; these are reported on SC690 (Other Assets).

Include:

1. Unsecured loans;
2. Loans secured with tangible property other than real estate; and
3. Loans secured with real estate that do not meet the requirements of OTS Regulations 564 and 560.100-101.

Do not include:

1. Investments in securities collateralized by nonmortgage loans; report these securities on SC185 (Other Investment Securities) (Note: Although in Schedule SC, securities backed by nonmortgage loans are reported in investments on SC185, in Schedule CMR pass-through securities backed by nonmortgage loans are reported with nonmortgage loans); and
2. Loan commitments that have not yet been taken down, even if fees have been received.

SC30: Total

Report the sum of SC300 through SC348 less SC357. This line will be automatically computed by the electronic filing software.

Commercial Loans:

SC32: Total

Report the sum of SC300 through SC306. This line will be automatically computed by the electronic filing software.

SC300: Secured, Other than Mortgage

Report all loans to corporations, partnerships, and individuals for business purposes that are secured by tangible property other than real estate.

Include:

1. Loans secured by commercial properties that do not qualify as mortgage loans;
2. Secured loans for farming operations;
3. Floor-planning (inventory/wholesale) loans to dealers for automobiles or mobile homes;
4. Retail auto loans if the autos are for commercial use;
5. Nonmortgage loans insured or guaranteed by an agency of the federal government, state or municipal government authority (including FmHA, AID, and the insured portion of unsecuritized SBA loans);
6. Secured nonmortgage loans to unconsolidated subordinate organizations; and
7. Outstanding balances of secured commercial lines of credit.

Do not include:

1. Commercial financing leases; report on SC306; and
2. The uninsured portion of SBA loans; report on SC303.

SC303: Unsecured

Report all unsecured loans to corporations, partnerships, and individuals for business purposes.

Include:

1. Unsecured construction loans to builders;
2. Unsecured loans for the improvement of multifamily and other commercial property;
3. The outstanding balance of unsecured commercial lines of credit and overdrafts on commercial demand deposits, and business credit cards;
4. Unsecured loans for farming operations; and
5. All other unsecured loans made for commercial purposes.

Do not include:

1. Unsecured loans to unconsolidated subordinate organizations; report on SC50 (Investment in Unconsolidated Subordinate Organizations); and
2. Corporate debt securities (even if included in calculating OTS commercial loan limitations); report on SC185.

SC306: Financing Leases

Report all financing leases, including leveraged leases, to corporations, partnerships, and individuals for business purposes.

Consumer Loans:

Loans issued at a discount should be reported net of the related unearned interest in accordance with APB Opinion No 21.

SC34: Total

Report the sum of SC310 through SC345. This line will be automatically computed by the electronic filing software.

Closed End:

Closed-end loans are loans that have a fixed amount to be disbursed where the entire amount is expected to be disbursed. Overdraft privileges, credit cards, and lines of credit are **open-end** loans because, although they have a fixed ceiling, the savings association may not necessarily disburse the full amount of the line of credit.

SC310: Loans on Deposits

Report share loans and other loans to individuals for household, family, and other personal expenditures fully secured by the pledge or assignment of the borrower's deposits or other credits at the lending institution. When a loan is secured by a lien on real estate or chattel and is also secured by a pledge on deposits, the entire loan should be classified based on what the reporting savings association considers the loan's primary collateral.

SC316: Home Improvement Loans

Report all closed-end home improvement loans (insured or uninsured) for the equipping, alteration, repair, or improvement of 1-4 dwelling units based primarily on the creditworthiness of the borrower.

Do not include:

1. Loans for the improvement of multifamily housing (5 or more dwelling units) or for nonresidential property; report on SC303 (Unsecured Commercial Loans); and
2. Home equity lines of credit; report on SC340.

SC320: Education Loans

Report closed-end loans originated for the sole purpose of funding educational expenses.

SC323: Auto Loans

Report all loans to consumers secured by automobiles, including pickup or panel trucks, vans and sports utility vehicles that are primarily for personal use.

Do not include:

1. Loans on cars or trucks intended primarily for commercial, industrial and professional purposes; report on SC300 (Commercial Loans: Secured, Other than Mortgage);
2. Loans on motorcycles; report on SC330 (Other Closed-end Consumer Loans, Including Leases);
3. Loans on recreational vehicles such as boats and airplanes; report on SC330 (Other Closed-end Consumer Loans, Including Leases); and
4. Floor-planning (inventory/wholesale) loans; report on SC300 (Commercial Loans: Secured, Other than Mortgage).

SC326: Mobile Home Loans

Report consumer loans secured by mobile homes.

Do not include:

Floor-planning (inventory/wholesale) loans; report on SC300 (Commercial Loans: Secured, Other than Mortgage).

SC330: Other, Including Leases

Report closed-end loans and financing leases to individuals for household, family, and other personal expenditures not included elsewhere.

Include loans on:

1. Time-share units;
2. Motorcycles;
3. Boats;
4. Airplanes; and
5. Other recreational vehicles.

Do not include loans on units in cooperative buildings; report on SC250 (Permanent Mortgages on 1-4 Dwelling Units: Closed-end First Mortgages and Junior Liens).

Open-End:

Report loan amounts actually disbursed and still outstanding. Undisbursed amounts are reported on CC410 (Unused Lines of Credit: Open-End Consumer Lines).

SC340: Revolving Loans Secured by 1-4 Dwelling Units

Report the disbursed portion of all revolving, open-end loans secured by 1-4 dwelling units and extended under lines of credit (open-end home equity loans) that do not meet the requirements of OTS Regulations 564 and 560.100-101 and therefore cannot be classified as mortgages.

Do not include:

1. Closed-end home improvement loans; report on SC316; and
2. Equity loans on commercial property; report on SC300 (Commercial Loans: Secured, Other than Mortgage).

SC345: Credit Cards and Related Plans

Report the disbursed portion of open-end consumer credit, including both secured and unsecured credit.

Include:

1. Credit extended in connection with consumer credit cards; and
2. Overdrafts of consumer NOW and demand accounts; do not net against deposits reported on SC710 (Deposits).

Do not include:

1. Unsecured credit extended for commercial purposes; report on SC303 (Commercial Loans: Unsecured); and
2. Unused portion of credit extended to individuals; report only the disbursed portion.

SC348: Accrued Interest Receivable

Report accrued interest receivable on nonmortgage loans reported on SC300 through SC345, if collection was probable at the time of accrual. Loans on which the collection of interest is not probable must be placed in a nonaccrual status.

Do not include:

1. Interest receivable if collection was not probable at the time it was recorded; and
2. Interest receivable on loans or participations serviced for others; report on SC690 (Other Assets).

SC357: Allowance for Loan and Lease Losses

Report all allowances for loan and lease losses (ALLL) established to recognize credit losses on nonmortgage loans reported on SC300 through SC348. All ALLL must be included in the reconciliation of valuation allowances in Schedule VA.

REPOSSESSED ASSETS

Throughout these instructions, the terms “foreclosure” and “repossession” (and other forms of those terms) are used interchangeably. In addition, the terms “foreclosed assets” and “repossessed assets” include in-substance foreclosures.

Foreclosed assets are deemed held for sale and are initially recorded at the lower of: (1) recorded investment (*i.e.*, carrying value before deduction for valuation allowances) in the loan or (2) fair value, less cost to sell, of the foreclosed asset.

At foreclosure, any excess of recorded investment over fair value less cost to sell is classified “Loss” and is charged-off. This “Loss” classification may not be represented by a valuation allowance. Accordingly, the lower of: (1) recorded investment in the loan, or (2) fair value less cost to sell of the foreclosed asset, becomes the new recorded investment in the foreclosed asset. Legal fees and direct costs of acquiring title to foreclosed assets are to be expensed as incurred, and thus are not part of the recorded investment.

After foreclosure, any excess of recorded investment over the current fair value less cost to sell is classified “Loss” and is charged-off, or may be represented by a specific valuation allowance. Valuation allowances are deducted from recorded investment to arrive at carrying value. Repossessed assets are to be reported net of specific valuation allowances.

For a foreclosed asset subject to a third party liability (*i.e.*, a lien senior to that settled by the foreclosure), the third party liability is reported on SC760 (Other Borrowings). Therefore, the carrying value of such a foreclosed asset is not offset by the third party liability.

Include:

1. Real estate and other assets for which a marketable title has been acquired by foreclosure or by a deed in lieu of foreclosure;
2. Real estate and other assets acquired through in-substance foreclosure for which a marketable title has not yet been acquired;
3. Real estate and other assets acquired as part of a troubled debt restructuring;
4. Capitalized costs for repossessed assets during construction (not exceeding fair value less cost to sell); and
5. Property which a loan servicer has acquired through foreclosure on your behalf (including in-substance foreclosures) where there is no recourse to a third party.

Do not include:

1. Real estate held for investment or development; report on SC45 (Real Estate Held for Investment);
2. Real estate acquired for future use of the reporting savings association; report on SC55 (Office Premises and Equipment);
3. Real estate acquired by foreclosure or deed in lieu of foreclosure on VA or FHA-HUD loans while the title is held pending conveyance to that agency; report on SC690 (Other Assets);
4. Foreclosed real estate from a loan treated as an investment in real estate in accordance with GAAP; continue to report these on SC45 (Real Estate Held for Investment); and
5. Foreclosed real estate from loans to entities (*e.g.*, joint ventures) in which the reporting savings association or its subsidiaries are investors; report these on SC45 (Real Estate Held for Investment).

SC40: Total

Report the sum of SC405 through SC430 less SC441. This line will be automatically computed by the electronic filing software.

Real Estate:

SC405: Construction

Report repossessed real estate that is in the process of construction. Do not include land being developed into building lots prior to the initiation of construction of improvements, which is reported on SC428.

SC415: 1-4 Dwelling Units

Report repossessed property consisting of 1-4 dwelling units that is not in the process of construction.

SC425: 5 or More Dwelling Units

Report repossessed property consisting of 5 or more dwelling units that is not in the process of construction.

SC426: NONRESIDENTIAL (EXCEPT LAND)

Report repossessed nonresidential property. Do not include land, which is reported on SC428.

SC428: LAND

Report repossessed land.

Include:

1. Vacant land;
2. Developed building lots on which no building construction has begun; and
3. Land in the process of being subdivided and developed into lots.

SC430: Other Repossessed Assets

Report all non-real-estate repossessed property.

SC441: General Valuation Allowances

Report all general valuation allowances established on repossessed assets.

Do not include:

1. Specific valuation allowances; these must directly reduce the asset balance;
2. Writedowns to mark repossessed assets to fair value less cost to sell at foreclosure; these must directly reduce the asset balance; and
3. Valuation allowances established prior to transfer to REO.

SC45: Real Estate Held for Investment

Report the recorded investment of all real estate acquired by the reporting savings association for development, investment or resale, net of specific valuation allowances, general valuation allowances reported on SC481, and accumulated depreciation.

Include:

1. Real estate acquired and held for investment purposes;
2. Real estate loans that are accounted for as investments in real estate in accordance with GAAP;
3. Real estate originally acquired for future use of the savings association but no longer intended for that purpose, unless it is held-for-sale, in which case it is reported on SC55;
4. Real estate formerly occupied by the reporting savings association, unless it is held-for-sale, in which case it is reported on SC55;
5. Real estate acquired through foreclosure that no longer qualifies as “repossessed real estate” because of the length of time it has been held or the purpose for which it is being held; and
6. Capitalized carrying costs of real estate in the process of construction in accordance with SFAS No. 34, “Capitalization of Interest Costs.”

Do not include:

1. Office buildings and land that the savings association owns and uses in its business operations; report on SC55 (Office Premises and Equipment);
2. Real estate acquired as part of a troubled debt restructuring; report on SC405 through SC428 (Repossessed Assets: Real Estate);
3. Real estate acquired indirectly through an entity designated as a pass-through investment as described in OTS Regulation 560.32; report the pass-through investment on SC50 (Equity Investment Not Subject to SFAS No. 115); and
4. The share of investments owned in real estate joint ventures qualifying as unconsolidated subordinate organizations; report on SC50.

SC481: Memo: General Valuation Allowances

This item has already been deducted from SC45 and therefore is a memo item and is not included in the summation of assets for SC60 (Total Assets). Report all general valuation allowances established on real estate held for investment reported on SC45. All valuation allowances must be included in the reconciliation of valuation allowances in Schedule VA.

SC50: EQUITY INVESTMENTS NOT SUBJECT TO SFAS NO. 115 (EXCLUDING FHLB STOCK)

Report the investment in all unconsolidated subordinate organizations and pass-through investments (even though they are not subordinate organizations) accounted for by either the equity or cost method. Include unsecured loans to unconsolidated subordinate organizations. Report secured loans to unconsolidated subordinate organizations in the appropriate loan category according to the underlying collateral of the loan.

Equity Method

The equity method as described in APB Opinion No. 18 is generally used when an investor owns 20% to 50% of the voting shares of an investment and/or is able to exert significant influence over the operation of the entity.

The carrying value of the savings association's investment in common stock is initially recorded at cost. The investment is adjusted to record the savings association's proportionate share of the entity's earnings or losses after the elimination of intercompany profits and is decreased by the amount of dividends from the entity.

Cost Method

The cost method is used when an savings association owns less than 20% of the voting shares of the investment and cannot exert significant influence over its operations.

The carrying value of the savings association's investment is recorded at cost and is not adjusted for net income or loss or dividends. Cash dividends received are recorded as income from the investment and are reported on SO491 (Other Noninterest Income).

SC529: Memo: General Valuation Allowances

This item is a memo item that has already been deducted from SC50 and therefore is not included in the summation of assets for SC60 (Total Assets). Report all general valuation allowances established on amounts reported on SC50 to recognize losses pertaining to the reporting savings association's investment in and unsecured loans to its unconsolidated subordinate organizations. All valuation allowances must be included in the reconciliation of valuation allowances in Schedule VA.

Do not include:

1. Specific valuation allowances;
2. Valuation allowances established at the subordinate organization level; and
3. Permanent declines in value; these must be written off directly against the equity investment.

SC55: OFFICE PREMISES AND EQUIPMENT

Report the book value of all premises and equipment (whether purchased directly or acquired by means of a capital lease) used in the reporting savings association's business operations, net of accumulated depreciation. In a sale/leaseback where the resulting lease is a capital lease, report the capital lease net of the unamortized deferred gain or loss.

Report depreciation expense for the quarter on SO530 (Office Occupancy and Equipment Expense).

Include:

1. All land, buildings, and parking lots occupied by the savings association, including those only partially occupied by the reporting savings association;
2. Land or improved real estate intended for future use in the business operations of the savings association;
3. Capital leases for the savings association's office premises and equipment;
4. Carrying costs capitalized during the construction of the savings association's premises;

5. The unamortized balance of all improvements to leased quarters and any capital improvements made to land leased for the use of the savings association;
6. Office furniture, fixtures, equipment and vehicles owned by the reporting savings association;
7. Costs of computer software developed or obtained for internal use **only** where such costs have been capitalized and amortized in accordance with the provisions of AICPA Statement of Position 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use."

Do not include:

1. Repossessed assets, unless used by the reporting savings association on other than a temporary basis; report on SC405 through SC430;
2. Real estate held for investment; report on SC45;
3. Real estate originally purchased for use by the savings association but no longer intended for that use, unless held for sale; report on SC45 (Real Estate Held for Investment);
4. Real estate acquired as part of a troubled debt restructuring; report on SC405 through SC428 (Repossessed Real Estate); and
5. Costs specifically associated with modifying internal-use computer software for the year 2000, whether such costs are external or internal; such costs should be charged to expense as incurred, pursuant to EITF Issue No. 96-14, "Accounting for the Costs Associated with Modifying Computer Software for the Year 2000".

OTHER ASSETS:

SC58: TOTAL

Report the sum of SC642 through SC690 less SC699. This line will be automatically computed by the electronic filing software.

Servicing Assets on:

Report the amortized cost, net of any specific valuation allowances, of servicing assets accounted for under SFAS No. 125.

In general, servicing assets are initially recorded at cost (which often approximates fair value). Subsequent to initial recording, servicing assets are measured at the lower of amortized cost or fair value. Where amortized cost exceeds fair value, the amount of the impairment is represented by a specific valuation allowance.

Servicing assets are subject to certain regulatory capital limitations; refer to the instructions for data field CCR230.

Do not include amounts for any rights to future interest income from the serviced loans that exceed contractually specified servicing fees (defined below). Such rights are not servicing assets. Report such amounts on SC655 (Interest-only Strip Receivables and Certain Other Instruments).

Contractually specified servicing fees are all amounts that, per the contract, are due to the servicer in exchange for the servicing and would no longer be received by a servicer if the beneficial owners of the serviced assets were to exercise their actual or potential authority under the contract to shift the servicing to another servicer.

SC642: Mortgage Loans

Report servicing assets on mortgage loans only.

SC644: Nonmortgage Loans

Report servicing assets of loans other than mortgages; *e.g.,* automobile and credit card loans.

SC655: Interest-only Strip Receivables and Certain Other Instruments

Report the amortized cost, net of any specific valuation allowances, of certain nonsecurity financial instruments (CNFIs) accounted for under SFAS No. 125. CNFIs include interest-only strip receivables, loans receivable, other receivables, or retained interests in securitizations that can be contractually prepaid or otherwise settled in such a way that the holder would not recover substantially all of its recorded investment.

Do not include interest-only strips **in security form**; report on SC150 (Mortgage Derivative Securities).

In general, CNFIs are initially recorded at cost (which often approximates fair value). Subsequent to initial recording, CNFIs are measured at fair value, like investments in debt securities classified as available-for-sale or trading under SFAS No. 115.

SC660: Goodwill and Other Intangible Assets

Report the unamortized balance of goodwill and other intangibles.

Goodwill arises when:

1. The fair value of liabilities assumed exceeds the fair value of tangible and identified intangible assets acquired; and
2. The purchase price exceeds the fair value of assets received (including identifiable intangible assets) less the fair value of liabilities assumed.

Goodwill is recorded in:

1. Mergers using the purchase method of accounting;
2. Acquisitions of the reporting savings association using push-down accounting; and
3. Purchase of the assets and liabilities of a branch office.

Goodwill is not recorded in receiverships and similar reorganizations. In this case the excess of liabilities over assets is recorded as deficit capital.

The recording, determination of the life, and amortization of goodwill must be in accordance with GAAP as principally prescribed by SFAS No. 72.

Include:

1. Goodwill;
2. Identified core deposit intangibles;
3. Organization costs; and
4. Other intangible assets.

Do not include:

1. Servicing assets reported on SC642 and SC644 (Servicing Assets); and

2. Interest-only strip receivables and certain other instruments reported on SC655.

SC690: Other Assets

Report the total of assets not reported elsewhere on Schedule SC. A list of the types of assets to be included can be found in the memo items detailing other assets below.

Do not include:

1. Premiums on deposits and borrowed money purchased by the reporting savings association; report premiums on deposits on SC715 and premiums on borrowed money with the related borrowing;
2. Deferred credits (deferred income) that do not have a related asset; report on SC796 (Other Liabilities and Deferred Income);
3. Accounts with a material credit balance that are not contra-assets; report on SC796 (Other Liabilities and Deferred Income); and
4. Identified core deposit intangibles; report on SC660 (Goodwill and Other Intangible Assets).

Memo: Detail of Other Assets

Report the three largest items comprising the amount reported in SC690. Codes best describing these items should be selected from the list below and reported on SC691, 693 and 697, and the corresponding amounts should be reported on SC692, 694, and 698. This detail must be completed if an amount is reported on SC690.

SC691, 693 and 697: Codes

01 Federal Home Loan Bank Stock

02 Accrued Federal Home Loan Bank dividends

03 Federal, state, or other taxes receivable (whether as the result of prepayment or net operating loss carrybacks);

04 Net deferred tax assets in accordance with SFAS No.109;

05 Insured portion of real estate acquired by foreclosure or deed in lieu of foreclosure on VA or FHA-HUD loans while the title is held pending conveyance to that agency

06 Prepaid deposit insurance premiums

07 Prepaid expenses

08 Deposits for utilities and other services

09 Advances for loans serviced for others (including advances for taxes and insurance and advances to investors)

10 Property leased to others under an operating lease as provided in OTS Regulation 560.41, net of accumulated depreciation

11 Deferred issuance costs related to subordinated debentures, mandatory convertible securities, and redeemable preferred stock

12 Amounts receivable under interest rate swap agreements

13 Noninterest-bearing accounts receivable from a holding company or affiliate

14 Other miscellaneous noninterest-bearing short-term accounts receivable

15 Margin accounts

16 Unamortized options fees

17 Deferred net losses (gains) on asset hedges

18 Cash surrender value of life insurance

19 Receivable from a broker between trade and settlement dates on the sale of securities

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.

All valuation allowances must be included in the reconciliation of valuation allowances in Schedule VA.

SC60: Total Assets

Report the sum of SC10, SC20, SC23, SC30, SC40, SC45, SC50, SC55, and SC 58. This amount will be automatically computed by the electronic filing software and must equal SC90.

LIABILITIES

DEPOSITS

SC710:

Report all deposits at their face value except zero coupon deposits, which are reported 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 the savings association's assets, such as deposits of public funds.
3. Unposted credits, such as:
   a. Deposit transactions that are included in a general ledger account and have not yet been posted to a deposit account;
   b. Deposits received in one branch for deposit into another branch (typically another branch in another state or outside of continental USA).

   Unposted credits should be reported net of unposted debits, which are defined as cash items in the reporting savings association's possession that are drawn on the reporting savings association and immediately chargeable, but not yet charged, against the savings association's deposits at the close of business on the reporting date.

   Exclude:
   (i) cash items drawn on other financial institutions;
   (ii) overdrafts and nonsufficient fund (NSF) items;
   (iii) cash items returned unpaid to the last endorser for any reason; and
   (iv) drafts and warrants that are "payable at" or "payable through" the reporting savings association for which there is no written authorization from the depositor and no state statute allowing the savings association at its 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 #3 is negative, it can be deducted 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 issued in payment for services, dividends, or purchases of the reporting savings association, or payable to a third party named by a customer making the withdrawal.
5. Accounts pledged by the directors and/or organizers of the savings association 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; such balances are reported on SC796 (Other Liabilities and Deferred Income).

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

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

Reciprocal balances with commercial banks and other savings associations should be reported on a net basis where the right of set-off exists. Reciprocal demand balances arise when two depository institutions maintain deposit accounts with each other. The amount by which the reporting savings association's demand deposits have been reduced by reciprocal balances is reported on SI247 for demand deposits and SI248 for time and savings deposits.

Do not include:

1. Escrow accounts; report on SC783 (Escrows).
2. Custodial accounts established pursuant to loan servicing agreements; report on SC783 (Escrows).
3. Deposit accounts set up by the savings association in its own name. Eliminate the cash account from assets and the same amount from deposits. See item 4 under "include" above concerning outstanding checks.
4. Outstanding checks drawn on, or payable at or through, a non-zero-balance account at a Federal Reserve Bank or a Federal Home Loan Bank. These amounts should be deducted from cash-in-bank (typically, SC110 or SC162, as appropriate), and also reported on SI239 for inclusion in the deposit base for FDIC insurance assessment purposes. See item 9 under "Include" above concerning outstanding checks drawn on zero-balance accounts.
5. Outstanding checks written against accounts in other depository institutions, as defined by the Federal Deposit Insurance Act; deduct these from the related deposit reported on SC110 or SC166.

6. Discounts and premiums established as a result of marking assets and liabilities to fair value as a result of an acquisition, merger, or change in control; report on SC715 (Unamortized Yield Adjustments on Deposits).
7. Deductions for commissions and other capitalized items; report on SC715 (Unamortized Yield Adjustments on Deposits);
8. Deductions for customers' overdrafts in NOW and demand accounts unless the right of set-off under a valid cash management arrangement exists for accounts of the same legal entity; report as loans on SC303 (Commercial Loans: Unsecured) or SC345 (Consumer Loans: Open-End: Unsecured);
9. U.S. Treasury tax and loan account balances credited prior to the reporting date that are automatically converted into open-ended interest-bearing notes; such balances are reported in liabilities on SC796 (Other Liabilities and Deferred Income); and
10. Hypothecated deposits (deposits accumulated for the payment of loans); deduct these from the related loan.

ESCROWS

SC783:

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

Include:

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

Do not include:

1. Advances for borrowers' taxes and insurance (*i.e.*, T&I escrow accounts with debit balances). If the related loan is owned by the reporting savings association or its consolidated subsidiaries, report on SC275 (Advances for Taxes and Insurance). If the related loan is serviced for others, report on SC690 (Other Assets, Code 09).

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

SC715: Unamortized Yield Adjustments on Deposits

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

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

Include:

1. Discounts and premiums from marking deposits to fair value as a result of an acquisition, merger, or change in control;
2. Commissions paid on deposits;
3. Promotions, give-aways and other capitalized expenses; and
4. The net deferred gain or loss on termination of interest-rate swaps hedging deposits.

This data field is negative (*i.e.*, a debit) when unamortized discounts, capitalized expenses, and losses on terminated interest-rate swaps exceed the total credit-balance yield adjustments.

Do not include:

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

BORROWINGS

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

SC72: Total

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

SC720: Advances from FHLBank

Report all FHLBank borrowings.

Include:

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

Do not include:

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

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

Include:

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

2. Federal Funds Purchased.

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

Do not include:

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

SC735: Subordinated Debentures (Including Mandatory Convertible Securities)

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

Mortgage Collateralized Securities Issued:

Report only those mortgage collateralized securities that are not recorded as sales in accordance with GAAP as principally prescribed by SFAS No. 77, “Reporting by Transferors for Transfers of Receivables with Recourse” and FASB Technical Bulletin 85-2, “Accounting for Collateralized Mortgage Obligations (CMOs).”

SC740: CMOs (including REMICs)

Report all collateralized mortgage obligations (CMOs) issued by the reporting savings association and its consolidated subsidiaries net of issuance costs, discounts and premiums.

SC745: Other

Report all mortgage collateralized securities, other than CMOs, issued by the reporting savings association and its consolidated subsidiaries that are not recorded as sales in accordance with GAAP.

SC760: Other Borrowings

Report all other borrowings not included on SC720 through SC745.

Include:

1. Redeemable preferred stock issued by consolidated subsidiaries to third parties.
2. Mortgages and other encumbrances on the savings association’s office premises or real estate owned for which the savings association is liable.
3. Obligations of an employee stock ownership plan (ESOP) to a lender other than the savings association or holding company, when such reporting is required under GAAP, including the AICPA Statement of Position 93-6, “Employers’ Accounting for Employee Stock Ownership Plans.”
4. The underlying mortgage in a wrap-around loan unless the holder of the underlying mortgage has accepted a subordinated position, in which case, the underlying loan is deducted against the related loan.
5. Senior liens on foreclosed real estate.
6. Overdrafts in the reporting savings association’s transaction accounts in other depository institutions, where there is no right of set-off against other accounts in the same financial institution. If the overdraft is in a zero-balance account or an account that is not routinely maintained with sufficient balances to cover checks drawn in the normal course of business, the funds received or held in connection with checks drawn on the other depository institutions are to be included in deposits;
7. Commercial paper issued.
8. Liabilities for capital leases related to assets reported on SC55.
9. Eurodollar issues.
10. The liability from a “sale” of loans with recourse accounted for as a financing; refer to SFAS No. 77, “Reporting by Transferors for Transfers of Receivables with Recourse.”

Do not include:

1. Accrued interest due and payable; report on SC766 (Accrued Interest Payable - Other).
2. Redeemable preferred stock issued by the reporting savings association; report on SC799 (Redeemable Preferred Stock and Minority Interest).

3. Permanent preferred stock issued by a consolidated subsidiary; report on SC799 (Redeemable Preferred Stock and Minority Interest).

The interest and dividends on all borrowings and yield adjustments reported on this line must be charged to expense on SO260 (Other Borrowed Money). Interest expense must not be netted against the interest income on the related asset.

OTHER LIABILITIES

SC75: Total

Report the sum of SC763 through SC796. This line will be automatically computed by the electronic filing software.

SC763: Accrued Interest Payable - Deposits

Report accrued interest that has not been credited to deposit accounts.

Do not include:

Interest withheld from deposits for remittance to taxing authorities; report on SC783 (Escrows).

SC766: Accrued Interest Payable - Other

Include:

Accrued interest/dividends due on borrowings reported on SC720 through SC760.

SC776: Accrued Taxes

Include:

1. Federal, state and local income taxes;
2. Real estate taxes;
3. Employer's share of payroll taxes; and
4. Other miscellaneous taxes.

Do not include:

1. Taxes withheld from employees' salaries; report on SC783 (Escrows);
2. Tax accrual accounts with debit balances; report as accounts receivable on SC690 (Other Assets); and
3. Interest withheld from deposits for remittance to taxing authorities; report on SC783 (Escrows).

SC780: Accounts Payable

Report the amount accrued for services, supplies, materials, and other expenses.

Accounts payable with material debit balances must be reclassified to accounts receivable; report on SC690 (Other Assets, Code 14).

SC790: Deferred Income Taxes

Report deferred federal, state, and local income tax liabilities. Report debit balances as assets on SC690 (Other Assets, Code 03).

SC796: Other Liabilities and Deferred Income

Report the total of liabilities not reported elsewhere on Schedule SC. A list of the types of liabilities to be included can be found in the memo items detailing other liabilities below.

Memo: Detail of Other Liabilities

Report the three largest items comprising the amount reported in SC796. Codes best describing these items should be selected from the list below and reported on SC791, 794 and 797, and the corresponding amounts should be reported on SC792, 795, and 798. This detail must be completed if an amount is report on SC796.

SC791, 794 and 797: Codes

01 Dividends payable on stock

02 Financial options fees received

03 Deferred net gains (losses) on liability hedges

04 Nonrefundable loan commitment fees received prior to loan closing

05 Deferred gains from sale/leaseback where the resulting lease is an operating lease

06 Balances in U.S. Treasury tax and loan accounts administered under the note option that provide for the conversion of the previous day's balance to an interest-bearing demand note

07 Deferred gains from the sale of real estate recorded under the percentage-of-completion or deposit methods pursuant to SFAS No. 66, "Accounting for Sales of Real Estate"

08 Negative investments in entities accounted for under the equity method;

09 Fees received for standby contracts and other option arrangements where the savings association is obligated to purchase or sell securities at the option of the other party

10 Amounts due brokers between trade and settlement dates on the purchase of securities

11 The liability recorded for pensions and other post-retirement benefits

12 Negative goodwill

13 Amounts payable under interest-rate-swap agreements

14 Unapplied loan payments received for which the customer's account will be credited as of the date of receipt

15 Liability when the benefits of a loan servicing contract are not expected to adequately compensate the servicer

16 Recourse loan liability

17 Noninterest-bearing payables due to affiliates

18 Litigation reserves

19 Nonrefundable stock subscriptions (Note that refundable stock subscriptions are reported as escrows on SC783)

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

Do not Include:

1. Escrows; report on SC783 (Escrows);
2. Deferred credits classified as contra-assets (*e.g.*, loans in process, deferred loan fees, etc.);
3. Yield adjustments on deposits; report on SC715 (Unamortized Yield Adjustments on Deposits);
4. Yield adjustments, commitment fees, and issue costs on FHLBank advances and other borrowings; report as part of the borrowings' balance;
5. Accrued interest on escrow accounts; report on SC783 (Escrows);
6. U.S. Treasury tax and loan accounts administered under the remittance option requiring the remittance of the previous day's balance to a Federal Reserve Bank; report on SC710 (Deposits); and
7. Unapplied loan payments received for which the customer's account will be credited as of the date of transfer rather than the date of receipt from the customer; report on SC710 (Deposits).

SC792, 795, and 798: Amount

Report the dollar amounts corresponding to the codes reported on SC791, 794, and 797.

SC70: Total Liabilities

Report the sum of SC710, SC783, SC715, SC72, and SC75. This line will be automatically computed by the electronic filing software.

REDEEMABLE PREFERRED STOCK AND MINORITY INTEREST

SC799:

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 issued by the reporting savings association;
2. Perpetual preferred stock issued by consolidated subsidiaries to third parties constituting minority interest; and
3. Income Capital Certificates issued to FSLIC Resolution Fund for which cash has been received and no FSLIC note remains on the books of the reporting savings association.

Do not include:

1. Redeemable preferred stock issued by consolidated subsidiaries to third parties; report on SC760 (Other Borrowings);

2. Preferred stock (redeemable and perpetual) issued by consolidated subsidiaries to the reporting savings association or its other subordinate organizations; when consolidating these must be eliminated; and
3. Deferred issuance costs; report on SC690 (Other Assets).

Dividends on items included on this line reduce retained earnings when declared and are reported on SI620 (Dividends Declared: Preferred Stock).

EQUITY CAPITAL

PERPETUAL PREFERRED STOCK

Include:

1. Preferred stock issued by the reporting savings association that is nonredeemable by the purchaser and that qualifies as equity capital under GAAP;
2. Perpetual preferred stock and permanent income capital certificates (PICCs) issued to FSLIC Resolution Fund (less related outstanding FSLIC notes receivable); and
3. Preferred stock convertible into common stock.

Report preferred stock net of issuance costs, premiums, and discounts. If preferred stock is issued above par value, include the amount paid in excess of par with the par value.

Dividends on perpetual preferred stock reduce retained earnings when declared and are reported on SI620 (Dividends Declared: Preferred Stock).

Do not include:

1. Redeemable preferred stock issued by the reporting savings association; report on SC799 (Redeemable Preferred Stock and Minority Interest);
2. Redeemable preferred stock issued by a consolidated subsidiary; report on SC760 (Other Borrowings);
3. Permanent preferred stock issued by a consolidated subsidiary; report as minority interest on SC799 (Redeemable Preferred Stock and Minority Interest); and
4. Income Capital Certificates (ICCs) issued to FSLIC Resolution Fund; report on SC799 (Redeemable Preferred Stock and Minority Interest).

SC812: Cumulative

Report permanent preferred stock where the stockholders are entitled to receive unpaid dividends before the payment of dividends on other classes of stock.

SC814: Noncumulative

Report permanent preferred stock whose dividends do not accumulate if unpaid.

COMMON STOCK

SC820: Par Value

Report the par value of all outstanding common stock (permanent, reserve, or guaranty stock) issued by the reporting savings association.

If the par value of common stock issued is less than $500, report “1” in this data field to indicate that it is not zero, and, if necessary, reduce the amount reported on SC830 by one.

Dividends declared on common stock are a reduction of retained earnings and are reported on SI630 (Dividends Declared: Common Stock).

Do not include deductions for:

1. Stock reacquired by the reporting savings association (treasury stock); report as a negative on SC890 (Other Components of Equity Capital).

2. Unallocated ESOP shares; report as a negative on SC890 (Other Components of Equity Capital).

SC830: Paid in Excess of Par

Include:

1. Amounts paid in excess of par value from the issuance of common stock for cash or nonmonetary assets; and
2. Permanent capital contributions by the stockholders not related to the purchase of stock.

Deduct the costs of issuing common stock.

Do not include:

1. Paid-in capital from the issuance of preferred stock; report on SC812 or SC814 (Perpetual Preferred Stock); and
2. FSLIC Capital contributions; report as a reduction from goodwill on SC660 (Goodwill and Other Intangible Assets).

SC860: UNREALIZED GAINS (LOSSES) ON AVAILABLE-FOR-SALE SECURITIES

Report unrealized gains (losses), net of taxes, for the reporting savings association and its subordinate organizations on available-for-sale securities and on certain nonsecurity financial instruments (CNFIs) classified as available-for-sale, pursuant to SFAS No. 115, “Accounting for Certain Investments in Debt and Equity Securities”.

Gains and losses reported in this data field are not reported in the Statement of Operations until either the asset is sold, a loss is considered other-than-temporary, or they are amortized in accordance with the following paragraph.

Include the unamortized amount of the unrealized gain or loss at the date of transfer of debt securities transferred from available-for-sale to held-to-maturity category. This gain or loss continues to be reported on this line until it is completely amortized over the remaining life of the security as an adjustment of yield in the same manner as a discount or premium.

Unrealized gains (losses) on securities and CNFIs are not reported as valuation allowances and, therefore, are not included in Schedule VA..

Report this data field as negative when unrealized losses exceed unrealized gains.

Do not include declines in fair value judged to be other-than-temporary. Report such losses in earnings on SO321 (Net Provision for Losses on Interest-Bearing Assets).

RETAINED EARNINGS

SC880:

Retained earnings are the accumulated net income of the reporting savings association since inception less distributions to shareholders and amounts transferred to other equity capital accounts.

Include:

1. Undistributed income (net income from interim periods of operation prior to closing the reporting savings association's books);
2. Retained earnings from prior operating periods for which the savings association's books are closed;
3. Restrictions or appropriations of retained earnings as designated by the reporting savings association's board of directors; and
4. A deduction for the amount by which liabilities exceed identified assets for savings associations in receivership, because these savings associations may not report goodwill. (Refer to EITF Consensus No 85-41).

SC890: OTHER COMPONENTS OF EQUITY CAPITAL

Report amounts reported under GAAP as separate components of equity capital. In most cases the amounts in this data field will be reported as negative, as these items typically reduce equity capital.

Include:

1. Treasury stock;
2. Unearned employee stock ownership plan (ESOP) shares, when such reporting is required under GAAP, including the AICPA Statement of Position 93-6, "Employers' Accounting for Employee Stock Ownership Plans;" and
3. Minimum pension liability.

SC80: Total Equity Capital

Report the sum of SC812 through SC890. This line will be automatically computed by the electronic filing software.

SC90: Total Liabilities, Redeemable Preferred Stock, Minority Interest, and Equity Capital

Report the sum of SC70, SC799 and SC80. This line will be automatically computed by the electronic filing software.

SCHEDULE SO — CONSOLIDATED STATEMENT OF OPERATIONS

Schedule SO is completed on a consolidated basis. Report net income or loss allocable to minority shareholders on SO491 (Other Noninterest Income).

Income and expense are to be reported only for the quarter ending on the report date, regardless of the reporting association's fiscal year end. No data in Schedule SO should be year-to-date. Note that the accrual basis of accounting is required by GAAP.

Schedule SO should reflect all items of income and expense for the reporting association and its consolidated subsidiaries). Prior-period adjustments should be included along with current activity on the appropriate data field(s) in this report. Generally, amendments may be filed only within 55 days of the report date or when required by the OTS. Audit adjustments for prior periods included in the current report pertaining to data fields that are reported on a net basis (*i.e.*, SO321, SO410, SO430 through SO485, SO570, SO710, and SO720) should be reported on the appropriate data field. All other adjustments should be reported as Other Noninterest Income (SO491) or Other Noninterest Expense (SO580) to avoid having distorted yields or negative numbers in fields that do not permit negatives. Generally, audit adjustments should not be reported as an adjustment of retained earnings.

INTEREST INCOME

SO11: Total

Report the sum of SO110 through SO180.

This line will be automatically computed by the electronic filing software.

SO110: Deposits and Investment Securities

Report interest and dividends earned on deposits and investment securities reported on SC110 through SC185.

Include:

1. The gross income earned on all deposits and investment securities including those used as collateral under agreements to resell; and
2. The net amount of yield adjustments to interest and dividend income on deposits and investment securities.

Do not include:

1. Interest or dividends on assets reported on SC690 (Other Assets) (*e.g.*, accounts receivable and FHLBank stock); report on SO491 (Other Noninterest Income);
2. Amortization of deferred gains and losses on futures and options positions hedging deposits and investment securities; report on SO180 (Amortization of Deferred Gains (Losses) on Asset Hedges);
3. Uncollected interest recorded solely to track interest due after a loan has been placed in nonaccrual status; report the interest net of the expense; and
4. Adjustments to reverse uncollected interest accrued in prior periods; report on SO321 (Net Provision for Losses On Interest-Bearing Assets).

SO120: Mortgage Pool Securities

Report interest earned on mortgage pool securities reported on SC210 and SC215 (Mortgage Pool Securities) including amortization of premiums and discounts.

Do not include:

1. Amortization of deferred gains and deferred losses on futures and options positions hedging mortgage pool securities; report these yield adjustments on SO180 (Amortization of Deferred Gains (Losses) on Asset Hedges);
2. Interest accruals if collection was not probable at the time of accrual; securities on which the collection of interest is not probable must be placed in a nonaccrual status; and
3. Adjustments to reverse uncollected interest accrued in prior periods; report on SO321 (Net Provision for Losses On Interest-Bearing Assets).

SO140: Mortgage Loans

Report interest earned on mortgage loans reported on SC230 through SC265 including amortization of yield adjustments. If the reporting association or its consolidated subsidiaries has bought or sold a participating interest in mortgage loans, report only the interest applicable to the portion of the loans owned. If mortgage loans or participating interests in mortgage loans have been purchased on a net-yield basis, report the net interest earned.

If the reporting association or its consolidated subsidiaries assumes a liability to a third party in connection with a wrap-around mortgage loan where the assumed liability is reported on SC760 (Other Borrowings), report the gross interest income and charge the interest incurred on the assumed liability to expense on SO260 (Interest Expense: Other Borrowed Money).

Do not include:

1. Amortization of deferred gains and deferred losses on futures and options positions hedging mortgage loans; report on SO180 (Amortization of Deferred Gains (Losses) on Asset Hedges);
2. Interest accruals if collection was not probable at the time of accrual; loans on which the collection of interest is not probable must be placed in a nonaccrual status; and
3. Adjustments to reverse uncollected interest accrued in prior periods; report on SO321 (Net Provision for Losses On Interest-Bearing Assets).

Nonmortgage Loans:

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

Do not Include:

1. Amortization of deferred gains and deferred losses on futures and options positions hedging nonmortgage loans; report on SO180 (Amortization of Deferred Gains (Losses) on Asset Hedges);
2. Interest accruals if collection was not probable at the time of accrual; loans on which the collection of interest is not probable must be placed in a nonaccrual status; and
3. Adjustments to reverse uncollected interest accrued in prior periods; report 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 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, *e.g.*, the amortization of credit card fees) on nonmortgage loans reported on SC310 through SC345 (Consumer Loans: Open and Closed-End

SO180: Amortization of Deferred Gains (Losses) on Asset Hedges

Report the amortization of deferred gains and losses from the purchase or sale of futures and options contracts matched with, or hedging, assets, if accounted for as a hedge.

INTEREST EXPENSE

SO21: Total

Report the sum of SO215, SO266, SO230 through SO260, SO280, and SO290, less SO271.

This line will be automatically computed by the electronic filing software.

SO215: Deposits

Report all interest expense on deposits reported on SC710 (Deposits) and the amortization of yield adjustments reported on SC715 (Unamortized Yield Adjustments) net of penalties charged to depositors for early withdrawals.

Do not include:

Interest on escrow accounts reported on SC783 (Escrows); report on SO266 (Interest on Escrows).

SO266: Escrows

Report interest paid on all escrow accounts reported on SC783 (Escrows).

SO230: Advances from FHLBank

Report interest expense and the amortization of any related yield adjustments on FHLBank advances reported on SC720 (Advances from FHLBank).

Do not include:

Prepayment penalties on advances; report on SO811 (Extraordinary Items) in accordance with SFAS No. 76, "Extinguishment of Debt."

SO240: Subordinated Debentures (Including Mandatory Convertible Securities)

Report interest expense and the amortization of yield adjustments on all subordinated debentures and mandatory convertible securities issued by the reporting association or its consolidated subsidiaries, reported on SC735 (Subordinated Debentures (Including Mandatory Convertible Securities)).

Include:

1. The amortization of issuance costs, premiums, and discounts; and
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 issued by the reporting association or its consolidated subsidiaries, 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); and
2. SC760 (Other Borrowings).

Interest expense on securities sold under agreements to repurchase and loans sold with recourse accounted for as financings should be reported gross (*i.e.*, the amount reported should not be reduced by the interest income on securities and loans sold under such agreements).

Other Items:

SO271: Capitalized Interest

Report all capitalized interest costs in accordance with SFAS No. 34, “Capitalization of Interest Costs.” The interest rate utilized shall not exceed the weighted average rate for total interest-bearing deposits and other liabilities. Capitalized interest is deducted from interest expense. Report this as a positive number even though it will always be a credit balance.

SO280: Amortization of Deferred Losses (Gains) on Liability Hedges

Report amortization of deferred losses (gains) from the purchase or sale of futures and options contracts matched with liabilities, if accounted for as a hedge.

SO290: Net Cost of Matched Interest Rate Swaps

Report the net loss (gain) on off-balance-sheet hedging such as matched interest-rate swaps (interest-rate swaps hedging liabilities). The net cost of interest-rate swaps is measured by the difference in swapped interest expense. If income is earned, indicate the amount as negative.

Unmatched swaps are reported at fair value. Report adjustments to mark unmatched swaps to fair value on SO485 (Net Income (Loss) from: Trading Assets (Realized and Unrealized)).

SO311: Net Interest Income (Expense) Before Provision for Losses on Interest-Bearing Assets

Report SO11 less SO21.

This line will be automatically computed by the electronic filing software.

NET PROVISION FOR LOSSES ON INTEREST-BEARING ASSETS

SO321:

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

Refer to the general instructions for Schedule VA for a discussion of the proper calculation of provision for losses.

Adjustments to valuation allowances should be reported as an expense in the period in which the reporting association determined the amount of the loss even if that loss actually occurred in a prior period, that is, adjustments to valuation allowances should not be reported as prior period expenses.

Include:

Losses recognized in marking loans to fair value at the time of foreclosure or in-substance foreclosure.

Do not include:

1. Adjustments to available-for-sale securities for unrealized gains or losses in accordance with SFAS No. 115; report directly on SC860 (Unrealized Gains (Losses) on Available-for-Sale Securities);
2. Adjustments to trading assets; report on SO485 (Net Income (Loss) from: Trading Assets (Realized and Unrealized));
3. Recoveries of valuation allowances at the time of sale; include these in the gain or loss; and
4. Provisions for losses on noninterest-bearing assets; report on SO570 (Net Provision for Losses on Noninterest-bearing Assets).

SO331: Net Interest Income (Expense) After Provision for Losses on Interest-Bearing Assets

Report SO311 less SO321.

This line will be automatically computed by the electronic filing software.

NONINTEREST INCOME

SO40: Total

Report the sum of SO410 through SO491.

This line will be automatically computed by the electronic filing software.

SO410: Mortgage Loan Servicing Fees

Include:

1. Fees earned from servicing mortgage loans and participations for others; and
2. A deduction for amortization and write-downs of Servicing Assets reported on SC642.

Do not include:

Servicing fees for nonmortgage loans; report on SO420 (Other Fees and Charges).

Report the difference between the net interest retained from mortgage loan servicing and the amortization or other write-down of Mortgage Servicing Assets. Do not deduct servicing expenses.

SO420: Other Fees and Charges

Report all fees and charges not reported on SO410.

Include:

1. Loan servicing fee income on nonmortgage loans, including credit card servicing income;
2. Trust fee income;
3. Loan charges such as: prepayment fees; late charges; and assumption fees;
4. Amortization of commitment fees when the likelihood is remote that the commitment will be exercised;
5. Brokerage fee income;
6. Annuity fee income;
7. Insurance premiums and fee income;
8. Transaction account fees; and
9. All other fees not reported on SO410.

Do not include:

Amortization of loan fees; report as a yield adjustment to interest income.

Net Income (Loss) from:

Report net income (loss) on the following categories. Do not allocate personnel and general administrative expenses.

SO430: Sale of Assets Held for Sale and Available-for-Sale Securities

Include:

1. The profit or loss from the disposition of assets held for sale; and
2. The profit or loss from the disposition of available-for-sale securities pursuant to SFAS No. 115.

When securities classified as available-for-sale pursuant to SFAS No. 115 are sold, SC860 (Unrealized Gains (Losses) on Available-for-Sale Securities) is reversed for the amount of the unrealized gain or loss previously recorded and the entire difference between amortized cost and net sales proceeds is reported in earnings.

Because the lower-of-cost-or-market adjustments to assets held for sale are recognized in income as they occur, the amount recognized at the time of sale is the difference between recorded value and net sales proceeds.

Do not include:

1. Gains or losses on trading assets; report on SO485; and
2. Lower-of-cost-or-market adjustments to assets held for sale; report on SO465.

SO461: Operations and Sale of Repossessed Assets

Include:

1. Net income (loss) from repossessed assets reported on SC40 (Repossessed Assets); report direct expenses on repossessed assets, even if there is no income; and
2. Gains (losses) from the sale of repossessed assets reported on SC40 (Repossessed Assets).

Do not include:

1. Adjustments to valuation allowances established on REO; report on SO570 (Net Provision for Losses on Noninterest-Bearing Assets); and
2. Write-downs taken when marking foreclosed assets to fair value at time of foreclosure; report on SO321 (Net Provision for Losses on Interest-bearing Assets).

SO465: LOCOM Adjustments Made to Assets Held for Sale

Report adjustments to assets held for sale to value them at the lower-of-cost-or-market. The amount reported here is also included on VA120 (Net Provision for Loss).

Do not include:

1. Any unrealized gains or losses on available-for-sale securities recorded pursuant to SFAS No. 115; report only as a separate component of equity capital on SC860;
2. Profit (loss) on the sale of assets held for sale; report on SO430; and
3. Operating income and expense from mortgage banking activities; report in the appropriate income or expense category.

SO467: Sale of Securities Held-to-Maturity

Include:

1. Gains (losses) from the sale of mortgage pool securities reported on SC210 and SC215 (Mortgage Pool Securities) that were held-to-maturity; and
2. Gains (losses) from the sale of securities reported on SC130 through SC185 (Cash, Deposits and Investment Securities) that were held-to-maturity.

Do not include:

1. Gains (losses) from the sale of securities held in a trading portfolio; report on SO485; and
2. Gains (losses) from the sale of available-for-sale securities; report on SO430.

When computing the gain on sale of securities adjust the carrying value of investments for all yield adjustments, including deferred gains and losses from hedging activities, accrued interest receivable, and valuation allowances.

SO475: Sale of Loans Held for Investment

Report gains (losses) from the sale of mortgage and nonmortgage loans reported on SC230 through SC265 and SC300 through SC345.

Do not include:

1. Gains (losses) from the sale of loans and securities in a trading portfolio; report on SO485;
2. Gains (losses) from the sale of loans held for sale; report on SO430; and
3. Recoveries of losses previously written off; report on VA140 (Recoveries).

When computing the gain on sale of loans adjust the carrying value for all yield adjustments (including loan fees and deferred gains and losses from hedging activities), accrued interest receivable, and valuation allowances.

SO477: Sale of Other Assets Held for Investment

Report gains (losses) from the sale of any assets not reported on SO430 through SO475 or SO485.

Include:

1. Gains (losses) from the sale of real estate held for investment reported on SC45 (Real Estate Held for Investment) that may be accounted for as current income in accordance with SFAS No. 66, “Accounting for Sales of Real Estate;
2. Gains (losses) from the sale of a branch operation or a portion thereof, such as deposits;

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

SO485: Trading Assets (Realized and Unrealized)

Include:

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

SO491: Other Noninterest Income

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

Do not include:

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

Memo: Detail of Other Noninterest Income

SO493, 494: Reserved for FHLBank Dividends

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

SO495, 497 and SO496 and 498:

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

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

SO495 and 497: Codes

02 Interest income from income tax refunds

03 Interest income from margin accounts

04 Net income (loss) from leasing or subleasing space in the association's office quarters, future office quarters, and parking lots

05 Net income (loss) from real estate held for investment

06 Net income (loss) from investments in unconsolidated subordinate organizations and pass-through investments, accounted for using the equity method, after the elimination of intercompany profits

07 Net income (loss) from leased property

08 Net income (loss) allocable to minority shareholders

09 Net income from data processing equipment leased or services provided to others

10 Dividends from subordinate organizations reported on SC50 and accounted for by the cost method

11 Adjustments to prior periods

12 Income received on real estate acquired through foreclosure or deed in lieu of foreclosure on VA or FHA loans pending conveyance to the insuring agency

13 Amortization of negative goodwill reported on SC796

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

SO496 and 498: Amounts

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

NONINTEREST EXPENSE

SO51: Total

Report the sum of SO510 through SO580.

This line will be automatically computed by the electronic filing software.

SO510: All Personnel Compensation and Expense

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

Include:

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

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

Do not include:

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

SO520: Legal Expense

Report all legal fees.

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

SO530: Office Occupancy and Equipment Expense

Include:

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

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

SO540: Marketing and Other Professional Services

Include:

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

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

Do not include:

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

SO550: Loan Servicing Fees

Report fees paid to others to service mortgage and nonmortgage loans owned by the reporting association and its consolidated subsidiaries.

Do not include:

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

SO560: Amortization of Goodwill

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

Include:

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

Do not include:

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

SO570: Net Provision for Losses on Noninterest-bearing Assets

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

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

Include adjustments to valuation allowances on:

1. Real estate owned;
2. Real estate held for investment;
3. Subordinate organizations; and

4. Other assets.

Do not include:

1. Recoveries of valuation allowances at the time of sale; include these in the gain or loss;
2. Provisions for losses on interest-bearing assets; report on SO321 (Net Provision for Losses on Interest-bearing Assets);
3. Direct charge-offs of servicing assets; report on SO410 (Mortgage Loan Servicing Fees); and
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 to be included can be found in the memo items detailing other noninterest expense below.

Memo: Detail of Other Noninterest Expense

Report the three largest items comprising the amount reported on SO580. Codes best describing these items should be selected from the list below and reported on SO581, 583, and 585; the corresponding amounts are reported on SO582, 584, and 586. This detail must be completed if an amount is reported on SO580.

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 Noncapitalized loan origination expenses, including appraisal reports, credit reports, etc.

10 ATM expense

11 Adjustments to prior periods

12 Acquisition 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

99 Other (**Use this code only for those items 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

Report the sum of SO331 plus SO40 less SO51.

This line will be automatically computed by the electronic filing software.

INCOME TAXES

SO71: Total

Report the sum of SO710 and SO720.

This line will be automatically computed by the electronic filing software.

SO710: Federal

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

Include:

1. Deficiency (penalty) payments;
2. 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; and
5. Reductions for NOL carrybacks.

Do not include:

Interest income and expense on tax accounts; report 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.

Include:

1. Deficiency (penalty) payments;
2. Adjustments to correct prior period accruals for which the amendment cycle is no longer open;
3. Amortization of prepaid or deferred state, local and other income taxes;
4. Reductions for refunds from prior periods not previously reported;
5. Reductions for NOL carrybacks; and
6. Gross receipts taxes.

Do not include:

1. Interest income and expense on tax accounts; report on SO491 (Other Noninterest Income) or SO580 (Other Noninterest Expense); and
2. Any local taxes other than those based on income; report real estate taxes on SO530 (Office Occupancy and Equipment Expense); report franchise and other local taxes on SO580 (Other Noninterest Expense).

SO81: Income (Loss) Before Extraordinary Items and Effects of Accounting Changes

Report the sum of SO60 less SO71.

This line will be automatically computed by the electronic filing software.

EXTRAORDINARY ITEMS, NET OF TAX EFFECT, AND CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES

SO811:

Extraordinary Items:

Extraordinary items are material events and transactions that are unusual and infrequent. **Both of these conditions must exist for an event or transaction to be an extraordinary item.**

To be unusual, an event or transaction must be highly abnormal or clearly unrelated to the ordinary and typical activities of the association. An event or transaction beyond the control of management is not automatically considered unusual.

To be infrequent, an event or transaction should not reasonably be expected to recur in the foreseeable future. Although the past occurrence of an event or transaction provides a basis for estimating the likelihood of its future occurrence, the absence of a past occurrence does not automatically imply that an event or transaction is infrequent.

Rarely do events or transactions qualify for treatment as extraordinary items. Among these are losses which result directly from a major disaster such as an earthquake (except in areas where earthquakes are expected to recur in the foreseeable future), a government expropriation, or a prohibition under a newly enacted law or regulation.

Include:

1. The tax benefit of preacquisition NOL carryforwards realized in a period subsequent to the loss period (refer to SFAS No. 16, “Prior Period Adjustments”);
2. Prepayment fees and most other gains or losses on the extinguishment of debt (refer to SFAS No. 76, “Extinguishment of Debt”); and
3. Gains on restructuring payables (refer to SFAS No. 15, “Accounting by Debtors and Creditors for Troubled Debt Restructuring”).

Do not include:

1. Adjustments to valuation allowances; report on SO321 (Net Provision for Losses on Interest-Bearing Assets) or SO570 (Net Provision for Losses on Noninterest-Bearing Assets), even if the actual loss occurred in a prior period;
2. Audit adjustments for corrections of accruals; report in the current period on the same data field in Schedule SO that they would have been reported had the accruals been made when incurred. If this causes interest yield or cost of funds to be significantly distorted or causes the amount reported to be negative on a data field that can only contain a positive number, report the adjustment on SO491 (Other Noninterest Income) or SO580 (Other Noninterest Expense);
3. Adjustments for periods for which the cycle is open for amendments to the TFR; refer to the general instructions for the submission of amended reports;
4. Adjustments related to prior interim periods of the reporting association's current fiscal year; report currently in the appropriate current income or expense data field (*e.g.*, tax adjustments, reported on SO710 or SO720); and
5. Net income (loss) allocable to minority shareholders; report on SO491 (Other Noninterest Income).

Cumulative Effect of Changes in Accounting Principles:

The cumulative effect of changes in accounting principles is the changing from one accepted accounting principle to another accepted accounting principle. It does not include the cumulative effect of changing from an unaccepted accounting principle to a generally accepted accounting principle. This type of change is reported currently in the appropriate income or expense data field, with the exception of adjustments to convert from RAP to GAAP for deferred losses and liquid asset mutual funds, which are reported on SI670 (Other Adjustments).

Report a loss as a negative amount.

NET INCOME (LOSS)

SO91:

Report the sum of SO81 plus SO811.

This line will be automatically computed by the electronic filing software.

SCHEDULE VA — CONSOLIDATED VALUATION ALLOWANCES

GENERAL INSTRUCTIONS

This schedule reports the combined activity for the period in all valuation allowance accounts. The reconciliation consists of three columns:

1. General valuation allowances (including allowances for loan and lease losses (ALLL));
2. Specific valuation allowances (including valuation allowances established for assets classified as loss); and
3. Total valuation allowances (this column is computer generated).

Valuation allowances are contra-asset accounts that reduce the recorded investment in an asset to its carrying amount. In preparing financial statements, management should review the carrying amount of all assets and adjust the related valuation allowances as necessary. Assessing the adequacy of valuation allowances is crucial to the financial statement preparation process.

As balance sheet accounts, the ending balance in the valuation allowance accounts is the balance at the beginning of the period adjusted for the activity during the period. The following table shows the types of activity that flow through the valuation allowance account:

Beginning Balance (ending balance from previous period)

Add:

- Provision for Loss
- Recoveries
- Acquisitions

Deduct:

- Charge-offs

Ending Balance

Charge-offs

As assets are charged off, accounting entries reduce the total recorded investment and the valuation allowance. However, since the carrying value is the recorded investment less specific valuation allowances, the carrying value will be decreased for a charge-off of a general valuation allowance, but will be unchanged for a charge-off of a specific valuation allowance. Charge-offs are recorded in this schedule even if an asset is charged off as loss and no valuation allowance related to that asset was previously established (*i.e.*, a direct charge-off), or if the valuation allowance previously established is inadequate to absorb the entire charge-off. A charge-off may be made against either a general or specific valuation allowance.

The elimination of valuation allowances upon the sale of the related asset is discussed under the section entitled “Sales.”.

Recoveries

A recovery is a payment received on an asset that has been charged off. In the event that a subsequent recovery is received, the general valuation allowance account and cash should be increased.

For purposes of Schedule VA, recoveries do not include profits from the sale of assets previously written down at a sales price exceeding the carrying value (*e.g.*, the sale of REO at a price above its carrying value). Report these as gains on the sale of the asset.

Provision for Loss

The provision for loss should be calculated as the amount required to establish the appropriate ending balance in the valuation allowance account. The amount of the ending balance is based on management review, and should include:

- an assessment of all assets,
- valuation calculations for troubled real estate assets,
- estimates of credit and other losses inherent in the portfolios of homogeneous assets,
- the results of the association’s self-classification of assets.

The formula for reconciling the provision for loss with the valuation allowance accounts is:

+	The valuation allowance ending balance per analysis (VA165 and 168)
-	The valuation allowance beginning balance (VA105 and 108)
=	Net change in valuation allowances
+	Charge-offs (VA155 and 158)
-	Acquisitions (VA145 and 148)
-	Recoveries (VA135)
=	Provision for loss (VA115 and 118)

The process of determining the appropriateness of ending balances in valuation allowance accounts means that the provision for loss is a “net” adjustment. For example, in the rare circumstance in which the value increases of a troubled real estate asset for which a valuation allowance has been established, the required valuation allowance will be adjusted downward. This “recovery” of the value of the asset is

a reduction of the current provision and should not be confused with recoveries of assets previously charged-off (discussed above), nor should a gain (or a reduction of the provision for loss) be recorded until an analysis of the total valuation allowance is made.

The total provision for loss consists of the provision for loss on interest-bearing assets (SO321) and the provision for loss on noninterest-bearing assets (SO570), less the LOCOM adjustments for assets held for sale (SO465).

A negative provision for loss may be recorded when management determines that the valuation allowance is higher than required. At this point, management must determine if its analyses have considered all possible situations, and whether the previously established valuation allowances were in fact higher than necessary. To reverse a portion of the valuation allowance, a negative amount is reported in the provision for loss (SO321 or SO570).

Sales

When an asset for which a specific valuation allowance was previously established or which was previously reduced by a direct charge-off is sold, the difference between the carrying value of the asset (*i.e.*, net of the specific valuation allowance) and the sales price should be reported as a gain or loss on sale of that asset.

The sale of an asset in excess of its carrying value does not constitute a recovery for purposes of reconciling valuation allowances. Profits resulting from a sale of this type are is not reported in the net provision for loss, but is reported as a gain on sale.

In order to remove an existing specific valuation allowance upon the sale of the related asset, the valuation allowance must be reported on VA158 (Charge-offs of Specific Valuation Allowances).

Foreclosures

At foreclosure (including in-substance), a comparison must be made of the recorded investment (*i.e.*, carrying value before deduction for valuation allowances) to the current fair value less cost to sell. Any excess of recorded investment over fair value less cost to sell is to be classified “Loss” and is to be charged-off against the existing specific valuation allowance. If the specific valuation allowance is not sufficient to absorb the loss, an additional charge-off must be made against the loan. Assets acquired through in-substance foreclosures are reported as REO at the fair value less cost to sell (at date of transfer). The same procedures described above apply.

VALUATION ALLOWANCE RECONCILIATION

VA105, 108, and 110: Beginning Balance

The valuation allowance balances as of the beginning of the period are reported in these data fields and will be automatically generated by the electronic filing software from the ending balances of the preceding reporting period. These data fields must equal the amounts reported on VA165, 168 and 170 of the immediately preceding reporting period for all savings associations except those involved in a merger accounted for as a pooling.

Special instructions for mergers:

- **Pooling mergers**

  Report the combined beginning balance of the merged associations.

- **Purchase mergers**

  Report the beginning balance of the surviving association only. When assets are recorded at fair value in applying the purchase method, typically all valuation allowances are written off directly against the asset. However, under certain circumstances valuation allowances (primarily general valuation allowances) may be carried over to the surviving association; these valuation allowances on assets purchased are reported on VA145, 148, and 150 (Acquisitions).

Add or Deduct:

Report increases in valuation allowance accounts (*i.e.*, net credits) as positive numbers and decreases in valuation allowance accounts (*i.e.*, net debits) as negative numbers.

VA115, 118, and 120: Net Provision for Loss

Report the sum of provisions for losses on assets in the Statement of Operations, SO321 and SO570, less LOCOM adjustments made to assets held for sale, SO465, allocated between general and specific valuation allowances. The total net provision for loss, VA120, will be automatically generated from SO321, SO570 and SO465, and once VA115 is entered, VA118 will be automatically calculated by the electronic filing software.

A net credit to assets increases valuation allowances, flows through to the Statement of Operations as a debit (expense), and is reported as a positive number in this schedule. Conversely, a net debit to assets decreases valuation allowances, flows through to the Statement of Operations as a credit (income), and is reported as a negative number in this schedule.

VA125 and 128: Transfers

Report transfers between general and specific valuation allowances. VA125 and VA128 will always be equal, but will have opposite signs. Once VA125 is entered, VA128 will be automatically generated by the electronic filing software.

Add:

VA135 and140: Recoveries

Report the amount of recoveries during the quarter due to repayment of assets previously charged off. Refer to the discussion of recoveries in the general instructions above. VA135 always equals VA140 which equals the sum of VA31, 381, 41, 51, 821, and 931. Therefore, VA135 and 140 are automatically generated by the electronic filing software once VA31, 381, 41, 51, 821 and 931 are entered.

VA145, 148, and 150: Acquisitions

Report the amount of valuation allowances on assets purchased for which a direct charge-off was not taken. Under certain circumstances the valuation allowances previously established by the seller may be carried forward to the purchasers' records. Include valuation allowances acquired in a business combination accounted for under the purchase method. VA150 is the sum of VA145 and VA148 and will be automatically generated by the electronic filing software.

Do not include:

1. Additional valuation allowances established after the acquisition, even if the valuation allowances should have been established by previous management; report all such additions in VA120 (Net Provision for Loss); and
2. Valuation allowances acquired in a pooling merger; these are added to the beginning balances.

Deduct:

VA155, 158 and 160: Charge-Offs

Report the amount of loss charged off assets during the quarter. VA155 equals the sum of the charge-off detail below (VA30, 380, 40, 50, 60, 70, 820, and 930), and, therefore, will be automatically generated by the electronic filing software once VA30, 380, 40, 50, 60, 70 820 and 930 are entered. VA160 (total charge-offs) equals VA155 (charge-offs against general valuation allowances) plus VA158 (charge-offs against specific valuation allowances) and will be calculated by the electronic filing software.

Report charge-offs as positive amounts, as they will be deducted from the ending balance in this reconciliation.

Charge-offs for which no specific valuation allowance had previously been established are reported on VA155 and in the detail below. Charge-offs of specific valuation allowances are reported on VA158 for purposes of reconciliation, and are not reported in the detail below, because they have no effect on the balance sheet (Schedule SC) or the income statement (Schedule SO).

Include charge-offs to mark repossessed assets (including in-substance foreclosures) to fair value.

Do not include:

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

VA165, 168 and 170: Ending Balance

Report the sum of the General, Specific, and Total columns. VA165 must equal the sum of the general valuation allowances reported in Schedule SC (SC199, SC227, SC283, SC357, SC441, SC481, SC529 and SC699). These balances will be automatically generated by the electronic filing software and will be brought forward as the beginning balances for the next reporting period.

CHARGE-OFFS, RECOVERIES, AND SPECIFIC VALUATION ALLOWANCE ACTIVITY

Charge-offs

In the charge-off column report the amount of loss charged off during the quarter against general valuation allowances, *i.e.*, charge-offs for which no specific valuation allowance had previously been established.

The sum of VA30, 380, 40, 50, 60, 70, 820, and 930 must equal VA155.

VA30: Deposits, and Investment Securities

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

VA380: Mortgage Pool Securities

Report the amount of loss charged-off on SC210 through SC215 (Mortgage Pool Securities).

Mortgage Loans:

Report charge-offs of mortgage loans in the appropriate mortgage loan category below. Charge-offs of accrued interest receivable and advances for taxes and insurance should be reported in the mortgage loan category of the related loan.

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

VA40: Total

Report the sum of VA420, 430, 440, 450, 460, 470, 480, and 490. This amount will be automatically generated by the electronic filing software.

Construction:

VA420: 1-4 Dwelling Units

Report the amount of loss charged off on SC230 (Construction Loans on: 1-4 Dwelling Units).

VA430: 5 or More Dwelling Units

Report the amount of loss charged off on SC235 (Construction Loans on: 5 or More Dwelling Units).

VA440: Nonresidential Property

Report the amount of loss 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 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 charged off on SC253 (Permanent Mortgages on: Revolving, Open-End Loans).

VA470: 5 or More Dwelling Units

Report the amount of loss charged off on SC256 (Permanent Mortgages on: 5 or More Dwelling Units).

VA480: Nonresidential Property (Except Land)

Report the amount of loss charged off on SC260 (Permanent Mortgages on: Nonresidential Property).

VA490: Land

Report the amount of loss charged off on SC265 (Permanent Mortgages on: Land).

Nonmortgage Loans

Report charge-offs of nonmortgage loans in the appropriate loan category below. Charge-offs of accrued interest receivable should be reported in the relevant loan category.

VA50: Total

Report the sum of VA520, 530, 540, 550, 560, 570, and 580. This amount will be automatically generated by the electronic filing software.

VA520: Commercial

Report the amount of loss charged off on SC300 (Commercial Loans: Secured Other than Mortgage), SC303 (Commercial Loans: Unsecured), and SC306 (Commercial Loans: Financing Leases).

Consumer (Closed-End):

VA510: Loans on Deposits

Report the amount of loss charged off on SC310 (Closed-End Consumer Loans: Loans on Deposits).

VA516: Home Improvement Loans

Report the amount of loss charged off on SC316 (Closed-End Consumer Loans: Home Improvement Loans).

VA530: Education Loans

Report the amount of loss charged off on SC320 (Closed-End Consumer Loans: Education Loans).

VA540: Auto Loans

Report the amount of loss charged off on SC323 (Closed-End Consumer Loans: Auto Loans).

