RESCINDED

Office of Thrift Supervision — August 14, 2000

Department of the Treasury

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Transmittal

TR–233

Federal Register, Vol. 65, No. 151, pgs. 48049-48056

Number: TR–233

In the attached Federal Register notice published on Aug. 4, 2000, the Office of Thrift Supervision (OTS) proposes to amend the Thrift Financial Report (TFR) to collect data from OTS-regulated thrift institutions on high loan-to-value and subprime loans, trust operations and holding companies to strengthen its supervisory capability. The agency also proposes to eliminate collection of certain data it no longer needs. Among these categories are yields on deposits and certain interest rate risk information. These changes would become effective with the March 31, 2001, filing of the TFR.

OTS asks for comment on the proposed changes during the 60-day period, which ends October 3rd. Any changes must then be approved by the Office of Management and Budget before becoming effective.

In March, OTS proposed collecting additional information on high loan-to-value loans, trust assets and certain other categories, with the changes becoming effective with the third quarter 2000 TFR filing. OTS subsequently decided to postpone any changes to the TFR until March 2001, and include the subprime data request, to conform with the timing of changes to bank call reports. Comments received on that earlier proposal will be considered as a response to the new proposal.

The notice and request for comments was published in the August 4, 2000, edition of the Federal Register, Vol. 65, No. 151, pp. 48049-48056. Written comments must be received on or before October 3, 2000, and should be addressed to: Manager, Dissemination Branch, Information Management and Services Division, Office of Thrift Supervision, 1700 G Street, N.W., Washington, DC 20552. Comments may be mailed, hand-delivered, faxed to 202/906-7755 or (202) 906-6956 (if the comment is over 25 pages) or e-mailed to: public.info@ots.treas.gov. All commenters should include their name and telephone number.

Additional information including sample forms can be obtained on OTS's web site at www.ots.treas.gov/tfrpage.html. A copy of this notice and the sample forms will be sent to all TFR report preparers.

Transmittal 233

For further information, contact:

Trudy Reeves 20[illegible]906[illegible]
Financial Reporting Division, Washington, DC

RESCINDED

Richard M. Riccobono

Richard M. Riccobono
Deputy Director
Office of Thrift Supervision

Attachment

Approved: July 28, 2000.

Garrick R. Shear,

IRS Reports Clearance Officer.

[FR Doc. 00–19850 Filed 8–3–00; 8:45 am]

BILLING CODE 4830–01–P

DEPARTMENT OF THE TREASURY

Internal Revenue Service

Proposed Collection; Comment Request for Revenue Ruling 2000–33

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Notice and request for comments.

SUMMARY: The Department of the Treasury, as part of its continuing effort to reduce paperwork and respondent burden, invites the general public and other Federal agencies to take this opportunity to comment on proposed and/or continuing information collections, as required by the Paperwork Reduction Act of 1995, Public Law 104–13 (44 U.S.C. 3506(c)(2)(A)). Currently, the IRS is soliciting comments concerning Revenue Ruling 2000–33, Deferred Compensation Plans of State and Local Governments and Tax-Exempt Organizations.

DATES: Written comments should be received on or before October 3, 2000 to be assured of consideration.

ADDRESSES: Direct all written comments to Garrick R. Shear, Internal Revenue Service, room 5244, 1111 Constitution Avenue NW., Washington, DC 20224.

FOR FURTHER INFORMATION CONTACT: Requests for additional information or copies of the revenue ruling should be directed to Carol Savage, (202) 622–3945, Internal Revenue Service, room 5242, 1111 Constitution Avenue NW., Washington, DC 20224.

SUPPLEMENTARY INFORMATION:

Title: Deferred Compensation Plans of State and Local Governments and Tax-Exempt Organizations.

OMB Number: 1545–1695.

Revenue Ruling Number: Revenue Ruling 2000–33.

Abstract: Revenue Ruling 2000–33 specifies the conditions the plan sponsor should meet to automatically defer a certain percentage of its employees' compensation into their accounts in an eligible deferred compensation plan.

Current Actions: There are no changes being made to this revenue ruling at this time.

Type of Review: Extension of a currently approved collection.

Affected Public: Not-for-profit institutions, and state, local or tribal governments.

Estimated Number of Respondents: 500.

Estimated Time Per Respondent: 1 hour.

Estimated Total Annual Burden Hours: 500.

The following paragraph applies to all of the collections of information covered by this notice:

An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless the collection of information displays a valid OMB control number. Books or records relating to a collection of information must be retained as long as their contents may become material in the administration of any internal revenue law. Generally, tax returns and tax return information are confidential, as required by 26 U.S.C. 6103.

Request for Comments: Comments submitted in response to this notice will be summarized and/or included in the request for OMB approval. All comments will become a matter of public record. Comments are invited on: (a) Whether the collection of information is necessary for the proper performance of the functions of the agency, including whether the information shall have practical utility; (b) the accuracy of the agency's estimate of the burden of the collection of information; (c) ways to enhance the quality, utility, and clarity of the information to be collected; (d) ways to minimize the burden of the collection of information 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.

Approved: July 28, 2000.

Garrick R. Shear,

IRS Reports Clearance Officer.

[FR Doc. 00–19851 Filed 8–3–00; 8:45 am]

BILLING CODE 4830–01–P

DEPARTMENT OF THE TREASURY

Office of Thrift Supervision

Proposed Agency Information Collection Activities

AGENCY: Office of Thrift Supervision, Treasury.

ACTION: Notice and request for comments.

