Community Development Bankers Association
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September 12, 2017

Ms. Monica Jackson
Office of the Executive Secretary
Consumer Financial Protection Bureau
1700 G Street, NW.
Washington, DC 20552

RE: Request for Information Regarding the Small Business Lending Market, CFPB-2017-0011

Dear Ms. Jackson:

The members of the Community Development Bankers Association (CDBA) respectfully submit the enclosed comments on the Request for Information (RFI) Regarding the Small Business Lending Market published in the Federal Register on May 15, 2017.

CDBA is the national trade association of banks and thrifts with a primary mission of promoting community development. There are 139 banks with the Treasury's Community Development Financial Institutions (CDFIs) designation – which means at least 60% of total lending, services and other activities are targeted to low- and moderate-income (LMI) communities. CDFI banks have a primary mission of community development and work in impoverished urban, rural, and Native American communities. CDFI banks promote entrepreneurship and economic opportunity by providing financial products and services to small businesses located in places that are often disinvested and under resourced

CDFI banks share the Consumer Financial Protection Bureau's (CFPB) core value of protecting consumers. We live this value by providing fair and transparent financial products and services to all customers. CDBA unequivocally agrees with the stated purpose of Section 1071 of preventing discrimination on basis of race, ethnicity and gender. CDFI banks intimately understand the needs of underserved and disinvested communities. In fact, large portions of the people and communities served by CDFI banks consist of racial and ethnic minorities and women that have experienced discrimination, unscrupulous targeting by payday and other predatory providers, and a lack of opportunity that undermines long-term economic stability.

Section 1071 of the Dodd-Frank Act (hereafter Section 1071) amends Equal Credit Opportunity Act (ECOA) to require financial institutions to report information concerning credit applications made by women-owned, minority-owned, and small businesses. The purpose of this data collection, as stated by Congress in section 1071, is to *"facilitate enforcement of fair lending laws"* and to *"enable communities, governmental entities, and creditors to identify business and community development needs and opportunities of women-owned, minority-owned, and small businesses."* In the Request for Information, the agency states, *"to achieve this statutory purpose, the Bureau believes the section 1071 data should cover an extensive share of the market and contain enough flexibility to analyze different market segments. However, there are costs associated with any data collection which have to be weighed against the benefits."*

Role of Small Business in a Vital Economy

Small businesses are the foundation of the US economy. Access to credit is critical to small business vitality. The Bureau of Labor Statistics reports that more than three-fourths of American businesses have fewer than 10 employees and another, nearly one-fourth, have between 10 and 500 employees. Small business accounts for half of private sector employment and small firms.

The uniqueness and complexity of businesses lending will make implementation of Section 1071 vastly more complex than the Home Mortgage Disclosure Act (HMDA). General policy discussion of the credit needs of small businesses often lacks an appreciation of the vast heterogeneity of the small business sector and the diversity of their credit needs. While some businesses are capital intensive and need to borrow to purchase heavy equipment, others require working capital to purchase inventory, and some companies need little or no credit. The unique characteristics of each small business and the nature of its credit needs will affect the type of financial instrument that is best applied. To serve the small business sector effectively, flexibility is critical, as is knowledge of the local market and context.

Cost Burdens for CDFI Banks

CDBA members have grave concerns about the anticipated costs to implement Section 1071. Our members are among the smallest banks in the nation. The smallest CDFI bank is $24 million, the largest is less than $3 billion, and the average is $352 million. While the cost of any single new regulation mandated by Dodd-Frank is manageable for many institutions, the sheer volume of the many new regulations that have gone into effect since the law's passage is overwhelming -- particularly for small institutions. Many CDFI banks simply do not have the resources to comply with the same regulations as the largest institutions due to slimmer profit margins and modest staff sizes.

CDFI banks are firmly committed to serving low-moderate income customers and promoting economic opportunity and inclusivity among all people regardless of race, ethnicity and gender. Yet, CDFI banks are not immune to the threats to the community bank business model. Significantly increasing the costs for engaging in small business lending, in many cases, may have the unintended negative effect of forcing the smallest lenders to abandon this type of lending because it is no longer profitable and/or the compliance risks are too great. In recent years, we have witnessed new home mortgage and consumer lending rules force some small banks to make the painful decision to stop offering some products. CDFI banks have limited capital. We strongly believe that our capital is best used to serve our communities, rather than cover additional compliance costs.

The ability of small banks to remain viable as the costs of compliance rise at a rapid pace has materially contributed to the nationwide decline in the number of community banks. The continued concentration of assets within a handful of mega- and regional-banks has a destabilizing effect on communities when credit decisions are no longer made by local lenders. This destabilization is particularly acute in the precise communities that CDBA members serve: distressed rural communities, disinvested urban neighborhoods, and under resourced Native American communities.

Preserving local access to capital among small businesses in the lowest income communities is the highest priority of CDFI banks and should be of paramount importance to the CFPB. The residents and business owners of communities served by CDFI banks are disproportionately racial and ethnic minorities. Our customers need lenders that understand their markets and unique circumstances and who will work with them to address challenges with credit scores, strengthen a business plan, or figure out how to solve a business problem that is a barrier to success.

On a practical level, CDBA strongly recommends that the CFPB conduct an analysis of the potential costs that Section 1071 will impose to inform policy making prior to issuing a proposed rule. This analysis should include a representative sample of the type of lenders that will be subject to the rule, including regulated, nonregulated, large and small institutions. We believe the results of this analysis should be shared with the public and used to inform discussion about the costs and benefits of various provisions. Better information will result in smarter public policy.

CDBA Responses to Section 1071 RFI Questions

Despite the concerns raised about Section 1071, we offer the responses below to help inform the CFPB on how to make implementation less onerous for small and mission oriented institutions.

1. **Definitions**

All regulated banks, including CDFI banks, use small business definitions established by their primary regulators for the purpose of reporting lending activity on the Call Reports. All of our core systems, software, and compliance reporting use these definitions. These definitions are outlined in FFIEC's Schedule the RC-C, Part II – Loans to Small Business and Small Farms (see Attachment A).

One of the significant complexities of implementation of Section 1071 is the wide variety of lenders engaged in providing small business credit. In the case of banks, CDBA strongly urges you to use the existing definitions set forth by our regulators to minimize costs of implementation of Section 1071. Imposing an alternative set of definitions will add significant additional costs to set up and reclassify loans, as well as the on-going costs of maintaining duel systems, staff training, and duplicative reporting. We strongly urge you build upon our existing systems.

CDFI banks operate within a complicated web small business lending regulations and government programs. Unfortunately, there are few common standards. Each program or regulation has unique definitions, minimum and maximum loan sizes, revenue standards, relationship to legally related entities, and other factors. Among the Federal programs most commonly utilized by CDFI banks are the Small Business Administration's 7(a), USDA's Business and Industry loan guarantee programs, and the US Treasury's CDFI Fund. Furthermore, many CDFI banks tap into a host of other state or local programs to help underserved communities and promote entrepreneurship. Discrepancies in definitions are largely due to the different public policy goals and objectives designed by Congress and other government agencies at the time of the programs' inception.

With respect to questions raised in the RFI regarding use of NAICS classifications, some CDFI banks use this system or the older Standard Industrial Classification (SIC) system to track business loans by industry type. However, not all CDFI banks have adopted this system. Requiring all lenders to use this system adds yet another cost. Given the significant costs of implementing Section 1071, CDBA strongly encourages the CFPB to keep the rule as simple and streamlined as possible.

CDBA seeks clarification and recommends that small farm loans be excluded from the definition of small businesses loans.

2. Data Points

CDBA recommends that the CFPB keep Section 1071 simple and streamlined. CFPB should only ask for data that is mandated by Congress or critical to fulfillment of its statute. Every data point collected for every customer is a real cost. The worst outcome for all is if a lender opts to stop offering business loans because the compliance cost out-weights the revenue generated. This is particularly true in low-income communities where loan sizes are typically small and generate less revenue particularly relative to the fixed cost of compliance per loan.

A. Proposed Data Points

Section 1071 outlines a list of data points that financial institutions must collect and report. Most financial institutions collect all of the data points – except race, sex, and ethnicity of the principal business owners. Accurately reporting this information to meet regulatory compliance standards will require building new systems to collect, compile and verify the data. Unfortunately, many CDFI banks have insufficient resources to build these new systems. For example, the information may currently be collected and compiled in internal paper credit memos, but not collected in software or a bank's core data processing systems. Furthermore, different banks may use different standards for recording these items. For example:

- Some banks geo-code loans based on the principal places of business, while others use the location of collateral, and others may use the residence of the business owner.
- There is no standard definition for classifying "type and purpose of business" except for categories created in the Call Reports, which are very broad.
- Gross Annual Revenue is difficult to precisely define given differences in accounting and tax practices both across and within business subsectors. For example, many small businesses operate on a cash basis, while others use accrual based accounting.

B. Data Points Not Currently Collected

Collecting information on race, gender and ethnicity of principal business owners creates concerns for some lenders. While ECOA prohibits such factors from being taken into consideration as part of credit decisions, it does not prohibit financial institutions from collecting the data. Yet, most banks – out of an abundance of caution -- do not collect this data at all for fear of receiving an ECOA regulatory finding. Section 1071 will now establish an affirmative obligation for all business lenders to collect this information. Collection of such data raises questions about how to ensure it does not intentionally -- or unintentionally -- influence credit decisions.

In order to effectively implement Section 1071, it is of the utmost importance that bank examiners receive comprehensive training on the new regulation. The training bank examiners currently receive on ECOA (and other rules) is inconsistent at best. CDFI banks often are assigned to less experienced examiners without the sufficient background to understand a CDFI bank's context and market. We recommend that the CFPB and implementing agencies (e.g. FDIC, OCC, Federal Reserve) invest in good examiner training and ensure senior personal are assigned to CDFI examinations. Clear guidance needs to be provided to financial institutions on how they can collect and use such data without violating the letter or spirit of ECOA.

CDFI banks are firmly committed to serving LMIs and promoting financial inclusion with large portions of their customers consisting of racial and ethnic minorities and women. Our banks know first-hand that customers in these demographic groups too often cannot qualify for a loan without additional assistance. The root causes of poverty are deep and create an un-level playing field for many demographic groups long before they fill out a credit application. Many have poor or low credit scores, which can be addressed. Some lack collateral to pledge as security on a loan. Some have insufficient cash flow to make loan payments. Some need assistance with elements of their business plans, while others lack sufficient experience running a business. Some customers will only discover they have impediments to borrowing after submitting an application and getting feedback – or worse – a rejection. CDFI banks have targeted initiatives to work with these customers to prepare them to become successful borrowers and businesses. While a CDFI can encourage an applicant to participate in training or obtain technical assistance, it cannot mandate it.

