# FFIEC

**Federal Financial Institutions Examination Council**
Arlington, VA 22226

CALL REPORT DATE: December 31, 2012
FOURTH 2012 CALL, NUMBER 262

# SUPPLEMENTAL INSTRUCTIONS

**December 2012 Call Report Forms**

Sample Call Report forms for December 2012 are available on both the FFIEC's Web site (http://www.ffiec.gov/ffiec_report_forms.htm) and the FDIC's Web site (http://www.fdic.gov/callreports). There is no instruction book update this quarter. Call Report forms, including the cover (signature) page, and instructional materials can be printed and downloaded from the FFIEC's and the FDIC's Web sites. In addition, institutions that use Call Report software generally can print paper copies of blank forms from their software. Please ensure that the person responsible for preparing Call Reports at your institution has been notified about the electronic availability of the December 2012 report forms as well as 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.

**Guidance on certain reporting issues for savings associations pertaining to their conversion from the Thrift Financial Report to the Call Report effective March 31, 2012, repeated from last quarter's Supplemental Instructions, is presented for the final time and begins on page 10 of this quarter's Supplemental Instructions.**

**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 for the December 31, 2012, report date. For technical assistance with submissions 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@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. 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 Web site, 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 Web site 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 Axiom Software Laboratories, Inc.; DBI Financial Systems, Inc.; Fed Reporter, Inc.; FinArch US, Inc.; FIS Compliance Solutions; FiServ, Inc.; FRSGlobal; Jack Henry & Associates, Inc.; and Lombard Risk meet the technical specifications for producing Call Report data files that are able to be processed by the CDR. The addresses and telephone numbers of these vendors are listed on page 9 of these Supplemental Instructions.

**Status of Two Proposed Call Report Schedules**

On November 21, 2011, the federal banking agencies published in the *Federal Register* several proposed revisions to the Call Report for implementation in 2012 (see FFIEC Financial Institution Letter FIL-72-2011 dated December 7, 2011, at http://www.fdic.gov/news/news/financial/2011/fil11072.html). Although some of the Call Report revisions proposed in November 2011 took effect as of March 31 and June 30, 2012, the FFIEC and the agencies reported in the September 2012 Supplemental Instructions that they were continuing to evaluate two new schedules that were part of the November 2011 proposal in light of the comments received. These evaluations have now been completed.

First, new Schedule RI-C, Disaggregated Data on the Allowance for Loan and Lease Losses, will be added to the Call Report effective March 31, 2013, subject to the approval of the U.S. Office of Management and Budget. Schedule RI-C is to be completed by institutions with $1 billion or more in total assets. Drafts of the Schedule RI-C report form and instructions are available for review on the FFIEC's and the FDIC's Web sites. For the March 31, 2013, report date, institutions may provide reasonable estimates for the amounts required to be reported in Schedule RI-C if the requested information is not readily available.

Second, the FFIEC and the agencies have determined not to pursue implementation of proposed new Schedule RC-U, Loan Origination Activity (in Domestic Offices). As proposed, this schedule would have been applicable to institutions with $300 million or more in total assets.

**Indemnification Assets and Accounting Standards Update No. 2012-06**

In October 2012, the FASB issued Accounting Standards Update (ASU) No. 2012-06, "Subsequent Accounting for an Indemnification Asset Recognized at the Acquisition Date as a Result of a Government-Assisted Acquisition of a Financial Institution," to address the subsequent measurement of an indemnification asset recognized in an acquisition of a financial institution that includes an FDIC loss-sharing agreement. This ASU amends ASC Topic 805, Business Combinations (formerly FASB Statement No. 141 (revised 2007),"Business Combinations"), which includes guidance applicable to FDIC-assisted acquisitions of failed institutions.

Under the ASU, when an institution experiences a change in the cash flows expected to be collected on an FDIC loss-sharing indemnification asset because of a change in the cash flows expected to be collected on the assets covered by the loss-sharing agreement, the institution should account for the change in the measurement of the indemnification asset on the same basis as the change in the assets subject to indemnification. Any amortization of changes in the value of the indemnification asset should be limited to the lesser of the term of the indemnification agreement and the remaining life of the indemnified assets.

The ASU is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2012. For institutions with a calendar year fiscal year, the ASU takes effect January 1, 2013. Early adoption of the ASU is permitted. The ASU's provisions should be applied prospectively to any new indemnification assets acquired after the date of adoption and to indemnification assets existing as of the date of adoption arising from an FDIC-assisted acquisition of a financial institution. Institutions with indemnification assets arising from FDIC loss-sharing agreements are expected to adopt ASU 2012-06 for Call Report purposes in accordance with the effective date of this standard.

