ACCRETABLE YIELD The excess of cash flows expected to be collected over the carrying value of PCI loans is referred to as the accretable yield and is recognized in interest income using an effective yield method over the remaining life of the loan, or pools of loans. The accretable yield is affected by:

- changes in interest rate indices for variable rate PCI loans – expected future cash flows are based on the variable rates in effect at the time of the regular evaluations of cash flows expected to be collected;
- changes in prepayment assumptions – prepayments affect the estimated life of PCI loans which may change the amount of interest income, and possibly principal, expected to be collected; and
- changes in the expected principal and interest payments over the estimated weighted-average life – updates to expected cash flows are driven by the credit outlook and actions taken with borrowers. Changes in expected future cash flows from loan modifications are included in the regular evaluations of cash flows expected to be collected.

The change in the accretable yield related to PCI loans since the merger with Wachovia is presented in Table 5.20. Changes during third quarter 2016 reflect an expectation, as a result of our quarterly evaluation of PCI cash flows, that prepayment of modified Pick-a-Pay loans will significantly increase over their estimated weighted-average life and that expected loss has decreased as a result of reduced loan to value ratios and sustained higher housing prices.

Table 5.20: Change in Accretable Yield

(in millions)		Quarter ended Sep 30, 2016	Nine months ended Sep 30, 2016	2009-2015
Balance, beginning of period	**$**	**15,727**	**16,301**	**10,447**
Change in accretable yield due to acquisitions		**(11)**	**58**	**132**
Accretion into interest income (1)		**(324)**	**(992)**	**(14,212)**
Accretion into noninterest income due to sales (2)		**—**	**(9)**	**(458)**
Reclassification from nonaccretable difference for loans with improving credit-related cash flows		**1,163**	**1,221**	**9,734**
Changes in expected cash flows that do not affect nonaccretable difference (3)		**(4,936)**	**(4,960)**	**10,658**
Balance, end of period	**$**	**11,619**	**11,619**	**16,301**

(1) Includes accretable yield released as a result of settlements with borrowers, which is included in interest income.
(2) Includes accretable yield released as a result of sales to third parties, which is included in noninterest income.
(3) Represents changes in cash flows expected to be collected due to the impact of modifications, changes in prepayment assumptions, changes in interest rates on variable rate PCI loans and sales to third parties.

COMMERCIAL PCI CREDIT QUALITY INDICATORS Table 5.21 provides a breakdown of commercial PCI loans by risk category.

Table 5.21: Commercial PCI Loans by Risk Category

(in millions)		Commercial and industrial	Real estate mortgage	Real estate construction	Total
September 30, 2016					
By risk category:					
Pass	**$**	**154**	**262**	**49**	**465**
Criticized		**213**	**148**	**11**	**372**
Total commercial PCI loans	**$**	**367**	**410**	**60**	**837**
December 31, 2015					
By risk category:					
Pass	$	35	298	68	401
Criticized		43	244	24	311
Total commercial PCI loans	$	78	542	92	712

Table 5.22 provides past due information for commercial PCI loans.

Table 5.22: Commercial PCI Loans by Delinquency Status

(in millions)	Commercial and industrial	Real estate mortgage	Real estate construction	Total
September 30, 2016				
By delinquency status:				
Current-29 DPD and still accruing	**$ 364**	**356**	**49**	**769**
30-89 DPD and still accruing	**3**	**1**	**—**	**4**
90+ DPD and still accruing	**—**	**53**	**11**	**64**
Total commercial PCI loans	**$ 367**	**410**	**60**	**837**
December 31, 2015				
By delinquency status:				
Current-29 DPD and still accruing	$ 78	510	90	678
30-89 DPD and still accruing	—	2	—	2
90+ DPD and still accruing	—	30	2	32
Total commercial PCI loans	$ 78	542	92	712

CONSUMER PCI CREDIT QUALITY INDICATORS Our consumer PCI loans were aggregated into several pools of loans at acquisition. Below, we have provided credit quality indicators based on the unpaid principal balance (adjusted for write-downs) of the individual loans included in the pool, but we have not allocated the remaining purchase accounting adjustments, which were established at a pool level. Table 5.23 provides the delinquency status of consumer PCI loans.

