

## SUPPLEMENTAL INSTRUCTIONS

### December 2015 Call Report Forms

Sample Call Report forms for December 2015 are available on both the FFIEC's website ([http://www.ffiiec.gov/ffiiec\\_report\\_forms.htm](http://www.ffiiec.gov/ffiiec_report_forms.htm)) and the FDIC's website (<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 websites. 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 2015 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.

### 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.ffiiec.gov/cdr/>), using one of the two methods described in the banking agencies' Financial Institution Letter (FIL) for the December 31, 2015, report date. The CDR Help Desk is available from 9:00 a.m. until 8:00 p.m., Eastern Time, Monday through Friday, to provide assistance with user accounts, passwords, and other CDR system-related issues. The CDR Help Desk can be reached by telephone at (888) CDR-3111, by fax at (703) 774-3946, or by e-mail at [CDR.Help@ffiiec.gov](mailto:CDR.Help@ffiiec.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 website, 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 website 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.; FIS Compliance Solutions; FIServ, Inc.; Jack Henry & Associates, Inc.; Lombard Risk; SHAZAM Core Services (formerly Cardinal Software); and Wolters Kluwer Financial Services 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 the final page of these Supplemental Instructions.

### Accounting for Measurement-Period Adjustments Related to a Business Combination

In September 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2015-16, "Simplifying the Accounting for Measurement-Period Adjustments." Under Accounting Standards Codification Topic 805, Business Combinations (formerly FASB Statement No. 141(R), "Business Combinations"), if the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the acquirer reports provisional amounts in its financial statements for the items for which the accounting is incomplete. During the measurement period, the acquirer is required to adjust the provisional amounts recognized at the acquisition date, with a corresponding adjustment to goodwill, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the measurement of the amounts recognized as of that date. At present under Topic 805, an acquirer is required to retrospectively adjust the provisional amounts recognized at the acquisition date to reflect the new information. To simplify the accounting for the adjustments made to provisional amounts, ASU 2015-16 eliminates the requirement to retrospectively account for the adjustments. Accordingly, the ASU amends Topic 805 to require an acquirer to recognize adjustments to provisional

amounts that are identified during the measurement period in the reporting period in which adjustment amounts are determined. Under the ASU, the acquirer also must recognize in the financial statements for the same reporting period the effect on earnings, if any, resulting from the adjustments to the provisional amounts as if the accounting for the business combination had been completed as of the acquisition date.

In general, the measurement period in a business combination is the period after the acquisition date during which the acquirer may adjust provisional amounts reported for identifiable assets acquired, liabilities assumed, and consideration transferred for the acquiree for which the initial accounting for the business combination is incomplete at the end of the reporting period in which the combination occurs. Topic 805 provides additional guidance on the measurement period, which shall not exceed one year from the acquisition date, and adjustments to provisional amounts during this period.

For institutions that are public business entities, as defined under U.S. generally accepted accounting principles (GAAP) (as discussed in a later section of these Supplemental Instructions), ASU 2015-16 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. For institutions that are not public business entities (i.e., that are private companies), the ASU is effective for fiscal years beginning after December 15, 2016, and interim periods within fiscal years beginning after December 15, 2017. The ASU's amendments to Topic 805 should be applied prospectively to adjustments to provisional amounts that occur after the effective date of the ASU. Thus, institutions with a calendar year fiscal year that are public business entities must apply the ASU to any adjustments to provisional amounts that occur after January 1, 2016, beginning with their Call Reports for March 31, 2016. Institutions with a calendar year fiscal year that are private companies must apply the ASU to any adjustments to provisional amounts that occur after January 1, 2017, beginning with their Call Reports for December 31, 2017. Early application of ASU 2015-16 is permitted in Call Reports that have not been submitted.

For additional information, institutions should refer to ASU 2015-16, which is available at <http://www.fasb.org/jsp/FASB/Page/SectionPage&cid=1176156316498>.

### **Debt Issuance Costs**

In April 2015, the FASB issued ASU No. 2015-03, "Simplifying the Presentation of Debt Issuance Costs." This ASU requires debt issuance costs associated with a recognized debt liability to be presented as a direct deduction from the face amount of the related debt liability, similar to debt discounts. The ASU is limited to the presentation of debt issuance costs; therefore, the recognition and measurement guidance for such costs is unaffected. At present, Accounting Standards Codification (ASC) Subtopic 835-30, Interest – Imputation of Interest, requires debt issuance costs to be reported on the balance sheet as an asset (i.e., a deferred charge). For Call Report purposes, the costs of issuing debt currently are reported, net of accumulated amortization, in Schedule RC-F, item 6, "All other assets," and Schedule RC, item 11, "Other assets."

