



**Office of Thrift Supervision
Financial Reporting Division**

September 2005

www.ots.treas.gov

Financial Reporting Bulletin

- **It is important that you read this bulletin and the attached materials before preparing and submitting your Thrift Financial Report.** ●

September TFR Filing Deadline – Monday, October 31, 2005
September COF Filing Deadline – Monday, October 31, 2005
September CMR Filing Deadline – Monday, November 14, 2005
September HC Filing Deadline – Monday, November 14, 2005

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THIRD QUARTER DEADLINES

You should complete and transmit your September 2005 TFR and COF **as soon as possible** after the close of the quarter. **Filing deadline** for all schedules *except* HC and CMR is **Monday, October 31, 2005**. **Filing deadline** for Schedules HC and CMR is **Monday, November 14, 2005**.

Institutions that are exempt from filing Schedule CMR but choose to voluntarily file must adhere to the filing deadlines above. The OTS will not be able to provide access to Interest Rate Risk reports to institutions that fail to meet the filing deadline. All voluntary CMR filers should contact Doris Jackson at doris.jackson@ots.treas.gov, or 972-277-9618 two days after transmitting CMR for confirmation of receipt.

If you have questions concerning the preparation of your report, please call your Financial Reporting Division analyst in Dallas, Texas. A contact listing is provided near the end of this bulletin. You may e-mail reporting questions to tfr.instructions@ots.treas.gov. If you need assistance with the Electronic Filing System (EFS) or Financial Reports Subscriber (FRS) software or transmission, contact the EFS Helpline Message Center by e-mail at efs-info@ots.treas.gov or call toll free 866-314-1744. If you have questions about your Interest Rate Risk report, you may contact Scott Ciardi at scott.ciardi@ots.treas.gov or call 202-906-6960.

Financial Reporting Bulletin Hard Copy Has Been Discontinued

Beginning with this cycle, the OTS **will cease mailing hard copies of the Financial Reporting Bulletin**. Please contact your IT staff to ensure there are no organizational or personal email filtering rules that would restrict receipt of external emails from the OTS email address: **OTSFInancialReportingBulletin@ots.treas.gov**.

- We will e-mail the bulletin to the report preparer of each OTS-regulated institution, using the e-mail address provided to us in the most recent TFR transmission. **It is imperative that the report preparer's e-mail address in EFS Institution Setup be kept complete, accurate, and current at all times.** Please verify all information there prior to any transmission to the OTS.
- Report preparers who do not have e-mail, or do not receive the e-mailed bulletin because of firewall restrictions, inaccurate or incomplete e-mail addresses, etc., can access it from the EFS filing software using a link within EFS Net.
- The bulletin will also be posted as a PDF file on the OTS website in the TFR section.

Access to the bulletin will generally be on the last day of the quarter (i.e., last day of September for September 2005 cycle).

COMMON REPORTING ERRORS ON SCHEDULE HC (HOLDING COMPANY)

In reviewing HC data, we have discovered that some institutions are incorrectly reporting consolidated data. Below are some common reporting errors along with guidance on holding company preparation. In some instances, there may be exceptions to these reporting issues.

- Component detail for HC210:HC250 not completed for applicable lines HC310:HC555.
- Cash flow not completed for HC565 and HC730.
- HC680 and HC690 fail to include FHLB advances at the thrift level. Consolidated debt is to include FHLB advances, and most items that would meet the definition of borrowings as reported on SC72.
- Unconsolidated equity (HC240) does not equal consolidated equity (HC630).
- Unconsolidated net income at the holding company level (HC250) is zero when the thrift has income (SO91). See APB #18.
- Parent only assets (HC210) should be equal to or greater than TFR Total Equity (SC80).
- If the parent reports trust-preferred instruments (HC445), the consolidated level (HC670) will usually also have the same amount of trust-preferred instruments.
- If a holding company is a direct owner of the thrift and its thrift subsidiary declared a dividend for the quarter, dividends should be reported on HC525.

The OTS Regional office determines which holding company files. For assistance in preparing your Schedule HC report, please contact your Financial Reporting Analyst in Dallas. A Financial Reporting Division Contact listing is included with this bulletin.

SEPTEMBER 2005 EFS VERSION 5.7 SOFTWARE CD MAILOUT

The Electronic Filing System (EFS) Version 5.7 CD, dated September 20, 2005, has been mailed to all report preparers and must be used to prepare and transmit all reports to the OTS.

Please install the software as soon as you receive it and **retain the CD in a secure, easily accessible location**. Destroy any earlier versions of EFS software CDs you still have.

If you do not receive your EFS Version 5.7 CD by October 14, 2005, please e-mail Doris Jackson at doris.jackson@ots.treas.gov.

For any software issues you encounter, you should run the OTS Diagnostics, which is installed automatically along with the EFS. If the OTS Diagnostics fails to identify and offer solutions for your problem, contact the EFS Helpline at efs-info@ots.treas.gov, or call toll free 866-314-1744.