SUMMARY: The Department of the Treasury invites the general public and other Federal agencies to comment on proposed and continuing information collections, as required by the Paperwork Reduction Act of 1995. Today, the Office of Thrift Supervision (OTS) within the Department of the Treasury solicits comments on proposed changes to the Thrift Financial Report (TFR), effective with the March 31, 2001 report. The following subjects are discussed in more detail below:

(1) Nontraditional lending, namely, high loan-to-value loans and subprime loans;

(2) Mortgage-backed securities;

(3) Asset-backed securities;

(4) Definition of mortgage loans;

(5) Junior liens;

(6) Credit cards

(7) Accumulated other comprehensive income;

(8) Home equity lines of credit outstanding;

(9) Nonmortgage loan activity;

(10) Deposit information and deposit insurance premium assessment information;

(11) Reciprocal balance accounts;

(12) Adjustments to capital;

(13) Average balance sheet data;

(14) Board of directors' interest rate risk limits;

(15) IRS Domestic Building and Loan Association (DBLA) Test;

(16) Mutual fund and annuity sales;

(17) Filings under the Securities and Exchange Act of 1934;

(18) Savings association and subsidiary web-site addresses;

(19) Holding company financial information;

(20) Transactions with affiliates;

(21) Fiduciary and related services;

(22) Residual interests in financial assets sold;

(23) Federal Home Loan Bank (FHLB) structured advances and other structured borrowings;

(24) Schedule YD, Yields on Deposits;

(25) Asset maturity data in Schedule SI;

(26) Margin accounts;

(27) Estimated market value rate shocks;

(28) Multifamily mortgages;

(29) Mortgage loan activity;

(30) Hedging activity;

(31) Eliminating confidential treatment for certain interest rate risk and past due data;

(32) Reporting frequency of Schedule CSS (Subordinated Organization Schedule).

At the end of the comment period, the comments and recommendations received will be analyzed to determine the extent to which OTS should modify the proposed revisions prior to giving its final approval. OTS will then submit the

revisions to Office of Management and Budget (OMB) for review and approval.

DATES: Submit comments on or before October 3, 2000.

ADDRESSES: Send comments to Manager, Dissemination Branch, Information Management and Services Division, Office of Thrift Supervision, 1700 G Street, NW., Washington, DC 20552, Attention 1550–0023. Hand deliver comments to 1700 G Street, NW, from 9 A.M. to 5 P.M. on business days. Send facsimile transmissions to FAX Number (202) 906–7755 or (202) 906–6956 (ifthe comment is over 25 pages). Send e-mails to public.info@ots.treas.gov and include your name and telephone number. Interested persons may inspect comments at the Public Reference Room,1700 G Street, NW, from 10 A.M. until 4 P.M. on Tuesdays and Thursdays.

FOR FURTHER INFORMATION CONTACT: Trudy Reeves, Financial Reporting Division, Office of Thrift Supervision, 1700 G Street, NW., Washington, DC 20552, (202) 906–7317. Interested persons may also obtain additional information on the internet at www.ots.treas.gov/tfrpage.html, or by calling (202) 906–6078.

SUPPLEMENTARY INFORMATION:

Title: Thrift Financial Report.

OMB Number: 1550–0023.

Form Number: OTS 1313.

Abstract: All Office of Thrift Supervision (OTS) regulated savings associations must comply with the information collections described in this notice. OTS collects this information each calendar quarter, or less frequently if so stated. OTS needs this information to monitor and supervise the thrift industry.

Current Actions: After reviewing its current supervisory and examination needs, OTS proposes to revise the Thrift Financial Report (TFR), effective with the March 31, 2001 report. These revised reporting requirements are also designed to complement the federal banking agencies' emphasis on risk-focused supervision. OTS had proposed on March 1, 2000 to collect additional information on high loan-to-value loans, trust assets, residual interests in financial assets sold, and structured liabilities beginning with the third quarter of 2000.

However, after considering comments on the proposal and other factors, OTS decided to postpone any changes to the TFR until March 2001. Comments received to the March 1, 2000 **Federal Register** Notice will also be considered as a response to this proposal.

This proposal also addresses certain aspects of Sections 307(b) and (c) of the Riegle Community Development and Regulatory Improvement Act of 1994 (the Riegle Act). These sections direct the federal banking agencies to work jointly toward more uniform reporting, review the information that institutions currently report, and eliminate existing reporting requirements that are not warranted for safety and soundness or other public policy purposes.

Several reporting changes being proposed will introduce more uniformity for savings associations, banks, and bank holding companies to certain aspects of regulatory reporting. In this regard, over the past several years, banking organizations have sought greater consistency among the reporting requirements imposed on savings associations, banks, and bank holding companies.

Increasing the uniformity of reporting requirements, among the different types of institutions supervised by the federal financial institution regulators, is a necessary step toward achieving the goal of a single set of reporting requirements for the filing of core information that is set forth in Section 307(b) of the Riegle Act.

1. Nontraditional Lending

OTS is proposing to add a schedule to the TFR comprised of memoranda data on high loan-to-value loans and subprime lending, Schedule NL, Nontraditional Lending. Only those savings associations making such loans would be required to file these data items.

a. High Loan-to-Value Loans

OTS has considerable supervisory interest in high loan-to-value (LTV) lending. Currently, OTS expects associations to report loans with LTV ratios in excess of supervisory limits to their board of directors quarterly (12 CFR 560.101 (Appendix A, Interagency Guidelines for Real Estate Lending Policies)). However, OTS does not require associations to report LTV data on the TFR. Due to increased supervisory concern regarding high LTV lending, coupled with OTS's need to effectively monitor potential high risk lending, OTS proposes to collect balances, originations and purchases, sales, charge-off and recovery data, and delinquency data on permanent mortgage loans secured by 1–4 dwelling units with an LTV (1) between 90 and 100%, inclusive, and (2) greater than 100%. With this change, the TFR will be more useful in promptly identifying regulated savings associations involved in this activity. OTS invites comment on all aspects of the reporting of high LTV loans and particularly on whether the proposed TFR items on high LTV loans should be treated as confidential for a limited period of time in order to give associations time to resolve any issues surrounding the reporting of these loans?

