

**Supporting Statement for the
Consolidated Reports of Condition and Income
(FFIEC 031 and 041; OMB No. 7100-0036)**

Summary

The Board of Governors of the Federal Reserve System (Board) requests approval from the Office of Management and Budget (OMB) to extend for three years, with revision, the Federal Financial Institutions Examination Council (FFIEC) Consolidated Reports of Condition and Income (Call Reports) (FFIEC 031 and 041; OMB No. 7100-0036). These data are required of state member banks and are filed on a quarterly basis. The revisions to the Call Reports that are the subject of this request have been approved by the FFIEC. The Federal Deposit Insurance Corporation (FDIC) and the Office of the Comptroller of the Currency (OCC) (agencies) have also submitted a similar request for OMB review to request this information from banks under their supervision.

The Federal Reserve requires information collected on the Call Reports to fulfill its statutory obligation to supervise state member banks. State member banks are required to file both detailed schedules of assets, liabilities, and capital accounts in the form of a condition report and summary statement as well as detailed schedules of operating income and expense, sources and disposition of income, and changes in equity capital. The current annual burden for the Call Reports is estimated to be 183,306 hours; the proposed revisions are estimated to increase the annual burden to 183,660 hours.

The agencies are proposing to implement a limited number of revisions to the Call Report requirements in 2012. These changes are intended to provide data needed for reasons of safety and soundness or other public purposes. The proposed new data items would be added to the Call Report as of the June 30, 2012, report date, except for two proposed revisions that would take effect March 31, 2012, in connection with the initial filing of Call Reports by savings associations. These proposed new data items, which are focused primarily on institutions with \$1 billion or more in total assets, would assist the agencies in gaining a better understanding of institutions' lending activities and credit risk exposures, primarily through enhanced data on the composition of the allowance for loan and lease losses (ALLL), quarter-end loan amounts originated during the quarter, past due and nonaccrual purchased credit-impaired loans, and representation and warranty reserves associated with mortgage loan sales. In addition, beginning with the March 31, 2012, report date, savings associations and certain state savings and cooperative banks would report on their Qualified Thrift Lender compliance in two new Call Report items and certain existing items used in the measurement of the leverage ratio denominator would be modified to accommodate calculations by both banks and savings associations. The banking agencies are also proposing certain revisions to the Call Report instructions that would take effect March 31, 2012. The proposed changes include:

- A new Schedule RI-C, Disaggregated Data on the Allowance for Loan and Lease Losses, in which institutions with total assets of \$1 billion or more would report a breakdown by key loan category of the end-of-period ALLL disaggregated on the basis of impairment method and the end-of-period recorded investment in held-for-investment loans and leases related to each ALLL balance;

- A new Schedule RC-U, Loan Origination Activity, in which institutions with total assets of \$300 million or more would report, separately for several loan categories, the quarter-end amount of loans reported in Schedule RC-C, Loans and Lease Financing Receivables, that was originated during the quarter, and institutions with total assets of \$1 billion or more would also report for these loan categories the portions of the quarter-end amount of loans originated during the quarter that were (a) originated under a newly established loan commitment and (b) not originated under a loan commitment;
- New Memorandum items in Schedule RC-N, Past Due and Nonaccrual Loans, Leases, and Other Assets, for the total outstanding balance and related carrying amount of purchased credit-impaired loans accounted for under ASC 310-30 that are past due 30 through 89 days and still accruing, past due 90 days or more and still accruing, and in nonaccrual status;
- New items in Schedule RC-P, 1-4 Family Residential Mortgage Banking Activities, in which institutions with \$1 billion or more in total assets and smaller institutions with significant mortgage banking activities would report the amount of representation and warranty reserves for 1-4 family residential mortgage loans sold (in domestic offices), with separate disclosure of reserves for representations and warranties made to U.S. government and government-sponsored agencies and to other parties;
- New items in Schedule RC-M, Memoranda, in which savings associations and certain state savings and cooperative banks would report on the test they use to determine their compliance with the Qualified Thrift Lender requirement and whether they have remained in compliance with this requirement.
- Revisions to two existing items in Schedule RC-R, Regulatory Capital, used in the calculation of the leverage ratio denominator to accommodate certain differences between the regulatory capital standards that apply to the leverage capital ratios of banks versus savings associations.
- Instructional revisions that would:
 - Address the discontinued use of specific valuation allowances by savings associations when they begin to file the Call Report instead of the TFR beginning in March 2012; the reporting of the number of deposit accounts of \$250,000 or less in Schedule RC-O, Other Data for Deposit Insurance and FICO Assessments, by institutions that have issued certain brokered deposits; and the accounting and reporting treatment for capital contributions in the form of cash or notes receivable.

For the March 31, 2012, and June 30, 2012, report dates, as applicable, institutions may provide reasonable estimates for any new or revised Call Report item initially required to be reported as of that date for which the requested information is not readily available. The specific wording of the captions for the new or revised Call Report data items discussed in this proposal and the numbering of these data items should be regarded as preliminary.

Background and Justification

Banks that are members of the Federal Reserve System are required by law to file reports of condition with the Federal Reserve System. Section 9(6) of the Federal Reserve Act (12 U.S.C. 324) states:

... banks ... shall be required to make reports of condition and of the payment of dividends to the Federal Reserve bank of which they become a member. Not less than three of such

reports shall be made annually on call of the Federal Reserve bank on dates to be fixed by the Board of Governors of the Federal Reserve System.... Such reports of condition shall be in such form and shall contain such information as the Board of Governors of the Federal Reserve System may require and shall be published by the reporting banks in such manner and in accordance with such regulations as the said Board may prescribe.

In discharging this statutory responsibility, the Board of Governors, acting in concert with the other federal banking supervisory agencies since 1979 through the FFIEC, requires banks to submit on the quarterly Reports of Condition and Income such financial data as are needed by the Federal Reserve System to: (1) supervise and regulate banks through monitoring of their financial condition, ensuring the continued safety of the public's monies and the overall soundness of the nation's financial structure, and (2) contribute information needed for background for the proper discharge of the Board's monetary policy responsibilities. The use of the data is not limited to the federal government, but extends to state and local governments, the banking industry, securities analysts, and the academic community.

Description of Information Collection

The Call Reports collect basic financial data from commercial banks in the form of a balance sheet, income statement, and supporting schedules. The Report of Condition contains supporting schedules that provide detail on assets, liabilities, and capital accounts. The Report of Income contains supporting schedules that provide detail on income and expenses.

Within the Call Report information collection system as a whole, there are two reporting forms that apply to different categories of banks: (1) all banks that have domestic and foreign offices (FFIEC 031), and (2) banks with domestic offices only (FFIEC 041). Prior to March 2001, there were four categories of banks and four reporting forms. The FFIEC 031 was filed by banks with domestic and foreign offices and the FFIEC 032, 033, and 034 were filed by banks with domestic offices only and were filed according to the asset size of the bank.