New items in Version 5.7:New TFR Line Items

The OTS added 12 new line items to the TFR, and revised 6 others. Three are in Schedule VA and the remainder is in Schedule PD. New instruction pages are included in this Bulletin, and are also available on the OTS Web Site under TFR > Instructions / Q&A > 2005 TFR Instruction Manual.

Nine edits were added to the September cycle and three were revised in response to the TFR changes.

Enhancement to Schedule CMR Data Entry

You will no longer be allowed to enter off-balance-sheet items in Supplemental Reporting for Financial Derivatives and Off-Balance-Sheet Positions (OBS) until all 16 positions on page 40 of Schedule CMR (CMR801 through CMR880) are utilized.

The instructions for Schedule CMR, page 1751, state, "CMR801 through CMR880 accommodate the reporting of 16 financial derivatives and OBS positions. If you have more than 16 positions, you must report the remaining positions by one of the following two methods: ..." The two methods are 1) reporting using supplemental schedule OBS, and 2) self-reporting using Supplemental Reporting of Market Value Estimates (RMV).

Please pay particular attention to the memo items CMR901, CMR902, and CMR903. CMR901 is the number of off-balance-sheet positions reported on CMR801 through CMR880. If you have reported 5 positions, you would enter the number "5" on CMR901.

CMR902 is the number of off-balance-sheet contract positions you have entered using supplemental reporting on OBS. You will be able to access this tab only if you have used all 16 positions in the body of CMR. Therefore, CMR901 will be "16" and CMR902 will be the number of positions entered on OBS.

CMR903 is the number of off-balance-sheet contract positions you have self-reported on supplemental schedule RMV. You should not report the total number of entries reported on RMV, but only those for off-balance-sheet contracts using Code 500.

Advance Notification of Schedule CSS Roll-Forward

Schedule CSS is filed annually in December, and there is a modification for this schedule in EFS 5.7 of which you should be aware. EFS formerly populated certain Schedule CSS entity data for the current year using information contained in the application for the prior year. This process has changed to streamline data entry and to assist thrifts that acquired entities through merger with another thrift. This change will be implemented in December 2005. More information will be provided in the December FRD Bulletin.

Data Backup

EFS will now automatically prompt users to backup their financial data (strongly recommended) when they select to exit EFS.

DATA SECURITY

Thrifts are responsible for employing necessary policies and procedures to recover their financial data if the database corrupts or system crashes, or is disabled as the result of a natural disaster. You can minimize data loss by using the Backup/Restore feature within EFS after every data entry and transmission session. To back up an EFS file, follow the backup instructions in Software Corner included in this bulletin.

E-MAIL SUBSCRIPTION

The OTS website offers a free daily e-mail subscription summary of new items posted to the site. Announcements such as Federal Register notices, FRD quarterly bulletins, etc., are among the possible daily postings. You can subscribe to receive a daily notification of any new items posted on the OTS website <http://www.ots.treas.gov>. Click What's New? and register for the free subscription service.

INTEREST RATE RISK REPORTS AND UTPR AVAILABILITY

The Financial Reports Subscriber (FRS) software program that enables users to generate Interest Rate Risk and UTPR reports is a separate installation from the Electronic Filing System (EFS) software. It is included on each EFS CD released by the OTS, but must be installed separately. It is not automatically installed when EFS is installed.

For complete instructions on loading the FRS program, entering your configuration setup, downloading, saving, or viewing your reports, type the following link into the address line of your Internet browser:

<https://xnet.ots.treas.gov/efsnet/bulletins/frsinstructions.pdf>

Interest Rate Risk Exposure and Schedule CMR Reports (IRR)

It is important to understand that your Schedule CMR Report and Interest Rate Risk (IRR) Exposure Report are actually two separate reports. The Net Portfolio Value Model (NPV Model) uses Schedule CMR to produce an IRR Exposure Report. When possible, the OTS tries to combine these two reports into a single document. However, for reasons explained below, this is not always possible.

Schedule CMR Report Availability

If you file your Schedule CMR report before 7:30 p.m., Eastern time, your Schedule CMR Report typically will be available for downloading at the beginning of the next business day.

IRR Exposure Report Availability

IRR Exposure Reports are not available until the NPV Model has been calibrated for the new quarter and checked for accuracy. Once the NPV Model is operational, your IRR Exposure Report typically will be available for downloading within one to three business days after filing Schedule CMR. The NPV Model is normally operational 30 days after the end of the reporting cycle (e.g., November 1 for the September 30 reporting cycle).

Possible reasons for delays in generating the IRR portion of the combined report:

- The NPV Model has not yet been calibrated or checked for accuracy.
- The NPV Model is unable to process your institution's data due to "critical" data reporting errors on Schedule CMR. Typically, OTS personnel will contact your CMR report preparer within three business days of discovering these errors.
- Your IRR Exposure Report may contain one or more values that are beyond "normal" limits. This may indicate a data reporting error. As a result, the downloading of your IRR Exposure Report will be delayed until OTS personnel can verify the accuracy of your report. This process typically will take three to five business days.

