



**Office of Thrift Supervision
Financial Reporting Division**

June 2006

<http://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.**
- *Please share this bulletin with all staff members who are involved in preparing and transmitting reports to the OTS.*

June TFR Filing Deadline – Monday, July 31, 2006
June COF Filing Deadline – Monday, July 31, 2006
June CMR Filing Deadline – Monday, August 14, 2006
June HC Filing Deadline – Monday, August 14, 2006
June BOS Filing Deadline – Monday, August 28, 2006

IN THIS ISSUE

Second Quarter Filing Deadlines
June 2006 EFS Version 5.8.5 Update Available for Download
What's New in EFS 5.8.5
Deposit Reporting Guides
Prior-Period Amendments
Loan Fees Now Reported in Interest Income
Software Corner
TFR Instruction Manual Updates
Questions and Answers
Financial Reporting Division Contact List
Preferred and Minimum Requirements
2006 Filing Deadlines Schedule

SECOND QUARTER FILING DEADLINES

You should complete and transmit your June 2006 TFR and COF **as soon as possible** after the close of the quarter. **Filing deadline** for all schedules *except* HC and CMR is **Monday, July 31, 2006**. **Filing deadline** for Schedules HC and CMR is **Monday, August 14, 2006**. **Filing deadline** for 2006 BOS report is **Monday, August 28**.

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 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 by phone toll free at 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.

JUNE 2006 EFS VERSION 5.8.5 UPDATE AVAILABLE FOR DOWNLOAD

The Electronic Filing System (EFS) Version 5.8.5 **update is now available for download** via EFS Net, and must be used to prepare and transmit all reports to the OTS. **No CD will be mailed out for the June 2006 cycle.**

Please install the update as soon as possible, following the download instructions included in the update link, before you begin working on your June reports.

For any software issues you encounter, you should first run the OTS Diagnostics, which is installed automatically along with the EFS program. You can access OTS Diagnostics from your desktop through Start, Programs, Office of Thrift Supervision, OTS Diagnostics. If the OTS Diagnostics does not identify and offer solutions for your problem, contact the EFS Helpline at efs-info@ots.treas.gov, or call toll free 866.314.1744.

WHAT'S NEW IN ELECTRONIC FILING SYSTEM 5.8.5

Branch Office Survey

The June 2006 Branch Office Survey (BOS) filing deadline is August 28, 2006. As usual, you will need to download a shell for your 2006 filing before completing BOS, unless you are a new thrift. New thrifts should complete the form without downloading a shell. We have added a new feature to import deposit information from an outside source rather than manually entering that data. The Deposit Import Instructions will help you with this feature.

A letter was mailed to all thrifts with important information and instructions regarding this year's filing. If you do not have the letter or instructions, they can be found on the OTS website in the following locations:

Letter to Thrifts: <http://www.ots.treas.gov/docs/4/48959.pdf>
Deposit Import Instructions: <http://www.ots.treas.gov/docs/4/480246.pdf>
BOS Instructions: <http://www.ots.treas.gov/docs/4/48958.pdf>

Financial Reports Subscriber (FRS)

Available Bulletins for Download regarding FRS are now available on EFS-Net when you connect using either FRS or the Electronic Filing System (EFS).

SQ530 – Institution Website

To reduce the number of typing-related errors, the Institution Website on SQ530 will now roll forward each quarter. Be sure to verify that the information is correct, and update this line when there is a change in your institution's website address.

To update your website address, click on the "Edit" button located beneath SQ530. In the dialog box, make the appropriate changes and click "Apply." The changes you make on SQ530 will automatically be saved in your Institution Setup Information.

Miscellaneous Enhancements from User Feedback

Thanks to comments provided by users through EFS-Net Feedback, we have made the following corrections and enhancements:

- The printed Holding Company Report contained an error on line HC140. The line now prints correctly.
- Balances in the Matched Accounts Report of Quick Importer are now formatted with commas.
- The line-item comments function now returns users to either the TFR or CMR data entry screen.
- The layout of the Backup/Restore screen has been rearranged slightly to improve intuitiveness and enhanced to remember the last backup information.

If you encounter mistakes, errors, or want to suggest future enhancements, please click on "EFS-Net Feedback" located on the EFS-Net page. Your comments and suggestions are appreciated.

DEPOSIT REPORTING GUIDES

Financial Reporting Division analysts receive many questions about the definition of a deposit for line SC710 on the TFR. The FDIC tells us that many times the deposit amounts reported on the TFR do not match the amounts recorded as deposits on the thrift's general ledger. Section 3 (1) of the Federal Deposit Insurance (FDI) Act includes in the definition of deposits, money received or held by a savings association, or a credit given for money received or held by a savings association in the usual course of business for a specific purpose. Outstanding cashier's checks, money orders or other official checks drawn on an internal account are all examples of deposits.

For more information, the FDIC has two informative documents for thrifts with and without Trust Funds on its website entitled "*Deposit Reporting Self Assessment Guide for Thrifts*" at

http://www.fdic.gov/regulations/required/selfassessment/Final_Thrift_Guide.pdf

http://www.fdic.gov/regulations/required/selfassessment/Final_Thrift_Guide_w_Trust_Funds.pdf

PRIOR-PERIOD AMENDMENTS

Before you transmit any prior-period amendments to TFR, CMR, or HC reports, be sure to discuss them with your Financial Reporting Analyst, who may have further instructions for you to follow. All amendments must be filed electronically and should include a detailed EFS Message to OTS explaining the reason for the amendment.

The Financial Reporting Division cannot process amendments beyond 135 days after the end of the quarter. For example, a March TFR, CMR, or HC amendment cannot be processed after August 11, 2006. For a discussion of amending the reports, see the General Instructions, page 103, of the TFR Instruction Manual.

LOAN FEES NOW REPORTED IN INTEREST INCOME

As published in the March 2006 Financial Reporting Bulletin, prepayment fees, late fees, and assumption fees are now to be reported in Interest Income on either Mortgage Loans (SO141), Commercial Loans and Leases (SO160), and Consumer Loans and Leases (SO171).

SOFTWARE CORNER

Contact Us Before a System or Server Upgrade

Before you perform any system, server, or hardware upgrade or move, please contact the EFS Helpline for instructions on how to properly retain your data and install the EFS software to the correct location.

TFR First

You must always transmit your quarterly TFR *before* transmitting any other quarterly report. If other reports are transmitted before TFR, those reports will be rejected in the OTS processing system.

Avoid the Deadline-Day Crunch

You **can and should** transmit your reports to the OTS **as soon as possible** after the quarter closes. You can transmit 24 hours a day – the system is always open - any time during the 30 (TFR/COF) or 45 (CMR/HC) days after the quarter closes. Then if you encounter a problem with the report or transmission, you will have ample time to contact the EFS Helpline or your Financial Reporting Analyst for assistance, and avoid a last-minute rush to meet the filing deadline. (See filing deadline schedule and contact listing near the end of this bulletin.)

Check for Updates

Remember to log in to EFS Net **at least weekly during the reporting cycle** to check for any notices or software updates you may need in preparing and transmitting your reports to the OTS.

Review/Update Institution Setup Information

Before you transmit any report or message to the OTS via EFS Net, please verify that all information in Thrift Emergency Contacts and Institution Setup is current, complete, and correct. The Financial Reporting Division uses this information to communicate with OTS-regulated institution report preparers. If your website address appears in Institution Setup, click the link to be sure it goes to that website properly. If not, please correct TFR SQ530.

Schedule CMR Format

The paper version of Schedule CMR is oriented in landscape format. Remember you now have the option to view all five data-entry columns in a similar format on your EFS data-entry screen.

To reconfigure your application, click Options > Configurations and then check the box to “Use Expanded CMR Data Entry Layout.” This option requires a minimum screen resolution of 1024x768 pixels.

You may also choose to have the cursor move down the columns rather than across the rows when you press the “Enter” key. The columnar data entry is done in logical groupings. For example, on the first page, data entry starts at CMR001 and continues to CMR056, and then goes back up to CMR002 and down to CMR057, etc. This will enable columnar completion of the 30-year FR/SF First Mortgage Loans and MBS before moving on to the 15-year mortgage section.

To reconfigure your application for column-oriented data entry, click Options > Configurations and then check the box "Column Oriented Data Entry Order" located directly under the option for expanded data entry layout. **You can select this option only if you have also chosen the expanded data entry layout.**

New Feature for Branch Office Survey

EFS Version 5.8.5 allows users to import branch office deposit information from external files. This feature applies only to the 'Update Deposits' option. All other events/change codes must be entered manually. External files must contain the OTS assigned sequence # and the deposit information in that order. Any other subsequent information in the file is ignored during the import process. Files can be tab-delimited, space-delimited, or comma-delimited in format. More detailed instructions on BOS Import Deposits can be found in the Available Bulletins for Download section of EFS-NET. This new feature will allow thrifts to prepare up to 98% of their BOS filing with only a few mouse clicks.

JUNE 2006 TFR INSTRUCTION MANUAL UPDATES

Enclosed are updated pages to the TFR Instruction Manual dated June 2006.