For additional information, institutions should refer to ASU 2012-06, which is available at http://www.fasb.org/jsp/FASB/Page/SectionPage&cid=1176156316498.

**Goodwill Impairment Testing**

In September 2011, the FASB issued Accounting Standards Update (ASU) No. 2011-08, "Testing Goodwill for Impairment," to address concerns about the cost and complexity of the existing goodwill impairment test in ASC Topic 350, Intangibles-Goodwill and Other (formerly FASB Statement No. 142, "Goodwill and Other Intangible Assets"). The ASU's amendments to ASC Topic 350 are effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011 (i.e., for annual or interim tests performed on or after January 1, 2012, for institutions with a calendar year fiscal year). Early adoption of the ASU was permitted. Institutions should adopt ASU 2011-08 for Call Report purposes in accordance with the standard's effective date and early adoption provisions.

Under ASU 2011-08, an institution has the option of first assessing qualitative factors to determine whether it is necessary to perform the two-step quantitative goodwill impairment test described in ASC Topic 350. If, after considering all relevant events and circumstances, an institution determines it is not more likely than not (that is, a likelihood of 50 percent or less) that the fair value of a reporting unit is less than its carrying amount (including goodwill), then the institution does not need to perform the two-step goodwill impairment test. (In other words, if it is more likely than not – a likelihood of more than 50 percent – that the fair value of a reporting unit is greater than its carrying amount, an institution would not have to test the unit's goodwill for impairment.) If the institution instead concludes that the opposite is true (that is, it is more likely than not that the fair value of a reporting unit is less than its carrying amount), then it is required to perform the first step and, if necessary, the second step of the two-step goodwill impairment test. Under ASU 2011-08, an institution may choose to bypass the qualitative assessment for any reporting unit in any period and proceed directly to performing the first step of the two-step goodwill impairment test. The ASU includes examples of events and circumstances that an institution should consider in evaluating whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount.

For additional information, institutions should refer to ASU 2011-08, which is available at http://www.fasb.org/jsp/FASB/Page/SectionPage&cid=1176156316498.

**Small Business Lending Fund**

The Small Business Lending Fund (SBLF) was enacted into law in September 2010 as part of the Small Business Jobs Act of 2010 to encourage lending to small businesses by providing capital to qualified community institutions with assets of less than $10 billion. The SBLF Program is administered by the U.S. Treasury Department (http://www.treasury.gov/resource-center/sb-programs/Pages/Small-Business-Lending-Fund.aspx).

Under the SBLF Program, the Treasury Department purchased noncumulative perpetual preferred stock from qualifying depository institutions and holding companies (other than Subchapter S and mutual institutions). When this stock has been issued by a depository institution, it should be reported on the Call Report balance sheet (Schedule RC) in item 23, "Perpetual preferred stock and related surplus." For regulatory capital purposes, this noncumulative perpetual preferred stock qualifies as a component of Tier 1 capital and should be included in the amount reported for "Total bank equity capital" in item 1 of Schedule RC-R, Regulatory Capital.

Qualifying Subchapter S corporations and mutual institutions issued unsecured subordinated debentures to the Treasury Department through the SBLF. Depository institutions that issued these debentures should report them on the Call Report balance sheet (Schedule RC) in item 19, "Subordinated notes and debentures." For regulatory capital purposes, the debentures are eligible for inclusion in an institution's Tier 2 capital. Institutions should report the portion of these debentures that qualify for inclusion in Tier 2 capital in accordance with their primary federal regulator's capital standards in Schedule RC-R, item 12, "Qualifying subordinated debt and redeemable preferred stock."

To participate in the SBLF Program, an institution with outstanding securities issued to the Treasury Department under the Capital Purchase Program (CPP) was required to refinance or repay in full the CPP securities at the time of the SBLF funding. Any outstanding warrants that an institution issued to the Treasury Department under the CPP remain outstanding after the refinancing of the CPP stock through the SBLF Program unless the institution chooses to repurchase them. Any repurchase of warrants issued under the CPP and classified as equity capital on the balance sheet (Schedule RC) should be reported in Schedule RI-A, item 5, "Sale, conversion, acquisition, or retirement of capital stock, net."

**Troubled Debt Restructurings and Current Market Interest Rates**

Many institutions are restructuring or modifying the terms of loans through workout programs, renewals, extensions, or other means to provide payment relief for borrowers who have suffered deterioration in their financial condition. Such loan restructurings may include, but are not limited to, reductions in principal or accrued interest, reductions in interest rates, and extensions of the maturity date. Modifications may be executed at the original contractual interest rate on the loan, a current market interest rate, or a below-market interest rate. Many of these loan modifications meet the definition of a troubled debt restructuring (TDR).

