

SUPPLEMENTAL INSTRUCTIONS

December 2020 Call Report Materials

There are no new Call Report data items in the FFIEC 031, FFIEC 041, or FFIEC 051 Call Report forms this quarter. A new topic has been added to the Supplemental Instructions for December 2020 on “Home Equity Lines of Credit That Convert From Revolving to Non-Revolving Status.” The following topics have been removed from the Supplemental Instructions this quarter:

- “Small Bank Assessment Credits” – All small institutions either fully used their credits on or before September 30, 2020, or had any remaining credits remitted to them by the Federal Deposit Insurance Corporation (FDIC) as of that date.
- “Uncollectible Accrued Interest Receivable under ASC Topic 326” – This information is included in the Call Report instruction book updates for December 2020.
- “Recognition and Measurement of Financial Instruments: Investments in Equity Securities” and “Recognition and Measurement of Financial Instruments: Fair Value Option Liabilities” – Accounting Standards Update (ASU) No. 2016-01, “Recognition and Measurement of Financial Assets and Financial Liabilities,” which address the accounting for these securities and liabilities, are in effect for all institutions as of year-end 2020; certain information on these subjects is already included in the Call Report instruction books with further guidance included in this quarter’s Call Report instruction book updates.

In addition, Appendix I of these Supplemental Instructions provides information on certain sections of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) that affect accounting and regulatory reporting. This Appendix was initially added to the Supplemental Instructions for March 2020, and it has been updated this quarter for the effect of extensions to expiring CARES Act provisions related to troubled debt restructurings and the current expected credit losses methodology (CECL) that are included in the Consolidated Appropriations Act, 2021. A new Appendix II has been added this quarter to describe an adjustment to the measurement date for certain total asset thresholds that trigger additional reporting requirements in the Call Reports for report dates in 2021 only and to the \$10 billion total asset threshold for the use of the community bank leverage ratio framework from December 31, 2020, through December 31, 2021.

In general, institutions with domestic offices only and total assets less than \$5 billion as of June 30, 2019, were eligible to file the FFIEC 051 Call Report as of March 31, 2020, but such institutions had the option to file the FFIEC 041 Call Report instead as of that date. Institutions are expected to file the same report form, either the FFIEC 051 or the FFIEC 041, for each quarterly report date during 2020.

Separate updates to the instruction book for the FFIEC 051 Call Report and the instruction book for the FFIEC 031 and FFIEC 041 Call Reports for December 2020 soon will be available for printing and downloading from the FFIEC’s website (https://www.ffiec.gov/ffiec_report_forms.htm) and the FDIC’s website (<https://www.fdic.gov/callreports>). Sample FFIEC 051, FFIEC 041, and FFIEC 031 Call Report forms, including the cover (signature) page, for December 2020 also can be printed and downloaded from these websites. In addition, institutions that use Call Report software generally can print paper copies of blank forms from their software. Please ensure that the individual responsible for preparing the Call Report at your institution has been notified about the electronic availability of the December 2020 report forms, instruction book updates, separate standalone December 2020 COVID-19 Related Supplemental Instructions (discussed below), and these Supplemental Instructions. The locations of changes to the text of the previous quarter’s Supplemental Instructions (except references to the quarter-end report date) are identified by a vertical line in the right margin.

Submission of Completed Reports

Each institution’s Call Report data must be submitted to the FFIEC’s Central Data Repository (CDR), an Internet-based system for data collection (<https://cdr.ffiec.gov/cdr/>), using one of the two methods described in the banking agencies’ Financial Institution Letter (FIL) for the December 31, 2020, report date. The CDR Help Desk is available from 9:00 a.m. until 8:00 p.m., Eastern Time, Monday through Friday, and Saturday,

January 30, 2021, to provide assistance with user accounts, passwords, and other CDR system-related issues. The CDR Help Desk can be reached by telephone at (888) CDR-3111, by fax at (703) 774-3946, or by e-mail at cdr.help@cdr.ffiec.gov.

Institutions are required to maintain in their files a signed and attested hard-copy record of the Call Report data file submitted to the CDR. (See the next section for information on the Call Report signature requirement.) The appearance of this hard-copy record of the submitted data file need not match exactly the appearance of the sample report forms on the FFIEC's website, but the hard-copy record should show at least the caption of each Call Report item and the reported amount. A copy of the cover page printed from Call Report software or from the FFIEC's website should be used to fulfill the signature and attestation requirement. The signed cover page should be attached to the hard-copy record of the Call Report data file that must be placed in the institution's files.

Currently, Call Report preparation software products marketed by (in alphabetical order) Axiom Software Laboratories, Inc.; DBI Financial Systems, Inc.; Fed Reporter, Inc.; FIS Compliance Solutions; FiServ, Inc.; KPMG LLP; SHAZAM Core Services; Vermeg; and Wolters Kluwer Financial Services meet the technical specifications for producing Call Report data files that are able to be processed by the CDR. Contact information for these vendors is provided on the final page of these Supplemental Instructions.

Call Report Signature Requirement and COVID-19

Generally, each Call Report submission must be signed by the Chief Financial Officer (or equivalent) and three directors (two for state nonmember banks).¹ While the Call Report data submission occurs electronically, the current Call Report instructions require that the signed cover page must be attached to a printout or copy of the Call Report forms or data reported to the agencies. The agencies note that while the instructions refer to a single page, the required signatures may be obtained on separate cover pages from each required signer, rather than by obtaining all signatures on a single cover page.

Business disruptions related to the Coronavirus Disease 2019 (COVID-19), including distancing requirements and remote work, may make it operationally challenging for an institution to obtain original ink signatures from all required signers in order to submit the Call Report on a timely basis. Therefore, for the duration of the COVID-19 disruptions, including for the December 31, 2020, Call Report, the agencies will permit an institution to use electronic signatures in lieu of ink signatures to fulfill the Call Report attestation requirement. The institution should follow appropriate governance procedures for collecting and retaining electronic signatures:

- The signature is executed by the required signer with the intent to sign;
- The signature is digitally attached to or associated with a copy of the Call Report;
- The signature or process identifies and authenticates the required signer; and
- The institution maintains the electronically signed Call Report and has it available for subsequent examiner review.

One acceptable method during the COVID-19 disruption could include obtaining written attestation via e-mail from the required signer to the person submitting the Call Report data, provided the e-mail included an attached electronic version of the Call Report data and indicating the attestation is based on the attached information. That e-mail should be retained in the institution's records to support that the Call Report was appropriately attested to by the required signer.

Institutions should discuss any concerns regarding the attestation with their primary federal regulator.

Banking Agencies' Recent COVID-19-Related Activities Affecting the Call Report

In light of the disruptions in economic conditions caused by COVID-19, one or all of the banking agencies issued interim final rules published from March through June 2020 that revise certain aspects of the agencies' regulatory capital rule, amend the Federal Reserve Board's (Board) Regulation D on [reserve requirements](#), and except certain [insider loans](#) from the Board's Regulation O. The FDIC also adopted a final rule modifying its [deposit insurance assessment rules](#). During the third quarter of 2020, the agencies finalized several of the

¹ See, e.g., 12 U.S.C. §§ [161\(a\)](#) and [1817\(a\)\(3\)](#).

capital-related interim final rules with no changes or only limited changes. In addition, Section 4013 of the CARES Act, as amended by Section 541 of the Consolidated Appropriations Act, 2021, provides optional temporary relief from accounting for eligible loan modifications as troubled debt restructurings, which the agencies discussed in an [Interagency Statement on Loan Modifications and Reporting for Financial Institutions Working with Customers Affected by the Coronavirus \(Revised\)](#) issued April 7, 2020. The agencies received approvals from the U.S. Office of Management and Budget to implement changes to the three versions of the Call Report arising from these interim final rules, the FDIC's final rule, and Section 4013 of the CARES Act. The reporting changes took effect as of March 31, 2020, and June 30, 2020.

The subjects of the regulatory capital-related rulemakings are:

- The definition of “[eligible retained income](#);”
- Assets purchased through the [Money Market Mutual Fund Liquidity Facility](#);
- An optional [five-year regulatory capital transition](#) for the effect of adopting CECL in 2020;
- [Temporary changes to and transition for the community bank leverage ratio framework](#);
- [Paycheck Protection Program Liquidity Facility and Paycheck Protection Program loans](#); and
- [Temporary exclusion](#) of U.S. Treasury securities and deposits at Federal Reserve Banks from the supplementary leverage ratio.