CDFI banks have specific concerns about collecting race, gender and ethnicity data given their unique business model and market context. Our institutions proactively seek to serve low- and moderate-income people and communities that are often left out of the economic mainstream, including racial and ethnic minorities and women. By design, CDFI banks work with customers that may have difficulty borrowing due to a variety of causes. CDFI banks are more likely than non-CDFI peers to have customers that do not qualify for credit or cannot qualify without assistance (i.e. credit repair, business development, technical assistance). Section 1071 runs the risk of the unintended consequence of harming CDFIs who specifically seek to help racial and ethnic minorities and women – if market and context is NOT carefully considered.

C. Supplementary Data Points

CFPB specifically requests feedback on supplementary data points that would: (1) improve the quality of data collected; and (2) reduce the possibility of misinterpretation or incorrect conclusions that might arise from collection or release of data. CDBA recommends keeping reporting simple and streamlined as the best strategy for reducing costs. Yet, as discussed above, borrowers may be rejected for a myriad of reasons. If a borrower is rejected, the lender should be given the opportunity to report a "reason for rejection" (i.e. credit score) as part of "type of action taken" to mitigate misinterpretation of data.

D. Implementation Challenges

Creating and implementing a system for new data collection involves multi-faceted challenges. Financial institutions will need to develop new standard definitions, customer applications, buy new or alter existing software, train staff, and develop new policy and procedures amongst other steps. Of most importance is the need to implement new systems to check and verify the accuracy of the information collected. Ensuring data is systematically collected and is accurate is an expensive undertaking that involves both up-front costs and on-going costs of implement. The costs of not maintaining a high quality system and data can result in a finding during an examination – which can create new headaches for a financial institution.

3. Financial Institutions Engaged in Business Lending

The small business lending landscape has changed dramatically in recent years. Community banks have long been a primary source of small business credit due to their flexibility and local market knowledge.

Industry consolidation, use of automated credit scoring, and new technology-drive entrants to the market has eroded community banks' market share.

Analysis of Call Report data by the Federal Reserve found that the most striking erosion in small banks' small business lending market share over the past decade has been in loans of less than $100,000. Large banks share of "micro loans" grew from 42% in 2005 to 67% in 2015. This trend is largely attributed to the growing use of credit scoring models for the smallest loans. In contrast, large banks' share of loans in the $100,000 and $1 million range only grew from 39% to 43%. Small banks' share of this segment business loans has remained stable as risk prevents large banks from using credit scoring models and the costs of traditional underwriting small loans is considered insufficiently profitable.

The rapidly growing unregulated online FinTech sector is a growing concern. The data on this sector is limited, but suggest it is capturing a growing share of the small business lending market since the financial crisis. A 2016 Harvard Business School working paper estimated that outstanding portfolio balances of these lenders have doubled every year since the mid-2000s. Like online predatory consumer lenders, there are a growing body of evidence that a portion of this sector is engaging in the same type of unscrupulous targeting of vulnerable customers (including racial and ethnic minorities) as their consumer lender counterparts. A 2015 study by the US Treasury Department recommended greater Federal oversight of this sector.

Fair and Consistent Implementation

If regulated financial institutions are to be subject to Section 1071, then <u>all</u> other players in the small business lending space <u>must</u> be too. The unregulated small business lending sector is vast and diverse, and include FinTech companies, trade credit providers, credit card companies, Merchant Cash Advance and factoring firms, specialty lenders (e.g. SBA 504 firms), nonprofits, and a host of others. While banks and credit unions will continue to be examined by their prudential Federal regulators, currently unregulated small business lenders should be subject to comparable scrutiny and regular examinations.

Section 1071 will be meaningless -- and should not implemented -- if only regulated banks and credit unions are subject to regular examinations. To fairly apply Section 1071, the CFPB will need to build capacity to conduct examinations of the currently unregulated business lending sector. If the CFPB cannot fairly apply Section 1071, it should delay implementation until such time that it has sufficient capacity to apply it evenly across all business lenders.

We strongly recommend that the CFPB scale the requirements of Section 1071 based on the size of the lender and the nature of its lending activities. For example, banks under $10 billion in total assets should be required to only report on the data points outlined in statute. To the extent that the agency seeks to add supplemental data points as discussed in the RFI, they should apply them to only the largest financial institutions with the largest share of the small business lending market. Smaller institutions should be afforded a longer time line to comply with Section 1071 and be subject to less frequent exams. Comparable standards should be developed for other current nonregulated lenders based on their business model.

Exemptions

CDBA does not request an exemption from Section 1071 for CDFIs. The CFPB and prudential regulators, however, should recognize that CDFIs are a unique class of institutions. CDBA strongly recommends that an alternative Section 1071 examination process and compliance standards be developed for CDFIs. Such provisions should take into consideration the important public policy objectives fulfilled by these mission oriented entities. As discussed above, CDFIs are more likely to serve borrowers with lower credit scores or other impediments to borrowing than other lenders, including racial and ethnicity minorities and women. We are concerned about potential unintended consequences of Section 1071 for CDFIs that seek to responsibly work with borrowers with greater credit challenges. Most CDFIs provide one-on-one assistance or have initiatives designed to help business owners' access capital and run successful businesses. CDFIs should not be penalized by Section 1071 serving more difficult market segments. Further, as many CDFIs already report business lending data to the CDFI Fund, efforts should be made to streamline and reduce duplicative reporting to the CFPB.

In the interests of preserving access to capital and preventing small lenders from abandoning business lending due to concerns about the cost of Section 1071 compliance, we could support a "de minimus lending" exemption from Section 1071. We recommend the CFPB develop such de minimus standards for public comment.

4. Access to Credit and Financial Products Offered to Businesses

CDFI Banks offer a wide range of credit products to customers. As noted above, there is a vast array of small business credit sources, including regulated banks and credit unions and unregulated FinTech companies, trade credit providers, credit card companies, Merchant Cash Advance and factoring firms, specialty lenders, nonprofits, and others. These entities collectively provide a wide range of financing products to meet different business needs that are too numerous to list. As noted above, for Section 1071 to be effective, the rule must be applicable and implemented fairly across all types of providers and across substantially all products.

We appreciate the CFPB's desire to collect data on the small business lending market to ensure access to capital and fair lending. We are, however, concerned about potential long-term regulatory "creep" whereby more and more data points will be added over time that add cost. We are also concerned about CFPB using the data collected to "commoditize" small business lending to conform to reporting standards. CDFI banks are most effective when they can provide credit that meets the needs of customers. Flexibility is critical.

5. Privacy

At the aggregate level, the data outlined in the statute does not create privacy concerns. Release of the data on individual loans, however, could create privacy concerns for CDFI bank customers. For example, data on census tract, Gross Annual Revenue and borrower NAICS code could easily be used to identify a borrower in a less populated rural or Native American community. CDBA recommends that the agency use great caution in releasing individual borrower data or some aggregated data in less populated places.

The members of CDBA thank you for the opportunity to submit comments on the Request for Information Regarding the Small Business Lending Market. We look forward to working with you on this important matter.

If you have additional questions, please contact Jeannine Jacokes at (202) 689-8935 ext. 222 or jacokesj@pcgloanfund.org.

Sincerely,

Jeannine Jacokes
Chief Executive Officer
On Behalf of the Membership of the Community Development Bankers Association

ABC Bank (IL)
Albina Community Bank (OR)
BankFirst Financial Services (MS)
Bank of Anguilla (MS)
Bank of Commerce (MS)
Bank of Kilmichael (MS)
Bank of Lake Village (AR)
Bank of Montgomery (LA)
Bank of Rio Vista (CA)
Bank of Vernon (AL)
Bank of Winona (MS)
BankPlus (MS)
Beneficial State Bank (CA)
Broadway Federal Bank (CA)
Carver Federal Savings Bank (NY)
Carver State Bank (GA)
Central Bank of Kansas City (MO)
Century Bank of the Ozarks (MO)
Citizens National Bank (MS)
City First Bank of D.C., N.A. (DC)
City National Bank of New Jersey (NJ)
Commercial Bank (MS)
Commercial Capital Bank (LA)
Community Bancshares of Mississippi (MS)
Community Bank of the Bay (CA)
Farmers & Merchants Bank (MS)
First American International Bank (NY)
First Eagle Bank (IL)
First Independence Bank (MI)
First National Bank & Trust (AL)
First Security Bank (MS)
First SouthWest Bank (CO)
FNBC Bank (AR)
Guaranty Bank and Trust Company (MS)
Illinois Service Federal (IL)
Industrial Bank (DC)
International Bank of Chicago (IL)
Legacy Bank and Trust (MO)
Mechanics and Farmers Bank (NC)
Merchants and Planters Bank (MS)
Metro Bank (KY)
Mission National Bank (CA)
Mission Valley Bank (CA)
Native American Bank, N.A. (CO)
Neighborhood National Bank (CA)
NOAH Bank (PA)
Northern Hancock Bank & Trust (WV)
OneUnited Bank (MA)
Pan American Bank (IL)
Peoples Bank (MS)
Planters Bank (MS)
PriorityOne Bank (MS)
Richland State Bank (LA)
RiverHills Bank (MS)
Security Federal Bank (SC)
Security State Bank (OK)
South Carolina Community Bank (SC)
Southern Bancorp, Inc. (AR)
Spring Bank (NY)
Start Community Bank (CT)
State Bank & Trust Company (MS)
Sunrise Banks (MN)
Sycamore Bank (MS)
The First, A National Banking Assoc. (MS)
The Jefferson Bank (MS)
United Bank (AL)
United Bank of Philadelphia (PA)
Urban Partnership Bank (IL)
Virginia Community Capital (VA)

ATTACHMENT A

Schedule RC-C, Part II. Loans to Small Businesses and Small Farms

General Instructions

Schedule RC-C, part II, is to be completed only with the June 30 Report of Condition.

Schedule RC-C, part II, requests information on the number and amount currently outstanding of "loans to small businesses" and "loans to small farms," as defined below. This information is being collected pursuant to Section 122 of the Federal Deposit Insurance Corporation Improvement Act of 1991.

