

Dated: February 26, 2003.

**Roger Kodat,**

*Designated Federal Official.*

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## DEPARTMENT OF THE TREASURY

### Office of the Comptroller of the Currency

### FEDERAL RESERVE SYSTEM FEDERAL DEPOSIT INSURANCE CORPORATION

#### Agency Information Collection Activities: Submission for OMB Review; Comment Request

**AGENCIES:** Office of the Comptroller of the Currency (OCC), Treasury; Board of Governors of the Federal Reserve System (Board); and Federal Deposit Insurance Corporation (FDIC).

**ACTION:** Notice of information collection to be submitted to OMB for review and approval under the Paperwork Reduction Act of 1995.

**SUMMARY:** In accordance with the requirements of the Paperwork Reduction Act of 1995 (44 U.S.C. chapter 35), the OCC, the Board, and the FDIC (the "agencies") may not conduct or sponsor, and the respondent is not required to respond to, an information collection unless it displays a currently valid Office of Management and Budget (OMB) control number. On November 8, 2002, the agencies requested public comment for 60 days on proposed revisions to the Consolidated Reports of Condition and Income (Call Report), which are currently approved collections of information. After considering the comments the agencies received, the Federal Financial Institutions Examination Council (FFIEC), of which the agencies are members, adopted some of the proposed revisions after making certain modifications to them. The FFIEC and the agencies are continuing to evaluate the other proposed revisions from the November proposal. In addition, on July 12, 2002, the agencies requested public comment for 60 days on a separate proposed revision to the Call Report related to the collection of data on subprime consumer lending programs, which the FFIEC and the agencies have decided not to implement.

**DATES:** Comments must be submitted on or before April 3, 2003.

**ADDRESSES:** Interested parties are invited to submit written comments to any or all of the agencies. All comments, which should refer to the OMB control

number(s), will be shared among the agencies.

OCC: Comments should be sent to the Public Information Room, Office of the Comptroller of the Currency, Mailstop 1-5, Attention: 1557-0081, 250 E Street, SW., Washington, DC 20219. Due to delays in paper mail delivery in the Washington area, commenters are encouraged to submit comments by fax or e-mail. Comments may be sent by fax to (202) 874-4448, or by e-mail to [regs.comments@occ.treas.gov](mailto:regs.comments@occ.treas.gov). You can inspect and photocopy the comments at the OCC's Public Information Room, 250 E Street, SW., Washington, DC 20219. You can make an appointment to inspect the comments by calling (202) 874-5043.

**Board:** Written comments, which should refer to "Consolidated Reports of Condition and Income, 7100-0036," may be mailed to Ms. Jennifer J. Johnson, Secretary, Board of Governors of the Federal Reserve System, 20th and C Streets, NW., Washington, DC 20551. Due to temporary disruptions in the Board's mail service, commenters are encouraged to submit comments by electronic mail to [regs.comments@federalreserve.gov](mailto:regs.comments@federalreserve.gov), or by fax to the Office of the Secretary at 202-452-3819 or 202-452-3102. Comments addressed to Ms. Johnson also may be delivered to the Board's mailroom between 8:45 a.m. and 5:15 p.m. weekdays, and to the security control room outside of those hours. Both the mailroom and the security control room are accessible from the Eccles Building courtyard entrance on 20th Street between Constitution Avenue and C Street, NW. Comments received may be inspected in room M-P-500 between 9 a.m. and 5 p.m. on weekdays pursuant to sections 261.12 and 261.14 of the Board's Rules Regarding Availability of Information, 12 CFR 261.12 and 261.14.

**FDIC:** Written comments should be addressed to Robert E. Feldman, Executive Secretary, Attention: Comments/Legal, Federal Deposit Insurance Corporation, 550 17th Street, NW., Washington, DC 20429. All comments should refer to "Consolidated Reports of Condition and Income, 3064-0052." Commenters are encouraged to submit comments by fax or electronic mail [Fax number: (202) 898-3838; Internet address: [comments@fdic.gov](mailto:comments@fdic.gov)]. Comments also may be hand-delivered to the guard station at the rear of the 550 17th Street Building (located on F Street) on business days between 7 a.m. and 5 p.m. Comments may be inspected and photocopied in the FDIC Public Information Center, Room 100, 801 17th

Street, NW., Washington, DC, between 9 a.m. and 4:30 p.m. on business days.

