

**Call Report Instructional Changes  
for Reporting Two-Way Breakdowns of  
Construction, Land Development, and Other Land Loans and  
Loans Secured by Nonfarm Nonresidential Properties  
Effective March 31, 2008**

**Schedule RC-C, Part I – Loans and Leases**

NOTE: The following instructions for Schedule RC-C, part I, items 1.a, 1.a.(1), 1.a.(2), 1.e, 1.e.(1), and 1.e.(2) replace the existing instructions for Schedule RC-C, part I, Memorandum items 9, 9.a, 9.b, 10, 10.a, and 10.b.

**Item No.    Caption and Instructions**

**1.a**            **Construction, land development, and other land loans.** Report in the appropriate subitem of column B loans secured by real estate made to finance (a) land development (i.e., the process of improving land – laying sewers, water pipes, etc.) preparatory to erecting new structures or (b) the on-site construction of industrial, commercial, residential, or farm buildings. For purposes of this item, "construction" includes not only construction of new structures, but also additions or alterations to existing structures and the demolition of existing structures to make way for new structures.

Also include in this item:

- (1) Loans secured by vacant land, except land known to be used or usable for agricultural purposes, such as crop and livestock production (which should be reported in Schedule RC-C, part I, item 1.b, below, as loans secured by farmland).
- (2) Loans secured by real estate the proceeds of which are to be used to acquire and improve developed and undeveloped property.
- (3) Loans made under Title I or Title X of the National Housing Act that conform to the definition of construction stated above and that are secured by real estate.

Exclude loans to finance construction and land development that are not secured by real estate (report in other items of Schedule RC-C, part I, as appropriate).

**1.a.(1)**        **1-4 family residential construction loans.** Report in column B the amount outstanding of 1-4 family residential construction loans, i.e., loans for the purpose of constructing 1-4 family residential properties, which will secure the loan. The term "1-4 family residential properties" is defined in Schedule RC-C, part I, item 1.c, below. "1-4 family residential construction loans" include:

- Construction loans to developers secured by tracts of land on which 1-4 family residential properties, including townhouses, are being constructed.
- Construction loans secured by individual parcels of land on which single 1-4 family residential properties are being constructed.
- Construction loans secured by single-family dwelling units in detached or semidetached structures, including manufactured housing.
- Construction loans secured by duplex units and townhouses, excluding garden apartment projects where the total number of units that will secure the permanent mortgage is greater than four.

## Schedule RC-C, Part I – Loans and Leases (cont.)

### Item No.    Caption and Instructions

- 1.a.(1)** (cont.)
- Combination land and construction loans on 1-4 family residential properties, regardless of the current stage of construction or development.
  - Combination construction-permanent loans on 1-4 family residential properties until construction is completed or principal amortization payments begin, whichever comes first.
  - Bridge loans to developers on 1-4 family residential properties where the buyer will not assume the same loan, even if construction is completed or principal amortization payments have begun.

- 1.a.(2)**    **Other construction loans and all land development and other land loans.** Report in column B the amount outstanding of all construction loans for purposes other than constructing 1-4 family residential properties, all land development loans, and all other land loans. Include loans for the development of building lots and loans secured by vacant land, unless the same loan finances the construction of 1-4 family residential properties on the property.

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- 1.e**    **Secured by nonfarm nonresidential properties.** Report in the appropriate subitem of column B loans secured by real estate as evidenced by mortgages or other liens on nonfarm nonresidential properties, including business and industrial properties, hotels, motels, churches, hospitals, educational and charitable institutions, dormitories, clubs, lodges, association buildings, "homes" for aged persons and orphans, golf courses, recreational facilities, and similar properties.

Exclude loans for nonfarm nonresidential property construction and land development purposes (report in Schedule RC-C, part I, item 1.a).

For purposes of reporting loans in Schedule RC-C, part I, items 1.e.(1) and 1.e.(2), below, the determination as to whether a nonfarm nonresidential property is considered "owner-occupied" should be made upon acquisition (origination or purchase) of the loan. However, for purposes of determining whether existing nonfarm nonresidential real estate loans should be reported as "owner-occupied" when a bank must first begin reporting such loans as of March 31, 2007 (or March 31, 2008),<sup>1</sup> the bank may consider the source of repayment either when the loan was acquired or based on the most recent available information. Once a bank determines whether a loan should be reported as "owner-occupied" or not, this determination need not be reviewed thereafter.