The TDR accounting and reporting standards are set forth in ASC Subtopic 310-40, Receivables – Troubled Debt Restructurings by Creditors (formerly FASB Statement No. 15, "Accounting by Debtors and Creditors for

Troubled Debt Restructurings," as amended). This guidance specifies that a restructuring of a debt constitutes a TDR if, at the date of restructuring, the creditor for economic or legal reasons related to a debtor's financial difficulties grants a concession to the debtor that it would not otherwise consider. The creditor's concession may include a restructuring of the terms of a debt to alleviate the burden of the debtor's near-term cash requirements, such as a modification of terms to reduce or defer cash payments required of the debtor in the near future to help the debtor attempt to improve its financial condition and eventually be able to pay the creditor.

The stated interest rate charged to the borrower after a loan restructuring may be greater than or equal to interest rates available in the marketplace for similar types of loans to nontroubled borrowers at the time of the restructuring. Some institutions have concluded that these restructurings are not TDRs; however, this conclusion may be inappropriate. In reaching this conclusion, these institutions may not have considered all of the facts and circumstances associated with the loan modification besides the interest rate. An interest rate on a modified loan greater than or equal to those available in the marketplace for similar loans to nontroubled borrowers does not in and of itself preclude a modification from being designated as a TDR. Rather, when evaluating a loan modification to a borrower experiencing financial difficulties, an analysis of all facts and circumstances is necessary to determine whether the institution has made a concession to the borrower with respect to the market interest rate or has made some other type of concession that could trigger TDR accounting and disclosure (for example, terms or conditions outside of the institution's policies or common market practices). If TDR accounting and disclosure is appropriate, the institution must determine how the modified or restructured loan should be reported in the Call Report.

Generally, a restructured loan yields a current market interest rate if the restructuring agreement specifies an interest rate greater than or equal to the rate that the institution was willing to accept at the time of the restructuring for a new loan with comparable risk. A restructured loan does not yield a market interest rate simply because the interest rate charged under the restructuring agreement has not been reduced. In addition, when a modification results in an increase (either temporary or permanent) in the contractual interest rate, the increased interest rate cannot be presumed to be an interest rate that is at or above market. Therefore, in determining whether a loan has been modified at a market interest rate, an institution should analyze the borrower's current financial condition and compare the rate on the modified loan to rates the institution would charge customers with similar financial characteristics on similar types of loans. This determination requires the use of judgment and should include an analysis of credit history and scores, loan-to-value ratios or other collateral protection, the borrower's ability to generate cash flow sufficient to meet the repayment terms, and other factors normally considered when underwriting and pricing loans.

Likewise, a change in the interest rate on a modified or restructured loan does not necessarily mean that the modification is a TDR. For example, a creditor may lower the interest rate to maintain a relationship with a debtor that can readily obtain funds from other sources. To be a TDR, the borrower must also be experiencing financial difficulties. The evaluation of whether a borrower is experiencing financial difficulties is based upon individual facts and circumstances and requires the use of judgment when determining if a modification of the borrower's loan should be accounted for and reported as a TDR.

In the Call Report, until a loan that is a TDR is paid in full or otherwise settled, sold, or charged off, the loan must be reported in the appropriate loan category in Schedule RC-C, part I, items 1 through 9, and in the appropriate loan category in:

- Schedule RC-C, part I, Memorandum item 1, if it is in compliance with its modified terms, or
- Schedule RC-N, Memorandum item 1, if it is not in compliance with its modified terms.

However, a loan that is a TDR (for example, because of a modification that includes a reduction in principal) that yields a market interest rate at the time of restructuring and is in compliance with its modified terms need not continue to be reported as a TDR in Schedule RC-C, part I, Memorandum item 1, in calendar years after the year in which the restructuring took place. To be considered in compliance with its modified terms, a loan that is a TDR must be in accrual status and must be current or less than 30 days past due on its contractual principal and interest payments under the modified repayment terms.