Separate standalone December 2020 COVID-19 Related Supplemental Instructions for implementing these rulemakings and Section 4013 of the CARES Act, as amended, in the Call Report for December 31, 2020, will be posted on the FFIEC [Reporting Forms](#) webpage and the FDIC [Bank Financial Reports](#) webpage.

Home Equity Lines of Credit That Convert From Revolving to Non-Revolving Status

The instructions for Schedule RC-C, Part I, item 1.c, on loans secured by 1-to-4 family residential properties explain that a home equity line of credit (HELOC) is a revolving, open-end line of credit secured by a lien on a 1-to-4 family residential property that generally provides a draw period followed by a repayment period. During the draw period, a borrower has revolving access to unused amounts under a specified open-end line of credit. During the repayment period, the credit becomes non-revolving, the borrower can no longer draw on the line of credit, and the outstanding principal is either due immediately in a balloon payment or repaid over the remaining term through monthly payments. As previously announced by the FFIEC, instructional revisions and a new Schedule RC-C, Part I, Memorandum item related to HELOCs that have converted to non-revolving status will take effect in 2021 (see [FIL-10-2020](#) dated February 18, 2020).

Beginning as of the March 31, 2021, report date, all institutions must report HELOCs that convert to non-revolving, closed-end status on or after January 1, 2021, as open-end loans in Schedule RC-C, Part I, item 1.c.(1). An institution that reported HELOCs that converted to non-revolving status as open-end loans in its Call Reports for the December 31, 2020, and earlier report dates should continue to do so. An institution that, as of March 31, 2020, reported HELOCs that converted to non-revolving status as closed-end loans in Schedule RC-C, Part I, items 1.c.(2)(a) or 1.c.(2)(b), as appropriate, may continue to report HELOCs that converted on or before December 31, 2020, as closed-end loans in its Call Reports for the March 31, 2021, and subsequent report dates. Alternatively, the institution may choose to begin reporting some or all of these closed-end HELOCs as open-end loans in item 1.c.(1) as of the March 31, 2020, or any subsequent report date, provided this reporting treatment is consistently applied.

New Memorandum item 16, “Revolving, open-end loans secured by 1-4 family residential properties and extended under lines of credit (in domestic offices) that have converted to non-revolving closed-end status,” is being added to Schedule RC-C, Part I. Memorandum item 16 will be collected quarterly in the FFIEC 031 and the FFIEC 041 Call Reports beginning as of the March 31, 2021, report date and semiannually as of June 30 and December 31 in the FFIEC 051 Call Report beginning as of the June 30, 2021, report date. Institutions would report in Memorandum item 16 the amount of loans included in Schedule RC-C, Part I, item 1.c.(1), that have converted to non-revolving, closed-end status, but originated as draws under revolving, open-end lines of credit secured by 1-to-4 family residential properties, including those for which the draw periods have ended.

Reference Rate Reform

In March 2020, the FASB issued ASU No. 2020-04, “Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting.” The ASU states that “[r]eference rates such as the London Interbank Offered Rate (LIBOR) are widely used in a broad range of financial instruments and other agreements. Regulators and market participants in various jurisdictions have undertaken efforts, generally referred to as reference rate reform, to eliminate certain reference rates and introduce new reference rates that are based on a larger and more liquid population of observable transactions. As a result of this initiative, certain widely used reference rates such as LIBOR are expected to be discontinued.”

The ASU provides optional expedients for a limited period of time to ease the potential burden in accounting for (or recognizing the effects of) reference rate reform on financial reporting. In particular, the expedients in the ASU are available to be elected by all institutions, subject to meeting certain criteria, for contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform.

With respect to contracts, the ASU applies to contract modifications that replace a reference rate affected by reference rate reform (including rates referenced in fallback provisions) and contemporaneous modifications of other contract terms related to the replacement of the reference rate (including contract modifications to add or change fallback provisions). The ASU provides optional expedients for applying Accounting Standards Codification (ASC) requirements in the following areas:

- ASC Topics 310, Receivables, and 470, Debt: Modifications of contracts within the scope of these topics should be accounted for by prospectively adjusting the effective interest rate.
- ASC Topics 840, Leases, and 842, Leases: Modifications of contracts within the scope of these topics should be accounted for as a continuation of the existing contracts with no reassessments of the lease classification and the discount rate (for example, the incremental borrowing rate) or remeasurements of lease payments that otherwise would be required under these topics for modifications not accounted for as separate contracts.
- ASC Subtopic 815-15, Derivatives and Hedging—Embedded Derivatives: Modifications of contracts do not require an entity to reassess its original conclusion about whether that contract contains an embedded derivative that is clearly and closely related to the economic characteristics and risks of the host contract under this subtopic.

For other topics in the ASC, the ASU states a general principle that permits an institution to consider contract modifications due to reference rate reform to be an event that does not require contract remeasurement at the modification date or reassessment of a previous accounting determination. When elected, an institution must apply the optional expedients for contract modifications consistently for all eligible contracts or eligible transactions within the relevant ASC topic that contains the guidance that otherwise would be required to be applied.

In addition, the ASU provides exceptions to the guidance in Topic 815, Derivatives and Hedging, related to changes to the critical terms of a hedging relationship due to reference rate reform. The ASU includes examples of changes to these terms that should not result in the dedesignation of the hedging relationship if certain criteria are met. The ASU also provides optional expedients for fair value hedging relationships, cash flow hedging relationships, and net investment hedging relationships for which the component excluded from the assessment of hedge effectiveness is affected by reference rate reform. If certain criteria are met, other optional expedients apply to cash flow hedging relationships affected by reference rate reform and to fair value hedging relationships for which the derivative designated as the hedging instrument is affected by reference rate reform. The optional expedients for hedging relationships may be elected on an individual hedging relationship basis.

Finally, the ASU permits institutions to make a one-time election to sell, transfer, or both sell and transfer held-to-maturity debt securities that reference a rate affected by reference rate reform and were classified as held-to-maturity before January 1, 2020.

The ASU is effective for all institutions as of March 12, 2020, through December 31, 2022. For additional information, institutions should refer to ASU 2020-04, which is available at https://www.fasb.org/jsp/FASB/Document_C/DocumentPage?cid=1176174318625&acceptedDisclaimer=true.

Nonaccrual Treatment for Purchased Credit-Deteriorated (PCD) Assets

In June 2016, the Financial Accounting Standards Board (FASB) issued ASU No. 2016-13, “Measurement of Credit Losses on Financial Instruments,” which introduces the concept of PCD assets. PCD assets are acquired financial assets that, at acquisition, have experienced more-than-insignificant deterioration in credit quality since origination. When recording the acquisition of PCD assets, the amount of expected credit losses as of the acquisition date is recorded as an allowance and added to the purchase price of the assets rather than recording these acquisition date expected credit losses through provisions for credit losses. The sum of the purchase price and initial allowance for credit losses establishes the amortized cost basis of the PCD assets at acquisition. Any difference between the unpaid principal balance of the PCD assets and the amortized cost basis of the assets as of the acquisition date is the noncredit discount or premium. The initial allowance for credit losses and noncredit discount or premium determined on a collective basis at that acquisition date are allocated to the individual PCD assets.

After acquisition, the noncredit discount or premium recorded at acquisition is accreted into interest income over the remaining lives of the PCD assets on a level-yield basis. However, if a PCD asset is placed in nonaccrual status, ASC paragraph 310-20-35-17 requires institutions to cease accreting the noncredit discount or premium into interest income.

The current instructions for Schedule RC-N provide an exception to the criteria for placing financial assets in nonaccrual status for purchased credit-impaired (PCI) assets. However, the Schedule RC-N instructions indicate that this nonaccrual exception for PCI assets was not extended to PCD assets: “For purchased credit-deteriorated loans, debt securities, and other financial assets that fall within the scope of ASU 2016-13, nonaccrual status should be determined and subsequent nonaccrual treatment, if appropriate, should be applied in the same manner as for other financial assets held by an institution.”

