



Office of the State Bank Commissioner

Regulatory Mailing

RM2001-1

To: All State Chartered Banks

Fr: George E. Myers, Director of Examinations

Dt: February 6, 2001

Re: Definition of "Shortly" and "Short Period of Time"

This memo is intended to restate our policy and clarify questions that continue to be received by the Office of the State Bank Commissioner (OSBC) regarding the definition of "shortly" or "short period of time" as used in the glossary of the Call Report instructions (9-97), pages A-36 and A-37, **Foreclosed Assets**. This topic states in part, "The amount, if any, by which the recorded amount of the loan exceeds the fair value (less cost to sell) of the asset is a loss which must be charged to the allowance for loan and lease losses at the time of foreclosure or repossession... If an asset is sold shortly after it is received in a foreclosure or repossession, it would generally be appropriate to substitute the value received in the sale (net of the cost to sell for long-lived assets that will be sold such as real estate) for the fair value (less cost to sell for along-lived assets that will be sold such as real estate) that had been estimated at the time of foreclosure or repossession".

This section further states, "If an asset received in a foreclosure or repossession is held for more than a short period of time, any additional losses in value and any gain or loss from the sale or disposition of the asset shall not be reported as a loan or lease loss or recovery and shall not be debited or credited to the allowance for loan and lease losses. Such additional declines in value and the gain or loss from the sale or disposition shall be reported net on the Report of Income as "other noninterest income" or "other noninterest expense"."

In a December 1990 internal memo, the OSBC determined the word "shortly" and the phrase "short period of time" to mean 30 days on repossessions and 90 days on Other Real Estate. This continues to be the OSBC's policy.

If you have any question or desire assistance of any kind, please feel free to contact this department at 785-296-2266.