IRR Executive Summary Report Availability

Since the Executive Summary Reports use industry data for comparison, these reports are not generated until almost all institutions have filed an error-free Schedule CMR. Historically, these reports have been produced about 85 days following the end of the reporting cycle.

Uniform Thrift Performance Reports (UTPR)

Report Availability

UTPR Reports are produced on a daily basis. If you file your Schedule TFR and/or CMR reports/amendments before 7:30 p.m., Eastern time, your UTPR Reports typically will reflect the changes the following business day, provided that your TFR and/or CMR reports have been received.

Error Messages displayed in Financial Reports Subscriber

To better inform the industry why a report may not have been generated or is only partially generated, FRS will now return more informative messages when reports are not available, as follows:

Situation: CMR Report is not available because CMR has not yet been filed by the thrift.

Financial Reports Subscriber EFS-NET Error message is:

The IRR system has not processed CMR data for docket <DOCKET>, cycle <CYCLE> for the report you have requested. Normal processing time requires 1-2 working days after you file your CMR. If this time has already passed, please check with your institution's report preparer. If you need further assistance with EFS or FRS, you can contact the EFS Helpline at efs-info@ots.treas.gov, or leave a message toll free at 866.314.1744. Be sure to include your institution's five-digit docket number in the Subject line of your e-mail or in your telephone message. Your call or e-mail will be returned in the order it was received.

Situation: Executive Summary Report not yet released.

Financial Reports Subscriber EFS-NET Error message is:

You have selected the IRR Executive Summary Report for a cycle (<CYCLE>) that does not yet contain sufficient institution data to provide a good indication of industry trends for comparison with docket <DOCKET>. The usual release date of the Executive Summary report is approximately 85 days after the end of the cycle.

Situation: Amendment submitted to the OTS, but IRR/CMR reports do not reflect changes.

Financial Reports Subscriber EFS-NET Error message is:

You have requested the IRR and CMR reports for docket <DOCKET>, cycle <CYCLE>. We have received a CMR amendment that may not yet be reflected in this downloaded report. Normal processing time requires 1-2 working days after you file your CMR amendment. If this time has already passed, please contact your Financial Reporting Division analyst in Dallas. If you need further assistance with EFS or FRS, you can contact the EFS Helpline at efs-info@ots.treas.gov or leave a message toll free at 866.314.1744. Be sure to include your institution's five-digit docket number in the Subject line of your e-mail or in your telephone message. Your call or e-mail will be returned in the order it was received.

Situation: Only CMR Report returned but both IRR and CMR reports were requested.**Financial Reports Subscriber EFS-NET Error message, either:**

You have requested both the IRR and CMR reports for docket <DOCKET>, cycle <CYCLE>. Unfortunately, there is questionable data that has prevented the preparation of your IRR report. The attached report contains only the CMR report. If you have additional questions, please contact your Financial Reporting Division analyst in Dallas. If you need further assistance with EFS or FRS, you can contact the EFS Helpline at efs-info@ots.treas.gov, or leave a message toll free at 866.314.1744. Be sure to include your institution's five-digit docket number in the Subject line of your e-mail or in your telephone message. Your call or e-mail will be returned in the order it was received.

or:

You have requested both the IRR and CMR reports for docket <DOCKET>, cycle <CYCLE>. OTS analysis of the market data has not yet been completed for the cycle, and the attached report contains only the CMR report. The NPV model normally completes testing and begins processing IRR reports approximately 30 days after the end of the cycle. You should re-submit your request after that date to obtain your IRR report. For assistance, please contact your Financial Reporting Division analyst in Dallas. If you need further assistance with EFS or FRS, you can contact the EFS Helpline at efs-info@ots.treas.gov, or leave a message toll free at 866.314.1744. Be sure to include your institution's five-digit docket number in the Subject line of your e-mail or in your telephone message. Your call or e-mail will be returned in the order it was received.

Situation: IRR/CMR reports not available for unknown reason.**Financial Reports Subscriber EFS-NET Error message is:**

You have requested the IRR and CMR reports for docket <DOCKET>, cycle <CYCLE>. The report is not available at this time. For assistance, please contact your Financial Reporting Division analyst in Dallas. If you need further assistance with EFS or FRS, you can contact the EFS Helpline at efs-info@ots.treas.gov, or leave a message toll free at 866.314.1744. Be sure to include your institution's five-digit docket number in the Subject line of your e-mail or in your telephone message. Your call or e-mail will be returned in the order it was received.

