

**SUPPORTING STATEMENT**  
**OMB Control No. 1550-0023**  
**Thrift Financial Report: March, June, and December 2009 Revisions**

**A. JUSTIFICATION**

**1. *Circumstances and Need***

The Office of Thrift Supervision (OTS) collects financial data from insured savings associations, which are used to regulate and supervise the industry and to develop policy. The vehicle used to collect these data is the Thrift Financial Report (TFR). OTS collects financial data from insured savings associations, their subsidiaries, and their holding companies in order to assure their safety and soundness as depositories of the personal monies of the general public.

On October 1, 2008, OTS requested comment on proposed revisions to the Thrift Financial Report (73 FR 57205), which is currently an approved collection of information. The proposed changes were to be implemented on a phased-in basis during 2009. A limited group of changes were proposed to take effect March 31, 2009; most revisions were proposed to take effect June 30, 2009; and a final group of revisions were proposed to take effect December 31, 2009. The revisions would eliminate 3 lines from the TFR, eliminating Schedule CSS in its entirety, revise 24 existing items, add 235 new items (including a new Schedule FV), and eliminate confidential treatment of Schedule FS and Schedule HC data.

The revisions to the TFR were proposed to take effect on a phased-in basis as of March 31, 2009, June 30, 2009, and December 31, 2009. One comment letter was received on the proposed revisions and is available on the OTS website.

**2. *Use of Information Collected***

OTS uses this information to monitor the condition, performance, and risk profile of individual institutions and systemic risk among groups of institutions and the industry as a whole.

**3. *Use of Technology to Reduce Burden***

Since 1993, all reporting associations file their TFRs electronically. Electronic transmission has significantly reduced the reporting burden and has improved data quality by reducing transcription errors and providing edit checks at the source of the data entry. OTS internally developed and maintains the electronic filing software and provides it free-of-charge to all savings associations in Microsoft Windows on a CDROM. The electronic software sums totals, brings forward beginning balances, and calculates certain fields, eliminating the need for data entry for approximately 20% of the fields in the TFR. There are over 900 edit checks in the electronic software that allow associations to self-edit their data prior to transmitting the report.

The software allows associations to explain any valid deviations from the edits in a memorandum system called “User Notes.” These enhancements reduce the amount of time OTS staff has to spend in validating the data and reduce the number of phone calls made to the associations, thus reducing burden on the industry. OTS is currently exploring a web-based data collection application. A web-based application will achieve greater efficiencies in the data collection and report dissemination processes.

#### **4. *Efforts to Identify Duplication***

This information collection is not duplicative within the meaning of the PRA and OMB regulations. Information that is similar to or that corresponds to information that could serve OTS's purpose and need in this information collection is not being collected from OTS regulated institutions by any other means or for any other purpose; nor is this information otherwise available in the detail necessary to satisfy the purpose and need for which this collection of information is undertaken. However, the data gathered in this information collection are shared with the other Federal financial institution regulators, state financial institution regulators, and other Federal agencies.

#### **5. *Minimizing the Burden on Small Firms***

Although the collection of information affects a significant number of small businesses, OTS does not anticipate that the net economic impact will be large.

#### **6. *Consequences of Less Frequent Collection***

Collection of this information less frequently than quarterly would hinder the ability of OTS to monitor the industry and perform its supervisory function.

#### **7. *Special Circumstances***

This collection meets the guidelines in 5 C.F.R. Part 1320.

#### **8. *Consultation with Persons outside the OTS***

OTS published the 60-day Federal Register Notice on 10/01/2008. (73 FR 57205). One comment letter was received and is available on the OTS website.

#### **March 2009 Revisions**

OTS received no comments on revisions proposed in response to accounting changes applicable to noncontrolling (minority) interests in consolidated subsidiaries; and to a reporting addition for other-than-temporary impairment charges on debt and equity securities. Therefore, these revisions will be implemented as of March 31, 2009, as proposed.

