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Financial Institution Letter

FIL-21-2007
March 2, 2007

TO: CHIEF EXECUTIVE OFFICER (also of interest to Chief Financial Officer)

SUBJECT: Revisions to Regulatory Reports Filed by Banks and Savings Associations

The Federal Financial Institutions Examination Council (FFIEC) has approved revisions to the reporting requirements for the Consolidated Reports of Condition and Income (Call Report) and the Thrift Financial Report (TFR). These regulatory reporting revisions will take effect as of March 31, 2007, with a one-year transition period for one of the reporting changes. The revisions incorporate certain modifications that were made in response to comments received on proposed changes to the Call Report and TFR that the federal banking agencies published on October 31, 2006 (see [FIL-95-2006](#), dated November 7, 2006). The FFIEC is providing this advance notification to assist you in planning for these changes. The U.S. Office of Management and Budget must approve these changes before they become final.

The agencies will replace certain information currently collected in the Call Report and TFR for deposit insurance assessment purposes with the information described in the Federal Deposit Insurance Corporation's (FDIC) final amendments to Part 327 of its regulations (see [FIL-102-2006](#), dated November 30, 2006). This reporting change affects Call Report Schedule RC-O, "Other Data for Deposit Insurance and FICO Assessments," and TFR Schedule DI, "Consolidated Deposit Information," the data from which are used to determine an institution's assessment base. By revising the way that assessment-related information is reported, the agencies will effectively reduce the number of reported assessment items to as few as two for certain small institutions (without foreign offices) and no more than six for other institutions. This reporting change also provides an interim period from March 31, 2007, through December 31, 2007, during which institutions will submit their Call Reports and TFRs using either the current or the revised format of Schedule RC-O and Schedule DI to report data for measuring their assessment bases. The use of the current format will be eliminated as of March 31, 2008. In addition, the agencies are revising the information collected in Call Report Schedule RC-E, "Deposit Liabilities," and TFR Schedule DI on time deposits, particularly with respect to certain retirement accounts affected by the FDIC's amended deposit insurance regulations.

The Office of the Comptroller of the Currency (OCC), the Federal Reserve Board (Board), and the FDIC will also implement three other changes to the Call Report requirements, which generally are expected to apply to a small percentage of banks. First, the three agencies will collect certain data in the Call Report loan schedule (Schedule RC-C) and income statement (Schedule RI) on 1-4 family residential mortgages with repayment terms that allow for negative amortization. All banks holding these nontraditional mortgage products will report the total amount of such loans. Those banks whose holdings of these loans exceeded the lesser of \$100 million or 5 percent of the bank's total loans and leases (in domestic offices) as of the previous year-end will report additional information about the loans in three other items.

Second, the OCC, the Board, and the FDIC will add a new Call Report Schedule RC-Q to collect certain data on fair value measurements from those institutions that choose, under generally accepted accounting principles, to apply a fair value option to one or more financial instruments and one or more classes of servicing assets and liabilities and from certain institutions that report trading assets and liabilities. During 2007, this new schedule will be applicable only to banks that have early adopted Statement of Financial Accounting Standards No. 157, *Fair Value Measurements*. Otherwise, this new accounting standard and Schedule RC-Q will take effect for banks in 2008. The three agencies are also adding an item to the Call Report's regulatory capital schedule (Schedule RC-R) to adjust for changes in

the fair value of liabilities accounted for under a fair value option that are attributable to changes in a bank's own creditworthiness and included in retained earnings. In addition, the instructions for the Call Report income statement (Schedule RI) will explain the reporting treatment for contractual interest income and expense on financial assets and liabilities measured under a fair value option.

Finally, the three agencies are clarifying the Call Report instructions for reporting assets serviced for others in the servicing, securitization, and asset sale schedule (Schedule RC-S) by explicitly stating that such servicing includes the servicing of loan participations.

To assist you in understanding the revisions to the Call Report, draft March 2007 Call Report forms and draft instructions for the new and revised Call Report items are available for your review on the FFIEC's Web site (www.ffiec.gov/ffiec_report_forms.htm). The draft forms and instructions also cover the other Call Report revisions that were previously approved for implementation in March 2007 (see [FIL 7-2006](#), dated January 27, 2006). Similarly, draft March 2007 TFR and the related draft instructions are available on the OTS's Web site (www.ots.treas.gov). Please note that, for the March 31, 2007, report date only, institutions may provide reasonable estimates for any new or revised Call Report or TFR item for which the requested information is not readily available.

In addition, on February 14, 2007, the banking agencies published proposed revisions to the regulatory capital schedules in the Call Report and TFR for those institutions that opt in to the proposed Basel IA risk-based capital rules. The **Federal Register** notice for this reporting proposal can be accessed at http://www.ffiec.gov/PDF/FFIEC_forms/FFIEC031_FFIEC041_20070214_ifr.pdf - PDF 83k ([PDF Help](#)). The agencies invite you to review and comment on this reporting proposal. Comments may be sent to any or all of the agencies by the methods described in the **Federal Register** notice. All comments on the Basel IA reporting proposal will be shared among the agencies and should be submitted by April 16, 2007.

Please forward this letter to the person responsible for preparing Call Reports or TFRs at your institution. For further information about the reporting revisions, please contact Gary Christensen at the OCC (202 874-4482), Arthur Lindo at the Board (202-452-2695), Robert Storch at the FDIC (202 898-8906), or James Caton at the Office of Thrift Supervision (202-906-5680).

Tamara J. Wiseman
Executive Secretary

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