

semiannually or more frequently (e.g. semiannually, quarterly, monthly, weekly, daily.)

Column B, 6 Months to 1 Year: Report the dollar amount of the bank's adjustable-rate, permanent loans secured by first liens on 1-4 family residential mortgages whose rates reset annually or more frequently, but less frequently than semiannually.

Column C, Greater than 1 Year: Report the dollar amount of the bank's adjustable-rate, permanent loans secured by 1-4 family residential mortgages whose rates reset less frequently than annually.

Near Lifetime Cap

Item 3, ARM Securities: Report the total amount of the bank's adjustable-rate, pass-through securities whose rates are less than 200 bp from their lifetime interest rate cap.

Item 4, ARM Loans: Report the total amount of the bank's adjustable-rate, permanent loans secured by 1-4 family residential mortgages whose rates are less than 200 bp from their lifetime interest rate cap.

IV. Reporting Instructions—Schedule 2 General Instructions

Institutions which complete Schedule 2 should only report the total amount of fixed-rate mortgage holdings on Schedule 1, Items 1(b) and 2(b), Column A. The distribution of these instruments across Columns B through H is not required.

The information required in this supplemental schedule represents the distribution of individual fixed-rate mortgages holding balances by maturity and coupon rate. In the distribution of Schedule 2 items, the entire carrying value of all fixed-rate mortgage holdings should be reported on the basis of final maturities. The bank's own estimate of expected cash flows is not reported on this schedule.

Items 2 through 9 of Schedule 2 list eight coupon rate ranges, beginning with a rate of less than or equal to 6.75% proceeding in 50 bp increments, to a rate of greater than 9.75%. Columns A through D list four time ranges, which represent the time remaining from the report date until the final maturity of the instrument: 5 years or less, over 5 years through 10 years, over 10 years through 20 years, and greater than 20 years. Respondents must report selected assets by the coupon rate¹⁴ in each of the relevant time bands.

¹⁴The term "coupon rate" is used in this schedule as a generic term, but for loans and pass-through securities it has two distinct definitions. Whereas loans are to be reported according to each

Examples

An 8%, fixed-rate, residential mortgage loan which matures in 15 years would be reported in Item 5, Column C.

An 8.5%, fixed-rate, mortgage pass-through security which matures in three years would be reported in Item 7, Column A. Note that 50 bp added to the 8.5% rate results in a 9% estimated weighted average coupon rate of the underlying collateral.

For purposes of this supplemental schedule the following definitions apply:

A fixed interest rate is a rate that is specified at the origination of the transaction, is fixed and invariable during the term of the loan or security, and is known to both the borrower and the lender. Also treated as a fixed interest rate is a predetermined interest rate which is a rate that changes during the term of the loan or security on a predetermined basis, with the exact rate of interest over the life of the instrument known with certainty to both the borrower and the lender at loan origination or when the debt security is acquired.

Remaining maturity is the amount of time remaining from the report date until the final contractual maturity of a loan or debt security.

The carrying value of a held-to-maturity pass-through security is its amortized cost, while the carrying value of an available-for-sale pass-through security is its fair value.

All loans are to be reported net of unearned income to the extent that the loans have been reported net of unearned income in Schedule RC-C, Item 1(c)(2)(a).

Include as fixed interest rate residential mortgage holdings the following instruments:

(1) All permanent loans secured by first liens on 1-4 family residential mortgages included in Schedule RC-C, Item 1(c)(2)(a), that have fixed interest rates regardless of whether they are current or are reported as "past due and still accruing" in Schedule RC-N, Columns A and B.

(2) The carrying value of all pass-through securities which have fixed interest rates and are included in

individual loan's coupon or stated interest rate, pass-through securities are to be reported according to the weighted average coupon (WAC) of the underlying collateral. If this rate is not known, it should be estimated by adding 50 bp to the rate the bank receives on each pass-through certificate. The 50 bp represents the deduction of servicing fees and any applicable guarantee fees. As a consequence of these fees, the pass-through rate is lower than the WAC of the underlying of mortgages. Therefore, to estimate the WAC of the mortgage pool, the fees should be added back to the pass-through rate.

Schedule RC-B, Items 4(a)(1) through 4(a)(3), Columns A and D.

Exclude from this schedule

(1) Fixed-rate residential mortgage loans held for sale and delivery to secondary market participants, such as FNMA and FHLMC, under terms of a binding commitment.

(2) Fixed-rate residential mortgage holdings that are on nonaccrual status.

(3) All collateralized mortgage obligations (CMOs), real estate mortgage investment conduits (REMICs), and stripped mortgage-backed securities.

(4) All pass-through securities held for trading.

Column Instructions

Distribute the carrying value of selected assets in accordance with the procedures described for Columns A through D below.

Report in Column A the entire carrying value of the bank's fixed-rate residential mortgage holdings with remaining maturities of 5 years or less.

Report in Column B the entire carrying value of the bank's fixed-rate residential mortgage holdings with remaining maturities of over 5 years through 10 years.

Report in Column C the entire carrying value of the bank's fixed-rate residential mortgage holdings with remaining maturities of over 10 years through 20 years.

Report in Column D the entire carrying value of the bank's fixed-rate residential mortgage holdings with remaining maturities of over 20 years.

Item Instructions

Item 1: Test for determining whether Schedule 2 should be completed. Either repeat the instruction on page 1 of the General Instructions or cross-reference it. In Items 2 through 9, distribute, in accordance with Column instructions, the carrying value of the bank's fixed-rate residential mortgage holdings.

Item 2: Report the bank's fixed-rate residential mortgage holdings with a coupon rate of less than or equal to 6.75%.

Item 3: Report the bank's fixed-rate residential mortgage holdings with a coupon rate of 6.76% through 7.25%.

Item 4: Report the bank's fixed-rate residential mortgage holdings with a coupon rate of 7.26% through 7.75%.

Item 5: Report the bank's fixed-rate residential mortgage holdings with a coupon rate of 7.76% through 8.25%.

Item 6: Report the bank's fixed-rate residential mortgage holdings with a coupon rate of 8.26% through 8.75%.

Item 7: Report the bank's fixed-rate residential mortgage holdings with a coupon rate of 8.76% through 9.25%.