



**Federal Deposit Insurance Corporation**  
550 17th Street NW, Washington, D.C. 20429-9990

**Financial Institution Letter**  
**FIL-39-2005**  
**May 3, 2005**

## **Accounting and Reporting for Commitments to Originate and Sell Mortgage Loans Interagency Advisory**

**Summary:** The federal financial institution regulatory agencies are providing the attached guidance to institutions on the application of Statement of Financial Accounting Standards No. 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended, to mortgage loan commitments. The guidance also addresses related regulatory reporting requirements and valuation considerations.

**Distribution:**

FDIC Supervised Banks (Commercial and Savings)

**Suggested Routing:**

Chief Executive Officer  
Chief Financial Officer

**Related Topics:**

SFAS 133, *Accounting for Derivative Instruments and Hedging Activities*

SFAS 149, *Amendment of Statement 133 on Derivative Instruments and Hedging Activities*  
Securities and Exchange Commission Staff Accounting Bulletin No. 105, *Application of Accounting Principles to Loan Commitments*

**Attachment:**

Interagency Advisory on Accounting and Reporting for Commitments to Originate and Sell Mortgage Loans

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**Note:**

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**Highlights:**

- The interagency advisory provides guidance to institutions on the appropriate accounting and reporting for commitments to:
  - Originate mortgage loans that will be **held for resale** and
  - Sell mortgage loans under mandatory delivery and best efforts contracts.
- The agencies believe the accounting guidance in this advisory is consistent with generally accepted accounting principles (GAAP).
- Institutions are expected to account for and report derivative loan commitments and forward loan sales commitments as derivatives in accordance with GAAP, which includes the use of valuation techniques that are reasonable and supportable in the determination of fair value.
- Institutions are expected to apply the guidance contained in this advisory when preparing their regulatory reports.
- An institution's failure to account for and report derivative loan commitments and forward loan sales commitments in accordance with GAAP may be an unsafe and unsound practice.