

SCHWAB CHARLES CORP
Form 10-Q
May 07, 2013
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2013

Commission File Number: 1-9700

THE CHARLES SCHWAB CORPORATION

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction)

94-3025021
(I.R.S. Employer Identification No.)

of incorporation or organization)

211 Main Street, San Francisco, CA 94105

(Address of principal executive offices and zip code)

Registrant's telephone number, including area code: (415) 667-7000

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

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Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

1,279,979,406 shares of \$.01 par value Common Stock

Outstanding on April 23, 2013

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THE CHARLES SCHWAB CORPORATION

Quarterly Report on Form 10-Q

For the Quarter Ended March 31, 2013

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Table of Contents**Part I FINANCIAL INFORMATION****Item 1. Condensed Consolidated Financial Statements****THE CHARLES SCHWAB CORPORATION****Condensed Consolidated Statements of Income**

(In millions, except per share amounts)

(Unaudited)

	Three Months Ended March 31,	
	2013	2012
Net Revenues		
Asset management and administration fees	\$ 552	\$ 484
Interest revenue	497	472
Interest expense	(28)	(38)
Net interest revenue	469	434
Trading revenue	223	243
Other	56	46
Provision for loan losses	(6)	
Net impairment losses on securities ⁽¹⁾	(4)	(18)
Total net revenues	1,290	1,189
Expenses Excluding Interest		
Compensation and benefits	536	465
Professional services	99	96
Occupancy and equipment	77	76
Advertising and market development	74	67
Communications	54	58
Depreciation and amortization	51	48
Other	68	66
Total expenses excluding interest	959	876
Income before taxes on income	331	313
Taxes on income	125	118
Net Income	206	195
Preferred stock dividends	8	
Net Income Available to Common Stockholders	\$ 198	\$ 195
Weighted-Average Common Shares Outstanding Diluted	1,282	1,273

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Earnings Per Common Share	Basic	\$.15	\$.15
Earnings Per Common Share	Diluted	\$.15	\$.15

(1) Net impairment losses on securities include total other-than-temporary impairment losses of \$0 million and \$2 million, net of \$(4) million and \$(16) million reclassified from other comprehensive income, for the three months ended March 31, 2013 and 2012, respectively. See Notes to Condensed Consolidated Financial Statements.

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Table of Contents**THE CHARLES SCHWAB CORPORATION****Condensed Consolidated Statements of Comprehensive Income**

(In millions)

(Unaudited)

	Three Months Ended March 31,	
	2013	2012
Net Income	\$ 206	\$ 195
Other comprehensive income, before tax:		
Change in net unrealized gain on securities available for sale:		
Net unrealized (loss) gain	(3)	89
Reclassification of impairment charges included in net impairment losses on securities	4	18
Other	1	
Other comprehensive income, before tax	2	107
Income tax effect		39
Other comprehensive income, net of tax	2	68
Comprehensive Income	\$ 208	\$ 263

See Notes to Condensed Consolidated Financial Statements.

Table of Contents**THE CHARLES SCHWAB CORPORATION****Condensed Consolidated Balance Sheets**

(In millions, except per share and share amounts)

(Unaudited)

	March 31, 2013	December 31, 2012
Assets		
Cash and cash equivalents	\$ 6,931	\$ 12,663
Cash and investments segregated and on deposit for regulatory purposes (including resale agreements of \$18,387 at March 31, 2013 and \$19,325 at December 31, 2012)	26,897	28,469
Receivables from brokers, dealers, and clearing organizations	467	333
Receivables from brokerage clients net	12,454	13,458
Other securities owned at fair value	545	636
Securities available for sale	48,809	46,123
Securities held to maturity (fair value \$23,316 at March 31, 2013 and \$18,732 at December 31, 2012)	22,920	18,194
Loans to banking clients net	11,300	10,726
Equipment, office facilities, and property net	681	675
Goodwill	1,231	1,228
Intangible assets net	302	319
Other assets	787	813
Total assets	\$ 133,324	\$ 133,637
Liabilities and Stockholders Equity		
Deposits from banking clients	\$ 82,424	\$ 79,377
Payables to brokers, dealers, and clearing organizations	1,152	1,068
Payables to brokerage clients	36,888	40,330
Accrued expenses and other liabilities	1,453	1,641
Long-term debt	1,631	1,632
Total liabilities	123,548	124,048
Stockholders equity:		
Preferred stock \$.01 par value per share; aggregated liquidation preference of \$885 at both March 31, 2013 and December 31, 2012	866	865
Common stock 3 billion shares authorized; \$.01 par value per share; 1,487,543,446 shares issued	15	15
Additional paid-in capital	3,911	3,881
Retained earnings	8,674	8,554
Treasury stock, at cost 207,704,836 shares at March 31, 2013 and 210,014,305 shares at December 31, 2012	(3,990)	(4,024)
Accumulated other comprehensive income	300	298
Total stockholders equity	9,776	9,589
Total liabilities and stockholders equity	\$ 133,324	\$ 133,637