For purposes of this schedule, "**loans to small businesses**" consist of the following:

(1) Loans with original amounts of $1 million or less that have been reported in Schedule RC-C, part I, item 1.e, column B, "Loans secured by nonfarm nonresidential properties" (in domestic offices), and

(2) Loans with original amounts of $1 million or less that have been reported in Schedule RC-C, part I:

- On the FFIEC 041 for banks with less than $300 million in total assets, item 4, column B, "Commercial and industrial loans;"
- On the FFIEC 041 for banks with $300 million or more in total assets, item 4.a, "Commercial and industrial loans to U.S. addressees;" and
- On the FFIEC 031, item 4.a, column B, "Commercial and industrial loans to U.S. addressees" in domestic offices.

For purposes of this schedule, "**loans to small farms**" consist of the following:

(1) Loans with original amounts of $500,000 or less that have been reported in Schedule RC-C, part I, item 1.b, column B, "Loans secured by farmland (including farm residential and other improvements)" (in domestic offices), and

(2) Loans with original amounts of $500,000 or less that have been reported in Schedule RC-C, part I, item 3, column B, "Loans to finance agricultural production and other loans to farmers" (in domestic offices).

The following guidelines should be used to determine the "**original amount**" of a loan:

(1) For loans drawn down under lines of credit or loan commitments, the "original amount" of the loan is the size of the line of credit or loan commitment when the line of credit or loan commitment was most recently approved, extended, or renewed prior to the report date. However, if the amount currently outstanding as of the report date exceeds this size, the "original amount" is the amount currently outstanding on the report date.

(2) For loan participations and syndications, the "original amount" of the loan participation or syndication is the entire amount of the credit originated by the lead lender.

(3) For all other loans, the "original amount" is the total amount of the loan at origination or the amount currently outstanding as of the report date, whichever is larger.

The "**amount currently outstanding**" for a loan is its carrying value, i.e., the amount at which the loan is reported in Schedule RC-C, part I, item 1.b, 1.e, 3, 4, or 4.a.

ATTACHMENT A

Part II. (cont.)

General Instructions (cont.)

Except as noted below for "corporate" or "business" credit card programs, when determining "original amounts" and reporting the number and amount currently outstanding for a category of loans in this part II, multiple loans to one borrower should be combined and reported on an aggregate basis rather than as separate individual loans to the extent that the loan systems in which the bank's business and/or farm loan data are maintained can provide aggregate individual borrower data without undue cost to the reporting institution. However, if the burden of such aggregation would be excessive, the institution may report multiple loans to one borrower as separate individual loans.

A bank that offers "corporate" or "business" credit card programs under which credit cards are issued to one or more of a company's employees for business-related use should treat each company's program as a single extension of credit to that company. The credit limits for all of the individual credit cards issued to the company's employees should be totaled and this total should be treated as the "original amount" of the "corporate" or "business" credit card program established for this company. The company's program should be reported as one loan and the amount currently outstanding would be the sum of the credit card balances as of the June 30 report date on each of the individual credit cards issued to the company's employees. However, when aggregated data for each individual company in a "corporate" or "business" credit card program are not readily determinable from the bank's credit card records, the bank should develop reasonable estimates of the number of "corporate" or "business" credit card programs in existence as of the June 30 report date, the "original amounts" of these programs, and the "amounts currently outstanding" for these programs and should then report information about these programs on the basis of its reasonable estimates. In no case should the individual credit cards issued to a company's employees under a "corporate" or "business" credit card program be reported as separate individual loans to small businesses.

Item Instructions

Loans to Small Businesses

Item No. **Caption and Instructions**

1 **Indicate in the appropriate box at the right whether all or substantially all of the dollar volume of your bank's "Loans secured by nonfarm nonresidential properties" (in domestic offices) reported in Schedule RC-C, part I, item 1.e, and all or substantially all of the dollar volume of your bank's "Commercial and industrial loans (to U.S. addressees)" (in domestic offices) reported in Schedule RC-C, part I, item 4 (or 4.a), have original amounts of $100,000 or less**.

If: (a) the average size of the amount currently outstanding for your bank's "Loans secured by nonfarm nonresidential properties" (in domestic offices) as reported in Schedule RC-C, part I, above, is $100,000 or less, and

(b) the average size of the amount currently outstanding for your bank's "Commercial and industrial loans (to U.S. addressees)" (in domestic offices) as reported in Schedule RC-C, part I, above, is $100,000 or less, and

ATTACHMENT A

Part II. (cont.)

Item No.	Caption and Instructions
1 (cont.)	(c) your lending officers' knowledge of your bank's loans or other relevant information pertaining to "Loans secured by nonfarm nonresidential properties" (in domestic offices) and "Commercial and industrial loans (to U.S. addressees)" (in domestic offices) indicates that all or substantially all of the dollar volume of your bank's loans in each of these two categories has "original amounts" (as described above in the General Instructions to this part II) of $100,000 or less, place an "X" in the box marked "YES," complete items 2.a and 2.b below, skip items 3 and 4, and go to item 5. If your bank has no loans outstanding in both of these two loan categories, place an "X" in the box marked "NO," skip items 2 through 4, and go to item 5. Otherwise, place an "X" in the box marked "NO," skip items 2.a and 2.b, complete items 3 and 4 below, and go to item 5.
2	**Report the total number of loans currently outstanding for each of the following Schedule RC-C, part I, loan categories**. Multiple loans to one borrower should be combined and reported on an aggregate basis rather than as separate individual loans to the extent that the loan systems in which the bank's business and/or farm loan data are maintained can provide aggregate individual borrower data without undue cost to the reporting institution. However, if the burden of such aggregation would be excessive, the institution may report multiple loans to one borrower as separate individual loans.
2.a	**Number of "Loans secured by nonfarm nonresidential properties" (in domestic offices) reported in Schedule RC-C, part I, item 1.e**. Count the number of individual loans currently outstanding whose carrying values add up to the amount reported in Schedule RC-C, part I, item 1.e, column B, "Loans secured by nonfarm nonresidential properties" (in domestic offices). The amount reported in Schedule RC-C, part I, item 1.e, column B, divided by the number of loans reported in this item should not exceed $100,000.
2.b	**Number of "Commercial and industrial loans (to U.S. addressees)" (in domestic offices) reported in Schedule RC-C, part I, item 4 (or 4.a)**. Count the number of individual loans currently outstanding whose carrying values add up to the amount reported in Schedule RC-C, part I: • On the FFIEC 041 for banks with less than $300 million in total assets, item 4, column B, "Commercial and industrial loans;" • On the FFIEC 041 for banks with $300 million or more in total assets, item 4.a, "Commercial and industrial loans to U.S. addressees;" and • On the FFIEC 031, item 4.a, column B, "Commercial and industrial loans to U.S. addressees" in domestic offices. The amount reported in Schedule RC-C, part I, item 4 or 4.a, as appropriate, divided by the number of loans reported in this item should not exceed $100,000.

ATTACHMENT A

Part II. (cont.)

Item No. **Caption and Instructions**

3 **Number and amount currently outstanding of "Loans secured by nonfarm nonresidential properties" (in domestic offices) reported in Schedule RC-C, part I, item 1.e, column B**. See the General Instructions to this part II for the guidelines for determining the "original amount" of a loan. Multiple loans to one borrower should be combined and reported on an aggregate basis rather than as separate individual loans to the extent that the loan systems in which the bank's business and/or farm loan data are maintained can provide aggregate individual borrower data without undue cost to the reporting institution. However, if the burden of such aggregation would be excessive, the institution may report multiple loans to one borrower as separate individual loans.

The sum of the amounts currently outstanding reported in items 3.a through 3.c, column B, must be less than or equal to the amount reported in Schedule RC-C, part I, item 1.e, column B.

3.a **With original amounts of $100,000 or less**. Add up the total carrying value of all currently outstanding "Loans secured by nonfarm nonresidential properties" (in domestic offices) with "original amounts" of $100,000 or less and report this total amount in column B. Do not add up the "original amounts" of each of these loans and report the total original amount in column B.

Count the number of individual "Loans secured by nonfarm nonresidential properties" (in domestic offices) whose carrying values were included in the amount reported in column B for this item (i.e., those "Loans secured by nonfarm nonresidential properties" (in domestic offices) with "original amounts" of $100,000 or less). Report this number in column A.

3.b **With original amounts of more than $100,000 through $250,000**. Add up the total carrying value of all currently outstanding "Loans secured by nonfarm nonresidential properties" (in domestic offices) with "original amounts" of more than $100,000 through $250,000 and report this total amount in column B. Do not add up the "original amounts" of each of these loans and report the total original amount in column B.

Count the number of individual "Loans secured by nonfarm nonresidential properties" (in domestic offices) whose carrying values were included in the amount reported in column B for this item (i.e., those "Loans secured by nonfarm nonresidential properties" (in domestic offices) with "original amounts" of more than $100,000 through $250,000). Report this number in column A.

3.c **With original amounts of more than $250,000 through $1,000,000**. Add up the total carrying value of all currently outstanding "Loans secured by nonfarm nonresidential properties" (in domestic offices) with "original amounts" of more than $250,000 through $1,000,000 and report this total amount in column B. Do not add up the "original amounts" of each of these loans and report the total original amount in column B.

Count the number of individual "Loans secured by nonfarm nonresidential properties" (in domestic offices) whose carrying values were included in the amount reported in column B for this item (i.e., those "Loans secured by nonfarm nonresidential properties" (in domestic offices) with "original amounts" of more than $250,000 through $1,000,000). Report this number in column A.

ATTACHMENT A

Part II. (cont.)

Item No.	Caption and Instructions

4 **Number and amount currently outstanding of "Commercial and industrial loans (to U.S. addressees)" (in domestic offices) reported in Schedule RC-C, part I, item 4 (or 4.a)**. See the General Instructions to this part II for the guidelines for determining the "original amount" of a loan and for the treatment of "corporate" or "business" credit card programs. Multiple loans to one borrower should be combined and reported on an aggregate basis rather than as separate individual loans to the extent that the loan systems in which the bank's business and/or farm loan data are maintained can provide aggregate individual borrower data without undue cost to the reporting institution. However, if the burden of such aggregation would be excessive, the institution may report multiple loans to one borrower as separate individual loans.

The sum of the amounts currently outstanding reported in items 4.a through 4.c, column B, must be less than or equal to the amount reported in Schedule RC-C, part I:

- On the FFIEC 041 for banks with less than $300 million in total assets, item 4, column B, "Commercial and industrial loans;"
- On the FFIEC 041 for banks with $300 million or more in total assets, item 4.a, "Commercial and industrial loans to U.S. addressees;" and
- On the FFIEC 031, item 4.a, column B, "Commercial and industrial loans to U.S. addressees" in domestic offices.