There is no other series of reporting forms that collect from all commercial and savings banks the information gathered through the Reports of Condition and Income. There are other information collections that tend to duplicate certain parts of the Call Reports; however, the information they provide would be of limited value as a replacement for the Call Reports. For example, the Federal Reserve collects various data in connection with its measurement of monetary aggregates, of bank credit, and of flow of funds. Reporting banks supply the Federal Reserve with detailed information relating to such balance sheet accounts as balances due from depository institutions, loans, and deposit liabilities. The Federal Reserve also collects financial data from bank holding companies on a regular basis. Such data are presented for the holding company on a consolidated basis, including its banking and nonbanking subsidiaries, and on a parent company only basis.

However, Federal Reserve reporting forms from banks are frequently obtained on a sample basis rather than from all insured banks. Moreover, these reporting forms are often prepared as of dates other than the last business day of each quarter, which would seriously limit their comparability. Institutions below a certain size are exempt entirely from some Federal Reserve reporting requirements. Data collected from bank holding companies on a consolidated basis reflect an aggregate amount for all subsidiaries within the organization, including banking and nonbanking subsidiaries, so that the actual dollar amounts applicable to any bank subsidiary

are not determinable from the holding company reporting forms. Hence, these reporting forms could not be a viable replacement for even a significant portion of the Call Reports since the Federal Reserve, in its role as supervisor of insured state member banks, would be lacking the data necessary to assess the financial condition of individual insured banks to determine whether there had been any deterioration in their condition.

Beginning March 1998, all banks were required to transmit their Call Report data electronically. Banks do not have to submit hard copy Call Reports to any federal bank supervisory agency unless specifically requested to do so.

Proposed Revisions

A. Allowance for Loan and Leases Losses by Loan Category

In July 2010, the Financial Accounting Standards Board (FASB) published Accounting Standards Update No. 2010-20, Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses (ASU 2010-20), which amended Accounting Standards Codification (ASC) Topic 310, Receivables. The main objective of the update was to provide financial statement users with greater transparency about an entity's allowance for credit losses and the credit quality of its financing receivables. Examples of financing receivables include loans, credit cards, notes receivable, and leases (other than an operating lease). The update was intended to provide additional information to assist financial statement users in assessing an entity's credit risk exposures and evaluating the adequacy of its allowance for credit losses.

To achieve its main objective, ASU 2010-20 requires, in part, that an entity disclose by portfolio segment “[t]he balance in the allowance for credit losses at the end of each period disaggregated on the basis of the entity's impairment method” and “[t]he recorded investment in financing receivables at the end of each period related to each balance in the allowance for credit losses, disaggregated . . . in the same manner.”¹ As defined in the ASC Master Glossary, a portfolio segment is “[t]he level at which an entity develops and documents a systematic methodology to determine its allowance for credit losses.” For each portfolio segment, the disaggregation based on impairment method requires separate disclosure of the allowance and the related recorded investment amounts for financing receivables collectively evaluated for impairment, individually evaluated for impairment, and acquired with deteriorated credit quality.² This disaggregated disclosure requirement is effective for public entities for the first interim or annual reporting period ending on or after December 15, 2010, and for nonpublic entities for annual reporting periods ending on or after December 15, 2011.

Consistent with the ASU 2010-20 disclosure requirements described above, the agencies are proposing revisions to the June 2012 Call Report to capture disaggregated detail of institutions' ALLL and related recorded investments for loans and leases from institutions with

¹ ASC paragraphs 310-10-51-11B(g) and (h).

² ASC paragraph 310-10-51-11C. Allowances for amounts collectively evaluated for impairment are determined under ASC Subtopic 450-20, Contingencies—Loss Contingencies (formerly FASB Statement No. 5, “Accounting for Contingencies”), allowances for amounts individually evaluated for impairment are determined under ASC Section 310-10-35, Receivables—Overall—Subsequent Measurement (formerly FASB Statement No. 114, “Accounting by Creditors for Impairment of a Loan”), and allowances for loans acquired with deteriorated credit quality are determined under ASC Subtopic 310-30, Receivables—Loans and Debt Securities Acquired with Deteriorated Credit Quality (formerly AICPA Statement of Position 03-3, “Accounting for Certain Loans or Debt Securities Acquired in a Transfer”).

\$1 billion or more in total assets. Disaggregated data would be reported for key loan categories for which the recorded investments are reported in Schedule RC-C, Part I, Loans and Leases. The agencies also propose to collect this information on the basis of impairment method for each loan category. The agencies believe that the use of key loan categories reported on Schedule RC-C for the proposed new Call Report disaggregated disclosures is consistent with the meaning of the term portfolio segment in ASU 2010-20 and with the agencies' supervisory guidance on ALLL methodologies.³ More specifically, the agencies propose to collect from institutions with \$1 billion or more in total assets disaggregated allowance and recorded investment data on the basis of impairment method (collectively evaluated for impairment,⁴ individually evaluated for impairment, and acquired with deteriorated credit quality) for the following loan categories:

- Construction, land development, and other land loans;
- Revolving, open-end loans secured by 1-4 family residential properties and extended under lines of credit;
- Closed-end loans secured by 1-4 family residential properties;
- Loans secured by multifamily (5 or more) residential properties;
- Loans secured by nonfarm nonresidential properties;⁵
- Commercial and industrial loans;
- Credit card loans to individuals for household, family, and other personal expenditures;
- All other loans to individuals for household, family, and other personal expenditures; and
- All other loans and all lease financing receivables.

Currently, the Call Report does not provide detail on the components of the ALLL disaggregated by loan category in the manner prescribed by ASU 2010-20. Rather, only the amount of the overall ALLL is reported with separate disclosure of the total amount of the allowance for loans acquired with deteriorated credit quality.⁶ Therefore, when conducting off-site evaluations of the level of an individual institution's overall ALLL and changes therein, examiners and agency analysts cannot determine whether the institution is releasing loan loss allowances in some loan categories and building allowances in others. Collecting more detailed ALLL information would allow the agencies to more finely focus efforts related to the ALLL and credit risk management and, in conjunction with past due and nonaccrual data currently reported by loan category that are used in a general assessment of an institution's credit risk exposures, to better evaluate the appropriateness of its ALLL. As an example, it is currently not possible to differentiate the ALLL allocated to commercial real estate (CRE) loans from the remainder of the ALLL at institutions with CRE concentrations. By collecting more detailed ALLL information, examiners and analysts would then better understand how institutions with such concentrations are building or releasing allowances, the extent of ALLL coverage in relation to their CRE portfolios, and how this might differ among institutions.

The proposed additional detail on the composition of the ALLL by loan category would

3 See the agencies' July 2001 "Policy Statement on Allowance for Loan and Lease Losses Methodologies and Documentation for Banks and Savings Institutions" at <http://www.federalreserve.gov/boarddocs/srletters/2001/SR0117a1.pdf> and their December 2006 "Interagency Policy Statement on the Allowance for Loan and Lease Losses" at <http://www.fdic.gov/news/news/financial/2006/fil06105a.pdf>.

4 For loans collectively evaluated for impairment, an institution would also report the amount of any unallocated portion of its ALLL.

5 The first five loan categories would be reported on a domestic office only basis.

6 Credit card specialty banks and other institutions with a significant volume of credit card receivables also disclose the amount, if any, of ALLL attributable to retail credit card fees and finance charges.

also be useful for analysis of the depository institution system. As of June 30, 2011, institutions with \$1 billion or more in total assets, which would report the additional detail under this proposal, held nearly 92 percent of the ALLL balances held by all institutions. More granular ALLL information would assist the agencies in understanding industry trends related to the build-up or release of allowances for specific loan categories. The information would also support comparisons of ALLL levels by loan category, including the identification of differences in ALLL allocations by institution size. Understanding how institutions' ALLL practices and allocations differ over time for particular loan categories as economic conditions change may also provide insights that can be used to more finely tune supervisory procedures and policies.