For purposes of the Call Report, if an institution has adopted ASU 2016-13 and has a PCD asset, including a PCD asset that was previously a PCI asset or part of a pool of PCI assets, that would otherwise be required to be placed in nonaccrual status (see the Glossary entry for “Nonaccrual Status”), the institution may elect to continue accruing interest income and not report the PCD asset as being in nonaccrual status if the following criteria are met:

- (1) The institution reasonably estimates the timing and amounts of cash flows expected to be collected, and
- (2) The institution did not acquire the asset primarily for the rewards of ownership of the underlying collateral, such as use of collateral in operations of the institution or improving the collateral for resale.

When a PCD asset that meets the criteria above is not placed in nonaccrual status, the asset should be subject to other alternative methods of evaluation to ensure that the institution’s net income is not materially overstated. Further, an institution is not permitted to accrete the credit-related discount embedded in the purchase price of a PCD asset that is attributable to the acquirer’s assessment of expected credit losses as of the date of acquisition (i.e., the contractual cash flows the acquirer did not expect to collect at acquisition). Interest income should no longer be recognized on a PCD asset to the extent that the net investment in the asset would increase to an amount greater than the payoff amount. If an institution is required or has elected to carry a PCD asset in nonaccrual status, the asset must be reported as a nonaccrual asset at its amortized cost basis in Schedule RC-N, column C.

For PCD assets whereby the institution has made a policy election to maintain previously existing pools on adoption of ASU 2016-13, the determination of nonaccrual or accrual status should be made at the pool level, not the individual asset level.

For a PCD asset that is not reported in nonaccrual status, the delinquency status of the PCD asset should be determined in accordance with its contractual repayment terms for purposes of reporting the amortized cost basis of the asset as past due in Schedule RC-N, column A or B, as appropriate. If the PCD asset that is not reported in nonaccrual status consists of a pool of loans that were previously PCI that is being maintained as a

unit of account after the adoption of ASU 2016-13, delinquency status should be determined individually for each loan in the pool in accordance with the individual loan's contractual repayment terms.

The agencies will permit institutions the option to not report PCD assets in nonaccrual status if they meet the criteria described above on an interim basis. After requesting public comment on a proposal to revise the Call Report Instructions for the nonaccrual treatment for PCD assets through the standard Paperwork Reduction Act (PRA) process,² the agencies have finalized this revision, which will be reflected in the Call Report instruction book updates for March 2021.³

Presentation of Provisions for Credit Losses on Off-Balance Sheet Credit Exposures

For Call Report purposes, the instructions currently require all provisions for credit losses on off-balance sheet credit exposures to be reported in Schedule RI, item 7.d, "Other noninterest expense."

The agencies have received questions from institutions concerning the reporting of provisions for credit losses on off-balance sheet credit exposures in the Call Report income statement (Schedule RI) upon an institution's adoption of ASU 2016-13. This ASU introduces CECL for estimating allowances for credit losses and addresses the measurement and reporting of expected credit losses on off-balance sheet credit exposures. According to ASC Subtopic 326-20, an institution should "report in net income (as a credit loss expense) the amount necessary to adjust the liability for credit losses for management's current estimate of expected credit losses on off-balance sheet credit exposures."

In their questions, these institutions indicated that, upon adoption of ASU 2016-13, reporting provisions for credit losses on off-balance sheet credit exposures together with the other provisions for credit losses in the Call Report income statement would be more appropriate than reporting them as part of other noninterest expense. The institutions also noted that such a change would allow for more consistency in how their credit loss provisions for off-balance sheet exposures are presented for financial reporting purposes.

After requesting public comment through the standard PRA process on this proposed change in reporting for institutions that have adopted ASU 2016-13, the agencies have finalized this revision, which will be reflected in the Call Report instruction book updates for March 2021.⁴ In the interim, the agencies will permit such institutions to report provisions for credit losses on off-balance sheet credit exposures in either Schedule RI, item 4, "Provision for loan and lease losses," or, as provided in the current Call Report Instructions, Schedule RI, item 7.d, "Other noninterest expense." An institution that makes this election for reporting in the fiscal quarter in which it adopts ASU 2016-13 (e.g., in the quarter ending March 31, 2020, for an institution with a calendar year fiscal year) should maintain the same reporting treatment in each subsequent quarter until the proposed reporting change is finalized.

Goodwill Impairment Testing

In January 2017, the FASB issued ASU No. 2017-04, "Simplifying the Test for Goodwill Impairment," to address concerns over the cost and complexity of the two-step goodwill impairment test in ASC Subtopic 350-20, Intangibles—Goodwill and Other – Goodwill, that applies to an entity that has not elected the private company alternative for goodwill (which is discussed in the Glossary entry for "Goodwill" in the Call Report instructions). Thus, the ASU simplifies the subsequent measurement of goodwill by eliminating the second step from the test, which involves the computation of the implied fair value of a reporting unit's goodwill. Instead, under the ASU, when an entity tests goodwill for impairment, which must take place at least annually, the entity should compare the fair value of a reporting unit with its carrying amount. In general, the entity should recognize an impairment charge for the amount, if any, by which the reporting unit's carrying amount exceeds its fair value. However, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. This one-step approach to assessing goodwill impairment applies to all reporting units, including those with a zero or negative carrying amount. An entity retains the option to perform the qualitative assessment for a reporting unit described in ASC Subtopic 350-20 to determine whether it is necessary to perform the quantitative goodwill impairment test.

² See [FIL-73-2020](#) dated July 30, 2020, and [85 FR 44361](#) (July 22, 2020).

³ See [FIL-110-2020](#) dated December 1, 2020, and [85 FR 74784](#) (November 23, 2020).

⁴ See footnotes 2 and 3.

For an institution that is a public business entity and is also a U.S. Securities and Exchange Commission (SEC) filer, as both terms are defined in U.S. generally accepted accounting principles (GAAP), the ASU is effective for goodwill impairment tests in fiscal years beginning after December 15, 2019. For a public business entity that is not an SEC filer, the ASU is effective for goodwill impairment tests in fiscal years beginning after December 15, 2020. For all other institutions, the ASU is effective for goodwill impairment tests in fiscal years beginning after December 15, 2021. Early adoption is permitted for goodwill impairment tests performed on testing dates after January 1, 2017. For Call Report purposes, an institution should apply the provisions of ASU 2017-04 to goodwill impairment tests on a prospective basis in accordance with the applicable effective date of the ASU. An institution that early adopts ASU 2017-04 for U.S. GAAP financial reporting purposes should early adopt the ASU in the same period for Call Report purposes.

For additional information, institutions should refer to ASU 2017-04, which is available at https://www.fasb.org/jsp/FASB/Document_C/DocumentPage?cid=1176168778106&acceptedDisclaimer=true.

Credit Losses on Financial Instruments

In June 2016, the FASB issued ASU No. 2016-13, “Measurement of Credit Losses on Financial Instruments,” which introduces CECL for estimating allowances for credit losses. Under CECL, an allowance for credit losses is a valuation account, measured as the difference between the financial assets’ amortized cost basis and the net amount expected to be collected on the financial assets (i.e., lifetime credit losses). To estimate expected credit losses under CECL, institutions will use a broader range of data than under existing U.S. GAAP. These data include information about past events, current conditions, and reasonable and supportable forecasts relevant to assessing the collectability of the cash flows of financial assets.

The ASU is applicable to all financial instruments measured at amortized cost (including loans held for investment and held-to-maturity debt securities, as well as trade receivables, reinsurance recoverables, and receivables that relate to repurchase agreements and securities lending agreements), a lessor’s net investments in leases, and off-balance-sheet credit exposures not accounted for as insurance, including loan commitments, standby letters of credit, and financial guarantees. The new standard does not apply to trading assets, loans held for sale, financial assets for which the fair value option has been elected, or loans and receivables between entities under common control.

The ASU also modifies the treatment of credit impairment on available-for-sale (AFS) debt securities. Under the new standard, institutions will recognize a credit loss on an AFS debt security through an allowance for credit losses, rather than the current practice required by U.S. GAAP of write-downs of individual securities for other-than-temporary impairment.

On November 15, 2019, the FASB issued ASU No. 2019-10 to defer the effective dates of ASU 2016-13 for certain institutions. Under this ASU, for institutions that are SEC filers, excluding those that are not eligible to be “smaller reporting companies” as defined in the SEC’s rules, ASU 2016-13 continues to be effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years, i.e., January 1, 2020, for such entities with calendar year fiscal years. For all other entities, including those SEC filers that are eligible to be smaller reporting companies, ASU 2016-13 now will take effect for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years, i.e., January 1, 2023, for such entities with calendar year fiscal years. For all institutions, early application of the new credit losses standard is permitted for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years.

