



**Office of Thrift Supervision
Financial Reporting Division (FRD)**

March 2009

<http://www.ots.treas.gov>

Financial Reporting Bulletin

It is important that you read this bulletin and the attached materials before preparing and submitting your quarterly Thrift Financial Report, as it contains pertinent information regarding your March reports.

- ***Please share this bulletin with all staff members who are involved in preparing and transmitting reports to the OTS.*** •

March TFR Filing Deadline - Thursday, April 30, 2009

(Remember - you must transmit TFR before any other quarterly or annual reports.)

March COF Filing Deadline - Thursday, April 30, 2009

March CMR Filing Deadline - Friday, May 15, 2009

March HC Filing Deadline - Friday, May 15, 2009

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FIRST QUARTER FILING DEADLINES

You can and should complete and transmit your March 2009 TFR and COF as soon as possible after the close of the quarter:

Filing **deadline** for all schedules *except* HC and CMR is **Thursday, April 30, 2009**.

Filing **deadline** for Schedules HC and CMR is **Friday, May 15, 2009**.

Institutions that are exempt from filing Schedule CMR but choose to voluntarily file must adhere to the filing deadlines above. Interest Rate Risk reports will not be available for download by institutions that fail to meet the filing deadline.

All voluntary CMR filers should e-mail doris.jackson@ots.treas.gov or leave a message at 972.277.9618, after transmitting CMR for confirmation of receipt.

If you have questions concerning the preparation of your report, please call your Financial Reporting Division analyst in Dallas, Texas. A contact listing is provided near the end of this bulletin. You can e-mail reporting questions to tfr.instructions@ots.treas.gov. If you need assistance with Electronic Filing System (EFS) including Quick Importer or Financial Reports Subscriber (FRS) software or transmission, contact the EFS Helpline Message Center by e-mail at efs-info@ots.treas.gov or by phone toll free at 866.314.1744. If you have questions about your Interest Rate Risk report, you can contact Scott Ciardi at scott.ciardi@ots.treas.gov, or call 202.906.6960.

EFS VERSION 7.0 SOFTWARE UPGRADE CD MAILED

The new EFS **Version 7.0 Upgrade CD** has been mailed to TFR report preparers of record via regular postal mail. **Install the CD as soon as you receive it.** Version 7.0, and any required downloadable updates, must be used to prepare and transmit all March 2009 reports.

After installation, keep the CD in a safe, easily accessible location for retrieval should you be directed by OTS staff to reinstall it. **Do not attempt to *reinstall* the EFS CD without guidance from the OTS. Contact the EFS Helpline for assistance.**

If you do not receive the EFS Version 7.0 CD by **Wednesday, April 15, 2009**, e-mail doris.jackson@ots.treas.gov or leave a message at 972.277.9618. Be sure to include your five-digit docket number and phone number in all messages.

You can sign up in EFS-NET under *My EFS Notification Recipients* to receive e-mail notification when software news or other important information is placed on EFS-NET. You can sign up multiple recipients in this option.

If you do not sign up for e-mail notification, you should log in to EFS-NET frequently to check for any software updates or news about preparing your reports.

NOTE: To ensure that you and other staff members receive timely notification when new items are placed on EFS-NET for your attention, please verify/update all e-mail addresses you have entered in EFS-NET, *My EFS Notification Recipients*, before every transmission.

Remember to always access EFS from your desktop through Start, Programs, Office of Thrift Supervision, OTS Electronic Filing System. Do not use a desktop shortcut as it will most likely take you to an outdated version of the program. Please delete any desktop shortcuts to EFS or FRS.

For any software issues you encounter, you should first run the OTS Diagnostics from Start, Programs, Office of Thrift Supervision, OTS Diagnostics. If the Diagnostics tool does not identify and offer solutions for your problem, contact the EFS Helpline at efs-info@ots.treas.gov or by phone toll free at 866.314.1744.

WHAT'S NEW IN EFS VERSION 7.0 **and** **MARCH 2009 THRIFT FINANCIAL REPORT (TFR) CHANGES**

The following changes were made to the Electronic Filing System (EFS) software, TFR form, and Instructions for March 2009:

Schedules FS and HC data are now publicly releasable.

New Line Items for March 2009

- SC84
- SO441, SO88, SO880
- HC635

Revised Caption for March 2009

- SC80, SC800, SC90
- SO81, SO91
- SI600, SI610, SI680
- HC620, HC250, HC640
- CCR20, CCR100, CCR105
- CMR793, CMR800

Deleted Line Item for March 2009

- CCR190

Edit Step Changes for March 2009

- New Steps: B017, I009, Q752, Q753
- Deleted Step: K748
- Revised Steps:
 - B018, B019, B041, B210, B211, B214, B215, B221
 - I005, I012, I500, I551, I552, I723
 - K001, K037
 - Q002, Q003, Q004, Q110, Q513, Q537, Q540
 - V029, V155, V160, V165, V167
 - H002, H562, H579, H703, H715, H716
 - R342, R416, R658, R982, R984

Other Software Changes for March 2009

- Code Change to SO581, SO583 and SO585:
Removed code 18 - New income allocable to minority shareholders.
- Fax numbers for FinCEN recipients are now optional. The preferred method of notification for FinCEN is email-addresses. See also an instructional clarification in Help, under Report Preparer and Institution Contact Info.
- Report filing status for TFR, CMR and HC now displays near the top of TFR, CMR and HC data entry screens.
- The CMR spreadsheet was rebuilt to clean up the Excel spreadsheet generated during the 'Output to File' print option.
- SC745 was officially removed from the COF report. SC745 was discontinued from the TFR in March 2007.
- Maximize and Minimize screen capability has been added to the Holding Company module.
- Institution information changes made in Institution Setup will now auto-update on EFS-NET screen the next time a report and/or general message is transmitted.
- The default CMR data entry layout has been changed to expanded layout which is essentially the landscape orientation in the printed CMR report. It requires a minimum of 1024x768 screen resolution. We believe that most of the industry has computer monitor screens with resolution of this capacity at this time. The agency is considering discontinuing the legacy CMR data entry layout. If you have any strong preferences for retaining the original CMR data entry layout, please email us at efs-info@ots.treas.gov. The expanded layout data entry is more user-friendly and can additionally be customized to permit data entry in column order. This allows users to enter all data within specific interest rate buckets at the same time. Users can still revert back to the legacy CMR data entry layout if they wish. These configurations can be found in the Options-Configurations menu item of EFS.

The screenshot shows the 'Options' dialog box with the following settings and warnings:

- *** NEW ***** (indicated in red text)
- Work in EFS while Application not maximized
- Use Expanded CMR Data Entry Layout (Requires minimum 1024 x 768 pixels screen resolution)
 - Column Oriented Data Entry Order
- Do not automatically close report print window following sending report requests to printer. (Manually closing the print report window may help resolve spreadsheet printing problems)
- High Resolution Background Graphics

Warnings (in red text):

- WARNING: CMR Layout change will take effect the next time the CMR schedule is opened.
- WARNING: Graphics changes may not take effect until the next time the Reports module is opened.

Buttons: Apply, Cancel

2009 TFR INSTRUCTION MANUAL AND FORM UPDATES

As stated above, the TFR Instruction Manual and Form were updated to reflect the March 2009 TFR changes proposed in a Federal Register notice dated October 1, 2008.

The TFR revisions for June (91 new line items plus some minor revisions to line items), and December 2009 were also adopted as proposed. The TFR Instructions on the OTS website have not yet been updated with these changes. For details, click the Federal Register link below:

http://www.ots.treas.gov/?p=ClosedComments&Topic_id=b9d3dac5-1e0b-8562-eb6d-8d9660bc94c4

We **will not** mail hard copies of the 2009 TFR Form and Instruction Manual for 2009. Instead, we will continue to include all TFR Instruction Manual update pages with the quarterly Financial Reporting Bulletins that are e-mailed to TFR report preparers of record.

Current TFR Form and Instructions can always be found on the OTS website at <http://www.ots.treas.gov/> (click Publications and Data, Thrift Financial Reports).

FDIC WEBSITE UPDATES

Per the FDIC, updates are made to the Industry Analysis portion of their website (<http://www.fdic.gov/>) on the third Friday after the close of the quarter and weekly thereafter. This update is based on individual OTS TFR data as of the previous Tuesday night. The FDIC will post March 2009 data to their website for the first time on Friday, April 17, 2009. The last update of the FDIC website for the March 2009 cycle will be approximately 60 days after the close of the quarter.

AMENDING PRIOR-CYCLE DATA

Before you transmit any prior-period amendments to TFR, CMR, or HC reports, be sure to discuss them with your Financial Reporting Analyst, who may have further instructions for you to follow. All amendments must be filed electronically and should include a detailed EFS Message to OTS explaining the reason for the amendment.

Although the instructions allow for 135 days after the cycle close for prior-cycle amendments, FRD analysts may need several days to analyze and process your data. Therefore, we encourage you to file any December 2008 amendments no later than close of business, Thursday, May 7, 2009.

When contacting anyone at the OTS by e-mail, fax, phone, or voice message, please remember to provide your **five-digit docket number** (within your voice mail message or on the Subject line of all e-mail messages). This will help us to access our records and assist you more quickly.

EFS BACKUP/RESTORE

Avoid data loss in the event of a system crash or natural disaster! Your data must be backed up using the EFS Backup/Restore function from the EFS main (blue) screen **even if** you have the program installed on a network drive. Data is not included in your institution's routine network backup unless it has been backed up to that network drive from within EFS.

You should create just one backup folder on a network drive (recommended) or diskette and a file titled EFSBackup (or similar) and routinely answer **Yes** to the question "...Do you wish to back up your financial data prior to exiting?" each time you exit EFS. Simply overwrite the file with each backup – no need to create a new file for every cycle, report, etc. Every backup includes all historical data.

REINSTALLING EFS SOFTWARE CD

Once you have installed the current EFS CD for the first time, you should contact the EFS Helpline at efs-info@ots.treas.gov, or 866.314.1744 *before you reinstall it* for any reason, or install it on a new/additional machine. EFS Helpline staff may have other suggestions for you to follow first, and can provide you with detailed instructions for properly transferring your EFS files to avoid losing historical data if it is indeed necessary to reinstall the software.

VERIFY/UPDATE INFORMATION IN INSTITUTION SETUP BEFORE TRANSMISSION

You should verify/update all information in Institution Setup before you transmit a report. Contact information is included with every EFS-NET transmission to the OTS and is used extensively by the Financial Reporting Division when contacting or mailing items to TFR report preparers. It must be kept current and complete at all times.

- From the EFS main (blue) screen, click Institution Setup.
- On the Institution Info tab, verify your institution's website address (as entered on SQ530). If clicking on the web address shown on this screen does not take you to your institution's website, please correct it on SQ530.
- Verify the TFR report preparer's mailing address. Note: this may be different from the institution's corporate address.
- On the Other Info tab, be sure all items are checked as appropriate.
- On the Report Preparer and Institution Contact Info tab, verify that all Roles/Duties are properly assigned. All Regulatory Roles and Duties showing a double-asterisk with pink background (**) must have a Designated Name assigned prior to connecting to EFS-NET to transmit or download information.
- To add a new name, double-click the Edit icon. On the My Personnel Manager page, click the red + (plus) icon and enter complete name and contact information. Click Save when finished, then Close.
- To reassign a role, first ensure that the new name is listed in the My Personnel List column. Click a role in the Regulatory Role/Duty column, click a name in the My Personnel List, and click Assign. To unassign a name, click the role, then the name, and click Unassign.

All updated entries will be highlighted in **blue** to indicate that a change has been made and is ready to be transmitted.

Your updated contact information will be sent the next time you connect to EFS-NET to transmit data for the corresponding report, (i.e., a change to your TFR contact will be sent the next time you send a TFR report, edit, or amendment).

If you have no data to transmit at the time you update contact information, you can send a message that will immediately update the OTS database (recommended). You must first re-Assign each Role/Duty for the name that has had a change, according to the instructions above. You will see the word "**Changed**" in blue below the Role/Duty listings. When all have been reassigned, click Save.

At the main (blue) screen, click Transmit. Select to Send a **Message** to OTS and click Next. On the left side, click the boxes for all report types transmitted by your institution. Under each of the corresponding report tabs across the top, type a simple phrase, 'contact update' or similar, in the message box. When all messages have been entered, click Next. Log in to EFS-NET as usual and follow through with a normal transmission. Be sure this transmission shows in your Transmission Log. You can e-mail the EFS Helpline for verification that your changes were received. Be sure to include your five-digit docket number and a brief description of items that were changed.

VIEW TRANSMISSION LOG(S) AFTER TRANSMITTING

After logging in to EFS-NET to transmit data reports or messages to the OTS, **the last step** in the transmission process is verifying your successful transmission. Do not skip these steps:

1. The EFS Transmission Log will automatically display once your submission has been received and acknowledged by the OTS.
2. On the EFS-NET screen at any time, you can click View Transmission Log to verify that your transmission has been received and acknowledged by the OTS.

If you do not see the item(s) you have just transmitted on these transmission logs, please contact the EFS Helpline for assistance.

VERIFY MY EFS NOTIFICATION RECIPIENTS

On the EFS-NET screen, click on **Show** under My EFS Notification Recipients. Verify/update the e-mail address of each person who wishes to receive an e-mail notification of late-breaking news and pertinent information from the OTS Financial Reporting Division. To add a new e-mail address, enter it on the E-Mail Address line and click Signup. To delete an e-mail address, click the Trash Can icon next to it.

All valid e-mail addresses will receive a notification e-mail when a new item is placed on the EFS-NET screen. Recipients who do not have EFS installed on their machine should contact the institution's TFR report preparer for assistance.

EFS users who do not register to receive e-mail notifications should log onto EFS-NET frequently to check for software updates, notices and/or bulletins from the OTS Financial Reporting Division prior to preparing and transmitting each of their reports.

Questions & Answers

TFR Questions and Answers are posted on the OTS website at <http://www.ots.treas.gov> (click TFR). If you have a question you would like posted, please e-mail it to tfr.instructions@ots.treas.gov.

Q&A No. 260

SUBJECT: Push-Down Accounting

LINE(S): SC

DATE: March 17, 2009

Question:

What percentage of a change in control triggers push-down accounting? And how is push-down accounting reported on the TFR?

Answer:

SEC Staff Accounting Bulletin (SAB) No. 54, issued in 1983, requires "push-down" accounting when the acquired company has become "substantially wholly-owned". SEC staff has stated that the threshold for "substantially wholly-owned" should be at a control level of 95%. Accordingly, with certain limited exceptions, SEC has stated that "push-down" accounting should be required at 95% or more control, and "push-down" accounting should be permitted at 80% to 95% control. In general, the OTS and the other Federal Banking Agencies follow the SEC guidance regarding "push-down" accounting.

For the acquisition of a savings association by a holding company, the accounting for business combinations requires that, at the date of acquisition, the holding company's consolidated financial statements include the subsidiary savings association's assets and liabilities at fair value. When "push-down" accounting is applied, at the date of acquisition, the savings association's assets and liabilities are reported at fair value in the savings association's TFR (and other separately-issued financial statements). In contrast, when "push-down" accounting is not applied, the savings association's assets and liabilities are reported at their pre-acquisition carrying amounts (book value) in the savings association's TFR.

By way of illustration, assume a savings association with a book value of \$1,000 was acquired for \$600, based on the following:

	Book Value	Fair Value
Total Assets	\$10,000	\$9,700
Total Liabilities	(9,000)	(9,100)
Stockholder's equity	\$1,000	\$600

At the date of acquisition, in its TFR, the savings association would report stockholder's equity of:

- a. \$1,000 (book value) without "push-down" accounting, or
- b. \$600 (fair value) with "push-down" accounting

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The Financial Reporting Division uses voice-mail extensively. If you reach the voice-mailbox of the person you are calling, please leave a brief message, speaking slowly enough to be clearly understood. Include your name, phone number, region, and docket number. Your call will be returned during regular daytime business hours in the order it was received.

TFR REPORTING QUESTIONS AND ANSWERS

The Financial Reporting Division posts TFR Questions and Answers on the OTS website at <http://www.ots.treas.gov/> (click TFR). If you have a question that you would like answered, you may submit it to tfr.instructions@ots.treas.gov. Be sure to **include your docket number** in your Subject line. For security reasons, **FRD staff does not respond to e-mails with blank or illogical Subject lines.**

EFS HELPLINE MESSAGE CENTER

For assistance with Electronic Filing System (EFS)-related issues, contact the EFS Software Helpline at efs-info@ots.treas.gov or call the toll-free 24-Hour Message Center: 866.314.1744. NOTE: For security purposes, please always include your 5-digit docket number in your e-mail Subject line or your voice-mail message, and provide your name and phone number. **FRD staff does not respond to e-mails with blank or illogical Subject lines.** Calls and e-mails are returned during regular daytime business hours in the order they are received.

INTEREST-RATE RISK REPORTS

Questions about your Interest Rate Risk Report may be directed to Scott Ciardi at scott.ciardi@ots.treas.gov, or 202.906.6960.

COPIES OF TFR MANUAL

The OTS provides one hard copy of the TFR Instruction Manual free of charge to the report preparer(s) of each OTS-regulated institution. You can also access the manual and Financial Reporting Bulletins on the OTS website at <http://www.ots.treas.gov/> (click Publications and Data, Thrift Financial Reports).