B. Loan Origination Data

As highlighted by the recent financial crisis and its aftermath, the ability to assess credit availability is a key consideration for monetary policy, financial stability, and the supervision and regulation of the banking system. However, the information currently available to policymakers both within and outside the agencies is insufficient to accurately monitor the extent to which depository institutions are providing credit to households and businesses. In its current form, the Call Report collects data on the amount of loans to both households and businesses that are outstanding on institutions' books at the end of each quarter. However, the underlying flow of loan originations cannot be deduced from these quarter-end data owing to the myriad of factors and banking activities (other than charge-offs for which data are reported) that routinely affect the amount of outstanding loans held by institutions, including activities such as loan paydowns, extensions, purchases and sales, securitizations, and repurchases. Direct reporting of loan originations would allow the agencies to isolate the flow of credit creation from the effects of these other banking activities.

Economic research points to a crucial link between the availability of credit and macroeconomic outcomes.⁷ For example, the rapid contraction in both total loans held on institutions' balance sheets and in credit lines held off their balance sheets in the volatile period following the collapse of Lehman Brothers in the fall of 2008 likely contributed to the depth of the economic recession as well as to the subsequent weakness in the recovery in economic activity. As a result, encouraging the expansion of banking organization loan supply was a primary goal of most of the emergency liquidity facilities established during the height of the crisis and of the Troubled Asset Relief Program (TARP).⁸ Likewise, numerous authors have shown a relationship between bank lending and changes in bank capital.⁹ For example, during the early 1990s, lending was also significantly depressed while banks' capital cushions were being rebuilt, leading some analysts to describe the period as a "credit crunch" that resulted in a materially slower recovery in economic activity.

However, the lack of data on loan originations made it very difficult for policymakers to

⁷ See, for example, A. K. Kashyap and J. C. Stein (2000), "What Do a Million Observations on Banks Say About the Transmission of Monetary Policy," *The American Economic Review*, Vol. 90, No. 3, pages 407-428. See also Michael Woodford, "Financial Intermediation and Macroeconomic Analysis," *Journal of Economic Perspectives*, Fall 2010, volume 24, issue 4, pages 21-44.

⁸ Chairman Ben S. Bernanke, "Troubled Asset Relief Program and the Federal Reserve's liquidity facilities," Testimony before the Committee on Financial Services, U.S. House of Representatives, November 18, 2008, at <http://www.federalreserve.gov/newsevents/testimony/bernanke20081118a.htm>.

⁹ See, for example, Joe Peek and Eric Rosengren (1995), "The Capital Crunch: Neither a Borrower nor a Lender Be," *Journal of Money, Credit and Banking*, volume 27(3), pages 625-638, August. See also Ben Bernanke and Cara Lown (1991), "The Credit Crunch," *Brookings Papers on Economic Activity*, 2:1991, pages 205-239.

assess the sources of the steep declines in outstanding loans and credit lines during the recent crisis and during the early 1990s “credit crunch.” In fact, a fall in outstanding loans could be driven by reduced demand for credit, reduced supply of credit by banking organizations, or both. Looking only at changes in outstanding loan balances can give misleading signals and mask important shifts in the supply of, and demand for, credit. Policymakers may react differently in each of these cases.

The sources of loan growth—such as whether loans were made under commitment or not under commitment—also contain important insights for those monitoring financial stability or developing macroprudential regulatory policies.¹⁰ As observed in the fall of 2008, strong loan growth that is driven primarily by customers drawing down funds from preexisting lending commitments can be a sign of stresses in financial markets, and therefore a signal that the economy could be slowing down. In contrast, strong growth in credit that includes robust extensions to new customers could signal a broad pickup in demand for financing and hence renewed economic growth, or it could suggest that institutions have eased their lending standards. Accordingly, rapid loan growth can be an important indicator of the safety and soundness of individual institutions.¹¹ Loan origination data, if collected from depository institutions, would better identify when such developments warrant greater supervisory scrutiny.

Credit availability to small businesses is widely considered an important driver of economic growth. As a result, the significant contraction in business loans on institutions’ books over the past several years has generated calls from policymakers (and the public) to better understand the credit flows of small businesses.¹² The collection of data on originations of loans to businesses by the size of the original loan would provide a window into the functioning of the important small business market.¹³

In addition, if loan origination information were available, it would also be valuable in designing, and assessing the effectiveness of, government policies for depository institutions and other financial markets. For instance, policymakers would be keenly attuned to whether, and if so, to what extent, the changes to the capital and liquidity requirements for large institutions that will be contained in regulations implementing the Dodd-Frank Act and the international Basel III agreement affect depository institution loan supply. Although these new regulations would only directly affect a few dozen large banking organizations, smaller banking organizations also may adjust their lending policies in response to the changes at large banking organizations.

10 Moritz Schularick and Alan M. Taylor, “Credit Booms Gone Bust: Monetary Policy, Leverage Cycles and Financial Crises, 1870-2008,” 2009, National Bureau of Economic Research, Inc., NBER Working Papers: 15512.

11 William R. Keeton, “Does Faster Loan Growth Lead to Higher Loan Losses?” *Federal Reserve Bank of Kansas City Economic Review*, 2nd Quarter 1999, volume 84, issue 2, pages 57-75, and Deniz Igan and Marcelo Pinheiro, “Exposure to Real Estate in Bank Portfolios,” *Journal of Real Estate Research*, January-March 2010, volume 32, issue 1, pages 47-74.

12 See Federal Reserve Board, Report to Congress on the Availability of Credit to Small Business, 2007, at <http://www.federalreserve.gov/boarddocs/rptcongress/smallbusinesscredit/sbreport2007.pdf>. See also testimony before the House Financial Services Committee (May 18, 2010) at <http://cyberemetery.unt.edu/archive/cop/20110401231854/http://cop.senate.gov/documents/testimony-051810-atkins.pdf> and Congressional Oversight Panel Oversight Report, The Small Business Credit Crunch and the Impact of the TARP (May 13, 2010), at <http://cybercemetery.unt.edu/archive/cop/20110402035902/http://cop.senate.gov/documents/cop-051310-report.pdf>.

13 The Call Report and TFR currently collect the outstanding amount of small dollar loans to businesses and farms where, for loans to businesses, “small dollar” is defined as loans (not made under commitments) that have original amounts of \$1 million or less and draws on commitments where the total commitment amount is \$1 million or less.