The following changes are implemented beginning June 2006 and are marked by a vertical bar in the margin:

For this June 30 report date only, thrifts may provide reasonable estimates for any new or revised item for which the requested information is not readily available.

Filing Deadlines - Page 102

The language under this section was revised to "The filing deadline for all schedules except Schedules HC and CMR is no later than the 30th day following the end of the reporting period. The filing deadline for Schedules HC and CMR is no later than the 45th day following the end of the reporting period."

The Filing Schedule for Regulatory Reports is included as an attachment to the quarterly Financial Reporting Bulletin that is e-mailed to institution report preparers. The Filing Schedule is also available on the OTS website at www.ots.treas.gov

Schedule SC - Line SC710 - Page 223

Replaced "SAIF" with "DIF".

Schedule DI

On page 907, replaced "TO BE COMPLETED ONLY BY ASSOCIATIONS WITH OAKAR DEPOSITS" and subsequent paragraph with:

OAKAR DEPOSIT REPORTING NO LONGER REQUIRED

With the enactment of the Federal Deposit Insurance Reform Act of 2005, thrifts no longer need to report "Oakar deposit" information on Schedule DI of the TFR. Therefore, beginning March 2006, thrifts with "Oakar deposits" should report zeros in DI740, DI750, and DI760 even if they have previously reported data in these line items. These line items will be removed from the TFR forms and filing software in September 2006.

On page 908, deleted lines DI740, DI750, and DI760.

Schedule CCR - Line CCR460 - Pages 1619 and 1620

Replaced "residential construction" with "mortgage" in item 2 at the bottom of page 1619 and in item 5 at the top of page 1620 to reflect that loans to individuals to construct their own home can be Qualifying Mortgage Loans when meeting all the criteria, including prudently underwritten, as appropriate for a construction loan. Whereas, Qualifying Residential Construction Loans are loans to builders where the properties are under a sales contract and where they meet all the criteria.

Glossary

On page 1905 under "Bank Insurance Fund (BIF)", added before the last sentence "BIF was merged into the Deposit Insurance Fund in 2006 pursuant to the Federal Deposit Reform Act of 2005." In the last sentence, replaced "Savings Association" with "Deposit".

On page 1917 above "Depository Institution", inserted:

Deposit Insurance Fund (DIF)

A fund, administered by the FDIC, insuring deposits of member banks and savings associations. DIF was established by the Federal Deposit Reform Act of 2005 to replace BIF and SAIF as the insurer of banks and savings associations.

On page 1917 above "Direct Investment", inserted:

DIF

Deposit Insurance Fund.

On page 1921 under "Federal Deposit Insurance Corporation (FDIC)", replaced the description with:

A government corporation that insures deposits in savings associations and commercial banks through the Deposit Insurance Fund.

On page 1936 under "Oakar", replaced the description with:

An "Oakar" savings association is a savings association (OTS-regulated institution) that was a member of one insurance fund, generally the Savings Association Insurance Fund (SAIF), and acquired deposits insured by a secondary insurance fund, generally the Bank Insurance Fund (BIF), by means of a so-called "Oakar transaction." The most common Oakar transaction occurred when a SAIF-member acquired deposits from a BIF-member, either by means of a whole-institution acquisition or through a branch acquisition. The reverse, an acquisition of SAIF-insured deposits by an OTS-regulated, BIF-member ("BIF HOLA" savings association), was also considered an "Oakar transaction." BIF and SAIF were merged into the Deposit Insurance Fund in April 2006 pursuant to the Federal Deposit Reform Act of 2005.

On page 1948 under "Savings Association Insurance Fund (SAIF)", added "in 1989" after "FIRREA". Added before the last sentence "SAIF was merged into the Deposit Insurance Fund in 2006 pursuant to the Federal Deposit Reform Act of 2005." In the last sentence, replaced "Bank" with "Deposit".

Index - Page 2003

Added entries for "Deposit Insurance Fund" and "DIF".

PROPOSED SEPTEMBER 2006 TFR FORM AND INSTRUCTION MANUAL UPDATES

The following changes to the *September 2006 TFR Form and Instruction Manual* were proposed in a *Federal Register* notice dated April 28, 2006 (71 Fed. Reg. 25,282, Friday, April 28, 2006). The specific wording of the captions for the new and revised TFR items discussed in this proposal and the numbering of these items in the report should be regarded as preliminary. These changes were proposed in response to the increased levels of deposit insurance for retirement accounts provided by the Federal Deposit Insurance Corporation (FDIC) Board of Directors on March 14, 2006, in final rules effective April 1, 2006, implementing certain provisions of the Federal Deposit Insurance Reform Act of 2005, (Reform Act) (Pub. L. 109-171).

The OTS will summarize comments received on these proposed changes and expects to publish a final notice in the *Federal Register* in July 2006. Any additional changes to the *September 2006 TFR Instruction Manual* will be announced in the *September 2006 Financial Reporting Bulletin*.

PROPOSED SEPTEMBER 2006 TFR FORM UPDATES

1. Eliminating line DI200, IRA/Keogh Accounts
2. Eliminating line DI740, Total Deposits Purchased or Acquired from FDIC-Insured Institutions During Quarter
3. Eliminating line DI750, Amount of Purchased or Acquired Deposits Reported In DI740 Attributable to a Secondary Fund
4. Eliminating line DI760, Total Deposits Sold or Transferred During Quarter
5. Adding line DI170, Retirement Deposits with Balances of \$250,000 or Less
6. Adding line DI175, Retirement Deposits with Balances Greater Than \$250,000
7. Adding line DI180, Number of Retirement Deposit Accounts with Balances of \$250,000 or Less
8. Adding line DI185, Number of Retirement Deposit Accounts with Balances Greater Than \$250,000

PROPOSED SEPTEMBER 2006 TFR INSTRUCTION MANUAL UPDATES

1. Revising the instructions to line DI120, Deposits with Balances of \$100,000 or Less, to exclude retirement deposits covered under the new insurance limit
2. Revising the instructions to line DI130, Deposits with Balances Greater Than \$100,000, to exclude retirement deposits covered under the new insurance limit
3. Revising the instructions to line DI150, Number of Deposit Accounts with Balances of \$100,000 or Less, to exclude retirement accounts covered under the new insurance limit
4. Revising the instructions to line DI160, Number of Deposit Accounts with Balances Greater Than \$100,000, to exclude retirement accounts covered under the new insurance limit.

**PROPOSED MARCH 2007 TFR FORM AND
INSTRUCTION MANUAL REVISIONS**

Proposed changes to the March 2007 TFR Form and Instruction Manual are being written by the OTS for July 2006 publication in the *Federal Register*. Certain line items would be eliminated from the TFR, other existing line items would be revised, some new line items will be proposed, and the OTS will seek comments on eliminating confidential treatment of Schedule HC data.

Questions & Answers

TFR Questions and Answers are posted on the OTS website 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.

The following questions and answers were rescinded from the OTS website:

Q&A No. 6 dated May 23, 1997: Consolidated Liquidity Requirement

Q&A No. 10 dated May 23, 1997: Second Mortgage Loans

Q&A No. 65 dated June 16, 1999: Inclusion of Collateralized FHLB Advanced In the Liquidity Base

Q&A No. 68 dated June 16, 1999: Regulatory Liquidity - Short-Term Accounts Receivable

Q&A No. 92 dated March 15, 2000: Firm Commitments to Sell Mortgage Loans Included in Liquidity

Q&A No. 111 dated September 11, 2000: Regulatory Liquidity

Q&A No. 112 dated September 11, 2000: Liquidity, Callable Agency Notes

The following questions and answers were revised on the OTS website:

The answer to **Q&A No. 1** was revised to: "An other-than-temporary impairment of a security directly reduces the recorded investment of the security on Schedule SC and should be expensed on SO321 (Net Provision for Losses on Interest-Bearing Assets). Additionally, it should be reported as a charge-off on VA155."

In **Q&A No. 2**, replaced "SI239" with "DI620".

In **Q&A No. 3**, replaced "CCR505" with "CCR506".

In **Q&A No. 4**, replaced "SC162" with "SC125".

In **Q&A No. 7**, replaced "CCR137" with "CCR180".

In **Q&A No. 11**, replaced "SC23/30" with "SC26/31".

In **Q&A No. 12**, replaced "SC345" with "SC328" and "CC410 (Unused Lines of Credit: Open-end Consumer Lines)" with "CC423/CC425 (Unused Lines of Credit)".

In **Q&A No. 16**, replaced "CCR450/480/505" with "CCR450/480/506".

In **Q&A No. 22**, replaced "CCR370/505" with "CCR370/506".

In **Q&A No. 30**, replaced "SC50/SO491" with "SC540/SO488 code 06".

In **Q&A No. 32**, replaced "SC23" with "SC26".

In **Q&A No. 35**, replaced "VA940/941" with "VA940/942".

In **Q&A No. 36**, replaced "SC799" with "SC800".

In **Q&A No. 37**, replaced "CCR145" with "CCR260" and replaced "CCR135" with "CCR205".

In **Q&A No. 39**, replaced "SC253/340" with "SC251:255".

In **Q&A No. 41**, replaced "SI215" with "DI610".

In **Q&A No. 42**, replaced "CC410" with "CC412:420".