A loan restructured in a TDR is an impaired loan. Thus, all TDRs must be measured for impairment in accordance with ASC Subtopic 310-10, Receivables – Overall (formerly FASB Statement No. 114, "Accounting by Creditors for Impairment of a Loan," as amended), and the Glossary entry for "Loan Impairment." Consistent with ASC Subtopic 310-10, TDRs may be aggregated and measured for impairment with other impaired loans that share common risk characteristics by using historical statistics, such as average recovery period and average amount recovered, along with a composite effective interest rate. The outcome of applying such an aggregation approach must be consistent with the impairment measurement methods prescribed in ASC Subtopic 310-10 and the "Loan Impairment" Glossary entry for loans that are individually considered impaired (i.e., the present value of expected future cash flows discounted at the loan's original effective interest rate or the loan's observable market price if the loan is not collateral dependent; the fair value of the collateral – less estimated costs to sell, if appropriate – if the loan is collateral dependent). Thus, an institution applying the aggregation approach to TDRs should not use the measurement method prescribed in ASC Subtopic 450-20, Contingencies – Loss Contingencies (formerly FASB Statement No. 5, "Accounting for Contingencies") for loans not individually considered impaired that are collectively evaluated for impairment. When a loan not previously considered individually impaired is restructured and determined to be a TDR, absent a partial charge-off, it generally is not appropriate for the impairment estimate on the loan to decline as a result of the change from the impairment measurement method prescribed in ASC Subtopic 450-20 to the methods prescribed in ASC Subtopic 310-10.

For further information, see the Glossary entry for "Troubled Debt Restructurings" and the instructions for Schedules RC-C, part I, and RC-N.

**Troubled Debt Restructurings and Accounting Standards Update No. 2011-02**

In April 2011, the FASB issued Accounting Standards Update (ASU) No. 2011-02, "A Creditor's Determination of Whether a Restructuring Is a Troubled Debt Restructuring," to provide additional guidance to help creditors determine whether a concession has been granted to a borrower and whether a borrower is experiencing financial difficulties. The guidance is also intended to reduce diversity in practice in identifying and reporting TDRs. This ASU was effective for public companies for interim and annual periods beginning on or after June 15, 2011, and should have been applied retrospectively to the beginning of the annual period of adoption for purposes of identifying TDRs. The measurement of impairment for any newly identified TDRs resulting from retrospective application should have been applied prospectively in the first interim or annual period beginning on or after June 15, 2011. (For most public institutions, the ASU took effect July 1, 2011, but retrospective application began as of January 1, 2011.) Nonpublic companies should apply the new guidance for annual periods ending after December 15, 2012, including interim periods within those annual periods. (For most nonpublic institutions, the ASU took effect January 1, 2012.) Early adoption of the ASU was permitted for both public and nonpublic entities. Nonpublic entities that adopt early are subject to a retrospective identification requirement.

Institutions are expected to continue to follow the accounting and reporting guidance on TDRs in the preceding section of these Supplemental Instructions and in the Call Report instruction book. To the extent the guidance in the ASU differs from an institution's existing accounting policies and practices for identifying TDRs, the institution will be expected to apply the ASU for Call Report purposes in accordance with the standard's effective date and transition provisions, which are outlined above. To the extent that an institution's existing accounting policies and practices are consistent with guidance in the ASU, the institution should continue to follow its existing policies and practices.

ASU 2011-02 reiterates that the two conditions mentioned in the preceding section, "Troubled Debt Restructurings and Current Market Interest Rates," must exist in order for a loan modification to be deemed a TDR: (1) an institution must grant a concession to the borrower as part of the modification and (2) the borrower must be experiencing financial difficulties. The ASU explains that an institution may determine that a borrower is experiencing financial difficulties if it is probable that the borrower will default on <u>any</u> of its debts in the foreseeable future. The borrower does not have to be in default at the time of the modification. Other possible factors that should be considered in evaluating whether a borrower is experiencing financial difficulties is if the borrower has declared (or is in the process of declaring) bankruptcy, the creditor does not expect the borrower's cash flows to be sufficient to service its debt under the existing terms, or there is substantial doubt about an entity's ability to continue as a going concern.

Another important aspect of the ASU is that it prohibits financial institutions from using the effective interest rate test included in the TDR guidance for borrowers in ASC Subtopic 470-60, Debt – Troubled Debt Restructurings by Debtors, when determining whether the creditor has granted a concession as part of a loan modification. However, as explained in ASU 2011-02, if a borrower does not have access to funds at a market rate of interest for similar debt, the rate on the modified loan is considered to be a below-market rate and may be an indicator that the institution has granted a concession to the borrower. In this situation, a creditor must consider all aspects of the loan modification in determining whether it has granted a concession.

Furthermore, the ASU provides new guidance regarding insignificant delays in payment as part of a loan modification. If, after analysis of all facts and circumstances, a creditor determines that a delay in payment is insignificant, the creditor has not granted a concession to the borrower. This determination requires judgment and should consider many factors, including, but not limited to, the amount of the delayed payments in relation to the loan's unpaid principal or collateral value, the frequency of payments due on the loan, the original contractual maturity, and the original expected duration of the loan.

For additional information, institutions should refer to ASU 2011-02, which is available at http://www.fasb.org/jsp/FASB/Page/SectionPage&cid=1176156316498.