Situation: UTPR reports not available for unknown reason.**Financial Reports Subscriber EFS-NET Error message is:**

You have requested the UTPR report(s) for docket <DOCKET>. The report(s) is not available at this time. For assistance, please contact your Financial Reporting Division analyst in Dallas. If you need further assistance with EFS or FRS, you can contact the EFS Helpline at efs-info@ots.treas.gov or leave a message toll free at 866.314.1744. Be sure to include your institution's five-digit docket number in the Subject line of your e-mail or in your telephone message. Your call or e-mail will be returned in the order it was received.

SOFTWARE CORNER

Always Access the EFS System Correctly

Be sure to always access EFS through Start, Programs, Office of Thrift Supervision, OTS Electronic Filing System. Desktop shortcuts/icons may not be configured correctly and could create application problems.

Disaster Recovery

Each thrift is responsible for maintaining internal policies to secure the EFS system, and to establish procedures to recover financial reports in the event of database corruption, system crash, or natural disaster.

Please review and follow the ***EFS Guidance on Data Security and Financial Data Recovery*** document, as well as ***EFS Security Guidelines*** regarding the EFS software, passwords, and PINs. These documents can be found in EFS Net (Transmit, Next, EFS Net, Log in...) under the Available Bulletins for Download section. We suggest you also share these documents with your management and Information Technology staff.

Web Site Hyperlink

When you enter or edit your institution's web address in TFR SQ530, it will be automatically updated in your Institution Setup information and translated into a hyperlink. You should access your Institution Setup each quarter and click on this link to ensure that it is correct. If the link directs you to your institution's web site, you need not take any further action. If it directs you to another site or returns an error, then you should edit/correct the information in SQ530. To access the hyperlink, select the "Institution Setup" button from the main screen of EFS.

If your web address changes from one quarter to the next, you will receive an exception for SQ530 when you run your TFR edits. Verify the accuracy of the link using the instructions above and create a Usernote for the edit exception, verifying that the information is correct.

The web site you provide through SQ530 is posted on the FDIC's web site each quarter. To ensure that the public who access the FDIC web site are directed to your site when the link is selected, it is important that SQ530 is accurate. Web addresses typically follow this format: <http://www.mythrift.com>. Do not enter special characters on SQ530 such as "@", ".", or "#" unless these are part of your actual website address. If your institution does not have a web site, leave SQ530 completely blank. Do not enter "None", "N/A" or any other words or characters.

(These clarifications about the web address for SQ530 are also applicable to the web address information provided on Schedule HC, HC140 and on TFR Schedule CSS200 for the December cycle.)

Update Your Contact Information

Please carefully review all contact information in Institution Setup and Thrift Emergency Contact information for typos, staff/address/phone number changes, etc., before transmitting any and all reports to the OTS. This will reduce time-consuming research and requests from FRD staff to ask you to correct your information and retransmit, and ensure timely receipt of any OTS communication to you.

The Financial Reporting Division staff uses this information when we must contact you by phone, fax, mail, or e-mail, or refer someone to your institution's website, therefore it must be kept accurate, current, and complete at all times. This is now also essential for you to receive the Financial Reporting Bulletin via e-mail each quarter.

On the Thrift Contact Information screen, institutions now have the ability to report two additional recipients for FinCEN reporting.

Check for Software Updates

During the reporting cycle, you should check weekly for any new software updates in EFS Net. New updates should be downloaded and applied to your EFS software before continuing with your report preparation. From the main blue screen in EFS, click Transmit, *immediately* click Next, click EFS Net, click Log in to my Internet Connection.... Once connected to EFS Net, review the statements "You should be using EFS version XX" and "You are currently using EFS version YY". If you are not using the current version, locate and click the link to the new update under Available Software Updates for Download. Follow the accompanying instructions to update your system.

Back Up Your Data

You should back up your financial data using the Backup/Restore option **within EFS after every data editing session or transmission**. This will greatly simplify the data recovery process if you have a system crash, or if you need to install the EFS system onto a new or additional workstation.

Beginning with EFS Version 5.7, the backup/restore functionality in EFS allows users to optionally include their Quick Importer financial database in their backup.

EFS now automatically prompts users to back up their financial data when they select to exit EFS.

We suggest you back up your data onto a network drive if possible, or to a diskette. From the EFS main (blue) screen, click Backup/Restore, then Backup Financial Data. Select the drive you want to backup to, i.e., network drive, hard drive, diskette, etc., and select or create a directory with no spaces in the name. Include the cycle name in the file name – again, with no spaces - for easier retrieval, such as Dec04, etc. Click Backup. Keep the backup file in a safe, easily accessible location. All data is included in each backup, so you need to maintain only a small network backup folder or a single diskette; unless you have created a new database at some point, the current backup will include all previous data back to December 2000.

To restore an EFS file, click on >Backup/Restore >Restore Financial Data >select the appropriate drive from the drop-down menu, >click on the most recently saved file, and then click >Restore.

Before You Reinstall EFS Software

Please contact the EFS Helpline before you reinstall the EFS software. OTS staff may have other information you need to know, or direct you to perform other tasks before reinstalling.

