



# BULLETIN

No. B-87-4

September 2, 1987

This Bulletin will supersede Bulletin No. B-87-3 issued by the Department on August 10, 1987. Please destroy No. B-87-3.

In recognition of various accounting problems generated by the Department's recent requirement that state-chartered banks charge-off the bank's books one hundred percent (100%) of all assets classified "Loss" and fifty percent (50%) of all assets classified "Doubtful" by state examiners during the examination in which these assets are classified, the Commissioner has modified this requirement as follows:

Effective October 1, 1987, state-chartered banks will be required to charge-off the bank's books one hundred percent (100%) of all assets classified "Loss" by state examiners during the examination in which these assets are classified.

Relative to assets classified "Doubtful", the bank may either:

- (1) Immediately charge-off one-half of all assets classified "Doubtful" by state examiners; or
- (2) Establish a special reserve equal to one half of the dollar amount of all assets classified "Doubtful". If this method is chosen, the special reserve shall not be used in computing capital and legal lending limitations.

Examiners shall verify that these classified assets have been either charged-off or, in the case of the "Doubtful" assets, reserved for, before they finalize their report of examination and shall make an appropriate comment in the report indicating how this verification was made.

A bank may not re-book any asset without the prior, written consent of the Commissioner.

Please address questions to Assistant Commissioner Louise Johnson or Director of Bank Examinations Mark McDowell at (615)741-2236.