4.a **With original amounts of $100,000 or less**. Add up the total carrying value of all currently outstanding "Commercial and industrial loans (to U.S. addressees)" (in domestic offices) with "original amounts" of $100,000 or less and report this total amount in column B. Do not add up the "original amounts" of each of these loans and report the total original amount in column B.

Count the number of individual "Commercial and industrial loans (to U.S. addressees)" (in domestic offices) whose carrying values were included in the amount reported in column B for this item (i.e., those "Commercial and industrial loans (to U.S. addressees)" (in domestic offices) with "original amounts" of $100,000 or less). Report this number in column A.

4.b **With original amounts of more than $100,000 through $250,000**. Add up the total carrying value of all currently outstanding "Commercial and industrial loans (to U.S. addressees)" (in domestic offices) with "original amounts" of more than $100,000 through $250,000 and report this total amount in column B. Do not add up the "original amounts" of each of these loans and report the total original amount in column B.

Count the number of individual "Commercial and industrial loans (to U.S. addressees)" (in domestic offices) whose carrying values were included in the amount reported in column B for this item (i.e., those "Commercial and industrial loans (to U.S. addressees)" (in domestic offices) with "original amounts" of more than $100,000 through $250,000). Report this number in column A.

ATTACHMENT A

Part II. (cont.)

Item No.	**Caption and Instructions**
4.c	**With original amounts of more than $250,000 through $1,000,000**. Add up the total carrying value of all currently outstanding "Commercial and industrial loans (to U.S. addressees)" (in domestic offices) with "original amounts" of more than $250,000 through $1,000,000 and report this total amount in column B. Do not add up the "original amounts" of each of these loans and report the total original amount in column B. Count the number of individual "Commercial and industrial loans (to U.S. addressees)" (in domestic offices) whose carrying values were included in the amount reported in column B for this item (i.e., those "Commercial and industrial loans (to U.S. addressees)" (in domestic offices) with "original amounts" of more than $250,000 through $1,000,000). Report this number in column A.

Agricultural Loans to Small Farms

Item No.	**Caption and Instructions**
5	**Indicate in the appropriate box at the right whether all or substantially all of the dollar volume of your bank's "Loans secured by farmland (including farm residential and other improvements)" (in domestic offices) reported in Schedule RC-C, part I, item 1.b, column B, and all or substantially all of the dollar volume of your bank's "Loans to finance agricultural production and other loans to farmers" (in domestic offices) reported in Schedule RC-C, part I, item 3, column B, have original amounts of $100,000 or less**. If: (a) the average size of the amount currently outstanding for your bank's "Loans secured by farmland (including farm residential and other improvements)" (in domestic offices) as reported in Schedule RC-C, part I, above, is $100,000 or less, and (b) the average size of the amount currently outstanding for your bank's "Loans to finance agricultural production and other loans to farmers" (in domestic offices) as reported in Schedule RC-C, part I, above, is $100,000 or less, and (c) your lending officers' knowledge of your bank's loans or other relevant information pertaining to "Loans secured by farmland (including farm residential and other improvements" (in domestic offices) and your "Loans to finance agricultural production and other loans to farmers" (in domestic offices) indicates that all or substantially all of the dollar volume of your bank's loans in each of these two categories has "original amounts" (as described above in the General Instructions to this part II) of $100,000 or less, place an "X" in the box marked "YES," complete items 6.a and 6.b below, and do not complete items 7 and 8 below. If your bank has no loans outstanding in both of these two loan categories, place an "X" in the box marked "NO," and do not complete items 6 through 8. Otherwise, place an "X" in the box marked "NO," skip items 6.a and 6.b, and complete items 7 and 8 below.

ATTACHMENT A

Part II. (cont.)

Item No.	Caption and Instructions
6	**Report the total number of loans currently outstanding for each of the following Schedule RC-C, part I, loan categories**. Multiple loans to one borrower should be combined and reported on an aggregate basis rather than as separate individual loans to the extent that the loan systems in which the bank's business and/or farm loan data are maintained can provide aggregate individual borrower data without undue cost to the reporting institution. However, if the burden of such aggregation would be excessive, the institution may report multiple loans to one borrower as separate individual loans.
6.a	**Number of "Loans secured by farmland (including farm residential and other improvements)" (in domestic offices) reported in Schedule RC-C, part I, item 1.b, column B**. Count the number of individual loans currently outstanding whose carrying values add up to the amount reported in Schedule RC-C, part I, item 1.b, column B, "Loans secured by farmland (including farm residential and other improvements)" (in domestic offices). The amount reported in Schedule RC-C, part I, item 1.b, column B, divided by the number of loans reported in this item should not exceed $100,000.
6.b	**Number of "Loans to finance agricultural production and other loans to farmers" (in domestic offices) reported in Schedule RC-C, part I, item 3, column B**. Count the number of individual loans currently outstanding whose carrying values add up to the amount reported in Schedule RC-C, part I, item 3, column B, "Loans to finance agricultural production and other loans to farmers" (in domestic offices). The amount reported in Schedule RC-C, part I, item 3, column B, divided by the number of loans reported in this item should not exceed $100,000.
7	**Number and amount currently outstanding of "Loans secured by farmland (including farm residential and other improvements)" (in domestic offices) reported in Schedule RC-C, part I, item 1.b, column B**. See the General Instructions to this part II for the guidelines for determining the "original amount" of a loan. Multiple loans to one borrower should be combined and reported on an aggregate basis rather than as separate individual loans to the extent that the loan systems in which the bank's business and/or farm loan data are maintained can provide aggregate individual borrower data without undue cost to the reporting institution. However, if the burden of such aggregation would be excessive, the institution may report multiple loans to one borrower as separate individual loans. The sum of the amounts currently outstanding reported in items 7.a through 7.c, column B, must be less than or equal to the amount reported Schedule RC-C, part I, item 1.b, column B.
7.a	**With original amounts of $100,000 or less**. Add up the total carrying value of all currently outstanding "Loans secured by farmland (including farm residential and other improvements)" (in domestic offices) with "original amounts" of $100,000 or less and report this total amount in column B. Do not add up the "original amounts" of each of these loans and report the total original amount in column B. Count the number of individual "Loans secured by farmland (including farm residential and other improvements" (in domestic offices) whose carrying values were included in the amount reported in column B for this item (i.e., those "Loans secured by farmland (including farm residential and other improvements)" (in domestic offices) with "original amounts" of $100,000 or less). Report this number in column A.

ATTACHMENT A

Part II. (cont.)

Item No.	Caption and Instructions
7.b	**With original amounts of more than $100,000 through $250,000**. Add up the total carrying value of all currently outstanding "Loans secured by farmland (including farm residential and other improvements" (in domestic offices) with "original amounts" of more than $100,000 through $250,000 and report this total amount in column B. Do not add up the "original amounts" of each of these loans and report the total original amount in column B. Count the number of individual "Loans secured by farmland (including farm residential and other improvements)" (in domestic offices) whose carrying values were included in the amount reported in column B for this item (i.e., those "Loans secured by farmland (including farm residential and other improvements)" (in domestic offices) with "original amounts" of more than $100,000 through $250,000). Report this number in column A.
7.c	**With original amounts of more than $250,000 through $500,000**. Add up the total carrying value of all currently outstanding "Loans secured by farmland (including farm residential and other improvements)" (in domestic offices) with "original amounts" of more than $250,000 through $500,000 and report this total amount in column B. Do not add up the "original amounts" of each of these loans and report the total original amount in column B. Count the number of individual "Loans secured by farmland (including farm residential and other improvements)" (in domestic offices) whose carrying values were included in the amount reported in column B for this item (i.e., those "Loans secured by farmland (including farm residential and other improvements)" (in domestic offices) with "original amounts" of more than $250,000 through $500,000). Report this number in column A.
8	**Number and amount currently outstanding of "Loans to finance agricultural production and other loans to farmers" (in domestic offices) reported in Schedule RC-C, part I, item 3, column B**. See the General Instructions to this part II for the guidelines for determining the "original amount" of a loan. Multiple loans to one borrower should be combined and reported on an aggregate basis rather than as separate individual loans to the extent that the loan systems in which the bank's business and/or farm loan data are maintained can provide aggregate individual borrower data without undue cost to the reporting institution. However, if the burden of such aggregation would be excessive, the institution may report multiple loans to one borrower as separate individual loans. The sum of the amounts currently outstanding reported in items 8.a through 8.c, column B, must be less than or equal to the amount reported in Schedule RC-C, part I, item 3, column B.
8.a	**With original amounts of $100,000 or less**. Add up the total carrying value of all currently outstanding "Loans to finance agricultural production and other loans to farmers" (in domestic offices) with "original amounts" of $100,000 or less and report this total amount in column B. Do not add up the "original amounts" of each of these loans and report the total original amount in column B. Count the number of individual "Loans to finance agricultural production and other loans to farmers" (in domestic offices) whose carrying values were included in the amount reported in column B for this item (i.e., those "Loans to finance agricultural production and other loans to farmers" (in domestic offices) with "original amounts" of $100,000 or less). Report this number in column A.

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Part II. (cont.)

Item No.	Caption and Instructions
8.b	**With original amounts of more than $100,000 through $250,000**. Add up the total carrying value of all currently outstanding "Loans to finance agricultural production and other loans to farmers" (in domestic offices) with "original amounts" of more than $100,000 through $250,000 and report this total amount in column B. Do not add up the "original amounts" of each of these loans and report the total original amount in column B. Count the number of individual "Loans to finance agricultural production and other loans to farmers" (in domestic offices) whose carrying values were included in the amount reported in column B for this item (i.e., those "Loans to finance agricultural production and other loans to farmers" (in domestic offices) with "original amounts" of more than $100,000 through $250,000). Report this number in column A.
8.c	**With original amounts of more than $250,000 through $500,000**. Add up the total carrying value of all currently outstanding "Loans to finance agricultural production and other loans to farmers" (in domestic offices) with "original amounts" of more than $250,000 through $500,000 and report this total amount in column B. Do not add up the "original amounts" of each of these loans and report the total original amount in column B. Count the number of individual "Loans to finance agricultural production and other loans to farmers" (in domestic offices) whose carrying values were included in the amount reported in column B for this item (i.e., those "Loans to finance agricultural production and other loans to farmers" (in domestic offices) with "original amounts" of more than $250,000 through $500,000). Report this number in column A.

Examples of Reporting in Schedule RC-C, Part II

(1) A bank has a "Loan secured by nonfarm nonresidential property" which has a carrying value on the June 30 report date of $70,000 and this amount is included in Schedule RC-C, part I, item 1.e, column B. The bank made this loan to the borrower in the original amount of $75,000, so it would be considered a "loan to a small business" and would be reported in Schedule RC-C, part II. Because the original amount of the loan is $100,000 or less, the bank would report the $70,000 amount currently outstanding in part II, item 3.a, column B.

