

**Draft Instructions for FFIEC 002 Revisions
Proposed to Take Effect Beginning
with the June 30, 2024, Report Date**

The following draft instructions, which are subject to change, presents the pages from the FFIEC 002 instructions as it is proposed to be revised, subject to final approval by the Office of Management and Budget.

These proposed revisions are described in the federal banking agencies' initial Paperwork Reduction Act (PRA) Federal Register notices published in the Federal Register on September 28, 2023 (see [FIL-53-2023](#), dated October 2, 2023) and on December 27, 2023 (see [FFIEC 002 December 2023 Letter](#), dated December 27, 2023). As discussed in the agencies' final PRA Federal Register notice published in the Federal Register on May 22, 2024, the agencies are proceeding with the revisions to the FFIEC 002, with certain modifications.

The final PRA Federal Register notice and draft redlined reporting form for these proposed revisions to the FFIEC 002 are available on the [FFIEC webpage for the FFIEC 002](#).

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*Updated June 25, 2024, in response to comment letter received on final 30-day *Federal Register* notice.

Schedule C

Refer to the Glossary entry for "Loan Modifications to Borrowers Experiencing Financial Difficulty" and Call Report Glossary entry for "Foreclosed Assets" for further discussion on these topics.

tial satisfaction of a loan or lease (unless the asset received is itself reportable as a loan or lease) and any loans for which the branch or agency has obtained physical possession of the underlying collateral, regardless of whether formal foreclosure or repossession proceedings have been instituted against the borrower.

Refer to the Glossary entry for "transfers of financial assets" for a detailed discussion of this topic.

Exclude, for purposes of this schedule, the following:

- (1) all loans of immediately available funds that mature in one business day or roll over under a continuing contract, i.e., federal funds sold (report in Schedule RAL, item 1(d), "Federal funds sold and securities purchased under agreements to resell");
- (2) all holdings of commercial paper (report in Schedule RAL, item 1(c), "Other bonds, notes, debentures, and corporate stock," if held for purposes other than trading);
- (3) interest earned not collected on loans (report in Schedule RAL, item 1(h), "Other assets including other claims on nonrelated parties");
- (4) contracts of sale or other loans indirectly representing other real estate (report in Schedule RAL, item 1(h), "Other assets including other claims on nonrelated parties");
- (5) undisbursed loan funds, sometimes referred to as incomplete loans or loans in process, unless the borrower is liable for and pays the interest thereon. If interest is being paid by the borrower on the undisbursed proceeds, the amounts of such undisbursed funds should be included in both loans and deposits;
- (6) loan commitments that have not yet been taken down, even if fees have been paid; see Schedule L, item 1; and
- (7) loans and leases held for trading (report in Schedule RAL, item 1(f), "Trading assets").

Item Instructions for Part I

Item 1 Loans secured by real estate.

In column A, report in the appropriate subitem all loans secured by real estate. In column B, IBFs are to

report all loans secured by real estate. Include all loans (other than those to states and political subdivisions in the U.S.), regardless of purpose and regardless of whether originated by the bank or purchased from others, that are secured by real estate as evidenced by mortgages, deeds of trust, land contracts, or other instruments, whether first or junior liens (e.g., equity loans, second mortgages) on real estate. See the Glossary entry for "loans secured by real estate" for the definition of this term.

Include as loans secured by real estate:

- (1) Loans secured by residential properties that are guaranteed by the Farmers Home Administration (FmHA) and extended, collected, and serviced by a party other than the FmHA.
- (2) Loans secured by properties and guaranteed by governmental entities in foreign countries.
- (3) Participations in pools of Federal Housing Administration (FHA) Title I home improvement loans that are secured by liens (generally, junior liens) on residential properties.

Exclude from loans secured by real estate:

- (1) Loans to real estate companies, real estate investment trusts, mortgage lenders, and foreign non-governmental entities that specialize in mortgage loan originations and that service mortgages for other lending institutions when the real estate mortgages or similar liens on real estate are not sold to the branch or agency but are merely pledged as collateral (report in Schedule C, part I, item 2, Loans to depository institutions and acceptances of other banks," or as all other loans in Schedule C, part I, item 8).
- (2) Bonds issued by the Federal National Mortgage Association or by the Federal Home Loan Mortgage Corporation that are collateralized by residential mortgages.
- (3) Pooled residential mortgages for which participation certificates have been issued or guaranteed by the Government National Mortgage Association, the Federal National Mortgage Association, or the Federal Home Loan Mortgage Corporation. However, if the reporting branch or agency is the seller-servicer of the residential mortgages backing such securities and, as a result of a

Past Due, Nonaccrual, and Restructured Loans Schedule N

modified to borrowers experiencing financial difficulty

General Instructions

Report all loans, including lease financing receivables, that are past due, are in nonaccrual status, or have been ~~restructured~~ because of a deterioration in the financial position of the obligor. All such loans and lease financing receivables held in the reporting branch or agency and its IBF should be distributed by category and reported net of any specific reserves. Institutions should report financial assets without any deductions for any applicable allowance for credit losses. Loan amounts should be reported net of unearned income to the extent that the same categories of loans are reported net of unearned income in Schedule C. Report the *full* outstanding balances of past due, nonaccrual, and ~~restructured~~ loans and lease financing receivables, as reported for purposes of Schedule C, not simply the delinquent payments.

Exclude interest earned but not collected on loans (report in Schedule RAL, item 1(h), “Other assets including other claims on nonrelated parties”).

NOTE: *Exclude* all transactions of the branch or agency, including its IBF, with related depository institutions (report in Schedule M). However, include transactions with related nondepository institutions.

Definitions

Past due. For purposes of this schedule, grace periods allowed by the branch or agency, including its IBF, after a loan technically has become past due, but before the imposition of late charges, are not to be taken into account in determining past due status. Furthermore, loans and lease financing receivables are to be reported as past due when either interest *or* principal is unpaid in the following circumstances:

- (1) Closed-end installment loans, amortizing loans secured by real estate, and any other loans and lease financing receivables with payments scheduled monthly are to be reported as past due when the borrower is in arrears two or more monthly payments. (Branches or agencies may use 30 days as a proxy for a month if they prefer.) Other multipayment obligations with payments scheduled other than monthly are to be reported as past due when one scheduled payment is due and unpaid for 30 days or more.
- (2) Open-end credit such as charge-card plans, check credit, and other revolving credit plans are to be reported as past due when the customer has not made the minimum payment for two or more billing cycles.
- (3) Single payment and demand notes providing for the payment of interest at stated intervals are to be reported as past due after one interest payment is due and unpaid for 30 days or more.
- (4) Single payment notes providing for the payment of interest at maturity are to be reported as past due after maturity if interest *or* principal remains unpaid for 30 days or more.
- (5) Unplanned overdrafts are to be reported as past due if the account remains continuously overdrawn for 30 days or more.

For purposes of this schedule, branches or agencies should use one of two methods to recognize partial payments on “retail credit,” i.e., open-end and closed-end credit extended to individuals for household, family, and other personal expenditures, including consumer loans and credit cards, and loans to individuals secured by their personal residence, including home equity and home improvement loans. A payment equivalent to 90 percent or more of the contractual

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payment may be considered a full payment in computing delinquency. Alternatively, a branch or agency may aggregate payments and give credit for any partial payment received. For example, if a regular monthly installment is \$300 and the borrower makes payments of only \$150 per month for a six-month period, the loan would be \$900 (\$150 shortage times six payments), or three monthly payments past due. A branch or agency may use either or both methods for its retail credit but may not use both methods simultaneously with a single loan.