b. Subprime Loans

Subprime lending is a potentially high-risk activity that can pose increased risk to the saving associations involved and to the deposit insurance funds if appropriate safeguards are not in place. FDIC-insured institutions have increasingly entered the subprime lending market in recent years, and industry analysts predict that many nonbank subprime specialists will seek to be acquired by FDIC-insured institutions to take advantage of the relatively less expensive, more stable funding source that insured deposits provide. The exact number of savings associations involved in subprime lending is not known with certainty; however, the Federal Deposit Insurance Corporation (FDIC) has estimated that approximately 150 insured institutions, of which 24 are savings associations, currently have significant investment in the subprime lending business. Despite a favorable economic environment, a disproportionate number of insured institutions that engage in subprime lending are problem institutions. The estimated number of insured subprime lenders represents just over one percent of all insured institutions, yet they account for nearly 20 percent of all problem institutions. The actual extent of insured institutions' involvement in subprime lending is not known because there is no periodic reporting of this activity to the banking agencies. The estimates that have been made come from examination data, but the quality and timeliness of the subprime lending data gleaned from examination reports is constrained by inconsistent reporting and by the length of the examination cycle. The issue of timeliness is particularly troublesome from a safety and soundness perspective, since subprime lending tends to be a volume-oriented business that encourages rapid portfolio growth. Consequently, there is no reliable way to regularly monitor individual institutions' subprime lending programs. In several instances, this has resulted in the unexpected and severe deterioration in the condition of an institution from one examination to the next. Accordingly, OTS and the other banking agencies are proposing to collect a number of new items on subprime lending. These proposed items would make possible the early detection and proper supervision of subprime lending programs through offsite monitoring procedures. Associations involved in subprime lending would report quarter-end data for the following eight categories of subprime loans in their loan portfolios: (1) Revolving, open-end loans secured by 1–4 family residential properties extended under lines of credit, (2) closed-end loans secured by first liens on 1–4 family residential properties, (3) closed-end loans secured by junior liens on 1–4 family residential properties, (4) loans secured by other properties, (5) credit cards to individuals for household, family, and other personal expenditures, (6) consumer loans secured by automobiles, (7) other consumer loans, and (8) other subprime loans. This information would be reported as memorandum items in the new Nontraditional Lending Schedule. Associations involved in subprime lending would also report their past due and nonaccrual subprime loans, along with charge-offs, recoveries, purchases, originations, and sales of these loans. In these areas, two broader loan categories would be used: loans secured by real estate and loans not secured by real estate.

The quality and validity of the proposed subprime lending information to be collected in the TFR hinges on a workable definition of subprime lending. Subprime loans could be defined on the basis of either (a) loan portfolios or programs that possess certain characteristics or (b) individual loans with these characteristics. Whether the portfolio or program approach or the individual loan approach ultimately is adopted, OTS and the other banking regulatory agencies are proposing the following definition of subprime loans for purposes of financial reporting information to the regulatory agencies:

Subprime loans are extensions of credit to borrowers who, at the time of the loan's origination, exhibit characteristics indicating a significantly higher risk of default than traditional bank lending customers. Risk of default may be measured by traditional credit risk measures, *e.g.,* credit/repayment history and debt-to-income levels, or by alternative measures such as credit scores. Subprime borrowers represent a broad spectrum of debtors ranging from those who have exhibited repayment problems prior to origination of their loans due to an adverse event, such as job loss or medical emergency, to those who persistently mismanage their finances and debt obligations. Subprime lending does not include loans to borrowers who have had minor, temporary credit difficulties since the origination of their loans but are now current. Subprime loans may take the form of direct extensions of credit; loans purchased from other lenders, including delinquent or credit impaired loans purchased at a discount; and automobile or other financing paper purchased from other lenders or dealers.

OTS invites comment on all aspects of the proposed new TFR items on subprime lending. In particular, OTS seeks comment on the proposed definition of subprime loans generally and on the following issues relating to this definition:

(1) Should all individual subprime loans be reported in the proposed new TFR items or should only those subprime loans that are held in a segregated portfolio or program be reported? Do you foresee any difficulties in reporting individual subprime loans or segregated groups of subprime loans?

(2) Based on the proposed definition of subprime loans above, approximately what percentage of your savings association's loan portfolio would currently be categorized as subprime? Using your association's own internal definition of a subprime loan, what percentage of your loan portfolio does your savings association currently classify as subprime? Please indicate whether these percentages are based on an individual subprime loan approach or a segregated portfolio or program approach. To the extent possible, provide percentages for your association's loan portfolio under both approaches.

(3) What criteria does your association use to determine which loans are subprime? Are the criteria the same for all types of loans, e.g., mortgage, automobile, and credit cards? If not, how do they differ?

(4) In defining subprime loans, which factor(s) listed below are the best indicators of a higher risk of default?

(a) Higher loan fees.

(b) Higher interest rates. For example, should all loans made at a contract rate 200 basis points above the rate that is offered to a traditional savings association customer for the same type of loan be included as subprime loans?

(c) Debt-to-income ratios. For example, should a loan to a borrower with a specific debt-to-income ratio above a stipulated level automatically be a subprime loan?

(d) Delinquency history. For example, if, at the time of the loan's origination, the customer had two or more payments that were 30 days past due in the last 12 months or had loans charged off in the last 12 months, would the loan be subprime? What type of delinquency history would constitute a subprime borrower in your association's view?

