

BANK REPORTS

TO: CHIEF EXECUTIVE OFFICER

SUBJECT: Revisions to the Reports of Condition and Income for June 30, 1997

Please forward this letter to the person responsible for preparing Call Reports at your bank.

The Federal Deposit Insurance Corporation, the Office of the Comptroller of the Currency, and the Federal Reserve Board will implement several changes to the reporting of interest rate risk-related data in the Reports of Condition and Income (Call Report) as of the June 30, 1997, report date. The revised reporting requirements will enhance the agencies' ability to identify, from off site, banks that have either minimal or potentially high interest rate risk in order to allocate examiner resources and set examination priorities.

The Examination Council gave preliminary notification about these Call Report changes in Financial Institution Letter (FIL) 109-96, dated December 31, 1996. The agencies have completed the final specifications for the new and revised interest rate risk items. The attached document contains illustrations of the affected schedules along with the related line item instructions. FDIC-supervised savings banks should note that they will now begin to report the same interest rate risk information as commercial banks and that their separate supplemental Schedule RC-J has been eliminated effective June 30, 1997.

In FIL-109-96, the Examination Council advised banks that they may report a reasonable estimate in the June 30, 1997, Call Report for any new or revised interest rate risk-related item for which the requested information is not readily available. However, because of the timing of this Financial Institution Letter and certain modifications to the preliminary information contained in FIL-109-96 on the maturity and repricing data for debt securities and loans, the agencies have extended the period during which banks may report reasonable estimates for the new or revised interest rate risk-related items through the December 31, 1997, report date. Banks and their servicers should use this transition period to complete any necessary systems changes in sufficient time to ensure that institutions will be able to report all of the new or revised interest rate risk information in accordance with the attached Call Report instructions by the first quarter of 1998.

For more information or assistance, national banks and FDIC-supervised banks may contact the FDIC's Call Reports Analysis Unit in Washington, D.C., toll-free on 1-800-688-3342 or 202-898-6607. Assistance is provided Monday through Friday between 8:00 a.m. and 5:00 p.m., Eastern time. State member banks may contact their district Federal Reserve Bank.

Joe M. Cleaver  
Executive Secretary

Attachment

Distribution: Insured Commercial Banks and FDIC-Supervised Savings Banks

**INTEREST RATE RISK-RELATED REVISIONS  
TO THE REPORTS OF CONDITION AND INCOME  
(CALL REPORT) FOR JUNE 30, 1997**

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**INTEREST RATE RISK-RELATED REVISIONS  
TO THE REPORTS OF CONDITION AND INCOME  
(CALL REPORT) FOR JUNE 30, 1997**

The revisions to the reporting of interest rate risk-related data in the Reports of Condition and Income (Call Report) that take effect as of June 30, 1997, are presented below. Each of the revisions applies to all four versions of the report forms -- FFIEC 031, 032, 033, and 034 -- except for one new item on Schedule RC-M which is being added to the FFIEC 031, 032, and 033 report forms only. To illustrate the specific changes in reporting requirements, the following pages contain samples of the revised portions of the Call Report schedules -- generally from the FFIEC 034 set of forms -- along with the relevant instructions. **For the June 30, September 30, and December 31, 1997, report dates, banks may provide a reasonable estimate for any new or revised item for which the requested information is not readily available.**

For FDIC-supervised savings banks, supplemental Schedule RC-J -- Repricing Opportunities for Selected Balance Sheet Categories -- will be eliminated as of June 30, 1997. In place of Schedule RC-J, savings banks will begin to complete the revised Memorandum items for maturity and repricing data in Schedules RC-B, RC-C, part I, and RC-E, that are discussed below. These Memorandum items were previously applicable only to commercial banks.

**Schedule RC -- Balance Sheet**

The existing two-way maturity breakdown of "Other borrowed money" in Schedule RC, item 16, is being revised to cover three time intervals. Specifically, item 16.b, in which banks have reported "Other borrowed money with a remaining maturity of more than one year," will be split into two separate items for borrowings with remaining maturities of more than one year through three years (new item 16.b) and more than three years (new item 16.c).

- 16. Other borrowed money (includes mortgage indebtedness and obligations under capitalized leases):
  - a. With a remaining maturity of one year or less
  - b. With a remaining maturity of more than one year through three years
  - c. With a remaining maturity of more than three years


In addition to the change to item 16 discussed above, the following revised instruction reflects the combining of previous balance sheet item 17, "Mortgage indebtedness and obligations under capitalized leases," with item 16 that took effect as of the March 31, 1997, report date. For ease of reference, the revisions made to the following instruction for item 16 and its subitems are shown in bold italics.

Item 16. Other borrowed money. Report in the appropriate subitem by remaining maturity the amount borrowed by the consolidated bank:

- (1) on its promissory notes;
- (2) on notes and bills rediscounted (including commodity drafts rediscounted);

- (3) on loans sold under repurchase agreements that mature in more than one business day and sales of participations in pools of loans that mature in more than one business day;
- (4) **by transferring financial assets in exchange for cash or other consideration (other than beneficial interests in the transferred assets) in transactions that do not satisfy the criteria for sale treatment under FASB Statement No. 125 (see the Glossary entry for "transfers of financial assets" for further information);**
- (5) by the creation of due bills representing the bank's receipt of payment and similar instruments, whether collateralized or uncollateralized (see the Glossary entry for "due bills");
- (6) from Federal Reserve Banks and Federal Home Loan Banks;
- (7) by overdrawing "due from" balances with depository institutions, except overdrafts arising in connection with checks or drafts drawn by the reporting bank and drawn on, or payable at or through, another depository institution either on a zero-balance account or on an account that is not routinely maintained with sufficient balances to cover checks or drafts drawn in the normal course of business during the period until the amount of the checks or drafts is remitted to the other depository institution (in which case, report the funds received or held in connection with such checks or drafts as deposits in Schedule RC-E until the funds are remitted);
- (8) on purchases of so-called "term federal funds" (as defined in the Glossary entry for "federal funds transactions");
- (9) on notes and debentures issued by consolidated subsidiaries of the reporting bank;
- (10) **through mortgages, liens, or other encumbrances on bank premises and other real estate owned and obligations under capitalized leases;** and
- (11) on any other obligation for the purpose of borrowing money not reported elsewhere.

Also include any borrowings by an Employee Stock Ownership Plan (ESOP) that the reporting bank must report as a borrowing **on its own balance sheet** in accordance with generally accepted accounting principles. For further information, see AICPA Statement of Position 93-6, "Employers' Accounting for Employee Stock Ownership Plans."

Exclude from other borrowed money:

- (1) **federal funds purchased and securities sold under agreements to repurchase** (report in Schedule RC, item 14);
- (2) liability for short positions (report in Schedule RC, item 15.b);
- (3) subordinated notes and debentures (report in Schedule RC, item 19).

**Remaining maturity is the amount of time remaining from the report date until the final contractual maturity of a borrowing without regard to the borrowing's repayment schedule, if any.**

For banks filing the FFIEC 031, for a discussion of borrowings in foreign offices, see the Glossary entry for "borrowings and deposits in foreign offices."

Item 16.a. With a remaining maturity of one year or less. Report the total amount of the reporting bank's "Other borrowed money" with a remaining maturity of one year or less. Include in this item those overdrawn "due from" balances with depository institutions that are reportable as "Other borrowed money," as described in the instructions to Schedule RC, item 16, above.

Item 16.b. With a remaining maturity of more than one year through three years. Report the total amount of the reporting bank's "Other borrowed money" with a remaining maturity of more than one year through three years.

Item 16.c. With a remaining maturity of more than three years. Report the total amount of the reporting bank's "Other borrowed money" with a remaining maturity of more than three years.

## **Schedule RC-B -- Securities**

Memorandum item 2, "Maturity and repricing data for debt securities," has been revised. FDIC-supervised savings banks will begin to complete Memorandum item 2 in place of the securities-related items in Schedule RC-J, which will be eliminated. Memorandum item 2 will continue to exclude any debt securities that are in nonaccrual status.

First, in revised Memorandum items 2.a and 2.b, banks will report the remaining maturity or repricing frequency of all debt securities except for the "Other mortgage-backed securities" (e.g., collateralized mortgage obligations (CMOs), real estate mortgage investment conduits (REMICs), and stripped mortgage-backed securities (MBS)) reported in item 4.b of Schedule RC-B. Fixed rate and floating rate securities will be reported on a combined basis in Memorandum items 2.a and 2.b, not in separate Memorandum items as has previously been the case. Memorandum item 2.b will collect maturity and repricing data for mortgage pass-through securities backed by closed-end first lien 1-4 family residential mortgages while Memorandum item 2.a will cover the remainder of the bank's debt securities (except "Other mortgage-backed securities"). Otherwise, the current instructions on how to report the remaining maturity or repricing frequency of these securities have not changed.

In addition, banks have previously been reporting their maturity and repricing data in Memorandum items 2.a and 2.b in four time bands. Two of these existing time bands will now be subdivided, creating six time bands. The "Over one year through five years" time band will be split into "Over one year through three years" and "Over three years through five years," while the "Over five years" time band will be split into "Over five years through fifteen years" and "Over fifteen years."

Second, new Memorandum item 2.c will cover those mortgage-backed securities other than pass-through securities, e.g., CMOs, REMICs, and stripped mortgage-backed securities, that are reported in Schedule RC-B, item 4.b. Banks will provide a two-way breakdown of these instruments according to their expected weighted average life as of the report date, i.e., "Three years or less" and "Over three years."

