



Accounting and Reporting

FIL-22-2004
March 1, 2004

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

SUBJECT: Update on Accounting for Loan and Lease Losses

Summary: *The federal financial institution regulatory agencies are advising institutions about the status of a recent accounting proposal on the allowance for loan and lease losses and reminding institutions of the existing accounting and supervisory guidance that they should follow when determining the appropriate amount for their allowance.*

The Federal Deposit Insurance Corporation (FDIC), the Board of Governors of the Federal Reserve System, the Office of the Comptroller of the Currency, the Office of Thrift Supervision and the National Credit Union Administration have jointly issued the attached guidance that addresses recent developments in accounting for loan and lease losses. The guidance provides an update on the status of the proposed Statement of Position, "Accounting for Credit Losses," which was issued in June 2003 by the Accounting Standards Executive Committee of the American Institute of Certified Public Accountants. It also identifies the current sources of generally accepted accounting principles and supervisory guidance regarding allowances for loan and lease losses that institutions should continue to apply.

For further information, please contact your FDIC Regional Accountant or Senior Policy Analysts Christine M. Bouvier (202) 898-7289 or Harrison E. Greene, Jr. (202) 898-8905.

For your reference, FDIC Financial Institution Letters may be accessed on the FDIC's Web site at www.fdic.gov/news/news/financial/2004/index.html. To learn how to automatically receive FDIC Financial Institution Letters through e-mail, please visit www.fdic.gov/news/news/announcements/index.html.

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Attachment

Distribution: FDIC-Supervised Banks (Commercial and Savings)

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