In **Q&A No. 43**, replaced "CF140:330" with "CF143:330".

In **Q&A No. 46**, replaced "SC250, SC253, SC316, SC340" with "SC251:256, SC316, SC330" and replaced "SC310 through SC345" with "SC310 through SC348".

In **Q&A No. 53**, replaced "SI100" with "DI100".

In **Q&A No. 59**, replaced "SC860, CCR102, CCR137" with "SC860, SC865, CCR180, CCR280".

In **Q&A No. 61**, replaced "CCR302 and CCR505" with "CCR302 and CCR506".

In **Q&A No. 69**, replaced "CCR505" with "CCR506".

In **Q&A No. 70**, replaced "SI237" with "DI220".

In **Q&A No. 71**, replaced "SC170" with "SC125".

In **Q&A No. 72**, replaced "SC250, SC256" with "SC251:256".

In **Q&A No. 75**, replaced "SI215" with "DI610", replaced "SI239" with "DI620", replaced "SI243" with "DI640", replaced "SI247" with "DI720", replaced "SC783" with "SC712", replaced "SI244" with "DI650", replaced "SI248" with "DI730", and replaced "SI245" with "DI700".

In **Q&A No. 100**, replaced "SI235" with "DI210".

In **Q&A No. 103**, replaced "SI350" with "Schedule FS" and replaced "SI800:830" with "SI805:SI860".

In **Q&A No. 122**, replaced "CF180" with "CF148 and CF158".

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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. For security reasons, FRD staff does not respond to e-mails with blank or illogical Subject lines.

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. FRD staff does not respond to e-mails with blank or illogical Subject lines.

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 NT4.0 Workstation, Windows 2000, XP, Me
- 256 Meg of installed RAM memory
- 200+ Meg of available hard drive memory
- SVGA enhanced color monitor 1024x768, 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
- 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)

For quick reference to this page at any time, save this link in your Favorites:

http://xnet.ots.treas.gov/efsnet/bulletins/efs_5x_requirements.pdf

**Office of Thrift Supervision
Filing Schedule for 2006 Regulatory Reports**

Reporting "As Of" Date	FILING DEADLINE			
	Thrift Financial Report	Schedule CMR and HC	Cost of Funds	Branch Office Survey
January 31			Thursday March 2	
February 28			Thursday March 30	
March 31	Monday May 1	Monday May 15	Monday May 1	
April 30			Tuesday May 30	
May 31			Thursday June 30	
June 30	Monday July 31	Monday August 14	Monday July 31	Monday August 28
July 31			Wednesday August 30	
August 31			Monday October 2	
September 30	Monday October 30	Tuesday November 14	Monday October 30	
October 31			Thursday November 30	
November 30			Tuesday January 2, 2007	
December 31	Tuesday January 30, 2007	Wednesday February 14, 2007	Tuesday January 30, 2007	

THRIFT FINANCIAL REPORT INSTRUCTION MANUAL UPDATES

JUNE 2006

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 June 2006 Financial Reporting Bulletin.

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

GENERAL INSTRUCTIONS

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.

1. REQUESTS FOR INFORMATION OR ASSISTANCE

Please direct all requests for assistance in Thrift Financial Report (TFR) preparation to your assigned financial reporting analyst in the Office of Thrift Supervision (OTS) Financial Reporting Division (FRD), Dallas, Texas. A list of Financial Reporting Division contacts is on the OTS web site and is included in most Financial Reporting Bulletins. If you do not know the name or phone number of your assigned FRD analyst, call 972-277-9618. If you have questions concerning the EFS (Electronic Filing System) software or transmission, call the EFS Helpline Message Center at 866-314-1744 or email efs-info@ots.treas.gov.

OTS maintains a series of TFR questions and answers on its web site at www.ots.treas.gov. If you have a question for which you would like an e-mail response, please submit it to your financial reporting analyst or to tfr.instructions@ots.treas.gov.

OTS provides one free copy of the TFR Instruction Manual and Financial Reporting Bulletin to report preparers of all OTS-regulated institutions. You can access the TFR forms, Instruction Manual, and Financial Reporting Bulletins on the OTS web site at www.ots.treas.gov.

2. SCHEDULES

The TFR comprises the following schedules:

- NS Optional Narrative Statement: Statement by institution management concerning issues relevant to the TFR
- SC Consolidated Statement of Condition: Assets, liabilities, and equity capital
- SO Consolidated Statement of Operations: Income and expense
- VA Consolidated Valuation Allowances and Related Data: Reconciliation of valuation allowances, charge-offs and recoveries, and other data on troubled assets
- PD Consolidated Past Due and Nonaccrual: Information on delinquent and nonaccrual loans

- LD Loan Data: Information on high loan-to-value loans secured by 1-4 family residential properties without PMI or government guarantee
- CC Consolidated Commitments and Contingencies: Information on commitments and contingencies
- CF Consolidated Cash Flow Information: Information on mortgage, deposit, and other activity affecting cash flow during the quarter
- DI Consolidated Deposit Information: Information on deposits and escrows
- SI Consolidated Supplemental Information: Information on QTL, loans to insiders, reconciliation of equity capital, transactions with affiliates, mutual fund and annuity sales, average balance sheet data, and other data
- SQ Consolidated Supplemental Questions: Questions concerning structural and other activity during the quarter
- SB Consolidated Small Business Loans: Data completed annually as of June 30 to comply with Section 122 of the FDIC Improvement Act
- FS Fiduciary and Related Services: Data on trust assets and activities. Summary data is completed quarterly; more detailed information is reported annually at December 31st
- HC Thrift Holding Company: Summary of holding company financial data for both the parent only and consolidated
- CSS Subordinate Organization Schedule: Listing of information on required subordinate organizations and joint ventures, completed annually at December 31
- CCR Consolidated Capital Requirement: Balances necessary to compute the OTS minimum capital requirement
- CMR Consolidated Maturity and Rate: Information on interest rate and repricing/maturity characteristics of selected balance-sheet and off-balance-sheet items

3. FILING DEADLINES

The filing deadline for all schedules except Schedules HC and CMR is no later than the 30th day following the end of the reporting period. The filing deadline for Schedules HC and CMR is no later than the 45th day following the end of the reporting period.

The *Filing Schedule for Regulatory Reports* is included as an attachment to the quarterly Financial Reporting Bulletin that is e-mailed to institution report preparers. The Filing Schedule is also available on the OTS web site at www.ots.treas.gov.

4. FILING THE TFR

OTS provides all savings associations with EFS (Electronic Filing System) software for filing the TFR. The software facilitates the preparation, edit, and transmission of the TFR and other financial reports. Please direct your questions concerning EFS to the EFS Helpline Message Center at 866-314-1744 or by email to efs-info@ots.treas.gov.

All institutions regulated by OTS as of the last day of the quarter are required to file the TFR for the entire quarter. If the documentation submitted to OTS by an institution reflects that the effective date of a charter conversion **to OTS-regulation** from another banking agency is either during the quarter or **prior**

LIABILITIES

DEPOSITS AND ESCROWS:

SC71: Total Deposits and Escrows

The EFS software will compute this line as the sum of Deposits (SC710), Escrows (SC712), and Unamortized Yield Adjustments on Deposits and Escrows (SC715).

SC710: Deposits

Report all deposits at their face value except zero-coupon deposits, which you report at face value net of the unamortized discount.

Include:

1. All deposits whether interest-bearing or not.
2. Deposits exceeding DIF insurance limits, including those collateralized by your assets, such as deposits of public funds.
3. Unposted credits, such as:
 - a. Deposit transactions that you include in a general ledger account and have not yet posted to a deposit account.
 - b. Deposits you received in one branch for deposit into another branch, typically another branch in another state or outside of continental USA.

You should report unposted credits net of unposted debits. We define unposted debits as cash items in your possession that are drawn on you and immediately chargeable, but not yet charged, against your deposits at the close of business on the reporting date.

Exclude the following from unposted credits:

- a. Cash items drawn on other financial institutions.
- b. Overdrafts and nonsufficient fund (NSF) items.
- c. Cash items returned unpaid to the last endorser for any reason.
- d. Drafts and warrants that are payable at or payable through you for which there is no written authorization from the depositor and no state statute allowing you at your discretion to charge the items against the deposit accounts of the drawees.

Report the above excluded unposted debit amounts in assets on SC110. **Note:** If the total of unposted credits is negative, that is, a debit, you can deduct it from SC710.

4. Outstanding cashier's checks, money orders, or other official checks drawn on an internal account issued in the usual course of business for any purpose, including, without being limited to, those that you issued in payment for your debts or expenses, or payable to a third party named by a customer making the withdrawal.
5. Accounts pledged by your directors and organizers as protection against operating deficits and other nonwithdrawable accounts, whether or not they are used in determining compliance with minimum capital requirements.
6. U.S. Treasury tax and loan accounts that represent funds received as of the close of business of the reporting date. Do not include funds credited prior to the reporting date that are automatically converted into open-ended interest-bearing notes. Report such balances on SC796, Other Liabilities and Deferred Income.