Eliminating Confidential Treatment of Schedule FS Data:

The trade group commenting on the proposed revisions opposed eliminating the confidential treatment of fiduciary income, expense, and loss data, stating that the agencies' original reason for according confidential treatment to these data, i.e., that these data generally pertain to only a portion of a reporting institution's total operations and not to the institution as a whole, still holds true. This commenter also cited significant competitive concerns with the proposed elimination of confidential treatment because making income, expense, and loss data publicly available "may make it possible for competitors to deduce" an individual institution's fee schedules. In addition, this commenter believed that these publicly disclosed data may be subject to misinterpretation by market participants who would lack a proper understanding of the scope of the income, expense, and loss data reported in Schedule FS because fiduciary income and expenses are presented differently in institutions' audited financial statements prepared in accordance with GAAP. Therefore, this commenter believes that institutions' financial statements can satisfy market participants' needs for fiduciary income, expense, and loss data. Finally, this commenter stated that market participants may be confused or misled by the fiduciary expense and loss information because they would be unable to determine the source or specific fiduciary activity giving rise to the expense or loss.

Data on fiduciary and related services income, expenses, and losses is treated as confidential on an individual institution basis. Nevertheless, OTS publishes aggregate data derived from these confidential items. OTS does not preclude institutions from publicly disclosing the fiduciary and related services income, expense, and loss data that the agencies treat as confidential.

In addition, under the Uniform Interagency Trust Rating System, the agencies assign a rating to the earnings of an institution's fiduciary activities at those institutions with fiduciary assets of more than \$100 million, which are also the institutions that report their fiduciary and related services income, expenses, and losses in Call Report Schedule RC-T and TFR Schedule FS. The agencies' evaluation of an institution's trust earnings considers such factors as the profitability of fiduciary activities in relation to the size and scope of those activities and the institution's overall business, taking this into account by functions and product lines. Although the agencies' ratings for individual institutions are not publicly available, the reason for rating the trust earnings of institutions with more than \$100 million in fiduciary assets – its effect on the financial condition of the institution – means that fiduciary and related services income, expenses, and losses information for these institutions is also relevant to market participants and others in the public as they seek to evaluate the financial condition and performance of individual institutions. Increasing the transparency of institutions' fiduciary activities by making individual institutions' fiduciary income, expense, and loss data available to the public should improve the market's ability to assess these institutions' performance and risks and thereby enhance market discipline.

Although the fiduciary income, expense, and loss data currently reported in Schedule FS and afforded confidential treatment apply only to a portion of an institution rather than an entire institution, all other income and expense data collected in Schedule SO of the TFR is publicly available, even when the data relates only to portions of an institution's activities.

OTS continues to believe that the benefit of increased transparency from the full disclosure of fiduciary income, expense, and loss data will improve market discipline by enhancing the market's ability to assess institution-specific performance and risks. After carefully considering the comments on the public availability of fiduciary income, expense, and loss data reported in Schedule FS, OTS is adopting the proposal to eliminate the confidential treatment of such data beginning with the data reported as of March 31, 2009.

#### Eliminating Confidential Treatment of Schedule HC Data:

The commenter recommended a bifurcated approach to eliminating the confidential treatment of Schedule HC data filed by holding companies. The commenter felt that eliminating confidential treatment of Schedule HC data is appropriate for publicly-held thrift holding companies, but should not be eliminated for privately-held thrift holding companies. However, many public requests are received for these data. In addition, some rating agencies have indicated thrift holding company debt ratings suffer due to the lack of publicly available data. Additionally, Federal Reserve Board Schedule Y-9 filed by bank holding companies is publicly available on consolidated and unconsolidated bases for both publicly and privately owned bank holding companies. It is reasonable that OTS should be consistent with the FRB's treatment of holding company financial information.

Thus, after carefully considering the comments on the public availability of Schedule HC data, OTS is adopting the proposal to eliminate the confidential treatment of such data beginning with the data reported as of March 31, 2009.