(2) The bank has a second "Loan secured by nonfarm nonresidential property" which has a carrying value on the June 30 report date of $60,000 and this amount is included in Schedule RC-C, part I, item 1.e, column B. The bank made this loan to the borrower in the original amount of $125,000, so it would be considered a "loan to a small business" and would be reported in Schedule RC-C, part II. Because the original amount of the loan falls within the more than $100,000 through $250,000 range, the bank would report the $60,000 amount currently outstanding in part II, item 3.b, column B.

(3) The bank has a "Commercial and industrial loan" (to a U.S. addressee in a domestic office) which has a carrying value on the June 30 report date of $200,000 and this amount is included in Schedule RC-C, part I, item 4 or 4.a, as appropriate. The bank made this loan to the borrower in the original amount of $250,000, so it would be considered a "loan to a small business" and would be reported in Schedule RC-C, part II. Because the original amount of the loan is exactly $250,000 which is the upper end of the more than $100,000 through $250,000 range, the bank would report the $200,000 amount currently outstanding in part II, item 4.b, column B.

ATTACHMENT A

Examples of Reporting in Schedule RC-C, Part II (cont.)

(4) The bank has a second "Commercial and industrial loan" (to a U.S. addressee in a domestic office) which has a carrying value on the June 30 report date of $90,000 and this amount is included in Schedule RC-C, part I, item 4 or 4.a, as appropriate. The bank made this loan to the borrower in the original amount of $500,000 and sold loan participations for $400,000 while retaining $100,000. Nevertheless, based on the entire amount of the credit that was originated by the bank, the loan would be considered a "loan to a small business" and would be reported in Schedule RC-C, part II. Because the original amount of the entire loan is $500,000 which falls within the more than $250,000 through $1,000,000 range, the bank would report the $90,000 amount currently outstanding in part II, item 4.c, column B.

(5) The bank has a third "Commercial and industrial loan" (to a U.S. addressee in a domestic office) which has a carrying value on the June 30 report date of $55,000 and this amount is included in Schedule RC-C, part I, item 4 or 4.a, as appropriate. This loan represents a participation purchased by the bank from another lender. The original amount of the entire credit is $750,000 and the bank's original share of this credit was $75,000. Based on the entire amount of the credit that was originated by the other lender, the loan would be considered a "loan to a small business" and would be reported in Schedule RC-C, part II. Because the original amount of the entire credit is $750,000 which falls within the more than $250,000 through $1,000,000 range, the bank would report the $55,000 amount currently outstanding in part II, item 4.c, column B.

(6) The bank has another "Commercial and industrial loan" (to a U.S. addressee in a domestic office) and it has a carrying value on the June 30 report date of $120,000. This amount is included in Schedule RC-C, part I, item 4 or 4.a, as appropriate. This loan represents a participation purchased by the bank from another lender. The original amount of the entire credit is $1,250,000 and the bank's original share of this credit was $250,000. Because the original amount of the entire credit exceeds $1,000,000, the loan would <u>not</u> be considered a "loan to a small business" and would <u>not</u> be reported in Schedule RC-C, part II.

(7) The bank has a "Loan secured by nonfarm nonresidential property" and a "Commercial and industrial loan" to the same (U.S. addressee) borrower (in its domestic offices). The first loan has a carrying value on the June 30 report date of $375,000 and this amount is included in Schedule RC-C, part I, item 1.e, column B. This "Loan secured by nonfarm nonresidential property" was made in the original amount of $400,000. The second loan has a carrying value on the June 30 report date of $650,000 and this amount is included in Schedule RC-C, part I, item 4 or 4.a, as appropriate. This "Commercial and industrial loan" was made in the original amount of $750,000.

Case I: The bank's loan system <u>can provide</u> aggregate individual borrower data without undue cost to the reporting institution. The loan system indicates that this borrower's two loans have a combined original amount of $1,150,000 and therefore the loans would <u>not</u> be considered "loans to a small business" and would <u>not</u> be reported in Schedule RC-C, part II.

Case II: The bank's loan system <u>cannot provide</u> aggregate individual borrower data without undue cost to the reporting institution. Therefore, the borrower's two loans would be treated as separate loans for purposes of Schedule RC-C, part II. Based on its $400,000 original amount, the "Loan secured by nonfarm nonresidential property" would be considered a "loan to a small business" and would be reported in Schedule RC-C, part II. Because the original amount of the loan falls within the more than $250,000 through $1,000,000 range, the bank would report the $375,000 amount currently outstanding in part II, item 3.c, column B, and count this loan as <u>one</u> loan for purposes of part II, item 3.c, column A. Since the "Commercial and industrial loan" is being handled separately and its original amount is $750,000, it would also be considered a "loan to a small business" and

ATTACHMENT A

Examples of Reporting in Schedule RC-C, Part II (cont.)

would be reported in Schedule RC-C, part II. Because the original amount of this loan falls within the more than $250,000 through $1,000,000 range, the bank would report the $650,000 amount currently outstanding in part II, item 4.c, column B, and count this loan as one loan for purposes of part II, item 4.c, column A.

(8) The bank has a "Loan secured by farmland (including farm residential and other improvements)" which has a carrying value on the June 30 report date of $225,000. The bank made this loan to the borrower in the original amount of $260,000 and the loan is secured by a first lien on the borrower's farmland. The bank has a second "Loan secured by farmland" to this same borrower and it is secured by a second lien on the borrower's property. This second lien loan has a carrying value of $50,000 and the original amount of the loan is the same as its carrying value. The carrying values of both loans (the $225,000 first lien loan and the $50,000 second lien loan) are included in Schedule RC-C, part I, item 1.b, column B.

Case I: The bank's loan system can provide aggregate individual borrower data without undue cost to the reporting institution. The loan system indicates that this borrower's two loans have a combined original amount of $310,000 and therefore the two loans together would be considered a single "loan to a small farm" and would be reported in Schedule RC-C, part II. Because the original amount of the two combined loans falls within the more than $250,000 through $500,000 range, the bank would report the $275,000 combined total of the amounts currently outstanding for the two loans in part II, item 7.c, column B, and count these two loans to the same borrower as one loan for purposes of part II, item 7.c, column A.

Case II: The bank's loan system cannot provide aggregate individual borrower data without undue cost to the reporting institution. Therefore, the borrower's two loans would be treated as separate loans for purposes of Schedule RC-C, part II. Based on its $260,000 original amount, the first lien loan would be considered a "loan to a small farm" and would be reported in Schedule RC-C, part II. Because the original amount of the loan falls within the more than $250,000 through $500,000 range, the bank would report the $225,000 amount currently outstanding in part II, item 7.c, column B, and count this loan as one loan for purposes of part II, item 7.c, column A. Since the second lien loan is being handled separately and its original amount is $50,000, it would also be considered a "loan to a small farm" and would be reported in Schedule RC-C, part II. Because the original amount of this loan is less than $100,000, the bank would report the $50,000 amount currently outstanding in part II, item 7.a, column B, and count this loan as one loan for purposes of part II, item 7.a, column A.

(9) The bank has one final "Loan secured by farmland" which has a carrying value on the June 30 report date of $5,000 and this amount is included in Schedule RC-C, part I, item 1.b, column B. The bank made this loan to the borrower in the original amount of $300,000, so it would be considered a "loan to a small farm" and would be reported in Schedule RC-C, part II. Because the original amount of the loan falls within the more than $250,000 through $500,000 range, the bank would report the $5,000 amount currently outstanding in part II, item 7.c, column B.

(10) The bank has granted a $150,000 line of credit to a farmer that is not secured by real estate. The farmer has received advances twice under this line of credit and, rather than having signed a single note for the entire $150,000 amount of the line of credit, has signed separate notes for each advance. One note is in the original amount of $30,000 and the other is in the original amount of $50,000. The carrying values of the two notes on the June 30 report date are the same as their original amounts and these amounts are included in Schedule RC-C, part I, item 3, column B. For loans drawn down under lines of credit, the original amount of the loan is the size of the line of credit when it was most recently approved, extended, or renewed prior to the report date. In this case, the line of credit was most recently approved for $150,000.

ATTACHMENT A

Examples of Reporting in Schedule RC-C, Part II (cont.)

Case I: The bank's loan system can provide aggregate individual borrower data for multiple advances under lines of credit without undue cost to the reporting institution. Thus, even though a separate note was signed each time the farmer borrowed under the line of credit, the loan system combines all information about the farmer's separate borrowings under the line of credit. Therefore, the loan system indicates that the farmer has a line of credit for $150,000 and that the amount currently outstanding under the line of credit for the combined carrying values of the two borrowings under the line of credit is $80,000. Because the line of credit was most recently approved for $150,000, this $150,000 original amount for the line of credit would be considered a "loan to a small farm" that would be reported in Schedule RC-C, part II. Therefore, the original amount of the line of credit falls within the more than $100,000 through $250,000 range and the bank would report the $80,000 combined total of the amounts currently outstanding for the two notes in part II, item 8.b, column B, and count these two notes to the farmer under the line of credit as one loan for purposes of part II, item 8.b, column A.

Case II: The bank's loan system cannot provide aggregate individual borrower data for lines of credit without undue cost to the reporting institution. Therefore, the farmer's two notes under the line of credit would be treated as separate loans for purposes of Schedule RC-C, part II. The original amount of the line of credit is $150,000 and each of the two notes would be considered a "loan to a small farm" that would be reported in Schedule RC-C, part II. Because each of the two notes indicates that it is part of a $150,000 line of credit and the $150,000 original amount of the line of credit falls within the more than $100,000 through $250,000 range, the bank would report both the $30,000 and $50,000 amounts currently outstanding in part II, item 8.b, column B, and count these as two loans for purposes of part II, item 8.b, column A.

(11) The bank has one other "Loan to finance agricultural production and other loans to a farmer" which has a carrying value on the June 30 report date of $75,000 and this amount is included in Schedule RC-C, part I, item 3, column B. The bank made this loan to the borrower in the original amount of $100,000, so it would be considered a "loan to a small farm" and would be reported in Schedule RC-C, part II. Because the original amount of the loan is exactly $100,000 which is the upper end of the $100,000 or less range, the bank would report the $75,000 amount currently outstanding in part II, item 8.a, column B.

Schedule RC-C, Part II. Loans to Small Businesses and Small Farms

General Instructions

Schedule RC-C, part II, is to be completed only with the June 30 Report of Condition.