PREFERRED AND MINIMUM REQUIREMENTS FOR ELECTRONIC FILING OF REGULATORY REPORTS

Preferred Requirements:

Application

- IBM-compatible PC – 1GHz processor
- Windows 2000, XP, Vista
- 512+ Meg of installed RAM memory
- 200+ Meg of available hard drive memory
- Color monitor 1024x768, 32 bit true color screen
- CD-Rom drive
- HP LaserJet or Ink Jet-compatible printer

Communications - EFS-NET

- DSL, Internet Cable, or T1-T3 Direct Line with online Internet access
- Internet Explorer 6.x or greater (for EFS-NET certificate compatibility)

Minimum Requirements:

Application

- IBM-compatible PC – 256MHz processor
- Windows 2000, XP
- 256 Meg of installed RAM memory
- 150 Meg of available hard drive memory
- Color monitor – 800x600, 256 colors screen
- CD-Rom drive
- HP LaserJet or Ink Jet-compatible printer

Communications - EFS-NET

- 56K bps modem and active account with an Internet Access Service Provider
- Internet Explorer 6.x or greater (for EFS-NET certificate compatibility)

For quick reference to this page at any time, save this link in your Favorites:

https://xnet1.ots.treas.gov/efsnet/bulletins/efs_6x_requirements.pdf

Office of Thrift Supervision

Filing *Deadline* Schedule for 2009 Regulatory Reports

You can and should complete and transmit your reports
as soon as possible after the close of the quarter.

To preclude the OTS's consideration of the assessment of civil money penalties, pursuant to the provisions in 12 U.S.C. § 1464(v)(4)-(7), Reports of condition, please ensure that all TFR reports are filed before the filing deadlines shown below, and are filed accurately in accordance with the instructions.

Reporting "As Of" Date	<u>F I L I N G D E A D L I N E</u>			
	Thrift Financial Report	Schedule CMR and HC	Cost of Funds	Branch Office Survey
January 31			Monday March 2	
February 29			Monday March 30	
March 31	Thursday April 30	Friday May 15	Thursday April 30	
April 30			Monday June 1	
May 31			Tuesday June 30	
June 30	Thursday July 30	Friday August 14	Thursday July 30	Monday August 24
July 31			Monday August 31	
August 31			Wednesday September 30	
September 30	Friday October 30	Monday November 16	Friday October 30	
October 31			Monday November 30	
November 30			Wednesday December 30	
December 31	Monday February 1, 2010	Tuesday February 16, 2010	Monday February 1, 2010	

THRIFT FINANCIAL REPORT INSTRUCTION MANUAL

MARCH 2009

We **will not** mail hard copies of the 2009 TFR Form and Instruction Manual for 2009. Instead, we will continue to include all TFR Instruction Manual update pages with the quarterly Financial Reporting Bulletins that are e-mailed to TFR report preparers of record.

Insert the attached revised pages into your Thrift Financial Report Instruction Manual. Delete **only** the pages that have a replacement. Refer to the summary of these changes in the March 2009 Financial Reporting Bulletin.

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

SC70: TOTAL LIABILITIES

The EFS software will compute this line as the sum of SC71, SC72, and SC75.

EQUITY CAPITAL

PERPETUAL PREFERRED STOCK

Include:

1. Preferred stock you issued that is nonredeemable by the purchaser and that qualifies as equity capital under GAAP.
2. Preferred stock convertible into common stock.

Report preferred stock net of issuance costs, premiums, and discounts. If you issued preferred stock 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. Report them on SI620, Dividends Declared on Preferred Stock.

Do not include:

1. Redeemable preferred stock you issued. Report on SC800, Noncontrolling 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 on SC800, Noncontrolling 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 – that you have issued.

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 that you report on SC830 by one.

You must reduce retained earnings at the time that you declare dividends on common stock. Report the reduction of retained earnings on SI630, Dividends Declared on Common Stock.

Do not include deductions for:

1. Stock you reacquired – treasury stock. Report as a negative on SC891, Other Components of Equity Capital.
2. Unallocated ESOP shares. Report as a negative on SC891, 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. Deduct the costs of issuing common stock.
2. Permanent capital contributions by the stockholders not related to the purchase of stock.

Do not include:

Paid-in capital from the issuance of preferred stock. Report on SC812 or SC814, Perpetual Preferred Stock.

ACCUMULATED OTHER COMPREHENSIVE INCOME**SC86: Total**

The EFS software will compute this line as the sum of Unrealized Gains (Losses) on Available-for-Sale Securities (SC860), Gains (Losses) on Cash Flow Hedges (SC865), and Other Accumulated Other Comprehensive Income (SC870).

SC860: Unrealized Gains (Losses) on Available-for-Sale Securities

Report unrealized gains (losses), net of taxes, for you and your subordinate organizations on available-for-sale securities and on certain nonsecurity financial instruments, CNFIs, classified as available for sale, pursuant to FASB Statement No. 115, *Accounting for Certain Investments in Debt and Equity Securities*.

Gains and losses reported here are not reported in the statement of operations until either the asset is sold, a loss is considered other than temporary, or this amount is 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. Continue to report this gain or loss 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.

Do not report unrealized gains (losses) on securities and CNFIs as valuation allowances.

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

Do not include declines in fair value that you judge to be other than temporary. Report such losses in earnings on SO321, Net Provision for Losses on Interest-Bearing Assets.

SC865: Gains (Losses) on Cash Flow Hedges

Report the accumulated fair value gain or loss, net of taxes, on cash flow hedges pursuant to FASB Statement No. 133.

SC870: Other

Report any accumulated other comprehensive income not included on SC860 or SC865.

Include:

1. Any minimum pension liability adjustment recognized in accordance with FASB Statement No. 87, *Employers' Accounting for Pensions* and FAS Statement No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans*.
 2. Cumulative foreign currency translation adjustments and qualifying foreign currency transaction gains and losses, net of applicable income taxes.
-

3. Any other items of accumulated other comprehensive income.

SC880: RETAINED EARNINGS

Retained earnings are your accumulated net income 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 your books;
2. Retained earnings from prior operating periods.
3. Restrictions or appropriations of retained earnings as designated by your board of directors.
4. If you are in receivership, a deduction for the amount by which liabilities exceed identified assets, because you may not report goodwill upon conversion to receivership. Refer to EITF Consensus No. 85-41.

SC891: 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 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 AICPA SOP No. 93-6, *Employers' Accounting for Employee Stock Ownership Plans*.

SC80: TOTAL SAVINGS ASSOCIATION EQUITY CAPITAL

The EFS software will compute this line as the sum of SC812, SC814, SC820, SC830, SC86, SC880, plus SC891.

SC800: NONCONTROLLING INTERESTS IN CONSOLIDATED SUBSIDIARIES

Include:

1. Common and perpetual preferred stock issued by consolidated subsidiaries to third parties constituting a noncontrolling interest.

Do not include:

1. Mandatorily redeemable preferred stock that should be classified as a liability. Report on SC760, Other Borrowings.
2. Preferred stock, both redeemable and perpetual, that consolidated subsidiaries issued to you or your other subordinate organizations that, on a nonconsolidated basis, you report as an investment asset. When you are making your consolidating entries, you must eliminate this preferred stock of the consolidated subsidiary.

Report any net income or loss attributable to a noncontrolling interest in a consolidated subsidiary on SO880, Net Income (Loss) Attributable to Noncontrolling Interests.

SC84: TOTAL EQUITY CAPITAL

The EFS software will compute this line as the sum of SC80 plus SC800.

SC90: TOTAL LIABILITIES AND EQUITY CAPITAL

The EFS software will compute this line as the sum of SC70 and SC84. This line must equal SC60, Total Assets.

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. Amortization of commitment fees when it is unlikely that the borrower will exercise the commitment.
4. Brokerage fee income.
5. Annuity fee income.
6. Insurance premiums, fees, and commissions.
7. Transaction account fees, including overdraft and non-sufficient funds (NSF) fees.
8. Credit enhancement fees.
9. All other fees not reported on SO410.

Do not include:

Amortization of loan fees. Report amortization of loan fees as a yield adjustment to interest income.

NET INCOME (LOSS) FROM:

Report net income or loss on the categories below. Enter a loss as negative.

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

Include:

1. Profit or loss from the disposition of assets held for sale.
2. Profit or loss from the disposition of available-for-sale securities pursuant to FASB Statement No. 115.

When you sell securities classified as available-for-sale pursuant to FASB Statement No. 115, reverse the amount of the unrealized gain or loss previously recorded on SC860, Unrealized Gains (Losses) on Available-for-Sale Securities, and report the entire difference between amortized cost and net sales proceeds in earnings.

Because you recognize in income the lower-of-cost-or-market adjustments to assets held for sale as they occur, when you sell the assets, you recognize the difference between the recorded value and the net sales proceeds.

Do not include:

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

SO441: OTHER-THAN-TEMPORARY IMPAIRMENT CHARGES ON DEBT AND EQUITY SECURITIES

Report other-than-temporary charges on debt and equity securities. Such charges reflect losses resulting from write-downs to fair value. These fair value losses are not necessarily related to any sale of the securities.

Do not report losses from the sale of securities on this line. Rather report those losses on SO430, SO467, SO475, or SO477, as appropriate.

SO461: Operations and Sale of Repossessed Assets

Include:

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

Do not include:

1. Adjustments to valuation allowances established on REO. Report these adjustments on SO570, Net Provision for Losses on Noninterest-Bearing Assets.
2. Write-downs taken when marking foreclosed assets to fair value at time of foreclosure. Report these write-downs 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 amounts reported here should directly adjust the asset and should not be established as a valuation allowance.

Do not include:

1. Any unrealized gains or losses on available-for-sale securities recorded pursuant to FASB Statement No. 115. Report these unrealized gains or losses only as a separate component of equity capital on SC860.
2. Profit or loss on the sale of assets held for sale. Report the profit or loss on SO430.
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 and losses from the sale or other disposition of mortgage-backed securities that you reported on SC210 through SC228, Mortgage-Backed Securities, and that were held-to-maturity.
2. Gains and losses from the sale or other disposition of securities that you reported on SC130 through SC185, Cash, Deposits and Investment Securities, and that were held-to-maturity.

Do not include:

1. Gains and losses from the sale of securities held in a trading portfolio. Report these gains or losses on SO485.
2. Gains and losses from the sale of available-for-sale securities. Report these gains and losses on SO430.

SO475: Sale of Loans Held for Investment

Report gains and losses from the sale or other disposition of mortgage and nonmortgage loans that you reported on SC230 through SC265 and SC300 through SC330.

Do not include:

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

SO477: Sale of Other Assets Held for Investment

Report gains and losses from the sale or other disposition of any assets that you did not report on SO430 through SO475 or SO485.

Include:

1. Gains and losses from the sale of real estate held for investment reported on SC45, Real Estate Held for Investment, that you may account for as current income in accordance with FASB Statement No. 66, *Accounting for Sales of Real Estate*.
2. Gains and losses from the sale of a branch operation or a portion thereof, such as deposits.
3. Gains and losses from the sale of loan servicing rights when sold separately from the loan.
4. Gains and losses from the sale of subsidiaries.

SO485: Gains and Losses on Financial Assets and Liabilities Carried at Fair Value

The balances of financial assets and liabilities carried at fair value where the change in fair value is reflected in current earnings are reported on SI376 and SI377. For such instruments, report interest income earned and interest expense incurred on the appropriate lines under Interest Income and Interest Expense, and report the changes in fair value in noninterest income on this line.

Derivatives are financial assets and liabilities, and therefore the balances of derivatives are included on SI376 and SI377. In general for derivatives, include the changes in fair value in noninterest income on this line. However, for derivatives subject to fair value or cash flow hedge accounting, it may be appropriate under GAAP to include the changes in fair value that are reflected in current earnings in other lines on Schedule SO, including interest income or interest expense.

The balance of available-for-sale securities (carried at fair value) is reported on SI385. For such instruments, the changes in fair value are not reflected in current earnings, but rather in other comprehensive income net of any deferred tax impact. Accordingly, do not include the changes in fair value on available-for-sale securities on this line. Rather, report such changes in other comprehensive income on SI662.

Under a "fair value option", servicing assets may be carried at fair value with the changes in fair value reflected in current earnings. However, servicing assets are not financial assets, and therefore the balance is not included on SI376. Accordingly, do not include the changes in fair value on servicing assets on this line. Rather, report such changes in noninterest income on SO411.

Include:

1. Realized and unrealized gains and losses on financial assets and liabilities carried at fair value where the balances are reported on SI376 and SI377.
2. Realized and unrealized gains and losses on financial assets held for trading purposes where the balance is reported on SI375 (and where the balance is also included on SI376).

SO488: Other Noninterest Income

Report the total of all noninterest income that you did not include on SO410 through SO485. You can find a list of the types of income to include under **Memo: Detail of Other Noninterest Income** below.

Do not include:

1. Loan servicing fees. Report these fees on SO410 or SO420, as appropriate;
2. Trust fee income. Report this income on SO420.
3. Other fees. Report these fees on SO420.

Memo: Detail of Other Noninterest Income

SO489, 495, 497 and SO492, 496, and 498:

Report the three largest items comprising the amount reported on SO488, excluding dividends on FHLBank stock. Codes best describing these items should be selected from the list below and reported on SO489, 495, and 497. You must complete this detail if you reported an amount on SO488.

Because SO488 may consist of both positive and negative amounts – for example, net income or loss from leasing operations, you should report the three amounts that have the greatest impact on the total, regardless of their sign. Therefore, when selecting the three largest amounts comprising the amount reported on SO488, disregard the sign of the number. However, although you should disregard the sign when you **select** the three largest numbers; you should use the correct sign when you **report** the amount.

Combine similar accounts with the same code; that is, do not report a code more than once. However, you should not combine unlike accounts in reporting code 99. You may have more than one code 99 if you cannot find codes describing the items you report.

SO489, 495, and 497: Codes

- 01 No longer used
- 02 Interest income from income tax refunds.
- 03 No longer used
- 04 Net income or loss from leasing or subleasing space in the association's office quarters, future office quarters, and parking lots.
- 05 Net income or loss from real estate held for investment.
- 06 Net income or 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 or loss from leased property.
- 08 Net loss allocable to noncontrolling shareholders.
- 09 Net income from data processing equipment leased or services provided to others.
- 10 No longer used.
- 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 No longer used
- 14 Income from interest-only strip receivables and certain other instruments reported on SC665.
- 15 Income from corporate-owned life insurance
Report adjustments to cash surrender value of corporate-owned life insurance that you reported on SC615 and SC625.

99 Other. (Use this code only for an item not identified above.)

SO492, 496, and 498: Amounts

Report the dollar amounts (using the correct positive or negative sign) corresponding to the codes reported on SO489, 495, and 497.

NONINTEREST EXPENSE

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

SO51: TOTAL

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

SO510: ALL PERSONNEL COMPENSATION AND EXPENSE

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

Include:

1. The cost of temporary help and employment contractors.
2. Fringe benefits such as the employer's share of payroll taxes, insurance premiums, lunchroom expenses, tuition fees, uniforms, parking, and other such benefits.
3. Bonuses and awards.
4. Employer contributions to pension and retirement funds and ESOP plans.
5. Pensions paid directly by you.
6. Lump-sum pension contributions.
7. Payments related to past services, such as severance pay.
8. Directors' fees.
9. Travel and other expenses for directors, officers, and employees.
10. The fair value of employee stock options granted.

Do not include:

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

SO520: LEGAL EXPENSE

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

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

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.
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 SO488, 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. Market 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.
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.
4. Deposit promotions, giveaways, premiums, and commissions that are capitalized. Report amortization on SO215, Interest Expense on Deposits.

SO550: LOAN SERVICING FEES

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

Include:

1. Fees for servicing loans owned by you.
2. Fees for servicing loans owned by others where you own the servicing rights.

Do not include:

1. Amortization of loan servicing assets. Report the amortization on SO411.
-

2. Servicing fees for loans acquired on a net yield basis. Deduct the servicing fees from related interest income.

SO560: GOODWILL AND OTHER INTANGIBLES EXPENSE

Report write-downs and expense of SC660, Goodwill and Other Intangible Assets.

Include amortization of:

1. Goodwill, an unidentifiable intangible asset, recorded pursuant to APB No. 16 or FASB Statement No. 141.
2. The unidentifiable intangible asset recorded pursuant to FASB Statement No. 72.
3. Core deposit premium, an identifiable intangible asset.
4. Intangible pension assets recorded pursuant to FASB Statement No. 87.
5. Technology-based intangible assets, such as computer software.
6. Other intangible assets, excluding servicing assets.

Also, include impairment write-downs on goodwill and other intangible assets.

Do not include amortization of Servicing assets; report this on SO410.

Upon adoption of FASB Statement No. 142 in 2002, goodwill recorded pursuant to APB No. 16 or FASB Statement No. 141 will no longer be amortized. However, this unidentifiable intangible asset will continue to be subject to impairment write-downs. The exact adoption date of FASB Statement No. 142 in 2002 will depend on your fiscal year-end.

SO570: NET PROVISION FOR LOSSES ON NON-INTEREST-BEARING ASSETS

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

Refer to the general instructions for Schedule VA for a discussion of how to properly calculate provision for losses. Report adjustments to valuation allowances as an expense in the period in which you determine the amount of the loss even if that loss actually occurred in a prior period.