Loan data currently available to the agencies provide insufficient detail to accurately monitor credit creation by depository institutions. The Call Report currently collects data on the recorded amounts of a wide variety of loan categories in Schedule RC-C, Loans and Lease Financing Receivables. Schedule RI-B, Part I, Charge-Offs and Recoveries on Loans and Leases, collects the flow of gross charge-offs and recoveries in many of the loan categories for which recorded amounts are reported in Schedule RC-C, Part I, Loans and Leases. On Schedule RC-P, 1-4 Family Residential Mortgage Banking Activities (in Domestic Offices), which was added to the Call Report in 2006, certain banks report originations and purchases of residential mortgage loans held for sale, but not originations of loans held for investment. On Schedule RC-S, Servicing, Securitization, and Asset Sale Activities, banks report the outstanding principal balance of seven categories of loans sold and securitized for which the institution has retained servicing or has provided recourse or other credit enhancements.¹⁴ For these same seven loan categories, banks also report the unpaid principal balance of loans they have sold (not in securitizations) with recourse or other seller-provided credit enhancements. No data exist for those loans banks have sold without recourse or seller-provided credit enhancements when servicing has not been retained.

In contrast, savings associations have reported data on loan originations, sales, and purchases in the Thrift Financial Report (TFR). On TFR Schedule CF, Consolidated Cash Flow Information, savings associations reported by major loan category the dollar amount of loans that were closed or disbursed, loans and participations purchased, and loan sales during the quarter. In addition, on TFR Schedule LD, Loan Data, savings associations report the amount of net charge-offs, purchases, originations, and sales of certain 1-4 family and multifamily residential mortgages with high loan-to-value ratios.¹⁵

The agencies propose to begin collecting data on loan originations from institutions with total assets of \$300 million or more because, as outlined in detail above, this information would be of substantial benefit in light of the fact that the data currently available for banking organizations are inadequate for monetary policy and financial stability regulators to monitor and analyze credit flows and because the proposed data would support the agencies' supervisory efforts.

More specifically, for depository institutions with \$300 million or more in total assets, the agencies propose to collect quarterly information on loan originations for several important loan categories by introducing a new Schedule RC-U, Loan Origination Activity (in Domestic Offices).¹⁶ Under this proposal, all institutions with \$300 million or more in total assets would report in column A of Schedule RC-U, for certain loan categories reported in Schedule RC-C, Loans and Lease Financing Receivables, the quarter-end balance sheet amount for those loans originated during the quarter that ended on the report date.¹⁷ Institutions with \$1 billion or more

¹⁴ The seven categories are (1) 1-4 family residential mortgages, (2) home equity loans, (3) credit card loans, (4) auto loans, (5) other consumer loans, (6) commercial and industrial loans, and (7) all other loans, all leases, and all other assets (commercial real estate loans, for example, are subsumed in this category).

¹⁵ As previously noted, savings associations will discontinue filing the TFR after the December 31, 2011, report date, which means that these data, as currently reported in the TFR, will no longer be collected going forward.

¹⁶ Thus, depository institutions with less than \$300 million in total assets would be exempt from completing proposed Schedule RC-U.

¹⁷ For example, a loan was originated for \$120,000 during the quarter. As a result of principal payments received during the quarter, the recorded amount of the loan as reported on the institution's Call Report balance sheet (Schedule RC) and in the Call Report loan schedule (Schedule RC-C) at quarter-end was \$101,000. The institution would report the \$101,000 quarter-end recorded amount for this loan in column A of proposed Schedule RC-U. In

in total assets would also report, for relevant loan categories, (1) the portion of this quarter-end amount that was originated under a newly established commitment¹⁸ (column B of Schedule RC-U) and (2) the portion that was not originated under a commitment (column C of Schedule RC-U). In general, the additional data that would be reported in columns B and C of Schedule RC-U by institutions with \$1 billion or more in total assets represent two ways that institutions originate new loans, both of which affect the amounts of loans on institutions' balance sheets.

In the proposed originations schedule, all institutions with \$300 million or more in total assets would report the amounts reported in Schedule RC-C, Part I or Part II, as of the quarter-end report date that were originated during the quarter that ended on the report date for the following loan categories:

- 1-4 family residential construction loans;
- Other construction loans and all land development and other land loans;
- Revolving, open-end loans secured by 1-4 family residential properties and extended under lines of credit;
- Closed-end loans secured by first liens on 1-4 family residential properties;
- Closed-end loans secured by junior liens on 1-4 family residential properties;
- Loans secured by multifamily (5 or more) residential properties;
- Loans secured by nonfarm nonresidential properties;¹⁹
- Loans to commercial banks and other depository institutions in the U.S.;
- Loans to banks in foreign countries;
- Loans to finance agricultural production and other loans to farmers;
- Commercial and industrial loans to U.S. addressees with original amounts of \$1,000,000 or less;
- Commercial and industrial loans to U.S. addressees with original amounts of more than \$1,000,000;
- Consumer credit card loans;
- Consumer automobile loans;
- Other consumer loans; and
- Loans to nondepository financial institutions.

In addition, for each of the preceding loan categories, except as noted below, institutions with \$1 billion or more in total assets would separately disclose the portion of the quarter-end amount of loans originated during the quarter that was originated under a newly established commitment and the portion that was not originated under a commitment. Closed-end loans secured by first liens on 1-4 family residential properties, closed-end loans secured by junior liens on 1-4 family residential properties, and consumer automobile loans would be excluded from both of these additional disclosures. Consumer credit card loans and revolving, open-end loans secured by 1-4 family residential properties and extended under lines of credit would be excluded from the disclosure of loans not originated under a commitment because it is assumed such loans are always extended under commitment.

Loan originations that were made under a newly established commitment or a

general, in reporting amounts in column A, if a loan origination date is unknown, the reporting institution would be instructed to use the date that the loan was first booked by the institution.

18 A newly established commitment is one for which the terms were finalized and the commitment became available for use during the quarter that ended on the report date. A newly established commitment also includes a commitment that was renewed during the quarter that ended on the report date.

19 The first seven loan categories would be reported on a domestic office only basis.

commitment that was renewed during the quarter are likely to more closely reflect the current lending standards and loan terms being applied by an institution, so an expansion or contraction in this subset of loans is indicative of current supply and demand conditions. In this regard, research has shown that loans not made under a commitment are more sensitive to changes in monetary policy than loans made under a commitment.²⁰ In contrast, loans drawn under previous commitments reflect lending standards and terms that were in place at the time the loan agreements were reached. Hence, changes in outstanding balances associated with previously committed lines are more indicative of demand for funds from the firms that have these lines, as institutions are less able to ration such credit.

As mentioned above, all savings associations, many of which are small, have for many years reported in the TFR the dollar amount of loans that were closed or disbursed, loans and participations purchased, and loan sales during the quarter by major loan category. Thus, the additional reporting burden of proposed Call Report Schedule RC-U for institutions with \$300 million or more in total assets may be manageable for such institutions. Nevertheless, because banks have not previously been required to report data pertaining to loan originations for Call Report purposes, the agencies recognize that institutions' data systems may not at present be designed to identify and capture data on loans originated during the quarter that ended on the report date.