For institutions that are public business entities, as defined under U.S. GAAP (as discussed in a later section of these Supplemental Instructions), ASU 2015-03 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. For example, institutions with a calendar year fiscal year that are public business entities must apply the ASU in their Call Reports beginning March 31, 2016. For institutions that are not public business entities (i.e., that are private companies), the ASU is effective for fiscal years beginning after December 15, 2015, and interim periods within fiscal years beginning after December 15, 2016. Thus, institutions with a calendar year fiscal year that are private companies must apply the ASU in their December 31, 2016, and subsequent quarterly Call Reports. Early adoption of the guidance in ASU 2015-03 is permitted.

After an institution adopts ASU 2015-03, any transaction involving a recognized debt liability in which debt issuance costs were incurred and classified as deferred charges in "Other assets" before the adoption of the ASU should be reported as a direct deduction from the carrying amount of the related debt liability and included in the appropriate balance sheet category of liabilities in Call Report Schedule RC, e.g., item 16, "Other borrowed money," or item 19, "Subordinated notes and debentures." However, the guidance in ASU 2015-03 does not address the presentation or subsequent measurement of debt issuance costs related to line-of-credit arrangements. The agencies would not object to an institution deferring and presenting debt issuance costs as

an “Other asset” and subsequently amortizing the deferred debt issuance costs ratably over the term of the line-of-credit arrangement, regardless of whether there are any outstanding borrowings on the line-of-credit arrangement.

For additional information, institutions should refer to ASU 2015-03, which is available at <http://www.fasb.org/jsp/FASB/Page/SectionPage&cid=1176156316498>.

### **Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share**

In May 2015, the FASB issued ASU No. 2015-07, “Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent).” This ASU removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value (NAV) per share (or its equivalent) practical expedient described in ASC Topic 820, Fair Value Measurement (formerly FASB Statement No. 157, “Fair Value Measurements”). It also removes the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the NAV per share practical expedient, regardless of whether the expedient has been applied. Rather, the ASU limits those disclosures to investments for which the entity has elected to measure fair value using the NAV per share practical expedient to help users of its financial statements understand the nature and risks of the investments and whether the investments, if sold, are probable of being sold at amounts different from their NAV per share (or its equivalent). In addition, although the investments are not categorized within the fair value hierarchy, the ASU requires a reporting entity to disclose the amount of investments for which fair value is measured using the NAV per share practical expedient to permit reconciliation of the fair value of investments included in the fair value hierarchy to the line items presented in the statement of financial position.

ASC Topic 820 currently permits a reporting entity, as a practical expedient, to measure the fair value of certain investments in investment companies and real estate funds using the NAV per share of the investment. In contrast to other investments within the fair value hierarchy, which are categorized on the basis of the observability of the significant inputs in the fair value measurement, investments valued using the NAV per share practical expedient currently are categorized on the basis of whether the investment is redeemable with the investee at NAV on the measurement date, never redeemable with the investee at NAV, or redeemable with the investee at NAV at a future date.

The criteria for categorizing investments in the fair value hierarchy that are measured using the NAV per share practical expedient do not consider the observability of inputs and are therefore inconsistent with the overarching intent of the fair value hierarchy. By removing the requirement to include investments measured using the NAV per share practical expedient within the fair value hierarchy, ASU 2015-07 ensures that all investments within the hierarchy are categorized using a consistent approach. Investments that calculate NAV per share, but for which the practical expedient is not applied, must continue to be included in the fair value hierarchy.

For Call Report purposes, the issuance of ASU 2015-07 means that an institution that has adopted the ASU and elects to measure the fair value of an investment that meets criteria specified in Topic 820 using the NAV per share practical expedient should continue to report the investment’s fair value in the appropriate asset item in column A of Schedule RC-Q, Assets and Liabilities Measured at Fair Value on a Recurring Basis. However, the institution should exclude the investment from the Level 1, 2, and 3 disclosures in columns C, D, and E of Schedule RC-Q and it should instead report the fair value measured using the NAV per share practical expedient in column B along with the netting adjustments currently reported in column B. In contrast, if the institution does not elect to measure an investment that meets criteria specified in Topic 820 using the NAV practical expedient, it must disclose in column C, D, or E of Schedule RC-Q, as appropriate, the level within the fair value hierarchy within which its fair value measurement in its entirety falls based on the lowest level input that is significant to the fair value measurement in its entirety.

ASU 2015-07 is effective for institutions that are public business entities, as defined under U.S. GAAP (as discussed in a later section of these Supplemental Instructions), for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. For example, institutions with a calendar year fiscal year that are public business entities must apply the ASU in their Call Reports beginning March 31, 2016. For

institutions that are not public business entities (i.e., that are private companies), the ASU is effective for fiscal years beginning after December 15, 2016, and interim periods within those fiscal years. Accordingly, institutions with a calendar year fiscal year that are private companies must apply the ASU in their Call Reports beginning March 31, 2017. Earlier application is permitted. If an institution chooses to early adopt ASU 2015-07 for third quarter 2015 financial reporting purposes, the institution may implement the provisions of the ASU in the manner described above in its Call Report for December 31, 2015. However, prior Call Reports should not be amended.