See Notes to Condensed Consolidated Financial Statements.

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THE CHARLES SCHWAB CORPORATION

Condensed Consolidated Statement of Cash Flows

(In millions)

(Unaudited)

	Three Months Ended March 31,	
	2013	2012
Cash Flows from Operating Activities		
Net income	\$ 206	\$ 195
Adjustments to reconcile net income to net cash (used for) provided by operating activities:		
Provision for loan losses	6	
Net impairment losses on securities	4	18
Stock-based compensation	37	25
Depreciation and amortization	51	48
Premium amortization, net, on securities available for sale and securities held to maturity	44	52
Other	7	
Originations of loans held for sale		(335)
Proceeds from sales of loans held for sale		354
Net change in:		
Cash and investments segregated and on deposit for regulatory purposes	1,572	(871)
Receivables from brokers, dealers, and clearing organizations	(134)	(360)
Receivables from brokerage clients	1,003	(136)
Other securities owned	91	137
Other assets	(29)	22
Payables to brokers, dealers, and clearing organizations	84	170
Payables to brokerage clients	(3,442)	868
Accrued expenses and other liabilities	132	(89)
Net cash (used for) provided by operating activities	(368)	98
Cash Flows from Investing Activities		
Purchases of securities available for sale	(6,703)	(6,836)
Proceeds from sales of securities available for sale		250
Principal payments on securities available for sale	3,997	2,759
Purchases of securities held to maturity	(6,031)	(1,193)
Principal payments on securities held to maturity	1,279	1,308
Net (increase) decrease in loans to banking clients	(530)	34
Purchase of equipment, office facilities, and property	(49)	(42)
Other investing activities	2	
Net cash used for investing activities	(8,035)	(3,720)
Cash Flows from Financing Activities		
Net change in deposits from banking clients	3,047	1,405
Repayment of commercial paper	(300)	
Repayment of long-term debt	(2)	(1)
Net proceeds from preferred stock offerings		394
Dividends paid	(98)	(77)
Proceeds from stock options exercised and other	25	15
Other financing activities	(1)	1

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Net cash provided by financing activities	2,671	1,737
Decrease in Cash and Cash Equivalents	(5,732)	(1,885)
Cash and Cash Equivalents at Beginning of Period	12,663	8,679
Cash and Cash Equivalents at End of Period	\$ 6,931	\$ 6,794

Supplemental Cash Flow Information

Cash paid during the period for:

Interest	\$ 40	\$ 36
Income taxes	\$ 35	\$ 12

See Notes to Condensed Consolidated Financial Statements.

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Table of Contents**THE CHARLES SCHWAB CORPORATION****Notes to Condensed Consolidated Financial Statements**

(Tabular Amounts in Millions, Except Per Share Data, Ratios, or as Noted)

(Unaudited)

1. Introduction and Basis of Presentation

The Charles Schwab Corporation (CSC) is a savings and loan holding company engaged, through its subsidiaries, in securities brokerage, banking, money management, and financial advisory services. Charles Schwab & Co., Inc. (Schwab) is a securities broker-dealer with over 300 domestic branch offices in 45 states, as well as a branch in each of the Commonwealth of Puerto Rico and London, U.K. In addition, Schwab serves clients in Hong Kong through one of CSC's subsidiaries. Other subsidiaries include Charles Schwab Bank (Schwab Bank), a federal savings bank, and Charles Schwab Investment Management, Inc. (CSIM), the investment advisor for Schwab's proprietary mutual funds, which are referred to as the Schwab Funds®, and for Schwab's exchange-traded funds, which are referred to as the Schwab ETFs.