Include adjustments to valuation allowances on:

1. Real estate owned.
2. Other assets.

Do not include:

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

SO580: OTHER NONINTEREST EXPENSE

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

Memo: Detail of Other Noninterest Expense

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

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

Combine similar accounts with the same code; that is, do not report a code more than once. However, you should not combine unlike accounts in reporting code 99. You may have more than one code 99 if you cannot find codes describing the items you report.

SO581, 583, and 585: Codes

- 01 Deposit Insurance premiums.
- 02 OTS assessments.
- 03 Interest expense on income taxes.
- 04 Interest expense on Treasury tax and loan accounts administered under the note option.
- 05 Forfeited commitment fees on FHLBank advances not taken down by the association.
- 06 Supervisory examination fees.
- 07 Office supplies, printing, and postage.
- 08 Telephone, including data lines.
- 09 Loan origination expense
Include appraisal reports, credit reports, and other similar expenses; also include, as a negative amount, reversals of origination costs when such costs are capitalized.
- 10 ATM expense.
- 11 Adjustments to prior periods (and other immaterial audit adjustments).
- 12 Acquisition and organization costs, including mergers and branch office acquisitions.
- 13 Miscellaneous taxes other than income taxes and real estate taxes.
- 14 Losses from fraud.
- 15 Foreclosure expenses.
- 16 Web site expenses.
- 17 Charitable Contributions.
- 99 Other. (**Use this code only for an item not identified above.**)

SO582, 584, and 586: Amounts

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

SO60: INCOME (LOSS) BEFORE INCOME TAXES

The EFS software will compute this line as the sum of SO332 plus SO42 less SO51.

INCOME TAXES

SO71: TOTAL

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

SO710: FEDERAL

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

Include:

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

Do not include:

Interest income and expense on tax accounts. Report these on SO488, 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 payments, penalties.
2. Immaterial adjustments to correct prior period accruals for which the amendment cycle is no longer open.
3. Amortization of prepaid or deferred state, local and other income taxes.
4. Reductions for refunds from prior periods not previously reported.
5. Reductions for NOL carrybacks.
6. Gross receipts taxes.

Do not include:

1. Interest income and expense on tax accounts. Report these on SO488, Other Noninterest Income, or SO580, Other Noninterest Expense.
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

The EFS software will compute this line as the sum of SO60 less SO71.

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.**

- **Unusual** – 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.
- **Infrequent** – 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 those that qualify are:

- The excess of fair value over cost of net assets acquired in a purchase business combination (negative goodwill) recognized in earnings at the date of combination;
- Losses that result directly from a major disaster such as an earthquake (except in areas where earthquakes are expected to recur in the foreseeable future);
- Gains or losses from a government expropriation;
- Gains or losses from discontinued operations; or
- Losses from a prohibition under a newly enacted law or regulation.

Do not include:

1. Adjustments to valuation allowances. Report these on SO32, 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. For information on correcting prior period errors, see Item 5 in the General Instructions.
3. Adjustments for periods where 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 your current fiscal year. Report these adjustments currently in the appropriate current income or expense data field.
5. Net income or loss allocable to noncontrolling shareholders. Report in SO488, Other Noninterest Income.
6. Gains and losses on extinguishments of debt that do not meet the criteria in APB Opinion No. 30 for classification as an extraordinary item. Generally prepayment penalties should be expensed on SO580, Other Noninterest Expense.

**SO88: NET INCOME (LOSS) ATTRIBUTABLE TO SAVINGS
ASSOCIATION AND NONCONTROLLING INTERESTS**

The EFS software will compute this line as the sum of SO81 plus SO811.

**SO880: NET INCOME (LOSS) ATTRIBUTABLE TO
NONCONTROLLING INTERESTS**

Report the net income or loss attributable to noncontrolling interests in consolidated subsidiaries.

**SO91: NET INCOME (LOSS) ATTRIBUTABLE TO SAVINGS
ASSOCIATION**

The EFS software will compute this line as the sum of SO88 less SO880.

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SCHEDULE SI — SUPPLEMENTAL INFORMATION

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

MISCELLANEOUS:

SI370: NUMBER OF FULL-TIME EQUIVALENT EMPLOYEES

Report the actual number of full-time equivalent employees employed by you and your consolidated subsidiaries. Report the actual whole number; do not round to thousands.

SI375: FINANCIAL ASSETS HELD FOR TRADING PURPOSES

Financial assets held for trading purposes are defined as securities and other financial assets that are bought and held for the purpose of short term resale or with the intent of benefiting from actual or expected price movements, and carried at fair value with the change in fair value reflected in current earnings. Trading generally reflects active and frequent buying and selling to generate profits in the short-term.

Report financial assets held for trading purposes on this line and also on SI376. Financial assets held for trading purposes reported on this line should include any trading securities accounted for under FASB Statement No. 115 where it is management's intent to actively buy and sell such securities to generate profits in the short term.

SI376: FINANCIAL ASSETS CARRIED AT FAIR VALUE THROUGH EARNINGS

Report the balance of financial assets carried at fair value where the changes in fair value are reflected in current earnings under FASB Statement No. 115 (for trading securities), No. 133 (for derivatives), No. 155 (for hybrid instruments), and No. 159 (for all other financial assets where the fair value option is elected). Such assets are reported on various lines on Schedule SC and, therefore, the total of all assets reported at fair value is included on SC60. For example, derivative assets are included in SC689.

Include financial assets held for trading purposes on this line. Such assets are also reported on SI375.

Available-for-sale securities are financial assets carried at fair value. However for available-for-sale securities, the changes in fair value are not reflected in current earnings, but rather in other comprehensive income net of any deferred tax impact. Accordingly, do not include the balance of available-for-sale securities on this line. Rather, report such amount on SI385.

Under a "fair value option," servicing assets may be carried at fair value with the changes in fair value reflected in current earnings. However, servicing assets are not financial assets. Accordingly, do not include the balance of any servicing assets on this line.

SI377: FINANCIAL LIABILITIES CARRIED AT FAIR VALUE THROUGH EARNINGS

Report the balance of financial liabilities carried at fair value where the changes in fair value are reflected in current earnings under FASB Statement No. 133 (for derivatives), No. 155 (for hybrid instruments), and No. 159 (for all other financial liabilities where the fair value option is elected). Such liabilities are reported on various lines on Schedule SC, and therefore the total of all net liabilities reported at fair value is included on SC70. For example, derivative liabilities are included in SC796.

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 FASB Statement No. 115 and are not classified as trading. Do not include equity securities whose sale is restricted by governmental or contractual requirement – for example, FHLB stock. Include amounts reported on SC665, Interest-Only Strip Receivables and Certain Other Instruments, that are not classified as trading pursuant to FASB Statement No. 115.

Report available-for-sale securities at fair value. Exclude unrealized gains and losses from current earnings and report, 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 FASB Statement No. 115.

Transfer securities from the available-for-sale category to held-to-maturity 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. Report assets held for sale at the lower of cost or market, LOCOM. Recognize unrealized losses in current earnings on SO465, Net Income (Loss) from LOCOM Adjustments Made to Assets Held for Sale.

Transfer assets from the "for sale" category to an investment account at the lower-of-cost-or-market as of the date of transfer.

Include:

1. Loans and participations originated or purchased by you with the intent to sell.
2. Assets originally held for investment but now held for sale.
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, report on SI385.
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 you, but owned by others.

Include:

1. Loans and securities that you sold to others but for which you perform the servicing.
2. Loans serviced by you for others, where the loans have been securitized, whether or not you own the securities and whether or not you have reported any servicing assets.
3. Loans serviced by you for others, where you have transferred the loans to others, but have not reported the transaction as a sale.
4. Loans and securities serviced by you under a contract to a third party who owns the servicing rights.

Do not include:

1. Loans and securities where you own the servicing rights and where the servicing has been subcontracted to a third party.
2. Loans and securities serviced for you by a consolidated subsidiary or a subsidiary depository institution.

RESIDUAL INTERESTS

Residual interests are defined in 12 CFR Part 567.1 as any balance sheet asset that represents an interest, including a beneficial interest, created by a transfer of financial assets that qualifies as a sale under GAAP and that exposes the institution to a credit risk that exceeds a pro rata share of the institution's claim on the transferred assets. The transfer of assets may be through securitization or otherwise; the credit risk may be directly or indirectly associated with the transferred assets; and the exposure to credit risk may be through either subordination provisions or other credit enhancement techniques.

This definition of residual interests is for regulatory reporting purposes, and, therefore, is **not** the same as **purchased or retained beneficial interests in securitized financial assets**, as that term is used in authoritative accounting literature.

Examples of residual interests include, but are **not** limited to, credit-enhancing interest-only strips defined below, spread accounts, cash collateral accounts, and retained subordinated interests.

You report all residual interests somewhere on Schedule SC, typically on SC182, SC185, SC217 through 222, SC665, or SC689. The total of lines SI402 and SI404 should equal all residual interests, as defined above, that you have included on Schedule SC.

In addition, you should report the appropriate amounts in Schedule CC, on CC455 and CC465 or CC468, related to direct credit substitutes and recourse obligations. Also, as residual interests are subject to specialized regulatory capital treatment pursuant to 12 CFR Parts 567.6 and 567.12, you should report the appropriate amounts in Schedule CCR, on CCR133, CCR270, CCR375, and CCR605.

SI402: RESIDUAL INTERESTS IN THE FORM OF INTEREST-ONLY STRIPS

Report residual interests as defined above in the form of credit-enhancing interest-only strips.

Credit-enhancing interest-only strips are defined in 12 CFR Part 567.1 as any on-balance-sheet asset that, in form or in substance, represents the contractual right to receive some or all of the interest due on

transferred assets, and that through subordination provisions or other credit enhancement techniques exposes the institution to credit risks that exceed its pro rata claim on the transferred assets.

Report both retained and purchased credit-enhancing interest-only strips. However, do not include interest-only strips issued by government-sponsored entities or other interest-only strips that do not function in a credit enhancing or otherwise subordinate capacity.

SI404: OTHER RESIDUAL INTERESTS

Report any other residual interests and on-balance-sheet recourse assets that you have not reported on SI402. Include purchased subordinated interests, purchased subordinated securities, and any other type of residual or recourse position that you have purchased from others. Do not include interest-only strips issued by the government or government sponsored enterprises, unless they meet the definition of residual interest in 12 CFR 567.1.

QUALIFIED THRIFT LENDER TEST

SI581, SI582, AND SI583: ACTUAL THRIFT INVESTMENT PERCENTAGE AT MONTH-END

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

If you use the HOLA QTL test, report the ATIP from the OTS QTL worksheets, OTS Form 1427, for the three months. If you use the IRS DBLA test, leave lines SI581, 582, and 583 blank, and complete SI585 and SI586.

IRS DOMESTIC BUILDING AND LOAN TEST:

Complete these lines only if you do not use the Home Owners' Loan Act (HOLA) Qualified Thrift Lender (QTL) test, but instead use the IRS Domestic Building and Loan Association (DBLA) test (IRS regulation 26 CFR § 301.7701-13A) to determine if you are a Qualified Thrift Lender. Refer to Appendix A of the OTS Examination Handbook, Section 270.

SI585: PERCENT OF ASSETS TEST

SI586: DO YOU MEET THE DBLA BUSINESS OPERATIONS TEST?

SI588: AGGREGATE INVESTMENT IN SERVICE CORPORATIONS

Report your aggregate investment in the capital stock, loans and obligations, and other securities of all service corporations, determined in a manner consistent with 12 CFR Part 559.

Loans and obligations include all loans and other debt instruments, and all guarantees or take-out commitments of such loans or debt instruments.

For purposes of this reporting only, the measurement of the investment in capital stock should be based on the cost method, and not the equity method. Under the cost method, your investment in capital stock will include amounts paid to acquire the stock, but will not include accumulated undistributed earnings

and losses of the service corporations. As a result, your aggregate investment reported on this line will likely differ from the related amount obtained from your accounting records and from the amount reported on SC540.

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

Federal Reserve Regulation O defines the terms used in this item.

An **extension of credit** is a making or renewal of any loan, a granting of a line of credit, or an extension of credit in any manner whatsoever. Extensions of credit include, among others, loans, prearranged overdrafts, cash items, standby letters of credit, and securities purchased under agreements to resell. For lines of credit, the amount 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 12 CFR § 215.3, Regulation O.

An **executive officer** of the reporting savings association is person who participates or has authority to participate, other than as a director, in major policy-making functions of the reporting savings association, an executive officer of the savings association's holding company, and, unless excluded by the savings association's board of directors or bylaws, any other subsidiary of that holding company. See 12 CFR § 215.2(e), Regulation O.

A **director** of the reporting savings association is person who is a director of the savings association, whether or not receiving compensation, a director of the holding company of which the savings association is a subsidiary, and, unless excluded by the savings association's board of directors or bylaws, a director of any other subsidiary of that holding company. See 12 CFR § 215.2(d), Regulation O.

A **principal shareholder** of the reporting savings association is 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. Regulation O considers shares owned or controlled by a member of an individual's immediate family 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 12 CFR § 215.11(a)(1), Regulation O.

A **related interest** is either:

1. A company, other than an insured depository institution or a foreign bank that is controlled by an executive officer, director, or principal shareholder.
2. A political or campaign committee that is controlled by or the funds or services of which will benefit an executive officer, director, or principal shareholder. See 12 CFR § 215.11(a)(2), 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 you and your controlled subsidiaries to all of your 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 FIVE PERCENT OF UNIMPAIRED CAPITAL AND UNIMPAIRED SURPLUS (CCR30 + CCR35 + CCR530 + CCR105)

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

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

SUMMARY OF CHANGES IN SAVINGS ASSOCIATION EQUITY CAPITAL

SI600: SAVINGS ASSOCIATION EQUITY CAPITAL, BEGINNING BALANCE

The EFS software automatically generates this amount from your prior quarter's SC80.

Special instructions for mergers and reorganizations:

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

SI610: NET INCOME (LOSS) ATTRIBUTABLE TO SAVINGS ASSOCIATION (SO91)

The EFS software automatically generates this amount from SO91.

DIVIDENDS DECLARED:

SI620: Preferred Stock

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

Include:

Dividends declared on preferred stock reported on SC812 and SC814.

SI630: Common Stock

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

Do not include:

1. Stock dividends.
2. Stock splits.
3. Property dividends. Report on SI670.

SI640: STOCK ISSUED

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

Include:

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

Do not include:

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

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

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 new owners. The amount paid for this stock is reported on SI640.

SI655: CAPITAL CONTRIBUTIONS (WHERE NO STOCK IS ISSUED)

Report increases during the quarter in SC830, Common Stock: Paid in Excess of Par, that came from stockholders but that did not result from the issuing of stock.

Include the fair value of employee stock options granted as compensation.

Also include as a negative amount property distributions to stockholders. Record the transfer of dividends other than cash at the fair value of the asset on the declaration date of the dividend. Recognize a gain or loss on the transferred asset in the same manner as if you disposed of the property in an outright sale at or near the declaration date.

SI660: NEW BASIS ACCOUNTING ADJUSTMENTS

Include:

1. Adjustments made during the period in applying push-down accounting in the change-of-control.
2. Adjustments made in accounting for a savings association taken into receivership during the period.

SI662: OTHER COMPREHENSIVE INCOME

The EFS software automatically generates this amount as the change during the quarter in SC86, Accumulated Other Comprehensive Income: Total.

Other comprehensive income includes the change in:

1. Accumulated unrealized fair value gains and losses on available-for-sale securities, net of taxes.
2. Accumulated fair value gains and losses on cash flow hedges, net of taxes.
3. Any minimum pension liability adjustment recognized in accordance with FASB Statement No. 87, *Employers' Accounting for Pensions*, net of taxes and *FAS Statement No. 158, Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans*.
4. Cumulative foreign currency translation adjustments and qualifying foreign currency transaction gains and losses, net of taxes.

SI668: PRIOR PERIOD ADJUSTMENTS

Prior period adjustments for purposes of the TFR include:

1. Changes to a beginning balance of equity capital pursuant to transition requirements under newly adopted FASB Statements such as SFAS No. 154 and SFAS No. 159.
2. Corrections to an income statement for a quarter from a prior calendar year where the TFR for that quarter can no longer be amended.
3. Cumulative effects of an accounting change under FAS159 and FIN48.

Also refer to item number 6 in the General Instructions for the TFR.

Do not include:

1. Audit adjustments and prior period adjustments within the current calendar year. Correct these through an amended report within 140 days of the report date or report them currently in Schedule SO.
2. Corrections of accruals. Report these 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.

SI671: OTHER ADJUSTMENTS

Report other adjustments to equity capital that cannot be included elsewhere in SI610 through SI668.

Include:

1. Issuance costs of common stock offerings.
2. The change in SC891, Other Components of Equity Capital.

Do not include:

1. Property distributions to stockholders; report as a negative amount on SI655.
2. Prior period adjustments to prior calendar years; report on SI668.
3. Additional contributions of paid-in capital; report on SI655.
4. Adjustments within the current calendar year. Correct these through an amended report within 135 days of the report date, or report them currently in Schedule SO.
5. Corrections of accruals. Report these 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.

SI680: TOTAL SAVINGS ASSOCIATION EQUITY CAPITAL, ENDING BALANCE (SC80)

The EFS software automatically calculates this as the sum of SI600, SI610, SI640, SI655, SI660, SI662, SI668, and SI671 less SI620, SI630, and SI650. SI680 must equal SC80, Total Savings Association Equity Capital, on the current TFR.

