FFIEC 031
Draft Instructions for Call Report Revisions Proposed to Take Effect Beginning with the June 30, 2024, Report Date

The following draft instructions, which are subject to change, present the pages from the FFIEC 031 and 041 Call Report instructions as they are 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 FIL-68-2023, 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 031 Call Report, with certain modifications.

The initial PRA Federal Register notices and the draft redlined reporting form for these proposed revisions to the FFIEC 031 Call Report, are available on the FFIEC webpage for the FFIEC 031 Call Report.

Draft as of June 25, 2024

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

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<u>**General Instructions for Part I (cont.)**</u>

a transfer accounted for as a sale. If and when individual loans later meet delinquency criteria specified by GNMA, the loans are eligible for repurchase, the bank is deemed to have regained effective control over these loans, and the delinquent loans must be brought back onto the bank's books as loan assets.

All loans should be categorized in Schedule RC-C, part I, according to security, borrower, or purpose. All loans satisfying the criteria in the Glossary entry for “Loan secured by real estate” (except those to states and political subdivisions in the U.S.) should be categorized as “Loans secured by real estate” in Schedule RC-C, part I. Loans secured by other collateral, such as securities, inventory, or automobiles, would require further examination of both purpose and borrower to properly categorize the loans in Schedule RC-C, part I. For loan categories in Schedule RC-C, part I, that include certain loans to individuals, the term “individual” may include a trust or other entity that acts on behalf of (or in place of) an individual or a group of individuals for purposes of obtaining the loan. Loans covering two or more categories are sometimes difficult to categorize. In such instances, categorize the entire loan according to the major criterion.

Report in Schedule RC-C, part I, all loans and leases on the books of the reporting bank even if on the report date they are past due and collection is doubtful. Exclude any loans or leases the bank has sold or charged off. Also exclude assets received in full or partial satisfaction of a loan or lease (unless the asset received is itself reportable as a loan or lease) and any loans for which the bank 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 entries for "~~troubled debt restructurings~~ <u>Loan Modifications to Borrowers Experiencing Financial Difficulty</u>" and "~~f~~<u>F</u>oreclosed <u>A</u>~~a~~ssets" for further discussion of these topics.

When a bank acquires either (1) a portion of an entire loan that does not meet the definition of a participating interest (i.e., a nonqualifying loan participation) or (2) a qualifying participating interest in a transfer that does not does not meet all of the conditions for sale accounting, it should normally report the loan participation or participating interest in Schedule RC, item 4.b, “Loans and leases held for investment.” The bank also should report the loan participation or participating interest in Schedule RC-C, part I, in the loan category appropriate to the underlying loan, e.g., as a “commercial and industrial loan” in item 4 or as a “loan secured by real estate” in item 1. See the Glossary entry for “transfers of financial assets” for further information.

Exclude, for purposes of this schedule, the following:

(1) Federal funds sold (in domestic offices), i.e., all loans of immediately available funds (in domestic offices) that mature in one business day or roll over under a continuing contract, excluding funds lent in the form of securities purchased under agreements to resell. Report federal funds sold (in domestic offices) in Schedule RC, item 3.a. However, report overnight lending for commercial and industrial purposes as loans in this schedule. On the FFIEC 031, also report lending transactions in foreign offices involving immediately available funds with an original maturity of one business day or under a continuing contract that are not securities resale agreements as loans in this schedule.

(2) Lending transactions in the form of securities purchased under agreements to resell (report in Schedule RC, item 3.b, "Securities purchased under agreements to resell").

(3) All holdings of commercial paper (report in Schedule RC, item 5, if held for trading; report in Schedule RC-B, item 4.b, “Other mortgage-backed securities”; item 5.a, "Asset-backed securities"; or item 6, "Other debt securities," as appropriate, if held for purposes other than trading).

(4) Contracts of sale or other loans indirectly representing other real estate (report in Schedule RC, item 7, "Other real estate owned").

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Part I. (cont.)

Memoranda

Item No. Caption and Instructions

1 **Loan~~s restructured in troubled debt restructurings~~ modifications to borrowers experiencing financial difficulty that are in compliance with their modified terms.** Report in the appropriate subitem loans that have been ~~restructured in troubled debt restructurings~~modified to borrowers experiencing financial difficulty and are in compliance with their modified terms.

Institutions 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). For purposes of this Memorandum item, report loan modifications to borrowers experiencing financial difficulty that are performing in accordance with their modified terms, unless the loan meets the conditions that would require it to be reported in Schedule RC-N, Memorandum item 1.

~~As set forth in ASC Subtopic 310-40, Receivables – Troubled Debt Restructurings by Creditors (formerly FASB Statement No. 15, "Accounting by Debtors and Creditors for Troubled Debt Restructurings," as amended by FASB Statement No. 114, "Accounting by Creditors for Impairment of a Loan"), a troubled debt restructuring is a restructuring of a loan in which a bank, for economic or legal reasons related to a borrower's financial difficulties, grants a concession to the borrower that it would not otherwise consider. For purposes of this Memorandum item, the concession consists of a modification of terms, such as a reduction of the loan's stated interest rate, principal, or accrued interest or an extension of the loan's maturity date at a stated interest rate lower than the current market rate for new debt with similar risk, regardless of whether the loan is secured or unsecured and regardless of whether the loan is guaranteed by the government or by others.~~

~~Once an obligation has been restructured in a troubled debt restructuring, it continues to be considered a troubled debt restructuring until paid in full or otherwise settled, sold, or charged off. However, if a restructured obligation is in compliance with its modified terms and the restructuring agreement specifies an interest rate that at the time of the restructuring is greater than or equal to the rate that the bank was willing to accept for a new extension of credit with comparable risk, the loan need not continue to be reported as a troubled debt restructuring in this Memorandum item 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 troubled debt restructuring. Also, a~~A loan to a third-party purchaser of "other real estate owned" by the reporting bank for the purpose of facilitating the disposal of such real estate is not considered a ~~troubled debt restructuring~~loan modification to a borrower experiencing financial difficulty.

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

Include in the appropriate subitem ~~all loans restructured in troubled debt restructurings~~loan modifications to borrowers experiencing financial difficulty as defined above that are in compliance with their modified terms, that is, modified ~~restructured~~ loans (1) on which all contractual payments of principal or interest scheduled that are due under the modified repayment terms have been paid or (2) on which contractual payments of both principal and interest scheduled under the modified repayment terms are less than 30 days past due.

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Exclude from this item (1) those loan modifications to borrowers experiencing financial difficulty~~s restructured in troubled debt restructurings~~ on which under their modified repayment terms either principal or interest is 30 days or more past due and (2) those loan modifications to borrowers experiencing financial difficulty ~~s restructured in troubled debt restructurings~~ that are in nonaccrual status under their modified repayment terms. Report such loan~~s restructured in troubled debt restructurings~~ modifications in the category and column appropriate to the loan in Schedule RC-N, items 1 through 7, column A, B, or C, and in Schedule RC-N, Memorandum items 1.a through 1.f, column A, B, or C.

Loan amounts should be reported net of unearned income to the extent that they are reported net of unearned income in Schedule RC-C, ~~part~~ Part I.

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Part I. (cont.)

Memoranda

Item No. Caption and Instructions

1.a Construction, land development, and other land loans (in domestic offices):

1.a.(1) **1-4 family construction loans.** Report all loans secured by real estate for the purpose of constructing 1-4 family residential properties (as defined for Schedule RC-C, part I, item 1.a.(1), column B) that have been modified to borrowers experiencing financial difficulty ~~restructured in troubled debt restructurings~~ and are in compliance with their modified terms. ~~Exclude from this item 1-4 family construction loans restructured in troubled debt restructurings that, under their modified repayment terms, are past due 30 days or more or are in nonaccrual status (report in Schedule RC-N, item 1.a.(1) and Memorandum item 1.a.(1)).~~

1.a.(2) **Other construction loans and all land development and other land loans.** Report all construction loans for purposes other than constructing 1-4 family residential properties, all land development loans, and all other land loans (as defined for Schedule RC-C, part I, item 1.a.(2), column B) that have been modified to borrowers experiencing financial difficulty ~~restructured in troubled debt restructurings~~ and are in compliance with their modified terms. ~~Exclude from this item other construction loans and all land development and other land loans restructured in troubled debt restructurings that, under their modified repayment terms, are past due 30 days or more or are in nonaccrual status (report in Schedule RC-N, item 1.a.(2) and Memorandum item 1.a.(2)).~~

1.b **Loans secured by 1-4 family residential properties (in domestic offices).** Report all loans secured by 1-4 family residential properties (in domestic offices) (as defined for Schedule RC-C, part I, item 1.c, column B) that have been modified to borrowers experiencing financial difficulty ~~restructured in troubled debt restructurings~~ and are in compliance with their modified terms. ~~Exclude from this item loans secured by 1-4 family residential properties restructured in troubled debt restructurings that, under their modified repayment terms, are past due 30 days or more or are in nonaccrual status (report in Schedule RC-N, item 1.c and Memorandum item 1.b). Also e~~

Exclude from this item all 1-4 family construction loans that have been modified to borrowers experiencing financial difficulty ~~restructured in troubled debt restructurings~~ and are in compliance with their modified terms (report in Schedule RC-C, part I, Memorandum item 1.a.(1), above).

1.c **Loans secured by multifamily (5 or more) residential properties (in domestic offices).** Report all loans secured by multifamily (5 or more) residential properties (in domestic offices) (as defined for Schedule RC-C, part I, item 1.d, column B) that have been modified to borrowers experiencing financial difficulty~~restructured in troubled debt restructurings~~ and are in compliance with their modified terms. ~~Exclude from this item loans secured by multifamily residential properties restructured in troubled debt restructurings that, under their modified repayment terms, are past due 30 days or more or are in nonaccrual status (report in Schedule RC-N, item 1.d and Memorandum item 1.c).~~

1.d **Secured by nonfarm nonresidential properties (in domestic offices):**

1.d.(1) **Loans secured by owner-occupied nonfarm nonresidential properties.** Report all loans secured by owner-occupied nonfarm nonresidential properties (as defined for Schedule RC-C, part I, item 1.e.(1), column B) that have been modified to borrowers experiencing financial difficulty ~~restructured in troubled debt restructurings~~ and are in compliance with their modified terms. ~~Exclude from this item loans secured by owner-occupied nonfarm nonresidential~~

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~~properties restructured in troubled debt restructurings that, under their modified repayment terms, are past due 30 days or more or are in nonaccrual status (report in Schedule RC-N, item 1.e.(1) and Memorandum item 1.d.(1)).~~

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Part I. (cont.)

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Item No. Caption and Instructions

1.d.(2) **Loans secured by other nonfarm nonresidential properties.** Report all loans secured by other nonfarm nonresidential properties (as defined for Schedule RC-C, part I, item 1.e.(2), column B) that have been modified to borrowers experiencing financial difficulty ~~restructured in troubled debt restructurings~~ and are in compliance with their modified terms~~. Exclude from this item loans secured by other nonfarm nonresidential properties restructured in troubled debt restructurings that, under their modified repayment terms, are past due 30 days or more or are in nonaccrual status (report in Schedule RC-N, item 1.e.(2) and Memorandum item 1.d.(2))~~.

1.e **Commercial and industrial loans.** Report all commercial and industrial loans (as defined for Schedule RC-C, part I, item 4) that have been modified to borrowers experiencing financial difficulty ~~restructured in troubled debt restructurings~~ and are in compliance with their modified terms.

On the FFIEC 041, all banks should report the total of these ~~restructured~~ modified loans in Memorandum item 1.e, and banks with $300 million or more in total assets should also report in Memorandum items 1.e.(1) and (2) a breakdown of these modified~~restructured~~ loans between those loans to U.S. and non-U.S. addressees.

On the FFIEC 031, all banks should report a breakdown of these ~~restructured~~ modified loans between those to U.S. and non-U.S. addressees for the fully consolidated bank in Memorandum items 1.e.(1) and (2). ~~Exclude commercial and industrial loans restructured in troubled debt restructurings that, under their modified repayment terms, are past due 30 days or more or are in nonaccrual status (report in Schedule RC-N, item 4 and Memorandum item 1.e).~~

NOTE: Memorandum items 1.e.(1) and 1.e.(2) are not applicable to banks filing the FFIEC 041 report forms that have less than $300 million in total assets.

1.e.(1) **To U.S. addressees (domicile).** Report all commercial and industrial loans to U.S. addressees (as defined for Schedule RC-C, part I, item 4.a) that have been modified to borrowers experiencing financial difficulty~~restructured in troubled debt restructurings~~ and are in compliance with their modified terms. ~~Exclude from this item commercial and industrial loans to U.S. addressees restructured in troubled debt restructurings that, under their modified repayment terms, are past due 30 days or more or are in nonaccrual status (on the FFIEC 041, report in Schedule RC-N, item 4 and Memorandum items 1.e and 1.e.(1); on the FFIEC 031, report in Schedule RC-N, item 4.a and Memorandum item 1.e.(1)).~~

1.e.(2) **To non-U.S. addressees (domicile).** Report all commercial and industrial loans to non-U.S. addressees (as defined for Schedule RC-C, part I, item 4.b) that have been modified to borrowers experiencing financial difficulty~~restructured in troubled debt restructurings~~ and are in compliance with their modified terms. ~~Exclude from this item commercial and industrial loans to non-U.S. addressees restructured in troubled debt restructurings that, under their modified repayment terms, are past due 30 days or more or are in nonaccrual status (on the FFIEC 041, report in Schedule RC-N, item 4 and Memorandum items 1.e.(2) and 3.c)).~~

1.f **All other loans.** Report all other loans that cannot properly be reported in Schedule RC-C, part I, Memorandum items 1.a through 1.e, above that have been modified to borrowers experiencing financial difficulty ~~restructured in troubled debt restructurings~~ and are in compliance with their modified terms. ~~Exclude from this item all other loans restructured in troubled debt restructurings that, under their modified repayment terms, are past due 30 days or more or are in nonaccrual status (report in Schedule RC-N).~~

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Part I. (cont.)

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Item No.	Caption and Instructions
1.f (cont.)	Include in this item loans in the following categories that have been ~~restructured in troubled debt restructurings~~ modified to borrowers experiencing financial difficulty and are in compliance with their modified terms:

(1) Loans secured by farmland (in domestic offices) (as defined for Schedule RC-C, part I, item 1.b, column B);
(2) Loans to depository institutions and acceptances of other banks (as defined for Schedule RC-C, part I, item 2);
(3) Loans to finance agricultural production and other loans to farmers (as defined for Schedule RC-C, part I, item 3);
(4) Loans to individuals for household, family, and other personal expenditures (as defined for Schedule RC-C part I, item 6);
(5) On the FFIEC 031, loans to foreign governments and official institutions (as defined for Schedule RC-C, part I, item 7);
(6) Obligations (other than securities and leases) of states and political subdivisions in the U.S. (as defined for Schedule RC-C, part I, item 8);
(7) Loans to nondepository financial institutions and other loans (as defined for Schedule RC-C, part I, item 9); and
(8) On the FFIEC 031, loans secured by real estate in foreign offices (as defined for Schedule RC-C, part I, item 1, column A).

For loans in the following loan categories within "All other loans" that have been modified to borrowers experiencing financial difficulty ~~restructured in troubled debt restructurings~~ and are in compliance with their modified terms, report the amount of such ~~restructured~~ modified loans in the appropriate subitem of Schedule RC-C, part I, Memorandum item 1.f, if the dollar amount of such ~~restructured~~modified loans in that loan category exceeds 10 percent of total loans modified to borrowers experiencing financial difficulty~~restructured in troubled debt restructurings~~ that are in compliance with their modified terms (i.e., 10 percent of the sum of Schedule RC-C, part I, Memorandum items 1.a through 1.e plus Memorandum item 1.f):

- Memorandum item 1.f.(1), "Loans secured by farmland (in domestic offices)";
- Memorandum item 1.f.(3) on the FFIEC 031, "Loans to finance agricultural production and other loans to farmers";
- Memorandum item 1.f.(4)(a), Consumer "Credit cards";
- Memorandum item 1.f.(4)(b), Consumer "Automobile loans";
- Memorandum item 1.f.(4)(c), "Other" consumer loans; and
- Memorandum item 1.f.(5) on the FFIEC 041, "Loans to finance agricultural production and other loans to farmers," for banks with $300 million or more in total assets and banks with less than $300 million in total assets that have loans to finance agricultural production and other loans to farmers (Schedule RC-C, part I, item 3) exceeding five percent of total loans and leases held for investment and held for sale (Schedule RC-C, part I, item 12).

