Updated
Frequently Asked Questions
Pertaining to Draft Reporting Forms for
Capital Assessments and Stress Testing
November 9, 2011

On September 7, 2011, the Board of Governors of the Federal Reserve System (Board), under delegated authority from the Office of Management and Budget, invited public comment on an information collection proposal to implement capital assessments and stress testing information collection (FR Y-14A and Q; OMB No. 7100-to be assigned). The FR Y-14A would collect annually bank holding companies' (BHCs') quantitative projections of balance sheet, income, losses, and capital across a range of macroeconomic scenarios and qualitative information on methodologies used to develop internal projections of capital across scenarios. The FR Y-14Q would collect granular data on BHCs' various asset classes and pre-provision net revenue for the reporting period, which would be used to support supervisory stress test models and for continuous monitoring efforts, on a quarterly basis.

In an effort to provide clarity around the proposal, the Board published a list of frequently asked questions on October 5 and 27, 2011. Additional answers to questions the Board received during the comment period are provided in the attachment below. The public comment period for the proposal closed on November 7, 2011.

A copy of the Board's Federal Register notice is available at:
www.federalreserve.gov/reportforms/formsreview/FRY14Q_FRY14A_20110907_ifr.pdf

Attachment

FR Y-14A and FR Y-14Q Data Collection Proposal: CRE Schedule FAQ

1. **<u>Q: Will the Federal Reserve provide clarity on the ways in which the definitions of data fields #8, #13, #39, #41, and #43 might differ from those which are commonly used in some firms' data systems, credit files, or in data templates that were used in connection with the previous year's Comprehensive Capital Analysis and Review (CCAR)?</u>**

   A: The proposed CCAR commercial real estate (CRE) loan level data dictionary includes data field 43, titled "Cross Collateralized Loan Number." This field would help the Federal Reserve identify loans that are secured by properties that are also pledged as collateral on a pari passu basis with other loans at the same financial institution. Cross collateralization and/or cross default create complex relationships that might not be captured consistently in the data collection without further clarification.

   In the "Cross Collateralized Loan Numbers" field, the Federal Reserve proposes to collect the loan identification numbers of other loans included elsewhere in the CRE data submission that are cross collateralized and/or cross defaulted with the loan being reported. Assuming that the cross collateralized and/or cross defaulted loans have the same seniority, the credit characteristics should be reported on an aggregated level for the group of cross collateralized and/or cross defaulted loans. Consequently, fields 13 (Value at Origination), 39 (Current Net Operating Income), and 41 (Current Value) are proposed to be reported in the CCAR CRE data collection on the aggregate level where the loan is either cross collateralized or cross defaulted with other loans.

   While, in other similar collections, there have been two fields collecting loan-to-value (LTV) ratio data, the proposal would include two LTV fields: one for the value of the property or properties securing the loan – "Value at Origination" (field 13) and another for "Current Value" (field 41).

   In an effort to help the reporters better understand how the data should be reported for cross collateralized loans, two examples are provided as an appendix to this document.

   Another field that may need further clarification is proposed data field 8, titled "Lien Position." Based on Federal Reserve supervisory reviews, some banks may have loans that fit into the category of "B Note." In an A/B note structure, the first mortgage is divided into two tranches, an A note and a B note. The B note is structurally subordinated to the A note from a payments perspective, but the B-note is still secured by the common first mortgage position. Payments on the B Note are subordinated to the A Note and incurred losses are allocated to the B note first. The B notes may or may not result from a troubled debt restructuring.

Appendix: Examples

Example I

In November 2007, ABC Bank approved a $43,440,000 loan (loan number ABC314) to a borrower, which was secured by three hotels. Due to adverse market conditions, the hotels began to experience cash flow problems. This caused the current net operating income (NOI) to decline from the original NOI. In Q4 2010, the borrower and ABC bank agreed to use equity in properties that were securing separate ABC bank loans (ABC3141, ABC31415) to the same borrower as support. Pursuant to an agreement between ABC Bank and the borrower, they agreed to cross-collateralize and cross-default the three loans in 2010. Table 1 presents basic loan information of the three loans. Note that dollar values are in millions.

