Appendix A:

Reporting Regulatory Capital Adjustments Related to Losses on Fannie Mae and Freddie Mac Preferred Stock in September 30, 2008, Consolidated Reports of Condition and Income

As stated in the Interagency Statement, for purposes of the regulatory capital calculations in the Call Report for September 30, 2008, a bank may elect to adjust the tax effects associated with losses on Fannie Mae and Freddie Mac preferred stock as if Section 301 of EESA had been enacted in the third quarter of 2008. These adjustments will affect the measurement and reporting of certain components of the numerator and the denominator of the leverage and risk-based capital ratios in Call Report Schedule RC-R, Regulatory Capital.

To determine the adjustments to the third quarter 2008 regulatory capital calculations, a bank should first calculate the amount, if any, by which the equity capital reported in accordance with GAAP on its September 30 Call Report balance sheet (Schedule RC, item 28) would have increased if the bank's loss on Fannie Mae and Freddie Mac preferred stock had been treated as an ordinary loss rather than a capital loss as of that date. The bank should also calculate the amount, if any, by which the total assets reported in accordance with GAAP on its September 30 Call Report balance sheet (Schedule RC, item 12) would have increased as a result of this change in tax treatment, including the portion of this increase, if any, represented by an increase in net deferred tax assets (which may comprise the entire increase in total assets). The reported amounts of equity capital and total assets would have increased, for example, from a reduction of a deferred tax asset valuation allowance or the recognition of a current income tax receivable. Depending on a bank's tax position, the increase in reported equity capital may differ from the increase in reported total assets, for example, if the change in tax treatment would have reduced a current income tax payable.[1]

The bank should report the amount by which its equity capital would have increased as an addition to regulatory capital in Schedule RC-R, item 10, "Other additions to (deductions from) Tier 1 capital." The bank should also take this addition to Tier 1 capital into consideration when determining the regulatory capital limits on servicing assets and purchased credit card relationships for Schedule RC-R, item 9.a; deferred tax assets for Schedule RC-R, item 9.b; and credit-enhancing interest-only strips and nonfinancial equity investments for Schedule RC-R, item 10. The instructions to these three Schedule RC-R items provide the approaches that a bank should follow to determine the amounts of these assets that are disallowed for regulatory capital purposes. For the September 30, 2008, Call Report date, a bank may use the modified approaches presented at the end of this appendix in its calculations of disallowed assets and nonfinancial equity investment deductions.

[1] The bank should not adjust the amounts that it reports for any balance sheet items on Schedule RC of its September 30, 2008, Call Report. Adjustments should be reported only in Call Report Schedule RC-R.

A bank that elects to adjust the tax effects associated with losses on Fannie Mae and Freddie Mac preferred stock in its third quarter 2008 regulatory capital calculations should also incorporate the effect of this adjustment in its measurements of the asset-based denominator of the leverage ratio and the risk-weighted assets denominator of the risk-based capital ratios. For the leverage ratio, the amount by which the total assets reported on the bank's September 30 Call Report balance sheet (Schedule RC, item 12) would have increased as a result of the change in tax treatment should be included – as a negative number – in Schedule RC-R, item 26, "LESS: Other deductions from assets for leverage capital purposes." For risk-based capital purposes, the bank should include the amount of this increase in total assets – as a negative number – in column B of Schedule RC-R, item 42, "All other assets." As stated in the instructions for Schedule RC-R, item 42, the bank should also include in column B of item 42 – as a positive number – the amount of disallowed deferred tax assets, if any, that it has calculated and reported in Schedule RC-R, item 9.b. If the amount of the increase in total assets resulting from the change in tax treatment that is included in column B of Schedule RC-R, item 42, is not fully offset by disallowed deferred tax assets, the remainder should be included in the 100 percent risk weight category in column F of Schedule RC-R, item 42.

Disallowed Mortgage Servicing Assets, Nonmortgage Servicing Assets, and PCCRs Calculation for Schedule RC-R, items 9.a, for September 30, 2008

(a) Enter the amount from Schedule RC-R, item 8 _____

(1) Enter the amount by which equity capital would have increased if Fannie Mae and Freddie Mac preferred stock losses were treated as "ordinary losses" for tax purposes as of September 30, 2008 (this is the same amount included in Schedule RC-R, item 10) _____

(2) Adjusted line (a) [sum of (a) and (a)(1)] _____

(b) Enter 25% of the amount in (a)(2) above _____

(c) Enter the amount of nonmortgage servicing assets and purchased credit card receivables (PCCRs) reported in Schedule RC-M, item 2.b _____

(d) Enter 90% of the fair value of the nonmortgage servicing assets and PCCRs reported in (c) above _____