1.g **Total loan modifications to borrowers experiencing financial difficulty~~s restructured in troubled debt restructurings~~ that are in compliance with their modified terms.** On the FFIEC 031, report the sum of Memorandum items 1.a.(1) through 1.f. On the FFIEC 041, report the sum of Memorandum items 1.a.(1) through 1.e plus 1.f.

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Definitions (cont.)

For a PCD loan, debt security, or other financial asset within the scope of ASC Topic 326 that is not reported in nonaccrual status, the delinquency status of the PCD asset should be determined in accordance with its contractual repayment terms for purposes of reporting the amortized cost basis of the asset (fair value for a PCD available-for-sale debt security) as past due in Schedule RC-N, column A or B, as appropriate. If the PCD asset 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."

<ins>Nonaccrual</ins> – For purposes of this schedule, an asset is to be reported as being in nonaccrual status if:

(1) It is maintained on a cash basis because of deterioration in the financial condition of the borrower,

(2) Payment in full of principal or interest is not expected, or

(3) Principal or interest has been in default for a period of 90 days or more unless the asset is <ins>both</ins> well secured <ins>and</ins> in the process of collection.

An asset 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. An asset is "in the process of collection" if collection of the asset 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 an asset reaches nonaccrual status is determined by its contractual terms. If the principal or interest on an asset becomes due and unpaid for 90 days or more on a date that falls between report dates, the asset should be placed in nonaccrual status as of the date it becomes 90 days past due and it should remain in nonaccrual status until it meets the criteria for restoration to accrual status described below.

In the following situations, an asset need not be placed in nonaccrual status:

(1) The asset upon which principal or interest is due and unpaid for 90 days or more is a consumer loan (as defined for Schedule RC-C, part I, item 6, "Loans to individuals for household, family, and other personal expenditures") or a loan secured by a 1-to-4 family residential property (as defined for Schedule RC-C, part I, item 1.c, Loans "Secured by 1-4 family residential properties"). Nevertheless, such loans should be subject to other alternative methods of evaluation to assure that the bank's net income is not materially overstated. To the extent that the bank has elected to carry such a loan in nonaccrual status on its books, the loan must be reported as nonaccrual in this schedule.

(2) The following criteria are met for a PCD asset, including a PCD asset that was previously a PCI asset or part of a pool of PCI assets, 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 institution or improving the collateral for resale.

    When a PCD asset that meets the criteria above is not placed in nonaccrual status, the asset 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 asset is in nonaccrual or accrual status,

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an institution is not permitted to accrete the credit-related discount embedded in the purchase price of such an asset 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 asset 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 asset in nonaccrual status, the asset must be reported as a nonaccrual asset at its amortized cost basis (fair value for a PCD available-for-sale debt security) in Schedule RC-N, column C. (For PCD assets 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."

As a general rule, a nonaccrual asset may be restored to accrual status when:

(1) None of its principal and interest is due and unpaid, and the bank 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 bank must have received repayment of the past due principal and interest unless, as discussed in the Glossary entry for "Nonaccrual Status":

(1) The asset has been modified to a borrower experiencing financial difficulty ~~restructured in a troubled debt restructuring~~ and qualifies for accrual status;

(2) The asset is a purchased credit-impaired loan, pool of loans, or debt security accounted for in accordance with ASC Subtopic 310-30 and it meets the criteria for accrual of income under the interest method specified in that Subtopic; 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."

Loan Modifications to Borrowers Experiencing Financial Difficulty – Institutions 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.

~~Restructured in Troubled Debt Restructurings – A troubled debt restructuring is a restructuring of a loan in which a bank, for economic or legal reasons related to a borrower's financial difficulties, grants a concession to the borrower that it would not otherwise consider. For purposes of this schedule, the concession consists of a modification of terms, such as a reduction of the loan's stated interest rate, principal, or accrued interest or an extension of the loan's maturity date at a stated interest rate lower than the current market rate for new debt with similar risk, regardless of whether the loan is secured or unsecured and regardless of whether the loan is guaranteed by the government or by others.~~

Definitions (cont.)

~~Once an obligation has been restructured in a troubled debt restructuring, it continues to be considered a troubled debt restructuring until paid in full or otherwise settled, sold, or charged off (or meets the conditions discussed under "Accounting for a Subsequent Restructuring of a Troubled Debt Restructuring" in the Glossary entry for "troubled debt restructurings). However, if a restructured obligation is in compliance with its modified terms and the restructuring agreement specifies an interest rate that at the time of the restructuring is greater than or equal to the rate that the bank was willing to accept for a new extension of credit with comparable risk, the loan need not continue to be reported as a troubled debt restructuring 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 troubled debt restructuring. Also, a loan to a third party purchaser of "other real estate owned" by the reporting bank for the purpose of facilitating the disposal of such real estate is not considered a troubled debt restructuring.~~

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

Column Instructions

The columns of Schedule RC-N are mutually exclusive. Any given loan, lease, debt security, or other asset should be reported in only one of columns A, B, and C. Information reported for any given derivative contract should be reported in only column A or column B.

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

Report in columns A and B of Schedule RC-N (except for Memorandum item 6) the balance sheet amounts of (not just the delinquent payments on) loans, leases, debt securities, and other assets that are past due and upon which the bank 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, debt securities, and other assets providing for payment of interest at stated intervals after one interest payment is due and unpaid for 30 through 89 days; single payment notes, debt securities, and other assets 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 bank is accruing interest on them, if the account remains continuously overdrawn for 30 through 89 days.

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

Include in columns A and B, as appropriate (except for Memorandum item 6 on the FFIEC 031), all loans, leases, debt securities, and other assets which, subsequent to their restructuring by means of a modification of terms,

Memoranda

Item No. Caption and Instructions

1 **Loan~~s restructured in troubled debt restructurings~~ modifications to borrowers experiencing financial difficulty included in Schedule RC-N, items 1 through 7, above.** Report in the appropriate subitem and column loans that have been modified to borrowers experiencing financial difficulty~~restructured in troubled debt restructurings~~ (as described in “Definitions” above) and, under their modified repayment terms, are past due 30 days or more or are in nonaccrual status as of the report date. Such loans will have been included in one or more of the loan categories in items 1 through 7 of this schedule. Exclude ~~all~~ loans modified to borrowers experiencing financial difficulty~~restructured in troubled debt restructurings~~ that are in compliance with their modified terms (report in Schedule RC-C, P~~p~~art I, Memorandum item 1),

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

1.a **Construction, land development, and other land loans (in domestic offices):**

1.a.(1) **1-4 family construction loans.** Report in the appropriate column all loans secured by real estate for the purpose of constructing 1-4 family residential properties included in item 1.a.(1) of this schedule that have been modified to borrowers experiencing financial difficulty~~restructured in troubled debt restructurings and, under their modified repayment terms, are past due 30 days or more or are in nonaccrual status as of the report date~~.

1.a.(2) **Other construction loans and all land development and other land loans.** Report in the appropriate column all construction loans for purposes other than constructing 1-4 family residential properties, all land development loans, and all other land loans included in item 1.a.(2) of this schedule that have been modified to borrowers experiencing financial difficulty.~~restructured in troubled debt restructurings and, under their modified repayment terms, are past due 30 days or more or are in nonaccrual status as of the report date.~~

1.b **Loans secured by 1-4 family residential properties (in domestic offices).** Report in the appropriate column all loans secured by 1-4 family residential properties (in domestic offices) included in item 1.c of this schedule that have been modified to borrowers experiencing financial difficulty.~~restructured in troubled debt restructurings and, under their modified repayment terms, are past due 30 days or more or are in nonaccrual status as of the report date.~~

1.c **Loans secured by multifamily (5 or more) residential properties (in domestic offices).** Report in the appropriate column all loans secured by multifamily (5 or more) residential properties (in domestic offices) included in item 1.d of this schedule that have been modified to borrowers experiencing financial difficulty.~~restructured in troubled debt restructurings and, under their modified repayment terms, are past due 30 days or more or are in nonaccrual status as of the report date.~~

1.d **Secured by nonfarm nonresidential properties (in domestic offices:**

1.d.(1) **Loans secured by owner-occupied nonfarm nonresidential properties.** Report in the appropriate column all loans secured by owner-occupied nonfarm nonresidential properties included in item 1.e.(1) of this schedule that have been modified to borrowers experiencing financial difficulty.~~restructured in troubled debt restructurings and, under their modified repayment terms, are past due 30 days or more or are in nonaccrual status as of the report date~~.

1.d.(2) **Loans secured by other nonfarm nonresidential properties.** Report in the appropriate column all nonfarm nonresidential real estate loans not secured by owner-occupied nonfarm nonresidential properties included in item 1.e.(2) of this schedule that have been modified to borrowers experiencing financial difficulty.~~restructured in troubled debt restructurings and, under their modified repayment terms, are past due 30 days or more or are in nonaccrual status as of the report date~~.

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Item No. **Caption and Instructions**

1.e **Commercial and industrial loans.** Report all commercial and industrial loans included in item 4 of this schedule that have been modified to borrowers experiencing financial difficulty. ~~restructured in troubled debt restructurings and, under their modified repayment terms, are past due 30 days or more or are in nonaccrual status as of the report date.~~ On the FFIEC 041, all banks should report the total of these modified~~restructured~~ loans in Memorandum item 1.e, and banks with $300 million or more in total assets should also report in Memorandum items 1.e.(1) and (2) a breakdown of these ~~restructured~~modified loans between those loans to U.S. and non-U.S. addressees. On the FFIEC 031, all banks should report a breakdown of these modified~~restructured~~ loans between those to U.S. and non-U.S. addressees for the fully consolidated bank in Memorandum items 1.e.(1) and (2).

NOTE: Memorandum items 1.e.(1) and 1.e.(2) are not applicable to banks filing the FFIEC 041 report forms that have less than $300 million in total assets.

1.e.(1) **To U.S. addressees (domicile).** On the FFIEC 041, report in the appropriate column all commercial and industrial loans to U.S. addressees included in Memorandum item 1.e of this schedule that have been modified to borrowers experiencing financial difficulty.~~restructured in troubled debt restructurings and, under their modified repayment terms, are past due 30 days or more or are in nonaccrual status as of the report date~~. On the FFIEC 031, report in the appropriate column all commercial and industrial loans to U.S. addressees included in item 4.a of this schedule that have been modified to borrowers experiencing financial difficulty.~~restructured in troubled debt restructurings and, under their modified repayment terms, are past due 30 days or more or are in nonaccrual status as of the report date.~~

1.e.(2) **To non-U.S. addressees (domicile).** On the FFIEC 041, report in the appropriate column all commercial and industrial loans to non-U.S. addressees included in Memorandum item 3.c of this schedule that have been been modified to borrowers experiencing financial difficulty.~~restructured in troubled debt restructurings and, under their modified repayment terms, are past due 30 days or more or are in nonaccrual status as of the report date.~~ On the FFIEC 031, report in the appropriate column all commercial and industrial loans to non-U.S. addressees included in item 4.b of this schedule that have been modified to borrowers experiencing financial difficulty.~~restructured in troubled debt restructurings and, under their modified repayment terms, are past due 30 days or more or are in nonaccrual status as of the report date.~~

1.f **All other loans.** Report in the appropriate column all other loans that cannot properly be reported in Schedule RC-N, Memorandum items 1.a through 1.e, above that have been been modified to borrowers experiencing financial difficulty.~~restructured in troubled debt restructurings and, under their modified repayment terms, are past due 30 days or more or are in nonaccrual status as of the report date.~~ Include in the appropriate column of this item all loans in the following categories that have been modified to borrowers experiencing financial difficulty.~~restructured in troubled debt restructurings and, under their modified repayment terms, are past due 30 days or more or are in nonaccrual status as of the report date~~:

(1) Loans secured by farmland (in domestic offices) included in Schedule RC-N, item 1.b;
(2) Loans to depository institutions and acceptances of other banks included in Schedule RC-N, item 2;
(3) Loans to finance agricultural production and other loans to farmers included in Schedule RC-N, item 7 on the FFIEC 041 and item 3 on the FFIEC 31;
(4) Consumer credit cards included in Schedule RC-N, item 5.a;
(5) Consumer automobile loans included in Schedule RC-N, item 5.b;
(6) Other consumer loans included in Schedule RC-N, items 5.c;
(7) On the FFIEC 031, loans to foreign governments and official institutions included in Schedule RC-N, item 6;

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Item No. **Caption and Instructions**

1.f (cont.)

(8) Obligations (other than securities and leases) of states and political subdivisions in the U.S. included in Schedule RC-N, item 7;
(9) Loans to nondepository financial institutions and other loans included in Schedule RC-N, item 7; and
(10) On the FFIEC 031, loans secured by real estate in foreign offices included in Schedule RC-N, item 1.f.

For loans in the following loan categories within "All other loans" that have been been modified to borrowers experiencing financial difficulty~~restructured in troubled debt restructurings and, under their modified repayment terms, are past due 30 days or more or are in nonaccrual status as of the report date~~, report the amount of such ~~restructured~~ modified loans in the appropriate subitem of Schedule RC-N, Memorandum item 1.f, if the dollar amount of such ~~restructured~~ modified loans in that loan category exceeds 10 percent of total loans ~~restructured in troubled debt restructurings~~modified to borrowers experiencing financial difficulty that are not in compliance with their modified terms (i.e., 10 percent of the sum of Schedule RC-N, Memorandum items 1.a through 1.f, on the FFIEC 031; 10 percent of the sum of Schedule RC-N, Memorandum items 1.a through 1.e plus Memorandum item 1.f, on the FFIEC 041):

- Memorandum item 1.f.(1), "Loans secured by farmland (in domestic offices)";
- Memorandum item 1.f.(3) on the FFIEC 031, "Loans to finance agricultural production and other loans to farmers";
- Memorandum item 1.f.(4)(a), Consumer "Credit cards";
- Memorandum item 1.f.(4)(b), Consumer "Automobile loans";
- Memorandum item 1.f.(4)(c), "Other" consumer loans; and
- Memorandum item 1.f.(5) on the FFIEC 041, "Loans to finance agricultural production and other loans to farmers," for banks with $300 million or more in total assets and banks with less than $300 million in total assets that have loans to finance agricultural production and other loans to farmers (Schedule RC-C, part I, item 3) exceeding five percent of total loans and leases held for investment and held for sale (Schedule RC-C, part I, item 12).

1.g **Total loan modifications to borrowers experiencing financial difficultyt ~~s restructured in troubled debt restructurings~~ included in Schedule RC-N, items 1 through 7, above.** On the FFIEC 031, for columns A through C, report the sum of Memorandum items 1.a.(1) through 1.f. Exclude amounts reported in Memorandum items 1.f.(1) through 1.f.(5) when calculating the total in this Memorandum item 1.g.

On the FFIEC 041, for columns A through C, report the sum of Memorandum items 1.a.(1) through 1.e plus 1.f. Exclude amounts reported in Memorandum items 1.e.(1), 1.e.(2), and 1.f.(1) through 1.f.(5) when calculating the total in this Memorandum item 1.g.

2 **Loans to finance commercial real estate, construction, and land development activities included in Schedule RC-N, items 4 and 7, above.** Report in the appropriate column the amount of loans to finance commercial real estate, construction, and land development activities ***not secured by real estate*** included in Schedule RC-C, part I, Memorandum item 3, that are past due 30 days or more or are in nonaccrual status as of the report date. Such loans will have been included in items 4 and 7 of Schedule RC-N above. Exclude from this item all loans secured by real estate included in item 1 of Schedule RC-N above.

NOTE: Memorandum item 3 is not applicable to banks filing the FFIEC 041 report form.

3 **Loans secured by real estate to non-U.S. addressees (domicile).** Report in the appropriate column the amount of all loans secured by real estate to non-U.S. addressees

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Item No. Caption and Instructions

NOTE: Memorandum item 16 is to be completed on a fully consolidated basis by “large institutions” and “highly complex institutions.”

16 **Portion of loan~~s restructured in troubled debt restructurings~~ modifications to borrowers experiencing financial difficulty that are in compliance with their modified terms and are guaranteed or insured by the U.S. government (including the FDIC).** Report on a fully consolidated basis the portion of loan modifications to borrowers experiencing financial difficulty ~~s restructured in troubled debt restructurings~~ that are in compliance with their modified terms (included in Schedule RC-C, part I, Memorandum item 1) that is guaranteed or insured by the U.S. government, its agencies, or its government-sponsored agencies, including restructured loans guaranteed under FDIC loss-sharing agreements.