**Prepaid Deposit Insurance Assessments**

In November 2009, the FDIC adopted a final rule requiring insured depository institutions (except those that are exempted) to prepay an FDIC-determined estimate of their quarterly risk-based deposit insurance assessments for the fourth quarter of 2009, and for all of 2010, 2011, and 2012, on December 30, 2009. Each institution's regular risk-based deposit insurance assessment for the third quarter of 2009, which is paid in arrears, also was paid on December 30, 2009. The original full amount of each institution's prepaid assessment was included on its Quarterly Certified Statement Invoice for the third quarter 2009 Insurance Period, which was available on FDIC*connect*, the FDIC's e-business portal, as of December 15, 2009.

Each institution should record the estimated expense for its regular quarterly risk-based assessment for each calendar quarter through a charge to expense during that quarter and a corresponding credit to its prepaid assessments asset (or to an accrued expense payable if it has no prepaid assessments asset). As a result of the interaction between the prepaid assessments and the regular quarterly assessments, the remaining amount of the prepaid assessments asset, if any, that an institution should report as a prepaid expense in its December 31, 2012, Call Report normally should be:

- The remaining balance of "Prepaid Assessment Credits" shown on the Summary Statement of Assessment Credits page of the institution's Quarterly Certified Statement Invoice for the July 1 through September 30, 2012, Insurance Period, which was available on FDIC*connect* as of December 15, 2012;
- Less the estimated amount of the institution's regular quarterly assessment for the fourth quarter of 2012 (which should have been accrued as a charge to expense during the fourth quarter of 2012). The quarterly assessment for the fourth quarter of 2012 should be estimated based on the provisions of the FDIC's February 2011 final rule that redefined the deposit insurance assessment base for all insured institutions and revised the assessment system for large institutions. For further information on this final rule, see FDIC Financial Institution Letter FIL-8-2011 dated February 9, 2011, which can be accessed at http://www.fdic.gov/news/news/financial/2011/fil11008.html.

An institution's prepaid assessments asset, if any, should be reported in Schedule RC-F, item 6, "All other assets," and, if it is greater than $25,000 and exceeds 25 percent of the amount reported in item 6, it also should be reported in Schedule RC-F, item 6.f, "Prepaid deposit insurance assessments." The year-to-date deposit insurance assessment expense for 2012 should be reported in Schedule RI, item 7.d, "Other noninterest expense."

When completing Schedule RC-R, Regulatory Capital, an institution may assign a zero-percent risk weight to the amount of its prepaid deposit insurance assessments asset in item 42 of this schedule.

For further information on the FDIC's prepaid assessments final rule, institutions should refer to FDIC Financial Institution Letter (FIL) 63-2009 at http://www.fdic.gov/news/news/financial/2009/fil09063.html. For further guidance on reporting regular quarterly deposit insurance assessments, institutions should refer to the Call Report Supplemental Instructions for September 30, 2009, at http://www.ffiec.gov/PDF/FFIEC_forms/FFIEC031_041_suppinst_200909.pdf.

**Other-Than-Temporary Impairment**

When the fair value of an investment in an individual available-for-sale or held-to-maturity security is less than its cost basis, the impairment is either temporary or other-than-temporary. To determine whether the impairment is other-than-temporary, an institution must apply the applicable accounting guidance as discussed in the Glossary entry for "Securities Activities."

For regulatory capital purposes, any other-than-temporary impairment losses on both held-to-maturity and available-for-sale debt securities related to factors other than credit that are reported, net of applicable taxes, in Schedule RC, item 26.b, "Accumulated other comprehensive income," should be included in Schedule RC-R, item 2, together with the net unrealized gains (losses) on available-for-sale securities that are reported in item 2. Furthermore, when determining the regulatory capital limit for deferred tax assets, an institution may, but is not required to, adjust the reported amount of its deferred tax assets for any deferred tax assets arising from other-than-temporary impairment losses reported, net of applicable taxes, in Schedule RC, item 26.b in accumulated other comprehensive income. An institution must follow a consistent approach over time with respect to this adjustment to the reported amount of deferred tax assets.

In addition, when risk-weighting a held-to-maturity debt security for which an other-than-temporary impairment loss related to factors other than credit was previously recognized in other comprehensive income, include the carrying value of the debt security in column A of Schedule RC-R, item 35. Then, include the pre-tax amount of this impairment loss that has not yet been accreted from accumulated other comprehensive income to the carrying value of the security as a negative number in column B of Schedule RC-R, item 35, and include the amortized cost of the security in the appropriate risk-weight category column of item 35 (provided the security is not a purchased subordinated security that is not eligible for the ratings-based approach). For a security on which an other-than-temporary impairment loss has been recognized, amortized cost is the security's previous amortized cost as of the date of the most recently recognized other-than-temporary impairment loss less the amount of impairment loss recognized in earnings adjusted for subsequent accretion of interest income and payments received on the security.