Table 1

Loan	Property		At Origination					Current				
Number	Number	Orig date	Loan	LTV	Value	NOI	Int Rate	Loan	LTV	Value	NOI	Int Rate
ABC314	1	11/2/2007	$ 20.00	80%	$ 25.00	2.00	7.00%	$ 20.00	127%	$ 15.79	1.50	6.00%
ABC314	2	11/2/2007	$ 14.06	75%	$ 18.75	1.50	7.00%	$ 14.06	116%	$ 12.11	1.15	6.00%
ABC314	3	11/2/2007	$ 9.38	75%	$ 12.50	1.00	7.00%	$ 9.38	105%	$ 8.95	0.85	6.00%
			$ 43.44	77%	$ 56.25	4.50	7.00%	$ 43.44	118%	$ 36.84	3.50	6.00%
ABC3141	4	3/16/2007	$ 7.00	70%	$ 10.00	0.80	7.50%	$ 6.80	85%	$ 8.00	0.76	6.50%
ABC3141	5	3/16/2007	$ 4.38	70%	$ 6.25	0.50	7.50%	$ 4.30	86%	$ 5.00	0.48	6.50%
			$ 11.38	70%	$ 16.25	1.30	7.50%	$ 11.10	85%	$ 13.00	1.24	6.50%
ABC31415	6	6/5/2006	$ 9.33	60%	$ 15.56	1.40	8.00%	$ 7.50	48%	$ 15.56	1.40	7.00%
Total			$ 64.15	73%	$ 88.06	7.20	7.23%	$ 62.04	95%	$ 65.40	6.14	6.21%

The Bank may have the following data (Table 2) available from its data system or in its credit files:

Table 2

Loan Number	Origination Date	Current Outstanding Balance	Interest Rate	At Origination LTV	At Origination NOI	Current LTV	Current NOI
ABC314	11/2/2007	$43,400,000	6.00%	77%	$7,200,000	95%	$6,140,000
ABC3141	3/16/2007	$11,100,000	6.00%	70%	$1,300,000	85%	$6,140,000
ABC31415	6/5/2006	$7,500,000	7.00%	60%	$1,400,000	48%	$6,140,000

The calculations based on the ABC Bank data produced the values in Table 3, using a 30-year amortization to calculate the payment and DSCR values.

Table 3

Loan Number	Origination Date	Calculated Payment	Calculated Orig DSCR	Calculated Current DSCR
ABC314	11/2/2007	$260,205	2.31	1.97
ABC3141	3/16/2007	$66,550	1.63	7.69
ABC31415	6/5/2006	$49,898	2.34	10.25

An example of the correct data reporting practice for the proposed schedule is presented in Table 4.

Table 4

Loan Number	Origination Date	Current Outstanding Balance	Interest Rate	At Origination Value	At Origination NOI	Current Value	Current NOI	Crossed Collateralized Loan Number
ABC314	11/2/2007	$43,400,000	6.00%	$ 56,250,000	$7,200,000	$65,400,000	$6,140,000	ABC314, ABC3141, ABC31415
ABC3141	3/16/2007	$11,100,000	6.00%	$ 16,250,000	$1,300,000	$65,400,000	$6,140,000	ABC314, ABC3141, ABC31415
ABC31415	6/5/2006	$7,500,000	7.00%	$ 15,560,000	$1,400,000	$65,400,000	$6,140,000	ABC314, ABC3141, ABC31415

The "Current Value" and "Current NOI" are the same across the loans (ABC314, ABC3141, ABC31415) because they are cross-collateralized and cross-defaulted. Table 5 presents revised calculations based on the data that ABC Bank provided using the proper reporting methodology.

Table 5

Loan Number	Current Calculated DSCR	Calculated LTV
ABC314	1.26	95%
ABC3141	1.26	95%
ABC31415	1.26	95%

In Table 5, the calculation was amended to include the combined values to reflect the cross-collateralizations of the loans. Since all of the loans share the same collateral and have access to the same cash flows, the calculated DSCR and LTV are the same for all three.