7. Unapplied loan balances, such as receipts from borrowers that have not yet been classified as principal, or interest, unless you credit the applicable customer accounts as of the date you initially received the funds.
8. Credit balances in credit card accounts, credit card customer overpayments.
9. Funds you received or held in connection with drafts or checks that you have drawn on another depository institution, a Federal Home Loan Bank, or a Federal Reserve Bank. The funds reported here are only those drawn either on a zero-balance account or on an account that is not routinely maintained with sufficient balances to cover checks drawn in the normal course of business, including accounts where you remit funds only when the checks or drafts are presented. For example, funds received from a customer for a cashier's check that is drawn on a zero-balance account in another financial institution.
10. Dealer reserve accounts, when considered a liability under GAAP. **Dealer reserve accounts** are refundable amounts held as collateral in the purchase of installment notes from a dealer. For example, a savings association purchases \$100,000 in installment notes from a dealer for the full face amount, for which it pays \$90,000 to the dealer and holds the remaining \$10,000 as collateral. The \$10,000 held is a dealer reserve account, which you should report as a deposit. If you hold dealer reserves that under GAAP are reported as contra-assets, then you should report the assets net of these dealer reserves in Schedule SC, and report the dealer reserves on DI720 or DI730, as appropriate.
11. Outstanding travelers' letters of credit and other letters of credit you issued for cash or its equivalent (prepaid letters of credit), less outstanding drafts accepted against the letters of credit.
12. Funds you hold as security for an obligation due to the bank or others, except hypothecated deposits, and funds deposited by a debtor to meet maturing obligations, such as amounts pledged against sinking fund mortgages and as collateral for loans.

Certain items should be added back to the appropriate deposit control totals and reported on SC689, Other Assets, as Code 99. Such items are: the gross amount of debit items (rejects) that you cannot post to the individual deposit accounts without creating overdrafts or that you cannot post for some other reason, such as stop payment, missing endorsement, post or stale date, or account closed, but which have been charged to the control accounts of the various deposit categories on the general ledger.

You should report assets and liabilities in Schedule SC in accordance with GAAP. Certain items defined in the Federal Deposit Insurance Act as includable in the deposit premium assessment base may, under GAAP, be considered contra-assets rather than liabilities. Report assets in Schedule SC net of such items, but you must also report these items on DI620 or DI640 through DI730, as appropriate, so that they will be included in the deposit premium assessment base.

You should report reciprocal balances with commercial banks and other savings associations on a net basis where the right of set-off exists. Reciprocal demand balances arise when two depository institutions maintain deposit accounts with each other. In certain cases you will need to report reciprocal demand balances on DI710, Adjustments to Demand Deposits for Reciprocal Demand Balances with Commercial Banks and Other Savings Associations.

Do not include:

1. Escrow accounts. Report on SC712, Escrows.
2. Custodial accounts established pursuant to loan servicing agreements. Report on SC712, Escrows.
3. Deposit accounts that you set up in your own name for which there is a corresponding cash account in assets. Eliminate the cash account from assets and the same amount from deposits. See item 4 under **Include** above concerning outstanding checks.
4. Outstanding checks drawn on, or payable at or through, a non-zero-balance account at a Federal Reserve Bank or a Federal Home Loan Bank. Deduct these amounts from cash-in-bank, typically, from amounts on SC110 or SC112, as appropriate, and also report them on DI620 for inclusion in the deposit base for FDIC insurance assessment purposes. See item 9 under **Include** above concerning outstanding checks drawn on zero-balance accounts.

basis on Schedule SC, include as a negative number here the amount by which demand deposits would be increased if these reciprocal demand balances had instead been reported on a gross basis.

OTHER AMOUNTS NECESSARY TO ADJUST DEPOSITS REPORTED ON SC710 (REPORTED IN ACCORDANCE WITH GAAP) TO CONFORM TO THE DEFINITION OF DEPOSITS IN ACCORDANCE WITH THE FEDERAL DEPOSIT INSURANCE ACT:

Generally accepted accounting principles, GAAP, permit savings associations to offset or net assets and liabilities when a right of setoff exists. However, under the FDI Act, you may only net certain specified assets against deposit liabilities for deposit insurance and FICO assessment purposes. Thus, deposits reported on the balance sheet, Schedule SC, and elsewhere in Schedule DI may be different than required for assessment purposes. For example, you may exclude hypothecated demand deposits from the deposit base for premium insurance assessment purposes; and you must include dealer's reserves as deposits under the FDI Act.

Example 1:

A savings association has a \$200,000 asset and a \$500,000 deposit liability for which a right of setoff exists under GAAP. The savings association nets the asset and liability on its balance sheet, Schedule SC, and reports a net \$300,000 deposit liability. The savings association should report \$200,000 on DI720 or DI730, depending on the type of deposit involved in the netting.

Example 2:

A savings association has a \$400,000 asset and a \$250,000 deposit liability for which a right of setoff exists under GAAP. The savings association nets the asset and liability on its balance sheet, Schedule SC, and reports a net \$150,000 asset. The savings association should report \$250,000 on DI720 or DI730, depending on the type of deposit involved in the netting.

DI720: Adjustment to Demand Deposits (including escrows)

Report all adjustments to demand deposits, as defined in the instructions for DI610, including escrows.

DI730: Adjustment to Time and Savings Deposits (including escrows)

Report all adjustments to deposits not included in DI720.

OAKAR DEPOSIT REPORTING NO LONGER REQUIRED

With the enactment of the Federal Deposit Insurance Reform Act of 2005, thrifts no longer need to report "Oakar deposit" information on Schedule DI of the TFR. Therefore, beginning March 2006, thrifts with "Oakar deposits" should report zeros in DI740, DI750, and DI760 even if they have previously reported data in these line items. These line items will be removed from the TFR forms and filing software in September 2006.

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3. The current LTV ratio is 90% or less, calculated using the value at origination, including loans individually insured by private mortgage insurance or other appropriate credit enhancement that brings the effective LTV down to 90% or less.

Notes:

1. See 12 CFR 567.1 for the definition of Qualifying Mortgage Loan.
2. A loan with an LTV higher than 90%, without PMI or other readily marketable collateral enhancement, would not typically qualify for the 50% risk weight. The Real Estate Lending Guidelines urge savings associations as well as other types of banking organizations, to require PMI or other appropriate credit enhancement if a mortgage exceeds 90% LTV. See 12 CFR 560.101, and the footnote in the section on supervisory loan-to-value limits. These guidelines constitute a supervisory presumption of safety and soundness. To overcome that presumption for a loan that exceeds 90% LTV, a bank or thrift must demonstrate to the examiners' satisfaction that the loan is both prudently underwritten, and that it qualifies for the 50% risk weight in spite of the absence of private mortgage insurance or other appropriate credit enhancement.

Also, report the combined carrying value of all mortgage and consumer loans secured by liens on the **same** one- to four-family residential property, with no intervening liens. For example, you hold extensions of credit secured by first lien and second lien positions. Include in 50 percent risk weighting, if the loan meets all the following criteria:

1. You have prudently underwritten each loan.
2. Each loan is performing and not more than 90 days past due.
3. One of the following is true:
 - a. The combined loan-to-value ratio (CLTV) does not exceed 90 percent at origination.
 - b. The combined extension of credit is insured to at least a 90 percent LTV ratio by private mortgage insurance, or there is other appropriate credit enhancement to bring the effective LTV down to 90 percent or less.
 - c. The current LTV ratio is 90% or less, calculated using the value at origination, including loans individually insured by private mortgage insurance or other appropriate credit enhancement that brings the effective LTV down to 90% or less.

When you hold the first lien and junior liens on a 1-to-4-family residential property and no other party holds an intervening lien, view the loans as a **single** extension of credit secured by a first lien on the underlying property. Use this treatment to determine the LTV ratio, as well as for risk weighting. Assign the combined loan amount to either the 50 percent or 100 percent risk category, depending on whether the credit satisfies the criteria for 50 percent risk weighting. In determining the LTV ratio, you need not include loans classified in Schedule SC as commercial loans made to businesses and secured by residential property when you calculate the CLTV ratio for that property. If such loans are not included in the CLTV ratio for that property, you should risk weight such commercial loans at 100 percent.

If there is an intervening lien, do not combine the loans because another entity holds the second lien (the intervening lien). For example, you hold a first mortgage and third lien as a home equity line. In this case, you risk weight the carrying value of the loan secured by the first lien at 50 percent if the LTV is less than 90 percent and it otherwise meets the 50 percent risk-weight criteria. You risk weight the carrying value of the loan secured by the third lien at 100 percent, regardless of the CLTV.

In addition, include the following types of loans in the definition of single-family mortgage loans. These loans must meet the criteria above to be risk weighted at 50 percent:

1. Loans on interests in cooperative buildings.
2. Loans to individuals to fund the construction of their own home that meet the definition of a qualifying mortgage loan in 12 CFR § 567.1. You may include any accrued interest receivable in the loan balance.
3. Mortgage loans on mixed-use properties that are primarily single-family residential properties.