For additional information, institutions should refer to ASU 2015-07, which is available at <http://www.fasb.org/jsp/FASB/Page/SectionPage&cid=1176156316498>.

### **Extraordinary Items**

In January 2015, the FASB issued ASU No. 2015-01, “Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items.” This ASU eliminates from U.S. GAAP the concept of extraordinary items. At present, ASC Subtopic 225-20, Income Statement – Extraordinary and Unusual Items (formerly Accounting Principles Board Opinion No. 30, “Reporting the Results of Operations”), requires an entity to separately classify, present, and disclose extraordinary events and transactions. An event or transaction is presumed to be an ordinary and usual activity of the reporting entity unless evidence clearly supports its classification as an extraordinary item. For Call Report purposes, if an event or transaction currently meets the criteria for extraordinary classification, an institution must segregate the extraordinary item from the results of its ordinary operations and report the extraordinary item in its income statement in Schedule RI, item 11, “Extraordinary items and other adjustments, net of income taxes.”

ASU 2015-01 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. Thus, for example, institutions with a calendar year fiscal year must begin to apply the ASU in their Call Reports for March 31, 2016. Early adoption of ASU 2015-01 is permitted provided that the guidance is applied from the beginning of the fiscal year of adoption. For Call Report purposes, an institution with a calendar year fiscal year must apply the ASU prospectively, that is, in general, to events or transactions occurring after the date of adoption. However, an institution with a fiscal year other than a calendar year may elect to apply ASU 2015-01 prospectively or, alternatively, it may elect to apply the ASU retrospectively to all prior calendar quarters included in the institution’s year-to-date Call Report income statement that includes the beginning of the fiscal year of adoption.

After an institution adopts ASU 2015-01, any event or transaction that would have met the criteria for extraordinary classification before the adoption of the ASU should be reported in Call Report Schedule RI, item 5.I, “Other noninterest income,” or item 7.d, “Other noninterest expense,” as appropriate, unless the event or transaction would otherwise be reportable in another item of Schedule RI. In addition, consistent with ASU 2015-01, the agencies plan to remove the term “extraordinary items” from, and revise the caption for, Schedule RI, item 11.

For additional information, institutions should refer to ASU 2015-01, which is available at <http://www.fasb.org/jsp/FASB/Page/SectionPage&cid=1176156316498>.

### **Accounting by Private Companies for Identifiable Intangible Assets in a Business Combination**

In December 2014, the FASB issued ASU No. 2014-18, “Accounting for Identifiable Intangible Assets in a Business Combination,” which is a consensus of the Private Company Council (PCC). This ASU provides an accounting alternative that permits a private company, as defined in U.S. GAAP (and discussed in a later section of these Supplemental Instructions), to simplify the accounting for certain intangible assets. The accounting alternative applies when a private company is required to recognize or otherwise consider the fair value of intangible assets as a result of certain transactions, including when applying the acquisition method to a business combination under ASC Topic 805, Business Combinations (formerly FASB Statement No. 141 (revised 2007), “Business Combinations”).

Under ASU 2014-018, a private company that elects the accounting alternative should no longer recognize separately from goodwill:

- Customer-related intangible assets unless they are capable of being sold or licensed independently from the other assets of a business, and
- Noncompetition agreements.

However, because mortgage servicing rights and core deposit intangibles are regarded as capable of being sold or licensed independently, a private company that elects this accounting alternative must recognize these intangible assets separately from goodwill, initially measure them at fair value, and subsequently measure them in accordance with ASC Topic 350, Intangibles – Goodwill and Other (formerly FASB Statement No. 142, “Goodwill and Other Intangible Assets”).

A private company that elects the accounting alternative in ASU 2014-18 also must adopt the private company goodwill accounting alternative described in ASU 2014-02, “Accounting for Goodwill,” which is discussed in a later section of these Supplemental Instructions. However, a private company that elects the goodwill accounting alternative in ASU 2014-02 is not required to adopt the accounting alternative for identifiable intangible assets in ASU 2014-18.

A private company’s decision to adopt ASU 2014-18 must be made upon the occurrence of the first business combination (or other transaction within the scope of the ASU) in fiscal years beginning after December 15, 2015. The effective date of the private company’s decision to adopt the accounting alternative for identifiable intangible assets depends on the timing of that first transaction.

- If the first transaction occurs in the private company’s first fiscal year beginning after December 15, 2015, the adoption will be effective for that fiscal year’s annual financial reporting period and all interim and annual periods thereafter.
- If the first transaction occurs in a fiscal year beginning after December 15, 2016, the adoption will be effective in the interim period that includes the date of the transaction and subsequent interim and annual periods thereafter.