TRANSACTIONS WITH AFFILIATES:

The following two line items parallel 12 CFR 563.41, Transactions with Affiliates. Section 563.41(c)(3) requires each association to maintain records that reflect all transactions between a savings association and its affiliates.

Section 563.41 implements the affiliate transactions regulation found in Sections 23A and 23B of the Federal Reserve Act, as codified in 12 CFR Part 223 (Regulation W). Sections 23A and 23B of the Federal Reserve Act are made applicable to savings associations by Section 11(a)(1) of the Home Owners' Loan Act. You should include transactions subject to the quantitative limits of Section 23A in SI750. Include all other covered affiliate transactions in SI760, including transactions subject only to Section 23B.

Affiliate and **covered transaction** are defined in Regulation W, as modified as appropriate for savings associations in Section 563.41. Generally, an **affiliate** is defined as:

1. Your parent company.
2. Any company controlled by your parent company that is not a subsidiary of yours (except a bank or thrift subsidiary of yours).
3. Any company that you or another affiliate sponsors or advises.
4. Any company which shares a majority of the same directors with you or your parent company.

Information in this section is not made public on an individual institution basis, but is available in the OTS aggregates.

SI750: ACTIVITY DURING THE QUARTER OF COVERED TRANSACTIONS WITH AFFILIATES SUBJECT TO QUANTITATIVE LIMITS

Report all covered affiliate transactions subject to quantitative limits. Generally, these include:

- All purchases of assets by you from affiliates. This includes all commitments outstanding at the end of the quarter to purchase assets entered into with affiliates that will close in your name. Report such commitments on a gross basis. Do not net commitments to sell against commitments to purchase, even if the commitments are for the same or similar items and even if you will disburse or receive no cash.

- All extensions of credit to affiliates. This includes, but is not limited to, loans and receivables whether or not supported by a loan document or contract; purchasing a note or other obligation of an affiliate, as well as loan guarantees or letters of credit on behalf of an affiliate. Acceptance of a security issued by an affiliate as collateral for an extension of credit to any third party.

Include all transactions that occurred during the quarter, regardless of whether you have paid affiliates during the quarter or owe the amount as of the end of the quarter.

SI760: ACTIVITY DURING THE QUARTER OF OTHER COVERED TRANSACTIONS WITH AFFILIATES NOT SUBJECT TO QUANTITATIVE LIMITS

Report all other affiliate transactions that are **not** included in SI750. Generally, these include:

- The sale of securities or other assets from you to an affiliate, including assets subject to a repurchase agreement.
- Your payment of funds to, or furnishing of services to, an affiliate, including such tasks as collection of debt payments, data processing, maintenance, office supplies or payroll.
- Any transaction in which an affiliate receives an agency or broker's fee from you for its services on behalf of you or a third party.

Include all transactions that occurred during the quarter, regardless of whether you have paid affiliates during the quarter or owe the amount as of the end of the quarter.

MUTUAL FUND AND ANNUITY SALES:

SI805: DO YOU SELL PRIVATE-LABEL OR THIRD-PARTY MUTUAL FUNDS AND ANNUITIES?

Respond **Yes** if you, your subsidiaries, affiliates, or an unaffiliated entity sells private label or third party mutual funds or annuities:

1. On your premises;
2. From which you receive income at the time of the sale or over the duration of the account (for example, annual fees, trailer fees, or redemption fees); or
3. Through your trust department in transactions that are **not** executed in a fiduciary capacity (for example, trustee, executor, administrator, or conservator).

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 for the purpose of marketing primarily to your customers or customers of your affiliates. A **proprietary** product is a product for which the reporting institution or its subsidiary or other affiliate 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 institution.

SI815: TOTAL ASSETS YOU MANAGE OF PROPRIETARY MUTUAL FUNDS AND ANNUITIES

Report the amount of assets held by mutual funds and annuities as of the report date for which you or your subsidiaries act as investment adviser.

SI860: FEE INCOME FROM THE SALE AND SERVICING OF MUTUAL FUNDS AND ANNUITIES

Report the amount of income that you earned during the quarter from the sale and servicing of mutual funds and annuities.

In general, this income is included in the amount reported on SO420, Other Fees and Charges. Report the income included in this item gross rather than net of expenses incurred by you or your consolidated subsidiary.

Include:

1. Income earned in connection with mutual funds and annuities that are sold on your premises or sold by you, through a subsidiary, or by affiliated or unaffiliated entities from which you receive 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 – for example, annual fees, Rule 12b-1 fees or trailer fees, and redemption fees. Report commissions as income when earned on an accrual basis at the time of the sale. However, you may report 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 your offices for use in selling mutual funds and annuities. Income from leasing arrangements should be reported on an accrual basis, when earned, 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 your premises or sold, through a subsidiary, or by affiliated or unaffiliated entities from which you receive 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 you, through a subsidiary, or by affiliated or unaffiliated entities from which you receive income.

Do Not Include:

1. Fees earned for services provided to mutual funds that are not sold by you, through a subsidiary, or by affiliated or unaffiliated entities with whom the savings association has sales relationships.
2. Do not include mutual fund and annuity fee income reported in Schedule FS.

AVERAGE BALANCE SHEET DATA (BASED ON MONTH-END DATA)

Report average balance sheet data for the quarter. At a minimum, compute these data based on balances at month-end. However, you may compute these data based on other than month-end balances, such as daily or weekly balances. All balances should be as reported in Schedule SC. For example, the balance of loans should reflect premiums, discounts, deferred loan fees, allowances for credit losses, etc. Each month's average should be computed using the prior month's ending balance plus the current month's ending balance divided by two. For example, the balance at December 31 is considered to be the beginning balance at January 1. The average for the three months in the quarter should then be summed and divided by three.

In the case of a business combination accounted for using the purchase method of accounting or acquisition by a holding company where you used pushdown accounting, you should include amounts for the acquired entity from the date of its acquisition through the end of the quarter.

Example of Averaging:

Month	Balances		
	Beginning	Ending	Average
December	N/A	1,500	N/A
January	1,500	1,575	1,538
February	1,575	1,550	1,563
March	1,550	1,695	1,623
Sum			4,724

Quarter Average Balance = \$4,724 / 3 = \$ 1,575

If you consummated a merger on February 20, the calculation would be as follows:

	Beginning	Ending	Average	Adjustment	Adjusted Average
December	N/A	1,500	N/A		N/A
January	1,500	1,575	1,538		1,538
February pre-merger	1,575	1,550	1,563	x 19 days = 29,698	
February post-merger	3,200	3,280	3,240	x 9 days = 29,160	
				(29,698+ 29,160)/28	2,102
March	3,280	3,965	3,623		3,623
Sum					7,263

Quarter Average Balance = \$7,263 / 3 = \$2,421

SI870: TOTAL ASSETS

Report your average assets for the quarter based on the calculation explained above using total assets reported on SC60.

SI875: DEPOSITS AND INVESTMENTS EXCLUDING NON-INTEREST-EARNING ITEMS

Report your average deposits and investments for the quarter based on the calculation explained above using interest-earning deposits and investments reported on SC112 through SC185. Do not include mortgage loans and mortgage-backed securities included in SI880.

If you invest in adjustable rate products on which the interest rate has been reduced to zero as a result of market conditions, you should continue to report such investments in these averages.

SI880: MORTGAGE LOANS AND MORTGAGE-BACKED SECURITIES

Report your average mortgage loans and mortgage-backed securities for the quarter based on the calculation explained above using mortgage loans and mortgage-backed securities reported on SC210 through SC222 and SC230 through SC265.

SI885: NONMORTGAGE LOANS

Report your average nonmortgage loans for the quarter based on the calculation explained above using nonmortgage loans reported on SC300 through SC330.

SI890: DEPOSITS AND ESCROWS

Report your average **interest-earning** deposits and escrows for the quarter based on the calculation explained above using interest-earning deposits included in SC710 and SC712. If you offer deposit products on which you periodically adjust the interest rate, and the interest rate has been reduced to zero as a result of market conditions, you should continue to report such deposits as interest-bearing accounts in these averages.

SI895: TOTAL BORROWINGS

Report your average **interest-bearing** borrowings for the quarter based on the calculation explained above using interest-bearing borrowings reported on SC720 through SC760.

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SCHEDULE HC — THRIFT HOLDING COMPANY

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

GENERAL INSTRUCTIONS

Complete this schedule if you are owned by a thrift holding company, except if your holding company is a registered Bank Holding Company supervised by the Federal Reserve. If your holding company owns more than one thrift institution, we will advise you which institution should file this report. We will also advise you which holding company(ies) to report if you are owned by more than one. You should continue to report for each holding company designated until advised otherwise.

Unless otherwise instructed, report all dollar amounts in accordance with GAAP for each designated holding company filing Schedule HC. (See the note below for insurance companies preparing financial statements under statutory accounting principles.) Where it is appropriate under GAAP to consolidate one or more of the holding company's subsidiaries (which may or may not include your thrift), the amounts in the "Consolidated" column should reflect consolidation of those subsidiaries. The amounts in the "Parent Only" column must reflect the holding company's investment in subsidiaries and the operations of those subsidiaries, under the equity method of accounting. Subsidiary operations, as a component of the investment account, would include dividends, earnings, and other activity updated on a quarterly basis. In the infrequent circumstance where it is not appropriate under GAAP to consolidate any of the holding company's subsidiaries – such as a designated holding company filing Schedule HC that is a noncontrolling shareholder of the thrift and controls no other subsidiaries – the amounts in the "Consolidated" column should be left blank.

If the holding company has a quarter end other than a calendar quarter end, you may use data from the fiscal quarter ending within the reporting calendar quarter. For example, if the holding company's fiscal year end is October, its **fiscal quarter ends** are January, April, July, and October. You should use its fiscal quarter ending January 31 for the March 31 TFR, April 30 for June 30, July 31 for September 30, and October 31 for December 31.

If your holding company is an insurance company, **and** does not prepare financial statements for external use in conformity with GAAP, you may file data from financial statements prepared in conformity with statutory accounting principles in the "Parent Only" column. If periodic consolidated financial statements are prepared under GAAP – such as for annual reports to policyholders – data from these statements should be used in filing Schedule HC in the appropriate "Consolidated" and "Parent Only" columns.

You must file Schedule HC no later than the 45th day following the end of the **calendar** quarter. We do **not** make public Schedule HC data for individual holding companies. We do make public aggregate data for Schedule HC.

HC100: HOLDING COMPANY NUMBER

Report the OTS docket number of the holding company for which you are reporting. All holding company docket numbers begin with an H.

HC110: FISCAL YEAR END

Enter the month of your current fiscal year-end for audited financial statement purposes. In some cases this may not correspond to the tax year-end.

HC125: STOCK EXCHANGE TICKER SYMBOL

List the symbol if the stock of the holding company is traded on a public exchange.

HC130: SEC FILE NUMBER

If the holding company must file periodic securities disclosure documents with the SEC pursuant to the Securities Exchange Act of 1934, report the SEC file number. Examples of disclosure documents are Form 10-K and Form 10-Q.

If the reporting holding company does not file periodic securities disclosure documents with the SEC but its parent or top tier holding company does file, you should report the SEC file number of that parent or top tier holding company.

HC140: WEBSITE ADDRESS

If one exists, report the Internet address of the reporting holding company or of the appropriate entity within the corporate structure where publicly available financial information is available.

PARENT ONLY

The parent holding company is an entity within the corporate structure. Parent-only reporting reflects the activities of the holding company. The parent activities are often limited to ownership of subsidiaries, financing activities and administrative activities. The parent records investments in subsidiaries as an investment or under the equity method as prescribed by GAAP. On a parent only basis, intragroup transactions are not eliminated.

HC210: TOTAL ASSETS

Report total assets on a parent only basis. Report details for components included in Total Assets on HC310 through HC370.

HC220: TOTAL LIABILITIES

Report total liabilities on a parent only basis. Report details for components included in Total Liabilities on HC410 through HC460.

HC240: TOTAL EQUITY

Report total equity on a parent only basis. Include the holding company's portion of current subsidiary earnings (including the thrift) and other comprehensive income in equity of the parent. Generally, parent only Total Equity should be equal to Total Consolidated Equity (HC630). If HC240 and HC630 are not equal, explain the difference in a user note.

HC250 NET INCOME (LOSS) ATTRIBUTABLE TO HOLDING COMPANY

Report net income for the quarter. Include the parent holding company's proportionate share of any thrift institution subsidiary's income for that quarter. Income should not be left blank.

INCLUDED IN TOTAL ASSETS:**RECEIVABLE FROM SUBSIDIARIES:****HC310: Thrift**

Report the holding company's receivable from thrift subsidiaries, which is sometimes referred to as "advances to" or "due from." Include certain ESOP borrowings reflected on the thrift's books that are reported as receivables on a parent only basis.

HC320: Other Subsidiaries

Report the holding company's receivable from subsidiaries other than thrift subsidiaries, which is sometimes referred to as "advances to" or "due from".

INVESTMENT IN SUBSIDIARIES:**HC330: Thrift**

Report the holding company's direct investment in thrift subsidiaries in a manner that reflects the equity method of accounting. If you are wholly owned, this line should equal your equity (SC80).

Report zero if this holding company is not the direct owner of the thrift.

HC340: Other Subsidiaries

Report the holding company's investment in subsidiaries other than thrift subsidiaries in a manner that reflects the equity method of accounting. If this holding company is not the direct owner of the thrift, report the holding company's investment in the mid-tier holding company.

INTANGIBLE ASSETS

HC350: MORTGAGE SERVICING ASSETS

Report the carrying amount of mortgage servicing assets.

HC360: NONMORTGAGE SERVICING ASSETS AND OTHER

Report the balance of the parent's nonmortgage servicing assets and other intangible assets.

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

1. Goodwill.
2. Customer relationships and customer lists, including core deposit premiums.
3. Employment agreements.
4. Noncompete agreements.
5. Lease agreements.
6. Computer software costs.

HC370: DEFERRED POLICY ACQUISITION COSTS

Report deferred policy acquisition costs (DPAC) incurred by insurance companies. DPAC includes variable acquisition costs such as commissions and underwriting and policy issuance expenses related to both new and renewal insurance policies and annuities.

INCLUDED IN TOTAL LIABILITIES (EXCLUDING DEPOSITS):

Borrowings, as the term is used here, means short-term or long-term debt, negotiated with specified terms, usually including interest rates and repayment dates. **Borrowings** exclude deposits and transactional liabilities, such as accounts payable, income taxes payable, and accrued liabilities.

PAYABLE TO SUBSIDIARIES:

Thrift Subsidiaries:

HC410: Transactional

Report the holding company's payable to thrift subsidiaries, which is sometimes referred to as "advances from" or "due to". Do not include amounts reported on HC420.

HC420: Debt

Report the amount of borrowings the holding company owes to the reporting thrift. Do not include amounts reported on HC410.

Other Subsidiaries:

HC430: Transactional

Report the holding company's payable to subsidiaries other than thrift subsidiaries, which is sometimes referred to as "advances from" or "due to". Do not include amounts reported on HC440.

HC440: Debt

Report the balance of the holding company's borrowings from its subsidiaries other than thrift subsidiaries. Do not include amounts reported on HC430 and HC445.

HC445: TRUST PREFERRED INSTRUMENTS

Trust preferred securities are typically issued to third party investors by a wholly owned trust of the holding company. The holding company typically borrows from the trust substantially all the net proceeds from issuance of the trust preferred securities. For parent only reporting, report the balance of the holding company's borrowings from the trust that issued the trust preferred securities.

Where the holding company's financial statements do not reflect consolidation of the financial statements of the trust that issued the trust preferred securities, the amounts in HC445 and HC 670 should be equal. If the trust is consolidated, report on HC 670 the balance of the trust preferred instruments.

HC450: OTHER DEBT MATURING IN 12 MONTHS OR LESS

Report all borrowings excluding deposits, payable to subsidiaries, and trust preferred securities that you would classify as current liabilities if the holding company were to present a classified balance sheet. Include such borrowings that, within the next 12 months, either (1) contractually mature; (2) are callable at the option of the lender; or (3) otherwise become due and payable.

Callable, as the term is used here, refers to an option by the lender to require repayment of the borrowing before its contractual maturity.

A **classified balance sheet** is one that includes subtotals for current assets and current liabilities. Most thrift holding companies do not present a classified balance sheet. However, for purposes of HC450/HC680 and HC460/HC690, classify all borrowings as either current or noncurrent. The parameters of current liabilities are detailed in Accounting Research Bulletin No. 43, *Restatement and Revision of Accounting Research Bulletins*, Chapter 3A, as revised by SFAS No. 78, *Classification of Obligations That Are Callable by the Creditor*.

Example: A holding company's borrowings, on a consolidated basis, include a FHLBank advance where the contractual maturity date is beyond the next 12 months. However, beginning on a date within the next 12 months, the FHLBank may exercise its option to require immediate repayment of the advance. You should include that advance in line HC450/HC680.

HC460: OTHER DEBT MATURING IN MORE THAN 12 MONTHS

Report all borrowings (other than payables to subsidiaries and trust preferred securities) **except:**

1. Debt maturing in 12 months or less reported on HC450/HC680.
2. Deposit and escrow liabilities held by you or any other subsidiary depository institution.