Any PCI loan held as of the adoption date of ASC Topic 326 should prospectively be accounted for as purchased credit-deteriorated (PCD) loans. As of the adoption date of the standard, the remaining non-credit discount or premium on a PCD loan, after the adjustment for the allowance for credit losses, should be accreted to interest income at the new effective interest rate on the loan, if the loan is not required to be placed on nonaccrual. For a PCD loan that is not reported in nonaccrual status, the delinquency status of the PCD loan should be determined in accordance with its contractual repayment terms for purposes of reporting the amortized cost basis of the loan as past due in Schedule N, column A or B, as appropriate. If PCD loan that is not reported in nonaccrual status consists of a pool of loans that was previously PCI, but is being maintained as a unit of account after the adoption of ASC Topic 326, delinquency status should be determined individually for each loan in the pool in accordance with the individual loan's contractual repayment terms. For further information, see the Glossary entry for “purchased credit-deteriorated assets.”

Nonaccrual. For purposes of this schedule, loans and lease financing receivables are to be reported as 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 debt is “well secured” if it is secured (1) by collateral in the form of liens on or pledges of real or personal property, including securities, that have a realizable value sufficient to discharge the debt (including

accrued interest) 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 (1) through legal action, including judgment enforcement procedures, or (2) in appropriate circumstances, through collection efforts not involving legal action which are reasonably expected to result in repayment of the debt or in its restoration to a current status in the near future.

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

In the following situations, a loan need not be placed in nonaccrual status:

- (1) The loan upon which principal or interest is due and unpaid for 90 days or more is a consumer loan, or a loan secured by a 1-to-4 family residential property. Nevertheless, such loans should be subject to other alternative methods of evaluation to assure that the reporting institution’s net income is not materially overstated. To the extent that the reporting institution has elected to carry such a loan in nonaccrual status on its books, the loan must be reported as nonaccrual in this schedule.
- (2) Any outstanding PCI loans as of the adoption date of ASC Topic 326, should prospectively be accounted for as PCD loans. Any remaining non-credit discount on such loans should be accreted into interest income at the effective interest rate on the adoption date of ASC Topic 326 if a loan is not required to be placed in nonaccrual status. For PCD loans acquired after the adoption date, ASC Topic 326 refers to ASC Subtopic 310-10 for guidance on recognition of interest income. For PCD loans with common risk characteristics that a branch or agency chooses to aggregate and account for as a pool for allowance measurement purposes under ASC Topic 326, the determination of nonaccrual or accrual status should be

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made at the individual loan level, not at the pool level.

(3) The following criteria are met for a PCD loan, including a PCD loan that was previously a PCI loan or part of a pool of PCI loans, that would otherwise be required to be placed in nonaccrual status (see the Glossary entry for “Nonaccrual status”):

- a. The institution reasonably estimates the timing and amounts of cash flows expected to be collected, and
- b. The institution did not acquire the asset primarily for the rewards of ownership of the underlying collateral, such as use of collateral in operations of the institutions or improving the collateral for resale.

When a PCD loan that meets the criteria above is not placed in nonaccrual status, the loan should be subject to other alternative methods of evaluation to ensure that the institution's net income is not materially overstated. Further, regardless of whether a PCD loan is in nonaccrual or accrual status, an institution is not permitted to accrete the credit-related discount embedded in the purchase price of such a loan that is attributable to the acquirer's assessment of expected credit losses as of the date of acquisition (i.e., the contractual cash flows the acquirer did not expect to collect at acquisition). Interest income should no longer be recognized on a PCD loan to the extent that the net investment in the asset would increase to an amount greater than the payoff amount. If an institution is required or has elected to carry a PCD loan in nonaccrual status, the loan must be reported as a nonaccrual asset at its amortized cost basis in this schedule in column C. (For PCD loans for which the institution has made a policy election to maintain previously existing pools of PCI loans upon adoption of ASC Topic 326, the determination of nonaccrual or accrual status should be made at the pool level, not the individual asset level.) For further information, see the Glossary entry for “purchased credit-deteriorated assets.”

(4) The criteria for amortization (i.e., accretion of discount) specified in AICPA Practice Bulletin No. 6 are met with respect to a loan or other debt instrument acquired at a discount (because there is uncertainty as to the amounts or timing of

future cash flows) from an unaffiliated third party (such as another institution or the receiver of a failed institution), including those that the seller had maintained in nonaccrual status.

As a general rule, a nonaccrual loan may be restored to accrual status when (1) none of its principal and interest is due and unpaid, and the reporting institution expects repayment of the remaining contractual principal and interest, or (2) when it otherwise becomes well secured and in the process of collection. For purposes of meeting the first test for restoration to accrual status, the reporting institution must have received repayment of the past due principal and interest unless, as discussed in the Glossary entry for “nonaccrual status,” (1) the loan has been restructured in a troubled debt restructuring and qualifies for accrual status, (2) the loan is a PCD loan and it meets the two criteria specified in the third situation discussed above in which the loan need not be placed in nonaccrual status, or (3) the borrower has resumed paying the full amount of the scheduled contractual interest and principal payments on a loan that is past due and in nonaccrual status, even though the loan has not been brought fully current, and certain repayment criteria are met. For further information, see the Glossary entry for “nonaccrual status.”

~~**Restructured and in compliance with modified terms.** For purposes of this schedule, restructured loans and leases are those loans and leases whose terms have been modified, because of a deterioration in the financial condition of the borrower, to provide for a reduction of either interest or principal, regardless of whether such loans and leases are secured or unsecured, regardless of whether such credits are guaranteed by the government or by others, and (except as noted in the following paragraph) regardless of the effective interest rate on such credits.~~

~~Once a loan or lease has been restructured because of such credit problems, it continues to be considered restructured until paid in full. However, a restructured loan or lease that is in compliance with its modified terms and yields a market rate (i.e., the recorded amount of the obligation bears an effective interest rate that at the time of the restructuring is greater than or equal to the rate that the branch or agency is willing to accept for a new extension of credit with comparable risk) need not continue to be reported as “restruc-~~

institution

modified to a borrower experiencing financial difficulty

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~~ured and in compliance with modified terms” in calendar years after the year in which the restructuring took place. A loan extended or renewed at a stated interest rate equal to the current interest rate for new debt with similar risk is not considered a restructured loan. Also, a loan to a purchaser of “other real estate owned” by the reporting branch or agency for the purpose of facilitating the disposal of such real estate is not considered a restructured loan. For further information, see ASC Subtopic 310-40, Receivables—Troubled Debt Restructurings by Creditors.~~

~~Report as “restructured and in compliance with modified terms” all restructured loans and leases as defined above that are in compliance with their modified terms, that is, restructured loans and leases (1) on which no contractual payments of principal or interest scheduled under the modified repayment terms are due and unpaid or (2) on which contractual payments of both principal and interest scheduled under the modified repayment terms are less than 30 days past due. Exclude from “restructured and in compliance with modified terms” all restructured loans secured by 1-to-4 family residential properties and all restructured loans to individuals for household, family, and other personal expenditures. (However, any restructured loans of these two types that subsequently become past due 30 days or more or are placed in nonaccrual status should be reported accordingly.)~~

See Insert A

modified to borrowers experiencing financial difficulty

Column Instructions

Institutions should report in columns A and B asset amounts without any deduction for allowances for credit losses.

Report in columns A and B (except for Memoranda item 2) the full outstanding balances (not just delinquent payments) of loans, including lease financing receivables, that are past due and upon which the branch or agency, including its IBF, continues to accrue interest, as follows:

- (1) In column A, report closed-end monthly installment loans, amortizing loans secured by real estate, lease financing receivables, and open-end credit in arrears two or three monthly payments; other multipayment obligations, with payments scheduled other than monthly, when one scheduled payment is due and unpaid for 30 through

89 days; single payment and demand notes providing for payment of interest at stated intervals after one interest payment is due and unpaid for 30 through 89 days; single payment notes providing for payment of interest at maturity, on which interest or principal remains unpaid for 30 through 89 days after maturity; unplanned overdrafts, whether or not the branch or agency is accruing interest on them, if the account remains continuously overdrawn for 30 through 89 days.

- (2) In column B, report the loans, including lease financing receivables, as specified above on which payment is due and unpaid for 90 days or more.