(e) Enter the lesser of (b), (c), or (d) _____

(f) Minimum amount of nonmortgage servicing assets and PCCRs to be deducted from Tier 1 capital: subtract (e) from (c); enter 0 if the result is a negative amount _____

(g) Enter the amount of mortgage servicing assets reported in Schedule RC-M, item 2.a _____

(h) Enter 90% of the estimated fair value of mortgage servicing assets reported in Schedule RC-M, item 2.a.(1) _____

(i) Enter the lesser of (a)(2), (g), or (h) _____

(j) Minimum amount of mortgage servicing assets to be deducted from Tier 1 capital: subtract (i) from (g); enter 0 if the result is a negative amount _____

(k) Excess nonmortgage servicing assets, PCCRs, and mortgage servicing assets (i.e., the combined amount exceeding 100% of Tier 1 capital): sum of (e) and (i) minus (a); enter 0 if the result is a negative amount _____

(l) Disallowed nonmortgage servicing assets, PCCRs, and mortgage servicing assets: enter the sum of (f), (j), and (k) _____

Disallowed Deferred Tax Assets Calculation for Schedule RC-R, item 9.b, for September 30, 2008

(a) Enter the amount from Schedule RC-R, item 8 _____

(1) Enter the amount by which equity capital would have increased if Fannie Mae and Freddie Mac preferred stock losses were treated as "ordinary losses" for tax purposes as of September 30, 2008 (this is the same amount included in Schedule RC-R, item 10) _____

(2) Adjusted line (a) [sum of (a) and (a)(1)] _____

(b) Enter 10% of the amount in (a)(2) above _____

(c) Enter the amount of deferred tax assets reported in Schedule RC-F, item 2 _____

(1) Enter the amount of the increase in net deferred tax assets that would result from the change in tax treatment (this amount may differ from the amount entered in (a)(1) above) _____

(2) Adjusted line (c) [sum of (c) and (c)(1)] _____

(d) Enter the amount of taxes previously paid that the bank could recover through loss carrybacks if the bank's temporary differences (both deductible and taxable) fully reverse at the report date _____

(e) Amount of deferred tax assets that is dependent upon future taxable income: subtract (d) from (c)(2); enter 0 if the result is a negative amount _____

(f) Enter the portion of (e) that the bank could realize within the next 12 months based on its projected future taxable income. Future taxable income should not include net operating loss carryforwards to be used during the next 12 months or existing temporary differences that are expected to reverse over the next 12 months. _____

(g) Enter the lesser of (b) and (f) _____

(h) Disallowed net deferred tax assets - subtract (g) from (e); enter 0 if the result is a negative amount _____

The calculation above is solely for calculating regulatory capital for the September 30, 2008, Call Report. A bank should not adjust the amount reported for net deferred tax assets in Schedule RC-F, item 2, in its September 30, 2008, Call Report.

Disallowed Credit-Enhancing Interest-Only Strips Calculation for Schedule RC-R, item 10, for September 30, 2008

(a) Enter the amount from Schedule RC-R, item 8 _____

(1) Enter the amount by which equity capital would have increased if Fannie Mae and Freddie Mac preferred stock losses were treated as "ordinary losses" for tax purposes as of September 30, 2008 (this is the same amount included in Schedule RC-R, item 10) _____

(2) Adjusted line (a) [sum of (a) and (a)(1)] _____

(b) Enter 25% of the amount in (a)(2) above _____

(c) Retained credit-enhancing interest-only strips from Schedule RC-S, items 2.a and 12: enter the fair value of those strips included in Schedule RC, item 5, "Trading assets," and the amortized cost of those strips not held for trading _____

(d) Purchased credit-enhancing interest-only strips included in Schedule RC-S, item 9: enter the fair value of those strips included in Schedule RC, item 5, "Trading assets," and the amortized cost of those strips not held for trading _____

(e) Total credit-enhancing interest-only strips: enter the sum of (c) and (d) _____

(f) Enter the lesser of (b) and (e) _____

(g) Disallowed credit-enhancing interest-only strips: subtract (f) from (e); enter 0 if the result is a negative amount _____

Table for Determining Marginal Capital Charges for Nonfinancial Equity Investments for Schedule RC-R, item 10, for September 30, 2008

Deduction for Nonfinancial Equity Investments	
Aggregate adjusted carrying value of all nonfinancial equity investments held directly or indirectly by the bank (as a percentage of the sum of the bank's Tier 1 capital as reported in Schedule RC-R, item 8, plus the amount by which equity capital would have increased if Fannie Mae and Freddie Mac preferred stock losses were treated as "ordinary losses" for tax purposes as of September 30, 2008 [this increase is the same amount included in Schedule RC-R, item 10])	Deduction from Tier 1 capital as a percentage of the adjusted carrying value of the investment
Less than 15% Greater than or equal to 15% but less than 25% Greater than or equal to 25%	8% 12% 25%