OMB NO. 3064-0057

Federal Deposit Insurance Corporation
Assessable Deposit Compliance Program

DEPOSIT REPORTING SELF ASSESSMENT GUIDE FOR THRIFTS

CONTENTS

Dear Chief Executive Officer,

This guide is intended for use as a reference and as a self-assessment tool for properly reporting your Thrift Financial Report assessable deposits per the related SC and DI Schedules. It addresses some of the most prevalent reporting errors our analysts are currently encountering. We encourage you to forward this guide to your regulatory compliance officer for utilization within their responsibilities.

*It is **NOT** necessary to respond back to us. This guide is intended for your internal use only. If your regulatory reporting staff has any questions, concerns, or issues regarding the proper reporting of assessable deposits, please do not hesitate to have them contact us at (972)761-2169 or DCAS@fdic.gov.*

The Assessable Deposit Compliance Program is working to improve assessable deposit reporting industry-wide. This Deposit Reporting Self Assessment Guide is intended to help accomplish that work by assisting the preparers of the Thrift Financial Report in understanding and properly applying assessable deposit reporting standards as set forth in the Federal Deposit Insurance Act, the FDIC Rules and Regulations, and the Call Report Instructions.

Sincerely,

David Wisnewski

David Wisnewski
Financial Manager
Assessable Deposit Compliance Program

The Following Group of Questions Pertain to SC (Consolidated Statement of Condition) 710 – Total Deposits

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 credit given for money received or held by a savings association in the usual course of business for a specific purpose. Examples of monies received or held that would be deposits are outstanding cashier's checks, money orders or other official checks drawn on an internal account.

Question Number 1

Are outstanding cashier's checks, money orders, and other official checks drawn on an internal account and issued in the usual course of business for any purpose included as deposits?

- ☐ Yes
- ☐ No
- ☐ Not Applicable

These outstanding items should be reported as deposits.

Question Number 2

Are accounts pledged by directors and organizers as protection against operating deficits included as deposits?

- ☐ Yes
- ☐ No
- ☐ Not Applicable

Funds held in connection with these items are reportable deposits for assessment purposes.

Question Number 3

Are U.S. Treasury Tax and Loan accounts that represent funds received as of the close of busine on the reporting date included as deposits?

- ☐ Yes
- ☐ No
- ☐ Not Applicable

U.S. Treasury Tax and Loan amounts that represent funds received as of the close of business on the reporting date should be included as deposits.

Question Number 4

Are loan payments not applied to principal or interest as of the date the funds were initially received included as deposits?

- ☐ Yes
- ☐ No
- ☐ Not Applicable

Loan receipts not applied to the loan principal or interest as of the date funds were initially received should be included as deposits.

Question Number 5

If your institution's loan portfolio includes credit cards, are customer overpayments included in deposits?

- ☐ Yes
- ☐ No
- ☐ Not Applicable

Overpayments by credit card customers on their account balances meet the definition of deposits and should be reported as deposits.

Special Note

Differences and inaccuracies between Thrift Financial Report deposit amounts reported and deposit amounts recorded on the general ledger continue to be one of the most prevalent types of reporting exceptions identified.

Question Number 6

Are funds you hold as security for obligations due the thrift or others; or funds deposited by debtors to meet maturing obligations (such as amounts pledged against sinking fund mortgages or as collateral for loans) included as deposits?

- ☐ Yes
- ☐ No
- ☐ Not Applicable

These funds should be reported as deposits.

Question Number 7

Are outstanding traveler letters of credit and other letters of credit issued for cash or its equivalent, less outstanding drafts accepted against the letters of credit, included as deposits?

- ☐ Yes
- ☐ No
- ☐ Not Applicable

Outstanding letters of credit should be reported as deposits.

Question Number 8

Are dealer reserve accounts that represent refundable amounts held as collateral in the purchase of installment notes from a dealer included as deposits?

- ☐ Yes
- ☐ No
- ☐ Not Applicable

These items should be reported as deposits as they meet the FDI Act definition of deposit.