Institutions must apply ASU 2016-13 for Call Report purposes in accordance with the effective dates set forth in the ASU as amended in November 2019. An institution that early adopts ASU 2016-13 for U.S. GAAP financial reporting purposes should also early adopt the ASU in the same period for Call Report purposes. However, Section 4014 of the CARES Act, as amended by section 540 of the Consolidated Appropriations Act, 2021, allows an institution to delay the adoption of ASU 2016-13 until the earlier of (1) January 1, 2022, or (2) the first day of the institution’s fiscal year that begins after the date of the termination of the national emergency concerning the coronavirus outbreak declared by the President on March 13, 2020, under the National Emergencies Act.

For additional information, institutions should refer to the agencies' [Interagency Policy Statement on Allowances for Credit Losses](#), which was published June 1, 2020. Since the issuance of ASU 2016-13, the FASB has published the following amendments to the new credit losses accounting standard:

- ASU 2018-19, "Codification Improvements to Topic 326, Financial Instruments—Credit Losses," available at https://www.fasb.org/jsp/FASB/Document_C/DocumentPage?cid=1176171644373&acceptedDisclaimer=true;
- ASU 2019-04, "Codification Improvements to Topic 326, Financial Instruments—Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments," available at https://www.fasb.org/jsp/FASB/Document_C/DocumentPage?cid=1176172541591&acceptedDisclaimer=true;
- ASU 2019-05, "Financial Instruments – Credit Losses (Topic 326): Targeted Transition Relief," available at https://www.fasb.org/jsp/FASB/Document_C/DocumentPage?cid=1176172668879&acceptedDisclaimer=true;
- ASU 2019-10, "Financial Instruments—Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842): Effective Dates," available at https://www.fasb.org/jsp/FASB/Document_C/DocumentPage?cid=1176173775344&acceptedDisclaimer=true;
- ASU 2019-11, "Codification Improvements to Topic 326, Financial Instruments – Credit Losses," available at https://www.fasb.org/jsp/FASB/Document_C/DocumentPage?cid=1176173831330&acceptedDisclaimer=true; and
- ASU 2020-03, "Codification Improvements to Financial Instruments," available at https://www.fasb.org/jsp/FASB/Document_C/DocumentPage?cid=1176174290619&acceptedDisclaimer=true.

Accounting for Hedging Activities

In August 2017, the FASB issued ASU No. 2017-12, "Targeted Improvements to Accounting for Hedging Activities." This ASU amends ASC Topic 815, Derivatives and Hedging, to "better align an entity's risk management activities and financial reporting for hedging relationships through changes to both the designation and measurement guidance for qualifying hedging relationships and the presentation of hedge results."

For institutions that are public business entities, as defined under U.S. GAAP, ASU 2017-12 is currently in effect. For institutions that are not public business entities (i.e., that are private companies), the FASB issued ASU 2019-10 on November 15, 2019, to defer the effective date of ASU 2017-12 by one year. As amended by ASU 2019-10, ASU 2017-12 will take effect for entities that are not public business entities for fiscal years beginning after December 15, 2020, and interim periods within fiscal years beginning after December 15, 2021.

Early application of ASU 2017-12 is permitted for all institutions in any interim period or fiscal year before the effective date of the ASU. Further, ASU 2017-12 specifies transition requirements and offers transition elections for hedging relationships existing on the date of adoption (i.e., hedging relationships in which the hedging instrument has not expired, been sold, terminated, or exercised or for which the institution has not removed the designation of the hedging relationship). These transition requirements and elections should be applied on the date of adoption of ASU 2017-12 and the effect of adoption should be reflected as of the beginning of the fiscal year of adoption (i.e., the initial application date). Thus, if an institution early adopts the ASU in an interim period, any adjustments shall be reflected as of the beginning of the fiscal year that includes the interim period of adoption, e.g., as of January 1 for a calendar year institution. An institution that early adopts ASU 2017-12 in an interim period for U.S. GAAP financial reporting purposes should also early adopt the ASU in the same period for Call Report purposes.

The Call Report instructions, including the Glossary entry for "Derivative Contracts," will be revised to conform to the ASU at a future date.

For additional information, institutions should refer to ASU 2017-12, which is available at http://www.fasb.org/jsp/FASB/Document_C/DocumentPage?cid=1176169282347&acceptedDisclaimer=true; and ASU 2019-10, "Financial Instruments—Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842): Effective Dates," which is available at https://www.fasb.org/jsp/FASB/Document_C/DocumentPage?cid=1176173775344&acceptedDisclaimer=true.

New Revenue Recognition Accounting Standard

In May 2014, the FASB issued ASU No. 2014-09, “Revenue from Contracts with Customers,” which added ASC Topic 606, Revenue from Contracts with Customers. The core principle of Topic 606 is that an entity should recognize revenue at an amount that reflects the consideration to which it expects to be entitled in exchange for transferring goods or services to a customer as part of the entity’s ordinary activities. ASU 2014-09 also added Topic 610, Other Income, which applies to income recognition that is not within the scope of Topic 606, other Topics (such as Topic 840 on leases), or other revenue or income guidance. As discussed in the following section of these Supplemental Instructions, Topic 610 applies to an institution’s sales of repossessed nonfinancial assets, such as other real estate owned (OREO). The sale of repossessed nonfinancial assets is not considered an “ordinary activity” because institutions do not typically invest in nonfinancial assets. ASU 2014-09 and subsequent amendments are collectively referred to herein as the “new standard.” For additional information on this accounting standard and the revenue streams to which it does and does not apply, please refer to the Glossary entry for “Revenue from Contracts with Customers” in the Call Report instruction books.

For institutions that are public business entities, as defined under U.S. GAAP, the new standard is currently in effect. For institutions that are not public business entities (i.e., that are private companies), the new standard is effective for annual reporting periods beginning after December 15, 2018, and interim reporting periods within annual reporting periods beginning after December 15, 2019. Institutions that are private companies with a calendar year fiscal year (that did not early adopt the new standard) should have begun to report revenue in accordance with the standard in the Call Report for December 31, 2019. Institutions that are private companies with a non-calendar fiscal year that ended on or after January 1, 2020, but before April 1, 2020 (e.g., March 31, 2020), and did not early adopt the ASU, should have begun to report revenue in accordance with the new standard in the Call Report for March 31, 2020. However, to provide immediate, near-term relief because of the unique challenges resulting from the COVID-19 pandemic, the FASB issued ASU No. 2020-05, “Effective Dates for Certain Entities,” on June 3, 2020, to defer, for one year, the required effective date of the new revenue recognition standard for certain institutions that are private companies. More specifically, institutions that are private companies with a non-calendar fiscal year that ended, or will end, after March 31, 2020, but before January 1, 2021 (e.g., a fiscal year that ended June 30, 2020, or September 30, 2020), and have not yet been required to file a Call Report reflecting the adoption of the new revenue recognition standard, may elect to either (1) adopt this new standard for annual reporting periods beginning after December 15, 2019, and for interim reporting periods within annual reporting periods beginning after December 15, 2020, or (2) follow the new standard’s original effective date as described above and begin to report revenue in accordance with the new standard in annual reporting periods beginning after December 15, 2018, and interim reporting periods within annual reporting periods beginning after December 15, 2019. For example, an institution that is a private company with a fiscal year that ends September 30 (that did not early adopt the new standard) may elect to begin to report revenue in accordance with the new standard in its Call Report for either September 30, 2020, or September 30, 2021.

For Call Report purposes, an institution must apply the new revenue recognition standard on a modified retrospective basis as of the original or deferred effective date of the standard. When applying the modified retrospective method in the Call Report, an institution that is a private company with a fiscal year that begins November 1, for example, and elects to adopt the new standard at its original effective date must determine the effect on its retained earnings as of January 1, 2020, of adopting the new revenue recognition standard as of November 1, 2019. The institution should report the effect of this change in accounting principle, net of applicable income taxes, as a direct adjustment to equity capital in Schedule RI-A, item 2, in the Call Report for December 31, 2020. The institution also must report calendar year-to-date revenue in its Call Report income statement in accordance with this new standard beginning as of January 1, 2020.