Schedule RC-C, part II, requests information on the number and amount currently outstanding of "loans to small businesses" and "loans to small farms," as defined below. This information is being collected pursuant to Section 122 of the Federal Deposit Insurance Corporation Improvement Act of 1991.

For purposes of this schedule, "**loans to small businesses**" consist of the following:

(1) Loans with original amounts of $1 million or less that have been reported in Schedule RC-C, part I, item 1.e, column B, "Loans secured by nonfarm nonresidential properties" (in domestic offices), and

(2) Loans with original amounts of $1 million or less that have been reported in Schedule RC-C, part I:

- On the FFIEC 041 for banks with less than $300 million in total assets, item 4, column B, "Commercial and industrial loans;"
- On the FFIEC 041 for banks with $300 million or more in total assets, item 4.a, "Commercial and industrial loans to U.S. addressees;" and
- On the FFIEC 031, item 4.a, column B, "Commercial and industrial loans to U.S. addressees" in domestic offices.

For purposes of this schedule, "**loans to small farms**" consist of the following:

(1) Loans with original amounts of $500,000 or less that have been reported in Schedule RC-C, part I, item 1.b, column B, "Loans secured by farmland (including farm residential and other improvements)" (in domestic offices), and

(2) Loans with original amounts of $500,000 or less that have been reported in Schedule RC-C, part I, item 3, column B, "Loans to finance agricultural production and other loans to farmers" (in domestic offices).

The following guidelines should be used to determine the "**original amount**" of a loan:

(1) For loans drawn down under lines of credit or loan commitments, the "original amount" of the loan is the size of the line of credit or loan commitment when the line of credit or loan commitment was most recently approved, extended, or renewed prior to the report date. However, if the amount currently outstanding as of the report date exceeds this size, the "original amount" is the amount currently outstanding on the report date.

(2) For loan participations and syndications, the "original amount" of the loan participation or syndication is the entire amount of the credit originated by the lead lender.

(3) For all other loans, the "original amount" is the total amount of the loan at origination or the amount currently outstanding as of the report date, whichever is larger.

The "**amount currently outstanding**" for a loan is its carrying value, i.e., the amount at which the loan is reported in Schedule RC-C, part I, item 1.b, 1.e, 3, 4, or 4.a.

Part II. (cont.)

General Instructions (cont.)

Except as noted below for "corporate" or "business" credit card programs, when determining "original amounts" and reporting the number and amount currently outstanding for a category of loans in this part II, multiple loans to one borrower should be combined and reported on an aggregate basis rather than as separate individual loans to the extent that the loan systems in which the bank's business and/or farm loan data are maintained can provide aggregate individual borrower data without undue cost to the reporting institution. However, if the burden of such aggregation would be excessive, the institution may report multiple loans to one borrower as separate individual loans.

A bank that offers "corporate" or "business" credit card programs under which credit cards are issued to one or more of a company's employees for business-related use should treat each company's program as a single extension of credit to that company. The credit limits for all of the individual credit cards issued to the company's employees should be totaled and this total should be treated as the "original amount" of the "corporate" or "business" credit card program established for this company. The company's program should be reported as one loan and the amount currently outstanding would be the sum of the credit card balances as of the June 30 report date on each of the individual credit cards issued to the company's employees. However, when aggregated data for each individual company in a "corporate" or "business" credit card program are not readily determinable from the bank's credit card records, the bank should develop reasonable estimates of the number of "corporate" or "business" credit card programs in existence as of the June 30 report date, the "original amounts" of these programs, and the "amounts currently outstanding" for these programs and should then report information about these programs on the basis of its reasonable estimates. In no case should the individual credit cards issued to a company's employees under a "corporate" or "business" credit card program be reported as separate individual loans to small businesses.

Item Instructions

Loans to Small Businesses

Item No. Caption and Instructions

1 **Indicate in the appropriate box at the right whether all or substantially all of the dollar volume of your bank's "Loans secured by nonfarm nonresidential properties" (in domestic offices) reported in Schedule RC-C, part I, item 1.e, and all or substantially all of the dollar volume of your bank's "Commercial and industrial loans (to U.S. addressees)" (in domestic offices) reported in Schedule RC-C, part I, item 4 (or 4.a), have original amounts of $100,000 or less**.

If: (a) the average size of the amount currently outstanding for your bank's "Loans secured by nonfarm nonresidential properties" (in domestic offices) as reported in Schedule RC-C, part I, above, is $100,000 or less, and

(b) the average size of the amount currently outstanding for your bank's "Commercial and industrial loans (to U.S. addressees)" (in domestic offices) as reported in Schedule RC-C, part I, above, is $100,000 or less, and

Part II. (cont.)

Item No. **Caption and Instructions**

1 (cont.)

(c) your lending officers' knowledge of your bank's loans or other relevant information pertaining to "Loans secured by nonfarm nonresidential properties" (in domestic offices) and "Commercial and industrial loans (to U.S. addressees)" (in domestic offices) indicates that all or substantially all of the dollar volume of your bank's loans in each of these two categories has "original amounts" (as described above in the General Instructions to this part II) of $100,000 or less,

place an "X" in the box marked "YES," complete items 2.a and 2.b below, skip items 3 and 4, and go to item 5.

If your bank has no loans outstanding in both of these two loan categories, place an "X" in the box marked "NO," skip items 2 through 4, and go to item 5.

Otherwise, place an "X" in the box marked "NO," skip items 2.a and 2.b, complete items 3 and 4 below, and go to item 5.

2 **Report the total number of loans currently outstanding for each of the following Schedule RC-C, part I, loan categories**. Multiple loans to one borrower should be combined and reported on an aggregate basis rather than as separate individual loans to the extent that the loan systems in which the bank's business and/or farm loan data are maintained can provide aggregate individual borrower data without undue cost to the reporting institution. However, if the burden of such aggregation would be excessive, the institution may report multiple loans to one borrower as separate individual loans.

2.a **Number of "Loans secured by nonfarm nonresidential properties" (in domestic offices) reported in Schedule RC-C, part I, item 1.e**. Count the number of individual loans currently outstanding whose carrying values add up to the amount reported in Schedule RC-C, part I, item 1.e, column B, "Loans secured by nonfarm nonresidential properties" (in domestic offices). The amount reported in Schedule RC-C, part I, item 1.e, column B, divided by the number of loans reported in this item should not exceed $100,000.

2.b **Number of "Commercial and industrial loans (to U.S. addressees)" (in domestic offices) reported in Schedule RC-C, part I, item 4 (or 4.a)**. Count the number of individual loans currently outstanding whose carrying values add up to the amount reported in Schedule RC-C, part I:

- On the FFIEC 041 for banks with less than $300 million in total assets, item 4, column B, "Commercial and industrial loans;"

- On the FFIEC 041 for banks with $300 million or more in total assets, item 4.a, "Commercial and industrial loans to U.S. addressees;" and

- On the FFIEC 031, item 4.a, column B, "Commercial and industrial loans to U.S. addressees" in domestic offices.

The amount reported in Schedule RC-C, part I, item 4 or 4.a, as appropriate, divided by the number of loans reported in this item should not exceed $100,000.

Part II. (cont.)

Item No.	Caption and Instructions
3	**Number and amount currently outstanding of "Loans secured by nonfarm nonresidential properties" (in domestic offices) reported in Schedule RC-C, part I, item 1.e, column B**. See the General Instructions to this part II for the guidelines for determining the "original amount" of a loan. Multiple loans to one borrower should be combined and reported on an aggregate basis rather than as separate individual loans to the extent that the loan systems in which the bank's business and/or farm loan data are maintained can provide aggregate individual borrower data without undue cost to the reporting institution. However, if the burden of such aggregation would be excessive, the institution may report multiple loans to one borrower as separate individual loans. The sum of the amounts currently outstanding reported in items 3.a through 3.c, column B, must be less than or equal to the amount reported in Schedule RC-C, part I, item 1.e, column B.
3.a	**With original amounts of $100,000 or less**. Add up the total carrying value of all currently outstanding "Loans secured by nonfarm nonresidential properties" (in domestic offices) with "original amounts" of $100,000 or less and report this total amount in column B. Do not add up the "original amounts" of each of these loans and report the total original amount in column B. Count the number of individual "Loans secured by nonfarm nonresidential properties" (in domestic offices) whose carrying values were included in the amount reported in column B for this item (i.e., those "Loans secured by nonfarm nonresidential properties" (in domestic offices) with "original amounts" of $100,000 or less). Report this number in column A.
3.b	**With original amounts of more than $100,000 through $250,000**. Add up the total carrying value of all currently outstanding "Loans secured by nonfarm nonresidential properties" (in domestic offices) with "original amounts" of more than $100,000 through $250,000 and report this total amount in column B. Do not add up the "original amounts" of each of these loans and report the total original amount in column B. Count the number of individual "Loans secured by nonfarm nonresidential properties" (in domestic offices) whose carrying values were included in the amount reported in column B for this item (i.e., those "Loans secured by nonfarm nonresidential properties" (in domestic offices) with "original amounts" of more than $100,000 through $250,000). Report this number in column A.
3.c	**With original amounts of more than $250,000 through $1,000,000**. Add up the total carrying value of all currently outstanding "Loans secured by nonfarm nonresidential properties" (in domestic offices) with "original amounts" of more than $250,000 through $1,000,000 and report this total amount in column B. Do not add up the "original amounts" of each of these loans and report the total original amount in column B. Count the number of individual "Loans secured by nonfarm nonresidential properties" (in domestic offices) whose carrying values were included in the amount reported in column B for this item (i.e., those "Loans secured by nonfarm nonresidential properties" (in domestic offices) with "original amounts" of more than $250,000 through $1,000,000). Report this number in column A.

Part II. (cont.)

Item No. Caption and Instructions

4 **Number and amount currently outstanding of "Commercial and industrial loans (to U.S. addressees)" (in domestic offices) reported in Schedule RC-C, part I, item 4 (or 4.a)**. See the General Instructions to this part II for the guidelines for determining the "original amount" of a loan and for the treatment of "corporate" or "business" credit card programs. Multiple loans to one borrower should be combined and reported on an aggregate basis rather than as separate individual loans to the extent that the loan systems in which the bank's business and/or farm loan data are maintained can provide aggregate individual borrower data without undue cost to the reporting institution. However, if the burden of such aggregation would be excessive, the institution may report multiple loans to one borrower as separate individual loans.