VA550: Mobile Home Loans

Report the amount of loss charged off on SC326 (Closed-End Consumer Loans: Mobile Home Loans).

VA560: Other

Report the amount of loss charged off on SC330 (Closed-End Consumer Loans: Other, Including Leases).

Consumer (Open-End):

VA570: Revolving Loans Secured by 1-4 Dwelling Units

Report the amount of loss charged off on SC340 (Open-End Consumer Loans: Revolving Loans Secured by 1-4 Dwelling Units).

VA580: Credit Cards and Related Plans

Report the amount of loss charged off on SC345 (Open-End Consumer Loans: Credit Cards and Related Plans).

Repossessed Assets:

Report all direct charge-offs on repossessed assets. Charge-offs to mark repossessed assets to fair value at the date of foreclosure should be charged off against the loan balance and reported on VA420 through VA580.

VA60: Total

Report the sum of VA605 through VA630. This amount will be automatically generated by the electronic filing software.

Real Estate:

VA605: Construction

Report the amount of loss charged off on SC405 (Repossessed Assets: Real Estate: Construction).

VA613: 1-4 Dwelling Units

Report the amount of loss charged off on SC415 (Repossessed Assets: Real Estate: 1-4 Dwelling Units).

VA616: 5 or More Dwelling Units

Report the amount of loss charged off on SC425 (Repossessed Assets: Real Estate: 5 or More Dwelling Units).

VA625: Nonresidential (Except Land)

Report the amount of loss charged off on SC426 (Repossessed Assets: Real Estate: Nonresidential (Except Land).

VA628: Land

Report the amount of loss charged off on SC428 (Repossessed Assets: Real Estate: Land).

VA630: Other Repossessed Assets

Report the amount of loss charged off on SC430 (Other Repossessed Assets).

VA70: Real Estate Held for Investment

Report the amount of loss charged off on SC45 (Real Estate Held for Investment).

VA820: Equity Investments Not Subject to SFAS No. 115

Report the amount of loss charged off on SC50 (Investments in Subordinate Organizations).

VA930: Other Assets

Report the amount of loss charged off on SC690 (Other Assets).

Do not include:

1. Write-downs of office buildings, leasehold improvements, furniture, fixtures, equipment, and automobiles; report as an adjustment of depreciation on SO440 (Net Income (Loss) from: Office Building Operations) and SO530 (Office Occupancy and Equipment Expense);
2. Write-downs on SC660 (Goodwill and Other Intangible Assets); report as an adjustment of amortization on SO560 (Amortization of Goodwill).

Recoveries

In the recovery column report the amount of recoveries during the quarter due to the repayment of assets previously charged off. Refer to the discussion on recoveries in the general instructions to Schedule VA above.

The sum of VA31, 381, 41, 51, 821, and 931 must equal VA135.

Do not include:

1. Sale of an asset at a sales price exceeding the carrying value; report in income on SO430 and SO467 through SO477; and
2. Payments received on assets for which a valuation allowance has been established; adjust the ending balance of the valuation allowance appropriately.

VA31: Deposits, and Investment Securities

Report the amount of recoveries on all deposits and investment securities reported on SC110 through SC190.

VA381: Mortgage Pool Securities

Report the amount of recoveries on mortgage pool securities reported on SC210 through SC215.

Mortgage Loans

Report recoveries of mortgage loans in the appropriate mortgage loan category below. Recoveries of accrued interest receivable and advances for taxes and insurance should be reported in the mortgage loan category of the related loan. Recoveries on deficiency judgments should be reported in the mortgage loan category of the loan for which the deficiency judgment was made.

VA41: Total

Report the sum of VA421, 431, 441, 451, 461, 471, 481, and 491. This amount will be automatically generated by the electronic filing software.

Construction:

VA421: 1-4 Dwelling Units

Report the amount of recoveries on SC230 (Construction Loans on: 1-4 Dwelling Units).

VA431: 5 or More Dwelling Units

Report the amount of recoveries on SC235 (Construction Loans on: 5 or More Dwelling Units).

VA441: Nonresidential Property

Report the amount of recoveries on SC240 (Construction Loans on: Nonresidential Property).

Permanent:

VA451: 1-4 Closed-End First Mortgages and Junior Liens

Report the amount of recoveries on SC250 (Permanent Mortgages on: Closed-End First Mortgages and Junior Liens).

VA461: 1-4 Revolving, Open-End Loans

Report the amount of recoveries on SC253 (Permanent Mortgages on: Revolving, Open-End Loans).

VA471: 5 or More Dwelling Units

Report the amount of recoveries on SC256 (Permanent Mortgages on: 5 or More Dwelling Units).

VA481: Nonresidential Property (Except Land)

Report the amount of recoveries on SC260 (Permanent Mortgages on: Nonresidential Property (Except Land)).

VA491: Land

Report the amount of recoveries on SC265 (Permanent Mortgages on: Land).

Nonmortgage Loans

Report recoveries of nonmortgage loans in the appropriate loan category below. Recoveries of accrued interest receivable should be reported in the relevant loan category.

VA51: Total

Report the sum of VA521, 531, 541, 551, 561, 571, and 581. This amount will be automatically generated by the electron filing software.

VA521: Commercial

Report the amount of recoveries on Commercial Loans on SC300 (Commercial Loans: Secured), SC303 (Commercial Loans: Unsecured), and SC306 (Commercial Loans: Financing Leases).

Consumer (Closed-End):

VA511: Loans on Deposits

Report the amount of recoveries on SC310 (Closed-End Consumer Loans: Loans on Deposits).

VA517: Home Improvement Loans

Report the amount of recoveries on SC316 (Closed-End Consumer Loans: Home Improvement Loans).

VA531: Education Loans

Report the amount of recoveries on SC320 (Closed-End Consumer Loans: Education Loans).

VA541: Auto Loans

Report the amount of recoveries on SC323 (Closed-End Consumer Loans: Auto Loans).

VA551: Mobile Home Loans

Report the amount of recoveries on SC326 (Closed-End Consumer Loans: Mobile Home Loans).

VA561: Other

Report the amount of recoveries on SC330 (Closed-End Consumer Loans: Other, Including Leases).

Consumer (Open-End):

VA571: Revolving Loans Secured by 1-4 Dwelling Units

Report recoveries on SC340 (Open-End Consumer Loans: Revolving Loans Secured by 1-4 Dwelling Units).

VA581: Credit Cards and Related Plans

Report the amount of recoveries on SC345 (Open-End Consumer Loans: Unsecured, Including Credit Cards and Other).

VA821: Equity Investments Not Subject to SFAS No. 115

Report the amount of recoveries on unsecured loans to subordinate organizations included in SC50 (Investments in Unconsolidated Subordinate Organizations).

Do not include:

Sales of subsidiaries at a price above its carrying value; report on SO477 (Net Income (Loss) From: Sale of Other Assets Held for Investment).

VA931: Other Assets

Report the amount of recoveries on all other financial assets that are not included above. Include recoveries on miscellaneous receivables reported on SC690 (Other Assets).

Do not include:

1. Gains on the sale of REO; report on SO461 (Operations and Sale of Repossessed Assets); or
2. Recoveries on deficiency judgments or other recoveries of loans foreclosed upon; report as a recovery of the loan in the appropriate loan category above.

Specific Valuation Allowance Provisions & Transfers from General Allowances

Report the amount of provision for loss established for specific valuation allowances and the transfers to and from general valuation allowances during the quarter, *i.e.*, specific valuation allowance activity except charge-offs and acquisitions.

The sum of VA32, 382, 42, 52, 62, 72, 822, and 932 must equal the sum of VA118 and 128.

VA32: Deposits, and Investment Securities

Report the amount of provision for loss established for specific valuation allowances and the transfers to and from general valuation allowances on all deposits and investment securities reported on SC110 through SC190.

VA382: Mortgage Pool Securities

Report the amount of provision for loss established for specific valuation allowances and the transfers to and from general valuation allowances on SC210 through SC215 (Mortgage Pool Securities).

Mortgage Loans:

Report the provision for loss established for specific valuation allowances and the transfers to and from general valuation allowances of mortgage loans in the appropriate mortgage loan category below. Specific valuation allowance activity of accrued interest receivable and advances for taxes and insurance should be reported in the mortgage loan category of the related loan.

VA42: Total

Report the sum of VA422, 432, 442, 452, 462, 472, 482, and 492. This amount will be automatically generated by the electron filing software.

Construction:

VA422: 1-4 Dwelling Units

Report the amount of provision for loss established for specific valuation allowances and the transfers to and from general valuation allowances on SC230 (Construction Loans on: 1-4 Dwelling Units).

VA432: 5 or More Dwelling Units

Report the amount of provision for loss established for specific valuation allowances and the transfers to and from general valuation allowances on SC235 (Construction Loans on: 5 or More Dwelling Units).

VA442: Nonresidential Property

Report the amount of provision for loss established for specific valuation allowances and the transfers to and from general valuation allowances on SC240 (Construction Loans on: Nonresidential Property).

Permanent:

VA452: 1-4 Closed-End First Mortgages and Junior Liens

Report the amount of provision for loss established for specific valuation allowances and the transfers to and from general valuation allowances on SC250 (Permanent Mortgages on: Closed-End First Mortgages and Junior Liens).

VA462: 1-4 Revolving, Open-End Loans

Report the amount of provision for loss established for specific valuation allowances and the transfers to and from general valuation allowances on SC253 (Permanent Mortgages on: Revolving, Open-End Loans).

VA472: 5 or More Dwelling Units

Report the amount of provision for loss established for specific valuation allowances and the transfers to and from general valuation allowances on SC256 (Permanent Mortgages on: 5 or More Dwelling Units).

VA482: Nonresidential Property (Except Land)

Report the amount of provision for loss established for specific valuation allowances and the transfers to and from general valuation allowances on SC260 (Permanent Mortgages on: Nonresidential Property).

VA492: Land

Report the amount of provision for loss established for specific valuation allowances and the transfers to and from general valuation allowances on SC265 (Permanent Mortgages on: Land).

Nonmortgage Loans

Report the provision for loss established for specific valuation allowances and the transfers to and from general valuation allowances of mortgage loans in the appropriate nonmortgage loan category below. Specific valuation allowance activity of accrued interest receivable should be reported in the mortgage loan category of the related loan.

VA52: Total

Report the sum of VA522, 512, 518, 532, 542, 552, 562, 572, and 582. This amount will be automatically generated by the electron filing software.

VA522: Commercial

Report the amount of provision for loss established for specific valuation allowances and the transfers to and from general valuation allowances on SC300 (Commercial Loans: Secured Other than Mortgage), SC303 (Commercial Loans: Unsecured), and SC306 (Commercial Loans: Financing Leases).

Consumer (Closed-End):

VA512: Loans on Deposits

Report the amount of provision for loss established for specific valuation allowances and the transfers to and from general valuation allowances on SC310 (Closed-End Consumer Loans: Loans on Deposits).

VA518: Home Improvement Loans

Report the amount of provision for loss established for specific valuation allowances and the transfers to and from general valuation allowances on SC316 (Closed-End Consumer Loans: Home Improvement Loans).

VA532: Education Loans

Report the amount of provision for loss established for specific valuation allowances and the transfers to and from general valuation allowances on SC320 (Closed-End Consumer Loans: Education Loans).

VA542: Auto Loans

Report the amount of provision for loss established for specific valuation allowances and the transfers to and from general valuation allowances on SC323 (Closed-End Consumer Loans: Auto Loans).

VA552: Mobile Home Loans

Report the amount of provision for loss established for specific valuation allowances and the transfers to and from general valuation allowances on SC326 (Closed-End Consumer Loans: Mobile Home Loans).

VA562: Other

Report the amount of provision for loss established for specific valuation allowances and the transfers to and from general valuation allowances on SC330 (Closed-End Consumer Loans: Other, Including Leases).

Consumer (Open-End):

VA572: Revolving Loans Secured by 1-4 Dwelling Units

Report the amount of provision for loss established for specific valuation allowances and the transfers to and from general valuation allowances on SC340 (Open-End Consumer Loans: Revolving Loans Secured by 1-4 Dwelling Units).

VA582: Credit Cards and Related Plans

Report the amount of provision for loss established for specific valuation allowances and the transfers to and from general valuation allowances on SC345 (Open-End Consumer Loans: Credit Cards and Related Plans).

Repossessed Assets:

Report the provision for loss established for specific valuation allowances and the transfers to and from general valuation allowances of repossessed assets after the date of foreclosure. Do not include adjustments to mark repossessed assets to fair value at the date of foreclosure; these should be charged off against the loan balance and reported on VA420 through VA580.

VA62: Total

Report the sum of VA606, 614, 617, 626, 629, and 632. This amount will be automatically generated by the electron filing software.

Real Estate:

VA606: Construction

Report the amount of provision for loss established for specific valuation allowances and the transfers to and from general valuation allowances on SC405 (Repossessed Assets: Real Estate: Construction).

VA614: 1-4 Dwelling Units

Report the amount of provision for loss established for specific valuation allowances and the transfers to and from general valuation allowances on SC415 (Repossessed Assets: Real Estate: 1-4 Dwelling Units).

VA617: 5 or More Dwelling Units

Report the amount of provision for loss established for specific valuation allowances and the transfers to and from general valuation allowances on SC425 (Repossessed Assets: Real Estate: 5 or More Dwelling Units).

VA626: Nonresidential (Except Land)

Report the amount of provision for loss established for specific valuation allowances and the transfers to and from general valuation allowances on SC426 (Repossessed Assets: Real Estate: Nonresidential (Except Land).

VA629: Land

Report the amount of provision for loss established for specific valuation allowances and the transfers to and from general valuation allowances on SC428 (Repossessed Assets: Real Estate: Land).

VA632: Other Repossessed Assets

Report the amount of provision for loss established for specific valuation allowances and the transfers to and from general valuation allowances on SC430 (Other Repossessed Assets).

VA72: Real Estate Held for Investment

Report the amount of provision for loss established for specific valuation allowances and the transfers to and from general valuation allowances on SC45 (Real Estate Held for Investment).

VA822: Equity Investments Not Subject to SFAS No. 115

Report the amount of provision for loss established for specific valuation allowances and the transfers to and from general valuation allowances on SC50 (Investments in Subordinate Organizations).

VA932: Other Assets

Report the amount of provision for loss established for specific valuation allowances and the transfers to and from general valuation allowances on SC690 (Other Assets).

Total

This column will be automatically generated by the electronic filing software.

This column is the total of :

1. Charge-offs
2. Less Recoveries
3. Plus specific valuation allowance provisions and transfers from general allowances

It represents adjusted net charge-offs

OTHER ITEMS

Troubled Debt Restructured

A troubled debt restructuring occurs when the reporting association provides the borrower certain concessions that it would not normally consider. The concessions must be in light of the borrower's financial difficulty, and the objective must be to maximize recovery of the association's investment. Troubled debt restructurings are often (but not always) the result of legal proceedings or negotiations between the parties.

Troubled debt restructurings include situations in which the reporting association accepts:

1. A note (secured or unsecured) from a third party in payment of its receivable from the borrower;

2. The underlying collateral in payment of the loan, either through foreclosure, other transfer of title, or in-substance foreclosure;
3. Other assets in payment of the loan;
4. An equity interest in the borrower or its assets in lieu of its receivable; or
5. A modification of the terms of the debt including, but not limited to:
   a. Reduction in stated interest rate;
   b. Extension of maturity;
   c. Reduction in the face amount of the debt; and
   d. Reduction in the accrued interest.

Include:

1. Restructured real estate loans that are considered equity investments under GAAP, reported on SC45 (Real Estate Held for Investment);
2. Restructured loans reported on SC230 through SC265 (Mortgage Loans), SC300 through SC345 (Nonmortgage Loans);
3. Foreclosed assets reported on SC405 through SC430 (Repossessed Assets); and
4. Troubled debt restructurings even if no losses were recorded this quarter.

VA940: Amount this Quarter

Report the recorded investment after restructuring in the restructured asset (*i.e.*, modified loan or foreclosed asset) after deduction for specific valuation allowances.

VA941: Amount Included in Statement of Condition

Report the recorded investment in the restructured asset (*i.e.*, modified loan or foreclosed asset) after deduction for specific valuation allowances. **Recorded investment is the outstanding principal balance, adjusted for charge-offs and unamortized yield adjustments.** Report all troubled debt restructurings that remain on the books at the end of the quarter, regardless of the quarter in which restructuring took place.

In general, a loan will continue to be reported in this data field until paid in full. However, a troubled debt restructuring that yields a market rate at the time of issuance will be reported on VA941 only during the year of the restructuring if the borrower is in compliance with the terms of the restructured contract.

Mortgage Loans Foreclosed during the Quarter

Report the recorded investment after deduction for specific valuation allowances of mortgage loans foreclosed during the quarter.

Report all mortgages of the types reported on SC230 through SC265 (Mortgage Loans) and real estate loans that are considered equity investments under GAAP, reported on SC45 that were foreclosed, on which a voluntary deed in lieu of foreclosure was acquired, or on which there was an in-substance foreclosure during the quarter. Note that foreclosed real estate loans that are considered equity

investments under GAAP, even though they are reported here as foreclosed assets, are not transferred on Schedule SC to “Repossessed Assets” (SC405 through SC428) but remain in “Real Estate Held For Investment” (SC45).

Report all foreclosures during the quarter, even if the property has been sold or otherwise disposed of since foreclosure.

Include:

1. Cancellations of real estate contracts or similar actions whereby the reporting association reacquires any property it previously owned that was sold on contract or installment basis;
2. FHA/VA mortgage loans, other federally insured or guaranteed mortgage loans, or privately insured mortgage loans that have been foreclosed, whether or not title is subsequently transferred to the insurer;
3. The portion of participations held by the reporting association at the time of foreclosure whether or not the reporting association was the lead lender or initiated foreclosure proceedings; and
4. Loans and participations sold with recourse reacquired prior to foreclosure. If a loan was reacquired and a foreclosure judgment obtained (in fact or in substance) in the same quarter, report it as a purchase on CF280 through CF300 (Loans and Participations Purchased) and as a foreclosure on VA950.

Do not include:

1. Loans to which title reverted to the seller prior to foreclosure; or
2. Loans serviced for others unless the loan was reacquired prior to foreclosure by the reporting association.

VA95: Total

Report the sum of VA951 through VA955. This line will be automatically generated by the electronic filing software.

VA951: Construction

Report foreclosures during the quarter on loans previously reported on SC230 through SC240 (Mortgage Loans: Construction Loans) and SC450 through SC470 (Real Estate Held for Investment).

Permanent Loans Secured By:

VA952: 1-4 Dwelling Units

Report foreclosures during the quarter on permanent mortgages secured by one-to-four dwelling unit property previously reported on SC250 and SC253 (Permanent Mortgages on: 1-4 Dwelling Units).

VA953: 5 or More Dwelling Units

Report foreclosures during the quarter on permanent mortgages secured by five or more dwelling unit property previously reported on SC256 (Permanent Mortgages on: 5 or More Dwelling Units).

VA954: Nonresidential (Except Land)

Report foreclosures during the quarter on permanent mortgages secured by nonresidential property reported on SC260 (Permanent Mortgages on: Nonresidential Property (Except Land).

VA955: Land

Report foreclosures during the quarter on permanent mortgages secured by land previously reported on SC265 (Permanent Mortgages on: Land).

Classification of Assets

Report classified assets and assets designated “special mention” of the reporting savings association and its consolidated subsidiaries, net of related specific valuation allowances, accumulated charge-offs, and recorded liabilities. Include off-balance-sheet items, such as loan commitments, loans sold with recourse, and lines and letters of credit, that are required to be classified.

End of Quarter Balances:

VA960: Special Mention

Report all assets, portions of assets, and off-balance-sheet items as of the end of the quarter that are not classified but are designated as “special mention” pursuant to OTS policy in the Thrift Activities Handbook Section 260.

VA965: Substandard

Report all assets, portions of assets, and off-balance-sheet items as of the end of the quarter classified as “substandard” pursuant to OTS policy in the Thrift Activities Handbook Section 260 and OTS Regulation 560.160.

VA970: Doubtful

Report all assets, portions of assets, and off-balance-sheet items as of the end of the quarter classified as “doubtful” pursuant to OTS policy in the Thrift Activities Handbook Section 260 and OTS Regulation 560.160.

VA975: Loss

Report all assets, portions of assets, and off-balance-sheet items as of the end of the quarter classified “loss” pursuant to OTS policy in the Thrift Activities Handbook Section 260 and OTS Regulation 560.160.

The amount reported for assets classified “loss” should be after any deduction for related specific valuation allowances, accumulated charge-offs, and/or recorded liabilities. Accordingly, the amount reported in this data field should generally be zero.

SCHEDULE PD — CONSOLIDATED PAST DUE AND NONACCRUAL

Report all loans and leases owned by the reporting savings association that are past due or are in nonaccrual status, regardless of whether such loans are secured or unsecured and regardless of whether such loans are guaranteed by the Government or by others, with the exception of those noted below. Report the entire loan, not simply the amount of the delinquent payment. The balance reported should be the recorded investment after deduction for **specific** valuation allowances. **Recorded investment** is the principal balance, adjusted for charge-offs and unamortized yield adjustments.

Savings associations that service GNMA pools for others (consisting of 1 to 4 family residential mortgage loans insured by the FHA, FmHA, or VA) and that choose to purchase delinquent FHA, FmHA, or VA residential mortgages in foreclosure status from the pool rather than continuing to make monthly advances on them need not report such loans in Schedule PD, provided the process of reimbursement by FHA, FmHA, or VA is proceeding normally.

Assets covered by the FSLIC Resolution Fund, the RTC, or the FDIC on which payments from the borrower are contractually past due or in nonaccrual status are not included in Schedule PD.

PAST DUE

1. Grace periods are not to be taken into account in determining past due status.

2. Loans and lease financing receivables are to be reported as past due when either interest or principal is unpaid in the following circumstances:

   a. **Amortizing closed-end** mortgage loans, closed-end nonmortgage installment loans, and any other loans and lease financing receivables with:

      1) **Payments scheduled monthly** are to be reported as past due when the borrower is in arrears two or more monthly payments of interest and/or principal. For example, a mortgage in accrual status for which the payment is due on the first of the month, is not reported in Schedule PD for March unless both the February and March payments are in arrears.

         A payment is considered past due if either principal or interest is in arrears; for example, if interest is current but principal is in arrears in an amount equal to two or more total monthly payments, the loan should be reported in Schedule PD.

2) **Payments scheduled other than monthly** are to be reported in Schedule PD when one scheduled payment of interest and/or principal is due and unpaid for 30 calendar days or more.

b. **Open-end loans** such as home equity loans, charge-card plans, check credit, and other revolving credit plans are to be reported as past due when the customer has not made the **minimum** payment for two or more billing cycles.

c. **Single payment and demand notes** providing for the payment of interest at stated intervals [*e.g.*, certain construction loans] are to be reported as past due after one interest payment is due and unpaid for 30 days or more.

d. **Single payment notes** providing for the payment of interest at maturity are to be reported as past due after maturity if interest or principal remains unpaid for 30 days or more.

e. **Unplanned overdrafts** are to be reported as past due if the account remains continuously overdrawn for 30 days or more.

Savings associations may use actual days as stated in the schedule headings in lieu of cycles in the calculation of past due. The following is an example of the use of cycles in the preparation of Schedule PD:

Payment Missed	Actual Days Overdue at Month-end	PD Category at End of Month
Jan 1 (one)	30	Under 30 Days
Feb 1 (two)	58	30 - 89 Days
March 1 (three)	89	30 - 89 Days
April 1 (four)	119	90 Days or More

In the March TFR this loan would be reported in the 30-to-89-day category; and if still delinquent and still held as a loan in June, it would be reported in the over-90-day category.

Restructured loans:

A loan that has been formally restructured so as to be reasonably assured of repayment and of performance according to its modified terms need not be maintained in nonaccrual status, provided the restructured loan is well secured and collection under the revised terms is probable. The determination of probability of collection should include consideration of the borrower's sustained historical repayment performance for a reasonable period, which may take into account performance prior to restructuring. A sustained period of repayment performance generally would be a minimum of six months and would involve payments of cash or cash equivalents.

Do not include:

1. Loans on which interest is accrued for record-keeping purposes but not for reporting purposes;
2. Accrued interest and advance payments of borrowers' taxes and insurance unless they have been capitalized to the loan balance; and
3. Deductions for allowances for loan and lease losses (ALLL) or the assumed liability of wrap-around loans applicable to such loans.

NONACCRUAL

Report loans on which interest is no longer being accrued.

Interest cannot be accrued on:

1. An asset which is maintained on a cash basis due to deterioration of the borrower's financial position;
2. An asset for which full payment of interest or principal is not expected; or
3. An asset with principal or interest in default unless the value of the property securing the loan exceeds the receivable balance (principal, interest, and escrows), and collection is probable.

Mortgage Loans:

PD115, 215, and 315: Construction

Report loans included on SC230 through SC240 (Construction Loans).

Permanent, Secured by:

PD120, 220, and 320: 1-4 Dwelling Units

Report loans included on SC250 and SC253 (Permanent Mortgages on: 1-4 Dwelling Units).

PD125, 225 and 325: 5 or More Dwelling Units

Report loans included on SC256 (Permanent Mortgages on: 5 or More Dwelling Units).

PD135, 235, and 335: Nonresidential Property (Except Land)

Report loans included on SC260 (Permanent Mortgages on: Nonresidential Property (Except Land)).

PD138, 238, and 338: Land

Report loans included on SC265 (Land).

Nonmortgage Loans and Leases:

PD140, 240 and 340: Commercial

Report loans and leases included on SC300 through SC306 (Nonmortgage Loans: Commercial Loans).

Consumer loans, closed-end:

PD161, 261, and 361: Loans on Deposits

Report loans included on SC310 (Closed-End Consumer Loans: Loans on Deposits).

PD163, 263, and 363: Home Improvement Loans

Report loans included on SC316 (Closed-End Consumer Loans: Home Improvement Loans).

PD165, 265, and 365: Education Loans

Report loans included on SC320 (Closed-End Consumer Loans: Education Loans).

PD167, 267, and 367: Auto Loans

Report loans included on SC323 (Closed-End Consumer Loans: Auto Loans).

PD169, 269, and 369: Mobile Home Loans

Report loans included on SC326 (Closed-End Consumer Loans: Mobile Home Loans).

PD170, 270, and 370: Other, Including Leases

Report loans included on SC330 (Closed-End Consumer Loans: Other, Including Leases).

Consumer Loans, Open-End:

PD175, 275, and 375: Revolving Loans Secured by 1-4 Dwelling Units

Report loans included on SC340 (Open-End Consumer Loans: Revolving Loans Secured by 1-4 Dwelling Units).

PD178, 278, and 378: Credit Cards and Related Plans

PD10, 20 and 30: Total

Report the total of PD115 through PD178 on PD10, PD215 through PD278 on PD20, and PD315 through PD378 on PD30. These amounts will be automatically generated by the electron filing software.

SCHEDULE CC — CONSOLIDATED COMMITMENTS AND CONTINGENCIES

COMMITMENTS OUTSTANDING

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

In reporting commitments to originate loans on CC280 through CC310, do not include any agreement or portion thereof that will not involve the disbursement or receipt of cash by the reporting savings association (*e.g.*, for a wrap-around loan report only the amount to be disbursed; do not report the gross commitment amount).

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

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

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

Include:

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

Do not include:

1. The undisbursed portion of open-ended lines of credit (mortgage or nonmortgage);
2. Borrowers advances or deposits that are reported on SC710(Deposits) or SC783(Escrows).

CC105: Mortgage Construction Loans

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

CC115: Other Mortgage Loans

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

CC125: Nonmortgage Loans

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

To Originate Mortgages Secured By

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

CC280: 1-4 Dwelling Units

CC290: 5 or More Dwelling Units

CC300: All Other Real Estate

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

CC310: To Originate Nonmortgage Loans

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

CC320: To Purchase Loans

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

CC330: To Sell Loans

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

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 (*i.e.*, the difference between the amount authorized by contract and the actual amount outstanding at quarter-end) issued by the reporting savings association or its consolidated subsidiaries in connection with credit cards or open-end loans, including those secured by a mortgage (*i.e.*, equity loans) or other collateral.

Do not include loans in process reported on CC105, CC115, or CC125.

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; most other types of commitments are reported on CC280 through CC370.

Letters of credit are divided into two classifications:

1. A commercial letter of credit is one in which the issuer expects to pay drafts or other demands for payment.
2. A standby letter of credit is one in which 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

Recourse obligations and direct credit substitutes are reported below in two ways: (1) the entire principal amount of the assets covered by a recourse obligation, which is reported on CC455, and (2) the amount of the recourse obligation, which is reported on CC465 for direct credit substitutes and on CC455 for recourse obligations.

CC455: Total Principal Amount of Off-Balance-Sheet Assets Covered by Recourse Obligations or Direct Credit Substitutes

Report the outstanding principal balance of assets covered fully or partially by recourse obligations or direct credit substitutes of the savings association (defined in accordance with OTS Regulation 567.1(kk) and (f), respectively). In general, direct credit substitutes support financial claims on an account party or represent agreements to absorb credit losses on all or part of a third-party asset pool.

Include:

1. Assets covered by the savings association's recourse obligations, letters of credit and other agreements, both collateralized and uncollateralized, to cover credit obligations of an account party.
2. The full amount of assets covered by recourse obligations issued by the savings association or a consolidated subsidiary, which requires it to absorb credit losses on assets held by a third party.
3. The full amount of assets covered against credit losses by financial-guarantee type standby letters of credit or other direct credit substitutes covering the full amount or a subordinated portion of an asset pool that are issued by the savings association or a consolidated subsidiary.
4. The full amount of assets protected by the savings association's agreement through a direct credit substitute (e.g., financial-guarantee type standby letter of credit) or recourse obligation to absorb credit losses up to some percentage of the asset pool. Such subordinated positions may represent the obligation to absorb credit losses up to a multiple of expected loss, thereby potentially being exposed to the same dollar credit loss as if the savings association guaranteed the entire pool. Report the amount of such subordinated positions plus more senior (protected) portions of the pool.
5. Assets held in a trust or spread account for which the savings association or a consolidated subsidiary has the obligation to absorb credit losses through holding a nonsecurity financial instrument under SFAS No. 125 or other agreement.
6. Loans swapped for securities if the savings association or a consolidated subsidiary would suffer credit loss from losses on the loans.

Do Not Include:

1. Loans insured or partially insured by government agencies (*e.g.,* if 80% of a loan is insured by the FHA or VA, report only 20% of the outstanding loan on this line; the insured portion should not be reported on this line);

2. Portions of asset pools on which third parties would be obliged to share losses on a pro-rata basis (*e.g.,* do not report the portion of an asset pool on which a third party undertook to absorb the same portion on a pro-rata basis; or stated differently, do not report the portion of an asset pool if the savings association does not have to absorb a set amount of loss before the third party begins to share losses); and
3. Losses reported as liabilities in Schedule SC.

CC465: Amount of Direct Credit Substitutes on Assets in CC455

Report outstanding amount of direct credit substitutes (as defined in OTS Regulation 567.1(f)) on third-party assets included on CC455.

Include:

1. The face amount of direct credit substitutes (*e.g.,* financial-guarantee type standby letters of credit) issued by the savings association or its consolidated subsidiary covering the full amount of losses on a third-party asset pool;
2. The face amount of direct credit substitutes (*e.g.,* financial-guarantee type standby letters of credit) covering a non-pro rata share of credit losses (*i.e.,* a subordinated loss position) on a third-party asset pool; and
3. Certain nonsecurity financial instruments under SFAS No. 125 on spread accounts and other third party asset pools.

CC468: Amount of Recourse Obligations on Assets in CC455

Report the maximum amount of recourse obligations (*i.e.,* maximum contractual loss exposure from the retention or assumption of credit risk) on off-balance-sheet assets reported on CC455.

OTHER CONTINGENT LIABILITIES

CC480:

Report all contingent liabilities not reported elsewhere in this schedule.

CONTINGENT ASSETS

CC490:

Report all contingent assets not reported elsewhere.

SCHEDULE CF — CONSOLIDATED CASH FLOW INFORMATION

GENERAL INSTRUCTIONS

The activity reported on this schedule should be that of the reporting savings association and its consolidated subsidiaries. Do not report bulk sales and purchases of loans and deposits, branch purchases and sales, or assets and deposits acquired through a merger as new activity in this schedule. In the case of a merger of two depository institutions, activity for both institutions involved in the merger should be reported for the entire quarter regardless of whether the purchase or pooling method was applied. In the case of an acquisition by a holding company where pushdown accounting was used, the activity for the entire quarter should be reported.

MORTGAGE POOL SECURITIES

Report purchases and sales of securities reported on SC210 (Mortgage Pool Securities: Insured or Guaranteed by an Agency or Instrument of the United States) and SC215 (Other Mortgage Pool Securities), including those that were purchased and sold during the same quarter.

CF140: Purchases - Secured by Fixed-Rate Mortgages

Report the purchase price of mortgage pool securities purchased during the quarter secured primarily by fixed-rate mortgages.

CF150: Purchases - Secured by Variable-Rate Mortgages

Report the purchase price of mortgage pool securities purchased during the quarter secured primarily by variable-rate mortgages.

CF160: Sales - Secured by Fixed-Rate Mortgages

Report the carrying value of mortgage pool securities sold during the quarter secured primarily by fixed-rate mortgages.

CF170: Sales - Secured by Variable-Rate Mortgages

Report the carrying value of mortgage pool securities sold during the quarter secured primarily by variable-rate mortgages.

CF180: Principal Reductions

Report all cash repayments of principal on mortgage pool securities.

MORTGAGE LOANS

Mortgage Loans Disbursed:

Report the amount disbursed for mortgage loans during the quarter. Note that all amounts are reported net of loans-in-process. Additional disbursements are reported in the quarter in which they are made.

Include:

1. All loans closed in the name of the reporting savings association and its consolidated subsidiaries regardless of whether or not the actual closing is performed by the savings association, an affiliate, or another entity. Subsequent transfers from the closing entity to the reporting savings association are not reported as purchases, because the loans have already been reported as originations of the reporting savings association.
2. Increases in loan balances of existing loans (*e.g.*, disbursement of loans-in-process and disbursement of previously closed but undisbursed mortgages, negative amortizations, and additional disbursements of home equity loans).
3. The amount disbursed for refinanced loans.
4. Combination construction/permanent loans both at the time the construction loan is closed and at the time it converts to permanent financing even if no new funds are disbursed; report the construction loan on CF350 at the time of conversion, so that the mortgage loan reconciliation will balance.

Do not include:

1. Loans closed in the name of an affiliate or other unconsolidated entity. Subsequent transfers from the reporting savings association to the entity in whose name the loans were closed are not reported as sales, because the loans were never reported as originations. If the reporting savings association subsequently acquires mortgages it closed in the name of an affiliate or other unconsolidated entity, it should report the acquisition as a purchase on CF280 through CF300.
2. The undisbursed portion of construction and open-end home equity loans; report these as contingencies on Schedule CC.

3. Mortgages closed by brokers under warehouse lines of credit where the loans were closed but no money was disbursed by the reporting savings association or its consolidated subsidiaries; report only as funds are disbursed as described under “Include” item 2 above.

Construction Loans On:

CF190: 1-4 Dwelling Units

Report the amount of construction loans disbursed during the quarter of the type reported on SC230 (Construction Loans on: 1-4 Dwelling Units).

Do not include:

Construction loans secured by condominium projects; report on CF200.

CF200: 5 or More Dwelling Units

Report the amount of construction loans disbursed during the quarter of the type reported on SC235 (Construction Loans on: 5 or More Dwelling Units).

Include:

Construction loans secured by condominium and time-share projects.

CF210: Nonresidential

Report the amount of construction loans disbursed during the quarter of the type reported on SC240 (Construction Loans on: Nonresidential Property).

Permanent Loans On:

When a single loan provides permanent financing of more than one type of property, the entire loan should be reported in the data field describing the type of property representing the largest use of loan proceeds.

Classify property as newly built if none of the dwelling units have been occupied. Classify property as previously occupied if one or more of the dwelling units has been occupied.

1-4 Dwelling Units:

Report the amount of mortgage loans disbursed during the quarter of the type reported on SC250 and SC253 (Permanent Mortgages on: 1-4 Dwelling Units).

Include:

Amounts disbursed under revolving, open-end loans secured by 1-4 dwelling units and extended under lines of credit (open-end home equity loans) where the savings association secures the loan by a lien on the real estate which meets the requirements of OTS Regulations 564 and 560.100-101.

CF220: Newly Built

CF230: Previously Occupied

5 or More Dwelling Units:

Report the amount of mortgage loans disbursed during the quarter of the type reported on SC256 (Permanent Mortgages on: 5 or More Dwelling Units).

CF240: Newly Built

CF250: Previously Occupied

CF260: Nonresidential (Except Land)

Report the amount of mortgage loans disbursed during the quarter of the type reported on SC260 (Permanent Mortgages on: Nonresidential Property (Except Land)).

CF270: Land

Report the amount of mortgage loans disbursed during the quarter of the type reported on SC265 (Permanent Mortgages on: Land).

Include:

1. Developed building lots;
2. Land in the acquisition or development stage (*e.g.*, loans for making improvements required for conversion to developed building lots); and
3. Unimproved land.

Do not include:

1. Land used for farming; report on CF260; and
2. Combination land/construction loans; report on CF190 through CF210.

Loans and Participations Purchased, Secured by:

Include:

The cost of mortgage loans and participations purchased from other entities (*i.e.,* after adjusting for discounts, premiums, or loans in process).

Do not include:

1. Transfers from an affiliate or other unconsolidated entity where the loans were closed in the name of the reporting savings association or its consolidated subsidiaries; report as mortgage loans closed when originated; and
2. Acquisitions of mortgage pool securities; report on CF140 and CF150.

CF280: 1-4 Dwelling Units

Report loans and participations purchased during the quarter of the types reported on SC230 (Construction Loans on: 1-4 Dwelling Units), and SC250 and SC253 (Permanent Mortgages on: 1-4 Dwelling Units).

CF290: 5 or More Dwelling Units

Report loans and participations purchased during the quarter of the types reported on SC235 (Construction Loans on: 5 or More Dwelling Units), and SC256 (Permanent Mortgages on: 5 or More Dwelling Units).

CF300: Nonresidential

Report loans and participations purchased during the quarter of the types reported on SC240 (Construction Loans on: Nonresidential Property), SC260 (Permanent Mortgages on: Nonresidential Property (Except Land), and SC265 (Permanent Mortgages on: Land).

Loans and Participations Sold, Secured by:

Include:

The carrying value of mortgage loans and participations sold to other entities or otherwise disposed of. Include loans securitized and retained in the reporting savings association's security portfolio even though this is a noncash transaction; also report the securitized loans as an acquisition of securities on CF140 or CF150.

Do not include:

Sales of mortgage pool securities; report on CF160 and CF170.

CF310: 1-4 Dwelling Units

Report loans and participations sold during the quarter of the types reported on SC230 (Construction Loans on: 1-4 Dwelling Units), and SC250 and SC253 (Permanent Mortgages on: 1-4 Dwelling Units).

CF320: 5 or More Dwelling Units

Report loans and participations sold during the quarter of the types reported on SC235 (Construction Loans on: 5 or More Dwelling Units), and SC256 (Permanent Mortgages on: 5 or More Dwelling Units).

CF330: Nonresidential

Report loans and participations sold during the quarter of the types reported on SC240 (Construction Loans on: Nonresidential Property), SC260 (Permanent Mortgages on: Nonresidential Property (Except Land), and SC265 (Permanent Mortgages on: Land).

CF340: Cash Repayment of Principal

Report all cash repayments of principal received during the quarter on loans reported on SC230 through SC265 (Mortgage Loans).

Include:

1. Scheduled amortization repayments; and
2. Full and partial cash prepayments.

Do not include:

1. Loan foreclosures; report on CF350;
2. Capitalized interest charges; report on CF350; and
3. Noncash transactions that reduce loan balances (*e.g.*, loan restructurings and refinancings); report on CF350.

CF350: Debits Less Credits Other Than Repayment of Principal

Report noncash transactions affecting principal balances of loans reported on SC230 through SC265 (Mortgage Loans). Report a net credit as negative.

Include:

1. Capitalized charges (*i.e.*, interest, taxes, insurance, and other miscellaneous charges) reported on SC230 through SC265 (Mortgage Loans);
2. Mortgage loans foreclosed;
3. Noncash payoffs of the construction phase of a combination construction-permanent loan that became permanent during the quarter;
4. Changes in SVAs of mortgage loans;
5. Unearned income on mortgage loans originated (*i.e.,* loan fees, prepaid interest, etc.) and on mortgage loans purchased (*i.e.,* discounts and premiums);
6. Amortization of unearned income (yield adjustments) on mortgage loans;
7. Increases in unearned income of mortgage loans resulting from mergers accounted for using the purchase method and acquisitions using push-down accounting.

Do not include:

1. Unclassified loans; transactions must be classified on CF190 through CF270 corresponding to their classification on SC230 through SC265 (Mortgage Loans);
2. The underlying loan of a wrap-around loan reported as a borrowing on SC760 (Other Borrowings);
3. Transfers between the mortgage loan and nonmortgage loan classifications;
4. Foreclosures on property securing real estate loans that are considered equity investments under GAAP as these amounts were not included in mortgages;
5. Increases in balances of negative amortization and open-end loans; report as originations; and
6. Changes in mortgage balances due to acquisition or disposition of a branch as explained in the general instructions to this schedule.

CF360: Refinancing Loans Included on Lines 190 through 270 Above

Report the gross amount of refinanced loans during the quarter that were reported on CF190 through CF270 where the reporting association held the original loan being refinanced. Include both troubled debt restructurings and non-troubled debt restructurings. In this data field report the full amount of the new refinanced loan even though only the new amount disbursed is reported on CF190 through CF270.

NONMORTGAGE LOANS CLOSED OR PURCHASED

Report disbursements of commercial and consumer nonmortgage loans and financing leases closed or purchased during the quarter.

Include:

1. Disbursements made during the quarter on lines of credit.

2. Disbursements of loans-in-process.

3. Disbursements made on loans even if the loans were paid off or sold during the same quarter (*e.g.,* line-of-credit transactions and loans originated for sale).

Refer to the general instructions at the beginning of this schedule for reporting when there is a merger or bulk acquisition.

CF390: Commercial

Report loans and financing leases closed or purchased during the quarter of the types reported on SC300 through SC306 (Commercial Loans).

CF400: Consumer

Report loans and financing leases closed or purchased during the quarter of the types reported on SC310 through SC345 (Consumer Loans).

DEPOSITS

The following items reconcile deposits as follows:

SC710 from last quarter's TFR

Plus CF420

Plus CF430

Plus CF435

Equals SC710 of the current TFR,

with the exception of certain miscellaneous items described in the instructions for SC710 such as changes in balances of:

- Outstanding cashier's checks, money orders, and other official checks drawn on internal accounts;
- U.S. Treasury tax and loan accounts;
- Funds drawn on a zero-balance account in another depository institution or in a FHLBank;
- Outstanding travelers' letters of credit.

CF420: New Deposits Received Less Deposits Withdrawn

Report the total of deposits received less deposits withdrawn during the quarter.

Report activity in a merger as follows:

Merger with a savings association regulated by the OTS:
Report the combined activity of the reporting savings association and any savings association that merged into it for the full quarter, regardless of whether the purchase or pooling methods of accounting were used. This should reflect the entire quarter's activity regardless of the merger date. Do not include the acquired savings associations' deposits at the beginning of the quarter as "new deposits;" report only the activity during the quarter.

Merger with depository institution not previously regulated by the OTS:
Do not report the deposit activity of the acquired non-OTS depository institution prior to the merger date. After the merger date report the combined deposit activity of the reporting savings association and the merged institution.

Report activity in a branch acquisition as follows:

Do not report the activity of purchased branches prior to the date of acquisition. This activity should be reported by the depository institution selling the branch up to the date of the sale or acquisition.

Do not include as new deposits received:

1. Bulk deposits acquired in a merger, branch, or bulk deposit purchase; and
2. Accrued interest.

Include as deposits withdrawn:

1. Charges to Now, Super-Now, and other transaction accounts;
2. Withdrawals of matured time deposits;
3. Withdrawals of savings and all other deposits.

Do not include as deposits withdrawn:

Branch or bulk deposit sales.

CF430: Interest Credited to Deposits

Report amount of interest and dividends credited during the quarter to accounts reported on SC710 (Deposits).

In the case of a merger include:

Merger with a savings association regulated by the OTS:
Report the combined interest credited by the reporting savings association and any savings association that merged into it for the full quarter, regardless of whether the purchase or pooling methods of accounting were used. This should reflect the entire quarter's interest credited regardless of the merger date.

Merger with depository institution not previously regulated by the OTS:
Do not report the interest credited by the acquired non-OTS depository institution prior to the merger date. After the merger date report the combined interest credited of the reporting savings association and the merged institution.

Do not include:

1. Interest paid out in cash; and
2. Accrued interest reported on SC763 (Accrued Interest Payable - Deposits).

CF435: Deposits Acquired, Net of Dispositions in Bulk Transactions (Including Non-OTS Mergers and Conversions)

Report bulk purchases, net of sales, of deposits acquired during the quarter. This amount is not reported on CF420 above.

If sales exceed purchases, report the amount as negative.

Include:

1. Bulk purchases and sales of deposits ;
2. Deposits acquired or disposed of through branch office purchases and sales;
3. Deposits acquired from mergers with depository institutions not previously regulated by the OTS; and
4. The deposit balance at the date of conversion for all institutions converting from a non-OTS to an OTS-regulated charter.

Do not include deposits acquired from mergers with a savings association that was regulated by the OTS as of the end of the previous quarter.

SCHEDULE SI — CONSOLIDATED SUPPLEMENTAL INFORMATION

DEPOSIT DATA

Total Broker-originated Deposits:

SI100: Fully Insured

Report brokered deposits included on SC710 (Deposits) received from brokers, dealers, or agents (including As-Agent CDs) for the account of others in which the individual account is equal to or less than $100,000.

SI110: Other

Report brokered deposits included on SC710 (Deposits) received from brokers, dealers, or agents (including As-Agent CDs) for the account of others in which the individual account exceeds $100,000.

Deposits with Balances:

The sum of SI165 and SI175 must equal SC710 (Deposits).

SI165: $100,000 or Less

Report deposits with current balances of $100,000 or less. Include that portion of larger broker-originated deposits that has been sold to investors in participating shares with current balances of $100,000 or less.

SI175: Greater than $100,000

Report deposits with current balances greater than $100,000. Do not include that portion of larger broker-originated accounts that has been sold to investors in participating shares of $100,000 or less.

SI210: IRA/Keogh Accounts

Report IRA and Keogh accounts included in SC710 (Deposits). Include Roth IRAs and educational and first-time home purchase IRAs.

Do not include 401K and other types of retirement accounts.

Number of Deposit Accounts with Balances:

Report the actual number of accounts for which balances are reported on SC710 (Deposits). Do not report the outstanding balances. Report each investor participation in a larger broker-originated deposit as a separate account. The amounts reported are the actual numbers and are not rounded to thousands.

The sum of SI220 and SI230 must equal the total number of deposit accounts held by the reporting savings association.

SI220: $100,000 or Less

SI230: Greater than $100,000

SI235: Uninsured Deposits

Report the amount of any deposit in excess of insured limits pursuant to Section 141 of the FDIC Improvement Act (FDICIA).

The reporting savings association may not be able to precisely determine the amount of uninsured deposits due to the lack of information as to the existence of an interest by other parties in certain deposit accounts. However, the reporting savings association should be diligent in obtaining its best estimate of its uninsured deposits. It is expected that the estimate being reported should be derived from the reporting savings association's existing information systems or personal knowledge of its depositor base.

Include deposits collateralized by the savings association's assets that are in excess of deposit insurance limits.

SI237: Preferred Deposits

Report all deposits of states and political subdivisions in the U.S. included in SC710 (Deposits), which are secured or collateralized as required under state law, pursuant to Section 141 of FDICIA.

Do not include:

1. Deposits of the U.S. Government which are secured or collateralized as required under Federal law; and
2. Deposits of trust funds which are secured or collateralized as required under state law unless the beneficiary is a state or political subdivision in the U.S.

State law may require a savings association to pledge securities (or other readily marketable assets) to cover the uninsured portion of the deposits of a state or political subdivision. If the savings association has pledged securities with a value that exceeds the amount of the uninsured portion of the state or political subdivision's deposits, only the uninsured amount (and none of the insured portion of the deposits) should be reported as a "preferred deposit." For example, a political subdivision has $350,000 in deposits at a savings association

which, under state law, is required to pledge securities to cover only the uninsured portion of such deposits ($250,000 in this example). The savings association has pledged securities with a value of $300,000 to secure these deposits. Only $250,000 of the political subdivision's $350,000 in deposits (the uninsured amount) would be considered "preferred deposits."

In other states, savings associations must participate in a state public deposits program in order to receive deposits from the state or from political subdivisions within the state in amounts that would not be covered by federal deposit insurance. Under state law in such states, the value of the securities a savings association must pledge to the state is calculated annually, but represents only a percentage of the uninsured portion of its public deposits. Savings associations participating in the state program may potentially be required to share in any loss to public depositors incurred in the failure of another participating institution.

As long as the value of the securities pledged to the state exceeds the calculated requirement, all of the savings association's uninsured public deposits are protected from loss under the operation of the state program if the savings association fails and, therefore, all of the uninsured public deposits are considered "preferred deposits."

For example, a savings association participating in a state public deposits program has $1,000,000 in public deposits under the program and $700,000 of this amount is uninsured. The savings association's most recent calculation indicates that it must pledge securities with a value of at least $77,000 to the state in order to participate in the state program. The savings association has pledged securities with an actual value of $80,000. The savings association should report the $700,000 in uninsured public deposits as "preferred deposits."

DEPOSIT AND ESCROW DATA FOR DEPOSIT INSURANCE PREMIUM ASSESSMENTS

SI215: Noninterest-bearing Demand Deposits

Report all demand deposits reported on SC710 (Deposits) and SC783 (Escrows). Demand deposits to be reported on this line are defined in FDIC Regulations 329.1, 329.101, and 329.102.

A demand deposit is a noninterest-bearing deposit:

1. That has a maturity or required notice period of less than seven days;
2. For which the depository institution does not reserve the right to require at least seven days' written notice prior to withdrawal or transfer of any funds from the account; and
3. From which the depositor is authorized to make, during any month or statement cycle of at least four weeks, more than six transfers or withdrawals provided that more than three of the six authorized transfers or withdrawals are authorized to be made by check, draft, debit card or similar order made by the depositor unless the depositor is allowed to hold a NOW account as specified in 12 U.S.C. Section 1832.

Demand deposits include:

1. Matured time deposits that do not have automatic renewal provisions, unless the deposit agreement provides for the funds to be transferred at maturity to another type of account;
2. Escrow accounts reported on SC783 that meet the definition of demand deposits; and
3. Outstanding checks drawn against zero-balance accounts (including those at Federal Home Loan Banks) that are reported on SC710.

Demand deposits do not include:

1. Money market deposit accounts (MMDAs);
2. NOW accounts that do not meet the above definition;

3. Deposits held either in branches outside of the territories and possessions of the U.S. or by an Edge or Agreement Subsidiary or by an International Banking Facility (IBF); and
4. Amounts not included in SC710 or SC783, such as outstanding checks drawn against Federal Home Loan Banks that are reported on SI239 and deposits of consolidated subsidiaries that have been eliminated in consolidation and are reported on SI243.

SI239: Outstanding Checks Drawn Against Federal Home Loan Banks and Federal Reserve Banks Not Included in SC710

Report the amount of outstanding checks drawn on, or payable at or through, Federal Home Loan Banks and Federal Reserve Banks, which have been deducted from assets reported on SC110 (Cash and Noninterest-earning Deposits) or SC162 (Interest-earning Deposits in FHLBs).

Include outstanding checks drawn on non-zero-balance accounts only. Outstanding checks drawn on zero-balance accounts or accounts not routinely maintained with sufficient balances to cover checks drawn in the normal course of business are reported on SC710 (Deposits).

Do not report this amount on SI215 (Noninterest-Bearing Demand Deposits), as SI239 will be added to SI215 in calculating total demand deposits.

SI240: Deposits in Lifeline Accounts

Savings associations should report zero in this data field until such time as they are notified that the minimum requirements for lifeline accounts have been established by the Federal Reserve Board.

Lifeline accounts are transaction accounts that meet certain minimum requirements to be established by the Federal Reserve Board pursuant to Section 232 of the FDIC Improvement Act of 1991. These accounts will be eligible for a reduced deposit insurance assessment rate.

Deposits of Consolidated Subsidiaries:

Report all deposits and escrows of subsidiaries that are consolidated in Schedule SC where such deposits and escrows are held by the reporting savings association. Include the interest accrued and unpaid on such deposits and escrows.

The deposits, escrows, and accrued interest reported in these data fields have been eliminated in consolidation and are not included in SC710, SC783, or SC763.

If a consolidated subsidiary has escrows held by the reporting savings association, the deposit at the parent savings association is eliminated in consolidation, but the escrow remains a liability and should be reported on SC783. To avoid double counting of these escrows, do not include them on SI243 or SI244. Report only deposits and escrows that have been completely eliminated and are not reported on either SC710 or SC783.

SI243: Demand Deposits

Report all demand deposits, as defined in SI215, that the savings association holds for consolidated subsidiaries. These deposits are not reported on SC710, SC783 or on SI215.

SI244: Time and Savings Deposits

Report all deposits that the savings association holds for its consolidated subsidiaries that are not demand deposits reported on SI243. These deposits are not reported on SC710 or SC783. Also include the interest accrued and unpaid on such deposits and escrows. This accrued interest is not reported on SC763.

SI245: Adjustments to Deposits for Depository Institution Investment Contracts and Deposits in Foreign Offices, Edge and Agreement Subsidiaries, and IBFs (Including Accrued Interest)

Report the amount of liabilities arising under the following:

1. Investment contracts that are reported as deposits in Schedule SC, but are not treated as insured deposits (as defined in Section 11(a)(8) of the FDI Act). A “Depository Institution Investment Contract” is a separately negotiated, depository agreement between an employee benefit plan and an insured depository institution that guarantees a specified rate for all deposits made over a prescribed period and expressly permits “benefit-responsive withdrawals or transfers.”
2. Deposits held either in branches outside of the territories and possessions of the United States or by an Edge or Agreement Subsidiary, or by an International Banking Facility (IBF), including any accrued interest.

These contracts and deposits are included in SC710 (Deposits) for reporting purposes, but will be deducted from deposits in the computation of the deposit premium assessment. The accrued interest is included in SC763 (Accrued Interest Payable - Deposits), which is also part of the assessment base.

Amount of assets netted against deposit and escrow liabilities in Schedule SC in accordance with generally accepted accounting principles that cannot be netted for purposes of calculating deposits in accordance with the Federal Deposit Insurance Act:

Under generally accepted accounting principles (GAAP), savings associations are permitted to offset or net assets and liabilities when a right of setoff exists. However, under the Federal Deposit Insurance Act (FDI Act), only certain specified assets may be netted against deposit liabilities for deposit insurance and FICO assessment purposes. Thus, the reporting savings association may have reported its deposits on the balance sheet (Schedule SC) and elsewhere in Schedule SI differently than required for assessment purposes. Exclude hypothecated demand deposits.

Example 1:

A savings association has a $200,000 asset and a $500,000 deposit liability for which a right of setoff exists under GAAP. The savings association nets the asset and liability on its balance sheet (Schedule SC) are reports a net $300,000 deposit liability. The savings association should report $200,000 on SI247 or SI248, depending on the type of deposit involved in the netting.

Example 2:

A savings association has a $400,000 asset and a $250,000 deposit liability for which a right of setoff exists under GAAP. The savings association nets the assets and liability on its balance sheet (Schedule SC) and reports a net $150,000

asset. The savings association should report $250,000 on SI247 or SI248, depending on the type of deposit involved in the netting.

Also report as a negative number the amount by which demand deposits would be reduced if the reporting savings association's reciprocal demand balances with domestic offices of U. S. Banks and savings associations (and insured branches in Puerto Rico and U. S. territories and possessions) that were reported on a gross basis in Schedule SC had been reported on a net basis. For assessment purposes such reciprocal balances may be reported on a net basis. Overdrawn balances cannot be included in this calculation.

SI247: Netted Against Demand Deposits (including escrows)

SI248: Netted Against Time and Savings Deposits (including escrows)

To be completed ONLY by associations with Oakar deposits:

This section should be completed the first quarter in which a savings association acquires Oakar deposits; that is, it acquires through purchase or merger deposits insured by a secondary fund (*e.g.*, a SAIF-insured savings association purchases BIF-insured deposits). Once a savings association has acquired Oakar deposits, it should complete this section in any quarter when additional deposits are purchased, whether the additional deposits are SAIF-insured or BIF-insured.

SI255: Total deposits purchased or acquired from other FDIC insured institutions during the quarter

SI265: Amount of purchased or acquired deposits reported in SI255 attributable to a secondary fund (i.e., SAIF members report deposits attributable to BIF; BIF members report deposits attributable to SAIF)

SI266: Total deposits sold or transferred during the quarter

OTHER DATA

SI350: Approximate Value of Trust Assets Administered

Report the approximate market value of trust assets administered by the reporting savings association and its consolidated subsidiaries as of the end of the quarter. This amount should reflect the current market value of assets held pursuant to Section 403 of the Depository Institutions Deregulation and Monetary Control Act of 1980 or applicable state authority.

Include:

1. Both discretionary and nondiscretionary accounts;
2. Assets subject to shared investment discretion;
3. Assets for which the savings association has fiduciary responsibility that are being serviced by an investment advisor.

Do not include IRA and Keogh accounts reported on SI210 for which the reporting savings association or its consolidated subsidiaries is a trustee.

SI370: Number of Full-time Equivalent Employees

Report the actual number of full-time equivalent employees employed by the reporting savings association and its consolidated subsidiaries. Report the actual whole number; do not round to thousands.

SI375: Assets Held in Trading Accounts

Trading assets are defined as securities and other assets acquired and held for the purpose of sale in the near term. Trading generally reflects active and frequent buying and selling with the objective of generating profits on short-term price movements.

Trading assets may be any readily marketable asset, such as: government securities, mortgage pool securities, equity securities, bonds, notes, debentures, negotiable certificates of deposit, commercial paper, and bankers acceptances. Mortgage-backed securities that are held in conjunction with mortgage banking activities must be classified as trading assets.

All trading assets are to be reported consistently at fair value whether or not the fair value is above or below cost. Unrealized gains and losses on trading assets are recognized in current earnings on SO485 (Net Income (Loss) from: Trading Assets (Realized and Unrealized)). Fair value adjustments to trading assets must directly adjust the asset balance (*i.e.*, no valuation allowances should be set up on trading assets). Transfers from a trading classification to held-to-maturity must be recorded at fair value at the time of transfer.

SI385: Available-for-Sale Securities

Report all investments in debt securities (including mortgage securities) not classified as held-to-maturity or as trading, and all investments in equity securities that have readily determinable fair values that are accounted for pursuant to SFAS No. 115 and are not classified as trading. Do not include equity securities for which sale is restricted by governmental or contractual requirement (*e.g.*, FHLB stock).

Available-for-sale securities are reported at fair value. Unrealized gains and losses are excluded from current earnings and reported, net of taxes, as a separate component of equity on SC860 (Unrealized Gains (Losses) on Available-for-Sale Securities) until realized. In addition, report certain nonsecurity financial instruments (CNFIs) classified as available-for-sale pursuant to SFAS No. 115.

Securities transferred from the available-for-sale category to held-to-maturity must be transferred at fair value as of the date of transfer.

SI387: Assets Held for Sale

Report all assets held for sale except securities and repossessed assets. Assets held for sale must be reported at the lower of cost or market. Unrealized losses are recognized in current earnings on SO465 (Net Income (Loss) from: LOCOM Adjustments Made to Assets Held for Sale).

Assets transferred from the “for sale” category to an investment account must be transferred at the lower-of-cost-or-market as of the date of transfer.

Include:

1. Loans and participations originated or purchased by the reporting savings association and its consolidated subsidiaries with the intent to sell;
2. Assets originally held for investment but now held for sale; and

3. Assets held for sale, including real estate and branch offices, whether or not there is an outstanding commitment to sell.

Do not include:

1. Securities, which are reported on SI385; and
2. Repossessed assets.

SI390: Loans Serviced for Others

Report the principal balance of mortgage and nonmortgage whole loans and participating interests in loans serviced by the reporting savings association and its consolidated subsidiaries, but owned by others.

Include:

1. Loans and securities that the reporting savings association or its consolidated subsidiaries sold to others but for which it performs the servicing; and
2. Loans and securities serviced by the reporting savings association or its consolidated subsidiaries under a contract to a third party who owns the servicing rights.

Do not include:

1. Loans and securities to which the reporting savings association or its consolidated subsidiaries own the servicing rights but for which servicing has been subcontracted to a third party;
2. Loans and securities serviced for the reporting savings association by a consolidated subsidiary or a subsidiary depository institution.

REGULATORY LIQUIDITY

Regulatory liquidity is computed for the reporting savings association consolidated with its operating subsidiaries. Operating subsidiary means any entity that satisfies all of the requirements for an operating subsidiary set forth in OTS Regulation 559.3 and that is designated by the parent savings association as an operating subsidiary. More than 50% of the voting shares of an operating subsidiary must be owned, directly or indirectly, by a federal savings association and no other persons or entity may exercise effective operating control. An operating subsidiary may only engage in activities permissible for a federal savings association. The term “operating subsidiary” does not include entities that meet the definition of a service corporation contained at OTS Regulation 559.2.

SI500: Regulatory Liquidity Ratio

Report the average daily regulatory liquidity ratio for the quarter, expressed as a percentage, calculated as follows:

Numerator = the sum of liquid assets for each calendar day in the current quarter.

Denominator = at the savings association’ option, either (1) the liquidity base at the end of the preceding quarter multiplied by the number of calendar days in the current quarter, or (2) the sum of each calendar day’s liquidity base for the preceding quarter.

OTS Regulation 566.1 defines liquidity base as net withdrawable accounts plus short-term borrowings. Net withdrawable accounts are withdrawable accounts less the unpaid balance of loans secured by such accounts (less, at the savings association’s option, withdrawable accounts maturing in more than one year). Short-term borrowings are borrowings payable in one year or less.

The following is a list of unpledged assets includable in regulatory liquidity; however, reference must be made to OTS Regulation 566.1(g) for each asset to determine compliance with eligibility criteria:

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

a) Forward commitment to sell the asset;

b) Futures contract;

c) Long put option; or

d) Call option that can be exercised within the period appropriate to qualify as a liquid asset.

The following are not eligible for inclusion in regulatory liquidity:

1. Securities pledged as collateral on a margin account;
2. Securities collateralizing repurchase, resale, dollar-reverse-repurchase, and fixed coupon agreements;
3. Securities pledged for deposits of public units reported on SC710 (Deposits); and
4. Principal and interest custodial cash accounts, such as for FHLMC, FNMA and GNMA, used to effect timely payments.

QUALIFIED THRIFT LENDER TEST

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

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

If the reporting savings association uses the HOLA QTL test, report the ATIP from the OTS QTL worksheets (OTS Form 1427, Rev. 12/96) for the three months. If the reporting savings association uses the IRS DBLA test, leave lines SI581, 582, and 583 blank.

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

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

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

An **"executive officer"** of the reporting savings association means a person who participates or has authority to participate (other than as a director) in major policy-making functions of the reporting savings association or its holding company. See Section 215.2(e) of Regulation O.

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

A **"principal shareholder"** of the reporting savings association means an individual or a company (other than an insured depository institution) that directly or indirectly, or acting through or in concert with one or more persons, owns controls, or has the power to vote more than 10% of any class of voting stock of the reporting savings association. Shares owned or

controlled by a member of an individual's immediate family are considered to be held by the individual. A principal shareholder includes a principal shareholder of a holding company of which the reporting savings association is a subsidiary and a principal shareholder of any other subsidiary of that holding company. See Section 215.11(a)(1) of Regulation O.

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

SI590: Aggregate amount of all extensions of credit

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

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

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

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

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

RECONCILIATION OF EQUITY CAPITAL

SI600: Beginning Equity Capital

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

Special instructions for mergers and reorganizations:

- Pooling Mergers - Report the sum of SI680 of all pooled institutions for the previous quarter.
- Purchase Mergers - Report SI680 for the previous quarter for the surviving savings association only.
- Change of Control involving push-down accounting (including receiverships) - Report SI680 for the previous quarter. Adjustments should be reported on SI660.

SI610: Net Income (Loss)

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

Dividends Declared:

SI620: Preferred Stock

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

Include:

1. Dividends declared on preferred stock reported on SC812 and SC814;
2. Income payments accrued on funded ICCs reported on SC799;
3. Dividends declared on redeemable preferred stock reported on SC799; and
4. Dividends declared on perpetual preferred stock of consolidated subsidiaries reported on SC799.

SI630: Common Stock

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

Do not include:

1. Stock dividends; or
2. Stock splits

SI640: Stock Issued

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

Include:

1. Perpetual preferred stock (including discounts and premiums) issued by the reporting savings association during the quarter that qualifies as equity under GAAP;
2. Common stock issued 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 the reporting savings association's stock. The previously recorded par value and capital in excess of par value are reported on SI650.

SI650: Stock Retired

Report the amount paid for common and perpetual preferred stock retired during the quarter. Report the amount as a positive number.

When applying push-down accounting, report the previously recorded par value and capital paid in excess of par value of the stock acquired by the reporting savings association's new owners. The amount paid for this stock is reported on SI640.

SI660: New Basis Accounting Adjustments

Include:

1. Adjustments made during the period in applying push-down accounting in the change-of-control of the reporting savings association; and
2. Adjustments made in accounting for a savings association taken into receivership during the period.

SI670: Other Adjustments

Include:

1. Adjustments from retroactively applying a change in promulgated GAAP (*e.g.*, SFAS No. 91, Accounting for Nonrefundable Fees and Cost Associated with Originating or Acquiring Loans and Initial Direct Costs of Leases");
2. The change in SC860 (Unrealized Gains (Losses) on Available-for-Sale Securities);
3. The change in SC890 (Other Components of Equity Capital);
4. Additional contributions of paid-in capital;
5. Issuance costs of common stock offerings;
6. Property distributions to stockholders; the transfer of dividends other than cash should be recorded at the fair value of the asset on the declaration date of the dividend. A gain or loss on the transferred asset must be recognized in the same manner as if the property had been disposed of in an outright sale at or near the declaration date.

Do not include:

1. Audit adjustments, prior period adjustments, and corrections to valuation allowances. These must be corrected through an amended report within 60 days of the report date or must be reported currently on Schedule SO.

Write-offs of assets and adjustments to valuation allowances must be reported on SO321 (Net Provisions for Losses on Interest-Bearing Assets) or SO570 (Net Provision for Losses on Noninterest-bearing Assets) in the period in which the determination of the loss is made or management notified, even if the actual loss occurred in a prior period.

2. Corrections of accruals. These must be reported in the current period in the same data field in Schedule SO that they would have been reported had the accruals been made when incurred. If the correction causes interest yield or cost of funds to be significantly distorted, the correction should be reported in other noninterest income or expense.

SI680: Ending Equity Capital

Report the sum of SI600, SI610, SI640, SI660 and SI670 less SI620, SI630, and SI650. SI680 must equal SC80 (Total Equity Capital) of the current TFR. This data field is automatically calculated by the filing software.

ASSET REPRICING/MATURING DATA

The data on SI710 through SI740 is required pursuant to OTS Regulation 567.7(b), which provides for the filing of selected information on interest rate risk exposure for those savings associations exempt from filing Schedule CMR (see General Instructions, Item 7).

SI700: Will the reporting association file Schedule CMR for this quarter?

Check “Yes” if:

the reporting savings association is required to file Schedule CMR or will file Schedule CMR this quarter on a voluntary basis.

Check “No” if:

the reporting savings association is not required to file Schedule CMR and is not voluntarily filing Schedule CMR this quarter.

A savings association is deemed required to file Schedule CMR if it does not meet the criteria for exemption (see General Instructions, Item #7) or if required to file by the OTS Regional Director.

If the response to this question is “Yes,” lines 710 through 740 are not required to be completed. If the response to this question is “No,” lines 710 through 740 must be completed.

Assets Repricing/Maturing in Three Years or Less:

Report outstanding balances; do not deduct unamortized yield adjustments, loans in process, valuation allowances, or any other contra-assets.

SI710: Mortgage Loans and Securities

Report the outstanding balance of mortgage loans and mortgage pool securities that will reprice in three years or less. Include single-family, multifamily, nonresidential, land, second mortgage loans, and construction loans, and securities backed by such loans, of the types reported in SC210, SC215 and SC230 through SC265.

SI720: Nonmortgage Loans, Interest-Earning Deposits, and Investment Securities

Report the outstanding balance of nonmortgage loans, interest-earning deposits and investment securities that will reprice in three years or less. Include deposits and securities of the types reported in SC130 and SC150 through SC185 and loans of the types reported in SC300 through SC306 and SC310 through SC345.

Assets Repricing/Maturing in More Than Three Years:

Report outstanding balances; do not deduct unamortized yield adjustments, loans in process, valuation allowances, or any other contra-assets.

SI730: Mortgage Loans and Securities

Report the outstanding balance of mortgage loans and mortgage pool securities of the types described in the instructions for SI710 that will reprice in more than three years.

