Income Statement

If the Edge or agreement corporation has elected to apply the fair value option to interest-bearing financial assets and liabilities, it should report the interest income on these financial assets (except any that are in nonaccrual status) and the interest expense on these financial liabilities for the year-to-date in the appropriate interest income and interest expense items on Schedule RI, not as part of the reported change in fair value of these assets and liabilities for the year-to-date. The Edge or agreement corporation should measure the interest income or interest expense on a financial asset or liability to which the fair value option has been applied using either the contractual interest rate on the asset or liability or the effective yield method based on the amount at which the asset or liability was first recognized on the balance sheet. Although the use of the contractual interest rate is an acceptable method under GAAP, when a financial asset or liability has a significant premium or discount upon initial recognition, the measurement of interest income or interest expense under the effective yield method more accurately portrays the economic substance of the transaction. In addition, in some cases, GAAP requires a particular method of interest income recognition when the fair value option is elected. For example, when the fair value option has been applied to a beneficial interest in securitized financial assets within the scope of Emerging Issues Task Force Issue No. 99-20, "Recognition of Interest Income and Impairment on Purchased and Retained Beneficial Interests in Securitized Financial Assets," interest income should be measured in accordance with the consensus in this Issue. Similarly, when the fair value option has been applied to a purchased impaired loan or debt security accounted for under AICPA Statement of Position 03-3, "Accounting for Certain Loans or Debt Securities Acquired in a Transfer," interest income on the loan or debt security should be measured in accordance with this Statement of Position when accrual of income is appropriate.

Revaluation adjustments, excluding amounts reported as interest income and interest expense, to the carrying value of all assets and liabilities reported in Schedule RC at fair value under a fair value option (excluding servicing assets and liabilities reported in Schedule RC, item 8, "Other assets," and Schedule RC, item 18, "Other liabilities," respectively, and trading assets and trading liabilities reported in Schedule RC, item 5, ''Trading assets,'' and Schedule RC, item 14, ''Trading liabilities,'' respectively) resulting from the periodic marking of such assets and liabilities to fair value should be reported as "Noninterest income: Other" in Schedule RI, item 5(a)(6).

Line item M1 Net change in fair values of financial instruments accounted for under a fair value option.

Report the net change in fair values of all financial instruments that the Edge or agreement corporation has elected to account for under the fair value option that is included in ~~item~~ items 5(a)(6), ''Noninterest income: Other~~.~~'' and 5(b), "From related organizations."

Schedule RC-N

being in nonaccrual status if: (1) they are maintained on a cash basis because of deterioration in the financial position of the borrower, (2) payment in full of interest or principal is not expected, or (3) principal or interest has been in default for a period of 90 days or more unless the obligation is both well-secured and in the process of collection. A nonaccrual asset may be restored to an accrual status when none of its principal or interest is due and unpaid or when it otherwise becomes well-secured and is in the process of collection.

For purposes of applying the third test for the nonaccrual of interest listed above, the date on which an asset reaches nonaccrual status is determined by its contractual terms. If the principal or interest on an asset becomes due and unpaid for 90 days or more on a date that falls between report dates, the asset should be placed in nonaccrual status as of the date it becomes 90 days past due and should remain in nonaccrual status until it meets the criteria for restoration to accrual status described above.

Loans restructured in troubled debt restructurings

A debt is “[illegible] collateral in the form [illegible] personal property, [illegible] realizable value sufficient to discharge the debt in full, or (2) by the guarantee of a financially responsible party. A debt is “in the process of collection” if collection of the debt is proceeding in due course either through legal action, including judgment enforcement procedures, or, in appropriate circumstances, through collection efforts that do not involve legal actions, provided they are reasonably expected to result in repayment of the debt or in its restoration to a current status.

~~Restructured~~ For the purposes of this report, ~~restructured loans and leases~~ are those loans ~~and leases~~ whose terms have been modified, because of a deterioration in the financial position of the borrower, to provide for a reduction of either the interest or principal. Once an obligation has been restructured because of such credit problems, it continues to be considered restructured until paid in full or until such time as the terms are substantially equivalent to terms on which loans with comparable risks are being made. A loan extended or renewed at a stated interest rate equal to the current interest rate for new debt with a similar risk is not considered a restructured loan. Also, a loan to a purchaser of “other real estate owned” by the reporting corporation for the purpose of facilitating the disposal of such real estate is not considered a restructured loan.

Item Instructions

Report in Items 1 and 2 the full outstanding balances (not just delinquent payments) of loans, lease financing receivables and any other assets that are past due and upon which the corporation continues to accrue interest, as follows:

Line Item 1 Past due 30–89 days and still accruing.

Report any loans, lease financing receivables and any other assets that are past due 30–89 days (as defined above) and still accruing.

Line Item 2 Past due 90 days or more and still accruing.

Report the loans, lease financing receivables and any other assets as specified above on which payment is due and unpaid for 90 days or more.

Exclude from Items 1 and 2 all loans, lease financing receivables and any other assets that are on a nonaccrual status.

Line Item 3 Nonaccrual.

Report the outstanding balances of loans, leases and other assets that are in nonaccrual status. However, restructured loans ~~and leases~~ with a zero percent effective interest rate are not to be reported on this line as nonaccrual loans, leases and other assets.

Item 4 Total.

Enter the total of I[illegible]

loans restructured in troubled debt restructurings

Memorandum Item 1 ~~Restructured loans and leases~~ included in Item 4 above.

Include

Report the outstanding balances of ~~restructured loans and leases~~ (as defined above) that under their modified terms are past due 30 days or more or are in nonaccrual status as of the report date. Such loans ~~and leases~~ will have been included in one or more lines of this schedule. ~~Exclude from this item~~ all ~~restructured~~ loans to individuals for household, family and other personal expenditures.

and all loans secured by 1-4 family residential properties.