Table 5.23: Consumer PCI Loans by Delinquency Status

	September 30, 2016			December 31, 2015		
(in millions)	**Real estate 1-4 family first mortgage**	**Real estate 1-4 family junior lien mortgage**	**Total**	Real estate 1-4 family first mortgage	Real estate 1-4 family junior lien mortgage	Total
By delinquency status:						
Current-29 DPD and still accruing	**$ 16,779**	**179**	**16,958**	18,086	202	18,288
30-59 DPD and still accruing	**1,486**	**7**	**1,493**	1,686	7	1,693
60-89 DPD and still accruing	**671**	**3**	**674**	716	3	719
90-119 DPD and still accruing	**229**	**1**	**230**	293	2	295
120-179 DPD and still accruing	**254**	**2**	**256**	319	3	322
180+ DPD and still accruing	**2,271**	**8**	**2,279**	3,035	12	3,047
Total consumer PCI loans (adjusted unpaid principal balance)	**$ 21,690**	**200**	**21,890**	24,135	229	24,364
Total consumer PCI loans (carrying value)	**$ 16,830**	**42**	**16,872**	19,190	69	19,259

Table 5.24 provides FICO scores for consumer PCI loans.

Table 5.24: Consumer PCI Loans by FICO

	September 30, 2016			December 31, 2015		
(in millions)	**Real estate 1-4 family first mortgage**	**Real estate 1-4 family junior lien mortgage**	**Total**	Real estate 1-4 family first mortgage	Real estate 1-4 family junior lien mortgage	Total
By FICO:						
< 600	$ **4,643**	**50**	**4,693**	5,737	52	5,789
600-639	**3,167**	**26**	**3,193**	4,754	38	4,792
640-679	**4,129**	**38**	**4,167**	6,208	48	6,256
680-719	**3,255**	**38**	**3,293**	4,283	43	4,326
720-759	**1,801**	**25**	**1,826**	1,914	24	1,938
760-799	**933**	**16**	**949**	910	13	923
800+	**257**	**4**	**261**	241	3	244
No FICO available	**3,505**	**3**	**3,508**	88	8	96
Total consumer PCI loans (adjusted unpaid principal balance)	$ **21,690**	**200**	**21,890**	24,135	229	24,364
Total consumer PCI loans (carrying value)	$ **16,830**	**42**	**16,872**	19,190	69	19,259

Table 5.25 shows the distribution of consumer PCI loans by LTV for real estate 1-4 family first mortgages and by CLTV for real estate 1-4 family junior lien mortgages.

Table 5.25: Consumer PCI Loans by LTV/CLTV

	September 30, 2016			December 31, 2015		
(in millions)	**Real estate 1-4 family first mortgage by LTV**	**Real estate 1-4 family junior lien mortgage by CLTV**	**Total**	Real estate 1-4 family first mortgage by LTV	Real estate 1-4 family junior lien mortgage by CLTV	Total
By LTV/CLTV:						
0-60%	$ **7,252**	**36**	**7,288**	5,437	32	5,469
60.01-80%	**9,384**	**78**	**9,462**	10,036	65	10,101
80.01-100%	**3,871**	**56**	**3,927**	6,299	80	6,379
100.01-120% (1)	**926**	**21**	**947**	1,779	36	1,815
> 120% (1)	**255**	**8**	**263**	579	15	594
No LTV/CLTV available	**2**	**1**	**3**	5	1	6
Total consumer PCI loans (adjusted unpaid principal balance)	$ **21,690**	**200**	**21,890**	24,135	229	24,364
Total consumer PCI loans (carrying value)	$ **16,830**	**42**	**16,872**	19,190	69	19,259

(1) Reflects total loan balances with LTV/CLTV amounts in excess of 100%. In the event of default, the loss content would generally be limited to only the amount in excess of 100% LTV/CLTV.

Note 6: Other Assets

Table 6.1 presents the components of other assets.