Early application of the intangibles accounting alternative is permitted for any annual or interim period for which a private company’s financial statements have not yet been made available for issuance. Customer-related intangible assets and noncompetition agreements that exist as of the beginning of the period of adoption should continue to be accounted for separately from goodwill, i.e., such existing intangible assets should not be combined with goodwill.

A bank or savings association that meets the private company definition in U.S. GAAP is permitted, but not required, to adopt ASU 2014-18 for Call Report purposes and may choose to early adopt the ASU, provided it also adopts the private company goodwill accounting alternative. If a private institution issues U.S. GAAP financial statements and adopts ASU 2014-18, it should apply the ASU’s intangible asset accounting alternative in its Call Report in a manner consistent with its reporting of intangible assets in its financial statements.

For additional information on the private company accounting alternative for identifiable intangible assets, institutions should refer to ASU 2014-18, which is available at <http://www.fasb.org/jsp/FASB/Page/SectionPage&cid=1176156316498>.

### **Supplementary Leverage Ratio for Advanced Approaches Institutions**

Item 45 of Schedule RC-R, Part I, Regulatory Capital Components and Ratios, applies to the reporting of the supplementary leverage ratio (SLR) by advanced approaches institutions. In the sample Call Report forms and the Call Report instructions for report dates before March 31, 2015, the caption for item 45 and the instructions for this item both indicated that, in the first quarter of 2015, advanced approaches institutions should begin to report their SLR as calculated for purposes of Schedule A, item 98, of the FFIEC 101, Regulatory Capital Reporting for Institutions Subject to the Advanced Capital Adequacy Framework.

However, because of amendments to the banking agencies' regulatory capital rules in 2014 that revised certain aspects of the SLR, the agencies have proposed to revise the reporting of SLR data in Schedule RC-R, Part I. This proposed revision will take effect no earlier than September 30, 2016. Accordingly, the reporting of the SLR in item 45 of Schedule RC-R, Part I, has been deferred until the proposed SLR revisions take effect.

### **Private Company Accounting Alternatives**

In May 2012, the Financial Accounting Foundation, the independent private sector organization responsible for the oversight of the FASB, approved the establishment of the PCC to improve the process of setting accounting standards for private companies. The PCC is charged with working jointly with the FASB to determine whether and in what circumstances to provide alternative recognition, measurement, disclosure, display, effective date, and transition guidance for private companies reporting under U.S. GAAP. Alternative guidance for private companies may include modifications or exceptions to otherwise applicable existing U.S. GAAP standards.

The banking agencies have concluded that a bank or savings association that is a private company, as defined in U.S. GAAP (as discussed in a later section of these Supplemental Instructions), is permitted to use private company accounting alternatives issued by the FASB when preparing its Call Reports, except as provided in 12 U.S.C. 1831n(a) as described in the following sentence. If the agencies determine that a particular accounting principle within U.S. GAAP, including a private company accounting alternative, is inconsistent with the statutorily specified supervisory objectives, the agencies may prescribe an accounting principle for regulatory reporting purposes that is no less stringent than U.S. GAAP. In such a situation, an institution would not be permitted to use that particular private company accounting alternative or other accounting principle within U.S. GAAP for Call Report purposes. The agencies would provide appropriate notice if they were to disallow any accounting alternative under the statutory process.

### **Accounting by Private Companies for Goodwill**

On January 16, 2014, the FASB issued ASU No. 2014-02, "Accounting for Goodwill," which is a consensus of the PCC. This ASU generally permits a private company to elect to amortize goodwill on a straight-line basis over a period of ten years (or less than ten years if more appropriate) and apply a simplified impairment model to goodwill. In addition, if a private company chooses to adopt the ASU's goodwill accounting alternative, the ASU requires the private company to make an accounting policy election to test goodwill for impairment at either the entity level or the reporting unit level. Goodwill must be tested for impairment when a triggering event occurs that indicates that the fair value of an entity (or a reporting unit) may be below its carrying amount. In contrast, U.S. GAAP does not otherwise permit goodwill to be amortized, instead requiring goodwill to be tested for impairment at the reporting unit level annually and between annual tests in certain circumstances. The ASU's goodwill accounting alternative, if elected by a private company, is effective prospectively for new goodwill recognized in annual periods beginning after December 15, 2014, and in interim periods within annual periods beginning after December 15, 2015. Goodwill existing as of the beginning of the period of adoption is to be amortized prospectively over ten years (or less than ten years if more appropriate). The ASU states that early application of the goodwill accounting alternative is permitted for any annual or interim period for which a private company's financial statements have not yet been made available for issuance.