SI740: Nonmortgage Loans, Interest-earning Deposits, and Investment Securities

Report the outstanding balance of nonmortgage loans, interest-earning deposits and investment securities of the types described in the instructions for SI720 that will reprice in more than three years.

MUTUAL FUND AND ANNUITY SALES DURING THE QUARTER

(INCLUDE PROPRIETARY, PRIVATE LABEL, AND THIRD PARTY MUTUAL FUNDS)

Report the following data at the fully consolidated level except as noted in this paragraph. Generally, subsidiaries that are federally insured depository institutions should not be consolidated. This includes BIF and SAIF-insured subsidiaries as well as SAIF-insured savings associations that are subsidiaries of a commercial bank. In the case where the parent depository institution has primary responsibility for the mutual fund program, the information should be reported in the parent institution's regulatory report. Data should not be reported twice, *i.e.*, in both the parent and subsidiary's regulatory reports. The data in this section also includes data from affiliates of the reporting savings association as described below.

Report in the appropriate sub-item the amount of mutual fund and annuity sales activity during the quarter. These sales may be made by the reporting savings association, through a subsidiary, or by affiliated and unaffiliated entities. For purposes of this item, sales should be measured in terms of principal sales dollars, not sales revenue.

In general, include all sales of proprietary, private label, and other (*i.e.*, third party) mutual funds and annuities that take place on the savings association's premises and all other sales for which income is received at the time of the sale, over

the duration of the account (*e.g.*, annual fees, Rule 12(b)1 fees or "trailer fees," and redemption fees) or from leasing arrangements. Also include sales that are made by an entity that is located off-site and not on the savings association's premises when the entity receives customer referral from the savings association and these referrals are the basis upon which the savings association receives income. Include sales conducted through the reporting savings association's trust department that are not executed in a fiduciary capacity (*e.g.*, trustee, executor, administrator, conservator), but exclude sales conducted by the trust department that are executed in a fiduciary capacity. Include sales to both retail customers and institutional investors as well as sales of no-load products. When reporting sales by affiliated and unaffiliated entities, savings associations may rely on the sales information provided by these entities when completing this item.

The following are some examples of the types of transactions to be reported as sales (when the above conditions are met): initial and subsequent mutual fund and annuity purchases, exchanges within a family of funds, reinvestment of income (dividends and capital gains), and sweep account activity. Sales should be reported gross and not net of redemptions. However, with respect to sweep accounts, report the average amount of funds swept into the money market fund each day during the quarter and not the aggregate total amount of funds swept into the money market fund during the quarter. The average may be computed from the amount of funds swept into the money market fund for each day for the calendar quarter or from the amount of funds swept into the money market fund on each Wednesday during the calendar quarter.

For example, the reporting savings association has one sweep account and uses the Wednesday reporting option. There are 13 Wednesdays during the quarter. The following amounts were swept into the money market fund each Wednesday during the quarter: Week 1: $1,000; Week 2: $5,000; Week 3: $0; Week 4: $4,000; Week 5: $5,000; Week 6: $4,000; Week 7: $3,000; Week 8: $0; Week 9: $3,000; Week 10: $2,000; Week 11: $3,000; Week 12: $4,000; Week 13: $5,000. The average amount of funds swept into the money market fund on each Wednesday during the quarter was $3,000 (*i.e.*, the sum of the amounts for weeks 1-13, $39,000, divided by 13).

Mutual fund is the common name for an open-end investment company whose shares are sold to the investing public. An annuity is an investment product, typically underwritten by an insurance company, that pays either a fixed or variable payment stream over a specified period of time. Both proprietary and private label mutual funds and annuities are established in order to be marketed primarily to a savings association's or its organization's customers. A proprietary product is a product for which the reporting savings association or a subsidiary or other affiliate of the reporting savings association acts as investment adviser and may perform additional support services. In a private label product, an unaffiliated entity acts as the investment adviser. The identity of the investment adviser is normally disclosed in the prospectus for a mutual fund or annuity. Mutual funds and annuities that are not proprietary or private label products are considered third party products. For example, third party mutual funds and annuities include products that are widely marketed by numerous parties to the investing public and have investment advisers that are not affiliated with the reporting savings association.

In a situation where Savings Associations A, B, C, and D are subsidiaries of a holding company and Association A advises a family of mutual funds sold by all four savings associations in the holding company and Association A receives an advisory fee for mutual funds sold by all four savings associations, Association A should not include the amount of mutual funds sold during the quarter (and reported) by Associations B, C, and D in the amount of mutual fund sales it reports during the quarter. Association A should report only the mutual funds it has sold during the quarter. In addition, for all four savings associations, this family of mutual funds would be considered proprietary funds.

SI800: Money Market Funds

Report the amount of sales during the quarter of mutual funds that, based on their investment objectives, can be best characterized as money market mutual funds. Money market mutual funds are mutual funds which invest exclusively in short-term debt securities with the objective of providing liquidity and preserving capital while also earning income.

SI810: Equity Securities Funds

Report the amount of sales during the quarter of mutual funds that, based on their investment objectives, can best be characterized as equity securities funds. Equity securities funds are mutual funds that invest primarily in equity securities (*e.g.*, common stock).

SI820: Debt Securities Funds

Report the amount of sales during the quarter of mutual funds that, based on their investment objectives, can best be characterized as debt securities funds. Debt securities funds are mutual funds that invest primarily in debt securities (*e.g.*, corporate bonds, U.S. Government securities, municipal securities, mortgage-backed securities).

SI830: Other Funds

Report the amount of sales during the quarter of mutual funds that, based on their investment objectives, cannot properly be reported in one of the three preceding items. Other funds may include mutual funds that invest in a mix of debt and equity securities.

SI840: Annuities

Report the amount of sales during the quarter of annuities, including variable annuities.

SI850: Sales of proprietary mutual funds and annuities Included on Lines 800 thru 840 Above

Report the total sales during the quarter of proprietary mutual funds and annuities. These sales will also have been included on lines 800 through 840.

A proprietary product is a product for which the reporting savings association or a subsidiary or other affiliate of the reporting savings association acts as investment adviser and may perform additional support services. The identity of the investment adviser is normally disclosed in the prospectus for a mutual fund or annuity. Proprietary mutual funds and annuities are established in order to be marketed primarily to an savings association's customers. In general, proprietary mutual funds and annuities are created by large holding companies and offered to customers of the organization's subsidiary savings associations. Therefore, small, independent savings associations are not normally involved in the sale of proprietary mutual funds and annuities.

Savings associations that do not sell proprietary mutual funds and annuities should report a zero in this item.

SI860: Fee Income From the Sale and Servicing of Mutual Funds and Annuities

Report the amount of income earned by the reporting savings association during the quarter from the sale and servicing of mutual funds and annuities.

In general, this income will have been included in the amount reported on SO420 (Other Fees and Charges). The income to be included in this item should be reported gross rather than net of expenses incurred by the reporting savings association or a consolidated subsidiary.

Include:

1. Income earned in connection with mutual funds and annuities that are sold on the savings association's premises or sold by the reporting savings association, through a subsidiary, or by affiliated or unaffiliated entities from whom the savings association receives income. This income may be in the form of fees or sales commissions at the time of the sale or fees, including a share of another entity's fees, that are earned over the duration of the account (*e.g.*, annual fees, Rule 12b-1 fees or "trailer fees," and redemption fees). Commissions should be reported as income when earned at the time of the sale (*i.e.*, on an accrual basis), but may be reported as income when payment is received if the results would not differ materially from those obtained using an accrual basis.
2. Income from leasing arrangements with affiliated and unaffiliated entities who lease space in the savings association's offices for use in selling mutual funds and annuities. Income from leasing arrangements should be reported as income when earned (*i.e.*, on an accrual basis), but may be reported as income when payment is received if the results would not differ materially from those obtained using an accrual basis.
3. Fees for providing investment advisory services for mutual funds and annuities that are sold on savings association premises or sold by the reporting savings association, through a subsidiary, or by affiliated or unaffiliated entities from whom the savings association receives income.
4. Fees for providing securities custody, transfer agent, and other operational and ancillary services to mutual funds and annuities that are sold on bank premises or sold by the reporting savings association, through a subsidiary, or by affiliated or unaffiliated entities from whom the savings association receives income.
5. Income from sales conducted through the reporting savings association's trust department that are not executed in a fiduciary capacity (*e.g.*, trustee, executor, administrator, conservator), but exclude sales conducted by the trust department that are executed in a fiduciary capacity.

Do Not Include:

Fees earned for services provided to mutual funds that are not sold by the reporting savings association, through a subsidiary, or by affiliated or unaffiliated entities with whom the savings association has sales relationships.

SCHEDULE SQ — CONSOLIDATED SUPPLEMENTAL QUESTIONS

Indicate whether an activity occurred during the period by placing an “X” in either the “Yes” or “No” column of each question; no question which can be answered with a “yes” or “no” should be left blank. Check “Yes” if there is any doubt as to whether an activity occurred during the quarter. All questions except SQ310 should be completed for the reporting savings association only, and not for its consolidated subsidiaries. Question 310 applies to both the reporting savings association and its consolidated subsidiaries.

SQ100: Did the reporting association acquire any assets through merger with another depository institution?

SQ110: Did the reporting association include in this balance sheet for the first time assets and/or liabilities acquired as a result of a branch or other bulk deposit purchase?

Has there been:

SQ130: a change in control of the association?

Check “Yes” if there has been any change in the power, directly or indirectly, to direct the management or policies of the savings association. Stock savings associations should indicate “Yes” if there has been any change in the power to vote 10 percent or more of any class of their voting securities. Refer to Section 563.181 of the Insurance Regulations for definitions with respect to change in control.

SQ160: a merger accounted for under the purchase method?

Check "Yes" if during the quarter the reporting savings association acquired another savings association whose assets and liabilities are reported on the reporting savings association's current TFR using the purchase method of accounting.

Do not check "Yes" for:

1. A change in control in which push-down accounting was used;
2. An acquisition of a subordinate organization; or
3. An acquisition of a branch.

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

Report the date (month, day, and year) of the acquisition of the reporting savings association if push-down accounting was applied this quarter. This should be reported only during the quarter that push-down accounting is first applied, and should be entered even if push-down accounting is being applied retroactively. For example, if the acquisition took place on December 10, 1997, but the reporting savings association's balance sheet was restated for the first time in February 1998, enter 12101997 on the March 1998 TFR.

SQ270: Reporting association's fiscal year-end

Enter the month for the savings association's current fiscal year-end for annual financial statement purposes. In some cases this may not correspond to the tax year-end.

SQ280: Code representing nature of work to be performed by independent public accountants for the current fiscal year

Indicate in this data field the code for the statement below that best describes the level of audit or other attestation work to be performed by an independent public accountant as of the end of the savings association's current fiscal year. The current fiscal year is the 12-month period which includes the quarter being reported on.

07 We do not plan to have an audit or other attestation work by an independent public accountant.

08 We do not plan to have an audit. However, we do plan to have other attestation work (*i.e.*, review, compilation, or agreed-upon procedures) performed, and reported on, by an independent public accountant.

09 We plan to have an audit of, and receive a report on, only the holding company's consolidated financial statements by an independent public accountant.

Use this code where plans are for an audit of, and report on:

a. **Only** the holding company's consolidated financial statements, and therefore

b. **Not** the savings association's "separate" financial statements.

The holding company's consolidated financial statements include, by consolidation, the savings association's financial statements. (Use code 10 for an audit of, and report on, the savings association's "separate" financial statements.)

10 We plan to have an audit of, and receive a report on, the savings association's financial statements by an independent public accountant.

Use this code where plans are for an audit of, and report on:

a. **Only** the savings association's "separate" financial statements, or

b. **Both** the savings association's "separate" financial statements, and the holding company's consolidated financial statements.

Use code 09 for an audit of, and report on, only the holding company's consolidated financial statements.

SQ300: Did the reporting association change its independent public accountant during the quarter?

Check "yes" if the reporting savings association:

- Gave notice to its prior independent public accountant terminating its engagement; and/or
- Engaged a successor accountant.

SQ310: Did the reporting association and its consolidated subsidiaries have any outstanding futures or options positions at quarter end?

SQ320: Does the reporting association have a Subchapter S election in effect for Federal income tax purpose for the current year?

SQ410: Has the reporting association been consolidated with its parent in another TFR? If so, enter the OTS docket number of the parent savings association.

SQ420: Has the reporting association been consolidated with its parent in a Commercial Bank Call Report? If so, enter the FDIC certificate number of the parent commercial bank.

SCHEDULE YD — YIELDS ON DEPOSITS

Data reported in this schedule should be for the reporting savings association only. Do not include yields on deposits of subsidiary depository institutions.

This schedule requests information about effective interest rate yields paid on new deposits received for selected types of accounts during the last seven calendar days of the quarter. Report the most frequently paid effective interest rate on new deposits received, including renewals and roll-overs.

Report the effective interest rate per annum on new deposits or certificates renewed during the last seven days of the quarter, including brokered deposits. Do not report average interest rates for new funds received or rates on outstanding balances.

1. If more than one rate was paid for the specific account during this period, report the rate paid on the largest dollar amount of new deposits;
2. If the reporting association did not offer the specified account during this period, enter 0.00;
3. If the reporting association offered an account but did not receive new deposits during this period, enter the interest rate offered.

Enter the interest rate to the nearest one-hundredth of a percentage point. (For example, report ten and one-quarter percent as 10.25; report ten and five-eights percent as 10.63.)

Interest rates paid on interest-bearing transaction (NOW/Super-NOW) accounts and on money market deposit accounts may fluctuate more often than the rates paid on other interest-bearing deposits. Therefore, if the reporting association cannot supply a most common rate for the last seven days of the quarter on such accounts because of frequent interest-rate changes, report the most common interest rate paid on the last day of the quarter.

INTEREST RATE YIELD ON NEW DEPOSITS RECEIVED

YD110: Interest-Bearing Transaction Accounts (NOW/Super-NOW)

Include accounts, as defined in OTS Regulation 561.29, on which the association reserves the right to require at least seven days' notice prior to withdrawal or transfer of any funds in such accounts. Include all accounts satisfying the minimum requirements specified in the regulations, plus those on which additional restrictions and requirements (*e.g.*, minimum balance requirement) may have been placed by the reporting association.

YD120: Money Market Deposit Accounts (MMDAs)

Include accounts, as defined in OTS Regulation 561.28, if issued subject to the following limitations:

1. The association reserves the right to require at least seven days' notice prior to withdrawal or transfer of any funds in such accounts;
2. The association is not obligated to pay the same rate for a period longer than one month; and
3. The savings association limits the number of transfers (including telephone transfers) to six, with no more than three transfers in the form of drafts per month.

Include all accounts satisfying the minimum criteria specified in the regulations, including those on which additional restrictions and requirements (*e.g.*, minimum balance requirement) may have been placed by the reporting association.

Fixed-Rate, Fixed-Term Certificate Accounts, Classified by Balance and Original Maturity:

A fixed-rate instrument has the same rate of return over the life of the instrument; a variable-rate instrument has a rate of return that may vary over the life of the instrument. In determining whether a deposit instrument pays a fixed or variable rate, ignore the effect of "bonus" rates (*i.e.*, a higher rate paid during the first few months of the instrument).

Fixed-term certificates include accounts that (1) contractually mature (expire) at a specific date; (2) require written notice for a specific period before withdrawal (notice accounts), or (3) require consecutive monthly payments.

Balances of $100,000 or less:

YD130: 32-91 Days

YD140: 92-182 Days

YD150: 183 Days Through 1 Year

YD160: Over 1 Year Through 2 Years

YD170: Over 2 Years Through 3 Years

YD180: Over 3 Years

Balances Greater Than $100,000:

YD220: Up to 1 Month

YD230: Over 1 Month Through 2 Months

YD240: Over 2 Months Through 3 Months

YD250: Over 3 Months Through 6 Months

YD260: Over 6 Months Through 12 Months

SCHEDULE SB — CONSOLIDATED SMALL BUSINESS LOANS

LOANS TO SMALL BUSINESSES AND SMALL FARMS:

The following data is to be completed for the savings association and its consolidated subsidiaries annually at June 30 to comply with Section 122 of the FDIC Improvement Act.

This schedule will not be completed if (a) the reporting association and its consolidated subsidiaries have no loans reported on SC260, 300, 303, or 306; or (b) the only business loans of the reporting association and its consolidated subsidiaries have “original amounts” (as defined below) in excess of $1 million and/or the only farm loans have “original amounts” (as defined below) in excess of $500 thousand.

In reporting the number and amount currently outstanding of business loans with “original amounts” of $1 million or less and farm loans with “original amounts” of $500 thousand or less, the following guidelines should be used:

1. For loans drawn down under lines of credit or loan commitments, the “original amount” of the loan is the amount when the line of credit or loan commitment was most recently approved, extended, or renewed prior to the report date. However, if the amount currently outstanding as of the report date exceeds this size, the “original amount” is the amount currently outstanding.
2. For loan participations and syndications, the “original amount” of the loan participation or syndication is the entire amount of the credit originated by the lead lender.
3. For all other loans, the “original amount “ is the total amount of the loan at origination or the amount currently outstanding as of the report date, whichever is larger.

The “amount outstanding” is the amount reported on Schedule SC as of the report date and should be reported net of loans in process, specific valuation allowances, and yield adjustments (to the extent possible).

Report the actual number of loans. Do not round to the nearest thousand.

Do not include loans to subsidiaries eliminated in consolidation.

Except as noted below for “corporate” or “business” credit card programs, when determining “original amounts” and reporting the number and amount currently outstanding for a category of loans in this schedule, **multiple loans to one borrower should be combined and reported on an aggregate basis**

rather than as separate individual loans, to the extent that the loan systems in which the reported data are maintained can provide aggregate individual borrower data without undue cost to the association. However, if the burden of such aggregation would be excessive, the association may report multiple loans to one borrower as separate individual loans.

An association that offers “corporate” or “business” credit card programs under which credit cards are issued to one or more of a company’s employees for business-related use should treat each company’s entire credit card program as a single extension of credit. The credit limits for all of the individual credit cards issued to the company’s employees should be totaled, and this total should be treated as the “original amount” of the “corporate” or “business” credit card program established for this company. The company’s program should be reported as **one** loan and the amount currently outstanding would be the sum of the credit card balances as of the June 30 report date on each of the individual credit cards issued to the company’s employees. However, when aggregated data for each individual company in a “corporate” or “business” credit card program are not readily determinable from the association’s credit card records, the association should develop reasonable estimates of the number of “corporate” or “business” credit card programs in existence as of the report date, the “original amounts” of these programs, and the “amounts currently outstanding” of these programs and should then report information about these programs on the basis of its reasonable estimates. In no case should individual credit cards issued to a company’s employees under a “corporate” or “business” credit card program be reported as separate individual loans to small businesses.

SB100: Does the reporting association have any loans secured primarily by farms reported on SC260 or any loans to finance agricultural production or other loans to farmers reported on SC300, 303, or 306?

This question should be answered “Yes” only if the agricultural and farm loans had original amounts, as defined above, of $500 thousand or less.

If yes, complete lines 300 through 650 (do not complete 110 through 210). If no, complete the following item, 110.

SB110: Are all or substantially all of the association’s commercial loans (Schedule SC lines 260, 300, 303, and 306) loans with original amounts of $100,000 or less?

If (a) the average size of the amount currently outstanding for your association’s commercial, nonfarm loans reported on Schedule SC lines 260, 300, 303, and 306 is $100 thousand or less **and** (b) your lending officers’ knowledge of your association’s loans or other relevant information pertaining to commercial loans indicates that all or substantially all of the dollar volume of your association’s commercial loans have “original amounts” (as described above) of $100 thousand or less, indicate “yes” and complete the following lines, 200 and 210, only. Otherwise, indicate “no” and complete lines 300 through 450.

SB200: Number of loans reported on line SC260

Report the actual number (do not round to thousands) of loans reported on SC260 (Permanent Mortgages on Nonresidential Property). This line is only completed if line 100 is “no” and 110 is “yes”; *i.e.*, all of the loans reported on SC260, 300, 303, and 306 are nonfarm loans and substantially all of the “original amounts” of the loans are $100 thousand or less.

SB210: Number of loans reported on SC300, 303, and 306

Report the actual number (do not round to thousands) of loans reported on SC300, 303, and 306 (Nonmortgage Commercial Loans). This line is only completed if line 100 is “no” and 110 is “yes”; *i.e.*, all of the loans reported on SC260, 300, 303, and 306 are nonfarm loans and substantially all of the “original amounts” of the loans are $100 thousand or less.

NUMBER AND AMOUNT OUTSTANDING OF PERMANENT MORTGAGE LOANS SECURED BY NONFARM, NONRESIDENTIAL PROPERTIES REPORTED ON SC260:

Number of Loans with Original Amounts of:

SB300: $100,000 or less

SB320: Greater than $100,000 thru $250,000

SB340: Greater than $250,000 thru $1 million

Outstanding Balance with Original Amounts of:

SB310: $100,000 or less

SB330: Greater than $100,000 thru $250,000

SB350: Greater than $250,000 thru $1 million

NUMBER AND AMOUNT OUTSTANDING OF NONMORTGAGE, NONAGRICULTURAL COMMERCIAL LOANS REPORTED ON SC300, 303, AND 306:

Number of Loans with Original Amounts of:

SB400: $100,000 or less

SB420: Greater than $100,000 thru $250,000

SB440: Greater than $250,000 thru $1 million

Outstanding Balance with Original Amounts of:

SB410: $100,000 or less

SB430: Greater than $100,000 thru $250,000

SB450: Greater than $250,000 thru $1 million

NUMBER AND AMOUNT OUTSTANDING OF LOANS SECURED PRIMARILY BY FARMS REPORTED ON SC260:

Number of Loans with Original Amounts of:

SB500: $100,000 or less

SB520: Greater than $100,000 thru $250,000

SB540: Greater than $250,000 thru $500,000

Outstanding Balance with Original Amounts of:

SB510: $100,000 or less

SB530: Greater than $100,000 thru $250,000

SB550: Greater than $250,000 thru $500,000

NUMBER AND AMOUNT OUTSTANDING OF NONMORTGAGE, COMMERCIAL LOANS TO FINANCE AGRICULTURAL PRODUCTION AND OTHER NONMORTGAGE COMMERCIAL LOANS TO FARMERS REPORTED ON SC300, 303, AND 306:

Number of Loans with Original Amounts of:

SB600: $100,000 or less

SB620: Greater than $100,000 thru $250,000

SB640: Greater than $250,000 thru $500,000

Outstanding Balance with Original Amounts of:

SB610: $100,000 or less

SB630: Greater than $100,000 thru $250,000

SB650: Greater than $250,000 thru $500,000

SCHEDULE CSS — SUBORDINATE ORGANIZATION SCHEDULE

This schedule is to be completed annually as of December 31.

Report the requested data as of December 31 for all active subordinate organizations owned directly or indirectly by the reporting savings association, including any shell organizations owning active entities. Include subsidiary depository institutions. Ownership interest in entities designated as pass-through investments as described in OTS Regulation 560.32 should not be listed on this schedule.

CSS010: Entity Tax ID

Report the taxpayer identification number (EIN) of the entity.

CSS020: Entity Name

Report the legal name of the entity.

CSS025: Street Address

Report the street address of the entity's headquarters, if located within the United States or its possessions. If located in a foreign country, report the street address and city (abbreviate if necessary).

CSS030: City

Report the city where the entity has its headquarters, if located within the United States or its possessions. The city must correspond to the street address reported on CSS025. If located within a foreign country, report only the name of that country.

CSS040: State

Report the abbreviation for the state in which the headquarters of the entity is located. The state must correspond to the city reported on CSS030. Report 99 if located in a foreign country.

CSS045: Zip Code

Report the zip code for the entity's headquarters. The zip code must correspond to the address reported on CSS025 through CSS040. Report "99999" if located within a foreign country that does not have a five-digit zip code.

CSS050: OTS Docket Number or Tax ID # of Immediate Parent

For first-tier subordinate organizations or a depository institution owned directly or indirectly by the reporting savings association, report the docket number of the parent savings association. For lower-tier entities (as defined in OTS Regulation 559.2), report the taxpayer identification number (EIN) of the immediate parent of the entity within the reporting savings association's organizational structure. For lower-tier entities, the taxpayer ID number entered here will also appear as a taxpayer ID number on CSS010.

If a subordinate organization is owned by two or more parents in the tier structure of the reporting savings association, report the taxpayer ID number of the parent with the largest percent ownership. If two or more parents in the tier structure of the reporting savings association have the same percent ownership, choose one and report the taxpayer ID number for the parent chosen.

CSS060: Name of Immediate Parent

Report the legal name of the immediate parent reported on CSS050.

CSS070: % Ownership by Immediate Parent

Report the percent ownership by the immediate parent reported in CSS050 and CSS060. Report the number as a whole-number percentage (*i.e.*, report 2/3's as 67 not as 0.67 or 66.7).

CSS080: Type of Entity

Report the code for the type of entity described below.

Code 11 ***Operating Subsidiary (Includes entities formerly defined as finance subsidiaries)***
Operating subsidiary as defined in OTS Regulation 559.2 means any entity that satisfies all of the requirements for an operating subsidiary under OTS Regulation 559.3 and that is designated as an operating subsidiary by the parent savings association. More than 50% of the voting shares of an operating subsidiary must be owned, directly or indirectly, by a federal savings association, and no other person or entity may exercise effective operating control. An operating subsidiary may only engage in activities permissible for a federal savings association.

Do not include entities that meet the criteria for a "lower-tier operating subsidiary;" report as Code 12.

Code 12 ***Lower-tier Operating Subsidiary***
An operating subsidiary as defined above (under Code 11) that is owned indirectly by the reporting savings association.

Code 13 ***Service Corporation***
A service corporation is any entity that satisfies all of the requirements for service corporations in 12 U.S.C. 1464(c)(4)(B) of the Home Owners' Loan Act and OTS Regulation 559.3 and that is designated as a service corporation by the investing savings association.

Code 14 ***Lower-tier Entity Qualifying as a "Subsidiary"***
As defined in OTS Regulation 559.2, a lower-tier entity includes any company in which an operating subsidiary or a service corporation has a direct or indirect ownership interest. A lower-tier entity qualifies as a subsidiary if the entity is controlled directly or indirectly by the reporting savings association. The term "control" is defined in OTS Regulation 574.

Do not include entities that do not meet these criteria; report as Code 15, "Lower-tier Entity Not Qualifying as a 'Subsidiary.'"

Code 15 ***Lower-tier Entity not Qualifying as a "Subsidiary"***
A lower-tier entity (as defined in OTS Regulation 559.2) does not qualify as a subsidiary if it is not controlled directly or indirectly by the reporting savings association. The term "control" is defined in OTS Regulation 574.

CSS100 through CSS103: Type of Business

Report the code that describes the type of activity (or activities) in which the entity engages (maximum of four). The activities reported here should be consistent with the activities listed in filings made to the OTS under OTS Regulation 559 for establishing or acquiring a subordinate organization or conducting new activities through an existing subordinate organization. If more than one activity is listed, report the activity generating the largest revenue first, the second largest revenue second, and so forth. Use the list of preapproved activities contained at OTS Regulation 559.4 as a reference for reporting activity codes.

Code 01 ***Not Used***

Code 02 ***Not Used***

Code 03 ***Issuing Notes, Bonds, Debentures or Other Obligations or Securities***

Code 04 ***Community Development or Charitable Activities***

Code 05 ***Stored Value Instrument Sales***

Code 06 ***Financial advice or consulting***

Code 07 ***Securities Brokerage and Related Investment Advisory Services***

Code 08 ***Software Development and Systems Integration***

Code 09 ***Not Used (See CSS080, Codes 11 and 12 for Operating Subsidiaries)***

Code 10 ***Subsidiary Depository Institution***
A depository institution (*e.g.*, savings association, state savings bank, national bank) that is owned by a savings association or a subsidiary of a savings association, and operated as a subsidiary.

Code 11 ***Not Used (See CSS080, Code 11 for Operating Subsidiaries)***

Code 12 ***Risk-Controlled Arbitrage***

Code 13 ***Real Estate Development and Sales***

Code 14 ***Acquiring Improved Real Estate or Manufactured Homes for Sale or Rental***

Code 15 ***Property Management and Maintenance***

Code 16 ***Mortgage Lending***

Code 17 ***Mortgage Banking***

Code 18 ***Commercial Lending***

Code 19 ***Consumer Lending***

Code 20 ***Insurance Brokerage, Agency***

Code 21 ***Escrow, Trust, and Fiduciary Services***

Code 22 ***Appraisal, Inspection Services***

Code 23 ***EDP, RSU Services***

Code 24 ***Not Used (See Code 99 for Other Activities)***

Code 25 ***Reinsurance***

Code 99 ***Other (Formerly Code 24)***

Use this code only when the activity in which the entity engages does not fit into any of the categories listed above. Report the type of business in CSS115.

CSS110: Identification Number of Subsidiary Depository Institution

If Code 10 is entered on CSS100 through CSS103, report the subsidiary depository institution's OTS docket number. If there is no OTS docket number, report the FDIC certificate number.

CSS115: Other Business Type

If Code 99 is entered on CSS100 through CSS103, describe the type of activity in which the entity engages (narrative limited to twenty spaces).

CSS120: Total Assets

Report the total assets of the entity as of the reporting date. Do not consolidate lower-tier entities.

CSS130: Total Liabilities

Report the total liabilities of the entity as of the reporting date. Do not consolidate lower-tier entities.

CSS140: Total Capital

Report the capital of the entity as of the reporting date. Do not consolidate lower-tier entities.

CSS150: Net Income (Loss) For the Calendar Year

Report the net income (loss) of the entity on a stand-alone basis (*i.e.*, unconsolidated) for the year ending December 31.

CSS160: Gross Commitments and Contingent Liabilities

Report the outstanding gross commitments and contingent liabilities, including all transactions with affiliates.

Include:

1. Gross commitments to originate, sell or purchase loans and securities;
2. Gross commitments to purchase or sell real estate;
3. Loans-in-Process (Loans closed, but not yet disbursed);
4. Unused lines of credit; and
5. Total contingent liabilities.

Examples of contingent liabilities include:

- Guarantees of indebtedness to others;
- Standby letters of credit;
- Loans sold with recourse; and
- Litigation claims and/or assessments.

SCHEDULE CCR — CONSOLIDATED CAPITAL REQUIREMENT

GENERAL INSTRUCTIONS

OTS-regulated savings associations must comply with two overlapping sets of regulatory capital standards, as listed below.

Pursuant to 12 CFR Part 567, "Capital" (FIRREA)

1. Tangible capital: For capital adequacy purposes, the minimum ratio, as a percent of tangible assets, is 1.5%.
2. Core or leverage capital: For capital adequacy purposes, the minimum ratio, as a percent of adjusted total assets, is 3%.
3. Risk-based capital: For capital adequacy purposes, the minimum ratio, as a percent of risk-weighted assets, is 8%.

Pursuant to 12 CFR Part 565, "Prompt Corrective Action" (FDICIA)

4. Tangible equity: To be deemed other than "critically undercapitalized", the minimum ratio, as a percent of tangible assets, is 2%.
5. Tier 1 or leverage capital: To be deemed "adequately capitalized" or "well capitalized", the minimum ratios, as a percent of adjusted total assets, are 4% or 5%, respectively (with an exception, as described in the regulation).
6. Tier 1 risk-based capital: To be deemed "adequately capitalized" or "well capitalized", the minimum ratios, as a percent of risk-weighted assets, are 4% or 6%, respectively.
7. Total risk-based capital: To be deemed "adequately capitalized" or "well capitalized", the minimum ratios, as a percent of risk-weighted assets, are 8% or 10%, respectively.

[Note: The numbers 1 through 7 above are used as references in the following paragraph.]

For purposes of Schedule CCR - Consolidated Capital Requirement, the following conventions have been applied:

- Tangible capital (FIRREA) [See 1 above.]

  This measure is not reported on Schedule CCR, as the minimum ratio is no longer considered a meaningful limitation for most savings associations.

- Tangible equity (FDICIA) [See 4 above.]

The actual tangible equity ratio is reported on CCR840.

- Core or leverage capital (FIRREA) [See 2 above.]
- Tier 1 or leverage capital (FDICIA) [See 5 above.]

These two measurements are treated as one, and referred to as “Tier 1 (core) capital”. The actual ratio is reported on CCR810. Consistent with the minimum ratio to be deemed “adequately capitalized”, the required amount is based on 4%, and is reported on CCR27. The actual amount is reported on CCR20.

- Tier 1 risk-based capital (FDCIA) [See 6 above.]

The actual ratio is reported on CCR830.

- Risk-based capital (FIRREA) [See 3 above.]
- Total risk-based capital (FDICIA) [See 7 above.]

These two measurements are treated as one, and referred to as “total risk-based capital”. The actual ratio is reported on CCR820. Consistent with the minimum ratio to be deemed “adequately capitalized”, the required amount is based on 8%, and is reported on CCR80. The actual amount is reported on CCR39.

All data is generally reported on a consolidated basis for all subsidiaries that a savings association would consolidate under generally accepted accounting principles (GAAP).

The OTS Subsidiary And Equity Investments Rule adopted in December 1996 changed the definition of subsidiary for purposes of the OTS capital rule to the following:

The term **“subsidiary”** means any corporation, partnership, business trust, joint venture, association or similar organization in which a savings association directly or indirectly holds an ownership interest and the assets of which are consolidated with those of the savings association for purposes of reporting under GAAP. Generally these are majority-owned subsidiaries.

This definition does not include ownership interests that were taken in satisfaction of debts previously contracted, provided that the reporting savings association has not held the interest for more than five years or a longer period approved by the OTS.

Investments in entities not constituting subsidiaries under this definition generally are treated as equity investments for capital purposes.

The following represents the treatment of debt and equity investments in subsidiaries and other subordinated organizations in computing regulatory capital:

1. Includable subsidiaries are consolidated in accordance with GAAP.
2. Debt and equity investments in nonincludable subsidiaries are deducted in full (100%) from assets and capital. All previously applicable transition provisions have expired.
3. Nonincludable equity investments in subordinate organizations constituting subsidiaries are deducted fully (100%) in computing total capital for the total risk-based capital standard.

Nonincludable subsidiaries generally include subsidiaries engaged as principal in activities not permissible for a national bank. “Nonincludable” subsidiaries are defined in the instructions for CCR105. A subsidiary of a savings association is deemed “nonincludable” if any of its consolidated assets are “nonincludable.” Nonincludable equity investments include investment in subordinate organizations (not qualifying as subsidiaries) that are engaged in nonincludable activities.

Note: Savings associations with investments in subsidiaries where the investment is fully covered by the FDIC should not consolidate such subsidiaries in this schedule. All FDIC-covered assets are included in the 0% risk-weight category and reported on CCR410 (FDIC Covered Assets).

Investments in **mutual funds** and certain asset pools are dealt with in these instructions according to the characteristics of the assets in the portfolio of the fund. Where the portfolio of the mutual fund consists of various assets that would be treated differently under the capital requirement, the entire ownership interest in the mutual fund will be risk-weighted based on the category of the asset with the highest capital requirement (*e.g.,* highest risk-weight or subject to deduction). As permitted by OTS Regulation 567.6(a)(1)(vi)(c), on a case-by-case basis, OTS may allow the reporting savings association to assign the portfolio proportionately to the various risk-weight categories based in the proportion in which the risk-weight categories are represented by the composition of assets in the portfolio.

The term **"lower-tier" subsidiaries** as used in these instructions refers to subsidiaries in which the savings association does not directly hold an ownership interest; rather, the ownership interest is held, directly or indirectly, by a service corporation or operating subsidiary.

TIER 1 (CORE) CAPITAL REQUIREMENT

Calculation of Core (Tier 1) Capital

CCR100: Equity Capital

Report the amount of equity capital reported on SC80 (Total Equity Capital), which is stated in accordance with GAAP.

This line will be automatically generated from SC80 (Total Equity Capital) by the electronic filing software.

Explanatory Note:

> **Schedule CCR makes the adjustments to Equity Capital (CCR100) shown below in calculating Tier 1 (core) capital in accordance with the OTS capital rule. For example, the OTS capital rule does not include cumulative perpetual preferred stock in Tier 1 (core) capital. Furthermore, the OTS capital rule requires savings associations to deduct debt and equity investments in nonincludable subsidiaries and certain other assets from total assets and equity capital in computing Tier 1 (core) capital. Also, the OTS capital rule reverses the adjustment to GAAP equity for unrealized gains and losses on available-for-sale debt securities included in SC860 in computing Tier 1 (core) capital. Marketable equity securities, however, are carried at the lower of cost or market for Tier 1 (core) capital purposes.**

Deduct:

CCR105: Investments In and Advances To "Nonincludable" Subsidiaries

Tier 1 (core) capital is reduced by the savings association's investment in, advances to, and guaranteed obligations of certain nonincludable subsidiaries. "Subsidiary" is defined in the general instructions to Schedule CCR, above.

In consolidation, the investment and intercompany loan accounts of subsidiaries have been eliminated on Schedule SC; therefore, the amount of the investment and advances must be obtained from the parent's books prior to consolidation. The investment must be calculated using the equity method as prescribed by GAAP plus any loans, advances, guaranteed obligations, or other extensions of credit, whether secured or unsecured. Negative investments can be used to offset loans, guaranteed obligations, or advances to the same subsidiary.

Note that savings associations with investments in subsidiaries and/or equity investments where the investments are fully covered by the FDIC report such investment on CCR410 (0% Risk-weight: FDIC Covered Assets) regardless of the business activity of the entity in which the investment is made.

"Nonincludable" Subsidiaries

"Nonincludable" subsidiaries are defined by Section 5(f) of the HOLA as subsidiaries of a savings association that engage in activities impermissible for a national bank with the following exceptions:

1. Subsidiaries only engaged in impermissible activities as an agent for its customers where the subsidiary has no risk of loss;
2. Subsidiaries engaged solely in mortgage banking activities;
3. Subsidiaries that are insured depository institutions that were acquired prior to May 1, 1989;
4. Subsidiaries of federal savings associations that existed on August 8, 1989, and were chartered prior to October 15, 1982, as a savings bank or cooperative bank under state law; and
5. Subsidiaries of federal savings associations that existed on August 8, 1989, that acquired their principal assets from a savings association that was chartered prior to October 15, 1982 as a savings bank or cooperative bank under state law.

A subsidiary of a savings association generally is deemed "nonincludable" if any of its unconsolidated assets are impermissible for a national bank. If any **lower-tier subsidiary** (see definition in the general instructions to this schedule) engages in impermissible activities or invests in an entity that engages in impermissible activities, but the first-tier subsidiary owned by the parent savings association does not directly engage in impermissible activities, the first-tier subsidiary is an **includable** subsidiary **(as revised by December 1996 Subsidiary and Equity Investments Rule)**. Only the investment of the first-tier subsidiary (or intermediate tier) in the nonincludable lower-tier subsidiary is deducted in computing the capital of the first-tier subsidiary (or intermediate tier) on an unconsolidated basis and the capital of the consolidated savings association in computing the consolidated savings association's capital. Equity investments of first-tier subsidiaries in lower-tier subordinate organizations not constituting subsidiaries are deducted from total capital if those investments are not permissible for national banks.

As of July 1, 1996, all nonincludable subsidiaries are fully deducted from capital.

Savings associations should report 100% of their investments in and advances to "nonincludable" subsidiaries, net of all general valuation allowances, specific valuation allowances and charge-offs (all of which have already reduced equity capital).

CCR115: Goodwill and Other Intangible Assets

Because for most savings associations, the amount reported on this line will equal SC660 (Statement of Condition: Goodwill and Other Intangible Assets), this line will be automatically generated from SC660 by the electronic filing software. However, this amount may be changed in certain cases. For example:

- For purposes of regulatory capital only, the amount of goodwill and other intangible assets on this line that were acquired in a nontaxable purchase business combination **may** be reduced by any corresponding deferred tax liabilities.

- Negative goodwill may offset positive goodwill as long as goodwill is not reduced below zero. Negative goodwill may not offset core deposit intangibles or other intangibles.

Report this line as a positive amount; it will be deducted from equity capital in calculating Tier 1 (core) capital.

Include:

1. Core deposit intangible assets (CDIs); and
2. Purchased credit card relationships (PCCRs).

Do not include:

1. Servicing assets;
2. Certain nonsecurity financial instruments accounted for under SFAS No. 125; and
3. Net deferred tax assets

CCR120: Nonqualifying Equity Instruments

The only equity instruments that may be included in Tier 1 (core) capital are **noncumulative perpetual preferred stock** and **common stock**.

Any instruments **not meeting this definition**, reported on SC-812 (Perpetual Preferred Stock: Cumulative), SC-820 (Common Stock: Par Value) and SC-830 (Common Stock: Paid In Excess Of Par), must be deducted from capital on this line.

Report this line as a positive amount; it will be deducted from equity capital in calculating Tier 1 (core) capital.

Include:

1. Cumulative preferred stock reported on SC812;
2. Noncumulative and cumulative preferred stock reported on SC812 and SC814 that is, in effect, **collateralized** by assets of the savings association or its subsidiaries;
3. Noncumulative and cumulative preferred stock reported on SC812 and SC814 where the dividend adjusts based on current market conditions or indexes and the issuer's current credit rating;
4. Permanent Income Capital Certificates (PICCs) reported on SC812; and
5. Any other equity instruments reported on SC812 through SC830 that do not qualify as Tier 1 (core) capital pursuant to OTS Regulation 567.9.

CCR133: Disallowed Servicing Assets, Disallowed Deferred Tax Assets, and Other Disallowed Assets

Report this line as a positive amount; it will be deducted from CCR20 in computing Tier 1 (core) capital.

Disallowed Servicing Assets

Pursuant to interim guidance issued in December 1996, savings associations may include servicing assets reported on SC642 and SC644 in regulatory capital, subject to both of the following limitations.

For mortgage and nonmortgage servicing assets, and PCCRs, combined - include the lesser of:

- 50% of Tier 1 (core) capital,
- 90% of fair value, or
- 100% of reported amount (amortized cost, net of specific valuation allowances).

For nonmortgage servicing assets and PCCRs, as a separate sub-limit - include the lesser of:

- 25% of Tier 1 (core) capital,
- 90% of fair value, or
- 100% of reported amount (amortized cost, net of specific valuation allowances).

Accordingly, on CCR133, include the amount of servicing assets reported on lines SC642 and SC644 (that are not in a "nonincludable" subsidiary) and PCCRs included on SC660 that exceed the above limitations.

For purposes of the 25% and 50% of Tier 1 (core) capital limitations above, the deduction should be computed in a manner such that the amount of servicing assets included in Tier 1 (core) capital on CCR20 does not exceed those limitations. Also, in computing the deduction, the reported amount of servicing assets may be reduced by any corresponding deferred tax liability.

Disallowed Deferred Tax Assets

Also include on CCR133 the amount of disallowed deferred tax assets that will be deducted from regulatory capital. To the extent that the realization of deferred tax assets depends on a savings association's future taxable income (exclusive of reversing temporary differences and carryforwards), or its tax planning strategies, such deferred tax assets are limited for regulatory capital purposes to the lesser of:

- The amount that can be realized within one year, or
- 10% of Tier 1 (core) capital.

Accordingly, disallowed deferred tax assets is that amount includable in assets under GAAP, but **not** includable in regulatory capital pursuant to OTS policy. The deferred tax asset subject to the limitation is the net deferred tax asset or liability included on Schedule SC, adjusted for the deferred tax asset or liability added to or subtracted from total assets related to the following:

- Net unrealized gains and losses on certain available-for-sale securities on CCR137,
- Goodwill and other intangible assets on CCR155 and CCR250, and
- Servicing assets on CCR170.

Note that deferred tax assets that can be realized from the following generally are **not** limited:

- Taxes paid in prior carry-back years, and
- Future reversals of existing taxable temporary differences.

For purposes of the 10% of Tier 1 (core) capital limitation above, the deduction should be computed in a manner such that the amount of deferred tax assets included in Tier 1 (core) capital on CCR20 does not exceed that limitation.

Add:

CCR102: Unrealized Losses (Gains) on Certain Available-for-Sale Securities, Net of Taxes

Pursuant to SFAS No. 115 and OTS regulatory reporting policy, equity capital on SC80 includes a separate component for unrealized gains and losses, net of income taxes, on available-for-sale (AFS) securities (*i.e.*, line SC860, "Unrealized Gains (Losses) on Available-for-sale Securities"). However, under the current OTS policy, most of that separate component of equity capital is **not** included in regulatory capital, as specified below.

Specifically, for regulatory capital purposes (but **not** for regulatory reporting purposes):

- AFS debt securities are to be reported at amortized cost (**not** at fair value); and
- AFS equity securities are to be reported at the lower of cost or fair value (**not** at fair value).

Report on this line the amount on SC860 (Unrealized Gains (Losses) on Available-for-Sale Securities), adjusted for losses on certain equity securities, as follows:

SC860 (Unrealized Gains (Losses) on Available-for-Sale Securities)

Plus: As a positive number, any portion of the amount of SC860 that represents net unrealized **losses**, net of income taxes, on **equity** securities (but **not debt** securities).

Report the result on CCR102 as follows:

- As a negative number, reducing capital, when the result from the above calculation represents net unrealized **gains**; or
- As a positive number, increasing capital, when the result from the above calculation represents net unrealized **losses**.

The corresponding adjustment to total assets should be reported on CCR137.

CCR220: Qualifying Intangible Assets

Report the sum of the following assets:

1. Core deposit intangible assets (CDIs) on a savings association's books or under firm contract as of March 4, 1994, up to 25% of Tier 1 (core) capital.

   CDIs should be accounted for in accordance with generally accepted accounting principles, incorporating credible and supportable assumptions. Valuation of CDIs is based on a variety of assumptions regarding interest rates for alternative funding, costs other than interest associated with the core deposit base, the decay rate for an acquired customer base, and a discount rate. Included CDIs should have their amortization rates adjusted at least annually to reflect decay rates (past and projected) in the acquired customer base. The OTS may restrict a savings association's inclusion of otherwise grandfathered CDIs in capital if the OTS determines that the savings association is not accounting for CDIs prudently.

   For purpose of the 25% of Tier 1 (core) capital limitation above, this addition should be computed in a manner such that the amount of grandfathered CDIs included in Tier 1 (core) capital on CCR20 does not exceed the limitation. Also in computing this addition, the amount of grandfathered CDIs included on this line **should** be reduced by any corresponding deferred tax liabilities that reduced the amount of grandfathered CDIs included on CCR115.

2. Purchased credit card relationships (PCCRs) included on SC660 and CCR115. Note, however, that PCCRs are subject to deduction on CCR133.

CCR125: Minority Interest in Includable Consolidated Subsidiaries Reported on SC799

Report the minority interest of common and noncumulative permanent preferred shareholders of **includable** subsidiaries that are consolidated in Schedule SC and reported on SC799 (Minority Interest in Consolidated Subsidiaries). See the instructions for CCR105 for a definition of "nonincludable" subsidiaries. Minority interest in "nonincludable" subsidiaries is not grandfathered and cannot be included. The amount reported on this line will be added to equity capital in calculating Tier 1 (core) capital.

Include only that minority interest in equity instruments that qualifies as Tier 1 (core) capital at the savings association level (*i.e.*, minority interest in common and noncumulative permanent preferred stock).

CCR130: Mutual Institutions' Nonwithdrawable Deposit Accounts Reported on SC710

Mutual savings associations report nonwithdrawable and pledged deposit accounts meeting the definitions below. The amount reported on this line will be added to equity capital in calculating Tier 1 (core) capital.

Nonwithdrawable accounts are defined in OTS Regulation 561.31 as accounts that by the terms of the contract with the holder or by provisions of state law cannot be paid to the holder until all liabilities, including other classes of share liability, of the savings association have been fully liquidated and paid upon the winding up of the savings association.

Pledged deposits are those for which the pledge and escrow agreements provide the regulatory agencies with the authority to cancel the pledged accounts and turn over the account funds to the savings association.

Do not include:

1. Accounts that accumulate interest;
2. Accounts with fixed maturities;
3. Accounts that under certain conditions can be withdrawn at the option of the account holder;
4. Accounts deposited with subsidiary stock depository institutions;
5. Treasury shares held by the savings association; or
6. Deposits pledged against loans made to the depositor (share loans).

CCR20: Tier 1 (Core) Capital

Report CCR100 less CCR105, CCR115, CCR120, CCR133 plus CCR102, CCR220, CCR125, and CCR130.

This line will be automatically computed by the electronic filing software.

Calculation of Adjusted Total Assets

CCR135: Total Assets

Report total assets of the consolidated entity as reported on SC60 (Total Assets).

This line will be automatically generated from SC60 (Total Assets) by the electronic filing software.

Deduct:

CCR145: Assets of “Nonincludable” Subsidiaries

Because all subsidiaries, are required to be fully deducted from capital after July 1, 1996, deduct the entire amount of the assets of “nonincludable” subsidiaries from assets.

Report this line as a positive amount; it will be deducted from total assets in calculating CCR25 (Adjusted Total Assets).

CCR155: Goodwill and Other Intangible Assets

Because for most savings associations the amount reported on this line will equal SC660 (Statement of Condition: Goodwill and Other Intangible Assets), this line will be automatically generated from SC660 by the electronic filing software. However, this amount may be changed in certain cases.

Report this line as a positive amount; it will be deducted from total assets in calculating CCR25 (Adjusted Total Assets).

CCR170: Disallowed Servicing Assets, Disallowed Deferred Tax Assets, and Other Disallowed Assets

Because for most savings associations the amount reported on this line will equal CCR133, this line will be automatically generated from CCR133 by the electronic filing software. However, this amount may be changed in certain cases. For example, deferred tax liabilities may be deducted from servicing assets on CCR133,.but cannot be deducted from servicing assets on CCR170.

Report this line as a positive amount; it will be deducted from CCR135 in calculating CCR25 (Adjusted Total Assets).

Add:

CCR137: Unrealized Losses (Gains) on Certain Available-for-Sale Securities

Report on this line the amounts included in SC60 (Total Assets) corresponding to SC860 (Unrealized Gains (Losses) on Available-for-Sale Securities) and CCR102 as follows:

> The amount included in SC60 (Total Assets) which corresponds to the separate component of equity capital reported on SC860.

Plus: As a positive number, any amount included in SC60 that represents net unrealized **losses** on **equity** securities (but **not debt** securities).

Report the result on CCR137 as follows:

- As a **negative** number reducing total assets, when the result from the above calculation represents net unrealized **gains**; or
- As a **positive** number increasing total assets, when the result from the above calculation represents net unrealized **losses**.

The corresponding adjustment to equity capital should be reported on CCR102. See the instructions for CCR102 for additional information.

CCR250: Qualifying Intangible Assets

For most savings associations the amount reported on this line will equal CCR220; therefore, this line will be automatically generated from CCR220 by the electronic filing software. However, in certain cases it may be appropriate to change this amount.. For example, where grandfathered CDIs included in CCR220 have been reduced by the corresponding deferred tax liabilities, the gross amount of grandfathered CDIs should be manually entered in this field.

CCR25: Adjusted Total Assets

Report CCR135 less CCR145, CCR155, CCR170, plus CCR137 and CCR250.

This line will be automatically computed by the electronic filing software.

CCR27: Tier 1 (Core) Capital Requirement

Report CCR25 (Adjusted Total Assets) multiplied by four percent (4%).

This line will be automatically computed by the electronic filing software.

TOTAL RISK-BASED CAPITAL REQUIREMENT

CCR30: Tier 1 (Core) Capital

Enter Tier 1 (core) capital as reported on CCR20.

Tier 2 (Supplementary) Capital

Under the OTS risk-based capital regulations, there are two types of capital: Tier1 (core) capital and Tier 2 (supplementary) capital. Tier 2 (supplementary) capital includes certain specified instruments with characteristics of capital that do not qualify as Tier 1 (core) capital. Tier 2 (supplementary) capital counts towards a savings association's total risk-based capital, up to a maximum of 100% of the savings association's Tier 1 (core) capital.

Tier 2 (supplementary) capital consists of:

1. Permanent instruments not qualifying as Tier 1 (core) capital, which are reported on CCR310 (Qualifying Subordinated Debt and Redeemable Preferred Stock), CCR320 (Capital Certificates), CCR330 (Nonwithdrawable Deposit Accounts Not Reported on CCR130), and CCR340 (Other Equity Instruments);
2. Maturing instruments, which, after adjustments for the limitations described below, are reported on CCR310 (Qualifying Subordinated Debt and Redeemable Preferred Stock), CCR320 (Capital Certificates), CCR330 (Nonwithdrawable Deposit Accounts Not Reported on CCR130), and CCR340 (Other Equity Instruments);
3. Allowances for loan and lease losses (ALLL), which are reported on CCR350 (Allowances for Loan and Lease Losses); and
4. Minority interests in includable subsidiaries consolidated under GAAP that are not eligible for inclusion in Tier 1 (core) Capital on CCR125, provided the minority interest meets the other requirements for Tier 2 (Supplementar) capital and the minority interest is not held by the parent savings association or any subsidiaries or other subordinate organizations owned directly or indirectly by the savings association; such minority interest is reported on CCR340 (Other Equity Instruments).

Maturing Capital Instruments Issued on or Before November 7, 1989

Maturing capital instruments for which an application had been approved by the FHLBB prior to December 5, 1984, that were grandfathered under the prior OTS capital regulation, are also grandfathered under the current OTS regulation and may be included in full in Tier 2 (supplementary) capital until the last year before maturity.

With prior approval of OTS, a savings association may include maturing capital instruments issued on or before November 7, 1989, in Tier 2 (supplementary) capital in accordance with the following procedures applicable to instruments issued after that date.

Maturing Capital Instruments Issued After November 7, 1989

The reporting savings association may elect to include maturing capital instruments issued after November 7, 1989, by choosing one of the following options. However, once either option is elected, the savings association must continue to apply that option for all subsequent issuances of maturing capital instruments for as long as there is a balance outstanding of such issuances. Once such issuances have all been repaid, the savings association may elect the other option for future issuances.

Option 1 The amount included as Tier 2 (supplementary) capital is equal to the outstanding capital instrument multiplied by the applicable percentage from the following amortization schedule:

Years to Maturity	Percentage Counted as Tier 2 (Supplementary) Capital
Greater than 5	100%
Greater than 4, but less than or equal to 5	80%
Greater than 3, but less than or equal to 4	60%
Greater than 2, but less than or equal to 3	40%
Greater than 1, but less than or equal to 2	20%
Less than or equal to 1	0%

Option 2 Only the aggregate amount of maturing capital instruments that mature in any one year during the seven years immediately prior to an instrument's maturity that does not exceed 20% of an savings association's capital will qualify as Tier 2 (supplementary) capital. Capital for this purpose is defined as Tier 1 (core) capital plus, without limitation, items included in Tier 2 (supplementary) capital (*i.e.*, general loan and lease valuation allowances are not limited to a percentage of assets; maturing capital instruments are not limited based on maturity dates; and Tier 2 (supplementary) capital is not limited to the amount of Tier 1 (core) capital).

CCR302: Unrealized Gains on Available-for-Sale Equity Securities

Note: This line should be left as zero until such time as the proposed regulation becomes effective.

Report 45% of the amount of any unrealized gains on available-for-sale **equity** securities included in SC60 (Total Assets). The related amount included in equity on SC860 was deducted from Tier 1 (core) capital on CCR102.

Do not include unrealized gains on available-for-sale **debt** securities.

CCR310: Qualifying Subordinated Debt and Redeemable Preferred Stock

Include:

1. Perpetual subordinated debentures and mandatory convertible securities; and
2. Maturing subordinated debentures, mandatory convertible securities, and redeemable preferred stock calculated in accordance with the above instructions.

CCR320: Capital Certificates

Include the following capital certificates that are not included in Tier 1 (core) capital, whether or not there is a outstanding FDIC (FSLIC) note relating to the certificate:

1. Income capital certificates;

2. Permanent income capital certificates;
3. Mutual capital certificates;
4. Net worth certificates; and
5. Accumulated annual income payments, not yet due, on the above instruments.

Do not deduct FDIC (FSLIC) notes from the capital certificates reported on this line.

CCR330: Nonwithdrawable Deposit Accounts Not Reported on CCR130

Include:

1. Nonwithdrawable deposit accounts of both stock and mutual savings associations reported on SC710 (Deposits) meeting the criteria of OTS Regulation 561.31 that are not included on CCR130 (Mutual Savings Associations' Nonwithdrawable Deposit Accounts Included on SC710). Nonwithdrawable accounts are defined in OTS Regulation 561.31 as accounts that by the terms of the contract with the holder or by provisions of state law cannot be paid to the holder until all liabilities, including other classes of share liability, of the savings association have been fully liquidated and paid upon the winding up of the savings association.
2. Pledged deposits reported on SC710 for which the pledge and escrow agreements provide the regulatory agencies with the authority to cancel the pledged accounts and turn over the account funds to the savings association.

CCR340: Other Equity Instruments

Report equity instruments issued by the reporting savings association permitted as supplemental capital but not as Tier 1 (core) capital and deducted on CCR120 (Nonqualifying Equity Instruments).

Include:

1. Cumulative preferred stock reported on SC812;
2. Preferred stock reported on SC812 or SC814 where the dividend adjusts based on current market conditions or indexes and the issuer's current credit rating;
3. Any other equity instruments reported on CCR120 except preferred stock that is, in effect, collateralized by assets of the reporting savings association; and
4. Minority interest reported on SC799 (Redeemable Preferred Stock and Minority Interest in Consolidated Subsidiaries) and not included in Tier 1 (core) capital on CCR125, where the minority interest ownership consists of equity instruments issued by the reporting savings association or its includable subsidiaries, where such equity instruments are permitted as Tier 2 (supplementary) capital but not as Tier 1 (core) capital and where such instruments are **not** held by the parent savings association or any subsidiaries or other subordinate organizations owned directly or indirectly by the savings association.

CCR350: Allowances for Loan and Lease Losses

Report allowances for loan and lease losses (ALLL) (formerly termed general valuation allowances) established by the parent savings association and consolidated includable subsidiaries as defined in the instructions for CCR105. ALLL for "nonincludable" subsidiaries are not grandfathered for this calculation.

Allowances for loan and lease losses (ALLL) are defined as those established for the purpose of covering probable, but not specifically identifiable, credit losses for loans, leases, and mortgage pool securities. The inclusion of ALLL in Tier 2 (supplementary) capital is limited to 1.25 percent of risk-weighted assets.

Include purchased ALLL where the balance and nature of the purchased ALLL is consistent with OTS policy as set forth in the Thrift Activities Regulatory Handbook, Sections 260 and 261.

The percentage limitation should be applied to Subtotal Risk-weighted Assets on CCR75.

Do not include:

1. ALLL of unconsolidated subordinate organizations; and
2. ALLL of “nonincludable” subsidiaries.

CCR33: Tier 2 (Supplementary) Capital

Report the sum of CCR302, CCR310, CCR320, CCR330, CCR340, and CCR350.

This line will be automatically computed by the electronic filing software.

Allowable Tier 2 (Supplementary) Capital

CCR35:

This line will be automatically computed by the electronic filing software.

If Tier 1 (core) capital is a positive amount, report the lesser of:

1. Tier 2 (supplementary) Capital as reported on CCR33; or
2. Tier 1 (core) Capital reported on CCR30.

The amount of Tier 2 (supplementary) capital included in total capital cannot exceed the amount of Tier 1 capital.

Savings associations with negative Tier 1 (core) capital report zero on CCR35.

CCR370: Equity Investments and Other Assets Required to be Deducted

Report the assets that are required by OTS Regulation 567.5(c) to be deducted from total capital that have not been deducted elsewhere.

Include:

1. Investments in other depository institutions (reciprocal holdings) that can be counted by those institutions in their regulatory capital (*e.g.*, capital stock, qualifying subordinated debt, etc.);
2. The entire amount of all: (a) nonincludable debt and equity investments of the reporting savings association (including debt and equity investments in subordinate organizations not constituting subsidiaries under OTS Regulation 567.1(dd) (*i.e.*, investments in entities not consolidated under GAAP) that are engaged as principal in activities impermissible for national banks

and not otherwise includable under Section 5(t) of HOLA); and (b) investments in real property (excluding real property primarily used or intended to be used by the savings association, its subsidiaries, subordinate organizations, or affiliates as offices, and interests in real property acquired in satisfaction of a debt, provided that the property is not intended to be held for real estate investment purposes but is expected to be disposed of within five years or as extended by the OTS); and

3. The amount of that portion of land loans and nonresidential construction loans in excess of 80% loan-to-value ratio, unless the loan has been paid down to a loan-to-value ratio of less than 80% calculated using value at origination.

The term "equity securities" means any:

1. Stock;
2. Certificate of interest of participation in any profit sharing agreement;
3. Collateral trust certificate or subscription;
4. Preorganization certificate or subscription;
5. Investment Contract;
6. Voting trust certificate;
7. Securities immediately convertible into equity securities at the option of the holder without payment of substantial additional consideration (*e.g.*, convertible subordinated debt);
8. Securities carrying any warrant or right to subscribe to or purchase an equity security;
9. Investments, loans, advances, and guarantees issued on behalf of unconsolidated subordinate organizations;
10. Investments in real property not classified as fixed assets or repossessed property.

Do not include:

1. Interests in real property that are primarily used by the savings association, its subsidiaries, subordinate organizations, or affiliates as offices or related facilities for the conduct of its business; report on CCR505 (100% Risk-weight: All Other Assets);
2. Interests in real property that are acquired in the satisfaction of a debt previously contracted in good faith or acquired in sales under judgments or decrees (*i.e.*, REO); report on CCR505 (100% Risk-weight: All Other Assets);
3. Equity investments that are permissible for both savings associations and national banks, which are risk-weighted at 100% on CCR505. These include:
   a. FHLBank Stock
   b. FHLMC Stock;
   c. FNMA Stock;
   d. Equity investments in subordinate organizations not constituting subsidiaries under OTS Regulation 567.1(dd) (*i.e.,* investments in subordinate organizations not consolidated under GAAP) that are solely engaged in activities as agent for customers or engaged as principal in activities permissible for national banks or otherwise includable under Section 5(t) of the HOLA;
   e. Real estate loans that are considered as equity investments under GAAP and are permissible investments under the OCC's capital rules; and
   f. Mutual funds and pass-through investments as defined in OTS Regulation 560.32, that invest in any of the above categories of permissible equity investments.
4. Investments in subsidiaries and/or equity investments that are fully covered by FSLIC or any successor agency. Report the entire amount of such investment on CCR410 (0% Risk-weight: FDIC Covered Assets); savings associations are not required to deduct such investments from capital.

Computation of CCR370 When General Valuation Allowances have been established:

The amount of equity investments reported on CCR370 is calculated net of charge-offs and general valuation allowances. For example, if a savings association has established a $10 specific valuation allowance against a $100 equity investment, it must only deduct $90 from total capital and would enter $90 on CCR370.

In the computation of the dollar amount to be shown on line CCR370, savings associations should reduce the amount calculated following the above instructions by the amount of general valuation allowances established against equity investments and investments in real property required to be deducted. In order to receive this credit, the general valuation allowances **must** be established at the savings association level as a contra-asset to the equity investments and investments in real property. Savings associations must have and maintain adequate records to enable examiners to verify the savings association's claim that the general valuation allowances have been established (for analytical purposes) against these specific assets.

For example, if a savings association has a $100 equity investment, net of charge-offs and specific valuation allowances, against which it has established no general valuation allowance after July 1, 1994, the savings association should enter $100 on line CCR370 (the full asset amount). If the savings association established a $10 general valuation allowance against that same asset, the savings association should deduct the $10 general valuation allowance from the $100 investment, resulting in deduction of $90.

General valuation allowances established on other assets are **not** to be included in the "credit" computation outlined above.

CCR375: Low-Level Recourse Deduction

If the reporting savings association elects to deduct low-level recourse for total risk-based capital on a dollar-for-dollar basis, the low-level recourse amount should be reported on this line. This amount is the maximum amount of a savings association's undertaking to absorb credit losses on assets, if this is less than the normal total risk-based capital charge (*i.e.,* 8% of the risk-weighted asset amount) on the entire amount of the asset pool. This approach, as opposed to the risk-weighting approach for low-level recourse positions on CCR605 and CCR62, is generally more favorable for savings associations that will be adequately capitalized or well-capitalized for prompt corrective action purposes after deducting the low-level recourse amount.

Include:

1. The amount of recourse liability (low level recourse amount) retained by a savings association when it is less than the capital requirement for credit-risk exposure and therefore not converted to an on-balance-sheet equivalent. For example, in the sale of most assets with 1% recourse, the amount of liability retained usually is less than the capital requirements, and therefore 1% of the assets sold would be reported on CCR375 or CCR605. See the instructions for the 100% credit conversion factor in the Conversion of Off-balance-sheet Items to On-balance-sheet Equivalents section above.
2. The amount of on-balance-sheet financial instruments reported pursuant to SFAS No. 125 representing subordinated credit risk interests, including interests in spread accounts and asset pools. (However, a savings association's low-level recourse requirement may exceed the amount of this instrument if the savings association is subject to credit losses exceeding the amount of the instrument.).

CCR380: Capital Reduction for Interest-Rate Risk (IRR) Exposure

Until notified by the OTS, all savings associations should report zero on this line.

Total Risk-Based Capital

CCR39:

Report the total of CCR30 plus CCR35 minus CCR370, CCR375 and CCR380.

This line will be automatically computed by the electronic filing software.

Risk-weight Categories

General Instructions

In order to calculate the total risk-based capital standard, savings associations must classify their assets in one of five risk-weight categories described below. The portion of assets required to be deducted from Tier 1 (core) capital are **not** to be risk-weighted (*e.g.,* nonincludable subsidiaries and nonqualifying intangibles).

The assets of includable subsidiaries (*i.e.*, subsidiaries consolidated under GAAP) are consolidated in determining the appropriate risk-weight categories. However, the assets of **nonincludable subsidiaries** and **nonincludable equity investments** are excluded in computing risk-weighted assets.

Assets to be risk-weighted should not be reduced by any allocated allowance for loan and lease losses (ALLL). In other words, assets should be risk-weighted at carrying value, with any allocated ALLL added back to the carrying value, which is then risk-weighted. ALLL is included in Tier 2 (supplementary) capital, unlike other general valuation allowances; therefore, general valuation allowances for assets other than loans and leases may be deducted from the related asset in calculating the amount to be risk-weighted. Additionally, assets are to be risk-weighted after adjustments to those assets relating to regulatory capital adjustments; for example: gains and losses on certain available-for-sale securities, disallowed servicing assets, and disallowed net deferred tax assets.

In determining the appropriate risk-weight category for loans and investments, the reporting savings association must look at the type of collateral or, if there is no collateral, at the counterparty. In determining the appropriate risk-weight category for investments in mutual funds, the reporting savings association must look at the characteristics of the assets in the portfolio of the fund. Where the portfolio of a mutual fund consists of various assets that would be treated differently under the capital requirement, the entire ownership interest in the mutual fund should be dealt with based on the category of the asset with the highest capital requirement in the portfolio or excluded from assets and thus deducted from calculations of total capital, as appropriate.

The sum of each risk-weight category is multiplied by the risk-weight percentage appropriate for that category (*e.g.,* the sum of the 0% risk-weight category is multiplied by 0%).

After each risk-weight category has been summed and multiplied by its appropriate risk-weight, the product of each risk-weight category is summed. This results in the on-balance-sheet portion of the total risk-based capital standard.

Off-balance-sheet items are also included in the total risk-based capital standard after they have been converted into on-balance-sheet equivalents. Off-balance-sheet items are converted by taking the dollar amount of the off-balance-sheet item (or the grossed up amount of off-balance-sheet recourse obligations under OTS Regulation 567.1(kk), as appropriate) and multiplying it by the appropriate credit conversion factor from the table that follows the discussion of risk-weight categories. Additionally, interest-rate and exchange-rate contracts are risk-weighted by calculating a credit equivalent amount as described later in these instructions following the discussion of off-balance-sheet items.

Report in the appropriate category all on-balance-sheet assets together with all on-balance-sheet equivalents (off-balance-sheet items that have been converted in accordance with the discussion above).

From the sum of on-balance-sheet and off-balance-sheet risk-weighted assets, a deduction is taken for allowances for loan and lease losses (ALLL) in excess of the amount permitted to be included as capital on CCR350.

Note that all loans and investments that are more than 90 days past due are reported on CCR505 (100% Risk-weight: All Other Assets), regardless of the type of investment or collateral with the exception of FDIC covered assets, which are reported on CCR410 (0% Risk-weight: FDIC Covered Assets).

0% Risk-weight

CCR400: Cash

Report all cash-on-hand., including the amount of domestic and foreign currency owned and held or in transit in all offices of the savings association. Any foreign currency must be converted into U.S. dollar equivalents as of the date of the report.

Do not include:

1. Cash deposited in another financial institution, whether interest-bearing or noninterest-bearing; report on CCR445.
2. Cash equivalents such as travelers' checks; report on CCR445.

CCR405: Securities Backed by Full Faith and Credit of U.S. Government

Report the amount of securities issued by and other direct claims on: (1) the U.S. Government or its agencies to the extent such securities or claims are **unconditionally** backed by the full faith and credit of the U.S. Government; or (2) the central government of an Organization of Economic Cooperation and Development (OECD) country.

Include:

1. GNMA securities;
2. U.S. Treasury securities; and
3. SBA pools or certificates, or portions thereof, that are unconditionally guaranteed by the full faith and credit of the U.S. Government.