Do not include:

1. The combined carrying value of mortgage and consumer loans secured by first or second liens on the same property when the CLTV ratio exceeds 90 percent. Report the combined carrying value of these loans on CCR506, 100% Risk weight: All Other Assets.
2. The combined carrying value of mortgage and consumer loans secured by first and second liens on the same property if any of the extensions of credit are nonperforming (nonaccrual) or more than 90 days past due. Report on CCR506, 100% Risk weight: All Other Assets.
3. A loan to a consumer collateralized by a junior lien when another lender holds an intervening lien. For example, you hold the second lien and another lender holds the first lien, or you hold the first lien and the third lien, but do not hold the second lien (intervening lien). Report the junior lien on CCR506, 100% Risk weight: All Other Assets.
4. Foreclosed real estate. Report on CCR506, 100% Risk weight: All Other Assets.
5. Loans to individuals to construct their own home that are not qualifying mortgage loans as defined in 12 CFR § 567.1. Report on CCR506, 100% Risk weight: All Other Assets.
6. The portion of loans guaranteed by FHA that may be risk weighted at 20 percent. Report on CCR450.
7. Loans to commercial entities collateralized by mortgages of third-party borrowers (warehouse loans), or small business loans collateralized by a lien on a residential property. Report on CCR506, 100% Risk weight: All Other Assets.

CCR465: Qualifying Multifamily Residential Mortgage Loans**Qualifying Multifamily Mortgage Loans (12 CFR § 567.1) Under Current Rule**

Report the carrying value plus accrued interest receivable, of permanent, first mortgages secured by first liens on multifamily residential properties consisting of five or more dwelling units that meet **all** the following criteria:

1. Amortization of principal and interest occurs over a period of not more than 30 years.
2. Original minimum maturity for repayment of principal on the loan is not less than seven years.
3. At the time you placed the loan in the 50 percent risk-weight category, the owner had made all principal and interest payments on the loan for the preceding year on a timely basis according to the loan terms (not 30 days or more past due).
4. The loan is performing and not 90 days or more past due.
5. You made the loan according to prudent underwriting standards.
6. The current outstanding loan balance does not exceed 80 percent (75 percent for variable rate loans) of the value of the property securing the loan. "Value of the property" (when you originate a loan to purchase a multifamily property) means the lower of either the purchase price or the amount of the initial appraisal, or if appropriate, the initial evaluation. Where a purchaser is not purchasing a multifamily property, but taking a new loan on his currently owned property, determine the value of the property by the most current appraisal, or if appropriate, the most current evaluation.
7. For the property's most recent fiscal year, the ratio of annual net operating income generated by the property, before payment of any debt service on the loan, to annual debt service on the loan is not less than 120 percent, (115 percent for variable-rate loans). In the case of cooperative or other not-for-profit housing projects, the property generates sufficient cash flows to provide you comparable protection.

In cases where a borrower refinances a loan on an existing property, instead of complying with criteria (3) and (7) above, a loan may qualify by satisfying the following criteria:

Asset/Liability Management

A planning and control process, the key concept of which is the integrated approach to matching the mix and maturities of assets and liabilities to achieve a favorable and even flow of “net interest margin.”

Assisted Merger

The takeover of a troubled savings association by another depository institution with financial assistance provided from a federal deposit insurance fund.

ATIP

Actual Thrift Investment Percentage.

ATM

Automated teller machine.

At-the-Money Option

An option with a strike price equal to the current market price of the underlying cash or futures contract. In this instance, the intrinsic value is zero and the value of the option reflects a premium paid for: (1) the time the holder has to decide whether or not to exercise the option, and (2) the expected price volatility. The value of this premium declines over time.

Automated Teller Machine (ATM)

A machine that permits customers to gain access to their accounts through the use of a magnetically encoded plastic card and by pushing appropriate buttons on a computer terminal. ATMs dispense cash, accept deposits, transfer funds from one account to another, and perform other functions. Generally, ATMs are available 24 hours a day.

Average Rate of Return

The return of an investment calculated by totaling the cash flow over the years divided by the amount of the investment, and dividing that amount by the number of years (or months) that the investment is outstanding.

b

Bad Debt Reserve

A valuation allowance that savings associations maintain for income tax purposes to offset losses from foreclosed or uncollectable loans.

Balloon Loan

A loan that does not fully amortize during the loan term, and at maturity the unpaid principal is due in a lump sum. Periodic payments may be for principal and interest, or for interest only.

Bank Check

A check that a bank draws on itself then has it signed by an authorized bank officer. See Cashier's Checks and Official Checks.

Bank Insurance Fund (BIF)

A fund, administered by the FDIC, that insures deposits of member banks (primarily commercial banks) up to \$100,000 per depositor. BIF was merged into the Deposit Insurance Fund in 2006 pursuant to the Federal Deposit Reform Act of 2005. See Deposit Insurance Fund.

Bank Investment Contract (BIC)

Investment contract issued by a bank where interest is guaranteed by the bank in a portfolio over a specific time frame with a specific yield. Unlike guaranteed investment contracts (GICs), BICs do not include annuity provisions.

Banker's Acceptance

A draft drawn on a depository institution by another, which when accepted by the depository institution, obligates the depository institution to pay specific obligations of the draft writer when due. Acceptance converts a depositor's "order to pay" into an unconditional "promise to pay" by the accepting depository institution. Bankers acceptances are effectively a guaranty of payment for a purchase and are generally used in financing the import, export, transfer or storage of goods.

Banking Act of 1933

Legislation that (1) created the Federal Deposit Insurance Corporation to provide insurance of deposits for member banks; (2) provided for the regulation of banks; and (3) limited branch banking. Also known as the Glass-Steagall Act.

Basis Point

A measurement of yields or changes in prices or yields for securities. One basis point equals one one-hundredth of one percent. One hundred basis points equal one percent.

Bear Market

(1) A period of falling prices. (2) A condition of a stock market characterized by a selling trend and declining prices. (3) Opposite of a bull market.

Bearer Bond

A bond that does not have the owner's name registered on the books of the issuing agency or company, and is payable to whomever holds the bond.

Before-Tax Income

Gross income less all expenses except for income tax expense.

Below Market

A price that is lower than the prevailing level at which a security is currently quoted or traded.

Below-Market Interest Rate

A lower interest rate than the current rate for conventional financing in a given geographical area. Programs with below-market rates may be used to assist low or moderate income buyers.

Below Par

A price lower than par or face value. The difference between the price and the face value is the discount.

BIC

Bank Investment Contract.

Bid

(1) The price that a potential buyer is willing to pay for a security. (2) An offer to purchase something.

BIF

Bank Insurance Fund.

BIF HOLA Savings Association

A BIF-insured, OTS-regulated savings association.

Blanket Mortgage Loan

A loan made to developers or contractors to purchase one or more tracts of land with the intention of dividing the land into smaller parcels for resale or development.

De Novo Association

A newly chartered savings association.

Deposit

Money placed in a depository institution for safekeeping. Includes demand – usually checking – accounts, savings – passbook – accounts, time deposits, negotiable certificates of deposit, money market accounts, etc. Most deposits are interest bearing.

Deposit Broker

A person or entity engaged in the business of placing funds or facilitating the placement of funds of third parties in accounts issued by a depository institution.

Deposit Insurance Fund (DIF)

A fund, administered by the FDIC, insuring deposits of member banks and savings associations. DIF was established by the Federal Deposit Reform Act of 2005 to replace BIF and SAIF as the insurer of banks and savings associations.

Depository Institution

A financial intermediary that accepts savings and demand deposits from the general public.

Depreciation

The gradual decline in the value of a property over its useful life. Depreciation is recognized through a systematic charge-off of the cost less salvage value over the estimated useful life. It is a bookkeeping entry that does not involve any cash outlay.

DIF

Deposit Insurance Fund.

Direct Investment

Investment by savings associations directly in the equity of a venture, as opposed to investment in a debt instrument. With direct investment, an association actually owns all or part of a venture, rather than loaning money to finance the venture.

Discharge of Lien

The recorded release of a lien when debt has been repaid.

Discount

The difference between the purchase price and face value of a security when the face value exceeds the purchase price. Normally a security sells at a discount when the stated interest rate of the security is less than the current market interest rate. The discount is accreted to interest income over the life of the security, increasing the stated interest rate of the security to the market interest rate at the time of purchase.

Discount Bond

See Bond Discount.

Discount Loan

A loan on which the amount disbursed at closing equals the face amount of the loan less interest that will be earned over the life of the loan, and sometimes miscellaneous charges. The borrower must repay the full face amount of the loan. See Add-on Interest.

Discount Paper

Short-term non-interest-bearing securities issued at a price below par. The difference between the purchase price and the amount redeemed at maturity is accreted to interest income over the life of the security.

Discount Rate

(1) The rate representing the amount of money deducted from the face value of a note. (2) The add-on rate of interest charged to Federal Reserve System member banks for borrowing at the discount window.

Discount Securities

Short-term non-interest-bearing debt instruments issued at a price below par and redeemed at maturity for full face value; usually short-term such as Treasury bills.

Discount Window

A "window" available to Federal Reserve System members that allows them to borrow against collateral.

Discounted Cash Flows

Anticipated net cash receipts from an investment discounted to present value under the theory that cash received in the future has a lesser value than the same amount of cash received today. Several assumptions must be made in this calculation: estimated cash flows, timing of the cash flows, and the discount rate used.