A bank or savings association that meets the private company definition in ASU 2014-02, as discussed in the following section of these Supplemental Instructions (i.e., a private institution), is permitted, but not required, to adopt this ASU for Call Report purposes and may choose to early adopt the ASU. If a private institution issues U.S. GAAP financial statements and adopts the ASU, it should apply the ASU's goodwill accounting alternative in its Call Report in a manner consistent with its reporting of goodwill in its financial statements. Thus, for example, a private institution with a calendar year fiscal year that chooses to adopt ASU 2014-02 must apply the ASU's provisions in its December 31, 2015, and subsequent quarterly Call Reports unless early application of the ASU was elected. This would require the private institution to report in its December 31, 2015, Call Report one year's amortization of goodwill existing as of January 1, 2015, and the amortization of any new goodwill recognized in 2015. Goodwill amortization expense should be reported in item 7.c.(1) of the Call Report income statement (Schedule RI) unless the amortization is associated with a discontinued operation, in which case the goodwill amortization should be included within the results of discontinued

operations and reported in Schedule RI, item 11, “Extraordinary items and other adjustments, net of income taxes.”

Private institutions choosing to early adopt the goodwill accounting alternative in ASU 2014-02 that have a fiscal year or an early application date other than the one described in the example above should contact their assigned Call Report analyst for reporting guidance. If you do not know the analyst assigned to your institution, state member institutions should contact their Federal Reserve District Bank; national institutions and FDIC-supervised institutions should call the FDIC’s Data Collection and Analysis Section in Washington, D.C., at (800) 688-3342.

For additional information on the private company accounting alternative for goodwill, institutions should refer to ASU 2014-02, which is available at <http://www.fasb.org/jsp/FASB/Page/SectionPage&cid=1176156316498>.

### **Definitions of Private Company and Public Business Entity**

ASU No. 2013-12, “Definition of a Public Business Entity,” which was issued in December 2013, added this term to the Master Glossary in the Accounting Standards Codification. This ASU states that a business entity, such as bank or savings association, that meets any one of five criteria set forth in the ASU is a public business entity for reporting purposes under U.S. GAAP. This also applies for Call Report purposes. In contrast, a private company is a business entity that is not a public business entity. An institution that is a public business entity is not permitted to apply the private company accounting alternatives discussed in preceding sections of these Supplemental Instructions when preparing its Call Report.

As defined in ASU 2013-12, a business entity is a public business entity if it meets any one of the following criteria:

- It is required by the U.S. Securities and Exchange Commission (SEC) to file or furnish financial statements, or does file or furnish financial statements (including voluntary filers), with the SEC (including other entities whose financial statements or financial information are required to be or are included in a filing).
- It is required by the Securities Exchange Act of 1934 (the Act), as amended, or rules or regulations promulgated under the Act, to file or furnish financial statements with a regulatory agency other than the SEC (such as one of the federal banking agencies).
- It is required to file or furnish financial statements with a foreign or domestic regulatory agency in preparation for the sale of or for purposes of issuing securities that are not subject to contractual restrictions on transfer.
- It has issued debt or equity securities that are traded, listed, or quoted on an exchange or an over-the-counter market, which includes an interdealer quotation or trading system for securities not listed on an exchange (for example, OTC Markets Group, Inc., including the OTC Pink Markets, or the OTC Bulletin Board).
- It has one or more securities that are not subject to contractual restrictions on transfer, and it is required by law, contract, or regulation to prepare U.S. GAAP financial statements (including footnotes) and make them publicly available on a periodic basis (for example, interim or annual periods). An entity must meet both of these conditions to meet this criterion.

ASU 2013-12 also explains that if an entity meets the definition of a public business entity solely because its financial statements or financial information is included in another entity’s filing with the SEC, the entity is only a public business entity for purposes of financial statements that are filed or furnished with the SEC, but not for other reporting purposes.

If a bank or savings association does not meet any one of the first four criteria, it would need to consider whether it meets both of the conditions included in the fifth criterion to determine whether it would be a public business entity. With respect to the first condition under the fifth criterion, a stock institution must determine whether it has a class of securities not subject to contractual restrictions on transfer, which the FASB has stated means that the securities are not subject to management preapproval on resale. A contractual management preapproval requirement that lacks substance would raise questions about whether the stock institution meets this first condition.

If an institution is a wholly owned subsidiary of a holding company, an implicit contractual restriction on transfer is presumed to exist on the institution's common stock; therefore, if the institution has issued no other debt or equity securities, the institution would not meet the first condition of the fifth criterion. A mutual institution that has issued no debt securities also does not meet the first condition of the fifth criterion. In all other scenarios (e.g., a closely-held bank or a Subchapter S bank that is not a wholly owned subsidiary of a holding company), an institution should assess whether contractual restrictions on transfer exist on its securities based on its individual facts and circumstances.

With respect to the second condition under the fifth criterion, an insured depository institution with \$500 million or more in total assets as of the beginning of its fiscal year is required by Section 36 of the Federal Deposit Insurance Act and Part 363 of the FDIC's regulations, "Annual Independent Audits and Reporting Requirements," to prepare and make publicly available audited annual U.S. GAAP financial statements. In certain circumstances, an insured depository institution with \$500 million or more in total assets that is a subsidiary of a holding company may choose to satisfy this annual financial statement requirement at a holding company level rather than at the institution level. The agencies have determined that an insured depository institution of this size that satisfies the financial statement requirement of Section 36 and Part 363 at either the institution level or the holding company level would meet the fifth criterion's second condition.