A copy of the comments may also be submitted to the OMB desk officer for the agencies: Joseph F. Lackey, Jr., Office of Information and Regulatory Affairs, Office of Management and Budget, New Executive Office Building, Room 10235, Washington, DC 20503 or electronic mail to [jlackeyj@omb.eop.gov](mailto:jlackeyj@omb.eop.gov).

**FOR FURTHER INFORMATION CONTACT:** Sample copies of the revised Call Report forms for March 31, 2003, can be obtained at the FFIEC's Web site (<http://www.ffiec.gov>). Sample copies of the revised Call Report forms also may be requested from any of the agency clearance officers whose names appear below.

**OCC:** Jessie Dunaway, OCC Clearance Officer, or Camille Dixon, (202) 874-5090, Legislative and Regulatory Activities Division, Office of the Comptroller of the Currency, 250 E Street, SW., Washington, DC 20219.

**Board:** Cynthia M. Ayouch, Board Clearance Officer, (202) 452-3829, Division of Research and Statistics, Board of Governors of the Federal Reserve System, 20th and C Streets, NW., Washington, DC 20551. Telecommunications Device for the Deaf (TDD) users may call (202) 263-4869.

**FDIC:** Tamara R. Manly, Management Analyst, (202) 898-7453, Legal Division, Federal Deposit Insurance Corporation, 550 17th Street NW., Washington, DC 20429.

**SUPPLEMENTARY INFORMATION:** Request for OMB approval to extend, with revision, the following currently approved collections of information:

**Report Title:** Consolidated Reports of Condition and Income.

**Form Number:** FFIEC 031 (for banks with domestic and foreign offices) and FFIEC 041 (for banks with domestic offices only).

**Frequency of Response:** Quarterly.

**Affected Public:** Business or other for-profit.

**For OCC:**

**OMB Number:** 1557-0081.

**Estimated Number of Respondents:** 2,200 national banks.

**Estimated Time per Response:** 42.20 burden hours.

**Estimated Total Annual Burden:**

371,360 burden hours.

**For Board:**

**OMB Number:** 7100-0036.

**Estimated Number of Respondents:** 978 state member banks.

**Estimated Time per Response:** 48.25 burden hours.

**Estimated Total Annual Burden:**

188,754 burden hours.

**For FDIC:**

OMB Number: 3064-0052.

Estimated Number of Respondents: 5,354 insured state nonmember banks.

Estimated Time per Response: 32.85 burden hours.

Estimated Total Annual Burden: 703,411 burden hours.

The estimated time per response for the Call Report is an average, which varies by agency because of differences in the composition of the banks under each agency's supervision (e.g., size distribution of institutions, types of activities in which they are engaged, and number of banks with foreign offices). For the Call Report as it would be revised, the time per response for a bank is estimated to range from 15 to 550 hours, depending on individual circumstances.

### General Description of Report

These information collections are mandatory: 12 U.S.C. 161 (for national banks), 12 U.S.C. 324 (for state member banks), and 12 U.S.C. 1817 (for insured state nonmember commercial and savings banks, and for all banks for deposit information). Except for selected items, these information collections are not given confidential treatment. Small businesses (i.e., small banks) are affected.

### Abstract

Banks file Call Reports with the agencies each quarter for the agencies' use in monitoring the condition, performance, and risk profile of reporting banks and the industry as a whole. In addition, Call Reports provide the most current statistical data available for evaluating bank corporate applications such as mergers, for identifying areas of focus for both on-site and off-site examinations, and for monetary and other public policy purposes. Call Reports are also used to calculate all banks' deposit insurance and Financing Corporation assessments and national banks' semiannual assessment fees.