Before You Contact EFS Helpline

Before calling the EFS Helpline with technical questions, please utilize the OTS Diagnostics tool that was designed to help you in resolving database and/or component errors, etc. The OTS Diagnostics can be opened from the Start-Programs-Office of Thrift Supervision-OTS Diagnostics menu option in Windows. For database errors (i.e. -214...), click Diagnostics at the top left of the screen and Test EFS/FRS Database Connections. Verify all green checkmarks all the way down. If you see any red error messages, click on the error and follow the instructions at the bottom of the screen for resolution to the problem. Similarly, for EFS component errors (i.e. 429), click Diagnostics at the top left of the screen and Test EFS Components. Again, verify all green checkmarks all the way down. If you see any red error messages, click on the error and follow the instructions at the bottom of the screen for resolution to the problem.

EFS Helpline

You can e-mail the EFS Helpline at efs-info@ots.treas.gov, or call toll free 866.314.1744. Be sure to speak clearly and slowly, and spell any unusual names when leaving a voice mail message. Please remember that this is a **message center**. E-mails and calls are retrieved and returned during daytime business hours in the order they are received. Leaving multiple messages about the same issue will only delay the callback time. **Always include your 5-digit docket number on the subject line of all e-mails, and in telephone messages to the EFS Helpline.**

SEPTEMBER 2005 TFR INSTRUCTION MANUAL REVISIONS

Enclosed are **four** revised pages to the TFR Instruction Manual. The revised pages are dated September 2005 and the changes are marked by a bar in the right margin. The changes are as follows:

Schedule VA, Page 418:

Purchased Impaired Loans Held For Investment Accounted For In Accordance With AICPA SOP 03-3 (Exclude Loans Held For Sale) Collects data for purchased impaired loans as defined by AICPA SOP 03-3.

VA980: Outstanding Balance (Contractual) Collects the outstanding balance of purchased impaired loans.

VA981: Recorded Investment (Carrying Amount Before Deducting Any Loan Loss Allowances) Collects the recorded investment of purchased impaired loans held for investment.

VA985: Allowance Amount Included In Allowance for Loan and Lease Losses (SC283, SC357) Collects the amount of post-acquisition loan loss allowances for purchased impaired loans held for investment.

Schedule PD, Page 501:

Schedule PD – Consolidated Past Due and Nonaccrual Revises the instruction language by removing the reporting exception for certain Ginnie Mae loans.

Schedule PD, Page 505:

PD192, 292, and 392: Loans and Leases Reported In PD115 – PD380 That Are Held For Sale These lines collect data for delinquent loans and leases held for sale.

PD195, 295, and 395: Loans and Leases Reported in PD115 – PD380 That Are Wholly or Partially Guaranteed by the U.S. Government, Agency, or Sponsored Entity These lines collect data for delinquent loans and leases with government guarantees.

PD196, 296, and 396: Guaranteed Portion of Other Loans and Leases Included In PD195 – 395 (Exclude Rebooked “GNMA Loans”) These lines report the guaranteed portion of delinquent loans and leases (excluding rebooked “GNMA loans”) reported in PD195 through PD395 above.

Schedule PD, Page 506:

PD197, 297, and 397: Rebooked “GNMA Loans” Repurchased or Eligible for Repurchase Included In PD195 – PD395 These lines report delinquent loans and leases with government guarantees that are rebooked “GNMA loans” repurchased or eligible for repurchase.

Questions & Answers

TFR Questions and Answers are posted on the OTS web site at <http://www.ots.treas.gov/> (click TFR). If you have a question you would like posted, please e-mail it to tfr.instructions@ots.treas.gov.

Q&A No: 250

SUBJECT: Reporting Deposit Account Sweeps
LINE(S): SO215, DI310, DI320, DI610, SI890, CMR Deposits
DATE: August 8, 2005

Question: *How should sweep accounts be reported between transaction accounts and savings accounts? Should Schedule DI match Form FR2900 for these accounts?*

Answer: Sweep account reporting should generally reflect the position of the swept funds at the end of the reporting period. Funds swept into a savings account should be reported as savings accounts. This reporting matches that of the Federal Reserve Form 2900 -"Report of Transaction Accounts, Other Deposits and Vault Cash." Schedule DI should tie to Form 2900.

Sweep account reporting may also affect reporting for SO215 - "Interest Expense", SI890 - "Average Interest-Earning Deposits and Escrows", as well as reporting of CMR deposits. Deposits reported in CMR need not match those reported in Schedule DI. For reporting swept funds in CMR, you should generally choose the line item that best describes the type of account from which funds are swept from an ongoing economic perspective, not an accounting point-in-time perspective. The OTS Interest Rate Risk Model uses different modeling assumptions for different deposit accounts in CMR. Therefore, it is more important that CMR deposit reporting reflect overall account behavior and characteristics while Schedule DI reflects a point-in-time accounting of deposit balances.