#### June 2009 Revisions

OTS received no comments related to the eliminations or revisions of existing line items proposed to be effective as of June 30, 2009, or to the proposed new items for noninterest income, loans in process of foreclosure, construction loans with capitalized interest, collateralized debt obligations, collateralized loan obligations, commercial mortgage-backed securities, recourse obligations on loans, loans sold with recourse, additions for deposit assessment-related purposes, pledged loans and securities, questions relating to thrift activities, and holding company data. Accordingly, these revisions are adopted as proposed.

OTS received comments addressing each of the following proposed June 30, 2009, revisions.

#### Credit Card Charge-Offs Related to Accrued Interest:

OTS proposes to add a line, VA979, Credit Card Charge-Offs Related to Accrued Interest, to capture data on the amount of credit card charge-offs that are due to accrued interest. This change is being made at the request of the FDIC to improve their deposit insurance premium assessment process.

The trade group commenting on the proposed revisions noted that compliance with this new line item would be difficult for those thrift institutions (including those that use a third-party processor for servicing credit cards) that do not presently capture data on the amount of credit card charge-offs that are due to accrued interest. Since that specific charge-off data is not

currently required to be reported on the TFR, the accrued interest is sometimes added to the credit card loan amount and is not tracked as a separate line item. Not all thrift institutions that offer credit cards to their customers have the proposed data readily available within the thrift institution or from their third-party processor to separately report the accrued interest portion of the charge-off.

The commenter expressed concern that third-party credit card processors may not be able to readily provide the new data on the amount of credit card charge-offs that are due to accrued interest.

After considering these comments, OTS has decided to move forward with the addition as proposed. OTS believes that the data to be added should presently be available within an institution's accounting systems.

#### High Loan-to-Value Loans Secured by Multifamily Properties without PMI or Government Guarantee:

The commenter noted generally the need for OTS to provide clear instructions for the revisions to be implemented in 2009. Specifically, the commenter recommended that OTS provide clear instructions for the 16 new line items presented below being added to Schedule LD related to high loan-to-value loans secured by multifamily properties without private mortgage insurance (PMI) or government guarantee.

OTS has decided to add these lines as proposed. OTS believes these new line items will provide additional detail on high loan-to-value loans secured by multifamily properties held by thrifts, including detail on delinquencies, nonaccruals, and net charge-offs, and data on such loans originated, purchased, or sold during the reporting period. With these new data items, OTS will be better able to monitor the risk profiles of thrifts with concentrations of high loan-to-value multifamily mortgage loans.

#### Deposits Gathered Through CDARS:

OTS proposes to add a line to Schedule DI related to deposits gathered through the Certificate of Deposit Account Registry Service (CDARS).

CDARS member institutions accept depositor funds and place these into certificates of deposit issued by financial institutions in the network. This occurs in amounts that ensure that both principal and interest are eligible for full FDIC insurance. OTS believes this new line item will provide additional detail on the deposit funding sources used by thrifts.

The commenter recommended that the TFR be amended to break out "reciprocal" deposits in a separate line item from broker-originated deposits that are currently reported on Schedule DI. A reciprocal deposit is obtained when an insured depository institution exchanges funds, dollar-for-dollar, with members of a network of other insured depository institutions, where each member of the network sets the interest rate to be paid on the entire amount of funds it places with other network members, and all funds placed through the network are fully insured by the FDIC. Such an arrangement enables a member of the network to offer its customers a convenient means to obtain access to FDIC insurance on large deposits by working solely with

the bank or thrift with which the customer has a relationship. As a result, the bank or thrift is able to accept the large deposits without having to post collateral, which in turn makes more funds available to meet the credit needs of the community.

OTS will consider this recommendation concerning reciprocal deposits when it next assesses the need and basis for possible future revisions to the TFR. OTS has decided to add this line as proposed.

### December 2009 Revisions

OTS received no comments related to the elimination of Schedule CSS – Subordinate Organization Schedule, or to the addition of lines for a new Schedule FV - Consolidated Assets and Liabilities Measured at Fair Value on a Recurring Basis proposed to be effective as of December 31, 2009. Accordingly, these revisions are adopted as proposed.