For additional information, institutions should refer to the new standard, which is available at <http://www.fasb.org/jsp/FASB/Page/SectionPage&cid=1176156316498>.

Revenue Recognition: Accounting for Sales of OREO

As stated in the preceding section, Topic 610 applies to an institution’s sale of repossessed nonfinancial assets, such as OREO. When the new revenue recognition standard becomes effective at the dates discussed above, Topic 610 will eliminate the prescriptive criteria and methods for sale accounting and gain

recognition for dispositions of OREO currently set forth in Subtopic 360-20, Property, Plant, and Equipment – Real Estate Sales. Under the new standard, an institution will recognize the entire gain or loss, if any, and derecognize the OREO at the time of sale if the transaction meets certain requirements of Topic 606. Otherwise, an institution will generally record any payments received as a deposit liability to the buyer and continue reporting the OREO as an asset at the time of the transaction.

The following paragraphs highlight key aspects of Topic 610 that will apply to seller-financed sales of OREO once the new standard takes effect. When implementing the new standard, an institution will need to exercise judgment in determining whether a contract (within the meaning of Topic 606) exists for the sale or transfer of OREO, whether the institution has performed its obligations identified in the contract, and what the transaction price is for calculation of the amount of gain or loss. For additional information, please refer to the Glossary entry for “Foreclosed Assets” in the Call Report instruction books, which provides guidance on the application of the new standard to sales of OREO.

Under Topic 610, when an institution does not have a controlling financial interest in the OREO buyer under Topic 810, Consolidation, the institution’s first step in assessing whether it can derecognize an OREO asset and recognize revenue upon the sale or transfer of the OREO is to determine whether a contract exists under the provisions of Topic 606. In order for a transaction to be a contract under Topic 606, it must meet five criteria. Although all five criteria require careful analysis for seller-financed sales of OREO, two criteria in particular may require significant judgment. These criteria are the commitment of the parties to the transaction to perform their respective obligations and the collectability of the transaction price. To evaluate whether a transaction meets the collectability criterion, a selling institution must determine whether it is probable that it will collect substantially all of the consideration to which it is entitled in exchange for the transfer of the OREO, i.e., the transaction price. To make this determination, as well as the determination that the buyer of the OREO is committed to perform its obligations, a selling institution should consider all facts and circumstances related to the buyer’s ability and intent to pay the transaction price. As with the current accounting standards governing seller-financed sales of OREO, the amount and character of a buyer’s initial equity in the property (typically the cash down payment) and recourse provisions remain important factors to evaluate. Other factors to consider may include, but are not limited to, the financing terms of the loan (including amortization and any balloon payment), the credit standing of the buyer, the cash flow from the property, and the selling institution’s continuing involvement with the property following the transaction.

If the five contract criteria in Topic 606 have not been met, the institution generally may not derecognize the OREO asset or recognize revenue (gain or loss) as an accounting sale has not occurred. In contrast, if an institution determines the contract criteria in Topic 606 have been met, it must then determine whether it has satisfied its performance obligations as identified in the contract by transferring control of the asset to the buyer. For seller-financed sales of OREO, the transfer of control generally occurs on the closing date of the sale when the institution obtains the right to receive payment for the property and transfers legal title to the buyer. However, an institution must consider all relevant facts and circumstances to determine whether control of the OREO has transferred.

When a contract exists and an institution has transferred control of the asset, the institution should derecognize the OREO asset and recognize a gain or loss for the difference between the transaction price and the carrying amount of the OREO asset. Generally, the transaction price in a sale of OREO will be the contract amount in the purchase/sale agreement, including for a seller-financed sale at market terms. However, the transaction price may differ from the amount stated in the contract due to the existence of off-market terms on the financing. In this situation, to determine the transaction price, the contract amount should be adjusted for the time value of money by using as the discount rate a market rate of interest considering the credit characteristics of the buyer and the terms of the financing.

As stated in the preceding section, an institution must apply the new revenue recognition standard, including the change in accounting for seller-financed OREO sales, on a modified retrospective basis for Call Report purposes. An institution that is a private company with a fiscal year other than the calendar year, such as an institution with a fiscal year that begins November 1 that elects to begin reporting revenue in accordance with the new standard in the Call Report for December 31, 2020, should follow the guidance for applying the modified retrospective method in the preceding section to its seller-financed OREO sales.

Accounting for Leases

In February 2016, the FASB issued ASU No. 2016-02, “Leases,” which added ASC Topic 842, Leases. Once effective, this guidance, as amended by certain subsequent ASUs, supersedes ASC Topic 840, Leases.

Topic 842 does not fundamentally change lessor accounting; however, it aligns terminology between lessee and lessor accounting and brings key aspects of lessor accounting into alignment with the FASB’s new revenue recognition guidance in Topic 606. As a result, the classification difference between direct financing leases and sales-type leases for lessors moves from a risk-and-rewards principle to a transfer of control principle. Additionally, there is no longer a distinction in the treatment of real estate and non-real estate leases by lessors.

The most significant change that Topic 842 makes is to lessee accounting. Under existing accounting standards, lessees recognize lease assets and lease liabilities on the balance sheet for capital leases, but do not recognize operating leases on the balance sheet. The lessee accounting model under Topic 842 retains the distinction between operating leases and capital leases, which the new standard labels finance leases. However, the new standard requires lessees to record a right-of-use (ROU) asset and a lease liability on the balance sheet for operating leases. (For finance leases, a lessee’s lease asset also is designated an ROU asset.) In general, the new standard permits a lessee to make an accounting policy election to exempt leases with a term of one year or less at their commencement date from on-balance sheet recognition. The lease term generally includes the noncancellable period of a lease as well as purchase options and renewal options reasonably certain to be exercised by the lessee, renewal options controlled by the lessor, and any other economic incentive for the lessee to extend the lease. An economic incentive may include a related-party commitment. When preparing to implement Topic 842, lessees will need to analyze their existing lease contracts to determine the entries to record on adoption of this new standard.

For a sale-leaseback transaction to qualify for sales treatment, Topic 842 requires certain criteria within Topic 606 to be met. Topic 606 focuses on the transfer of control of the leased asset from the seller/lessee to the buyer/lessor. A sale-leaseback transaction that does not transfer control is accounted for as a financing arrangement. For a transaction currently accounted for as a sale-leaseback under existing U.S. GAAP, an entity is not required to reassess whether the transaction would have qualified as a sale and a leaseback under Topic 842 when it adopts the new standard.

Leases classified as leveraged leases prior to the adoption of Topic 842 may continue to be accounted for under Topic 840 unless subsequently modified. Topic 842 eliminates leveraged lease accounting for leases that commence after an institution adopts the new accounting standard.

For institutions that are public business entities, as defined under U.S. GAAP, ASU 2016-02 is currently in effect. For institutions that are not public business entities (i.e., that are private companies), ASU 2016-02, as amended in 2019, was scheduled to take effect for fiscal years beginning after December 15, 2020, and interim reporting periods within fiscal years beginning after December 15, 2021. However, to provide immediate, near-term relief because of the significant business disruptions caused by the COVID-19 pandemic, the FASB issued ASU No. 2020-05, “Effective Dates for Certain Entities,” on June 3, 2020, to defer, for one year, the required effective date of the new lease accounting standard for entities not yet required to adopt ASU 2016-02. As a result, ASU 2016-02 will now take effect for institutions that are private companies for fiscal years beginning after December 15, 2021, and to interim periods within fiscal years beginning after December 15, 2022. Early application of ASU 2016-02 continues to be permitted. An institution that early adopts the new standard must apply it in its entirety to all lease-related transactions. If an institution chooses to early adopt the new standard for financial reporting purposes, the institution should implement the new standard in its Call Report for the same quarter-end report date.