(e) Loan-to-value ratio. Is there a loan-to-value ratio above which a loan secured by real estate would be considered subprime?

(f) Credit scores or other ratings. If your association uses credit scoring to determine whether a loan should be categorized as subprime, are the scores custom or generic bureau scores?

(1) If generic bureau scores were used, below what score cutoff would a loan be considered subprime?

(2) Does the score cutoff differ by loan type?

(g) Bankruptcy status. For example, how far back in the customer's credit history would your association go to determine whether a bankruptcy should affect your categorization of a loan?

(h) Lack of credit history.

(i) Other factors. Please identify any other factor that should be considered an indicator of a higher risk of default and explain why it should be considered.

(5) Should the definition of subprime be identical for all types of loans, or should it differ by type of loan, *e.g.,* mortgage, automobile, and credit cards?

(6) Can your association determine from its records whether borrowers with subprime characteristics have credit support (*e.g.,* public or private guarantees, co-signers, and insurance) on specific loans? If yes, do you categorize loans with such credit support as subprime loans?

(7) The proposed subprime loan definition relies on differences between traditional and ''higher risk'' borrowers? How should the agencies take into account shifts in that difference (*e.g.,* what happens if ''traditional'' lending standards drop)?

(8) Should the subprime loan definition distinguish between institutions that target higher risk borrowers as opposed to those institutions that serve a community in an economically disadvantaged area where the repayment ability of area borrowers can be or has been adversely affected?

(9) Should there be a *de minimus* level of subprime loans below which reporting is not required?

(10) Should smaller savings associations be treated differently from larger savings associations for reporting purposes?

(11) What types of loans or lending programs, if any, should be excluded from the definition of subprime loans or, if included in the definition, reported separately from other subprime loans? Please explain the reasons for the exclusion or separate reporting.

(12) Should the proposed TFR items on subprime loans be treated as

confidential for a limited period of time in order to give associations time to resolve issues surrounding which loans should and should not be reported as subprime?

Although this proposal would create several new line items, the burden of reporting this information will fall only upon those savings associations engaged in subprime lending, as defined. If the number of associations involved in this activity is consistent with the current estimate, these proposed new reporting requirements would affect approximately two percent of the associations that file TFRs. OTS would welcome any additional information commenters can provide on the number of associations that are subprime lenders in order to improve OTS's assessment of the potential reporting burden of this proposal.

2. Mortgage-Backed Securities

OTS proposes to combine mortgage-backed pass-through securities and mortgage derivatives into one section in the balance sheet (Schedule SC). Currently, mortgage derivative securities are reported on a line under investment securities, and mortgage pool securities are reported in a separate section between investment securities and loans. OTS proposes combining mortgage-backed securities into one section, which would replace the section on mortgage pool securities, and adding two lines under mortgage derivative securities to provide (1) those issued or guaranteed by FNMA, FHLMC, or GNMA, and (2) those collateralized by securities issued or guaranteed by FNMA, FHLMC, or GNMA. This would provide consistent information with the commercial bank Call Report, would be more consistent with the presentation of mortgage-backed securities in financial statements included with 34 Act filings, and would provide information on the degree of risk of the derivative investment. Consistent with the commercial bank Call Report, mortgage-backed bonds would be reported with other investments in the balance sheet on SC185.

3. Asset-Backed Securities

OTS proposes to add a line under ''Investment Securities'' on the balance sheet (Schedule SC) to collect securities collateralized by nonmortgage loans (asset-backed securities), including all securities backed by credit cards, other consumer loans, and commercial loans. Asset-backed securities are currently reported in the miscellaneous securities category, combined with other types of investment securities. The addition of this line item will provide important information concerning the holdings of these securities and, moreover, would facilitate reconciliation between Schedules SC and CMR. The other banking agencies have proposed collecting data on asset-backed securities on the March 2001 commercial bank Call Report.

4. Definition of Mortgage Loans

OTS proposes to redefine mortgages for TFR reporting, consistent with the commercial bank Call Report, to include all loans predicated upon a security interest in real property. That is, a loan secured wholly or substantially by a lien on real property for which the lien is central to the extension of the credit. A lien is considered central to the extension of credit if the borrower would not have been extended credit in the same amount or on terms as favorable without the lien on real property. All loans satisfying this definition would be reported as mortgages, regardless of whether secured by first or junior liens, regardless of the department within the association or its subsidiary that originated the loan, regardless of how the loans are categorized in the savings association's records for HOLA investment limits, and regardless of the purpose of the financing. The only real estate secured loans that will be reported as nonmortgage loans are those that are otherwise substantially secured, where the mortgage was taken as an abundance of caution (for example, auto loans), and where the terms as a consequence have not been made more favorable than they would have been in the absence of the lien. That is, if the loan is substantially secured by a mortgage and that is the only security for the loan, the loan should be reported as a mortgage even if the loan was based primarily on the ''creditworthiness of the borrower.'' The current requirement for classification as a mortgage—that a loan be fully secured by the property and that an appraisal or other evaluation be performed—will no longer apply.

This change will put virtually all mortgages together on the balance sheet and will make the TFR definition of mortgages clearer and consistent with the commercial bank Call Report. Data item SC340, Revolving Loans Secured by 1–4 Dwelling Units in Consumer Loans would be eliminated and all revolving loans would be reported with mortgage loans.

5. Junior Liens

OTS proposes to add a breakdown between first liens and junior liens under ''Permanent Mortgages'' on 1–4 dwelling units in the balance sheet (Schedule SC) to better monitor the riskier junior lien market. Currently the TFR does not collect data on single-family residential junior liens. This change will make the TFR mortgage loan breakdown consistent with the commercial bank Call Report. This change will also be made to the breakdown of residential mortgages in the charge-off and recovery data on Schedule VA.