OTS received comments addressing each of the following proposed June 30, 2009, revisions.

The trade group commenting on the proposed revisions requested that the effective date for the proposed changes to Schedule FS be extended from December 31, 2009, to December 31, 2010, in order to provide vendors whose systems track the data reported in this schedule additional time for system programming revisions. The commenter indicated that vendors are currently devoting programming resources to changes necessitated by the joint Securities and Exchange Commission and Federal Reserve Board Regulation R – Exceptions for Banks from the Definition of Broker in the Securities Exchange Act of 1934. This commenter also stated that some banks use multiple systems to track the default status of debt issues under corporate trusteeships and that moving to a single system of record for tracking these debt issues would impose significant costs and require a longer implementation period than proposed.

After carefully considering these comments, OTS has decided to retain the December 31, 2009, effective date for the proposed changes. OTS is not requiring that trust institutions change from their use of multiple systems for corporate trusteeships or that they develop a single system of record for such trusteeships. In addition, OTS notes that institutions are to start complying with Regulation R beginning the first day of their fiscal year commencing after September 30, 2008 (i.e., January 1, 2009, for most institutions), which implies that programming changes should be complete or nearing completion.

### **9. *Payment of Respondents***

OTS provides no payment or gift to respondents.

### **10. *Confidentiality***

OTS does not include in the TFR instructions any explicit guarantee of confidentiality of this information. All but a very limited number of TFR data items, are available to the general public. Data from Schedules LD, including the proposed changes, and from Schedule CMR, are

confidential. Other data revisions proposed in this notice are available to the general public. For a complete listing of TFR confidential data, please see <http://files.ots.treas.gov/78210.pdf> .

**11. Information of a Sensitive Nature**

The TFR form does not request any information that could be considered personally sensitive.

**12. Estimate of Annual Burden**

OTS regulated 811 savings associations (“respondents”) as of December 31, 2008. The total annual hour burden to the respondents is estimated at 177,380, representing 4 submissions per respondent at 54.68 hours for each submission.

$$811 \text{ savings associations} \times 54.68 \text{ hours} = 44,345.5 \text{ hours per response}$$

$$44,345 \text{ hours} \times 4 \text{ submissions per year} = 177,380 \text{ hours.}^*$$

\*This estimate applies to Schedules SC, SO, VA, PD, CC, CF, DI, SI, SQ, HC, LD, FV, FS, CCR, and CMR only. The proposed total estimate for the entire TFR is 187,112 hours. Please refer to the attached chart for burden detail by schedule.

**13. Estimate of Annual Cost**

The cost to the thrift industry for the reporting burden of these quarterly TFR schedules would be \$4,501,550.

The burden per report was derived by multiplying the number of items requiring input by the number of reports per year, with appropriate adjustment of especially difficult items. Variation in burden among reporting associations exists depending on the extent to which their activities require an entry in every item requested on the reporting form, the complexity of calculating the entry for an individual association, and the extent to which their own accounting systems conform to the requirements of the reporting form.

**14. Estimates of Annualized Cost to Government**

The total annualized cost to the federal government will be minimal.

**15. Reason for Change in Burden**

OTS is citing an increase in the burden due to an increase in the number of requested data elements (1,027 hours as a program change).

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**16. Publication**

OTS publishes a series of statistical reports of aggregate data on a national and geographical area basis. Financial institutions, investment consultants, real estate consultants, brokers, and appraisers as well as other Federal and state government agencies and institutions of higher learning use the publications. These statistical reports are an adjunct to the data collected, which are primarily for supervisory purposes.

**17. Expiration Date**

OTS has received permission to not display the expiration date on this form. This form is revised and issued annually. The expiration date will not assist the public in determining if this is the correct form to be used when filing with OTS. In addition, OTS distributes copies of the current form to all institutions and other interested parties and posts it on the OTS web site whenever the report is changed.

**18. Exceptions**

There are no exceptions to the certification statement on OMB Form 83-I.



B. COLLECTION OF INFORMATION EMPLOYING STATISTICAL METHODS

Not applicable.