Finally, because fixed rate debt securities will no longer be reported separately by remaining maturity in revised Memorandum item 2, previous Memorandum item 6, "Floating rate debt securities with a remaining life of one year or less," will be expanded to cover both fixed rate and floating debt securities and has been

renumbered as Memorandum item 2.d. For FDIC-supervised savings banks, this Memorandum item 2.d is the same as Memorandum item 6 on Part I of discontinued Schedule RC-J.

2. Maturity and repricing data for debt securities<sup>1,2</sup> (excluding those in nonaccrual status):

- a. Securities issued by the U.S. Treasury, U.S. Government agencies, and states and political subdivisions in the U.S.; other non-mortgage debt securities; and mortgage pass-through securities other than those backed by closed-end first lien 1-4 family residential mortgages with a remaining maturity or repricing frequency of:<sup>3,4</sup>

- (1) Three months or less
- (2) Over three months through 12 months
- (3) Over one year through three years
- (4) Over three years through five years
- (5) Over five years through 15 years
- (6) Over 15 years

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- b. Mortgage pass-through securities backed by closed-end first lien 1-4 family residential mortgages with a remaining maturity or repricing frequency of:<sup>4,5</sup>

- (1) Three months or less
- (2) Over three months through 12 months
- (3) Over one year through three years
- (4) Over three years through five years
- (5) Over five years through 15 years
- (6) Over 15 years

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- c. Other mortgage-backed securities (include CMOs, REMICs, and stripped MBS; exclude mortgage pass-through securities) with an expected average life of:<sup>6</sup>

- (1) Three years or less
- (2) Over three years

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- d. Fixed rate AND floating rate debt securities with a REMAINING MATURITY of one year or less (included in Memorandum items 2.a through 2.c above)

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<sup>1</sup> Includes held-to-maturity securities at amortized cost and available-for-sale securities at fair value.

<sup>2</sup> Exclude equity securities, e.g., investments in mutual funds, Federal Reserve stock, common stock, and preferred stock.

<sup>3</sup> Report fixed rate debt securities by remaining maturity and floating rate debt securities by repricing frequency.

<sup>4</sup> Sum of Memorandum items 2.a.(1) through 2.a.(6) plus any nonaccrual debt securities in the categories of debt securities reported in Memorandum item 2.a that are included in Schedule RC-N, item 6, column C, must equal Schedule RC-B, sum of items 1, 2, 3, and 5, columns A and D, plus mortgage pass-through securities other than those backed by closed-end first lien 1-4 family residential mortgages included in Schedule RC-B, item 4.a, columns A and D.

<sup>5</sup> Sum of Memorandum items 2.b.(1) through 2.b.(6) plus any nonaccrual mortgage pass-through securities backed by closed-end first lien 1-4 family residential mortgages included in Schedule RC-N, item 6, column C, must equal Schedule RC-B, item 4.a, sum of columns A and D, less the amount of mortgage pass-through securities other than those backed by closed-end first lien 1-4 family residential mortgages included in Schedule RC-B, item 4.a, columns A and D.

<sup>6</sup> Sum of Memorandum items 2.c.(1) and 2.c.(2) plus any nonaccrual "Other mortgage-backed securities" included in Schedule RC-N, item 6, column C, must equal Schedule RC-B, item 4.b, sum of columns A and D.

To assist you in identifying the changes to the general instructions for reporting maturity and repricing data for debt securities in the new or revised subitems of Memorandum item 2, the revisions to those instructions (i.e., the instructions preceding those for Memorandum item 2.a) are shown in bold italics beginning on the next page. The instructions for Memorandum items 2.a through 2.d, which begin on page 6, are new.

Memorandum item 2. Maturity and repricing data for debt securities. Report in the appropriate subitem maturity and repricing data for the bank's holdings of debt securities (reported in Schedule RC-B, items 1 through 5 above). Report the amortized cost of held-to-maturity debt securities and the fair value of available-for-sale debt securities in the appropriate maturity and repricing subitems. Exclude from Memorandum item 2 the bank's holdings of equity securities (reported in Schedule RC-B, item 6 above) (e.g., investments in mutual funds, common stock, preferred stock). Also exclude those debt securities that are reported as "nonaccrual" in Schedule RC-N, column C, item 6 on the FFIEC 033 and 034; item 9 on the FFIEC 031 and 032.

***The sum of Memorandum items 2.a.(1) through 2.c.(2) plus the amount of any nonaccrual debt securities included in Schedule RC-N, column C, item 6 on the FFIEC 033 and 034; item 9 on the FFIEC 031 and 032, must equal Schedule RC-B, sum of items 1 through 5, columns A and D.***

On the FFIEC 031, banks that have more than one office in foreign countries (including offices of consolidated foreign subsidiaries but excluding "shell" branches, excluding offices in Puerto Rico or U.S. territories and possessions, and excluding IBFs) have the option of excluding the smallest of such non-U.S. offices from Memorandum item 2. Such banks may omit the smallest of their offices in foreign countries (other than "shell" branches) when arrayed by total assets provided that the assets of the excluded offices do not exceed 50 percent of the total assets of the bank's offices (excluding "shells") in foreign countries and do not exceed 10 percent of the total consolidated assets of the reporting bank as of the report date. (Note: In determining the total assets of offices in foreign countries eligible for exclusion from these memorandum items, banks should exclude not only "shell" branches but also offices in Puerto Rico and U.S. territories and possessions, domestic offices of Edge and Agreement subsidiaries, and IBFs even though these are sometimes referred to as "foreign" offices. Also, the asset totals for all offices in foreign countries should be the component of the total consolidated assets, i.e., should exclude all intrabank transactions.)

For purposes of this memorandum item, the following definitions apply:

A fixed interest rate is a rate that is specified at the origination of the transaction, is fixed and invariable during the term of the debt security, and is known to both the borrower and the lender. Also treated as a fixed interest rate is a predetermined interest rate which is a rate that changes during the term of the debt security on a predetermined basis, with the exact rate of interest over the life of the debt security known with certainty to both the borrower and the lender when the debt security is acquired.

A floating rate is a rate that varies, or can vary, in relation to an index, to some other interest rate such as the rate on certain U.S. Government securities or the "prime rate," or to some other variable criterion the exact value of which cannot be known in advance. Therefore, the exact rate the debt security carries at any subsequent time cannot be known at the time of origination.

When the rate on a debt security with a floating rate ***has reached a contractual*** floor or ceiling level, the debt security is to be treated as "fixed rate" rather than as "floating rate" until the rate is again free to float.

Remaining maturity is the amount of time remaining from the report date until the final contractual maturity of a debt security without regard to the security's repayment schedule, if any.

Repricing frequency is how often the contract permits the interest rate on a ***floating rate*** debt security to be changed (e.g., daily, monthly, quarterly, semiannually, annually) without regard to the length of time between the report date and the date the rate can next change ***or the maturity date***.



For fixed rate debt securities with scheduled contractual payments, banks whose records provide repricing data on the basis of these scheduled contractual payments, with or without the effect of anticipated prepayments, may adjust these data in an appropriate manner to derive reasonable estimates for the final contractual maturities of such fixed rate debt securities. For floating rate debt securities, banks whose records provide data on the length of time between the report date and the date the rate can next change (i.e., the earliest possible repricing opportunity) may adjust these data in an appropriate manner to derive reasonable estimates for the repricing frequencies of their floating rate debt securities.

**Callable** fixed rate debt securities should be reported in Memorandum *items 2.a, 2.b, and 2.d* without regard to their **next** call date unless the security has actually been called. When fixed rate debt securities have been called, they should be reported on the basis of the time remaining until the call date. **Callable** floating rate debt securities should be reported *in Memorandum items 2.a and 2.b* on the basis of their repricing frequency without regard to their **next** call date even if the security has actually been called.

Fixed rate mortgage pass-through **securities** (such as those **guaranteed** by the Government National Mortgage Association (GNMA) **or issued by** the Federal Home Loan Mortgage Corporation (FHLMC), **the Federal National Mortgage Association (FNMA)**, and certain banks, savings associations, and securities dealers) and fixed rate Small Business Administration (SBA) "Guaranteed Loan Pool Certificates" should be reported on the basis of the time remaining until their final contractual maturity without regard to **either** expected prepayments **or scheduled contractual payments**. Floating rate mortgage pass-through **securities** and SBA "Guaranteed Loan Pool Certificates" should be reported *in Memorandum items 2.a and 2.b* on the basis of their repricing frequency.

Fixed rate debt securities that provide the reporting bank with the option to redeem them at one or more specified dates prior to their contractual maturity date, so-called "put bonds," should be reported on the basis of the time remaining until the **next** "put" date. Floating rate "put bonds" should be reported *in Memorandum items 2.a and 2.b* on the basis of their repricing frequency without regard to "put" dates.

Zero coupon debt securities, including U.S. Treasury bills, **should be treated** as fixed rate debt securities **for purposes of this Memorandum item**.