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<sup>1</sup> Reporting nonfarm nonresidential real estate loans as loans secured by "owner-occupied" properties or by other properties, as appropriate, takes effect:

- March 31, 2007, for (1) all banks with \$300 million or more in total assets as of December 31, 2005, or with foreign offices, and (2) banks with less than \$300 million in total assets as of December 31, 2005, and domestic offices only whose total construction, multifamily, and nonfarm nonresidential real estate loans (Schedule RC-C, part I, sum of items 1.a, 1.d, and 1.e) as of December 31, 2005, was greater than 150 percent of total equity capital (Schedule RC, item 28) as of December 31, 2005; and
- March 31, 2008, for banks with less than \$300 million in total assets as of December 31, 2005, and domestic offices only that do not meet this percentage test.

## Schedule RC-C, Part I – Loans and Leases (cont.)

### **Item No.    Caption and Instructions**

**1.e.(1)**    **Loans secured by owner-occupied nonfarm nonresidential properties.** Report in column B the amount of loans secured by owner-occupied nonfarm nonresidential properties.

“Loans secured by owner-occupied nonfarm nonresidential properties” are those nonfarm nonresidential property loans for which the primary source of repayment is the cash flow from the ongoing operations and activities conducted by the party, or an affiliate of the party, who owns the property. Thus, for loans secured by owner-occupied nonfarm nonresidential properties, the primary source of repayment is not derived from third party, nonaffiliated, rental income associated with the property (i.e., any such rental income is less than 50 percent of the source of repayment) or the proceeds of the sale, refinancing, or permanent financing of the property. Include loans secured by hospitals, golf courses, recreational facilities, and car washes unless the property is owned by an investor who leases the property to the operator who, in turn, is not related to or affiliated with the investor (in which case, the loan should be reported in Schedule RC-C, part I, item 1.e.(2), below). Also include loans secured by churches unless the property is owned by an investor who leases the property to the congregation (in which case, the loan should be reported in Schedule RC-C, part I, item 1.e.(2), below).

**1.e.(2)**    **Loans secured by other nonfarm nonresidential properties.** Report in column B the amount of nonfarm nonresidential real estate loans that are not secured by owner-occupied nonfarm nonresidential properties.

“Loans secured by other nonfarm nonresidential properties” are those nonfarm nonresidential property loans where the primary source of repayment is derived from rental income associated with the property (i.e., loans for which 50 percent or more of the source of repayment comes from third party, nonaffiliated, rental income) or the proceeds of the sale, refinancing, or permanent financing of the property. Include loans secured by hotels, motels, dormitories, nursing homes, assisted-living facilities, mini-storage warehouse facilities, and similar properties in this item as loans secured by other nonfarm nonresidential properties.

## Schedule RC-L – Derivatives and Off-Balance Sheet Items

NOTE: The following revised instructions for Schedule RC-L, items 1.c.(1), 1.c.(1)(a), and 1.c.(1)(b) replace the existing instructions for these items.

### **Item No.    Caption and Instructions**

**1.c.(1)**    **Commitments to fund commercial real estate, construction, and land development loans secured by real estate.** Report in the appropriate subitem the unused portions of commitments to extend credit for the specific purpose of financing commercial and multifamily residential properties (e.g., business and industrial properties, hotels, motels, churches, hospitals, and apartment buildings), provided that such commitments, when funded, would be reportable as either loans secured by multifamily residential properties in Schedule RC-C, part I, item 1.d, or loans secured by nonfarm nonresidential properties in Schedule RC-C, part I, item 1.e.

Also include the unused portions of commitments to extend credit for the specific purpose of financing (a) land development (i.e., the process of improving land – laying sewers, water pipes, etc.) preparatory to erecting new structures or (b) the on-site construction of industrial, commercial, residential, or farm buildings, provided that such commitments, when funded,

## Schedule RC-L – Derivatives and Off-Balance Sheet Items (cont.)

### Item No.    Caption and Instructions

**1.c.(1)**    would be reportable as loans secured by real estate in Schedule RC-C, part I, item 1.a, (cont.) "Construction, land development, and other land loans." For purposes of this item, "construction" includes not only construction of new structures, but also additions or alterations to existing structures and the demolition of existing structures to make way for new structures. Also include in this item loan proceeds the bank is obligated to advance as construction progress payments.

Do not include general lines of credit that a borrower, at its option, may draw down to finance construction and land development (report in Schedule RC-L, item 1.c.(2) or item 1.e, below, as appropriate).

**1.c.(1)(a)**    **1-4 family residential construction loan commitments.** Report the unused portions of commitments to extend credit for the specific purpose of constructing 1-4 family residential properties, provided that such commitments, when funded, would be reportable as loans secured by real estate in Schedule RC-C, part I, item 1.a.(1), "1-4 family residential construction loans."