6. Credit Cards

OTS proposes to break out 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 of the change in the definition of mortgage loans mentioned above and the elimination of revolving loans secured by 1–4 dwelling units from consumer loans, the distinction between closed-end and open-end consumer loans would be eliminated and the line for ''Other, Including Leases'' would contain both closed-end loans and open-end loans like those currently reported with credit cards. Credit cards would be broken out separately on the balance sheet (Schedule SC), charge-offs and recoveries (Schedule VA), and past due and nonaccrual (Schedule PD).

7. 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 the TFR to generally accepted accounting principles (GAAP). This section would include the existing line for unrealized gains (losses) on available-for-sale securities and an additional line for ''other'' that would include gains (losses) on cash flow hedges, foreign currency translation adjustments, and minimum pension liability adjustments.

8. Home Equity Lines of Credit Outstanding

OTS proposes to add a line in Schedule CC (Commitment and Contingencies) to provide data on the balance of outstanding home equity lines of credit that have not yet been drawn down; currently these amounts are included with Open-end Consumer Lines on CC410.

9. Nonmortgage Loan Activity

Because nonmortgage loans have become a larger, and, in most cases, riskier part of the industry's loan portfolio, OTS proposes to add a line capturing sales of nonmortgage loans. Schedule CF currently reconciles the activity in mortgage loans, deposits, and mortgage pool securities; however, only one line for nonmortgage loan originations and purchases is available for nonmortgage loan activity. This line along with the proposed line would permit reconciliation of nonmortgage loans and would indicate the volume of nonmortgage loans that are originated and sold within the same quarter.

10. Deposit Information and Deposit Insurance Premium Assessment Information

OTS proposes to move the deposit data and deposit insurance premium assessment information from Schedule SI to a new schedule, Schedule DI (Deposit Information). Schedule SI was designed to contain supplementary data not collected elsewhere in the TFR. Because the number of items collected for deposit insurance premium assessment purposes has increased substantially over the past ten years, we believe it is preferable to move these data items to a separate schedule.

11. Reciprocal Balance Data for Deposit Insurance Premium Assessments

The FDIC Assessment Division has requested that OTS re-establish a line that was deleted in 1996 that collects reciprocal balance accounts deducted from insured deposits in calculating the deposit insurance premium. This line would be collected in the new Schedule DI and would be captioned: ''Adjustments to Demand Deposits for Reciprocal Demand Balances with Commercial Banks and Other Savings Associations.'' These reciprocal demand balances are currently collected along with other items in SI247. This new line item would be included in the new Schedule DI, mentioned above.

12. Adjustments to Capital

Currently SI670, Other Adjustments to Equity Capital, is made up of various items, and for most savings associations this miscellaneous data item is the largest reconciling amount to capital. To provide a better breakout of this adjustment, OTS proposes adding the following three data items in the reconciliation of equity capital in Schedule SI: (1) Other comprehensive income; (2) other capital contributions (where no stock is issued); and (3) prior period adjustments.

13. Average Balance Sheet Data

OTS proposes to add three new data items in Schedule SI to collect average asset and liability data. This information will produce more accurate data for use in ratio analysis, will avoid skewed data when restructuring and acquisitions occur, and will enable calculation of better yield/cost data. Savings associations will have the option of calculating these averages using either daily or weekly balances. The three proposed quarterly averages are average total assets, average interest-earning assets, and average interest-costing liabilities.

14. Board of Directors' IRR Limits

OTS proposes to add two lines to collect the association's interest rate risk limits as set by their Board of Directors for the plus/minus 200 basis point rate shock scenarios. This information will be used for off-site monitoring to identify saving associations that may be in excess of their Board limits. These lines will be added to Schedule SI. All savings associations would be required to complete these lines.

15. IRS Domestic Building and Loan Association (DBLA) Test

OTS proposes to add a line for those savings associations that do not use the HOLA QTL test, but instead use the IRS Domestic Building and Loan Association (DBLA) Test. The addition of this line would more exactly identify savings associations that are using the IRS DBLA test and would enable the regions to better monitor the QTL status of those associations. This line would be added in Schedule SI following the lines for QTL. It would be required only of those associations using the DBLA test.

16. Mutual Fund and Annuity Sales

OTS proposes to eliminate the collection of data on quarterly sales of annuities, mutual funds, and proprietary products, SI800 through SI850. In place of these items, each savings association would respond to a ''yes'' or ''no'' question asking whether it sells private label or third party mutual funds and annuities. In addition, savings associations would report the total assets under their management in proprietary mutual funds and annuities. The data item collecting fee income from the sale and servicing of mutual funds and annuities would be retained. For savings associations with proprietary mutual funds and annuities, reporting the amount of assets under management should be significantly less burdensome than reporting the quarterly sales volume for these proprietary products. run

17. Filings Under the Securities and Exchange Act of 1934

Currently the OTS can determine the number of holding companies that file under the Securities and Exchange Act of 1934 only through the examination process. Because the Securities and Exchange Commission (SEC) does not maintain a listing of savings and loan holding companies that file with them, OTS proposes to add the following questions in the TFR to provide the user with immediate information on whether there is a filing available on this savings association or its holding company with the OTS or the SEC.

Add the following two yes/no questions in Schedule SQ (Supplemental Questions):

For the current quarter, is the reporting savings association required to file periodic securities disclosure documents (for example, Form 10–Q or 10–K) with the OTS, following the rules under the Securities Exchange Act of 1934? If the reporting association is in a holding company structure, for the current quarter, is the holding company required to file periodic securities disclosure documents (for example, Form 10–Q or 10–K) with the SEC, pursuant to the Securities Exchange Act of 1934?

