

the example, the bank calculates that its institution-specific add-on factor is \$286,533. The bank would report the amount of this add-on factor as a credit equivalent amount in Schedule RC-R, item 7.b, column B, and also include this amount in the "net risk-weighted assets" that it reports in Schedule RC-R, item 3.d.(1).

- If the bank chooses to use the "gross-up method," the bank would report \$750,000 as a credit equivalent amount in Schedule RC-R, item 6.b, column B (\$30,000 -- its "maximum contractual dollar amount of recourse exposure" -- multiplied by 25 -- the factor for assets that qualify for a 50 percent risk weight). Because the \$2 million in mortgages sold have been removed from the balance sheet, the difference between the \$750,000 credit equivalent amount and the \$2 million is not reported in Schedule RC-R. In addition, because the \$750,000 credit equivalent amount is assigned to the 50 percent risk category, the bank would include \$375,000 (\$750,000 multiplied by 50 percent) *in its gross risk-weighted assets for purposes of determining the Tier 1 capital limit for the allowance for loan and lease losses and in the "net risk-weighted assets" that it reports in Schedule RC-R, item 3.d.(1).*

Inactive