Do not include:

1. Notes and obligations of the FDIC; report on CCR408; and

2. Assets collateralized by U.S. Government securities; report on CCR450 (20% Risk-weight: Other).

CCR408: Notes and Obligations of the FDIC

Report notes and obligations of the FDIC that are unconditionally backed by the full faith and credit of the U.S. Government, except for those reported on CCR410.

CCR410: FDIC Covered Assets

Report the portion of assets that is **fully** covered against capital loss and/or yield maintenance agreements by the FDIC. The portion of assets that is not covered by the FDIC (*e.g.*, those included in a deductible) must be placed in a risk-weight category according to the characteristics of the asset. If a deductible under a coverage agreement cannot be assigned to a specific type of asset, the deductible should be placed in the 100% risk-weight category.

Include all investments in subsidiaries and/or equity investments that are fully covered by the FDIC regardless of the percentage of ownership or business activity of the entity in which the investment is made.

CCR415: Other

Report all zero-percent risk-weight assets not included above as defined in OTS Regulation 567.6(a)(1)(i).

Include:

1. Deposit reserves at, claims on, and balances due from Federal Reserve Banks, excluding interest rate contracts, which are reported on CCR450 (20% Risk-weight: Other);
2. The book value of paid-in Federal Reserve Bank stock; and
3. That portion of assets not included elsewhere in the 0% risk-weight category directly and unconditionally guaranteed by the U.S. Government or its agencies, or the central government of an OECD country.

CCR420: Total

Report the sum of CCR400 through CCR415.

This line will be automatically computed by the electronic filing software.

CCR40: 0% Risk-weight Total

Report the risk-weighted product of all 0% risk-weight assets. This amount will always be zero.

This line will be automatically computed by the electronic filing software.

20% Risk-weight

CCR430: High-quality MBS

Report high-quality mortgage related securities as defined in section 3(a)(41) of the Securities Exchange Act of 1934 and those mortgage-backed securities issued by or fully guaranteed by FNMA and FHLMC.

Include:

1. FNMA mortgage-related securities (including IOs and POs with FNMA guarantees);
2. FHLMC mortgage-related securities (including IOs and POs with FHLMC guarantees);
3. Mortgage-related securities with a AAA or AA rating that meet the criteria of OTS Regulation 567.1(k); and
4. CMOs collateralized by FNMA, FHLMC, GNMA, or AAA or AA rated mortgage-backed securities other than those tranches deemed to have residual characteristics (these are reported on CCR505).

Do not include:

1. Residual classes of collateralized mortgage obligations (CMOs) and real estate investment conduits (REMICs); report on CCR505 (100% Risk-weight: All Other Assets);
2. GNMA mortgage pool securities; report on CCR405; or
3. MBSs on which the reporting savings association has recourse for the underlying loans; the capital requirement on such obligations should follow the standard 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; and
4. The credit equivalent amount of interest rate contracts (*e.g.*, interest-rate swaps and caps) where the counter party 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; and
9. The credit equivalent amount of interest and exchange rate contracts (*e.g.,* interest-rate swaps and caps) where the counter party is a domestic depository institution.

Do not include:

1. Investments in other depository institutions that can be counted by those institutions in their regulatory capital (*e.g.,* capital stock, qualifying subordinated debt, etc.); report on CCR370 (Assets Required to be Deducted); and
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 OTS Regulation 567.6(a)(1)(ii).

Include:

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

CCR455: Total

Report the sum of CCR430 through CCR450.

This line will be automatically computed by the electronic filing software.

CCR45: 20% Risk-weight Total

Report the risk-weighted product all 20% risk-weight assets (*i.e.*, 20% times CCR455).

This line will be automatically computed by the electronic filing software.

50% Risk-weight

CCR460: Qualifying Single-family Residential Mortgage Loans

Report the carrying value of 1-4 family permanent residential first mortgage loans (*i.e.*, outstanding balance, net of specific valuation allowances) and loans to individuals to fund the construction of their own home, plus accrued interest receivable, that meet **all** of the following criteria:

1. Prudently underwritten;
2. Performing and not more than 90 days past due; and
3. Has a documented loan-to-value ratio not exceeding 80% (at origination) unless insured to at least an 80% loan-to-value ratio by private mortgage insurance provided by an insurer approved by the FHLMC or FNMA, or has been paid down subsequent to origination to a loan-to-value ratio of less than 80% calculated using value at origination.

Also include the outstanding balance of loans on interests in cooperative buildings and home equity loans representing first mortgages on a residence, where such loans meet all other criteria for qualifying single-family residential mortgage loans.

Mortgage loans on mixed use properties that are primarily single-family residential properties are included on this line if the criteria for qualifying single-family residential mortgage loans are satisfied.

Do not include:

1. Second mortgage loans; report on CCR505 (100% Risk-weight: All Other Assets);
2. Single-family residential first mortgage loans that are nonperforming (nonaccrual) **or** more than 90 days past due; report on CCR505 (100% Risk-weight: All Other Assets);
3. Foreclosed real estate; report on CCR505 (100% Risk-weight: All Other Assets)
4. Loans to commercial entities collateralized by mortgages of third-party borrowers (*e.g.*, warehouse loans); report on CCR505 (100% Risk-weight: All Other Assets).

CCR465: Qualifying Multifamily Residential Mortgage Loans

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

Report the carrying value (outstanding balance less specific valuation allowances), 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** of the following criteria:

1. The loan's amortization of principal and interest occurs over a period of not more than 30 years;
2. The original minimum maturity for repayment of principal on the loan is not less than seven years;
3. At the time a loan is placed in the 50% risk-weight category, all principal and interest payments on the loan for the preceding year have been made on a timely basis in accordance with the loan terms (*i.e.*, not 30 days or more past due);
4. The loan is performing and not 90 days or more past due;
5. The loan was made by the savings association in accordance with prudent underwriting standards;
6. The current outstanding loan balance does not exceed 80% (75% for variable rate loans) of the value of the

property securing the loan; and

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), or in the case of cooperative or other not-for-profit housing projects, the property generates sufficient cash flows to provide comparable protection to the savings association.

For purposes of criteria (6) above, the term "value of the property" means, at origination of a loan to purchase a multifamily property: the lower of the purchase price or the amount of the initial appraisal, or if appropriate, the initial evaluation. In cases not involving purchase of a multifamily property (*e.g.*, new loans on existing properties already owned by a borrower), the value of the property is determined by the most current appraisal, or if appropriate, the most current evaluation.

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 all principal and interest payments on the loan being refinanced have been made on a timely basis in accordance with the loan terms (*i.e.*, not 30 days or more past due); and
2. The net income on the property for the preceding year would have supported timely payment of principal and interest on the new loan in accordance with the applicable debt service requirement.

Residential property is defined in OTS Regulation 567.1(z) 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.

Mortgage loans on mixed use properties that are primarily multifamily residential properties are included on this line if the criteria for qualifying multifamily mortgage loans are satisfied.

Grandfathered Qualifying Multifamily Mortgage Loans

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

1. The mortgage is secured by an existing property consisting of 5 to 36 dwelling units;
2. The initial loan-to-value ratio is not more that 80%; and
3. The property has had an average annual occupancy rate of 80% or more of total units for the past full year.

CCR470: Other MBS Backed by Qualifying Mortgage Loans

Report mortgage-backed securities, other than high quality mortgage-backed securities reported on CCR430, that are backed by **qualifying single-family** residential mortgage loans eligible to be reported on CCR460 or **qualifying multifamily** residential mortgage loans eligible to be reported on CCR465. Include IOs, POs, and CMOs (excluding residuals that are backed by qualifying single-family or multifamily residential mortgage loans but are excluded from CCR430 because the security has less than a AA rating. **Residual classes** of mortgage-related securities are reported on CCR505 (100% Risk-Weight: All Other Assets).

If securities are backed by **qualifying multifamily residential mortgage loans**, the savings association must receive timely payments of principal and interest in accordance with the terms of the security. Payments generally are considered to be timely if they are not 30 days or more past due.

CCR475: State and Local Revenue Bonds

Report securities issued by state and local governments whereby the revenues from a stated project (*e.g.*, a toll road) repay the security.

CCR480: Other

Report all fifty-percent risk-weight assets not included above as defined in OTS Regulation 567.6(a)(1)(iii).

Include:

1. The credit equivalent amount of interest and exchange rate contracts (*e.g.*, interest-rate swaps and caps) where the counter party is an entity other than a domestic depository institution, a FHLBank, or a Federal Reserve Bank;
2. Revenue bonds issued by any public-sector entity in an OECD country that are payable solely from the revenues generated from the project financed through the issuance of the obligations; and
3. Qualifying residential construction loans, also referred to as “residential bridge loans,” meeting the criteria of 12 CFR 567.1(jj), which generally must satisfy the following criteria:
   a. The loan must be made in accordance with sound lending principles to a builder, who has paid the first 10% of direct costs of the project, for the construction of a pre-sold, 1-4 family residence;
   b. The home purchaser must be an individual (not a business entity), intend to occupy the home, have made an earnest money deposit of at least 3% of the contract price held in escrow for benefit of the lending savings association, have entered into a firm purchase contract, and have obtained a firm commitment for a qualifying mortgage loan (as defined in 12 CFR 567.1(u);
   c. The loan must be secured by a first lien (except for mechanics’ liens with priority under state law) on the lot and residence, must not exceed 80 percent of the sales price of the residence, and must be performing and not more than 90 days past due; and
   d. The lending savings association must retain sufficient undisbursed loan funds throughout the construction period to ensure project completion.

CCR485: Total

Report the sum of CCR460 through CCR480.

This line will be automatically computed by the electronic filing software.

CCR50: 50% Risk-weight Total

Report the risk-weighted product all 50% risk-weight assets (*i.e.*, 50% times CCR485).

This line will be automatically computed by the electronic filing software.

100% Risk-weight

CCR505: All Other Assets

Report all other assets that are not included above or in any other risk-weight category.

Include:

1. Consumer loans;
2. Commercial loans;
3. Home equity loans (both consumer loans and junior liens) unless they represent first mortgages on the home and meet all other criteria for qualifying single-family residential mortgage loans reported on CCR460;
4. Second mortgages on 1-4 family dwelling units;
5. All assets that are nonperforming or more than 90 days past due, except FDIC covered assets, which are reported on CCR410 (0% Risk-weight);
6. All repossessed assets including repossessed real estate, other repossessed assets, and equity investments that OTS determines have the same characteristics as real estate owned by the savings association (*e.g.*, stock from an REO workout firm that has been approved by OTS for inclusion in the 100% risk-weight category);
7. Other permanent first mortgages on 1-4 family dwelling unit properties that do not qualify for inclusion on CCR460 (50% Risk-weight: Qualifying Single-family Residential Mortgage Loans);
8. Multifamily mortgage loans that do not meet the qualifying criteria for inclusion on CCR465 (50% Risk-weight: Qualifying Multifamily Residential Mortgage Loans);
9. Residential construction loans, except those to individuals to fund construction of their own home that are reported on CCR460 and except qualifying residential construction loans (bridge loans) as defined in CCR480;
10. Land loans less that portion that is deducted from capital and reported on CCR370 (Assets Required to be Deducted);
11. Nonresidential construction loans (as defined in the instructions for SC260 (Nonresidential Property) less that portion that is deducted from capital and reported on CCR370 (Assets Required to be Deducted);
12. Obligations issued by any state or any political subdivision thereof for the benefit of a private party or enterprise where that party or enterprise, rather than the issuing state or political subdivision, is responsible for the payment of principal and interest of the obligation (*e.g.*, industrial development bonds);
13. Private-issue debt securities, including commercial paper, except those reported in the 20% or 50% risk-weight categories;
14. Investments in fixed assets and premises;
15. Qualifying intangible assets reported on CCR220;
16. Servicing assets, less the amount included on CCR133, and certain nonsecurity financial instruments (*i.e.,* those established pursuant to SFAS No. 125)
17. Residual classes of mortgage related securities;

18. The gross amount of wrap-around loans where the savings association is liable on the first mortgage or must assume the first mortgage to perfect its position (if this condition is not met, the wrap-around loan is reported net of the first mortgage);
19. Equity investments that are permissible for both savings associations and national banks and including:
    a. FNMA Stock;
    b. FHLMC Stock;
    c. Equity investments in unconsolidated subordinate organizations (*i.e.*, those subordinate organizations not qualifying as subsidiaries under 567.1(dd)) that are solely engaged in activities as agent for customers or engaged as principal in activities permissible for national banks or otherwise includable under Section 5(t) of the HOLA;
    d. Real estate loans that are considered equity investments under GAAP and are includable under OCC's capital rule; and
    e. Mutual funds and pass-through investments as defined in OTS Regulation 560.32, that invest in any of the above categories of permissible equity investments;
20. Loans to commercial entities collateralized by mortgages of third party borrowers (*e.g.*, warehouse loans);
21. Any other assets that are either not deduced from capital or not included in any other risk-weight category.

CCR510: Total

Report the amount entered on CCR505.

This line will be automatically computed by the electronic filing software.

CCR55: 100% Risk-weight Total

Report the risk-weighted product all 100% risk-weight assets (*i.e.*, 100% times CCR510).

This line will be automatically computed by the electronic filing software.

Conversion of Off-balance-sheet Items to On-balance-sheet Equivalents

Off-balance-sheet items are included in the total risk-based capital standard after they have been converted into on-balance-sheet equivalents. Off-balance-sheet items are converted by taking the dollar amount of the off-balance-sheet item and multiplying it by the appropriate credit conversion factor from the table below.

The on-balance-sheet equivalents (converted off-balance-sheet items) are placed in the appropriate risk-weight category just as any other on-balance-sheet assets. For example, an off-balance-sheet letter of credit would be placed in the same risk-weight category as the loan would be if the letter of credit were executed.

Example 1:

A savings association has 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%; therefore,

the savings association would convert the $1 million off-balance-sheet item into a $500,000 on-balance-sheet equivalent ($1 million times 50%), which would be placed in the 100% risk-weight category on CCR505, the same risk-weight category as on-balance-sheet residential construction loans.

Example 2:

A savings association has a $1 million off-balance-sheet, legally binding commitment to purchase GNMA mortgage backed securities. Forward agreements to purchase assets at a specified date have a conversion factor of 100%; therefore, the savings association would convert the $1 million off-balance-sheet item into a $1 million on-balance-sheet equivalent, which would be placed in the 20% risk-weight category on CCR450, the same risk-weight category as on-balance-sheet assets collateralized by the current market value of securities issued or guaranteed by the U. S. Government.

Loans in Process (Undisbursed Loan Balances)

All LIP that meets the following criteria will be converted at a 0% conversion factor (*i.e.,* will not be risk-weighted):

1. LIP that contractually must be disbursed or expire in one year or less; **or**
2. LIP that will be disbursed over a period of time exceeding one year and: (1) is unconditionally cancelable by the savings association **and** (2) for which the savings association makes a separate credit decision before each draw.

All LIP that does not meet the criteria in #1 or #2, above, must be converted at a 50% conversion factor and placed in the risk-weight category appropriate for the related loan, except as follows:

1. When interest is paid on the full amount of the loan, including both the disbursed and undisbursed portions, the gross amount of the loan must be risk weighted and therefore, the LIP is not an off-balance-sheet item; and
2. When the LIP is a direct credit substitute, the savings association must convert it to an on-balance-sheet equivalent at a 100% credit conversion factor.

Table of Conversion Factors for Off-Balance-Sheet Items

This calculation translates the face amount of an off-balance-sheet exposure into an on-balance-sheet credit equivalent amount.

0% Credit Conversion Factor (*i.e.,* 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 are unconditionally cancelable by the savings association at any time; and
   b. The savings association has the contractual right to make, and in fact does make, either:
      i. A separate credit decision based upon the borrower’s current financial condition before each draw, or
      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 are unconditionally cancelable by the savings association to the extent allowed by applicable law.

4. Unused portion of home equity lines of credit:
   a. That are unconditionally cancelable at any time by the savings association to the extent allowed by federal law; and
   b. The savings association has the contractual right to make, and in fact does make, either:
      i. A separate credit decision based upon the borrower's current financial condition before each draw; or
      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.
5. Commitments to make a permanent loan, where the construction loan is included either on the balance sheet or elsewhere in the off-balance-sheet items. If the commitment to make the permanent loan exceeds the construction loan, the excess must be treated as a separate commitment and converted to an on-balance-sheet equivalent.

20% Credit Conversion Factor

Trade-related contingencies (*i.e.*, short-term, self-liquidating instruments used to finance the movement of goods and collateralized by the underlying shipment). A commercial letter of credit is an example of such an instrument.

50% 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 0% credit conversion factor category (*i.e.*, that are not unconditionally cancelable); and
3. Revolving underwriting facilities, note issuance facilities, and similar arrangements pursuant to which the customer can issue short-term debt in its own name, but for which the savings association has a legally binding commitment to:
   a. Purchase the obligations the customer is unable to sell by a certain date; or
   b. Advance funds to its customer if the obligations cannot be sold.

100% Credit Conversion Factor

Include:

1. Financial guarantee-type standby letters of credit(*i.e.,* the face amount is converted to credit-equivalent amount);
2. Assets sold with recourse:
   a. If a savings association sells a $100 loan with 10% recourse, it will convert the full $100 (*i.e.,* the grossed up amount) at 100%, except where the amount of recourse liability retained by a savings association is less than the capital requirement for credit-risk exposure. In such a situation the low level recourse provision limits a savings association's capital charge to a dollar-for-dollar requirement against the amount of credit-risk exposure retained. This low level recourse amount is reported on CCR375 or CCR605. For example, in the sale of most assets with 1% recourse, the amount of liability retained is usually less than the capital requirement and therefore, 1% of the assets sold would be the capital requirement and be reported on CCR375 or CCR605 and no off-balance-sheet conversion is necessary);

b. Loans serviced for others where the savings association (or its subsidiaries) is liable for credit losses of the loans serviced (Note: In general, servicing of VA loans in GNMA pools is not considered recourse servicing; however, the OTS reserves the right on a case-by-case basis to treat it as recourse.) (Note: Savings associations should not risk-weight the on-balance-sheet asset; rather, they should convert the full outstanding balance of the loans serviced at 100%);

c. The subordinated portions of senior/subordinated securities (both retained and purchased subordinated pieces) are treated identically to assets sold with partial, first-loss recourse under 2(a) above (Note: Savings associations, generally, should **not** risk-weight the on-balance-sheet subordinated security; rather, they should convert the full amount of both the senior and subordinate portions of the mortgage pool security at 100%);

d. Savings associations may elect to apply the 100% credit conversion factor to only the **retained** recourse amount related to transfers of small business loans and leases of personal property, in accordance with Section 208 of the Riegle Community Development and Regulatory Improvement Act of 1994; qualifying savings associations may apply the treatment under Section 208, as implemented in the related OTS rulemaking, to transfers on or after March 22, 1995 (See Section 208 of the Riegle Act and the related OTS rulemaking for detailed information related to this provision.);

3. Forward agreements and other contingent obligations with a specified draw down (*e.g.*, legally binding agreements to purchase assets at a specified future date). The savings association should convert the principal amount of the assets to be purchased on the date the agreement is entered into; and

4. Securities lent for a customer as agent, where the customer is indemnified against loss.

Credit Equivalent Amount of Interest-rate and Exchange-rate Contracts

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.

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 defined as the loss that would be incurred in the event of a counterparty default, as measured by the net cost of replacing the contract at the current market value. If default would result in a theoretical profit, the replacement value is considered to be zero. The calculation of replacement cost incorporates changes in both interest rates and counterparty credit quality.

Netting of Current Replacement Value under Qualifying Bilateral Netting Agreements

The current replacement values of multiple rate contracts with a single counterparty may be netted under a qualifying bilateral netting agreement in accordance with the OTS' bilateral netting rule. [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. Contracts may only be netted for capital purposes under this rule if:

- The rate contracts are between the same two parties;

- Only interest rate contracts and foreign exchange rate contracts are netted for capital purposes;
- 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; and
- Savings associations that are party to the bilateral netting agreement have legal opinions concluding that the contract would be upheld by the courts and other legal authorities of relevant jurisdictions.

Potential Credit Exposure

Potential credit exposure is defined as the estimated potential increase in credit exposure over the remaining life of the contract. It is calculated by multiplying the notional principal amount of the contract by the following:

Interest-rate Contracts

1. Zero percent, if the contract has a remaining maturity of one year or less, or
2. 0.5% if the contract has a remaining maturity greater than one year.

Exchange-rate Contracts

1. 1.0% if the contract has a remaining maturity of one year or less, or
2. 5.0% if the contracts has a remaining maturity greater than one year.

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)

CCR605: Low-level Recourse Amount (Before Risk-Weighting)

If the reporting savings association elects to convert its low-level recourse exposure to a risk-weighted asset amount under the risk-weighting alternative, the low-level recourse amount should be reported on this line. This amount is the maximum amount of a savings association's undertaking to absorb credit losses on assets, if this is less than the normal total risk-based capital charge (*i.e.,* 8% of risk-weighted asset amount) on the entire amount of the asset pool.

Include:

1. The amount of recourse liability (low level recourse amount) retained by a savings association when it is less than the capital requirement for credit-risk exposure and therefore not converted to an on-balance-sheet equivalent (*e.g.*, in the sale of most assets with 1% recourse, the amount of liability retained usually is less than the capital requirement, and therefore 1% of the assets sold would be reported on CCR375 or CCR605); see the instructions for the 100% credit conversion factor in the Conversion of Off-balance-sheet Items to On-balance-sheet Equivalents section above; and

2. The amount of on-balance-sheet financial instruments reported pursuant to SFAS No. 125 representing subordinated credit risk interests, including interests in spread accounts and asset pools. (However, a savings association's low-level recourse requirement may exceed the amount of this instrument if the savings association is subject to credit losses exceeding the amount of the instrument.).

CCR62: Low-level Recourse Risk-weighted Assets

This notional risk-weighted amount is a savings association's low-level recourse amount (CCR605) multiplied by 12.5. (Note: This results in a risk-weighted asset amount that when multiplied by 8% results in the savings association's low-level recourse amount. By converting a savings association's low-level recourse amount into risk-weighted assets, this method increases a savings association's total risk-based capital requirement instead of reducing its total risk-based capital like the deduction method.)

This line will be automatically computed by the electronic filing software.

Assets to Risk-weight

CCR64:

Report total assets to risk-weight; the sum of CCR420, CCR455, CCR485, CCR510, and CCR605.

Total assets subject to risk-weighting are:

- Adjusted Total Assets (CCR25)
- ALLL (CCR350 plus CCR530)
- Assets required to be deducted reported on CCR370
- Off-balance-sheet items required to be converted to assets to risk-weight
- Unrealized gains on available-for-sale equity securities reported on CCR302
- Less any on-balance-sheet assets reported on CCR375

This line will be automatically computed by the electronic filing software.

CCR75: Subtotal Risk-weighted Assets

Report the sum of CCR40, CCR45, CCR50, CCR55, and CCR62.

This line will be automatically computed by the electronic filing software.

CCR530: Excess Allowances for Loan and Lease Losses

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

Total Risk-weighted Assets

CCR78:

Report the CCR75 minus CCR530.

This line will be automatically computed by the electronic filing software.

CCR80: Total Risk-based Capital Requirement

Report total risk-weighted assets (CCR78) multiplied by 8%.

This line will be automatically computed by the electronic filing software.

CAPITAL AND PROMPT CORRECTIVE ACTION RATIOS

The following ratios will be automatically computed by the electronic filing software. They provide both the reporting savings association and the data user with instantaneous calculation of important capital ratios.

CCR810: Tier 1 (Core) Capita l Ratio

This ratio is Tier 1(core) capital divided by adjusted total assets (CCR20/CCR25), expressed as a percentage. This line will be automatically computed by the electronic filing software.

CCR820: Total Risk-Based Capital Ratio

This ratio is total risk-based capital divided by risk-weighted assets (CCR39/CCR78), expressed as a percentage. This line will be automatically computed by the electronic filing software.

CCR830: Tier 1 Risk-Based Capital Ratio

This ratio is Tier 1 (core) capital divided by risk-weighted assets (CCR20/CCR78), expressed as a percentage. This line will be automatically computed by the electronic filing software.

CCR840: Tangible Equity Ratio

This ratio is Tier 1 (core) capital plus cumulative perpetual preferred stock divided by tangible assets ([CCR20-CCR220+SC812]/[CCR25-CCR250]), expressed as a percentage. This line will be automatically computed by the electronic filing software.

SCHEDULE CMR - CONSOLIDATED MATURITY AND RATE

GENERAL INSTRUCTIONS

Introduction

Schedule CMR provides information about the interest rate, repricing, and maturity characteristics of all financial instruments held by savings associations. The information on Schedule CMR is used as input to the OTS Net Portfolio Value Model (OTS Model) that measures each savings association's exposure to interest rate risk by estimating how a change in interest rates affects the market value of its assets, liabilities, and off-balance-sheet contracts. The output reports of the OTS Model are sent to each reporting savings association after the information it submits on Schedule CMR has passed the data edits.

To estimate the market value of a financial instrument, it is necessary to project its future cash flows, which in turn requires information on the following three items:

1. The outstanding balance of the instrument or, in the case of an off-balance-sheet contract, the notional principal amount of the position;
2. The contract interest rate of the instrument and, if the instrument is adjustable-rate, details concerning how and when the coupon will adjust in the future; and
3. The instrument's amortization schedule and maturity.

Because it is not possible to collect this information on Schedule CMR for individual financial instruments, information on instruments that display similar characteristics are grouped together. For example, savings associations report the total outstanding balance of their 30-year conventional fixed-rate mortgages with coupons between 7.00% and 7.99% in CMR002. In CMR007 and CMR012, the average maturity and the average coupon of those balances are reported.

Collecting information about some financial instruments stratified by coupon range in this manner is an important feature of Schedule CMR. In preparing software to handle preparation of this report, saving associations should note that, in the event of major changes in interest rates in the future, OTS may modify the coupon ranges being collected on the form.

Reporting of Information

Information on Schedule CMR will be reported using the same consolidation instructions that apply to the other schedules of the Thrift Financial Report.

As a general rule, dollar amounts reported on Schedule CMR are outstanding balances, not carrying values. Exceptions are noted where appropriate. Outstanding balances should be reported net of loans in process and nonperforming loans. Nonperforming loans are defined as nonaccrual loans or loans that are at least 90 days past due but still accruing interest. Construction loans in process are reported in the Off-Balance-Sheet Positions section of Schedule CMR and nonperforming loans are reported in CMR501 and CMR511 in the Assets section. Balances should not be adjusted for contra-assets such as unamortized yield adjustments and valuation allowances.

Estimates of items requested on Schedule CMR are acceptable in the event that information necessary to report them is not available. For example, savings associations may not have ready access to all required information for their holdings of mortgage loans serviced by others and mortgage securities.

Format of Schedule CMR

Schedule CMR is divided into five sections. The first three sections collect information on assets, liabilities, and off-balance-sheet positions, respectively. All reporting savings associations must fill out these three sections of the report. The other two sections are optional (with some exceptions, as described in the section entitled “Reporting of Market Value Estimates”) and are provided to permit savings associations to report additional information that will result in more accurate interest rate risk exposure estimates. A summary of each follows.

Reporting of Market Value Estimates

This section of Schedule CMR provides savings associations the option of reporting their own estimates of the market value (in nine interest rate scenarios) of several types of complex financial instruments. If these instruments were valued by the OTS Model, a significant amount of additional data would be required. The valuation estimates provided by reporting savings associations will supplement or, in some cases, replace the OTS estimates for those instruments. The instruments dealt with in that section are (1) off-balance-sheet contracts, (2) mortgage-derivative securities, (3) liabilities with embedded options (*e.g.*, callable debt), and (4) mortgage-derivative securities issued by the savings association, and (5) structured securities. Some savings associations are required to report market value estimates in the off-balance-sheet and mortgage-derivative portions of this section (see detailed instructions in the section entitled “Reporting of Market Value Estimates”).

Optional Supplemental Reporting

There are two optional supplemental reporting sections in Schedule CMR; one for assets and liabilities, and one for off-balance sheet positions.

In the section titled Optional Supplemental Reporting of Assets/Liabilities, savings associations have the option of reporting more detailed information on certain assets and liabilities than is reported in the Assets and Liabilities sections of Schedule CMR. Use of this data by the OTS Model will result in more accurate interest rate risk exposure estimates for those savings associations that choose to report it. Supplemental reporting is available for certain types of loans, investments in mortgage-related mutual funds, investments in “other” investment securities, and variable-rate fixed-maturity liabilities. See the section entitled “Optional Supplemental Reporting for Assets/Liabilities” for more information.

In the section titled Optional Supplemental Reporting for Off-Balance Sheet Positions, savings associations may report any off-balance sheet positions they hold in excess of the 16 that can be accommodated in the Off-Balance Sheet section of Schedule CMR. See the section “Off-Balance-Sheet Contracts”, and the section “Optional Supplemental Reporting for Off-Balances Sheet Positions” for more information.

Calculation of Weighted Averages

Many of the items that are reported on Schedule CMR require that "weighted averages" be calculated for certain items. The calculation of the weighted average coupon and other measures that are reported on Schedule CMR are described below.

Weighted Average Coupon (WAC)

The WAC is the average coupon of a group of assets, liabilities, or off-balance-sheet contracts, where the coupon of each individual instrument in the group is weighted by its outstanding dollar balance, as a proportion of the total dollar balances of the group. Unless otherwise stated in the reporting instructions for a specific instrument, the interest rates for all assets should be expressed as **annual simple interest rates** (**coupon rates** for **securities** and **contract rates** for **loans**), and the interest rates for all liabilities should be expressed as annual percentage yields. For mortgage loans that are serviced by others, report the contract rate of the loan (*i.e.*, do not subtract the servicing fee). All WACs should be reported in percent, to two decimal places (*e.g.*, 10.54).

The following example illustrates the calculation of the WAC of a savings association's portfolio of 30-year single-family fixed-rate mortgages with coupons between 9.00% and 9.99%.

***Example*:** Suppose a savings association has three such mortgages, with outstanding balances totaling $350,000. The mortgages have outstanding balances and coupons of $100,000 and 9.75%, $110,000 and 9.5%, and $140,000 and 9.0%. The WAC for this portfolio would be calculated as follows:

$$\text{WAC} = \frac{\$100{,}000\ (9.75\%) + \$110{,}000\ (9.5\%) + \$140{,}000\ (9.0\%)}{\$350{,}000}$$

$$= 9.37\%$$

Details of the computation of the WAC may vary for certain instruments. Further instructions are given in the relevant sections of the instructions.

Weighted Average Pass-Through Rate

The pass-through rate is the net interest rate passed through to the holder of a mortgage pass-through security after servicing, management, and guarantee fees have been deducted from the gross coupon of the mortgages underlying the security. The weighted average pass-through rate is the average coupon of a group of mortgage pass-through securities where the coupon of each security in the group is weighted by its outstanding dollar balance, as a proportion of the total dollar balances of the group. The interest rates for all assets should be expressed as **annual simple interest rates**. All weighted average pass-through rates should be reported in percent, to two decimal places (*e.g.*, 10.54).

The following example illustrates the calculation of the weighted average pass-through rate of a savings association's portfolio of 30-year single-family fixed-rate mortgage securities with coupons between 9.00% and 9.99%.

***Example*:** Suppose a savings association has three such mortgage pass-through securities with outstanding balances totaling $350,000. The securities have outstanding balances and pass-through rates of $100,000 and 9.5%, $110,000 and 9.5%, and $140,000 and 9.0%. The weighted average pass-through rate for this portfolio would be calculated as follows:

$$\text{Weighted Average Pass-Through Rate} = \frac{\$100{,}000\ (9.5\%) + \$110{,}000\ (9.5\%) + \$140{,}000\ (9.0\%)}{\$350{,}000}$$

$$= 9.30\%$$

Weighted Average Remaining Maturity (WARM)

The WARM is the average remaining maturity, **in months**, for a group of assets or liabilities where the maturity of each individual asset or liability is weighted by its outstanding dollar balance, as a proportion of the total dollar balances of the group. Values should be rounded to the nearest month. (Rounding should be performed after the calculation has been completed.) The following example illustrates the calculation of the WARM for fixed-rate consumer loans.

***Example*:** Suppose a savings association had three fixed-rate consumer loans with total outstanding balances of $40,000. Two are auto loans with respective outstanding balances and remaining maturities of $10,000 and 48 months, and $1,000 and 12 months. The third is a mobile home loan with an outstanding balance of $29,000 and a remaining term of 120 months. The WARM for this savings association's fixed-rate consumer loans would be calculated as follows.

$$\text{WARM} = \frac{\$10{,}000\ (48) + \$1{,}000\ (12) + \$29{,}000\ (120)}{\$40{,}000}$$

$$= 99.3 \text{ months}$$

$$= 99 \text{ months (rounded to the nearest month)}$$

For **balloon mortgages**, use the number of months until payment of the balloon in this calculation. For example, suppose a savings association had two balloon mortgages, each with an outstanding balance of $100. The first amortizes over 240 months but the entire remaining principal is to be paid as a balloon in 60 months. The second amortizes over 360 months, but has a balloon payment in 84 months. The WARM for this savings association's balloon mortgages would be 72 months. [72 = ($100/$200) x 60 + ($100/$200) x 84]. An exception to this treatment exists for single–family adjustable-rate mortgages reported in CMR096 through CMR120, Balloon Mortgages and MBS. See that section for details.

Loans that have matured, but still have a principal balance outstanding should be treated as nonperforming loans if past due for more than 90 days, and therefore should not be included in this calculation. Such loans that are less than 90 days past due should be included in the calculation of the WARM and assigned a remaining maturity of 1 month.

For loans made under **open-end lines of credit**, maturity should be calculated by assuming that the borrower will repay the existing loan balance by making the minimum payments required by the repayment schedule.

For **demand loans** (either adjustable- or fixed-rate) that pay interest only and have no definite maturity, use 1 month in the calculation of the WARM.

Weighted Average Margin

For the purposes of Schedule CMR reporting the margin of an adjustable-rate loan or deposit is the amount added to the index rate to derive the fully-indexed coupon rate. Savings associations with adjustable-rate loans or deposits for which the coupon is determined by multiplying an index by some factor should calculate an additive margin each quarter by subtracting the value of the index from the fully-indexed coupon rate. All weighted average margins should be reported in **basis points**. When calculating weighted average margins for mortgage securities and asset-backed securities, use the net margin for securities (that is, not including servicing and guarantee fees). For loans serviced by others, use the gross margin in this calculation. That is, do not subtract the servicing fee. Details for specific types of loans are given in the relevant sections of the instructions.

The following example illustrates the calculation of the weighted average margin of adjustable-rate mortgage loans and securities.

Example: Suppose a savings association had a portfolio containing an adjustable-rate single-family first mortgage loan and a mortgage security backed by adjustable-rate single-family first mortgage loans, both indexed to the 1-year Treasury rate. The loan and the security each have an outstanding balance of $100,000. The loan has a gross margin of 225 basis points. The loans backing the security have a gross margin of 225 basis points, and the reporting savings association receives a pass-through rate of 1-year Treasury plus 175 (the guarantee and servicing fees amount to 50 basis points). The security's net margin of 175 basis points should be used to calculate the weighted average margin.

$$\text{Weighted Average Margin} = \frac{\$100{,}000\ (225) + \$100{,}000\ (175)}{\$200{,}000}$$

$$= 200 \text{ b.p.}$$

Relationship of Items Reported on Schedules CMR and SC

Information reported by a savings association on Schedule CMR is related to the information reported on Schedule SC as follows.

Assets

CMR550 (Total Assets) equals the sum of

CMR125	CMR185	CMR261	CMR262	CMR281
CMR282	CMR291	CMR292	CMR311	CMR312
CMR325	CMR326	CMR335	CMR336	CMR377
CMR378	CMR490	CMR501	CMR502	CMR503
CMR508	CMR511	CMR512	CMR517	CMR520
CMR525	CMR530	CMR535	CMR538	CMR541
CMR543	CMR544			

– less the sum of –

CMR504	CMR507	CMR513	CMR516	CMR539
CMR540				

SC60 (Total Assets) equals CMR550.

SC10 (Cash, Deposits, and Investment Securities) equals the sum of

CMR377	CMR378	CMR490	CMR538

– less the sum of –

CMR539	CMR540

SC20 (Mortgage Pool Securities) plus SC23 (Mortgage Loans) equals the sum of

CMR125	CMR185	CMR261	CMR262	CMR281
CMR282	CMR291	CMR292	CMR311	CMR312
CMR501	CMR502	CMR503	CMR508	CMR578

– less the sum of –

CMR504	CMR507	CMR580

SC30 (Nonmortgage Loans) equals the sum of

CMR325	CMR326	CMR335	CMR336	CMR511
CMR512	CMR517	CMR580		

– less the sum of –

CMR513	CMR516	CM578

SC40 (Repossessed Assets) equals CMR525

SC45 (Real Estate Held for Investment) equals CMR520

SC55 (Office Premises and Equipment) equals CMR535

SC58 (Other Assets) equals the sum of

CMR541	CMR543	CMR544

Liabilities and Equity Capital

The sum of SC710 (Deposits), SC72 (Borrowings), and SC715 (Unamortized Yield Adjustments on Deposits) equals the sum of

CMR645	CMR715	CMR723	CMR730	CMR737
CMR744	CMR762	CMR765	CMR768	CMR771
CMR782	CMR784	CMR785		

– less –

CMR755

The sum of SC75 (Other Liabilities) and SC783 (Escrows) equals the sum of

CMR775	CMR777	CMR779	CMR786	CMR787

SC799 (Redeemable Preferred Stock and Minority Interest in Consolidated Subsidiaries) equals the sum of CMR793 and CMR755

SC80 (Total Equity Capital) equals CMR796

ASSETS

Terms Used in the Assets Section

The following terms are used throughout the assets section of the Schedule CMR Instructions.

Dwelling Unit: This is a unified combination of rooms, whether existing or under construction, designed for residence by one family. This classification is not changed because of incidental use for business purposes.

Single-Family Mortgages: For purposes of Schedule CMR, this category includes all permanent loans and combination construction/permanent loans secured by: (a) one-family dwellings in detached or semi-detached structures; (b) individual permanently financed units in a condominium, cooperative, or time-sharing arrangement where the owner of each unit has an undivided proportional interest in the underlying real estate and common elements of the structure; or (c) structures consisting of 2 to 4 dwelling units.

Multifamily Mortgages: For purposes of Schedule CMR, this category includes all permanent loans and combination construction/permanent loans secured by residential property containing 5 or more dwelling units. It includes mortgages on fraternity or sorority houses offering sleeping accommodations, living accommodations for students or staff of a college or hospital, and retirement homes with sleeping and eating accommodations that are not condominiums or cooperatives. In these cases, the number of dwelling units will be determined by the number of bedrooms.

Nonresidential Mortgages: For purposes of Schedule CMR, this category includes all permanent loans and combination construction/permanent loans secured by properties not covered by the definition of single-family dwelling units, multifamily dwelling units, or land loans. This includes mobile home parks, hospitals, nursing homes, churches, stores, other commercial property, and properties used for farming, regardless of the presence/absence of a dwelling unit on the property.

Construction and Land Loans: Construction and land loans are reported as a single balance on Schedule CMR. This category includes most loans of the types classified as construction or land loans on, including loans to acquire and develop land, loans for developed building lots, loans for unimproved land, construction loans secured by single-family, multifamily, or nonresidential properties, and loans to developers secured by land on which any of these properties is being constructed. It does not include, however, combination construction/permanent mortgages on any type of property. (Such loans are included with permanent mortgages of the relevant types.)

Nonperforming Loans: Nonperforming loans are defined, for purposes of Schedule CMR, as nonaccrual loans and loans that are at least 90 days past due but still accruing interest.

Teaser ARMs: Teaser ARMs are defined as adjustable rate mortgages that were originated at introductory rates below the fully indexed rate (so-called “teaser” rates) and that remain at their introductory rates (*i.e.*, they have not reset).

Balloon Mortgages: Fixed-rate balloon mortgages are defined as fixed-rate mortgages with a remaining maturity that is at least 10 years shorter than the remaining time to full amortization. For example, a fixed-rate mortgage that matures in 4 years and that would require 14 years to amortize fully is considered a balloon mortgage.

Call Loans: For purposes of these instructions, call loans are extensions of credit in which the lender may require repayment of outstanding principal on one or more contractually specified "call" dates, irrespective of any contractual maturity date. Upon being "called" by the lender, such loans are often refinanced (or "rolled over") under new terms, upon mutual agreement of lender and borrower.

Pass-through securities: These are securities that convey ownership of a fractional part of each asset in a pool of assets backing the security. Principal and interest payments generated by the underlying pool of assets are collected by the issuer and passed through to each security owner in proportion to their share of ownership.

Pay-through securities: These securities represent secured debt of the issuer. They give an investor a security interest in, but not ownership of, the underlying assets. For purposes of Schedule CMR, any asset-backed security that does not meet the definition of pass-through securities, above, should be considered a pay-through security.

Fixed-Rate, Single-Family, First Mortgage Loans and Mortgage-Backed Securities

Report in this section requested information about performing fixed-rate, single-family, first mortgage loans, participations in such loans, and pass-through securities backed by such loans.

Include:

1. Fixed-rate, fully amortizing mortgages,
2. Fixed-rate, balloon payment mortgages,
3. Mortgages with a single rate adjustment (*e.g.*, those that would qualify for the FNMA "Two-Step Mortgage" program),
4. Mortgages with interest rates that adjust less often than every 5 years,
5. Mortgages with coupons that were adjustable in the past, but for which the coupon will remain fixed for the remaining maturity,
6. Mortgages with rates that change over time by pre-specified steps (*e.g.*, a "2/1 Buydown" with rates scheduled to be 7% in year one, 8% in year two, and 9% thereafter),
7. Some "call" mortgages, as described below,
8. Combination construction/permanent mortgages for single-family dwellings whose interest rates are fixed for the entire term of the loan.

Do not include:

1. Nonperforming mortgages (these are reported in CMR501),
2. Mortgage "warehouse" loans, *i.e.*, loans collateralized by mortgage loans rather than liens directly on real estate (these are reported as commercial loans in CMR326),
3. Mortgages serviced by the reporting savings association for others (these are reported 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 the savings association also holds the first lien or whether the loan is secured by a first lien. These are reported as second mortgages in CMR312.

All information described below is collected according to coupon range and type of loan or security.

Coupon Range: Mortgages should be divided into the following coupon categories: Less than 7%, 7-7.99%, 8-8.99%, 9-9.99%, and 10% and greater. Each mortgage loan and participation should be reported 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. That is, do not subtract the servicing fee.) Each mortgage security should be reported in the coupon range that corresponds to the coupon rate of the security (*i.e.*, the pass-through rate). For example, a FNMA security with a pass-through rate of 8.5% and for which the collateral has a WAC of 9.25% should be reported in the 8-8.99% coupon column.

Within each coupon range, mortgages should be divided into the following broad groups:

1. 30-year mortgage loans,
2. Securities backed by 30-year conventional mortgages,
3. Securities backed by 30-year FHA or VA mortgages,
4. 15-year mortgages and mortgage securities, and
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 a balance is requested, report the outstanding principal balance (not the carrying value) of mortgage loans, the pro rata share of the outstanding principal balance of participations in mortgages, and the outstanding principal balance of mortgage securities.
2. Wherever a weighted average remaining maturity (WARM) is requested, refer to the calculation of the WARM describedthe General Instructions to Schedule CMR.
3. Wherever a weighted average coupon (WAC) is requested, refer to the calculation of the WAC described in the General Instructions to Schedule CMR.
4. Wherever a weighted average pass-through rate is requested, refer to the calculation of the weighted-average pass-through rate described in the General Instructions.

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

CMR001 Through CMR020: 30-Year Mortgages and MBS: Mortgage Loans

Include all fully amortizing mortgage loans and participations in fully amortizing mortgage loans with an original maturity of at least 25 years (except those with a bi-weekly payment feature, which should be reported with 15-year mortgages, below). Include construction/permanent mortgages whose rates are fixed for the entire term of the loan. Report outstanding **balances**, by coupon range, in CMR001 through CMR005. For each balance, report the **weighted average remaining maturity** and the **weighted average coupon** in the corresponding column of CMR006 through CMR010 and CMR011 through CMR015, respectively. Of the loan balances reported on CMR001 through CMR005, report the amount of each that is **FHA or VA guaranteed** in CMR016 through CMR020, as appropriate.

CMR026 Through CMR040: 30-Year Mortgages and MBS: 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 (except those with a bi-weekly payment feature, which should be reported with 15-year mortgage securities, below). Report the outstanding **balances** of those securities in CMR026 through CMR030 according to the coupon rates of the securities. For each balance, report the **weighted average remaining maturity** in CMR031 through CMR035, and report the **weighted average pass-through rate** corresponding to each balance in CMR036 through CMR040.

CMR046 Through CMR060: 30-Year Mortgages and MBS: Securities Backed by FHA Or VA Mortgages

Include all GNMA and other mortgage securities backed by fully amortizing FHA and VA mortgage loans with original maturity of at least 25 years (except those having a bi-weekly payment feature, which should be reported with 15-year mortgage securities, below). In CMR046 through CMR050 report, by coupon range, outstanding **balances** of these mortgage securities. For each balance entered in CMR046 through CMR050, report the **weighted average remaining maturity** in CMR051 through CMR055 and the **weighted average pass-through rate** in CMR056 through CMR060.

CMR066 Through CMR090: 15-Year Mortgages and MBS

Include all fully amortizing mortgage loans with an original maturity of less than 25 years, participations in such loans, and mortgage securities backed by such loans. (Also include bi-weekly payment mortgages having original maturity of 25 years or more.) Include construction/permanent mortgages whose rates are fixed for the entire term of the loan. In CMR066 through CMR070 report, by coupon range, the outstanding principal **balances** of such mortgage loans and participations. In CMR071 through CMR075, report the **weighted average coupon** of each balance reported in CMR066 through CMR070. Report the outstanding principal **balance** of mortgage securities backed by loans of this type, by coupon range, in CMR076 through CMR080. (Place security balances into the coupon range corresponding to the pass-through rate of the security.) The **weighted average pass-through rate** of the securities should be reported in CMR081 through CMR085. Report in CMR086 through CMR090, by coupon range, the **weighted average remaining maturity** of the loans and securities reported in each coupon range.

CMR096 Through CMR120: Balloon Mortgages and MBS

Report in this section requested information about the following types of single-family first mortgage loans, participations in such loans, and securities backed by such loans.

Include:

1. Balloon payment mortgages. Fixed-rate balloon mortgages which are defined for the purposes of these instructions as fixed-rate mortgages with a remaining maturity that is at least 10 years shorter than the remaining time to full amortization. For example, a fixed-rate mortgage that matures in 4 years and that would require 14 years to amortize fully is considered a balloon mortgage.
2. Mortgages scheduled for a single rate adjustment, such as those that would qualify for the FNMA "Two-Step " mortgage program.
3. Adjustable-rate mortgages whose coupons reset less frequently than every 5 years.
4. Some "call loans," as described below. "Call loans" are those for which the lender has the option, on a particular date, to require repayment of the loan or to "roll it over" into a loan with potentially different terms. In particular, the interest rate of a call loan is subject to change on the call date.

In CMR096 through CMR100 report, by coupon range, the outstanding principal **balances** of the above listed types of mortgage loans and participations. In CMR101 through CMR105, report the **weighted average coupon** of each balance reported in CMR096 through CMR100. Report the outstanding principal **balance** of mortgage securities backed by loans of this type, by coupon range, in CMR106 through CMR110. (Place security balances into the coupon range corresponding to the pass-through rate of the security.) The **weighted average pass-through rate** of the securities should be reported in CMR111 through CMR115. Report in CMR116 through CMR120, by coupon range, the **weighted average remaining maturity** of the loans and securities reported in each coupon range. The remaining maturity should be calculated based on the number of months remaining until the:

1. Date the balloon payment is due (for balloon mortgages);

2. Next scheduled payment reset date (for mortgages with a single rate-adjustment and mortgages with interest rates that adjust less often than every 5 years);
3. Next “call” date (for “call mortgages”);

If the terms of the mortgage change:

If the terms on such a mortgage are changed following a scheduled rate reset or as a result of the loan being "rolled over" on its balloon due date or "call date," the mortgage should be reclassified as follows:

1. If the interest rate will remain fixed for the remaining term of the mortgage, report it as a single-family 30-year fixed-rate mortgage (CMR001 through CMR060) or a single-family 15-year fixed-rate mortgage (CMR066 through CMR090), depending on the length of time between the date of final principal repayment and the date that the original mortgage was originated. If that time period is at least 25 years, report the mortgage with the 30-year fixed-rate mortgages; if less, report it with the 15-year fixed-rate mortgages.)
2. If the interest rate is scheduled to reset at least every 5 years during the remaining maturity of the mortgage (or if the mortgage is subject to a series of "calls" no more than 5 years apart), report it as a single-family adjustable-rate mortgage (CMR141 through CMR245).
3. Otherwise continue to report the loan as a balloon mortgage.

Examples:

1. A 7-year balloon mortgage amortizes according to a 30-year schedule.
   a. During the 7 years before the balloon payment date, the mortgage is reported as a balloon mortgage. Its remaining maturity is equal to the number of months until the balloon payment is due.
   b. If, after 7 years, the mortgage is "rolled over" into a fully-amortizing, fixed-rate mortgage with 23 years remaining maturity, it would thereafter be reported as a 30-year fixed-rate mortgage (CMR001 through CMR060). (The time between origination and final maturity of the mortgage in this example is 30 years [= 7 years + 23 years], which exceeds the 25-year criterion for reporting in the 30-year fixed-rate category.)
2. Suppose that, instead of 30 years, the balloon mortgage in Example 1 had been amortizing according to a 20-year schedule and, after 7 years, was rolled over into a fully-amortizing fixed-rate loan with 13 years remaining maturity.
   a. Upon being rolled over, the loan would be reported as a 15-year fixed-rate mortgage because its 20-year total maturity is less than the 25-year cutoff for inclusion in the 30-year mortgage category.
3. A 30-year maturity "two-step" mortgage is scheduled for a single interest rate reset after 5 years.
   a. During the first 5 years of its life the mortgage is reported as a balloon mortgage, with its remaining maturity equal to the number of months until the rate reset date.
   b. Following the rate reset, it is reported as a 30-year fixed-rate mortgage and its remaining maturity is equal to the number of months until the maturity date.
4. A 30-year fixed-rate mortgage may be "called" after 6 years. **No further "calls" or rate resets** are stipulated in the note.
   a. The mortgage is reported as a balloon for the first 6 years of its life. Its remaining maturity is equal to the number of months until the "call" date.
   b. If the mortgage is "rolled over" after 6 years, its reporting would depend on the provisions written into the new or amended note.
5. A 30-year mortgage has a fixed rate of interest for 6 years, but the contract stipulates that the rate will be adjusted annually thereafter.
   a. For the first 1 year of its life the mortgage is reported as a balloon mortgage, with its remaining maturity equal to the number of months until the rate reset date.

b. After the first year, it is reported in the single family, adjustable-rate mortgages section (CMR141 through CMR245), since in the future its interest rate will be subject to reset at least every 5 years, as required for reporting in that section. The remaining maturity of the mortgage is equal to the number of months until the final maturity date.

6. A 30-year fixed-rate mortgage may be called after 6 years and is subject to **annual calls thereafter**.

   a. The reporting would be the same as in Example 5. Scheduled resets and "calls" are treated as being equivalent.

7. A 30-year mortgage is subject to rate resets (or "calls") every 5 years.

   a. It is reported as an adjustable-rate mortgage, because the interest rate may potentially be reset at least every 5 years as required for reporting in the adjustable-rate mortgages section.

CMR125: Total Fixed-Rate, Single-Family, First Mortgage Loans and Mortgage-Backed Securities

Report the total balances of the mortgage loans, participations, and securities reported on this page in CMR125. Specifically, report the sum of: CMR001 through CMR005, CMR026 through CMR030, CMR046 through CMR050, CMR066 through CMR070, CMR076 through CMR080, CMR096 through CMR100, and CMR106 through CMR110.

Adjustable-Rate, Single-Family, First Mortgage Loans and Mortgage-Backed Securities

Report in this section requested information about performing adjustable-rate, single-family, first mortgage loans (ARMs), participations in such loans, and pass-through securities backed by such loans.

Include:

1. Adjustable-rate, fully amortizing mortgages,
2. Adjustable-rate, balloon payment mortgages,
3. Fixed-rate mortgages subject to “call” at contractually-set intervals of at most every 5 years,
4. Adjustable-rate mortgages that are owned by, but not serviced by, the reporting savings association,
5. Combination construction/permanent mortgages for single-family dwellings with interest rates meeting any of the above criteria, even if construction has not been completed.

Do not include the following types of mortgages, which should be reported with fixed-rate mortgages in CMR001 through CMR125:

1. Mortgages with a single rate adjustment (*e.g.*, those that would qualify for the FNMA “Two-Step Mortgage” program),
2. Mortgages with interest rates that adjust less often than every 5 years,
3. Mortgages with coupons that were adjustable in the past, but that are scheduled for no further rate adjustments during their remaining term, and
4. Mortgages with rates that change over time by pre-specified steps (*e.g.*, a “2/1 Buydown” with rates scheduled to be 7% in year one, 8% in year two, and 9% thereafter).

Also, **do not include**:

5. Nonperforming mortgages (which are reported in CMR501),

6. Mortgage “warehouse” loans, *i.e.*, loans collateralized by mortgage loans rather than liens directly on real estate (these are reported as commercial loans in CMR325),
7. Mortgages serviced by the reporting savings association for others (which are reported in the section dealing with mortgage servicing rights, CMR401 through CMR450), and
8. Second mortgages, even when the reporting savings association holds both the first and second liens (these are reported as second mortgages in CMR311).

Mortgages should be grouped according to type of index (current market or lagging market) and frequency of coupon reset, as described below. ARMs that were originated at introductory rates below the fully indexed rate (*i.e.*, at “teaser” rates) and that remain at their introductory rates (*i.e.*, have not yet reset) are reported separately (in CMR141 through CMR150) from other ARMs (which are reported in CMR156 through CMR215). Do not distinguish between convertible and non-convertible ARMs.

Current Market Index Arms

For purposes of these instructions, ARMs with indices that adjust quickly to changes in market interest rates are termed “current market index ARMs.” Examples of current market indices include:

1. Rates on Treasury securities,
2. Prime rate,
3. London Interbank Offered Rate (LIBOR),
4. FHLB advance rate, and
5. FHLMC 60-day rate.

Indices that adjust to changes in market interest rates less quickly are termed “lagging market” indices, and ARMs using such indices are grouped separately. (See Lagging Market Index ARMs, below.)

Current market index ARMs should be divided into three groups based on the frequency with which their coupons reset. (Group ARM securities according to the frequency with which their underlying loans reset, not the coupon reset frequency of the security.) Current market index ARMs with coupons that reset:

1. Every six months or less should be reported in the Current Market Index column labeled “6 Mo. or Less”;
2. Less frequently than semiannually, but at least every 2 years, should be reported in the Current Market Index column labeled “7 Mo. to 2 Yrs.”; and
3. Less often than every 2 years, but at least every 5 years, should be reported in the “2+ Yrs. to 5 Yrs.” column.

ARMs that reset less often than every 5 years are reported with Fixed-Rate Balloon Mortgages (see instructions above).

ARMs that have irregular adjustment periods should be grouped according to the **remaining time until the loan is scheduled to begin accruing at a new rate.** For example, an ARM with a rate that is scheduled to reset for the first time after 36 months and then annually thereafter would be reported in the “2+ Yrs. to 5 Yrs.” column during the first 12 months of its life and in the “7 Mo. to 2 Yrs.” column thereafter.

Lagging Market Index ARMs

For purposes of these instructions, ARMs with indices that adjust to changes in market interest rates less quickly than "current market" indices are termed "lagging market index ARMs." Examples of lagging indices include:

1. Cost of funds indices (*e.g.*, FHLB 11th District Cost-of-Funds Index, Federal Cost of Funds Index),
2. National Average Contract Rate for the Purchase of Previously Occupied Homes,
3. Indices that are more than three months old (*e.g.*, rate adjustment is based on the 1-year CMT yield six months prior to the adjustment date),
4. Indices based on portfolio rates, rather than current offered rates, and
5. Rolling averages of indices using an index within the average that is more than three months old.

Information about lagging index ARMs should be divided into two groups based on the frequency with which their accrual rates reset. (Group ARM securities based on the frequency with which their underlying loans reset, not the coupon reset frequency of the security.) Lagging market index ARMs with accrual rates that reset:

1. Monthly or less should be reported in the Lagging Market Index column labeled "1 Month";
2. Less often than monthly, but at least every 5 years, should be reported in the Lagging Market Index column labeled "2 Mo. to 5 Yrs."

Lagging index ARMs that reset less often than every 5 years are reported with Fixed-Rate Balloon Mortgages (see instructions above). Fixed-rate "call" mortgages that qualify for reporting as ARMs should be reported in the Lagging Market Index column that best approximates the number of months between call dates.

ARMs Not Indexed To Treasury, LIBOR, or COF

The OTS Net Portfolio Value Model that estimates savings associations' interest rate exposure assumes the coupons of ARMs are determined by adding the reported margin to a Treasury rate index (for current market index ARMs) or a COF index (for lagging index ARMs). This treatment may result in inaccurate interest rate exposure estimates for ARMs whose coupons are not tied to a Treasury, LIBOR, or COF index (*i.e.*, not tied to the interest rates represented by codes 303 through 412, 811, 812, or 820 in Appendix A). Examples of ARMs not tied to those indices include those indexed to the prime rate or the National Average Contract Rate, and those with no contractual index whose coupon rates are set at the lender's discretion at each reset interval.

Savings associations with ARMs whose coupons are indexed to something **other** than a Treasury, LIBOR, or COF index should use the following reporting treatment.

After categorizing all ARM balances into the appropriate columns as described in the previous two sections, calculate what percent of each column's total balance (that is both teaser and non-teaser) is comprised of ARMs indexed to Treasury or LIBOR (for current marked indices) or a COF index (for lagging market indices).

If the ARM balances tied to a Treasury, LIBOR, or COF index comprise less than fifty percent of the total (*i.e.*, both teaser and non-teaser) balance in a given column, report an entry of 9999 in the margin cell for that column (CMR161 through CMR165).

If the ARM balances tied to a Treasury, LIBOR, or COF index comprise fifty percent or more of the total (*i.e.*, both teaser and non-teaser) balance, calculate the margin for that column based on only the margins of the non-teaser ARM balances that are tied to Treasury, LIBOR, or to a COF index.

All other ARM characteristics reported in the column (*e.g.*, WAC, WARM, time until next payment reset, rate caps and floors) should be based on all ARM balances in the column.

Teaser ARMs

"Teaser" ARMs are adjustable rate mortgages that were originated with a temporary, introductory interest rate (*i.e.*, a "teaser" rate). For purposes of Schedule CMR, an ARM should be reported as a Teaser ARM if:

1. It was originated with an accrual rate that was below the fully-indexed rate,
2. This introductory rate was scheduled to reset 12 months or less after the first scheduled payment, and
3. The ARM's first reset date has not yet passed.

Mortgages whose interest rates are fixed for a specified number of years and then adjust annually (such as so-called 3/1 or 5/1 ARMs), should generally **not** be reported as Teaser ARMs, because they will rarely meet criteria (a) through (c) above.

CMR141 Through CMR145: Balances Currently Subject to Introductory Rates

The outstanding balance of teaser ARM loans, participations, and securities currently subject to teaser rates should be reported by type of index and reset frequency in CMR141 through CMR145.

CMR146 Through CMR150: Weighted Average Coupon (WAC)

The WAC for each index and reset frequency category should be reported, in percentage points, in CMR146 through CMR150. Calculate the WAC as described in the General Instructions to Schedule CMR, using **coupon rates for mortgage loans and pass-through rates for mortgage securities**. For loans serviced by others, use the contract rate of the loans in this calculation. That is, do not subtract the servicing fee.

For example, suppose a savings association has $100,000 in ARM loans currently paying 8% interest and $200,000 of ARM securities with a pass-through rate of 7.40%. That savings association would report a WAC of 7.60% for the combined $300,000 balance. That is,

$$\text{WAC} = \frac{\$100{,}000\ (8.00\%) + \$200{,}000\ (7.40\%)}{\$300{,}000}$$

$$= 7.60\%$$

Note that for 1-month COFI ARMs, the WAC should be calculated using the interest rate on which the current payment is based, not the accrual rate.

Non-Teaser ARMs

Report the following items by type of index and reset frequency for ARMs that are not subject to an introductory teaser rate:

CMR156 Through CMR160: Balances of All Non-Teaser ARMs

The outstanding balance of loans, participations, and securities in each index and reset frequency category should be reported in CMR156 through CMR160.

CMR161 Through CMR165: Weighted Average Margin

The weighted average margin of each ARM category should be reported, in basis points, in CMR161 through CMR165. The weighted average margin is calculated as described in the General Instructions to Schedule CMR.

In calculating the weighted average margin, use the contractual margin (the amount added to the index to calculate the fully-indexed rate), not the difference between the current coupon and the index (which may differ from the contractual margin when rate caps or floors are binding). For ARM securities use the net margin, that is, the gross margin of the underlying loans less servicing and guarantee fees. For loans serviced by others use the gross margin in the calculation (*i.e.*, do not subtract the servicing fee). For mortgages whose interest rates are fixed for a specified number of years and then adjust annually (such as so-called 3/1 or 5/1 ARMs), report the margin that will be used when the annual adjustments begin.

If ARMs tied to a Treasury, LIBOR, or COF index comprise less than 50 percent of the balances in a given column of the ARMs section, report an entry of 9999 in the margin cell.

CMR166 Through CMR170: Weighted Average Coupon (WAC)

The WAC for each category should be reported, in percentage points, in CMR166 through CMR170. Calculate the WAC as described in the General Instructions to Schedule CMR, using **coupon rates for mortgage loans and pass-through rates for mortgage securities.** For loans serviced by others, use the contract rate of the loans in this calculation. That is, do not subtract the servicing fee.

For example, suppose a savings association has $100,000 of ARM loans currently paying 8% interest and $200,000 of ARM securities with a pass-through rate of 7.40%. That savings association would report a WAC of 7.60% for the combined $300,000 balance. That is,

$$\text{WAC} = \frac{\$100{,}000\ (8.00\%) + \$200{,}000\ (7.40\%)}{\$300{,}000}$$

$$= 7.60\%$$

Note that for 1-month COFI ARMs, the WAC should be calculated using the interest rate on which the current payment is based, not the accrual rate.

CMR171 Through CMR175: Weighted Average Remaining Maturity (WARM)

The WARM for each category should be reported in CMR171 through CMR175. The WARM is calculated as described in the General Instructions to Schedule CMR. For adjustable-rate balloon mortgages use the number of months until the balloon payment is due. For combination construction/permanent mortgages use the number of months until maturity of the permanent mortgage.

CMR176 Through CMR180: Weighted Average Time Until Next Payment Reset

The weighted average number of months until the next payment reset for each category should be reported, in months, in CMR176 through CMR180. (The date of the next payment reset of an ARM is defined as the date on which the new payment is due to be received by the savings association, not the date on which the loan begins to accrue at the new interest rate.) Calculate this item in the same manner as the weighted average remaining maturity described in the General Instructions to Schedule CMR, using the number of months until next payment reset for each loan or mortgage security instead of the remaining maturity.

For example, a savings association has two ARMs indexed to the 1-year Constant Maturity Treasury yield. One has a balance of $50,000 and 2 months until next payment reset; the other has a balance of $150,000 with 10 months until next payment reset. The savings association would report 8 months as the weighted average time until next payment reset in CMR177, in the “1-Year Reset” column.

$$\text{Weighted Average Time Until Next Payment Reset} = \frac{\$50{,}000\ (2\text{ mo.}) + \$150{,}000\ (10\text{ mo.})}{\$200{,}000}$$

$$= 8\text{ months}$$

For ARMs with accrual rates and payments that reset at different frequencies (*e.g.*, 1-month COFI ARMs), be careful to use the months to next **payment** reset, not months to next reset of the accrual rate.

CMR185: Total Adjustable-Rate, Single-Family, First Mortgage Loans & Mortgage-Backed Securities

Report, in CMR185, the outstanding balance of all ARM loans, participations, and securities reported in CMR141 through CMR145 and CMR156 through CMR160.

ARM Balances by Distance to Lifetime Cap

Information about the proximity of ARM coupons to their lifetime interest rate caps is collected in CMR186 through CMR215. Group all ARM loans, participations, and securities reported in CMR185 by the distance between the current coupon of each and its lifetime cap, as described below. For securities, use the distance between the pass-through rate and its lifetime cap (*i.e.*, the “net” lifetime cap). For 1-month COFI ARMs, calculate the distance between the cap and the interest rate on which the current payment is based, not the accrual rate.

CMR186 Through CMR190: Balances with Coupon Within 200 b.p. of Lifetime Cap

Report the outstanding balances of ARM loans, participations, and securities for which the current coupon is 200 basis points or less below the lifetime cap.

CMR191 Through CMR195: Weighted Average Distance from Lifetime Cap

Report, in basis points, the weighted average distance between the coupons and lifetime caps of the balances reported in CMR186 through CMR190. Calculate this item in the same manner as described for the WAC in the General Instructions to Schedule CMR, but instead of the coupon rate of each loan or security, use the number of basis points between the loan’s (or security’s) current coupon and lifetime cap. (For 1-month COFI ARMs, calculate the distance between the cap and the interest rate on which the current payment is based, not the accrual rate.)

CMR196 Through CMR200: Balances with Coupon 201-400 b.p. from Lifetime Cap

Report the outstanding balances of ARM loans, participations, and securities for which the current coupon is at least 201 basis points but no more than 400 basis points below the lifetime cap.

CMR201 Through CMR205: Weighted Average Distance from Lifetime Cap

Report, in basis points, the weighted average distance between the coupons and lifetime caps of the balances reported in CMR196 through CMR200. Calculate this item in the same manner as described for CMR191 through CMR195.

CMR206 Through CMR210: Balances with Coupon Over 400 b.p. from Lifetime Cap

Report the outstanding balances of ARM loans, participations, and securities for which the current coupon is more than 400 basis points below the lifetime cap.

CMR216 Through CMR220: Weighted Average Distance from Lifetime Cap

Report, in basis points, the weighted average distance between the coupons and lifetime caps of the balances reported in CMR206 through CMR210. Calculate this item in the same manner as described for CMR191 through CMR195.

CMR211 Through CMR215: Balances without Lifetime Cap

Report the outstanding balances of ARM loans, participations, and securities that have **no lifetime cap**.

The sum of the balances reported in the above distance-to-cap groups (CMR186 through CMR190, CMR196 through CMR200, CMR206 through CMR210, and CMR211 through CMR215) must equal the balance reported in CMR185.

ARM Cap & Floor Detail

Information about ARM periodic interest rate caps, periodic floors, and lifetime floors is collected in CMR221 through CMR240. Report the following items for all ARMs whose balances are reported in CMR185:

CMR221 Through CMR225: Balances Subject to Periodic Rate Caps

For ARM loans, participations, and securities that have periodic interest rate caps, report the outstanding balances by index and reset frequency category in CMR221 through CMR225. ARMs that have periodic payment caps, but that do not have rate caps, should not be included in the balances reported on these lines.

CMR226 Through CMR230: Weighted Average Periodic Rate Cap (in basis points)

For those ARMs that have periodic interest rate caps, report in CMR226 through CMR230 the weighted average of those caps for each category, in basis points. Except as noted below, express the periodic rate cap as the maximum amount by which the coupon is permitted to increase at each rate reset, in basis points (*e.g.*, as 100 basis points). Calculate this item in the same manner as described for the WAC in the General Instructions to Schedule CMR. That is, for each loan or security in a given cell of CMR221 through CMR225, weight its periodic cap by the outstanding dollar balance of the loan or security as a proportion of the total dollar balance in the cell.

Special Instructions for CMR230:

For ARMs whose coupons reset more often than once a year, use the number of basis points by which the coupon is permitted to increase in **one year** (rather than at each reset) in calculating the weighted average periodic rate cap reported in CMR230. (For example, for a lagging index ARM whose coupon resets every six months and that can change by no more than 100 b.p. at each reset, use 200 b.p. in calculating the weighted average periodic rate cap.)

CMR231 Through CMR235: Balances Subject to Periodic Rate Floors

Report the outstanding balance of ARM loans, participations, and securities that have periodic interest rate floors, by index and reset frequency category, in CMR231 through CMR235.

CMR241 Through CMR245: MBS Included in ARM Balances

Report in CMR241 through CMR245 the balance of mortgage securities that are included in the total ARM balances (both teaser and non-teaser) of each column. For example, CMR241 would be used to report the amount of ARM securities included in balances reported in CMR141 (balances of 6-month current index ARMs carrying teaser rates) and in CMR156 (balances of non-teaser 6-month current index ARMs).

MULTIFAMILY & NONRESIDENTIAL MORTGAGE LOANS & SECURITIES

Report in this section information on all performing first and second mortgage loans secured by multifamily (5 or more dwelling units) and nonresidential property, and all pass-through securities backed by multifamily and nonresidential mortgages. Also include fixed-rate combination construction/permanent mortgages for such properties, if the coupon is fixed for the entire term of the loan. The reporting of information in this section is divided into two categories: balloon mortgages and fully amortizing mortgages. A balloon loan is considered to be any loan with a term to maturity that is at least 120 months less than the number of months remaining until the loan would be fully amortized were it not for the balloon payment.