18. Savings Association and Subsidiary Web Site Addresses

OTS proposes the addition of Internet home page addresses to assist in monitoring the activities of savings associations on their web sites and the addition of a question asking if the savings association provides transactional Internet banking to its customers, as defined in 12 CFR 555.300(b). The data item for the savings association's web site and question on transactional Internet banking will be collected in Schedule SQ (Supplementary Questions). We also propose adding a similar data item to collect web sites of subsidiaries in Schedule CSS (Subordinate Organization Schedule).

19. Holding Company Financial Information

More complex business plans, advances in technology, increased merger and acquisition activity, and earnings pressures have changed the nature of the relationship of the thrift with its affiliates. With finite examination resources, OTS must fully leverage its ability to collect information for the purpose of off-site monitoring and more precisely scope for its onsite examinations. Therefore, OTS proposes to add a schedule to the TFR to collect data on thrift holding companies. In general, the ''top' owner (ownership command can go no further) of the thrift would be required to file. Typically, one holding company report would be filed per savings association; however, more than one holding company report may be required when multiple top owners exist. Holding companies owning more than one savings association would be required to file only once. Bank holding companies would be excluded from reporting. In all of the above cases, the OTS Regional Director will specifically identify the holding company from which data is to be collected. The data collected would include: Total assets; total liabilities; total equity; intangible assets and deferred policy acquisition costs; debt maturing within the next 12 months (excluding deposits); all other debt (excluding deposits); net cash flow from operations; net income; and interest expense. The data will be based on holding company consolidated financial statements. The holding company would provide the data to the savings association, and the holding company schedule would be filed as part of the TFR, within the same timeframes as the TFR. As of March 31, 2000, there were 531 thrifts owned by thrift holding companies; therefore, 48% of all savings associations filing a TFR would be required to file the proposed holding company schedule.

20. Transactions with Affiliates

OTS proposes to add memoranda information in Schedule SI on certain transactions the savings association has with its affiliates. The term ''affiliate'' is defined in 12 CFR 563.41(b)(1). For purposes of the collection of this data, ''affiliate'' is defined as the holding company(s), any holding company subsidiary(s), a bank or thrift subsidiary of the savings association, and any company controlled by or for the benefit of shareholders, or which shares a majority of the same directors with the savings association or holding company. These data generally will not include transactions with subsidiaries of the savings association. Additionally, any transaction by a savings association or its subsidiaries with any person or entity is a transaction with an affiliate if the proceeds of the transaction are used for the benefit of, or transferred to, an affiliate. The items to be collected are: (1) Fees/expenses paid by the thrift to affiliates during the quarter including interest, management and service fees, tax sharing payments, and other general and administrative expenses; (2) the amount of assets sold to affiliates during the quarter; (3) the outstanding balance at the end of the quarter of: (a) Assets purchased from affiliates, (b) commitments to purchase assets from affiliates, and (c) extensions of credit to affiliates; (4) the percentage of the thrift's directors who are also directors of affiliates; and (5) the percentage of the thrift's officers who are also officers of the affiliates.

21. Fiduciary and Related Services

The OTS proposes to adopt the same schedule on trust activities that has been proposed by the other banking agencies. OTS and the other banking agencies propose to change the manner in which associations report information on their trust activities. The existing Annual Report of Trust Assets (FFIEC 001) and the quarterly TFR line SI350 (Approximate Value of Trust Assets Administered) would be replaced with a quarterly Fiduciary and Related Services Schedule (TFR Schedule FS). This new schedule would become part of the TFR and would be filed within the same timeframe as the TFR. Under this proposal, associations that have total fiduciary assets greater than $100 million or fiduciary income greater than 10 percent of their combined net interest and noninterest income, as well as all nondeposit trust companies that file TFRs, would be required to report certain trust information in Schedule FS quarterly. Less than five percent of those associations reporting to OTS would be required to file this new trust schedule on a quarterly basis. All other associations involved in trust activities would report select information at calendar year end only. The information proposed includes the number of accounts and the market value of trust assets for eight categories of fiduciary activities and a fiduciary and related services income statement. These associations would additionally report, at calendar year-end, data on corporate trust activities, collective investment funds and common trust funds, fiduciary settlements and other losses, and types of assets held in personal trust and agency accounts. The fiduciary and related services income statement and the items on fiduciary settlements and other losses would be treated as confidential information on an individual association basis, which would maintain the treatment accorded this information in the Annual Report of Trust Assets. The agencies have applied confidential treatment to this trust income and loss information because these data generally pertain to only a portion of a reporting association's total operations and not to the savings association as a whole. Collecting certain data in the new fiduciary schedule from the savings associations with larger trust activities each quarter will provide OTS with critical supervisory information relating to fiduciary activities on a timelier basis. This will enable OTS to identify trends and changing risk profiles relating to fiduciary activities more quickly.

Most of the 51 data items that would be reported quarterly in the fiduciary schedule are included in the current annual trust reports. Modifications have been made to some of the existing items to improve their value and usefulness. An additional 47 data items would only be collected annually in the December 31 report, which would be required of all associations with trust activities. The total number of separately reportable data items in the proposed fiduciary schedule represents a decrease of almost 40 percent in the number of reportable items in the current Annual Report of Trust Assets.

