DEPARTMENT OF THE TREASURY

Office of Thrift Supervision

Proposed Agency Information Collection Activities; Comment Request—Thrift Financial Report: Schedule VA

AGENCY: Office of Thrift Supervision (OTS), Treasury.

ACTION: Notice and request for comment.

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 comment on proposed and continuing information collections, as required by the Paperwork Reduction Act of 1995, 44 U.S.C. 3507. The Office of Thrift Supervision within the Department of the Treasury will submit the proposed information collection requirement described below to the Office of Management and Budget (OMB) for review, as required by the Paperwork Reduction Act. Today, OTS is soliciting public comments on proposed changes to the Thrift Financial Report (TFR), Schedule VA—Consolidated Valuation Allowances and Related Data, effective with the September 30, 2005, report.

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 OMB for review and approval.

DATES: Submit written comments on or before June 27, 2005.

ADDRESSES: Send comments to Information Collection Comments, Chief Counsel's Office, Office of Thrift Supervision, 1700 G Street, NW., Washington, DC 20552; send facsimile transmissions to FAX number (202) 906–6518; send e-mails to *infocollection.comments@ots.treas.gov;* or hand deliver comments to the Guard's Desk, east lobby entrance, 1700 G Street, NW., on business days between 9 a.m. and 4 p.m. All comments should refer to ''Revisions to TFR Schedule VA, OMB No. 1550–0023.'' OTS will post comments and the related index on the OTS Internet Site at *http://www.ots.treas.gov.* In addition, interested persons may inspect comments at the Public Reading Room, 1700 G Street, NW., by appointment. To make an appointment, call (202) 906–5922, send an e-mail to *publicinfo@ots.treas.gov,* or send a facsimile transmission to (202) 906–7755.

FOR FURTHER INFORMATION CONTACT: You can access sample copies of the proposed September 2005 TFR form on OTS's Web site at *http://www.ots.treas.gov* or you may request them by electronic mail from *tfr.instructions@ots.treas.gov.* You can request additional information about this proposed information collection from James Caton, Director, Financial Monitoring and Analysis Division, (202) 906–5680, Office of Thrift Supervision, 1700 G Street, NW., Washington, DC 20552.

SUPPLEMENTARY INFORMATION: The effect of the proposed revisions to the reporting requirements of these information collections will vary from institution to institution, depending on the extent to which an institution acquired loans with evidence of deterioration or credit quality since origination, including acquisitions of such loans in business combinations accounted for using the purchase method. OTS expects that the proposed revisions will generally apply only to the limited number of institutions that are involved in purchase business combinations or that engage as a business activity in purchases of loans with credit quality deterioration since origination. Furthermore, the proposed revisions entail the reporting of information included in disclosures required under applicable generally accepted accounting principles. Therefore, OTS estimates that the implementation of these reporting revisions will result in a nominal increase in the current reporting burden imposed on all savings associations by the TFR.

Abstract

Those OTS-regulated savings associations affected by the proposed revisions 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 the condition, performance, and risk profile of the savings association industry.

Current Action

These revisions are proposed in response to Statement of Position 03–3, Accounting for Certain Loans or Debt Securities Acquired in a Transfer (SOP 03–3), which was issued by the American Institute of Certified Public Accountants (AICPA) and is effective for loans acquired in fiscal years beginning after December 15, 2004. OTS is proposing to add three items to the TFR relating to loans within the scope of SOP 03–3. In addition, OTS is revising the TFR instructions to explain how the delinquency status of loans within the scope of SOP 03–3 should be determined for purposes of disclosing past due loans in the TFR.

OTS intends to implement the proposed TFR changes as of the September 30, 2005, report date. Nonetheless, as is customary for TFR changes, if the information required to be reported in accordance with the proposed reporting revisions is not readily available, institutions are advised that they may report reasonable estimates of this information for the report date as of which the proposed changes first take effect.

In December 2003, the AICPA issued SOP 03–3. In general, this Statement of Position applies to ''purchased impaired loans,'' *i.e.*, loans that a savings association has purchased, including those acquired in a purchase business combination, when there is evidence of deterioration of credit quality since the origination of the loan and it is probable, at the purchase date, that the savings association will be unable to collect all contractually required payments receivable. The Statement of Position applies to loans acquired in fiscal years beginning after December 15, 2004, with early adoption permitted. Savings associations must follow SOP 03–3 for TFR purposes in accordance with its effective date based on their fiscal years. The Statement of Position does not apply to the loans that a savings association has originated. SOP 03–3 also excludes certain acquired loans from its scope.