Multifamily & Nonresidential Mortgage Loans & Securities: Adjustable-Rate

Loans that were at one time adjustable-rate but are now fixed-rate for their remaining term should be reported as fixed-rate loans. Report the following items for adjustable-rate multifamily and nonresidential mortgages:

CMR261 and CMR262: Balances

Report the outstanding balance of loans, the pro rata share of the outstanding balances of participations in multifamily and nonresidential mortgage loans, and the outstanding balances of mortgage pool securities backed by adjustable-rate multifamily and nonresidential mortgages. Report outstanding balances of balloon mortgages in CMR261 and outstanding balances of fully amortizing mortgages in CMR262.

CMR263 and CMR264: Weighted Average Remaining Maturity (WARM)

The WARM for fully amortizing adjustable-rate multifamily and nonresidential mortgages should be calculated as described in the General Instructions to Schedule CMR, and reported in CMR264. For **balloon mortgages**, use the number of months until payment of the balloon, and report the result in CMR263. For example, suppose a savings association had two balloon mortgages, each with an outstanding balance of $100. The first amortizes over 240 months but the entire remaining principal is to be paid as a balloon in 60 months. The second amortizes over 360 months, but has a balloon payment in 84 months. The WARM for this savings association's balloon mortgages would be 72 months. [72 = ($100/$200) x 60 + ($100/$200) x 84].

CMR265: Remaining Term to Full Amortization

For adjustable-rate balloon mortgages only, report the weighted average number of months remaining until the mortgage would be fully amortized were it not for the scheduled balloon payment, in CMR265. For example, for the two loans in the example above that amortize over 240 months and 360 months, respectively, the savings association would report 300 months [300 = ($100/$200) X 240 + ($100/$200) X 360]. For interest-only loans (*i.e.*, loans that do not amortize), use 360 months in this calculation. Do not report this item for fully amortizing loans.

CMR267 and CMR268: Rate Index Code

From the List of Interest Rate Index Codes in Appendix A, determine the code representing the rate index to which the largest percentage of adjustable-rate multifamily and nonresidential balances at the reporting savings association are tied. For example, if 60 percent of a savings association's balances were indexed to the prime rate and the remaining 40 percent were tied to the 1-year Treasury rate, the code for the prime rate, 830, would be reported here. Report the index representing the largest percentage of balloon mortgage balances in CMR267 and the index representing the largest percentage of fully amortizing mortgage balances in CMR268.

CMR269 and CMR270: Margin

For all balloon loans tied to the index reported in CMR267, calculate the weighted average margin, in basis points, as described in the General Instructions to Schedule CMR, and report the result in CMR269. **For all fully amortizing loans tied to the index reported in CMR268,** calculate the weighted average margin and report the result in CMR270. In calculating the weighted average margin in CMR269 and CMR270, do not include loans that are not tied to the indices reported in CMR267 and CMR268, respectively. For mortgage pool securities, use the net margin (*i.e.*, not including guarantee and servicing fees) in this calculation.

CMR271 and CMR272: Reset Frequency

For all balloon loans tied to the index reported in CMR267, report the coupon reset frequency, in months, in CMR271. **For all fully amortizing loans tied to the index reported in CMR268,** report the reset frequency in CMR272. For loans with accrual rates and payments that reset at different frequencies, report the reset frequency of the accrual rate. If the loans tied to the index reported in CMR267 or CMR268 reset with varying frequencies, calculate a weighted average reset frequency in the same manner as the WARM described in the General Instructions to Schedule CMR, and report them in CMR271 and CMR272, respectively.

Memo: ARMs within 300 b.p. of Lifetime Cap

CMR273 and CMR274: Balances

Report the outstanding balances of all adjustable-rate multifamily and nonresidential mortgages with lifetime interest **rate** caps and for which the coupon is currently 300 basis points or less from the lifetime cap. For mortgage pass-through securities, use the pass-through rate on the security and the net lifetime cap in this determination. Report balances for balloon mortgages in CMR273, and balances for fully amortizing mortgages in CMR274.

CMR275 and CMR276: Weighted Average Distance to Lifetime Cap (basis points)

For the balances reported in CMR273 and CMR274 only, calculate the weighted average difference between the current coupon and the lifetime cap, in basis points, in the same manner as described for the WAC in the General Instructions to Schedule CMR. The weighted average distance to the cap must be between 0 and 300. Report the results for balloon mortgages in CMR275 and the results for fully amortizing mortgages in CMR276.

Multifamily & Nonresidential Mortgage Loans & Securities: Fixed-Rate

CMR281 Through CMR282: Balances

Report the outstanding balance of fixed-rate multifamily and nonresidential mortgages, the pro rata share of the outstanding balances of participations in fixed-rate multifamily and nonresidential mortgages, and the outstanding balances of mortgage securities backed by fixed-rate multifamily or nonresidential mortgages. Report outstanding balances of balloon mortgages in CMR281 and outstanding balances of fully amortizing mortgages in CMR282.

CMR283 and CMR284: Weighted Average Remaining Maturity (WARM)

The WARM for fixed-rate multifamily and nonresidential loans should be calculated as described in the General Instructions to Schedule CMR, and reported in CMR283 and CMR284. **For combination construction/permanent mortgages,** use the number of months until maturity of the permanent mortgage in this calculation. **For balloon mortgages**, use the number of months until payment of the balloon and report the

result in CMR283. **For fully amortizing mortgages**, use the number of months until final maturity, and report the result in CMR284.

CMR285: Remaining Term to Full Amortization

For balloon mortgages only, report the weighted average number of months until the mortgage would be fully amortized were it not for the scheduled balloon payment, in CMR285. For interest-only loans (*i.e.*, loans that do not amortize), use 360 months in this calculation. Do not report this item for fully amortizing loans.

CMR287 and CMR288: Weighted Average Coupon (WAC)

Calculate the WAC as described in the General Instructions to Schedule CMR. Report the WAC for balloon mortgages in CMR287 and the WAC for fully amortizing mortgages in CMR288. For securities backed by multifamily or nonresidential mortgages, use the coupon rate **of the security** (*i.e.*, the pass-through rate) in this calculation.

Optional Supplemental Reporting

Savings associations holding adjustable-rate multifamily and nonresidential mortgages tied to a variety of different indices may wish to report those balances disaggregated by index type in the Optional Supplemental Reporting Section. In addition, loans and securities may be reported separately for both fixed- and adjustable-rate balances. The additional detail provided by such reporting will improve the estimates produced by the OTS Net Portfolio Value Model. See the instructions for Optional Supplemental Reporting for information.

Construction and Land Loans

Report information on land loans and on the disbursed amount of construction loans secured by single-family dwelling units, multifamily dwelling units, or nonresidential property in CMR291 through CMR298. Include combination construction/permanent mortgages for which the interest rate on the permanent financing has not been set. Do not include combination construction/permanent mortgages whose rate is fixed for the entire term of the mortgage; report them with permanent mortgages in the relevant section of Schedule CMR. Construction loans in process (LIP) are reported in the Off-Balance Sheet section of Schedule CMR.

Construction and Land Loans: Adjustable-Rate

Report the following items for performing adjustable-rate construction and land loans:

CMR291: Balances

Report the outstanding balance of adjustable-rate construction and land loans in CMR291.

CMR293: Weighted Average Remaining Maturity (WARM)

Calculate the WARM as described in the General Instructions to Schedule CMR, for all adjustable-rate construction and land loans and report the result in CMR293.

CMR295: Rate Index Code

Using the List of Interest Rate Index Codes in Appendix A, determine the code representing the rate index to which the largest percentage of adjustable-rate construction and land loan balances at the reporting savings association are tied, and report it in CMR295. For example, if 60 percent of a savings association's balances

were indexed to the prime rate and the remaining 40 percent were tied to the 1-year Treasury rate, the code for the prime rate, 830, would be reported in CMR295.

CMR297: Margin

For the adjustable-rate balances tied to the index reported in CMR295, calculate the **weighted average margin** as described in the General Instructions to Schedule CMR, and report the result, in **basis points**, in CMR297. Do not include adjustable-rate construction loans tied to indices other than the one reported in CMR295 in this calculation.

CMR299: Reset Frequency

For the adjustable-rate construction and land loans tied to the index reported in CMR295, report the coupon reset frequency, in months, in CMR299. For loans with payments and accrual rates that reset with different frequencies, report the accrual rate reset frequency. If loans tied to the index reported in CMR295 reset with varying frequencies, calculate the weighted average reset frequency in the same manner as described for the WARM in the General Instructions to Schedule CMR.

Construction and Land Loans: Fixed-Rate

Report the following items for performing fixed-rate construction and land loans.

CMR292: Balances

Report the outstanding balance of fixed-rate construction and land loans in CMR292.

CMR294: Weighted Average Remaining Maturity (WARM)

Calculate the WARM as described in the General Instructions to Schedule CMR, for all fixed-rate construction and land loans and report the result in CMR294. For construction/permanent loans reported in this section, use the number of months remaining in the construction phase of the loan.

CMR298: Weighted Average Coupon (WAC)

For the fixed-rate balances reported in CMR292, calculate the **weighted average coupon** as described in the General Instructions to Schedule CMR, and report it, in **percent**, in CMR298.

Optional Supplemental Reporting

Savings associations holding adjustable-rate construction and land loans tied to a variety of different indices may wish to report those balances disaggregated by index type in the Optional Supplemental Reporting Section. The additional detail provided by such reporting will improve the estimates produced by the OTS Net Portfolio Value Model. See the instructions for Optional Supplemental Reporting for information.

Second Mortgage Loans & Securities

Report in this section information about performing second mortgage loans on single-family dwellings and pass-through securities backed by such loans. Report all mortgages for which the savings association holds a junior lien, even if the savings association also holds the first lien. Include all secured home improvement loans and all outstanding balances made under open-end revolving lines of credit (*i.e.*, home equity loans), even when secured by a first lien. Loans reported in this section will often include ones reported as Consumer Loans on SC34.

Loans that were once adjustable-rate but are now fixed-rate for their remaining term, and adjustable-rate mortgages with coupons that are currently at their lifetime caps should be reported as fixed-rate mortgages.

Second Mortgage Loans & Securities: Adjustable-Rate

Report the following items for performing adjustable-rate second mortgage loans and pass-through securities backed by such loans. Pay-through securities should be reported in Cash, Deposits, and Securities (*i.e.*, CMR461 through CMR485, as appropriate).

CMR311: Balances

The outstanding balance of adjustable-rate second mortgage loans, the pro rata share of the outstanding balances of participations in adjustable-rate second mortgage loans, and the outstanding balances of securities backed by adjustable-rate second mortgage loans should be reported in CMR311.

CMR313: Weighted Average Remaining Maturity (WARM)

The WARM for adjustable-rate second mortgage loans should be calculated as described in the General Instructions to Schedule CMR, and reported in CMR313. For balloon mortgages, use the remaining time until payment of the balloon in this calculation.

For loans made under **open-end lines of credit,** maturity should be calculated by assuming that the borrower will repay the existing loan balance by making the minimum payments required by the repayment schedule.

CMR315: Rate Index Code

From the List of Interest Rate Index Codes in Appendix A, determine the code representing the rate index to which the largest percentage of adjustable-rate second mortgage balances of the reporting savings association are tied, and report it in CMR315. For example, if 60 percent of the savings association's balances were indexed to the prime rate and the remaining 40 percent were indexed to the 1-year Treasury rate, the code for the prime rate, 830, would be reported here.

CMR317: Margin

For the adjustable-rate mortgages tied to the index reported in CMR315, calculate the weighted average margin as described in the General Instructions to Schedule CMR, in basis points, and report it in CMR317. Do not include adjustable-rate second mortgage loans tied to indices other than the one reported in CMR315 in this calculation. For second mortgage securities included in the calculation, use the net margin (*i.e.*, subtract any guarantee or servicing fees) in the calculation.

The following example illustrates the calculation of the weighted average margin on a portfolio containing an adjustable-rate second mortgage loan and an adjustable-rate second mortgage security.

Example: Suppose a savings association has one adjustable-rate second mortgage loan indexed to the prime rate with a margin of 150 basis points, and an outstanding balance of $100,000. It also has a mortgage security backed by adjustable-rate second mortgage loans with an outstanding balance of $200,000. The loan underlying the security is also indexed to the prime rate and has a margin of 150. The servicer receives 50 basis points to service the loan. The reporting savings association receives a pass-through rate of prime plus 100 basis points. The weighted average margin would be calculated as follows:

$$\text{Weighted Average Margin} = \frac{\$100{,}000\ (150) + \$200{,}000\ (100)}{\$300{,}000}$$

$$= 116.6$$

$$= 117 \text{ (rounded to nearest basis point)}$$

CMR319: Reset Frequency

For the adjustable-rate second mortgages tied to the index reported in CMR315, report the coupon reset frequency, in months, in CMR319. For loans with payments and accrual rates that reset with different frequencies, report the accrual rate reset frequency. If loans tied to the index reported in CMR315 reset with varying frequencies, calculate a weighted average reset frequency in the same manner as described for the WARM in the General Instructions to Schedule CMR.

Second Mortgage Loans & Securities: Fixed-Rate

Report the following items for performing fixed-rate second mortgage loans and pass-through securities backed by such loans. Pay-through securities should be reported in Cash, Deposits, and Securities (*i.e.*, CMR461 through CMR485, as appropriate).

CMR312: Balances

The outstanding balance of loans, the pro rata share of the outstanding balances of participations in second mortgage loans, and the outstanding balance of securities backed by fixed-rate second mortgages should be reported in CMR312.

CMR314: Weighted Average Remaining Maturity (WARM)

The WARM for fixed-rate second mortgage loans should be calculated as described in the General Instructions to Schedule CMR, and reported in CMR314. For balloon mortgages, use the remaining time until payment of the balloon, not the amortization period, in this calculation.

CMR318: Weighted Average Coupon (WAC)

Calculate the WAC as described in the General Instructions to Schedule CMR, and report it in CMR318. For securities backed by second mortgage loans, **use the coupon rate of the security** (*i.e.*, the pass-through rate) in this calculation, not the weighted average coupon of the collateral.

Optional Supplemental Reporting

Savings associations holding second mortgages tied to a variety of different indices may wish to report those balances disaggregated by index type in the Optional Supplemental Reporting Section. The additional detail provided by such reporting will improve the estimates produced by the OTS Net Portfolio Value Model. See the instructions for Optional Supplemental Reporting for information.

Commercial Loans

Report in CMR325 through CMR330 information on all performing commercial loans and commercial financing leases, of the types reported on SC32.

In addition, include:

1. Mortgage "warehouse" loans (*i.e.*, loans collateralized by mortgage loans rather than liens directly on the real estate), including those that are reported as Mortgage Loans on SC23;

2. Pass-through securities backed by commercial nonmortgage loans and leases, even though these are reported as securities on SC185 in Schedule SC, rather than as loans.

Do not report SBA securities on these lines; report SBA securities on CMR473 through CMR475.

Commercial Loans: Adjustable-Rate

Report the following items for performing adjustable-rate commercial loans and pass-through securities backed by such loans. Pay-through securities should be reported in Cash, Deposits, and Securities (*i.e.*, CMR461 through CMR485, as appropriate).

CMR325: Balances

The outstanding balance of adjustable-rate loans should be reported in CMR325.

CMR327: Weighted Average Remaining Maturity (WARM)

The WARM for all adjustable-rate commercial loans should be calculated as described in the General Instructions to Schedule CMR, and reported in CMR327. For demand loans that pay interest only and have no definite maturity, use 1 month in the calculation of the WARM.

CMR329: Margin

For the balances tied to the index reported in CMR333, calculate the weighted average margin as described in the General Instructions to Schedule CMR, in basis points, and report the result in CMR329.

CMR331: Reset Frequency

For the adjustable-rate commercial loans tied to the index reported in CMR333 below, report the coupon reset frequency, in months, in CMR331. For loans with payments and accrual rates that reset with different frequencies, report the accrual rate reset frequency. If loans tied to the index reported in CMR333 reset with varying frequencies, calculate the weighted average reset frequency in the same manner as described for the WARM in the General Instructions to Schedule CMR.

CMR333: Rate Index Code

From the List of Interest Rate Index Codes in Appendix A, determine the code representing the rate index to which the largest percentage of adjustable-rate commercial loan balances are tied, and report it in CMR333. For example, if 60 percent of the savings association's commercial loan balances were indexed to the prime rate and the remaining 40 percent were indexed to the 1-year Treasury rate, the code for the prime rate, 830, would be reported here.

Commercial Loans: Fixed-Rate

Report the following items for performing adjustable-rate commercial loans and pass-through securities backed by such loans. Pay-through securities should be reported in Cash, Deposits, and Securities (*i.e.*, CMR461 through CMR485, as appropriate).

CMR326: Balances

The outstanding balance of fixed-rate loans should be reported in CMR326.

CMR328: Weighted Average Remaining Maturity (WARM)

The WARM for all fixed-rate commercial loans should be calculated as described in the General Instructions to Schedule CMR, and reported in CMR328. For demand loans that pay interest only and have no definite maturity, use 1 month in the calculation of the WARM.

CMR330: Weighted Average Coupon (WAC)

Calculate the WAC as described in the General Instructions to Schedule CMR, and report the result in CMR330.

Optional Supplemental Reporting

The OTS Net Portfolio Value Model assumes that all adjustable-rate commercial loans are tied to the index reported in CMR333. Savings associations holding adjustable-rate commercial loans tied to different indices may wish to report those balances disaggregated by index type in the Optional Supplemental Reporting Section. The additional detail provided by such reporting will improve the estimates produced by the OTS Net Portfolio Value Model. See the instructions for Optional Supplemental Reporting for information.

Consumer Loans

Report in CMR335 through CMR343 information on performing consumer loans and consumer financing leases of the types reported on SC34. Also include pass-through securities backed by consumer loans and leases, even though these are reported as securities on SC185 in Schedule SC, rather than as loans.

Do not include:

1. Open-end revolving loans secured by single-family homes (*i.e.*, home equity loans); and
2. Home improvement loans secured by single-family homes.

(Although both types of loans may be reported as Consumer Loans or as Second Mortgage loans on Schedule SC, on Schedule CMR all such loans should be reported as Second Mortgages in CMR311 and CMR312.)

When calculating the Weighted Average Remaining Maturity, the Weighted Average Coupon, and the Margin (for adjustable-rate balances) do not include credit card balances (reported in CMR590) expected to pay off within the interest free grace period in the calculation.

Consumer Loans: Adjustable-Rate

Report the following items for performing adjustable-rate consumer loans and pass-through securities backed by such loans. Pay-through securities should be reported in Cash, Deposits, and Securities (*i.e.*, CMR461 through CMR485, as appropriate).

CMR335: Balances

The outstanding balance of adjustable-rate consumer loans and the outstanding balances of asset-backed securities backed by adjustable-rate consumer loans should be reported in CMR335.

CMR337: Weighted Average Remaining Maturity (WARM)

The WARM for adjustable-rate consumer loans should be calculated as described in the General Instructions to Schedule CMR, and reported in CMR337.

For loans made under **open-end lines of credit**, including credit cards, maturity should be calculated by assuming that the borrower will repay the existing loan balance by making the minimum payments required by the repayment schedule. Do not include credit card balances expected to pay off within the interest free grace period in this calculation. See the section on the calculation of the WARM for fixed-rate consumer loans below for an example.

CMR339: Rate Index Code

From the List of Interest Rate Index Codes in Appendix A, determine the code representing the rate index to which the largest percentage of adjustable-rate consumer loans are tied, and report it in CMR339. For example, a savings association with a consumer loan portfolio with balances composed of 75% auto loans tied to the prime rate and 25% mobile home loans tied to the 6-month Treasury bill rate would report the code for the prime rate, 830, in CMR339.

CMR341: Margin

For the adjustable-rate consumer loans tied to the index reported in CMR339, calculate the weighted average margin as described in the General Instructions to Schedule CMR, and report the result, in basis points, in CMR341. Do not include adjustable-rate consumer loans tied to indices other than the one reported in CMR339 in this calculation. If the balances on which the margin is based are asset backed securities, use the net margin (*i.e.*, subtract the servicing spread). If they are credit card balances, do not include balances expected to pay off within the interest free grace period. See the calculation of the WAC for fixed-rate consumer loans for an example.

CMR343: Reset Frequency

For the adjustable-rate consumer loans tied to the index reported in CMR339, report the coupon reset **frequency**, in months, in CMR343. If the loans tied to the index reported in CMR339 reset with varying frequencies, calculate the weighted average reset frequency in the same manner as the WARM described in the General Instructions to Schedule CMR.

Consumer Loans: Fixed-rate

Report the following items for performing fixed-rate consumer loans and pass-through securities backed by such loans. Pay-through securities should be reported in Cash, Deposits, and Securities (*i.e.*, CMR461 through CMR485, as appropriate).

CMR336: Balances

The outstanding balance of fixed-rate consumer loans and the outstanding balances of asset-backed securities backed by fixed-rate consumer loans should be reported in CMR336.

CMR338: Weighted Average Remaining Maturity (WARM)

The WARM for all fixed-rate consumer loans and asset-backed securities should be calculated as described in the General Instructions to Schedule CMR, and reported in CMR338. Do not include credit card balances expected to pay off in the interest-free grace period in this calculation.

$$\text{WARM} = \frac{\$100{,}000\ (48) + \$70{,}000\ (60)}{\$170{,}000}$$

$$= 52.94$$

$$= 53 \text{ months (rounded to the nearest month)}$$

CMR342: Weighted Average Coupon (WAC)

Calculate the WAC for all fixed-rate consumer loans as described in the General Instructions to Schedule CMR and report the result in CMR342. For asset-backed securities, use the **coupon of the security** (*i.e.*, the pass-through rate) in this calculation, not the coupon of the collateral. Do not include credit card balances that are expected to be paid off within the interest-free grace period.

For example, suppose a savings association has $100,000 of fixed-rate credit card balances with a stated rate of 18 percent, and $100,000 of auto loans with a coupon of 10 percent. The savings association estimates that 30 percent of its credit card balances typically pay off within the interest free grace period. The WAC for consumer loans would be calculated as follows.

$$\text{WAC} = \frac{\$70{,}000\ (18.0\%) + \$100{,}000\ (10.0\%)}{\$170{,}000}$$

$$= 13.29\%$$

Optional Supplemental Reporting

Savings associations holding a variety of types of consumer loans (*e.g.*, auto loans, credit cards, education loans) or adjustable-rate consumer loans tied to a variety of different indices may wish to report those balances disaggregated by loan type or index type in the Optional Supplemental Reporting Section. The additional detail provided by such reporting will improve the estimates produced by the OTS Net Portfolio Value Model. See the instructions for Optional Supplemental Reporting for information.

Mortgage-Derivative Securities — Book Value

Report the **recorded investment** of mortgage-derivative securities in the appropriate cells. Recorded investment is the principal, adjusted for charge-offs and premiums or discounts, and, in the case of assets classified as available-for-sale or trading, also adjusted for unrealized gains or losses. For interest-only strips, CMO residuals, etc., recorded investment is the amortized balance of the investment. Recorded investment **has not** been reduced to reflect any valuation allowances. Mortgage-derivative securities include Collateralized Mortgage Obligation (CMO) tranches, Stripped Mortgage-Backed Securities (SMBS), and CMO residuals. Securities should be entered in the high-risk or low-risk columns according to whether they are classified “high-risk” or “low-risk” by the following four-part test.

A mortgage-derivative security is considered high-risk if any of the following conditions are met:

1. The expected remaining weighted average life1 of the security exceeds 10 years;
2. The expected remaining weighted average life of the security extends by more than 4 years for an immediate and sustained parallel shift in the yield curve of plus 300 basis points;
3. The expected remaining weighted average life of the security shortens by more than 6 years for an immediate and sustained parallel shift in the yield curve of minus 300 basis points; or
4. The estimated change in the price of the security is more than 17 percent, due to an immediate and sustained parallel shift in the yield curve of plus or minus 300 basis points.

Report all high-risk mortgage-derivative securities in the appropriate cells in the column entitled High Risk. Report all mortgage-derivative securities that the test does not classify as high-risk in the appropriate cells of the column entitled Low Risk.

Floating-rate tranches that are tied to a conventional widely-used index are subject only to test (4) above if the current interest rate on the tranche is below the maximum contractual interest rate on the tranche (*i.e.*, the “cap rate”). Floating rate tranches tied to other indices are subject to all four tests. Superfloaters and inverse floaters are also subject to all four tests.

Collateralized Mortgage Obligations (CMOs)

Report CMO tranches (excluding residuals) in CMR351 through CMR364 according to the characteristics of the tranche as defined below. Do not include CMO swaps in this section. The value of CMO swaps, as estimated by the reporting savings association, should be included in CMR911 through CMR919, Market Value Estimates of Off-Balance-Sheet Contracts.

CMR351 and CMR352: Floating Rate

Report the recorded investment of all CMO tranches that pay an interest rate that is tied to a floating-rate index in CMR351 and CMR352, as appropriate.

CMR353 and CMR354: Fixed Rate, Remaining Weighted Average Life Not Exceeding 5 Years

Report the recorded investment of fixed-rate CMO tranches with remaining weighted average lives of less than or equal to 5 years in CMR353 and CMR354, as appropriate. In general, most “support tranches” (also called “companion bonds”) for short-term Planned Amortization Class (PAC) and Targeted Amortization Class (TAC) bonds should be reported in CMR353. Typically, short-term PAC and TAC bonds and the first tranche of a sequential CMO should be reported in CMR354.

1 Weighted Average Life (WAL) is a measure of the expected time until repayment of principal on a mortgage-backed security. WAL, in years, is calculated as:

$$\text{WAL} = \frac{P_1 + (2 \times P_2) + (3 \times P_3) + \Lambda + (M \times P_M)}{(12 \times \text{Outstanding Balance})}$$

where M = remaining number of months to maturity,
P_1, P_2, etc. = expected principal payments in each future month.

CMR355 and CMR356: Fixed Rate, Remaining Weighted Average Life Greater Than 5 Years, But Not Exceeding 10 Years

Report the recorded investment of all fixed-rate CMO tranches with remaining weighted average lives greater than 5 years but less than or equal to 10 years in CMR355 and CMR356, as appropriate. Typically, support tranches for long-term PAC and TAC bonds and intermediate and long-term sequential bonds should be reported in CMR355. Typically, long-term PAC and TAC bonds with a weighted average life up to 10 years and second or third sequential bonds in a sequence should be reported in CMR356.

CMR357: Fixed Rate: Remaining Weighted Average Life Greater Than 10 Years

Report the recorded investment of all fixed-rate CMO tranches with remaining weighted average lives in excess of 10 years in CMR357. Most Z-tranches (also called accrual bonds, or accretion bonds) should be reported here.

CMR359: Superfloaters

“Superfloaters” are CMO tranches whose coupon adjusts in the same direction as, and by a multiple of, a specified index, such as LIBOR (for example, 2 x LIBOR - 3%). Most superfloaters will be classified as high-risk by the 4-part test. Report the recorded investment of high-risk superfloater tranches in CMR359. Low-risk superfloater tranches should be reported in CMR352.

CMR361: Inverse Floaters and Super POs

An inverse floater has a coupon that adjusts in the opposite direction of an interest-rate index, such as LIBOR. A super PO is a zero-coupon support tranche for PAC or TAC tranches in a CMO. Nearly all inverse floaters and super POs will be classified as high-risk by the 4-part test. Report the recorded investment of high-risk inverse floaters and super POs in CMR361. However, if the thrift can demonstrate that an inverse floater or super PO tranche is low-risk, that tranche should be reported in CMR374.

CMR363 and CMR364: Other CMO Tranches

Report the recorded investment of all other high-risk tranches in CMR363. This cell includes all other CMO products that cannot be classified into one of the above cells, and that have not been determined to be low-risk. Report the recorded investment of other low-risk tranches in CMR364. This cell includes all other CMO products that cannot be classified into one of the above cells, and that have been determined to be low-risk according to the 4-part test.

CMO Residuals

Report CMO residuals in CMR365 through CMR368 as described below. Residuals (also called “excess cash flow” and “CMO equity”) are instruments that represent a claim on excess cash flows from a CMO issue remaining after the payments due to the holders of the other classes have been paid. Certain CMO/REMIC tranches that do not represent claims on excess cash flows have been labeled “residuals” in order to satisfy the requirements in the Tax Reform Act of 1986. Such residuals should be reported in CMR351 through CMR364 above, as appropriate.

CMR365 and CMR366: Fixed-Rate Residuals

Fixed-rate residuals are residuals from CMOs that contain only fixed-rate tranches. Report the recorded investment of fixed-rate residuals in CMR365 and CMR366 as appropriate.

CMR367 and CMR368: Floating-Rate Residuals

Floating-rate residuals are residuals from CMOs that contain one or more floating-rate tranches. Report the recorded investment of floating-rate residuals in CMR367 and CMR368, as appropriate.

Stripped Mortgage-Backed Securities

Report stripped mortgage-backed securities in CMR369 through CMR376 as described below. Interest Only (IO) strips are securities that receive only the interest payments from a pool of mortgages. Principal Only (PO) strips are securities that receive only the payments of principal from a pool of mortgages. IO and PO tranches of CMOs receive only interest payments and only principal payments, respectively, from part or all of the collateral in a CMO.

CMR369 and CMR370: Interest-Only MBS

Report the recorded investment of IO strips and IO tranches of CMOs in CMR369 and CMR370, as appropriate. Most tranches will be classified as high-risk by the aforementioned 4-part test and should be reported in CMR369. However, if the savings association can demonstrate that an IO is low-risk, that tranche should be reported in CMR370.

CMR371 and CMR372: Weighted Average Coupon

Report the weighted average coupon of the underlying collateral of the IO strips or IO CMO tranches in CMR371 and CMR372, as appropriate.

CMR373 and CMR374: Principal-Only MBS

Report in CMR373 and CMR374 the recorded investment of PO strips and PO tranches of CMOs that are not super POs. Most POs will be classified as high-risk by the aforementioned 4-part test and should be reported in CMR373. However, if the savings association can demonstrate that a PO is low-risk, that tranche should be reported in CMR374.

CMR375 and CMR376: Weighted Average Coupon

Report in CMR375 and CMR376 the weighted average coupon of the underlying collateral of the PO strips or PO tranches that are not super POs.

CMR377 and CMR378: Total Mortgage-Derivative Securities

Report the total recorded investment of high-risk mortgage-derivative securities in CMR377. CMR377 should equal the sum of CMR351, CMR353, CMR355, CMR357, CMR359, CMR361, CMR363, CMR365, CMR367, CMR369, and CMR373. Report the total recorded investment of low-risk mortgage-derivative securities in CMR378. CMR378 should equal the sum of CMR352, CMR354, CMR356, CMR366, CMR368, CMR370, and CMR374.

Reporting Estimated Market Values

In addition to reporting book values as described above, certain savings associations should also report the estimated market values of their mortgage-derivatives, as described in the section entitled, “Reporting of Estimated Market Values.” Savings associations required to report estimated market values are those that (1) have assets exceeding $500 million,

(2) have acquired any high-risk mortgage-derivative security since December 31, 1988, or (3) have a portfolio of mortgage-derivatives with a book value that exceeds 5 percent of total assets.

Mortgage Loans Serviced for Others

Report information on all performing, single-family, adjustable-rate and fixed-rate first mortgage loans serviced for others by the reporting savings association.

Include:

1. Mortgage loans the savings association has sold to others but for which it performs the servicing, even if it does not receive an on-going servicing fee.
2. The mortgage balances of mortgage servicing rights purchased by the reporting savings association.
3. Mortgages that have been securitized (*e.g.*, a FHLMC swap) if the savings association continues to perform the servicing. In this case, the savings association owns a mortgage security and the servicing rights on the mortgages underlying the security. The outstanding balance of the mortgages underlying the mortgage security should be reported both in this section and as a mortgage security, in the relevant lines of the fixed-rate or adjustable-rate mortgages section.
4. Mortgage balances for which the servicing rights are owned by the savings association, but for which the servicing is performed by someone else, if the reporting savings association receives a net fee after having paid the sub-servicer.
5. Mortgage balances for which the reporting savings association performs servicing on a contractual basis (i.e., acts as sub-servicer) for another entity that owns the servicing rights and this arrangement is stipulated to continue for the life of those mortgages.
6. In cases where a savings association owns a share of a pool but services the entire pool, only the share not owned by the savings association should be reported here.

Do not include:

1. Mortgage loans serviced by a consolidated subsidiary for the reporting savings association.
2. Loans being serviced other than single-family, first mortgage loans.
3. Mortgage loans for which the reporting savings association will perform servicing on a contractual basis (i.e., act as subservicer) for another entity for less than the life of the mortgages.

Savings associations may report their estimates of the economic value of servicing rights of the types described in items 2 and 3 above (under “Do not include”) in CMR911 through CMR919, “Market Value Estimates of Off-Balance Sheet Contracts.”

Fixed-Rate Mortgage Loan Servicing

CMR401 Through CMR405: Balances Serviced

Report the outstanding balances of fixed-rate mortgages serviced for others according to the five coupon ranges specified (*i.e.*, less than 7%, 7% to 7.99%, 8% to 8.99%, 9% to 9.99%, and 10% and above).

CMR406 Through CMR410: Weighted Average Remaining Maturity (WARM)

For each coupon range, report the WARM of the mortgages whose balances are reported in CMR401 through CMR405. The WARM should be calculated 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 retained by the reporting savings association, in basis points. (See example below for a description of its calculation.) For purposes of Schedule CMR, the mortgage servicing fee is defined as the spread retained by the reporting savings association, representing 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 (e.g., guarantors, master servicers, subservicers).

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

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

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

Report in CMR422 the number of FHA/VA loans in the balances reported in 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 in CMR421 through CMR422 for which the reporting savings association owns the right to service for others but has contracted the servicing out to a sub-servicer.

The following example illustrates the calculation of the weighted average servicing fee.

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

1. The savings association has purchased the rights to service a GNMA security with a pass-through rate of 8.0 percent, and a WAC on the underlying mortgages of 8.5 percent. Although the difference between the pass-through rate and the WAC is 50 basis points, GNMA receives 6 basis points for its guarantee fee and the savings association retains 44 basis points. The savings association should use 44 basis points in the calculation of the weighted average servicing fee.
2. The savings association has originated a mortgage with a coupon of 8.50 percent and has sold it on the secondary market to yield 7.50. The savings association should include the full 100-basis-point fee in its calculation of the weighted average servicing spread.
3. The savings association owns the servicing rights on an 8.60 percent mortgage with a servicing fee of 45 basis points, however, it has contracted with a subservicer to service the loan for 30 basis points. The savings association should use the remaining 15-basis-point fee it retains in calculating the weighted average servicing spread. Because this loan is being subserviced by another savings association, it should be included in the number of loans reported in CMR423.

The weighted average servicing fee for these three loans is calculated as:

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

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

and would be reported as 53 in CMR413.

Adjustable-Rate Mortgage Loan Servicing

CMR431 Through CMR432: Balances Serviced

Report the outstanding balances of adjustable-rate mortgages serviced for others that reset based on current market indices in CMR431 and those that reset based on lagging market indices in 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 adjustable-rate mortgages of each index type in CMR433 and CMR434. The WARM should be calculated as described in the General Instructions to Schedule CMR.

CMR435 and CMR436: Weighted Average Servicing Fee

Report the weighted average net servicing fee retained by the reporting savings association in basis points for current market index ARMs in CMR435 and for lagging market index ARMs in CMR436. (See example above for description of its calculation.) For purposes of Schedule CMR, the mortgage servicing fee is defined as the spread retained by the reporting savings association, representing 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 (e.g., guarantors, master servicers, subservicers).

CMR441: Total Number of Adjustable-Rate Loans Serviced

In CMR441, report the total number of adjustable-rate loans composing the balances reported in CMR431 and CMR432.

CMR442: of Which, Number Subserviced by Others

In CMR442, report the total number of adjustable-rate mortgage loans included in CMR441 for which the reporting savings association owns the right to service for others but has contracted the servicing out to a sub-servicer.

CMR450: Total Balances of Mortgage Loans Serviced for Others

Report the total outstanding balance of all mortgage loans serviced for others in CMR450. Specifically, report the sum of the balances reported in CMR401 through CMR405, CMR431, and CMR432.

Cash, Deposits, and Securities

Information about most of the financial instruments reported on SC10 (Cash, Deposits, and Investment Securities) is collected in this section; only mortgage-derivative securities are not included in this section. General instructions that apply to this section are:

1. Report outstanding principal balances, not carrying values, unless explicitly instructed otherwise. That is, 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 securities containing options that are currently in-the-money, calculate the WARM based upon the put or call date.

b. For a security that will repay principal periodically over its life, such as through scheduled sinking fund repayments, each repayment should be treated as a separate instrument when calculating the WARM.

c. 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 in CMR461 the outstanding balance of cash, cash items, and non-interest-earning demand deposits, overnight Federal funds sold, and securities purchased under overnight repurchase agreements. Also include accrued interest or dividends receivable on deposits and investment securities that are reported in CMR377, CMR378, and CMR461 through CMR485

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

Report in CMR464 the **recorded investment** of investments in equity securities subject to SFAS No. 115 and the **recorded investment** of investments in mutual funds (including limited partnership investment funds subject to SFAS No. 115).

CMR470 Through CMR472: Zero-Coupon Securities

Report the **recorded investment** (*i.e.*, the amortized balance of the investment) of zero-coupon securities, including Treasury bills, in CMR470. (Do not include Z-tranches or accrual bonds of CMOs or REMICs; those are reported in CMR357.) In CMR471, instead of a WAC, report the internal rate of return of these securities regardless of whether they are reported at historical cost or fair value. Report the **weighted average remaining maturity** (WARM) in CMR472.

CMR473 Through CMR475: Government and Agency Securities

Report debt instruments issued by the US government and non-mortgage debt issued by federal agencies. Do not include structured or stripped securities; these are reported in CMR485 and CMR470, respectively.

Include:

1. US Treasury securities (except Treasury bills, which are reported in CMR470);
2. non-mortgage debt issued by FNMA, FHLMC, GNMA, the FHLB System, and other government-sponsored agencies;
3. FICO bonds; and
4. SBA securities.

Do not include:

1. Mortgage-backed instruments or derivatives issued or guaranteed by FNMA, FHLMC, or GNMA; report these with Mortgage-Backed or Mortgage-Derivative Securities as appropriate;
2. Structured securities, as described in Thrift Bulletin 65; report these in CMR485;
3. Stripped securities;
4. Stock of Federal agencies;

5. Securities issued by state or local governments;
6. Securities purchased under overnight repurchase agreements.

In CMR473 report the outstanding principal balance of the relevant instruments. Report the **weighted average coupon** (WAC) of those balances in CMR474 and their **weighted average remaining maturity** (WARM) in CMR475. (The General Instructions to Schedule CMR describe the calculation of both of these items.)

CMR476 Through CMR478: Term Fed Funds, Term Repurchase Agreements, and Interest-Earning Deposits

Include in this section any Fed funds sold and securities purchased under repurchase agreements that were not reported in CMR461. Also include interest-earning nonmaturity deposits and all time deposits held with banks and other depository institutions (including FHLBs). Report the outstanding principal balance in CMR476, the **weighted average coupon** of those balances in CMR477, and their **weighted average remaining maturity** in CMR478. For deposits, which have no contractual maturity, use 1 month in the calculation of the WARM.

CMR479 Through CMR481: Other (Munis, Mortgage-Backed Bonds, Corporate Securities, Commercial Paper, Etc.)

This section includes a broad range of securities:

1. Debt securities issued by state and local governments;
2. Commercial paper and other corporate debt securities (except for structured securities, as described in Thrift Bulletin 65; report these in CMR485);
3. Mortgage-backed bonds;
4. Promissory notes;
5. Preferred stock.

Report the outstanding principal **balance** of these securities in CMR479, their **weighted average coupon** in CMR480, and their **weighted average remaining maturity** in CMR481. (In calculating the WAC, use the tax-equivalent yield for state, county, and municipal securities and the dividend yield for preferred stock.)

CMR485: Outstanding Balance of Structured Securities

Report the outstanding principal balance of all structured securities, as described in Thrift Bulletin 65. Common types of structured securities include step-up bonds, index-amortizing notes, dual index notes, de-leveraged bonds, range bonds, and inverse floaters.

Note: If a non-zero balance is reported in this line item, the reporting savings association must **also report** its estimates of the market value of these securities in CMR961 through CMR969.

CMR490: Total Cash, Deposits, and Securities

Report the total in CMR461, CMR464, CMR470, CMR473, CMR476, CMR479 and CMR485.

Additional Items

Certain additional items needed for the OTS Model are reported in this section. The definitions and instructions for these items are the same as on Schedule SC.

Items Related to Mortgage Loans & Securities

The following items pertain to asset balances reported in CMR125, CMR185, CMR261, CMR262, CMR281, CMR282, CMR291, CMR292, CMR311, and CMR312.

CMR501: Nonperforming Loans

Report the outstanding balance of nonperforming mortgage loans and securities. Nonperforming loans are defined as nonaccrual loans plus loans that are at least 90 days past due but still accruing interest. **Include** nonperforming mortgage warehouse loans that are reported in SC23, Mortgage Loans. **Do not include** nonperforming home equity or secured home improvement loans that are reported in SC34, Consumer Loans.

CMR502: Accrued Interest Receivable

Report amounts of the types reported in SC220 (Accrued Interest Receivable on Mortgage Pool Securities) and SC272 (Accrued Interest Receivable on Mortgage Loans). **Include** interest receivables on mortgage warehouse loans that are reported in SC23, Mortgage Loans. **Do not include** interest receivables on home equity or secured home improvement loans that are reported in SC34, Consumer Loans.

CMR503: Advances for Taxes and Insurance

Report balances of the types reported in SC275 (amounts paid on behalf of borrowers for taxes and insurance). **Include** advances related to mortgage warehouse loans that are reported in SC23, Mortgage Loans. **Do not include** advances related to home equity or secured home improvement loans that are reported in SC34, Consumer Loans.

CMR504: Less: Unamortized Yield Adjustments

Report the net amount of unamortized premiums and discounts related to balances reported in CMR125, CMR185, CMR261, CMR262, CMR281, CMR282, CMR291, CMR292, CMR311, and CMR312. **Include** premiums or discounts related to mortgage warehouse loans that are reported in SC23, Mortgage Loans. **Do not include** premiums or discounts related to home equity or secured home improvement loans that are reported in SC34, Consumer Loans.

CMR507: Less: Valuation Allowances

Report general and specific valuation allowances established to recognize credit losses. **Include** allowances related to mortgage warehouse loans that are reported in SC23, Mortgage Loans. **Do not include** allowances related to home equity or secured home improvement loans that are reported in SC34, Consumer Loans.

CMR508: Unrealized Gains (Losses)

Report, on a consolidated basis, gross unrealized gains (losses) on loans held for sale, available-for-sale securities, and trading securities. **Include** gains/losses related to mortgage warehouse loans that are reported

in SC23, Mortgage Loans. **Do not include** gains/losses related to home equity or secured home improvement loans that are reported in SC34, Consumer Loans.

Items Related to Nonmortgage Loans & Securities

The following items pertain to asset balances reported in CMR325, CMR326, CMR335, and CMR336.

CMR511: Nonperforming Loans

Report the outstanding balance of nonperforming nonmortgage loans. Nonperforming loans are defined as nonaccrual loans plus loans that are at least 90 days past due but still accruing interest. **Do** include nonperforming home equity or secured home improvement loans that are reported on SC34, Consumer Loans. **Do not** include nonperforming mortgage warehouse loans that are reported in SC23, Mortgage Loans.

CMR512: Accrued Interest Receivable

Report amounts of the types reported in SC348 (Accrued Interest Receivable on Nonmortgage Loans). **Do** include interest receivables on home equity or secured home improvement loans that are reported on SC34, Consumer Loans. **Do not** include interest receivables on mortgage warehouse loans that are reported in SC23, Mortgage Loans.

CMR513: Less: Unamortized Yield Adjustments

Report the net amount of unamortized premiums and discounts related to balances reported in CMR325, CMR326, CMR335, and CMR336. **Do** include premiums or discounts related to home equity or secured home improvement loans that are reported on SC34, Consumer Loans. **Do not** include premiums or discounts related to mortgage warehouse loans that are reported in SC23, Mortgage Loans.

CMR516: Less: Valuation Allowances

Report general and specific valuation allowances established to recognize credit losses. **Do** include allowances related to home equity or secured home improvement loans that are reported on SC34, Consumer Loans. **Do not** include allowances related to mortgage warehouse loans that are reported in SC23, Mortgage Loans. **Do not** include valuation allowances established to recognize decreases in the value of real estate held for investment or repossessed assets. (See instructions for CMR520 and CMR525 for proper treatment of such valuation allowances.)

CMR517: Unrealized Gains (Losses)

Report **gross** unrealized gains (losses) on loans held for sale, available-for-sale securities, and trading securities. Do include gains/losses related to home equity or secured home improvement loans that are reported in SC34, Consumer Loans. **Do not** include gains/losses related to mortgage warehouse loans that are reported in SC23, Mortgage Loans.

CMR520: Real Estate Held for Investment

Report assets of the types reported in SC45. Report those amounts **net** of any appropriate valuation allowances. CMR520 should equal SC45.

CMR525: Repossessed Assets

Report repossessed assets of the types reported in SC405 through SC430. Report those amounts **net** of any appropriate valuation allowances. CMR525 should equal SC40.

CMR530: Equity Investments Not Subject to SFAS No. 115 (Excluding FHLB Stock)

Report equity investments of the type reported on SC50, **net** of any appropriate valuation allowances. **Do not** report any loans made to such entities. Any investments accounted for by the equity method with a negative balance should be reclassified to CMR786, Miscellaneous Liabilities I.

CMR535: Office Premises and Equipment

Report assets of the types reported in SC55. CMR535 should equal SC55.

Items Related to Certain Investment Securities

CMR538: Unrealized Gains (Losses)

Report **gross** unrealized gains (losses) on any available-for-sale securities and trading securities reported in CMR461, CMR473, CMR476, CMR479, or CMR485. **Do not** include unrealized gains (losses) related to equity securities reported in CMR464 or zero-coupon securities reported in CMR470. Both of those lines show recorded investment values and, thus, already include gains or losses.

CMR539: Less: Unamortized Yield Adjustments

Report the net amount of unamortized premiums and discounts on securities whose balances are reported in CMR461, CMR473, CMR476, CMR479, or CMR485. **Do not** include unamortized yield adjustments related to equity securities reported in CMR464 or zero-coupon securities reported in CMR470. Both of those lines show recorded investment values and, thus, have already been adjusted for premiums or discounts.

CMR540: Less: Valuation Allowances

Report all valuation allowances related to securities whose balances are reported in CMR377, CMR378, CMR461, CMR464, CMR470, CMR473, CMR476, CMR479, or CMR485. Include **both** general valuation allowances (of the type reported in SC199) and specific valuation allowances (which are not separately reported on Schedule SC).

Other Assets

CMR541: Servicing Assets, Interest-Only Strip Receivables, and Certain Other Instruments

Report assets of the types reported in SC642 (Servicing Assets on Mortgage Loans), SC644 (Servicing Assets on Nonmortgage Loans), and SC655 (Interest-Only Strip Receivables and Certain Other Instruments). CMR541 should equal the sum of SC642, SC644, and SC655.

CMR542: Margin Account

Leave this cell empty. Margin accounts are no longer reported separately, but are included instead in CMR543, Miscellaneous Assets I.

CMR543: Miscellaneous I

Report assets of the types included in SC690 (Other Assets), **except** for unamortized options fees and deferred net losses (gains) on asset hedges, both of which should be reported in CMR544. (For definitions of unamortized options fees and deferred net losses [gains] on asset hedges see the instructions for Schedule SC, line 690, code numbers 16 and 17, respectively.)

Amounts in CMR543 should be reported **net** of specific and general valuation allowances. The sum of CMR543 and CMR544 should equal SC660 plus SC690, minus SC699.

CMR544: Miscellaneous II

Report assets of the types included in SC660 (Goodwill and Other Intangibles). **Also include** unamortized options fees and deferred net losses (gains) on asset hedges. (For definitions of unamortized options fees and deferred net losses on asset hedges see the instructions for Schedule SC, line 690, code numbers 16 and 17, respectively.) The sum of CMR543 and CMR544 should equal SC660 plus SC690, minus SC699.

CMR550: Total Assets

Report consolidated total assets in CMR550. Consolidated total assets is the sum of:

CMR125	CMR185	CMR261	CMR262	CMR281
CMR282	CMR291	CMR292	CMR311	CMR312
CMR325	CMR326	CMR335	CMR336	CMR377
CMR378	CMR490	CMR501	CMR502	CMR503
CMR508	CMR511	CMR512	CMR517	CMR520
CMR525	CMR530	CMR535	CMR538	CMR541
CMR543	CMR544			
		– less –		
CMR504	CMR507	CMR513	CMR516	CMR539
CMR540				

CMR550 should equal SC60.

Memoranda Items

CMR578: Mortgage "Warehouse" Loans Reported as Mortgage Loans at SC23

Report the outstanding balance of performing loans included in SC23 (Mortgage Loans) that are collateralized by mortgage loans rather than liens directly on real estate.

CMR580: Loans Secured by Real Estate Reported as Consumer Loans at SC34

Report the outstanding balance of performing loans of the following types that are included in SC34 (Consumer Loans): (1) any time-share loans reported in CMR125 or CMR185, and (2) secured home improvement loans and revolving open-end loans secured by single-family dwellings reported in CMR311 or CMR312.

Market Value of Equity Securities & Mutual Funds Reported at CMR464:

Report in CMR582 and CMR584 the current market value of the assets whose recorded investment is reported in CMR464. The sum of CMR582 and CMR584 should equal CMR464.

CMR582: Equity Securities & Non-Mortgage-Related Mutual Funds

Report in CMR582 the **current market value** of all investments in common stock (except for FHLB stock) and in mutual funds that are invested entirely in non-mortgage-related instruments.

CMR584: Mortgage-Related Mutual Funds

Report in CMR584 the **current market value** of all investments in mutual funds (including limited partnership investment funds) that have any investments in mortgages, mortgage securities, mortgage-derivative securities, mortgage servicing rights, or other mortgage-related instruments.

In addition to reporting investments in mortgage-related mutual funds in CMR584, savings associations may, at their option, report more detail about the composition of their investments in such funds in the Optional Supplemental Reporting section. Reporting this additional information will improve the accuracy of the interest rate risk estimate that OTS will produce. See the Optional Supplement Reporting section of the instructions for details.

Mortgage loans Serviced by Others

CMR586: Fixed-Rate Mortgage Loans Serviced by Others

Report in CMR586 the outstanding balance of all performing fixed-rate mortgages held by the reporting savings association but serviced by others.

CMR587: Weighted Average Servicing Fee

Report in CMR587 the weighted average servicing fee (in basis points) paid to others to service the fixed-rate mortgage balances reported in CMR586. Calculate the weighted average servicing fee in the same manner as described for the Weighted Average Coupon in the General Instructions.

CMR588: Adjustable-Rate Mortgage Loans Serviced by Others

Report in CMR588 the outstanding balance of all performing adjustable-rate mortgage balances held by the reporting savings association but serviced by others.

CMR589: Weighted Average Servicing Fee:

Report in CMR589 the weighted average servicing fee (in basis points) paid to others to service the adjustable-rate mortgage balances reported in CMR588. Calculate the weighted average servicing fee in the same manner as described for the Weighted Average Coupon in the General Instructions.

CMR590: Credit Card Balances Expected to Pay Off in Grace Period

Report in CMR590 the amount of the outstanding credit card balances that the savings association expects will be repaid within an interest-free grace period and, thus, not incur interest charges.

Example: Suppose a savings association has $100,000 in outstanding fixed- and adjustable-rate credit card balances scheduled to be paid off over 60 months. The savings association estimates that customers will repay 30 percent of those balances within the grace period. The savings association would report $30,000 in CMR590.

LIABILITIES

Annual Percentage Yields

Unless otherwise stated in the reporting instructions, the interest rates for all liabilities should be reported as **annual percentage yields** (APY). The rates and balances used in calculating the APY should be those as of the reporting date, unless otherwise stated in the reporting instructions. If the APY is equal to zero, report .01 (one basis point).

In general, APY reflects the relationship between a given principal balance and the amount of interest that would be earned for a 365-day year. The APY is calculated using the following general formula:

$$APY = 100\ [(1 + Interest/Principal)^{(365/Days\ in\ Term)} - 1]$$

where:	Principal	=	the amount of funds on deposit as of the reporting date,
	Interest	=	the total dollar amount of interest that will be earned on the Principal over the remaining term of the account,
	Days in Term	=	the actual number of days remaining to maturity. That is, the above formula can be used to compute the APY for instruments of any maturity.

The following examples are based on balances and rates as of the reporting date. Suppose a savings association will pay $30.37 in interest on a $1,000 certificate of deposit with six months remaining to maturity (where the six month period actually contains 182 days). The APY is computed as follows:

$$\begin{aligned} APY &= 100\ [(1 + 30.37/1{,}000)^{(365/182)} - 1] \\ &= 6.18\% \end{aligned}$$

Suppose now that the savings association will pay $133.13 in interest on a $1,000 certificate of deposit with 2 years remaining to maturity (where the 2 year period actually contains 730 days). The APY is computed as follows:

$$\begin{aligned} APY &= 100\ [(1 + 133.13/1{,}000)^{(365/730)} - 1] \\ &= 6.45\% \end{aligned}$$

Use Days in Term equal to 365 for accounts without a stated maturity. For example, suppose a savings association would pay $61.68 in interest for $1,000 deposited in a NOW account for 365 days, assuming no further withdrawals or deposits by the depositor during that time. The APY for this NOW account is computed as follows:

$$\begin{aligned} APY &= 100\ (61.68/1{,}000) \\ &= 6.17\% \end{aligned}$$

Optional Reporting of Deposit Information

The reporting of some information relating to fixed-rate, fixed-maturity deposits and nonmaturity deposits is optional. Specifically, Schedule CMR collects information on **early withdrawals** during the quarter for fixed-rate, fixed-maturity deposits, and the **balances deposited in new accounts** during the quarter for fixed-rate, fixed-maturity deposits and nonmaturity deposits. OTS intends to use this information to develop core deposit attrition rate estimates for each savings association that reports this optional data. These attrition rate estimates will be used by the OTS Net Portfolio Value Model to estimate the interest rate sensitivity of those savings associations' core deposits. The OTS Model will apply national attrition rate estimates to the core deposits of savings associations that choose not to report this information.

Savings associations that choose to report this optional information should do consistently every quarter. Savings associations that choose not to report this information should leave the relevant reporting cells blank.

Fixed-Rate, Fixed-Maturity Deposits

CMR601-CMR603, CMR615-CMR617, CMR631-CMR632, and CMR641: Balances

Report each outstanding fixed-rate, fixed-maturity deposit (CD) balance in the cell corresponding to its remaining maturity and original maturity.

Include:

1. Fixed-rate, fixed-maturity certificates of deposit;
2. Notice accounts;
3. Consecutive monthly payment accounts (*e.g.*, Christmas Club accounts).

Do not include: Variable-rate, fixed-maturity deposits; report these on CMR721 to CMR748.

Note: Notice accounts are included in the maturity/repricing column corresponding to the remaining term of the notice period. Consecutive monthly payment accounts are included in the maturity/repricing column corresponding to the remaining term required to qualify for the “bonus” rate.

CMR605-CMR607, CMR619-CMR621, CMR634-CMR635, and CMR643: Weighted Average Coupon (WAC)

Report the weighted average annual percentage yield of the CD balances reported in each of the nine cells listed above. Calculate the weighted average annual percentage yield in the same way as described for the WAC in the General Instructions to Schedule CMR.

CMR608-CMR610, CMR622-CMR624, CMR636-CMR637, and CMR644: Weighted Average Remaining Maturity (WARM)

Report the WARM, in months, of the CD balances reported in each of the nine cells listed above. The method of calculation is described in the General Instructions to Schedule CMR.

CMR604, CMR618, CMR633, and CMR642: Early Withdrawals During Quarter (Optional)

Reporting in these cells is optional for all savings associations. Report the dollar balances of CDs that were:

1. Subject to early-withdrawal penalties; and
2. Withdrawn prior to their contractual maturity during the quarter.

Report balances withdrawn prior to maturity according to what the remaining maturity of those balances would have been at the quarter’s end had they not been withdrawn.

CMR645: Total Fixed-Rate, Fixed-Maturity Deposits

Report on CMR645 the sum of CMR601-CMR603, CMR615-CMR617, CMR631, CMR632, and CMR641.

CMR650 Through CMR652: Balances in Brokered Deposits

For the total CD balances reported in each original maturity column, determine the portion that are brokered deposits. Report these balances for each original maturity. The term “brokered deposit” is defined in the FDIC Improvement Act (1991); it refers to funds obtained, directly or indirectly, by or through any deposit broker.

Example: A savings association has reported $125,000 on CMR602, $225,000 on CMR616, and $250,000 on CMR631. Of the three balances, $50,000, $25,000, and $35,000, respectively, are in brokered accounts. This savings association would report $110,000 (= $50,000 + $25,000 + $35,000) on CMR651.

CMR653 Through CMR655: Balances Subject to Early-Withdrawal Penalties Stated in Months of Forgone Interest

For the balances reported in each original maturity column, determine the portion that is subject to early-withdrawal penalties (EWPs) that are stated in **months of forgone interest**. Report these balances for each original maturity column. Do not include in these totals CDs having EWPs stated differently (*e.g.*, flat penalty, market-related penalty).

Example: A savings association has reported $125,000 on CMR602, $225,000 on CMR616, and $250,000 on CMR631. Of the $125,000 balance, $100,000 are CDs with an EWP of 1.12 month’s interest. Of the $225,000 and $250,000 balances, a total of $450,000 are CDs with an EWP requiring forfeiture of 1.98 months’ interest. This savings association would report $550,000 (= $100,000+$450,000) on CMR654.

CMR656 Through CMR658: Early-Withdrawal Penalty in Months of Forgone Interest

For the balances reported in each original maturity column, and totaled in CMR653 through CMR655, report the weighted average EWP in months of forgone interest for each year of contractual maturity or fraction thereof (with two decimal places). Report these for each original maturity column.

Example: A savings association has reported $125,000 on CMR602, $225,000 on CMR616, and $250,000 on CMR631. Of the $125,000 balance, $100,000 are CDs with an EWP of 1.12 month’s interest.2 Both the $225,000 and $250,000 aggregate balances are CDs with an EWP requiring forfeiture of 1.98 months’ interest. The savings association would calculate the weighted average EWP to be reported on CMR657 as follows:

$$\text{EWP} = \frac{(100{,}000 \times 1.12) + (475{,}000 \times 1.98)}{(100{,}000 + 475{,}000)}$$

$$= 1.83 \text{ months}$$

CMR659 Through CMR661: Balances in New Accounts (Optional)

Balances in new accounts are defined as end-of-quarter balances in accounts whose holders had no maturing deposits of similar original maturity with the savings association during the quarter. For example, a 3-month CD issued during the quarter **would not** be considered a new deposit if the account holder had a CD with original

2 The early withdrawal penalties are stated in months of forgone interest for each year of remaining maturity of fraction thereof.

maturity of 12 months or less that matured during the quarter. The 3-month CD **would** be considered a New Account if it were a roll-over from a CD with original maturity of more than 12 months.

1. On CMR659, report the portion of balances reported on CMR601 and CMR615 that are new CD balances with original maturities of 12 months or less.
2. On CMR660, report the portion of balances reported on CMR616 and CMR631 that are new CD balances with original maturities of 13 to 36 months.
3. On CMR661, report the portion of balances reported on CMR632 and CMR641 that are new CD balances with original maturities of 37 or more months.

Fixed-Rate, Fixed-Maturity FHLB Advances, Other Borrowings, Redeemable Preferred Stock, and Subordinated Debt

CMR675-CMR677, CMR679-CMR681, CMR683-CMR685, CMR687-CMR689, CMR691-CMR693, CMR695-CMR697, CMR699-CMR701, CMR703-CMR705: Balances

Report each outstanding balance of fixed-rate, fixed-maturity borrowings in the cell corresponding to its coupon class and remaining maturity.

Include:

1. FHLB advances,
2. Commercial bank loans,
3. Repurchase agreements,
4. Retail repurchase agreements,
5. Commercial paper issued,
6. Subordinated debt,
7. Redeemable preferred stock,
8. All other borrowings.

Do not include:

1. Notice accounts; report these on CMR601 to CMR661;
2. Consecutive monthly payments accounts; report these on CMR601 to CMR661,
3. Collateralized mortgage securities issued; report these on CMR785.

Amortizing instruments are distributed across remaining maturity columns (in the appropriate coupon class) according to their contractual principal repayment schedules. For example, suppose a $120,000 note, with an annual percentage yield of 9.5% and remaining maturity of 10 years, amortizes as follows: $3,000 in the next 3 months, $33,000 in months 4 through 36, and $84,000 in the last 84 months. The note would be reported in CMR695, CMR696, and CMR697 as $3,000, $33,000, and $84,000, respectively.

CMR678, CMR682, CMR686, CMR690, CMR694, CMR698, CMR702, CMR706: Weighted Average Coupon (WAC)

Report the WAC of the balances reported in each coupon class. To calculate the WAC, first determine the annual percentage yields of borrowings that are reported in each coupon class (*e.g.*, for the 5.00 to 5.99% class, determine the annual percentage yields of borrowings reported in CMR679-CMR681). Second, for each

coupon class, use these yields to calculate the WAC, as described in the General Instructions to Schedule CMR.

CMR711 Through CMR713: Weighted Average Remaining Maturity (WARM)

Report the WARM for each remaining maturity column. To calculate the WARM, first determine the remaining maturity of each of the borrowings that are reported in each remaining maturity class. For example, for the 0 to 3 months column, determine the remaining maturity of borrowings reported in CMR675, CMR679, CMR683, CMR687, CMR691, CMR695, CMR699, and CMR703. Second, for each remaining maturity class, use these remaining maturities to calculate the weighted average remaining maturity, as described in the General Instructions to Schedule CMR.

Callable borrowings: Callable borrowings are fixed-rate, fixed maturity borrowings that can be called by the issuer at certain dates before the borrowings' maturity date. Report the remaining maturity of callable borrowings using **either** Option 1 **or** Option 2, below.

Option 1: Report the remaining maturity of the borrowings based on their stated maturity, **and** report in CMR941 through CMR949 the market value of the call option in the nine interest rate scenarios.

Option 2: Report the remaining maturity of the borrowings based on their next call date.

CMR715: Total Fixed-Rate, Fixed-Maturity Borrowings

Report on CMR715 the sum of all fixed-rate, fixed-maturity borrowings; it should equal the sum of CMR675-CMR677, CMR679-CMR681, CMR683-CMR685, CMR687-CMR689, CMR691-CMR693, CMR695-CMR697, CMR699-CMR701, and CMR703-CMR705.

Variable-Rate, Fixed-Maturity Liabilities

Include liabilities of the following types that have contractually stated maturities and indexed rates:

1. Certificates of deposit,
2. FHLB advances,
3. Commercial bank loans,
4. Repurchase agreements,
5. Retail repurchase agreements,
6. Commercial paper issued,
7. Subordinated debt,
8. Redeemable preferred stock,
9. All other borrowings.

Do not include collateralized mortgage securities issued; report these on CMR785.

Report variable-rate, fixed-maturity (VRFM) liabilities either in aggregated form (on CMR721 through CMR748) or in disaggregated form using the Optional Supplemental Reporting form. Instructions for reporting VRFM liabilities in aggregated form are summarized below. If the Optional Supplemental Reporting is used instead, follow the instructions for that form (see the section "Off-Balance-Sheet Contracts").

General Instructions

Report VRFM liabilities issued by the savings association as follows:

1. Aggregate VRFM liabilities by type of liability (see list in the table titled “Liability Codes,” below) and rate index (see the list provided in Appendix A). That is, all VRFM liabilities that have the same liability and index code would be reported together as a single “position.” The three positions with the largest “dollar-weighted reset frequency” (defined below) are reported individually as “Position 1” through “Position 3”; the remaining VRFMs are aggregated and reported collectively as “All Other Positions.”
2. Assign a liability code (provided in the table below) and an index code (provided in Appendix A) to each position. For example, all FHLB advances with rates indexed to the Fed Funds rate are reported together as a single position regardless of differences in margin, rate reset frequency, months to next reset, or remaining maturity. This position would have the liability code 220 (*i.e.*, the code for FHLB advances) and the index code 800 (*i.e.*, the code that shows that the interest rate on the advances is indexed to the Fed Funds rate).
3. For each position, calculate the information requested in each column (*i.e.*, total balance, weighted average margin, weighted average rate reset frequency, weighted average months to next reset, and weighted average remaining maturity), according to the instructions below.
4. Calculate the **“dollar-weighted reset frequency”** for **each position** as the product of the position’s total balance and its weighted average rate reset frequency.
5. Report in the lines labeled Position 1, Position 2, and Position 3, the requested information for the **three** positions with the largest dollar-weighted reset frequency. In the last line, labeled “All Other Positions,” report the requested information for **the aggregate of all remaining positions**. If only one or two positions are reported, leave the remaining line(s) blank.

Specific Instructions

CMR721, CMR728, and CMR735: Liability Code

The liability code is a 3-digit code that denotes the type of liability being reported. The codes are listed in the table below.

Table: Liability Codes

Liability Codes for Positions 1 through 3	Liability Type
200	Certificates of deposit
220	FHLB advances
299	Other

CMR722, CMR729, and CMR736: Rate Index Code

The index code is a 3-digit code that describes the index of the liability being reported. The codes are listed in the List of Interest Rate Index Codes (see Appendix A).

CMR723, CMR730, CMR737, and CMR744: Balance

Report the outstanding aggregate balance of each position. Do not report the carrying value. Report on CMR744 the aggregate balance of all remaining positions.

CMR724, CMR731, CMR738, and CMR745: Weighted Average Margin

The margin of a variable-rate liability is the amount that is added to the index rate to derive the coupon rate. Calculate the weighted average margin of each position as described in the General Instructions to Schedule CMR. Report on CMR745 the weighted average margin, in basis points, for the aggregate of all **remaining** positions.

CMR725, CMR732, CMR739, and CMR746: Weighted Average Rate Reset Frequency

Calculate the weighted average rate reset frequency, in months, for each position in the same manner as the WARM, described in the General Instructions to Schedule CMR. Report on CMR746 the weighted average reset frequency for the aggregate of all positions.

CMR726, CMR733, CMR740, and CMR747: Weighted Average Months to Next Reset

Calculate the weighted average months to next reset for each position in the same manner as the WARM, described in the General Instructions to Schedule CMR. Report on CMR747 the weighted average months to next reset for the aggregate of all **remaining** positions.

CMR727, CMR734, CMR741, and CMR748: Weighted Average Remaining Maturity (WARM)

Calculate the WARM for each position as described in the General Instructions to Schedule CMR. Report on CMR748 the WARM for the aggregate of all **remaining** positions.

Memo:

CMR755: Book Value of Redeemable Preferred Stock

Report the book value of redeemable preferred stock of the type reported on SC799.

Nonmaturity Deposits

CMR762 Through CMR763: Transaction Accounts

Transaction accounts are defined by OTS Regulation 561.29 and include NOW, Super NOW, and other interest-bearing transaction accounts. Report **total balances** of all interest-bearing transaction accounts on CMR762.

Report the **WAC** for total interest-bearing transaction account balances on CMR763. Determine the annual

percentage yields of balances reported on CMR762. Use these to calculate the weighted average annual percentage yield in the same manner as the WAC computation described in the General Instructions to Schedule CMR, and report it in CMR763.

CMR764: Balances in New Accounts (Optional)

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

CMR765-CMR766: Money Market Deposit Accounts

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

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

CMR767: Balances in New Accounts (Optional)

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

CMR768 Through CMR769: Passbook Accounts

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

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

CMR770: Balances in New Accounts (Optional)

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

CMR771: Noninterest-Bearing Nonmaturity Deposits

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

CMR773: Balances in New Accounts (Optional)

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

Escrow Accounts

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

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

Report the **WAC** of escrows reported on CMR775, CMR777, and CMR779 in CMR776, CMR778, and CMR780, respectively. Calculate the WAC as described in the General Instructions to Schedule CMR.

CMR781: Total Nonmaturity Deposits and Escrow Accounts

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

CMR782: Unamortized Yield Adjustments on Deposits

Report on CMR782 unamortized yield adjustments of the type reported in SC715.

CMR784: Unamortized Yield Adjustments on Borrowings

Report on CMR784 unamortized yield adjustments applicable to liabilities of the types reported on SC720 (Advances from FHLBank), SC730 (Federal Funds Purchased and Securities Sold Under Agreements to Repurchase), SC735 (Subordinated Debentures, Including Mandatory Convertible Securities), SC740 (CMOs, Including REMICs), SC745 (Other Mortgage Collateralized Securities Issued), and SC760 (Other Borrowings). Add to this amount any unamortized yield adjustments related to redeemable preferred stock of the type reported on SC799.

Other Liabilities

CMR785: Collateralized Mortgage Securities Issued

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

CMR786: Miscellaneous Liabilities I

Report amounts of the types included in SC763 (Accrued Interest Payable on Deposits), SC766 (Accrued Interest Payable on Other Liabilities), SC776 (Accrued Taxes), and SC780 (Accounts Payable).