Table 6.1: Other Assets

(in millions)		Sep 30, 2016	Dec 31, 2015
Nonmarketable equity investments:			
Cost method:			
Federal bank stock	$	**6,072**	4,814
Private equity		**1,459**	1,626
Auction rate securities		**546**	595
Total cost method		**8,077**	7,035
Equity method:			
LIHTC (1)		**9,228**	8,314
Private equity		**3,674**	3,300
Tax-advantaged renewable energy		**1,599**	1,625
New market tax credit and other		**312**	408
Total equity method		**14,813**	13,647
Fair value (2)		**3,441**	3,065
Total nonmarketable equity investments		**26,331**	23,747
Corporate/bank-owned life insurance		**19,303**	19,199
Accounts receivable (3)		**31,220**	26,251
Interest receivable		**5,309**	5,065
Core deposit intangibles		**1,850**	2,539
Customer relationship and other amortized intangibles		**1,137**	614
Foreclosed assets:			
Residential real estate:			
Government insured/guaranteed (3)		**282**	446
Non-government insured/ guaranteed		**322**	414
Non-residential real estate		**416**	565
Operating lease assets		**10,253**	3,782
Due from customers on acceptances		**265**	273
Other (4)		**26,899**	17,887
Total other assets	$	**123,587**	100,782

(1) Represents low income housing tax credit investments.
(2) Represents nonmarketable equity investments for which we have elected the fair value option. See Note 13 (Fair Values of Assets and Liabilities) for additional information.
(3) Certain government-guaranteed residential real estate mortgage loans upon foreclosure are included in Accounts receivable. Both principal and interest related to these foreclosed real estate assets are collectible because the loans were predominantly insured by the FHA or guaranteed by the VA. For more information on ASU 2014-14 and the classification of certain government-guaranteed mortgage loans upon foreclosure, see Note 1 (Summary of Significant Accounting Policies) to Financial Statements in our 2015 10-K.
(4) Includes derivatives designated as hedging instruments, derivatives not designated as hedging instruments, and derivative loan commitments, which are carried at fair value. See Note 12 (Derivatives) for additional information.

Table 6.2 presents income (expense) related to nonmarketable equity investments.

Table 6.2: Nonmarketable Equity Investments

		Quarter ended September 30,		Nine months ended September 30,	
(in millions)		**2016**	2015	**2016**	2015
Net realized gains from nonmarketable equity investments	$	**55**	632	**369**	1,462
All other		**(83)**	(161)	**(404)**	(587)
Total	$	**(28)**	471	**(35)**	875

Low Income Housing Tax Credit Investments We invest in affordable housing projects that qualify for the low income housing tax credit (LIHTC), which is designed to promote private development of low income housing. These investments generate a return mostly through realization of federal tax credits.

Total LIHTC investments were $9.2 billion and $8.3 billion at September 30, 2016 and December 31, 2015, respectively. In third quarter and first nine months of 2016, we recognized pre-tax losses of $199 million and $600 million, respectively, related to our LIHTC investments, compared with $173 million and $529 million, respectively, for the same periods a year ago. We also recognized total tax benefits of $308 million and $919 million in the third quarter and first nine months of 2016, which included tax credits recorded in income taxes of $233 million and $693 million for the same periods, respectively. In the third quarter and first nine months of 2015, total tax benefits were $269 million and $819 million, respectively, which included tax credits of $203 million and $619 million for the same periods, respectively. We are periodically required to provide additional financial support during the investment period. Our liability for these unfunded commitments was $3.4 billion at September 30, 2016 and $3.0 billion at December 31, 2015. Predominantly all of this liability is expected to be paid over the next three years. This liability is included in long-term debt.

Note 7: Securitizations and Variable Interest Entities

Involvement with SPEs

In the normal course of business, we enter into various types of on- and off-balance sheet transactions with SPEs, which are corporations, trusts, limited liability companies or partnerships that are established for a limited purpose. Generally, SPEs are formed in connection with securitization transactions and are considered variable interest entities (VIEs). For further description of our involvement with SPEs, see Note 8 (Securitizations and Variable Interest Entities) to Financial Statements in our 2015 Form 10-K.

We have segregated our involvement with VIEs between those VIEs which we consolidate, those which we do not consolidate and those for which we account for the transfers of financial assets as secured borrowings. Secured borrowings are transactions involving transfers of our financial assets to third parties that are accounted for as financings with the assets pledged as collateral. Accordingly, the transferred assets remain recognized on our balance sheet. Subsequent tables within this Note further segregate these transactions by structure type.

Table 7.1 provides the classifications of assets and liabilities in our balance sheet for our transactions with VIEs.