C. Past Due and Nonaccrual Purchased Credit-Impaired Loans

The Call Report currently collects information regarding the past due and nonaccrual status of loans, leases, and other assets in Schedule RC-N. To determine whether an asset is past due for purposes of completing this schedule, an institution must look to the borrower's performance in relation to the contractual terms of the asset. Over the past few years, there has been a substantial increase in the amount of assets reported in Schedule RC-N as past due 90 days or more and still accruing. At some institutions, a large portion of this increase is related to loans subject to the accounting requirements set forth in ASC Subtopic 310-30, Receivables – Loans and Debt Securities Acquired with Deteriorated Credit Quality (formerly American Institute of Certified Public Accountants Statement of Position 03-3, "Accounting for Certain Loans or Debt Securities Acquired in a Transfer"), i.e., purchased credit-impaired loans, that were acquired in business combinations, including acquisitions of failed institutions, and other transactions. Loans accounted for under ASC Subtopic 310-30 are initially recorded at their purchase price (in a business combination, fair value). To the extent that the cash flows expected to be collected exceed the purchase price of the loans acquired and the acquiring institution has sufficient information to reasonably estimate the amount and timing of these cash flows, the institution recognizes interest income using the interest method. Otherwise, the loans should be placed in nonaccrual status.

Because loans accounted for under ASC Subtopic 310-30 are impaired at the time of purchase, it is possible for institutions to hold on-balance sheet assets purchased at a deep discount that are contractually 90 days or more past due, but on which interest is being accrued because the amount and timing of the expected cash flows on the assets can be reasonably estimated. Currently, insufficient information is collected in Schedule RC-N to determine the volume of purchased credit-impaired loans included in the loan amounts reported as "past due 90 days or more and still accruing" (or reported in the other past due and nonaccrual categories in

²⁰ Donald P. Morgan, "The Credit Effects of Monetary Policy: Evidence Using Loan Commitments," *Journal of Money, Credit and Banking*, Vol. 30, No. 1 (Feb. 1998), pages 102-118.

the schedule). As the volume of assets reported in the three past due and nonaccrual columns in Schedule RC-N has increased at many institutions that also report holdings of loans accounted for under ASC Subtopic 310-30, the agencies cannot determine whether this growth is due to purchased credit-impaired loans or whether the source of the increase has been deterioration in the credit quality and performance among the assets the institution originated (or purchased without evidence of credit problems at acquisition). Better understanding the source of these increases would assist the agencies in determining the need to adjust their supervisory strategies for individual institutions.

Because of the significant number of acquisitions by depository institutions of loans accounted for under ASC 310-30 over the past few years and the expected number of future acquisitions, the agencies propose to collect additional information in Schedule RC-N to segregate the amount of purchased credit-impaired loans that are included in the past due and nonaccrual loans reported in this schedule. New Memorandum items would be added to Schedule RC-N to separately collect from all institutions the total outstanding balance of purchased credit-impaired loans accounted for under ASC 310-30 that are past due 30 through 89 days and still accruing, past due 90 days or more and still accruing, and in nonaccrual status. The related carrying amount of these loans (before any post-acquisition loan loss allowances) would also be reported by past due and nonaccrual status. This information would mirror the data reported in Memorandum item 7, “Purchased impaired loans held for investment accounted for in accordance with FASB ASC 310-30,” in Schedule RC-C, Part I. Based on the information reported in Memorandum item 7, there are less than 300 institutions that hold purchased credit-impaired loans and would be affected by the proposed new Schedule RC-N Memorandum items.

D. Representation and Warranty Reserves

When institutions sell or securitize mortgage loans, they typically make certain representations and warranties to the investors or other purchasers of the loans at the time of the sale and to financial guarantors of the loans sold. The specific representations and warranties may relate to the ownership of the loan, the validity of the lien securing the loan, and the loan’s compliance with specified underwriting standards. Under ASC Subtopic 450-20, Contingencies – Loss Contingencies (formerly FASB Statement No. 5, “Accounting for Contingencies”), institutions are required to accrue loss contingencies relating to the representations and warranties made in connection with their mortgage securitization activities and mortgage loan sales when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated. In October 2010, the Division of Corporation Finance of the Securities and Exchange Commission (SEC) sent a letter to certain public companies reminding them of the need to “provide clear and transparent disclosure regarding your obligations relating to the[se] various representations and warranties.”²¹ A review of a sample of disclosures about mortgage loan representations and warranties by public banking organizations in their SEC filings since October 2010 reveals that these disclosures tend to distinguish between obligations to U.S. government-sponsored entities and other parties.

At present, institutions with \$1 billion or more in total assets and smaller institutions with significant 1-4 family residential mortgage banking activities are required to complete Schedule RC-P, 1-4 Family Residential Mortgage Banking Activities. These institutions report

²¹ The Division of Corporation Finance’s “Sample Letter Sent to Public Companies on Accounting and Disclosure Issues Related to Potential Risks and Costs Associated with Mortgage and Foreclosure-Related Activities or Exposures” can be accessed at <http://www.sec.gov/divisions/corpfin/guidance/cfoforeclosure1010.htm>.

the amount of 1-4 family residential mortgage loans previously sold subject to an obligation to repurchase or indemnify that have been repurchased or indemnified during the quarter. However, the amount of representation and warranty reserves attributable to residential mortgages as of quarter-end included in other liabilities on these institutions' balance sheets is not separately reported in Schedule RC-P. Accordingly, building on the SEC's guidance concerning transparent disclosure in this area, the agencies are proposing to add two items to Schedule RC-P in which institutions required to complete this schedule would report the quarter-end amount of representation and warranty reserves for 1-4 family residential mortgage loans sold (in domestic offices), including those mortgage loans transferred in securitizations accounted for as sales. The amount of reserves for representations and warranties made to U.S. government agencies and government-sponsored agencies (the Federal National Mortgage Association or Fannie Mae, the Federal Home Loan Mortgage Corporation or Freddie Mac, and the Government National Mortgage Association or Ginnie Mae) would be reported separately from the amount of reserves for representations and warranties made to other parties.

E. Qualified Thrift Lender Compliance by Savings Associations

The Qualified Thrift Lender (QTL) test has been in place for savings associations since it was enacted as part of the Competitive Equality Banking Act of 1987. To be a QTL, a savings association must either meet the Home Owners' Loan Act (HOLA) QTL test²² or the Internal Revenue Service (IRS) Domestic Building and Loan Association (DBLA) test.²³ Under the HOLA QTL test, a savings association must hold "Qualified Thrift Investments" equal to at least 65 percent of its portfolio assets. To be a QTL under the IRS DBLA test, a savings association must meet a "business operations test" and a "60 percent of assets test." A savings association may use either test to qualify and may switch from one test to the other. However, the association must meet the time requirements of the respective test, which is nine out of the last 12 months for the HOLA QTL test or the taxable year (which may be either a calendar or fiscal year) for the IRS DBLA test. A savings association that fails to meet the QTL requirements is subject to certain restrictions, including limits on activities, branching, and dividends.

Through year-end 2011, savings associations will report data on either the HOLA QTL test or the IRS DBLA test, as appropriate, in TFR Schedule SI, Consolidated Supplemental Information. To enable the agencies to continue to monitor savings associations' QTL compliance after year-end 2011 when these institutions will no longer file the TFR, the agencies are proposing to add two new items to Call Report Schedule RC-M, Memoranda, effective March 31, 2012, that would be completed by savings associations. In the first item, a savings association would identify whether it uses the HOLA QTL test or the IRS DBLA test to determine its QTL compliance. The second item would be a yes/no question that would ask whether the savings association has been in compliance with either the HOLA QTL test as of each month end during the quarter or the IRS DBLA test for its most recent taxable year.