Although roughly half of the associations currently reporting trust activities annually would have a new quarterly filing requirement, these associations should already have a reporting system in place to track this information. In addition, savings associations with small trust activities would, at most, have to provide trust data in 36 items once each year. Thus, OTS believes this proposal should not produce a significant overall increase in reporting burden for savings associations with trust activities. OTS is proposing to add the new fiduciary schedule to the TFR instead of retaining a separate trust report in order to facilitate the timely collection and processing of the information. Savings associations filing the current annual trust reports generally must submit their reports within 45 days after year-end. Electronically submitted annual trust reports, first allowed for year-end 1998 reporting, have a 75-day filing deadline. By moving the reporting of fiduciary information into the TFR, the submission deadline for the TFR would apply to this reporting requirement. The length of time that savings associations with trust activities would have for completing the fiduciary schedule would be reduced from 75 days to 30 days. OTS invites comment on all aspects of the proposed Fiduciary Schedule. In particular, we seek comment on the following issues relating to this schedule:

(1) Do the proposed criteria for determining which savings associations should report quarterly adequately capture those savings associations that should report fiduciary activities more frequently than annually because of the extent of their involvement with these activities? If not, what should the criteria be?

(2) What types of difficulties, if any, will associations encounter in complying with the proposed reduction in the amount of time for reporting trust information in spite of the significant decrease in the amount of data that savings associations would be required to report?

(3) Are the categories of trust accounts for which asset and income information would be reported in the proposed Fiduciary Schedule an improvement over the current reporting structure of the Annual Report of Trust Assets (FFIEC 001) and are the proposed trust account categories clear? Is there an alternative categorization of trust accounts for asset and income reporting purposes that would increase the schedule's usefulness?

(4) Is net fiduciary and related services income, as it would be reported in the proposed schedule, a useful performance measure? Is the proposed single item for ''Expenses'' too broad or restrictive to allow for meaningful peer analysis? Should intracompany income credits be included, as proposed, in computing net fiduciary and related services income?

(5) Should individual association fiduciary income and loss information continue to be accorded confidential treatment with only aggregate income and loss data made available to the public, or should the agencies make some or all of this individual association data publicly available?

(6) What fiduciary-related trends and ratios should be reported in the Uniform Thrift Performance Report and how should they be presented?

(7) The FFIEC currently issues an annual publication, ''Trust Assets of Financial Institutions,'' containing data reported in the Annual Report of Trust Assets (FFIEC 001). Should the FFIEC continue to produce such a publication and, if so, which types of data from the proposed schedule should the publication contain and how often should the FFIEC publish the data?

OTS recently issued Thrift Bulletin 48–16, which addressed how OTS will compute assessments under the complexity component for trust assets administered by a savings association. See 12 CFR 502.25. The Thrift Bulletin provides different assessment rates for trust assets administered in a fiduciary and non-fiduciary capacity. OTS will use the information reported on the proposed schedule to compute assessments.

22. Residual Interests in Financial Assets Sold

OTS proposed the following in a **Federal Register** Notice, dated March 1, 2000, for implementation in September 2000. We received no comments responding to that proposal. OTS subsequently decided to defer implementation of the proposal until March 2001.

Residual interests in financial assets sold (RIFAS) are certain financial assets retained after the transfer of loans, securities, or other financial assets, where the transfer is recorded as a sale under Statement of Financial Accounting Standards (SFAS) No. 125. RIFAS represent the right to receive ''residual'' cash flows from the transferred assets. The ''residual'' cash flows are those that are available after payment of all other contractual obligations to holders of other beneficial interests in the transferred assets, and after all payments for servicing fees and other costs. RIFAS may be acquired by either origination or purchase, and may be in either security or nonsecurity form. Examples of RIFAS include, but are not limited to, interest-only strips, spread accounts, and cash collateral accounts.

Credit enhancement RIFAS are those that are structured, through subordination provisions or other credit enhancement techniques, to absorb more than a pro-rata share of credit loss in relation to the transferred assets.

Depending on their form, RIFAS may be included in Schedule SC (Statement of Condition) in four lines: Mortgage Derivatives (SC150), Other Investment Securities (SC185), Interest-only Strip Receivables and Certain Other Instruments (SC655), and Other Assets (SC690). Because three of these lines (SC150, SC185, and SC690) may contain other instruments, OTS cannot currently determine the total residual interests retained or purchased by a savings association. Therefore, OTS proposes to add two memoranda lines in Schedule SI (Supplemental Information); one to collect credit enhancement residual interests in financial assets sold and one to collect other residual interests in financial assets sold. The addition of these two items will provide OTS with more complete information for monitoring and supervisory purposes.

23. Federal Home Loan Bank (FHLB) Structured Advances and Other Structured Borrowings

OTS proposed the following in a **Federal Register** Notice, dated March 1, 2000, for implementation in September 2000. We received no comments responding to that proposal. OTS subsequently decided to defer implementation of the proposal until March 2001.

In recent years, structured borrowings (especially FHLB structured advances) have become an increasingly popular funding source for savings associations. Because such borrowings often have complex embedded options, the use of these instruments can raise safety and soundness concerns. OTS proposes to change Schedule CMR (Consolidated Maturity/Rate) to collect estimates of the market value of structured borrowings to better evaluate the interest rate risk they pose. Market value data for structured borrowings may be provided at the option of the savings association, unless otherwise directed by OTS.

A detailed description of the proposed changes follows:

(1) Variable-rate, Fixed-maturity Liabilities, Schedule CMR form, page 32: Delete all existing cells under this heading. Outstanding balances for these instruments will be reported in new fields for deposits and borrowings as described below. Additionally, detailed information will be reported on these instruments on page 36 in Supplemental Reporting for Assets/Liabilities.

(a) Delete: CMR721 through CMR748
(b) Add:

Liabilities Reported in Supplemental Reporting for Assets and Liabilities

CMR749: Outstanding Balance of Variable-Rate, Fixed-Maturity Deposits (reported under liability code 200)
CMR751: Outstanding Balance of Variable-Rate, Fixed-Maturity Borrowings (reported under liability codes 220 or 229)
CMR753: Outstanding Balance of FHLB Structured Advances (reported under liability codes 280, 281, 282, 283 or 289)
CMR754: Outstanding Balance of Other Structured Borrowings (reported under liability code 290)

(2) Delete the column for Options on Liabilities, which will be replaced by the new reporting of structured borrowings. Delete: CMR941 through CMR950.