Example II

In June 2010, ABC Bank approved two loans (loans number ABC27, ABC 271) to a real estate developer, which were secured by one property; the loans were cross-collateralized, and cross-defaulted. Loan ABC27 is an amortizing term loan and loan ABC271 is a revolving line of credit for the purpose of purchasing additional property. In Q4 2010, the borrower drew down $10,000,000 from loan ABC271 to purchase a new $50,000,000 property. In Q1 2011, the borrower was approved for $40,000,000 permanent financing (loan ABC2718) on the newly purchased property and loan ABC2718 was cross-collateralized and cross-defaulted with loans ABC27 and ABC271. The borrower repaid $5,000,000 (ABC271) to ABC Bank as a cash equity investment. Table 1 presents basic loan information of the three loans. Note that dollar values are in millions. The $15 million NOI represents the combined cash flows from all three properties.

Table 1

Loan	Property	At Origination							Current				
Number	Number	Orig date	Committed	Outstanding	LTV	Value	NOI	Int Rate	Outstanding	LTV	Value	NOI	Int Rate
ABC27	1	6/7/2010	$ 100.00	$ 100.00	50%	$ 200.00	10.50	5.00%	$ 100.00	76%	$ 250.00	15.00	5.00%
ABC271	1	6/7/2010	$ 50.00	$ -	50%	$ 200.00	10.50	7.50%	$ 5.00	76%	$ 250.00	15.00	7.00%
ABC2718	2	1/11/2011	$ 40.00	$ 40.00	76%	$ 250.00	15.00	6.50%	$ 40.00	76%	$ 250.00	15.00	6.50%

The following is a portion of the data (Table 2) that the Bank may have in its data system or credit files:

Table 2

Loan Number	Origination Date	Current Committed Balance	Current Outstanding Balance	interest Rate	At Origination LTV	At Origination NOI	Current LTV	Current NOI
ABC27	6/7/2010	$ 100,000,000	$ 100,000,000	5.00%	50%	$10,500,000	50%	$10,500,000
ABC271	6/7/2010	$ 50,000,000	$ 5,000,000	7.50%	0%	$10,500,000	3%	$10,500,000
ABC2718	1/11/2011	$ 40,000,000	$ 40,000,000	6.50%	16%	$15,000,000	16%	$15,000,000

The calculations based on the ABC Bank data produced the values in Table 3, using a 30-year amortization to calculate the payment and DSCR values.

Table 3

Loan Number	Origination Date	Calculated Payment	Calculated Orig DSCR	Calculated Current DSCR
ABC27	6/7/2010	$536,822	1.63	1.63
ABC271	6/7/2010	$349,607	2.50	2.50
ABC2718	1/11/2011	$252,827	4.94	4.94

An example of the correct data reporting practice is presented in Table 4.

Table 4

				At Origination		Current		
Loan Number	Origination Date	Current Outstanding Balance	Interest Rate	Value	NOI	Value	NOI	Crossed Collateralized Loan Number
ABC27	6/7/2010	$ 100,000,000	5.00%	$200,000,000	$10,500,000	$250,000,000	$15,000,000	ABC27, ABC271, ABC2718
ABC271	6/7/2010	$ 5,000,000	7.50%	$200,000,000	$10,500,000	$250,000,000	$15,000,000	ABC27, ABC271, ABC2718
ABC2718	1/11/2011	$ 40,000,000	6.50%	$250,000,000	$15,000,000	$250,000,000	$15,000,000	ABC27, ABC271, ABC2718

Table 5 presents revised calculations based on the ABC Bank provided data in the new proposed format.

Table 5

	Current	
Loan Number	Calculated DSCR	Calculated LTV
ABC27	1.52	76%
ABC271	1.52	76%
ABC2718	1.52	76%

In Table 5, the calculation was amended to include the combined values to reflect the cross-collateralizations of the loans.

FR Y-14A and FR Y-14Q Data Collection Proposal: Trading Section FAQs

2. **Q: Can we add new worksheets to the schedule to distinguish between US and European exposures to Securitized Products?**

   A: No. While firms are welcome to provide additional detail in supplemental documentation, they should not modify the schedule other than as permitted in the instructions for each worksheet. As currently proposed, the trading schedules would require securitized products for all regions to be aggregated and reported in a single worksheet. A more detailed reporting of certain European exposures would be required in other parts of the trading proposal, including the equities, rates, sovereign credit and private equity worksheets. We will carefully consider the information provided by commenters through the rulemaking process and incorporate modifications to the schedule, including additional worksheets, as appropriate.