Special Note

Program results reflect misreported rejected debit items as being a significant reporting compliance problem.

The Thrift Financial Report (TFR) Instructions state that the gross amount of debit items which cannot be posted to individual deposit accounts without creating overdrafts (or that you cannot post for some other reason) should be added back to deposits. Examples of these debit items would be stop payment, missing endorsement, post or stale date, account closed or non-sufficient funds. These rejected debits can often be found on the thrift's deposit processing systems control summary reports.

Question Number 9

Are the gross rejected debits (unposted, nonposted, etc.) recorded in a general ledger account included in the category of accounts that are considered deposit accounts?

- ☐ Yes
- ☐ No
- ☐ Not Applicable

If rejected debits are charged to deposit control accounts, they must be restored to deposits (added back) and reclassified to Schedule SC689, Other Assets, as Code 99.

The TFR Instructions provide that specific credit items that could not be posted to individual deposit accounts but that have been credited to the control accounts on the general ledger should be included as deposits. These type of items are often referred to as credit rejects (unposted, nonposted) and can often be found on the thrift's deposit processing systems control summary reports.

Question Number 10

Are the gross rejected credits (unposted, nonposted, etc.) recorded in a general ledger account included in the category of accounts that are considered deposit accounts?

- ☐ Yes
- ☐ No
- ☐ Not Applicable

If rejected credits are recorded in a general ledger account that is **not included** in the category of accounts which are considered deposit accounts, the gross rejected credit amount should be reported in deposits.

Section 7(a)(4) of the FDI Act provides that deposits be reported without any reduction for indebtedness. As overdrafts are considered loans, they should not be reported as reductions to deposits in Schedule SC710, but should be reported as loans in Schedule SC303, Unsecured Commercial Loans, or SC330, Other Consumer Loans.

Special Note

Many thrifts continue to either add back an incorrect amount of overdrafts to Schedule SC710, or simply leave them out entirely.

Question Number 11

Does the amount reported in Schedule SC710, include overdrafts charged to deposit accounts?

- ☐ Yes
- ☐ No
- ☐ Not Applicable

Overdrafts which are included with reported deposits have the effect of reducing those deposits and must be added back in order to report deposits properly.

Question Number 12

Are overdrafts reclassified to an asset account in Schedule SC303, Unsecured Commercial Loans or SC330. Other Consumer Loans?

- ☐ Yes
- ☐ No
- ☐ Not Applicable

The offset to the amount of overdrafts added back to deposits should be reported as an asset.

A DDA sweep is a method of investing excess cash of demand deposit account customers in short-term investment vehicles. Often funds are swept to an outside investment firm. Sometimes this sweep occurs on a same-day basis. This means the funds are swept, settled, and wired out of the thrift all in the same day. Sometimes the sweep occurs on a day-lag basis. This means that funds are swept on day one, but not wired out of the thrift and settled until the next day.

Funds swept to a third party investment firm on a same-day basis usually cause no problems because the settlement for purchases will already have been made and a wire will already have been sent or received.

Funds swept on a day-lag basis can result in misreported deposits. When funds are swept on a day-lag basis, a suspense account(s) is often used. Such an account will contain credits that represent funds taken from customers' accounts for purchases (investment), and debits that represent receivables from sales (disinvestments). The credits in this account(s) represent deposit liabilities. However, the debit receivables ARE NOT legitimate reductions of deposits. Accordingly, such accounts should be analyzed to determine the amount of gross credits and gross debits. The credits must be reported in deposits in Schedule SC710; any debits that have reduced deposits must be restored (added back).

Question Number 13

Does your institution (wire) sweep customers' excess cash to an external source on a next business day (day-lag) basis?

- ☐ Yes
- ☐ No
- ☐ Not Applicable

Any control accounts used to reflect credits for investments should be included in deposits. These credits should not be reduced by amounts due from investment companies.