Under Section 10(l) of the HOLA, 12 U.S.C. 1467a(l), a state savings bank or cooperative bank is permitted, upon application, to be deemed a savings association for purposes of holding company regulation if it is determined that the bank is a QTL. That section also addresses such a bank's failure to maintain its status as a QTL. State savings banks and cooperative banks that have been deemed savings associations pursuant to 12 U.S.C. 1467a(l) have not been required to report on their QTL compliance in the Call Report. Nevertheless, the

22 12 U.S.C. 1467a(m).

23 26 CFR 301.7701-13A.

agencies propose that state savings banks and cooperative banks that have elected to be treated as savings associations also should be required to complete the two QTL items proposed to be added to the Call Report effective March 31, 2012.

F. Leverage Ratio Denominator

Banks currently calculate the denominator of the leverage ratio in items 22 through 27 of Call Report Schedule RC-R, Regulatory Capital. Under the regulatory capital standards applicable to banks, this denominator uses average total assets (as reported in item 9 of Schedule RC-K, Quarterly Averages) as the starting point,²⁴ which banks report in Schedule RC-R, item 22. Disallowed assets and other deductions are then subtracted from average total assets in items 23 through 26 of Schedule RC-R, resulting in the reporting of the amount of average total assets for leverage capital purposes, i.e., the leverage ratio denominator, in item 27 of Schedule RC-R.

However, savings associations use quarter-end total assets as the starting point for the leverage ratio denominator under the regulatory capital standards applicable to such institutions.²⁵ The quarter-end total assets are then adjusted by subtracting disallowed assets and other deductions and adding the prorated assets of certain “includable subsidiaries” to arrive at the amount of adjusted total assets for leverage capital purposes, i.e., the leverage ratio denominator.

To accommodate the calculation of the leverage ratio denominator by savings associations in Schedule RC-R, items 22 through 27, when such institutions begin filing the Call Report, the agencies are proposing to modify items 22 and 26 of Schedule RC-R effective as of the March 31, 2012, report date. The instructions for Schedule RC-R, item 22, would continue to advise banks to report their average total assets from Schedule RC-K, item 9, but would be revised to further state that savings associations should report their total assets from the Call Report balance sheet, Schedule RC, item 12. The caption for Schedule RC-R, item 22, would be revised to read “Total assets (for banks, average total assets from Schedule RC-K, item 9; for savings associations, total assets from Schedule RC, item 12).” Because savings associations may have additions to and deductions from their total assets when calculating the leverage ratio denominator that are not captured by existing items 23 through 25 of Schedule RC-R, item 26 of the schedule would be changed from “LESS: Other deductions from assets for leverage capital purposes” to “Other additions to (deductions from) assets for leverage capital purposes.” The existing instructions for item 26 would be revised to cover adjustments that savings associations need to make to total assets but are not reported in items 23 through 25 of Schedule RC-R, such as the deduction of assets of “non-includable” subsidiaries and the addition of the prorated assets of unconsolidated “includable” subsidiaries.

G. Call Report Instructional Revisions

1. Specific Valuation Allowances at Savings Associations

Savings associations that currently file a TFR may create a “specific valuation allowance” (SVA) in lieu of taking a charge-off to record the loss associated with a loan when the institution determines that it is likely that the amount of the loss classification will change due to market conditions. The use of an SVA allows a savings association to reduce or increase

²⁴ See, for example, 12 CFR 325.2(x).

²⁵ 12 CFR 167.1.

the amount of the SVA as market conditions change. When a charge-off is taken, however, the only way an institution can record a reduction in the previously recognized loss is through an actual cash recovery. A savings association is not permitted to use an SVA in lieu of a charge-off when it classifies certain credits as loss such as unsecured loans, consumer loans, and credit cards, and in instances where the collateral underlying a secured loan will likely be acquired through foreclosure or repossession. In those cases, only a charge-off is appropriate.

As previously stated, savings associations will be required to file the Call Report beginning with the March 31, 2012, reporting period (unless an institution elects to begin filing the Call Report before that report date). Once savings associations begin to file the Call Report, they will be required to follow Call Report instructions and the agencies' policies regarding loss classifications, which would require a charge-off for all confirmed losses and would not allow the creation or use of an SVA as described above. Therefore, the use of SVAs will not be permitted for any savings association after December 31, 2011. The agencies will issue additional supplemental guidance to explain how any existing SVAs should be treated for Call Report purposes when an institution no longer files the TFR.

2. Reporting the Number of Deposit Accounts in Schedule RC-O

In Memorandum item 1 of Schedule RC-O, Other Data for Deposit Insurance and FICO Assessments, institutions report the amount and number of deposit accounts with balances of \$250,000 or less and with balances of more than \$250,000, which is the current deposit insurance limit (except, temporarily, for noninterest-bearing transaction accounts). The instructions for Memorandum item 1 discuss the reporting of brokered certificates of deposit issued in \$1,000 amounts under a master certificate of deposit to a deposit broker in an amount that exceeds \$250,000. Purchases of multiple \$1,000 units in a master certificate of deposit by an individual depositor normally do not exceed the \$250,000 deposit insurance limit, but current deposit insurance rules do not require the deposit broker to routinely provide information on the individual purchasers and their account ownership to the institution that issued the master certificate. If this information is not readily available to the issuing institution, the instructions for Memorandum item 1 indicate that these master certificates of deposit may be rebuttably presumed to be fully insured and should be reported as deposit accounts of \$250,000 or less. A similar rebuttable presumption and reporting guidance applies to brokered deposits in the form of master transaction accounts or money market deposit accounts denominated in units of \$0.01 that are established and maintained by a deposit broker in a fiduciary capacity for the broker's customers. The instructions for Memorandum item 1 also state that time deposits issued to deposit brokers in the form of certificates of deposit of \$250,000 or more that have been participated out by the broker in shares of \$250,000 or less should be reported as deposit accounts of \$250,000 or less.

Although the reporting of these master brokered deposits as deposit accounts of \$250,000 or less is addressed in the instructions for Memorandum item 1, the instructions do not explain how to treat these brokered deposits for purposes of reporting the number of deposit accounts. As a consequence, some institutions are counting each \$1,000 unit in a master brokered certificate of deposit and each \$0.01 unit in a master transaction or money market deposit account as a separate account. This reporting method leads to an overstatement of the actual number of deposit accounts. For example, an institution following this reporting method that has issued a \$10 million master brokered certificate of deposit would report this certificate as representing 10,000 accounts, when the institution's records reflect the existence of only a single

account.

Accordingly, the agencies are proposing to revise the instructions for Schedule RC-O, Memorandum item 1, to explain that an institution that has issued a master brokered certificate of deposit or a master transaction or money market deposit account with a balance in excess of \$250,000 to which the rebuttable presumption that the balance is fully insured applies should count each such master certificate or account as one account, not as multiple accounts. This would also apply to brokered certificates of deposit of \$250,000 or more that have been participated out by the broker in shares of \$250,000 or less.