### Current Actions

On November 8, 2002, the OCC, the Board, and the FDIC jointly published a notice soliciting comments for 60 days on proposed revisions to the Call Report (67 FR 68229). The agencies' notice addressed a number of different types of changes to the Call Report requirements. These changes related to the content of the Call Report itself, the submission deadline for certain banks, and the agencies' process for validating and releasing the data that banks report. First, the agencies proposed several revisions to the content of the Call Report and one instructional

clarification. These revisions focus on improving the information reported by banks that engage in certain specific activities and generally will be applicable to small percentages of banks rather than to most or all banks. This first group of proposed revisions, which were proposed to take effect as of March 31, 2003, include:

- Adding five items dealing with accrued fees and finance charges on credit card accounts, allowances for uncollectible accrued fees and finance charges, and charge-offs of such accrued amounts, which would be reported by banks with a significant volume of credit card activity;

- Splitting the item in the securitization schedule (Schedule RC-S) for seller-provided credit enhancements to the bank's securitization structures (other than credit-enhancing interest-only strips) into separate items, one for on-balance sheet assets and another for other enhancements;

- Separating the current income statement (Schedule RI) item for income from insurance activities into two items, one for insurance underwriting income and the other for income from other insurance activities;

- Adding a yes/no question asking whether any of the bank's Internet Web sites has transactional capability, i.e., allows the bank's customers to execute transactions on their accounts;

- Extending to banks with less than \$100 million in assets the requirement to disclose the fair values of derivative contracts in Schedule RC-L—Derivative and Off-Balance Sheet Items, because current accounting standards require derivatives to be reported on the balance at fair value;

- Changing where banks report any provisions for allocated transfer risk in the income statement (Schedule RI);

- Clarifying the instructions for the reporting of certain loans;

- Clarifying that, for the Memorandum items on the number and amount of deposit accounts by size of account in the insurance assessments schedule (Schedule RC-O), the dollar amount for the size of an account represents the deposit insurance limit in effect on the report date; and

- Creating a supplement to the Call Report that would enable the agencies to collect a limited amount of data from certain banks in the event of an immediate and critical need for specific information.

Second, the agencies proposed to reduce the Call Report filing period for banks with more than one foreign office from 45 to 30 days effective June 30, 2003. In connection with this change, the FDIC would be authorized to contact

not more than 20 of these banks around May 1, 2003, if their March 31 reports have not yet been received in order to obtain certain deposit data needed to estimate insured deposits.

Third, to improve the timeliness with which Call Report data become available to the public, the agencies would begin posting the reports for individual banks on the FDIC's Web site as soon as the agencies' analysis of an individual report has been completed. The agencies stated that this change would begin as early as with the first quarter 2003 reports.

Finally, in conjunction with the planned implementation of a new business model for collecting and validating Call Reports in 2004, the agencies proposed that a bank's Call Report must pass all validity edits and must include an explanatory comment addressing each quality edit exception identified in the bank's report in order for the agencies to accept the bank's Call Report submission.

After considering the comments the agencies received, the FFIEC and the agencies decided to modify the proposed changes relating to allocated transfer risk and the instructional clarification addressing loans held for trading. Some additional insurance-related instructional clarifications also will be made. Except as noted in the following sentence, the FFIEC and the agencies are proceeding with all of the other proposed revisions. In this regard, the FFIEC and the agencies are continuing to evaluate three elements of their November 2002 proposal: the creation of a supplement to the Call Report that would enable the agencies to collect a limited amount of data from certain banks to meet an immediate and critical need for specific information, the reduction from 45 to 30 days in the Call Report filing period for banks with more than one foreign office, and the establishment of edit criteria that would have to be met in order for a bank's Call Report to be accepted. If and when the agencies decide to proceed with one or more of these three proposals, one or more separate **Federal Register** notices would then be published and submissions to OMB would then be made.

With respect to the Call Report filing period for banks with multiple foreign offices, the agencies' proposal had called for the shortening of this period from 45 to 30 days to take effect with the reports for June 30, 2003. The agencies note that the Board proposed on December 24, 2002, to reduce the filing period for the FR Y-9C report filed by certain bank holding companies from 45 to 35 days effective June 30,

2004 (67 FR 78467). The comment period for the Board's proposal ended on February 24, 2003. Because the filing period part of the Call Report proposal remains under study, the agencies are deferring the date when any shortening of the filing period would take effect until a report date after June 30, 2003. However, as long as the current 45-day filing period remains in effect, the FDIC would be authorized to contact not more than 20 banks with one or more foreign offices on or about each May 1 and November 1 if their March 31 and September 30 Call Reports have not been received in order to obtain certain deposit data needed to estimate insured deposits.