Table 7.1: Balance Sheet Transactions with VIEs

(in millions)	VIEs that we do not consolidate	VIEs that we consolidate	Transfers that we account for as secured borrowings	Total
September 30, 2016				
Cash	**$ —**	**145**	**—**	**145**
Federal funds sold, securities purchased under resale agreements and other short-term investments	**—**	**90**	**—**	**90**
Trading assets	**2,335**	**130**	**203**	**2,668**
Investment securities (1)	**9,331**	**244**	**1,048**	**10,623**
Loans	**7,865**	**12,417**	**4,144**	**24,426**
Mortgage servicing rights	**10,830**	**—**	**—**	**10,830**
Other assets	**9,804**	**414**	**14**	**10,232**
Total assets	**40,165**	**13,440**	**5,409**	**59,014**
Short-term borrowings	**—**	**—**	**1,066**	**1,066**
Accrued expenses and other liabilities	**413**	**79** (2)	**2**	**494**
Long-term debt	**3,360**	**3,850** (2)	**4,115**	**11,325**
Total liabilities	**3,773**	**3,929**	**5,183**	**12,885**
Noncontrolling interests	**—**	**147**	**—**	**147**
Net assets	**$ 36,392**	**9,364**	**226**	**45,982**
December 31, 2015				
Cash	$ —	157	—	157
Federal funds sold, securities purchased under resale agreements and other short-term investments	—	—	—	—
Trading assets	1,340	1	203	1,544
Investment securities (1)	12,388	425	2,171	14,984
Loans	9,661	4,811	4,887	19,359
Mortgage servicing rights	12,518	—	—	12,518
Other assets	8,938	242	26	9,206
Total assets	44,845	5,636	7,287	57,768
Short-term borrowings	—	—	1,799	1,799
Accrued expenses and other liabilities	629	57 (2)	1	687
Long-term debt	3,021	1,301 (2)	4,844	9,166
Total liabilities	3,650	1,358	6,644	11,652
Noncontrolling interests	—	93	—	93
Net assets	$ 41,195	4,185	643	46,023

(1) Excludes certain debt securities related to loans serviced for the Federal National Mortgage Association (FNMA), Federal Home Loan Mortgage Corporation (FHLMC) and GNMA.
(2) There were no VIE liabilities with recourse to the general credit of Wells Fargo for the periods presented.

Transactions with Unconsolidated VIEs

Our transactions with unconsolidated VIEs include securitizations of residential mortgage loans, CRE loans, student loans, automobile loans and leases, certain dealer floorplan loans; investment and financing activities involving collateralized debt obligations (CDOs) backed by asset-backed and CRE securities, tax credit structures, collateralized loan obligations (CLOs) backed by corporate loans, and other types of structured financing. We have various forms of involvement with VIEs, including servicing, holding senior or subordinated interests, entering into liquidity arrangements, credit default swaps and other derivative contracts. Involvements with these unconsolidated VIEs are recorded on our balance sheet in trading assets, investment securities, loans, MSRs, other assets, other liabilities, and long-term debt, as appropriate.

Table 7.2 provides a summary of unconsolidated VIEs with which we have significant continuing involvement, but we are not the primary beneficiary. We do not consider our continuing involvement in an unconsolidated VIE to be significant when it relates to third-party sponsored VIEs for which we were not the transferor (unless we are servicer and have other significant forms of involvement) or if we were the sponsor only or sponsor and servicer but do not have any other forms of significant involvement.

Significant continuing involvement includes transactions where we were the sponsor or transferor and have other significant forms of involvement. Sponsorship includes transactions with unconsolidated VIEs where we solely or materially participated in the initial design or structuring of the entity or marketing of the transaction to investors. When we transfer assets to a VIE and account for the transfer as a sale, we are considered the transferor. We consider investments in securities (other than those held temporarily in trading), loans, guarantees, liquidity agreements, written options and servicing of collateral to be other forms of involvement that may be significant. We have excluded certain transactions with unconsolidated VIEs from the balances presented in the following table where we have determined that our continuing involvement is not significant due to the temporary nature and size of our variable interests, because we were not the transferor or because we were not involved in the design of the unconsolidated VIEs. We also exclude from the table secured borrowing transactions with unconsolidated VIEs (for information on these transactions, see the Transactions with Consolidated VIEs and Secured Borrowings section in this Note).