3. Capital Contributions in the Form of Cash or Notes Receivable

The agencies often receive questions about capital contributions in the form of a note receivable. The capital contribution may involve a sale of capital stock or a contribution to additional paid-in capital (surplus) that often takes place, or is expected to take place, at or shortly before a quarter-end report date. In other cases, capital contributions are in the form of cash, with some occurring before quarter-end and others occurring after quarter-end. The regulatory reporting issue that arises with respect to these capital contributions is when and under what circumstances can they be reflected as an increase in the amount of equity capital reported on the balance sheet and thereby be included in regulatory capital.

Although the accounting for capital contributions is not currently addressed in the Call Report instructions, institutions are expected to report capital contributions in their Call Reports in accordance with generally accepted accounting principles (GAAP). In summary, capital contributions in the form of cash are appropriately recognized in equity capital on the balance sheet when received. Capital contributions in the form of a note receivable, executed prior to quarter-end, increase an institution's equity capital at quarter-end only when the note is collected prior to issuance of the institution's financial statements (including its Call Report) for that quarter. To provide guidance to institutions and examiners on the appropriate reporting of these capital contributions, the agencies are proposing to add the following new Glossary entry to the Call Report instructions.

Capital Contributions of Cash and Notes Receivable: An institution may receive cash or a note receivable as a contribution to its equity capital. The transaction may be a sale of capital stock or a contribution to paid-in capital (surplus), both of which are referred to hereafter as capital contributions. The accounting for capital contributions in the form of notes receivable is set forth in ASC Subtopic 505-10, Equity – Overall (formerly EITF Issue No. 85-1, “Classifying Notes Received for Capital Stock”) and SEC Staff Accounting Bulletin No. 107 (Topic 4.E., Receivables from Sale of Stock, in the Codification of Staff Accounting Bulletins). This Glossary entry does not address other forms of capital contributions, for example, nonmonetary contributions to equity capital such as a building.

A capital contribution of cash should be recorded in an institution's financial statements and Consolidated Reports of Condition and Income when received. Therefore, a capital contribution of cash prior to a quarter-end report date should be reported as an increase in equity capital in the institution's reports for that quarter (in Schedule RI-A, item 5 or 11, as

appropriate). A contribution of cash after quarter-end should not be reflected as an increase in the equity capital of an earlier reporting period.

When an institution receives a note receivable rather than cash as a capital contribution, ASC Subtopic 505-10 states that it is generally not appropriate to report the note as an asset. As a consequence, the predominant practice is to offset the note and the capital contribution in the equity capital section of the balance sheet, i.e., the note receivable is reported as a reduction of equity capital. In this situation, the capital stock issued or the contribution to paid-in capital should be reported in Schedule RC, item 23, 24, or 25, as appropriate, and the note receivable should be reported as a deduction from equity capital in Schedule RC, item 26.c, “Other equity capital components.” No net increase in equity capital should be reported in Schedule RI-A, Changes in Bank Equity Capital. In addition, when a note receivable is offset in the equity capital section of the balance sheet, accrued interest receivable on the note also should be offset in equity (and reported as a deduction from equity capital in Schedule RC, item 26.c), consistent with the guidance in ASC Subtopic 505-10. Because a nonreciprocal transfer from an owner or another party to an institution does not typically result in the recognition of income or expense, the accrual of interest on a note receivable that has been reported as a deduction from equity capital should be reported as additional paid-in capital rather than interest income.

However, ASC Subtopic 505-10 provides that an institution may record a note received as a capital contribution as an asset, rather than a reduction of equity capital, only if the note is collected in cash “before the financial statements are issued.” The note receivable must also satisfy the existence criteria described below. When these conditions are met, the note receivable should be reported separately from an institution’s other loans and receivables in Schedule RC-F, item 6, “All other assets,” and individually itemized and described in accordance with the instructions for item 6, if appropriate.

For purposes of these reports, the financial statements are considered issued at the earliest of the following dates:

- The submission deadline for the Consolidated Reports of Condition and Income (30 calendar days after the quarter-end report date, except for an institution that has more than one foreign office, other than a “shell” branch or an International Banking Facility, for which the deadline is 35 calendar days after quarter-end);
- Any other public financial statement filing deadline to which the institution or its parent holding company is subject; or
- The actual filing date of the institution’s public financial reports, including the filing of its Consolidated Reports of Condition and Income or a public securities filing by the institution or its parent holding company.

To be reported as an asset, rather than a reduction of equity capital, as of a quarter-end report date, a note received as a capital contribution (that is collected in cash as described above) must meet the definition of an asset under generally accepted accounting principles by satisfying all of the following existence criteria:

- There must be written documentation providing evidence that the note was contributed to the institution prior to the quarter-end report date by those with authority to make such a capital contribution on behalf of the issuer of the note (e.g., if the contribution is by the institution’s parent holding company, those in authority would be the holding company’s board of directors or its chief executive officer or chief financial officer);
- The note must be a legally binding obligation of the issuer to fund a fixed and

- determinable amount by a specified date; and
- The note must be executed and enforceable before quarter-end.

Although an institution's parent holding company may have a general intent to, or may have entered into a capital maintenance agreement with the institution that calls for it to, maintain the institution's capital at a specified level, this general intent or agreement alone would not constitute evidence that a note receivable existed at quarter-end. Furthermore, if a note receivable for a capital contribution obligates the note issuer to pay a variable amount, the institution must offset the note and equity capital. Similarly, an obligor's issuance of several notes having fixed face amounts, taken together, would be considered a single note receivable having a variable payment amount, which would require all the notes to be offset in equity capital as of the quarter-end report date.

Time Schedule for Information Collection

The Call Reports are collected quarterly as of the end of the last calendar day of March, June, September, and December. Less frequent collection of Call Reports would reduce the Federal Reserve's ability to identify on a timely basis those banks that are experiencing adverse changes in their condition so that appropriate corrective measures can be implemented to restore their safety and soundness. State member banks must submit the Call Reports to the appropriate Federal Reserve Bank within 30 calendar days following the as-of date; a five-day extension is given to banks with more than one foreign office.

Aggregate data are published in the *Federal Reserve Bulletin* and the *Annual Statistical Digest*. Additionally, data are used in the *Uniform Bank Performance Report (UBPR)* and the *Annual Report of the FFIEC*. Individual respondent data, excluding confidential information, are available to the public from the National Technical Information Service in Springfield, Virginia, upon request approximately twelve weeks after the report date. Data are also available from the FFIEC Central Data Repository Public Data Distribution (CDR PDD) web site (<https://cdr.ffiec.gov/public/>). Data for the current quarter are made available, shortly after a bank's submission, beginning the first calendar day after the report date. Updated or revised data may replace data already posted at any time thereafter.

Legal Status

The Board's Legal Division has determined that Section 9 of the Federal Reserve Act (12 U.S.C. § 324) authorizes the Board to require these reports from all banks admitted to membership in the Federal Reserve System. The Board's Legal Division has determined that the following items are confidential: (1) the FDIC deposit insurance assessment information reported in response to item 2.g, on Schedule RI-E, (2) the prepaid deposit insurance assessments information in response to item 6 for schedule RC-F, and (3) the information regarding other data for deposit insurance and FICO assessments reported in response to memorandum items 6-9 and 14-15 on schedule RC-O. This information can be exempt from disclosure pursuant to the Freedom of Information Act (5 U.S.C. § 552 (b)(4), (8)) for periods beginning June 30, 2009. The Board's Legal Division also determined that the individual respondent information contained in the trust schedule, RC-T are exempt from disclosure pursuant to the Freedom of Information Act (5 U.S.C. § 552(b)(4), (8)) for periods prior to March 31, 2009. Finally, Column A and Memorandum item 1 to Schedule RC-N, "Past Due and Nonaccrual Loans,

Leases, and Other Assets,” are exempt from disclosure pursuant to the Freedom of Information Act (5 U.S.C. § 552(b)(4), (8)) for periods prior to March 31, 2001.