Dividend

A portion of the net profits the Board of Directors officially declares for distribution to the shareholders. A dividend is paid at a certain rate for each share of stock held by each stockholder, such as, at ten cents per share.

Dividend, Extra

Distribution of excess profits over and above the regular dividend.

Dividend, Scrip

A promissory dividend payable in the future. The directors vote to withhold actual cash dividend until a certain future event has taken place.

Dividend, Stock

A payment of stock in lieu of a cash dividend on a pro rata basis according to the amount of stock held by each stockholder.

Docket Number

A five-digit number the OTS assigns to each savings association it regulates. The number is used to file and retrieve all financial, organizational, and regulatory data regarding that institution.

Dollar Reverse Repurchase Agreement

A financial transaction similar to a reverse repurchase agreement in which a dealer loans money by buying a security and agreeing to sell it back to the customer at a higher price at a later date. In a dollar reverse repurchase agreement (dollar reverse repo) the dealer does not sell back the exact same security but another, substantially identical security. See Repurchase Agreement.

Domestic Building and Loan Association (DBLA)

Defined in the IRS Tax Code as a domestic or federal savings and loan association whose principal business is acquiring savings deposits from the public and investing in loans. Savings associations may substitute the IRS DBLA test for the Qualified Thrift Lender (QTL) test.

Doubtful Assets

(1) Those assets that will probably not bring full value upon liquidation. (2) A classification of assets under OTS Regulations. See Classified Assets.

Duration

(1) The number of years required to receive the present value of future payments, both interest and principal, from a bond. To determine duration, calculate the present value of the principal and each coupon, and then multiply each result by the period of time before payment is to occur. (2) The concept of duration relates the sensitivity of bond price changes to changes in interest rates.

Dwelling Unit

(1) A unified combination of rooms, whether existing or under construction, designed for residence by one family. (2) Living quarters consisting of contiguous rooms providing complete independent facilities for living, eating, cooking, sleeping, and sanitation.

Expense

The costs of resources used to create, or intended to create, revenues.

f

Face Value

The sum of money denoted on the principal or “face” side of a financial instrument representing: (1) the amount of money the issuer promises to pay at maturity and (2) the amount on which interest is computed. Synonymous with par value.

Fair Market Value

The price at which property transfers from a willing seller to a willing buyer, each of whom has a reasonable knowledge of all pertinent facts concerning the property in question and similar properties on the market, and neither being under any compulsion to buy or sell.

Fannie Mae

Federal National Mortgage Association (FNMA). A U.S. government sponsored enterprise.

Fannie Mae/Freddie Mac Pool

Mortgage-backed security that represents a proportional undivided ownership interest in a pool of mortgage loans where the full and timely payment of principal and interest is guaranteed by Fannie Mae/Freddie Mac.

Farmers Home Administration (FmHA)

A federal government agency that finances and insures loans to farmers and other qualified borrowers for rural housing and other purposes.

FASB

Financial Accounting Standards Board.

FDIC

Federal Deposit Insurance Corporation.

Federal Deposit Insurance Corporation (FDIC)

A government corporation that insures deposits in savings associations and commercial banks through the Deposit Insurance Fund.

Federal Funds

Overnight, unsecured loans of funds between banks. Generally considered as funds that are immediately available and invested only for one business day, they are typically treated as cash equivalents. Federal funds bought and sold for longer periods ranging up to 90 days are referred to as *term federal funds*.

Federal Housing Administration (FHA)

The FHA is a division of the Department of Housing and Urban Development whose activities include insuring residential mortgage loans under a nationwide system. This enables lenders to loan a higher percentage of the value of the underlying property. FHA loans generally require a down payment of not less than five percent of the original amount of the loan.

Federal Home Loan Banks (FHLBs)

Twelve regional banks of the Federal Home Loan Bank System that provide credit to member savings associations.

Federal Home Loan Bank Board (FHLBB)

A former independent agency in the executive branch of the federal government that regulated and supervised the savings and loan industry, the Federal Home Loan Banks, the Federal Savings and Loan Insurance Corporation, and the Federal Home Loan Mortgage Corporation. In 1989, FIRREA abolished the FHLBB and transferred its functions to other agencies, including the Office of Thrift Supervision.

Federal Home Loan Bank System

The group made up of the Federal Housing Finance Board and the twelve regional Federal Home Loan Banks. The fundamental purpose of the System is to serve as a central credit facility for member associations.

Federal Home Loan Mortgage Corporation (Freddie Mac)

A government-sponsored but privately owned corporation, Freddie Mac is a secondary market facility under the supervision of the Office of Federal Housing Enterprise Oversight. Freddie Mac is authorized to buy conventional whole mortgage loans and sell participation certificates secured by pools of these conventional mortgage loans.

Federal Housing Finance Board (FHFB)

An independent agency in the executive branch of the federal government that replaced the FHLBB in its authority to govern the Federal Home Loan Bank System. Its duties are:

- To supervise the Federal Home Loan Banks.
- To ensure the Federal Home Loan Banks carry out their housing finance mission.
- To ensure the Federal Home Loan Banks remain adequately capitalized and able to raise funds in the capital markets.
- To ensure the Federal Home Loan Banks operate in a safe and sound manner.

Federal National Mortgage Association (Fannie Mae)

A government-sponsored but privately owned corporation, Fannie Mae is a secondary market facility under the supervision of the Office of Federal Housing Enterprise Oversight. Fannie Mae supplements private mortgage funds by buying FHA, VA, and conventional loans and issuing mortgage-backed securities.

Federal Reserve Board

The seven governing members of the Federal Reserve System who are appointed by the President of the U.S. for 14-year terms. Board members play an important role in determining the country's monetary policy, which, in turn, strongly influences economic activity.

Federal Reserve System

The system of independent central banks that influences the United States' money supply and credit through its control of bank reserves. Federal Reserve actions impact security prices. For example, restriction of bank reserves and lending ability in an attempt to restrain inflation tends to drive up interest rates and drive down security prices over the short run. Also called the Fed.

Federal Savings & Loan Insurance Corporation (FSLIC)

A government corporation the National Housing Act established in 1934 that insured deposit accounts in federal savings associations, federally chartered national savings banks, and state-chartered savings associations that were members of the Federal Home Loan Bank System. Under the Financial Institutions Reform, Recovery, and Enforcement Act (FIRREA) of 1989, the Savings Association Insurance Fund, SAIF, replaced the FSLIC as an insurer. All assets and liabilities of FSLIC were transferred to the FSLIC Resolution Fund.

FHA/HUD

Federal Housing Administration/Housing and Urban Development

FHLB or FHLBank

One of the twelve district banks of the Federal Home Loan Bank System.

FHLBB

Federal Home Loan Bank Board.

FHLMC

Federal Home Loan Mortgage Corporation. Also known as Freddie Mac.

Net

That which remains after making certain designated deductions from the gross amount.

Net Assets

The assets of an individual or entity remaining after all obligations have been met. Assets minus liabilities. The owners' equity.

Net Income

Gross income less expenses, including taxes, but before dividends.

Net Interest Margin

Interest income less interest expense, before the inclusion of noninterest income and deduction of noninterest expense. This is the gross margin for financial institutions.

Net Loss

The excess of expenses and losses over revenues and gains during a specified period of time. A negative net income.

Net Operating Income

Net interest margin less provision for losses and operating expenses plus noninterest income.

Net Operating Loss (NOL)

A loss for tax purposes that can be applied against net income from prior periods (NOL carry-back) or subsequent periods (NOL carry-forward) to reduce the tax liability of those periods.

Net Portfolio Value Model

A model used by the OTS to measure each association's exposure to interest rate risk by estimating how a change in interest rates affects the market value of its assets, liabilities, and off-balance-sheet.

Net Present Value

Sum of the future cash flows (positives and negatives) discounted to present value under the theory that money received today is worth more than the same amount received in the future.

Net Profit

See Net Income.

Net Realizable Value (NRV)

The estimated sales price from a property, reduced by the sum of:

- (1) Direct selling expenses such as sales commissions, cost of title policy, etc.
- (2) Costs of completion or improvement necessary for sale.
- (3) Direct holding costs, net of rental or other income, including taxes, maintenance, insurance, and cost of all capital, debt and equity, during the period held for sale.

Net Undistributed Income

Profit earned but not distributed to stockholders.

Net Worth

The owner's equity. Assets less liabilities, deferred income, redeemable preferred stock, and minority interest. Also called net assets, equity, stockholders' equity, and equity capital. See Capital.

NOL

Net operating loss.

Nominal Interest Rate

The stated or contractual interest rate in a loan agreement, bond, or other security, which may differ from the effective interest rate.

Nonconforming Loans

A real estate mortgage loan is **nonconforming** if the unpaid principal balance or unexpired term exceeds lending limits set by purchasers or guarantors of mortgages in the secondary market – Freddie Mac, Fannie Mae, etc.

Nonmortgage Loan

An advance of funds not secured by a lien on real estate. See Loan.

Nonperformance

The failure of a contracting party to provide goods or services according to an agreement.