The sum of the amounts currently outstanding reported in items 4.a through 4.c, column B, must be less than or equal to the amount reported in Schedule RC-C, part I:

- On the FFIEC 041 for banks with less than $300 million in total assets, item 4, column B, "Commercial and industrial loans;"
- On the FFIEC 041 for banks with $300 million or more in total assets, item 4.a, "Commercial and industrial loans to U.S. addressees;" and
- On the FFIEC 031, item 4.a, column B, "Commercial and industrial loans to U.S. addressees" in domestic offices.

4.a **With original amounts of $100,000 or less**. Add up the total carrying value of all currently outstanding "Commercial and industrial loans (to U.S. addressees)" (in domestic offices) with "original amounts" of $100,000 or less and report this total amount in column B. Do not add up the "original amounts" of each of these loans and report the total original amount in column B.

Count the number of individual "Commercial and industrial loans (to U.S. addressees)" (in domestic offices) whose carrying values were included in the amount reported in column B for this item (i.e., those "Commercial and industrial loans (to U.S. addressees)" (in domestic offices) with "original amounts" of $100,000 or less). Report this number in column A.

4.b **With original amounts of more than $100,000 through $250,000**. Add up the total carrying value of all currently outstanding "Commercial and industrial loans (to U.S. addressees)" (in domestic offices) with "original amounts" of more than $100,000 through $250,000 and report this total amount in column B. Do not add up the "original amounts" of each of these loans and report the total original amount in column B.

Count the number of individual "Commercial and industrial loans (to U.S. addressees)" (in domestic offices) whose carrying values were included in the amount reported in column B for this item (i.e., those "Commercial and industrial loans (to U.S. addressees)" (in domestic offices) with "original amounts" of more than $100,000 through $250,000). Report this number in column A.

Part II. (cont.)

Item No.	Caption and Instructions
4.c	**With original amounts of more than $250,000 through $1,000,000**. Add up the total carrying value of all currently outstanding "Commercial and industrial loans (to U.S. addressees)" (in domestic offices) with "original amounts" of more than $250,000 through $1,000,000 and report this total amount in column B. Do not add up the "original amounts" of each of these loans and report the total original amount in column B. Count the number of individual "Commercial and industrial loans (to U.S. addressees)" (in domestic offices) whose carrying values were included in the amount reported in column B for this item (i.e., those "Commercial and industrial loans (to U.S. addressees)" (in domestic offices) with "original amounts" of more than $250,000 through $1,000,000). Report this number in column A.

Agricultural Loans to Small Farms

Item No.	Caption and Instructions
5	**Indicate in the appropriate box at the right whether all or substantially all of the dollar volume of your bank's "Loans secured by farmland (including farm residential and other improvements)" (in domestic offices) reported in Schedule RC-C, part I, item 1.b, column B, and all or substantially all of the dollar volume of your bank's "Loans to finance agricultural production and other loans to farmers" (in domestic offices) reported in Schedule RC-C, part I, item 3, column B, have original amounts of $100,000 or less**. If: (a) the average size of the amount currently outstanding for your bank's "Loans secured by farmland (including farm residential and other improvements)" (in domestic offices) as reported in Schedule RC-C, part I, above, is $100,000 or less, and (b) the average size of the amount currently outstanding for your bank's "Loans to finance agricultural production and other loans to farmers" (in domestic offices) as reported in Schedule RC-C, part I, above, is $100,000 or less, and (c) your lending officers' knowledge of your bank's loans or other relevant information pertaining to "Loans secured by farmland (including farm residential and other improvements" (in domestic offices) and your "Loans to finance agricultural production and other loans to farmers" (in domestic offices) indicates that all or substantially all of the dollar volume of your bank's loans in each of these two categories has "original amounts" (as described above in the General Instructions to this part II) of $100,000 or less, place an "X" in the box marked "YES," complete items 6.a and 6.b below, and do not complete items 7 and 8 below. If your bank has no loans outstanding in both of these two loan categories, place an "X" in the box marked "NO," and do not complete items 6 through 8. Otherwise, place an "X" in the box marked "NO," skip items 6.a and 6.b, and complete items 7 and 8 below.

Part II. (cont.)

Item No.	Caption and Instructions
6	**Report the total number of loans currently outstanding for each of the following Schedule RC-C, part I, loan categories**. Multiple loans to one borrower should be combined and reported on an aggregate basis rather than as separate individual loans to the extent that the loan systems in which the bank's business and/or farm loan data are maintained can provide aggregate individual borrower data without undue cost to the reporting institution. However, if the burden of such aggregation would be excessive, the institution may report multiple loans to one borrower as separate individual loans.
6.a	**Number of "Loans secured by farmland (including farm residential and other improvements)" (in domestic offices) reported in Schedule RC-C, part I, item 1.b, column B**. Count the number of individual loans currently outstanding whose carrying values add up to the amount reported in Schedule RC-C, part I, item 1.b, column B, "Loans secured by farmland (including farm residential and other improvements)" (in domestic offices). The amount reported in Schedule RC-C, part I, item 1.b, column B, divided by the number of loans reported in this item should not exceed $100,000.
6.b	**Number of "Loans to finance agricultural production and other loans to farmers" (in domestic offices) reported in Schedule RC-C, part I, item 3, column B**. Count the number of individual loans currently outstanding whose carrying values add up to the amount reported in Schedule RC-C, part I, item 3, column B, "Loans to finance agricultural production and other loans to farmers" (in domestic offices). The amount reported in Schedule RC-C, part I, item 3, column B, divided by the number of loans reported in this item should not exceed $100,000.
7	**Number and amount currently outstanding of "Loans secured by farmland (including farm residential and other improvements)" (in domestic offices) reported in Schedule RC-C, part I, item 1.b, column B**. See the General Instructions to this part II for the guidelines for determining the "original amount" of a loan. Multiple loans to one borrower should be combined and reported on an aggregate basis rather than as separate individual loans to the extent that the loan systems in which the bank's business and/or farm loan data are maintained can provide aggregate individual borrower data without undue cost to the reporting institution. However, if the burden of such aggregation would be excessive, the institution may report multiple loans to one borrower as separate individual loans. The sum of the amounts currently outstanding reported in items 7.a through 7.c, column B, must be less than or equal to the amount reported Schedule RC-C, part I, item 1.b, column B.
7.a	**With original amounts of $100,000 or less**. Add up the total carrying value of all currently outstanding "Loans secured by farmland (including farm residential and other improvements)" (in domestic offices) with "original amounts" of $100,000 or less and report this total amount in column B. Do not add up the "original amounts" of each of these loans and report the total original amount in column B. Count the number of individual "Loans secured by farmland (including farm residential and other improvements" (in domestic offices) whose carrying values were included in the amount reported in column B for this item (i.e., those "Loans secured by farmland (including farm residential and other improvements)" (in domestic offices) with "original amounts" of $100,000 or less). Report this number in column A.

Part II. (cont.)

Item No.	Caption and Instructions
7.b	**With original amounts of more than $100,000 through $250,000**. Add up the total carrying value of all currently outstanding "Loans secured by farmland (including farm residential and other improvements" (in domestic offices) with "original amounts" of more than $100,000 through $250,000 and report this total amount in column B. Do not add up the "original amounts" of each of these loans and report the total original amount in column B. Count the number of individual "Loans secured by farmland (including farm residential and other improvements)" (in domestic offices) whose carrying values were included in the amount reported in column B for this item (i.e., those "Loans secured by farmland (including farm residential and other improvements)" (in domestic offices) with "original amounts" of more than $100,000 through $250,000). Report this number in column A.
7.c	**With original amounts of more than $250,000 through $500,000**. Add up the total carrying value of all currently outstanding "Loans secured by farmland (including farm residential and other improvements)" (in domestic offices) with "original amounts" of more than $250,000 through $500,000 and report this total amount in column B. Do not add up the "original amounts" of each of these loans and report the total original amount in column B. Count the number of individual "Loans secured by farmland (including farm residential and other improvements)" (in domestic offices) whose carrying values were included in the amount reported in column B for this item (i.e., those "Loans secured by farmland (including farm residential and other improvements)" (in domestic offices) with "original amounts" of more than $250,000 through $500,000). Report this number in column A.
8	**Number and amount currently outstanding of "Loans to finance agricultural production and other loans to farmers" (in domestic offices) reported in Schedule RC-C, part I, item 3, column B**. See the General Instructions to this part II for the guidelines for determining the "original amount" of a loan. Multiple loans to one borrower should be combined and reported on an aggregate basis rather than as separate individual loans to the extent that the loan systems in which the bank's business and/or farm loan data are maintained can provide aggregate individual borrower data without undue cost to the reporting institution. However, if the burden of such aggregation would be excessive, the institution may report multiple loans to one borrower as separate individual loans. The sum of the amounts currently outstanding reported in items 8.a through 8.c, column B, must be less than or equal to the amount reported in Schedule RC-C, part I, item 3, column B.
8.a	**With original amounts of $100,000 or less**. Add up the total carrying value of all currently outstanding "Loans to finance agricultural production and other loans to farmers" (in domestic offices) with "original amounts" of $100,000 or less and report this total amount in column B. Do not add up the "original amounts" of each of these loans and report the total original amount in column B. Count the number of individual "Loans to finance agricultural production and other loans to farmers" (in domestic offices) whose carrying values were included in the amount reported in column B for this item (i.e., those "Loans to finance agricultural production and other loans to farmers" (in domestic offices) with "original amounts" of $100,000 or less). Report this number in column A.

Part II. (cont.)

Item No. Caption and Instructions

8.b **With original amounts of more than $100,000 through $250,000**. Add up the total carrying value of all currently outstanding "Loans to finance agricultural production and other loans to farmers" (in domestic offices) with "original amounts" of more than $100,000 through $250,000 and report this total amount in column B. Do not add up the "original amounts" of each of these loans and report the total original amount in column B.

Count the number of individual "Loans to finance agricultural production and other loans to farmers" (in domestic offices) whose carrying values were included in the amount reported in column B for this item (i.e., those "Loans to finance agricultural production and other loans to farmers" (in domestic offices) with "original amounts" of more than $100,000 through $250,000). Report this number in column A.

8.c **With original amounts of more than $250,000 through $500,000**. Add up the total carrying value of all currently outstanding "Loans to finance agricultural production and other loans to farmers" (in domestic offices) with "original amounts" of more than $250,000 through $500,000 and report this total amount in column B. Do not add up the "original amounts" of each of these loans and report the total original amount in column B.

Count the number of individual "Loans to finance agricultural production and other loans to farmers" (in domestic offices) whose carrying values were included in the amount reported in column B for this item (i.e., those "Loans to finance agricultural production and other loans to farmers" (in domestic offices) with "original amounts" of more than $250,000 through $500,000). Report this number in column A.