REFLECTED IN NET INCOME FOR THE QUARTER:

DIVIDENDS

As stated in the General Instructions to Schedule HC, the amounts in the “Parent Only” column should reflect the holding company’s investment in subsidiaries, and the operations of those subsidiaries, under the equity method of accounting. Consistent with those instructions, the holding company’s net income on a “Parent Only” basis, as reported on HC250, should reflect the holding company’s equity in net income or loss of its subsidiaries. Typically, such income or loss is presented as two separate components:

1. Dividends from subsidiaries – that is, the **distributed** component, and
2. Equity in **undistributed** income or loss of subsidiaries.

Accordingly, report on HC525 and HC535 the dividends-from-subsidaries component of the holding company’s equity in income or loss of its directly owned subsidiaries.

For example, assume that the holding company’s equity in the net income of its thrift subsidiary is \$10 million; and that dividends declared by, and received from, the subsidiary are \$3 million. The holding company’s net income on a parent only basis reported on HC250, “Net Income for the Quarter”, would include the \$10 million. The holding company would report the \$3 million on HC525. Note that the holding company’s \$7 million (\$10 million - \$3 million) undistributed income component of its equity in income of the thrift subsidiary would not be reported separately on Schedule HC.

HC525: From Thrift Subsidiaries

Report dividends from thrift subsidiaries in which you have direct ownership. Such dividends should be recognized by the holding company under the equity method of accounting.

HC535: From Other Subsidiaries

Report dividends from non-thrift subsidiaries recognized by the holding company under the equity method of accounting.

INTEREST EXPENSE

HC545: TRUST PREFERRED INSTRUMENTS

Report interest expense from borrowings from the trust that issues the trust preferred instruments.

HC555: ALL OTHER DEBT

Report interest expense, excluding interest expense on trust-preferred instruments and on deposit and escrow liabilities held by a subsidiary depository institution.

HC565: NET CASH FLOW FROM OPERATIONS FOR THE QUARTER

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

CONSOLIDATED

Prepare the consolidated amounts on Schedule HC in accordance with GAAP unless specifically stated otherwise. All data is reported as of the end of the quarter, or in the case of income, expense, and other activity data, for the period of one calendar quarter. Report subsidiaries that are not GAAP-consolidated subsidiaries using the equity method of accounting.

HC600: Total Assets

Report total consolidated assets. Report details for components included in Total Assets on HC650 through HC660.

HC610: Total Liabilities

Report total consolidated liabilities. Report details for components included in Total Liabilities on HC670 through HC690.

HC620: NONCONTROLLING INTERESTS IN CONSOLIDATED SUBSIDIARIES

Include:

1. Common and perpetual preferred stock issued by the holding company's consolidated subsidiaries to third parties constituting a noncontrolling interest.

For any net income or loss attributable to a noncontrolling interest in a consolidated subsidiary, see the instructions for HC640, Net Income (Loss) Attributable to Holding Company.

Do not include:

1. Mandatorily redeemable preferred stock that should be classified as a liability. Report on HC610, Liabilities.
2. Redeemable and perpetual preferred stock that was issued by consolidated subsidiaries and is owned by the holding company or its other subsidiaries as an investment asset. When making consolidating entries, eliminate the preferred stock of the consolidated subsidiary.

HC630: TOTAL EQUITY

Report total equity on a consolidated basis. Include perpetual preferred stock, common stock, accumulated other comprehensive income, retained earnings, other components of equity capital, and noncontrolling interests in consolidated subsidiaries. Generally, Total Equity on this line should be equal to Total Equity on HC240 plus Noncontrolling Interests in Consolidated Subsidiaries on HC620. If this is not the case, explain the difference in a user note.

HC635: NET INCOME (LOSS) ATTRIBUTABLE TO HOLDING COMPANY AND NONCONTROLLING INTERESTS

Report net income or loss on a consolidated basis, including the net income or loss attributable to noncontrolling interests in consolidated subsidiaries.

HC640: NET INCOME (LOSS) ATTRIBUTABLE TO HOLDING COMPANY

Report net income or loss on a consolidated basis attributable to the holding company only; that is, without regard to the net income or loss attributable to noncontrolling interests in consolidated subsidiaries.

HC650: Mortgage Servicing Assets

Report servicing assets on mortgage loans only.

HC655: Nonmortgage Servicing Assets and Other

Report servicing assets of loans other than mortgages, such as automobile and credit card loans.

HC660: Deferred Policy Acquisition Costs

Report deferred policy acquisition costs (DPAC) incurred by insurance companies. DPAC includes variable acquisition costs such as commissions and underwriting and policy issuance expenses related to both new and renewal insurance policies and annuities.

HC670: Trust Preferred Instruments

Where the holding company's financial statements reflect consolidation of the financial statements of the trust that issued the trust preferred securities, report the balance of the trust preferred securities - not the balance of the holding company's borrowings from the trust. Where the trust's financial statements are consolidated with those of the holding company, the holding company's borrowings from the trust are eliminated in consolidation. Refer to HC445 for additional information on reporting of Trust Preferred Instruments. Where the holding company's financial statements do not reflect consolidation of the financial statements, report the balance of the holding company borrowings from the trust.

HC680: Other Debt Maturing in 12 Months or Less

Report other debt (on a consolidated basis) that will mature in less than 12 months. If a direct thrift ownership by the parent exists, then this line should include the proportionate ownership of FHLB advances, repurchase agreements, and most of the items that would meet the definition of borrowings as reported on SC72 at the thrift level. Inter-company accounts should be eliminated through consolidation. See HC450 for further explanation.

HC690: OTHER DEBT MATURING IN MORE THAN 12 MONTHS

Report other debt (on a consolidated basis), that will mature in more than 12 months. If a direct thrift ownership by the parent exists, then this line should include the proportionate ownership of FHLB advances, repurchase agreements, and most of the items that would meet the definition of borrowings as reported on SC72 at the thrift level. Inter-company accounts should be eliminated through consolidation. See HC460 for further explanation.

INTEREST EXPENSE:**HC710: Trust Preferred Instruments**

Where the holding company's financial statements do not reflect consolidation of the financial statements of the trust that issued the trust preferred instruments, report interest expense on the trust preferred instruments (this means that HC445 and HC670 will be equal). If the trust is consolidated, report on HC710 the dividends paid on the trust preferred instruments – not the interest expense on the holding company's borrowings from the trust. Report Interest Expense on Trust Preferred Instruments. When the financial statements are consolidated with those of the holding company, the interest expense on the holding company's borrowings from the is eliminated in consolidation.

Where the holding company's financial statements reflect consolidation of the financial statements entity that issued the trust preferred securities, report on HC710 the dividends paid on the trust preferred securities - not the interest expense on the holding company's borrowings from the trust.

HC720: All Other Debt

Report Interest Expense on All Other Debt.

CASH FLOW:

HC730: Net Cash Flow from Operations for the Quarter

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

SUPPLEMENTAL QUESTIONS

Answer Supplemental Questions (HC810 through HC880) for each designated holding company and its subsidiaries for activities that occurred during the quarter. HC810 through HC875 require either a **Yes** or **No** answer. HC876 through HC880 may be left blank if not applicable.

For purposes of the Supplemental Questions only (HC810 through HC880):

A **subsidiary** means any company which is owned or controlled directly or indirectly by a person, and includes any service corporation owned in whole or in part by a savings association, or a subsidiary of such service corporation. As the term is used here, a "subsidiary" may be a company whose assets and liabilities are not consolidated with those of the holding company.

A **significant subsidiary** is a subsidiary that meets any of the following criteria:

- Accounts for five percent or more of the consolidated assets of the company
- Accounts for five percent or more of the consolidated gross revenue of the company
- Engages in transactions with the thrift.

HC810: Have any significant subsidiaries of the holding company been formed, sold, or dissolved during the quarter?

Check **Yes** only if this activity occurred during this quarter. Do not include any organizational structure changes that occurred during a prior period. A significant subsidiary accounts for five percent or more of the consolidated assets of the structure or five percent or more of the consolidated gross revenue of the structure, or engages in covered transactions with the thrift as described in §563.41. If you are an insurance company, do not include a response for activity in Separate Accounts.

Is the holding company or any of its subsidiaries:

Check **Yes** for each that may apply to any organization within the holding company structure, including the holding company itself. More than one may be checked if appropriate. Answer **No** if not applicable.

HC815: A broker or dealer registered under the Securities Exchange Act of 1934?

HC820: An investment adviser regulated by the Securities Exchange Commission or any State?

HC825: An investment company registered under the Investment Company Act of 1940?

HC830: An insurance company subject to supervision by a State insurance regulator?

HC835: Subject to regulation by the Commodity Futures Trading Commission?

HC840: Regulated by a foreign financial services regulator?

HC845: Has the holding company appointed any new senior executive officers or directors during the quarter?

Check **Yes** if there has been a change during the quarter.

HC850: Has the holding company or any of its subsidiaries entered into a new pledge, or changed the terms and conditions of any existing pledge, of capital stock of any subsidiary savings association that secures short-term or long-term debt or other borrowings of the holding company?

Check **Yes** if there has been a change during the quarter.

HC855: Has the holding company or any of its subsidiaries implemented changes to any class of securities that would negatively impact investors?

Check **Yes** if there has been a change during the quarter. Examples of a change that could negatively impact investors could include, but is not limited to: default, collateral substitution, changes in repayment dates, interest dates, voting rights, or conversion options.

HC860: Has there been any default in the payment of principal, interest, a sinking or purchase fund installment, or any other default of the holding company or any of its subsidiaries during the quarter?

Check **Yes** if there has been a default during the quarter.

HC865: Has there been a change in the holding company's independent auditors during the quarter?

Check **Yes** if there has been a change during the quarter.

HC870: Has there been a change in the holding company's fiscal year-end during the quarter?

Check **Yes** if there has been a change during the quarter.

HC875: Does the holding company or any of its GAAP consolidated subsidiaries (other than the reporting thrift) control other U. S. depository institutions?

Check **Yes** if the holding company controls a U. S. depository institution (federal or state chartered) and it is included in its consolidated financial statements.

HC876 Through HC880: If located in the U.S. or its territories, provide the FDIC certificate number:

If the answer to HC875 is **Yes**, list the five digit FDIC certificate number for each institution. If the answer to HC875 is **No**, the lines should be left blank.

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SCHEDULE CCR — CONSOLIDATED CAPITAL REQUIREMENT

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

GENERAL INSTRUCTIONS

OTS-regulated savings associations must comply with two overlapping sets of regulatory capital standards listed below:

12 CFR § 567, Capital (FIRREA)

1. Tangible capital: The minimum ratio, as a percent of tangible assets, is 1.5 percent.
2. Core or leverage capital: The minimum ratio, as a percent of adjusted total assets, is 3 percent for savings associations assigned a composite CAMELS rating of "1", and 4 percent for all other savings associations.
3. Risk-based capital: The minimum ratio, as a percent of risk-weighted assets, is 8 percent.

12 CFR § 565, Prompt Corrective Action (FDICIA)

4. Tangible equity: Savings associations with tangible equity equal to or less than 2 percent of tangible assets are critically undercapitalized.
5. Tier 1 or leverage capital: Savings associations are adequately capitalized or well capitalized if the minimum ratios, as a percent of adjusted total assets, are 4 percent or 5 percent, respectively.
Note: § 567 contains an exception to these standards.
6. Tier 1 risk-based capital: Savings associations are adequately capitalized or well capitalized if the minimum ratios, as a percent of risk-weighted assets, are 4 percent or 6 percent, respectively.
7. Total risk-based capital: Savings associations are adequately capitalized or well capitalized if the minimum ratios, as a percent of risk-weighted assets, are 8 percent or 10 percent, respectively.

Note: The following paragraph refers to numbers 1 through 7 above.

Schedule CCR - Consolidated Capital Requirement uses the following conventions:

- Tangible capital (FIRREA) [See 1 above.]
Schedule CCR does not include this measure because the minimum ratio is no longer considered a meaningful limitation for most savings associations.
- Tangible equity (FDICIA) [See 4 above.]
CCR840 reports the calculated tangible equity ratio.
- Core or leverage capital (FIRREA) [See 2 above.] and Tier 1 or leverage capital (FDICIA) [See 5 above.]
Schedule CCR treats these two measurements as one and refers to them as Tier 1 (core) capital. CCR810 reports the actual ratio. An adequately capitalized savings association must have a minimum Tier 1 (core) capital ratio of 4 percent. CCR20 reports the calculated amount.
- Tier 1 risk-based capital (FDICIA) [See 6 above.]
CR830 reports the calculated ratio.
- Risk-based capital (FIRREA) [See 3 above.] and total risk-based capital (FDICIA) [See 7 above.]
Schedule CCR treats these two measurements as one and refers to them as total risk-based capital. CCR820 reports the calculated ratio. An adequately capitalized savings association must have a minimum total risk-based capital ratio of 8 percent. CCR39 reports the calculated amount.

Generally, report all data on a consolidated basis with all subsidiaries that you would consolidate under GAAP, except as noted in these instructions.

Subsidiary: The term subsidiary means any corporation, partnership, business trust, joint venture, association, or similar organization where you, directly or indirectly, hold an ownership interest and consolidate the assets with yours for purposes of reporting under GAAP. Generally these are majority-owned subsidiaries.

This definition does not include ownership interests taken in satisfaction of debts previously contracted, provided you have not held the interest for more than five years, or a longer period if approved by OTS.

Generally, treat investments in entities not constituting subsidiaries under this definition as equity investments for capital purposes.

The following shows the regulatory capital treatment of debt and equity investments in subsidiaries and other subordinated organizations:

- Consolidate includable subsidiaries in accordance with GAAP.
- Deduct debt and equity investments in nonincludable subsidiaries in full (100 percent) from assets and capital. All previously applicable transition provisions have expired.
- Deduct nonincludable equity investments in subordinate organizations constituting subsidiaries in full (100 percent) 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. The instructions for CCR105 define nonincludable subsidiaries.

Note: Do not consolidate subsidiaries with investments fully covered by the FDIC. Include all FDIC-covered assets in the zero percent risk-weight category, and report them on CCR409, Notes and Obligations of FDIC, Including Covered Assets.

These instructions deal with investments in **mutual funds** and certain asset pools based on the characteristics of the assets in the fund. Where the mutual fund holds various assets that have different risk weights under the capital requirement, risk weight the entire ownership interest in the mutual fund based on the category of the asset with the highest capital requirement – highest risk weight or subject to

deduction. On a case-by-case basis, OTS may allow you to assign the portfolio proportionately to the various risk-weight categories based on the proportion of the risk-weight categories represented in the mutual fund. See 12 CFR § 567.6(a)(1)(vi)(C).

Lower-tier subsidiary: Subsidiaries where you do not directly hold an ownership interest. Rather, your service corporation or operating subsidiary directly or indirectly holds the ownership interest.

TIER 1 (CORE) CAPITAL REQUIREMENT

CALCULATION OF CORE (TIER 1) CAPITAL

CCR100: Total Equity Capital (SC84)

The EFS software generates this line from SC84, Total Equity Capital.

Explanatory Note:

Schedule CCR adjusts Equity Capital, CCR100 in calculating Tier 1 (core) capital according to 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 you 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. In addition, OTS's capital rule reverses the adjustment to GAAP equity for unrealized gains and losses on available-for-sale (AFS) debt securities included in SC860 in computing Tier 1 (core) capital. However, you report marketable **equity** securities at the lower of cost or market for Tier 1 (core) capital purposes.

Deduct:

CCR105: Investments in, Advances to, and Noncontrolling Interests in Nonincludable Subsidiaries

Reduce Tier 1 (core) capital by your investment in, advances to, guaranteed obligations of, and noncontrolling interests in certain nonincludable subsidiaries. The general instructions to Schedule CCR define subsidiary.

In consolidation, you eliminate the investment and intercompany loan accounts of subsidiaries, and you establish the noncontrolling interests in subsidiaries on Schedule SC. Therefore, you must obtain the amount of the investment and advances from your books before consolidation (as well as the noncontrolling interests after consolidation). Calculate the investment using the equity method as prescribed by GAAP plus any loans, advances, guaranteed obligations, or other extensions of credit, whether secured or unsecured. Use negative investments to offset loans, guaranteed obligations, or advances to the same subsidiary, but do not reduce this line below zero. If you have a nonincludable subsidiary and the result on this line rounds to zero or is a negative amount, report a one to indicate that you have reported your nonincludable subsidiary.

Note: Report investments in subsidiaries and equity investments where the FDIC fully covers the investments on CCR409, zero percent risk weight: FDIC Covered Assets. This rule applies to your investment regardless of the business activity of such entity.

Nonincludable Subsidiaries

Section 5(f) of HOLA [12 USC 1464(t)(5)(A)] defines nonincludable subsidiaries 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. Insured depository institutions acquired as subsidiaries before May 1, 1989.
4. Subsidiaries of federal savings associations that existed on August 8, 1989, and were chartered before October 15, 1982, as a savings bank or cooperative bank under state law.
5. Subsidiaries of federal savings associations that existed on August 8, 1989, that acquired their principal assets from a savings association chartered before October 15, 1982, as a savings bank or cooperative bank under state law.

Generally, a subsidiary of a savings association is nonincludable if any of its unconsolidated assets are impermissible for a national bank. If any **lower-tier subsidiary** 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. Deduct only subsidiary's investment in the nonincludable lower-tier subsidiary in computing the capital of the upper-tier subsidiary on an unconsolidated basis and in computing your consolidated capital. Deduct from total capital, equity investments of subsidiaries in lower-tier subordinate organizations that are not considered subsidiaries, if those equity investments are not permissible for national banks.