(3) Optional Supplemental Reporting for Assets/Liabilities, Schedule CMR form, page 36:

Rename this section as ''Supplemental Reporting for Assets/ Liabilities.'' The column headings in this schedule will be instrument-specific. The instrument codes that are currently reported in the Supplemental Reporting for Assets/Liabilities Schedule will use the existing column headings. New codes will be added for reporting: (a) Internal valuations of nonmortgage servicing rights (as reported on SC644); (b) certain nonsecurity financial instruments (as reported on SC655); (c) FHLB structured advances (as reported on SC720); and (d) other structured borrowings (as reported on SC730 through SC760). For these new codes, the nine column headings will be the instrument's code, book value, and association-reported estimates of the instrument's value in the seven interest-rate scenarios (plus/minus 300, plus/minus 200, plus/minus 100, and no change). These instrument-specific fields (rather than fixed column definitions) will improve the ability of savings associations to report financial information in a more detailed manner than is currently collected and will improve interest rate risk measures produced by the OTS model. This change to the form will also facilitate the addition of future codes for new instruments with customized cell content.

24. Yields on Deposits—Schedule YD

Schedule YD contains compounded annual yields for certain new deposits. OTS proposes the deletion of this schedule in its entirety as it no longer provides sufficient use to OTS to justify its continuance.

25. Asset Maturity Data

OTS proposes to delete five lines that collect data on asset maturities on Schedule SI (Supplemental Information). Currently, only savings associations that meet the Schedule CMR (Consolidated Maturity/Rate) exemption criteria (assets less than $300 million and risk-based capital in excess of 12%) and that opt not to file Schedule CMR must provide these data. OTS no longer needs to collect these data.

26. Margin Accounts

OTS proposes to delete CMR542, Margin Accounts, as it is no longer used.

27. Estimated Market Value Rate Shocks

Thrift Bulletin 13a no longer requires associations to maintain interest rate risk limits for the plus and minus 400 basis point interest rate scenarios. Therefore, the OTS proposes deleting these fields from Schedule CMR on page 35 of the TFR form.

28. Multifamily Mortgages

OTS proposes to rename ''5 or More Dwelling Units'' to ''Multifamily (5 or more) Residential Properties'' throughout the TFR. The use of ''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.''

29. Mortgage Loan Activity

OTS proposes to delete the breakdown of permanent mortgages between newly built and previously occupied residential property in Schedule CF (Cash Flow). OTS no longer uses this breakdown.

30. Hedging Activity

As a result of the application of Statement of Financial Accounting Standards (SFAS) No. 133, ''Accounting for Derivative Instruments and Hedging Activities,'' the OTS proposes to delete two lines for amortization of deferred gains and losses and a line for the net cost of matched interest rate swaps in the income statement (Schedule SO). SFAS No. 133 will be effective for all associations during 2001.

31. Eliminating Confidential Treatment for Certain Interest Rate Risk and Past Due Data

The TFR is widely used by securities analysts, rating agencies, and large institutional investors as sources of thrift-specific data. OTS currently accords confidential treatment to the information associations report in Schedule CMR on the maturity and rate information used in assessing interest rate risk and information reported in Schedule PD on the amounts of loans, leases, and other assets past due 30 through 89 days and still accruing. OTS publishes aggregate data derived from these confidential items but does not publish the individual association data. In contrast, the information associations report on the amounts of their loans, leases, and other assets that are 90 days or more past due and still accruing or that are in nonaccrual status has been publicly available since 1990. Nevertheless, OTS has not precluded associations from publicly disclosing the data that OTS treats as confidential, provided individual borrower information is not released. In order to give the public, including thrifts, more complete information on the level of and trends in interest rate risk and asset quality at individual associations, OTS proposes to eliminate the confidential treatment for Schedule CMR beginning with the amounts reported as of March 31, 2001. Comment is requested from both voluntary and required filers of Schedule CMR on whether it will pose a hardship on savings associations if all or part of the data is made publicly available.

32. Reporting Frequency of Schedule CSS (Subordinate Organization Schedule)

In 1996, OTS reduced the reporting frequency of Schedule CSS from quarterly to annually in order to reduce reporting burden of the industry. While annual reporting of subordinate organizations was adequate at that time, we now have a need for more frequent reporting and propose to collect Schedule CSS on a semi-annual basis. In addition, as mentioned above, we propose to collect the web site addresses of subsidiaries in Schedule CSS to assist in monitoring the activities of subsidiaries on their web sites.

Type of Review: Revision.

Affected Public: Business or For Profit.

Estimated Number of Respondents and Recordkeepers: 1100.

Estimated Time Per Respondent: 33 hours average.

Estimated Total Annual Burden Hours: 145,200 hours.

Because these some of the proposed changes will not affect all savings associations that file the TFR, the burden hours reflected above are unchanged from the current burden. We invite comment on how savings associations think the burden will change given these form changes.

Request for Comments: In addition to the issues presented above, comments are invited on: (a) Whether the proposed revisions to the TFR collections of information are necessary for the proper performance of the agency's functions, including whether the information has practical utility; (b) the accuracy of the agency?s estimate of the burden of the collection of information; (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, the Internet, or other forms of information technology; and (e) estimates of capital or sta rt up costs and costs of operation, maintenance, and purchase of services to provide information. OTS will summarize or include comments submitted in response to this notice with the request for OMB approval, and will include these comments in the public record.

Dated: July 31, 2000.

John E. Werner,

Director, Information Services.

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