Memorandum item 2.a, Securities issued by the U.S. Treasury, U.S. Government agencies, and states and political subdivisions in the U.S.; other non-mortgage debt securities; and mortgage pass-through securities other than those backed by closed-end first lien 1-4 family residential mortgages with a remaining maturity or repricing frequency of. Report the bank's holdings of fixed rate debt securities -- *other than mortgage pass-through securities backed by closed-end first lien 1-4 family residential mortgages* -- in the appropriate subitems according to the amount of time remaining to their final contractual maturities (without regard to repayment schedules, if any). Report the bank's holdings of floating rate debt securities -- *other than mortgage pass-through securities backed by closed-end first lien 1-4 family residential mortgages* -- in the appropriate subitems according to their repricing frequencies, that is, how often the contract permits the interest rates on the securities to be changed (e.g., daily, monthly, quarterly, semiannually, annually) without regard to the length of time between the report date and the dates the rates can next change or maturity dates. Exclude debt securities that are in nonaccrual status.

For held-to-maturity debt securities, report amortized cost. For available-for-sale debt securities, report fair value.

Memorandum item 2.a(1), Three months or less. Report the amount of:

- o the bank's fixed rate debt securities -- other than mortgage pass-through securities backed by closed-end first lien 1-4 family residential mortgages -- with remaining maturities of three months or less, and
- o the bank's floating rate debt securities -- other than mortgage pass-through securities backed by closed-end first lien 1-4 family residential mortgages -- which can be repriced quarterly or more frequently (e.g., quarterly, monthly, weekly, daily).

Memorandum item 2.a.(2), Over three months through 12 months. Report the amount of:

- o the bank's fixed rate debt securities -- other than mortgage pass-through securities backed by closed-end first lien 1-4 family residential mortgages -- with remaining maturities (without regard to repayment schedules, if any) of over three months through 12 months, and
- o the bank's floating rate debt securities -- other than mortgage pass-through securities backed by closed-end first lien 1-4 family residential mortgages -- which can be repriced annually or more frequently, but less frequently than quarterly (e.g., annually, semiannually)

Memorandum item 2.a.(3), Over one year through three years. Report the amount of:

- o the bank's fixed rate debt securities -- other than mortgage pass-through securities backed by closed-end first lien 1-4 family residential mortgages -- with remaining maturities (without regard to repayment schedules, if any) of over one year through three years, and
- o the bank's floating rate debt securities -- other than mortgage pass-through securities backed by closed-end first lien 1-4 family residential mortgages -- which can be repriced every three years or more frequently, but less frequently than annually (e.g., every three years, every two years).

Memorandum item 2.a.(4), Over three year through five years. Report the amount of:

- o the bank's fixed rate debt securities -- other than mortgage pass-through securities backed by closed-end first lien 1-4 family residential mortgages -- with remaining maturities (without regard to repayment schedules, if any) of over three years through five years, and
- o the bank's floating rate debt securities -- other than mortgage pass-through securities backed by closed-end first lien 1-4 family residential mortgages -- which can be repriced every five years or more frequently, but less frequently than every three years (e.g., every five years, every four years).

Memorandum item 2.a.(5), Over five years through 15 years. Report the amount of:

- o the bank's fixed rate debt securities -- other than mortgage pass-through securities backed by closed-end first lien 1-4 family residential mortgages -- with remaining maturities (without regard to repayment schedules, if any) of over five years through 15 years, and
- o the bank's floating rate debt securities -- other than mortgage pass-through securities backed by closed-end first lien 1-4 family residential mortgages -- which can be repriced every 15 years or more frequently, but less frequently than every five years (e.g., every 15 years, every ten years).

Memorandum item 2.a.(6), Over 15 years. Report the amount of:

- o the bank's fixed rate debt securities -- other than mortgage pass-through securities backed by closed-end first lien 1-4 family residential mortgages -- with remaining maturities (without regard to repayment schedules, if any) of over 15 years, and
- o the bank's floating rate debt securities -- other than mortgage pass-through securities backed by closed-end first lien 1-4 family residential mortgages -- which can be repriced less frequently than every 15 years (e.g., every 20 years, every 25 years).

Memorandum item 2.b, Mortgage pass-through securities backed by closed-end first lien 1-4 family residential mortgages with a remaining maturity or repricing frequency of. Report the bank's holdings of fixed rate mortgage pass-through securities *backed by closed-end first lien 1-4 family residential mortgages* in the appropriate subitems according to the amount of time remaining to their final contractual maturities (without regard to repayment schedules, if any). Report the bank's holdings of floating rate mortgage pass-through securities *backed by closed-end first lien 1-4 family residential mortgages* in the appropriate subitems according to their repricing frequencies, that is, how often the contract permits the interest rates on the securities to be changed (e.g., daily, monthly, quarterly, semiannually, annually) without regard to the length of time between the report date and the dates the rates can next change or maturity dates. Exclude mortgage pass-through securities that are in nonaccrual status.

For held-to-maturity mortgage pass-through securities, report amortized cost. For available-for-sale mortgage pass-through securities, report fair value.

Memorandum item 2.b.(1), Three months or less. Report the amount of:

- o the bank's fixed rate mortgage pass-through securities backed by closed-end first lien 1-4 family residential mortgages with remaining maturities of three months or less, and
- o the bank's floating rate mortgage pass-through securities backed by closed-end first lien 1-4 family residential mortgages which can be repriced quarterly or more frequently (e.g., quarterly, monthly, weekly, daily).

Memorandum item 2.b.(2), Over three months through 12 months. Report the amount of:

- o the bank's fixed rate mortgage pass-through securities backed by closed-end first lien 1-4 family residential mortgages with remaining maturities (without regard to repayment schedules, if any) of over three months through 12 months, and

- o the bank's floating rate mortgage pass-through securities backed by closed-end first lien 1-4 family residential mortgages which can be repriced annually or more frequently, but less frequently than quarterly (e.g., annually, semiannually)

Memorandum item 2.b.(3), Over one year through three years. Report the amount of:

- o the bank's fixed rate mortgage pass-through securities backed by closed-end first lien 1-4 family residential mortgages with remaining maturities (without regard to repayment schedules, if any) of over one year through three years, and
- o the bank's floating rate mortgage pass-through securities backed by closed-end first lien 1-4 family residential mortgages which can be repriced every three years or more frequently, but less frequently than annually (e.g., every three years, every two years).

Memorandum item 2.b.(4), Over three years through five years. Report the amount of:

- o the bank's fixed rate mortgage pass-through securities backed by closed-end first lien 1-4 family residential mortgages with remaining maturities (without regard to repayment schedules, if any) of over three years through five years, and
- o the bank's floating rate mortgage pass-through securities backed by closed-end first lien 1-4 family residential mortgages which can be repriced every five years or more frequently, but less frequently than every three years (e.g., every five years, every four years).

Memorandum item 2.b.(5), Over five years through 15 years. Report the amount of:

- o the bank's fixed rate mortgage pass-through securities backed by closed-end first lien 1-4 family residential mortgages with remaining maturities (without regard to repayment schedules, if any) of over five years through 15 years, and
- o the bank's floating rate mortgage pass-through securities backed by closed-end first lien 1-4 family residential mortgages which can be repriced every 15 years or more frequently, but less frequently than every five years (e.g., every 15 years, every ten years).

Memorandum item 2.b.(6), Over 15 years. Report the amount of:

- o the bank's fixed rate mortgage pass-through securities backed by closed-end first lien 1-4 family residential mortgages with remaining maturities (without regard to repayment schedules, if any) of over 15 years, and
- o the bank's floating rate mortgage pass-through securities backed by closed-end first lien 1-4 family residential mortgages which can be repriced less frequently than every 15 years (e.g., every 20 years, every 25 years).

Memorandum item 2.c, Other mortgage-backed securities (include CMOs, REMICs, and stripped MBS) with an expected average life of. Report the bank's holdings of other mortgage-backed securities (including collateralized mortgage obligations (CMOs), real estate mortgage investment conduits (REMICs), and stripped mortgage-backed securities (MBS)) in the appropriate subitems by their expected weighted average life as of the report date. Include both fixed rate and floating rate securities. For held-to-maturity securities,

report amortized cost. For available-for-sale securities, report fair value. Exclude all mortgage pass-through securities. Also exclude securities that are in nonaccrual status.

Weighted average life is the dollar-weighted average time in which principal is repaid. For a mortgage-backed security, weighted average life should be based on the prepayment assumptions associated with the pool of loans underlying the security as well as scheduled repayments. Weighted average life is computed by (a) multiplying the amount of each principal reduction by the number of years or months from the date of issuance or the testing date to the date of the principal reduction, (b) summing the results, and (c) dividing the sum by the remaining principal balance as of the date of issuance or the testing date. Because weighted average life should consider expected prepayments, it is not equivalent to contractual maturity. Because it is dollar- and time-weighted, it also is not equivalent to expected final maturity.

Under the Federal Financial Institutions Examination Council's Supervisory Policy Statement on Securities Activities, prior to purchase and at subsequent testing dates, banks must test mortgage derivative products to determine whether they are "high-risk" or "nonhigh-risk." These tests include one for expected weighted average life, although certain mortgage derivative products are not subject to this test. For purposes of this Memorandum item 2.c, mortgage derivative products subject to the expected weighted average life test should be reported based on the average life determined at their most recent testing date or more current information, if available. For mortgage derivative products not subject to this test, banks should report based on the most recent average life information obtained within the twelve months preceding the report date.

Memorandum item 2.c.(1), Three years or less. Report the bank's holdings of other mortgage-backed securities with an expected weighted average life of three years or less as of the report date. Include both fixed rate and floating rate securities.