Q&A No: 251

SUBJECT: General Valuation Allowances Associated with a Loan Portfolio Sale
LINE(S): VA145
DATE: July 6, 2005

Question: *We recently sold the majority portion of our auto loan portfolio for which there is a general valuation allowance associated with this portfolio. What is the proper reporting on the VA schedule to remove the general allowance which is no longer required?*

Answer: The reduction of general valuation allowances associated with a loan portfolio sale should be reported as a negative amount on line VA145 - "Adjustments."

Q&A No: 252

SUBJECT: Commitments to Originate and Sell Mortgages Loans
LINE(S): SC689, SC796, CC280-300, CC330, CMR801-880, CCR506
DATE: July 6, 2005

Question: *We read the May 3, 2005, Interagency Advisory on Accounting and Reporting for Commitments to Originate and Sell Mortgage Loans. When is the advisory effective for TFR reporting purposes?*

Answer: Generally, savings associations are expected to immediately apply the guidance in the advisory when preparing their TFRs. The advisory is not a new requirement but rather provides additional guidance on the application and regulatory reporting under FAS 133. It was issued to clarify previously existing requirements. However, certain questions have been raised about floating derivative loan commitments. Until those questions are resolved, savings associations should follow their existing reporting policies for floating derivative loan commitments and need not account for and report these commitments as derivatives for TFR purposes.

The advisory can be accessed at (<http://www.ots.treas.gov/docs/r.cfm?25220.pdf>).

Q&A No: 253

SUBJECT: Reporting Financing Arrangements Under the Tobacco Transition Payment Program
LINE(S): SC300, Schedule CCR
DATE: August 10, 2005

Question: *Our savings association is considering financing arrangements with farmers in our area for which we will make a discounted lump-sum payment in exchange for their assignment of tobacco buyout payments from the USDA / Commodity Credit Corporation (CCC). Should we report these arrangements in SC689--"Other Assets?"*

Answer: Reporting these arrangements in TFR line SC300, "Secured Commercial Loans", is more appropriate.

The Fair and Equitable Tobacco Reform Act, commonly referred to as the "Tobacco Buyout," was enacted into law on October 22, 2004, as part of the American Jobs Creation Act of 2004. This Act established the Tobacco Transition Payment Program, which is administered by the U.S. Department of Agriculture (USDA). Under this program, the Commodity Credit Corporation (CCC) will make annual payments to eligible tobacco quota holders (i.e., landowners) and tobacco producers (i.e., farmers) beginning in 2005 and ending in 2014.

The CCC will not make a lump-sum payment to an individual quota holder or producer in lieu of annual payments. However, the statute and the rules implementing the tobacco buyout program permit a private party, such as a bank or savings association, to make a lump-sum payment to the quota holder or producer in return for the right to receive one or more of the annual payments to be made by the CCC under the buyout program. More specifically, a quota holder or producer can obtain a lump-sum payment from a savings association or other party by executing an "assignment" of tobacco buyout payments or a "successor-in-interest" contract. Under both of these financing arrangements, the consideration paid to the quota holder or producer must be greater than or equal to the present value of the transferred annual payments discounted at the prime rate plus two percentage points rounded to the nearest whole number.

Assignment contracts and successor-in-interest contracts become effective only upon the approval of the CCC. The annual payments by the CCC will be made directly to the assignee or successor party.

However, any annual payments to be made to a savings association or other party under an assignment contract will be reduced if the quota holder or producer owes any debt to an agency of the United States at any time over the life of the contract, thereby exposing the assignee to credit risk. On the other hand, on a successor-in-interest contract, a successor party obtains all rights to the transferred payments and the annual payments cannot be reduced for any debt owed by the quota holder or producer to an agency of the United States subsequent to the CCC's approval of the successor-in-interest contract.

Nevertheless, the CCC will reduce any annual payments to the successor party if the successor owes any debt to an agency of the United States. In addition, the CCC will not issue a payment to the successor to a producer contract if the successor is not in compliance with wetlands and highly erodible land provisions of the USDA's regulations or is convicted of trafficking in controlled substances.

Savings associations that enter into CCC-approved assignment contracts and successor-in-interest contracts and make lump-sum payments to tobacco quota holders or producers should report these financing arrangements on TFR line SC300, "Secured Commercial Loans". The discount reflected in these lump-sum payments should be recognized as interest income over the life of the contract using the interest method.

For risk-based capital purposes, assignment contracts should be risk weighted at 100 percent because of the potential exposure to payment reductions for any debt owed by the quota holder or producer to an agency of the United States as outlined above. Successor-in-interest contracts from quota holders are, in essence, unconditionally guaranteed by the U.S. Government and should be risk weighted at zero percent. In contrast, successor-in-interest contracts from producers are considered conditionally guaranteed and should be risk weighted at 20 percent. The agencies are reviewing recent actions taken by the CCC to determine whether a change is warranted in the risk weight for successor-in-interest contracts from producers.