**1.c.(1)(b)**    **Commercial real estate, other construction loan, and land development loan commitments.** Report the unused portions of all other commitments to fund commercial real estate, construction, and land development loans secured by real estate (as defined for Schedule RC-L, item 1.c.(1)) other than commitments to fund 1-4 family residential construction (as defined for Schedule RC-L, item 1.c.(1)(a)).

## Schedule RC-N – Past Due and Nonaccrual Loans, Leases, and Other Assets

NOTE: The following instructions for Schedule RC-N, items 1.a, 1.a.(1), 1.a.(2), 1.e, 1.e.(1), and 1.e.(2) replace the existing instructions for Schedule RC-N, Memorandum items 9, 9.a, 9.b, 10, 10.a, and 10.b.

### Item No.    Caption and Instructions

**1.a**    **Construction, land development, and other land loans (in domestic offices).** Report in the appropriate subitem and column the amount of all construction, land development, and other land loans (in domestic offices) included in Schedule RC-C, part I, item 1.a, column B, that are past due 30 days or more or are in nonaccrual status as of the report date.

**1.a.(1)**    **1-4 family residential construction loans.** Report in the appropriate column the amount of all 1-4 family residential construction loans (in domestic offices) included in Schedule RC-C, part I, item 1.a.(1), column B, that are past due 30 days or more or are in nonaccrual status as of the report date.

**1.a.(2)**    **Other construction loans and all land development and other land loans.** Report in the appropriate column the amount of all other construction loans and all land development and other land loans (in domestic offices) included in Schedule RC-C, part I, item 1.a.(2), column B, that are past due 30 days or more or are in nonaccrual status as of the report date.

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## Schedule RC-N – Past Due and Nonaccrual Loans, Leases, and Other Assets (cont.)

### Item No.    Caption and Instructions

- 1.e**            **Secured by nonfarm nonresidential properties (in domestic offices).** Report in the appropriate subitem and column the amount of all loans secured by nonfarm residential properties (in domestic offices) included in Schedule RC-C, part I, item 1.e, column B, that are past due 30 days or more or are in nonaccrual status as of the report date.
- 1.e.(1)**        **Loans secured by owner-occupied nonfarm nonresidential properties.** Report in the appropriate column the amount of loans secured by owner-occupied nonfarm nonresidential properties (in domestic offices) included in Schedule RC-C, part I, item 1.e.(1), column B, that are past due 30 days or more or are in nonaccrual status as of the report date.
- 1.e.(2)**        **Loans secured by other nonfarm nonresidential properties.** Report in the appropriate column the amount of loans secured by other nonfarm nonresidential properties (in domestic offices) included in Schedule RC-C, part I, item 1.e.(2), column B, that are past due 30 days or more or are in nonaccrual status as of the report date.

## Schedule RI-B, Part I – Charge-offs and Recoveries on Loans and Leases

NOTE: The following instructions for Schedule RI-B, part I, items 1.a, 1.a.(1), 1.a.(2), 1.e, 1.e.(1), and 1.e.(2) replace the existing instructions for Schedule RI-B, part I, Memorandum items 5, 5.a, 5.b, 6, 6.a, and 6.b.

### Item No.    Caption and Instructions

- 1.a**            **Construction, land development, and other land loans (in domestic offices).** Report in the appropriate subitem and column construction, land development, and other land loans (as defined for Schedule RC-C, part I, item 1.a, column B) charged off and recovered.
- 1.a.(1)**        **1-4 family residential construction loans.** Report in columns A and B, as appropriate, 1-4 family residential construction loans (as defined for Schedule RC-C, part I, item 1.a.(1), column B) charged off and recovered.
- 1.a.(2)**        **Other construction loans and all land development and other land loans.** Report in columns A and B, as appropriate, other construction loans and all land development and other land loans (as defined for Schedule RC-C, part I, item 1.a.(2), column B) charged off and recovered.
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- 1.e**            **Secured by nonfarm nonresidential properties (in domestic offices).** Report in the appropriate subitem and column loans secured by nonfarm nonresidential properties (as defined for Schedule RC-C, part I, item 1.e, column B) charged off and recovered.
- 1.e.(1)**        **Loans secured by owner-occupied nonfarm nonresidential properties.** Report in columns A and B, as appropriate, loans secured by owner-occupied nonfarm nonresidential properties (as defined for Schedule RC-C, part I, item 1.e.(1), column B) charged off and recovered.
- 1.e.(2)**        **Loans secured by other nonfarm nonresidential properties.** Report in columns A and B, as appropriate, loans secured by other nonfarm nonresidential properties (as defined for Schedule RC-C, part I, item 1.e.(2), column B) charged off and recovered.