FDIC
Federal Deposit Insurance Corporation
550 17th Street NW, Washington, DC 20429 Division of Supervision

ACCOUNTING AND REPORTING

FIL-131-2002
December 4, 2002

TO:	CHIEF EXECUTIVE OFFICER (also of interest to Chief Financial Officer)
SUBJECT:	Interagency Advisory on the Accounting Treatment of Accrued Interest Receivable Related to Credit Card Securitizations
Summary:	*The agencies have jointly issued guidance that institutions that securitize credit card receivables should follow to properly account for subordinated retained interests in Accrued Interest Receivable when preparing regulatory reports filed with the agencies*

The Federal Deposit Insurance Corporation (FDIC), the Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, and the Office of Thrift Supervision are issuing the attached interagency advisory to clarify the appropriate accounting treatment for banking organizations that securitize credit card receivables and record an asset commonly referred to as Accrued Interest Receivable (AIR). Institutions should ensure that they are following this interagency accounting guidance, which is consistent with generally accepted accounting principles, when preparing Reports of Condition and Income (Call Reports) and Thrift Financial Reports. The agencies consulted with the staffs of the Financial Accounting Standards Board and the Securities and Exchange Commission in developing this guidance.

The advisory describes the creation of the AIR asset and the subordination of this asset that typically results from the credit card securitization process. It explains that, when the selling institution's right to the AIR cash flows is subordinated, the seller generally should include the AIR as one of the financial components in the initial accounting for the sale and in computing the gain or loss on sale. Consistent with the agencies' May 17, 2002, regulatory capital guidance (see FDIC Financial Institution Letter FIL-48-2002), the seller should treat this asset as a subordinated retained interest. In addition, an institution should account for the AIR separately from loans, and report it in "Other Assets" in its regulatory reports. An institution that has not been following the accounting approach described in the advisory should adopt it in the next regulatory report that it files and in all subsequent reports. Institutions that have been properly accounting for the AIR are expected to continue to do so.

For further information, please contact Robert F. Storch, Chief, Accounting and Securities Disclosure Section (202-898-8906), in the Division of Supervision and Consumer Protection. For your reference, FDIC Financial Institution Letters may be accessed on the FDIC's Web site at www.fdic.gov/news/news/financial/2002/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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Director

Attachment: Interagency Advisory on the Accounting Treatment of Accrued Interest Receivable Related to Credit Card Securitizations

Distribution: FDIC-Supervised Banks (Commercial and Savings)

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