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**GENERAL QUESTIONS AND
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The Financial Reporting Division uses voice-mail extensively. If you reach the voice-mail of the person you are calling, please leave a brief message, speaking slowly enough to be clearly understood. Include your name, phone number, region, and docket number. Your call will be returned as quickly as possible.

TFR REPORTING QUESTIONS AND ANSWERS

The Financial Reporting Division posts TFR Questions and Answers on the OTS website at <http://www.ots.treas.gov/> (click TFR). If you have a question that you would like answered, you may submit it to tfr.instructions@ots.treas.gov.

EFS HELPLINE MESSAGE CENTER

For assistance with Electronic Filing System (EFS)-related issues, contact the EFS Software Helpline at efs-info@ots.treas.gov, or call the toll-free 24-Hour Message Center: 866.314.1744. NOTE: For security purposes, please always begin your e-mail Subject line with your 5-digit docket number, and provide your name and phone number.

INTEREST-RATE RISK REPORTS

Questions about your Interest Rate Risk report may be directed to Scott Ciardi at scott.ciardi@ots.treas.gov, or 202.906.6960.

COPIES OF TFR MANUAL The OTS provides one copy of the TFR Instruction Manual and Financial Reporting Bulletins free of charge to the report preparer(s) of each OTS-regulated institution. You can also access the manual and bulletins on the OTS website at <http://www.ots.treas.gov> (click TFR).

PREFERRED AND MINIMUM REQUIREMENTS
FOR ELECTRONIC FILING OF
REGULATORY REPORTS

Preferred Requirements:

Application

- IBM-compatible PC - Pentium 566+ processor
- Windows 98, NT4.0 Workstation, Windows 2000, XP, Me
- 256 Meg of installed RAM memory
- 200+ Meg of available hard drive memory
- SVGA enhanced color monitor 800x600, 256 colors or 24 bit true colors
- CD-Rom drive
- HP LaserJet or Ink Jet-compatible printer

Communications - EFS-NET

- DSL, Internet Cable, or T1-T3 Direct Line with online Internet access
- Internet Explorer 6.x or greater (for EFS-NET certificate compatibility)

Minimum Requirements:

Application

- IBM-compatible PC - Pentium 200+ processor
- Windows 98
- 128 Meg of installed RAM memory
- 150 Meg of available hard drive memory
- VGA or SVGA color monitor - 640x480, 256 colors screen
- CD-Rom drive
- HP LaserJet or Ink Jet-compatible printer

Communications - EFS-NET

- 56K bps modem and active account with an Internet Access Service Provider
- Internet Explorer 6.x or greater (for EFS-NET certificate compatibility)

Office of Thrift Supervision Filing Schedule for 2005 Regulatory Reports

| Reporting "As Of" Date | FILING DEADLINE | | | |
|---------------------------|-----------------------------------|-------------------------------------|-----------------------------------|----------------------------|
| | Thrift Financial Report | Schedule CMR and HC | Cost of Funds | Branch Office Survey |
| January 31 | | | Wednesday March 2 | |
| February 28 | | | Wednesday March 30 | |
| March 31 | Monday May 2 | Monday May 16 | Monday May 2 | |
| April 30 | | | Tuesday May 31 | |
| May 31 | | | Thursday June 30 | |
| June 30 | Monday August 1 | Monday August 15 | Monday August 1 | Monday August 29 |
| July 31 | | | Tuesday August 30 | |
| August 31 | | | Friday September 30 | |
| September 30 | Monday October 31 | Monday November 14 | Monday October 31 | |
| October 31 | | | Wednesday November 30 | |
| November 30 | | | Friday December 30 | |
| December 31 | Monday January 30, 2006 | Tuesday February 14, 2006 | Monday January 30, 2006 | |

THRIFT FINANCIAL REPORT
INSTRUCTION MANUAL UPDATES

SEPTEMBER 2005

Insert these revised pages into your Thrift Financial Report Instruction Manual. Delete **only** the pages that have a replacement.

Refer to the summary of these changes in the September 2005 Financial Reporting Bulletin.

Direct questions to your Financial Reporting Analyst in Dallas, TX, or by e-mail to: tfr.instructions@ots.treas.gov.

**PURCHASED IMPAIRED LOANS HELD FOR INVESTMENT
ACCOUNTED FOR IN ACCORDANCE WITH AICPA SOP 03-3
(EXCLUDE LOANS HELD FOR SALE)**

Report purchased impaired loans as defined by SOP 03-3 that your savings association has purchased, including those acquired in a purchase business combination, when there is evidence of deterioration of credit quality since the origination of the loan and it is possible, at the purchase date, that the savings association will be unable to collect all contractually required payments receivable. SOP 03-3 does not prohibit placing loans on nonaccrual status and any nonaccrual purchased impaired loans should be reported accordingly in Schedule PD. For those purchased impaired loans that are not on nonaccrual status, you should determine the loans' delinquency status in accordance with the contractual repayment terms of the loans without regard to the purchase price of (initial investment in) these loans or the amount and timing of the cash flows expected at acquisition.