Report in columns A and B of Memoranda item 2 the fair value, if positive, of all interest rate, foreign exchange rate, equity, and commodity and other contracts or which a required payment by the branch or agency’s counter-party is due and unpaid for 30 through 89 days and due and unpaid for 90 days or more, respectively.

Exclude from columns A and B all loans and lease financing receivables that are in nonaccrual status and all loans and leases that are restructured and in compliance with their modified terms.

Report in column C the outstanding balances of loans, including lease financing receivables, that the branch or agency, including its IBF, has placed in nonaccrual status.

Also include in this column all restructured loans and leases that are in nonaccrual status.

Report in column D the outstanding balances of loans, including lease financing receivables, that have been restructured and are in compliance with their modified terms.

Exclude from column D (1) those restructured loans and leases on which under the modified repayment terms either principal or interest is 30 days or more past due (report in Schedule N, column A or B, as appropriate) and (2) those restructured loans and leases that are in nonaccrual status under the modified repayment terms (report in Schedule N, column C).

NOTE: Columns A, B, C, and D are mutually exclusive. The full outstanding balance of any loan, including any lease financing receivable, should be reported in no more than one of these four columns. Informa-

Loan Modifications to Borrowers Experiencing Financial Difficulty

Branches and agencies are required for financial reporting purposes to disclose modifications to borrowers experiencing financial difficulty if such modifications include principal forgiveness, an interest rate reduction, an other-than-insignificant payment delay, or a term extension (or a combination thereof).

The amounts reported should include modifications that were accounted for as new loans in addition to modifications that were accounted for as a continuation of existing loans. Include only loans modified after the beginning of the fiscal year in which ASU No. 2022-02, "Financial Instruments -Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures," was adopted.

For further information, see the Glossary entry for "Loan Modifications to Borrowers Experiencing Financial Difficulty."

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Glossary

Loan

For purposes of this report, a loan is generally an extension of credit resulting from direct negotiations between a lender and a borrower. The reporting branch or agency may originate a loan by directly negotiating with a borrower or it may purchase a loan or a portion of a loan originated by another lender that directly negotiated with a borrower. The reporting branch or agency may also sell a loan or a portion of a loan, regardless of the method by which it acquired the loan.

Loans may take the form of promissory notes, acknowledgments of advance, due bills, invoices, overdrafts, acceptances, and similar written or oral obligations.

Among the extensions of credit reportable as loans in Schedule C, which covers both loans held for sale and loans that the reporting branch or agency has the intent and ability to hold for the foreseeable future or until maturity or payoff, are:

- (1) acceptances of other banks purchased in the open market, not held for trading;
- (2) acceptances executed by or for the account of the reporting *branch or agency* and subsequently acquired by it through purchase or discount;
- (3) customers' liability to the reporting branch or agency on drafts paid under letters of credit for which the branch or agency has not been reimbursed;
- (4) "advances" and commodity or bill-of-lading drafts payable upon arrival of goods against which drawn, for which the reporting branch or agency has given deposit credit to customers;
- (5) paper pledged by the branch or agency whether for collateral to secure bills payable (e.g., margin collateral to secure bills rediscounted) or for any other purpose;
- (6) sales of so-called "term federal funds" (i.e., sales of immediately available funds with a maturity of more than one business day), other than those involving security resale agreements;
- (7) factored accounts receivable;
- (8) loans arising out of the purchase of assets (other than securities) under resale agreements

with a maturity of more than one business day if the agreement requires the branch or agency to resell the identical asset purchased; and

- (9) participations (acquired or held) in a single loan or in a pool of loans or receivables (see discussion in the Glossary entry for "[transfers of financial assets](#)").

See also "[loans secured by real estate](#)," "[overdraft](#)," and "[transfers of financial assets](#)."

Loan Fees

The accounting standards for nonrefundable fees and costs associated with lending, committing to lend, and purchasing a loan or group of loans are set forth in ASC Subtopic 310-20, *Receivables—Nonrefundable Fees and Other Costs* (formerly FASB Statement No. 91, "Accounting for Nonrefundable Fees and Costs Associated with Originating or Acquiring Loans and Initial Direct Costs of Leases"), a summary of which follows. The statement applies to all types of loans as well as to debt securities (but not to loans or debt securities carried at market value if the changes in market value are included in earnings) and to all types of lenders. For further information, see ASC Subtopic 310-20. A branch or agency may acquire a loan by originating the loan (lending) or by acquiring a loan from a party other than the borrower (purchasing). Lending, committing to lend, refinancing or restructuring loans, arranging standby letters of credit, syndicating loans, and leasing activities are all considered "lending activities." Nonrefundable loan fees paid by the borrower to the lender may have many different names, such as origination fees, points, placement fees, commitment fees, application fees, management fees, restructuring fees, and syndication fees, but in this Glossary entry, they are referred to as loan origination fees, commitment fees, or syndication fees. ASC Subtopic 310-20 applies to both a lender and a purchaser, and should be applied to individual loan contracts. Aggregation of similar loans for purposes of recognizing net fees or costs and purchase premiums or discounts is permitted under certain circumstances specified in ASC Subtopic 310-20 or if the result does not differ materially from the amount that would have been recognized on an individual loan-by-loan basis.

In general, the statement specifies that:

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- (1) Loan origination fees should be deferred and recognized over the life of the related loan as an adjustment of yield (interest income). Once a branch or agency adopts ASC Subtopic 310-20, recognizing a portion of loan fees as revenue to offset all or part of origination costs in the reporting period in which a loan is originated is no longer acceptable.
- (2) Certain direct loan origination costs specified in the Statement should be deferred and recognized over the life of the related loan as a reduction of the loan's yield. Loan origination fees and related direct loan origination costs for a given loan should be offset and only the net amount deferred and amortized.
- (3) Direct loan origination costs should be offset against related commitment fees and the net amounts deferred except for: (a) commitment fees (net of costs) where the likelihood of exercise of the commitment is remote, which generally should be recognized as service fee income on a straight line basis over the loan commitment period, and (b) retrospectively determined fees, which are recognized as service fee income on the date as of which the amount is determined. All other commitment costs shall be deferred over the entire commitment period and recognized as an adjustment of yield over the related loan's life or, if the commitment expires unexercised, recognized in income upon expiration of the commitment.
- (4) Loan syndication fees should be recognized by the branch or agency managing a loan syndication (the syndicator) when the syndication is complete unless a portion of the syndication loan is retained. If the yield on the portion of the loan retained by the syndicator is less than the average yield to the other syndication participants after considering the fees passed through by the syndicator, the syndicator should defer a portion of the syndication fee to produce a yield on the portion of the loan retained that is not less than the average yield on the loans held by the other syndication participants.
- (5) Loan fees, certain direct loan origination costs, and purchase premiums and discounts on loans shall be recognized as an adjustment of yield

including loan modifications to borrowers experiencing financial difficulty

by the interest method based on the contractual term of the loan. However, if the branch or agency holds a large number of similar loans for which prepayments are possible and the timing and amount of prepayments can be reasonably estimated, the branch or agency may consider estimates of future principal payments in the calculation of the contractual effective yield necessary to apply the interest method. Once a branch or agency adopts ASC Subtopic 310-20, the practice of recognizing fees over the estimated average life of a group of loans is no longer acceptable.

and 2) the change in cash flows is more than minor.

following exist: 1) the

- (6) A refinanced or restructured loan, other than a troubled debt restructuring, should be accounted for as a new loan if the terms of the new loan are at least as favorable to the lender as the terms for comparable loans to other customers with similar collection risks who are not refinancing or restructuring a loan. Any unamortized net fees or costs and any prepayment penalties from the original loan should be recognized in interest income when the new loan is granted. If the refinancing or restructuring does not meet these conditions or if only minor modifications are made to the original loan contract, the unamortized net fees or costs from the original loan and any prepayment penalties should be carried forward as a part of the net investment in the new loan. The investment in the new loan should consist of the remaining net investment in the original loan, any additional amounts loaned, any fees received, and direct loan origination costs associated with the transaction. In a troubled debt restructuring involving a modification of terms, fees received should be applied as a reduction of the recorded investment in the loan, and all related costs, including direct loan origination costs, should be charged to expense as incurred.

amortized cost basis of the refinanced or restructured loan.