Under ASU 2016-02, an institution must apply the new leases standard on a modified retrospective basis for financial reporting purposes. Under the modified retrospective method, an institution should apply the leases standard and the related cumulative-effect adjustments to affected accounts existing as of the beginning of the earliest period presented in the financial statements. However, as explained in the “Changes in accounting principles” section of the Glossary entry for “Accounting Changes” in the Call Report instructions, when a new accounting standard (such as the leases standard) requires the use of a retrospective application method, institutions should instead report the cumulative effect of adopting the new standard on the amount of retained

earnings at the beginning of the year in which the new standard is first adopted for Call Report purposes (net of applicable income taxes, if any) as a direct adjustment to equity capital in the Call Report. For the adoption of the new leases standard, the cumulative-effect adjustment to bank equity capital for this change in accounting principle should be reported in Schedule RI-A, item 2, and disclosed in Schedule RI-E, item 4.b, “Effect of adoption of lease accounting standard - ASC Topic 842.” In July 2018, the FASB issued ASU 2018-11, “Targeted Improvements,” which provides an additional and “optional transition method” for comparative reporting purposes at adoption of the new leases standard. Under this optional transition method, an institution initially applies the new leases standard at the adoption date (e.g., January 1, 2022, for an institution that is a private company with a calendar year fiscal year) and, for Call Report purposes, the institution should recognize and report a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption consistent with the Glossary instructions described above.

For Call Report purposes, all ROU assets for operating leases and finance leases, including ROU assets for operating leases recorded upon adoption of ASU 2016-02, should be reflected in Schedule RC, item 6, “Premises and fixed assets.”

Institutions that have adopted ASU 2016-02 should report the lease liability for operating leases on the Call Report balance sheet in Schedule RC, item 20, “Other liabilities.” In Schedule RC-G, Other Liabilities, operating lease liabilities should be reported in item 4, “All other liabilities.” In addition, institutions should report the amount of operating lease liabilities in Schedule RC-G, item 4.e, if this amount is greater than \$100,000 and exceeds 25 percent of the total amount reported in Schedule RC-G, item 4. Lease liabilities for finance leases should be reported in Schedule RC-M, items 5.b, “Other borrowings,” and 10.b, “Amount of ‘Other borrowings’ that are secured.”

For an operating lease, a lessee should report a single lease cost for the lease in the Call Report income statement, calculated so that the cost of the lease is allocated over the lease term on a generally straight-line basis, in Schedule RI, item 7.b, “Expenses of premises and fixed assets.” For a finance lease, a lessee should report interest expense on the lease liability separately from the amortization expense on the ROU asset. The interest expense should be reported on Schedule RI in item 2.c, “Other interest expense,” on the FFIEC 051 and in item 2.c, “Interest on trading liabilities and other borrowed money,” on the FFIEC 031 and the FFIEC 041. The amortization expense should be reported on Schedule RI in item 7.b, “Expenses of premises and fixed assets.”

To the extent an ROU asset arises due to a lessee’s lease of a tangible asset (e.g., building or equipment), the ROU asset should be treated as a tangible asset not subject to deduction from regulatory capital. Except for institutions that have a community bank leverage ratio framework election in effect, an ROU asset not subject to deduction must be risk weighted at 100 percent in accordance with the agencies’ regulatory capital rules and included in a lessee institution’s calculations of total risk-weighted assets. In addition, an ROU asset must be included in a lessee institution’s total assets for leverage capital purposes.

For additional information on ASU 2016-02, institutions should refer to the FASB’s website at <https://www.fasb.org/leases>, which includes a link to the lease accounting standard and subsequent amendments to this standard. Institutions may also refer to the Glossary entry for “Lease Accounting” in the Call Report instruction books, which was updated as of September 30, 2020, in response to the changes in the accounting for leases summarized above.

Amending Previously Submitted Report Data

Should your institution find that it needs to revise previously submitted Call Report data, please make the appropriate changes to the data, ensure that the revised data passes the FFIEC-published validation criteria, and submit the revised data file to the CDR using one of the two methods described in the banking agencies’ FIL for the December 31, 2020, report date. For technical assistance with the submission of amendments to the CDR, please contact the CDR Help Desk by telephone at (888) CDR-3111, by fax at (703) 774-3946, or by e-mail at cdr.help@cdr.ffiec.gov.

Other Reporting Matters

For the following topics, institutions should continue to follow the guidance in the specified Call Report Supplemental Instructions:

- True-up Liability under an FDIC Loss-Sharing Agreement – Supplemental Instructions for June 30, 2015 (https://www.ffiec.gov/PDF/FFIEC_forms/FFIEC031_FFIEC041_suppinst_201506.pdf)
- Troubled Debt Restructurings, Current Market Interest Rates, and ASU No. 2011-02 – Supplemental Instructions for December 31, 2014 (https://www.ffiec.gov/PDF/FFIEC_forms/FFIEC031_FFIEC041_suppinst_201412.pdf)
- Determining the Fair Value of Derivatives – Supplemental Instructions for June 30, 2014 (https://www.ffiec.gov/PDF/FFIEC_forms/FFIEC031_FFIEC041_suppinst_201406.pdf)
- Indemnification Assets and ASU No. 2012-06 – Supplemental Instructions for June 30, 2014 (https://www.ffiec.gov/PDF/FFIEC_forms/FFIEC031_FFIEC041_suppinst_201406.pdf)
- Small Business Lending Fund – Supplemental Instructions for March 31, 2013 (https://www.ffiec.gov/PDF/FFIEC_forms/FFIEC031_FFIEC041_suppinst_201303.pdf)
- Reporting Purchased Subordinated Securities in Schedule RC-S – Supplemental Instructions for September 30, 2011 (https://www.ffiec.gov/PDF/FFIEC_forms/FFIEC031_FFIEC041_suppinst_201109.pdf)
- Treasury Department’s Capital Purchase Program – Supplemental Instructions for September 30, 2011 (https://www.ffiec.gov/PDF/FFIEC_forms/FFIEC031_FFIEC041_suppinst_201109.pdf)
- Deposit insurance assessments – Supplemental Instructions for September 30, 2009 (https://www.ffiec.gov/PDF/FFIEC_forms/FFIEC031_041_suppinst_200909.pdf)
- Accounting for share-based payments under FASB Statement No. 123 (Revised 2004), *Share-Based Payment* – Supplemental Instructions for December 31, 2006 (https://www.ffiec.gov/PDF/FFIEC_forms/FFIEC031_041_suppinst_200612.pdf)
- Commitments to originate and sell mortgage loans – Supplemental Instructions for March 31, 2006 (https://www.ffiec.gov/PDF/FFIEC_forms/FFIEC031_041_suppinst_200603.pdf) and June 30, 2005 (https://www.ffiec.gov/PDF/FFIEC_forms/FFIEC031_041_suppinst_200506.pdf)

Call Report Software Vendors

For information on available Call Report preparation software products, institutions should contact:

Axiom Software Laboratories, Inc.
67 Wall Street, 17th Floor
New York, New York 10005
Telephone: (212) 248-4188
<http://www.axiomsl.com>

DBI Financial Systems, Inc.
P.O. Box 14027
Bradenton, Florida 34280
Telephone: (800) 774-3279
<http://www.e-dbi.com>

Fed Reporter, Inc.
28118 Agoura Road, Suite 202
Agoura Hills, California 91301
Telephone: (888) 972-3772
<http://www.fedreporter.net>

FIS Compliance Solutions
16855 West Bernardo Drive,
Suite 270
San Diego, California 92127
Telephone: (800) 825-3772
<http://www.callreporter.com>

FiServ, Inc.
1345 Old Cheney Road
Lincoln, Nebraska 68512
Telephone: (402) 423-2682
<http://www.premier.fiserv.com>

KPMG LLP
303 Peachtree Street, Suite 2000
Atlanta, Georgia 30308
Telephone: (404) 221-2355
<https://advisory.kpmg.us/risk-consulting/frm/capital-management.html>

SHAZAM Core Services
6700 Pioneer Parkway
Johnston, Iowa 50131
Telephone: (888) 262-3348
<http://www.cardinal400.com>

Vermeg
205 Lexington Avenue,
14th floor
New York, New York 10016
Telephone: (212) 682-4930
<http://www.vermeg.com>

Wolters Kluwer Financial Services
130 Turner Street, Building 3,
4th Floor
Waltham, Massachusetts 02453
Telephone (800) 261-3111
<http://www.wolterskluwer.com>

APPENDIX I

Coronavirus Aid, Relief, and Economic Security Act: Accounting and Reporting Considerations

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was enacted into law to provide emergency assistance and health care response for individuals, families, and businesses affected by the 2020 coronavirus (also known as Coronavirus Disease 2019 (COVID-19)) pandemic. The CARES Act includes sections that provide new regulatory reporting options for institutions and affect accounting and reporting in the Consolidated Reports of Condition and Income (Call Reports) for first quarter 2020 and subsequent reporting, including: (1) Section 2303, Modifications for Net Operating Losses; (2) Section 4013, Temporary Relief from Troubled Debt Restructurings; and (3) Section 4014, Optional Temporary Relief from Current Expected Credit Losses. As discussed below, the Consolidated Appropriations Act, 2021, enacted into law on December 27, 2020, extends the expiring CARES Act provisions in Sections 4013 and 4014.