Include amounts of the type reported in schedule SC, line SC796, **except** financial option fees received and deferred net gains on liability hedges. [For definitions of these two items, see the instructions for schedule SC, line 796, code numbers 02 and 03, respectively].

Also report in CMR786, balances in principal and interest escrow accounts established pursuant to loan servicing agreements.

CMR787: Miscellaneous Liabilities II

Report amounts of the types included SC790 (Deferred Income Taxes). Also include financial option fees received and deferred net gains on liability hedges. [For definitions of these items, see the instructions for schedule SC, line 796, code numbers 02 and 03, respectively].

Total Liabilities (Incl. Redeemable Preferred Stock)

Report on CMR790 the sum of all liability balances reported on Schedule CMR. Specifically, report the sum of CMR645, CMR715, CMR723, CMR730, CMR737, CMR744, CMR781, and CMR782 through CMR787.

Minority Interest in Consolidated Subsidiaries

Report on CMR793 amounts of the types included in SC799 (Redeemable Preferred Stock and Minority Interest) less redeemable preferred stock and related unamortized yield adjustments reported elsewhere on Schedule CMR.

Equity Capital

Report on CMR796 the amount reported in SC80, Total Equity Capital.

Total Liabilities, Minority Interest, and Capital

Report on CMR800 the sum of CMR790, CMR793, and CMR796.

OFF-BALANCE-SHEET CONTRACTS

Introduction

Off-balance-sheet (OBS) contracts are divided into the following ten general types of contracts for reporting on Schedule CMR:

1. Optional commitments to originate mortgages,
2. Firm commitments to purchase, sell, or originate mortgages,
3. Optional commitments to purchase or sell mortgages,
4. Commitments to purchase or sell non-mortgage financial assets and liabilities,
5. Interest-rate swaps,
6. Interest-rate caps,
7. Interest-rate floors,
8. Futures,
9. Options on futures,
10. Construction loans in process.

OBS contract positions are reported in CMR801 through CMR880. To report an OBS contract position, report the contract code (described below) corresponding to the position in the column titled “Contract Code.” Enter the notional principal amount of the position in the column titled “Notional Amount.” Report information in the other columns in accordance with the instructions for each type of contract. Examples of how to report various positions are provided in the sections detailing the reporting of each type of contract.

Reporting More Than 16 OBS Positions

CMR801 through CMR880 accommodate the reporting of 16 OBS positions. Savings associations with more than 16 positions must report the remaining positions by one of the following two methods:

1. Report the remaining positions on the continuation sheet entitled “Optional Supplemental Reporting For Off-Balance-Sheet Positions” in the same manner as the initial 16 positions. Number each position sequentially in the column entitled “Entry #,” beginning with the number 1 for the first position reported. **Use as many continuation sheets as necessary to report the remaining positions.** In CMR902, report the number lines that are reported in this manner.

2. The savings association may provide its own estimate of the market values of the remaining positions in each of the nine interest-rate scenarios called for in CMR911 through CMR919. To report under this method, see “Market Value Estimates of OBS Contracts” in the section entitled “Reporting of Market Value Estimates.” In CMR903, report the number of lines that are reported by this method.

   If the savings association chooses this method, it must report all positions of Optional Commitments to Originate Mortgages (discussed below) as part of the 16 positions reported in CMR801 through CMR880.

Contract Codes

All OBS contract positions must be identified by a four digit contract code. A list of codes for each type of contract is provided in Appendix B.

The first two digits of the contract code designate the general type of contract. For example, all codes for optional commitments to originate mortgages begin with the digits “10.” The last two digits of the code designate the specific type of OBS contract within the general type. For example, optional commitments to originate 30-year FRMs are designated by the code “1014.”

OBS contracts for which no contract code is listed in Appendix B (*e.g.*, CMO swaps) should be reported in CMR911 through CMR919. (For further instructions, see “Market Value Estimates of OBS Contracts” in the section entitled “Reporting of Market Value Estimates.”)

Reporting Instructions

Instructions are provided below for each of the ten general types of OBS contracts. Each section begins with a definition of the contracts covered in that section. Guidance is provided on how contracts are to be combined, or aggregated, for reporting purposes. Specific instruction is given on what to report in each of the five columns in CMR801 through CMR880 and examples are provided.

Report all rates as a percent to two decimal places. For example, to report a coupon rate of 7.50%, report 7.50. Report all prices as a percentage of par to two decimal places. For example, to report a price of 102 percent of par, report 102.00. A price of par would be reported as 100.00.

Optional Commitments to Originate Mortgages

Optional commitments to originate mortgages are obligations to originate mortgage loans at a specified interest rate (fixed or adjustable), where the potential borrower faces no substantial penalty for failing to take the loan. Report only those optional commitments to originate for which a specified interest rate (a “rate lock”) has been offered to the potential borrower. Exclude commitments for which a rate lock has not been made.

Commitments to originate are considered “firm” when both the borrower and the lender are **obligated** to close the loan at the interest rate specified. Instructions for reporting firm commitments are provided below.

Aggregation

Report all commitments having the same contract code (see Appendix B for codes) as a single position. For example, report all commitments on 1-month COFI ARMs (code 1002) as a single position, report all commitments on 6-month and 1-year COFI ARMs (code 1004) as a single position, and so forth.

Column 1: Contract Code
Report the contract code for the position in Column 1. Refer to Appendix B for the list of codes.

Column 2: Notional Amount
Report the dollar amount of commitments outstanding in Column 2. For rate-locked loans that have yet to receive credit approval, deduct an amount representing expected credit denials. Do not adjust the reported amount for fallout of approved loans.

Column 3: Maturity or Fees
Report in Column 3 the dollar amount (in thousands) of loan origination and loan discount fees that would be collected if each loan closed. These fees should include compensation for “buy-ups” or “buy-downs.” (Do not

include any other fees collected in the loan origination process, such as application, appraisal, credit, and title fees.)

Column 4: Price/Rate #1
Report in Column 4 the weighted average coupon (WAC) of outstanding commitments. Refer to the calculation of the WAC in the General Instructions to Schedule CMR.

Column 5: Price/Rate #2 (Optional)
Reporting this information is optional for all savings associations. Report in Column 5 the percentage of optional commitments (by dollar balances), outstanding as of the end of the previous quarter, that closed during the quarter. For example, assume a savings association reports $120 million of optional commitments on 30-year fixed-rate mortgages, as of June 30. Of the $100 million of optional commitments that it reported in the previous quarter's report (*i.e.*, the report for the quarter ending March 31) $75 million closed during the quarter. This savings association would report 75.00 [equal to ($75 million/$100 million) x 100] in Column 5 for the quarter ending June 30.

OTS intends to use this information to develop fallout rate estimates for savings associations that report this data. These estimates would be used by the OTS Model to estimate the interest rate sensitivity of those savings associations' mortgage pipelines.

Savings associations that choose not to report this information should leave this cell blank; the OTS Model will use national fallout rate estimates to estimate the market value of the mortgage pipelines of such savings associations.

Examples:

Position 1: The savings association has $25 million of optional commitments to originate 30-year FRMs. The WAC for these commitments is 8.67%. The savings association would collect loan origination and loan discount fees of $560,000 if all of the loans in this position closed. Sixty-five percent of the optional commitments outstanding at the end of the prior quarter closed.

Position 2: The savings association has $5 million and $10 million of optional commitments to originate 6-month and 1-year COFI ARMs, respectively. (These positions are combined for reporting purposes because they are reported under the same contract code.) The respective WACs on these commitments are 7.10% and 7.40%, and loan origination and loan discount fees to be collected total $420,000. The savings association chooses not to report in column 5.

The positions would be reported as follows:

	[1] Contract Code	[2] Notional Amount	[3] Maturity or Fees	[4] Price/Rate #1	[5] Price/Rate #2
Position 1	1014	25 000	560	8.67	65.00
Position 2	1004	15 000	420	7.30	

Firm Commitments to Purchase, Sell, or Originate Mortgages

Firm commitments to purchase or sell mortgages are agreements to purchase or sell mortgage loans, MBS, or mortgage derivative products at a specified price on a specified date. Firm commitments to originate mortgages are binding obligations to provide a specified amount of a mortgage loan at a specified interest rate (fixed or adjustable). Commitments to originate mortgages should be considered "firm" only if the borrower is obligated

to pay the lender a substantial penalty if the borrower fails to take the loan. The penalty should approximate the difference between the value of the loan at the commitment rate and the value of the same loan at the subsequent (lower) mortgage rate.

Aggregation

Report all commitments having the same contract code (see Appendix B for codes) as a single position. For example, report all firm commitments to purchase 1-month COFI ARM loans on a servicing retained basis as a single position (code 2002), report all firm commitments to sell 6-month or 1-year Treasury ARM MBS as a single position (code 2066), and so forth.

Commitments to purchase or sell mortgage loans and commitments to purchase or sell MBS have different contract codes and are reported separately.

Column 1: Contract Code
Report the contract code for the position in Column 1. Refer to Appendix B for the list of codes.

Column 2: Notional Amount
Report the dollar amount of commitments outstanding in Column 2.

Column 3: Maturity or Fees
Report in Column 3 the dollar amount (in thousands) of fees, if any, associated with the position. Fees to be paid by the reporting association should be reported as a negative value.

For **commitments to originate mortgages**, include loan origination and loan discount fees that would be collected if each loan closed. These fees should include compensation for “buy-ups” or “buy-downs,” but not other fees collected in the loan origination process, such as application, appraisal, credit, and title fees.

For **commitments to purchase or sell mortgages**, report any additional fees, net of costs.

Column 4: Price/Rate #1
Report in Column 4 the weighted average interest rate specified in the commitments. Refer to the calculation of the WAC in the General Instructions to Schedule CMR. Leave this column blank for commitments to purchase or sell mortgage derivative products.

Column 5: Price/Rate #2
Report in Column 5 the weighted average price (as a percentage of par to 2 decimal places) to be paid or received on the commitments. For commitments to originate mortgages, report a price of par (*i.e.*, 100.00). Leave this column blank for commitments to purchase or sell mortgage derivative products.

Examples:

Position 1: The savings association has a mandatory delivery commitment with FNMA to sell, on a servicing retained basis, $25 million of 1-year Treasury ARM loans with a “required net yield” of 7.50% at par. (The required net yields for mandatory forward sales quoted by FNMA and FHLMC are net of the servicing fee. The contract code assigned to these commitments is 2026. The code 2126 would be used if the commitment to sell included the servicing of the loan.)

Position 2: The savings association has a commitment to purchase $15 million 3-year Treasury ARM MBS with a pass-through rate of 7.70% at par. The savings association also has a commitment to purchase $5 million 5-year Treasury ARM MBS with a pass-through rate of 8.00% for 98.00 (percent of par). (These positions are combined and reported as a single position because they have the same contract code.)

The positions would be reported as follows:

	[1] Contract Code	[2] Notional Amount	[3] Maturity or Fees	[4] Price/Rate #1	[5] Price/Rate #2
Position 1	2026	25 000	0	7.50	100.00
Position 2	2048	20 000	0	7.78	99.50

Optional Commitments to Purchase or Sell Mortgages or MBS

Optional commitments to purchase mortgages or MBS are contracts that grant the buyer of the option the right, but not the obligation, to buy a specified type and amount of mortgages or MBS, with a specified WAC (for mortgages) or pass-through rate (for MBS), at a specified price (called the “strike price”) on a specified date (called the “expiration date”). Optional commitments to sell mortgages or MBS are contracts that grant the buyer of the option the right, but not the obligation, to sell a specified type and amount of mortgages or MBS, with a specified WAC or pass-through rate, at a specified price on a specified date.

A savings association can hold either a “long” position in an optional commitment to purchase or sell (having bought the option), or hold a “short” position in an optional commitment to purchase or sell (having sold the option). A savings association can have any of four types of positions in an optional commitment on mortgages or MBS: (1) long the option to purchase the mortgages or MBS, (2) long the option to sell the mortgages or MBS, (3) short the option to purchase the mortgages or MBS, and (4) short the option to sell the mortgages or MBS.

If the contract does not specify both a price and a pass-through rate it should not be reported on Schedule CMR. For example, FNMA issues optional delivery commitments in which the required net yield is not specified. Such commitments should not be reported on Schedule CMR.

Aggregation

Report each optional commitment to purchase or sell mortgages or MBS as a single position.

Column 1: Contract Code
Report the contract code for the position in Column 1. Refer to Appendix B for the list of codes.

Column 2: Notional Amount
Report the notional principal amount of the commitment in Column 2.

Column 3: Maturity or Fees
Report the number of days until the commitment expires in Column 3.

Column 4: Price/Rate #1
Report the coupon rate or the pass-through rate in Column 4.

Column 5: Price/Rate #2
Report the strike price (as a percentage of par) in Column 5.

Examples:

Position 1: The savings association has purchased an optional commitment to sell $10 million of 5-year balloon mortgages with a coupon of 7.00% at a price of 98.00 (percent of par). The commitment expires in 45 days.

Position 2: The savings association has sold an optional commitment to purchase $25 million of 8.50% coupon 15-year FRMs for par in 20 days.

The positions would be reported as follows:

	[1] Contract Code	[2] Notional Amount	[3] Maturity or Fees	[4] Price/Rate #1	[5] Price/Rate #2
Position 1	3030	10 000	45	7.00	98.00
Position 2	3052	25 000	20	8.50	100.00

Commitments to Purchase or Sell Nonmortgage Financial Assets and Liabilities

Commitments to purchase or sell nonmortgage financial assets and liabilities are agreements to purchase or sell financial assets other than mortgages or MBS, and commitments to purchase or sell liabilities, for a specified fixed price, on a specified date. (Commitments to purchase or sell mortgages or MBS should be reported in accordance with the instructions for those commitments, above.)

Repurchase and resell agreements should **not** be reported as OBS contracts. Such agreements should be reported as the underlying on-balance-sheet asset or liability that they represent in CMR461 or CMR476 through CMR478, and CMR675 through CMR715, respectively.

Aggregation

Report commitments to purchase or sell non-mortgage financial assets and liabilities that can be combined under the same contract code (see Appendix B for codes) as a single position. For example, report all commitments to purchase non-mortgage financial assets (code 4002) as a single position, report all commitments to sell core deposits (code 4024) as a single position, and so forth.

Column 1: Contract Code
Report the contract code for the position in Column 1. Refer to Appendix B for the list of codes.

Column 2: Notional Amount
Report the dollar amount of the commitments outstanding in Column 2.

Column 3: Maturity or Fees
If the position consists of commitments on non-mortgage financial assets, report the weighted average maturity (WAM) of the assets in months in Column 3. If the position consists of commitments on core deposits, leave Column 3 blank. If the position consists of commitments on other liabilities, report the WAM in months in Column 3. Refer to the calculation of the weighted average remaining maturity (WARM) in the General Instructions to Schedule CMR.

Column 4: Price/Rate #1
If the position consists of commitments on non-mortgage financial assets, report the WAC of the assets in Column 4. If the position consists of commitments on either core deposits or other liabilities, report the weighted average interest rate paid on the liabilities in Column 4. Refer to the calculation of the WAC in the General Instructions to Schedule CMR.

Column 5: Price/Rate #2
Report in Column 5 the weighted average price (as a percentage of par) to be paid or received on the instruments underlying the commitment. Refer to the calculation of the WAC in the General Instructions to Schedule CMR.

Examples:

Position 1: The savings association has agreed to sell $500,000 of 10-year Treasury securities with a WAC of 9.23% at a weighted average price of 95.39 (percent of par).

Positions 2 and 3: The savings association has agreed to sell four branches and the liabilities maintained at those branches. The branches contain $16 million in core deposits that pay a weighted average rate of 6.40%, and $44 million in other liabilities that pay a WAC of 7.50% and have a WARM of 26 months. The agreed upon premium is 2%, net of any assets that will change hands in this transaction (*i.e.*, the seller pays $58.8 million, or 98% of par, to the buyer for assuming total of $60 million of liabilities).

The positions would be reported as follows:

	[1] Contract Code	[2] Notional Amount	[3] Maturity or Fees	[4] Price/Rate #1	[5] Price/Rate #2
Position 1	4022	500	120	9.23	95.39
Position 2	4024	16 000		6.40	98.00
Position 3	4026	44 000	26	7.50	98.00

Interest-Rate Swaps

Interest-rate swaps are agreements to exchange streams of coupon payments based on a notional principal amount. One or both of the coupon payment streams varies with a specified interest rate index.

Aggregation

Report each swap as a separate position.

Column 1: Contract Code
Report the contract code for the position in Column 1. Refer to Appendix B for the list of codes.

Column 2: Notional Amount
Report the notional principal amount of the swap in Column 2.

Column 3: Maturity or Fees
Maturity information for both current and forward swaps is reported in Column 3 using the same format. First, report the effective date of the swap (*i.e.*, the date that interest for the first payment of the swap agreement

begins to accrue) in YYMM format. Second, report the maturity date (*i.e.*, the date of the last payment of the swap agreement), also in YYMM format.

For example, for a current swap effective February 21, 1991, and maturing February 21, 2001, report 91020102 in Column 3; for a forward swap effective February 21, 2000, and maturing February 21, 2010, report 00021002 in Column 3.

For a mortgage swap, report the maturity date of the underlying pool of mortgages, not the termination date of the agreement.

Column 4: Price/Rate #1
For fixed-for-floating swaps, report in Column 4 the fixed rate that is either received or paid.

For basis swaps, report in Column 4 the margin that is added to (subtracted from) the index being received as a positive (negative) number. If there is no margin, leave Column 4 blank.

For mortgage swaps, report in Column 4 the mortgage coupon rate or the pass-through rate that is either received or paid.

Column 5: Price/Rate #2
For fixed-for-floating swaps, report in Column 5 the margin that is added to (subtracted from) the index as a positive (negative) number. If there is no margin, leave Column 5 blank.

For basis swaps, report in Column 5 the margin that is added to (subtracted from) the index being paid as a positive (negative) number. If there is no margin, leave Column 5 blank.

For mortgage swaps, report in Column 5 the margin as a positive number if it added to the index being received, and as a negative number if it is added to the index being paid.

Examples:

Position 1: The savings association pays a fixed rate of 9.20% and receives 3-month LIBOR on a $25 million swap that went into effect in March 1990 and expires in March 1996.

Position 2: The savings association will pay a fixed rate of 9.00% and receive 6-month LIBOR on a $10 million **forward swap** that begins in December 1994 and ends in December 1997.

Position 3: The savings association has purchased a $25 million **swaption** that would begin (if exercised) in June 1993 and mature in June 1998. The swaption grants the right to pay a fixed rate of 9.50% and receive 3-month LIBOR.

Position 4: The savings association pays 1-month LIBOR and receives COFI on a $15 million swap that went into effect in December 1993 and expires in June 1998.

Position 5: The savings association pays 1-month LIBOR plus 0.30% and receives a mortgage coupon of 10% under a mortgage swap that went into effect September 1990. The notional principal amount of the swap is $8,235,000 as of the report date. The underlying pool of mortgages matures in September 2015.

The positions would be reported as follows:

	[1] Contract Code	[2] Notional Amount	[3] Maturity or Fees	[4] Price/Rate #1	[5] Price/Rate #2
Position 1	5004	25 000	90039603	9.20	
Position 2	5006	10 000	94129712	9.00	
Position 3	5104	25 000	93069806	9.50	
Position 4	5062	15 000	93129806		
Position 5	5072	8 235	90091509	10.00	0.30

Interest-Rate Caps

An interest-rate cap is an option contract that compensates the holder of the cap when a specified interest-rate index increases above a specified rate (called the cap rate or strike rate). The party that has purchased the cap is said to be “long” the cap, while the party that has sold the cap is said to be “short” the cap.

An interest-rate “corridor” is an agreement that combines a short position in an interest-rate cap and a long position in an interest-rate cap. To report corridors, report the two component cap positions separately.

An interest-rate “collar” is an agreement that combines an interest-rate cap position and an interest-rate floor position. To report collars, report the component cap and floor positions separately. (The instructions for reporting interest-rate floors, as well as an example of reporting a collar, are provided below.)

Aggregation

Report each interest-rate cap as a separate position.

Column 1: Contract Code
Report the contract code for the position in Column 1. Refer to Appendix B for the list of codes.

Column 2: Notional Amount
Report the notional principal amount of the cap in Column 2.

Column 3: Maturity or Fees
Maturity information for both current and forward caps is reported in Column 3 using the same format. First, report the effective date of the cap (*i.e.*, the first exercise date of the cap) in YYMM format. Second, report the maturity date (*i.e.*, the month of the last payment date of the cap), also in YYMM format.

For example, for a cap with its first exercise date on February 21, 1991, and with its last payment date on February 21, 2001, report 91020102 in Column 3; for a forward cap with first exercise date on February 21, 2000, and last payment date on February 21, 2010, report 00021002 in Column 3.

Column 4: Price/Rate #1
Report the cap rate, or strike rate, in Column 4.

Column 5: Price/Rate #2
Leave Column 5 blank.

Examples:

Position 1: The savings association is long a $10 million cap based on 6-month LIBOR with a cap rate of 8.25%. The first exercise date was in November 1993 and it expires in November 1998.

Position 2: The savings association is long a $25 million forward cap based on COFI with a cap rate of 8.50%. The cap's first exercise date will be in February 1995 and it expires in February 1999.

The positions would be reported as follows:

	[1] Contract Code	[2] Notional Amount	[3] Maturity or Fees	[4] Price/Rate #1	[5] Price/Rate #2
Position 1	6006	10 000	93119811	8.25	
Position 2	6020	25 000	95029902	8.50	

Interest-Rate Floors

An interest-rate floor is an option contract that compensates the holder of the floor when a specified interest-rate index decreases below a specified rate (called the floor rate or strike rate). The party that has purchased the floor is said to be "long" the floor, while the party that has sold the floor is said to be "short" the floor.

Interest-rate "collars" are agreements that combine interest-rate floor and interest-rate cap positions (the instructions for reporting interest-rate caps are provided above). To report collars, report the component cap and floor positions separately. (For an illustration, see the second example, below).

Aggregation

Report each interest-rate floor as a separate position.

Column 1: Contract Code
Report the contract code for the position in Column 1. Refer to Appendix B for the list of codes.

Column 2: Notional Amount
Report the notional principal amount of the floor in Column 2.

Column 3: Maturity or Fees
Maturity information for both current and forward floors is reported in Column 3 using the same format. First, report the effective date of the floor (*i.e.*, the first exercise date of the floor) in YYMM format. Second, report the maturity date (*i.e.*, the month of the last payment date of the floor), also in YYMM format.

For example, for a floor with its first exercise date on February 21, 1991, and with its last payment date on February 21, 2001, report 91020102 in Column 3; for a forward floor with first exercise date on February 21, 2000, and last payment date on February 21, 2010, report 00021002 in Column 3.

Column 4: Price/Rate #1
Report the floor rate, or strike rate, in Column 4.

Column 5: Price/Rate #2
Leave Column 5 blank.

Examples:

Position 1: The savings association is short (has sold) a $10 million floor based on the 3-month Treasury rate with a floor rate of 6.00%. The first exercise date was in October 1993 and it expires in October 1998.

Positions 2 and 3: The savings association has entered into a $25 million interest-rate collar in which it is long a 3-month LIBOR cap at a strike rate of 8.00% and short a 3-month LIBOR floor at a strike rate of 5.00%. The first exercise date was in September 1989 and it expires in September 1999. (The cap and floor components of the collar are reported separately in positions 2 and 3, below.)

The positions would be reported as follows:

	[1] Contract Code	[2] Notional Amount	[3] Maturity or Fees	[4] Price/Rate #1	[5] Price/Rate #2
Position 1	7038	10 000	93109810	6.00	
Position 2	6004	25 000	89099909	8.00	
Position 3	7034	25 000	89099909	5.00	

Futures

A futures contract is an agreement to buy or sell a specified commodity or financial instrument for a specified price on a specified date. The party agreeing to purchase the instrument is “long” the futures contract and the party agreeing to sell the instrument is “short” the contract.

Futures are exchange-traded contracts. Forward contracts, which are traded over-the-counter, should not be reported as futures. Instead, the reporting savings association should estimate the market value of the forward contracts, in the nine interest rate scenarios described in the section entitled “Reporting of Market Value Estimates” of these instructions, and report them in CMR911 through CMR919 (Market Value Estimates of Off-Balance Sheet Contracts).

Aggregation

Futures positions with the same contract code (see Appendix B for codes) and same delivery date should be reported as a single position. For example, report short positions in Eurodollar futures (code 8046) deliverable in March separately from those with a June delivery date.

Column 1: Contract Code
Report the contract code for the position in Column 1. Refer to Appendix B for the list of codes.

Column 2: Notional Amount
Report the notional principal amount of the futures position in Column 2.

Column 3: Maturity or Fees
Report the delivery date for the futures position in Column 3 in YYMM format.

Column 4: Price/Rate #1
Leave Column 4 blank.

Column 5: Price/Rate #2
Leave Column 5 blank.

***Example*:**

The savings association has the following short futures positions:

1. Eurodollar futures contracts ($1 million notional principal per contract) expiring in March 1996,
2. Eurodollar futures contracts expiring in June 1996, and
3. 3-month Treasury bill contracts ($1 million notional principal per contract) expiring in March 1996.

The positions would be reported as follows:

	[1] Contract Code	[2] Notional Amount	[3] Maturity or Fees	[4] Price/Rate #1	[5] Price/Rate #2
Position 1	8046	10 000	9603		
Position 2	8046	15 000	9606		
Position 3	8034	12 000	9603		

Options on Futures

A call option on a futures contract is a contract that grants the buyer of the option the right, but not the obligation, to acquire a long position in a futures contract at a specified price (the “strike price”) on a specified date (the “expiration date”).

A put option on a futures contract is a contract that grants the buyer the right, but not the obligation, to acquire a short position in a futures contract at a specified price on a specified date.

A savings association can hold either a “long” position in a call option or a put option (having bought the option), or a “short” position in a call option or a put option (having sold the option). Therefore, a savings association can have any of four positions in an option on a futures contract: (1) long a call option, (2) long a put option, (3) short a call option, and (4) short a put option.

Aggregation

Report as a single position all options on futures contracts with the same contract code, strike price, and expiration date. Options on futures positions must be reported separately if they have different expiration dates.

Column 1: Contract Code
Report the contract code for the position in Column 1. Refer to Appendix B for the list of codes.

Column 2: Notional Amount
Report the notional principal amount of the option position in Column 2.

Column 3: Maturity or Fees
Report the expiration date of the option position in Column 3 in YYMM format.

Column 4: Price/Rate #1
Report the strike price of the option position in Column 4.

Column 5: Price/Rate #2
Leave Column 5 blank.

Examples:

Positions 1 and 2: The savings association is long 10 put options on Eurodollar futures ($1 million notional principal value per option contract) at a strike price of 93.00 expiring in March 1995 and 15 put options on Eurodollar futures contracts, also at a strike price of 93.00, expiring in June 1995.

Position 3: The savings association is short 50 call options on Treasury bond futures contracts ($100,000 notional principal value per contract) at a strike price of 102.00 expiring in March 1996.

The positions would be reported as follows:

	[1] Contract Code	[2] Notional Amount	[3] Maturity or Fees	[4] Price/Rate #1	[5] Price/Rate #2
Position 1	9040	10 000	9503	93.00	
Position 2	9040	15 000	9506	93.00	
Position 3	9060	5 000	9603	102.00	

Construction Loans in Process

Construction loans in process (construction LIP) are construction loans on which the savings association has closed but has not yet disbursed the entire proceeds.

Report construction LIP for which an interest rate **has been specified**. Include fixed-rate loans and all adjustable-rate loans that reprice less often than monthly. **Agreements wherein the rate is determined at the time the funds are disbursed should not be reported on Schedule CMR.**

If the agreement contains a commitment to provide a mortgage loan upon completion of the construction, report the mortgage commitment as an optional or firm (as appropriate) commitment to originate a mortgage in the corresponding sections, above.

Aggregation

Report fixed-rate construction LIP separately from adjustable-rate construction LIP.

Column 1: Contract Code
Enter the contract code for the position in column 1. Refer to Appendix B for the list of codes.

Column 2: Notional Amount
Report in Column 2 the amount of undisbursed funds (*i.e.*, that portion of the commitments that have not been drawn down).

Column 3: Maturity or Fees
For fixed-rate loans report an estimate of the weighted average term to maturity in terms of months in this column. The term to maturity for each loan should represent the time until the principal is expected to be repaid. Therefore, it will include an estimate of the time until the funds are to be disbursed plus the expected term of the loan. For example, construction LIP that consists of a 1-year loan in which the funds are expected to be disbursed in 3 months would have a term to maturity of 15 months.

For adjustable-rate loans use the number of months until the first scheduled repricing to calculate the WARM.

Column 4: Price/Rate #1
Report the weighted average interest rate on the loans in Column 4. Refer to the calculation of the WAC in the General Instructions to Schedule CMR.

Column 5: Price/Rate #2
Leave Column 5 blank.

Example:

Position 1: The savings association has two fixed-rate construction loan commitments outstanding. On the first commitment, a $1 million loan with a 1-year term is expected to be disbursed in approximately 4 months (for a term to maturity of 16 months) at an interest rate of 10%. On the second, a $2 million loan with an 18-month term is expected to be disbursed in approximately 2 months (for a term to maturity of 20 months) at an interest rate of 11%.

The position would be reported as follows:

	[1] Contract Code	[2] Notional Amount	[3] Maturity or Fees	[4] Price/Rate #1	[5] Price/Rate #2
Position 1	9502	3 000	19	10.67	

REPORTING OF MARKET VALUE ESTIMATES

To calculate the market value of some of the financial instruments held by savings associations, more information is needed than can be collected on Schedule CMR. This section of Schedule CMR collects savings associations' own estimates of the market values of certain instruments in each of the nine interest rate scenarios shown in the Interest Rate Risk Exposure Report that OTS produces each quarter. OTS will combine the estimates reported by savings associations with the market value estimates calculated by the OTS Net Portfolio Value Model to evaluate savings associations' exposure to interest rate changes.

Reporting of market value estimates is **required** for savings associations with certain:

1. Off-balance-sheet contracts that cannot be identified by a contract code (*e.g.*, CMO swaps) (see instructions for CMR911-CMR919, below);
2. Mortgage-derivative securities (see instructions for CMR921-CMR929, below) (Savings associations that are not required to report market value estimates for their mortgage-derivative securities may do so at their option.); or
3. Structured securities (see instructions for CMR961-CMR969, below) (Savings associations that report structured securities in CMR485, must report market value estimates for those securities.) (Common types of structured securities include step-up bonds, index-amortizing notes, dual index notes, de-leveraged bonds, range bonds, and inverse floaters.).

Reporting of market value estimates is **optional** for the following types of assets and liabilities and off-balance-sheet contracts:

1. Liabilities containing certain options, such as callable bonds, redeemable preferred stock, variable-rate liabilities with interest-rate caps or floors, CDs with market-related prepayment penalties (see instructions for CMR941-CMR949, below);
2. Collateralized mortgage securities issued by the reporting savings association (see instructions for CMR951-CMR959); and
3. Off-balance-sheet contracts in excess of the 16 positions that may be reported on CMR800 through CMR880 (see instructions for CMR911 through CMR919, below).

Savings associations that elect to report their own estimates for a given type of instrument should do so consistently across quarters. Savings associations that choose not to report market value estimates should leave the cells blank.

Reporting Guidelines

When estimating the market values to be reported in this section, savings associations should use the same methodology they use in their TB 13 analyses. That is, first, they should calculate the base case market value of each instrument in the current interest rate environment. Then, they should calculate market value estimates in the eight shocked interest rate scenarios (*i.e.*, the plus and minus 100, 200, 300, and 400 basis point shocks described in TB 13) by assuming parallel shifts in the term structure of interest rates. In periods of low interest rates, it is possible that the simulation of the -400 or -300 interest rate scenarios could result in negative interest rates. To avoid this possibility, savings associations should set a floor of 10 basis points for all interest rates when performing their own simulations.

Assumptions used in the calculations must be reasonable and consistent with the analysis performed by the savings association to satisfy TB 13 or, in the case of mortgage-derivative securities, TB 52. Prepayment assumptions should be reasonably related to market consensus in the current interest rate scenario and, in the eight shocked scenarios, should reflect likely changes that would occur in prepayment rates under each interest

rate shock. If the valuation is performed by estimating the present value of future cash flows, both the discount rates and expected future cash flows should reflect the current yield curve of that or similar instruments in the current rate scenario and, in the shocked scenarios, should reflect likely changes that would occur under each shock.

CMR911 Through CMR919: Market Value Estimates of Off-Balance-Sheet Contracts

Report an estimate of the market value of off-balance-sheet (OBS) contracts according to the instructions for case 1 or 2 below.

Case 1: The savings association holds OBS contract(s) for which contract codes are **not** listed in the instructions. In such instances, report market value estimates for those contracts, in each of the nine interest rate scenarios listed, on CMR911 through CMR919.

Case 2: The reporting savings association has more than 16 OBS contract positions **and** has chosen to provide its own market value estimates of the additional positions instead of reporting them in the section for optional supplemental reporting for off-balance-sheet positions (see “Reporting More Than 16 OBS Positions” in the section “Off-Balance-Sheet Contracts” of the Schedule CMR Instructions). In such instances, the savings association **must** report the estimated market value of the additional positions, in each of the nine interest rate scenarios listed, on CMR911 through CMR919.

Savings associations may also include in this section estimates of the market value of loan servicing rights other than single-family first mortgages (e.g., servicing of commercial real estate, second mortgages, home equity loans, auto loans, credit cards, etc.).

Assumptions used in calculating market value estimates should be reasonable.

CMR921 Through CMR929: Market Value Estimates of Mortgage Derivative Securities

Reporting Information: Certain savings associations must report the estimated aggregate market value of mortgage-derivative securities in each of the nine interest rate scenarios. This is in addition to the general requirement that savings associations report the recorded investment of these securities on CMR351 through CMR376 (as described in “Mortgage-Derivative Securities,” in the section, “Assets”).

Savings associations meeting **any** of the three conditions below are **required** to report estimated market values of their entire portfolio of mortgage-derivative securities:

1. Assets exceeding $500 million; or
2. High-risk mortgage-derivative securities (as described in “Mortgage-Derivative Securities,” in the section “Assets”) acquired after December 31, 1988; or
3. Recorded investment of the portfolio of mortgage-derivatives exceeding 5 percent of total assets.

Savings associations meeting any of these three conditions should report the market value of all CMOs, residuals, stripped MBS, and CMO swaps under the nine interest rate scenarios in CMR921 through CMR929. **In valuing floating-rate CMOs, which are reported on CMR351 and CMR352, savings associations should use a methodology that (1) values the cap and floor of the floater and (2) discounts cash flows using the zero coupon Treasury curve and a spread to the curve. Savings associations may obtain a detailed description of a methodology that incorporates these two requirements by calling the OTS PubliFax service at (202) 906-5660. Follow the instructions for the service and request document 36540, *CMO Floater Pricing Methodology.***

Savings associations not required to report estimated market values may do so at their option, but must include market values for all mortgage derivatives whose recorded investments are reported in CMR351 through CMR376.

Use of Information: When calculating a savings association's Interest Rate Risk Report, the OTS Model will use market value estimates of mortgage derivatives for savings associations that report them. For savings associations that have such derivatives but do not report market value estimates, the OTS Model will estimate market values using values of similar instruments as proxies.

CMR941 Through CMR950: Market Value Estimates of Options on Liabilities

Reporting Information: Savings associations that have issued liabilities with contractually stated options should report information about these instruments according to the following instructions.

Include:

1. Callable bonds,
2. Redeemable preferred stock,
3. Variable-rate liabilities with embedded floors or caps, and
4. Fixed-rate, fixed-maturity deposits with early withdrawal penalties that are not stated in months of forgone interest (*i.e.*, deposits not reported in CMR653 through CMR655).

Do not include:

1. Nonmaturity deposits, and
2. Fixed-rate, fixed-maturity deposits with early withdrawal penalties that are stated in months of forgone interest (*i.e.*, deposits that are reported in CMR653 through CMR655).

Information about options on liabilities is reported in three places — the first is mandatory, the last two are optional:

1. Report information about liabilities with options in the sections of Schedule CMR appropriate to each type of instrument.
2. At the option of the reporting savings association, it may report its estimate of the incremental value of the options on liabilities, in each of the nine interest rate scenarios listed, in CMR941 through CMR949. The incremental value of the options is defined as the difference between the value of liabilities with options and the value of liabilities without such embedded options. For example, floors (caps) would be reported with positive (negative) values or zero.
3. If the reporting savings association chooses to report its estimates of the market value of options on liabilities (*i.e.*, option 2 above), it should also report, in CMR950, the principal value of the liabilities in which those options are embedded. Otherwise, leave CMR950 blank.

Example: A savings association has issued variable-rate liabilities with floors; it should report them on CMR721 through CMR748. Optionally, the savings association **may** report the market value of the floors on CMR941 through CMR949. If this option is chosen, the savings association must report the principal value of the underlying liabilities in CMR950.

Use of Information: The OTS Net Portfolio Value Model will estimate the value of liabilities containing options in the same way that it values similar liabilities that do not contain options. OTS will **not** estimate the value of such embedded options because of the considerable additional information that would be required to do so. Rather than attempt to collect such information, estimating the incremental value of the option is being left to the reporting savings association. For savings associations that opt not to report the estimated value of

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

CMR951 Through CMR959: Market Value Estimates of Collateralized Mortgage Securities Issued

Reporting Information: Report only those collateralized mortgage securities issued that are not recorded as sales in accordance with GAAP as principally prescribed by FAS No. 77, “Reporting by Transferors for Transfers of Receivables with Recourse” and FASB Technical Bulletin 85-2, “Accounting for Collateralized Mortgage Obligations (CMOs).” Information on collateralized mortgage securities issued is reported in two places: one is mandatory, the other is optional.

1. Report the book value of CMOs and other collateralized mortgage securities issued in CMR785. Balances reported on CMR785 should not be reported on CMR675 through CMR705, CMR723, CMR730, CMR737, or CMR744.
2. At the option of the reporting savings association, it may report its estimate of the value of the collateralized mortgage securities issued, in each of nine interest rate scenarios listed, on CMR951 through CMR959.

CMR961 Through CMR969: Market Value Estimates of Structured Securities

Reporting Information: Savings associations that own structured securities must report the estimated aggregate market value of those securities in each of the nine interest rate scenarios. This is in addition to the requirement that they report the outstanding balance of these securities on CMR485 (as described in “Outstanding Balance of Structured Securities,” in the section “Assets”).

Use of Information: When producing a savings association’s Interest Rate Risk Exposure Report, the OTS Model will include in NPV the market value estimates of these securities as reported by the savings association in CMR961 through CMR969.

OPTIONAL SUPPLEMENTAL REPORTING FOR ASSETS/LIABILITIES

Introduction

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

Supplemental reporting is available for the following:

Assets

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

Liabilities

1. Variable-rate, fixed-maturity liabilities.

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

Each line on the supplemental reporting form for assets and liabilities consists of a balance with a given asset or liability code, a rate index code, and information describing those balances (*e.g.*, margin, coupon, remaining maturity, etc.). All lines used to report supplemental information should be numbered sequentially, with the first line on the form receiving the number 1 in the column titled “Entry #.” All other entries are described in detail below. If there are insufficient lines on the Supplemental Reporting page to report the different combinations of instrument and index codes, use as many continuation pages as necessary.

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

Optional Supplemental Reporting of Assets

Three broad classes of assets may be reported on the Optional Supplemental Reporting form:

1. The following types of loans:
   - adjustable- and fixed-rate multifamily and nonresidential mortgage loans and securities,
   - adjustable-rate construction and land loans,
   - adjustable-rate second mortgages,
   - adjustable-rate commercial loans,
   - adjustable- and fixed-rate consumer loans;
2. Investments in mortgage-related mutual funds;
3. Investments in securities of the types reported on CMR479 (*e.g.*, municipal securities, mortgage-backed bonds, corporate securities, commercial paper).

In addition to a column for the entry number, there are nine input columns on the Optional Supplemental Reporting form. All nine columns are not always used, depending on the asset being reported. The reporting for each column is described below for each of the three classes of assets.

Loans

Column 1: Asset Code
Loans for which supplemental reporting is permitted are listed in Appendix C by Schedule CMR cell number. For each CMR cell number, one or more codes may be used to represent types of loans in that cell. For example, CMR335 and CMR336, Adjustable-rate and Fixed-rate Consumer Loans, respectively, may each be disaggregated into seven asset codes that correspond to different types of consumer loans. (For example, auto loans can be reported by entering asset code 183 in column 1 of the first line; education loans by entering asset code 182 the next line; etc.) Other CMR cell numbers (construction and land loans, second mortgages, and commercial loans) have only one code each. For those assets, balances cannot be disaggregated further by loan type, only by index code (see description of column 2 below).

Column 2: Rate Index Code
From the list of Interest Rate Index Codes in Appendix A, report the code representing the index to which the interest rate of the reported loan is tied. For example, adjustable-rate auto loans tied to the prime rate could be reported with an asset code of 183 in column 1 and an index code of 830 in column 2, while auto loans tied to the 1-year Treasury rate could be reported on a separate line with an asset code of 183 and an index code of 312.

Column 3: *Balance*
Report the outstanding balance of the loan in column 3.

Balances reported for asset codes within a given CMR cell number must sum to the balance reported in that cell in the Assets sections of Schedule CMR. For example, balances reported on the Supplemental Reporting form with asset codes 180 through 189 (*i.e.*, various types of consumer loans), and index codes designating adjustable-rate loans, must sum to the balance reported for total adjustable-rate consumer loans in CMR335. Likewise, the balances with asset codes 180 through 189 and an index code designating fixed-rate loans, must sum to CMR336, total fixed-rate consumer loans.

Column 4: Margin/WAC
If the entry represents an adjustable-rate loan, report the weighted average margin, in basis points, in column 4. If it is a fixed-rate loan, report the weighted average coupon (WAC), **in basis points,** in column 4. (Note that this differs from treatment in the Assets section of Schedule CMR, where the WAC is reported in percentage points.) Report the **net** margin or the **pass-through rate** for adjustable-rate and fixed-rate securities, respectively. Calculation of the weighted average margin and the weighted average coupon are described in the General Instructions to Schedule CMR.

Column 5: Rate Reset Frequency
If the loan being reported is adjustable-rate, report the weighted average frequency with which the coupon rate resets, in months, in column 5. The weighted average frequency of the coupon reset should be calculated in the same manner as the weighted average remaining maturity, as described in the General Instructions to Schedule CMR, but instead of months to maturity, use months between coupon reset dates. If the loan is fixed-rate, leave column 5 blank.

Column 6: Months to Full Amortization
Leave this column blank for all assets except multifamily and nonresidential balloon mortgage loans and securities (asset codes 100, 105, 106, 107, 108, and 109). For those assets, report the weighted average number of months remaining until the balloon mortgage would be fully amortized. Calculate this item in the same manner as described for weighted average remaining maturity, in the General Instructions to Schedule CMR, but instead of months to maturity, use months to full amortization.

Column 7: Remaining Maturity
Report the weighted average remaining maturity (WARM), in months, in column 7. The WARM should be calculated as described in the General Instructions to Schedule CMR. For balloon mortgages, use the number of months until payment of the balloon in this calculation.

Column 8: Distance to Lifetime Cap
This column is used only for adjustable-rate multifamily and nonresidential mortgage loans and securities (asset codes 100 through 119). For all other types of loans, leave it blank.

For each asset code, calculate the difference between the weighted average coupon (WAC) and the weighted average lifetime cap for the loans or securities in that category. Report the result in column 8, in basis points. For example, for a WAC of 10 percent and a cap of 12 percent, report a value of 200 basis points. The WAC is calculated as described in the General Instructions to Schedule CMR, and the weighted average lifetime cap is calculated analogously. For loans and securities that have no lifetime caps, report 9999 in this column.

Column 9: Distance to Lifetime Floor
This column is used only for adjustable-rate multifamily and nonresidential mortgage loans and securities (asset codes 100 through 119). For all other types of loans, leave it blank.

For each asset code, calculate the difference between the current weighted average coupon (WAC) and the weighted average lifetime floor for the loans in that category. Report the result in column 9, in basis points. For example, for a WAC of 10 percent and a floor of 8 percent, report a value of 200 basis points. For loans and securities that have no lifetime floor, report 9999 in this column.

Mortgage-Related Mutual Funds

Mortgage-related mutual funds are defined as those with any investments in mortgage pools, mortgage securities, mortgage-derivative securities, mortgage servicing rights, or other mortgage-related instruments. In addition to reporting investments in such mortgage-related mutual funds in CMR584, savings associations may report more detail about the asset holdings of such funds using the method described below.

Reporting this additional information will improve the accuracy of the interest rate risk estimate that OTS will produce. In the interest of conservatism, the OTS Model assumes that the market value of mortgage-related mutual funds reported in CMR584 consists entirely of fixed-rate MBS. If information about the composition of mutual fund assets is provided under this optional reporting method, assumptions will be made in the model that will better reflect the true interest rate sensitivity of those mutual funds.

To report optional information about the composition of mortgage-related mutual funds in which it has investments, a savings association should (1) determine its pro rata share of the current market value (*i.e.*, net asset value) of each mutual fund in which it has investments and (2) distribute the market value of its share of

each mutual fund into the asset categories shown in Appendix C (in the section that applies to CMR584). In addition to the entry number column, information is reported in two columns: Asset Code and Balance.

Column 1: Asset Code
Asset codes that may be used to report supplemental information about mortgage-related mutual funds are listed in Appendix C in the section that applies to CMR584. Report those asset categories in which the savings association's mutual funds have investments.

Column 3: Balance
Report the savings association's pro rata share of the current market value of each reported asset category. The total market value of all mortgage-related mutual fund asset categories reported on the Optional Supplemental Reporting form must equal the amount reported on CMR584.

Example: A savings association has invested in a single mortgage-related mutual fund. The fund's net asset value as of the reporting date is $100 million and the savings association's shares in the fund are worth $1 million. The mutual fund's asset portfolio consists of $50 million of fixed-rate MBS, $45 million of adjustable-rate MBS, and $5 million of Treasury securities. The savings association would report its pro rata share in these three types of assets in the following manner on the Optional Supplemental Reporting for Assets/Liabilities section of Schedule CMR:

[1] Asset Code	[2] Rate Index Code	[3] Balance $000	[4]	[5]	[6]	[7]	[8]	[9]
160		500		Columns [4] through [9] should be left blank				
162		450						
179		50						

Note that the entries sum to the $1 million reported by the savings association in CMR584.

Other Investment Securities

Additional information can be provided in this section on the securities reported on CMR479 and SBA securities reported in CMR473. Three different types of instruments may be distinguished using the codes listed in Appendix C: fixed coupon; floating-rate, and inverse floating-rate securities.

Column 1: Asset Code
Asset codes that are used to report supplemental information about other investment securities are listed in Appendix C in the section that applies to CMR479.

Column 2: Rate Index Code
From the list of Interest Rate Index Codes in Appendix A, report the code representing the index to which the interest rate of the reported security is tied (or code 900 if the security is fixed-coupon).

Column 3: Balance
For each reported asset category, report the outstanding balance of all securities of that type reported in CMR479. The total outstanding balance reported on the Optional Supplemental Reporting section with asset codes 120 through 124 **must equal** the amount reported on CMR479.

Column 4: Margin/WAC
If the entry represents a floating-rate security, report the margin, in basis points, in column 4. If it is a fixed-coupon security, report the coupon, **in basis points**, in column 4. (Note that this differs from treatment in the Assets section of Schedule CMR, where the coupon is reported in percentage points.)

Column 5: Rate Reset Frequency
If the balance reported in column 3 is floating-rate or inverse floating-rate, report the frequency with which the coupon rate resets, in months, in column 5. If the balance reported in column 3 is fixed-coupon, leave column 5 blank.

Column 7: Remaining Maturity
Report the remaining maturity, in months, in column 7.

Column 8:
This column is used only for reporting the benchmark rate (in basis points) of inverse floating-rate securities. For example, if the coupon of such a security is derived using the formula 17.5 minus 6-month LIBOR, the benchmark rate is 17.5, and should be reported as 1750 basis points in column 8.

For all other types of securities, leave this column blank.

Column 9:
Leave this column blank.

Optional Supplemental Reporting of Liabilities

Savings associations have the option to report variable-rate, fixed-maturity (VRFM) liabilities in disaggregated form on the Optional Supplemental Reporting Form.

Include liabilities of the following types that have contractually stated maturities and indexed rates:

1. Certificates of deposit,
2. FHLB advances,
3. Commercial bank loans,
4. Repurchase agreements,
5. Retail repurchase agreements,
6. Commercial paper issued,
7. Subordinated debt,
8. Redeemable preferred stock,
9. All other borrowings.

Do not include mortgage collateralized securities; report these on CMR785.

General Instructions:

If a savings association chooses to use the Optional Supplemental Reporting Form, it should report information about its VRFM liabilities as follows:

1. Report the required information for the aggregate of all VRFM liabilities on CMR744-CMR748 according to the instructions for those cells. This aggregated information would serve as a check on the disaggregated data reported on the Optional Supplemental Reporting Form.

2. Assign liability and index codes to each VRFM liability issued by the savings association, using the lists of codes in the table below and Appendix A, respectively. For example, each variable-rate FHLB advance indexed to the Fed Funds rate would have the liability code 220 (*i.e.*, the code for FHLB advances) and the index code 800 (*i.e.*, the code that shows that the interest rate on the advances is indexed to the Fed Funds rate).

3. Each VRFM liability issued by the savings association is reported either (A) individually or (B) aggregated with similar liabilities. Option A produces a very accurate valuation, but it might require the reporting of a large amount of data; option B produces somewhat less accurate valuations, but it requires the reporting of a smaller amount of data.

4. If option A is chosen, supply the required information (*i.e.*, liability code, index code, balance, margin, rate reset frequency, months to reset, and remaining maturity), for each VRFM liability issued that is reported individually. For example, each FHLB advance described in the example above would be reported (listed) individually.

5. If option B is chosen, VRFM liabilities are reported on the Optional Supplemental Reporting Form aggregated by liability and index code. Thus, all VRFM liabilities that have the same liability and index code would be reported aggregated as a single “position.” For example, if option B is chosen, all FHLB advances described in the preceding example would be reported together as a single position regardless of differences in margin, rate reset frequency, months to next reset, or remaining maturity.

Entry Number

Number all lines used to report supplemental information, starting with the number 1.

Column 1: Liability Code
The liability code is a 3-digit code that denotes the type of VRFM liability reported. The codes are included in the table below.

Table: Liability Codes

Liability Codes for Positions 1 through 3	Liability Type
200	Certificates of deposit
220	FHLB advances
299	Other

Column 2: Rate Index Code
The index code is a 3-digit code that describes the index of the VRFM liability reported. The codes can be found in the List of Interest Rate Index Codes (see Appendix A).

Column 3: Balance
If option A is chosen, report the outstanding balance of each **individual** VRFM liability. If option B is chosen, report the **total** outstanding balance of that **position**. In either case, do not report the carrying values.

Column 4: Margin in b.p.
The margin of a variable rate liability is the amount that is added to the index rate to derive the coupon rate. If option A is chosen, report the margin, in basis points, of each **individual** VRFM liability.

If option B is chosen, report the weighted average margin for each **position** as described in the General Instructions to Schedule CMR.

Column 5: Rate Reset Frequency
If option A is chosen, report the index rate reset frequency, in months, of each **individual** VRFM liability.

If option B is chosen, calculate the weighted average rate reset frequency for each **position** by multiplying the reset frequency of each liability (expressed in months) by the ratio of that liability's balance to the position's total balance. Calculate the weighted average rate reset frequency for each position as described in the General Instructions to Schedule CMR.

Column 6: Months to Next Reset
If option A is chosen, report the number of months until the next index rate reset for each **individual** VRFM liability.

If option B is chosen, calculate the weighted average months to next reset for each **position** by multiplying the number of months until next reset for each liability by the ratio of that liability's balance to the position's total balance. Calculate the weighted average months to next reset for each position as described in the General Instructions to Schedule CMR (round the weighted average months to next reset to the nearest month).

Column 7: Remaining Maturity
If option A is chosen, report the remaining maturity, in months, of each **individual** VRFM liability.

If option B is chosen, calculate the WARM for each **position** by multiplying the remaining maturity of each liability (expressed in months) by the ratio of that liability's balance to the position's total balance. Calculate the weighted average remaining term for each position as described in the General Instructions to Schedule CMR.

Column 8:
Leave this column blank for all VRFM liabilities.

Column 9:
Leave this column blank for all VRFM liabilities.

OPTIONAL SUPPLEMENTAL REPORTING FOR OFF-BALANCE-SHEET POSITIONS

In this section, savings associations may report supplemental information about off-balance-sheet contracts. As described in “Reporting More Than 16 OBS Positions” (in the section “Off-Balance-Sheet Contracts”), if the reporting savings association has more than 16 off-balance-sheet positions, it may report those positions in the same manner as it reported the initial 16 positions on the continuation page entitled “Optional Supplemental Reporting for Off-Balance-Sheet Positions.”

To report positions using supplemental pages, number the positions sequentially in the column entitled “Entry #”, beginning with the number 1 for the first position reported on the first supplemental page. The same instructions (*i.e.*, the section “Off-Balance-Sheet Contracts”) used to report the initial 16 positions apply. Use as many continuation pages as necessary to report the remaining positions.

APPENDIX A - LIST OF INTEREST RATE INDEX CODES

Code	Index
303	3-month Treasury security
306	6-month Treasury security
312	1-year Constant Maturity Treasury
324	2-year Constant Maturity Treasury
336	3-year Constant Maturity Treasury
360	5-year Constant Maturity Treasury
370	7-year Constant Maturity Treasury
380	10-year Constant Maturity Treasury
401	1-month London Interbank Offered Rate (LIBOR)
403	3-month London Interbank Offered Rate (LIBOR)
406	6-month London Interbank Offered Rate (LIBOR)
412	1-year London Interbank Offered Rate (LIBOR)
503	3-month FHLB advance rate
506	6-month FHLB advance rate
512	1-year FHLB advance rate
524	2-year FHLB advance rate
536	3-year FHLB advance rate
548	4-year FHLB advance rate
560	5-year FHLB advance rate
603	3-month fixed-rate CD rate
606	6-month fixed-rate CD rate
612	1-year fixed-rate CD rate
660	5-year fixed-rate CD rate
710	FHLMC/FNMA 30-year, fixed-rate mortgage commitment rate
720	National Average Contract Rate for the Purchase of Previously Occupied Homes
800	Federal funds rate
811	11th District FHLB Cost-of-Funds Index (COFI)
812	Lender’s own Cost-of-Funds
820	Federal Cost-of-Funds Index
830	Prime rate
900	Fixed-rate
910	Rate adjusted at lender’s discretion
911	Any other index

APPENDIX B - LIST OF CONTRACT CODES FOR OBS CONTRACTS

The following list of codes are to be used to report OBS contracts.

Contract Codes for Optional Commitments to Originate Mortgages

1002	1-month COFI ARMs
1004	6-month or 1-year COFI ARMs
1006	6-month or 1-year Treasury or LIBOR ARMs
1008	3-year or 5-year Treasury ARMs
1010	5-year or 7-year Balloon or 2-step mortgages
1012	10-year, 15-year, or 20-year FRMs
1014	25-year or 30-year FRMs
1016	all other mortgages

Contract Codes for Firm Commitments to Purchase, Sell, or Originate Mortgages

Firm Commitments to Purchase or Sell Mortgage Loans (Servicing Retained)

If the commitment is transacted on a “servicing retained” basis (*i.e.*, the seller will continue to be responsible for servicing the loans following the sale) use the following contract codes. (Note that most commitments to purchase or sell mortgages, including mandatory forward sales are transacted on a “servicing retained” basis, not on a “servicing released” basis.)

2002	purchase 1-month COFI ARM loans, servicing retained
2004	purchase 6-month or 1-year COFI ARM loans, servicing retained
2006	purchase 6-month or 1-year Treasury or LIBOR ARM loans, servicing retained
2008	purchase 3-year or 5-year Treasury ARM loans, servicing retained
2010	purchase 5-year or 7-year Balloon or 2-step mortgage loans, servicing retained
2012	purchase 10-year, 15-year, or 20-year FRM loans, servicing retained
2014	purchase 25-year or 30-year FRM loans, servicing retained
2016	purchase all other mortgage loans, servicing retained
2022	sell 1-month COFI ARM loans, servicing retained
2024	sell 6-month or 1-year COFI ARM loans, servicing retained
2026	sell 6-month or 1-year Treasury or LIBOR ARM loans, servicing retained
2028	sell 3-year or 5-year Treasury ARM loans, servicing retained
2030	sell 5-year or 7-year Balloon or 2-step mortgage loans, servicing retained
2032	sell 10-year, 15-year, or 20-year FRM loans, servicing retained
2034	sell 25-year or 30-year FRM loans, servicing retained
2036	sell all other mortgage loans, servicing retained

Firm Commitments to Purchase or Sell Mortgage Loans (Servicing Released)

If the commitment is transacted on a “servicing released” basis (*i.e.*, the purchaser will become responsible for servicing the loans) use the following contract codes:

2102	purchase 1-month COFI ARM loans, servicing released
2104	purchase 6-month or 1-year COFI ARM loans, servicing released
2106	purchase 6-month or 1-year Treasury or LIBOR ARM loans, servicing released
2108	purchase 3-year or 5-year Treasury ARM loans, servicing released
2110	purchase 5-year or 7-year Balloon or 2-Step mortgage loans, servicing released
2112	purchase 10-year, 15-year, or 20-year FRM loans, servicing released

2114 purchase 25-year or 30-year FRM loans, servicing released
2116 purchase all other mortgage loans, servicing released
2122 sell 1-month COFI ARM loans, servicing released
2124 sell 6-month or 1-year COFI ARM loans, servicing released
2126 sell 6-month or 1-year Treasury or LIBOR ARM loans, servicing released
2128 sell 3-year or 5-year Treasury ARM loans, servicing released
2130 sell 5-year or 7-year Balloon or 2-Step mortgage loans, servicing released
2132 sell 10-year, 15-year, or 20-year FRM loans, servicing released
2134 sell 25-year or 30-year FRM loans, servicing released
2136 sell all other mortgage loans, servicing released

Firm Commitments to Purchase or Sell MBS

2042 purchase 1-month COFI ARM MBS
2044 purchase 6-month or 1-year COFI ARM MBS
2046 purchase 6-month or 1-year Treasury or LIBOR ARM MBS
2048 purchase 3-year or 5-year Treasury ARM MBS
2050 purchase 5-year or 7-year Balloon or 2-step MBS
2052 purchase 10-year, 15-year, or 20-year FRM MBS
2054 purchase 25-year or 30-year FRM MBS
2056 purchase all other MBS
2062 sell 1-month COFI ARM MBS
2064 sell 6-month or 1-year COFI ARM MBS
2066 sell 6-month or 1-year Treasury or LIBOR ARM MBS
2068 sell 3-year or 5-year Treasury ARM MBS
2070 sell 5-year or 7-year Balloon or 2-step MBS
2072 sell 10-year, 15-year, or 20-year FRM MBS
2074 sell 25-year or 30-year FRM MBS
2076 sell all other MBS

Firm Commitments to Originate Mortgage Loans

2202 originate 1-month COFI ARM loans
2204 originate 6-month or 1-year COFI ARM loans
2206 originate 6-month or 1-year Treasury or LIBOR ARM loans
2208 originate 3-year or 5-year Treasury ARM loans
2210 originate 5-year or 7-year Balloon or 2-Step mortgage loans
2212 originate 10-year, 15-year, or 20-year FRM loans
2214 originate 25-year or 30-year FRM loans
2216 originate all other mortgage loans

Firm Commitments to Purchase or Sell Mortgage Derivative Products (MDPs)

2081 purchase low-risk floating-rate MDPs
2082 purchase low-risk fixed-rate MDPs
2083 sell low-risk floating-rate MDPs
2084 sell low-risk fixed-rate MDPs
2086 purchase high-risk MDPs
2088 sell high-risk MDPs

Contract Codes for Optional Commitments to Purchase or Sell Mortgages and MBS

Long Options to Purchase Mortgages and MBS (Long Calls)

3002	long the option to purchase 1-month COFI ARMs
3004	long the option to purchase 6-month or 1-year COFI ARMs
3006	long the option to purchase 6-month or 1-year Treasury or LIBOR ARMs
3008	long the option to purchase 3-year or 5-year Treasury ARMs
3010	long the option to purchase 5-year or 7-year Balloon or 2-step mortgages
3012	long the option to purchase 10-year, 15-year, or 20-year FRMs
3014	long the option to purchase 25-year or 30-year FRMs
3016	long the option to purchase all other mortgages

Long Options to Sell Mortgages and MBS (Long Puts)

3022	long the option to sell 1-month COFI ARMs
3024	long the option to sell 6-month or 1-year COFI ARMs
3026	long the option to sell 6-month or 1-year Treasury or LIBOR ARMs
3028	long the option to sell 3-year or 5-year Treasury ARMs
3030	long the option to sell 5-year or 7-year Balloon or 2-step mortgages
3032	long the option to sell 10-year, 15-year, or 20-year FRMs
3034	long the option to sell 25-year or 30-year FRMs
3036	long the option to sell all other mortgages

Short Options to Purchase Mortgages and MBS (Short Calls)

3042	short the option to purchase 1-month COFI ARMs
3044	short the option to purchase 6-month or 1-year COFI ARMs
3046	short the option to purchase 6-month or 1-year Treasury or LIBOR ARMs
3048	short the option to purchase 3-year or 5-year Treasury ARMs
3050	short the option to purchase 5-year or 7-year Balloon or 2-step mortgages
3052	short the option to purchase 10-year, 15-year, or 20-year FRMs
3054	short the option to purchase 25-year or 30-year FRMs
3056	short the option to purchase all other mortgages

Short Options to Sell Mortgages and MBS (Short Puts)

3062	short the option to sell 1-month COFI ARMs
3064	short the option to sell 6-month or 1-year COFI ARMs
3066	short the option to sell 6-month or 1-year Treasury or LIBOR ARMs
3068	short the option to sell 3-year or 5-year Treasury ARMs
3070	short the option to sell 5-year or 7-year Balloon or 2-step mortgages
3072	short the option to sell 10-year, 15-year, or 20-year FRMs
3074	short the option to sell 25-year or 30-year FRMs
3076	short the option to sell all other mortgages

Contract Codes for Commitments to Purchase or Sell Non-Mortgage Financial Assets and Liabilities

For purposes of reporting, core deposits are defined as Transaction Accounts, Money Market Deposit Accounts, Passbook Accounts, and Noninterest-Bearing Demand Deposits.

4002	purchase or originate non-mortgage financial assets
4004	purchase core deposits
4006	purchase all other liabilities
4022	sell non-mortgage financial assets
4024	sell core deposits
4026	sell all other liabilities

Contract Codes for Interest-Rate Swaps

The codes for swaps are divided into three groups: fixed-for-floating swaps, basis swaps, and mortgage swaps. No codes are listed for LIBOR-for-COFI basis swaps because the value of this type of swap does not change substantially when the yield curve changes in a parallel fashion. Special reporting instructions for swaptions and amortizing swaps appear below the list of codes.

CMO swaps are reported with Mortgage-Derivative Securities (see “Mortgage-Derivative Securities” in Section II, Assets).

If the institution holds a type of interest-rate swap that is not contained in this list, the contract should be reported in CMR911 through CMR919 of Schedule CMR. See “Market Value Estimates of OBS Contracts” in Section V, Reporting of Market Value Estimates, for reporting instructions.

Fixed-for-Floating Swaps

5002	pay fixed, receive 1-month LIBOR
5004	pay fixed, receive 3-month LIBOR
5006	pay fixed, receive 6-month LIBOR
5008	pay fixed, receive COFI
5010	pay fixed, receive 3-month Treasury
5012	pay fixed, receive 1-Year Treasury
5014	pay fixed, receive 3-year Treasury
5016	pay fixed, receive 5-year Treasury
5018	pay fixed, receive 7-year Treasury
5020	pay fixed, receive 10-year Treasury
5022	pay fixed, receive the prime rate
5024	pay 1-month LIBOR, receive fixed
5026	pay 3-month LIBOR, receive fixed
5028	pay 6-month LIBOR, receive fixed
5030	pay COFI, receive fixed
5032	pay 3-month Treasury, receive fixed
5034	pay 1-Year Treasury, receive fixed
5036	pay 3-year Treasury, receive fixed
5038	pay 5-year Treasury, receive fixed
5040	pay 7-year Treasury, receive fixed
5042	pay 10-year Treasury, receive fixed
5044	pay the prime rate, receive fixed

Basis Swaps

5052	pay COFI, receive 1-month LIBOR
5054	pay COFI, receive 3-month LIBOR

5056	pay COFI, receive 6-month LIBOR
5058	pay COFI, receive 3-month Treasury
5060	pay 1-month LIBOR, receive 1-year Treasury
5062	pay 1-month LIBOR, receive COFI
5064	pay 3-month LIBOR, receive COFI
5066	pay 6-month LIBOR, receive COFI
5068	pay 3-month Treasury, receive COFI
5069	pay 1-year Treasury, receive 1-month LIBOR

Mortgage Swaps

5572	pay 1-month LIBOR, receive MBS coupon
5574	pay 3-month LIBOR, receive MBS coupon
5576	pay 6-month LIBOR, receive MBS coupon
5582	pay MBS coupon, receive 1-month LIBOR
5584	pay MBS coupon, receive 3-month LIBOR
5586	pay MBS coupon, receive 6-month LIBOR

A “swaption” is an option on a swap. Swaptions are reported in the following manner: replace the first two digits of the contract codes listed above with “51” for a long position in the swaption (*i.e.*, the institution has purchased the swaption), or “52” for a short position in the swaption (*i.e.*, the institution has sold the swaption). For example, the contract code for a long swaption position where the institution would pay a fixed rate and receive 3-month LIBOR is 5104.

The OTS model only values swaptions on fixed-for-LIBOR (1-, 3-, and 6-month indices), fixed-for-COFI, and fixed-for-3-month Treasury coupons. These swaptions correspond to codes 5102 through 5110, 5124 through 5132, 5202 through 5210, and 5224 through 5232. If the institution holds a swaption that is not contained in this list, the contract should be reported in CMR911 through CMR919 of Schedule CMR. See “Market Value Estimates of OBS Contracts” in Section V, Reporting of Market Value Estimates, for reporting instructions.

An “amortizing swap” is a swap on which the notional amount amortizes over time. Amortizing swaps are reported by replacing the first two digits of the contract codes listed above with “55.” For example, the contract code for an amortizing swap where the institution pays COFI and receives 1-month LIBOR is 5552. (Because mortgage swaps are amortizing swaps, their contract codes begin with “55.”)

Contract Codes for Interest-Rate Caps

6002	long a cap on 1-month LIBOR
6004	long a cap on 3-month LIBOR
6006	long a cap on 6-month LIBOR
6008	long a cap on the 3-month Treasury
6010	long a cap on the 1-year Treasury
6012	long a cap on the 3-year Treasury
6014	long a cap on the 5-year Treasury
6016	long a cap on the 7-year Treasury
6018	long a cap on the 10-year Treasury
6020	long a cap on COFI
6022	long a cap on the prime rate
6032	short a cap on 1-month LIBOR
6034	short a cap on 3-month LIBOR
6036	short a cap on 6-month LIBOR
6038	short a cap on the 3-month Treasury
6040	short a cap on the 1-year Treasury
6042	short a cap on the 3-year Treasury
6044	short a cap on the 5-year Treasury
6046	short a cap on the 7-year Treasury

6048	short a cap on the 10-year Treasury
6050	short a cap on COFI
6052	short a cap on the prime rate

If the institution holds a cap on which the notional amount is amortizing (an “amortizing cap”), the contract should be reported in CMR911 through CMR919 of Schedule CMR. See “Market Value Estimates of OBS Contracts” in Section V, Reporting of Market Value Estimates, for reporting instructions.

Contract Codes for Interest-Rate Floors

7002	long a floor on 1-month LIBOR
7004	long a floor on 3-month LIBOR
7006	long a floor on 6-month LIBOR
7008	long a floor on the 3-month Treasury
7010	long a floor on the 1-year Treasury
7012	long a floor on the 3-year Treasury
7014	long a floor on the 5-year Treasury
7016	long a floor on the 7-year Treasury
7018	long a floor on the 10-year Treasury
7020	long a floor on COFI
7022	long a floor on the prime rate
7032	short a floor on 1-month LIBOR
7034	short a floor on 3-month LIBOR
7036	short a floor on 6-month LIBOR
7038	short a floor on the 3-month Treasury
7040	short a floor on the 1-year Treasury
7042	short a floor on the 3-year Treasury
7044	short a floor on the 5-year Treasury
7046	short a floor on the 7-year Treasury
7048	short a floor on the 10-year Treasury
7050	short a floor on COFI
7052	short a floor on the prime rate

If the institution holds a floor on which the notional amount is amortizing (an “amortizing floor”), the contract should be reported in CMR911 through CMR919 of Schedule CMR. See “Market Value Estimates of OBS Contracts” in Section V, Reporting of Market Value Estimates, for reporting instructions.