- (7) Deferred net fees or costs shall not be amortized during periods in which interest income on a loan is not being recognized because of concerns about realization of loan principal or interest.

Direct loan origination costs of a completed loan are defined to include only (a) incremental direct costs of

See also the Glossary entry for "Loan modifications to Borrowers Experiencing Financial Difficulty".

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loan origination incurred in transactions with independent third parties for that particular loan and (b) certain costs directly related to specified activities performed by the lender for that particular loan. Incremental direct costs are costs to originate a loan that (a) result directly from and are essential to the lending transaction and would not have been incurred by the lender had that lending transaction not occurred. The specified activities performed by the lender are evaluating the prospective borrower's financial condition; evaluating and recording guarantees, collateral, and other security arrangements; negotiating loan terms; preparing and processing loan documents; and closing the transaction. The costs directly related to those activities include only that portion of the employees' total compensation and payroll-related fringe benefits directly related to time spent performing those activities for that particular loan and other costs related to those activities that would not have been incurred but for that particular loan.

All other lending-related costs, whether or not incremental, should be charged to expense as incurred, including costs related to activities performed by the lender for advertising, identifying potential borrowers, soliciting potential borrowers, servicing existing loans, and other ancillary activities related to establishing and monitoring credit policies, supervision, and administration. Employees' compensation and fringe benefits related to these activities, unsuccessful loan origination efforts, and idle time should be charged to expense as incurred. Administrative costs, rent, depreciation, and all other occupancy and equipment costs are considered indirect costs and should be charged to expense as incurred.

Net unamortized loan fees represent an adjustment of the loan yield, and shall be reported in the same manner as unearned income on loans, i.e., deducted from the related loan balances (to the extent possible) or deducted from total loans in "Any unearned income on loans reflected in items 1–8 above" in Schedule C, part I. Net unamortized direct loan origination costs shall be added to the related loan balances in Schedule C. Amounts of loan origination, commitment and other fees and costs recognized as an adjustment of yield should be included in interest income which is recognized as part of unremitted profit and loss. Other fees, such as (a) commitment fees that are recognized during the commitment period or included in income

See Insert B

when the commitment expires (i.e., fees retrospectively determined and fees for commitments where exercise is remote) and (b) syndication fees that are not deferred, should be included in noninterest income which is recognized as part of unremitted profit and loss.

Loans Secured by Real Estate

For purposes of this report, loans secured by real estate are loans predicated upon a security interest in real property. A loan predicated upon a security interest in real property is a loan secured wholly or substantially by a lien on real property for which the lien is central to the extension of the credit—that is, the borrower would not have been extended credit in the same amount or on terms as favorable without the lien on real property. All loans satisfying the criteria above are to be reported as loans secured by real estate (Schedule C, part I, item 1), regardless of whether secured by first or junior liens, regardless of the department within the branch or agency that made the loans, regardless of how the loans are categorized in the branch or agency's records, and regardless of the purpose of the financing. Only in transactions where a lien on real property has been taken as collateral solely through an abundance of caution and where the terms as a consequence have not been made more favorable than they would have been in the absence of the lien, would the loans *not* be considered to be secured by real estate and *not* be classifiable as loans secured by real estate in this report.

Money Market Deposit Account (MMDA)

See "deposits."

NOW Account

See "deposits."

Nonaccrual Status

Branches and agencies shall *not* accrue interest or discount on (1) any asset which is maintained on a cash basis because of deterioration in the financial condition of the borrower, (2) any asset for which payment in full of interest or principal is not expected, or (3) any asset upon which principal or interest has been in

Loan Modifications to Borrowers Experiencing Financial Difficulty

The accounting standards for loan modifications to borrowers experiencing financial difficulty are set forth in ASC Topic 326, Financial Instruments - Credit Losses and ASC Topic 310, Receivables. ASC Subtopic 310-10 requires modifications of receivables to borrowers experiencing financial difficulty where the modification results in the form of principal forgiveness, an interest rate reduction, an other-than-insignificant payment delay, or a term extension (or a combination thereof) to be disclosed for financial statement purposes. These disclosures only include loan modifications to borrowers experiencing financial difficulty, regardless of whether the modifications result in new loans or the continuation of existing loans. Loan modifications to borrowers who are not experiencing financial difficulty or do not meet the definition above would not be disclosed.

For reporting purposes, loans modified to borrowers experiencing financial difficulty must be reported in the appropriate loan category in Schedule C, Part I, items 1 through 8. Additionally, if the loan is in compliance with its modified terms, these modifications are reported in the appropriate loan category in Schedule N Column D. For loans that are not in compliance with their modified terms, the loans must be included in the amounts reported in the appropriate loan category in Schedule N, Columns A through C.

See the Glossary entry for "Nonaccrual Status" for a discussion of the conditions under which a loan on nonaccrual that has undergone a modification to a borrower experiencing financial difficulty (including those that involve a multiple note structure) may be returned to accrual status.

Other Considerations:

A modification of a loan in which an institution receives physical possession of the borrower's assets whether in full or partial satisfaction of the debt should be accounted for in accordance with ASC Subtopic 310-20. Thus, in such situations, the loan should be treated as if assets have been received in satisfaction of the loan and reported as described in the Call Report Glossary entry for "Foreclosed Assets."

In addition, if a modification of a loan includes both a modification of terms and the acceptance of property in partial satisfaction of the loan, the accounting for such a modification is a two-step process. First, the amortized cost basis of the loan is reduced by the fair value (less cost to sell, if appropriate) of the property received, and second, the institution is expected to measure any expected credit losses on the remaining amortized cost basis of the modified loan in accordance with ASC Subtopic 326-20, "Financial Instruments - Credit Losses - Measured at Amortized Cost" and record any related allowance. If the modification of terms meets the definition of a loan modification to a borrower experiencing financial difficulty, then include the loan in the amounts reported on Schedule C Part I or Schedule N, as appropriate.

A modification may also involve the substitution or addition of a new debtor for the original borrower. The treatment of these situations depends upon their substance. Modifications in which the substitute or additional debtor controls, is controlled by, or is under common control with the original borrower, or performs the custodial function of collecting certain of the original borrower's funds, should be accounted for as modifications of terms. Modifications in which the substitute or additional debtor does not have a control or custodial relationship with the original borrower should be accounted for as a receipt of a "new" loan in full or partial satisfaction of the original borrower's loan. The "new" loan should be recorded at its fair value. If the modification of terms meets the definition of a loan modification to a borrower experiencing financial difficulty, then include the loan in the amounts reported on Schedule C Part I or Schedule N, as appropriate.

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first, that all principal and interest amounts contractually due (including arrearages) are reasonably assured of repayment within a reasonable period and, second, that there is a sustained period of repayment performance (generally a minimum of six months) by the borrower in accordance with the contractual terms involving payments of cash or cash equivalents. A loan that meets these two criteria may be restored to accrual status, but must continue to be disclosed as past due in Schedule N until it has been brought fully current or until it later must be placed in nonaccrual status.

A loan or other debt instrument that has been formally restructured ~~in a troubled debt restructuring~~ so as to be reasonably assured of repayment (of principal and interest) and of performance according to its modified terms need not be maintained in nonaccrual status, provided the restructuring and any charge-off taken on the asset are supported by a current, well documented credit evaluation of the borrower's financial condition and prospects for repayment under the revised terms. Otherwise, the restructured asset must remain in nonaccrual status. The evaluation must include consideration of the borrower's sustained historical repayment performance for a reasonable period prior to the date on which the loan or other debt instrument is returned to accrual status. A sustained period of repayment performance generally would be a minimum of six months and would involve payments of cash or cash equivalents. (In returning the asset to accrual status, sustained historical repayment performance for a reasonable time prior to the restructuring may be taken into account.) Such a restructuring must improve the collectability of the loan or other debt instrument in accordance with a reasonable repayment schedule and does not relieve the bank from the responsibility to promptly charge off all identified losses.

