

“multifamily residential properties” conforms to the wording in the OTS capital regulations, other OTS regulations, and in the commercial bank Call Report, clarifying that these are the same type of loans. Schedules CCR and CMR currently use the term “multifamily residential mortgages.”

#### **6. General Valuation Allowances**

OTS proposes removing from Schedule SC general valuation allowances on investment securities (SC199), real estate held for investment (SC481), and equity investments (SC529). This would require savings associations to report these items net of general valuation allowances, if there are any. It is OTS’s opinion that a general valuation allowance on these items should be rare.

#### **7. Credit Cards**

OTS proposes to collect credit cards separately under the heading “Consumer Loans.” Currently, credit cards are combined with other similar plans such as overdraft lines on checking accounts. These other similar plans would be reported with “Other Consumer Loans.” Because the change in the definition of mortgage loans mentioned above results in restructuring the consumer loan categories in Schedule SC, we would eliminate the distinction between closed-end and open-end consumer loans. Consequently, the line for “Other, Including Leases” would contain both closed-end loans and open-end loans such as those currently reported with credit cards. Credit cards would be broken out separately on the balance sheet (Schedule SC), in charge-offs and recoveries (Schedule VA), and in past due and nonaccrual (Schedule PD). This presentation would be consistent with the Call Report.

#### **8. Servicing Assets in Schedule SC**

OTS proposes adding a section in Schedule SC to characterize servicing assets as intangibles, as required by Financial Accounting Standards Board (FASB) Statement No. 142. No new lines would be added; this change would simply regroup intangible assets. Under this proposal a new subheading “Intangible Assets” would be added. Grouped under this heading would be Servicing Assets on Mortgage Loans (line SC642), Servicing Assets on Nonmortgage Loans (line SC644), and Goodwill and Other Intangibles (line SC660).

#### **9. Bank-Owned Life Insurance**

OTS proposes adding two lines in Schedule SC (Statement of Condition) to

collect balances of key person life insurance and other bank-owned life insurance. These lines would facilitate monitoring of the level of bank-owned life insurance held by thrifts, an amount that has risen considerably over the past several years. Key person life insurance is defined as: life insurance where the intended purpose is to provide the institution protection against the potential for losses arising from the untimely death of a key employee or borrower. These policies are generally surrendered when the key employee leaves the institution or when the borrower pays off his loan. OTS currently collects this information in Other Assets (SC690).

#### **10. Minority Interest on the Balance Sheet**

OTS proposes changing the caption of SC799 from “Redeemable Preferred Stock and Minority Interest” to “Minority Interest.” The FASB has on their agenda consideration of a change in the financial reporting of redeemable preferred stock. It is anticipated that a statement will be released in 2003, to be effective in 2004. This change likely will clarify that redeemable preferred stock and similar instruments should be reported as borrowings and will no longer be reported in the balance sheet mezzanine area. We may be required to make additional changes to the TFR based on FASB’s final pronouncement at a later date.

#### **11. Accumulated Other Comprehensive Income**

OTS proposes to add a subsection in the equity section of the balance sheet (Schedule SC) for accumulated other comprehensive income to conform to generally accepted accounting principles (GAAP). This section would include the existing line for unrealized gains (losses) on available-for-sale securities and two additional lines for:

(1) Gains (losses) on cash flow hedges; and

(2) Other, including foreign currency translation adjustments and minimum pension liability adjustments.

This change would put Schedule SC in conformity with GAAP, as described in FASB Statement No. 130.

#### **12. Optional Narrative Statement**

OTS proposes adding a space for thrift management to submit a brief narrative statement concerning data reported in their TFR. This would permit institutions to provide narrative information on significant transactions, mergers, organizational adjustments, reclassifications, prior period adjustments, etc., of which they want

OTS and the public to be aware. The narrative statement is optional and, therefore, poses no additional burden. The contents of the narrative would be the responsibility of management, would not be edited or screened by OTS, and would be released to the public.

#### **13. Federal Home Loan Bank (FHLB) Dividend Income**

OTS proposes adding a separate line in Schedule SO (Statement of Operations) for FHLB dividend income. FHLB dividends comprise a relatively large portion of net income for many institutions. Because of the magnitude of FHLB dividend income, we currently require the reporting of FHLB dividends in the detail of other noninterest income, leaving only two detail lines for other noninterest income. Creating a separate line for FHLB dividends would provide us with three detail lines describing other noninterest income as originally intended.

#### **14. Goodwill Expense**

OTS proposes revising the title of SO560 from “Amortization of Goodwill” to “Goodwill and Other Intangibles Expense” to provide for periodic write-down of goodwill along with amortization of other intangibles, pursuant to FASB Statement No. 142.

#### **15. Schedule VA, Valuation Allowance Reconciliation**

OTS proposes to change the caption in the last column of the charge-off and recovery schedule from “Total” to “Adjusted Net Charge-offs” to better reflect its purpose.

#### **16. Troubled Debt Restructured**

OTS proposes to break out Troubled Debt Restructured (TDR) reported on VA941 into TDR in compliance with modified terms and past-due TDR. We would delete VA941 (TDR) and replace it with a line for TDR in compliance. We would add new lines in Schedule PD for each of the past due categories (30–89 days, 90 days or more, and nonaccrual) for past-due TDR included in Schedule PD. This would give OTS important monitoring information concerning the relative risk of the TDR on the books of an institution. It would also permit industry analysts to better identify assets with possible problems, since TDR in compliance may not present as much of a risk. This corresponds to the Call Report break out of TDR—troubled debt restructured and in compliance with modified terms, RC–C, Part I, Memoranda item 1 and troubled debt restructured past due, which is reported on RC–N, Memoranda item 1.