Contract Codes for Futures

8002	long 30-day interest rate
8004	long 3-month Treasury bill
8006	long 2-year Treasury note
8008	long 5-year Treasury note
8010	long 10-year Treasury note
8012	long Treasury bond
8014	long 1-month LIBOR
8016	long 3-month Eurodollar
8018	long 3-year Swap
8020	long 5-year Swap
8032	short 30-day interest rate
8034	short 3-month Treasury bill
8036	short 2-year Treasury note
8038	short 5-year Treasury note
8040	short 10-year Treasury note
8042	short Treasury bond
8044	short 1-month LIBOR

8046	short 3-month Eurodollar
8048	short 3-year Swap
8050	short 5-year Swap

Contract Codes for Options on Futures

Long Call Options

9002	long call, 30-day interest rate futures
9004	long call, 3-month Treasury bill futures
9006	long call, 2-year Treasury note futures
9008	long call, 5-year Treasury note futures
9010	long call, 10-year Treasury note futures
9012	long call, Treasury bond futures
9014	long call, 1-month LIBOR futures
9016	long call, 3-month Eurodollar futures

Long Put Options

9026	long put, 30-day interest rate futures
9028	long put, 3-month Treasury bill futures
9030	long put, 2-year Treasury note futures
9032	long put, 5-year Treasury note futures
9034	long put, 10-year Treasury note futures
9036	long put, Treasury bond futures
9038	long put, 1-month LIBOR futures
9040	long put, 3-month Eurodollar futures

Short Call Options

9050	short call, 30-day interest rate futures
9053	short call, 3-month Treasury bill futures
9054	short call, 2-year Treasury note futures
9056	short call, 5-year Treasury note futures
9058	short call, 10-year Treasury note futures
9060	short call, Treasury bond futures
9062	short call, 1-month LIBOR futures
9064	short call, 3-month Eurodollar futures

Short Put Options

9074	short put, 30-day interest rate futures
9076	short put, 3-month Treasury bill futures
9078	short put, 2-year Treasury note futures
9080	short put, 5-year Treasury note futures
9082	short put, 10-year Treasury note futures
9084	short put, Treasury bond futures
9086	short put, 1-month LIBOR futures
9088	short put, 3-month Eurodollar futures

Construction LIP

9502	fixed-rate
9512	adjustable-rate

APPENDIX C - LIST OF ASSET CODES FOR SUPPLEMENTAL REPORTING

CMR Line	Asset Type	Asset Code
	Multifamily and Nonresidential Mortgage Loans and Securities	
	Adjustable-Rate	
CMR261	**Balloon Mortgage Loans**	
	Coupon Within 300 bp of Lifetime Cap	100
	Coupon More Than 300 bp From Lifetime Cap	105
	With No Lifetime Cap	106
	Balloon Mortgage Securities	
	Coupon Within 300 bp of Lifetime Cap	107
	Coupon More Than 300 bp From Lifetime Cap	108
	With No Lifetime Cap	109
CMR262	**Fully Amortizing Mortgage Loans**	
	Coupon Within 300 bp of Lifetime Cap	110
	Coupon More Than 300 bp From Lifetime	115
	With No Lifetime Cap	116
	Fully Amortizing Mortgage Securities	
	Coupon Within 300 bp of Lifetime Cap	117
	Coupon More Than 300 bp From Lifetime Cap	118
	With No Lifetime Cap	119
	Fixed-Rate	
CMR281	**Balloon Mortgage Loans**	125
	Balloon Mortgage Securities	126
CMR282	**Fully Amortizing Mortgage Loans**	127
	Fully Amortizing Mortgage Securities	128
CMR291	**Construction & Land Loans (adjustable-rate)**	130
CMR311	**Second Mortgage (adjustable-rate)**	140

CMR Line	Asset Type	Asset Code
CMR325	**Commercial Loans (adjustable-rate)**	150
CMR335	**Consumer Loans (fixed- or adjustable-rate):**	
or	Loans on Deposits	180
CMR336	Unsecured Home Improvement Loans	181
	Education Loans	182
	Auto Loans and Leases	183
	Mobile Home Loans	184
	Credit Cards	185
	Other Type of Consumer Loans	189
CMR584	**Mortgage-Related Mutual Funds:**	
	Fixed-Rate Mortgages or MBS	160
	Adjustable-Rate Mortgages or MBS	162
	CMO or REMIC Tranches:	
	Floating-Rate	166
	Fixed-Rate WAL < 5 yrs	167
	Fixed-Rate WAL 5-10 yrs	168
	Fixed-Rate WAL > 10 yrs	169
	Superfloaters	170
	Inverse Floaters & Super POs	171
	Fixed-Rate Residuals	172
	Floating-Rate Residuals	173
	Interest-Only MBS	175
	Principal-Only MBS	176
	Mortgage Servicing Rights	178
	Other	179
CMR479	**Other Investment Securities:**	
	Fixed-Coupon Securities	120
	Floating-Rate Securities	122
	Inverse Floating-Rate Securities	124

INDEX

Accountants
  Change of 119
  Codes for type of work performed 118
Accounting fees 53
Accounting principles
  Cumulative effect of changes in 58
  Retroactive changes to 111
Accounts Payable 36
Accrual basis of accounting 43
Accrued interest receivable
  Nonmortgage loans 21
Accrued interest Receivable
  Mortgage loans 16
  Mortgage pool securities 10
  Securities 8
Adjustable-rate
  Mortgages and Securities, Schedule CMR ..181
Advertising expenses 53
Allowances for loan and lease losses
  in Tier 2 capital 150
  Mortgage loans 17
  nonmortgage 21
Amended reports 43
Annuities
  Sales of 113
APB Opinion No. 18
  Equity method, Schedule SC 25
ARMs
  Schedule CMR 181
Asset codes
  Schedule CMR 259
Asset-backed Securities
  Collateralized by nonmortgage loans 8
Assets held for sale
  Gain or loss on sale of 49
  LOCOM adjustments 49
Audit codes 118
Available-for-sale securities 5
  Gain or loss on sale of 49
Balances reported
  Schedule CMR 170
Bilateral netting agreement
  Risk-weighting 166
Borrowings
  Discounts and premiums 33
  Interest Payable 36
  Prepayment fees 57
Branch office
  Gains and losses on sale 50
Brokered deposits 99
  Schedule CMR 214
Building lots 16
Buydowns
  Schedule CMR 177
Call loans
  Defined for Schedule CMR 176
Capital
  In excess of par value 41
  Reconciliation of 110
  Regulatory ....*See* Regulatory Capital
Capitalized interest 47
Cash
  Risk-weighting 154
  Schedule SC 5
Cash items
  Risk-weighting 157
  Schedule SC 5
Cash, deposits and securities
  Schedule CMR 203
Change in control 117
Charge-offs 60, 63
Checks
  In process of collection 6
Classified assets 78
CMOs 7
  Issued 35
  Issued, Schedule CMR 220
  Residuals 7
  Residuals, Schedule CMR 199
  Schedule CMR 198

CNFIs 27
Commercial loans
Nonmortgage in Schedule SC.....18
Schedule CMR 193
Commercial Paper 8
Liability 35
Risk-weighting 162
Commitment fees
Amortization.....48
Nonrefundable 37
Refundable.....32
Commitments
Nonmortg. fin. assets, Schedule CMR.....227
Risk-weighting 164
Schedule CC 83
Common stock..... 41
Issuance costs.....41
Issuance costs adjusting retained earnings .111
Consolidation 5
Deposits.....102
Regulatory capital 138
Schedule CMR 170
Schedule SO 43
Construction loans
Churches 13
Combination land/construction loan.....13
Combined with permanent loan 13
Condominiums 13
Defined for Schedule CMR.....176
Dormitories 13
Mobile home parks.....13
Multifamily, Schedule SC.....13
Nonresidential, Schedule SC.....13
Owner/builder, risk-weighting 158
Retirement homes.....13
Risk-weighting 162
Risk-weighting, qualifying.....161
Schedule CMR 190
Unsecured 18
Construction loans, Schedule SC 12
Consumer loans
Risk-weighting 161
Schedule CMR 195
Schedule SC 19
Contra-assets..... 5
Contributed capital 41
Convertible securities
Issuance costs.....28
Cooperative buildings
Loans on units in 12
Core deposit intangibles 27
Amortization.....54
in regulatory capital.....141
in Tier 1 Capital 144
Corporate Debt Securities..... 8
Cost method of accounting for investments..... 25
Credit card lines
Risk-weighting.....164
Credit cards
Overpayments..... 31
Schedule CMR..... 211
Schedule SC 21
Servicing income..... 48
Dealer reserve accounts..... 31
Debt issued
Collateralized by mortgages 35
Debt securities
Schedule CMR..... 205
Deferred income 37
Deferred loan fees..... 11
Deferred tax assets
Regulatory capital 142
Cash items 30
Demand deposits
Defined..... 101
Deposit insurance premiums
Data for calculation of, Schedule SI 101
Expensed 55
Prepaid..... 28
Deposits
Bulk purchase 117
Commission fees 33
Consolidated subsidiaries..... 102
Definition of 30
Discounts and premiums..... 33
Escrows..... 32
Interest payable 36
Interest rates paid on 121
Interest-earning in Schedule SC 7
IRA/Keogh accounts..... 100
Lifeline accounts 102
Netting 103
Noninterest-bearing 101
Nonmaturity, Schedule CMR..... 218
Nonwithdrawable, in Tier 2 capital 149
Nonwithdrawable, included in regulatory capital
..... 144
Number of 100
Oakar calculation..... 104
Overdrafts, consumer..... 21
Penalties for early withdrawals..... 45
Pledged, defined in regulatory capital 144
Preferred 100
Public funds 100
Reciprocal balances..... 31
SAIF Premium Assessment 101
Schedule CMR..... 212
Size of 99
Transaction account fees..... 48
Uninsured..... 100

Zero coupon 30
Zero-balance, as demand deposits....101
Direct Credit Substitutes
Defined 86
Directors' fees and expenses 53
Dividend income....43
Dividends
In capital reconciliation....110
Other than cash....112
Payable....37
Preferred stock of consol. subsidiaries 110
Redeemable preferred stock....110
Dollar Repurchase Agreement
Securities purchased under....8
Dwelling unit
Defined 176
Employees
Number of....105
Equity capital
Reconciliation of....110
Equity investments
in regulatory capital....138
Regulatory capital, deduction from 151
Equity method....25
Equity securities
Defined in capital....151
Schedule SC 6
Escrows....32
Consolidated subsidiaries 102
Schedule CMR 220
ESOPs
Debt 35
Employer contributions to 53
Unearned shares....42
Eurodollar issues....35
Examination fees....55
Excess servicing....*See* Servicing assets
Extraordinary items
Gains and losses....57
Fannie Mae
Stock....7
Federal Funds Sold....8
Risk-weighting 157
Schedule CMR 205
Federal Home Loan Bank
Accrued dividends....28
Advances....34
Deposits in 7
Dividends 51
Reverse repurchase agreements....34
Securities....6
Stock....28
Stock, Risk-weighting....157
FHLMC
Mortgage securities, risk-weighting 156
Participation certificates....10
Securities....6
Stock, risk-weighting....162
FICO bonds....6
Financing leases
Commercial 19
Fiscal year end 118
Fixed assets
Risk-weighting....162
Fixed Coupon Agreement
Securities purchased under 8
Fixed-rate mortgage loans and securities
Schedule CMR....177
FNMA
Mortgage securities, risk-weighting 156
Pools 10
Securities....6
Stock, risk-weighting....162
Foreclosed assets....21
Deed in lieu of....76
During the quarter....76
Gain or loss from sale 49
Held over 5 years....24
Income from operations 49
In-substance....21
Junior liens....22
Provision for loss....54
Troubled debt restructured....22, 76
VA, FHA, HUD loans 28
Valuation allowances....61
Writing down to market....22, 47
Forward agreements
Risk-weighting....166
Freddie Mac
Stock 7
Futures....119
Contract codes, Schedule CMR 256
Gains and losses 51
Schedule CMR....232
General valuation allowances
Foreclosed assets....23
Mortgage pool securities 10
Other assets....29
Real estate investments 24
Securities....8
Subordinate organizations....25
Generally accepted accounting principles....5
GNMA Securities
Pools 10
Risk-weighting....155
Goodwill
Amortization 54
Negative 37
Negative, in regulatory capital 141
Schedule SC....27

Write-downs....54
Hedges
Amortization of def. gains and losses 45
Amortization of deferred gains and losses....47
Deferred gains & losses on liabilities....37
Deferred gains/losses, assets....29
Held-for-sale assets 105
Held-to-maturity securities.... 5
Home equity loans
Mortgages....14
Nonmortgages....21
Risk-weighting 161
Risk-weighting lines-of-credit....164
Hypothecated deposits 11
Intangible assets
Risk-weighting, qualifying....162
Schedule SC 27
Interest expense 45
Interest income 43
Yield adjustments....44
Interest payable.... 36
Interest rate caps
Contract codes, Schedule CMR....255
Schedule CMR 230
Interest rate floors
Contract codes, Schedule CMR....256
Schedule CMR 231
Interest rate index codes
Schedule CMR 249
Interest rate swaps
Contract codes, Schedule CMR....254
Deferred gain or loss....33
Net cost....47
Payables....37
Receivables....28
Risk-weighting 157, 160, 166
Schedule CMR 228
Unmatched....47
International Banking Facility
Deposits....103
Investment contracts
Depository institution investment contracts ..103
Investments
Cost method 25
Equity method....25
Land
Office buildings....25
Land loans 16
Defined for Schedule CMR....176
Regulatory capital limitations....151
Risk-weighting 162
Schedule CMR 190
Leases
Deferred gains on sale/leaseback....37
Net income from....52
Office buildings and equipment.... 25
Property leased to others 28
Legal expenses.... 53
Letters of credit
Prepaid, in Schedule SC 31
Risk-weighting.... 165
Liabilities
Fixed rate, Schedule CMR 215
Schedule CMR.... 212
Variable rate, Schedule CMR 216
Liability codes
Schedule CMR.... 217
Lines of Credit
Commercial, unsecured.... 18
Consumer, in Schedule SC.... 20
Risk-weighting.... 164
Loan fees
Amortization 44
Loan payments
Unapplied....31, 37
Loan servicing
Credit card fee income 48
Escrows.... 32
Fee expense 54
Fee income 48
Liability.... 37
Receivables (taxes, ins., princ. & interest) 28
Recourse, risk-weighting 165
Loans
Agricultural 126
Auto, consumer.... 20
Commercial, Secured 18
Deposit 19
Education 19
Farm 126
Farm, nonmortgage.... 18
Floor-planning.... 18
Gains and losses on sale 50
Held for sale.... 105
Home equity.... 21
Home improvement.... 19
Insured by FmHA, AID, SBA 18
Mobile home, consumer.... 20
Modified 76
Nonmortgage 17
Officers, directors and shareholders.... 108
Originated for sale 106
Penalties and charges.... 48
Small business.... 125
Sold with recourse, financings 35
Time-share.... 20
Loans-in-process
Construction, Schedule CMR.... 234
Mortgage Loans, in Schedule SC 11

Risk-weighting 164
Manufactured housing
Construction loans on 13
Margin accounts..... 29
Interest income.....52
Market value estimates
Schedule CMR 170, 236
Mergers
Purchase accounting 118
Reporting 117
Valuation allowances 61
Minority interest..... 38
in Tier 2 capital 150
Regulatory capital, as included in.....144
Schedule CMR 221
Minority shareholders
Net income allocated to 43, 52
Money orders 32
Mortgage
Office premises 35
Mortgage Derivative Securities
Schedule CMR 197
Schedule SC 7
Mortgage loans
Allowance for loan and lease losses.....17
Apartment buildings 15
Balloon, Defined for Schedule CMR 176
Balloon, fixed rate.....179
Churches 15
Co-op units 12
Defined 11
Discounts and premiums 11
Dormitories 15
Farms.....15
Junior liens 12
Mobile home parks, permanent loan 15
Multifamily.....15
Multifamily, defined for Schedule CMR.....176
Multifamily, risk-weighting 159
Multifamily, Schedule CMR.....188
Multi-use property.....11
Nonresidential 15
Nonresidential, defined for Schedule CMR..176
Nursing homes 15
Originated for Sale 11
Participating interests 12
Participating interests, income.....44
Permanent, Schedule SC 14
Real estate investments.....24
Refinancing, in Schedule SC.....14
Retirement homes.....15
Second mortgages.....12
Second mortgages, risk-weighting 161
Single-family, defined for Schedule CMR....176
Sold with recourse, risk-weighting.....165
Warehouse loans in Schedule SC.....12
Wrap-around.....35
Wrap-around, in assets 12
Wrap-around, income from.....44
Wrap-around, Risk-weighting.....162
Mortgage pool securities
Defined, Schedule SC 9
Interest income 44
Multifamily, Schedule CMR 188
Private issues 10
Senior/Subordinated Pieces.....9
Mortgage servicing..... *See* Servicing
Mortgage-backed Bonds 8
Mortgage-backed securities
IO and PO Strips 7
Risk-weighting.....156, 160
Mutual funds..... 7
Mortgage-related, Schedule CMR 210
Proprietary.....115
Regulatory capital.....139
Sales of 113
Unremitted funds 32
Net deferred tax assets
Schedule SC 28
Net Portfolio Value Model.....169
Nonincludable subsidiaries
Consolidation, exception to GAAP 138
Defined.....140
Noninterest-Earning Deposits
Schedule SC 5
Nonmortgage Loans
Schedule SC 17
Securitized 8
Nonperforming assets
Risk-weighting.....161
Risk-weighting in regulatory capital.....154
Schedule CMR.....206
Nonperforming loans
Defined for Schedule CMR 176
Nonsecuritized financial instruments 27
Nonwithdrawable accounts
Defined.....144
Oakar deposits 104
Off-balance-sheet items
Contract codes, Schedule CMR 251
Risk-weighting.....163
Schedule CMR.....222
Schedule CMR, supplemental information..247
Office
Data center fees 53
Equipment rental 53
Leasehold improvements.....26
Leasehold improvements, amortization.....53
Office buildings..... 25

Construction of 25
Depreciation 25
Depreciation expense 53
Leasing income 52
Risk-weighting 162
Operating subsidiary
Defined 106, 132
Options
Fees as assets 29
Financial options fees received 37
Gains and losses....51
On futures, Schedule CMR....233
Schedule CMR 226
Standby fees received....37
Organization costs 27
Other assets.... 28
Risk-weighting 161
Schedule CMR 208
OTS assessments
Expensed....55
Outstanding checks
Cashiers checks....30
FHLB....102
Overdrafts.... 35
Customer accounts....21
Paid-in Capital 41
Pass-through investment
Net income from....52
Pass-through securities
Defined for Schedule CMR....177
Past-due assets
Risk-weighting in regulatory capital....154
Pay-through securities
Defined for Schedule CMR....177
Pension
Expense....53
Liability 42
Personnel expenses 52
Pledged deposits.... 30
Preferred stock
Convertible 40
Cumulative....40
Cumulative, deducted from reg. capital 141
Issuance costs....40
Issued by subsidiary 35
Noncumulative 40
Perpetual (nonredeemable) 40
Redeemable....38
Redeemable, in Tier 2 capital....149
Redeemable, Issuance costs 28
Redeemable, Schedule CMR....218
Prepaid expenses
Schedule SC 28
Prior period
Corrections to 43
Promissory Notes 8
Provision for loss
Calculation 60
Schedule VA 62
Public relations expense 53
Purchased credit card relationships
in regulatory capital.... 141
in Tier 1 capital.... 144
Purchased servicing.... *See* Servicing assets
Push-down accounting
Adjustments to retained earnings 111
Goodwill 27
Reporting date of 118
Qualified Thrift Lender 108
Real estate
Sale of, deferred gains 37
Real estate held for investment 24
Net income from 52
Regulatory capital requirement.... 151
Receivables
Intercompany 29
Noninterest bearing 29
Recorded investment
Defined.... 76
Defined in Schedule CMR.... 197
Recourse
Direct Credit Substitutes, defined.... 86
Low level risk-weighting....153, 167
Schedule CC.... 86
Recovery
Defined.... 60
Regulatory Capital
Adjustment for unrealized gains and losses 143
Adjustments to GAAP.... 139
Assets required to be deducted 151
Risk-weighting rules.... 153
Regulatory liquidity 106
REMICs.... 7
Replacement cost
Defined.... 166
Repossessed assets .....21. *See* Foreclosed assets
Repurchase Agreements.... 34
Schedule CMR.... 205
Securities purchased under 8
Residuals
Risk-weighting.... 162
Retained earnings.... 42
Adjustments to 111
Risk-weighting
General rules 153
SBA pools
Risk-weighting.... 155
Schedule CMR
Calculation of weighted averages.... 171
Compared to Schedule SC 174
Disaggregated information 240

Format 170
Second mortgages
Schedule CMR 191
Securities 5
Amounts due broker 37
Available-for-sale 105
Gains and losses on sale....50
Nonmortgage loans collateralizing....8
U.S. Government and Agency, Schedule SC..6
Unrealized gain/loss....41
Service corporation
Defined 133
Service corporations...*See* Subordinate organizations
Servicing
Loans serviced by others, Schedule CMR...210
Loans serviced for others....106
Mortgage, Schedule CMR 201
Servicing assets 26
Amortization and writedowns....48
Regulatory capital adjustments 142
Risk-weighting 162
Severance pay 53
SFAS No. 15
Schedule SO, Extraordinary items 57
SFAS No. 34
Schedule SC, Real estate investments....24
Schedule SO 47
SFAS No. 76
Schedule SC, FHLB advances....34
Schedule SO, Extraordinary items 57
SFAS No. 91
Schedule SI, Retroactive application....111
SFAS No. 109, Schedule SC 28
SFAS No. 115
Equity Securities 6
Schedule CCR, Regulatory capital adjustments 143
Schedule SC 5
Schedule SC, Mortgage pool securities....9
Schedule SC, Servicing assets....27
Schedule SO, Sale of securities....49
SFAS No. 125
Schedule CCR, Risk-weighting 162
Schedule SC, CNFIs....27
Schedule SC, Servicing assets....26
SFAS No. 16
Schedule SO, Extraordinary items 57
SFAS No. 66
Schedule SC, Sale of real estate 37
SFAS No. 72
Schedule SC, Goodwill 27
SFAS No. 77
Schedule SC 35
Schedule SC, Sale of Loans 35
Share loans....19
Risk-weighting....158
Sinking fund mortgages 31
Small business loans....125
Specific valuation allowances.... 5
Provisions and transfers in Schedule VA.....71
Sale of asset 61
State and Municipal Obligations
in Schedule SC 8
Stock
Issued 111
Retired....111
Subscriptions....32
Structured securities
Schedule CMR....205
Subordinate organizations
Investment in 24
Listing of 131
Negative equity investment....37
Net income from 52
Subordinated debentures 34
in Tier 2 capital....149
Issuance costs 28
Subsidiary
Defined, for capital rule 138
Lower-tier, defined 139
Nonincludable, Adjustment for assets in regulatory capital....145
Nonincludable, defined....140
Superfloaters
Schedule CMR....199
Supplementary capital ....*See* Tier 2 Capital
Tax and insurance escrows
Advances for 16
Taxes
Deferred 37
Income tax expense....56
Interest income from refunds 52
Payable 36
Receivable 28
Teaser ARMs
Defined for Schedule CMR 176
Tier 1 capital
Requirement 147
Tier 2 Capital
Allowable in total regulatory capital 150
Defined....147
Time-share Loans.... 20
Schedule CMR....210
Trading securities 5
Defined....105
Gains and losses 51
Travelers' checks
Risk-weighting....157
Treasury stock.... 42
Treasury tax and loan accounts 30
Troubled debt restructured

Defined 75
Trust assets 104
Trusts
Fee income.....48
Uninvested funds.....32
U.S. government and agency securities..... 6
IO and PO Strips 6
U.S. Savings Bonds
Redeemed.....6
U.S. Treasury bills..... 6
Unposted credits 30
Utility deposits..... 28
Valuation allowances..... 59
Provision for loss 47
Provision for loss on noninterest bearing assets54
Purchased assets.....62
WAC
Schedule CMR, defined 171
Warehouse loans
Nonperforming in Schedule CMR..... 207
Risk-weighting..... 162
Schedule CMR.....207, 209
Schedule SC..... 12
WARM
Schedule CMR, defined 172
Weighted average margin
Schedule CMR,defined 172
Weighted average pass-through rate
Schedule CMR, defined 171
Withholding Taxes
Employees' share 32
Payable, employer's share..... 36
Zero-coupon securities
Schedule CMR..... 204

GLOSSARY

This glossary was written to provide basic explanations of terms used in connection with the Thrift Financial Report in nontechnical language. The definitions have neither been officially approved nor sanctioned by the Office of Thrift Supervision. They are not legal definitions and should not be used to interpret or define provisions of OTS regulations or other official documents. A more extensive glossary of financial terms is available for $10 from the OTS's Order Department, P. O. Box 753, Waldorf, MD 20604, 301-645-6264.

A

Above Par (Value)

A higher dollar amount than the face value, or par, of a security. This condition occurs when a security sells for more than par or face value. The difference between the face value and the market price is called a premium.

Accelerated Mortgage Amortization

The restructuring of an existing mortgage loan by increasing the monthly payment to pay off the loan in a shorter time than the original maturity. Also, prepayment of loan principal.

Acceleration Clause

A clause that is commonly included in mortgages and bonds, and gives the holder the right to demand that the entire outstanding balance be paid in the event of default or other breach of contract.

Accounting Principles Board (APB)

A principle-making body of the American Institute of CPAs (AICPA) established in 1959. Membership of the Accounting Principles Board included representatives from public accounting industry, and academia. The Accounting Principles Board issued thirty-one opinions known as APB Opinions during its existence until it was terminated in 1972 and replaced by the Financial Accounting Standards Board (FASB).

Accounting Research Bulletins (ARB)

Pronouncements issued by the Committee on Accounting Procedure of the American Institute of CPAs (AICPA) during the period 1939 through 1959, at which time the Committee was replaced by the

Accounting Principles Board. Fifty-one ARBs were issued, formally establishing accounting principles on a variety of issues.

Accounts Payable

Short-term liabilities incurred and amounts recorded on the books of a company or individual that are owed and have not yet been paid to a creditor for previously purchased merchandise or services rendered.

Accounts Receivable

Amounts recorded as assets on the books of a company or individual that are due but have not yet been collected for merchandise sold or services rendered.

Accretion

Addition to income resulting from gradual, periodic reduction of deferred income.

Accrual Basis

The basis of accounting under which revenues are recorded when earned and expenditures are recorded as soon as they result in liabilities for benefit received, notwithstanding that the receipt of the revenue or the payment of the expenditure may take place, in whole or in part, in another accounting period. Opposite of cash basis accounting. The accrual basis of accounting must be used in the preparation of the Thrift Financial Report.

Accrued Dividend

A dividend that has been declared by the Board of Directors and considered to be earned and payable but not yet paid on stock or other instruments of ownership of a business.

Accrued Expense

Costs that have been incurred during an accounting period but have not yet been paid.

Accrued Interest

Interest earned (but which has not been received or credited) for the period of time that has elapsed since interest was last received.

Actual Thrift Investment Percentage (ATIP)

A ratio whose numerator is housing-related investments, called qualified thrift investments, and whose denominator is portfolio assets. The ratio is used to determine whether a savings association meets the qualified thrift lender (QTL) test. Savings associations may elect to use the Internal Revenue Service tax code Domestic Building and Loan Association (DBLA) test rather than the QTL test.

ADC

Acquisition, development, and/or construction.

Add-on Interest

The amount of interest payable during the term of the loan which is added to the principal of the loan to determine the face amount of the note. The borrower signs a note promising to repay the face amount (principal plus interest), although only the principal is disbursed to the borrower. Since the interest is not yet earned at the date of closing, a contra-account to the loan is set up representing the unearned interest.

This contra-account is reduced monthly and credited to interest income until at the time of maturity the contra-account is zero and the full principal is due. Loans with add-on interest are reported net of the unearned interest in Schedule SC in accordance with APB Opinion No. 21. *See* Discount Loan.

Adjustable Rate

An asset or liability that can be repriced (rate adjusted) periodically during its life according to a predetermined formula or index. The interest rate is automatically adjusted at stated intervals. *See* Adjustable-Rate Mortgage, Floating-Rate Securities, and Floating-Rate Tranches.

Adjustable-Rate Mortgage (ARM)

A loan in which the interest rate is periodically adjusted, moving higher or lower in the same ratio as a preselected index, such as Treasury bill rates. ARM loans may include a maximum on interest rate increases (caps) within a given time period and over the life of the loan, and may include limits on the frequency of interest rate adjustments. Typically, ARM loans initially have below-market interest rates (teaser rates) in return for the borrower sharing the risk that interest rates may rise during the course of the loan.

Adjusted Basis

The cost at which an asset is acquired, adjusted for certain occurrences since the day of acquisition. For example, the adjusted basis of real property is generally the purchase price plus capital improvements to the property less any depreciation taken. Adjusted basis is used in calculating gains and losses on the sale of an asset.

Adjusting Entries

Bookkeeping entries that are made after the trial balance has been prepared but before the closing entries. The adjusting entries are necessary to make the income and expense accounts consistent with the accrual method of accounting.

Advances

Loans issued by the Federal Home Loan Banks to member savings associations.

Affiliated Company

A company that (1) exercises control over another company either directly or indirectly or (2) has common ownership with another company.

Affiliated Person

(1) A director, officer, or controlling person of a savings association or its holding company. (2) A member of the immediate family residing in the same household as a director, officer, or controlling person of a savings association.

Agencies

Securities issued by an agency of the Federal government, for example, Fannie Mae, Ginnie Mae, etc.

AICPA

American Institute of Certified Public Accountants.

ALLL

Allowance for loan and lease losses.

Allowance

A reserve set aside for bad debts or for depreciation. *See* Allowance For Loan and Lease Losses (ALLL) and Valuation Allowances.

Allowance for Loan and Lease Losses (ALLL)

Valuation allowances established to absorb unidentified losses inherent in a savings association's overall loan and lease portfolio. *See* General Valuation Allowances and Specific Valuation Allowances.

Alternative Mortgage Instruments

Mortgage plans that differ from conventional fixed rate, fixed term, fixed monthly payment, fully amortized mortgages.

Amortization

(1) The gradual reduction of an asset or liability by means of periodic charges to reduce income or to increase expense. (2) The repayment of a loan calculated so that the principal will be paid in full through monthly payments of principal and interest for a predetermined period of time (typically 30 years for 1-4 family residential mortgages).

Amortized Cost

Face value net of unamortized discounts and premiums less write-offs. *See* Book Value, Face Value, and Recorded Investment.

Annual Percentage Rate (APR)

A requirement of Truth in Lending laws designed to show consumers the total cost of credit, including the effective interest rate plus certain finance and service charges (points).

Annual Percentage Yield (APY)

The effective annual rate of income expressed as a percentage of the price originally paid. In this calculation, it is assumed that interest earned is reinvested.

Annuity

(1) A series of equal payments at fixed intervals, such as monthly or annually. (2) An investment yielding fixed payments during the holder's lifetime or for a stated number of years.

Anticipatory Hedge

(1) A long anticipatory hedge is initiated by buying futures contracts to protect against a rise in the price of an asset to be purchased at a later date. (2) A short anticipatory hedge is initiated by selling futures contracts to protect against the decline in price of an asset to be sold at a future date, or to protect against a rise in interest rates of a fixed-rate liability or a future repricing on a variable-rate liability.

APB

Accounting Principles Board.

Appraisal

An estimate of the market value of an asset by a qualified appraiser.

Appreciation

The increase in value of an asset, specifically the increase in market value of real estate.

APR

Annual Percentage Rate.

APY

Annual Percentage Yield.

ARB

Accounting Research Bulletins.

Arbitrage

A transaction that involves buying a commodity in one market and simultaneously selling it in another market in order to profit from a disparity in prices between two markets. In a true arbitrage, the timing of the transactions must be simultaneous, thus imposing no risk to the investor.

Arm's-Length Transaction

A transaction negotiated by unrelated parties, each acting in his or her own best interest. The basis for a fair market value determination.

Arrears

An obligation remaining unpaid at the due date. Frequently used in connection with installment notes, mortgages, rent, and other obligations due and payable on a certain specified date.

Asked Price

The price at which a security is offered for sale.

Assessment

(1) An estimate of the value of a piece of real property for levying taxes; also called assessed valuation; (2) a charge against real property levied by a public governing body for a local improvement, such as a sewer repair or street paving.

Asset

Anything owned by an individual or company that has commercial usefulness or value if sold. An asset may be physical property, enforceable claims against others, including loans and accounts receivable, and deferred expenses. An asset may be tangible or intangible.

Asset/Liability Management

A planning and control process, the key concept of which is the integrated approach to matching the mix and maturities of assets and liabilities to achieve a favorable and even flow of "net interest margin".

Assisted Merger

The takeover of a troubled savings association by another depository institution with financial assistance provided from a Federal deposit insurance fund.

ATIP

Actual Thrift Investment Percentage.

ATM

Automated teller machine.

At-The-Money Option

An option with a strike price that is equal to the current market price of the underlying cash or futures contract. In this instance, the intrinsic value is zero and the value of the option reflects a premium paid for: (1) the time the holder has to decide whether or not to exercise the option, and (2) the expected price volatility. The value of this premium declines over time.

Automated Teller Machine

A machine that permits customers to gain access to their accounts through the use of a magnetically encoded plastic card and by pushing appropriate buttons on a computer terminal. ATMs dispense cash, accept deposits, transfer funds from one account to another, and perform other functions. Generally ATMs are available 24 hours a day.

Average Rate of Return

The return of an investment calculated by totaling the cash flow over the years divided by the amount of the investment, and dividing that amount by the number of years (or months) that the investment is outstanding.

B

Bad Debt Reserve

A valuation allowance, maintained by savings associations for income tax purposes, used to offset losses from foreclosed or uncollectable loans.

Balloon Loan

A loan that does not fully amortize by the end of the loan term. Periodic payments may be for principal and interest, or for interest only. At maturity, the unpaid principal is due in a lump sum.

Bank Check

A check drawn by a bank on itself and signed by an authorized bank officer. *See* Cashier's Checks and Official Checks.

Bank Insurance Fund (BIF)

A fund, administered by the FDIC, insuring deposits of member banks (primarily commercial banks) up to $100,000 per depositor. *See* Savings Association Insurance Fund.

Banker's Acceptance

A draft drawn on a depository institution, which when accepted by the depository institution, constitutes the depository institution's obligation to pay specific obligations of the draft writer when due. Acceptance converts a depositor's "order to pay" into an unconditional "promise to pay" by the accepting depository institution. Bankers acceptances are effectively a guaranty of payment for a purchase and are usually used in financing the import, export, transfer or storage of goods.

Banking Act of 1933

The legislation that created the Federal Deposit Insurance Corporation to provide insurance of deposits of member banks. The Act also provided for the regulation of banks and limited branch banking. Also known as the Glass-Steagall Act.

Basis Point

A measurement of yields or changes in prices or yields for securities. One basis point equals one one-hundredth of 1 percent. One hundred basis points equal one percent.

Bear Market

A period of falling prices. A condition of a stock market characterized by a selling trend and declining prices. Opposite of a bull market.

Bearer Bond

A bond that does not have the owner's name registered on the books of the issuing agency or company, and is payable to whomever holds the bond.

Before-Tax Income

Gross income less all expenses except for income tax expense.

Below Market

A price lower than the prevailing level at which a security is currently quoted or traded.

Below-Market Interest Rate

An interest rate below the current rate for conventional financing in a given area. Programs with below-market rates may be used to assist low or moderate income buyers.

Below Par

A price lower than par or face value. The difference between the price and the face value is the discount.

Bid

The price that a potential buyer is willing to pay for a security. An offer to purchase something.

BIF

Bank Insurance Fund.

BIF HOLA Savings Association

A BIF-insured OTS-regulated savings association.

Blanket Mortgage Loan

A loan made to developers or contractors to purchase one or more tracts of land with the intention of dividing the land into smaller parcels for resale or development.

Bond

A certificate that is evidence of a debt. The debt is initiated when the issuer sells the bond to the holder for a specific amount of cash. The issuer is obligated to pay the holder of the bond a fixed sum (the bond's face value) at a stated future date and to pay interest (usually twice a year) at a specified rate during the life of the bond. Bonds may be issued by corporations, the Federal government, and by state and local governments as a means of raising funds in the capital markets. Bonds may be issued in registered form, in which the name of the holder is on record with the issuer, or in bearer form, in which the name of the owner is not registered and the bond is payable to whomever bears or presents the bond to the issuer for redemption.

Bond Discount

The difference between the purchase price and face value of a bond when the face value exceeds the purchase price. Normally a bond sells at a discount when the stated interest rate of the bond is less than the current market interest rate. The discount is accreted to interest income over the life of the bond, increasing the stated interest rate of the bond to the market interest rate at the time of purchase.

Bond Equivalent

A yield based on a 365-day year with two semiannual coupon payments.

Bond Premium

The difference between the purchase price and the face value of a bond when a bond sells above par. Normally a bond sells at a premium when the stated interest rate is greater than the current market interest rate. The premium is amortized to interest income over the life of the bond, decreasing the stated interest rate of the bond to the market interest rate at the time of purchase.

Bond, Debenture

A bond for which there is no specific security (collateral) set aside or allocated for repayment of the principal.

Bond, Interim

Sometimes used before the issuance of permanent bonds to raise funds needed only temporarily. Synonymous with temporary bond.

Bond, Junk

Bonds rated lower than investment grade that yield higher rates of interest than the current investment-grade bond market.

Bond, Par

A bond selling at par, whose interest rate is in line with prevailing market interest rates.

Bond, Stripped

Bonds whose coupons have been clipped off. The principal and interest (coupons) are sold to separate groups of investors. Those seeking current income buy the strip of coupons, and those wanting a lump

sum at maturity buy the principal or "corpus" portion. Because each portion is worth less than its whole, both are sold at a deep discount from their face values.

Bond, Treasury

A U.S. Government long-term security, sold to the public and having a maturity longer than five years.

Bond, Zero-Coupon

A security sold at a deep discount from its face value and redeemed at the full amount at maturity. The difference between the cost of the bond and its value when redeemed is the investor's return. These notes provide no interest payments to holders.

Book Value

The amount at which an asset is carried in the accounting books of a business. Book value is equal to face value less unamortized discounts, plus unamortized premiums, plus accrued interest, less depreciation, valuation allowances, and write-offs. Equivalent to Carrying Value.

Branch Office

An office of a savings association that is physically separated from the home office but offers the same kinds of deposit and most loan services conducted at the home office.

Broker

An agent or middleman who does not actually own the securities or property he sells or buys. A broker, as opposed to a dealer, is always acting on behalf of another individual.

Broker-Originated Deposit

Any deposit placed in a savings association by or through a deposit broker.

Brokerage Fee

A fee, usually referred to as a commission fee, charged by a broker for execution of a transaction. The fee may be based on an amount per transaction or a percentage of the total value of the transaction.

Bull Market

A period of rising prices. Opposite of bear market.

Buy-Back Agreement

A provision in a sales contract stating that the seller will repurchase the asset sold within a specified period of time, usually for the selling price, if certain stated conditions exist. *See* Repurchase Agreement and Recourse.

Buying Hedge

Buying futures contracts to protect against possible increased cost of commodities or financial instruments that will be needed in the future. Also referred to as a long hedge.

Buying Long

Buying stocks, bonds, or commodities outright with the expectation of holding them for a rise in price and then selling.

C

Call

(1) An option to buy a specific security at a specified price within a designated period; (2) a demand by a lender for payment of a loan because of the failure of the borrower to comply with the terms of the loan; (3) a demand by the issuer of the redemption of stocks or bonds. *See* Put Option.

Call Option

An option that gives the option buyer the right to purchase (go “long”) the underlying futures contract at the strike price on or before the expiration date.

Call Price

The price at which a callable bond is redeemable. It is used in connection with preferred stocks and debt securities having a fixed claim. It is the price that an issuer must pay to voluntarily retire such securities. This often exceeds the par or liquidating price to compensate the holder of the called security for his or her loss of income and investment position resulting from the call.

Callable Bond

A bond that is redeemable by the issuer prior to maturity; for example, most Treasury bonds are callable five years before maturity at a specific price.

C and D

Cease and Desist Order

Cap

(1) The maximum rate to which an ARM may adjust (also referred to as a ceiling); (2) A contractual agreement (akin to an insurance policy) in which a third party limits the interest that will be received or paid if interest rates increase by a predetermined number of percentage points (also referred to as an interest-rate cap).

Capital

Generally represents the owners’ interest in the company’s net assets. It is also called equity capital, stockholders’ equity, and net worth. The capital of a company includes capital contributed by the owners’ plus the retention of earnings over time.

Capital Asset

An asset with an expected life of over one year and one that is not bought and sold in the normal course of business. A fixed asset.

Capital Expenditure

Money spent for additions or improvements to structures or equipment used to carry on the activities of an organization or individual.

Capital Gain or Loss

The gain or loss incurred from the sale or disposition of assets other than inventory, such as investment securities, and real estate.

Capitalize

The treatment of large expenses as part of a firm's assets. Thus, rather than treating an expenditure as a deduction from the income statement; it is treated as an asset.

Capitalized Interest

Interest that is not expensed, but is added to the carrying value of an asset. The purpose of capitalizing interest is to obtain a measure of acquisition cost that reflects the total investment in the asset. Interest is typically capitalized for assets that are constructed for a business's own use or for assets intended for sale or lease that are constructed as a discrete project (e.g., real estate developments). Refer to SFAS No. 34, "Capitalization of Interest Costs."

Capitalized Loan

A loan to which all amounts due are added to the balance of the loan and all payments received are deducted from the balance of the loan. For example, each month as interest is earned and escrow payments become due, these amounts are added to the loan balance; when payment is received it is deducted from the loan balance. Any unpaid amounts become part of the loan principal.

Captive Insurance Company

An insurance company in which a association is required to purchase stock in order to receive insurance. Because the sale of the stock of a captive insurance company is restricted by contract and typically must be redeemed by the issuer, these investments are not subject to SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities."

Carrying Amount of Loan

Recorded investment in the loan minus valuation allowances.

Carrying Value

The amount at which an asset is carried on the books of a business. Amortized cost (face value net of the unamortized discounts and premiums) plus accrued interest less depreciation, valuation allowances, and write-offs. Equivalent to Book Value.

Cash Basis Accounting

A method of accounting in which income and expense items are recorded and recognized when cash is received or disbursed. Opposite of accrual basis accounting. The accrual basis of accounting must be used in the preparation of the Thrift Financial Report.

Cash Market

A market in which securities are traded for immediate delivery for a cash payment.

Cash Price

The price at which a specific financial instrument is presently selling in the open market.

Cashier Checks

A check drawn by a financial institution on itself, signed by an institution's authorized officer and payable to a third party named by a customer making the withdrawal. *See* Official Checks.

CD

Certificate of Deposit.

Cease and Desist Order (C and D)

A demand from the courts or government agency that an entity cease an activity.

CEBA

Competitive Equality Banking Act of 1987.

Chattel Mortgage

A mortgage on personal property, such as an automobile or furniture, given as security for the payment of an obligation.

Certain Nonsecurity Financial Instruments (CNFI)

Unsecuritized financial instruments accounted for under SFAS No. 125, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities." CNFIs include interest-only strip receivables, loans receivable, other receivables, or retained interests in securitizations that can be contractually prepaid or otherwise settled in such a way that the holder would not recover substantially all of its recorded investment.

Certificate of Deposit (CD)

A written document issued by a financial institution to a depositor as evidence of its deposit. It includes the institution's promise to return the deposit at a specified future date plus earnings at a specified rate of interest. It may be negotiable (transferable to another party) or nonnegotiable. The interest specified may adjust periodically according to a predetermined formula or index or may be fixed for the term of the deposit.

Certificate of Deposit (demand)

A negotiable or transferable receipt issued for funds deposited with a financial institution and payable on demand to the holder. These receipts normally do not bear interest and are used principally by contractors and others as a guarantee of performance of a contract or as evidence of good faith when submitting a bid. They may also be used as collateral.

Charge-off

The amount of loss recorded that directly reduces the balance of an asset (*i.e.,* it is not established separately as a valuation allowance). *See* Write-off.

Classified Assets

Assets, generally loans, for which recovery is uncertain. Such assets are classified as substandard, doubtful, or loss. Refer to OTS Regulation 560.160. *See* Criticized Assets.

Clear Title

A title to real or personal property against which no liens have been recorded and that can be transferred to another party. Synonymous with good title, just title, and marketable title.

Closed Position

Forward or futures contracts that have been offset in full are considered “closed”, because the obligations cancel each other out.

Closed-end Credit

A loan with a fixed amount to be disbursed where the entire amount is expected to be disbursed. Overdraft privileges, credit cards, most home equity loans, and lines of credit are open-end rather than closed-end loans because, although they have a fixed ceiling, the association will not necessarily disburse the full amount of the line of credit.

Closed-end Mortgage

A mortgage with a prohibition against additional borrowing using the same lien. The prohibition against additional borrowing protects the existing creditors from having the security diluted.

Closing

The consummation of a financial transaction. In mortgage lending, closing is the process of the delivery of a deed, the signing of loan documents, and the advancing of funds by the lender.

Closing Price

The price at which transactions are made just before the end of trading on a given day.

Closing Transaction

(1) The final transaction for a particular security during a trading day. (2) An option order that will eliminate or decrease the size of an existing option position.

CMO

Collateralized mortgage obligation.

CNFI

Certain Nonsecurity Financial Instruments.

Collar

A maximum and minimum rate of interest that will be paid on the par value of a floating-rate note. *See* Interest-Rate Collar.

Collateral

Something of value that is pledged as security for a loan. The lender can repossess the collateral if the loan is not repaid.

Collateral Loan

A loan for which the borrower has deposited, with the lender, certain property as a pledge of payment. The lender usually has the right to sell the property to pay off the debt if it is not paid according to its term.

Collateral Mortgage

A document used in connection with a loan that effects a lien on real estate, where the loan is not a purchase-money mortgage.

Collateralized Mortgage Obligation (CMO)

A multiclass mortgage-backed security. An underlying pool of mortgages held by the issuer serves as collateral for the debt obligation, and principal and interest payments from the pool of mortgages are used to retire the CMOs. Typically, a single issue of CMOs contains three or more classes (tranches) of bonds, the interest on which can be fixed or floating and each with a different length of maturity, providing a form of call protection to the holder of a CMO.

Collateral Trust Notes

Bonds secured by the deposit of other bonds or stocks, usually issued by holding companies, investment trusts, and railroads.

Commercial Letter of Credit

An instrument by which a financial institution lends its credit to a customer to enable him to finance the purchase of goods. Addressed to the seller, the letter authorizes him to draw drafts on the financial institution under the terms stated.

Commercial Loan

Commercial loans are principally loans made to businesses for the financing of inventory purchases and operating expenses, as distinguished from personal loans or consumer credit loans. Commercial loans are typically short-term loans or acceptances.

Commercial Mortgage

A loan secured by real estate that is used, zoned, or intended for business purposes or multi-unit dwellings, or is part of a real estate investment portfolio.

Commercial Paper

An unsecured debt instrument issued by a corporation with a fixed maturity, typically for a short-term period (30, 45, 60, or 90 days). It is generally priced at a discount from par and is redeemable at par on the maturity date. Commercial paper is bought, sold, and traded by individual and corporate investors.

Commissions

A fee for services rendered. The fees that a broker charges a customer for executing a trade.

Commitment

An advance agreement to perform in the future, such as to provide funds for a mortgage loan or to buy or sell securities. Commitments may be at a fixed interest rate or price determined at the commitment date or at a rate or price to be determined at closing date. Commitments may be in the form of a commitment letter or may be verbal.

Commitment Fee

A fee paid by a borrower to a lender for the lender's promise to loan money at a future date. In the secondary market, a commitment fee is a payment by a financial institution to a mortgage buyer (e.g., Freddie Mac, Fannie Mae, etc.) for the buyer's promise to buy loans at a future date.

Common Stock

Securities that are evidence of proportionate equity or ownership of a corporation and that give the holder an unlimited proportionate interest in the corporation's earnings and assets after claims from creditors and the holders of preferred stock have been met.

Community Reinvestment Act of 1977 (CRA)

Legislation which requires financial institutions to meet the credit needs of all segments of their communities, including low- and moderate-income neighborhoods.

Compensating Balance

A dollar amount equal to the lowest percentage of a line of credit that the customer of a financial institution is expected to maintain, usually in a demand deposit account, as a condition for being granted a line of credit.

Competitive Equality Banking Act of 1987 (CEBA)

Legislation passed by the U.S. Congress in 1987 that established the adoption of generally accepted accounting principles (GAAP) in financial reporting, established classification of impaired assets, changed appraisal standards, affected minimum capital requirement provisions, established capital forbearance, mandated Troubled Debt Restructuring (TDR) disclosure, and gave the thrift industry the Qualified Thrift Lender test (QTL).

Compliance Exam

An examination of a savings institution to determine how well it is complying with Federal law and regulations, particularly those dealing with consumer protection and nondiscrimination.

Compound Interest

The interest that accrues when earnings for a specified period of time are added to the principal, so that interest during subsequent periods is computed on the principal plus all accumulated interest.

Condominium

A single dwelling unit in a multi-unit structure in which each unit is individually owned. A form of real estate ownership in which the purchaser receives title to a particular unit in a project and proportionate interest in common areas.

Conforming Loan

A mortgage loan that conforms to specified limits such as loan-to-value ratio, term, interest rates, or other characteristics. Typically these conform to guidelines established by Freddie Mac, Fannie Mae, or Ginnie Mae.

Conservator/Conservatorship

An individual or institution appointed by the Court or the FDIC to protect and conserve the assets of a troubled financial institution to facilitate liquidation, merger, or replacement of management. A

conservatorship affects the control and operation of an institution or company but does not alter its ownership. *See* Receivership.

Consolidation

The results obtained when the accounts of a parent company and its majority-owned subordinate organizations are combined to reflect the financial position and results of operations of the group as if operated as a single entity. This involves intercompany eliminations and minority interest adjustments. *See* SFAS No. 94, APB Opinion No. 18, and ARB No., 51.

Consolidation Loan

A loan that combines several debts into one loan, usually to reduce the annual percentage rate or dollar amount of payments made each month, by extending them over a longer period of time.

Constant Prepayment Rate (CPR)

The percentage of principal amount of a pool of mortgages that have been or are expected to be prepaid on an annual basis over the life of a pool.

Construction Loan

A short-term interim loan for financing the cost of construction. The lender makes payments to the builder at periodic intervals upon completion of certain phases of construction as provided for in the loan contract. *See* Loans in Process.

Consumer Credit

See Consumer Loan.

Consumer Loan

Loans to individuals or families, the proceeds of which are to be used for consumer purposes, as contrasted with business or investment.

Contingency Fund

Assets or other resources placed aside for unexpected expenditures, or for anticipated expenditures of an uncertain amount.

Contra Account

An account that is offset against another account. A contra account to an asset (contra-asset) has a credit balance and a contra account to a liability (contra-liability) has a debit balance. A contra account has no value in its own right and can only be stated in terms of the asset or liability to which it applies. Examples of contra-assets are discounts, deferred loan fees, and accumulated depreciation. An example of a contra-liability is a discount paid for deposits.

Contract Month

The month in which the futures contract may be fulfilled by making or taking delivery. Most interest rate futures contracts are liquidated prior to the contract month.

Conventional Mortgage

A mortgage originated by a financial institution without government insurance or guarantee.

Cooperative

A system of indirect ownership of a single unit in a multi-unit structure. The individual owns shares in a nonprofit corporation that holds title to the building. In turn, the corporation gives the owner a long-term proprietary lease on the unit. Also called a co-op.

Core Capital

One of three capital standards established for savings associations in 1989. Also known as Tier 1 Capital.

Core Deposits

The base of deposits that are expected to remain with a savings association over relatively long periods. In the application of purchase accounting in a merger, a dollar amount is allocated to the value of retaining the core deposits and this amount is established as an intangible asset known as a core deposit intangible (CDI).

Correspondent Bank

A bank that is the depository for another depository institution, typically located in another city or marketing area. The correspondent bank provides services such as accepting deposits and collection of loan payments for the other depository institution.

Cost of Capital

The rate of interest that a association must pay to a third party to borrow money or raise equity capital.

Cost of Funds

The interest paid or accrued on savings and borrowings, expressed as a percent of the average total savings and borrowings during a given accounting period.

Coupon

A tab attached to a bond, which can be torn off and presented to collect an interest payment at a given date.

Coupon Rate

The rate of interest paid on a particular security. For mortgage-backed securities, the word “coupon” is customarily used to describe the stated contract interest rate.

Coupon Strips

Ordinary bonds (typically, U.S. Treasury bonds) that are purchased and then repackaged so that the rights to interest and principal payments are sold separately. The effect is to transform a regular interest- paying security into zero-coupon securities. *See* Bond, Strip.

Covered Interest Arbitrage

Investing dollars in an instrument denominated in a foreign currency and hedging the resulting foreign exchange risk by selling the proceeds of the investment forward for dollars.

CRA

Community Reinvestment Act of 1977.

Credit

Any amount that, when posted, will increase the balance of a liability, income, or capital account or decrease the balance of an asset or expense account. Liability, capital, and income accounts normally have credit balances, and asset and expense accounts normally have debit balances.

Credit Risk

The potential for a borrower to default on all or part of a loan and, consequently, the potential for the value of the loan held by a savings association to decrease.

Cross-Hedge

A hedge transaction whereby the correlation between the two items being hedged is similar but not perfect. For example, hedging a commercial loan with a Ginnie Mae futures contract.

D

DBLA

Domestic Building and Loan Association.

Debenture

A debt instrument secured only by the general credit of the issuer. A corporate obligation sold as an investment.

Debit

Any amount that, when posted, will increase the balance of an asset or expense account and decrease the balance of a liability, income, or capital account. Asset and expense accounts normally have debit balances; and liability, capital, and income accounts normally have credit balances.

Debt

Money owed by one person or entity to another.

Debt Securities

A security representing borrowed funds that must be repaid. Examples of debt securities include bonds, certificates of deposit, commercial paper, and debentures.

Deed

A written agreement in proper legal form that conveys title to, or an interest in, real property.

Deed in Lieu

A deed given by a borrower to a lender to repay a mortgage loan and avoid foreclosure. A deed given in lieu of foreclosure.

Default

Failure to do what is required by law or to carry out the terms of a contract.

Defer

To delay payment to a future time.

Deferred Expense

An expense that is paid before the corresponding benefit is fully received, such as a prepaid insurance premium. For accounting purposes, the expense is recorded as an asset until benefit is obtained, and may be prorated over a number of subsequent accounting periods.

Deferred Income

Any income that is received before it is due or before it is earned. Rent paid in advance is an example of deferred income that is received during one accounting period but earned in a later accounting period. Deferred income is generally recorded as a liability until it is earned, at which time it is taken into income. Interest received in advance is also deferred income; however, instead of being recorded as a liability, interest received in advance offsets the balance of the loan to which it applies.

Deferred Loan Fee

A loan fee, also referred to as points, that is typically received at loan closing. Deferred loan fees are considered interest paid in advance. Once the loan is disbursed, the deferred loan fee is reported on the balance sheet as a contra-asset to the loan and is accreted to interest income. *See* SFAS 91.

Deficiency Judgment

A court order that authorizes the collection from the debtor of the part of the debt remaining unsatisfied after foreclosure and sale of collateral.

Delinquency

Failure to make payment on a debt when due.

Demand Deposit Account

An noninterest-bearing account from which a depositor may withdraw funds immediately without prior notice. Since funds may be withdrawn on demand in person or by presentation of a check, the account has many of the liquid characteristics of circulating currency. *See* FDIC Regulations 329.1, 329.101, and 329.102.

De Novo Association

A newly chartered savings association.

Deposit

Money placed in a depository institution for safe keeping. Includes demand (usually checking accounts), savings (passbook) accounts, time deposits, negotiable certificates of deposit (CDs), money market accounts, etc. Most are interest bearing.

Deposit Broker

A person or entity engaged in the business of placing funds or facilitating the placement of funds of third parties in accounts issued by a depository institution.

Depository Institution

A financial intermediary that accepts savings and demand deposits from the general public.

Depreciation

The gradual decline in the value of a property over its useful life. Depreciation is recognized through a systematic charge-off of the cost less salvage value over the estimated useful life. It is a bookkeeping entry that does not involve any cash outlay.

Direct Investment

Investment by savings associations directly in the equity of a venture, as opposed to investment in a debt instrument. With direct investment, an association actually owns all or part of a venture, rather than loaning money to finance the venture.

Discharge of Lien

The recorded release of a lien when debt has been repaid.

Discount

The difference between the purchase price and face value of a security when the face value exceeds the purchase price. Normally a security sells at a discount when the stated interest rate of the security is less than the current market interest rate. The discount is accreted to interest income over the life of the security, increasing the stated interest rate of the security to the market interest rate at the time of purchase.

Discount Bond

See Bond Discount.

Discount Loan

A loan on which the amount disbursed at closing equals the face amount of the loan less interest that will be earned over the life of the loan, and sometimes miscellaneous charges. The borrower must repay the full face amount of the loan. *See* Add-on Interest.

Discount Paper

Short-term non-interesting-bearing securities issued at a price below par. The difference between the purchase price and the amount redeemed at maturity is accreted to interest income over the life of the security.

Discount Rate

(1) The rate representing the amount of money deducted from the face value of a note; and (2) the add-on rate of interest charged to Federal Reserve System member banks for borrowing at the discount window.

Discount Securities

Short-term non-interest-bearing debt instruments issued at a price below par and redeemed at maturity for full face value; usually short-term such as Treasury bills.

Discount Window

A “window” available to Federal Reserve System members that allows them to borrow against collateral.

Discounted Cash Flows

Anticipated net cash receipts from an investment discounted to present value under the theory that cash received in the future has a lesser value than the same amount of cash received today. Several assumptions must be made in this calculation: estimated cash flows, timing of the cash flows, and the discount rate used.

Dividend

A portion of the net profits officially declared by the Board of Directors to be distributed to the shareholders. A dividend is paid at a certain rate for each share of stock held by each stockholder (*e.g.,* at 10 cents per share).

Dividend, Extra

Distribution of excess profits over and above the regular dividend.

Dividend, Scrip

A promissory dividend payable in the future. The directors vote to withhold actual cash dividend until a certain future event has taken place.

Dividend, Stock

A payment of stock in lieu of a cash dividend on a pro rata basis according to the amount of stock held by each stockholder.

Docket Number

A five-digit number assigned to a savings association by the OTS. Each savings association regulated by OTS has its own docket number. The number is used to file and retrieve all financial, organizational, and regulatory data regarding that institution.

Dollar Reverse Repurchase Agreement

A financial transaction that is similar to a reverse repurchase agreement in which a dealer loans money by buying a security and agreeing to sell it back to the customer at a higher price at a later date. In a dollar reverse repurchase agreement (dollar reverse repo) the dealer does not sell back the exact same security but another, substantially identical security. *See* Repurchase Agreement

Domestic Building and Loan Association (DBLA)

Defined in the IRS Tax Code as a domestic or Federal savings and loan association whose principal business is acquiring savings deposits from the public and investing in loans. Savings associations may substitute the IRS DBLA test for the Qualified Thrift Lender (QTL) test.

Doubtful Assets

Those assets that would probably not bring full value upon liquidation. A classification of assets under OTS Regulations. *See* Classified Assets.

Duration

The number of years required to receive the present value of future payments, both interest and principal, from a bond. Duration is determined by calculating the present value of the principal and each coupon, and then multiplying each result by the period of time before payment is to occur. The concept of duration is used to relate the sensitivity of bond price changes to changes in interest rates.

Dwelling Unit

A unified combination of rooms, whether existing or under construction, designed for residence by one family. Living quarters consisting of contiguous rooms providing complete independent facilities for living, eating, cooking, sleeping and sanitation. This classification is not changed because of incidental use for business purposes.

Dwelling Units, 1-4

(1) Single-family dwellings in detached or semidetached structures including manufactured housing; (2) Permanently financed units in a condominium or cooperative arrangement, where the owner of each unit has an undivided proportional interest in the underlying real estate and common elements of the structure; and (3) Structures consisting of 2-4 dwelling units. A mortgage secured by one to four dwelling units is included in this mortgage calculation.

Dwelling Units, 5 or More

A structure containing 5 or more dwelling units; also referred to as multi-family residential property. A single mortgage secured by 5 or more dwelling units in one structure, or in semi-detached or detached structures, is included in this mortgage classification. The construction financing of condominium or cooperative apartments is included in this classification until the construction phase is complete because the units are in structures containing 5 or more units and are covered by one mortgage. The construction of single-family dwellings in one project is not included in this category, even though it may involve only one construction loan; in this case the future use of the property as single-family dwellings and the fact that the dwellings are in detached or semi-detached structures determines the classification. This definition also includes fraternity/sorority houses offering sleeping accommodations, living accommodations for students or staff of a college or hospital, and retirement homes with sleeping and eating accommodations that are not condominiums or cooperatives. In these cases, the number of bedrooms in the structure will be the number of dwelling units. Also included in this classification are mobile home parks

E

Education Loan

An advance of funds for the purpose of financing a college or vocational education.

Effective Rate

The actual yield of interest as opposed to the stated rate. For deposits, the effective rate of interest is based on the accounting method used to compute interest and the frequency of compounding. For loans, the effective rate is the stated interest rate plus fees and charges prorated over the life of the mortgage.

EITF

Emerging Issues Task Force of the Financial Accounting Standards Board (FASB).

Employee Stock Option Plan (ESOP)

An employee benefit where employees receive as compensation equity shares (stock) of the employer. Stock acquired for this purpose by a loan or guarantee of the employer is transferred to a trust. The loan is then typically paid off through dividends received on the stock and through additional contributions from the employer.

Equity Investment

Investment in the ownership of property or a business where the investor's profit depends on the profit of the underlying investment. The investor may receive a specified rate of return dependent on the profit of the underlying investment.

Equity Kicker

An addition to a stated rate of return that permits the investor to participate in the profits of the underlying investment.

Equity Loan

A loan that uses the borrower's equity in real property as collateral; also called a home equity loan. The loan may be for a variety of purposes. It is typically an open-ended second or junior mortgage loan.

Equity Method

A method of accounting for an equity investment in another company or joint venture, in which the carrying value of the investment reflects a share of the acquired firm's increases (or decreases) in retained earnings. Thus, if association A purchases 20% of association B's stock and association B earns $3 million after taxes during the next year, association A will increase the carrying value of its investment by 20% of $3 million, or $600,000. If association B pays half its earnings in cash dividends, association A will decrease its investment by $300,000. *See* APB Opinion No. 18, "The Equity Method of Accounting for Investments in Common Stock."

Equity to Assets Ratio

Total equity divided by total assets. This ratio provides information on the proportion of total assets provided by shareholders (or owners) on any given date. A high equity ratio may indicate the existence of a protective buffer in the event the company suffers a loss.

Equity to Liabilities Ratio

Total equity divided by total liabilities.

Escrow

A written agreement under which funds being transferred from one party to another are placed with a third person or entity, usually a depository institution, acting as custodian. The custodian completes the transfer to the second party only upon the fulfillment of certain specified conditions. For purposes of the calculation of deposit insurance premiums, escrows are included as deposits.

ESOP

Employee stock ownership plan.

Eurobond

A bond issued for release by a U.S. or other non-European company or government for sale in Western Europe. In that market, corporations and governments normally issue medium-term securities with maturities of 10 to 15 years.

Eurodollars

Deposits denominated in U.S. dollars at banks and other financial institutions outside the United States. Although this name originated because of the large amounts of such deposits held at banks in Western Europe, similar deposits in other parts of the world are also called Eurodollars.

Excess Loan Servicing

An asset established prior to SFAS No. 125 when loans were sold to yield a different rate than their contractual rate and servicing was retained by the seller. The present value of the difference between the amount to be collected from the borrower and the amount to be paid to the purchaser of the loans, i.e., the point spread differential, less normal servicing costs, represents the excess servicing amount that is recorded at the time of sale, increasing the gain or decreasing the loss on the sale. Refer to SFAS No. 65, "Accounting for Certain Mortgage Banking Activities," SFAS No. 125 "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities," FASB Technical Bulletin 87-3, and EITF Consensus 86-38.

Exercise

To execute the right granted under the terms of a contract. To exercise a call, holders exchange the call option position for a long futures position. To exercise a put, holders exchange the put option position for a short position in T-Bond futures.

Exercise Price

See Strike Price.

Expense

The costs of resources used to create, or intended to create, revenues.

F

Face Value

The sum of money denoted on the principal or "face" side of a financial instrument representing: (1) the amount of money the issuer promises to pay at maturity and (2) the amount on which interest is computed. Synonymous with par value.

Fair Market Value

The price at which property would be transferred from a willing seller to a willing buyer, each of whom has a reasonable knowledge of all pertinent facts concerning the property in question and similar properties on the market, and neither being under any compulsion to buy or sell.

Fannie Mae Pool

Mortgage-backed security which represents a proportional undivided ownership interest in a pool of mortgage loans, the full and timely payment of principal and interest which is guaranteed by Fannie Mae.

Farmers Home Administration (FmHA)

A Federal government agency that finances and insures loans to farmers and other qualified borrowers for rural housing and other purposes.

FASB

Financial Accounting Standards Board.

FDIC

Federal Deposit Insurance Corporation.

Federal Deposit Insurance Corporation (FDIC)

A government corporation that insures deposits in savings associations and commercial banks. The FDIC administers the Savings Association Insurance Fund (SAIF) providing deposit insurance to savings associations, and the Bank Insurance Fund (BIF), providing deposit insurance to commercial banks.

Federal Funds

Overnight, unsecured loans of funds between banks. Generally considered as funds that are immediately available and invested only for one business day. Typically they are treated as cash equivalents. Can be bought and sold for periods ranging from 10 to 90 days and thus be referred to as Term Federal Funds Transactions.

Federal Housing Administration (FHA)

The FHA is a division of the Department of Housing and Urban Development whose activities include insuring residential mortgage loans under a nationwide system. This enables lenders to loan a higher percentage of the value of the underlying property. FHA loans generally require a down payment of not less than five percent of the original amount of the loan.

Federal Home Loan Bank (FHLB)

One of 12 regional banks of the Federal Home Loan Bank System that provide credit to member savings associations.

Federal Home Loan Bank Board (FHLBB)

A former independent agency in the executive branch of the Federal government that regulated and supervised the savings and loan industry, the Federal Home Loan Banks, the Federal Savings and Loan Insurance Corporation and the Federal Home Loan Mortgage Corporation. The FHLBB was abolished in 1989 by FIRREA and its functions transferred to other agencies, including the Office of Thrift Supervision.

Federal Home Loan Bank System

The group made up of the Federal Housing Finance Board, twelve regional Federal Home Loan Banks, and member savings associations. The fundamental purpose of the System is to serve as a central credit facility for member associations.

Federal Home Loan Mortgage Corporation (Freddie Mac)

A private corporation authorized by Congress. Freddie Mac is a secondary market facility under the supervision of the Department of Housing and Urban Development that is authorized to buy conventional whole mortgage loans and sell participation certificates secured by pools of these conventional mortgage loans.

Federal Housing Finance Board (FHFB)

An independent agency in the executive branch of the Federal government that replaced the FHLBB in its authority to govern the Federal Home Loan Bank System. Its duties are:

(1) To supervise the Federal Home Loan Banks;

(2) To ensure that the Federal Home Loan Banks carry out their housing finance mission;

(3) To ensure the Federal Home Loan Banks remain adequately capitalized and able to raise funds in the capital markets; and

(4) To ensure the Federal Home Loan Banks operate in a safe and sound manner.

Federal National Mortgage Association (Fannie Mae)

A government-sponsored but privately owned secondary mortgage market corporation that supplements private mortgage funds by buying FHA, VA, and conventional loans and issuing mortgage-backed securities.

Federal Reserve Board

The seven governing members of the Federal Reserve System who are appointed by the President of the U.S. for 14-year terms. Board members play an important role in determining the country's monetary policy which, in turn, strongly influences economic activity.

Federal Reserve System

The system of independent central banks that influences the United States' supply of money and credit through its control of bank reserves. Federal Reserve actions have great impact on security prices. For example, restriction of bank reserves and lending ability in an attempt to restrain inflation tends to drive up interest rates and drive down security prices over the short run. Also called the Fed.

Federal Savings & Loan Insurance Corporation (FSLIC)

A government corporation established in 1934 by the National Housing Act that insured deposit accounts in Federal savings associations, Federally chartered national savings banks and state-chartered savings associations that were members of the Federal Home Loan Bank System. The FSLIC was replaced as an insurer by the Savings Association Insurance Fund (SAIF) under the Financial Institutions Reform, Recovery, and Enforcement Act (FIRREA) of 1989. All assets and liabilities of FSLIC were transferred to the FSLIC Resolution Fund.

FHA/HUD

Federal Housing Administration/Housing and Urban Development

FHLB or FHLBank

One of the twelve district banks of the Federal Home Loan Bank System.

FHLBB

Federal Home Loan Bank Board.

FHLMC

Federal Home Loan Mortgage Corporation. Also known as Freddie Mac.

Finance Subsidiary

A savings association's subsidiary whose sole purpose is to issue securities, typically preferred stock or mortgage-backed securities that the parent itself is authorized to issue directly (or, if the parent is a mutual association, would be authorized to issue if it converted to the stock form) and to remit the net proceeds of such securities to its parent association.