In addition, in November 2002, the American Institute of Certified Public Accountants disclosed that it was rescinding its Statement of Position (SOP) No. 92-3, *Accounting for Foreclosed Assets*, because of the issuance by the Financial Accounting Standards Board of Statement No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets* (FAS 144). Under SOP 92-3, it is rebuttably presumed that foreclosed assets are held for sale. After foreclosure, foreclosed assets held for sale are carried at the lower of fair value less estimated costs to sell or cost, with any deficiency recognized as a valuation allowance, and this determination is made on an individual asset basis. These provisions of SOP 92-3 are not present in FAS 144, but the application of these provisions represents prevalent practice in the banking industry and is consistent with safe and sound banking practices and the accounting objectives set forth in section 37(a) of the Federal Deposit Insurance Act (12 U.S.C. 1831n(a)). Accordingly, the agencies are retaining these provisions of SOP 92-3 as part of the Call Report instructions and will expect banks to continue to follow these provisions when accounting for foreclosed real estate.

In order to carry out the provisions of section 314(a) of the USA PATRIOT Act of 2001, "Cooperative efforts to deter money laundering," the agencies will collect contact information for the persons who are in charge of each bank's section 314(a) anti-money laundering searches and who could be contacted by federal law enforcement officers for additional information related to anti-terrorist financing and anti-money laundering. This USA PATRIOT Act contact information, which the agencies will begin to collect with the March 31, 2003, Call Reports, is for the confidential use of the agencies and will not be released to the public.

Finally, on July 12, 2002, the agencies jointly published a notice soliciting comments for 60 days on a proposed new Call Report schedule that would collect data on subprime consumer lending programs beginning March 31, 2003 (67 FR 46250). After the comments received on the proposal from 36 banking organizations, bankers' associations, and community and consumer groups, the FFIEC and the agencies decided not to proceed with the proposal.

*Type of Review:* Revisions of currently approved collections.

#### **Comments Received on the Agencies' Proposal**

In response to their November 8, 2002, notice, the agencies received 13 comment letters, eight from banks and banking organizations, three from bankers' associations, one from a governmental entity, and one from a trade group outside the banking industry. The FFIEC and the agencies have considered the comments received from these 13 respondents.

#### *Accrued Fees and Finance Charges on Credit Card Accounts*

Three commenters addressed the proposed new items that would provide data related to accrued fees and finance charges on credit card accounts. Two of these three responded to the agencies' question asking whether these new items should be added to four different Call Report schedules, as had been proposed, or instead placed together in a single separate schedule. Both of these commenters preferred keeping the new items in the four different schedules, which the agencies will continue to do. The other commenter noted that the banks with which it had discussed this proposal stated that they would need until the second quarter 2003 report to complete the systems changes necessary to provide the new information and, therefore, would report good faith estimates in the first quarter 2003 report. As stated in the agencies' proposal, banks will be permitted to provide reasonable estimates for any new item in the first quarter 2003 report, including the new items related to credit card fees and finance charges. This commenter also recommended that the new items permit banks to net "nonprincipal" recoveries from the "nonprincipal" balances charged off within the quarter. Because the new items are intended to provide the agencies and other Call Report users with more complete information on credit card fees and finance charges that are written off as uncollectible, the

agencies decided not to adopt the suggested netting option.

#### *Income from Insurance Activities*

One commenter submitted an extensive number of recommendations concerning the reporting of income from insurance activities and other matters relating to the insurance activities of banking organizations. In this regard, the commenter favored the agencies' proposal to separate the current Call Report income statement item for income from insurance activities into separate items for insurance underwriting income and income from other insurance activities. This commenter also questioned the agencies' instructional language pertaining to underwriting income, noting that it calls for reporting of premium revenue partially on the basis of generally accepted accounting principles (GAAP) and partially on a statutory reporting basis. The agencies' intent has been for premium revenue to be reported in accordance with GAAP. Therefore, the agencies are revising this instructional language.

In addition, the commenter provided other instructional suggestions. These included providing more explicit detail in the instructions concerning items to be included in and excluded from the two separate insurance income items and having the instructions for other assets and other liabilities specifically refer to certain insurance-related assets and liabilities. The agencies are incorporating several of these suggested details into the Call Report instructions.