**Reporting Defined Benefit Postretirement Plans**

ASC Subtopic 715-20, Compensation-Retirement Benefits – Defined Benefit Plans-General (formerly FASB Statement No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans" (FAS 158)) requires an institution that sponsors a single-employer defined benefit postretirement plan, such as a pension plan or health care plan, to recognize the funded status of each such plan on its balance sheet. An overfunded plan is recognized as an asset while an underfunded plan is recognized as a liability. As of the end of the fiscal year when an institution initially applied former FAS 158, the previously recognized postretirement plan amounts must be adjusted to recognize gains or losses, prior service costs or credits, and transition assets or obligations that have not yet been included in the net periodic benefit cost of its plans. These adjustment amounts are recognized directly in equity capital as components of the ending balance of accumulated other comprehensive income (AOCI), net of tax. Thereafter, an institution must recognize certain gains and losses and prior service costs or credits that arise during each reporting period, net of tax, as a component of other comprehensive income (OCI) and, hence, AOCI. Postretirement plan amounts carried in AOCI are adjusted as they are subsequently recognized in earnings as components of the plans' net periodic benefit cost. For further information on accounting for defined benefit postretirement plans, institutions should refer to ASC Topic 715, Compensation-Retirement Benefits (formerly FAS 158; FASB Statement No. 87, "Employers' Accounting for Pensions"; and FASB Statement No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions").

As announced by the banking agencies on December 14, 2006, institutions should reverse the effects on AOCI of ASC Subtopic 715-20 for regulatory capital purposes, including for purposes of reporting and measuring the numerators and denominators for the leverage and risk-based capital ratios. The intent of the reversal is to neutralize for regulatory capital purposes the effect on AOCI of the application of ASC Subtopic 715-20. The Call Report instruction book update for June 2012 included revised instructions for Schedule RC-R, Regulatory Capital, items 4, 26, and 42, that provide guidance on how to report adjustments to Tier 1 capital and risk-weighted and total assets to reverse the effects of applying ASC Subtopic 715-20 for regulatory capital purposes.

**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' Financial Institution Letter for the December 31, 2012, 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@ffiec.gov.

**Other Reporting Matters**

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

- Reporting purchased subordinated securities in Schedule RC-S – Supplemental Instructions for September 30, 2011 (http://www.ffiec.gov/PDF/FFIEC_forms/FFIEC031_FFIEC041_suppinst_201109.pdf)
- Consolidated variable interest entities – Supplemental Instructions for September 30, 2011 (http://www.ffiec.gov/PDF/FFIEC_forms/FFIEC031_FFIEC041_suppinst_201109.pdf)
- Treasury Department's Capital Purchase Program – Supplemental Instructions for September 30, 2011 (http://www.ffiec.gov/PDF/FFIEC_forms/FFIEC031_FFIEC041_suppinst_201109.pdf)
- Accounting Standards Codification – Supplemental Instructions for September 30, 2011 (http://www.ffiec.gov/PDF/FFIEC_forms/FFIEC031_FFIEC041_suppinst_201109.pdf)
- Accounting for share-based payments under FASB Statement No. 123 (Revised 2004), *Share-Based Payment* – Supplemental Instructions for December 31, 2006 (http://www.ffiec.gov/PDF/FFIEC_forms/FFIEC031_041_suppinst_200612.pdf)
- Tobacco Transition Payment (Buyout) Program **–** Supplemental Instructions for March 31, 2006 (http://www.ffiec.gov/PDF/FFIEC_forms/FFIEC031_041_suppinst_200603.pdf)
- Commitments to originate and sell mortgage loans **–** Supplemental Instructions for March 31, 2006 (http://www.ffiec.gov/PDF/FFIEC_forms/FFIEC031_041_suppinst_200603.pdf) and June 30, 2005 (http://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

FinArch US, Inc.
Burlington Center, 4th Floor
35 Corporate Drive
Burlington, Massachusetts 01803
Telephone: (781) 685-4600
http://www.finarch.com

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

FRSGlobal
130 Turner Street
Building 3, 4th Floor
Waltham, Massachusetts 02453
Telephone: (781) 370-1518
http://www.frsglobal.com/regions/usa.html

Jack Henry & Associates, Inc.
Regulatory Filing Group
7600B North Capital of Texas Highway, Suite 320
Austin, Texas 78731
Telephone: (800) 688-9191
http://filing.jackhenry.com

Lombard Risk
One Gateway Center, 26th Floor
Newark, New Jersey 07102
Telephone: (973) 648-0900
http://www.lombardrisk.com

## GUIDANCE FOR SAVINGS ASSOCIATIONS ON THE MIGRATION FROM THE THRIFT FINANCIAL REPORT TO THE CALL REPORT

Effective March 31, 2012, all savings associations began to file the Call Report instead of the Thrift Financial Report (TFR), which has been eliminated. There are two versions of the Call Report forms, one for institutions with foreign offices (the FFIEC 031 report) and another for institutions with domestic offices only (the FFIEC 041 report). Most institutions file the FFIEC 041 version of the Call Report.