Table 7.2: Unconsolidated VIEs

		Carrying value – asset (liability)				
(in millions)	Total VIE assets	Debt and equity interests (1)	Servicing assets	Derivatives	Other commitments and guarantees	Net assets
September 30, 2016						
Residential mortgage loan securitizations:						
Conforming (2)	$ 1,169,571	2,997	9,908	—	(245)	12,660
Other/nonconforming	20,764	1,075	108	—	(2)	1,181
Commercial mortgage securitizations	169,236	4,820	814	309	(32)	5,911
Collateralized debt obligations:						
Debt securities	2,353	—	—	17	(31)	(14)
Loans (3)	1,564	1,527	—	—	—	1,527
Asset-based finance structures	11,699	7,967	—	—	—	7,967
Tax credit structures	27,896	10,111	—	—	(3,387)	6,724
Collateralized loan obligations	102	10	—	—	—	10
Investment funds	209	49	—	—	—	49
Other (4)	13,687	454	—	(77)	—	377
Total	$ 1,417,081	29,010	10,830	249	(3,697)	36,392

	Maximum exposure to loss				
	Debt and equity interests (1)	Servicing assets	Derivatives	Other commitments and guarantees	Total exposure
Residential mortgage loan securitizations:					
Conforming	$ 2,997	9,908	—	967	13,872
Other/nonconforming	1,075	108	—	2	1,185
Commercial mortgage securitizations	4,820	814	309	9,130	15,073
Collateralized debt obligations:					
Debt securities	—	—	17	31	48
Loans (3)	1,527	—	—	—	1,527
Asset-based finance structures	7,967	—	—	444	8,411
Tax credit structures	10,111	—	—	970	11,081
Collateralized loan obligations	10	—	—	—	10
Investment funds	49	—	—	—	49
Other (4)	454	—	114	—	568
Total	$ 29,010	10,830	440	11,544	51,824

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(in millions)	Total VIE assets	Debt and equity interests (1)	Servicing assets	Derivatives	Other commitments and guarantees	Net assets
		Carrying value – asset (liability)				
December 31, 2015						
Residential mortgage loan securitizations:						
Conforming (2)	$ 1,199,225	2,458	11,665	—	(386)	13,737
Other/nonconforming	24,809	1,228	141	—	(1)	1,368
Commercial mortgage securitizations	184,959	6,323	712	203	(26)	7,212
Collateralized debt obligations:						
Debt securities	3,247	—	—	64	(57)	7
Loans (3)	3,314	3,207	—	—	—	3,207
Asset-based finance structures	13,063	8,956	—	(66)	—	8,890
Tax credit structures	26,099	9,094	—	—	(3,047)	6,047
Collateralized loan obligations	898	213	—	—	—	213
Investment funds	1,131	47	—	—	—	47
Other (4)	12,690	511	—	(44)	—	467
Total	$ 1,469,435	32,037	12,518	157	(3,517)	41,195

	Debt and equity interests (1)	Servicing assets	Derivatives	Other commitments and guarantees	Total exposure
	Maximum exposure to loss				
Residential mortgage loan securitizations:					
Conforming	$ 2,458	11,665	—	1,452	15,575
Other/nonconforming	1,228	141	—	1	1,370
Commercial mortgage securitizations	6,323	712	203	7,152	14,390
Collateralized debt obligations:					
Debt securities	—	—	64	57	121
Loans (3)	3,207	—	—	—	3,207
Asset-based finance structures	8,956	—	76	444	9,476
Tax credit structures	9,094	—	—	866	9,960
Collateralized loan obligations	213	—	—	—	213
Investment funds	47	—	—	—	47
Other (4)	511	—	117	150	778
Total	$ 32,037	12,518	460	10,122	55,137

(1) Includes total equity interests of $9.8 billion and $8.9 billion at September 30, 2016, and December 31, 2015, respectively. Also includes debt interests in the form of both loans and securities. Excludes certain debt securities held related to loans serviced for FNMA, FHLMC and GNMA.

(2) Excludes assets and related liabilities with a recorded carrying value on our balance sheet of $1.2 billion and $1.3 billion at September 30, 2016, and December 31, 2015, respectively, for certain delinquent loans that are eligible for repurchase from GNMA loan securitizations. The recorded carrying value represents the amount that would be payable if the Company was to exercise the repurchase option. The carrying amounts are excluded from the table because the loans eligible for repurchase do not represent interests in the VIEs.