1) Section 2303, Modifications for Net Operating Losses

Section 2303 of the CARES Act makes two changes to sections of the Internal Revenue Code that were impacted by the Tax Cuts and Jobs Act, which was enacted on December 22, 2017, related to (1) net operating loss (NOL) carryforwards and (2) NOL carrybacks. As stated in the Glossary entry for “Income Taxes” in the Call Report instructions, when an institution’s deductions exceed its income for income tax purposes, it has sustained an NOL. To the extent permitted under a taxing authority’s laws and regulations, an NOL that occurs in a year following periods when an institution had taxable income may be carried back to recover income taxes previously paid. Generally, an NOL that occurs when loss carrybacks are not available becomes an NOL carryforward.

The CARES Act (1) repeals the 80 percent taxable income limitation for NOL carryback and carryforward deductions in tax years beginning before 2021, and (2) for NOL carrybacks under federal law, allows an institution to apply up to 100 percent of a carryback for up to five years for any NOLs incurred in taxable years 2018, 2019, and 2020. Although the Glossary entry for “Income Taxes” currently refers to federal law prior to the CARES Act (e.g., indicating that, “for years beginning on or after January 1, 2018, a bank may no longer carry back operating losses to recover taxes paid in prior tax years”), institutions should use the newly enacted provisions of federal law within the CARES Act when determining the extent to which NOLs may be carried forward or back.

Additionally, deferred tax assets (DTAs) are recognized for NOL carryforwards as well as deductible temporary differences, subject to estimated realizability. As a result, an institution can recognize the tax benefit of an NOL for accounting and reporting purposes to the extent the institution determines that a valuation allowance is not considered necessary (i.e., realization of the tax benefit is more likely than not). U.S. generally accepted accounting principles (GAAP) require the effect of changes in tax laws or rates to be recognized in the period in which the legislation is enacted. Thus, in accordance with Accounting Standards Codification (ASC) Topic 740, Income Taxes, the effects of the CARES Act should have been recorded in an institution’s Call Report for March 31, 2020, because the CARES Act was enacted during that reporting period. Changes in DTAs and deferred tax liabilities (DTLs) resulting from the change in tax law for NOL carrybacks and carryforwards and other applicable provisions of the CARES Act will be reflected in an institution’s income tax expense in the period of enactment, i.e., the March 31, 2020, Call Report.

As mentioned above, the CARES Act restores NOL carryback potential for federal income tax purposes to NOLs incurred in taxable years 2018, 2019, and 2020. Consequently, institutions should note that DTAs arising from temporary differences that could be realized through NOL carrybacks are not subject to deduction for regulatory capital purposes. Instead, except for institutions that have a community bank leverage ratio framework election in effect, such DTAs are assigned a risk weight of 100 percent. Only those DTAs arising from temporary differences that could not be realized through NOL carrybacks, net of related valuation allowances and net of DTLs, that exceed the thresholds described in Call Report Schedule RC-R, Part I, items 15, 15.a, and 15.b, as applicable, and item 16, if applicable, are deducted from common equity tier 1 capital.

2) Section 4013, Temporary Relief from Troubled Debt Restructurings (TDRs)

As provided for under the CARES Act, a financial institution may account for an eligible loan modification either under Section 4013 or in accordance with ASC Subtopic 310-40.⁵ If a loan modification is not eligible under Section 4013, or the institution elects not to account for the loan modification under Section 4013, the financial institution should evaluate whether the modified loan is a TDR.⁶

To be an eligible loan under Section 4013 (Section 4013 loan), as amended by the Consolidated Appropriations Act, 2021, a loan modification must be (1) related to COVID-19; (2) executed on a loan that was not more than 30 days past due as of December 31, 2019; and (3) executed between March 1, 2020, and the earlier of (A) 60 days after the date of termination of the national emergency concerning the COVID-19 outbreak declared by the President on March 13, 2020, under the National Emergencies Act (National Emergency) or (B) January 1, 2022 (the applicable period).

Financial institutions accounting for eligible loans under Section 4013 are not required to apply ASC Subtopic 310-40 to the Section 4013 loans for the term of the loan modification and do not have to report Section 4013 loans as TDRs in regulatory reports, subject to the following considerations for additional modifications. If an institution elects to account for a loan modification under Section 4013, an additional loan modification could also be eligible under Section 4013 provided it is executed during the applicable period and meets the other statutory criteria referenced above. If an institution does not elect to account for a loan modification under Section 4013 or a loan modification is not eligible under Section 4013 (e.g., because it is executed after the applicable period), additional modifications should be viewed cumulatively in determining whether the additional modification is accounted for as a TDR under ASC Subtopic 310-40.⁷

Consistent with Section 4013, financial institutions should maintain records of the volume of Section 4013 loans. The CARES Act also permits the banking agencies to collect data about Section 4013 loans for supervisory purposes. Thus, beginning with the June 30, 2020, report date, institutions will report the number and amount outstanding of Section 4013 loans as of quarter end in Call Report Schedule RC-C, Part I, Memorandum items 17.a and 17.b, respectively. These data items will be collected on a confidential basis at the institution level. Once the term of an eligible Section 4013 loan modification ends, an institution should no longer include the loan in these Schedule RC-C, Part I, Memorandum items.

Institutions should continue to follow reporting instructions and U.S. GAAP for Section 4013 loans, including:

- Appropriately reporting past due and nonaccrual status;
- Maintaining an appropriate allowance for loan and lease losses in accordance with ASC Subtopic 450-20⁸ and ASC Subtopic 310-10,⁹ or an appropriate allowance for credit losses in accordance with ASC Subtopic 326-20,¹⁰ as applicable.

Institutions are not required to report Section 4013 loans in the following Call Report items:

- Schedule RC-C, Part I, Memorandum item 1, “Loans restructured in troubled debt restructurings that are in compliance with their modified terms.”
- Schedule RC-N, Memorandum item 1, “Loans restructured in troubled debt restructurings included in Schedule RC-N, items 1 through 7, above.”

⁵ ASC Subtopic 310-40, Receivables—Troubled Debt Restructurings by Creditors.

⁶ The agencies issued an [interagency statement](#) on April 7, 2020, to provide information to financial institutions that are working with borrowers affected by the coronavirus. On August 3, 2020, the FFIEC, on behalf of its members, issued a [joint statement](#) to provide prudent risk management and consumer protection principles for financial institutions to consider while working with borrowers as loans near the end of initial loan accommodation periods applicable during the COVID-19 event.

⁷ Institutions can refer to the aforementioned interagency statement and joint statement for additional information when making these determinations.

⁸ ASC Subtopic 450-20, Contingencies—Loss Contingencies.

⁹ ASC Subtopic 310-10, Receivables—Overall.

¹⁰ ASC Subtopic 326-20, Financial Instruments—Credit Losses—Measured at Amortized Cost.

- Schedule RC-O, Memorandum item 16, “Portion of loans restructured in troubled debt restructurings that are in compliance with their modified terms and are guaranteed or insured by the U.S. Government” (which is applicable only to “large institutions” and “highly complex institutions” for deposit insurance assessment purposes).

One-to-four family residential mortgages will not be considered restructured or modified for the purposes of the agencies’ risk-based capital rules solely due to a short-term modification made on a good faith basis in response to COVID-19, provided that the loans are prudently underwritten and not 90 days or more past due or carried in nonaccrual status. Loans meeting these requirements that received a 50 percent risk weight prior to such a modification may continue receiving that risk weight.

3) Section 4014, Optional Temporary Relief from Current Expected Credit Losses

Section 4014 of the CARES Act, as amended by the Consolidated Appropriations Act, 2021, allows an institution to delay the adoption of Accounting Standards Update (ASU) 2016-13, Financial Instruments – Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments, until the earlier of (1) January 1, 2022, or (2) the first day of the institution’s fiscal year that begins after the date of the termination of the National Emergency.