#### *Allocated Transfer Risk Reserves*

The agencies proposed to change where banks report any provisions for allocated transfer risk in the Call Report income statement. As proposed, these provisions would be included in the provision for loan and lease losses rather than in other noninterest expense, with the amount of any provision for allocated transfer risk included in the provision for loan and lease losses separately disclosed. One commenter supported this change in income statement presentation as being more consistent with GAAP, but recommended that the agencies also change the way in which banks report allocated transfer risk reserves (ATRRs) on the Call Report balance sheet so that they are also presented in the same manner as on institutions' financial statements prepared in accordance with GAAP.

The agencies agreed with this recommendation and are revising the Call Report instructions to instruct banks to include any ATRRs related to

loans and leases in the allowance for loan and lease losses. In making this change, the proposed requirement for banks to disclose the amount of provision for allocated transfer risk included in the provision for loan and lease losses would be replaced with a disclosure of the amount of ATRR related to loans included in the allowance for loan and lease losses. The reporting of loan charge-offs and recoveries and the reconciliation of the loan loss allowance in Call Report Schedule RI-B would also be conformed to this revised balance sheet and income statement presentation method for ATRRs.

#### *Instructional Clarification for the Reporting of Certain Loans*

Because of questions concerning the categorization of certain loans as trading assets, the agencies proposed to revise the Glossary entry for "Trading Account" and establish a rebuttable presumption that loans should not be reported as trading assets. The instructions would have explained that, in order to overcome this presumption for a particular loan, a bank must demonstrate, from the pattern and practice of its activity, that it is acquiring the loan principally for the purpose of selling it in the near term with the objective of generating profits on short-term differences in price. The instructions also would have identified two situations where loans should not be reported as trading assets.

Two commenters addressed this proposed instructional change. One recommended that the agencies avoid creating a "rebuttable presumption" that does not exist in the accounting literature. The other also noted certain difficulties with this presumption. These commenters believe that it is appropriate to classify loans as trading assets under GAAP when they have been acquired as part of a trading activity, trading business, or trading strategy. Reference was also made to the accounting literature for the broker-dealer industry because a broker-dealer's activities are similar to loan trading operations. In addition, one commenter agreed with the proposed instructional language stating that loans originated and held for securitization purposes should be reported as held for sale, but disagreed with the inclusion of loans acquired from third parties and held for securitization in the held-for-sale category.

In considering these two commenters' views, the agencies note that their primary purpose in proposing this instructional revision was to identify situations in which loans for which a

trading designation had been assigned should have been reported as held for sale or held for investment, based on facts and circumstances. As a result, the agencies conclude that it would be more appropriate to describe these situations in the General Instructions section of the Call Report loan schedule (Schedule RC-C, part I), which collects data on both loans held for sale and loans held for investment, rather than in the "Trading Account" Glossary entry. In so doing, the agencies have removed the rebuttable presumption language from the revision they are making to the loan schedule's General Instructions.

Furthermore, the agencies have retained the instructional language that explains that loans acquired, *i.e.*, originated or purchased, and held for securitization purposes should be reported as loans held for sale. The agencies believe that, under GAAP, the purchase and origination of loans for sale to permanent investors, which is a result of the securitization process, should be accounted for in the same manner, *i.e.* as loans held for sale. In this regard, FASB Statement No. 65, *Accounting for Certain Mortgage Banking Activities*, states that "[m]ortgage loans are acquired for sale to permanent investors from a variety of sources, including applications received directly from borrowers (in-house originations), purchases from realtors and brokers, [and] purchases from investors."

#### *Earlier Public Release of Individual Bank Call Report Data*

One commenter addressed the agencies' plan to begin posting the Call Reports for individual banks on the FDIC's Web site as soon as the agencies' analysis of an individual report has been completed. Because the agencies currently release the Call Reports for all banks simultaneously approximately 60 days after the quarter-end report date, this change would give the public access to some banks' Call Reports about 30 days sooner than at present. The commenter expressed general support for this change. However, this commenter suggested that, if market conditions were "turbulent," Call Report data should be released by peer group rather than by a small number of banks at a time in order to avoid unintended consequences to a bank whose data became publicly available sooner than the data for its peers.