The accompanying unaudited condensed consolidated financial statements include CSC and its majority-owned subsidiaries (collectively referred to as the Company). Intercompany balances and transactions have been eliminated. These condensed consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States (U.S.), which require management to make certain estimates and assumptions that affect the reported amounts in the accompanying financial statements. Certain estimates relate to other-than-temporary impairment of securities available for sale and securities held to maturity, valuation of goodwill, allowance for loan losses, and legal and regulatory reserves. Actual results may differ from those estimates. These condensed consolidated financial statements reflect all adjustments that are, in the opinion of management, necessary for a fair presentation of the results for the periods presented. These adjustments are of a normal recurring nature. Certain prior period amounts have been reclassified to conform to the 2013 presentation. The Company's results for any interim period are not necessarily indicative of results for a full year or any other interim period. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2012.

2. Securities Available for Sale and Securities Held to Maturity

The amortized cost, gross unrealized gains and losses, and fair value of securities available for sale and securities held to maturity are as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
March 31, 2013				
Securities available for sale:				
U.S. agency mortgage-backed securities	\$ 19,465	\$ 354	\$	\$ 19,819
Asset-backed securities	9,706	81	1	9,786
Corporate debt securities	7,554	65	2	7,617
Certificates of deposit	5,890	11	1	5,900
U.S. agency notes	4,040	2	6	4,036
Non-agency residential mortgage-backed securities	747	4	42	709
Commercial paper	649			649
Other securities	278	15		293
Total securities available for sale	\$ 48,329	\$ 532	\$ 52	\$ 48,809
Securities held to maturity:				
U.S. agency mortgage-backed securities	\$ 22,188	\$ 470	\$ 63	\$ 22,595
Other securities	732		11	721

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Total securities held to maturity	\$	22,920	\$	470	\$	74	\$	23,316
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(Tabular Amounts in Millions, Except Per Share Data, Ratios, or as Noted)

(Unaudited)

December 31, 2012	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Securities available for sale:				
U.S. agency mortgage-backed securities	\$ 20,080	\$ 396	\$	\$ 20,476
Asset-backed securities	8,104	62	2	8,164
Corporate debt securities	6,197	61	2	6,256
Certificates of deposit	6,150	12	1	6,161
U.S. agency notes	3,465	2	3	3,464
Non-agency residential mortgage-backed securities	796	2	65	733
Commercial paper	574			574
Other securities	278	17		295
Total securities available for sale	\$ 45,644	\$ 552	\$ 73	\$ 46,123
Securities held to maturity:				
U.S. agency mortgage-backed securities	\$ 17,750	\$ 558	\$ 19	\$ 18,289
Other securities	444		1	443
Total securities held to maturity	\$ 18,194	\$ 558	\$ 20	\$ 18,732

A summary of securities with unrealized losses, aggregated by category and period of continuous unrealized loss, is as follows:

	Less than 12 months		12 months or longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
March 31, 2013						
Securities available for sale:						
Asset-backed securities	\$	\$	\$ 768	\$ 1	\$ 768	\$ 1
Corporate debt securities	1,232	2			1,232	2
Certificates of deposit	499	1			499	1
U.S. agency notes	2,300	6			2,300	6
Non-agency residential mortgage-backed securities	66	1	494	41	560	42
Total	\$ 4,097	\$ 10	\$ 1,262	\$ 42	\$ 5,359	\$ 52
Securities held to maturity:						
U.S. agency mortgage-backed securities	\$ 7,177	\$ 63	\$	\$	\$ 7,177	\$ 63
Other securities	621	11			621	11
Total	\$ 7,798	\$ 74	\$	\$	\$ 7,798	\$ 74
Total securities with unrealized losses ⁽¹⁾	\$ 11,895	\$ 84	\$ 1,262	\$ 42	\$ 13,157	\$ 126

- (1) The number of investment positions with unrealized losses totaled 128 for securities available for sale and 67 for securities held to maturity.