The TFR Instructions include as deposits, unposted credits included in a general ledger account and not yet posted to a deposit account; and unposted credits received in one branch, for deposit into another branch, which is typically in another state or outside the continental USA. Such accounts may also be known as interoffice or clearing accounts. The balances as of the report date should not automatically be considered as Other Assets or Other Liabilities as they may contain deposit items. Some examples of these accounts would be incoming / outgoing wires in suspense accounts, ACH credits in suspense accounts, escheated funds and failed security sales.

Question Number 14

Is a review of asset accounts performed to identify material credit amounts that should be classified as deposits?

- ☐ Yes
- ☐ No
- ☐ Not Applicable

Credit balance general ledger asset accounts frequently have the characteristics of reportable deposits (money received or held or credit given for money received or held in the usual course of business for a specific purpose). A review should be performed as a part of the report preparation process to identify whether material credit asset accounts are actually reportable deposits.

Question Number 15

Is a review of liability accounts performed to identify material credit amounts that should be classified as deposits?

- ☐ Yes
- ☐ No
- ☐ Not Applicable

Other liability accounts frequently have the characteristics of reportable deposits (money received, held, or credit given for money received or held in the usual course of business for a specific purpose). A review should be performed as a part of the report preparation process to identify whether material other liability accounts are actually reportable deposits.

SpecialNote

Program results reflect that the omission of assessable deposits classified in the "other liabilities" section of the balance sheet is another of the most prevalent types of reporting errors.

Deposit accounts, as defined in Section 3(1) of the FDI Act, on an institution's general ledger should, as a general rule, run credit balances. However, some accounts may have debit balances, the effect of which is to reduce reported deposits. For example, deposit amounts should not be reduced by unposted or rejected debit amounts, overdrafts, sweep amounts due from investment companies, etc.

Question Number 16

Are debit balances in deposits reviewed to determine their eligibility to reduce deposits?

- ☐ Yes
- ☐ No
- ☐ Not Applicable

Proof of eligibility must include documentation that conclusively shows each individual debit amount did not cause an overdraft when applied to the individual customer's account, or they were not for items drawn against closed accounts, payment stopped items, missing endorsements, post or stale dated items, or items that were returned to the last endorser for any reason. It is not permissable to "net" gross debits against gross credits if an account includes both.

Question Number 17

If they are not reviewed or if they are reviewed and are ineligible, are they restored (added back) to deposits?

- ☐ Yes
- ☐ No
- ☐ Not Applicable

All ineligible debit items that are included in general ledger deposit account balances (serve to reduce these balances) must be restored (added back) to Schedule SC710 reported deposits.

Special Note

The erroneous reduction of reported deposits with ineligible debit balances recorded within general ledger deposit accounts remains a significant reporting problem.

The Following Group of Questions Pertain to Schedule SC712 - Escrows

Section 3(1) of the FDI Act includes in the definition of deposits, money received or held by a savings association, or credit given for money received or held by a savings association in the usual course of business for a specific purpose. In addition, the TFR Instructions provide that certain amounts be reported as Escrows in Schedule SC712.

Question Number 18

Is interest accrued and unpaid on domestic deposits reported in Schedule RC-G, Line Item 1.a.?

- ☐ Yes
- ☐ No
- ☐ Not Applicable

Interest accrued and unpaid on domestic deposits is considered a deposit liability; however, it is not reported in Schedule RC-E. This line item is included with deposits on the FDIC Quarterly Payment Invoice and assessment premiums are paid on them.

Question Number 19

Are escrow accounts and custodial accounts established pursuant to loan servicing agreements, including both tax and insurance and principal and interest escrows, included in the amount reported as escrows?

- ☐ Yes
- ☐ No
- ☐ Not Applicable

Escrow and custodial amounts should be reported as escrows.

Special Note

Negative escrow balances must not be offset against positive escrow balances in order to effect a total "net" amount reported.

Question Number 20

Are amounts held in conjunction with the sale of travelers' checks, money orders, and similar instruments included in reported escrows?

- ☐ Yes
- ☐ No
- ☐ Not Applicable

Funds held in connection with these items should be reported as escrows.