Memorandum item 2.c.(2), Over three years. Report the bank's holdings of other mortgage-backed securities with an expected weighted average life of over three years as of the report date. Include both fixed rate and floating rate securities.

Memorandum item 2.d, Fixed rate and floating rate debt securities with a remaining maturity of one year or less. Report all debt securities with a remaining maturity of one year or less. Include both fixed rate and floating rate securities. Exclude debt securities that are in nonaccrual status.

For held-to-maturity debt securities, report amortized cost. For available-for-sale debt securities, report fair value.

The fixed rate debt securities (excluding "Other mortgage-backed securities") that should be included in this item will also have been reported by remaining maturity in Schedule RC-B, Memorandum items 2.a.(1), 2.a.(2), 2.b.(1), and 2.b.(2) above. The floating rate debt securities (excluding "Other mortgage-backed securities") that should be included in this item will have been reported by repricing frequency in Memorandum items 2.a.(1) through 2.a.(6) and 2.b.(1) through 2.b.(6) above. However, Memorandum items 2.a.(1), 2.a.(2), 2.b.(1), and 2.b.(2) above include floating rate debt securities with a remaining maturity of more than one year, but with a repricing frequency of one year or less; those debt securities should not be included in this Memorandum item 2.d. The "Other mortgage-backed securities" included in this item will have been reported by expected weighted average life in Memorandum items 2.c.(1) and 2.c.(2) above.

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

The Memorandum item for "Maturity and repricing data for loans and leases" (Memorandum item 2 on the FFIEC 034 report forms; Memorandum item 3 on the FFIEC 031, 032, and 033 report forms) has been revised. FDIC-supervised savings banks will begin to complete this Memorandum item in place of the items for loans and leases in Schedule RC-J, which will be eliminated. This Schedule RC-C Memorandum item will continue to exclude any loans and leases that are in nonaccrual status.

The changes to the reporting requirements for the loan and lease maturity and repricing data in Schedule RC-C are in many respects comparable to those discussed above for Schedule RC-B, Memorandum item 2. Fixed rate and floating rate instruments will be reported on a combined basis in Memorandum items 2.a and 2.b on the FFIEC 034 and in Memorandum items 3.a and 3.b on the FFIEC 031, 032, and 033, not in separate Memorandum items as has previously been the case. Maturity and repricing data for closed-end loans secured by first liens on 1-4 family residential properties (in domestic offices) will be collected in Memorandum item 2.a on the FFIEC 034 and Memorandum item 3.a on the FFIEC 031, 032, and 033. Memorandum item 2.b on the FFIEC 034 and Memorandum item 3.b on the FFIEC 031, 032, and 033 will cover the remainder of the bank's loans and leases. The current instructions on how to report the remaining maturity or repricing frequency of loans and leases are essentially unchanged. In addition, the time bands for loans and leases will be revised in the same manner as for debt securities in Schedule RC-B.

Because fixed rate loans and leases will no longer be reported separately by remaining maturity in this revised Memorandum item, the previous Memorandum item for "Floating rate loans with a remaining maturity of one year or less" will be expanded to cover both fixed rate and floating rate loans and leases and its number will be changed from Memorandum item 2.d to 2.c on the FFIEC 034 report forms and from Memorandum item 3.d to 3.c on the FFIEC 031, 032, and 033 report forms. For FDIC-supervised savings banks, this Memorandum item is the same as Memorandum item 5 on Part I of discontinued Schedule RC-J.

In addition, new Memorandum items are being added for "Fixed rate and floating rate loans secured by nonfarm nonresidential real estate (in domestic offices) with a remaining maturity of over five years" and "Fixed rate and floating rate commercial and industrial loans with a remaining maturity of over three years" (Memorandum items 2.d and 2.e on the FFIEC 034 report forms; Memorandum items 3.d and 3.e on the FFIEC 031, 032, and 033 report forms).

To assist you in identifying the changes to the general instructions for reporting maturity and repricing data for loans and leases in the new or revised Schedule RC-C Memoranda subitems, the revisions to those instructions (i.e., the instructions preceding those for Memorandum item 2.a on the FFIEC 034; Memorandum item 3.a on the FFIEC 031, 032, and 033) are shown in bold italics beginning on page 13. The instructions for Memorandum items 2.a through 2.e on the FFIEC 034 and Memorandum items 3.a through 3.e on the FFIEC 031, 032, and 033, which begin on page 15, are new.

2. Maturity and repricing data for loans and leases (excluding those in nonaccrual status):
- a. Closed-end loans secured by first liens on 1-4 family residential properties with a remaining maturity or repricing frequency of:<sup>2,3</sup>
    - (1) Three months or less |\_|\_|\_|\_|
    - (2) Over three months through 12 months |\_|\_|\_|\_|
    - (3) Over one year through three years |\_|\_|\_|\_|
    - (4) Over three years through five years |\_|\_|\_|\_|
    - (5) Over five years through 15 years |\_|\_|\_|\_|
    - (6) Over 15 years |\_|\_|\_|\_|
  - b. All loans and leases other than closed-end loans secured by first liens on 1-4 family residential properties with a remaining maturity or repricing frequency of:<sup>2,4</sup>
    - (1) Three months or less |\_|\_|\_|\_|
    - (2) Over three months through 12 months |\_|\_|\_|\_|
    - (3) Over one year through three years |\_|\_|\_|\_|
    - (4) Over three years through five years |\_|\_|\_|\_|
    - (5) Over five years through 15 years |\_|\_|\_|\_|
    - (6) Over 15 years |\_|\_|\_|\_|
  - c. Fixed rate AND floating rate loans and leases with a REMAINING MATURITY of one year or less (included in Memorandum items 2.a and 2.b above) |\_|\_|\_|\_|
  - d. Fixed rate AND floating rate loans secured by nonfarm nonresidential properties<sup>5</sup> with a REMAINING MATURITY of over five years (included in Memorandum item 2.b above) |\_|\_|\_|\_|
  - e. Fixed rate AND floating rate commercial and industrial loans<sup>6</sup> with a REMAINING MATURITY of over three years (included in Memorandum item 2.b above) |\_|\_|\_|\_|

<sup>2</sup> Report fixed rate loans and leases by remaining maturity and floating rate loans by repricing frequency.

<sup>3</sup> Sum of Memorandum items 2.a.(1) through 2.a.(6) plus total nonaccrual closed-end loans secured by first liens on 1-4 family residential properties included in Schedule RC-N, Memorandum item 4.c.(2), column C, must equal total closed-end loans secured by first liens on 1-4 family residential properties from Schedule RC-C, part I, item 1.c.(2)(a).

<sup>4</sup> Sum of Memorandum items 2.b.(1) through 2.b.(6), plus total nonaccrual loans and leases from Schedule RC-N, sum of items 1 through 5, column C, minus nonaccrual closed-end loans secured by first liens on 1-4 family residential properties included in Schedule RC-N, Memorandum item 4.c.(2), column C, must equal total loans and leases from Schedule RC-C, part I, sum of items 1 through 9, minus total closed-end loans secured by first liens on 1-4 family residential properties from Schedule RC-C, part I, item 1.c.(2)(a).

<sup>5</sup> As defined for Schedule RC-C, part I, item 1.e.

<sup>6</sup> As defined for Schedule RC-C, part I, item 4.

Memorandum item 2 on the FFIEC 034, Memorandum item 3 on the FFIEC 031, 032, and 033, Maturity and repricing data for loans and leases (excluding those in nonaccrual status). Report in the appropriate subitem maturity and repricing data for the bank's loans and leases. Loans and leases are to be reported in this Memorandum item regardless of whether they are current or are reported as "past due and still accruing" in Schedule RC-N, columns A and B. However, exclude those loans and leases that are reported as "nonaccrual" in Schedule RC-N, column C.

*On the FFIEC 034, the sum of Memorandum items 2.a.(1) through 2.b.(6) plus total nonaccrual loans and leases from Schedule RC-N, sum of items 1 through 5, column C, must equal Schedule RC-C, sum of items 1 through 9. On the FFIEC 033, the sum of Memorandum items 3.a.(1) through 3.b.(6) plus total nonaccrual loans and leases from Schedule RC-N, sum of items 1 through 5, column C, must equal Schedule RC-C, sum of items 1 through 10. On the FFIEC 031 and 032, the sum of Memorandum items 3.a.(1) through 3.b.(6) plus total nonaccrual loans and leases from Schedule RC-N, sum of items 1 through 8, column C, must equal Schedule RC-C, sum of items 1 through 10 (column A on the FFIEC 031).*

On the FFIEC 031, banks that have more than one office in foreign countries (including offices of consolidated foreign subsidiaries but excluding "shell" branches, excluding offices in Puerto Rico or U.S. territories and possessions, and excluding IBFs) have the option of excluding the smallest of such non-U.S. offices from Memorandum item 3. Such banks may omit the smallest of their offices in foreign countries (other than "shell" branches) when arrayed by total assets provided that the assets of the excluded offices do not exceed 50 percent of the total assets of the bank's offices (excluding "shells") in foreign countries and do not exceed 10 percent of the total consolidated assets of the reporting bank as of the report date. (Note: In determining the total assets of offices in foreign countries eligible for exclusion from these memorandum items, banks should exclude not only "shell" branches but also offices in Puerto Rico and U.S. territories and possessions, domestic offices of Edge and Agreement subsidiaries, and IBFs even though these are sometimes referred to as "foreign" offices. Also, the asset totals for all offices in foreign countries should be the component of the total consolidated assets, i.e., should exclude all intrabank transactions.)