Offsetting

Offsetting is the reporting of assets and liabilities on a net basis in Schedule RAL. Branches and agencies are permitted to offset assets and liabilities recognized in the Report of Assets and Liabilities of U.S. Branches and Agencies of Foreign Banks when a “right of set-off” exists. Under ASC Subtopic 210-20, Balance Sheet—Offsetting (formerly FASB Interpretation

No. 39, “Offsetting of Amounts Related to Certain Contracts”), a right of setoff exists when *all* of the following conditions are met:

- (1) Each of two parties owes the other determinable amounts. Thus, only bilateral netting is permitted.
- (2) The reporting party has the right to set off the amount owed with the amount owed by the other party.
- (3) The reporting party intends to set off. This condition does not have to be met for fair value amounts recognized for conditional or exchange contracts that have been executed with the same counterparty under a master netting arrangement.
- (4) The right of setoff is enforceable at law. Legal constraints should be considered to determine whether the right of setoff is enforceable. Accordingly, the right of setoff should be upheld in bankruptcy (or receivership). Offsetting is appropriate only if the available evidence, both positive and negative, indicates that there is reasonable assurance that the right of setoff would be upheld in bankruptcy (or receivership). According to ASC Subtopic 210-20, for forward, interest rate swap, currency swap, option, and other conditional and exchange contracts, a master netting arrangement exists if the reporting branch or agency has multiple contracts, whether for the same type of conditional or exchange contract or for different types of contracts, with a single counterparty that are subject to a contractual agreement that provides for the net settlement of all contracts through a single payment in a single currency in the event of default or termination of any one contract. Offsetting the assets and liabilities recognized for conditional or exchange contracts outstanding with a single counterparty results in the net position between the two counterparties being reported as an asset or a liability in the Report of Assets and Liabilities of U.S. Branches and Agencies of Foreign Banks. The reporting entity's choice to offset or not to offset assets and liabilities recognized for conditional or exchange contracts must be applied consistently. Offsetting of assets and liabilities is also permitted by other accounting pronouncements

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properties. These lines of credit, commonly known as home equity lines, are typically secured by a junior lien and are usually accessible by check or credit card.

Item 1.c.(2) Closed-end loans secured by 1–4 family residential properties.

Report the amount of all closed-end loans secured by 1-to-4 family residential properties (i.e., closed-end first mortgages and junior liens).

Item 1.d Secured by multifamily (5 or more) residential properties.

Report all other nonfarm residential loans secured by real estate as evidenced by mortgages (FHA and conventional) or other liens that are not reportable in Schedule C, part I, item 1.c.

Specifically, include loans on:

- (1) Nonfarm properties with 5 or more dwelling units in structures (including apartment buildings and apartment hotels) used primarily to accommodate households on a more or less permanent basis.
- (2) 5 or more unit housekeeping dwellings with commercial units combined where use is primarily residential.
- (3) Cooperative-type apartment buildings containing 5 or more dwelling units.

Exclude loans for multifamily residential property construction and land development purposes and loans secured by vacant lots in established multifamily residential sections or in areas set aside primarily for multifamily residential properties (report in Schedule C, part I, item 1.a). Also exclude loans secured by nonfarm nonresidential properties (report in Schedule C, part I, item 1.e).

Item 1.e Secured by nonfarm nonresidential properties.

Report loans secured by real estate as evidenced by mortgages or other liens on business and industrial properties, hotels, motels, churches, hospitals, educational and charitable institutions, dormitories, clubs, lodges, association buildings, “homes” for aged persons and orphans, golf courses, recreational facilities, and similar properties.

Exclude loans for nonfarm nonresidential property construction and land development purposes and loans secured by vacant lots in established nonfarm nonresidential sections or in areas set aside primarily for nonfarm nonresidential properties (report in Schedule C, part I, item 1.a).

Item 2 Loans to depository institutions and acceptances of other banks.

For the reporting branch or agency, report in the appropriate subitems all loans (other than those secured by real estate), including overdrafts to banks, other depository institutions, and other associations, companies, and financial intermediaries whose primary business is to accept deposits and to extend credit for business or for personal expenditure purposes and the branch or agency’s holdings of all bankers acceptances accepted by other banks that are not held for trading. Acceptances accepted by other banks may be purchased in the open market or discounted by the reporting branch or agency. For further information, see the Glossary entry for “bankers acceptances.”

Include as loans to depository institutions and acceptances of other banks:

- (1) Loans to depository institutions for the purpose of purchasing or carrying securities.
- (2) Loans to depository institutions for which the collateral is a mortgage instrument and not the underlying real property. Report loans to depository institutions where the collateral is the real estate itself, as evidenced by mortgages or similar liens, in item 1.
- (3) Purchases of mortgages and other loans under agreements to resell that do not involve the lending of immediately available funds or that mature in more than one business day, if acquired from depository institutions.
- (4) Certain participations in pools of loans (other than residential mortgages), if issued by depository institutions. (See the Glossary entry for “transfers of financial assets” for further information.)
- (5) The reporting institution’s own acceptances discounted and held in its portfolio when the account party is another depository institution.

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- (6) Loans of immediately available funds to depository institutions that mature in more than one business day, other than security resale agreements (term federal funds sold).

Exclude from loans to depository institutions and acceptances of other banks:

- (1) All transactions reportable in Schedule RAL, item 1(d), “Federal funds sold and securities purchased under agreements to resell.”
- (2) Loans secured by real estate, even if extended to depository institutions (report in item 1).
- (3) Loans to holding companies of depository institutions (report ~~as all other loans in item 3 or item 8, as appropriate~~).
- (4) Loans to real estate investment trusts and to mortgage companies that specialize in mortgage loan originations and warehousing or in mortgage loan servicing (report ~~as all other loans in item 3~~).
- (5) Loans to finance companies and insurance companies (report ~~as all other loans in item 3~~).
- (6) Loans to brokers and dealers in securities, investment companies, and mutual funds (report ~~as loans for purchasing or carrying securities in item 7~~ 3).
- (7) Loans to Small Business Investment Companies (report ~~as all other loans in item 8~~).
- (8) Loans to lenders other than brokers, dealers, and banks whose principal business is to extend credit for the purpose of purchasing or carrying securities (as described in Federal Reserve Regulation U) and loans to “plan lenders” (as defined in Federal Reserve Regulation G) (report ~~as loans for purchasing or carrying securities in item 7~~ 3).
- (9) Loans to federally-sponsored lending agencies (report ~~as all other loans in item 8~~). Refer to the Glossary entry for “[federally-sponsored lending agency](#)” for the definition of this term.
- (10) Loans to any related depository institutions (report in Schedule M).
- (11) Loans secured by production payments (e.g., shares in future oil or mining production) (to be

reported in item 4, “Commercial and industrial loans”).

- (12) Acceptances accepted by the reporting branch or agency, discounted, and held in its portfolio, when the account party is not another depository institution. Such acceptances are reported in other items of Schedule C according to the account party.

Item 2(a) To commercial banks in the U.S. (including IBFs).

Report this item broken down between loans to and acceptances of U.S. branches and agencies of other foreign banks (item 2(a)(1)) and loans to and acceptances of other commercial banks in the U.S. (item 2(a)(2)).

Commercial banks in the U.S. covers:

- (1) U.S. branches and agencies of other foreign banks; and
- (2) all other commercial banks in the U.S., i.e., U.S. branches of U.S. banks and all nonrelated international banking facilities (IBFs).

Refer to the Glossary entry for “[banks, U.S. and foreign](#)” and “[international banking facility \(IBF\)](#)” for further discussion of these terms.

Loans to and acceptances of commercial banks in the U.S. include all loans and all other instruments evidencing loans to operating commercial banks and their branches in the U.S., including their IBFs. Loans to and acceptances of U.S.-chartered banks that are owned by foreign banks or by foreign official banking institutions should be included in item 2(a)(2), “Loans to other commercial banks in the U.S.”