Exclude restructured loans guaranteed or insured by state or local governments, state or local government agencies, foreign (non-U.S.) governments, and private agencies or organizations as well as restructured loans collateralized by securities issued by the U.S. government, including its agencies and its government-sponsored agencies.

NOTE: Memorandum item 17 is to be completed on a fully consolidated basis by “large institutions” and “highly complex institutions” that own another insured depository institution.

17 **Selected fully consolidated data for deposit insurance assessment purposes:**

17.a **Total deposit liabilities before exclusions (gross) as defined in Section 3(l) of the Federal Deposit Insurance Act and FDIC regulations.** Report on a fully consolidated basis the gross total deposit liabilities as of the calendar quarter-end report date that meet the statutory definition of deposits in Section 3(l) of the Federal Deposit Insurance Act before deducting allowable exclusions from total deposits. Refer to the instructions for Schedule RC-O, item 1, for a description of gross total deposit liabilities.

17.b **Total allowable exclusions, including interest accrued and unpaid on allowable exclusions (including foreign deposits).** Report on a fully consolidated basis the total amount of allowable exclusions from deposits as of the calendar quarter-end report date if the institution maintains records that will readily permit verification of the correctness of its reporting of exclusions. Refer to the instructions for Schedule RC-O, item 2, for a description of allowable exclusions.

17.c **Unsecured “Other borrowings” with a remaining maturity of one year or less.** Report on a fully consolidated basis the amount of the institution’s “Other borrowings” (as defined for Schedule RC-M, item 5.b) that are unsecured and have a remaining maturity of one year or less. Refer to the instructions for Schedule RC-O, items 7 and 7.a, for further guidance on reporting unsecured “Other borrowings” with a remaining maturity of one year or less.

17.d **Estimated amount of uninsured deposits (in domestic offices of the institution and in insured branches in Puerto Rico and U.S. territories and possessions), including related interest accrued and unpaid.** Report on a fully consolidated basis the estimated amount of the institution's deposits (in domestic offices and in insured branches in Puerto Rico and U.S. territories and possessions) that is not covered by federal deposit insurance. Refer to the instructions for Schedule RC-O, Memorandum item 2, for further guidance on reporting the estimated amount of uninsured deposits.

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Acquisition, Development, or Construction (ADC) Arrangements (cont.):
consideration for purposes of determining whether a credit facility is an HVCRE exposure for regulatory capital purposes. Thus, a loan can be treated as an HVCRE exposure for regulatory capital purposes even though it does not provide for the institution to participate in the property's expected residual profit.

Agreement Corporation: See "Edge and Agreement Corporation."

Allowances for Credit Losses: For more information on the allowances for credit losses (ACL), institutions should also refer to the Interagency Policy Statement on Allowances for Credit Losses (Revised April 2023).

Standards for accounting for an ACL for financial assets measured at amortized cost and net investments in leases (hereafter referred to collectively as financial assets measured at amortized cost), as well as certain off-balance sheet credit exposures, are set forth in ASC Subtopic 326-20, Financial Instruments–Credit Losses–Measured at Amortized Cost. For financial assets measured at amortized cost, the ACL is a valuation account that is deducted from, or added to, the amortized cost basis of financial assets to present the net amount expected to be collected over the contractual term of the financial assets.

Standards for measuring credit losses on available-for-sale (AFS) debt securities are set forth in ASC Subtopic 326-30, Financial Instruments—Credit Losses—Available-for-Sale Debt Securities. See the Glossary entry for "Securities Activities" for guidance on allowances for credit losses on AFS debt securities.

The following sections of this Glossary entry apply to financial assets measured at amortized cost and also to off-balance sheet credit exposures within the scope of ASC Subtopic 326-20.

Measurement – An ACL shall be established upon the origination or acquisition of a financial asset(s) measured at amortized cost. A separate ACL shall be reported for each type of financial asset measured at amortized cost (e.g., loans and leases held for investment, held-to-maturity (HTM) debt securities, and receivables that relate to repurchase agreements and securities lending agreements) as of the end of each reporting period.

As of the end of each quarter, or more frequently if warranted, each institution must evaluate the collectability of its financial assets measured at amortized cost, including, if applicable, any recorded accrued interest receivable (i.e., not already reversed or charged off, as applicable), and make adjusting entries to maintain the balance of each of the separate ACLs reported on the balance sheet at an appropriate level.

An institution shall measure expected credit losses on a collective or pool basis when financial assets share similar risk characteristics. If a financial asset does not share similar risk characteristics with other assets, expected credit losses for that asset should be evaluated individually. Individually evaluated assets should not be included in a collective assessment of expected credit losses. If a financial asset ceases to share similar risk characteristics with other assets in its pool, it should be moved to a different pool with assets sharing similar risk characteristics, if such a pool exists.

ASC Subtopic 326-20 generally does not require the use of a specific loss estimation method for purposes of determining ACLs. Various methods may be used to estimate the expected collectibility of financial assets measured at amortized cost, with those methods generally applied consistently over time. The same loss estimation method does not need to be applied to all financial assets. An institution is not precluded from selecting a different method when it determines the method will result in a better estimate of ACLs.

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<u>Allowances for Credit Losses (cont.):</u>

ASC Subtopic 326-20 requires an institution to measure estimated expected credit losses over the contractual term of its financial assets, considering expected prepayments. Renewals, extensions, and modifications are excluded from the contractual term of a financial asset for purposes of estimating the ACL unless ~~there is a reasonable expectation of executing a troubled debt restructuring or~~ the renewal and extension options are part of the original or modified contract and are not unconditionally cancellable by the institution. If such renewal or extension options are present, an institution must evaluate the likelihood of a borrower exercising those options when determining the contractual term.

In estimating the net amount expected to be collected on financial assets measured at amortized cost, an institution should consider the effects of past events, current conditions, and reasonable and supportable forecasts on the collectibility of the institution’s financial assets. Under ASC Subtopic 326-20, an institution is required to use relevant forward-looking information and expectations drawn from reasonable and supportable forecasts when estimating expected credit losses.

Expected recoveries, prior to collection, are a component of management’s estimate of the net amount expected to be collected for a financial asset. Expected recoveries of amounts previously charged off or expected to be charged off that are included in ACLs may not exceed the aggregate amounts previously charged off or expected to be charged off. All assumptions related to expected recoveries should be appropriately documented and supported. When estimating expected recoveries, management may conclude that amounts previously charged off are not collectible.

<u>Changes in the ACL</u> – Additions to, or reductions of, the ACL to adjust its level to management’s current estimate of expected credit losses are to be made through charges or credits to the "provisions for credit losses on financial assets" in item 4 of Schedule RI, Income Statement, including changes to adjust the level of the ACL for off-balance-sheet credit exposures. When available information confirms that specific financial assets measured at amortized cost, or portions thereof, are uncollectible, these amounts should be promptly charged off against the related ACL in the period in which the financial assets are deemed uncollectible.

Recoveries on financial assets measured at amortized cost represent collections on amounts that were previously charged off against the related ACL. Recoveries shall be credited to the ACL, provided that the total amount credited to the ACL as recoveries on a financial asset (which may include amounts representing principal, interest, and fees) is limited to the amount previously charged off against the ACL on that financial asset. Any amounts collected in excess of this limit should generally be recognized as noninterest income upon collection.

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Allowances for Credit Losses (cont.):

Financial Assets with Collateral Maintenance Agreements – Institutions may have financial assets that are secured by collateral (such as debt securities) and are subject to collateral maintenance agreements requiring the borrower to continuously replenish the amount of collateral securing the asset. If the fair value of the collateral declines, the borrower is required to provide additional collateral as specified by the agreement.

ASC Topic 326 includes a practical expedient for financial assets with collateral maintenance agreements where the borrower is required to provide collateral greater than or equal to the amortized cost basis of the asset and is expected to continuously replenish the collateral. In those cases, the institution may elect the collateral maintenance practical expedient and measure expected credit losses for these qualifying assets based on the fair value of the collateral. If the fair value of the collateral is greater than the amortized cost basis of the financial asset and the institution expects the borrower to replenish collateral as needed, the institution may record an ACL of zero for the financial asset when the collateral maintenance practical expedient is applied. Similarly, if the fair value of the collateral is less than the amortized cost basis of the financial asset and the institution expects the borrower to replenish collateral as needed, the ACL is limited to the difference between the fair value of the collateral and the amortized cost basis of the asset as of the reporting date when applying the collateral maintenance practical expedient.

Loan Modifications

An institution should measure any expected credit losses on loans whose terms have been modified in accordance with ASC Topic 326. ASC Topic 326 allows an institution to use any appropriate loss estimation method to estimate allowances for credit losses. However, there are circumstances when specific measurement methods are required. For Call Report purposes, the ACL of a collateral dependent loan must be estimated using the fair value of collateral, less cost to sell, as appropriate. An institution measuring the allowance using the present value of expected future cash flow method (i.e., discounted cash flow method) should use the post-modification effective interest rate as the discount rate.

If an institution adopted ASU 2022-02, "Financial Instruments – Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures," using the prospective method (versus the modified retrospective method), loans previously identified as troubled debt restructurings should retain the existing method for measurement purposes. As such, unless the loan is collateral-dependent, an institution should continue to apply a discounted cash flow method, discounted at the loan's original effective interest rate, to estimate expected credit losses until the loan is subsequently modified or settled.

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Allowances for Credit Losses (cont.):

Off-Balance-Sheet Credit Exposures – Each institution should also estimate, as a separate liability account, expected credit losses for off-balance-sheet credit exposures not accounted for as insurance, over the contractual period during which the institution is exposed to credit risk. The estimate of expected credit losses should take into consideration the likelihood that funding will occur as well as the amount expected to be funded over the estimated remaining contractual term of the off-balance-sheet credit exposures. Off-balance sheet credit exposures include loan commitments, financial standby letters of credit, and financial guarantees not accounted for as insurance, and other similar instruments except for those within the scope of ASC Topic 815 on derivatives and hedging. This separate allowance should be reported in Schedule RC-G, item 3, "Allowance for credit losses on off-balance-sheet credit exposures," not as part of the "Allowance for credit losses on loans and leases" in Schedule RC, item 4.c. Additions to, or reductions of, the allowance for credit losses on off-balance sheet credit exposures to adjust the balance of the allowance to an appropriate level are reported in net income.

Institutions should not record an estimate of expected credit losses for off-balance-sheet credit exposures that are unconditionally cancellable by the issuer. For example, for an institution that has unfunded commitments (i.e., available credit) on credit cards, the institution should not record an allowance for expected credit losses for unfunded commitments for which the institution has the ability to unconditionally cancel the available line of credit. In contrast, home equity lines of credit may be deemed unconditionally cancellable for regulatory capital purposes. However, unfunded commitments under home equity lines of credit are not considered unconditionally cancellable by the issuer for purposes of estimating expected credit losses under ASC Topic 326, because the lender may not unilaterally refuse to extend credit under the commitment.

Recourse Liability Accounts – Recourse liability accounts that arise from recourse obligations for any transfers of financial assets that are reported as sales should not be included in an ACL. These accounts are considered separate and distinct from ACLs and from the allowance for credit losses on off-balance sheet credit exposures. Recourse liability accounts should be reported in Schedule RC-G, item 4, "All other liabilities."

See also the Glossary entries for “Accrued Interest Receivable,” “Amortized Cost Basis,” “Business Combinations,” “Foreclosed Assets,” “Loan,” “Loan Fees,” “Loan Modifications to Borrowers Experiencing Financial Difficulty,” “Nonaccrual Status,” “Purchased Credit-Deteriorated Assets,” “Securities Activities,” and “Transfers of Financial Assets.”

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Federal Funds Transactions (cont.):
or be reversed the following Monday and those made on the last business day prior to a holiday (for either or both of the parties to the transaction) to mature or be reversed on the first business day following the holiday.

A continuing contract is a contract or agreement that remains in effect for more than one business day, but has no specified maturity and does not require advance notice of either party to terminate. Such contracts may also be known as rollovers or as open-ended agreements.

Federal funds may take the form of the following two types of transactions in domestic offices provided that the transactions meet the above criteria (i.e., immediately available funds with an original maturity of one business day or under a continuing contract):

(1) Unsecured loans (federal funds sold) or borrowings (federal funds purchased). (In some market usage, the term "fed funds" or "pure fed funds" is confined to unsecured loans of immediately available balances.)

(2) Purchases (sales) of financial assets (other than securities) under agreements to resell (repurchase) that have original maturities of one business day (or are under continuing contracts) and are in immediately available funds.

Any borrowing or lending of immediately available funds in domestic offices that has an original maturity of more than one business day, other than securities repurchase or resale agreements, is to be treated as a borrowing or as a loan, not as federal funds. Such transactions are sometimes referred to as "term federal funds."

Federally-Sponsored Lending Agency: A federally-sponsored lending agency is an agency or corporation that has been chartered, authorized, or organized as a result of federal legislation for the purpose of providing credit services to a designated sector of the economy. These agencies include Banks for Cooperatives, Federal Home Loan Banks, the Federal Home Loan Mortgage Corporation, Federal Intermediate Credit Banks, Federal Land Banks, the Federal National Mortgage Association, and the Student Loan Marketing Association.

Fees, Loan: See "Loan Fees."

Foreclosed Assets: The accounting and reporting standards for the receipt and holding of foreclosed assets are set forth in ASC Subtopic 310-20, Nonrefundable Fees and Other Costs, ~~40, Receivables – Troubled Debt Restructurings by Creditors,~~ and ASC Topic 360, Property, Plant, and Equipment. Subsequent to the issuance of FASB Statement No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" (the predecessor of ASC Topic 360), AICPA Statement of Position (SOP) No. 92-3, "Accounting for Foreclosed Assets," was rescinded. Certain provisions of SOP 92-3 are not present in Statement No. 144, but the application of these provisions represents prevalent practice in the banking industry and is consistent with safe and sound banking practices and the accounting objectives set forth in Section 37(a) of the Federal Deposit Insurance Act. These provisions of SOP 92-3 have been incorporated into this Glossary entry, which institutions must follow for purposes of preparing their Consolidated Reports of Condition and Income.

An institution that receives from a borrower in full satisfaction of a loan either receivables from a third party, an equity interest in the borrower, or another type of asset (except a long-lived asset that will be sold) shall initially measure the asset received at its fair value at the time of the restructuring. When an institution receives a long-lived asset, such as real estate, from a borrower in full satisfaction of a loan, the long-lived asset is rebuttably presumed to be held for sale and the institution shall initially measure this asset at its fair value less cost to sell. The fair value (less cost to sell, if applicable) of the asset received in full satisfaction of the loan becomes the "cost" of the asset. The amount, if any, by which ~~the recorded investment in the loan or~~ the amortized cost basis of the ~~loan exceeds the fair value (less~~

Foreclosed Assets (cont.):

loan[1] exceeds the fair value (less cost to sell, if applicable) of the asset is a loss which must be charged to the allowance for credit losses on loans and leases at the time of restructuring, foreclosure, or repossession. In those cases where property is received in full satisfaction of an asset other than a loan (e.g., a debt security), the loss should be reported in accordance with applicable U.S. GAAP ~~on the income statement in a manner consistent with the balance sheet classification of the asset satisfied~~.

If an asset is sold shortly after it is received in a restructuring, foreclosure, or repossession, it would generally be appropriate to substitute the value received in the sale (net of the cost to sell for a long-lived asset, such as real estate, that has been sold) for the fair value (less cost to sell for a long-lived asset, such as real estate, that will be sold) that had been estimated at the time of restructuring, foreclosure, or repossession. Any adjustments should be made to the loss charged against the allowance.

An asset received in partial satisfaction of a loan should be initially measured as described above and the ~~recorded investment in, or~~ amortized cost basis of the loan~~, as applicable~~ should be reduced by the fair value (less cost to sell, if applicable) of the asset at the time of restructuring, foreclosure, or repossession.

The measurement and accounting subsequent to acquisition for real estate received in full or partial satisfaction of a loan, including through foreclosure or repossession, is discussed below in this Glossary entry. For other types of assets that an institution receives in full or partial satisfaction of a loan, the institution generally should subsequently measure and account for such assets in accordance with other applicable generally accepted accounting principles and regulatory reporting instructions for such assets.