VA980: Outstanding Balance (Contractual)

Report the outstanding balance of purchased impaired loans. The outstanding balance is the undiscounted sum of all amounts, including amounts deemed principal, interest, fees, penalties, and other under the loan, owed to the savings association at the report date, whether or not currently due and whether or not any such amounts have been charged off by the savings association. However, the outstanding balance does not include amounts that would be accrued under the contract as interest, fees, penalties, and other after the report date.

**VA981: Recorded Investment (Carrying Amount Before Deducting Any
Loan Loss Allowances)**

Report the recorded investment (carrying amount before deducting any loan loss allowances) as of the report date of the purchased impaired loans held for investment. Loans held for investment are those loans that the savings association has the intent and ability to hold for the foreseeable future or until maturity or payoff. Thus, the outstanding balance and recorded investment of any purchased impaired loans that are held for sale would not be reported in these memorandum items.

**VA985: Allowance Amount Included In Allowance for Loan and Lease
Losses (SC283, SC357)**

Report the amount of post-acquisition loan loss allowances for purchased impaired loans held for investment that is included in the total amount of the allowance for loan and lease losses as of the report date.

SCHEDULE PD – CONSOLIDATED PAST DUE AND NONACCRUAL

*Throughout these instructions, **you** and **your** refers to the reporting savings association and its consolidated subsidiaries; **we** and **our** refers to the Office of Thrift Supervision.*

Report all loans and leases that you own that are contractually past due or are in nonaccrual status, regardless of whether such loans are held for sale or are secured, unsecured, or guaranteed by the Government or by others. Report the entire loan, not simply the amount of the delinquent payment. You should report the balance of the recorded investment after deducting **specific** valuation allowances. **Recorded investment** is the principal balance, adjusted for charge-offs and unamortized yield adjustments.

PAST DUE

1. Do not take grace periods into account when determining past due status.
2. Report loans and lease financing receivables as past due when **either interest or principal** is unpaid in the following circumstances:
 - a) **Amortizing closed-end** mortgage loans, closed-end nonmortgage installment loans, and any other loans and lease financing receivables with:
 - i) **Payments scheduled monthly** – when the borrower’s interest and/or principal amount is past due thirty or more days (or one calendar month). For example, a loan payment is due March 15th. At March 31, the loan is not a full month past due, so it would not be reported in Schedule PD until after April 15th. On April 30 it would be 30 – 89 days past due.
 - ii) **Payments scheduled other than monthly** – when one scheduled payment of interest and/or principal is due and unpaid for 30 calendar days or more.
 - b) **Open-end loans** such as home equity loans, charge-card plans, check credit, and other revolving credit plans when the customer has not made the **minimum** payment for two or more billing cycles.

PD180, 280, and 380: Other

Report past due and nonaccrual consumer loans reported on SC330.

PD10, 20, AND 30: TOTAL

The EFS software automatically computes these totals as the sum of PD115 through PD180 on PD10, the sum of PD215 through PD280 on PD20, and the sum of PD315 through PD380 on PD30.

MEMORANDA:**PD190, 290, AND 390: TROUBLED DEBT RESTRUCTURED INCLUDED ABOVE**

Report troubled debt restructurings that you included above in Schedule PD. Refer to the instructions for VA942 for a discussion of troubled debt restructured. These lines plus the amount reported on VA942 will equal the total troubled debt restructured included in your balance sheet as of the quarter end.

PD192, 292, AND 392: LOANS AND LEASES REPORTED IN PD115 – PD380 THAT ARE HELD FOR SALE

Report loans and leases held for sale that are included above in Schedule PD.

PD195, 295, AND 395: LOANS AND LEASES REPORTED IN PD115 – PD380 THAT ARE WHOLLY OR PARTIALLY GUARANTEED BY THE U.S. GOVERNMENT, AGENCY, OR SPONSORED ENTITY

Report the recorded investment included above in Schedule PD of past due or nonaccrual loans that are wholly or partially recoverable from the U.S. Government, its agencies, and its government sponsored entities.

PD196, 296, AND 396: GUARANTEED PORTION OF OTHER LOANS AND LEASES INCLUDED IN PD195-PD395 (EXCLUDE REBOOKED "GNMA LOANS")

Report the guaranteed portion of loans (excluding rebooked "GNMA loans") reported in PD195 through PD395 above.

PD197, 297, AND 397

**REBOOKED "GNMA LOANS"
REPURCHASED OR ELIGIBLE FOR
REPURCHASE INCLUDED IN
PD195 – PD395**

Report the amount of "GNMA loans" repurchased or eligible for repurchase that are reported in PD195 through PD395 above.