In contrast to the TFR, the amount of information that institutions are required to report in the Call Report varies, with the least amount of detail required from institutions with less than $100 million in total assets. These differences in detail arise because certain Call Report schedules and items are subject to reporting thresholds, typically but not exclusively based on total assets, that determine which institutions must complete these schedules and items. In most but not all cases, these thresholds are based on amounts an institution reported as of June 30 of the previous calendar year. For purposes of reporting in its Call Reports for 2012, a savings association generally should use the amounts it reported in its TFRs for 2011 to determine the applicability of Call Report schedules and items subject to reporting thresholds. For example, for reporting thresholds based on an institution's total assets as of June 30, 2011, a savings association should look to the amount it reported in TFR Schedule SC, line item SC60, "Total Assets," as of that report date.

Savings associations are encouraged to review the Call Report instruction book when preparing their Call Reports. The instruction book includes General Instructions that describe overall reporting requirements, detailed line item instructions for each Call Report schedule, and a Glossary that presents definitions and discussions of accounting issues and other topics of broad applicability to the preparation of the Call Report. Electronic copies of the Call Report instruction book, as well as the Call Report forms, the Supplemental Instructions, and previous instruction book updates are available on the FFIEC's Web site (http://www.ffiec.gov/ffiec_report_forms.htm) and on the FDIC's Web site (http://www.fdic.gov/callreports).

### Specific Valuation Allowances (SVAs)

Under Section 260 of the Office of Thrift Supervision (OTS) Examination Handbook, savings associations were allowed to create an SVA in lieu of taking a charge-off to record a confirmed loss associated with a loan when the institution determines that it is likely that the amount of the loss classification will change due to possible changes in future market conditions. In contrast, the Call Report instructions and the banking agencies' policies regarding loss classifications require a charge-off for all confirmed losses and do not allow the creation or use of an SVA. Thus, the creation of SVAs is not permitted after December 31, 2011, and the use of SVAs was to be discontinued when savings associations adopted and started to file the Call Report beginning as of March 31, 2012. Accordingly, each SVA reported in a savings association's TFR for December 31, 2011, was required to be eliminated in the first quarter of 2012 before the association filed its March 2012 Call Report by directly reducing the recorded investment in the related loan by the amount of the SVA for that loan. The accounting entries to eliminate these SVAs should have been accomplished by debiting the SVA account and crediting the recorded investment in the related loans effective as of January 1, 2012. The accounting entries for the elimination of these SVAs should not be reported in a savings association's Call Reports for 2012 nor should they trigger the filing of an amended TFR for December 31, 2011. In other words, SVAs were permitted to be reported in the December 31, 2011, TFR, but are not permitted in the March 31, 2012, or subsequent Call Reports.

SVAs were presumed to represent confirmed losses that must be charged off unless an institution was able to demonstrate that certain SVAs instead represented loan loss allowances for individually impaired loans measured in accordance with ASC Subtopic 310-10 (formerly FASB Statement No. 114, "Accounting by Creditors for Impairment of a Loan"). In that situation, such loss allowances should have been transferred to the allowance for loan and lease losses as of January 1, 2012. Any amounts so transferred should be reported in Schedule RI-B, part II, item 6, "Adjustments," and itemized and described in Schedule RI-E, item 6, in each quarterly Call Report for 2012. For further guidance provided to savings associations related to SVAs at an OCC telephone seminar on October 13, 2011, see slides 15 through 26.

### Regulatory Capital Reporting in Call Report Schedule RC-R

The OTS capital regulations, 12 CFR Part 567, have been transferred to and republished as regulations of the OCC and FDIC: [12 CFR Part 167] for federal savings associations, and [12 CFR 390, Subpart Z], for state savings associations. The OCC and the FDIC made no changes to the substantive content of the transferred OTS capital regulations that were in effect before the transfer date of July 21, 2011, and the republished regulations will continue in effect until modified, terminated, set aside, or superseded in accordance with applicable law.