Under SOP 03–3, a purchased impaired loan is initially recorded at its purchase price (in a purchase business combination, the present value of amounts to be received). The Statement of Position limits the yield that may be accreted on the loan (the accretable yield) to the excess of the savings association's estimate of the undiscounted principal, interest, and other cash flows expected at acquisition to be collected on the loan over the savings association's initial investment in the loan. The excess of contractually required cash flows over the cash flows expected to be collected on the loan, which is referred to as the nonaccretable difference, must not be recognized as an adjustment of yield, loss accrual, or valuation allowance. Neither the accretable yield nor the nonaccretable difference may be shown on the balance sheet. After acquisition, increases in the cash flows expected to be collected generally should be recognized prospectively as an adjustment of the loan's yield over its remaining life.

Decreases in cash flows expected to be collected should be recognized as an impairment.

The Statement of Position prohibits a savings association from ''carrying over'' or creating valuation allowances (loan loss allowances) in the initial accounting for purchased impaired loans. This prohibition applies to the purchase of an individual impaired loan, a pool or group of impaired loans, and impaired loans acquired in a purchase business combination. As a consequence, SOP 03–3 provides that valuation allowances should reflect only those losses incurred after acquisition, that is, the present value of all cash flows expected at acquisition that ultimately are not to be received. Thus, because of the accounting model set forth in SOP 03–3, savings associations will need to segregate their purchased impaired loans, if any, from the remainder of their loan portfolio for purposes of determining their overall allowance for loan and lease losses.

According to the Basis for Conclusions of SOP 03–3, the AICPA's Accounting Standards Executive Committee ''believes that the accounting for acquired loans within the scope of this SOP is sufficiently different from the accounting for originated loans, particularly with respect to provisions for impairment * * * such that the amount of loans accounted for in accordance with this SOP should be disclosed separately in the notes to financial statements.'' OTS agrees with this assessment and has considered the disclosures required by SOP 03–3. Therefore, to assist OTS in understanding the relationship between the allowances for loan and lease losses and the carrying amount of the loan portfolios of those savings associations whose portfolios include purchased impaired loans, OTS is proposing to add three items to the TFR. All three of these items represent information included in the disclosures required by SOP 03–3. OTS would add three Memorandum items to Schedule VA—Consolidated Valuation Allowances and Related Data: (1) The outstanding balance of the purchased impaired loans held for investment, (2) the carrying amount as of the report date of the purchased impaired loans held for investment,[1] and (3) the amount of loan loss allowances for purchased impaired loans held for investment that is included in the total amount of the allowance for loan and lease losses as of the report date.

OTS also plans to revise the instructions to Schedule VA—Consolidated Valuation Allowances and Related Data, to explain how purchased impaired loans should be reported in this schedule. SOP 03–3 does not prohibit placing loans on nonaccrual status and any nonaccrual purchased impaired loans should be reported accordingly in Schedule PD—Consolidated Past Due and Nonaccrual. For those purchased impaired loans that are not on nonaccrual status, savings associations should determine their delinquency status in accordance with the contractual repayment terms of the loans without regard to the purchase price of (initial investment in) these loans or the amount and timing of the cash flows expected at acquisition.

Request for Comments

OTS may not conduct or sponsor an information collection, and respondents are not required to respond to an information collection, unless the information collection displays a currently valid OMB control number.

In this notice, OTS is soliciting comments concerning the following information collection.

Report Title: Thrift Financial Report.

OMB Number: 1550–0023.

Form Number: OTS 1313.

Statutory Requirement: 12 U.S.C. 1464(v) imposes reporting requirements for savings associations.

Type of Review: Revision of currently approved collections.

Affected Public: Savings Associations.

Estimated Number of Respondents and Recordkeepers: 880.

Estimated Burden Hours per Respondent: 36.4 hours average for quarterly schedules.

Estimated Frequency of Response: Quarterly.

Estimated Total Annual Burden: 128,128 hours.

As part of the approval process, we invite comments addressing one or more of the following points:

a. Whether the proposed revisions to the TFR collection 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 start up costs and costs of operation, maintenance, and purchase of services to provide information.

OTS will summarize the comments that we receive and include them in the request for OMB approval. All comments will become a matter of public record.

Clearance Officer: Marilyn K. Burton, (202) 906–6467, Office of Thrift Supervision, 1700 G Street, NW., Washington, DC 20552.

OMB Reviewer: Mark D. Menchik, (202) 395–3176, Office of Management and Budget, Room 10236, New Executive Office Building, Washington, DC 20503.

Dated: April 20, 2005.

By the Office of Thrift Supervision.

James E. Gilleran,

Director.

[FR Doc. 05–8281 Filed 4–25–05; 8:45 am]

BILLING CODE 6720–01–P

[1] Loans held for investment are those loans that the savings association has the intent and ability to hold for the foreseeable future or until maturity or payoff. Thus, the outstanding balance and carrying amount of any purchased impaired loans that are held for sale would not be reported in these proposed Memorandum items.