Exclude from items 2(a)(1) and 2(a)(2) loans to other depository institutions such as mutual savings banks, savings and loan associations, and credit unions (report in item 2(b) below).

Item 2(a)(1) To U.S. branches and agencies of other foreign banks.

For the reporting branch or agency, report in column A all loans to and acceptances of U.S. branches and agencies of other (nonrelated) foreign banks located in the 50 states of the U.S., the District of

Schedule C

3, "Loans to other financial institutions"

Columbia, Puerto Rico, and U.S. territories and possessions.

For purposes of this schedule, the term "U.S. branches and agencies of foreign banks" covers:

- (1) the U.S. branches and agencies of foreign banks;
- (2) the U.S. branches and agencies of foreign official banking institutions, including central banks, nationalized banks, and other banking institutions owned by foreign governments; and
- (3) investment companies that are chartered under Article XII of the New York State banking law and that are majority-owned by one or more foreign banks.

NOTE: For its IBF, report in column B loans to IBFs of nonrelated U.S. branches and agencies of foreign banks, and to nonrelated U.S. branches and agencies of foreign banks domiciled in Puerto Rico and in the U.S. territories and possessions.

Item 2(a)(2) To other commercial banks in the U.S.

For the reporting branch or agency, report in column A all loans to and acceptances of commercial banks in the U.S. and to their IBFs, other than U.S. branches and agencies of other foreign banks.

NOTE: For its IBF, report in column B (and include in column A) all loans to IBFs of nonrelated commercial banks domiciled in the U.S., other than U.S. branches and agencies of foreign banks (report in item 2(a)(1) above), and to nonrelated U.S. and foreign banks domiciled in Puerto Rico and in the U.S. territories and possessions.

Item 2(b) To other depository institutions in the U.S.

Report only in column A those loans of the reporting branch or agency to the following depository institutions, other than commercial banks, domiciled in the U.S.:

- (1) credit unions;
- (2) mutual or stock savings banks;
- (3) savings or building and loan associations;
- (4) cooperative banks;
- (5) industrial banks; and
- (6) other similar depository institutions.

Exclude from loans to other depository institutions in the U.S.:

- (1) All transactions reportable in Schedule RAL, item 1(d), "Federal funds sold and securities purchased under agreements to resell."
- (2) Loans to and acceptances of commercial banks (including IBFs) in the U.S. (report in item 2(a) above).
- (3) Loans to brokers and dealers in securities and loans to investment trusts of the mutual fund or the closed-end types that hold stock for investment purposes (to be reported in item 7, "~~Loans for purchasing or carrying securities~~").

NOTE: In the IBF column, report loans extended to IBFs of nonrelated depository institutions, mentioned above, that are domiciled in the U.S., and to the nonrelated depository institutions mentioned above domiciled in Puerto Rico and the U.S. territories and possessions.

Item 2(c) To banks in foreign countries.

Report this item broken down between loans to and acceptances of foreign branches of U.S. banks (item 2(c)(1)) and loans to and acceptances of other banks in foreign countries (item 2(c)(2)).

Banks in foreign countries cover:

- (1) *foreign-domiciled* branches of U.S. banks; and
- (2) *foreign-domiciled* non-U.S. banks, including foreign commercial banks, savings banks, discount houses, and other similar foreign institutions.

See the Glossary entry for "[banks, U.S. and foreign](#)" for further discussion of these terms.

Loans to banks in foreign countries include all loans (including overdrafts) and all other instruments that represent loans to operating banks and their branches domiciled outside the 50 states of the United States, the District of Columbia, Puerto Rico, and U.S. territories and possessions.

Exclude from items 2(c)(1) and 2(c)(2):

- (1) Loans to U.S. branches and agencies of foreign banks (report in item 2(a) above).

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- (2) Dollar exchange acceptances accepted by foreign governments and official institutions (report in item 6).
- (3) Loans to foreign governments and official institutions, including foreign central banks (report in item 6). See the Glossary entry for “foreign governments and official institutions” for the definition of this term.
- (4) Loans to related banks in foreign countries (report in Schedule M).

Item 2(c)(1) To foreign branches of U.S. banks.

Report in columns A and B, as appropriate, all loans to and acceptances of foreign branches of U.S.-chartered banks, including loans to “shell” branches such as those in the Bahamas and Cayman Islands.

depository

Item 2(c)(2) To other banks in foreign countries.

Report in columns A and B, as appropriate, all loans to and acceptances of banks in foreign countries, other than foreign-domiciled branches of other U.S. banks and any banks related to the reporting institution. Include loans to and acceptances of foreign-domiciled banking subsidiaries of U.S. banks.

as defined below.

See Insert C

Item 3 Loans to other financial institutions.

Report in this item loans to nonbank financial institutions, associations, companies, and financial intermediaries whose primary business is to extend credit for business purposes or for financing personal expenditures. Include those loans for which the collateral is the mortgage instrument, not the real estate property. Those loans where the collateral is the real estate itself, as evidenced by mortgages or similar liens, are to be reported in item 1.

For the reporting branch or agency, including its IBF, and for the IBF only (where applicable), include extensions of credit, as defined, to the following financial institutions:

- (1) Investment banks.
- (2) Real estate investment trust (REITs) and mortgage companies that specialize in mortgage loan originations and warehousing and that service mortgages for other lending institutions. Include unsecured loans, loans secured by mortgage instruments, and loans secured by any other col-

~~lateral except real estate. (Loans secured by real estate are to be reported in item 1 above.)~~

- ~~(3) Finance companies and foreign mortgage finance companies. Include both direct loans and marketable instruments of finance companies purchased either directly from the issuing companies or from commercial paper dealers. Include such loans to the following institutions:~~
 - ~~(a) factors and other financial intermediaries,~~
 - ~~(b) short-term business credit institutions that extend credit to finance inventories or to carry accounts receivable, and~~
 - ~~(c) institutions whose functions are predominantly to finance personal expenditures.~~

~~(4) Bank holding companies.~~

~~(5) Insurance companies.~~

~~(6) Other domestic and foreign financial intermediaries (excluding those institutions included in item 2 above) whose functions are predominantly extensions of credit for business purposes, such as investment companies that hold stock of operating companies for management or development purposes.~~

~~Exclude, for purposes of the reporting branch or agency, including its IBF:~~

- ~~(1) All transactions that are included in Schedule RAL, item 1(d), “Federal funds sold and securities purchased under agreements to resell.”~~
- ~~(2) Loans to brokers and dealers in securities and loans to investment trusts of the mutual fund or the closed-end types that hold stock for investment purposes. These should be reported against item 7, “Loans for purchasing or carrying securities.”~~
- ~~(3) Loans to financial corporations whose sole function is to borrow money and relend it to its affiliated companies or a corporate joint venture in which an affiliated company is a joint venturer.~~

Item 4 Commercial and industrial loans.

For the reporting branch or agency, report in the appropriate subitem loans for commercial and industrial purposes to sole proprietorships, partnerships,

Nondepository financial institutions (NDFIs) encompass a wide range of financial entities that provide services similar to those of traditional banks but do not accept deposits from the general public and are not regulated by the Federal banking agencies. NDFIs include, but are not limited to, mortgage companies, insurance companies, investment funds (such as mutual funds, money market funds, hedge funds, and private capital funds), pension funds, broker-dealers, securitization vehicles, and other financial entities engaged in credit intermediation, asset management, market-making, and other financial services activities.