Fully deduct all nonincludable subsidiaries from capital.

You should report investments in and advances to nonincludable subsidiaries net of all general valuation allowances, specific valuation allowances, and charge-offs, as they have already reduced equity capital.

CCR115: Goodwill and Certain Other Intangible Assets

For some savings associations, this line may equal SC660. However, you may manually override this amount in certain cases. For purposes of regulatory capital only, you may elect to:

- Reduce the amount Goodwill by any associated deferred tax liability.
- Reduce Core Deposit Intangible Assets (CDIs) and Certain Other Intangible Assets acquired in a nontaxable business combination by any associated deferred tax liabilities.
- You do not reduce the amount of Purchase Credit Card Relationships (PCCRs) by any associated deferred tax liability.

Report this as a positive amount. The EFS software will deduct this line from equity capital in calculating Tier 1 (core) capital.

Include:

1. Goodwill.
2. Core deposit intangible assets (CDIs).
3. Purchased credit card relationships (PCCRs).

Do not include:

1. Servicing assets.
2. Certain nonsecurity financial instruments accounted for under FASB Statement No. 125.
3. Net deferred tax assets.
4. Computer software (purchased and internally-developed).
5. Intangible pension assets.

CCR133: Disallowed Servicing Assets, Disallowed Deferred Tax Assets, Disallowed Residual Interests, and Other Disallowed Assets

Report this as a positive amount. The EFS software will deduct this line from equity capital in calculating Tier 1 (core) capital.

Disallowed Servicing Assets

You may include servicing assets reported on SC642 and SC644 in regulatory capital, subject to **both** of the following limitations:

1. For mortgage and nonmortgage servicing assets, and PCCRs, combined — include in capital the lesser of:
 - a. 100 percent of Tier 1 (core) capital.
 - b. 90 percent of fair value.
 - c. 100 percent of reported amount.
2. For nonmortgage servicing assets and PCCRs, as a separate sub-limit — include in capital the lesser of the following:
 - a. 25 percent of Tier 1 (core) capital.
 - b. 90 percent of fair value.
 - c. 100 percent of reported amount.

Accordingly, on CCR133, include the amount of servicing assets reported on 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 percent and 100 percent of Tier 1 (core) capital limitations above, base the deduction on a Tier 1 (core) capital subtotal before the deduction. In addition, in computing the deduction for the 25 percent and 100 percent limitations, you may reduce the amount of servicing assets by any corresponding deferred tax liability.

Disallowed Deferred Tax Assets

If regulatory capital includes disallowed deferred tax assets, include the amount of the disallowed deferred tax assets on this line. To the extent that realizing deferred tax assets depends on your future taxable income (exclusive of reversing temporary differences and carryforwards), or your tax planning strategies, such deferred tax assets are limited for regulatory capital purposes to the lesser of the following:

1. The amount that you can realize within one year.
2. 10 percent 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:

1. Accumulated gains and losses on certain AFS securities and cash flow hedges on CCR280.
2. Goodwill and other intangible assets on CCR265 and CCR285.
3. Servicing assets on CCR270.

Note: You can generally realize deferred tax assets without limitation from the following sources:

1. Taxes paid in prior carry-back years.
2. Future reversals of existing taxable temporary differences.

For purposes of the 10 percent of Tier 1 (core) capital limitation above, base the deduction on a Tier 1 (Core) capital subtotal before the deduction.

Disallowed Residual Interests

Include on this line that portion of credit-enhancing interest-only strips (as defined) reported on SI402 that must be deducted in computing Tier 1 capital, pursuant to 12 CFR Part 567. With certain exceptions provided for in the regulation, you must deduct from equity capital the amount of any credit-enhancing interest-only strips that exceeds 25% of Tier 1 capital before the deduction. In computing the deduction, you may reduce the amount by any corresponding deferred tax liability.

CCR134: Other

Report other items required to be deducted from Tier 1 Capital not included in CCR105 through CCR133.

Include the accumulated net increase in retained earnings (equity capital) resulting from certain net gains reported on SO485; specifically, those gains, net of losses, on liabilities carried at fair value, net of income taxes, that are attributable to changes in the savings association's own creditworthiness.

Add:

CCR180: Accumulated Losses (Gains) on Certain Available-For-Sale Securities and Cash Flow Hedges, Net of Taxes

Report on this line:

1. Accumulated Unrealized Gains and Losses on Certain Available-for-Sale Securities

Equity capital on SC80 includes a separate component for accumulated, unrealized gains and losses, net of income taxes, on AFS securities. See SC860, Unrealized Gains (Losses) on Available-for-sale Securities. However, you cannot include most of that separate component of equity capital in regulatory capital, as specified below.

For regulatory capital purposes on Schedule CCR, but not for reporting purposes on Schedule SC:

- Report aggregate AFS **debt** securities at amortized cost, not at fair value.
- Report aggregate AFS **equity** securities at the lower of cost or fair value, not at fair value.

Report on CCR180 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 on SC860 that represents unrealized **losses** on **equity** securities (but not debt securities), net of gains and net of income taxes.

2. Accumulated Gains and Losses Related to Qualifying Cash Flow Hedges

Equity capital on SC80 includes a separate component for accumulated gains and losses on qualifying cash flow hedges. See SC865, Gains (Losses) on Cash Flow Hedges. However, you cannot include that separate component of equity capital in regulatory capital.

Report the result on CCR180 as follows:

- When the amount on this line represents **gains**, net of losses, report a **negative** number **reducing** capital.
- When the amount on this line represents **losses**, net of gains, report a **positive** number **increasing** capital.

Report the corresponding adjustment to assets on CCR280. See the instructions for CCR280 for additional information.

CCR185: Intangible Assets

Report PCCRs included on SC660.

CCR195: Other

Report other items permitted to be added to Tier 1 Capital that are not included in CCR180 through CCR190.

Include the accumulated net decrease in retained earnings (equity capital) resulting from certain net losses reported on SO485; specifically, those losses, net of gains, on liabilities carried at fair value, net of income taxes, that are attributable to changes in the savings association's own creditworthiness.

CCR20: Tier 1 (Core) Capital

The EFS software will compute this line as follows: CCR100 less CCR105, CCR115, CCR133, and CCR134, plus CCR180, CCR185, and CCR195.

CALCULATION OF ADJUSTED TOTAL ASSETS**CCR205: Total Assets**

Report total assets of the consolidated entity as reported on SC60, Total Assets. The EFS software will compute this line from SC60, Total Assets.

Deduct:**CCR260: Assets of "Nonincludable" Subsidiaries**

Report the entire amount of the assets of nonincludable subsidiaries included in Schedule SC. For consolidated subsidiaries, this amount should equal total assets of the subsidiary less any assets eliminated in consolidation. For subsidiaries accounted for under the equity method, this amount should equal your investment account plus all advances to the subsidiary.

Report this as a positive amount. The EFS software will deduct this line from total assets in calculating Tier 1 (core) capital.

CCR265: Goodwill and Certain Other Intangible Assets

Generally, this line will equal SC660, Goodwill and Other Intangible Assets, with the exception of certain intangible assets such as intangible pension assets and computer software. Accordingly, the EFS software will automatically generate this line from SC660. However, if you have an intangible asset that is not required to be deducted from Tier 1 capital, such as intangible pension assets or capitalized computer software costs, you may change the generated amount.

- **Goodwill**

If you elect to reduce the amount of Goodwill by any associated deferred tax liability on CCR 115, then you must also reduce the amount of Goodwill on CCR 265 by the same amount.

- **Certain Other Intangible Assets**

Similarly, if you elect to reduce the amount of Certain Other Intangible Assets arising from nontaxable transactions by any associated deferred tax liability on CCR 115, then you must also reduce the amount of Certain Other Intangible Assets on CCR 265 by the same amount.

Report this as a positive amount. The EFS software will deduct this line from total assets in calculating Tier 1 (core) capital.

CCR270: Disallowed Servicing Assets, Disallowed Deferred Tax Assets, Disallowed Residual Interests, and Other Disallowed Assets

For most savings associations this line will equal CCR133. Accordingly, the EFS software will automatically generate this line from CCR133. However, this amount may change in certain cases. For example, deferred tax liabilities are deductible from servicing assets on CCR133, but are not deductible from servicing assets on CCR270. In which case you may override the generated amount.

Report this as a positive amount. The EFS software will deduct this line from total assets in calculating Tier 1 (core) capital.

CCR275: Other

Report other items required to be deducted from Adjusted Total Assets not included in CCR260 through CCR270.

Add:

CCR280: Accumulated Losses (Gains) on Certain Available-For-Sale Securities and Cash Flow Hedges

Report on this line:

1. Accumulated Unrealized Gains and Losses on Certain Available-for-Sale (AFS) Securities

Report amounts included in total assets for accumulated unrealized gains and losses on certain AFS securities, including any related component of income tax assets. Calculate the amount included on this line for unrealized gains and losses on certain AFS securities as follows:

- The amount included in SC60, Total Assets, that corresponds to the separate component of equity capital on SC860.
- Add to this amount: As a positive number, any amount included in SC60 that represents net unrealized **losses** on **equity** securities. That is, you include all unrealized gains and losses on available-for-sale securities included in assets except for those losses on equity securities.

2. Derivative Instruments Reported as Assets Related to Qualifying Cash Flow Hedges

Report amounts included in total assets for derivative instruments related to qualifying cash flow hedges, including any related component of income tax assets. Do not include derivative instruments reported as liabilities.

Report the result on CCR280 as follows:

- When the amount on this line represents a net amount that **increased assets** reported on Schedule SC, report a **negative** number that will deduct this amount from total assets for regulatory capital purposes.
- When the amount on this line represents a net amount that **decreased assets** reported on Schedule SC, report a **positive** number that will add this amount back to total assets for regulatory capital purposes.

Report the corresponding adjustment to equity capital on CCR180. See the instructions for CCR180 for additional information.

CCR285: Intangible Assets

For most savings associations, this line will equal CCR185; therefore, the EFS software will generate the amount from CCR185.

CCR290: Other

Report other items permitted to be added to Adjusted Total assets that are not included in CCR280 or CCR285.

CCR25: Adjusted Total Assets

The EFS software will compute this line as follows: CCR205 less CCR260, CCR265, CCR270, and CCR275 plus CCR280, CCR285 and CCR290.

CCR27: Tier 1 (Core) Capital Requirement

This represents the Tier 1 capital necessary for adequate capitalization pursuant to 12 CFR § 565.

The EFS software will compute this line as CCR25, Adjusted Total Assets, multiplied by four percent. If we have assigned you a composite CAMELS rating of one, you should override the calculated amount and report CCR25 multiplied by three percent.

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

This amount should never be less than three percent of CCR25.Total Risk-Based Capital Requirement:

CCR30: TIER 1 (CORE) CAPITAL

The EFS software will bring forward Tier 1 (core) capital from CCR20.

TIER 2 (SUPPLEMENTARY) CAPITAL

Under the OTS risk-based capital regulations, there are two types of capital: Tier 1 (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. You may include Tier 2 (supplementary) capital in your total risk-based capital, up to a maximum of 100 percent of your Tier 1 (core) capital.

Tier 2 (supplementary) capital consists of the following:

1. Permanent instruments not qualifying as Tier 1 (core) capital. Report on CCR310, Qualifying Subordinated Debt and Redeemable Preferred Stock; CCR340, Other Equity Instruments; and CCR355, Other.
2. Maturing instruments. After adjustments for the limitations described below, report on CCR310, Qualifying Subordinated Debt and Redeemable Preferred Stock; CCR340, Other Equity Instruments; and CCR355, Other.

3. Allowances for Loan and Lease Losses. Report on CCR350, Allowances for Loan and Lease Losses.
4. Up to 45 percent of your pretax unrealized gains, net of unrealized losses, on AFS equity securities. Report on CCR302.
5. Noncontrolling interests in includable subsidiaries consolidated under GAAP that are not eligible for inclusion in Tier 1 (core) Capital on CCR190, provided the noncontrolling interest meets the other requirements for Tier 2 (supplementary) capital and neither you nor any of your subsidiaries or other subordinate organizations that you own, directly or indirectly, hold the noncontrolling interest. Report such noncontrolling interest on CCR340, Other Equity Instruments.

Maturing Capital Instruments Issued on or Before November 7, 1989

Maturing capital instruments approved or grandfathered by the FHLBB before December 5, 1984, continue grandfathered status under the prior and current OTS capital regulation. You may include them in full in Tier 2 (supplementary) capital until the last year before maturity.

With our prior approval, you may include maturing capital instruments issued on or before November 7, 1989, in Tier 2 (supplementary) capital, following the procedures below that are applicable to instruments issued after that date.

Maturing Capital Instruments Issued After November 7, 1989

You may elect to include maturing capital instruments issued after November 7, 1989, by choosing one of the following options. Once you elect either option, you must continue to apply that option for all subsequent issuances of maturing capital instruments as long as there is a balance outstanding of such issuances. Once such issuances have all been repaid, you may elect the other option for future issuances.

Option 1 Tier 2 (supplementary) capital is equal to the outstanding capital instrument multiplied by the applicable percentage from the following amortization schedule:

<u>Years to Maturity</u>	<u>Percentage Counted as Tier 2 (Supplementary) Capital</u>
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 Tier 2 (supplementary) capital will include only the aggregate amount of maturing capital instruments that mature in any one year during the seven years immediately before an instrument's maturity that does not exceed 20 percent of your capital. Capital is Tier 1 (core) capital plus, without limitation, items included in Tier 2 (supplementary) capital. There is no percentage of assets limitation for general loan and lease valuation allowances. There are no limitations on maturing capital instruments based on maturity dates. There is no limitation on Tier 2 (supplementary) based on the amount of Tier 1 (core) capital.

CCR302: Unrealized Gains on Available-for-Sale Equity Securities

You may include in Tier 2 (supplementary) capital up to 45 percent of the amount of any pretax unrealized gains. This is net of any unrealized losses, on AFS **equity** securities included in SC140, Equity Securities Subject to FASB Statement No. 115. If losses exceed gains, do not report an amount on this line. When you report unrealized gains, net of unrealized losses, here and include them in supplementary capital, you must include the entire (100 percent) unrealized gains, net of unrealized losses, in assets to

risk weight. In other words, you must risk weight the fair value, not the historical cost of these AFS equity securities.

Do not include unrealized gains on AFS **debt** securities or on equity securities in a trading portfolio.

CCR310: Qualifying Subordinated Debt and Redeemable Preferred Stock

Include:

1. Perpetual subordinated debentures and mandatory convertible securities.
2. Maturing subordinated debentures, mandatory convertible securities, and redeemable preferred stock calculated according to the above instructions.

CCR340: Other Equity Instruments

Report equity instruments you issued that we permit as supplemental capital but not as Tier 1 (core) capital and that you deducted on CCR134.

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 CCR134 except preferred stock that is, in effect, collateralized by assets of the reporting savings association; and
4. Noncontrolling interest reported on SC800, Noncontrolling Interest, in excess of the amount included in Tier 1 (core) capital on CCR190.

CCR350: Allowances for Loan and Lease Losses

Report ALLL established by you and your consolidated includable subsidiaries as defined in the instructions for CCR105. You cannot grandfather ALLL for nonincludable subsidiaries for this calculation. Note that Tier 2 (supplementary) capital limits the inclusion of ALLL reported on CCR 350 to 1.25 percent of risk-weighted assets. Apply the percentage limitation to Subtotal Risk-Weighted Assets on CCR75.

For regulatory capital purposes, the ALLL potentially reportable on CCR350 consists of:

1. First – allowances established to cover probable, but not specifically identifiable, credit losses associated with on-balance-sheet loans and leases, reported as ALLL on mortgage loans (SC283) and on nonmortgage loans (SC357).
2. Second, if the capital limit mentioned above permits – liabilities for credit losses associated with off-balance-sheet credit exposures (such as commitments, letters of credit, and guarantees) included in Other Liabilities and Deferred Income (SC796), with the following exception: *Any portion of this liability related to transfers of loans or other assets reported as sales with recourse is separate and distinct from the ALLL, and therefore is **not** includable in CCR350.*

Include purchased ALLL where the balance and nature of the purchased ALLL is consistent with OTS policy in the Examination Handbook, Sections 260 and 261.

Do not include:

1. ALLL of unconsolidated subordinate organizations.
2. ALLL of nonincludable subsidiaries.
3. Recourse liability accounts that arise from recourse obligations for any transfers of loans or other assets that are reported as sales. Such accounts are separate and distinct from the ALLL.

CCR355: Other

Report other items permitted in Tier 2 Capital that you do not include in CCR302 through CCR350.

CCR33: Tier 2 (Supplementary) Capital

The EFS software computes this line as the sum of CCR302, CCR310, CCR340, CCR350 and CCR355.

CCR35: ALLOWABLE TIER 2 (SUPPLEMENTARY) CAPITAL

The EFS software computes this line as follows.

If Tier 1 (core) capital is a positive amount, the software reports the lesser of the following:

1. Tier 2 (supplementary) Capital reported on CCR33.
2. Tier 1 (core) Capital reported on CCR30.
3. If you have negative Tier 1 (core) capital, the software reports zero on CCR35.

The amount of Tier 2 (supplementary) capital included in total capital cannot exceed the amount of Tier 1 capital.