3. **Q: May we supply supplementary information at the bottom of, or off to the side of the worksheets?**

   A: No. As proposed, all entries would be limited to the designated input cells.

4. **Q: In some cases we use different units/conventions internally than what are requested in the schedule. May we report these alternative units to you in the schedule, provided we submit a document explaining the differences?**

   A: No. As proposed, data in the proposed schedule would be reported only in the units requested. If the requested units are unavailable and conversion is not possible, then those fields would be left blank in the schedule. In such cases it would be helpful if firms could submit a document describing the issue and the alternative data that is available.

FR Y-14A and FR Y-14Q Data Collection Proposal: Technical FAQs

COUNTERPARTY

5. **Q: Will the implementation of the proposed rules for Counterparty Credit Risk (CCR) on an annual schedule replace the requests for CCR CVA templates that have been made over a number of recent quarters?**

   A: No, under the proposal, the Y-14A CCR schedule would be independent from the CCR CVA templates.

PPNR

6. **Q: How would “market” be defined to calculate the market share for the Investment Banking detail (lines 9-23) on the PPNR Metrics Worksheet?**

   A: Under the proposal, market would be defined as total dollar volume.

TRADING

7. **Q: Many of the worksheets within the proposed Trading schedule include a firm-level threshold. Are there any thresholds based on the lines of business?**

   A: The proposed schedule does not contain line of business thresholds.

8. **Q: How frequently would the Trading schedule need to be submitted on an ongoing basis?**

   A: Under the proposal, the Trading schedule is part of Y-14Q and as proposed, would be submitted each quarter.

9. **Q: Where should we report the results of the trading market shock in the Summary schedule?**

   A: Under the proposal, the trading results should be reported in two locations in the Summary Schedule: on the Income Statement Worksheet (aggregate) and on the Trading Worksheet (by components).

10. **Q: Should the population of exposures on the 'Other Fair Value Assets' worksheets tie to any specific data reported in the FRY-9C?**

    A: Under the proposal, there are no specific expectations for the contents of the 'Other Fair Value Assets' worksheets to tie to the FRY-9C line item(s).

11. **Q: Is there a data schedule for unfunded commitments and contingent liabilities?**

    A: Under the proposal, there is no separate data schedule for unfunded commitments and contingent liabilities. Unfunded commitments for private equity would be requested within the private equity section of the trading schedule.

12. **Q: On the "Rates DV01" worksheet, can we replace the data fields with an alternative metric such as forward curve buckets instead of par curve buckets?**

    A: The proposed schedule does not provide for the use of an alternative metric.

13. **Q: Is there a materiality threshold for proposed schedules?**

    A: Under the proposal, materiality thresholds are provided in the schedule instructions where appropriate.

WHOLESALE

14. **Q: Based on the instructions in the proposed Y-14 Commercial Real Estate (CRE) and Corporate Loan schedules, there are loans that meet the criteria for schedules. Is this the intent? If so, should we include loans meeting both criteria in both templates or pick one?**

    A: Under the proposal, the relevant loan populations are defined by the Y-9C categories outlined in each schedule. For the Corporate Loan schedule, the relevant Y-9C categories are outlined in the Additional Instructions for Field 27. For the CRE schedule, the relevant Y-9C categories are outlined in Field 4. Under the proposal, no loan would be reported in multiple schedules.

15. **Q: For the proposed Corporate Loan schedule, are we required to report all loans required under HC-C, excluding CRE and consumer loans? Is there no minimum loan size threshold?**

    A: Under the proposal, all graded corporate loans within the FR Y-9C categories outlined in the Additional Instructions for Field 27 would be required to be reported in the Corporate Loan schedule. For clarity, some small business loans are graded and are similar to middle market loans while others may be scored and are treated similarly to consumer loans. All loans graded commercial loans would be included on the Corporate Loan schedule while scored loans would be reported on the SME schedule.

16. **<u>Q: When completing the CRE and Corporate Loan schedules, is there guidance on what loans are to be included in each of the schedules?</u>**

    A: Under the proposal, the inclusion criteria for individual loans are based on the classification of those loans in the Y-9C. For the Corporate Loan schedule, the relevant Y-9C categories are outlined in the Additional Instructions for Field 27. For the CRE schedule, the relevant Y-9C categories are outlined in Field 4.

