interest expense on these financial liabilities for the year-to-date in the appropriate interest income and interest expense items on Schedule HI, not as part of the reported change in fair value of these assets and liabilities for the year-to-date. The holding company should measure the interest income or interest expense on a financial asset or liability to which the fair value option has been applied using either the contractual interest rate on the asset or liability or the effective yield method based on the amount at which the asset or liability was first recognized on the balance sheet. Although the use of the contractual interest rate is an acceptable method under GAAP, when a financial asset or liability has a significant premium or discount upon initial recognition, the measurement of interest income or interest expense under the effective yield method more accurately portrays the economic substance of the transaction. In addition, in some cases, GAAP requires a particular method of interest income recognition when the fair value option is elected. For example, when the fair value option has been applied to a beneficial interest in securitized financial assets within the scope of ASC Subtopic 325-40, Investments-Other – Beneficial Interests in Securitized Financial Assets, interest income should be measured in accordance with the consensus in this issue. Similarly, when the fair value option has been applied to a purchased impaired loan or debt security accounted for under ASC Subtopic 310-30, Receivables – Loans and Debt Securities Acquired with Deteriorated Credit Quality, interest income on the loan or debt security should be measured in accordance with this Subtopic when accrual of income is appropriate. For holding companies that have adopted Accounting Standards Update No. 2016-13 (ASU 2016-13), which governs the accounting for credit losses, when the fair value option has been applied to an acquired loan or debt security under ASC 326-20, "Financial Instruments-Credit Losses—Measured at Amortized Cost," interest income on the loan or debt security should be measured in accordance with Subtopic 310-10, "Receivables—Overall," regardless of whether or not management has determined the asset to be purchased credit deteriorated (PCD).

Revaluation adjustments, excluding amounts reported as interest income and interest expense, to the carrying value of all assets and liabilities reported in Schedule HC at fair value under a fair value option (excluding servicing assets and liabilities reported in Schedule HC, item 10, "Intangible assets," and Schedule HC, item 20, "Other liabilities," respectively) resulting from the periodic marking of such assets and liabilities to fair value should be reported as "Other noninterest income" in Schedule HI, item 5(l).

However, the holding company should report in Schedule HI-A, item 12, "Other comprehensive income," the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk (“own credit risk”) when the holding company has elected to measure the liability at fair value in accordance with the fair value option for financial instruments.

Line Item 1 Interest income.

Line Item 1(a) Interest and fee income on loans.

Report in the appropriate subitem all interest, fees, and similar charges levied against or associated with all assets reportable as loans in Schedule HC-C, items 1 through 9.

Deduct interest rebated to customers on loans paid before maturity from gross interest earned on loans; do *not* report as an expense.

Include as interest and fee income on loans:

(1) Interest on all assets reportable as loans extended directly, purchased from others, sold under agreements to repurchase, or pledged as collateral for any purpose.

(2) Loan origination fees, direct loan origination costs, and purchase premiums and discounts on loans held for investment, all of which should be deferred and recognized over the life of the related loan as an adjustment of yield under ASC Subtopic 310-20, Receivables – Nonrefundable Fees and Other Costs (formerly FASB Statement No. 91, *Accounting for Nonrefundable Fees and Costs Associated with Originating or Acquiring Loans and Initial Direct Costs of Leases)* as described in the Glossary entry for “loan fees.” See exclusion (3) below.

For holding companies that have adopted ASU 2016-13, which governs the accounting for credit losses, the purchase premiums and discounts on loans held for investment that management has determined to be PCD and are measured at amortized cost, should be adjusted to exclude the acquisition date allowance for credit loss from the amortized cost basis of the loans. For further information, see the Glossary entry

“Purchased Credit Deteriorated (PCD) loans and debt securities.”

(3) Loan commitment fees (net of direct loan origination costs) that must be deferred over the commitment period and recognized over the life of the related loan as an adjustment of yield under ASC Subtopic 310-20 as described in the Glossary entry for “loan fees.”

(4) Investigation and service charges, fees representing a reimbursement of loan processing costs, renewal and past-due charges, prepayment penalties, and fees charged for the execution of mortgages or agreements securing the holding company’s loans.

(5) Charges levied against overdrawn accounts based on the length of time the account has been overdrawn, the magnitude of the overdrawn balance, or which are otherwise equivalent to interest. See exclusion (6) below.

(6) The contractual amount of interest income earned on loans that are reported at fair value under a fair value option.

Exclude from interest and fee income on loans:

(1) Fees for servicing real estate mortgages or other loans that are not assets of the holding company (report in Schedule HI, item 5(f), “Net servicing fees”).

(2) Charges to merchants for the holding company’s handling of credit card or charge sales when the holding company does not carry the related loan accounts on its books (report as “Other noninterest income” in Schedule HI, item 5(l)). Holding companies may report this income net of the expenses (except salaries) related to the handling of these credit card or charge sales.

(3) Loan origination fees, direct loan origination costs,

and purchase premiums and discounts on loans held for sale, all of which should be deferred until the loan is sold (rather than amortized). The net fees or costs and purchase premium or discount are part of the recorded investment in the loan. When the loan is sold, the difference between the sales price and the recorded investment in the loan is the gain or loss on the sale of the loan. See exclusion (4) below.

(4) Net gains (losses) from the sale of all assets reportable as loans (report in Schedule HI, item 5(i), "Net gains (losses) on sales of loans and leases"). Refer to the Glossary entry for "transfers of financial assets."

(5) Reimbursements for out-of-pocket expenditures (e.g., for the purchase of fire insurance on real estate securing a loan) made by the holding company for the account of its customers. If the holding company's expense accounts were charged with the amount of such expenditures, the reimbursements should be credited to the same expense accounts.

(6) Transaction or per item charges levied against deposit accounts for the processing of checks drawn against insufficient funds that the holding company assesses regardless of whether it decides to pay, return, or hold the check, so-called "NSF check charges" (report as "Service charges on deposit accounts (in domestic offices)," in Schedule HI, item 5(b), or, if levied against deposit accounts in foreign offices, as "Other noninterest income" in Schedule HI, item 5(l)). See inclusion (5) above.

(7) Interchange fees earned from credit card transactions (report as "Other noninterest income" in Schedule HI, item 5(l)).

Line Item 1(a)(1) Interest and fee income on loans in domestic offices.

Report all interest, fees, and similar charges levied against or associated with all loans in domestic offices reportable in Schedule HC-C, items 1 through 9, column B for holding companies with foreign offices and