CCR370: Equity Investments and Other Assets Required to be Deducted

Report the assets that 12 CFR § 567.5(c) requires to be deducted from total capital unless deducted elsewhere.

Include:

1. Investments in other depository institutions (reciprocal holdings) that other depository institutions may count in their regulatory capital such as capital stock, qualifying subordinated debt, etc.
2. The entire amount of all the following items:
 - a. Your nonincludable debt and equity investments including debt and equity investments in subordinate organizations not constituting subsidiaries under 12 CFR § 567.1 (investments in entities not consolidated under GAAP) that engage as principal in activities impermissible for national banks and not otherwise includable under § 5(t) of HOLA.
 - b. Investments in real property except real property primarily used or intended to be used by you, your subsidiaries, subordinate organizations, or affiliates as offices.
 - c. Real property acquired in satisfaction of a debt, where you intend to hold the property for real estate investment purposes or do not expect to dispose of it within five years.

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 such as 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 you, your subsidiaries, subordinate organizations, or affiliates as offices or related facilities to conduct business. Report on CCR506, 100 percent Risk weight: All Other Assets.
2. Interests in real property that you acquire in satisfaction of a debt previously contracted in good faith or acquired in sales under judgments or decrees (REO). Report on CCR506, 100 percent Risk weight: All Other Assets.
3. FHLBank Stock.
4. Equity investments permissible for both savings associations and national banks. Risk weight them at 100 percent on CCR506. These include:
 - a. Freddie Mac Stock.
 - b. Fannie Mae Stock.
 - c. Equity investments in subordinate organizations not constituting subsidiaries under 12 CFR § 567.1 – investments in subordinate organizations not consolidated under GAAP, that engage solely in activities as agent for customers or engage as principal in activities permissible for national banks or otherwise includable under § 5(t) of the HOLA.
 - d. Real estate loans that are equity investments under GAAP and are permissible investments for national banks.
 - e. Mutual funds and pass-through investments, defined in 12 CFR § 560.32 that invest in any of the above categories of permissible equity investments.
5. Investments in subsidiaries and/or equity investments that FSLIC or any successor agency fully covers. Report the entire amount of such investment on CCR409, 0% Risk weight: Notes and Obligations of FDIC, Including Covered Assets. There is no requirement for you to deduct such investments from capital.

Computation of CCR370 When General Valuation Allowances have been established:

Calculate the amount of equity investments reported on CCR370 net of charge-offs and general valuation allowances. For example, if you established a \$10 specific valuation allowance against a \$100 equity investment, you only deduct \$90 from total capital and enter \$90 on CCR370.

In computing CCR370, you should reduce the amount you calculated using the above instructions by the amount of general valuation allowances established against equity investments and required deductions in real property investments. To receive this credit, you **must** establish the general valuation allowance at the savings association level as a contra-asset to the equity investments and investments in real property. You must have and maintain adequate records to enable examiners to verify your claim that you established the general valuation allowances against these specific assets.

For example, if you have a \$100 equity investment, net of charge-offs and specific valuation allowances, against which you established no general valuation allowance after July 1, 1994, you should enter the full asset amount, \$100, on CCR370. If you established a \$10 general valuation allowance against that same asset, you should deduct the \$10 general valuation allowance from the \$100 investment, resulting in deduction of \$90.

Do **not** include general valuation allowances established on other assets in the credit computation outlined above.

CCR375: Deduction for Low-Level Recourse and Residual Interests

If you elect the “direct deduction” approach for low-level recourse and residual interests, report on this line the amount of 1) low-level recourse and 2) residual interests reported on SI402 and SI404. However, you should reduce the amount of residual interests reported here by any amount reported on CCR133. In

addition, you may reduce the amount of low-level recourse and residual interests reported here by the amount of any corresponding deferred tax liability.

Include:

1. The amount of recourse liability you retain 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 one percent recourse, the amount of liability retained usually is less than the capital requirements, and therefore you would report one percent of the assets sold on CCR375 or CCR605. See the instructions for the 100 percent credit conversion factor in the Conversion of Off-balance-sheet Items to On-balance-sheet Equivalents section above.
2. The amount of on-balance-sheet financial instruments pursuant to FASB Statement No. 140 representing subordinated credit risk interests, including interests in spread accounts and asset pools. However, your low-level recourse requirement may exceed the amount of this instrument if you are subject to credit losses exceeding the amount of the instrument.

CCR39: TOTAL RISK-BASED CAPITAL

The EFS software will compute this line as the total of CCR30 plus CCR35 minus CCR370, and CCR375.

RISK-WEIGHT CATEGORIES

General Instructions

To calculate the total risk-based capital standard you must classify your assets in one of four risk-weight categories described below. Do **not** risk weight the assets that you have deducted from Tier 1 (core) capital – for example, nonincludable subsidiaries, nonqualifying intangibles, and disallowed assets.

Consolidate the assets of includable, GAAP-consolidated subsidiaries in determining the appropriate risk-weight categories. However, exclude the assets of **nonincludable subsidiaries** and **nonincludable equity investments** when computing risk-weighted assets.

Tier 2 (supplementary) capital includes ALLL but does not include other general valuation allowances. Consequently, to calculate the amount to be risk weighted, you may deduct allocated general valuation allowances from assets other than loans and leases but you may **not** deduct **ALLL** from loans and leases. In other words, you should risk weight loans at their recorded investment less only their specific valuation allowances, and risk weight all other assets at their recorded investment less their specific valuation allowances and allocated general valuation allowances.

You should risk weight assets after you make regulatory capital adjustments to those assets. For example, if we required you to deduct gains or add back losses on AFS securities in Tier 1 (core) capital, you should risk weight those securities at historical cost, not at fair value. The same is true for adjustments for disallowed servicing assets, disallowed net deferred tax assets, and other adjustments to Tier 1 (core) capital. If you exclude assets, portions of assets, or adjustments to assets from Tier 1 (core) capital, you should exclude them from risk-weighted assets. Additionally, where you have included up to 45 percent of the pretax unrealized gains, net of unrealized losses, on AFS equity securities in Tier 2 capital (CCR302), you should include 100 percent of those unrealized gains in risk-weighted assets. In other words, you should risk weight the fair value, not the historical cost, of these AFS equity securities.

In determining the appropriate risk-weight category for **secured loans**, you must look at the type of collateral. In determining the appropriate risk-weight category for investments in **mutual funds**, you must look to the characteristics of the assets in the fund. Where the portfolio of a mutual fund consists of various assets that require different treatment under the capital requirement, you have two alternatives:

1. You may deal with the entire ownership interest in the mutual fund based on the asset with the highest capital requirement in the portfolio, or exclude the mutual fund from assets and thus deduct it from calculations of total capital, as appropriate.
2. You may assign different risk-weight categories to the mutual fund on a pro-rata basis, according to the investment limits for different categories in the fund's prospectus.

Regardless of the risk-weighting method used, the total risk weight of a mutual fund must be no less than 20 percent.

Accrued interest receivable that is not delinquent is part of the recorded investment in that loan or investment and should be risk-weighted with the underlying asset. Generally, delinquent accrued interest receivable is risk weighted at 100%

Multiply the sum of each risk-weight category by the appropriate risk-weight percentage for that category. For instance, you would multiply the sum of the zero percent risk-weight category by zero percent. After adding each risk-weight category and multiplying by its appropriate risk weight, add the product of each risk-weight category. This results in the on-balance-sheet portion of the total risk-based capital standard.

Include **off-balance-sheet items** in the total risk-based capital standard after converting them into on-balance-sheet equivalents. Convert off-balance-sheet items by taking the dollar amount of the off-balance-sheet item or the grossed up amount of off-balance-sheet recourse obligations under 12 CFR § 567.1, as appropriate. Multiply that amount by the appropriate credit conversion factor from the table that follows the discussion of risk-weight categories. Additionally, you should risk weight interest-rate and exchange-rate contracts by calculating a credit equivalent amount. See explanation 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 after converting them according to the discussion above). From the sum of on-balance-sheet and off-balance-sheet risk-weighted assets, deduct ALLL that exceeds the amount you may include as capital on CCR350.

Note: Report all loans and investments that are more than **90 days past due** on CCR506, 100 percent Risk weight. Report all of these loans on CCR506 regardless of the type of investment or collateral, except for FDIC covered assets. Report FDIC covered assets on CCR409, 0% Risk weight: Notes and Obligations of FDIC Including 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 your offices. Convert any foreign currency 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 non-interest-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 securities, not loans, on this line. Report the amount of securities issued by and other direct claims on the following:

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.

2. The central government of an Organization of Economic Cooperation and Development (OECD) country.

Include:

1. Most Ginnie Mae securities. (Note that an interest only strip or Ginnie Mae security that exhibits similar interest rate risk would not be eligible for 0% risk weight. Report as 100% risk weight on CCR 505.)
2. U.S. Treasury securities.
3. SBA pools or certificates, or portions thereof, that have an unconditional guarantee by the full faith and credit of the U.S. Government.

Do not include:

1. Notes and obligations of the FDIC. Report on CCR409.
2. Assets collateralized by U.S. Government securities. Report on CCR450, 20% Risk weight: Other.
3. Mortgage-backed securities (MBS) where you have recourse for the underlying loans. The capital requirement on such obligations should follow the standard treatment of recourse obligations.
4. Delinquent mortgage loans previously securitized with Ginnie Mae, where either (a) you have an unconditional repurchase option, or (b) you have repurchased the loans under such an option. Report on CCR450, 20% Risk weight: Other.

CCR409: Notes and Obligations of FDIC, Including Covered Assets

Report notes and obligations of the FDIC that have the unconditional backing by the full faith and credit of the U.S. Government. Include the portion of assets **fully** covered against capital loss and/or yield maintenance agreements by the FDIC. Place that portion of assets without FDIC coverage (for example, those included in a deductible) in a risk-weight category according to the characteristics of the asset. If you cannot assign a deductible under a coverage agreement to a specific type of asset, then you should place the deductible in the 100 percent risk-weight category.

Include investments in subsidiaries and equity investments with full FDIC coverage, regardless of the percentage of ownership or business activity of the entity in which you have invested.

CCR415: Other

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

Include:

1. Deposit reserves at, claims on, and balances due from Federal Reserve Banks, excluding interest rate contracts. Report interest rate contracts on CCR450, 20% Risk weight: Other.
2. The book value of paid-in Federal Reserve Bank stock.
3. That portion of assets not included elsewhere in the zero percent 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

The EFS software will compute this line as the sum of CCR400 through CCR415.

CCR40: 0% Risk-Weight Total

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

20% Risk weight

CCR430: Mortgage and Asset-Backed Securities Eligible for 20% Risk Weight

Report mortgage-related securities and other asset-backed securities that meet the criteria for 20% risk weight. **Note** that if you have a **subordinate** class of an otherwise 20% risk weight, high-quality MBS, you must gross up and risk weight your security plus the balance of all classes senior to it. However, if you are able to utilize the ratings based approach (12 CFR 567.6), it is not necessary to gross up the more senior positions. See also CC455, CC465, and CC468.

Include:

1. Most Fannie Mae and Freddie Mac mortgage-related securities. (Note: Report Fannie and Freddie principal-only stripped securities (POs) and interest-only stripped securities (IOs) that are not credit enhancing on CCR 506.)
2. Asset-backed securities with an AAA or AA rating that meet the criteria of the ratings based approach - 12 CFR § 567.6.

Do not include:

1. Stripped MBS. Report IO and PO strips that are not credit enhancing of otherwise high quality MBS on CCR506, 100% risk weight.
2. Ginnie Mae mortgage pool securities. Refer to instructions for CCR405.
3. MBSs where you have recourse for the underlying loans. The capital requirement on such obligations should follow the treatment of recourse obligations.

CCR435: Claims on FHLBs

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

Include:

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

CCR440: General Obligations of State and Local Governments

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

CCR445: Claims on Domestic Depository Institutions

Include the following obligations of domestic depository institutions:

1. Demand deposits and other transaction accounts.

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

Do not include:

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

CCR450: Other

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

Include:

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

CCR455: Total

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

CCR45: 20% Risk-Weight Total

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

50% Risk weight**CCR460: Qualifying Single-family Residential Mortgage Loans**

Report the carrying value, outstanding balance less all specific valuation allowances, of all qualifying single-family residential mortgage loans secured by a first lien when you have no other extensions of

credit secured by a second lien on the same property to the same consumer, if such loans meet all of the following criteria:

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

Notes:

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

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

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

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

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

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

1. Loans on interests in cooperative buildings.

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

Do not include:

- The combined carrying value of mortgage and consumer loans secured by first or second liens on the same property when the CLTV ratio exceeds 90 percent. Report the combined carrying value of these loans on CCR506, 100% Risk weight: All Other Assets.
- The combined carrying value of mortgage and consumer loans secured by first and second liens on the same property if any of the extensions of credit are nonperforming (nonaccrual) or more than 90 days past due. Report on CCR506, 100% Risk weight: All Other Assets.
- A loan to a consumer collateralized by a junior lien when another lender holds an intervening lien. For example, you hold the second lien and another lender holds the first lien, or you hold the first lien and the third lien, but do not hold the second lien (intervening lien). Report the junior lien on CCR506, 100% Risk weight: All Other Assets.
- Foreclosed real estate. Report on CCR506, 100% Risk weight: All Other Assets.
- Loans to individuals to construct their own home that are not qualifying mortgage loans as defined in 12 CFR § 567.1. Report on CCR506, 100% Risk weight: All Other Assets.
- The portion of loans guaranteed by FHA that may be risk weighted at 20 percent. Report on CCR450.
- Loans to commercial entities collateralized by mortgages of third-party borrowers (warehouse loans), or small business loans collateralized by a lien on a residential property. Report on CCR506, 100% Risk weight: All Other Assets.

CCR465: Qualifying Multifamily Residential Mortgage Loans**Qualifying Multifamily Mortgage Loans (12 CFR § 567.1) Under Current Rule**

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

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

comparable protection. The debt service coverage ratio should be based on a fully indexed payment that will amortize the loan over its contractual term. It has long been industry practice to offer multifamily property loans with relatively short terms compared to the amortizing payment schedule. For example, the loan may have a 10-year term and a payment based on a 30-year amortization schedule with a balloon payment at the end of the term. In such cases, the DSCR should be based on the fully amortizing, fully indexed payment over the scheduled amortization period, but no longer than 30 years.

In cases where a borrower refinances a loan on an existing property, the borrower must comply with the above criteria.

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

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

Grandfathered Qualifying Multifamily Mortgage Loans

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

1. An existing property consisting of 5 to 36 dwelling units secures the mortgage.
2. The initial LTV ratio is not more than 80 percent.
3. For the past full year, the property's average annual occupancy rate is 80 percent or more of total units.

CCR470: Mortgage and Asset-Backed Securities Eligible for 50% Risk Weight

Mortgage-Backed Securities:

Report MBS, other than high quality MBS reported on CCR430, secured 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 POs secured by qualifying single-family or multifamily residential mortgage loans unless you can report them on CCR430.

If **qualifying multifamily residential mortgage loans** back the securities, you must receive timely payments of principal and interest according to the terms of the security. Generally, consider payments timely if they are not 30 days or more past due.

Note that if you have a subordinate class of an otherwise 50% risk-weight, high-quality MBS, you must gross up and risk weight your security plus the balance of all classes senior to it. However, if you are able to utilize the ratings based approach (12 CFR 567.6), it is not necessary to gross up the more senior positions. See also CC455, CC465, and CC468.

Asset-Backed Securities:

Also include asset-backed securities eligible for 50% risk weight under the ratings-based approach ("A" rated that meet all the criteria of the ratings based approach).

Do not include:

Interest Only Strips. Report credit-enhancing interest-only strips as residuals. Refer to the definitions in 12 CFR 567.1 and to the capital treatment in 12 CFR 567.6(b). See instructions for lines CCR133, CCR270, CCR375, CCR605, and SI402. Report IO and PO strips that are not credit enhancing of otherwise high quality MBS on CCR506, 100% risk weight.

CCR475: State and Local Revenue Bonds

Report securities issued by state and local governments where the revenues from a stated project such as a toll road repay the security.

CCR480: Other

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

Include:

1. The credit equivalent amount of interest and exchange rate contracts (interest-rate swaps and caps) where the counterparty 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.
3. Qualifying residential construction loans, also called residential bridge loans, meeting the criteria of 12 CFR § 567.1. Such loans must satisfy the following criteria:
 - a. You must make the loan according to sound lending principles to a builder with at least 15 percent equity in the project (or higher, depending upon the risk of the project) who will construct a one- to four-family residence that, when sold, will be owner-occupied.
 - b. You must obtain sufficient documentation from a permanent lender (that may be the construction lender) demonstrating all the following:
 - i. The homebuyer intends to purchase the residence.
 - ii. The homebuyer has the ability to obtain a permanent qualifying mortgage loan sufficient to purchase the residence.
 - iii. The homebuyer has made a substantial earnest money deposit.
 - c. The construction loan must meet all the following requirements:
 - i. Not exceed 80 percent of the sales price of the residence.
 - ii. Be secured by a first lien on the lot, residence under construction, and other improvements.
 - iii. Be performing and not more than 90 days past due.
 - d. The home purchaser(s) must intend that the home will be owner-occupied and must not be a business entity or any entity that is purchasing the home(s) for speculative purposes.
 - e. You must retain sufficient undisbursed loan funds throughout the construction period to ensure project completion. The builder must incur a significant percentage of direct costs; for example, the actual costs of land, labor, and material, before he draws on the loan.