17. **<u>Q: In the CRE presentation during the outreach call, was the source of the sample bank data presented in the slide deck a consolidated sample of banks or based on data from an individual bank?</u>**

    A: The data presented in the charts of the presentation is sample data from an individual institution; however, it is representative of the observed data quality issues across multiple institutions.

18. **<u>Q: In the example from the CRE presentation during the outreach call, was amortization used to calculate the debt coverage ratios just for demonstration purposes or is that what is used in estimating risk?</u>**

    A: The assumed amortization in the example was only used for demonstration purposes.

19. **<u>Q: In the proposed CRE schedule, would field 43 (Cross Collateralized Loans) include information on loans that are cross-collateralized and cross-defaulted or on loans that are cross-collateralized or cross-defaulted?</u>**

    A: Under the proposed CRE schedule, loans that are cross-collateralized and/or cross-defaulted would be included.

20. **<u>Q: In the proposed CRE schedule, would CRE loans that are cross-collateralized but do not meet the million dollar threshold be included as part of the data collection?</u>**

    A: Under the proposed CRE schedule, CRE loans that are under one million dollars and cross-collateralized with a reported CRE loan of one million dollars or more would be reported.

21. **<u>Q: In the proposed CRE schedule, would non-CRE loans that are cross-collateralized with reported CRE loans be included in the cross-collateralization field?</u>**

    A: The proposed CRE schedule defines CRE loans as loans reported on FR Y-9C under BHCKF158, BHCK159, BHDM1460, BHCKF160 and BHCK161. Non-CRE loans used as collateral in a cross-collateralization would be excluded from field 43 (Cross Collateralized Loans).

22. **<u>Q: In the proposed CRE schedule, would all 43 data fields be required for the cross-collateralized loans under the million dollar threshold?</u>**

    A: Under the proposed CRE schedule, all 43 fields would be reported for the cross collateralized loans under the million dollar threshold.

23. **Q: Is the proposed Y-14Q CRE schedule the same as the schedule used by the Office of the Comptroller of the Currency (OCC) to collect CRE data from certain national banks?**

A: Yes, the proposed Y-14Q CRE schedule is identical to the schedule being used by the OCC to collect CRE data from certain national banks. Please note, however, that any final Y-14Q CRE schedule may vary from the current OCC collection because the proposed Y-14Q schedule is out for comment.

24. **Q: If the CRE loan is syndicated, where a bank only holds a portion of the total loan, should the net operating income (NOI) be pro-rated to reflect the amount of the loan held by the reporting bank?**

A: Under the proposed CRE schedule, the NOI should be pro-rated to reflect the amount of the loan held by the reporting bank.

25. **Q: Should the valuation field in the proposed CRE schedule include only the value of real property securing a CRE loan or can the value of non-real property collateral be included as well?**

A: The proposed CRE schedule defines CRE loans as loans reported on FRY-9C under BHCKF158, BHCK159, BHDM1460, BHCKF160 and BHCK161. Proposed Y-14Q CRE schedule field numbers 13 (Value at Origination) and 41 (Current Value) would include the value of CRE collateralizing the reported loan that result in the loan being classified in any of the above CRE Y-9C line items. The value of collateral that is not CRE would be excluded from fields 13 and 41.

26. **Q: Should the cross-collateralization field include cross-collateralization/cross-default relationships that exist at the quarter end or relationships that existed at origination?**

A: Field 43 (Cross Collateralized Loans) of the proposed Y-14Q CRE schedule would include the loan number of only loans that are cross-collateralized or cross-defaulted with the reported loan at the schedule as-of-date. The as-of-date for the first proposed Y-14Q collection would be September 30, 2011.

27. **Q: For banks currently submitting CRE data to their primary federal regulator, should the data requested on the proposed Y-14Q CRE schedule be submitted using the normal report submission process?**

A: Yes. For banks that currently report CRE data to their primary federal regulator, the method of submission currently would remain the same.

RETAIL

28. **Q: In the product type segment of the proposed First Mortgage schedule, how would we classify loans that were originated as one product (Option ARM), have been modified into another product (Fixed Rate) or undergone a change in terms, but did not become a new loan?**

A: Under the proposed Mortgage schedule, the origination product classification would be used.