Question Number 21

Are amounts held in conjunction with the sale or issuance of government bonds, mutual funds, or other securities included in reported escrows?

- ☐ Yes
- ☐ No
- ☐ Not Applicable

Funds held in connection with these items should be reported as escrows.

Question Number 22

Are refundable loan commitment fees included in reported escrows?

- ☐ Yes
- ☐ No
- ☐ Not Applicable

Refundable loan commitment fees should be reported as escrows.

Question Number 23

Are amounts withheld from employee compensations for payment to a third party, such as withholding taxes, health and life insurance premiums, flexible spending accounts, and pension funds, included in reported escrows?

- ☐ Yes
- ☐ No
- ☐ Nott Applicable

Amounts withheld from employee compensations should be reported as escrows.

Special Note

Program results reflect that many thrifts continue to not report assessable deposits which are recorded as credit balances in their asset accounts.

Question Number 24

Is interest withheld from depositors for remittance to taxing authorities included in reported escrows?

- ☐ Yes
- ☐ No
- ☐ Not Applicable

Amounts withheld from depositors for remittance to taxing authorities should be reported as escrows.

Question Number 25

Is the amount of interest accrued on escrow amounts included in reported escrows?

- ☐ Yes
- ☐ No
- ☐ Not Applicable

The accrued interest on escrows should be reported as escrows.

Question Number 26

Are uninvested trust fund accounts with credit balances included in reported escrows?

- ☐ Yes
- ☐ No
- ☐ Not Applicable

Uninvested trust fund accounts with credit balances should be reported as escrows. Additionally, these credit balance accounts should not be offset with accounts with debit balances.

Special Note

Remember, accrued interest on thrift borrowings is not an assessable deposit and must not be included in Schedule SC763 reported deposits.

Question Number 27

Are refundable amounts held from stock subscribers for unissued stock included in reported escrows?

- ☐ Yes
- ☐ No
- ☐ Not Applicable

These amounts should be reported as escrows.

The Following Question Pertains to Schedule DI (Consolidated Deposit Information) 610 – Non-Interest Bearing Demand Deposits

The TFR Instructions provide guidance for the proper reporting for Non-Interest Bearing Demand Deposits.

Question Number 28

Do the deposit amounts reported in Schedule DI610, meet the definition for non-interest bearing demand deposits per the TFR Instructions?

☐ Yes
☐ No
☐ Not Applicable

The deposit amounts reported in Schedule DI610, should meet the definition for non-interest bearing demand deposits per the TFR Instructions. For example, the amount reported must include matured time deposits that do not have automatic renewal provisions, and outstanding checks drawn against zero-balance accounts reported in Schedule SC710.

The Following Question Pertains to Schedule SC763 Accrued Interest Payable - Deposits

The TFR Instructions provide guidance for the reporting of Accrued Interest Payable – Deposits.

Question Number 29

Is accrued interest not credited to deposit accounts reported in Schedule SC763?

☐ Yes
☐ No
☐ Not Applicable

Interest accrued and unpaid on deposits is considered a deposit liability. Do not include interest withheld from deposits for remittance to taxing authorities.

The Following Group of Questions Pertain to Schedule DI640 - Deposits of Consolidated Subsidiaries - Demand Deposits, and Schedule DI650 - Deposits of Consolidated Subsidiaries - Time and Savings Deposits

In consolidation, all deposits and unpaid accrued interest of subsidiaries were eliminated and were not reported in Schedule SC710, Deposits, or SC712, Escrows. These eliminated demand deposits and interest accrued and unpaid on deposits are to be reported in Schedule DI640 and/or DI650.

Special Note

Our review results indicate that subsidiary deposits eliminated during consolidation continue to be omitted from reported assessable deposits (not added back).

Question Number 30

Are all subsidiary demand deposit amounts eliminated in consolidation reported in Schedule DI640?

☐ Yes
☐ No
☐ Not Applicable

Subsidiary demand deposits eliminated during the consolidation process should be restored (added back) to deposits.