For purposes of these reports, foreclosed assets include loans (other than residential real estate property collateralizing a consumer mortgage loan) where an institution, as creditor, has received physical possession of a borrower's assets, regardless of whether formal foreclosure proceedings take place. An institution, as creditor, is considered to have received physical possession (resulting from an in-substance repossession or foreclosure) of residential real estate property collateralizing a consumer mortgage loan only upon the occurrence of either of the following:

(1) The institution obtains legal title to the residential real estate property upon completion of a foreclosure even if the borrower has redemption rights that provide the borrower with a legal right for a period of time after a foreclosure to reclaim the real estate property by paying certain amounts specified by law, or

(2) The borrower conveys all interest in the residential real estate property to the bank to satisfy the loan through completion of a deed in lieu of foreclosure or through a similar legal agreement. The deed in lieu of foreclosure or similar legal agreement is completed when agreed-upon terms and conditions have been satisfied by both the borrower and the creditor.

In situations where physical possession is received, the secured loan should be recategorized on the balance sheet in the asset category appropriate to the underlying collateral (e.g., as other real estate owned for real estate collateral) and accounted for as described above, except for foreclosures on certain fully and partially government-guaranteed mortgage loans, which are to be reported in Schedule RC-F, item 6, "All other assets," as discussed below in this Glossary entry.

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[1] ~~The recorded investment in the loan is the loan balance adjusted for any unamortized premium or discount and unamortized loan fees or costs, less any amount previously charged off, plus recorded accrued interest. For institutions that have adopted ASC Topic 326, the term "amortized cost basis" is used in place of "recorded investment."~~ See the Glossary entry for "Amortized Cost Basis."

<u>Foreclosed Assets (cont.):</u>

The amount of any senior debt (principal and accrued interest) to which foreclosed real estate is subject at the time of foreclosure must be reported as a liability in Schedule RC-M, item 5.b, "Other borrowings."

After foreclosure, each foreclosed real estate asset (including any real estate for which the institution receives physical possession) must be carried at the lower of (1) the fair value of the asset minus the estimated costs to sell the asset or (2) the cost of the asset (as defined in the preceding paragraphs). This determination must be made on an asset-by-asset basis. If the fair value of a foreclosed real estate asset minus the estimated costs to sell the asset is less than the asset's cost, the deficiency must be recognized as a valuation allowance against the asset which is created through a charge to expense. The valuation allowance should thereafter be increased or decreased (but not below zero) through charges or credits to expense for changes in the asset's fair value or estimated selling costs.

If a foreclosed real estate asset is held for more than a short period of time, any declines in value after foreclosure and any gain or loss from the sale or disposition of the asset shall <u>not</u> be reported as a loan or lease loss or recovery and shall <u>not</u> be debited or credited to allowance for credit losses on loans and leases. Such additional declines in value and the gain or loss from the sale or disposition shall be reported net on the income statement in Schedule RI, item 5.j, “Net gains (losses) on sales of other real estate owned.”

<u>Reporting Certain Government-Guaranteed Mortgage Loans upon Foreclosure</u> – ASC Subtopic 310-~~40~~<u>20</u> clarifies the conditions under which a creditor must derecognize a government-guaranteed mortgage loan and recognize a separate “other receivable” upon foreclosure (that is, when a creditor receives physical possession of real estate property collateralizing a mortgage loan). When these conditions are met, other real estate owned should not be recognized by an institution.

An institution should derecognize a mortgage loan and record a separate other receivable upon foreclosure of the real estate collateral if all of the following conditions are met:

- The loan has a government guarantee that is not separable from the loan before foreclosure.
- At the time of foreclosure, the institution has the intent to convey the property to the guarantor and make a claim on the guarantee and it has the ability to recover under that claim.
- At the time of foreclosure, any amount of the claim that is determined on the basis of the fair value of the real estate is fixed (that is, the real estate property has been appraised for purposes of the claim and thus the institution is not exposed to changes in the fair value of the property).

This guidance is applicable to fully and partially government-guaranteed mortgage loans provided the three conditions identified above have been met. In such situations, upon foreclosure, the separate other receivable should be measured based on the amount of the loan balance (principal and interest) expected to be recovered from the guarantor. This other receivable should be reported in Schedule RC-F, item 6, “All other assets.” Any interest income earned on the other receivable should be reported in Schedule RI, item 1.g, “Other interest income.”

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Loan Fees (cont.):

(5) Loan fees, certain direct loan origination costs, and purchase premiums and discounts on loans shall be recognized as an adjustment of yield generally by the interest method based on the contractual term of the loan. However, if the bank holds a large number of similar loans for which prepayments are probable and the timing and amount of prepayments can be reasonably estimated, the bank may consider estimates of future principal prepayments in the calculation of the constant effective yield necessary to apply the interest method. Once a bank adopts ASC Subtopic 310-20, the practice of recognizing fees over the estimated average life of a group of loans is no longer acceptable.

(6) A refinanced or restructured loan, ~~other than a troubled debt restructuring~~including loan modifications to borrowers experiencing financial difficulty, should be accounted for as a new loan if the following exist: 1) 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 and 2) the change in cash flows is more than minor. 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 or~~ amortized cost basis of the ~~new~~ refinanced or restructured loan. See also the Glossary entry for "Loan Modifications to Borrowers Experiencing Financial Difficulty."
~~The net investment in, or the amortized cost basis of, the new loan, as applicable, should include 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, or the amortized cost basis of, the loan, as applicable; all related costs, including direct loan origination costs, should be charged to expense as incurred. (See the Glossary entry for "Troubled Debt restructurings" for further discussion.)~~

(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 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.[1] Incremental direct costs are costs to originate a loan that (a) result directly from and are essential to the lending transaction and (b) 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

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[1] For purposes of these reports, a bank which deems its costs for these lending activities not to be material and which need not maintain records on a loan-by-loan basis for other purposes may expense such costs as incurred.

Loan Fees (cont.):

balances (to the extent possible) or deducted from total loans in "Any unearned income on loans reflected in items 1-9 above" in Schedule RC-C, Part I. Net unamortized direct loan origination costs shall be added to the related loan balances in Schedule RC-C, Part I. Amounts of loan origination, commitment, and other fees and costs recognized as an adjustment of yield should be reported under the appropriate subitem of item 1, "Interest income," in Schedule RI. Other fees, such as (a) commitment fees that are recognized during the commitment period or included in income 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 reported as "Other noninterest income" on Schedule RI.

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 reporting 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 Call Report purposes, loans modified to borrowers experiencing financial difficulty must be included in the amounts reported in the appropriate loan category in Schedule RC-C, Part I, Loans and Leases, items 1 through 9. Additionally, if the loan is in compliance with its modified terms, these modifications are reported in the appropriate loan category in Schedule RC-C, Part I, Memorandum item 1. 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 RC-N, items 1 through 7, and reported in Schedule RC-N, Memorandum item 1.

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. 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 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 RC-C, Part I, or Schedule RC-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

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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 RC-C, Part I, or Schedule RC-N, as appropriate.

Loan Secured by Real Estate: For purposes of these reports, a loan secured by real estate is a loan that, at origination, is secured wholly or substantially by a lien or liens on real property for which the lien or liens are 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 or liens on real property. To be considered wholly or substantially secured by a lien or liens on real property, the estimated value of the real estate collateral at origination (after deducting any more senior liens held by others) must be greater than 50 percent of the principal amount of the loan at origination.

A loan satisfying the criteria above, except a loan to a state or political subdivision in the U.S., is to be reported as a loan secured by real estate in Schedule RC-C, Part I, item 1, and related items in the Consolidated Reports of Condition and Income, (1) regardless of whether the loan is secured by a first or a junior lien; (2) regardless of whether the loan was originated by the reporting bank or purchased from others and, if originated by the reporting bank, regardless of the department within the bank or bank subsidiary that made the loan; (3) regardless of how the loan is categorized in the bank's records; (4) and regardless of the purpose of the financing. Only in a transaction where a lien or liens on real property (with an estimated collateral value greater than 50 percent of the loan's principal amount at origination) have been taken as collateral solely through an abundance of caution and where the loan terms as a consequence have not been made more favorable than they would have been in the absence of the lien or liens, would the loan not be considered a loan secured by real estate for purposes of the Consolidated Reports of Condition and Income. In addition, when a loan is partially secured by a lien or liens on real property, but the estimated value of the real estate collateral at origination (after deducting any more senior liens held by others) is 50 percent or less of the principal amount of the loan at origination, the loan should not be categorized as a loan secured by real estate. Instead, the loan should be reported in one of the other loan categories used in these reports based on the purpose of the loan.

The following are examples of the application of the preceding guidance:

(1) A bank loans $700,000 to a dental group to construct and equip a building that will be used as its dental office. The loan will be secured by both the real estate and the dental equipment. At origination, the estimated values of the building, upon completion, and the equipment are $400,000 and $350,000, respectively. The loan should be reported as a loan secured by real estate in Schedule RC-C, Part I, item 1.a.(2), "Other construction loans and all land development and other land loans." In contrast, if the estimated values of the building and equipment at origination were $340,000 and $410,000, respectively, the loan should not be reported as a loan secured by real estate. Instead, the loan should be reported in Schedule RC-C, Part I, item 4, "Commercial and industrial loans."

(2) A bank grants a $25,000 line of credit and a $125,000 term loan to a commercial borrower for working capital purposes on the same date. The loans will be cross-collateralized by equipment with an estimated value of $40,000 and a third lien on the borrower's residence, which has an estimated value of $140,000 and first and second liens with unpaid balances payable to other lenders totaling $126,000. The two loans should be considered together to determine whether they are secured by real estate. Because the estimated equity in the real estate collateral available to the bank is $14,000, the two cross-collateralized loans for $150,000 should not be reported as loans secured by real estate.

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Nonaccrual Status (cont.):

When recognition of interest income on a cash basis is appropriate, it should be handled in accordance with generally accepted accounting principles. One acceptable accounting practice involves allocating contractual interest payments among interest income, reduction of ~~the recorded investment in, or~~ the amortized cost basis of~~,~~ the asset~~, as applicable~~, and recovery of prior charge-offs. If this method is used, the amount of income that is recognized would be equal to that which would have been accrued on the asset's remaining recorded investment at the contractual rate. A bank may also choose to account for the contractual interest in its entirety either as income, reduction of ~~the recorded investment in, or~~ the amortized cost basis of~~,~~ the asset~~, as applicable~~, or recovery of prior charge-offs, depending on the condition of the asset, consistent with its accounting policies for other financial reporting purposes.

Restoration to accrual status – As a general rule, a nonaccrual asset may be restored to accrual status when (1) none of its principal and interest is due and unpaid, and the bank expects repayment of the remaining contractual principal and interest, or (2) when it otherwise becomes well secured and in the process of collection. If any interest payments received while the asset was in nonaccrual status were applied to reduce ~~the recorded investment in, or~~ the amortized cost basis of~~,~~ the asset, ~~as applicable,~~ as discussed in the preceding section of this entry, the application of these payments to the asset's ~~recorded investment or~~ amortized cost basis~~, as applicable,~~ should not be reversed (and interest income should not be credited) when the asset is returned to accrual status.

For purposes of meeting the first test, the bank must have received repayment of the past due principal and interest unless:

(1) The asset has been formally restructured and qualifies for accrual status as discussed below;
(2) The asset is a PCD asset and it meets the two criteria specified in the second exception to the general rule discussed above; 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 the following two criteria are met. These criteria are, 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 RC-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.

Nonaccrual Status (cont.):

A modification of a loan to a borrower experiencing financial difficulty ~~troubled debt restructuring~~ may involve a multiple note structure in which, for example, a ~~troubled~~ loan is restructured into two notes. The first or "A" note represents the portion of the original loan principal amount that is expected to be fully collected along with contractual interest. The second or "B" note represents the portion of the original loan that has been charged off and, because it is not reflected as an asset and is unlikely to be collected, could be viewed as a contingent receivable. For a ~~troubled debt restructuring~~modification of a collateral-dependent loan involving a multiple note structure, the amount of the "A" note should be determined using the fair value of the collateral. The "A" note may be returned to accrual status provided the conditions in the preceding paragraph are met and: (1) there is economic substance to the restructuring ~~and it qualifies as a troubled debt restructuring under generally accepted accounting principles~~, (2) the portion of the original loan represented by the "B" note has been charged off before or at the time of the restructuring, and (3) the "A" note is reasonably assured of repayment and of performance in accordance with the modified terms. In conjunction with the reporting requirements on Schedule RC-C, Part I, and Schedule RC-N for loan modifications to borrowers experiencing financial difficulty, the institution should consider both the "A" and "B" notes in its analysis of whether the modification results in principal forgiveness, an interest rate reduction, or a deferral of payment(s).

Until the restructured asset is restored to accrual status, if ever, cash payments received must be treated in accordance with the criteria stated above in the preceding section of this entry. In addition, after a formal restructuring, if a restructured asset that has been returned to accrual status later meets the criteria for placement in nonaccrual status as a result of past due status based on its modified terms or for any other reasons, the asset must be placed in nonaccrual status.

For further information ~~on formally restructured assets~~, see the Glossary entry for "~~Troubled Debt Restructurings~~Loan Modifications to Borrowers Experiencing Financial Difficulty."

Treatment of multiple extensions of credit to one borrower – As a general principle, nonaccrual status for an asset should be determined based on an assessment of the individual asset's collectability and payment ability and performance. Thus, when one loan to a borrower is placed in nonaccrual status, a bank does not automatically have to place all other extensions of credit to that borrower in nonaccrual status. When a bank has multiple loans or other extensions of credit outstanding to a single borrower, and one loan meets the criteria for nonaccrual status, the bank should evaluate its other extensions of credit to that borrower to determine whether one or more of these other assets should also be placed in nonaccrual status.

Noninterest-Bearing Account: See "Deposits."

Nontransaction Account: See "Deposits."

NOW Account: See "Deposits."

Offsetting: Offsetting is the reporting of assets and liabilities on a net basis in the balance sheet. Banks are permitted to offset assets and liabilities recognized in the Consolidated Report of Condition when a "right of setoff" exists. Under ASC Subtopic 210-20, Balance Sheet – Offsetting, 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.

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Purchased Credit-Deteriorated Assets (cont.):
ACL and the related deferred tax asset because the provisions are expensed for financial reporting purposes. These increases in the ACL typically are not deducted in the same period for income tax purposes. Tax deductions for credit losses typically occur in the period when financial assets are actually charged off. However, an addition to the ACL as of the acquisition date of a PCD asset (i.e., the "gross–up") does not create such a deductible temporary difference or a deferred tax asset. An institution's deferred tax assets should be calculated at the report date by applying the "applicable tax rate" based on the institution's total deductible temporary differences. See the Glossary entry for "Income Taxes" for information on how to determine the tax effect of such a temporary difference and the need for any deferred tax asset valuation allowance.

See also the Glossary entries for "Allowances for Credit Losses" and "Nonaccrual Status."

Put Option: See "Derivative Contracts."

Real Estate ADC Arrangements: See "Acquisition, Development, or Construction (ADC) Arrangements."

Real Estate, Loan Secured By: See "Loan Secured by Real Estate."

Reciprocal Balances: Reciprocal balances arise when two depository institutions maintain deposit accounts with each other; that is, when a reporting bank has both a due to and a due from balance with another depository institution.

For purposes of the balance sheet of the Consolidated Report of Condition, reciprocal balances between the reporting bank and other depository institutions may be reported on a net basis in accordance with generally accepted accounting principles.

~~**Renegotiated Troubled Debt:** See "Troubled Debt Restructurings."~~

Repurchase/Resale Agreements: A repurchase agreement is a transaction involving the "sale" of financial assets by one party to another, subject to an agreement by the "seller" to repurchase the assets at a specified date or in specified circumstances. A resale agreement (also known as a reverse repurchase agreement) is a transaction involving the "purchase" of financial assets by one party from another, subject to an agreement by the "purchaser" to resell the assets at a specified date or in specified circumstances.

Treasury Stock (cont.):

transactions, net." Such gains and losses, as well as the excess of the cost over the par value of treasury stock carried at par, are generally to be treated as adjustments to Schedule RC, item 25, "Surplus."

For further information, see ASC Subtopic 505-30, Equity – Treasury Stock.