Financial Accounting Standards Board (FASB)

An accounting organization established in 1973 that is responsible for establishing generally accepted account principles (GAAP). FASB is a self-regulatory organization whose impact affects accounting firms and practitioners.

Financial Futures

A futures contract based on financial instruments or indices.

Financial Institutions Reform Recovery and Enforcement Act of 1989 (FIRREA)

An act of Congress to reform, recapitalize, and consolidate the Federal deposit insurance system, and to enhance the regulatory and enforcement powers of Federal financial institutions' regulatory agencies. FIRREA established the Office of Thrift Supervision (OTS), the Federal Housing Finance Board, the FSLIC Resolution Fund, the Resolution Trust Corporation and the Resolution Funding Corporation, and dissolved the Federal Home Loan Bank Board (FHLBB) and Federal Savings and Loan Insurance Corporation (FSLIC).

FIRREA

Financial Institutions Reform, Recovery, and Enforcement Act of 1989

First Mortgage

A mortgage that creates a lien against real property. A first mortgage has first priority against other claims in the event of foreclosure. Also called a senior or first lien.

Fiscal Year

Any consecutive 12 months designated as the time frame for financial reporting and preparation of balance sheets, profit and loss statements, and other financial summations.

Fixed Assets

Those tangible assets, such as office buildings, furniture, fixtures, and equipment, used in the operation of a business that are not intended to be sold in the normal process of the business.

Fixed-Rate Mortgage

A mortgage in which the interest rate and the amount of each interest and principal payment remain constant throughout the life of the loan.

Floating-Rate Securities

A security whose interest rate varies or floats in relation to a specific index or benchmark, such as the rate on Treasury securities, LIBOR, etc.

Floating-Rate Tranches

CMO tranches that have rates that adjust in the same direction, and by the same amount, as an index such as LIBOR.

Floor Planning

Commercial loans that finance automobile or mobile home floor stock (dealer inventory).

FmHA

Farmers Home Administration

FNMA

Federal National Mortgage Association also known as Fannie Mae.

Forbearance Agreement

A verbal or written agreement which provides that the savings association will delay the exercising of its rights (in the case of a mortgage loan foreclosure) as long as the borrower performs certain agreed-upon actions.

Foreclosure

Legal process protecting the mortgagee in case of nonpayment or other contractual defaults on the mortgage by the mortgagor, whereby the mortgagee obtains title to the collateral.

Foreign Exchange Rate

The price of one currency denominated in another currency (*e.g.,* the value of British pounds expressed in U.S. dollars).

Forward Commitment or Forward Commitment Contract

An agreement between buyer and seller to purchase or sell a specified amount of mortgages or securities at an agreed-upon price, and at a specified date in the future. Sometimes also called a “forward delivery” contract or forward coverage.

Forward Delivery

Delivery of loans or securities to be made at a future date.

Freddie Mac

FHLMC, Federal Home Loan Mortgage Corporation.

Freddie Mac Participation Certificate (PC)

A mortgage-backed security, guaranteed by the Federal Home Loan Mortgage Corporation as to the timely payment of interest at the certificate rate and the ultimate collection of principal, which represents a proportional undivided ownership interest in a pool of mortgage loans. Generally, each PC group contains

fixed-rate equal installment conventional residential mortgage loans with original terms to maturity of between 10 & 30 years.

FRR

SEC Financial Reporting Release.

FSLIC

Federal Savings and Loan Insurance Corporation.

FSLIC Resolution Fund

A fund established by FIRREA to assume all the assets and liabilities of FSLIC. The FSLIC Resolution Fund was managed by the RTC and was dissolved in December 1995, upon the satisfaction of all debt and liabilities and the sale of all assets assumed by it.

Funded Debt

Debt, usually long-term, for which certain assets have been set aside to satisfy the debt.

Futures Call Option

An option contract that gives the buyer the right to assume a long T-Bond futures position at a fixed strike price any time prior to the contract's expiration date. When assigned, a call option seller automatically assumes a short futures position.

Futures Contract

An agreement to take (by the buyer) or make (by the seller) delivery of a specific commodity on a particular date. The commodities and contracts are standardized in order that an active resale (secondary) market will exist. Futures contracts are available for a variety of items including grains, metals, and foreign currencies.

Futures Price

The price of a contract for delivery of a specific dollar amount of a standardized financial instrument in a designated future month.

Futures Put Option

An option contract that gives the buyer the right to assume a short T-Bond futures position, at a fixed strike price, any time prior to the contract's expiration date. When assigned, a put option writer automatically assumes a long futures position.

G

GAAP

Generally accepted accounting principles.

Gap

The imbalance between the maturities (or repricing) of assets and liabilities of a financial institution; a measure of that imbalance. Gap refers to a specific time interval, such as a 30-day gap, which is the degree to which assets repricing within 30 days exceed or fall short of liabilities repricing in 30 days. *See* Net Portfolio Value Model.

General Valuation Allowance

A contra-asset established against receivables and investments based on the amount expected to be collected. General valuation allowances are established for the purpose of covering probable but not specifically identifiable credit losses. *See* Allowance for Loan and Lease Losses and Specific Valuation Allowance.

Generally Accepted Accounting Principles (GAAP)

The basic principles of accounting promulgated either through authoritative sources such as the Financial Accounting Standards Board (FASB), the American Institute of Certified Public Accountants (AICPA), or, if no written standards exist, through widespread common practices.

Government National Mortgage Association (Ginnie Mae)

A wholly owned U.S. government corporation, known as “Ginnie Mae”, which is part of the Department of Housing and Urban Development (HUD). Ginnie Mae guarantees the timely payment of principal and interest on mortgage-backed securities that represent an interest in a pool of mortgages insured by the VA or FHA, and are backed by the full faith and credit of the United States government.

Ginnie Mae Certificates

Mortgage pass-through securities with the full and timely payment of principal and interest guaranteed by Ginnie Mae. A Ginnie Mae certificate represents a proportional, undivided ownership interest in a pool of fixed-rate mortgage loans. Also known as Ginnie Mae Pools.

Ginnie Mae Pool

See Ginnie Mae Certificates.

Goodwill

The premium over book value of a firm’s assets that an acquiring association pays during a merger or acquisition. Also the excess of liabilities over assets of an association after the assets have been valued at market (marked to market) and all other intangibles have been identified (*e.g.*, core deposit, market base, etc.). Refer to SFAS No. 72, “Accounting for Certain Acquisitions of Banking or Savings associations”.

Government Sponsored Enterprise (GSE)

Privately owned corporations that are supervised by the U. S. Government. GSEs include Fannie Mae and Freddie Mac who are supervised by the Office of Federal Housing Enterprise Oversight (OFHEO), a part of HUD. Federal Home Loan Banks are also GSEs and are supervised by the Federal Housing Finance Board.

Graduated-Payment Adjustable Mortgage Loan (GPAML)

The GPAML is a graduated payment mortgage that has a variable interest rate. The initial scheduled payment is insufficient to pay all the interest due. The unpaid interest increases the principal of the loan and the scheduled payments increase over the term of the loan so the loan will fully amortize at maturity.

Graduated Payment Mortgage (GPM)

The GPM is a graduated payment mortgage with a fixed interest rate. The initial payment is lower than that on a standard fixed-rate mortgage and is insufficient to pay all the interest due. The unpaid interest increases the principal of the loan and the scheduled payments increase over the term of the loan so the loan will fully amortize at maturity.

Grandfather Clause

Any condition that ties existing rights or privileges to previous or remote conditions or acts. More popularly used when a new regulation goes into effect, to exempt associations already engaged in the activity being regulated.

Gross

The total amount before any deductions have been made.

Gross Income

Total income before expenses are deducted.

Gross Margin

See Net Interest Margin.

GSE

Government Sponsored Enterprise.

Guaranteed Student Loans

Education loans primarily made by banks, savings and loan associations, and credit unions, and some colleges, payment of which is guaranteed by the Federal or state government.

H

Hedging

The matching of assets to liabilities of a similar nature; the assumption of one risk calculated to offset another. The buying or selling of offsetting positions in order to provide protection against an adverse change in price (or interest rates). In mortgage banking, the purchase or sale of mortgage futures contracts to offset cash market transactions to be made at a later date.

HMDA

Home Mortgage Disclosure Act.

Holding Company

A corporation or other entity that owns a majority of voting stock or securities of another corporation, thus obtaining control of the other corporation. A savings and loan holding company is defined in Section 1730a of the National Housing Act as follows: "savings and loan holding company means any company which directly or indirectly controls an insured institution or controls any other company which is a savings and loan holding company by virtue of this subsection". Control is defined as owning 25% or more of the voting stock.

Home Equity Loan

Revolving, open-end loans secured by a one-to-four family property and extended under lines of credit. Although home equity loans are secured by residential property, in some cases they may not have an appraisal meeting OTS standards, or may not have a sufficient loan-to-value level and, thus, are classified as a nonmortgage loan.

Home Improvement Loan

A loan usually not secured by a recorded lien on the property and usually short-term, made to a property owner for such improvements as maintenance and repair, additions and alterations, or replacement of equipment or structural elements.

Home Loan

A residential mortgage loan secured by a one-to-four family property.

Home Mortgage Disclosure Act (HMDA)

A law that requires the annual disclosure of mortgage loan data by depository institutions, service corporations, and mortgage banking subsidiaries located in metropolitan statistical areas. Institutions subject to the Act are required to disclose data on all mortgage loans and home improvement loans that they originate and purchase each year.

I

Income

Money or its equivalent, earned or accrued, arising from the sale of goods or services.

Income Tax

A tax on annual earnings and profits of a person, corporation, or organization. Traditionally, there are Federal, state, and city taxes, although not all states and not all cities tax income.

Index

A price indicator such as LIBOR or T-Bill rates. The repricing of the interest rate on an adjustable rate mortgage is typically governed by an index rate. Rate movements of the mortgage are adjusted to correspond to movements in the index. The index rate generally is a published interest-rate series that is readily verifiable by the borrower and not under the control of the lender.

Initial Margin

The amount of deposit initially required by a broker to purchase securities on behalf of an investor. *See* Margin.

Insolvent

(1) A condition in which the value of liabilities exceeds the value of assets according to some accounting standard such as generally accepted accounting principles (GAAP). That is, net worth (or capital) is negative. (2) The state of being unable to pay debts when demanded by creditors at maturity.

Installment

The regular, periodic payment that a borrower agrees to make to a lender to repay a debt.

In-substance Foreclosure

A situation in which the collateral underlying a loan generally should be considered repossessed in substance by the lender and accounted for at its fair value, consistent with GAAP. In-substance foreclosure occurs when the debtor has formally or effectively abandoned control of the collateral to the creditor.

Interest

A fee paid for using money that belongs to another, usually expressed as an annual percentage of the amount used. A financial institution makes periodic payments of interest to savers for the use of their deposited funds. A borrower pays interest on a loan to the financial institution for the use of its funds.

Interest-Only (I/O) Strip

The interest portion of a security (debt security or mortgage security). The owner of an IO strip receives only the interest payments of the security. The owner of an IO strip of a mortgage pool security receives only the interest payments on the cash flow of the underlying mortgages.

Interest-Rate Cap

See Cap.

Interest-Rate Collar

A contractual agreement that limits the interest that will be paid or received if the interest rates increase or decrease by a predetermined number of percentage points. It is a two-sided cap.

Interest-Rate Swaps

A transaction that involves two parties exchanging their interest payment obligations (no principal is exchanged) on two different kinds of debt instruments, one bearing a fixed interest rate and the other a floating interest rate. If a savings association has fixed-rate assets and floating-rate liabilities, it typically will swap its floating rate payment for a fixed rate payment to match liability repricing to asset repricing.

In-The-Money

An option with a favorable price opportunity. The strike price is less than market for a call and above the market for a put.

Intrinsic Value

The amount by which an option is in-the-money. For call options, it is the current T-Bond futures price minus the strike price if the difference is a positive number. For put options, it is the strike price minus the current price of T-Bond futures if the difference is a positive number. *See* Swap.

Inverse Floater

An asset that adjusts in the opposite direction of the movement of interest rates. Generally the inverse floater adjusts by a multiple of an interest-rate index. It is usually repriced based on a formula containing a multiple of the LIBOR rate. For example, if an inverse floater adjusts at an inverse of 1.25 times LIBOR, a decrease of two basis points in LIBOR would result in an increase in the rate of the inverse floater of 2.5 (2 x 1.25) basis points.

Inverse-floating Rate Tranches

CMO tranches that have adjustable rates that adjust in the opposite direction as an index such as LIBOR. Frequently, the rate adjusts by a multiple of the change in the index.

Investment

The use of capital to create more money, either through income-producing vehicles or through more risk-oriented ventures designed to result in longer term capital gains.

Investment Accounts

Accounts that range from short-term, highly liquid securities, such as U.S. Treasury Bills, to long-term railroad equipment trust certificates that are not so liquid at times. In between, there are debentures, floaters, notes, put bonds, and cushion bonds, along with a broad array of short-term money market instruments. Investment accounts may be trading accounts, available-for-sale, or held-to-maturity.

I/O

Interest Only.

I/O Strip

Interest-only strip. The interest portion of a security (debt security or mortgage security). *See* Interest-only Strip.

Issuer

One who issues securities to others.

J

Joint Venture

Any joint undertaking between two or more parties in any of several legal forms, including a joint tenancy, tenancy in common, partnership, or a corporation.

Judgment

A formal decision given by a court. A judgment against a property is generally a lien against the property. *See* Lien.

Junior Lien

A lien that is subordinate to the claims of prior lien(s) or mortgage(s). *See* Second Mortgage.

Junk Bonds

Bonds issued by companies without long track records of sales and earnings. These bonds are more volatile and pay higher yields than investment-grade bonds.

L

Land Loan

Loan for unimproved land, developed building lots, and acquisition and development of land.

Letter of Credit

A document issued by a financial institution on behalf of its customer authorizing a third party (or in some cases the customer) to draw drafts on the institution up to a stipulated amount and with specified terms and conditions. The letter of credit is a conditional commitment (except when prepaid by the customer) on the part of the institution to provide payment on drafts drawn in accordance with the terms of the document.

Liabilities

Debts incurred but not paid. For savings associations, liabilities consist of deposits, borrowings including long-term debentures, and other liabilities.

LIBOR

London Interbank Offered Rate. An international interest-rate index, similar to the Federal funds rate of banks located in the United States. It is commonly used as a repricing index for various financial instruments such as ARMs, CMO tranches, and interest-rate swaps.

Lien

A claim that one person or entity has on the specific property of another as security for a debt. The security interest in real estate created by a mortgage. A lien is typically recorded with the legal jurisdiction (county) in which the property is located.

Line of Credit

A pre-established loan authorization with a specified borrowing limit extended by a lending institution to an individual or business. Most lines of credit are unsecured; however, certain lines of credit, such as home equity loans, are secured by the borrower's equity in property. A line of credit allows borrowers to obtain a number of loans without re-applying each time as long as the total of borrowed funds does not exceed the pre-established credit limit.

Liquidation

The closure of a savings association by paying the claims of insured depositors and other secured creditors. A liquidation may be a voluntary decision made by the board of directors, or may be mandated and executed by the FDIC.

Liquidity

The amount an entity holds in cash and other assets quickly convertible into cash without significant loss. Liquidity requirements for SAIF-insured associations are defined by OTS regulation.

Loan

Money advanced by one entity to another to be repaid within a specified time, typically with a specified rate of interest, as set forth in a note or other evidence of indebtedness. Loans may be unsecured or secured by real or personal property but do not represent an equity interest in the underlying security for the lender. *See* Mortgage Loan.

Loan Loss Reserve

A contra-asset based on an association's loss experience to compensate for anticipated losses from loans. *See* Allowance for Loan and Lease Losses.

Loan Origination

The steps taken by a lending institution to obtain a borrower and underwrite a loan up to the time a loan is placed on its books, including solicitation, processing of applications, appraisals, and closing.

Loan Origination Fee

The initial service charge imposed by a lending institution on a borrower for underwriting a loan. *See* Origination.

Loan Participation

(1) The buying of portions of outstanding loans by investors, who then participate on a pro rata basis in interest and principal payments; (2) the sharing by two or more lenders in the ownership of a loan or package of loans. *See* Participation Loan.

Loan Portfolio

The total of all the loans that a financial institution, or other lender, holds at a given time.

Loans-in-Process

Loans which an association has closed, but not yet disbursed the entire principal. Generally, these are construction loans that are typically disbursed in stages as construction is completed. The full amount of a loan is recorded on the savings association's books at closing, with the undisbursed portion recorded in the contra-asset account called loans-in-process. Loans are reported net of loans-in-process on the TFR.

Loans to Facilitate

A mortgage loan in which the lender provides a borrower with funds at a high loan-to-value ratio and/or below-market interest rates in order to facilitate the borrower's acquisition of a piece of property owned by the lender. The sale of the property must be accounted for in accordance with SFAS No. 66, "Accounting for Sales of Real Estate".

LOCOM

Lower of cost or market.

Long

(1) As a noun, one who has bought futures contracts and has not yet offset that position. (2) As an adverb (going long), the action of taking a position in which one has bought futures contracts without taking the offsetting action. The long protects against declining rates of interest.

Long-term, Fixed-rate Tranches

CMO tranches that have fixed rates and expected maturity of more than five years.

Long-term Planned Amortization Classes (PACs)

CMO tranches that have fixed rates, a prioritized repayment schedule within certain prepayment speeds, and expected maturity of more than five years. Targeted Amortization Classes (TACs) are considered to be substantially similar to PACs for reporting purposes.

Long-term PAC Support Tranches

CMO tranches that have fixed rates, expected maturity of more than five years, and are part of a CMO structure that contains a PAC or TAC tranche(s).

Loss

(1) The excess of all expenses over revenues for a period or for a transaction. (2) A classification under OTS Regulations of assets where recovery is unlikely. *See* Specific Valuation Allowance, Classified Assets.

Lower-of-Cost-or-Market (LOCOM)

An accounting method used to establish the amount at which certain assets are recorded. The amount established is the lower of the cost of the asset or the current market value. Under this method, assets must be written down if the market value falls below amortized cost but the asset may never be written up to a market value above amortized cost.

M

Maintenance Margin

Additional assets required by a broker on a margin account due to decreases in the market value of the securities securing the margin account. *See* Margin.

Majority Stockholders

Those who own a portion of voting stock large enough to exercise control over the corporation. Generally, an ownership of 20% or more is deemed to constitute control.

Majority-owned Subsidiary

A subsidiary for which more than 50 percent of the outstanding voting capital stock is owned by the parent company or by another of the parent's majority-owned subsidiaries.

Mandatory Convertible Securities

Subordinated debt instruments that are eventually transformed into common or perpetual preferred stock within a specified period of time. Generally, there are two types: (1) “equity contract notes” - securities that oblige the holder to take common or perpetual preferred stock of the issuer in lieu of cash for repayment of principal; and (2) “equity commitment notes” - securities that are redeemable only with the proceeds from the sale of common or preferred stock.

Mandatory Delivery

A commitment under which a lender must deliver loans or securities or pay a penalty.

Margin

(1) The amount of deposit money required from an investor by a securities broker for the broker to purchase securities on behalf of the investor on credit. (2) An amount of money or securities deposited by both buyers and sellers of futures contracts and short options to ensure performance of the terms of the contract, *i.e.*, the delivery or taking of delivery of the commodity or the cancellation of the position by a subsequent offsetting trade at such price as can be attained. Margin in commodities is not a payment of equity or down payment on the commodity itself, but rather is in the nature of a performance bond or security deposit. *See* Initial Margin and Maintenance Margin.

Mark-to-Market

An accounting procedure by which assets are recorded at current market value, which may be higher or lower than their purchase price or book value. Examples of the application of mark-to-market accounting are: purchase accounting, pushdown accounting, and accounting for a trading portfolio.

Market Value

The price established in a competitive market where buyers and sellers meet to buy and sell similar products; a price determined by factors of supply and demand rather than by decisions made by management. The price at which an owner is prepared to sell and a buyer is willing to buy.

Marketable Title

Title to property that is free of defects and that will legally be accepted without objection. Also known as perfect title, clear title, and good title.

Maturity

The date on which the full unpaid principal balance of a debt becomes due and payable. The point in time when a debt is fully paid off.

Maturity Mix

The variety of lengths of terms of assets in a firm’s or individual’s investment portfolio, such as 90-day Treasury bills, 20-year corporate bonds, etc.

MBS

Mortgage-backed security.

MCD

Mandatory Convertible Debt.

Merger

The combining of two or more entities through one purchasing the assets and liabilities of the other(s) or the pooling or combining of two or more entities into one new entity.

Minority Interest

The part of the net worth of a subsidiary relating to shares not owned by the controlling company or other members of the combined group. For example, a parent owns 75% of the controlling interest in Company B; therefore, there is a 25% minority interest in Company B. Another example: a parent owns 50% of the voting stock of Company B and 100% of Company C; Company C owns 25% of Company B. Therefore, the parent effectively controls 75% of Company B and there is a 25% minority interest in Company B.

MMDA

Money Market Deposit Accounts.

Mobile Home

A movable, portable dwelling without permanent foundation, designed for year-round living.

Mobile Home Certificates

Variations of the Ginnie Mae certificate. Fully guaranteed, pass-through securities collateralized by mobile home loans.

Mobile Home Loan

A loan to finance the purchase of a mobile home, secured by the lender's claim on the mobile home. The loan may include funds for associated costs such as transportation of the mobile home and setup on a new site.

Monetary Policy

A policy of the Federal Reserve Board pertaining to the control of credit availability, and thus interest rate levels.

Money Market Deposit Accounts (MMDA)

A savings account offered by Federal savings associations in accordance with 12 U.S.C. 1464(b)(1) and by state-chartered savings associations in accordance with applicable state law on which market rates of interest may be paid if issued subject to the certain limitations. These limitations, briefly stated, are: requirement of at least seven days' notice prior to withdrawal or transfer; and limitation of transfers to no more than six per calendar month.

Money Market Fund

The combined money of many individuals which is jointly invested in high yield financial instruments including U.S. government securities, certificates of deposits, and commercial paper. A money market fund is a mutual fund which strives to make a profit by buying and selling various forms of money rather than buying and selling shares of ownership in corporations.

Mortgage-Backed Security (MBS)

A security backed by a participation of a pool of mortgages, the owners of which participate in receiving payments of principal and interest. *See* Mortgage Derivative and Mortgage Pool Security.

Mortgage Banker

A firm or individual that primarily deals in mortgages as a broker, originating loans and then selling the loans to investors. A mortgage banker may retain the servicing rights to the loans it originates, but does not retain the loans as an investment (*i.e.*, all loans held by a mortgage banker are held for sale).

A firm or individual who brings a borrower and lender together, receiving a commission if a loan is made.

Mortgage Derivative

Any of a variety of mortgage-backed securities of complex structures whose payments to its investors are derived from the cash flows of mortgages, but in which the cash flows from the mortgages are not passed through proportionately to the holders of the securities.

Mortgage Loan

An advance of funds from a lender, called the mortgagee, to a borrower, called the mortgagor, secured by real property and evidenced by a document called a mortgage. The mortgage sets forth the conditions of the loan, the manner and duration of repayment, and reserves to the mortgagee the right to repossess the pledged property if the mortgagor defaults on the terms of the loan.

Mortgage Loans Outstanding

The total dollar amount of money that is owed by mortgagors (borrowers).

Mortgage Origination

The making of a new mortgage. *See* Loan Origination.

Mortgage Participation

The division of a mortgage or pool of mortgages into units owned by one or more investors, each of whom participates in receiving payments of principal and interest. *See* Loan Participation.

Mortgage Pool Security

A number of mortgages combined and issued as a single security. Repayments from the mortgages in the pool are passed through to the investor(s) proportionate to ownership interest and with the same timing with which they are received. The security provides each investor with a proportional ownership interest in the underlying collateral.

Mortgage Portfolio

The aggregate of mortgage loans or obligations held by a financial institution as assets.

Mortgage-backed Bonds

Bonds secured by mortgages. Unlike mortgage-backed pass-through securities, mortgage-backed bonds do not convey ownership of any portion of the underlying pool mortgages. However, mortgage-backed bonds do offer a more predictable maturity and thus offer a form of call protection.

Mortgage-Backed Securities

A security collateralized by mortgages.

Mortgagee

The financial institution, group, or individual that lends money secured by real estate. The lender.

Mortgagor

The owner of real estate who pledges the property as security for the repayment of debt. The borrower.

Multifamily Structure

A structure containing five or more dwelling units. An apartment building, a residence hall for students or employees, a retirement complex, etc. *See* Dwelling Units, 5 or More.

Municipal Bond

A tax exempt debt obligation issued by a state or local government agency to raise funds for the public good, such as the building of low-income housing, improving streets, or building bridges. The bonds are redeemed with interest and are backed by the government's taxing authority. Municipal bonds are generally exempt from Federal income taxes.

Municipal Deposits

Deposits of state and local government funds which, under the laws of certain jurisdictions, are secured by the pledge of acceptable securities or by a surety contract (depository bond) for the direct protection of these funds. *See* Preferred Deposits.

Mutual Association

A savings association that issues no capital stock, but is owned and controlled solely by its savings depositors, who are called members. Members do not share in profits, but they exercise other ownership rights such as electing the board of directors.

N

National Bank

A commercial bank organized with the consent and approval of the Office of the Comptroller of the Currency and operated under the supervision of the Federal government. National banks are required to be members of the Federal Reserve System and must purchase stock in the Federal Reserve Bank in their district.

Negative Amortization

Any increase in the loan balance arising from a mortgage payment being too small to pay all the interest due that month is called negative amortization. The lender effectively makes the borrower an additional loan at the mortgage rate for the amount of the unpaid interest. This loan must be repaid over the remaining term of the mortgage.

Negotiable Order of Withdrawal (NOW) Account

A savings account with characteristics of a checking account. An account holder can withdraw funds by writing a negotiable order of withdrawal payable to a third party. NOW accounts may earn interest.

Net

That which remains after certain designated deductions have been made from the gross amount.

Net Assets

The assets of an individual or entity remaining after all obligations have been met. Assets minus liabilities. The owners' equity.

Net Income

Gross income less expenses, including taxes, but before dividends.

Net Interest Margin

Interest income less interest expense, before the inclusion of noninterest income and deduction of noninterest expense. This is the gross margin for financial institutions.

Net Loss

The excess of expenses and losses over revenues and gains during a specified period of time. A negative net income.

Net Operating Income

Net interest margin less provision for losses and operating expenses plus noninterest income.

Net Operating Loss (NOL)

A loss for tax purposes that can be applied against net income from prior periods (NOL carry-back) or subsequent periods (NOL carry-forward) to reduce the tax liability of those periods.

Net Portfolio Value Model

A model used by the OTS to measure each association's exposure to interest rate risk by estimating how a change in interest rates affects the market value of its assets, liabilities, and off-balance-sheet.

Net Present Value

Sum of the future cash flows (positives and negatives) discounted to present value under the theory that money received today is worth more than the same amount received in the future.

Net Profit

See Net Income.

Net Realizable Value (NRV)

The estimated sales price from a property, reduced by the sum of:

(1) Direct selling expenses such as sales commissions, cost of title policy, etc.;

(2) Costs of completion or improvement necessary for sale; and

(3) Direct holding costs (net of rental or other income) including taxes, maintenance, insurance, and cost of all capital (debt and equity) during the period held for sale.

Net Undistributed Income

Profit earned but not distributed to stockholders.

Net Worth

The owner's equity. Assets less liabilities, deferred income, redeemable preferred stock, and minority interest. Also called net assets, equity, stock holders' equity, and equity capital. *See* Capital.

NOL

Net operating loss.

Nominal Interest Rate

The stated, or contractual, interest rate in a loan agreement, bond, or other security, which may differ from the effective interest rate.

Nonconforming Loans

A loan is "nonconforming" in the case of real estate mortgages if the unpaid principal balance or unexpired term exceeds lending limitations established by purchasers or guarantors of mortgages in the secondary market (*e.g.*, Freddie Mac, Fannie Mae, etc.).

Nonmortgage Loan

An advance of funds not secured by a lien on real estate. *See* Loan.

Nonperformance

The failure of a contracting party to provide goods or services according to an agreement.

Nonperforming Assets

Assets that do not earn income, including both those originally acquired to earn income (delinquent loans) and those not intended to earn income (fixed assets). Typically assets originally acquired to earn income are deemed to be nonperforming when (1) full payment of interest or principal is no longer anticipated, (2) principal or interest is 90 days or more delinquent even if the asset is still in accrual status, or (3) the maturity date has passed and payment in full has not been made. Nonperforming loans that are restructured continue to be considered nonperforming until a cash payment from the borrower brings the loan current under its restructured terms; *i.e.,* a loan cannot be taken out of the nonperforming category simply by restructuring the loan.

Nonresidential Mortgage Loan

A mortgage loan secured by nonresidential property such as an office building, store, factory, church, or vacant land.

Note

An instrument bearing the recognized legal evidence of debt. A note is signed by the maker (borrower) and promises to pay a specified sum of money to the lender at a certain future date and place.

Notional Principal

The amount of principal underlying an interest rate swap transaction, and upon which is based the calculation of swap payments. *See* Interest-rate Swaps.

NRV

Net Realizable Value.

O

Oakar

An "Oakar" savings association is a savings association (OTS-regulated institution) that belongs to one insurance fund, generally the Savings Association Insurance Fund (SAIF), and has acquired deposits insured by a secondary insurance fund, generally the Bank Insurance Fund (BIF), by means of a so-called "Oakar transaction." The most common Oakar transaction occurs when a SAIF-member acquires deposits from a BIF-member, either by means of a whole-institution acquisition or through a branch acquisition. The reverse, namely, the acquisition of SAIF-insured deposits by an OTS-regulated, BIF-member ("BIF HOLA" savings association), is also considered an "Oakar transaction."

Occupancy Rate

The percentage of space or units that are leased or occupied. The inverse of the vacancy rate.

Offer

An expression of a willingness to sell something at a given price; opposite of bid.

Offering

An issue of securities or bonds presented for sale. An offering may be public (open to anyone wishing to buy) or private (predetermined buyers or market).

Office of Thrift Supervision (OTS)

An office of the Treasury Department of the Federal government. The OTS was established in 1989 by FIRREA to succeed the Federal Home Loan Bank Board in the chartering and regulating of Federal savings associations.

Official Checks

A check drawn by a financial institution on an account with itself for the payment of its operating expenses and other debts. *See* Cashier's Checks.

Offset

To close an open futures option; *i.e.,* to sell after having previously purchased, or to buy after having previously sold.

Open Position

An outstanding position in a futures contract, which has not been offset. If not covered prior to maturity, the trader is liable for taking or making delivery of the underlying commodities.

Open Repo

A repo with no definite term which can be terminated by either party. The rate paid is typically higher than that paid on overnight repos and is subject to adjustment on a day-to-day basis.

Open-end Credit

An unsecured line of credit that may be used repeatedly up to an established overall limit. Commonly known as revolving credit or a line of credit, in which the customer may pay in full or in installments. A finance charge is assessed on the unpaid balance. The term does not include negotiated advances under an open-end real estate mortgage or a letter of credit. *See* Line of Credit.

Open-end Mortgage

A mortgage that by mutual agreement may have the balance or maturity extended to provide additional funds to the mortgagor. *See* Home Equity Loan.

Operating Assets

Those assets that contribute to the regular income from the operations of a business, such as loans and investments; the opposite of which are nonoperating assets, such as real estate held for future use and nonincome-producing intangible assets such as goodwill. Nonperforming assets that were acquired with the intent to produce operating income are included in operating assets.

Operating Capital

Funds available for use in financing the day-to-day activities of a business.

Operating Expense

Any expense incurred in the normal operation of a business. This is to be distinguished from capital expenditures, which are disbursements that are capitalized and depreciated over a period of years.

Operating Income

Income generated in the ordinary course of business. For savings associations, income generated by the customary lending and deposit-taking business.

Operating Losses

Losses incurred in the normal operation of a business.

Option

A right to buy or sell specific securities or properties at a specified price within a specified time. (1) Call option: The right but not the obligation to purchase a specific amount of a specific commodity or security at a specified price before a specified date. The seller (writer) grants such right to the buyer of the call. (2) Put option: The right to sell a specific amount of a commodity or security to the writer of the put at a specific price on or before a specific date. The buyer of a call or put pays to the seller (writer) a “premium” for being granted the right. There are options on actual securities or commodities as well as options on futures contracts.

Option buyer (Holder)

A person who holds the rights granted by the option contract.

Option Seller (Writer)

A person, who, in exchange for receiving the premium, agrees to assume the opposite side of an option contract at a fixed price any time prior to the contract’s expiration date.

Originate a Loan

To make or issue a loan; the process whereby a lender qualifies a borrower, appraises the collateral, processes all documents, advances funds, and places the loan on its books.

Origination Fee

A charge imposed by a lender for the evaluation, preparation, and processing of loan applications.

OTS

Office of Thrift Supervision.

Out-of-The-Money

An option without favorable opportunities. The strike price exceeds market for a call and is less than market for a put.

Over-Collateralization

Providing collateral in excess of what is needed to support the principal amount of secured debt. It can be viewed as using two separate loan pools. One provides sufficient cash flow to support the debt; the second subsidizes cash flow shortfalls for loans with losses or delinquencies.

Overdraft

A draft or check written for an amount that exceeds the funds in the account on which the check is drawn. An overdraft, if not covered immediately by the writer of the check, becomes in substance a borrowing.

Overnight Money

Any money that is replaced daily. It generally refers to funds that are loaned by one financial institution to another overnight, including but not limited to the Federal funds market. A means for firms to earn interest on undrawn funds in their account at the end of the business day.

P

P & I

Abbreviation for “principal and interest”. This is customarily used to describe the regular monthly checks paid to the registered owner of mortgage-backed securities by the servicer.

P/O

Principal-only.

P/O Strip

Principal-only strip.

PAC

Planned Amortization Class.

Paid-In-Capital

The amount of capital contributed to a corporation by its owners in excess of the par value of common stock.

Paper Gain Or Loss

An expression for unrealized gains or losses on securities in a portfolio, based on comparison of current market quotations and the original costs.

Par Value

(1) The value assigned to a share of stock by the issuer at the time the stock is first offered for sale. The par value may be more or less than the market value. (2) The value of a bond or note at maturity. (3) The face value of a security.

Partially Amortizing Loan

A loan in which the periodic payments cover all of the interest charges but only part of the principal, therefore leaving an unpaid principal balance when the loan matures. *See* Balloon Loan.

Participation

(1) Ownership by two or more lenders or investors of all or a portion of a single mortgage or a package of mortgages. (2) The cooperative origination by two or more lenders of a single (usually large) mortgage loan. *See* Loan Participation.

Participation Certificate (PC)

A document setting forth the description of a package of loans and the share of the package that is being bought or sold. *See* Freddie Mac Participation Certificate.

Participation Loan

(1) A loan made by one lender, known as the lead lender, in which one or more other lenders, known as participants, own a part interest. (2) A loan originated by two or more lenders. (3) A loan having two or more banks as creditors. *See* Loan Participation.

Pass-through

This term, as used for mortgage-backed securities, signifies that the interest and principal payments due and/or paid on the underlying mortgages are passed through to the holders of the securities on a *pro rata* basis.

Pass-through Securities

Securities that convey ownership of a fractional part of each mortgage in a pool of mortgages backing the security. Mortgage payments are sent to the issuer of the securities and then passed through to those who bought the securities. Each security owner shares proportionally the interest and principal payments generated by the underlying pool of mortgages.

Passbook Account

A savings account that normally requires no minimum balance (or a nominal minimum balance of perhaps $50 to $100), no minimum term, no specified frequency of deposits, and no notice or penalty for withdrawals. The actual passbook, in which transactions are recorded, has generally been replaced by a periodic statement mailed to the depositor.

Passbook Loan

A loan secured by funds in a savings account on deposit with the same association originating the loan. The pledged funds may not be withdrawn during the life of the loan. *See* Share Loan.

Past Due

An account on which payment has not been made according to the terms of the loan document. Delinquent.

Payables

A bookkeeping term for any accounts or notes payable.

Payoff

The complete repayment of loan principal, interest, and any other sums due Payoffs occur either over the full term of the loan through installment payments or through lump sum payments, including that made on the sale of the underlying collateral.

PC

Participation Certificate.

Pension Fund

A fund set up to collect regular premiums from employees and/or their employers, invest those funds safely and profitably, and pay out a monthly income to employees who reach a specified age and length of employment and retire.

Permanent Mortgage Loan

A mortgage that is not a construction loan. Typically permanent mortgage loans are fully amortized for a period of 20 years or more. However, this classification also includes balloon mortgages and short-term mortgage loans that are not construction loans.

Permanent, Reserve, or Guaranty Stock

Par value of common stock outstanding. *See* Common Stock.

Personal Check

A check drawn on a depository institution by an individual against the individual's own funds, as opposed to a check drawn against a business account.

Planned Amortization Class (PAC)

The PAC feature of a security creates a reserve or sinking fund that attempts to ensure the planned maturity for the bond or CMO tranche, thus the payments on a PAC security are virtually insulated from prepayment risk. *See* Short-term Planned Amortization Classes and Long-term Planned Amortization Classes.

Pledged Assets

Assets pledged as collateral security against liabilities.

Pledged Deposits

Deposits to which a security interest has been attached or perfected by a creditor. Also called loans on deposits and share loans.

Point

An amount equal to 1 percent of the principal amount of an investment or note. Loan discount points are a one-time charge assessed at closing by the lender to increase the yield on the mortgage loan to a competitive position with other types of investments.

Pool

A large group of mortgages which back a mortgage security. *See* Mortgage Pool Security.

Pooling-of-Interest Method

A method of accounting for a merger of two or more similar business entities. The criteria for using the pooling method are discussed in APB Opinion No. 16.

In the pooling-of-interest method, assets, liabilities, and capital of the combining associations are added together on a line-by-line basis without any adjustments for current market value. The current carrying value (typically, historical costs adjusted for amortization of premiums and depreciation and accretion of discounts) of each asset, liability, and capital account of the disappearing association is added to the corresponding account of the surviving association.

In the period in which the merger occurs, income and expense is reported as though the entities had been combined for the entire period. *See* Purchase Method.

Portfolio

Holdings of securities by an individual or entity. A portfolio may contain any marketable (or potentially marketable) investment such as bonds, mortgages, debt securities, equity securities, etc.

Position

Having a position in a futures contract means to have bought or sold a contract which has not been offset. *See* Open Position.

Positive Gap

An excess of assets repricing during a period of time over liabilities repricing during the same period of time; an asset sensitive position. *See* Gap.

Preferred Deposits

Deposits of states and political subdivisions in the U.S. that are secured or collateralized as required under state law. *See* Municipal Deposits.

Preferred Stock

Capital stock to which preferences or special rights are attached (*i.e.,* preferred as to dividends and/or proceeds in liquidation) as compared to another class of stock issued by the same company. Preferred stock typically yields a stated rate of interest (dividends) which may be cumulative or noncumulative. Preferred stock may be redeemable by the holder or nonredeemable.

Premium

(1) The amount, often stated as a percentage, paid in addition to the face value of a note or bond to adjust the yield to market. (2) A fee charged for the granting of a loan (points). (3) The price paid for an insurance contract. (4) A product given free or sold at discount, offered as an inducement to the public to open or add to a savings account, or to purchase other specified products or services. (5) The price paid by the buyer of an option contract. *See* Discount.

Prepayment

A payment made before its scheduled due date. For example, a 30-year mortgage may be prepaid after ten years if the mortgagor sells the property and the mortgage is not assumed by the purchaser. Borrowers typically prepay loans when interest rates fall and they can obtain cheaper financing.

Prepayment Clause

A provision in a promissory note stating the amount a borrower may repay ahead of schedule without incurring a penalty.

Prepayment Penalty

A fee assessed by a lender on a borrower who repays all or part of the principal of a loan before it is due. The prepayment penalty compensates the borrower for the loss of interest that would have been earned had the loan remained in effect for its full term.

Present Value

The discounted value of a certain sum to be paid in the future, based on the theory that cash received today is worth more than the same amount of cash received in the future. *See* Net Present Value.

Price

The amount of money a seller receives for the goods or services sold. Price is the amount of money actually received by the seller, not necessarily the amount originally asked for or the face value. In the buying and selling of bonds and mortgages, price is stated as a percentage of the face value of that instrument. For example, if sold at par, the price is 100 percent of the face value; a premium price could be 105 percent; and a discount price could be 95 percent of face value. *See* Premium (definition #1) and Discount.

Prime Rate

The interest rate charged by leading banks to their best, most secure customers. The prime rate tends to be a yardstick for general trends in interest rates. The interest of adjustable rate loans is sometimes stated in terms of the prime rate; for example, the rate of an adjustable rate loan may be stated as fifty points (0.5%) over prime.

Principal

The amount of borrowed funds to be repaid. At closing, the face amount of a loan. The amount of debt, exclusive of accrued interest, remaining on a loan.

Principal-Only

An account on which payment is being credited to principal; that is, interest is no longer being charged on the remaining balance.

Principal-Only Strip (P/O)

A security from which the interest coupons have been separated. The owner of a P/O strip receives only the principal payments of the security. The owner of a P/O strip of a mortgage pool receives only the principal payments on the cash flow of the underlying mortgages. *See* Interest-Only Strip.

Profit

The excess of income over all costs and expenses. Net income.

Profit and Loss Statement

A summary listing a firm's total revenues and expenses within a specified period of time. Synonymous with statement of operations.

Profitability

A firm's ability to earn a profit and the potential for future earnings.

Promissory Note

A written promise to pay a stipulated sum of money to a specified party under conditions mutually agreed upon. Also called a note, promise, or bond.

Prospectus

A written offer to sell property or a security, providing a detailed description of what is being sold including its characteristics and quality.

Prospectus Supplement

A document supplementing the Prospectus, disclosing pertinent information relating to the specific series of securities that are being issued. It includes stated maturities, repayment periods under different scenarios, specific financial assumptions as to the composition of the underlying collateral, the capitalizations of the issuer, and other terms relevant to the series.

Provision for Loan Losses

A charge to expense for loan losses. *See* Valuation Allowance, Allowance for Loan and Lease Losses, Specific Valuation Allowances, Charge-off, Write-off.

Purchase Method

A method of accounting for a business combination as the acquisition of one enterprise by another. The criteria for using the purchase method are discussed in APB Opinion No. 16.

In an acquisition accounted for under the purchase method, the assets and liabilities of the disappearing association must be recorded on the books of the surviving entity at fair value. The fair value of an asset is generally its market or appraised value. The fair value of liabilities is generally their present value using an appropriate discount rate. The carrying value of the capital accounts of the disappearing association are not carried forward onto the books of the surviving association. To the extent possible, the cost of the acquisition must be allocated to each identifiable asset or liability being acquired. Identifiable assets can be tangible (such as securities or mortgage loans) or intangible (such as core deposit base). Any excess of the cost of the acquisition over the fair value of the identifiable assets and liabilities is recorded as goodwill.

The adjustments to record purchased assets at fair value due to interest rate fluctuations are reported as a direct adjustment to assets. Adjustments to purchased deposits are reported on SC715, Unamortized Yield

Adjustments on Deposits; adjustments to any other liability are reported as a direct adjustment to the liability.

Purchase-Money Mortgage

A mortgage where the purpose of the loan is to purchase the property securing the loan.

Put Option

A buyer acquires the right to sell a specific security, at a specified strike price, at any time before the expiration of the option.

R

Rate of Return

The measure of profitability of an investment. Rate of return is a measurement of income that may be obtained from an investment. *See* Return on Investment and Yield.

Rate-Sensitive Asset

An asset that will experience a change in its market value over some specific time period due to changing interest rates in the market.

Rate-Sensitive Liability

A liability that will experience a change in its market value over some specific time period due to changing interest rates in the market.

Real Estate

Land and all physical property attached to the land. Includes all physical substances below, upon, or attached to land; thus houses, trees, and fences are classified as real estate. All else is personal property.

Real Estate Investment Trust (REIT)

An organization, usually corporate, established for the accumulation of funds for investing in real estate holdings, or the extension of credit to others engaged in real estate construction. These funds are usually accumulated by the sale of shares of ownership in the trust.

Real Estate Loan

A loan fully secured by real estate, regardless of the purpose for which the proceeds will be used.

Real Estate Mortgage Investment Conduit (REMIC)

A mortgage securities vehicle authorized by The Tax Reform Act of 1986. The REMIC rules authorize a new entity (a REMIC) to hold commercial or residential mortgages and issue securities representing interests in those mortgages. The REMIC itself generally is exempt from Federal income tax, and the income from the mortgages held by the REMIC is taxed to the holders of the REMIC regular and residual interests.

Real Estate Owned (REO)

A term frequently used by lending institutions to describe ownership of real property, generally acquired as a result of foreclosure.

Receivables

Accounts receivable owned by a business. These may be pledged as collateral for a loan secured from a bank or other financial institution, known as factored receivables, and classified as a secured commercial loan.

Receiver/Receivership

A party appointed by a court or the FDIC to manage property subject to litigation, or the property and affairs of a bankrupt financial institution. The receiver maintains and manages the property in the interest of lenders or creditors until a final disposition of the property is made. A receivership ends the corporate existence of an institution; it removes the institution from its owners, who lose their equity interest. *See* Conservator.

Recorded Investment in a Loan

The principal balance of the loan, plus accrued interest, plus or minus related discounts or premiums (may also reflect a previous direct write-down of the loan). Carrying value before the deduction of valuation allowances.

Recourse

The rights of a holder in due course of a negotiable instrument to force prior endorsers to the instrument to meet their legal obligations by making good the payment of the instrument if dishonored by the maker or acceptor. The holder in due course must have met the legal requirements of presentation and delivery of the instrument to the maker of a note or acceptor of a draft, and must have found that this legal entity has refused to pay for or defaulted in payment of the instrument.

Refinancing

The repayment of a loan with funds from a new loan secured by the same property as the first loan. The new loan may be from the same or a different lending institution, and typically has a modified interest rate or maturity date. *See* Restructured Debt.

Registration Statement

A document containing a prospectus and other information required by the SEC in transactions involving public offerings, such as the issuance of CMOs. The registration statement enables a series or, in the case of a shelf registration, several series of securities to be offered.

REIT

Real Estate Investment Trust.

Release

(1) The discharge of property from a mortgage lien. (2) A written statement that an obligation has been satisfied.

REMIC

Real Estate Mortgage Investment Conduit.

Rent

Income received from leasing property.

REO

Real estate owned.

REPO

Repurchase Agreement.

Reporting Period

The period used for reporting the statement of operations and activity of an entity. This may be any number of days or months; normally one, three, six, or twelve months. The reporting period for the TFR is three months. The reporting period for Cost of Funds is one month.

Repossession

The reclaiming or taking back of items that were bought on an installment sales contract on which the buyer has fallen behind in payments.

Repriced at Maturity

An asset or liability which carries a fixed interest rate during its term and, therefore, cannot reprice until maturity.

Repricing

A feature of some specific assets and liabilities, where the interest rates (and possibly other associated features) change, based on predetermined terms and schedules. This feature may be on a periodic or on a one-time basis.

Repurchase Agreement (REPO)

A financial transaction in which an organization, in effect, borrows money by selling securities and simultaneously agreeing to buy them back at a higher price at a later time, generally less than thirty days. Repurchase agreements are commonly called “repos”, and they function in a way similar to a secured loan with the securities serving as collateral. In a resale agreement, the organization, in effect, loans money by buying securities and agreeing to sell them back to the borrower at a higher price at a later date. In either case, the difference between the bought and sold price of the securities constitutes the yield on the transaction. *See* Resale Agreement.

Resale Agreement

A financial transaction in which an organization lends short-term money by buying securities and simultaneously agreeing to sell them back at a higher price at a later time. *See* Repurchase Agreement.

Reserve

(1) A valuation allowance. (2) A portion of retained earnings that has been set aside for the purpose of assuming liabilities. (3) Cash set aside to absorb losses or contingencies that have not yet occurred but are foreseen. *See* Valuation Allowances.

Reserve For Bad Debts

See Bad Debt Reserve.

Reserve Requirements

The portion of deposits in transaction accounts that member banks are required to maintain with a Federal Reserve Bank.

Residential Mortgage

A loan extended for which residential real estate is given as collateral.

Residual

The tranche of a CMO that represents the difference between the cash flows received on the mortgages collateralizing the CMO and the required interest payments to holders of all other tranches. The residual tranche represents an equity interest in the CMO.

Restructured Debt

Debt that has been restructured by adding to the outstanding principal balance or by modifying the terms of the debt. Restructured debt includes both debt in which the borrower is in financial difficulty and debt where the borrower is not in financial difficulty. *See* Troubled Debt Restructuring.

Retained Earnings

An equity capital account comprised of accumulated unallocated profits from the current and all prior reporting periods. Retained earnings are the profits that are neither paid out in cash dividends to stockholders nor used to increase other equity accounts.

Return on Assets

A financial measurement of the efficiency with which a business uses its assets. Return on assets is the ratio of net income divided by average total assets.

Return on Equity

A measure of how effective a business has been in investing its net worth. Return on equity is expressed as a ratio, calculated by dividing net income by average equity.

Return On Investment

The rate, usually expressed on a bond equivalent basis, needed to equate the present value of future cash flows with a given purchase price for that issue. It assumes that periodic cash distributions can be reinvested at the same rate.

Revenue

All earnings received from the sale of a firm's product or service during a given period.

Revenue Bonds

Issued by state and local governments whereby the revenues from a project (*e.g.,* toll bridge) repay the borrowing. In contrast to a general obligation bond backed by the taxing power of an issuer.

Reverse Repurchase Agreement

See Repurchase Agreement.

Revolving Credit

A line of credit extended to customers who may use it as often as desired up to a certain dollar limit. The line of credit may be paid in full upon receipt of a monthly statement or may be paid off in several installments, in which case an interest charge is added.

Risk

The possibility of loss; specifically, the chance of nonpayment of a debt.

Risk-Controlled Arbitrage

The funding of long-term assets by short-term liabilities, using a hedge to reduce interest-rate risk. For example, using repurchase agreements (short-term) to purchase mortgage-backed securities (long-term) and using a futures contract to hedge against rising interest rates.

Rollover

The practice of reinvesting capital and interest of one investment into a substantially identical new investment.

S

Safety Factor

The difference between the net income from the collateral and the payment of the interest on a funded debt. *See* Spread.

SAIF

Savings Association Insurance Fund

Sale and Servicing Agreement

In secondary market transactions, a contract under which the seller/servicer agrees to supply, and the buyer to purchase, loans from time to time. The contract sets forth the conditions for the transactions and the rights and responsibilities of both parties.

Sales Draft

An instrument arising from the usage of a bank card which shows an obligation on the part of the cardholder to pay money to the card issuer.

Sallie Mae (SLMA)

Student Loan Marketing Association.

Salvage

The attempt to get repayment of some portion of a loan obligation which has already been written off the bank's books.

SAM

Shared-Appreciation Mortgage.

Sasser

A SAIF-insured institution that has a bank charter and, therefore, is not regulated by the OTS.

Satisfaction of Judgment

The legal procedure followed when a debtor pays the amount due as determined by the court in a judgment.

Savings

The amount of income that is not consumed.

Savings Account

Money that is deposited in a depository institution, normally not subject to withdrawal by check. Savings accounts usually bear interest. Also called passbook accounts.

Savings Association Insurance Fund (SAIF)

A fund, administered by the FDIC, insuring deposits of member savings associations up to $100,000 per depositor. SAIF was established by FIRREA to replace the FSLIC as the insurer of savings associations. *See* Bank Insurance Fund.

Savings Certificate

Evidence of the ownership of a savings account typically representing a fixed amount of funds deposited for a fixed term at a specified rate of interest. *See* Certificate of Deposit.

Savings Liability

The aggregate amount of an association's deposits, including earnings credited to such accounts, less redemptions or withdrawals.

SBA

Small Business Administration.

Seasoned Loan

A loan that has been on the association's books long enough to demonstrate that the borrower's credit is sound.

SEC

Securities and Exchange Commission.

Second Lien

A lien subordinate to the first lien. *See* Junior Lien, Second Mortgage.

Second Mortgage

A mortgage that has rights subordinate to the first mortgage (*i.e.,* the proceeds from a foreclosure sale must pay the first mortgage before any funds can go to repay the second mortgage).

Secondary Market

The market for reselling outstanding securities, opposite of primary market in which newly created securities are sold. *See* Freddie Mac.

Secured Creditor

A creditor whose obligation is backed by collateral.

Secured Debt

Any debt for which some form of acceptable collateral has been pledged.

Securities

Any documents that identify legal ownership of a physical commodity or legal claims to another's wealth.

Securitize

To put in the form of a security. For example, Freddie Mac securitizes a savings association's loans when they pool the loans into a participation certificate.

Security

The collateral given, deposited, or pledged to secure the fulfillment obligation or payment of a debt. An instrument that provides evidence of debt or of rights to share in earnings or distribution of property.

Security Ratings

Ratings placed on securities according to the degree of investment risk incurred by the purchaser.

Segregated Account

Funds set aside to meet specific obligations. Usually applies to cash set aside to meet drafts drawn under a letter of credit issued by the savings association; may also apply to funds set aside to honor checks certified by the savings association.

Self-Liquidating

Describes an asset that can be converted into cash or subject to the total recovery of invested money, over a period of time.

Selling Hedges

See Short Hedge.

Senior Lien

Opposite of Junior Lien. *See* First Mortgage.

Sensitivity Analysis

Another term for gap analysis, an evaluation of an association's make-up, revealing the areas in which it is exposed to the risk of changing interest rates. *See* Gap.

Serial Bond Issue

Bonds of a single issue that mature on staggered dates rather than all at one time. The purpose of a serial bond issue is to enable the issuer to retire the bonds in small quantities over a long period.

Service Charge

A fee for services rendered or to be rendered.

Service Corporation

A corporation previously defined in OTS regulations as being owned by one or more savings associations and performing services and engaging in certain activities for its owners, such as originating, holding, selling, and servicing mortgages; performing appraisal, brokerage, clerical, escrow, research, and other services; and acquiring, developing, or renovating and holding real estate for investment purposes. This term became obsolete with the issuance of the Subsidiary and Equity Investment Rule, effective January 1, 1997.

Servicing Assets

Benefits recognized by an entity undertaking a contract to service loans and other financial assets. Servicing includes collecting principal, interest, and escrow payments from the borrowers; paying taxes and insurance from escrowed funds; monitoring delinquencies; executing foreclosure, if necessary; temporarily investing funds pending distribution; remitting fees to guarantors, trustees, and other providing services; and accounting for and remitting principal and interest payments to the holders of beneficial interests in the financial assets.

SFAS

Statement of Financial Accounting Standards issued by the Financial Accounting Standards Board. Also known as FAS. *See* Financial Accounting Standards Board.

Share Loan

A loan secured by funds on deposit at a financial institution. One purpose of a share loan is to preserve interest due on deposits by not withdrawing the funds until the date on which the interest payment is due or the account matures. *See* Passbook Loan

Shared-Appreciation Mortgage (SAM)

A home-financing technique where the borrower receives a mortgage rate that is lower than the prevailing rates. The borrower must agree to give the lender a share of the profits from the eventual sale of the property. A SAM has payments that are based on a normal (typically 30- year) amortization schedule, but the loan becomes due and payable at an earlier date (typically not later than at the end of 10 years). A SAM has an interest rate below that on a conventional mortgage and a contingent interest feature, where at either the sale or transfer of the property or the refinancing or maturity of the loan, the borrower must pay the lender a share of the appreciation of the property securing the loan.

Shareholder

The owner of shares of equity in an organization. The owners of a corporation.

Shelf Registration

A type of Registration Statement, pursuant to Rule 415 of the SEC, that authorizes a certain principal amount of securities to be issued, in whole or in parts, in the future, thereby spreading the issuance dates over a period of time.

Short

To sell a futures contract; a trader who has short position in a commodity.

Short Hedge

A hedge transaction in which futures contracts are sold first and then purchased; a short hedge protects the hedger against interest rate rises, the major risk faced by financial institutions.

Short-Term Debt

An obligation that is usually due within one year.

Short-Term Fixed-rate Tranches

CMO tranches that have fixed rates and expected maturity of five years or less.

Short-Term Planned Amortization Classes (PACs)

CMO tranches that have fixed rates, a prioritized repayment schedule within certain prepayment speeds, and expected maturity of five years or less. Targeted Amortization Classes (TACs) are considered to be substantially similar to PACs for reporting purposes.

Short-Term PAC Support Tranches

CMO tranches that have fixed rates, expected maturity of five years or less, and are part of a CMO structure that contains a PAC or TAC tranche(s).

Single-family Dwelling

A housing unit designed for occupancy by one individual or family. *See* Dwelling Units, 1-4.

Sinking Fund

The obligation to retire debt instruments according to a predetermined schedule.

Special Redemption

Special redemptions are designed to allow for the retirement of a security by the issuer on a date earlier than scheduled, which precludes the principal from accruing interest during the remaining period. The amount of principal redeemed is limited to the amount which would have been retired at the next scheduled payment date.

Specific Valuation Allowance

A valuation allowance representing an amount classified as a loss on specific assets. In the TFR assets are reported net of specific valuation allowances. *See* Valuation Allowance.

Spread

(1) The difference between interest income and interest expense. (2) The simultaneous purchase of one futures contract and sale of another, either different contract months or underlying instruments. One does this to try to profit from differing rates of change in different contract months or contracts, often due to changing market factors; *i.e.,* rising or falling rates, shifts in yield curve.

Standard Prepayment Assumption

A commonly used prepayment model based on an assumed rate of prepayment each month of the then current unpaid principal balance of a pool of new mortgage loans.

Standby Letter of Credit

A letter of credit that can be drawn against only if a specified business transaction is not performed.

Standbys

Non-binding commitments to make or take delivery of securities, commonly used in the mortgage market when dealing with Fannie Mae.

Stock Dividend

See Dividend, Stock.

Strike Price

The price at which the holder of the call or put may exercise his right to purchase or sell the underlying futures contract. Synonymous with exercise price.

Strip

A hedge transaction which involves selling or buying the same futures contract across several delivery months; *e.g.,* selling T-Bills for June, September, and December all at the same time. The objective is to lengthen the effective hedging period.

Strip Certificate

A certificate showing ownership of a fractional share of stock that can be converted into a full share when presented in amount equal to a full share.

Strip Hedge

The selling of a successive series of futures contracts with different maturities. The purpose is to “lock in” different interest costs which vary based on the contract settlement date.

Structured Securities

Debt securities with derivative-like characteristics that are issued by corporations and government-sponsored enterprises ("GSEs"), including Freddie Mac, Fannie Mae, and the Federal Home Loan Banks. Structured notes take various forms and often contain complex rate-adjustment formulas and embedded options (e.g., calls, caps, and collars).

Student Loan Marketing Association (Sallie Mae)

A government-sponsored private corporation created to increase the flow of funds into loans by facilitating the purchase of student loans in the secondary market.

Subordinate Organization

Any corporate, 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, unless that ownership interest qualifies as a pass-through investment pursuant to OTS Regulation 560.32 and is so designated by the savings association.

Subordinated Debt

Obligations whose liquidation preference is inferior to that of other debt.

Subsidiary

Any organization controlled by another organization. The OTS Subsidiary and Equity Investment Rule defines subsidiary as a consolidated subsidiary and refers generically to organizations under the control of a parent organization as "subordinate organizations." *See* Consolidation.

Substandard

Describing conditions making a risk less desirable than normal for its class. A classification of assets under OTS Regulations. *See* Classified Assets.

Super-floater

An asset which has a variable rate that adjusts by a multiple of a change in an interest-rate index. Thus if the super-floater adjusts at 1.25 times the change in LIBOR, a decrease of two basis points in LIBOR would cause a decrease of 2.5 (2 x 1.25) basis points in the super-floater. Super-floater is most commonly used to describe CMO tranches which reprice based on a formula containing a multiple of the three-month LIBOR rate.

Super Floating Rate Tranches

CMO tranches that have adjustable rates that adjust at some multiple of, and in the same direction as, an index such as LIBOR.

Super Principal Only (P/O) Tranche

A long-term zero coupon, deep discount PAC support tranche that is the only support tranche of a PAC or TAC CMO.

Supervisory Authority

The official or officials authorized by law to see that associations are operated in conformity with the charter, statutes, and by-laws governing the operation of associations.

Supervisory Merger

The takeover of one savings association (typically an insolvent association) by another with OTS oversight.

Suspense Account

An account in the general ledger used to hold over unposted items so that the business day can be closed in a state of balance.

Swap

An agreement between two parties for the exchange of a series of cash flows, one representing a fixed rate and the other a floating rate. In a currency swap, two parties contract to exchange the cash flows - of equal net present value of specific assets or liabilities which are expressed in different currencies.

In the classic (widely known as “plain vanilla”) interest-rate swap, two parties contract to exchange interest service payments (and sometimes principal service payments) on the same amount of indebtedness of the same maturity and with the same payment dates - one providing fixed interest-rate payments in return for variable-rate payments from the other and vice versa. “Basis swaps” (floating rate swaps based on different indices, *e.g.,* prime against LIBOR) and combined interest rate and currency swaps (“circus swaps”) are also common and there are numerous variations resulting in highly complex swap transactions involving many counterparts.

T

T-Bill

Treasury Bill.

TAC

Targeted Amortization Class.

Tangible Capital

OTS capital regulations define tangible capital as equity in accordance with GAAP, adjusted for unrealized gains and losses on certain available-for-sale securities, less investments in “nonincludable” subsidiaries, less goodwill and other intangible assets, less certain nonqualifying equity instruments, plus minority interest in includable consolidated subsidiaries, plus nonwithdrawable deposits of mutual associations. The OTS capital rule requires savings associations to hold a ratio of 1.5% tangible capital to tangible assets.

Tangible Net Worth

GAAP net worth less goodwill and other intangible assets.

TBA

Abbreviation for future pools “to be announced” which are bought and sold for future settlement. “To be announced” refers to interest rates and due dates which are determined at a later date. Trading in these securities is done on a yield basis.

TDR

Troubled Debt Restructuring.

Teaser Rate

The initial below-market interest rate offered on an adjustable-rate mortgage in return for the borrower sharing the risk that interest rates may rise during the course of the loan.

TFR

Thrift Financial Report.

Threshold Rate

Represents the rate established by management policy for a fixed-rate asset category above which new assets may be added and below which lower yielding assets will be sold. Should be tied to policies related to dollar volume and maturity limits.

Thrift Financial Report

The financial report required by OTS of all savings associations under its jurisdiction - OTS Form 1313.

Tick

Refers to a change in price, either up or down. Synonymous with minimum fluctuation.

Time Deposit

An interest-bearing deposit which matures on a specific date.

Time-Share Loan

A loan that enables a buyer to take part in a form of real property ownership that grants each of several owners the exclusive right to occupy a housing unit during a specified time period each year. These loans are reported as nonmortgage loans on the TFR.

Time Value

A portion of an option premium unrelated to buying and selling at a more favorable price.

Trade

A term that indicates the consummation of a security transaction, either a purchase or a sale.

Trade Date

The date a security transaction is actually executed.

Trading Account

Securities that are purchased with the express intent of reselling them prior to maturity. Securities in a trading account must be valued on financial reports at market value.

Tranche

Also called a class. CMOs generally have several bond classes, each bond is considered a separate tranche or class, each with different maturities and/or interest rates and accrual structures.

Troubled Debt Restructuring

A troubled debt restructuring occurs when the financial institution provides the borrower certain concessions that it would not normally consider. The concessions must be in light of the borrower's financial difficulty, and the objective must be to maximize recovery of the institution's investment. Troubled debt restructures are often (but not always) the result of legal proceedings or negotiations between the parties.

Troubled debt restructures include situations in which the reporting association accepts:

1. A note (secured or unsecured) from a third party in payment of its receivable from the borrower;
2. The underlying collateral in payment of the loan, either through foreclosure, other transfer of title, or in-substance foreclosure;
3. Other assets in payment of the loan;
4. An equity interest in the borrower or its assets in lieu of its receivable; or
5. A modification of the terms of the debt including, but not limited to:
    a. Reduction in stated interest rate;
    b. Extension of maturity at an interest rate below market;
    c. Reduction in the face amount of the debt; and
    d. Reduction in the accrued interest.

A foreclosure or other asset received in payment of a loan is TDR only if a loss is incurred. In calculating whether or not a loss occurred, the fair value of the foreclosed property is compared to the recorded investment in the receivable without deducting valuation allowances or charge-offs.

Any restructuring of loan terms must be accounted for in accordance with GAAP as principally prescribed in SFAS Nos. 114, 118, 15 and 5. Foreclosed assets are reported at fair value less cost to sell.

Treasury Bill

A U.S. government short-term security sold to the public each week on a discount basis, maturing in 91 to 182 days.

Treasury Bond

See Bond, Treasury.

Treasury Note

A U.S. government long-term security, sold to the public and having a maturity of one to five years.

Treasury Stock

Stock reacquired by the same company that issued it with the intention of subsequent resale or transfer, such as to an Employee Stock Option Plan.

U V

Unlimited Mortgage

An open-end mortgage; a mortgage not limited to a fixed amount.

VA

Veterans' Administration, also Valuation Allowance.

Valuation Allowance

A contra-asset established against receivables and investments based on the amount expected to be collected. Valuation allowances are established for the purpose of covering probable and estimably credit losses. Refer to SFAS No. 5. *See* Allowance for Loan and Lease Losses, Allowance, Specific Valuation Allowance, and General Valuation Allowance.

Variable Rate

An asset or liability that can be repriced periodically when market interest rates change, without regard to maturity. Also called "floating rate". *See* Adjustable Rate Mortgage.

Variation Margin

See Maintenance Margin.

Voting Stock

Stock for which the holder has the right to vote in the election of directors, in the appointment of auditors, and in other matters brought up at the annual stockholders' meeting. Most common stock is voting stock; most preferred stock is nonvoting stock.

WXYZ

Warehouse Loan

A short-term line of credit used by mortgage bankers to fund loans prior to sale. This credit is usually provided by financial institutions who hold the loans as collateral until delivered to the investor.

Warehousing

Inventory financing. *See* Warehouse Loan.

Weighted Average Coupon (WAC)

The WAC is calculated as a weighted-average of the underlying mortgage interest rates as of the issue date, using the balance of each mortgage as the weighting factor. A WAC is needed only when the underlying mortgages have varying interest rates.

Weighted Average Maturity (WAM)

The weighted average of the remaining term to maturity of the underlying mortgages of a mortgage certificate at the issue date, using the balance of each mortgage as the weighting factor.

Weighted Average Remaining Term

The weighted average remaining term of a mortgage security at any point in time. Sometimes mistaken for the weighted average maturity, it is actually the remaining term to maturity over time as the mortgage security ages, while the weighted average maturity is the remaining term at the issue date. Thus, the weighted average remaining term must be recalculated each month and is impacted by prepayments.

Whole Loans

Mortgages that have not been broken up into participation units or that have not been pooled to back securities or participation certificates.

Whole Pools

A mortgage certificate representing ownership of an entire pool of mortgage loans, as opposed to a fractional interest in a pool.

With Recourse

An agreement where the seller assumes a stated level of risk for the performance of the asset sold; the purchaser has the right to endorse a claim against the seller for sustained damages in the case of nonperformance. *See* Recourse.

Without Recourse

An agreement where the purchaser accepts all risks in the transaction, and gives up all rights to any recourse. *See* Recourse.

Wraparound Mortgages

Rather than providing an entirely new mortgage at current market rates to a home buyer, the wraparound lender agrees to continue to pay the monthly installments on the existing mortgage at the original contract interest rate of the mortgage, and also to make any additional payments needed to meet the purchase price of the home. As a result, the terms of the original mortgage continue to be satisfied, the seller is compensated for the sale of his or her investment, and the home buyer is able to purchase a home. The wraparound lender benefits from the below-market rates of the existing mortgage that it has assumed while charging the current market rate on the full loan to the purchaser.

Wraparound mortgages are also used as a method of obtaining refinancing when an owner wants to increase the amount of mortgage outstanding. In this case the lender assumes the existing mortgage and the owner enters into a loan in an amount covering both the old mortgage and the additional funds disbursed.

Write-off

An asset or portion of an asset that has been determined to be uncollectible and therefore has been charged off as a loss. *See* Charge-off.

Write-up

An increase in an asset's book value not resulting from added costs but rather an adjustment of an asset to correspond to an appraisal or market value. Unrealized gains.

Year-end Adjustment

A modification of a ledger account at the close of a fiscal period arising from an accrual, prepayment, physical inventory, reclassification, policy change, audit adjustment, or other entry.

Yield

The effective annual rate of income being accrued on an investment, expressed as a percentage of the price originally paid.

Yield Adjustment

A portion of the purchase price of an asset that is an adjustment to interest over a specified period, typically over the life of the asset. A yield adjustment is set up in an account separate from the asset and is accreted to income at a rate similar to interest. Examples of yield adjustments are discounts and premiums, loan fees, prepaid interest, etc.

Yield to Maturity

The rate of return earned by a debt instrument held to maturity. In this calculation, it is assumed that interest payments can be reinvested at the coupon rate. Capital gains or losses are also considered.

Zero Rate

An asset or liability that is non-interest bearing. Commercial checking accounts and vault cash are examples.

Zero-coupon Bond

See Bond, Zero Coupon