For additional information on the definition of a public business entity, institutions should refer to ASU 2013-12, which is available at <http://www.fasb.org/jsp/FASB/Page/SectionPage&cid=1176156316498>.

### **Accounting for a Subsequent Restructuring of a Troubled Debt Restructuring**

When a loan has previously been modified in a troubled debt restructuring (TDR), the lending institution and the borrower may subsequently enter into another restructuring agreement. The facts and circumstances of each subsequent restructuring of a TDR loan should be carefully evaluated to determine the appropriate accounting by the institution under U.S. GAAP. Under certain circumstances it may be acceptable not to account for the subsequently restructured loan as a TDR. The federal financial institution regulatory agencies will not object to an institution no longer treating such a loan as a TDR if at the time of the subsequent restructuring the borrower is not experiencing financial difficulties and, under the terms of the subsequent restructuring agreement, no concession has been granted by the institution to the borrower. To meet these conditions for removing the TDR designation, the subsequent restructuring agreement must specify market terms, including a contractual interest rate not less than a market interest rate for new debt with similar credit risk characteristics and other terms no less favorable to the institution than those it would offer for such new debt. When assessing whether a concession has been granted by the institution, the agencies consider any principal forgiveness on a cumulative basis to be a continuing concession. When determining whether the borrower is experiencing financial difficulties, the institution's assessment of the borrower's financial condition and prospects for repayment after the restructuring should be supported by a current, well-documented credit evaluation performed at the time of the restructuring.

If at the time of the subsequent restructuring the institution appropriately demonstrates that a loan meets the conditions discussed above, the impairment on the loan need no longer be measured as a TDR in accordance with ASC Subtopic 310-10, Receivables – Overall (formerly FASB Statement No. 114), and the loan need no longer be disclosed as a TDR in the Call Report, except as noted below. Accordingly, going forward, loan impairment should be measured under ASC Subtopic 450-20, Contingencies – Loss Contingencies (formerly FASB Statement No. 5). Even though the loan need no longer be measured for impairment as a TDR or disclosed as a TDR, the recorded investment in the loan should not change at the time of the subsequent restructuring (unless cash is advanced or received). In this regard, when there have been charge-offs prior to the subsequent restructuring, consistent with longstanding Call Report instructions, no recoveries should be recognized until collections on amounts previously charged off have been received. Similarly, if interest payments were applied to the recorded investment in the TDR loan prior to the subsequent restructuring, the application of these payments to the recorded investment should not be reversed nor reported as interest income at the time of the subsequent restructuring.

If the TDR designation is removed from a loan that meets the conditions discussed above and the loan is later modified in a TDR or individually evaluated and determined to be impaired, then the impairment on the loan should be measured under ASC Subtopic 310-10 and, if appropriate, the loan should be disclosed as a TDR.

For a subsequently restructured TDR loan on which there was principal forgiveness and therefore does not meet the conditions discussed above, the impairment on the loan should continue to be measured as a TDR. However, if the subsequent restructuring agreement specifies a contractual interest rate that, at the time of the subsequent restructuring, is not less than a market interest rate for new debt with similar credit risk characteristics and the loan is performing in compliance with its modified terms after the subsequent restructuring, the loan 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 subsequent 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.

### **Reporting Certain Government-Guaranteed Mortgage Loans upon Foreclosure**

In August 2014, the FASB issued Accounting Standards Update (ASU) No. 2014-14, "Classification of Certain Government-Guaranteed Mortgage Loans upon Foreclosure," to address diversity in practice for how government-guaranteed mortgage loans are recorded upon foreclosure. The ASU updates guidance contained 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), because U.S. GAAP previously did not provide specific guidance on how to categorize or measure foreclosed mortgage loans that are government guaranteed. The ASU clarifies the conditions under which a creditor must derecognize a government-guaranteed mortgage loan and recognize a separate "other receivable" upon foreclosure (that is, when a creditor receives physical possession of real estate property collateralizing a mortgage loan in accordance with the guidance in ASC Subtopic 310-40).

Under the ASU, institutions should derecognize a mortgage loan and record a separate other receivable upon foreclosure of the real estate collateral if the following conditions are met:

- The loan has a government guarantee that is not separable from the loan before foreclosure.
- At the time of foreclosure, the institution has the intent to convey the property to the guarantor and make a claim on the guarantee and it has the ability to recover under that claim.
- At the time of foreclosure, any amount of the claim that is determined on the basis of the fair value of the real estate is fixed (that is, the real estate property has been appraised for purposes of the claim and thus the institution is not exposed to changes in the fair value of the property).

