

Item 8: Report the bank's fixed-rate residential mortgage holdings with a coupon rate of 9.26% through 9.75%.

Item 9: Report the bank's fixed-rate residential mortgage holdings with a coupon rate of greater than or equal to 9.76%.

V. Reporting Instructions—Schedule 3 General Instructions

This supplemental schedule primarily requests information related to the interest rate sensitivity of adjustable-rate mortgage (ARM) holdings. The information required in this supplemental schedule represents the categorization of the reporting bank's ARM holdings according to the distinct characteristics of each loan or security. The defining ARM characteristics requested for this schedule include:

(1) Reset frequency. The reset frequency is how often the contract permits the interest rate on a loan to be changed (e.g., daily, monthly, quarterly, semiannually, annually) without regard to the length of time between the report date and the date the rate can next change.

(2) Lifetime interest rate cap. The lifetime cap is the upper limit on the mortgage rate that can be charged over the life of a loan. This lifetime loan cap is expressed in terms of the initial rate. For example, if the initial mortgage rate is 7% and the lifetime cap is 5%, the maximum interest rate that the bank can charge over the life of the loan is 12%.

(3) Periodic cap. A periodic cap limits the amount that the interest rate may increase at the reset (repricing) date. The periodic cap is expressed in basis points (bp). For example, the bank owns a 7% adjustable-rate mortgage loan. If the periodic cap is 100 bp, then the maximum rate the bank can charge at the next reset date is 8%. If the indexing rate rose by 150 bp, making the fully indexed mortgage rate 8.5%, the bank could only charge 8% at the next reset date.

Schedule 3, Columns A through G, list three reset frequency Columns which are divided by the presence of a periodic cap, and, in the over "6 months through 1 year" Column only, by the size of the periodic cap. Items 2 through 5 list four basis point ranges for how far the ARM's current rate is from the instrument's lifetime interest rate cap. In terms of ARM pass-through securities, the information required pertains to the relationship between the current interest rates and caps of the underlying mortgages. If the loans in the mortgage pool are not uniform in terms of periodic caps and lifetime caps, the weighted cap information is required.

In the distribution of Schedule 3 items, the entire carrying value of all ARM holdings should be reported on the basis of the reset frequency.

Examples

An adjustable-rate permanent loan secured by a first lien on a 1-4 family residence whose current rate is 7.5% and that has a lifetime cap of 12% and a periodic cap of 200 bp which reprices annually would be reported to Item 4, Column E.

An adjustable-rate pass-through security whose current coupon is 8% and has a lifetime cap of 10.5% and a periodic cap of 100 bp which reprices semiannually would be reported to Item 3, Column B.

For purposes of this supplemental schedule the following definitions apply:

A floating or adjustable rate is a rate that varies, or can vary, in relation to an index, to some other interest rate such as the rate on certain U.S. Government securities or the bank's "prime rate," or to some other variable criterion the exact value of which cannot be known in advance. Therefore, the exact rate the loan or security carries at any subsequent time cannot be known at the time of origination or acquisition.

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

Include as adjustable-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 adjustable 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 values¹⁵ of all pass-through securities which have adjustable interest rates and are included in RC-B, Items 4(a)(1) through 4(a)(3), Columns A and D.

Exclude from this schedule

(1) Adjustable-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) All adjustable-rate mortgage holdings that are on nonaccrual status.

¹⁵ For purposes of this schedule, available-for-sale debt securities are to be reported on the basis of their fair value, while held-to-maturity debt securities are to be reported on the basis of their amortized cost. Therefore, throughout the instructions to this schedule, references to the carrying value should be read as such.

(3) All collateralized mortgage obligations (CMOs) and 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 G below.

Report in Column A the carrying value of the bank's ARM holdings which reprice in 6 months or less and have no periodic cap.

Report in Column B the carrying value of the bank's ARM holdings which reprice in 6 months or less and have a periodic cap.

Report in Column C the carrying value of the bank's ARM holdings which reprice over 6 months through 1 year and have no periodic cap.

Report in Column D the carrying value of the bank's ARM holdings which reprice over 6 months through 1 year and have a periodic cap equal to or less than 150 bp.

Report in Column E the carrying value of the bank's ARM holdings which reprice over 6 months through 1 year and have a periodic cap greater than 150 bp.

Report in Column F the carrying value of the bank's ARM holdings which reprice over 1 year and have no periodic cap.

Report in Column G the carrying value of the bank's ARM holdings which reprice over 1 year and have a periodic cap.

Item Instructions

In Items 2 through 5, distribute, in accordance with column instructions, the carrying value of the bank's ARM holdings.

Item 1: Test for determining whether Schedule 3 should be completed. Either repeat the instruction on page 1 of the General Instructions or cross-reference it.

Item 2: Report the bank's ARM holdings that are within 200 bp of their lifetime cap.

Item 3: Report the bank's ARM holdings that are 201-400 bp from their lifetime cap.

Item 4: Report the bank's ARM holdings that are 401-600 bp from their lifetime cap.

Item 5: Report the bank's ARM holdings that are greater than 600 bp from their lifetime cap.