Include the following loans in this item:

- (1) Loans to mortgage credit intermediaries. Include loans to mortgage companies that specialize in residential or commercial mortgage loan origination or servicing activities (other than those that meet the definition of a “loan secured by real estate”). Include loans to special purpose entities designed to facilitate residential or commercial mortgage-related securitizations activities, such as mortgage warehousing facilities, including loans to direct lenders, real estate investment trusts (REITs), collateralized debt obligations (CDOs), collateralized loan obligations (CLOs), private debt funds, asset-backed commercial paper (ABCP) conduits, or other financial intermediaries in which the underlying assets are *predominately* (greater than 50% of assets or lending activities) comprised of residential or commercial mortgages. Include CLO tranche holdings that are reported as “loans” in accordance with GAAP. (Exclude outright purchases of mortgages or other loans that meet the definition of “loans secured by real estate,” which - unless held for trading - are to be reported in item 1 above.
- (2) Loans to business credit intermediaries. Include loans to special purpose entities, finance companies, direct lenders, CDOs, CLOs, private debt funds, leasing companies, ABCP conduits, Business Development Companies (BDCs), Small Business Investment Companies (SBICs), or other financial intermediaries in which the underlying assets are *predominately* (greater than 50% of assets or lending activities) comprised of loans to businesses. Include CLO tranche holdings that are reported as “loans” in accordance with GAAP. Include loans to other non-bank business lenders, including internet-based lending platforms and other marketplace lenders.
- (3) Loans to private equity funds. Include all loans to private equity funds. Include capital call commitment and other subscription-based facilities to private equity and venture capital funds, or any other general partnership funds that raise capital through limited partnership arrangements in which the underlying investment assets are *predominately* (greater than 50% of assets) comprised of equity investments in private, non-listed assets or companies.
- (4) Loans to consumer credit intermediaries. Include loans to special purposes entities, finance companies, direct lenders, private debt funds, leasing companies, ABCP conduits, or other financial intermediaries in which the underlying assets are *predominately* (greater than 50% of assets or lending activities) comprised of loans to consumers. Include loans designed to facilitate asset-backed securitization (ABS) activities for consumer credit products, such as auto ABS, credit card ABS, student loan ABS, etc. Include loans to other non-bank consumer lenders, including internet-based lending platforms and other marketplace lenders.

(5) Other loans to nondepository financial institutions. Other NDFI loans include, but are not limited to, the following:

(a) Loans to holding companies of other depository institutions.

(b) Loans to insurance companies.

(c) Loans to federally-sponsored lending agencies (see the Glossary entry for "federally-sponsored lending agency" for the definition of this term).

(d) Loans to investment banks and brokers and dealers. Exclude loans that meet the definition of a "loan secured by real estate" (Report in Schedule C, item 1) and loans that meet the definition of "loans for purchasing or carrying securities, including margin loans" (Report in Schedule C, item 7).

(e) Loans and advances made to the bank's own trust department.

(f) Loans to publicly-listed investment funds, such as money market funds, mutual funds (both open and closed-end), index funds, and exchange-traded funds.

(g) Loans to private capital funds, including private equity and private debt funds.

(h) Loans to hedge funds.

(i) Loans to pension funds, endowments, family offices and sovereign wealth funds.

(j) Loans to securitization vehicles.

(k) Loans to other investment firms and financial vehicles.

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corporations, and other business enterprises, whether secured (other than by real estate) or unsecured, single-payment or installment. These loans may take the form of direct or purchased loans. Include the reporting institution's own acceptances that it holds in its portfolio when the account party is a commercial or industrial enterprise. Also include loans to individuals for commercial, industrial, and professional purposes but not for investment or personal expenditure purposes.

Include loans of the types listed below. These descriptions may overlap and are not all inclusive.

- (1) Loans for commercial, industrial, and professional purposes to:
 - (a) mining, oil- and gas-producing, and quarrying companies;
 - (b) manufacturing companies of all kinds, including those which process agricultural commodities;
 - (c) construction companies;
 - (d) transportation and communications companies and public utilities;
 - (e) wholesale and retail trade enterprises and other dealers in commodities;
 - (f) cooperative associations including farmers' cooperatives;
 - (g) service enterprises such as hotels, motels, laundries, automotive service stations, and nursing homes and hospitals operated for profit;
 - (h) insurance agents; and
 - (i) practitioners of law, medicine, and public accounting.
- (2) Loans for the purpose of financing capital expenditures and current operations.
- (3) Loans to business enterprises guaranteed by the Small Business Administration.
- (4) Loans to farmers for commercial and industrial purposes (when farmers operate a business enterprise as well as a farm).
- (5) Loans supported by letters of commitment from the Agency for International Development.

- (6) Loans made to finance construction that are not secured by real estate.
- (7) Loans to merchants or dealers on their own promissory notes secured by the pledge of their own installment paper.
- (8) Loans extended under credit cards and related plans that are readily identifiable as being issued in the name of a commercial or industrial enterprise.
- (9) Dealer flooring or floor-plan loans.
- (10) Loans collateralized by production payments (e.g., oil or mining production payments). Treat as a loan to the original seller of the production payment rather than to the holder of the production payment. For example, report in this item, as a loan to an oil company, a loan made to a nonprofit organization collateralized by an oil production payment; do *not* include in item 8 as a loan to the nonprofit organization.
- (11) Loans and participations in loans secured by conditional sales contracts made to finance the purchase of commercial transportation equipment.
- (12) Commercial and industrial loans guaranteed by foreign governmental institutions.

Exclude from commercial and industrial loans:

- (1) Loans secured by real estate, even if for commercial and industrial purposes (report in item 1).
- (2) Loans to depository institutions (report in item 2).
- (3) Loans to nondepository financial institutions, including margin loans such as real estate investment trusts, mortgage companies, and insurance companies (report as loans to other financial institutions in item 3).
- (4) Loans for the purpose of purchasing or carrying securities (report in item 7).
- (5) Loans for the purpose of financing agricultural production, whether made to farmers or to nonagricultural businesses (report in item 8).
- (6) Loans to nonprofit organizations, such as hospitals or educational institutions (report as all other loans in item 8), *except* those for which oil or min-

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ing production payments serve as collateral which are to be reported in this item.

- (7) Holdings of acceptances accepted by other banks (report in item 2).
- (8) Holdings of own acceptances when the account party is another bank (report in item 2) or a foreign government or official institution (report in item 6).
- (9) Equipment trust certificates (report in Schedule RAL, item 1(c)(4)).
- (10) Any commercial and industrial loans held for trading purposes (report on Schedule RAL, item 1(f), "Trading assets").

Item 4(a) To U.S. addressees (domicile).

Report all commercial and industrial loans to U.S. addressees. For a detailed discussion of U.S. and non-U.S. addressees, see the Glossary entry for "domicile."

NOTE: In the IBF column, report all commercial and industrial loans made to businesses located in Puerto Rico and the U.S. territories and possessions.

Item 4(b) To non-U.S. addressees (domicile).

For the reporting branch or agency, including its IBF, report all commercial and industrial loans to non-U.S. addressees. For a detailed discussion of U.S. and non-U.S. addressees, see the Glossary entry for "domicile." For the branch or agency only, include all commercial and industrial loans to U.S. addresses that have since moved or relocated outside the 50 states of the United States, the District of Columbia, Puerto Rico, and the U.S. territories and possessions.

NOTE: Report in the IBF column all commercial and industrial loans made to businesses located in foreign countries.

Item 5 Not applicable.

Item 6 Loans to foreign governments and official institutions (including foreign central banks).

Report all loans (other than those secured by real estate), including planned and unplanned overdrafts, to governments in foreign countries, to their official institutions, and to international and regional institutions. *Include* bankers acceptances accepted by the reporting bank and held in its portfolio when the

account party is a foreign government or official institution, including such acceptances for the purpose of financing dollar exchange. See the Glossary entry for "foreign governments and official institutions" for the definition of this term.

Exclude from loans to foreign governments and official institutions:

- (1) Loans to nationalized banks and other banking institutions owned by foreign governments and not functioning as central banks, banks of issue, or development banks (report in the appropriate subitem of item 2 above).
- (2) Loans to U.S. branches and agencies of foreign official banking institutions (report as a loan to a commercial bank in the U.S. in item 2(a)(1)).
- (3) Loans to foreign-government-owned nonbank corporations and enterprises (report in item 3, 4, or 8 as appropriate).