This guidance is applicable to fully and partially government-guaranteed mortgage loans provided the three conditions identified above have been met. In such situations, upon foreclosure, the separate other receivable should be measured based on the amount of the loan balance (principal and interest) expected to be recovered from the guarantor. This other receivable should be reported in Schedule RC-F, item 6, "All other assets," and itemized and described if the aggregate amount of these other receivables exceeds the reporting threshold for item 6. Any interest income earned on the other receivable would be reported in Schedule RI, item 1.g, "Other interest income." Other real estate owned would not be recognized by the institution.

For institutions that are public business entities, as defined under U.S. GAAP (as discussed in an earlier section of these Supplemental Instructions), ASU 2014-14 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2014. For example, institutions with a calendar year fiscal year that are public business entities must apply the ASU in their Call Reports beginning March 31, 2015. However, institutions that are not public business entities (i.e., that are private companies) are not required to apply the guidance in ASU 2014-14 until annual periods ending after December 15, 2015, and interim periods beginning after December 15, 2015. Thus, institutions with a calendar year fiscal year that are private companies must apply the ASU in their December 31, 2015, and subsequent quarterly Call Reports. Earlier adoption of the guidance in ASU 2014-14 is permitted if the institution has already adopted the amendments in ASU No. 2014-04, "Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans upon Foreclosure" (which is discussed in the following section of these Supplemental Instructions).

Entities can elect to apply ASU 2014-14 on either a modified retrospective transition basis or a prospective transition basis. However, institutions must use the method of transition that is elected for ASU 2014-04 (that is, either modified retrospective or prospective). Applying ASU 2014-14 on a prospective transition basis should be less complex for institutions than applying the ASU on a modified retrospective transition basis. Under the prospective transition method, an institution should apply the new guidance to foreclosures of real estate property collateralizing certain government-guaranteed mortgage loans (based on the criteria described above) that occur after the date of adoption of the ASU. Under the modified retrospective transition method, an institution should apply a cumulative-effect adjustment to affected accounts existing as of the beginning of the annual period for which the ASU is adopted. The cumulative-effect adjustment for this change in accounting principle should be reported in Schedule RI-A, item 2.

For additional information, institutions should refer to ASU 2014-14, which is available at <http://www.fasb.org/jsp/FASB/Page/SectionPage&cid=1176156316498>.

### **Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans upon Foreclosure**

In January 2014, the FASB issued Accounting Standards Update (ASU) No. 2014-04, "Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans upon Foreclosure," to address diversity in practice for when certain loan receivables should be derecognized and the real estate collateral recognized. The ASU updates guidance contained in Accounting Standards Codification 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).

Under prior accounting guidance, all loan receivables were reclassified to other real estate owned (OREO) when the institution, as creditor, obtained physical possession of the property, regardless of whether formal foreclosure proceedings had taken place. The ASU clarifies when a creditor is considered to have received physical possession (resulting from an in-substance repossession or foreclosure) of residential real estate collateralizing a consumer mortgage loan. Under the guidance, physical possession for these residential real estate properties is considered to have occurred and a loan receivable would be reclassified to OREO only upon:

- The institution obtaining legal title upon completion of a foreclosure even if the borrower has redemption rights that provide the borrower with a legal right for a period of time after foreclosure to reclaim the property by paying certain amounts specified by law, or
- The completion of a deed in lieu of foreclosure or similar legal agreement under which the borrower conveys all interest in the residential real estate property to the institution to satisfy the loan.

Other real estate owned in the form of 1-4 family residential properties, when held in domestic offices, is reported in Schedule RC-M, item 3.c, except for properties resulting from foreclosures on real estate backing "GNMA loans," which, at present, are reported in Schedule RC-M, item 3.f, if an institution has not yet adopted ASU 2014-14. As discussed in the preceding section of these Supplemental Instructions, the manner in which certain government-guaranteed mortgage loans are recorded upon foreclosure changes when an institution adopts ASU 2014-14.

Loans secured by real estate other than consumer mortgage loans collateralized by residential real estate should continue to be reclassified to OREO when the institution has received physical possession of a borrower's real estate, regardless of whether formal foreclosure proceedings take place.

For institutions that are public business entities, as defined under U.S. GAAP (as discussed above in these Supplemental Instructions), ASU 2014-04 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2014. For example, institutions with a calendar year fiscal year that are public business entities must apply the ASU in their Call Reports beginning March 31, 2015. However, institutions that are not public business entities (i.e., that are private companies) are not required to apply the guidance in ASU 2014-04 until annual periods beginning after December 15, 2014, and interim periods within annual periods beginning after December 15, 2015. Thus, institutions with a calendar year fiscal year that are

private companies must apply the ASU in their December 31, 2015, and subsequent quarterly Call Reports. Earlier adoption of the guidance in ASU 2014-04 is permitted.