In implementing this change in their policy for making Call Report data available to the public, which may begin as early as the first quarter 2003 Call Reports, the agencies believe that the method by which they will release the

data should mitigate the commenter's concern. The first quarter in which this posting process is implemented, individual bank reports for which the agencies' analyses have been completed will be posted to the Internet beginning the fifth Friday after the report date, *e.g.*, May 2, 2003, for the March 31, 2003, report or August 1, 2003, for the June 30, 2003, report. Additional bank reports whose analyses have been completed will be posted each Friday thereafter. In quarters subsequent to the first quarter in which the early release of individual bank Call Report data to the Internet has been implemented, this posting process will start on the fourth Friday after the report date. Based on the agencies' experience in processing and analyzing Call Reports, about 1,500 or more individual bank reports would be placed on the FDIC's Web site on the initial posting date. Should the agencies decide to make individual banks' reports publicly available at an earlier date, banks will be notified in advance of such a change.

#### *Other Comments*

One commenter asked the agencies to revise the Call Report to collect additional detailed data on construction and land development loans, *e.g.*, separate data for residential and nonresidential construction loans. Another commenter suggested that "additional institutional detail" be collected on the deposit balances of individuals, partnerships, and corporations. The agencies had not included revisions of this nature in their November 2002 proposal and are not implementing these commenters' recommended changes. However, the agencies are undertaking overall reviews of their Call Report data needs with respect to bank lending activities and bank liabilities and will include the commenters' suggestions in their reviews.

One commenter from a bank stated that because holdings of life insurance with cash surrender value are reported as part of "Other assets" on the Call Report, this reporting treatment gives the impression that this asset, which actually generates earnings, is not an earning asset. This banker observed that most of his bank's peer group comparisons are distorted because the denominator in many ratios is "earning assets," which does not include cash value life insurance. The commenter recommended that these holdings of life insurance should be treated as an earning asset for analytical purposes. The agencies note that the amount of a bank's "earning assets" is not collected in the Call Report, but is a figure that

is calculated from Call Report data for use in the Uniform Bank Performance Report. This recommendation has been referred to the agencies' coordinator for the Uniform Bank Performance Report.

One commenter expressed concern about the increase in the amount of data collected in the Call Report over the last ten years and asked why a small non-complex bank has to complete a detailed report designed for larger banks. The commenter recommended reducing the size of the Call Report for small banks. The Call Report already collects different amounts of data from different size banks even though the report form itself covers banks in all size ranges. The data items that are to be completed by banks that meet certain size or other criteria are clearly identified on the forms. The commenter noted that his bank uses Call Report software to complete the Call Report. Such software can be easily designed to filter out the data items that small banks do not need to complete. Furthermore, the November 2002 proposal further reflects the agencies' recognition that certain data does not need to be reported by all banks. In this regard, the

new items relating to accrued fees and finance charges on credit card accounts are only to be completed by banks that have \$500 million or more in outstanding credit card receivables or are credit card specialty banks.

#### **Request for Comment**

Comments are invited on:

(a) Whether the proposed revisions to the Call Report collections of information are necessary for the proper performance of the agencies' functions, including whether the information has practical utility;

(b) The accuracy of the agencies' estimates of the burden of the information collections as they are proposed to be revised, including the validity of the methodology and assumptions used;

(c) Ways to enhance the quality, utility, and clarity of the information to be collected;

(d) Ways to minimize the burden of information collections on respondents, including through the use of automated collection techniques or other forms of information technology; and

(e) Estimates of capital or start up costs and costs of operation,

maintenance, and purchase of services to provide information.

Comments submitted in response to this notice will be shared among the agencies. All comments will become a matter of public record. Written comments should address the accuracy of the burden estimates and ways to minimize burden as well as other relevant aspects of these information collection requests.

Dated: February 26, 2003.

#### **Mark J. Tenhundfeld,**

*Assistant Director, Legislative and Regulatory Activities Division, Office of the Comptroller of the Currency.*

Board of Governors of the Federal Reserve System, February 25, 2003.

#### **Jennifer J. Johnson,**

*Secretary of the Board.*

Dated at Washington, DC, this 26th day of February, 2003.

Federal Deposit Insurance Corporation.

#### **Robert E. Feldman,**

*Executive Secretary.*

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