For purposes of this memorandum item, the following definitions apply:

A fixed interest rate is a rate that is specified at the origination of the transaction, is fixed and invariable during the term of the loan or lease, and is known to both the borrower and the lender. Also treated as a fixed interest rate is a predetermined interest rate which is a rate that changes during the term of the loan on a predetermined basis, with the exact rate of interest over the life of the loan known with certainty to both the borrower and the lender when the loan is acquired. Examples of predetermined-rate transactions are: (1) Loans that carry a specified interest rate, for, say, six months and thereafter carry a rate equal to a specific percentage over the initial rate. (2) Loans that carry a specified interest rate while the loan amount is below a certain threshold amount but carry a different specified rate above that threshold (e.g., a line of credit where the interest rate is 10% when the unpaid balance of amounts advanced is \$100,000 or less, and 8% when the unpaid balance is more than \$100,000).

A floating rate is a rate that varies, or can vary, in relation to an index, to some other interest rate such as the rate on certain U.S. Government securities or the bank's "prime rate," or to some other variable criterion the exact value of which cannot be known in advance. Therefore, the exact rate the loan carries at any subsequent time cannot be known at the time of origination.

When the rate on a loan with a floating rate *has reached a contractual* floor or ceiling level, the loan is to be treated as "fixed rate" rather than as "floating rate" until the rate is again free to float.



Remaining maturity is the amount of time remaining from the report date until the final contractual maturity of a loan or lease without regard to the loan's or lease's repayment schedule, if any.

Repricing frequency is how often the contract permits the interest rate on a *floating rate* loan to be changed (e.g., daily, monthly, quarterly, semiannually, annually) without regard to the length of time between the report date and the date the rate can next change *or the final maturity of the loan*.

For fixed rate loans and leases with scheduled contractual payments, banks whose records provide repricing data on the basis of these scheduled contractual payments, with or without the effect of anticipated prepayments, may adjust these data in an appropriate manner to derive reasonable estimates for the final contractual maturities of such fixed rate loans and leases. For floating rate loans, banks whose records provide data on the length of time between the report date and the date the rate can next change (i.e., the earliest possible repricing opportunity) may adjust these data in an appropriate manner to derive reasonable estimates for the repricing frequencies of their floating rate loans.

Loan amounts should be reported net of unearned income to the extent that they have been reported net of unearned income in Schedule RC-C, part I, items 1 through 8 on the FFIEC 034; items 1 through 9 on the FFIEC 031, 032, and 033. Leases must be reported net of unearned income.

Fixed rate loans and leases that are past due (with respect to principal or interest) and still accruing should be reported according to the time remaining to final contractual maturity without regard to delinquency status. Floating rate loans that are past due (with respect to principal or interest) and still accruing should be reported according to repricing frequency without regard to delinquency status.

Report all unplanned overdrafts *as fixed rate loans with a remaining maturity of three months or less* in Memorandum *item 2.b.(1)* on the FFIEC 034 and in Memorandum *item 3.b.(1)* on the FFIEC 031, 032, and 033.

Report all leases, net of unearned income, as fixed rate instruments in Memorandum *item 2.b* on the FFIEC 034 and in Memorandum *item 3.b* on the FFIEC 031, 032, and 033 according to the amount of time remaining to final contractual maturity without regard to repayment schedules.

**Report** fixed rate *and floating rate* loans made solely on a demand basis (i.e., without an alternate maturity date or without repayment terms) *as having a remaining maturity or repricing frequency of three months or less* in Memorandum *items 2.a.(1) and 2.b.(1), as appropriate*, on the FFIEC 034 and in Memorandum *items 3.a.(1) and 3.b.(1), as appropriate*, on the FFIEC 031, 032, and 033.

Fixed rate demand loans that have an alternate maturity date or repayment terms are to be reported *in this Memorandum item* according to the amount of time remaining to the alternate maturity date or final payment due date. Floating rate demand loans that have an alternate maturity date or repayment terms are to be reported according to repricing frequency in Memorandum *items 2.a and 2.b, as appropriate*, on the FFIEC 034 and in Memorandum *items 3.a and 3.b, as appropriate*, on the FFIEC 031, 032, and 033.

Fixed rate "credit cards and related plans" are *considered to have a remaining maturity of over one year through three years and should be reported* in Memorandum *item 2.b.(3)* on the FFIEC 034 and in Memorandum *item 3.b.(3)* on the FFIEC 031, 032, and 033, regardless of the actual maturity experience or expectation. Floating rate "credit cards and related plans" (e.g., where the rate varies, or can be varied, periodically) are to be reported *in Memorandum item 2.b on the FFIEC 034 and in Memorandum item*

**3.b on the FFIEC 031, 032, and 033** according to repricing frequency. Where the bank in its contract with the borrower simply reserves the right to change the interest rate on the "credit card or related plan," the plan should ***be considered to have a fixed rate.***

Student loans whose interest rate is adjusted periodically by the U.S. Government by means of interest payments that include an amount of "additional interest" should be treated as floating rate loans and should be reported ***in Memorandum item 2.b on the FFIEC 034 and in Memorandum item 3.b on the FFIEC 031, 032, and 033*** according to the frequency with which the interest rate is adjusted.

Fixed rate loans secured by real estate that are held by the bank for sale and delivery to the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, or other secondary market participants under the terms of a binding commitment should be reported ***in Memorandum item 2.a or 2.b, as appropriate, on the FFIEC 034 and in Memorandum item 3.a or 3.b, as appropriate, on the FFIEC 031, 032, and 033*** on the basis of the time remaining until the delivery date specified in the commitment. Floating rate loans secured by real estate that are held by the bank for sale and delivery ***in the secondary market*** under the terms of a binding commitment should be reported ***in Memorandum item 2.a or 2.b, as appropriate, on the FFIEC 034 and in Memorandum item 3.a or 3.b, as appropriate, on the FFIEC 031, 032, and 033*** according to their repricing frequency regardless of the delivery date specified in the commitment.

For floating rate loans on which the borrower has the option at each repricing date to choose the next repricing date, the repricing frequency of a loan should be determined by reference to the repricing option currently in effect as of the report date.

Memorandum item 2.a on the FFIEC 034, Memorandum item 3.a on the FFIEC 031, 032, and 033, Closed-end loans secured by first liens on 1-4 family residential properties (in domestic offices) with a remaining maturity or repricing frequency of. Report the dollar amount of the bank's fixed rate closed-end loans secured by first liens on 1-4 family residential properties (in domestic offices) in the appropriate subitems according to the amount of time remaining to their final contractual maturities (without regard to repayment schedules, if any). Report the dollar amount of the bank's floating rate closed-end loans secured by first liens on 1-4 family residential properties (in domestic offices) in the appropriate subitems according to their repricing frequencies, that is, how often the contract permits the interest rates on the loans to be changed (e.g., daily, monthly, quarterly, semiannually, annually) without regard to the length of time between the report date and the dates the rates can next change or final maturity dates. Exclude loans that are in nonaccrual status.

Memorandum item 2.a.(1) on the FFIEC 034, Memorandum item 3.a.(1) on the FFIEC 031, 032, and 033, Three months or less. Report the amount of:

- o the bank's fixed rate closed-end loans secured by first liens on 1-4 family residential properties (in domestic offices) with remaining maturities of three months or less, and
- o the bank's floating rate closed-end loans secured by first liens on 1-4 family residential properties (in domestic offices) which can be repriced quarterly or more frequently (e.g., quarterly, monthly, weekly, daily).

Memorandum item 2.a.(2) on the FFIEC 034, Memorandum item 3.a.(2) on the FFIEC 031, 032, and 033, Over three months through 12 months. Report the amount of:

- o the bank's fixed rate closed-end loans secured by first liens on 1-4 family residential properties (in domestic offices) with remaining maturities (without regard to repayment schedules, if any) of over three months through 12 months, and
- o the bank's floating rate closed-end loans secured by first liens on 1-4 family residential properties (in domestic offices) which can be repriced annually or more frequently, but less frequently than quarterly (e.g., annually, semiannually)

Memorandum item 2.a.(3) on the FFIEC 034, Memorandum item 3.a.(3) on the FFIEC 031, 032, and 033, Over one year through three years. Report the amount of:

- o the bank's fixed rate closed-end loans secured by first liens on 1-4 family residential properties (in domestic offices) with remaining maturities (without regard to repayment schedules, if any) of over one year through three years, and
- o the bank's floating rate closed-end loans secured by first liens on 1-4 family residential properties (in domestic offices) which can be repriced every three years or more frequently, but less frequently than annually (e.g., every three years, every two years).

Memorandum item 2.a.(4) on the FFIEC 034, Memorandum item 3.a.(4) on the FFIEC 031, 032, and 033, Over three years through five years. Report the amount of:

- o the bank's fixed rate closed-end loans secured by first liens on 1-4 family residential properties (in domestic offices) with remaining maturities (without regard to repayment schedules, if any) of over three years through five years, and
- o the bank's floating rate closed-end loans secured by first liens on 1-4 family residential properties (in domestic offices) which can be repriced every five years or more frequently, but less frequently than every three years (e.g., every five years, every four years).