APPENDIX II

Temporary Adjustment to the Measurement Date for Certain Total Asset Thresholds in the Call Reports

During 2020, relief measures enacted by Congress through the Coronavirus Aid, Relief, and Economic Security Act (CARES Act)¹¹ in response to the strains on the U.S. economy and disruptions to the financial markets as a result of coronavirus disease 2019 (COVID-19) have led to unprecedented growth at many institutions, including loans made through the Paycheck Protection Program (PPP). This rapid growth has caused the assets of some institutions to rise above certain asset-based thresholds, and may cause the assets of other community institutions to do so in the near future. Much of this growth, especially growth related to PPP lending, is likely to be temporary, and the increase in assets currently held by an institution may not reflect a change in the institution's longer-term risk profile. To provide reporting relief due to institutions' asset growth in 2020 related to participation in various COVID-19-related stimulus activities, the agencies are adjusting the measurement date for certain total asset thresholds that trigger additional reporting requirements in the Call Reports for report dates in 2021 only, as discussed below.

First, on December 2, 2020, the agencies published in the *Federal Register* an interim final rule (IFR) that, among other provisions, revise their rules on FFIEC 051 Call Report eligibility¹² to permit an institution to use the lesser of the total consolidated assets reported in its Call Report as of December 31, 2019, or June 30, 2020, when evaluating eligibility to use the FFIEC 051 for report dates in calendar year 2021 only.¹³ The institution still must meet the other criteria for eligibility for the FFIEC 051 in the Call Report instructions. In addition, the banking agencies also reserve the right to require an institution otherwise eligible to use the FFIEC 051 to file the FFIEC 041 Call Report instead based on supervisory needs.

For example, if an institution has \$5.3 billion in total consolidated assets as of June 30, 2020, but had \$4.8 billion as of December 31, 2019, and meets the other criteria for eligibility for the FFIEC 051 in the Call Report instructions, it could choose to file the FFIEC 051 for the March 31, 2021, report date. Unless a change of status event occurs as described in the Call Report General Instructions or as directed by its primary regulatory agency, the institution would continue to file the FFIEC 051 Call Report for the remaining three quarters of calendar year 2021.

Secondly, the agencies' capital rules permit institutions that meet certain criteria to use the community bank leverage ratio (CBLR) framework to measure their regulatory capital.¹⁴ The agencies' IFR also revises these capital rules to allow institutions that temporarily exceed the \$10 billion total asset threshold in those rules to use the CBLR framework from December 31, 2020, to December 31, 2021, provided they meet the other qualifying criteria for this framework.¹⁵ An institution that elects to use the CBLR framework under this temporary relief would report CBLR information in Call Report Schedule RC-R, Part I, as reflected in the Call Report instruction book, except that the institution should:

- Report the lesser of its total assets as of December 31, 2019, or as of the current quarter-end report date, which must be less than \$10 billion, in Schedule RC-R, Part I, item 32, "Total assets."
- Use its total assets as reported in Schedule RC, item 12, as of the current quarter-end report date when reporting (1) the sum of trading assets and trading liabilities as a percentage of total assets, which must be 5 percent or less, in Schedule RC-R, item 33, column B, and (2) total off-balance sheet exposures as a percentage of total assets, which must be 25 percent or less, in Schedule RC-R, Part I, item 34.d, column B.

In addition, on November 30, 2020, the agencies proposed to permit an institution to use the lesser of the total consolidated assets reported in its Call Report as of December 31, 2019, or June 30, 2020, when determining whether the institution has crossed a total asset threshold to report certain additional data items in its Call

¹¹ Pub. L. 116-136.

¹² See definition of *covered depository institutions*. 12 CFR 52.2 (OCC); 12 CFR 208.121 (Board); 12 CFR 304.12 (FDIC).

¹³ 85 FR 77345, December 2, 2020.

¹⁴ See 12 CFR 3.12 (OCC); 12 CFR 217.12 (Board); 12 CFR 324.12 (FDIC).

¹⁵ See footnote 13.

Reports for report dates in calendar year 2021.¹⁶ Specifically, the following Call Report total asset thresholds are impacted by this change:

- For the FFIEC 041 and FFIEC 051 only, the \$100 million threshold to report “Other borrowed money” in Schedule RC-K, item 13.
- For the FFIEC 041 and FFIEC 051 only, the \$300 million threshold to report additional agricultural lending information in Schedule RI, Memorandum item 6; Schedule RI-B, Part I, Memorandum item 3; Schedule RC-C, Memorandum item 1.f.(5); Schedule RC-K, Memorandum item 1; and Schedule RC-N, Memorandum items 1.f.(5) and 4.

These same items also have an activity threshold that applies to institutions with less than \$300 million in total consolidated assets based on whether an institution had agricultural loans (Schedule RC-C, Part I, item 3) exceeding 5 percent of total loans and leases (Schedule RC-C, Part I, item 12) reported as of June 30 of the prior calendar year. For these items, if an institution’s total consolidated assets are less than \$300 million as of December 31, 2019, but are \$300 million or more as of June 30, 2020 (or vice versa), the institution would determine whether it exceeded the 5 percent threshold as of the same date as of which its total consolidated assets are less than \$300 million.

For example, if an institution’s total consolidated assets exceeded the \$300 million total asset threshold as of the June 30, 2020, report date, but not as of the December 31, 2019, report date, the institution would use December 31, 2019, as its measurement date for determining whether it exceeded the 5 percent activity threshold for agricultural loans.

However, if an institution’s total consolidated assets are less than \$300 million as of both December 31, 2019, and June 30, 2020, the institution has not crossed the \$300 million total asset threshold as it would be measured under the agencies’ reporting relief proposal. Accordingly, the institution would measure the 5 percent activity threshold as of June 30, 2020, consistent with the existing Call Report instructions.

- For the FFIEC 031 and FFIEC 041 only, the \$300 million threshold to report certain information on credit card lines in Schedule RC-L, items 1.b.(1) and (2).¹⁷
- For the FFIEC 041 only, the \$300 million threshold to report cash and balances due from depository institutions in Schedule RC-A; credit losses on derivatives in Schedule RI, Memorandum item 10; and certain additional loan information in Schedule RI-B, Part I, Memorandum items 2.a, 2.c, and 2.d; Schedule RC-C, Part I, items 2.a, 2.b, 2.c, 4.a, 4.b, 9.b.(1), 9.b.(2), 10.a, and 10.b, column A; Schedule RC-C, Part I, Memorandum items 1.e.(1), 1.e.(2), and 5; and Schedule RC-N, Memorandum items 1.e.(1), 1.e.(2), and 3.a through 3.d.
- For all three versions of the Call Report (FFIEC 031, FFIEC 041, and FFIEC 051), the \$1 billion threshold to report components of deposit fee income in Schedule RI, Memorandum items 15.a through 15.d; disaggregated credit loss allowance data in Schedule RI-C; components of transaction and nontransaction savings consumer deposit account products in Schedule RC-E, Memorandum items 6.a, 6.b, 7.a.(1), 7.a.(2), 7.b.(1), and 7.b.(2); and estimated uninsured deposits in Schedule RC-O, Memorandum item 2.
- For the FFIEC 031 and FFIEC 041 only, the \$1 billion threshold to report information on certain income from mutual funds and annuities in Schedule RI, Memorandum item 2; and financial and performance standby letters of credit conveyed to others in Schedule RC-L, items 2.a and 3.a.
- For the FFIEC 031 and FFIEC 041 only, the \$10 billion threshold to report additional information on derivatives in Schedule RI, Memorandum items 9.a and 9.b, and Schedule RC-L, items 16.a and 16.b.(1) through 16.b.(8); holdings of asset-backed securities and structured financial products in Schedule RC-B, Memorandum items 5.a through 5.f and 6.a through 6.g; and securitizations and asset-backed commercial

¹⁶ 85 FR 76658, November 30, 2020.

¹⁷ The separate \$300 million credit card lines threshold for reporting in Schedule RC-L, items 1.b.(1) and (2), as of report dates in 2021 would continue to be measured as of June 30, 2020, consistent with the existing Call Report instructions.

paper conduits in Schedule RC-S, items 6 and 10, and Memorandum items 3.a.(1), 3.a.(2), 3.b.(1), and 3.b.(2).

- For the FFIEC 031 only, the \$10 billion threshold to report additional information on deposits in foreign offices by type of depositor in Schedule RC-E, Part II, items 1 through 6.