Entities can elect to apply the ASU on either a modified retrospective transition basis or a prospective transition basis. Applying the ASU on a prospective transition basis should be less complex for institutions than applying the ASU on a modified retrospective transition basis. Under the prospective transition method, an institution should apply the new guidance to all instances where it receives physical possession of residential real estate property collateralizing consumer mortgage loans that occur after the date of adoption of the ASU. Under the modified retrospective transition method, an institution should apply a cumulative-effect adjustment to residential consumer mortgage loans and OREO existing as of the beginning of the annual period for which the ASU is effective. The cumulative-effect adjustment for this change in accounting principle should be reported in Schedule RI-A, item 2. As a result of adopting the ASU on a modified retrospective basis, assets reclassified from OREO to loans should be measured at the carrying value of the real estate at the date of adoption while assets reclassified from loans to OREO should be measured at the lower of the net amount of the loan receivable or the OREO property's fair value less costs to sell at the time of adoption.

For additional information, institutions should refer to ASU 2014-04, which is available at <http://www.fasb.org/jsp/FASB/Page/SectionPage&cid=1176156316498>.

### 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, 2015, 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](mailto: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:

- “Purchased” Loans Originated By Others – Supplemental Instructions for September 30, 2015 ([https://www.ffiec.gov/PDF/FFIEC\\_forms/FFIEC031\\_FFIEC041\\_suppinst\\_201509.pdf](https://www.ffiec.gov/PDF/FFIEC_forms/FFIEC031_FFIEC041_suppinst_201509.pdf))
- True-up Liability under an FDIC Loss-Sharing Agreement – Supplemental Instructions for June 30, 2015 ([https://www.ffiec.gov/PDF/FFIEC\\_forms/FFIEC031\\_FFIEC041\\_suppinst\\_201506.pdf](https://www.ffiec.gov/PDF/FFIEC_forms/FFIEC031_FFIEC041_suppinst_201506.pdf))
- Troubled Debt Restructurings, Current Market Interest Rates, and ASU No. 2011-02 – Supplemental Instructions for December 31, 2014 ([http://www.ffiec.gov/PDF/FFIEC\\_forms/FFIEC031\\_FFIEC041\\_suppinst\\_201412.pdf](http://www.ffiec.gov/PDF/FFIEC_forms/FFIEC031_FFIEC041_suppinst_201412.pdf))
- Determining the Fair Value of Derivatives – Supplemental Instructions for June 30, 2014 ([http://www.ffiec.gov/PDF/FFIEC\\_forms/FFIEC031\\_FFIEC041\\_suppinst\\_201406.pdf](http://www.ffiec.gov/PDF/FFIEC_forms/FFIEC031_FFIEC041_suppinst_201406.pdf))
- Indemnification Assets and Accounting Standards Update No. 2012-06 – Supplemental Instructions for June 30, 2014 ([http://www.ffiec.gov/PDF/FFIEC\\_forms/FFIEC031\\_FFIEC041\\_suppinst\\_201406.pdf](http://www.ffiec.gov/PDF/FFIEC_forms/FFIEC031_FFIEC041_suppinst_201406.pdf))
- Other-Than-Temporary Impairment of Debt Securities – Supplemental Instructions for June 30, 2014 ([http://www.ffiec.gov/PDF/FFIEC\\_forms/FFIEC031\\_FFIEC041\\_suppinst\\_201406.pdf](http://www.ffiec.gov/PDF/FFIEC_forms/FFIEC031_FFIEC041_suppinst_201406.pdf))
- Small Business Lending Fund – Supplemental Instructions for March 31, 2013 ([http://www.ffiec.gov/PDF/FFIEC\\_forms/FFIEC031\\_FFIEC041\\_suppinst\\_201303.pdf](http://www.ffiec.gov/PDF/FFIEC_forms/FFIEC031_FFIEC041_suppinst_201303.pdf))
- 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](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](http://www.ffiec.gov/PDF/FFIEC_forms/FFIEC031_FFIEC041_suppinst_201109.pdf))
- Deposit insurance assessments – Supplemental Instructions for September 30, 2009 ([http://www.ffiec.gov/PDF/FFIEC\\_forms/FFIEC031\\_041\\_suppinst\\_200909.pdf](http://www.ffiec.gov/PDF/FFIEC_forms/FFIEC031_041_suppinst_200909.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](http://www.ffiec.gov/PDF/FFIEC_forms/FFIEC031_041_suppinst_200612.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](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](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>

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>

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>

SHAZAM Core Services  
(formerly Cardinal Software)  
6700 Pioneer Parkway  
Johnston, Iowa 50131  
Telephone: (888) 262-3348  
<http://www.cardinal400.com>

Wolters Kluwer Financial Services  
130 Turner Street, Building 3,  
4th Floor  
Waltham, Massachusetts 02453  
Telephone (800) 261-3111  
<http://www.wolterskluwer.com>