Accordingly, when calculating the total assets denominator for the Tier 1 leverage ratio, savings associations should continue (as had been done on the TFR) to use quarter-end total assets as reported on the balance sheet (Call Report Schedule RC, item 12) as the starting point for the calculation until further notice. In contrast, commercial and state savings banks should continue to use average total assets for the quarter rather than quarter-end total assets in calculating the denominator of their Tier 1 leverage ratio. The "Total assets for leverage ratio" section of Call Report Schedule RC-R was modified, effective March 31, 2012, to accommodate differences in the leverage capital standards for banks and savings associations. In recognition of these differences, the March 2012 instruction book update included revised instructions for items 22, 26, and 27 of Schedule RC-R, Regulatory Capital.

For risk-based capital reporting purposes in Call Report Schedule RC-R, savings associations should, until further notice, continue using the risk weights previously set forth in the OTS capital regulations that have been transferred to and republished as OCC and FDIC regulations: 12 CFR § 167.6, Risk-based capital credit risk-weight categories, for federal savings associations, and 12 CFR § 390.466, Risk-based capital credit risk-weight categories, for state savings associations. Thus, to the extent the risk weights in these regulations differ from those described in the instructions for Schedule RC-R, savings associations should use the risk weights assigned in 12 CFR § 167.6 or 12 CFR § 390.466, as appropriate.

Savings associations that have (a) recourse arrangements and direct credit substitutes subject to the low level exposure rule or (b) residual interests subject to a dollar-for-dollar capital requirement should report such recourse arrangements and direct credit substitutes (other than financial standby letters of credit) and such residual interests in Schedule RC-R, item 50, using either the "direct reduction method" or the "gross-up method" described in the instructions for item 50. Financial standby letters of credit that are recourse arrangements or direct credit substitutes subject to the low level exposure rule should be reported in Schedule RC-R, item 44, using either the "direct reduction method" or the "gross-up method." When using the "direct reduction method," an institution includes an institution-specific amount in its risk-weighted assets for its "maximum contractual dollar amount of exposure" that is calculated using the actual amount of the institution's total risk-based capital. This institution-specific calculation produces the effect of directly reducing Tier 1 and total risk-based capital by the "maximum contractual dollar amount of exposure" without lowering the institution's Tier 1 leverage capital ratio. Accordingly, these recourse arrangements, direct credit substitutes, and residual interests should not be reported as a deduction from total risk-based capital in item 20 of Schedule RC-R nor as a deduction from Tier 2 capital in item 16 of Schedule RC-R.

### Initial Recognition of Other Real Estate Owned (OREO)

In accordance with the Call Report Glossary entry for "Foreclosed Assets," all banks and savings associations must initially recognize OREO at its fair value less cost to sell, which becomes the "cost" of the OREO. For further guidance on the accounting and reporting for OREO for Call Report purposes, refer to this Glossary entry and the instructions for Schedule RC-M, item 3.

### Other Reporting Issues Associated with the Migration to the Call Report

Call Report Schedule RI-A, item 1, and Schedule RI-B, part II, item 1, ask institutions to report total bank equity capital and the total allowance for loan and lease losses, respectively, as most recently reported for the previous calendar year-end Call Report (i.e., after any adjustments from amended reports). A savings association should report the amount of its most recently reported "Total Savings Association Equity Capital" from TFR Schedule SC, line item SC80, for December 31, 2011, in Call Report Schedule RI-A, item 1, for report dates in 2012. Similarly, a savings association should report the sum of the amounts most recently reported for its "Allowance for Loan and Lease Losses" from TFR Schedule SC, line items SC283 and SC357, for December 31, 2011, in Call Report Schedule RI-B, part II, item 1, for report dates in 2012.

Institutions report quarterly averages for various categories of assets and liabilities in Call Report Schedule RC-K. For Call Report purposes, institutions have the option of reporting an average of daily figures or weekly figures (as of each Wednesday) for the quarter. The calculation of quarterly averages based on month-end data is not an acceptable method for the Call Report.

Call Report Schedule RI, Income Statement, and the other supporting schedules in the Report of Income must be prepared on a calendar year-to-date basis, regardless of an institution's fiscal year, rather than on a quarterly basis as was done in the corresponding TFR schedules.

Finally, amendments to previously submitted TFRs could be processed only for 135 days after the end of the quarter for which an amended report was being filed. In contrast, amendments to previously submitted Call Reports can be filed for up to five years after the quarter-end report date. Call Report amendments include those initiated by a reporting institution as well as any required by the institution's primary federal banking agency when a previously submitted report contains significant errors with respect to the categorization of data items or material errors with respect to the recognition and measurement of an event or transaction. Please refer to the discussion of "Amending Previously Submitted Report Data" on page 8 of these Supplemental Instructions for additional information.