

FEDERAL RESERVE BANK OF NEW YORK

NEW YORK, N.Y. 10045-0001

AREA CODE 212-720-5000

June 29, 2001

TO: The Chief Executive Officer of Each State Member Bank Located
in the Second Federal Reserve District

As part of a joint mailing with other supervisory agencies, state member banks received their Report of Condition and Income materials for the June 30, 2001 report date from the Federal Financial Institutions Examination Council. The completed report must be submitted to this Bank. Listed below is a brief summary.

Schedule RC-S for June 30, 2001

Banks must complete Schedule RC-S, Securitization and Asset Sale Activities, beginning this quarter. Banks that service loans and other financial assets should ensure that they provide the requested servicing information in Memorandum items 2.a, 2.b, and 2.c of this schedule even if they are not involved in other activities covered by Schedule RC-S. For the June 30, 2001 report date, banks may provide reasonable estimates for any item in Schedule RC-S for which the requested information is not readily available.

Loans and Leases Held for Sale

On March 26, 2001, the banking agencies issued guidance on certain loans held-for-sale to provide instruction about the appropriate accounting and reporting treatment for these. The guidance applies when: an institution decides to sell loans that were not originated or otherwise acquired with the intent to sell.

The guidance reminds institutions to report loans held-for-sale at the lower of cost or fair value and to report reductions in the value of loans transferred to held-for-sale through a write-down of the recorded investment to fair value upon transfer. At the same time, there should be a charge to the institution's allowance for loan and lease losses (ALLL). Further, changes to the value of these loans should be accounted for by the use of a valuation allowance and should not be charged to the ALLL. In addition, loans transferred to a held-for-sale account should continue to be accorded the same past due and nonaccrual treatment as other loans.

A completed Call Report must be electronically submitted no later than **July 30, 2001**. Earlier submission would aid the Federal Reserve in reviewing and processing the report and is encouraged.

Please note that, under the Regulatory Reports Monitoring Program, the timeliness of receipt of the Call Report will be monitored. Any report received after 5:00 p.m. on July 30 will be considered late. Submission of initial data will only be accepted electronically.

The staff of this bank will monitor whether banking organizations are meeting their basic reporting requirements through the use of Avalidity edits.@ Enclosed are updates to the monitoring edits. Please note the updates to ensure your institution meets these edit tests.

Website

Report forms and instructions for the Call Report can also be obtained from the FFIEC internet website at the following address:
www.ffiec.gov/ffiec_report_forms.htm

Copies of this letter and its enclosures have been sent to the report liaison designated by your institution. Any questions about this report may be directed to Richard Crawn, Reports Analyst in the Regulatory Reports Division at (212) 720-7991.

Sincerely,

Signed by Kenneth P. Lamar

Kenneth P. Lamar
Assistant Vice President
Financial Reports Department