(3) Represents senior loans to trusts that are collateralized by asset-backed securities. The trusts invest predominantly in senior tranches from a diversified pool of U.S. asset securitizations, of which all are current and 100% and 70% were rated as investment grade by the primary rating agencies at September 30, 2016, and December 31, 2015, respectively. These senior loans are accounted for at amortized cost and are subject to the Company's allowance and credit charge-off policies.

(4) Includes structured financing and credit-linked note structures. Also contains investments in auction rate securities (ARS) issued by VIEs that we do not sponsor and, accordingly, are unable to obtain the total assets of the entity.

In Table 7.2, "Total VIE assets" represents the remaining principal balance of assets held by unconsolidated VIEs using the most current information available. For VIEs that obtain exposure to assets synthetically through derivative instruments, the remaining notional amount of the derivative is included in the asset balance. "Carrying value" is the amount in our consolidated balance sheet related to our involvement with the unconsolidated VIEs. "Maximum exposure to loss" from our involvement with off-balance sheet entities, which is a required disclosure under GAAP, is determined as the carrying value of our involvement with off-balance sheet (unconsolidated) VIEs plus the remaining undrawn liquidity and lending commitments, the notional amount of net written derivative contracts, and generally the notional amount of, or stressed loss estimate for, other commitments and guarantees. It represents estimated loss that would be incurred under severe, hypothetical circumstances, for which we believe the possibility is extremely remote, such as where the value of our interests and any associated collateral declines to zero, without any consideration of recovery or offset from any economic hedges. Accordingly, this required disclosure is not an indication of expected loss.

For complete descriptions of our types of transactions with unconsolidated VIEs with which we have a significant continuing involvement, but we are not the primary beneficiary, see Note 8 (Securitizations and Variable Interest Entities) to Financial Statements in our 2015 Form 10-K.

INVESTMENT FUNDS In first quarter 2016, we adopted ASU 2015-02 (*Amendments to the Consolidation Analysis*) which changed the consolidation analysis for certain investment funds. We do not consolidate these investment funds because we do not hold variable interests that are considered significant to the funds.

We voluntarily waived a portion of our management fees for certain money market funds that are exempt from the consolidation analysis to ensure the funds maintained a minimum level of daily net investment income. The amount of fees waived in the third quarter and first nine months of 2016 was $28 million and $84 million, respectively, compared with $50 million and $159 million, respectively, in the same periods of 2015.

OTHER TRANSACTIONS WITH VIEs Other VIEs include certain entities that issue auction rate securities (ARS) which are debt instruments with long-term maturities, that re-price more frequently, and preferred equities with no maturity. At September 30, 2016, we held $453 million of ARS issued by VIEs compared with $502 million at December 31, 2015. We acquired the ARS pursuant to agreements entered into in 2008 and 2009.

We do not consolidate the VIEs that issued the ARS because we do not have power over the activities of the VIEs.

TRUST PREFERRED SECURITIES VIEs that we wholly own issue debt securities or preferred equity to third party investors. All of the proceeds of the issuance are invested in debt securities or preferred equity that we issue to the VIEs. The VIEs' operations and cash flows relate only to the issuance, administration and repayment of the securities held by third parties. We do not consolidate these VIEs because the sole assets of the VIEs are receivables from us, even though we own all of the voting equity shares of the VIEs, have fully guaranteed the obligations of the VIEs and may have the right to redeem the third party securities under certain circumstances. In our consolidated balance sheet at September 30, 2016, and December 31, 2015, we reported the debt securities issued to the VIEs as long-term junior subordinated debt with a carrying value of $2.3 billion and $2.2 billion, respectively, and the preferred equity securities issued to the VIEs as preferred stock with a carrying value of $2.5 billion at both dates. These amounts are in addition to the involvements in these VIEs included in the preceding table.

Loan Sales and Securitization Activity

We periodically transfer consumer and CRE loans and other types of financial assets in securitization and whole loan sale transactions. We typically retain the servicing rights from these sales and may continue to hold other beneficial interests in the transferred financial assets. We may also provide liquidity to investors in the beneficial interests and credit enhancements in the form of standby letters of credit. Through these transfers we may be exposed to liability under limited amounts of recourse as well as standard representations and warranties we make to purchasers and issuers. Table 7.3 presents the cash flows for our transfers accounted for as sales.