Consultation Outside the Agency and Discussion of Public Comments

On November 21, 2011, the agencies published an initial notice in the *Federal Register* (76 FR 72035) requesting public comment for 60 days on the extension, with revision of the Call Reports. The comment period for this notice expired on January 20, 2012. The agencies collectively received eight comments letters on the proposed revisions from four banking organizations, two bankers’ associations, a commercial lending software company, and a news organization. On February 17, 2012, the agencies published a final notice in the *Federal Register* (77 FR 9727) which includes a more detailed discussion of the comments received. The comment period for this notice expires on March 19, 2012.

After considering the comments received, the FFIEC and the agencies are proceeding with (1) the proposed revisions for implementation as of the March 31, 2012, report date and (2) the proposed new data items for past due and nonaccrual purchased credit-impaired loans, and representation and warranty reserves for 1-4 family residential mortgages effective as of the June 30, 2012, report date.²⁶

As for the new schedules for disaggregated ALLL data and selected loan origination data proposed for implementation as of June 30, 2012, the FFIEC and the agencies are continuing to evaluate these two proposed schedules in light of the comments received. Once the FFIEC and the agencies decide whether and how to proceed with these proposed new schedules, a separate *Federal Register* notice will be published and, if applicable, submissions by the agencies will be made to OMB. Due to the additional time necessary to determine the outcome of proposed new Schedules RI-C and RC-U and to allow sufficient lead time for affected institutions to prepare for any resulting new reporting requirements, the collection of disaggregated ALLL data and selected loan origination data would not take effect before the September 30, 2012, report date.

26 In December 2011, the agencies separately requested approval from OMB to add six new items of limited scope and applicability to Call Report Schedule RC-O, Other Data for Deposit Insurance and FICO Assessments that also would take effect June 30, 2012. These six new Schedule RC-O items are: (a) for large and highly complex institutions, Memorandum item 16, “Portion of loans restructured in troubled debt restructurings that are in compliance with their modified terms and are guaranteed or insured by the U.S. government (including the FDIC)”; (b) for large and highly complex institutions that own another insured depository institution, Memorandum items 17.a through 17.d for the fully consolidated amounts of total deposit liabilities before exclusions, total allowable exclusions, unsecured other borrowings with a remaining maturity of one year or less, and estimated amount of uninsured deposits; and (c) for all institutions that own another insured depository institution, Memorandum item 9.a for the fully consolidated amount of reciprocal brokered deposits. See 76 FR 77315, December 12, 2011.

The following list summarizes each of the proposed changes included in the agencies' November 2011 proposal along with the current implementation status:

- Proposed new Schedule RI-C, Disaggregated Data on the Allowance for Loan and Lease Losses: This schedule remains under review by the FFIEC and the agencies and would not be implemented before September 30, 2012;
- Proposed new Schedule RC-U, Loan Origination Activity (in Domestic Offices): This schedule remains under review by the FFIEC and the agencies and would not be implemented before September 30, 2012;
- New Memorandum items in Schedule RC-N, Past Due and Nonaccrual Loans, Leases, and Other Assets: Will be implemented as of the June 30, 2012, report date;
- New items in Schedule RC-P, 1-4 Family Residential Mortgage Banking Activities: Will be implemented as of the June 30, 2012, report date;
- New items in Schedule RC-M, Memoranda: Will be implemented as of the March 31, 2012, as of date;
- Revisions to two existing items in Schedule RC-R, Regulatory Capital: Will be implemented as of the March 31, 2012, as of date; and
- Instructional revisions addressing the discontinuation of certain valuation allowances by savings associations; the reporting of certain deposit accounts in Schedule RC-O; and the accounting and reporting treatment for certain capital contributions: Will be implemented as of the March 31, 2012, as of date.

Estimate of Respondent Burden

The current annual reporting burden for the Call Report is estimated to be 183,306 hours and would increase to 183,660 hours as shown in the following table. The average estimated hours per response for Call Report filers would increase from 55.48 hours to 55.52 hours resulting from an increase of 2.4 minutes²⁷ related to the proposed changes. The Federal Reserve anticipates that given the reporting thresholds that apply to certain proposed revisions and the specialized nature of other proposed revisions the smallest institutions are not likely to be affected by the proposed reporting changes. This reporting requirement represents 1.55 percent of the total Federal Reserve paperwork burden.

	<i>Number of respondents²⁸</i>	<i>Annual frequency</i>	<i>Estimated average hours per response</i>	<i>Estimated annual burden hours</i>
Current	826	4	55.48	183,306
Proposed	827	4	55.52	183,660
<i>Change</i>				354

The current total annual cost to state member banks is estimated to be \$7,955,480 and with the proposed revisions would increase to \$7,970,844.²⁹ This estimate represents costs

²⁷ Equivalent to .04 hours and not include the burden associated with proposed Schedules RI-C and RC-U.

²⁸ Of these respondents, 413 are small entities as defined by the Small Business Administration (i.e., entities with less than \$175 million in total assets)

www.sba.gov/contractingopportunities/officials/size/table/index.html

²⁹ Total cost to the public was estimated using the following formula: percent of staff time, multiplied by annual

associated with recurring salary and employee benefits, and expenses associated with software, data processing, and bank records that are not used internally for management purposes but are necessary to complete the Call Reports.

With respect to the changes that are the subject of this submission, banks would incur a capital and start-up cost component, but the amount would vary from bank to bank depending upon its individual circumstances and the extent of its involvement, if any, with the particular type of activity or product about which information would begin to be collected. An estimate of this cost component cannot be determined at this time.

Sensitive Questions

This collection of information contains no questions of a sensitive nature, as defined by OMB guidelines.

Estimate of Cost to the Federal Reserve System³⁰

The current annual cost to the Federal Reserve System for collecting and processing the Call Reports are estimated to be \$1,293,768. With the revisions the estimated cost will increase to \$1,500,837 per year. The one-time cost to implement the revised reports is estimated to be \$58,800. This amount includes the routine annual cost of personnel, printing, and computer processing, as well as internal software development cost for maintaining and modifying existing operating systems used to edit and validate submitted data.

burden hours, multiplied by hourly rate (30% Office & Administrative Support @ \$16, 45% Financial Managers @ \$50, 15% Legal Counsel @ \$54, and 10% Chief Executives @ \$80). Hourly rate for each occupational group are the median hourly wages (rounded up) from the Bureau of Labor and Statistics (BLS), Occupational Employment and Wages 2010, www.bls.gov/news.release/ocwage.nr0.htm Occupations are defined using the BLS Occupational Classification System, www.bls.gov/soc/

³⁰ Cost factors include: routine annual costs of personnel, printing, and computer processing, as well as internal software development costs for maintaining and modifying existing operating systems used to edit and validate submitted data.