Question Number 31

Are all subsidiary time or savings deposit amounts eliminated in consolidation reported in Schedule DI650?

☐ Yes
☐ No
☐ Not Applicable

Subsidiary time or savings deposits eliminated during the consolidation process should be restored (added back) to deposits. The amount of unpaid accrued interest on these deposits should be reported in Schedule SC710, Deposits, or SC712, Escrows.

The Following Question Pertains to Schedule DI620 – Outstanding Checks Drawn Against Federal Home Loan Banks and Federal Reserve Banks Not Included in Schedule SC710

The amount of outstanding checks drawn on a non-zero-balance account, payable at or through a Federal Home Loan Bank or a Federal Reserve Bank, must be reported in Schedule DI620.

Question Number 32

Is the amount of outstanding checks drawn on a non-zero-balance account, payable at or through a Federal Home Loan Bank or a Federal Reserve Bank, reported in Schedule DI620?

- ☐ Yes
- ☐ No
- ☐ Not Applicable

The amount of outstanding checks drawn on or payable through a Federal Home Loan Bank or Federal Reserve Bank, if deducted from the assets reported in Schedule SC110, Cash and Non-Interest-Earning Deposits, or Schedule SC112, Interest-Earning Deposits in FHLBs, must be reported in Schedule DI620.

The Following Group of Questions Pertain to Schedule DI720 – Adjustment to Demand Deposits (including escrows) and Schedule DI730, Adjustment to Time and Savings Deposits (including escrows)

The TFR Instructions provide guidance where adjustments to deposit amounts reported in Schedule SC710, are made in accordance with Generally Accepted Accounting Principles (GAAP). Deposits reported in Schedules SC and DI may be different than the amount that must be reported for assessment purposes.

Question Number 33

Are any GAAP adjustments to demand deposits, as defined in the instructions for Schedule DI610, Non-Interest Bearing Demand Deposits, reported in Schedule DI720, Adjustment to Demand Deposits (including escrows)?

- ☐ Yes
- ☐ No
- ☐ Not Applicable

GAAP adjustments to offset demand deposits may result in deposits being reflected different than for assessment purposes. A review of instances where demand deposits were reported on a net basis in accordance with GAAP, should be reviewed to determine eligibility for assessment reporting purposes. Ineligible offsets of demand deposits must be restored (added back) in Schedule DI720.

Question Number 34

Are any GAAP adjustments to time or savings deposits, reported in Schedule DI730, Adjustment to Time and Savings Deposits (including escrows)?

- ☐ Yes
- ☐ No
- ☐ Not Applicable

GAAP adjustments to offset time or savings deposits may result in deposits being reflected different than for assessment purposes. A review of instances where time or savings deposits were reported on a net basis in accordance with GAAP should be reviewed to determine eligibility for assessment reporting purposes. Ineligible offsets of time or savings deposits must be restored (added back) in Schedule DI720.

The Following Group of Questions Pertain to Schedule DI710 – Adjustment to Demand Deposits for Reciprocal Demand Balances with Commercial Banks and Other Savings Associations

Reciprocal bank balances arise when two depository institutions maintain deposit accounts with each other; that is, when a depository institution has both a due to and a due from balance with another depository institution. The deposit liabilities reported in Schedule SC may have reported reciprocal balances on a net basis when a right of setoff exists. Offsetting is the reporting of assets and liabilities on a net basis in the balance sheet. The FDI Act affects the extent to which you may net reciprocal balances for deposit insurance and FICO assessment purposes.

Under the FDI Act, reciprocal demand balances with domestic offices of U.S. banks and savings associations (and insured branches in Puerto Rico and U.S. territories and possessions) are to be reported on a net basis.

Question Number 35

Does the thrift have due to and due from balances with domestic offices of U.S. banks and savings associations (and insured branches in Puerto Rico and U.S. territories and possessions) that were reported on a gross basis for Schedule SC, but are allowed to be reported on a net basis by the FDI Act?