~~**Troubled Debt Restructurings:** The accounting standards for troubled debt restructurings are set forth in ASC Subtopic 310-40, Receivables – Troubled Debt Restructurings by Creditors, and, for institutions that have adopted ASC Topic 326, Financial Instruments–Credit Losses, in ASC Topic 326. Institutions should refer to the Glossary entries for "Allowance for Loan and Lease Losses" and "Allowance for Credit Losses," as applicable, when considering measurement of the allowance for loan losses or allowance for credit losses (allowance, when used interchangeably) for TDRs.~~

~~A troubled debt restructuring (TDR) is a restructuring in which an institution, for economic or legal reasons related to a borrower's financial difficulties, grants a concession to the borrower that it would not otherwise consider. The restructuring of a loan or other debt instrument (hereafter referred to collectively as a "loan") may include, but is not necessarily limited to: (1) the transfer from the borrower to the institution of real estate, receivables from third parties, other assets, or an equity interest in the borrower in full or partial satisfaction of the loan (see the Glossary entry for "Foreclosed Assets" for further information), (2) a modification of the loan terms, such as a reduction of the stated interest rate, principal, or accrued interest or an extension of the maturity date at a stated interest rate lower than the current market rate for new debt with similar risk, or (3) a combination of the above. A loan extended or renewed at a stated interest rate equal to the current interest rate for new debt with similar risk is not to be reported as a TDR. Modifications of loans should be evaluated to determine if a TDR exists in totality. In some instances a borrower may have been able to add additional collateral or a guarantor to a loan which fully compensates for a concession made by the institution.~~

~~See the Glossary entry for "Nonaccrual Status" for a discussion of the conditions under which a nonaccrual asset which has undergone a TDR (including those that involve a multiple note structure) may be returned to accrual status.~~

~~A TDR in which an institution receives physical possession of the borrower's assets should be accounted for in accordance with ASC Subtopic 310-40. 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 Glossary entry for "Foreclosed Assets."~~

~~A TDR may include both a modification of terms and the acceptance of property in partial satisfaction of the loan. The accounting for such a restructuring is a two-step process: (i) the recorded amount (or amortized cost basis if the institution has adopted ASC Topic 326) of the loan is reduced by the fair value (less cost to sell, if appropriate) of the property received, and (ii) the institution should measure any impairment (or expected credit losses if the institution has adopted ASC Topic 326) on the remaining recorded balance, or amortized cost basis, as applicable, of the restructured loan in accordance with ASC Topic 310 (or ASC Subtopic 326-20 if the institution has adopted ASC Topic 326) and record any related allowance.~~

~~A TDR may involve the substitution or addition of a new debtor for the original borrower. The treatment of these situations depends upon their substance. Restructurings 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. Restructurings 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.~~

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~~**Troubled Debt Restructurings (cont.):**~~

~~A credit analysis should be performed for a TDR in conjunction with its restructuring to determine its collectibility and estimated allowance. When available information confirms that a specific TDR, or a portion thereof, is uncollectible, the uncollectible amount should be charged off against the allowance at the time of the restructuring. As is the case for all loans, the credit quality of restructured loans should be regularly reviewed. The institution should periodically evaluate the collectibility of the TDR so as to determine whether any additional amounts should be charged to the allowance, or, if the restructuring involved a financial asset other than a loan, to another appropriate account.~~

~~Once an obligation has been restructured in a TDR, it continues to be considered a TDR until paid in full or otherwise settled, sold, or charged off (or meets the conditions discussed below under "Accounting for a Subsequent Restructuring of a Troubled Debt Restructuring"). The loan must be reported in the appropriate loan category in Schedule RC-C, Part I, items 1 through 9, and in the appropriate loan category in:~~

- ~~Schedule RC-C, Part I, Memorandum item 1, if it is in compliance with its modified terms, or~~
- ~~Schedule RC-N, items 1 through 7, and Memorandum item 1, if it is not in compliance with its modified terms.~~

~~However, for a loan that is a TDR for which the concession did not include a reduction of principal, if the restructuring agreement specifies a contractual interest rate that is a market interest rate at the time of the restructuring and the loan is in compliance with its modified terms, the loan need not continue to be reported as a TDR in Schedule RC-C, Part I, Memorandum item 1, in calendar years after the year in which the restructuring took place. A market interest rate is a contractual interest rate that at the time of the restructuring is greater than or equal to the rate that the institution was willing to accept for a new loan with comparable risk. To be considered in compliance with its modified terms, a loan that is a TDR must be in accrual status and must be current or less than 30 days past due on its contractual principal and interest payments under the modified repayment terms.~~

~~Accounting for a Subsequent Restructuring of a TDR – When a loan has previously been modified in a TDR, the lending institution and the borrower may subsequently enter into another restructuring agreement. The facts and circumstances of each subsequent restructuring of a TDR loan should be carefully evaluated to determine the appropriate reporting by the institution under U.S. GAAP. Under certain circumstances it may be acceptable not to report a subsequently restructured loan as a TDR. The banking agencies will not object to an institution no longer reporting such a loan as a TDR if at the time of the subsequent restructuring the borrower is not experiencing financial difficulties and, under the terms of the subsequent restructuring agreement, no concession has been granted by the institution to the borrower. To meet these conditions for removing the TDR designation, the subsequent restructuring agreement must specify market terms, including a contractual interest rate not less than a market interest rate for new debt with similar credit risk characteristics and other terms no less favorable to the institution than those it would offer for such new debt. When determining whether the borrower is experiencing financial difficulties, the institution's assessment of the borrower's financial condition and prospects for repayment after the restructuring should be supported by a current, well-documented credit evaluation performed at the time of the restructuring. When assessing whether a concession has been granted by the institution, the agencies consider any principal forgiveness on a cumulative basis to be a continuing concession. Accordingly, a TDR loan with any principal forgiveness would retain the TDR designation after subsequent restructurings.~~

~~If at the time of the subsequent restructuring the institution appropriately demonstrates that a loan meets the conditions discussed above, the loan need no longer be disclosed as a TDR in the Call Report.~~

~~The recorded investment or amortized cost basis, as applicable, should not change at the time of the subsequent restructuring (unless cash is advanced or received). When there have been charge-offs prior to the subsequent restructuring, consistent with Call Report instructions, any expected recoveries~~

~~**Troubled Debt Restructurings (cont.):**~~

~~of amounts previously charged off are not added to the recorded investment in, or the amortized cost basis of, the TDR, as applicable. For institutions that have not adopted ASC Topic 326, no recoveries should be recognized until collections on amounts previously charged off have been received. For institutions that have adopted ASC Topic 326, expected recoveries of amounts previously charged off should be considered as part of the allowance estimate but are not included in the amortized cost basis of the TDR. Similarly, if interest payments were applied to the recorded investment in, or amortized cost basis of, the TDR, as applicable, prior to the subsequent restructuring, the application of these payments to the recorded investment or amortized cost basis, as applicable, should not be reversed nor reported as interest income at the time of the subsequent restructuring.~~

~~If the TDR designation is removed from a loan that meets the conditions discussed above and the loan is later modified in a TDR, the loan should be reported as a TDR.~~

~~Measurement of Impairment on a TDR when ASC Topic 326 Has Not Been Adopted – This section of this Glossary entry applies to institutions that have not adopted ASC Topic 326. Institutions that have adopted ASC Topic 326 should refer to the "Measurement of Expected Credit Losses on a TDR when ASC Topic 326 Has Been Adopted" section below.~~

~~All loans whose terms have been modified in a TDR, including both commercial and retail loans, are impaired loans. Therefore, an institution should measure any impairment on the restructured loan in accordance with ASC Topic 310, Receivables, and should refer to the Glossary entry for "Loan Impairment."~~

~~An institution measuring the allowance on a TDR that is not collateral dependent using the present value of expected future cash flows method (i.e., discounted cash flow method) should discount the cash flows using the effective interest rate of the original or modified loan prior to the restructuring that resulted in the TDR classification. For a residential mortgage loan with a "teaser" or starter rate that is less than the loan's fully indexed rate, the starter rate is not the original effective interest rate. ASC Topic 310 also permits an institution to aggregate impaired loans that have risk characteristics in common with other impaired loans, such as modified residential mortgage loans that represent TDRs, and use historical statistics along with a composite effective interest rate as a means of measuring the impairment of these loans.~~

~~For a subsequently restructured TDR, if at the time of the subsequent restructuring the institution appropriately determines that the loan no longer meets the conditions discussed above, the impairment on the loan need no longer be measured as a TDR (i.e., as an impaired loan) in accordance with ASC Topic 310 and the Glossary entry for "Loan Impairment." Accordingly, going forward, the loan's allowance should be measured under ASC Subtopic 450-20, Contingencies – Loss Contingencies.~~

~~For a subsequently restructured TDR on which there was principal forgiveness and therefore does not meet the conditions discussed above, the impairment on the TDR should continue to be measured as a TDR (i.e., as an impaired loan) in accordance with ASC Topic 310.~~

~~Measurement of Expected Credit Losses on a TDR when ASC Topic 326 Has Been Adopted – This section of this Glossary entry applies to institutions that have adopted ASC Topic 326. Institutions that have not adopted ASC Topic 326 should continue to refer to the "Measurement of Impairment on a TDR when ASC Topic 326 Has Not Been Adopted" section above.~~

~~An institution should measure any expected credit losses on loans whose terms have been modified in a TDR in accordance with ASC Topic 326 as set forth in the Glossary entry for "Allowance for Credit Losses." ASC Topic 326 allows an institution to use any appropriate loss estimation method to estimate ACLs for TDRs. However, there are circumstances when specific measurement methods are required. For purposes of the Consolidated Reports of Condition and Income, if a TDR, or a loan for which a TDR is reasonably expected, is collateral-dependent, the ACL must be estimated using the fair value of collateral.~~

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~~**Troubled Debt Restructurings (cont.):**~~

~~An institution measuring the allowance on a TDR, or a pool of TDRs with shared risk characteristics, using the present value of expected future cash flow method (i.e., discounted cash flow method) should discount the cash flows using the effective interest rate of the original or modified loan prior to the restructuring that resulted in the TDR classification. For a residential mortgage loan with a "teaser" or starter rate that is less than the loan's fully indexed rate, the starter rate is not the original effective interest rate.~~

~~When there is a reasonable expectation of executing a TDR or if a TDR has been executed, the expected effect of the modification (e.g., a term extension or an interest rate concession) is included in the estimate of the allowance.~~

~~If the TDR designation is removed from a loan balance when it is appropriate for the loan to no longer be reported as a TDR, given the change in the loan's risk characteristics, the institution should determine whether the loan should be included in a pool of loans with similar risk characteristics for allowance measurement purposes or evaluated for expected credit losses on an individual basis.~~

~~See also the Glossary entries for "Allowance for Credit Losses" or "Allowance for Loan and Lease Losses," as applicable, "Amortized Cost Basis," and "Foreclosed Assets."~~

Trust Preferred Securities: As bank investments, trust preferred securities are hybrid instruments possessing characteristics typically associated with debt obligations. Although each issue of these securities may involve minor differences in terms, under the basic structure of trust preferred securities a corporate issuer, such as a bank holding company, first organizes a business trust or other special purpose entity. This trust issues two classes of securities: common securities, all of which are purchased and held by the corporate issuer, and trust preferred securities, which are sold to investors. The business trust's only assets are deeply subordinated debentures of the corporate issuer, which the trust purchases with the proceeds from the sale of its common and preferred securities. The corporate issuer makes periodic interest payments on the subordinated debentures to the business trust, which uses these payments to pay periodic dividends on the trust preferred securities to the investors. The subordinated debentures have a stated maturity and may also be redeemed under other circumstances. Most trust preferred securities are subject to mandatory redemption upon the repayment of the debentures.

Trust preferred securities meet the definition of a security in ASC Topic 320, Investments–Debt Securities, and in ASC Topic 321, Investments–Equity Securities. Because of the mandatory redemption provision in the typical trust preferred security, investments in trust preferred securities would normally be considered debt securities for financial accounting purposes. Accordingly, regardless of the authority under which a bank is permitted to invest in trust preferred securities, banks should report these investments as debt securities for purposes of these reports (unless, based on the specific facts and circumstances of a particular issue of trust preferred securities, the securities would be considered equity securities under ASC Topic 321 rather than debt securities under ASC Topic 320). If not held for trading purposes, an investment in trust preferred securities issued by a single U.S. business trust should be reported in Schedule RC-B, item 6.a, "Other domestic debt securities." If not held for trading purposes, an investment in a structured financial product, such as a collateralized debt obligation, for which the underlying collateral is a pool of trust preferred securities issued by U.S. business trusts should be reported in Schedule RC-B, item 5.b, "Structured financial products," and, for banks with $10 billion or more in total assets, in the appropriate subitem of Schedule RC-B, Memorandum item 6, "Structured financial products by underlying collateral or reference assets."

U.S. Banks: See "Banks, U.S. and Foreign."

U.S. Territories and Possessions: United States territories and possessions include American Samoa, Guam, the Northern Mariana Islands, and the U.S. Virgin Islands.

Item No. Caption and Instructions

8 **Internet website addresses and physical office trade names.** Because the Uniform Resource Locators (URLs) of Internet websites and the physical office trade names reported in items 8.a, 8.b, and 8.c are publicly available, each institution should ensure that it accurately reports its URLs and physical office trade names, if any. This information will assist the FDIC in responding to public inquiries as to whether a particular Internet website or institution operating under a trade name that accepts or solicits deposits from the public is in fact operated by an FDIC-insured depository institution. URLs of Internet websites and physical office trade names should not exceed 75 characters in length.

Examples of URLs are www.bank.com, www.isp.com/bank/, and bank.isp.com. When entering the URL of an Internet website in items 8.a and 8.b, the URL should not be prefaced with http:// because this is already included on the form. Do not provide e-mail addresses in the spaces for URLs of Internet websites.

8.a **Uniform Resource Locator (URL) of the reporting institution's primary Internet website (home page), if any.** The URL of an institution's primary Internet website is the URL of the public-facing website that the institution's customers or potential customers enter into Internet browser software in order to find the first page of the institution's principal website.

If the reporting institution has a primary Internet website or home page, report in this item the URL of this website or home page (e.g., www.examplebank.com). If the reporting institution does not have its own website or home page, but information on or functions of the institution can be accessed through the URL of an affiliate's website, the URL of that affiliate's primary website should be reported in this item.

An institution that maintains more than one website that prominently displays the institution's legal title should report the URL of the institution's primary Internet website in this item and determine whether it should report the URLs of these other websites in Schedule RC-M, item 8.b, below.

operated by the FDIC-insured depository institution

If an institution has no website or home page of its own ~~and the institution cannot be accessed through the URL of an affiliate's website~~, this item should be left blank. Do not enter such phrases as "Not applicable," "N/A," "None," and "Null."

8.b **URLs of all other public-facing Internet websites that the reporting institution uses to accept or solicit deposits from the public, if any.** If the reporting institution:

(1) Uses one or more trade names (other than its legal title) to accept or solicit deposits from the public, and directly or indirectly operates one or more public-facing Internet websites – other than its primary Internet website (home page) reported in Schedule RC-M, item 8.a, above – to present such trade names to the public, or

operated by the FDIC-insured depository institution which

(2) Uses any other public-facing Internet websites prominently display~~ing~~ the institution's legal title – other than its primary Internet website (home page) – to accept or solicit deposits from the public,

the institution should report the URLs of each of its other public-facing websites that it uses to accept or solicit deposits from the public[1] in the text fields for items 8.b.(1) through 8.b.(10) and, if necessary, in Schedule RI-E, item 7, "Other explanations." If an institution has no additional public-facing Internet websites to report, the text fields for these items should be left blank. Do not enter such phrases as "Not applicable," "N/A," "None," and "Null."

[1] Excluding deposits that would be carried on the books and records of an office of the institution located outside the United States, Puerto Rico, and U.S. territories and possessions.

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Item No.	Caption and Instructions
8.b (cont.)	When reporting the URLs for public-facing websites used to accept or solicit deposits, report only the highest level URLs. For example, an institution with a legal title of XYZ Bank reports in item 8.a that the URL of its primary Internet website is www.xyzbank.com. The institution also solicits deposits using the website address www.safeandsoundbank.com and provides more specific deposit information at "www.safeandsoundbank.com/checking" and "www.safeandsoundbank.com/CDs." Only the first of these three URLs (i.e., "www.safeandsoundbank.com") should be reported in this item.

bank operated websites using

When an institution uses multiple top level domains (e.g., .com, .net, and .biz), it should separately report the URLs that are otherwise the same except for the top level domain name. For example, if XYZ Bank also uses the website address "www.xyzbank.biz" in the solicitation of deposits, it should report this URL in this item.