Item 7 Loans for purchasing or carrying securities (secured and unsecured), including margin loans.

Report all loans extended by the reporting branch or agency, or by the IBF only for the purpose of purchasing or carrying securities, including margin loans.

Loans for purchasing or carrying securities include:

- ~~(1) All loans to brokers and dealers in securities (other than those secured by real estate and those to depository institutions).~~
- (2) All loans, whether secured (other than by real estate) or unsecured, to any other borrower (except related depository institutions, which are reported in Schedule M) for the purpose of purchasing or carrying securities (debt or equity), such as:
 - (a) Loans made to provide funds to pay for the purchase of securities at settlement date.
 - (b) Loans made to provide funds to repay indebtedness incurred in purchasing securities.
 - (c) Loans that represent the renewal of loans to purchase or carry securities.

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(d)

~~(d) Loans to investment companies and mutual funds, but *excluding* loans to Small Business Investment Companies (reported in item 8).~~

(e) Loans to “plan lenders” as defined in Section 221.4(a) of Federal Reserve Regulation U.

~~(f) Loans to lenders other than brokers, dealers, and banks whose principal business is to extend credit for the purpose of purchasing or carrying securities.~~

but excluding loans to finance an acquirer’s purchase of the stock of another entity in a merger or acquisition that meets the definition of a business combination under U.S. generally accepted accounting principles (and which may include funds to cover acquisition-related costs incurred to effect the business combination).

For purposes of the FFIEC 002, the purpose of a loan collateralized by “stock” is determined as follows:

- For loans that are collateralized in whole or in part by “margin stock,” as defined by [Federal Reserve Regulation U](#), the purpose of the loan is determined by the latest Statement of Purpose (Form FR U-1) on file.
- For loans that are collateralized by “stock” other than “margin stock,” the bank may determine the purpose of the loan according to the most current information available.

Exclude from loans for purchasing or carrying securities: ←

including margin loans:

- (1) Loans to nonrelated banks in foreign countries that act as brokers and dealers in securities (report in item 2(c)).
- (2) Loans to depository institutions (other than related depository institutions reported in Schedule M) for the purpose of purchasing or carrying securities (report in subitems of item 2, as appropriate).
- (3) Transactions reportable in Schedule RAL, item 1(d), “Federal funds sold and securities purchased under agreements to resell.”
- (4) Loans secured by real estate (report in item 1).

Item 8 All other loans.

For the reporting branch or agency, including its IBF, and for the IBF only, report in the appropriate column all loans and discounts (other than loans for purchasing or carrying securities) that cannot properly be reported in one of the preceding items in this schedule, such as:

- (1) Unplanned overdrafts to deposit accounts (except overdrafts of depository institutions and foreign governments and official institutions, which are to be reported in items 2 and 6 above, respectively, or Schedule M if of related depository institutions).
- (2) Loans (other than those secured by real estate) to nonprofit organizations (e.g., churches, hospitals, educational and charitable institutions, clubs, and similar associations) *except* those collateralized by production payments where the proceeds ultimately go to a commercial or industrial organization (report in item 4).
- (3) Loans to individuals for investment or personal expenditure purposes (as distinct from commercial, industrial, or professional purposes), other than those secured by real estate.
- (4) Loans to finance agricultural production, whether made to farmers or to nonagricultural businesses, and other loans to farmers except those secured by real estate (report in item 1).
- ~~(5) Loans and advances made to the reporting institution’s own trust department.~~
- ~~(6) Loans to Small Business Investment Companies.~~
- (7) Obligations (other than securities and leases) of states and political subdivisions in the U.S. Report here obligations of states and political subdivisions in the United States (including planned and unplanned overdrafts and obligations secured by real estate), other than those obligations reported as securities issued by such entities in Schedule RAL, item 1(c)(4), and (b) as lease financing receivables of states and political subdivisions in the U.S. in Schedule C, part I, item 9. Exclude all such obligations held for trading purposes.

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(2) All non-purpose securities-based margin loans, regardless of borrower type. Include, for example, non-purpose securities-based margin loans that are *predominately* secured (greater than 50% of underlying collateral) by securities with readily determinable fair values. A securities-based margin loan is a loan provided to an investor that is secured by the borrower's investment portfolio, which generally consists of equity and debt securities with readily determinable fair values. Securities-based margin loans are further distinguished by routine monitoring and margining practices, which generally involves ongoing assessment and adjustment of the loan's credit availability. Margining is a risk management practice where the lender routinely reviews the value of the underlying securities collateral to ensure it remains sufficient to secure the loan based on agreed upon terms. If the market value of the underlying securities falls below a certain threshold, the lender may initiate a "margin call".

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Schedule C

States and political subdivisions in the U.S. include:

- (a) the fifty states of the United States and the District of Columbia and their counties, municipalities, school districts, irrigation districts, and drainage and sewer districts; and
- (b) the governments of Puerto Rico and of the U.S. territories and possessions and their political subdivisions.

Treatment of industrial development bonds (IDBs). Industrial development bonds (IDBs), sometimes referred to as “industrial revenue bonds,” are typically issued by local industrial development authorities to benefit private commercial and industrial development. For purposes of this report, all IDBs should be reported as securities issued by states and political subdivisions in the U.S. in Schedule RAL, item 1(c)(4), or as loans in this item, consistent with the asset category in which the branch or agency reports IDBs for other financial reporting purposes. Regardless of whether they are reported as securities in Schedule RAL, item 1(c)(4), or as loans in this item, all IDBs that meet the definition of a “security” in ASC Topic 320, Investments-Debt and Equity Securities (formerly FASB Statement No. 115, “Accounting for Certain Investments in Debt and Equity Securities”), must be measured in accordance with ASC Topic 320.

Treatment of other obligations of states and political subdivisions in the U.S. In addition to those IDBs that are reported in this item in accordance with the preceding paragraph, *include* as obligations (other than securities and leases) of states and political subdivisions in the U.S., all other obligations *except* those that meet *any* of the following criteria:

- (a) Industrial development bonds (IDBs) that are reported as securities in accordance with the reporting treatment described above (report as securities in Schedule RAL, item 1(c)(4)).
- (b) Notes, bonds, and debentures (including tax warrants and tax-anticipation notes) that are rated by a nationally-recognized rating

service (report as securities in Schedule RAL, item 1(c)(4)).

- (c) Mortgage-backed securities issued by state and local housing authorities (report as securities in Schedule RAL, item 1(c)(2)).
- (d) Obligations of state and local governments that are guaranteed by the U.S. government (report as securities in Schedule RAL, item 1(c)(4)).
- (e) Nonrated obligations of states and political subdivisions in the U.S. that the reporting institution considers securities for other financial reporting purposes (report as securities in Schedule RAL, item 1(c)(4)).
- (f) Lease financing receivables of states and political subdivisions in the U.S. (report as leases in item 9 below).
- (g) Obligations of states and political subdivisions in the U.S. held in trading accounts (report in Schedule RAL, item 1(f)).

~~(8) Loans to federally-sponsored lending agencies. Refer to the Glossary entry for “federally-sponsored lending agency” for the definition of this term.~~

Exclude from all other loans extensions of credit initially made in the form of planned or “advance agreement” overdrafts other than those made to borrowers of the types whose obligations are specifically reportable in this item (report in other items, as appropriate). For example, report advances to banks in foreign countries in the form of “advance agreement” overdrafts as loans to banks in foreign countries in item 2(c). Report both planned and unplanned overdrafts on “due to” deposit accounts of depository institutions in item 2.

Item 9 Lease financing receivables (net of unearned income).

For the reporting branch or agency, including its IBF, and for the IBF only, report in the appropriate column all lease financing receivables of U.S. addressees (item 9(a)) and all lease financing receivables of non-U.S. addressees (item 9(b)). Include all outstanding receivable balances relating to direct financing and leveraged leases on property acquired by the branch or agency for leasing purposes. These balances should