Nonperforming Assets

Assets that do not earn income, including those originally acquired to earn income (delinquent loans) and those not intended to earn income (fixed assets). Typically assets originally acquired to earn income are deemed nonperforming when (1) full payment of interest or principal is no longer anticipated, (2) principal or interest is 90 days or more delinquent even if the asset is still in accrual status, or (3) the maturity date passes and payment in full has not been made. Nonperforming loans that are restructured continue to be considered nonperforming until a cash payment from the borrower brings the loan current under its restructured terms; for instance, a loan cannot be taken out of the nonperforming category simply by restructuring the loan.

Nonresidential Mortgage Loan

A mortgage loan secured by nonresidential property such as an office building, store, factory, church, or vacant land.

Note

An instrument that bears the recognized legal evidence of debt. A note is signed by the maker (borrower) and promises to pay a specified sum of money to the lender at a certain future date and place.

Notional Principal

The amount of principal underlying an interest rate swap transaction, and upon which the swap payment calculation is based. See Interest-rate Swaps.

NRV

Net Realizable Value.

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Oakar

An "Oakar" savings association is a savings association (OTS-regulated institution) that was a member of one insurance fund, generally the Savings Association Insurance Fund (SAIF), and acquired deposits insured by a secondary insurance fund, generally the Bank Insurance Fund (BIF), by means of a so-called "Oakar transaction." The most common Oakar transaction occurred when a SAIF-member acquired deposits from a BIF-member, either by means of a whole-institution acquisition or through a branch acquisition. The reverse, an acquisition of SAIF-insured deposits by an OTS-regulated, BIF-member ("BIF HOLA" savings association), was also considered an "Oakar transaction." BIF and SAIF were merged into the Deposit Insurance Fund in April 2006 pursuant to the Federal Deposit Reform Act of 2005.

OBS

Off-balance-sheet.

Occupancy Rate

The percentage of space or units that are leased or occupied. The inverse of the vacancy rate.

OFHEO

Office of Federal Housing Enterprise Oversight.

Off-Balance-Sheet

An asset or obligation that in accordance with GAAP you do not report on the balance sheet. Such as commitments to originate loans, undisbursed loan balances, unused letters of credit, etc.

Offer

An expression of willingness to sell something at a given price; opposite of bid.

Offering

An issue of securities or bonds presented for sale. An offering may be public (open to anyone wishing to buy) or private (predetermined buyers or market).

Office of Federal Housing Enterprise Oversight (OFHEO)

A government agency responsible for ensuring the financial safety and soundness of the nation's two largest players in the secondary mortgage market, the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac). OFHEO is an independent office of the Department of Housing and Urban Development, and was established by the Federal Housing Enterprises Financial Safety and Soundness Act of 1992.

Office of Thrift Supervision (OTS)

An office of the Treasury Department of the Federal government. The OTS was established in 1989 by FIRREA to succeed the Federal Home Loan Bank Board for chartering and regulating federal savings associations.

Official Checks

A financial institution's check drawn on its own account for paying its operating expenses and other debts. See Cashier's Checks.

Offset

The process used to close an open futures option; for instance, to sell after having previously purchased, or to buy after having previously sold.

Open Position

An outstanding position in a futures contract, which has not been offset. If not covered prior to maturity, the trader is liable for taking or delivering the underlying commodities.

Open Repo

A repo with no definite term that can be terminated by either party. The rate paid is typically higher than that paid on overnight repos and is subject to adjustment on a day-to-day basis.

Open-End Credit

An unsecured line of credit that may be used repeatedly up to an established overall limit. Commonly known as revolving credit or a line of credit, in which the customer may pay in full or in installments. A finance charge is assessed on the unpaid balance. The term does not include negotiated advances under an open-end real estate mortgage or a letter of credit. See Line of Credit.

Open-End Mortgage

A mortgage that by mutual agreement may have the balance or maturity extended to provide additional funds to the mortgagor. See Home Equity Loan.

Operating Assets

Those assets that contribute to the regular income from business operations, such as loans and investments; the opposite of which are nonoperating assets, such as real estate held for future use and non-income-producing intangibles such as goodwill. Nonperforming assets that were acquired with the intent to produce operating income are included in operating assets.

Operating Capital

Funds available for use in financing daily business activities.

Operating Expense

Any expense incurred in the normal operation of a business. This is distinguished from capital expenditures, which are disbursements that are capitalized and depreciated over a period of years.

Operating Income

Income generated in the ordinary course of business. For savings associations, income generated by the customary lending and deposit-taking business.

Operational Loss

Loan losses that arise outside of a relationship between a creditor and a borrower. Losses incurred in the normal operation of a business.

For example, an independent third party created credit cards through the use of an illegal credit card machine and stole the identification and credit card numbers of various individuals. The subsequent charges on these credit cards and losses incurred by the bank would be an operational loss, because the bank did not issue these credit cards and did not have a contractual relationship with a borrower.

Option

A right to buy or sell specific securities or properties at a specified price within a specified time. (1) Call option: The right but not the obligation to purchase a specific amount of a specific commodity or security at a specified price before a specified date. The seller (writer) grants such right to the buyer of the call. (2) Put option: The right to sell a specific amount of a commodity or security to the writer of the put at a specific price on or before a specific date. The buyer of a call or put pays to the seller (writer) a "premium" for being granted the right. There are options on actual securities or commodities as well as options on futures contracts.

Option buyer (Holder)

A person who holds the rights granted by the option contract.

Option Seller (Writer)

A person who, in exchange for receiving the premium, agrees to assume the opposite side of an option contract at a fixed price any time prior to the contract's expiration date.

Originate a Loan

To make or issue a loan; the process whereby a lender qualifies a borrower, appraises the collateral, processes all documents, advances funds, and places the loan on its books.

Origination Fee

A charge imposed by a lender for evaluating, preparing, and processing loan applications.

OTS

Office of Thrift Supervision.

Out-of-The-Money

An option where the strike price exceeds market for a call and is less than market for a put.

Over-Collateralization

Providing collateral in excess of what is needed to support the principal amount of secured debt. It is viewed as using two separate loan pools. One pool provides sufficient cash flow to support the debt; the other pool subsidizes cash flow shortfalls for loans with losses or delinquencies.

Overdraft

A draft or check written for an amount that exceeds the funds in the account on which the check is drawn. An overdraft, if not covered immediately by the writer of the check, essentially becomes a borrowing.

Overnight Money

(1) Any money that is replaced daily. (2) Funds loaned by one financial institution to another overnight, including but not limited to the federal funds market. A means for firms to earn interest on undrawn funds in their operating account at the end of the business day.

Return On Investment

The rate, usually expressed on a bond equivalent basis, needed to equate the present value of future cash flows with a given purchase price for that issue. It assumes that periodic cash distributions can be reinvested at the same rate.

Revenue

All earnings received from selling a firm's product or service during a given period.

Revenue Bonds

Issued by state and local governments whereby the revenues from a project, such as a toll bridge, repay the borrowing. In contrast to a general obligation bond backed by the taxing power of an issuer.

Reverse Repurchase Agreement

See Repurchase Agreement.

Revolving Credit

A line of credit extended to customers to use as often as desired up to a certain dollar limit. The line of credit may be paid in full upon receipt of a monthly statement or paid off in several installments, in which case an interest charge is added.

Risk

The possibility that a loss will occur if a debt is not paid.

Risk-Controlled Arbitrage

A method used to fund long-term assets with short-term liabilities, using a hedge to reduce interest-rate risk. For example, using repurchase agreements (short-term) to purchase mortgage-backed securities (long-term) and using a futures contract to hedge against rising interest rates.

Rollover

The practice of reinvesting capital and interest of one investment into a substantially identical new investment.

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Safety Factor

The difference between net income from collateral and the payment of interest on a funded debt. See Spread.

SAIF

Savings Association Insurance Fund.

Sale and Servicing Agreement

In secondary market transactions, a contract under which the seller/servicer agrees to supply, and the buyer to purchase, loans from time to time. The contract sets forth the conditions for the transactions and the rights and responsibilities of both parties.

Sale-Leaseback

The sale of property that is then leased back to the seller. See FASB Statement No. 28, *Accounting for Sales with Leasebacks*.

Sales Draft

An instrument that arises from using a bankcard that obligates the cardholder to pay money to the card issuer.

Sallie Mae (SLMA)

Student Loan Marketing Association.

Salvage

An attempt to recover some portion of a loan that has been written off the bank's books.

SAM

Shared-Appreciation Mortgage.

Sasser

A SAIF-insured institution that has a bank charter and, therefore, that OTS does not regulate.

Satisfaction of Judgment

The legal procedure followed when a debtor pays the amount due as determined by the court in a judgment.

Savings

The amount of income that is not consumed.

Savings Account

Money that is deposited in a depository institution, normally not subject to withdrawal by check. Savings accounts usually bear interest. Also called passbook accounts.

Savings Association Insurance Fund (SAIF)

A fund, administered by the FDIC, insuring deposits of member savings associations up to \$100,000 per depositor. SAIF was established by FIRREA in 1989 to replace the FSLIC as the insurer of savings associations. SAIF was merged into the Deposit Insurance Fund in 2006 pursuant to the Federal Deposit Reform Act of 2005. See Deposit Insurance Fund.