However, if an institution uses one or more URLs that automatically redirect the public to the institution's primary website or to another website used to accept or solicit deposits that is being reported in this item, the institution should not report these additional URLs. For example, if XYZ Bank uses the URLs "www.xyzbank.net" and "www.safeandsoundbank.net" to automatically redirect the public to "www.xyzbank.com" (reported in item 8.a as its primary website) and "www.safeandsoundbank.com" (reported in this item as the URL of another website the institution uses), respectively, it should not report the two redirecting URLs in this item.

For example,

~~D~~do not report the URLs of:

(1) Public-facing Internet websites operated by the reporting institution that do not accept or solicit deposits from the public. For example, if XYZ Bank uses the website address "www.xyzautoloans.com" but does not accept or solicit deposits through this site, its URL should not be reported in this item;
(2) Internet websites of any non-bank affiliates or subsidiaries ~~that do not accept or solicit deposits from the public on behalf of the institution~~;
(3) Affiliated, separately chartered insured depository institutions;
(4) Foreign affiliates; ~~and~~
(5) Third-party deposit listing services and deposit brokers~~.~~;

(6) Internet websites of any non-bank entity, including any third parties that accepts or solicits deposits from the public on behalf of the FDIC-insured depository institution; and
(7) Any person or entity other than the institution that is acting as fiduciary in the placement of deposit funds into an FDIC-insured depository institution as described under 12 C.F.R. §330.5 and 12 C.F.R. §330.7. The FDIC commonly refers to this process as "pass-through deposit insurance coverage."

8.c **Trade names other than the reporting institution's legal title used to identify one or more of the institution's physical offices at which deposits are accepted or solicited from the public, if any.** An institution may use a trade name other than its legal title as reflected in its charter to identify certain of its physical offices, for example, due to a merger and an interest in maintaining the presence of the acquired institution's well recognized name in the community or communities it served.

If the reporting institution operates one or more physical offices to conduct banking activities and uses one or more trade names other than its legal title to identify these physical offices (for example, via signage displayed on the facilities), the institution should report each trade name used by one or more of its physical offices at which it accepts or solicits deposits from the public[1] in the text fields for items 8.c.(1) through 8.c.(6) and, if necessary, in

[1] Excluding deposits that would be carried on the books and records of an office of the institution located outside the United States, Puerto Rico, and U.S. territories and possessions.

Item No.	Caption and Instructions
8.c (cont.)	Schedule RI-E, item 7, "Other explanations." Do not report the trade names used by any physical offices of the reporting institution at which the institution does not accept or solicit deposits from the public. In addition, do not report the physical office trade names of any non-bank affiliates or subsidiaries ~~that do not accept or solicit deposits from the public on behalf of the institution~~. Do not report the physical office trade names of affiliated, separately chartered insured depository institutions. If an institution does not use any trade names other than its legal title, the text fields for items 8.c.(1) through 8.c.(6) should be left blank. Do not enter such phrases as "Not applicable," "N/A," "None," and "Null." For example, an institution with a legal title of XYZ Bank operates one or more branch offices under the trade name of "Community Bank of ABC" (as identified by the signage displayed on each facility) where it accepts and solicits deposits from the public. XYZ Bank should report this trade name (and any other trade names it uses at other physical office locations where it accepts or solicits deposits) in this item 8.c. XYZ Bank also has a loan production office that operates under the trade name of "XYZ Consumer Loans" and a mortgage lending subsidiary that operates physical offices using the trade name of "XYZ Mortgage Company"; deposits are not accepted nor solicited on behalf of XYZ Bank at these physical offices. Thus, neither of these two trade names should be reported in this item 8.c.

NOTE: Schedule RC-M, item 9, is to be completed annually in the December report only.

9	**Do any of the bank's Internet websites have transactional capability, i.e., allow the bank's customers to execute transactions on their accounts through the website?** Indicate whether any of the reporting bank's Internet websites have transactional capability. Place an "X" in the box marked "Yes" if the bank or a bank affiliate has any Internet websites that allow the bank's customers to execute transactions on their accounts through the website. Otherwise, place an "X" in the box marked "No." The Internet web address of the website (or sites) with transactional capability does not have to be the address of the bank's primary Internet website that is reported in Schedule RC-M, item 8, above.
10	**Secured liabilities.** Report in the appropriate subitem the carrying amount of federal funds purchased (in domestic offices) and "Other borrowings" that are secured, i.e., the carrying amount of these types of liabilities for which the bank (or a consolidated subsidiary) has pledged securities, loans, or other assets as collateral.
10.a	**Amount of "Federal funds purchased (in domestic offices)" that are secured.** Report the carrying amount of federal funds purchased (in domestic offices) (as defined for Schedule RC, item 14.a) that are secured.
10.b	**Amount of "Other borrowings" that are secured.** Report the carrying amount of "Other borrowings" (as defined for Schedule RC-M, item 5.b) that are secured. Secured "Other borrowings" include, but are not limited to, transfers of financial assets accounted for as financing transactions because they do not satisfy the criteria for sale accounting under ASC Topic 860, Transfers and Servicing (formerly FASB Statement No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities," as amended), mortgages payable on bank premises and other real estate owned, and obligations under capitalized leases.

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SIGNATURES

Either the cover (signature) page of any agency-supplied sample set of report forms, a photocopy of this cover page, or a copy of the cover page printed from the bank's report preparation software or from the FFIEC's or the FDIC's Web site should be used to fulfill the signature and attestation requirement.

Insert C

Chief Financial Officer Declaration

The chief financial officer of the bank (or the individual performing an equivalent function) shall sign a declaration on the cover (signature) page attesting to the correctness of the Consolidated Reports of Condition and Income that the bank has filed with the appropriate supervisory agency.

Director Attestation

National banks, state member banks, and savings associations – The correctness of the Consolidated Reports of Condition and Income shall be attested to by at least three directors of the reporting bank, other than the officer signing the chief financial officer declaration, as indicated on the cover (signature) page.

State nonmember banks – The correctness of the Consolidated Reports of Condition and Income shall be attested to by at least two directors of the reporting bank, other than the officer signing the chief financial officer declaration, as indicated on the cover (signature) page.

SUBMISSION OF THE REPORTS

Each bank must file its Call Report data in one of the following two ways:

- A bank may use computer software to prepare and edit its report data and then electronically submit the data directly to the FFIEC's Central Data Repository (CDR), an Internet-based system for data collection (https://cdr.ffiec.gov/cdr/).

- The institution may complete its report in paper form and arrange with a software vendor or another party to convert its paper report into the electronic format that can be processed by the CDR. The software vendor or other party then must electronically submit the institution's Call Report data file to the CDR.

The filing of a Call Report in paper form directly with the FDIC (for national banks, FDIC-supervised banks, and savings associations) or with the appropriate Federal Reserve District Bank (for state member banks) is not an acceptable method of submission.

Regardless of the method a bank uses to file its Call Report, the bank remains responsible for the accuracy of the data in its Call Report. Banks are required to submit a Call Report by the submission date (as defined below) that passes FFIEC-published validation criteria (validity edits and quality edits) or that contains explanations for any quality edits that are not passed. These validation criteria are published in advance of each quarter end. Specific "Guidelines for Resolving Edits" are available on the FFIEC's website (http://www.ffiec.gov/find/documents/resolvingedits.pdf).

In order to submit their completed reports to the CDR, banks (or third parties with whom they have made submission arrangements) must use software that meets the technical specifications for producing files that are able to be processed by the CDR. (These technical specifications are available on the FFIEC's website.) Vendors whose software has been successfully tested with regard to this ability are listed in each quarter's Financial Institution Letter for the Call Report. Alternatively, banks may develop their own reporting software and test directly with the CDR.

INSERT C

Electronic Signatures

Electronic signatures may be used instead of physical (ink) signatures, provided the institution's electronic signature process satisfies the following principles:

- Form of signature: May be an image of the signer's physical signature or application of an electronic signature. The electronic signature can be applied through various means, including clicking a box or entering a Personal Identification Number (PIN).
- Intent to sign: The institution's appropriate officer or director must intend to sign the Call Report as the attestation that it is prepared in accordance with the instructions and is true and correct, as stated on the signature page of the Call Report. This intent and capacity must be included as part of the electronic signature process by using an electronic version of the relevant attestation text on the Call Report signature page.
- Association of signature: The electronic signature process must associate the signature with a full version of the bank's Call Report. This association can be made by using a process that appends the signature data to the record signed, or which establishes a database-type link between the signature data and the record signed. The bank must include the date of signing as part of the signature process to validate that the electronic signature occurred prior to Call Report submission.
- Identification and authentication of signer: The bank must use a reliable information technology system identification and authentication method or process that associates access to and execution of the electronic signature transaction with the identity of the signer, such as requiring the institution's officer or director to log into the institution's systems to verify identity.
- Integrity of the signed record: An institution must have sufficient data security and data integrity practices to ensure that the Call Report with electronic signature is safely stored, readily retrievable, and cannot be lost or altered. The Call Report with electronic signature must be retained for the same timeframe as if it were a paper Call Report.

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Part I. (cont.)

Item No.	**Caption and Instructions**
2 (cont.)	(6) Loans to brokers and dealers in securities, investment companies, and mutual funds (report as ~~loans for purchasing or carrying securities~~ “Loans to nondepository financial institutions” in Schedule RC-C, ~~p~~Part I, item 9.a~~b~~).
	(7) Loans to Small Business Investment Companies (report in Schedule RC-C, part I, item 9.a, “Loans to nondepository financial institutions”).
	(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, including margin loans (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 Schedule RC-C, part I, item 9.b).
	(9) Loans to federally-sponsored lending agencies (report in Schedule RC-C, part I, item 9.a, “Loans to nondepository financial institutions”). Refer to the Glossary entry for "federally-sponsored lending agency" for the definition of this term.
	(10) Dollar exchange acceptances created by foreign governments and official institutions (report in Schedule RC-C, part I, item 7, on the FFIEC 031; Schedule RC-C, part I, item 9.b, on the FFIEC 041).
	(11) Loans to foreign governments and official institutions, including foreign central banks (report in Schedule RC-C, part I, item 7, on the FFIEC 031; Schedule RC-C, part I, item 9.b, on the FFIEC 041). See the Glossary entry for "foreign governments and official institutions" for the definition of this term.
	(12) Acceptances accepted by the reporting bank, discounted, and held in its portfolio, when the account party is not another depository institution. Report such acceptances in other items of Schedule RC-C, part I, according to the account party.

NOTE: Items 2.a is not applicable to banks filing the FFIEC 041 report forms that have less than $300 million in total assets.

2.a	**To commercial banks in the U.S.** On the FFIEC 041, report all loans to and acceptances of other commercial banks in the U.S. On the FFIEC 031, report the total amount of all loans to and acceptances of other commercial banks in the U.S. held in domestic offices in column B, and a breakdown of these loans and acceptances for the fully consolidated bank between those to U.S. branches and agencies of foreign banks and those to other commercial banks in the U.S. in the appropriate subitems of column A. Refer to the instruction to Schedule RC-C, part I, item 2, above, and to the Glossary entry for "banks, U.S. and foreign" for further discussion of the term "commercial banks in the U.S." Exclude from Schedule RC-C, part I, item 2.a, loans to other domestic depository institutions such as savings banks, savings and loan associations, and credit unions (report in Schedule RC-C, part I, item 2.b, below).

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Part I. (cont.)

Item No. **Caption and Instructions**

4 (cont.)

(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 do not meet the definition of a "loan 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 Schedule RC-C, part I, item 9, 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.

(13) Overnight lending for commercial and industrial purposes.

Exclude from commercial and industrial loans:

(1) Loans that meet the definition of a "loan secured by real estate," even if for commercial and industrial purposes (report in Schedule RC-C, part I, item 1).

(2) Loans to depository institutions (report in Schedule RC-C, part I, item 2).

(3) Loans to nondepository financial institutions such as real estate investment trusts, mortgage companies, and insurance companies (report in Schedule RC-C, part I, item 9.a).

(4) Loans for the purpose of purchasing or carrying securities, including margin loans (report in Schedule RC-C, part I, item 9.b).

(5) Loans for the purpose of financing agricultural production, whether made to farmers or to nonagricultural businesses (report in Schedule RC-C, part I, item 3).

(6) Loans to nonprofit organizations, such as hospitals or educational institutions (report as all other loans in Schedule RC-C, part I, item 9), except those for which oil or mining production payments serve as collateral which are to be reported in this item.

Part I. (cont.)

Item No. Caption and Instructions

6.d (cont.)

(1) purchases of household appliances, furniture, trailers, and boats;
(2) repairs or improvements to the borrower's residence (that do not meet the definition of a "loan secured by real estate");
(3) educational expenses, including student loans;
(4) medical expenses;
(5) personal taxes;
(6) vacations;
(7) consolidation of personal (nonbusiness) debts;
(8) purchases of real estate or mobile homes to be used as a residence by the borrower's family (that do not meet the definition of a "loan secured by real estate"); and
(9) other personal expenditures.

Other consumer loans may take the form of:

(1) Installment loans, demand loans, single payment time loans, and hire purchase contracts (for purposes other than retail sales of passenger cars and other vehicles such as minivans, vans, sport-utility vehicles, pickup trucks, and similar light trucks for personal use), and should be reported as loans to individuals for household, family, and other personal expenditures regardless of size or maturity and regardless of whether the loans are made by the consumer loan department or by any other department of the bank.

(2) Retail installment sales paper purchased by the bank from merchants or dealers (other than dealers of passenger cars and other vehicles such as minivans, vans, sport-utility vehicles, pickup trucks, and similar light trucks), finance companies, and others.

Exclude from other consumer loans:

(1) All direct and purchased loans, regardless of purpose, that meet the definition of a loan 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 (report in Schedule RC-C, part I, item 1).

(2) Loans to individuals that do not meet the definition of a "loan secured by real estate" for the purpose of investing in real estate when the real estate is not to be used as a residence or vacation home by the borrower or by members of the borrower's family (report as all other loans in Schedule RC-C, part I, item 9.b).

(3) Loans to individuals for commercial, industrial, and professional purposes and for "floor plan" or other wholesale financing (report in Schedule RC-C, part I, item 4).

(4) Loans to individuals for the purpose of purchasing or carrying securities, including margin loans (report in Schedule RC-C, part I, item 9.b or 9.b.(1), as appropriate).

(5) Loans to individuals for investment (as distinct from commercial, industrial, or professional) purposes other than those for purchasing or carrying securities (report as all other loans in Schedule RC-C, part I, item 9.b or 9.b.(1), as appropriate).

(6) Loans to merchants, automobile dealers, and finance companies on their own promissory notes, secured by the pledge of installment paper or similar instruments (report in Schedule RC-C, part I, item 4, or as loans to nondepository financial institutions in Schedule RC-C, part I, item 9.a, as appropriate).

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Part I. (cont.)

Item No. Caption and Instructions

and

9 **Loans to nondepository financial institutions and other loans.** Report loans to nondepository financial institutions~~,~~ loans for purchasing or carrying securities, including margin loans, as described below. Also, include in this item ~~and~~ all other loans that cannot properly be reported in one of the preceding items in this schedule.

On the FFIEC 041, all ~~banks~~ institutions should report in the appropriate subitem of column B loans to nondepository financial institutions (item 9.a) and other loans (item 9.b); institutions~~banks~~ with $300 million or more in total assets should also report in the appropriate subitem of column A loans for purchasing or carrying securities, including margin loans (item 9.b.(1)) and all other loans (item 9.b.(2)).

On the FFIEC 031, all ~~banks~~institutions should report ~~the total amount of these loans for the fully consolidated bank in column A, but with~~ a breakdown between loans to nondepository financial institutions (item 9.a), loans for purchasing or carrying securities, including margin loans (item 9.b.(1)), and all other loans (item 9.b.(2)) for the fully consolidated bank and for domestic offices in columns A and B, respectively.