Examples of Reporting in Schedule RC-C, Part II

(1) A bank has a "Loan secured by nonfarm nonresidential property" which has a carrying value on the June 30 report date of $70,000 and this amount is included in Schedule RC-C, part I, item 1.e, column B. The bank made this loan to the borrower in the original amount of $75,000, so it would be considered a "loan to a small business" and would be reported in Schedule RC-C, part II. Because the original amount of the loan is $100,000 or less, the bank would report the $70,000 amount currently outstanding in part II, item 3.a, column B.

(2) The bank has a second "Loan secured by nonfarm nonresidential property" which has a carrying value on the June 30 report date of $60,000 and this amount is included in Schedule RC-C, part I, item 1.e, column B. The bank made this loan to the borrower in the original amount of $125,000, so it would be considered a "loan to a small business" and would be reported in Schedule RC-C, part II. Because the original amount of the loan falls within the more than $100,000 through $250,000 range, the bank would report the $60,000 amount currently outstanding in part II, item 3.b, column B.

(3) The bank has a "Commercial and industrial loan" (to a U.S. addressee in a domestic office) which has a carrying value on the June 30 report date of $200,000 and this amount is included in Schedule RC-C, part I, item 4 or 4.a, as appropriate. The bank made this loan to the borrower in the original amount of $250,000, so it would be considered a "loan to a small business" and would be reported in Schedule RC-C, part II. Because the original amount of the loan is exactly $250,000 which is the upper end of the more than $100,000 through $250,000 range, the bank would report the $200,000 amount currently outstanding in part II, item 4.b, column B.

Examples of Reporting in Schedule RC-C, Part II (cont.)

(4) The bank has a second "Commercial and industrial loan" (to a U.S. addressee in a domestic office) which has a carrying value on the June 30 report date of $90,000 and this amount is included in Schedule RC-C, part I, item 4 or 4.a, as appropriate. The bank made this loan to the borrower in the original amount of $500,000 and sold loan participations for $400,000 while retaining $100,000. Nevertheless, based on the entire amount of the credit that was originated by the bank, the loan would be considered a "loan to a small business" and would be reported in Schedule RC-C, part II. Because the original amount of the entire loan is $500,000 which falls within the more than $250,000 through $1,000,000 range, the bank would report the $90,000 amount currently outstanding in part II, item 4.c, column B.

(5) The bank has a third "Commercial and industrial loan" (to a U.S. addressee in a domestic office) which has a carrying value on the June 30 report date of $55,000 and this amount is included in Schedule RC-C, part I, item 4 or 4.a, as appropriate. This loan represents a participation purchased by the bank from another lender. The original amount of the entire credit is $750,000 and the bank's original share of this credit was $75,000. Based on the entire amount of the credit that was originated by the other lender, the loan would be considered a "loan to a small business" and would be reported in Schedule RC-C, part II. Because the original amount of the entire credit is $750,000 which falls within the more than $250,000 through $1,000,000 range, the bank would report the $55,000 amount currently outstanding in part II, item 4.c, column B.

(6) The bank has another "Commercial and industrial loan" (to a U.S. addressee in a domestic office) and it has a carrying value on the June 30 report date of $120,000. This amount is included in Schedule RC-C, part I, item 4 or 4.a, as appropriate. This loan represents a participation purchased by the bank from another lender. The original amount of the entire credit is $1,250,000 and the bank's original share of this credit was $250,000. Because the original amount of the entire credit exceeds $1,000,000, the loan would not be considered a "loan to a small business" and would not be reported in Schedule RC-C, part II.

(7) The bank has a "Loan secured by nonfarm nonresidential property" and a "Commercial and industrial loan" to the same (U.S. addressee) borrower (in its domestic offices). The first loan has a carrying value on the June 30 report date of $375,000 and this amount is included in Schedule RC-C, part I, item 1.e, column B. This "Loan secured by nonfarm nonresidential property" was made in the original amount of $400,000. The second loan has a carrying value on the June 30 report date of $650,000 and this amount is included in Schedule RC-C, part I, item 4 or 4.a, as appropriate. This "Commercial and industrial loan" was made in the original amount of $750,000.

Case I: The bank's loan system can provide aggregate individual borrower data without undue cost to the reporting institution. The loan system indicates that this borrower's two loans have a combined original amount of $1,150,000 and therefore the loans would not be considered "loans to a small business" and would not be reported in Schedule RC-C, part II.

Case II: The bank's loan system cannot provide aggregate individual borrower data without undue cost to the reporting institution. Therefore, the borrower's two loans would be treated as separate loans for purposes of Schedule RC-C, part II. Based on its $400,000 original amount, the "Loan secured by nonfarm nonresidential property" would be considered a "loan to a small business" and would be reported in Schedule RC-C, part II. Because the original amount of the loan falls within the more than $250,000 through $1,000,000 range, the bank would report the $375,000 amount currently outstanding in part II, item 3.c, column B, and count this loan as one loan for purposes of part II, item 3.c, column A. Since the "Commercial and industrial loan" is being handled separately and its original amount is $750,000, it would also be considered a "loan to a small business" and

Examples of Reporting in Schedule RC-C, Part II (cont.)

would be reported in Schedule RC-C, part II. Because the original amount of this loan falls within the more than $250,000 through $1,000,000 range, the bank would report the $650,000 amount currently outstanding in part II, item 4.c, column B, and count this loan as one loan for purposes of part II, item 4.c, column A.

(8) The bank has a "Loan secured by farmland (including farm residential and other improvements)" which has a carrying value on the June 30 report date of $225,000. The bank made this loan to the borrower in the original amount of $260,000 and the loan is secured by a first lien on the borrower's farmland. The bank has a second "Loan secured by farmland" to this same borrower and it is secured by a second lien on the borrower's property. This second lien loan has a carrying value of $50,000 and the original amount of the loan is the same as its carrying value. The carrying values of both loans (the $225,000 first lien loan and the $50,000 second lien loan) are included in Schedule RC-C, part I, item 1.b, column B.

Case I: The bank's loan system can provide aggregate individual borrower data without undue cost to the reporting institution. The loan system indicates that this borrower's two loans have a combined original amount of $310,000 and therefore the two loans together would be considered a single "loan to a small farm" and would be reported in Schedule RC-C, part II. Because the original amount of the two combined loans falls within the more than $250,000 through $500,000 range, the bank would report the $275,000 combined total of the amounts currently outstanding for the two loans in part II, item 7.c, column B, and count these two loans to the same borrower as one loan for purposes of part II, item 7.c, column A.

Case II: The bank's loan system cannot provide aggregate individual borrower data without undue cost to the reporting institution. Therefore, the borrower's two loans would be treated as separate loans for purposes of Schedule RC-C, part II. Based on its $260,000 original amount, the first lien loan would be considered a "loan to a small farm" and would be reported in Schedule RC-C, part II. Because the original amount of the loan falls within the more than $250,000 through $500,000 range, the bank would report the $225,000 amount currently outstanding in part II, item 7.c, column B, and count this loan as one loan for purposes of part II, item 7.c, column A. Since the second lien loan is being handled separately and its original amount is $50,000, it would also be considered a "loan to a small farm" and would be reported in Schedule RC-C, part II. Because the original amount of this loan is less than $100,000, the bank would report the $50,000 amount currently outstanding in part II, item 7.a, column B, and count this loan as one loan for purposes of part II, item 7.a, column A.

(9) The bank has one final "Loan secured by farmland" which has a carrying value on the June 30 report date of $5,000 and this amount is included in Schedule RC-C, part I, item 1.b, column B. The bank made this loan to the borrower in the original amount of $300,000, so it would be considered a "loan to a small farm" and would be reported in Schedule RC-C, part II. Because the original amount of the loan falls within the more than $250,000 through $500,000 range, the bank would report the $5,000 amount currently outstanding in part II, item 7.c, column B.

(10) The bank has granted a $150,000 line of credit to a farmer that is not secured by real estate. The farmer has received advances twice under this line of credit and, rather than having signed a single note for the entire $150,000 amount of the line of credit, has signed separate notes for each advance. One note is in the original amount of $30,000 and the other is in the original amount of $50,000. The carrying values of the two notes on the June 30 report date are the same as their original amounts and these amounts are included in Schedule RC-C, part I, item 3, column B. For loans drawn down under lines of credit, the original amount of the loan is the size of the line of credit when it was most recently approved, extended, or renewed prior to the report date. In this case, the line of credit was most recently approved for $150,000.

Examples of Reporting in Schedule RC-C, Part II (cont.)

Case I: The bank's loan system can provide aggregate individual borrower data for multiple advances under lines of credit without undue cost to the reporting institution. Thus, even though a separate note was signed each time the farmer borrowed under the line of credit, the loan system combines all information about the farmer's separate borrowings under the line of credit. Therefore, the loan system indicates that the farmer has a line of credit for $150,000 and that the amount currently outstanding under the line of credit for the combined carrying values of the two borrowings under the line of credit is $80,000. Because the line of credit was most recently approved for $150,000, this $150,000 original amount for the line of credit would be considered a "loan to a small farm" that would be reported in Schedule RC-C, part II. Therefore, the original amount of the line of credit falls within the more than $100,000 through $250,000 range and the bank would report the $80,000 combined total of the amounts currently outstanding for the two notes in part II, item 8.b, column B, and count these two notes to the farmer under the line of credit as one loan for purposes of part II, item 8.b, column A.

Case II: The bank's loan system cannot provide aggregate individual borrower data for lines of credit without undue cost to the reporting institution. Therefore, the farmer's two notes under the line of credit would be treated as separate loans for purposes of Schedule RC-C, part II. The original amount of the line of credit is $150,000 and each of the two notes would be considered a "loan to a small farm" that would be reported in Schedule RC-C, part II. Because each of the two notes indicates that it is part of a $150,000 line of credit and the $150,000 original amount of the line of credit falls within the more than $100,000 through $250,000 range, the bank would report both the $30,000 and $50,000 amounts currently outstanding in part II, item 8.b, column B, and count these as two loans for purposes of part II, item 8.b, column A.

(11) The bank has one other "Loan to finance agricultural production and other loans to a farmer" which has a carrying value on the June 30 report date of $75,000 and this amount is included in Schedule RC-C, part I, item 3, column B. The bank made this loan to the borrower in the original amount of $100,000, so it would be considered a "loan to a small farm" and would be reported in Schedule RC-C, part II. Because the original amount of the loan is exactly $100,000 which is the upper end of the $100,000 or less range, the bank would report the $75,000 amount currently outstanding in part II, item 8.a, column B.