Memorandum item 2.a.(5) on the FFIEC 034, Memorandum item 3.a.(5) on the FFIEC 031, 032, and 033, Over five years through 15 years. Report the amount of:

- o the bank's fixed rate closed-end loans secured by first liens on 1-4 family residential properties (in domestic offices) with remaining maturities (without regard to repayment schedules, if any) of over five years through 15 years, and
- o the bank's floating rate closed-end loans secured by first liens on 1-4 family residential properties (in domestic offices) which can be repriced every 15 years or more frequently, but less frequently than every five years (e.g., every 15 years, every ten years).

Memorandum item 2.a.(6) on the FFIEC 034, Memorandum item 3.a.(6) on the FFIEC 031, 032, and 033, Over 15 years. Report the amount of:

- o the bank's fixed rate closed-end loans secured by first liens on 1-4 family residential properties (in domestic offices) with remaining maturities (without regard to repayment schedules, if any) of over 15 years, and

- o the bank's floating rate closed-end loans secured by first liens on 1-4 family residential properties (in domestic offices) which can be repriced less frequently than every 15 years (e.g., every 20 years, every 25 years).

Memorandum item 2.b on the FFIEC 034, Memorandum item 3.b on the FFIEC 031, 032, and 033, All loans and leases other than closed-end loans secured by first liens on 1-4 family residential properties (in domestic offices) with a remaining maturity or repricing frequency of. Report the dollar amount of the bank's fixed rate loans and leases -- *other than closed-end loans secured by first liens on 1-4 family residential properties (in domestic offices)* -- in the appropriate subitems according to the amount of time remaining to their final contractual maturities (without regard to repayment schedules, if any). Report the dollar amount of the bank's floating rate loans -- *other than closed-end loans secured by first liens on 1-4 family residential properties (in domestic offices)* -- in the appropriate subitems according to their repricing frequencies, that is, how often the contract permits the interest rates on the loans to be changed (e.g., daily, monthly, quarterly, semiannually, annually) without regard to the length of time between the report date and the dates the rates can next change or final maturity dates. Exclude loans that are in nonaccrual status.

Memorandum item 2.b.(1) on the FFIEC 034, Memorandum item 3.b.(1) on the FFIEC 031, 032, and 033, Three months or less. Report the amount of:

- o the bank's fixed rate loans and leases -- other than closed-end loans secured by first liens on 1-4 family residential properties (in domestic offices) -- with remaining maturities of three months or less, and
- o the bank's floating rate loans -- other than closed-end loans secured by first liens on 1-4 family residential properties (in domestic offices) -- which can be repriced quarterly or more frequently (e.g., quarterly, monthly, weekly, daily).

Memorandum item 2.b.(2) on the FFIEC 034, Memorandum item 3.b.(2) on the FFIEC 031, 032, and 033, Over three months through 12 months. Report the amount of:

- o the bank's fixed rate loans and leases -- other than closed-end loans secured by first liens on 1-4 family residential properties (in domestic offices) -- with remaining maturities (without regard to repayment schedules, if any) of over three months through 12 months, and
- o the bank's floating rate loans -- other than closed-end loans secured by first liens on 1-4 family residential properties (in domestic offices) -- which can be repriced annually or more frequently, but less frequently than quarterly (e.g., annually, semiannually).

Memorandum item 2.b.(3) on the FFIEC 034, Memorandum item 3.b.(3) on the FFIEC 031, 032, and 033, Over one year through three years. Report the amount of:

- o the bank's fixed rate loans and leases -- other than closed-end loans secured by first liens on 1-4 family residential properties (in domestic offices) -- with remaining maturities (without regard to repayment schedules, if any) of over one year through three years, and
- o the bank's floating rate loans -- other than closed-end loans secured by first liens on 1-4 family residential properties (in domestic offices) -- which can be repriced every three years or more frequently, but less frequently than annually (e.g., every three years, every two years).

Memorandum item 2.b.(4) on the FFIEC 034, Memorandum item 3.b.(4) on the FFIEC 031, 032, and 033, Over three years through five years. Report the amount of:

- o the bank's fixed rate loans and leases -- other than closed-end loans secured by first liens on 1-4 family residential properties (in domestic offices) -- with remaining maturities (without regard to repayment schedules, if any) of over three years through five years, and
- o the bank's floating rate loans -- other than closed-end loans secured by first liens on 1-4 family residential properties (in domestic offices) -- which can be repriced every five years or more frequently, but less frequently than every three years (e.g., every five years, every four years).

Memorandum item 2.b.(5) on the FFIEC 034, Memorandum item 3.b.(5) on the FFIEC 031, 032, and 033, Over five years through 15 years. Report the amount of:

- o the bank's fixed rate loans and leases -- other than closed-end loans secured by first liens on 1-4 family residential properties (in domestic offices) -- with remaining maturities (without regard to repayment schedules, if any) of over five years through 15 years, and
- o the bank's floating rate loans -- other than closed-end loans secured by first liens on 1-4 family residential properties (in domestic offices) -- which can be repriced every 15 years or more frequently, but less frequently than every five years (e.g., every 15 years, every ten years).

Memorandum item 2.b.(6) on the FFIEC 034, Memorandum item 3.b.(6) on the FFIEC 031, 032, and 033, Over 15 years. Report the amount of:

- o the bank's fixed rate loans and leases -- other than closed-end loans secured by first liens on 1-4 family residential properties (in domestic offices) -- with remaining maturities (without regard to repayment schedules, if any) of over 15 years, and
- o the bank's floating rate loans -- other than closed-end loans secured by first liens on 1-4 family residential properties (in domestic offices) -- which can be repriced less frequently than every 15 years (e.g., every 20 years, every 25 years).

Memorandum item 2.c on the FFIEC 034, Memorandum item 3.c on the FFIEC 031, 032, and 033, Fixed rate and floating rate loans and leases with a remaining maturity of one year or less. Report all loans and leases with a remaining maturity of one year or less. Include both fixed rate and floating rate loans and leases.

On the FFIEC 034, the fixed rate loans and leases included in this item will also have been reported by remaining maturity in Schedule RC-C, part I, Memorandum items 2.a.(1), 2.a.(2), 2.b.(1), and 2.b.(2) above. The floating rate loans included in this item will have been reported by repricing frequency in Memorandum items 2.a.(1) through 2.a.(6) and 2.b.(1) through 2.b.(6) above. However, Memorandum items 2.a.(1), 2.a.(2), 2.b.(1), and 2.b.(2) above include floating rate loans with a remaining maturity of more than one year, but with a repricing frequency of one year or less; those loans should not be included in this Memorandum item 2.c.

On the FFIEC 031, 032, and 033, the fixed rate loans and leases included in this item will also have been reported in Schedule RC-C, part I, Memorandum items 3.a.(1), 3.a.(2), 3.b.(1), and 3.b.(2) above. The floating rate loans included in this item will have been reported by repricing frequency in Memorandum items 3.a.(1) through 3.a.(6) and 3.b.(1) through 3.b.(6) above. However, Memorandum items 3.a.(1), 3.a.(2), 3.b.(1), and 3.b.(2) above include floating rate loans with a remaining maturity of more than one year, but with a repricing frequency of one year or less; those loans should not be included in this Memorandum item 3.c.

Memorandum item 2.d on the FFIEC 034, Memorandum item 3.d on the FFIEC 031, 032, and 033, Fixed rate and floating rate loans secured by nonfarm nonresidential properties (in domestic offices) with a remaining maturity of over five years. Report all loans secured by nonfarm nonresidential properties (in domestic offices) (as defined for Schedule RC-C, part I, item 1.e, (column B on the FFIEC 031)) with a remaining maturity of over five years. Include both fixed rate and floating rate loans secured by nonfarm nonresidential properties.

On the FFIEC 034, the fixed rate loans secured by nonfarm nonresidential properties included in this item will also have been reported by remaining maturity in Schedule RC-C, part I, Memorandum items 2.b.(5) and 2.b.(6) above. The floating rate loans secured by nonfarm nonresidential properties included in this item will have been reported by repricing frequency in Memorandum items 2.b.(1) through 2.b.(6) above. However, Memorandum items 2.b.(5) and 2.b.(6) above may include floating rate loans with a remaining maturity of five years or less, but with a repricing frequency of over five years; those loans should not be included in this Memorandum item 2.d.

On the FFIEC 031, 032, and 033, the fixed rate loans secured by nonfarm nonresidential properties included in this item will also have been reported by remaining maturity in Schedule RC-C, part I, Memorandum items 3.b.(5) and 3.b.(6) above. The floating rate loans secured by nonfarm nonresidential properties included in this item will have been reported by repricing frequency in Memorandum items 3.b.(1) through 3.b.(6) above. However, Memorandum items 3.b.(5) and 3.b.(6) above may include floating rate loans with a remaining maturity of five years or less, but with a repricing frequency of over five years; those loans should not be included in this Memorandum item 3.d.

Memorandum item 2.e on the FFIEC 034, Memorandum item 3.e on the FFIEC 031, 032, and 033, Fixed rate and floating rate commercial and industrial loans with a remaining maturity of over three years Report all commercial and industrial loans (as defined for Schedule RC-C, part I, item 4, (column A on the FFIEC 031)) with a remaining maturity of over three years. Include both fixed rate and floating rate commercial and industrial loans.