CCR485: Total

The EFS software will compute this line as the sum of CCR460 through CCR480.

CCR50: 50% Risk-Weight Total

The EFS software will compute this line as 50 percent times CCR485, the risk-weighted product of all 50 percent risk-weight assets.

100% Risk weight

CCR501: Securities Risk Weighted at 100% (or More) Under Ratings-Based Approach

Include on this line:

1. Asset-backed securities or exposures eligible for 100% risk weight under the ratings-based approach. Example: "BBB" rated.
2. Also include asset-backed securities or exposures that receive a 200% risk weight under the ratings-based approach. Example: "BB" rated. For these 200% risk weight items, you must first multiply the balance by 2 (two).

Note: Only a limited set of asset-backed securities and other exposures arising from securitization activities qualify for this risk weighting, and these must meet all of the requirements of the ratings-based approach. Refer to 12 CFR 567.6(b)(3).

CCR506: All Other Assets

Report all other assets except those included above or in any other risk-weight category.

Include:

1. Consumer loans.
2. Commercial loans.
3. All assets that are nonperforming or more than 90 days past due, except FDIC covered assets. Report FDIC covered assets on CCR409, 0% Risk weight.
4. All repossessed assets including repossessed real estate (REO), other repossessed assets, and equity investments that have the same characteristics as REO, for example stock from an REO workout firm that has been approved for inclusion in the 100% risk-weight category.
5. First and junior mortgages on one- to four-family dwelling unit properties that do not qualify for inclusion on CCR460 (50% Risk weight: Qualifying Single family Residential Mortgage Loans).
6. Multifamily mortgage loans that do not meet the qualifying criteria for inclusion on CCR465, 50% Risk weight: Qualifying Multifamily Residential Mortgage Loans.
7. Residential construction loans, except those to individuals to build their own homes that you report on CCR460, and except qualifying residential construction loans (bridge loans) as defined in CCR480.
8. Nonresidential construction loans as defined in the instructions for SC260, Nonresidential Property.
9. Obligations issued by a state or political subdivision for the benefit of a private party or enterprise where that party or enterprise, rather than the issuing state or political subdivision, is responsible to pay principal and interest on the obligation (industrial development bonds).
10. Private-issue debt securities, including commercial paper, except those that you report in the 20 percent or 50 percent risk-weight categories.
11. Investments in fixed assets and premises.
12. Qualifying intangible assets reported on CCR185.
13. Servicing assets, less the amount included on CCR133.
14. The gross amount of wrap-around loans where you are liable on the first mortgage or must assume the first mortgage to perfect your position. Report the wrap-around loan net of the first mortgage if you have no liability on the first mortgage loan or obligation to assume it.

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15. Equity investments that are permissible for both savings associations and national banks and including the following:
 - a. Fannie Mae Stock.
 - b. Freddie Mac Stock.
 - c. Equity investments in unconsolidated subordinate organizations (those that do not qualify as subsidiaries under 12 CFR § 567.1) that engage solely in activities as agent for customers or engage as principal in activities permissible for national banks or otherwise are includable under § 5(t) of the HOLA.
 - d. Real estate loans that are equity investments under GAAP and are includable under the Office of the Comptroller of the Currency's (OCC's) capital rule.
 - e. Mutual funds and pass-through investments, defined in 12 CFR § 560.32, that invest in any of the above categories of permissible equity investments.
 16. Loans to commercial entities collateralized by mortgages of third party borrowers (warehouse loans).
 17. Interest-only (IO) and principal only (PO) stripped securities that are not credit enhancing. This category includes most IOs and POs issued by Fannie Mae and Freddie Mac.
 18. Any other remaining assets that you do not deduct from capital on CCR133 or CCR375, or that you do not "super risk-weight" using CCR605 and CCR62.

CCR510: Total

The EFS software will compute this line as the sum of CCR501 and CCR506.

CCR55: 100% Risk-Weight Total

The EFS software will compute this line as 100 percent times CCR510, the risk-weighted product of all 100 percent risk-weight assets.

CONVERSION OF OFF-BALANCE-SHEET ITEMS TO ON-BALANCE-SHEET EQUIVALENTS

Include off-balance-sheet items in the total risk-based capital standard after converting them into on-balance-sheet equivalents. Convert off-balance-sheet items to on-balance-sheet equivalents by taking the dollar amount of the off-balance-sheet item and multiplying it by the appropriate credit conversion factor from the table below.

SC689, Other Assets, and SC796, Other Liabilities and Deferred Income, include the fair value of derivative instruments accounted for under FASB Statement No. 133. We treat on-balance-sheet derivative instruments used for risk management purposes, rather than for trading, as off-balance-sheet items for risk-based capital purposes. Accordingly, you should risk weight only the converted on-balance-sheet equivalent amounts, not the amounts reported on SC689 and SC796.

Place the on-balance-sheet equivalents (converted off-balance-sheet items) in the appropriate risk-weight category just as any other on-balance-sheet assets. For example, place an off-balance-sheet letter of credit in the same risk-weight category as the loan would be upon execution of the letter of credit.

Loans in Process (Undisbursed Loan Balances)

You may convert all LIP that meets the following criteria at a zero percent conversion factor. In other words, you do not risk weight it.

1. LIP that contractually must be fully disbursed or expire in one year or less under the original terms of the contract.

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2. LIP that you may disburse over a period of time exceeding one year and that meets both of the following criteria:
 - a. You may unconditionally cancel the agreement.
 - b. You make a separate credit decision before each draw.

Convert all LIP that does not meet the criteria in #1 or #2 above at a 50 percent conversion factor and place in the risk-weight category appropriate for the related loan, except as follows:

1. When the borrower pays interest on the full amount of the loan, including both the disbursed and undisbursed portions, you must convert the LIP to an on-balance-sheet equivalent at a 100 percent credit conversion factor.
2. When the LIP is a direct credit substitute, you must convert it to an on-balance-sheet equivalent at a 100 percent 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.

Zero Percent Credit Conversion Factor (not risk weighted)

Include:

1. Unused commitments with an original maturity of one year or less.
2. Unused commitments with an original maturity of greater than one year:
 - a. That you may unconditionally cancel at any time, and
 - b. You have the contractual right to make, and you do make, either:
 - i. A separate credit decision based upon the borrower's current financial condition before each draw, 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 you may unconditionally cancel to the extent allowed by applicable law.
4. Unused portion of home equity lines of credit:
 - a. That you may unconditionally cancel at any time to the extent allowed by federal law, and
 - b. You have the contractual right to make, and you do make, either:
 - i. A separate credit decision based upon the borrower's current financial condition before each draw, or,
 - ii. An annual, or more frequent credit review, based upon the borrower's current financial condition to determine whether to continue the lending arrangement.
5. A commitment to make a permanent loan, where either the balance sheet or off-balance-sheet includes the construction loan. If the commitment to make the permanent loan exceeds the construction loan, treat the excess as a separate commitment and convert it to an on-balance-sheet equivalent.

Twenty Percent Credit Conversion Factor

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

Fifty Percent Credit Conversion Factor

Include:

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

Example:

You have a \$1 million off-balance-sheet letter of credit guaranteeing the completion of a road in a residential construction project. Letters of credit that guarantee performance have a conversion factor of 50 percent. You convert the \$1 million off-balance-sheet item into a \$500,000 on-balance-sheet equivalent (\$1 million times 50 percent), and place this in the 100 percent risk-weight category on CCR506, which is the same risk-weight category as on-balance-sheet residential construction loans.

One Hundred Percent Credit Conversion Factor

Include:

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

§ 208, as implemented, to transfers on or after March 22, 1995. See § 208 of the Riegle Act and 12 CFR § 567.6(a)(2)(i)(C).

3. Forward agreements and other contingent obligations with a specified draw down are legally binding agreements to purchase assets at a specified future date. You should convert the principal amount of the assets you will purchase on the date you enter into the agreement.
4. Securities of customers where you lend such securities to others as agent and you indemnify the customer against loss.

Example:

You have a \$1 million off-balance-sheet, legally binding commitment to purchase and the institution has the intent to take delivery of (e.g., a regular-way trade, which is not accounted for as a derivative under SFAS Statement No. 133) FannieMae or FreddieMac MBS. Forward agreements to purchase assets at a specified date have a conversion factor of 100 percent. You convert the \$1 million off-balance-sheet item into a \$1 million on-balance-sheet equivalent, and you place it in the 20 percent risk-weight category on CCR450.

Interest-rate and Exchange-rate Contracts, and Certain Derivative Contracts

Credit Equivalent Amount

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

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

20% Risk weight	
CCR435	Claims on FHLBs
CCR445	Claims on Domestic Depository Institutions
CCR450	Other (where the counter party is a Federal Reserve Bank)
50% Risk weight	
CCR480	Other – where the counter party is other than a domestic depository institution, a FHLBank, or a Federal Reserve Bank

1. Current Credit Exposure

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

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

2. Potential Credit Exposure

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

Interest-rate Contracts

Multiply the notional principal amount of the contract by either:

1. Zero percent, if the contract has a remaining maturity of one year or less.

2. One-half of one percent if the contract has a remaining maturity greater than one year.

Exchange-rate Contracts

Multiply the notional principal amount of the contract by either:

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

Interest Rate Contract Example:

You have a \$10 million notional amount interest rate swap agreement. You report the positive fair value of this derivative instrument of \$80 thousand as an asset under FASB Statement No. 133, and include it in line SC689, Other Assets. However, you do **not** include this \$80 thousand on-balance-sheet amount in assets to risk weight. Instead, you include in assets to risk weight the credit equivalent amount of this interest rate exchange agreement, which you have calculated to be \$130 thousand. You computed the \$130 thousand by adding the current credit exposure of \$80 thousand (equal to the replacement cost of the contract) to the potential credit exposure of \$50 thousand (equal to the \$10 million notional amount times 0.5%, for this contract with a remaining maturity of 2 years). You include the \$130 thousand in assets to risk weight, in the 20 percent risk-weight category on CCR435, because the counterparty is a Federal Home Loan Bank.

Foreign Exchange Rate Example:

Your thrift has a foreign currency exchange rate contract where the thrift will deliver €1 million (Euros) and receive \$1.8 million (US Dollars) in 90 days. The exchange rate was 0.90 (US Dollars/Euros) and it is now 0.95. No matter which side of the contract your thrift has taken, it should always be measured in dollars for capital purposes. The market loss of \$100,000 is reported on SC796. As there is a market loss, the current credit portion is \$0. The potential credit portion is \$18,000 because the term is less than one year. You would report \$18 on CCR480 as the counterparty is a broker (non-bank).

Do not include in risk-based assets:

- (1) A foreign exchange rate contract with an original maturity of 14 calendar days or less; and
- (2) Any interest rate or foreign exchange rate contract that is traded on an exchange requiring the daily payment of any variations in the market value of the contract.

See 12 CFR 567.6 for more information.

Netting of Current Replacement Value under Qualifying Bilateral Netting Agreements

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

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

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

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

Include:

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

Do not Include:

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

CCR62: RISK-WEIGHTED ASSETS FOR LOW-LEVEL RECOURSE AND RESIDUAL INTERESTS (CCR605 X 12.5)

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

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

CCR64: ASSETS TO RISK WEIGHT

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

Total assets subject to risk weighting are as follows:

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

CCR75: Subtotal Risk-Weighted Assets

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

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

Report an amount on CCR530 only when the ALLL reported on CCR350 is less than the ALLL reported on SC283 and SC357. This could occur when the total ALLL reported on Schedule SC exceeds the regulatory capital limit of 1.25 percent of risk-weighted assets. Report on CCR530 the ALLL reported on SC283 and SC357 that is not included on CCR350. Excess ALLL may not include amounts for liabilities for credit losses on off-balance-sheet credit exposures.

CCR78: TOTAL RISK-WEIGHTED ASSETS

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

CCR80: Total Risk-Based Capital Requirement

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

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

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

CAPITAL AND PROMPT CORRECTIVE ACTION RATIOS

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

CCR810: Tier 1 (Core) Capital Ratio

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

CCR820: Total Risk-Based Capital Ratio

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

CCR830: Tier 1 Risk-Based Capital Ratio

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

CCR840: Tangible Equity Capital

If you do not report purchased credit card relationships (PCCRS) or servicing assets on nonmortgage loans or if you do not have non-qualifying PCCRs or non-qualifying servicing assets on nonmortgage loans, the EFS software will compute this ratio as Tier 1 (core) capital plus cumulative perpetual preferred stock less PCCRS and servicing assets on nonmortgage loans divided by tangible assets less PCCRS and servicing assets on nonmortgage loans $([CCR20-CCR185+SC812-SC644]/[CCR25-CCR285-SC644])$, expressed as a percentage.

If you have non-qualifying PCCRs or non-qualifying servicing assets on nonmortgage loans, as determined under CCR133, you should manually override the software calculation for CCR840. You should take into consideration adjustments made on CCR 133 so that PCCRs and servicing assets on nonmortgage loans in Tier 1 (core) capital are fully deducted for purposes of the tangible equity ratio.

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CMR782: UNAMORTIZED YIELD ADJUSTMENTS ON DEPOSITS

Report on CMR782 unamortized yield adjustments of the type on SC715. Also include the component of the carrying value of deposit liabilities that consists of accumulated gains and losses, the change in fair value on the deposits, attributable to the designated risk being hedged on a qualifying fair value hedge under FASB Statement No. 133.

CMR784: UNAMORTIZED YIELD ADJUSTMENTS ON BORROWINGS

Report on CMR784 unamortized yield adjustments applicable to liabilities of the types on the following line items:

1. SC720 (Advances from FHLBank).
2. SC730 (Federal Funds Purchased and Securities Sold Under Agreements to Repurchase).
3. SC736(Subordinated Debentures, Including Mandatory Convertible Securities and Limited-Life Preferred Stock).
4. SC740 (CMOs, Including REMICs).
5. SC745 (Other Mortgage Collateralized Securities Issued).
6. SC760 (Other Borrowings).

Add to this amount any unamortized yield adjustments related to redeemable preferred stock of the type on SC800. Also include the component of the carrying value of borrowings that consists of accumulated gains and losses (the change in fair value on the borrowings) attributable to the designated risk being hedged on a qualifying fair value hedge under FASB Statement No. 133.

OTHER LIABILITIES

CMR785: Collateralized Mortgage Securities Issued

Report the carrying value of collateralized mortgage securities issued that you do not record as sales in accordance with GAAP. See FASB Statement No. 77, *Reporting by Transferors of Receivables with Recourse* and FASB Technical Bulletin 85-2, *Accounting for Collateralized Mortgage Obligations*. Include CMOs and other collateralized mortgage securities issued.

CMR786: Miscellaneous Liabilities I

Report amounts of the types included on SC763, Accrued Interest Payable on Deposits, SC766, Accrued Interest Payable on Other Liabilities, SC776, Accrued Taxes, and SC780, Accounts Payable.

Include amounts of the types on line SC796, Other Liabilities and Deferred Income, except for the following:

1. Financial option fees received.
2. Deferred net gains (losses) on liability hedges.
3. Negative goodwill.
4. Derivative instruments in a loss position at fair value.

For definitions of these items, see the instructions for line SC796, code numbers 02, 03, 12, and 20, respectively.

Also include:

1. Balances in principal and interest escrow accounts established pursuant to loan servicing agreements.

2. The liability associated with delinquent mortgage loans previously securitized with Ginnie Mae, where you have an unconditional repurchase option. The related loans are reported on CMR501, Nonperforming Loans.

CMR787: Miscellaneous Liabilities II

Report amounts of the types included on line SC790, Deferred Income Taxes. Also include financial option fees received, negative goodwill, and derivative instruments in a loss position at fair value. For definitions of these items, see the instructions for line SC796, code numbers 02, 03, 12, and 20, respectively.

CMR790: Total Liabilities (Incl. Redeemable Preferred Stock)

The EFS software automatically computes this line as the sum of CMR645, CMR715, CMR781, and CMR782 through CMR787. For all editing and output data uses, our data systems will add the following balances to this line:

1. Variable-rate, fixed-maturity liabilities reported as codes 200, 220, and 299 in **Supplemental Reporting for Assets and Liabilities**.
2. Structured borrowings reported as codes 280 through 290 in **Supplemental Reporting of Market Value Estimates**.

CMR793: NONCONTROLLING INTEREST IN CONSOLIDATED SUBSIDIARIES

Report amounts accounted for as noncontrolling interest in consolidated subsidiaries and included in SC800, with the following exceptions:

- Also include on CMR793, REIT preferred stock even if it is not included in SC800, but rather you have elected to report it as a liability on SC760, Other Borrowings.
- Do not include redeemable preferred stock even though you reported it in SC800. Report all redeemable preferred stock on CMR755, Book Value of Redeemable Preferred Stock.

CMR796: EQUITY CAPITAL

Report on CMR796 the amount on SC80, Total Equity Capital.

CMR800: Total Liabilities, Noncontrolling Interest, and Capital

The EFS software automatically computes this line as the sum of CMR790, CMR793, and CMR796. For all editing and output data uses, our data systems will add the following balances to this line:

1. Variable-Rate, Fixed-Maturity Liabilities reported as codes 200, 220, and 299 in the section for Supplemental Reporting for Assets/Liabilities.
2. Structured Borrowings reported as codes 280 through 290 in the section for Supplemental Reporting of Market Value Estimates.