
Joint Release

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Office of Thrift Supervision
National Credit Union Administration

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**Agencies Clarify Guidance on the Accounting and Reporting
for Loans Held for Sale**

WASHINGTON -- The federal financial institution regulatory agencies today issued guidance to institutions and examiners about the appropriate accounting and reporting treatment for certain loans that are sold directly from the loan portfolio or transferred to a held-for-sale account.

The Interagency Guidance applies when:

- an institution decides to sell loans that were not originated or otherwise acquired with the intent to sell, and
- the fair value of those loans has declined for any reason other than a change in the general market level of interest or foreign exchange rates.

Selling loans has become an increasingly important portfolio risk management tool for institutions seeking to manage concentrations, change risk profiles, improve returns, and generate liquidity. Examiners, however, have noted differences among institutions in the accounting for and reporting of these transactions. Specifically, accounting inconsistencies relate to how and where initial and subsequent fair value adjustments are recorded, and the reporting of past-due and nonaccrual loans that have been designated as held for sale.

The Interagency Guidance clarifies existing instructions and promotes accounting transparency consistent with generally accepted accounting principles (GAAP). The guidance reminds institutions to appropriately report reductions in the value of loans transferred to held-for-sale through a write-down of the recorded investment to fair value upon transfer. At the same time, there should be a charge to the institution's allowance for loan and lease losses. Institutions are also reminded that loans transferred to a held-for-sale account should continue to be accorded the same past-due and nonaccrual treatment as other loans.

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The Securities and Exchange Commission said in the attached letter to the agencies that it had reviewed the Interagency Guidance and determined that the guidance will assist in promoting consistent accounting and reporting treatment for the loan sales and transfers of loans to held-for-sale accounts that are within the scope of the agencies' guidance.

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Attachments

Media Contacts:

FDIC:	David	Barr	(202) 898-6992
Federal Reserve:		Dave Skidmore	(202) 452-2955
OCC:	Dean	DeBuck	(202) 874-4876
OTS:	Sa	m Eskenazi	(202) 906-6677
NCUA:	Cheryl	Umbel	(703) 518-6337

Related Links:

- [OCC Bulletin 2001-15](#)
- [Interagency Guidance](#)
- [SEC Letter](#)