On the FFIEC 034, the fixed rate commercial and industrial loans included in this item will also have been reported by remaining maturity in Schedule RC-C, part I, Memorandum items 2.b.(4), 2.b.(5), and 2.b.(6) above. The floating rate commercial and industrial loans included in this item will have been reported by repricing frequency in Memorandum items 2.b.(1) through 2.b.(6) above. However, Memorandum items

2.b.(4), 2.b.(5), and 2.b.(6) above may include floating rate loans with a remaining maturity of three years or less, but with a repricing frequency of over three years; those loans should not be included in this Memorandum item 2.e.

On the FFIEC 031, 032, and 033, the fixed rate commercial and industrial loans included in this item will also have been reported by remaining maturity in Schedule RC-C, part I, Memorandum items 3.b.(4), 3.b.(5), and 3.b.(6) above. The floating rate commercial and industrial loans included in this item will have been reported by repricing frequency in Memorandum items 3.b.(1) through 3.b.(6) above. However, Memorandum items 3.b.(4), 3.b.(5), and 3.b.(6) above may include floating rate loans with a remaining maturity of three years or less, but with a repricing frequency of over three years; those loans should not be included in this Memorandum item 3.e.

## **Schedule RC-E -- Deposit Liabilities**

Memorandum items 5 and 6, "Maturity and repricing data for time deposits of less than \$100,000" and "Maturity and repricing data for time deposits of \$100,000 or more," respectively, have been revised. FDIC-supervised savings banks will begin to complete these two Memorandum items in place of the items for time deposits in Schedule RC-J, which will be eliminated.

As with the revised Memorandum items for debt securities and loans and leases, fixed rate and floating rate time deposits will be reported on a combined basis in Memorandum items 5 and 6, not in separate Memorandum items as has previously been the case. The current general instructions describing how to report the remaining maturity or repricing frequency of time deposits remain in place and have been supplemented in two areas in response to questions. In addition, the time bands banks have previously used for reporting the maturity and repricing data for their time deposits will be revised. For time deposits of less than \$100,000 in revised Memorandum item 5.a, the existing "Over one year" time band will be split into two separate time bands: "Over one year through three years" and "Over three years." These same two time bands will replace the existing "Over one year through five years" and "Over five years" time bands for time deposits of \$100,000 or more in revised Memorandum item 6.a.

Finally, because fixed rate time deposits will no longer be reported separately by remaining maturity in these revised Schedule RC-E Memorandum items, previous Memorandum items 5.c and 6.c covering floating rate time deposits with a remaining maturity of one year or less will each be expanded to cover both fixed rate and floating rate time deposits of that respective size and remaining maturity. These revised Memorandum items will be renumbered as Memorandum items 5.b and 6.b. For FDIC-supervised savings banks, these Memorandum items are the same as Memorandum items 2 and 3 on Part II of discontinued Schedule RC-J.

To assist you in identifying the changes to the general instructions for reporting maturity and repricing data for time deposits in the new or revised subitems of Memorandum items 5 and 6, the revisions to those instructions (i.e., the instructions preceding those for Memorandum items 5.a and 6.a) are shown in bold italics beginning on the next page. The instructions for Memorandum items 5.a, 5.b, 6.a, and 6.b, which begin on page 22, are new.

5. Maturity and repricing data for time deposits of less than \$100,000:
- a. Time deposits of less than \$100,000 with a remaining maturity or repricing frequency of:<sup>1,2</sup>
    - (1) Three months or less |\_|\_|\_|\_|
    - (2) Over three months through 12 months |\_|\_|\_|\_|
    - (3) Over one year through three years |\_|\_|\_|\_|
    - (4) Over three years |\_|\_|\_|\_|
  - b. Fixed rate AND floating rate time deposits of less than \$100,000 with a REMAINING MATURITY of one year or less (included in Memorandum items 5.a.(1) through 5.a.(4) above) |\_|\_|\_|\_|
6. Maturity and repricing data for time deposits of \$100,000 or more:
- a. Time deposits of \$100,000 or more with a remaining maturity or repricing frequency of:<sup>1,3</sup>
    - (1) Three months or less |\_|\_|\_|\_|
    - (2) Over three months through 12 months |\_|\_|\_|\_|
    - (3) Over one year through three years |\_|\_|\_|\_|
    - (4) Over three years |\_|\_|\_|\_|
  - b. Fixed rate AND floating rate time deposits of \$100,000 or more with a REMAINING MATURITY of one year or less (included in Memorandum items 6.a.(1) through 6.a.(4) above) |\_|\_|\_|\_|

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<sup>1</sup> Report fixed rate time deposits by remaining maturity and floating rate time deposits by repricing frequency.  
<sup>2</sup> Sum of Memorandum items 5.a.(1) through 5.a.(4) must equal Schedule RC-E, Memorandum item 2.b above.  
<sup>3</sup> Sum of Memorandum items 6.a.(1) through 6.a.(4) must equal Schedule RC-E, Memorandum item 2.c above.

Memorandum item 5, Maturity and repricing data for time deposits of less than \$100,000 Report in the appropriate subitem maturity and repricing data for the bank's time deposits of less than \$100,000, i.e., the bank's time certificates of deposit of less than \$100,000 and the bank's open-account time deposits of less than \$100,000. The time deposits included in this item will have been reported in Schedule RC-E, Memorandum item 2.b above. Therefore, the sum of the amounts reported in Schedule RC-E, Memorandum items 5.a.(1) through **5.a.(4)** must equal Schedule RC-E, Memorandum item 2.b above.

For purposes of this memorandum item and Schedule RC-E, Memorandum item 6, the following definitions apply:

A fixed interest rate is a rate that is specified at the origination of the transaction, is fixed and invariable during the term of the time deposit, and is known to both the bank and the depositor. Also treated as a fixed interest rate is a predetermined interest rate which is a rate that changes during the term of the time deposit on a predetermined basis, with the exact rate of interest over the life of the time deposit known with certainty to both the bank and the depositor when the time deposit is acquired.

A floating rate is a rate that varies, or can vary, in relation to an index, to some other interest rate such as the rate on certain U.S. Government securities or the bank's "prime rate," or to some other variable criterion the exact value of which cannot be known in advance. Therefore, the exact rate the time deposit carries at any subsequent time cannot be known at the time the time deposit is received by the bank or subsequently renewed.

When the rate on a time deposit with a floating rate *has reached a contractual* floor or ceiling level, the time deposit is to be treated as "fixed rate" rather than as "floating rate" until the rate is again free to float.

Remaining maturity is the amount of time remaining from the report date until the final contractual maturity of a time deposit.



Repricing frequency is how often the contract permits the interest rate on a *floating rate* time deposit to be changed (e.g., daily, monthly, quarterly, semiannually, annually) without regard to the length of time between the report date and the date the rate can next change *or the maturity date*.

Time deposits held in Individual Retirement Accounts (IRAs) and Keogh Plan accounts should be reported without regard to distribution schedules that may be in effect for funds held in certain depositors' accounts. Such time deposits should be reported in this Memorandum item and in Schedule RC-E, Memorandum item 6, in the same manner as time deposits not held in IRAs and Keogh Plan accounts.

Noninterest-bearing time deposits should be treated as fixed rate time deposits and reported according to the amount of time remaining to final contractual maturity in this Memorandum item and in Schedule RC-E, Memorandum item 6.

*Fixed rate time deposits that are callable at the option of the issuing bank should be reported according to their remaining maturity without regard to their next call date unless the time deposit has actually been called. When fixed rate time deposits have been called, they should be reported on the basis of the time remaining until the call date. Callable floating rate time deposits should be reported on the basis of their repricing frequency without regard to their next call date even if the time deposit has actually been called.*

*Fixed rate time deposits that provide depositors with the option to redeem them at one or more specified dates prior to their contractual maturity date without penalty should be reported according to their remaining maturity without regard to "put" dates. If the redemption option has been exercised, however, such deposits should be reported on the basis of the time remaining until the date on which the time deposit will be redeemed. Floating rate time deposits that provide depositors with redemption options without penalty should be reported on the basis of their repricing frequency without regard to "put" dates.*

Memorandum item 5.a. Time deposits of less than \$100,000 with a remaining maturity or repricing frequency of. Report the dollar amount of the bank's fixed rate time deposits of less than \$100,000 in the appropriate subitems according to the amount of time remaining to their final contractual maturities. Also report the dollar amount of the bank's floating rate time deposits of less than \$100,000 in the appropriate subitems according to their repricing frequencies, that is, how often the contract permits the interest rates on the certificates of deposit to be changed (e.g., daily, monthly, quarterly, semiannually, annually) without regard to the length of time between the report date and the dates the rates can next change or maturity dates.

Memorandum item 5.a.(1), Three months or less. Report the dollar amount of:

- o the bank's fixed rate time deposits of less than \$100,000 with remaining maturities of three months or less, and
- o the bank's floating rate time deposits of less than \$100,000 which can be repriced quarterly or more frequently (e.g., quarterly, monthly, weekly, daily).

Memorandum item 5.a.(2), Over three months through 12 months. Report the dollar amount of:

- o the bank's fixed rate time deposits of less than \$100,000 with remaining maturities of over three months through 12 months, and

- o the bank's floating rate time deposits of less than \$100,000 which can be repriced annually or more frequently, but less frequently than quarterly (e.g., annually, semiannually).