☐ Yes
☐ No
☐ Not Applicable

If yes, those additional reciprocal amounts must be calculated and reported in Schedule DI710.

The FDI Act includes cash items in process of collection in the calculation of the net reciprocal demand balances with the domestic offices of U.S. banks and savings associations (and insured branches in Puerto Rico and U.S. territories and possessions). If cash items in process of collection were not included in Schedule SC, you should include the amount by which demand deposits would be reduced if cash items in process of collection were included in the reporting institution's calculation of net reciprocal demand balances.

Question Number 36

Do the balances used to calculate net reciprocal demand balances in Schedule SC have cash items in process of collection that could be considered in the calculation?

☐ Yes
☐ No
☐ Not Applicable

If yes, the difference between the amount calculated for reciprocals in Schedule SC, and the recalculated amount using cash items in process, must be reported in Schedule DI710.

Question Number 37

Does the thrift have due to and due from balances with foreign banks and foreign offices of other U.S. banks (other than insured branches in Puerto Rico and U.S. territories and possessions) that were reported on a net basis for Schedule SC, but that the FDI Act requires to be reported on a gross basis?

☐ Yes
☐ No
☐ Not Applicable

These reciprocal balances must be reported in Schedule DI710.

Special Note

Recent program results reflect that some thrifts are not taking advantage of their available reciprocal balance adjustment.

Oakar Institutions

The enactment of FIRREA, and specifically the inclusion of Section 5(d)3 in the FDI Act, permitted Bank Insurance Fund (BIF) insured institutions to acquire deposits of Savings Association Insured Fund (SAIF) insured institutions. The subsequent enactment of the FDIC Improvement Act amended Section 5(d)3 and allowed SAIF insured institutions to acquire deposits of BIF insured institutions. Acquisitions applicable to Section 5(d)3 were named after former Representative Mary Rose Oakar (D-Ohio), who sponsored the original amendment to the FDI Act.

The most common "Oakar" transaction occurs when a thrift whose deposits are insured by the SAIF acquires deposits, through a whole institution acquisition (merger / combination / consolidation) or a branch acquisition, which are insured by the BIF. The thrift then has a primary (SAIF) and a secondary (BIF) insurance fund. An Oakar transaction can also occur in reverse, or when a SAIF insured thrift acquires a SAIF insured Oakar thrift in its entirety. Once a thrift participates in this type of transaction it becomes an "Oakar" institution for Thrift Financial Report and insurance assessment purposes, for the remainder of its corporate existence.

Once an institution becomes an Oakar, it must report ANY AND ALL SUBSEQUENT acquisitions of deposits in TFR Schedule DI740 (formerly SI255), for the quarter ended in which the transaction occurred. DI740 must include the total amount of any deposits acquired, including accrued interest and escrows, from another FDIC insured institution. Schedule DI750 (formerly SI265), must include the amount of deposits acquired which are insured by the secondary insurance fund (i.e., SAIF institutions report deposits insured by the BIF; and BIF institutions report deposits insured by the SAIF). For non-Oakar acquisitions, the amount reported would be zero. The amount in DI750 must also be included as part of the amount reported in DI740.

Once an institution becomes an Oakar, it must also report ANY subsequent sale of deposits to another FDIC insured institution, including accrued interest and escrows, for the quarter ended in which the sale occurred. This amount is reported in Schedule DI760 (formerly SI266).

Question Number 38

Did the thrift purchase or sell any deposits during the reporting quarter?

- ☐ Yes
- ☐ No
- ☐ Not Applicable

Oakar transactions obligate an Oakar institution to pay assessments to both insurance funds in lieu of paying the entrance and exit fees associated with fund-conversion transactions.

Special Note

See Financial Institution Letter (FIL) 36-2004 for additional information and instruction regarding the proper reporting of Oakar deposits for insurance assessment purposes.

THIS CONCLUDES THE DEPOSIT REPORTING SELF ASSESSMENT GUIDE FOR BANKS
YOU MAY CONTACT US AT 972 761-2169 OR DCAS@FDIC.GOV