Savings Certificate

Evidence of the ownership of a savings account typically representing a fixed amount of funds deposited for a fixed term at a specified rate of interest. See Certificate of Deposit.

Savings Liability

The aggregate amount of an association's deposits, including earnings credited to such accounts, less redemptions or withdrawals.

SBA

Small Business Administration.

Seasoned Loan

A loan that has been on the association's books long enough to demonstrate that the borrower's credit is sound.

SEC

Securities and Exchange Commission.

Second Lien

A lien subordinate to the first. See Junior Lien, Second Mortgage.

Second Mortgage

A mortgage that has rights subordinate to the first mortgage (the proceeds from a foreclosure sale must pay the first mortgage before any funds can go to repay the second).

Secondary Market

The market for reselling outstanding securities, opposite of primary market in which newly created securities are sold. See Freddie Mac, Fannie Mae, and Ginnie Mae.

Secured Creditor

A creditor whose obligation is backed by collateral.

Secured Debt

Any debt for which some form of acceptable collateral has been pledged.

Securities

Any documents that identify legal ownership of a physical commodity or legal claims to another's wealth.

Commercial paper
 Liability233
 Commercial Paper205
 Commitment fees
 Amortization.....306
 nonrefundable234
 Refundable.....230
 Commitments
 Risk weighting.....1625
 Schedule CC701
 Common stock.....237
 Issuance costs adjusting retained earnings.....1008
 Common trust fund.....1303
 Computer software
 Amortization.....312
 Schedule SC223
 Consolidation.....201, 301
 Regulatory capital.....1602
 Schedule SO301
 Construction loans
 Balances in Schedule SC209
 Churches211
 Combination land/construction loan.....209
 Combined with permanent loan.....210
 Condominiums211
 Conversion to permanent loans802
 Dormitories.....211
 LIP.....701
 Mobile home parks211
 Multifamily, Schedule SC211
 Nonresidential, Schedule SC211
 Retirement homes211
 Risk weighting, qualifying.....1622
 Single-family developments209
 Undisbursed commitment.....701
 Unsecured216
 Consumer loans
 Sales/Purchases.....807
 Schedule SC.....216
 Unused line of credit.....704
 Contributed capital237
 Convertible securities
 Issuance costs224
 Cooperative buildings
 Loans on units in.....209
 Core capital.....1602, 1603
 Core deposit intangibles
 Amortization.....223, 312
 Corporate Debt Securities.....205
 Credit card lines
 Risk weighting.....1626
 Credit cards
 Overpayments.....227
 Schedule SC.....217
 Servicing income306
 Unused line of credit.....704

Credit-enhancing interest-only strips
 Defined1003
 Custodial services1302

D

Data Processing Services
 Income from309
 DBLA Test1004
 Dealer reserve accounts227
 Debt issued
 Collateralized by mortgages232
 Deferred income234
 Deferred loan fees.....208
 Deferred Policy Acquisition Costs1404
 Deferred tax assets
 Regulatory capital.....1605
 Cash items226
 Delinquent loans501
 Deposit Insurance Fund1917
 Deposit insurance premiums
 Expensed.....313
 Prepaid.....224
 Deposits
 Average.....1014
 Branch sale/purchase808
 Broker-originated.....901
 Bulk purchase1101
 Bulk purchase in Schedule CF.....808
 Definition of226
 Demand, defined.....905
 Discounts and Premiums230
 Escrows.....229
 GAAP adjustments907
 Interest expense303
 Interest payable.....233
 Jumbo902
 MMDA904
 Net activity807
 Oakar908
 Overdrafts, consumer.....218
 Passbook904
 Penalties for early withdrawals.....303
 Preferred903
 public funds – Schedule SC.....226
 Reciprocal balances229, 907
 Reconciliation.....807
 Risk weighting.....1618
 Schedule DI901
 Subsidiary906
 Time.....904
 Transaction903
 Transaction account fees.....306
 Types of accounts903
 Unamortized brokers fees231
 Uninsured902
 Zero coupon.....226

Derivatives	Equity investments not subject to	221
Fair value in assets.....	Equity Securities.....	203
Gains.....	Schedule SC.....	201
Losses	Schedule SC, Mortgage-backed securities.....	205
DIF.....	Schedule SC, Servicing assets	224
Direct credit substitutes	Schedule SO, Sale of securities	307
Directors' fees and expenses.....	FASB Statement No. 133	
Dividend income	Borrowings	231
Dividends	Deposits	231
Capital reconciliation.....	Fair value of derivative instruments	235
Other than cash	FASB Statement No. 133	
Payable	Mortgage Loans.....	208
Dwelling unit	Nonmortgage Loans	215
Defined	Servicing assets.....	222
	FASB Statement No. 140	
E	Repurchase agreements	231
EITF Consensus No. 85-41.....	FASB Statement No. 140	
Electronic Filing	Schedule SC, CNFIs.....	223
Electronic Filing System (EFS).....	Schedule SC, Servicing assets	222
Employee benefits	FASB Statement No. 141	
Employees	Goodwill Amortization.....	312
Number of.....	Schedule SC, Goodwill.....	223
Equity capital	FASB Statement No. 142	312
Reconciliation of.....	FASB Statement No. 66	
Equity instruments	Schedule SC, Sale of real estate	234
Inc. in Tier 2 Capital.....	Schedule SO	308
Equity investments	FASB Statement No. 72	
in regulatory capital	Amortization.....	312
Regulatory capital, deduction from	FASB Statement No. 77	
Equity securities	Schedule SC.....	232
Defined in capital.....	Schedule SC, Sale of Loans.....	233
Gains incl. in Tier 2 capital.....	FASB Statement No. 87	
Schedule SC.....	Pension Intangibles.....	223
Escrows	FASB Technical Bulletin 85-2	232
Interest expense	Federal Funds	
Tax and insurance.....	Sold.....	202
ESOPs	Term	203
Debt	Federal funds purchased	
Employer contributions to	Interest expense	304
Unearned shares.....	Federal Funds purchased	232
Examination fees	Federal funds sold	
Excess servicing	Risk weighting.....	1618
Extraordinary items	Federal Home Loan Bank	
Gains and losses.....	Accrued dividends	224
	Advances	231
F	Commitment fees.....	231
Fannie Mae	Deposits	202
Stock.....	Dividends.....	303
FASB Statement No. 34	Prepayment fees.....	316
Schedule SC, Real estate investments	Prepayment penalties	304
Schedule SO	Reverse repurchase agreements	231, 232
FASB Statement No. 109	Securities	203
Schedule SC.....	Stock	221
FASB Statement No. 115	Stock, Risk weighting.....	1617
Unrealized gains and losses in equity	Fee Income	306
FASB Statement No. 115	FHA/VA Loans	

Schedule LD	601	Risk weighting	1616
FHLMC		GNMA Securities	
Participation certificates	206	Pools	206
Securities	203	Goodwill	
FICO bonds	203	Amortization	312
Fiduciary services		Schedule SC	223
Custody accounts	1305	Write-downs	312
Income	1306		
Managed accounts	1303	H	
Nonmanaged accounts	1304	Held-for-sale assets	1002
Settlements and losses	1312	Held-to-maturity securities	201
Fiduciary Services	1301	High loan-to-value mortgages	601
Filing		Holding company	
Filing Deadline	102	GAAP	1401
Financing leases		Schedule HC	1401
Commercial	216	Schedule SC	201
Fiscal year end	1102	Home equity loans	
Holding company	1402	Disbursements	802
FNMA		Nonmortgages	217
Mortgage securities, risk weighting	1617	Risk weighting lines-of-credit	1626
Pools	206	Schedule SC	212
Securities	203	Unused line of credit	704
Foreclosed assets	218	Hypothecated deposits	208
Deed in lieu of	415		
During the quarter	415	I	
Gain or loss from sale	307	Intangible assets	
Held over 5 years	220	Deducted from Tier 1	1604
Income from operations	307	Schedule SC	223
In-substance	218	Intercompany payables	235
Junior liens	219	Interest Expense	303
Mortgage activity	805	Interest income	301
Provision for loss	312	Yield adjustments	302
Troubled debt restructured	219, 415	Interest payable	233
Valuation allowances	403	Interest rate caps	
Writing down to market	218, 305	Contract codes, Schedule CMR	1807
Foreign currency translation	238	Interest rate floors	
Forward agreements		Contract codes, Schedule CMR	1808
Risk weighting	1627	Interest rate index codes	
Fraud expense	313	Schedule CMR	1801
Freddie Mac		Interest rate swaps	
Stock	203	Contract codes, Schedule CMR	1806
Futures	1103	Payables	235
Contract codes, Schedule CMR	1808	Receivables	225
G		Risk weighting	1618, 1622, 1628
GAAP		Internet web address	1103
Use of in the TFR	105, 201, 227, 301	holding company	1402
General Instructions	101	Subsidiary	1508
General valuation allowances		Investment securities	
Foreclosed assets	220	Commitment to purchase	703
Mortgage-backed securities	207	Commitment to sell	703
Other assets	225	Investments	
Generally accepted accounting principles	201, 301	Income	302
GNMA securities			
Repurchase option liability	233		