Memorandum item 5.a.(3). Over one year through three years Report the dollar amount of:

- o the bank's fixed rate time deposits of less than \$100,000 with remaining maturities of over one year through three years, and
- o the bank's floating rate time deposits of less than \$100,000 which can be repriced every three years or more frequently, but less frequently than annually (e.g., every three years, every 2 years).

Memorandum item 5.a.(4). Over three years. Report the dollar amount of:

- o the bank's fixed rate time deposits of less than \$100,000 with remaining maturities of over three years, and
- o the bank's floating rate time deposits of less than \$100,000 which can be repriced less frequently than every three years (e.g., every five years, every four years).

Memorandum item 5.b. Fixed rate and floating rate time deposits of less than \$100,000 with a remaining maturity of one year or less. Report all time deposits of less than \$100,000 with a remaining maturity of one year or less. Include both fixed rate and floating rate time deposits of less than \$100,000.

The fixed rate time deposits that should be included in this item will also have been reported by remaining maturity in Schedule RC-E, Memorandum items 5.a.(1) and 5.a.(2) above. The floating rate time deposits that should be included in this item will have been reported by repricing frequency in Memorandum items 5.a.(1) through 5.a.(4) above. However, Memorandum items 5.a.(1) and 5.a.(2) above include floating rate time deposits with a remaining maturity of more than one year, but with a repricing frequency of one year or less; those time deposits should not be included in this Memorandum item 5.b.

Memorandum item 6. Maturity and repricing data for time deposits of \$100,000 or more Report in the appropriate subitem maturity and repricing data for the bank's time deposits of \$100,000 or more, i.e., the bank's time certificates of deposit of \$100,000 or more and the bank's open-account time deposits of \$100,000 or more. The time deposits included in this item will have been reported in Schedule RC-E, Memorandum *item 2.c* above. Therefore, the sum of the amounts reported in Schedule RC-E, Memorandum items 6.a.(1) through *6.a.(4)* must equal *Schedule RC-E, Memorandum item 2.c* above. Refer to the definitions and other instructions about time deposits in Schedule RC-E, Memorandum item 5 above.

Memorandum item 6.a. Time deposits of \$100,000 or more with a remaining maturity or repricing frequency of. Report the dollar amount of the bank's fixed rate time deposits of \$100,000 or more in the appropriate subitems according to the amount of time remaining to their final contractual maturities. Also report the dollar amount of the bank's floating rate time deposits of \$100,000 or more in the appropriate subitems according to their repricing frequencies, that is, how often the contract permits the interest rates on the certificates of deposit to be changed (e.g., daily, monthly, quarterly, semiannually, annually) without regard to the length of time between the report date and the dates the rates can next change or maturity dates.

Memorandum item 6.a.(1). Three months or less. Report the dollar amount of:

- o the bank's fixed rate time deposits of \$100,000 or more with remaining maturities of three months or less, and
- o the bank's floating rate time deposits of \$100,000 or more which can be repriced quarterly or more frequently (e.g., quarterly, monthly, weekly, daily).

Memorandum item 6.a.(2), Over three months through 12 months Report the dollar amount of:

- o the bank's fixed rate time deposits of \$100,000 or more with remaining maturities of over three months through 12 months, and
- o the bank's floating rate time deposits of \$100,000 or more which can be repriced annually or more frequently, but less frequently than quarterly (e.g., annually, semiannually).

Memorandum item 6.a.(3), Over one year through three years Report the dollar amount of:

- o the bank's fixed rate time deposits of \$100,000 or more with remaining maturities of over one year through three years, and
- o the bank's floating rate time deposits of \$100,000 or more which can be repriced every three years or more frequently, but less frequently than annually (e.g., every three years, every 2 years).

Memorandum item 6.a.(4), Over three years Report the dollar amount of:

- o the bank's fixed rate time deposits of \$100,000 or more with remaining maturities of over three years, and
- o the bank's floating rate time deposits of \$100,000 or more which can be repriced less frequently than every three years (e.g., every five years, every four years).

Memorandum item 6.b, Fixed rate and floating rate time deposits of \$100,000 or more with a remaining maturity of one year or less. Report all time deposits of \$100,000 or more with a remaining maturity of one year or less. Include both fixed rate and floating rate time deposits of \$100,000 or more.

The fixed rate time deposits that should be included in this item will also have been reported by remaining maturity in Schedule RC-E, Memorandum items 6.a.(1) and 6.a.(2) above. The floating rate time deposits that should be included in this item will have been reported by repricing frequency in Memorandum items 6.a.(1) through 6.a.(4) above. However, Memorandum items 6.a.(1) and 6.a.(2) above include floating rate time deposits with a remaining maturity of more than one year, but with a repricing frequency of one year or less; those time deposits should not be included in this Memorandum item 6.b.

## **Schedule RC-L -- Off-Balance Sheet Items**

A new item 16.c, column A, is being added for the gross notional amount of "Interest rate swaps where the bank has agreed to pay a fixed rate." This item applies only to those interest rate swaps held for purposes other than trading.

	(Column A) Interest Rate Contracts	(Column B) Foreign Exchange Contracts	(Column C) Equity Derivative Contracts	(Column D) Commodity and Other Contracts
16. Gross amount of derivative contracts held for purposes other than trading:				
a. Contracts marked to market	_____	_____	_____	_____
b. Contracts not marked to market	_____	_____	_____	_____
c. Interest rate swaps where the bank has agreed to pay a fixed rate	_____	_____	_____	_____

**Instruction:**

**Item 16.c, Interest rate swaps where the bank has agreed to pay a fixed rate.** Report the notional amount of all outstanding interest rate swaps included in Schedule RC-L, items 16.a and 16.b, column A, above, on which the reporting bank is obligated to pay a fixed rate. The interest rate swaps that are reported in this item will also have been reported in Schedule RC-L, item 14.e, column A. Interest rate swaps that are held for trading should not be reported in this item 16.c.

A **fixed interest rate** is a rate that is specified at the origination of the transaction, is fixed and invariable during the term of the interest rate swap, and is known to both the bank and the swap counterparty. Also treated as a fixed interest rate is a predetermined interest rate which is a rate that changes during the term of the interest rate swap on a predetermined basis, with the exact rate of interest over the life of the swap known with certainty to both the bank and the swap counterparty at the origination of the transaction.

### Schedule RC-M -- Memoranda

One new item is being added to all four versions of the Call Report forms and a second new item is being added only to the FFIEC 031, 032, 033 report forms. First, all banks with capitalized mortgage servicing assets, the carrying value of which is currently reported in item 6.a of this schedule, will begin to report the estimated fair value of these mortgage servicing assets in new item 6.a.(1). Second, on the FFIEC 031, 032, and 033 report forms, banks that service loans -- other than 1-4 family residential mortgage loans -- for others must complete new item 13 when the outstanding principal balance of these serviced loans is \$10 million or more and this balance exceeds 10 percent of total assets as of the report date.

6. Intangible assets:	
a. Mortgage servicing assets	_____
(1) Estimated fair value of mortgage servicing assets	
b. Over identifiable intangible assets:	
(1) Purchased credit card relationships	_____
(2) All other identifiable intangible assets	_____
c. Goodwill	_____
d. Total (sum of items 6.a, 6.b.(1), 6.b.(2), and 6.c) (must equal Schedule RC, item 10)	_____
e. Amount of intangible assets (included in item 6.b.(2) above) that have been grandfathered or are otherwise qualifying for regulatory capital purposes	_____

Instruction:

Item 6.a.(1), Estimated fair value of mortgage servicing assets. Report the estimated fair value of the capitalized mortgage servicing assets reported in Schedule RC-M, item 6.a, above.

According to FASB Statement No. 125, the fair value of mortgage servicing assets is the amount at which the assets could be bought or sold in a current transaction between willing parties, that is, other than in a forced or liquidation sale. Quoted market prices in active markets are the best evidence of the fair value of an asset and should be used to measure fair value if available. If quoted market prices are not available, the estimate of fair value should be based on the best information available in the circumstances, considering prices for similar assets and the results of valuation techniques such as the present value of estimated expected future cash flows using a discount rate commensurate with the risks involved. Valuation techniques for measuring servicing assets should be consistent with the objective of measuring fair value and should incorporate assumptions that market participants would use. Estimates of expected future cash flows, if used to estimate fair value, should be the best estimate based on reasonable and supportable assumptions and projections.

For purposes of this item, the reporting bank should determine the fair value of mortgage servicing assets in the same manner that it determines the fair value of these assets for other financial reporting purposes, consistent with the guidance in FASB Statement No. 125.

13. Outstanding principal balance of loans other than 1-4 family residential mortgage loans that are serviced for others (to be completed if this balance is more than \$10 million and exceeds ten percent of total assets)

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Instruction:

Item 13, Outstanding principal balance of loans other than 1-to-4 family residential mortgage loans that are serviced for others. (Item 13 is applicable only to banks filing the FFIEC 031, 032, and 033 report forms.) If the reporting bank services for others loans (other than 1-4 family residential mortgage loans) with an aggregate unpaid principal balance of more than \$10 million and this aggregate unpaid principal balance exceeds 10 percent of the bank's total assets as of the report date, report the aggregate unpaid principal balance of these serviced loans. Include those loans for which the reporting bank has purchased the servicing and those loans which the reporting bank has acquired (through origination or purchase) and sold or securitized with servicing retained. Loans (other than 1-4 family residential mortgage loans) serviced for others may include, but are not limited to, credit cards, automobile loans, and loans guaranteed by the Small Business Administration.