9.a Loans to nondepository financial institutions. Report loans to nondepository financial institutions on the FFIEC 031 (columns A and B) and FFIEC 041 (column B), as defined below. For institutions with $10 billion or more in total assets, the amounts reported in this item must equal Schedule RC-C, Part I, sum of Memorandum items 10.a through 10.e, columns A and B, respectively.~~include:~~

INSERT D

~~(1) Loans (other than those that meet the definition of a "loan secured by real estate") to real estate investment trusts and to mortgage companies that specialize in mortgage loan originations and warehousing or in mortgage loan servicing. (Exclude outright purchases of mortgages or similar instruments by the bank from such companies, which – unless held for trading – are to be reported in Schedule RC-C, part I, item 1.)~~

~~(2) Loans to holding companies of other depository institutions.~~

~~(3) Loans to insurance companies.~~

~~(4) Loans to finance companies, mortgage finance companies, factors and other financial intermediaries, short-term business credit institutions that extend credit to finance inventories or carry accounts receivable, and institutions whose functions are predominantly to finance personal expenditures (exclude 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).~~

~~(5) Loans to federally-sponsored lending agencies (see the Glossary entry for "federally-sponsored lending agency" for the definition of this term).~~

~~(6) Loans to investment banks.~~

~~(7) Loans and advances made to the bank's own trust department.~~

~~(8) Loans to other domestic and foreign financial intermediaries whose functions are predominantly the extending of credit for business purposes, such as investment companies that hold stock of operating companies for management or development purposes.~~

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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. Report in RC-C, Memorandum item 10.a, if applicable.

(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. Report in RC-C, Memorandum item 10.b, if applicable.

(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. Report in RC-C, Memorandum item 10.c, if applicable.

(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. Report in RC-C, Memorandum item 10.d, if applicable.

(5) **Other loans to nondepository financial institutions**. Other NDFI loans include, but are not limited to, the following (report in RC-C, Memorandum item 10.e, if applicable):

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- Loans to holding companies of other depository institutions.
- Loans to insurance companies.
- Loans to federally-sponsored lending agencies (see the Glossary entry for "Federally-Sponsored Lending Agency" for the definition of this term).
- Loans to investment banks and brokers-dealers. Exclude loans that meet the definition of a "loan secured by real estate" (Report in Schedule RC-C, Part I, item 1) and loans that meet the definition of “loans for purchasing or carrying securities, including margin loans" (Report in Schedule RC-C, Part I, item 9.b.1).
- Loans and advances made to the bank's own trust department.
- Loans to publicly-listed investment funds, such as money market funds, mutual funds (both open and closed-end), index funds, and exchange-traded funds.
- Loans to private capital funds, including private equity and private debt funds.
- Loans to hedge funds.
- Loans to pension funds, endowments, family offices and sovereign wealth funds.
- Loans to securitization vehicles.
- Loans to other investment firms and financial vehicles.

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~~(9) Loans to Small Business Investment Companies.~~

Note: Item 9.b is not applicable to institutions filing the FFIEC 031 report form.

9.b **Other loans**. On the FFIEC 041, column B, report all other loans that cannot properly be reported in one of the preceding items in this schedule. ~~i~~Include ~~(1)~~ loans for purchasing or carrying securities, including margin loans, and ~~(2)~~ all other loans, as described below.

NOTE: Items 9.b.(1) and 9.b.(2) are not applicable to institutions filing the FFIEC 041 report form that have less than $300 million in total assets.

9.b.(1) **Loans for purchasing or carrying securities, including margin loans.** Report (on the FFIEC 041, in column A; on the FFIEC 031, for the fully consolidated bank in column A and for domestic offices in column B, as appropriate) all loans for purchasing or carrying securities, including margin loans, as described below.

~~i~~Include:

~~(1) All loans to brokers and dealers in securities (other than those that meet the definition of a "loan secured by real estate" and those to depository institutions).~~

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Part I. (cont.)

Item No. **Caption and Instructions**

9.b.(1) (cont.)

(~~2~~1)All loans, whether secured (other than those that meet the definition of a "loan secured by real estate") or unsecured, to any other borrower for the purpose of purchasing or carrying securities, 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;
~~(d) Loans to investment companies and mutual funds, but excluding loans to Small Business Investment Companies;~~
(~~e~~d)Loans to "plan lenders" as defined in Section 221.4(a) of Federal Reserve Regulation U; and
(~~f~~e) Loans to Employee Stock Ownership Plans (ESOPs);

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 Consolidated Report of Condition, 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.

(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".

Exclude from loans for purchasing or carrying securities, including margin loans:

(1) Loans to banks in foreign countries that act as brokers and dealers in securities (report in Schedule RC-C, part I, item 2).

(2) Loans to depository institutions for the purpose of purchasing or carrying securities (report Schedule RC-C, part I, item 2).

(3) Transactions reportable in Schedule RC, item 3, "Federal funds sold and securities purchased under agreements to resell."

(4) Loans that meet the definition of a "loan secured by real estate" (report in Schedule RC-C, part I, item 1).

9.b.2 **All other loans.** Report (on the FFIEC 041, in column A; on the FFIEC 031, for the fully consolidated bank in column A and for domestic offices in column B, as approporiate), all other loans as described below.

~~i~~Include all loans and discounts (other than loans to nondepository financial institutions and loans for purchasing or carrying securities) that cannot properly be reported in one of the preceding items in Schedule RC-C, part I, such as:

(1) Unplanned overdrafts to deposit accounts (except overdrafts of depository institutions, which are to be reported in Schedule RC-C, part I, item 2; overdrafts of states and political subdivisions in the U.S., which are to be reported in Schedule RC-C, part I, item 8; and, on the FFIEC 031 only, overdrafts of foreign governments and official institutions, which are to be reported in Schedule RC-C, part I, item 7).

(2) Loans (other than those that meet the definition of a "loan 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 (which are to be reported in Schedule RC-C, part I, item 4).

(3) Loans to individuals for investment purposes (as distinct from commercial, industrial, or professional purposes), other than those that meet the definition of a "loan secured by real estate."

(4) On the FFIEC 041, loans to foreign governments, their official institutions, and international and regional institutions, other than those that meet the definition of a "loan secured by real estate".

(5) On the FFIEC 041, 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 (except acceptances held for trading, which are to be reported in Schedule RC, item 5).

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 such planned overdrafts in other items of Schedule RC-C, part I, as appropriate). For example, report advances to banks in foreign countries in the form of "advance agreement" overdrafts as loans to depository institutions in Schedule RC-C, part I, item 2, and overdrafts under consumer check-credit plans as "Other revolving credit plans" to individuals in Schedule RC-C, part I, item 6.b. Report both planned and unplanned overdrafts on "due to" deposit accounts of depository institutions in Schedule RC-C, part I, item 2.

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Part I. (cont.)

Item No. Caption and Instructions

~~**9.a** **Loans to nondepository financial institutions.** Report in column B all loans to nondepository financial institutions (on the FFIEC 031, in domestic offices) as described above.~~

~~NOTE: Item 9.b is not applicable to banks filing the FFIEC 031 report forms.~~

~~**9.b** **Other loans.** On the FFIEC 041, report in column B other loans as described above.~~

~~NOTE: Items 9.b.(1) and 9.b.(2) are not applicable to banks filing the FFIEC 041 report forms that have less than $300 million in total assets.~~

~~**9.b.(1)** **Loans for purchasing or carrying securities.** Report (on the FFIEC 041, in column A; on the FFIEC 031, in column B) all loans for purchasing or carrying securities (on the FFIEC 031, in domestic offices) as described above.~~

~~**9.b.(2)** **All other loans.** Report (on the FFIEC 041, in column A; on the FFIEC 031, in column B) all other loans (on the FFIEC 031, in domestic offices) as described above.~~

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Part I. (cont.)

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Item No. Caption and Instructions

2.c (cont.) Memorandum item 2.c only if they have a remaining maturity of one year or less, i.e., without regard to the delivery date specified in the commitment.

The fixed rate loans and leases that should be included in this item will also have been reported by remaining maturity in Schedule RC-C, part I, Memorandum items 2.a.(1), 2.a.(2), 2.b.(1), and 2.b.(2), above. The floating rate loans that should be included in this item will have been reported by next repricing date in Memorandum items 2.a.(1), 2.a.(2), 2.b.(1), and 2.b.(2), above. However, these four Memorandum items may include floating rate loans with a remaining maturity of more than one year, but on which the interest rate can next change in one year or less; those loans should not be included in this Memorandum item 2.c.

3 **Loans to finance commercial real estate, construction, and land development activities (not secured by real estate) included in Schedule RC-C, part I, items 4 and 9.** Report in this item loans to finance commercial and residential real estate activities, e.g., acquiring, developing, and renovating commercial and residential real estate, that are reported in Schedule RC-C, ~~p~~Part I, item~~s~~ 4, "Commercial and industrial loans," item 9.a, "Loans to nondepository financial institutions," and item 9.b, "Other loans" (column B on the FFIEC 041; column A on the FFIEC 031).

Such loans generally may include:

(1) loans made for the express purpose of financing real estate ventures as evidenced by loan documentation or other circumstances connected with the loan; or

(2) loans made to organizations or individuals 80 percent of whose revenue or assets are derived from or consist of real estate ventures or holdings.

Exclude from this item all loans secured by real estate that are reported in Schedule RC-C, part I, item 1. Also exclude loans to commercial and industrial firms where the sole purpose for the loan is to construct a factory or office building to house the company's operations or employees.

4 **Adjustable rate closed-end loans secured by first liens on 1-4 family residential properties.** Report the amount of closed-end loans secured by first liens on 1-4 family residential properties (in domestic offices) included in Schedule RC-C, part I, item 1.c.(2)(a), column B, that have a floating or adjustable interest rate.

A floating or adjustable rate is a rate that varies, or can vary, in relation to an index, to some other interest rate such as the rate on certain U.S. Government securities, or to some other variable criterion the exact value of which cannot be known in advance. Therefore, the exact rate the loan carries at any subsequent time cannot be known at the time of origination. For purposes of this item, even if the rate on a loan with a floating or adjustable rate can no longer float because it has reached a floor or ceiling level, the loan is to be reported in this item as an adjustable rate loan.

Also include in this item amortizing fixed rate loans secured by first liens on 1-4 family residential properties that have original maturities of one year or less and require a balloon payment at maturity.

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Part I. (cont.)

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Item No. Caption and Instructions

NOTE: Memorandum items 8.b and 8.c are to be completed semiannually in the June and December reports only by banks that had closed-end loans with negative amortization features secured by 1-4 family residential properties (as reported in Schedule RC-C, part I, Memorandum item 8.a) as of the previous December 31 report date that exceeded the lesser of $100 million or 5 percent of total loans and leases held for investment and held for sale in domestic offices (as reported in Schedule RC-C, part I, item 12, column B) as of the previous December 31 report date.

8.b **Total maximum remaining amount of negative amortization contractually permitted on closed-end loans secured by 1-4 family residential properties.** For all closed-end loans secured by 1-4 family residential properties whose terms allow for negative amortization (that were reported in Schedule RC-C, part I, Memorandum item 8.a), report the total maximum remaining amount of negative amortization permitted under the terms of the loan contract (i.e., the maximum loan principal balance permitted under the negative amortization cap less the principal balance of the loan as of the quarter-end report date).

8.c **Total amount of negative amortization on closed-end loans secured by 1-4 family residential properties included in the amount reported in Memorandum item 8.a above.** For all closed-end loans secured by 1-4 family residential properties whose terms allow for negative amortization, report the total amount of negative amortization included in the amount (i.e., the total amount of interest added to the original loan principal balance that has not yet been repaid) reported in Schedule RC-C, part I, Memorandum item 8.a above. Once a loan reaches its maximum principal balance, the amount of negative amortization included in the amount should continue to be reported until the principal balance of the loan has been reduced through cash payments below the original principal balance of the loan.

9 **Loans secured by 1-4 family residential properties (in domestic offices) in process of foreclosure.** Report the total unpaid principal balance of loans secured by 1-4 family residential properties (in domestic offices) included in Schedule RC-C, part I, item 1.c, column B, for which formal foreclosure proceedings to seize the real estate collateral have started and are ongoing as of quarter-end, regardless of the date the foreclosure procedure was initiated. Loans should be classified as in process of foreclosure according to local requirements. If a loan is already in process of foreclosure and the mortgagor files a bankruptcy petition, the loan should continue to be reported as in process of foreclosure until the bankruptcy is resolved. Exclude loans where the foreclosure process has been completed and the bank reports the real estate collateral as "Other real estate owned" in Schedule RC, item 7. This item should include both closed-end and open-end 1-4 family residential mortgage loans that are in process of foreclosure.

10 **Insert E**

-11 Not applicable.

NOTE: Memorandum items 12.a through 12.d are to be completed semiannually in the June and December reports only.

12 **Loans (not considered purchased credit-deteriorated) and leases held for investment that were acquired in business combinations with acquisition dates in the current calendar year.** Report in the appropriate subitem and column the specified information on loans and leases held for investment purposes that were acquired in a business combination, as prescribed under ASC Topic 805, Business Combinations, with an acquisition date in the current calendar year.

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Insert E

Part I. (cont.)

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Item No. **Caption and Instructions**

Note: Memorandum items 10.a through 10.e are to be completed by institutions with $10 billion or more in total assets.

10 **Loans to nondepository financial institutions.** The sum of Memorandum items 10.a through 10.e must equal the amounts reported on Schedule RC-C, Part I, item 9.a, column A and column B, respectively.

10.a **Loans to mortgage credit intermediaries.** Report all loans to mortgage credit intermediaries (as defined for Schedule RC-C, Part I, item 9.a).

10.b **Loans to business credit intermediaries.** Report all loans to business credit intermediaries, as defined for Schedule RC-C, Part I, item 9.a).

10.c **Loans to private equity funds.** Report all loans to private equity funds, as defined for Schedule RC-C, Part I, item 9.a.

10.d **Loans to consumer credit intermediaries.** Report all loans to consumer credit intermediaries, as defined for Schedule RC-C, Part I, item 9.a.

10.e **Other loans to nondepository financial institutions.** Report all other loans to nondepository financial institutions, as defined for Schedule RC-C, Part I, item 9.a, that are not included in Memorandum items 10.a through 10.d, above.

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Item No.	Caption and Instructions
1.c.(2) (cont.)	Exclude from this item all commitments that, when funded, would be reportable as "Loans secured by real estate" in Schedule RC-C, part I, item 1. Also exclude commitments made to commercial and industrial firms where the sole purpose for the financing is to construct a factory or office building to house the company's operations or employees.
1.d	**Securities underwriting.** Report the unsold portion of the reporting bank's own takedown in securities underwriting transactions. Include note issuance facilities (NIFs) and revolving underwriting facilities (RUFs) in this item.
1.e	**Other unused commitments.** Report in the appropriate subitem the unused portion of all commercial and industrial loan commitments, commitments for loans to financial institutions, and all other commitments not reportable in Schedule RC-L, items 1.a through 1.d., above. Include commitments to extend credit through overdraft facilities or commercial lines of credit, retail check credit and related plans, and those overdraft protection programs in which the bank advises account holders of the available amount of protection.
1.e.(1)	**Commercial and industrial loans.** Report the unused portions of commitments to extend credit for commercial and industrial purposes, i.e., commitments that, when funded, would be reportable as commercial and industrial loans in Schedule RC-C, part I, item 4, “Commercial and industrial loans." Exclude unused credit card lines to commercial and industrial enterprises (report in Schedule RC-L, item 1.b, and, if applicable, item 1.b.(2), above).
1.e.(2)	**Loans to depository financial institutions.** Report the unused portions of commitments to extend credit to depository financial institutions, i.e., commitments that, when funded, would be reportable ~~either~~ as loans ~~to depository institutions~~ in Schedule RC-C, ~~p~~Part I, item 2, “Loans to depository institutions and acceptances of other banks~~,~~." ~~or as loans to nondepository financial institutions in Schedule RC-C, part I, item 9.a, “Loans to nondepository financial institutions.~~”
1.e.(3)	**Loans to nondepository financial institutions.** Report the unused portions of commitments to extend credit to nondepository financial institutions, i.e., commitments that, when funded, would be reportable as loans in Schedule RC-C, Part I, item 9.a, “Loans to nondepository financial institutions.” For banks with $10 billion or more in total assets, this item must equal Schedule RC-L, sum of items 1.e.(3)(a) through 1.e.(3)(e), below.

Note: Items 1.e.(3)(a) through 1.e.(3)(e) are to be completed by banks with $10 billion or more in total assets.

1.e.(3)(a)	**Loans to mortgage credit intermediaries.** Report the unused portions of commitments to extend credit to mortgage intermediaries, i.e., commitments that, when funded, would be reportable as loans in Schedule RC-C, Part I, Memorandum item 10.a, “Loans to mortgage credit intermediaries."
1.e.(3)(b)	**Loans to business credit intermediaries.** Report the unused portions of commitments to extend credit to business credit intermediaries, i.e., commitments that, when funded, would be reportable as loans in Schedule RC-C, Part I, Memorandum item 10.b, “Loans to business credit intermediaries."