29. **Q: The proposed SME and Corporate Card schedule asks for the Original FICO or equivalent but the SAS variable name is REF_FICO. For all other schedules where Original FICO is requested, the SAS variable name is ORIG_FICO. Can you confirm that you want us to name the field REF_FICO?**

A: This appears to be a typographical error. The Federal Reserve would confirm the correct variable in any final schedule.

30. **Q: In the proposed schedules for Bank and Charge Cards and SME and Corporate Cards, receivables and UPB (excluding interest and fees) are included as summary variables. We do not always have the $ UPB stored in our database. Should we populate the UPB with the Receivables amount?**

A: Under the proposal, this data would be required to be reported as requested.

31. **Q: In the proposed schedules for Bank and Charge Cards and SME and Corporate cards, all variables for dollars outstanding and receivables are asking for the gross amount. Is this correct?**

A: Under the proposal, gross amounts would be reported.

32. **Q: For products that exclude loans with missing LTVs and FICOs (i.e. Mortgage), please confirm that you would only like this information (table D) for the current time period (rather than history).**

A: Under the proposal, table D would only be reported for the current period.

33. **Q: In the first CCAR, carrying value was requested as a summary variable in the retail schedules. Please confirm that, in the proposed Y-14 retail schedules, the unpaid balance is requested. Please note that the Y9-C reports in carrying value.**

A: Under the proposal, unpaid principal balance would be required to be reported as requested.

34. **Q: In the proposed First Mortgage schedule, there does not appear to be a mechanism for accounting for missing segments in the history tables. Exclusion tables only apply to the current month. How should we handle missing historical data to allow for reconciliation? For example, there is no way to capture our guaranteed mortgage historically.**

A: Under the proposal, missing segments should be reported in table D, which would only be required to be reported for the current period.

35. **Q: In the proposed First Mortgage schedule, please confirm that the mortgage delinquency definition is OTS as there is no 1-29 DPD bucket.**

A: Under the current proposal, please use the days-past-due counter for reporting delinquency segments. In the proposed First Mortgage schedule, there does not appear to be an allowance for loans owned / serviced for others. Please indicate whether we should exclude loans sold and serviced for others.

36. **Q: In CCAR 2011 there was a disconnect between the summary which included only owned loans and the segmentation file which included both owned and serviced for others.**

A: Under the proposal, the First Mortgage schedule would not request serviced for others portfolio data to be reported.

37. **Q: In table C of the proposed First Mortgage schedule, would the number of accounts repurchased from GSEs (C.6) and the number of accounts repurchased from privates (C.7) be cumulative or for only the most recent month?**

A: Under the proposal, the cumulative data would be reported for these snapshot metrics.

38. **Q: In the proposed Home Equity schedule, dollar commitment increases (B.7) and dollar commitment decreases (B.8) are included as summary variables. Is the intent of the schedule to capture only new commitments or would drawn volume also be captured? E.g. if commitment stays the same but borrower draws, will this value be 0?**

A: Under the proposal, the expectation is that commitment increases or decreases would be captured. If the commitment stays the same and the borrower draws, under the proposal the value would remain 0.

AFS/HTM SECURITIES

39. **Q: The "Securities Worksheet 1" template requests the amount of loss projected. What losses should be included? Please confirm the following definitions: Credit losses are the losses recognized on the income statement due to credit impairment. Non-credit losses are the losses captured in Other Comprehensive Income (OCI) on the Balance Sheet, primarily due to changes in fair market values.**

A: Under the proposal, BHCs would provide other-than-temporary-impairments (OTTI) for the current and projected quarters by type of exposure as outlined in the proposed schedule.

In accordance with Accounting Standards Codification (ASC) 320 (FSP FAS 115-2 and FAS 124-2), Recognition and Presentation of Other-Than-Temporary Impairments, OTTI for a debt security held to recovery is separated into (a) the amount representing credit loss and (b) the amount representing all other factors (e.g., liquidity premium). The OTTI related to the security's credit loss is recognized in earnings, whereas the OTTI related to other factors (defined in the worksheet as the non-credit loss portion) is included as part of a separate component of other comprehensive income (OCI).

Under the proposal, for securities determined to be other than temporarily impaired, BHCs would provide both total projected losses that would be recognized in earnings and any projected losses that would be captured in OCI.