Table 7.3: Cash Flows From Sales and Securitization Activity

	2016		2015	
(in millions)	**Mortgage loans**	**Other financial assets**	Mortgage loans	Other financial assets
Quarter ended September 30,				
Proceeds from securitizations and whole loan sales	**$ 66,830**	**53**	52,733	192
Fees from servicing rights retained	**891**	**—**	902	1
Cash flows from other interests held (1)	**930**	**—**	328	10
Repurchases of assets/loss reimbursements (2):				
Non-agency securitizations and whole loan transactions	**4**	**—**	3	—
Agency securitizations (3)	**22**	**—**	72	—
Servicing advances, net of repayments	**(52)**	**—**	(88)	—
Nine months ended September 30,				
Proceeds from securitizations and whole loan sales	**$ 178,301**	**186**	153,626	373
Fees from servicing rights retained	**2,636**	**—**	2,760	5
Cash flows from other interests held (1)	**1,964**	**1**	942	33
Repurchases of assets/loss reimbursements (2):				
Non-agency securitizations and whole loan transactions	**22**	**—**	10	—
Agency securitizations (3)	**104**	**—**	210	—
Servicing advances, net of repayments	**(159)**	**—**	(342)	—

(1) Cash flows from other interests held include principal and interest payments received on retained bonds and excess cash flows received on interest-only strips.
(2) Consists of cash paid to repurchase loans from investors and cash paid to investors to reimburse them for losses on individual loans that are already liquidated.
(3) Represent loans repurchased from GNMA, FNMA, and FHLMC under representation and warranty provisions included in our loan sales contracts. Third quarter and first nine months of 2016 exclude $2.4 billion and $7.3 billion respectively, in delinquent insured/guaranteed loans that we service and have exercised our option to purchase out of GNMA pools, compared with $2.2 billion and $8.2 billion, respectively, in the same periods of 2015. These loans are predominantly insured by the FHA or guaranteed by the VA.

In the third quarter and first nine months of 2016, we recognized net gains of $141 million and $436 million, respectively, from transfers accounted for as sales of financial assets, compared with $88 million and $404 million, respectively, in the same periods of 2015. These net gains largely relate to commercial mortgage securitizations and residential mortgage securitizations where the loans were not already carried at fair value.

Sales with continuing involvement during the third quarter and first nine months of 2016 and 2015 largely related to securitizations of residential mortgages that are sold to the government-sponsored entities (GSEs), including FNMA, FHLMC and GNMA (conforming residential mortgage securitizations). During the third quarter and first nine months of 2016, we transferred $63.3 billion and $165.6 billion, respectively, in fair value of residential mortgages to unconsolidated VIEs and third-party investors and recorded the transfers as sales, compared with $50.2 billion and $143.1 billion, respectively, in the same periods of 2015. Substantially all of these transfers did not result in a gain or loss because the loans were already carried at fair value. In connection with all of these transfers, in the first nine months of 2016, we recorded a $1.3 billion servicing asset, measured at fair value using a Level 3 measurement technique, securities of $3.0 billion, classified as Level 2, and a $26 million liability for repurchase losses which reflects management's estimate of probable losses related to various representations and warranties for the loans transferred, initially measured at fair value. In the first nine months of 2015, we recorded a $1.2 billion servicing asset, securities of $787 million, and a $34 million liability.

Table 7.4 presents the key weighted-average assumptions we used to measure residential mortgage servicing rights at the date of securitization.

Table 7.4: Residential Mortgage Servicing Rights

	Residential mortgage servicing rights	
	2016	2015
Quarter ended September 30,		
Prepayment speed (1)	**12.4%**	11.5
Discount rate	**6.2**	7.1
Cost to service ($ per loan) (2)	**$ 124**	223
Nine months ended September 30,		
Prepayment speed (1)	**12.5%**	12.1
Discount rate	**6.5**	7.4
Cost to service ($ per loan) (2)	**$ 136**	232

(1) The prepayment speed assumption for residential mortgage servicing rights includes a blend of prepayment speeds and default rates. Prepayment speed assumptions are influenced by mortgage interest rate inputs as well as our estimation of drivers of borrower behavior.
(2) Includes costs to service and unreimbursed foreclosure costs, which can vary period to period depending on the mix of modified government-guaranteed loans sold to GNMA.