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Item No. Caption and Instructions

1.e.(3)(c) **Loans to private equity funds.** Report the unused portions of commitments to extend credit to private equity funds, i.e., commitments that, when funded, would be reportable as loans in Schedule RC-C, Part I, Memorandum item 10.c, "Loans to private equity funds."

1.e.(3)(d) **Loans to consumer credit intermediaries.** Report the unused portions of commitments to extend credit to consumer credit intermediaries, i.e., commitments that, when funded, would be reportable as loans in Schedule RC-C, Part I, Memorandum item 10.d, "Loans to consumer credit intermediaries."

1.e.(3)(e) **Other loans to nondepository financial institutions.** Report the unused portions of commitments to extend credit to other nondepository financial institutions, i.e., commitments that, when funded, would be reportable as loans in Schedule RC-C, Part I, Memorandum item 10.e, "Other loans to nondepository financial institutions."

1.e.(4~~3~~) **All other unused commitments.** Report the unused portions of commitments not reportable in Schedule RC-L, items 1.a through 1.e.(~~2~~3), above.

Include commitments to extend credit secured by 1-4 family residential properties, except (a) revolving, open-end lines of credit secured by 1-4 family residential properties (e.g., home equity lines), which should be reported in Schedule RC-L, item 1.a, above, (b) commitments for 1-4 family residential construction and land development loans (that are secured by such properties), which should be reported in Schedule RC-L, item 1.c.(1), above, and (c) commitments that meet the definition of a derivative and must be accounted for in accordance with ASC Topic 815, Derivatives and Hedging (formerly FASB Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended), which should be reported in Schedule RC-L, item 12.

2 and 3 **General Instructions for Standby Letters of Credit** – Originating banks must report in items 2 and 3 the full amount outstanding and unused of financial and performance standby letters of credit, respectively. Include those standby letters of credit that are collateralized by cash on deposit, that have been acquired from others, and in which participations have been conveyed to others where (a) the originating and issuing bank is obligated to pay the full amount of any draft drawn under the terms of the standby letter of credit and (b) the participating banks have an obligation to partially or wholly reimburse the originating bank, either directly in cash or through a participation in a loan to the account party.

For syndicated standby letters of credit where each bank has a direct obligation to the beneficiary, each bank must report only its share in the syndication. Similarly, if several banks participate in the issuance of a standby letter of credit under a bona fide binding agreement which provides that (a) regardless of any event, each participant shall be liable only up to a certain percentage or to a certain amount and (b) the beneficiary is advised and has agreed that each participating bank is only liable for a certain portion of the entire amount, each bank shall report only its proportional share of the total standby letter of credit.

For a financial or performance standby letter of credit that is in turn backed by a financial standby letter of credit issued by another bank, each bank must report the entire amount of the standby letter of credit it has issued in either item 2 or item 3 below, as appropriate. The amount of the reporting bank's financial or performance standby letter of credit that is backed by the other bank's financial standby letter of credit must also be reported in either item 2.a or 3.a, as appropriate, since the backing of standby letters of credit has substantially the same effect as the conveying of participations in standby letters of credit.

On the FFIEC 031, also include all financial and performance guarantees issued by foreign offices of the reporting bank pursuant to Federal Reserve Regulation K or

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Item No. **Caption and Instructions**

NOTE: Memorandum item 6 is not applicable to banks filing the FFIEC 041 report form.

6 **Derivative contracts: Fair value of amounts carried as assets.** Report in the appropriate column the fair value of all credit derivative contracts (as defined for Schedule RC-L, item 7) and all interest rate, foreign exchange rate, equity, and commodity and other derivative contracts (as defined for Schedule RC-L, item 12) on which a required payment by the bank's counterparty is past due 30 days or more as of the report date.

NOTE: Memorandum items 7 and 8 are to be completed semiannually in the June and December reports only.

7 **Additions to nonaccrual assets during the previous six months.** Report the aggregate amount of all loans, leases, debt securities, and other assets (net of unearned income) that have been placed in nonaccrual status during the six months ending on the semiannual (i.e., June 30 or December 31) report date for this item. Include those assets placed in nonaccrual status during this six month period that are included as of the current report date in Schedule RC-N, column C, items 1 through 8 and 10. Also include those assets placed in nonaccrual status during this six month period that, before the current semiannual report date for this item, have been sold, paid off, charged-off, settled through foreclosure or concession of collateral (or any other disposition of the nonaccrual asset) or have been returned to accrual status. In other words, the aggregate amount of assets placed in nonaccrual status since the prior semiannual report date that should be reported in this item should not be reduced, for example, by any charge-offs or sales of such nonaccrual assets. If a given asset is placed in nonaccrual status more than once during the six month period ending on the current semiannual report date, report the amount of the asset only once.

8 **Nonaccrual assets sold during the previous six months.** Report the total of the outstanding balances of all loans, leases, debt securities, and other assets held in nonaccrual status (i.e., reportable in Schedule RC-N, column C, items 1 through 8 and 10) that were sold during the six months ending on the semiannual (i.e., June 30 or December 31) report date for this item. The amount to be included in this item is the outstanding balance (net of unearned income) of each nonaccrual asset at the time of its sale. Do not report the sales price of the nonaccrual assets and do not include any gains or losses from the sale. For purposes of this item, only include those transfers of nonaccrual assets that meet the criteria for a sale as set forth in ASC Topic 860, Transfers and Servicing (formerly FASB Statement No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities," as amended). For further information, see the Glossary entry for "transfers of financial assets."

9 ~~Not applicable~~ **Loans to nondepository financial institutions included in Schedule RC-N, item 7.** Report in the appropriate column the amount of all loans to nondepository financial institutions included in Schedule RC-C, Part I, item 9.a, that are past due 30 days or more or are in nonaccrual status as of the report date. Such loans will have been included in Schedule RC-N, item 7.

Item No. **Caption and Instructions**

4.b.(2) **Collateralized by MBS issued or guaranteed by U.S. Government agencies or sponsored agencies.** Report in the appropriate columns the amortized cost and fair value of all classes of CMOs, REMICs, CMO and REMIC residuals, and stripped mortgage-backed securities issued by non-U.S. Government issuers (e.g., other depository institutions, insurance companies, state and local housing authorities in the U.S.) for which the collateral consists of GNMA (Ginnie Mae) residential pass-through securities, FNMA (Fannie Mae) residential pass-through securities, FHLMC (Freddie Mac) residential participation certificates, or other residential mortgage-backed securities (i.e., classes of CMOs or REMICs, CMO or REMIC residuals, and stripped mortgage-backed securities) issued or guaranteed by U.S. Government agencies or U.S. Government-sponsored agencies.

4.b.(3) **All other residential MBS.** Report in the appropriate columns the amortized cost and fair value of all CMOs, REMICs, CMO and REMIC residuals, stripped mortgage-backed securities, and commercial paper backed by loans secured by 1-4 family residential properties (or by securities collateralized by such loans) that have been issued by non-U.S. Government issuers (e.g., other depository institutions, insurance companies, state and local housing authorities in the U.S.) for which the collateral does not consist of GNMA (Ginnie Mae) residential pass-through securities, FNMA (Fannie Mae) residential pass-through securities, FHLMC (Freddie Mac) residential participation certificates, or other residential mortgage-backed securities (i.e., classes of CMOs or REMICs, CMO or REMIC residuals, and stripped mortgage-backed securities) issued or guaranteed by U.S. Government agencies or U.S. Government-sponsored agencies.

4.c **Commercial MBS.** Report in the appropriate columns of the appropriate subitems the amortized cost and fair value of all holdings of commercial mortgage-backed securities issued by U.S. Government-sponsored agencies or by others that are not held for trading. In general, a commercial mortgage-backed security represents an interest in a pool of loans secured by properties other than 1-4 family residential properties.

4.c.(1) **Commercial mortgage pass-through securities.** Report in the appropriate columns of the appropriate subitems the amortized cost and fair value of all holdings of commercial mortgage pass-through securities. In general, a commercial mortgage pass-through security represents an undivided interest in a pool of loans secured by properties other than 1-4 family residential properties that provides the holder with a pro rata share of all principal and interest payments on the mortgages in the pool.

4.c.(1)(a) **Issued or guaranteed by FNMA, FHLMC, or GNMA.** Report in the appropriate columns the amortized cost and fair value of all holdings of commercial mortgage pass-through securities issued by the Federal National Mortgage Association (FNMA) or the Federal Home Loan Mortgage Corporation (FHLMC) or guaranteed by the Government National Mortgage Association (GNMA). Also include commercial mortgage pass-through securities guaranteed by the Small Business Administration.

Exclude from the amounts reported in this item the structured financial products that are reported in item 5.b. For example, securitizations that involve more than one trust to structure principal and interest cash flows to investors or that are collateralized by debt instruments, such as FHLMC K-deals and Q-deals and similar securitizations, should be reported in item 5.b.

4.c.(1)(b) **Other pass-through securities.** Report in the appropriate columns the amortized cost and fair value of all holdings of commercial mortgage pass-through securities issued or guaranteed by non-U.S. Government issuers.

4.c.(2) **Other commercial mortgage-backed securities.** Report in the appropriate columns of the appropriate subitems the amortized cost and fair value of all CMOs, REMICs, CMO and REMIC residuals, stripped mortgage-backed securities, and commercial paper backed by

Item No. **Caption and Instructions**

4.c.(2)(a) **Issued or guaranteed by U.S. Government agencies or sponsored agencies.** Report in the appropriate columns the amortized cost and fair value of all CMOs, REMICs, CMO and REMIC residuals, stripped mortgage-backed securities, and commercial paper backed by loans, or securities secured by properties other than 1-4 family residential properties that have been issued by U.S. Government agencies or U.S. Government-sponsored agencies.

U.S. Government agencies include, but are not limited to, such agencies as the Government National Mortgage Association (GNMA), the Federal Deposit Insurance Corporation (FDIC), and the National Credit Union Administration (NCUA). U.S. Government-sponsored agencies include, but are not limited to, such agencies as the Federal Home Loan Mortgage Corporation (FHLMC) and the Federal National Mortgage Association (FNMA).

4.c.(2)(b) **All other commercial MBS.** Report in the appropriate columns the amortized cost and fair value of all CMOs, REMICs, CMO and REMIC residuals, stripped mortgage-backed securities, and commercial paper backed by loans secured by properties other than 1-4 family residential properties that have been issued or guaranteed by non-U.S. Government issuers.

5 **Asset-backed securities and structured financial products:**

5.a **Asset-backed securities.** Report in the appropriate columns the amortized cost and fair value of all asset-backed securities (other than mortgage-backed securities), including asset-backed commercial paper, not held for trading. Include asset-backed securities issued by non-U.S. issuers. For banks with $10 billion or more in total assets, this item must equal Schedule RC-B, sum of Memorandum items 5.a through 5.f.

5.b **Structured financial products.** Report in the appropriate columns the amortized cost and fair value of all structured financial products not held for trading. Include cash, synthetic, and hybrid instruments, including those issued by non-U.S. issuers. For banks with $10 billion or more in total assets, this item must equal Schedule RC-B, sum of Memorandum items 6.a through 6.g.

Structured financial products generally convert a pool of assets (such as whole loans, securitized assets, bonds, and similar instruments) and other exposures (such as derivatives) into products that are tradable capital market debt instruments. Some of the more complex financial product structures mix asset classes in order to create investment products that diversify risk.

(1) A cash instrument means that the instrument represents a claim against a reference pool of assets.

(2) A synthetic instrument means that the investors do not have a claim against a reference pool of assets; rather, the originating bank merely transfers the inherent credit risk of the reference pool of assets by such means as a credit default swap, a total return swap, or another arrangement in which the counterparty agrees upon specific contractual covenants to cover a predetermined amount of losses in the loan pool.

(3) A hybrid instrument means that the instrument is a mix of both cash and synthetic instruments.

One of the more common cash instrument structured financial products is referred to as a collateralized debt obligation (CDO). For example, include in this item investments in CDOs for which the underlying collateral is a pool of trust preferred securities issued by U.S. business trusts organized by financial institutions or real estate investment trusts. However, exclude from this item investments in trust preferred securities issued by a single U.S. business trust (report in Schedule RC-B, item 6.a, “Other domestic debt securities”).

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5.b (cont.) Examples of other products to be reported in this item include synthetic structured financial products (such as synthetic CDOs) that use credit derivatives and a reference pool of assets, hybrid structured products that mix cash and synthetic instruments, collateralized loan obligations (CLOs), collateralized bond obligations (CBOs), resecuritizations such as CDOs squared or cubed (which are CDOs backed primarily by the tranches of other CDOs), and other similar structured financial products. Also include in this item structured financial products that are securitizations involving more than one trust to structure principal and interest cash flows to investors or that are collateralized by debt instruments and are guaranteed by U.S. government agencies such as FHLMC K-Deals and Q-Deals (report, if applicable, in Schedule RC-B, Memorandum item 6.g, “Other collateral or reference assets,” below).

Exclude from structured financial products:

(1) Mortgage-backed pass-through securities (report in Schedule RC-B, item 4, above).

(2) Collateralized mortgage obligations (CMOs), real estate mortgage investment conduits (REMICs), CMO and REMIC residuals, stripped mortgage-backed securities, and mortgage-backed commercial paper (report in Schedule RC-B, item 4, above).

(3) Asset-backed commercial paper not held for trading (report in Schedule RC-B, item 5.a, above).

(4) Asset-backed securities that are primarily secured by one type of asset (report in Schedule RC-B, item 5.a, above).

(5) Securities backed by loans that are commonly regarded as asset-backed securities rather than collateralized loan obligations in the marketplace (report in Schedule RC-B, item 5.a, above).

(6) Pass-thru securities issued or guaranteed by FNMA, FHLMC, or GNMA (report in Schedule RC-B, item 4.c.(1)(a), above)

6 **Other debt securities.** Report in the appropriate columns of the appropriate subitems the amortized cost and fair value of all debt securities not held for trading that cannot properly be reported in Schedule RC-B, items 1 through 5, above.

Exclude from other debt securities:

(1) All holdings of certificates of participation in pools of residential mortgages, collateralized mortgage obligations (CMOs), real estate mortgage investment conduits (REMICs), CMO and REMIC residuals, and stripped mortgage-backed securities (such as interest-only strips (IOs), principal-only strips (POs), and similar instruments) (report in Schedule RC-B, item 4, above).

(2) Holdings of bankers acceptances and certificates of deposit (CDs), even if the CDs are negotiable or have CUSIP numbers. (Report holdings of bankers acceptances as loans in Schedule RC, item 4.a, if held for sale; item 4.b, if held for investment; and item 5, if held for trading. Report holdings of CDs in Schedule RC, item 1.b, if not held for trading; and item 5, if held for trading.)

(3) All securities that meet the definition of an “equity security” in ASC Topic 321, Investments-Equity Securities, for example, common and perpetual preferred stock. (See also the instructions to Schedule RC, item 2.c and Schedule RC-F, item 4.)

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6.c **Corporate and similar loans.** Report in the appropriate columns the amortized cost and fair value of structured financial products supported predominantly by corporate and similar loans.

Exclude securities backed by loans that are commonly regarded as asset-backed securities rather than collateralized loan obligations in the marketplace (report in Schedule RC-B, item 5.a).

6.d **1-4 family residential MBS issued or guaranteed by U.S. government-sponsored enterprises (GSEs).** Report in the appropriate columns the amortized cost and fair value of structured financial products supported predominantly by 1-4 family residential mortgage-backed securities issued or guaranteed by U.S. government-sponsored enterprises.

6.e **1-4 family residential MBS not issued or guaranteed by GSEs.** Report in the appropriate columns the amortized cost and fair value of structured financial products supported predominantly by 1-4 family residential mortgage-backed securities not issued or guaranteed by U.S. government-sponsored enterprises.

6.f **Diversified (mixed) pools of structured financial products.** Report in the appropriate columns the amortized cost and fair value of structured financial products supported predominantly by diversified (mixed) pools of structured financial products. Include such products as CDOs squared and cubed (also known as "pools of pools").

6.g **Other collateral or reference assets.** Report in the appropriate columns the amortized cost and fair value of structured financial products supported predominantly by other types of collateral or reference assets not identified above.

7. **Guaranteed by U.S. Government agencies or sponsored agencies included in Schedule RC-B, item 5.b.** Report in the appropriate columns the amortized cost and fair value of the maximum amount recoverable from the U.S. Government, including its agencies and its government-sponsored agencies, under the guarantee applicable to the structured securities included in Schedule RC-B, item 5.b.

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