During the third quarter and first nine months of 2016, we transferred $4.0 billion and $13.9 billion, respectively, in carrying value of commercial mortgages to unconsolidated VIEs and third-party investors and recorded the transfers as sales, compared with $3.0 billion and $12.5 billion in the same periods of 2015, respectively. These transfers resulted in gains of $134 million and $327 million in the third quarter and first nine months of 2016, respectively, because the loans were carried at lower of cost of market value (LOCOM), compared with gains of $63 million and $263 million in the third quarter and first nine months of 2015, respectively. In connection with these transfers, in the first nine months of 2016, we recorded a servicing asset of $204 million, initially measured at fair value using a Level 3 measurement technique, and securities of $236 million, classified as Level 2. In the first nine months of 2015, we recorded a servicing asset of $131 million and securities of $209 million.

Retained Interests from Unconsolidated VIEs

Table 7.5 provides key economic assumptions and the sensitivity of the current fair value of residential mortgage servicing rights and other interests held to immediate adverse changes in those assumptions. “Other interests held” relate to residential and commercial mortgage loan securitizations. Residential mortgage-backed securities retained in securitizations issued through GSEs, such as FNMA, FHLMC and GNMA, are excluded from the table because these securities have a remote risk of credit loss due to the GSE guarantee. These securities also have economic characteristics similar to GSE mortgage-backed securities that we purchase, which are not included in the table. Subordinated interests include only those bonds whose credit rating was below AAA by a major rating agency at issuance. Senior interests include only those bonds whose credit rating was AAA by a major rating agency at issuance. The information presented excludes trading positions held in inventory.

Table 7.5: Retained Interests from Unconsolidated VIEs

		Other interests held			
			Consumer	Commercial (2)	
($ in millions, except cost to service amounts)	Residential mortgage servicing rights (1)	Interest-only strips	Subordinated bonds	Subordinated bonds	Senior bonds
Fair value of interests held at September 30, 2016	**$ 10,415**	**30**	**1**	**285**	**656**
Expected weighted-average life (in years)	**5.3**	**3.6**	**9.2**	**1.2**	**5.8**
Key economic assumptions:					
Prepayment speed assumption (3)	**13.5%**	**18.9**	**15.3**		
Decrease in fair value from:					
10% adverse change	**$ 585**	**1**	**—**		
25% adverse change	**1,376**	**2**	**—**		
Discount rate assumption	**6.2%**	**12.1**	**9.9**	**9.1**	**3.2**
Decrease in fair value from:					
100 basis point increase	**$ 485**	**1**	**—**	**3**	**31**
200 basis point increase	**927**	**1**	**—**	**6**	**61**
Cost to service assumption ($ per loan)	**161**				
Decrease in fair value from:					
10% adverse change	**509**				
25% adverse change	**1,271**				
Credit loss assumption			**2.6%**	**2.3**	**—**
Decrease in fair value from:					
10% higher losses			**$ —**	**1**	**—**
25% higher losses			**—**	**1**	**—**
Fair value of interests held at December 31, 2015	$ 12,415	34	1	342	673
Expected weighted-average life (in years)	6.0	3.6	11.6	1.9	5.8
Key economic assumptions:					
Prepayment speed assumption (3)	11.4 %	19.0	15.1		
Decrease in fair value from:					
10% adverse change	$ 616	1	—		
25% adverse change	1,463	3	—		
Discount rate assumption	7.3 %	13.8	10.5	5.3	3.0
Decrease in fair value from:					
100 basis point increase	$ 605	1	—	6	33
200 basis point increase	1,154	1	—	11	63
Cost to service assumption ($ per loan)	168				
Decrease in fair value from:					
10% adverse change	567				
25% adverse change	1,417				
Credit loss assumption			1.1 %	2.8	—
Decrease in fair value from:					
10% higher losses			$ —	—	—
25% higher losses			—	2	—

(1) See narrative following this table for a discussion of commercial mortgage servicing rights.
(2) Prepayment speed assumptions do not significantly impact the value of commercial mortgage securitization bonds as the underlying commercial mortgage loans experience significantly lower prepayments due to certain contractual restrictions, impacting the borrower’s ability to prepay the mortgage.
(3) The prepayment speed assumption for residential mortgage servicing rights includes a blend of prepayment speeds and default rates. Prepayment speed assumptions are influenced by mortgage interest rate inputs as well as our estimation of drivers of borrower behavior.