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(Tabular Amounts in Millions, Except Per Share Data, Ratios, or as Noted)

(Unaudited)

	Less than 12 months		12 months or longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
December 31, 2012						
Securities available for sale:						
Asset-backed securities	\$	\$	\$ 801	\$ 2	\$ 801	\$ 2
Corporate debt securities	878	2			878	2
Certificates of deposit	599	1			599	1
U.S. agency notes	2,102	3			2,102	3
Non-agency residential mortgage-backed securities	46	1	549	64	595	65
Total	\$ 3,625	\$ 7	\$ 1,350	\$ 66	\$ 4,975	\$ 73
Securities held to maturity:						
U.S. agency mortgage-backed securities	\$ 2,680	\$ 19			\$ 2,680	\$ 19
Other securities	240	1			240	1
Total	\$ 2,920	\$ 20	\$	\$	\$ 2,920	\$ 20
Total securities with unrealized losses ⁽¹⁾	\$ 6,545	\$ 27	\$ 1,350	\$ 66	\$ 7,895	\$ 93

⁽¹⁾ The number of investment positions with unrealized losses totaled 139 for securities available for sale and 24 for securities held to maturity.

Unrealized losses in securities available for sale of \$52 million as of March 31, 2013, were concentrated in non-agency residential mortgage-backed securities. Included in non-agency residential mortgage-backed securities are securities collateralized by loans that are considered to be Prime (defined as loans to borrowers with a Fair Isaac Corporation (FICO) credit score of 620 or higher at origination), and Alt-A (defined as Prime loans with reduced documentation at origination). At March 31, 2013, the amortized cost and fair value of Alt-A residential mortgage-backed securities were \$295 million and \$269 million, respectively.

Certain Alt-A and Prime residential mortgage-backed securities experienced continued credit deterioration in the first quarter of 2013. Based on the Company's cash flow projections, management determined that it does not expect to recover all of the amortized cost of these securities and therefore determined that these securities were other-than-temporarily impaired (OTTI). The Company employs a buy and hold strategy relative to its mortgage-related securities, and does not intend to sell these securities and will not be required to sell these securities before anticipated recovery of the unrealized losses on these securities. Further, the Company has adequate liquidity at March 31, 2013, with cash and cash equivalents totaling \$6.9 billion, a loan-to-deposit ratio of 14%, adequate access to short-term borrowing facilities and regulatory capital ratios in excess of well capitalized levels. Because the Company does not intend to sell these securities and it is not more likely than not that the Company will be required to sell these securities, the Company recognized an impairment charge equal to the securities' expected credit losses of \$4 million during the first quarter of 2013. The expected credit losses were measured as the difference between the present value of expected cash flows and the amortized cost of the securities. Further deterioration in the performance of the underlying loans in the Company's non-agency residential mortgage-backed securities portfolio could result in the recognition of additional impairment losses.

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The following table is a rollforward of the amount of credit losses recognized in earnings for OTTI securities held by the Company during the period for which a portion of the impairment was recognized in other comprehensive income:

	Three Months Ended	
	March 31,	
	2013	2012
Balance at beginning of period	\$ 159	\$ 127
Credit losses recognized into current period earnings on debt securities for which an other-than-temporary impairment was not previously recognized		1
Credit losses recognized into current period earnings on debt securities for which an other-than-temporary impairment was previously recognized	4	17
Balance at end of period	\$ 163	\$ 145

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(Tabular Amounts in Millions, Except Per Share Data, Ratios, or as Noted)

(Unaudited)

The maturities of securities available for sale and securities held to maturity at March 31, 2013, are as follows:

	Within 1 year	After 1 year through 5 years	After 5 years through 10 years	After 10 years	Total
Securities available for sale:					
U.S. agency mortgage-backed securities ⁽¹⁾	\$	\$ 126	\$ 3,986	\$ 15,707	\$ 19,819
Asset-backed securities	400	589	760	8,037	9,786
Corporate debt securities	1,879	5,738			7,617
Certificates of deposit	4,083	1,817			5,900
U.S. agency notes		1,625	2,411		4,036
Non-agency residential mortgage-backed securities			6	703	709
Commercial paper	649				649
Other securities				293	293
Total fair value	\$ 7,011	\$ 9,895	\$ 7,163	\$ 24,740	\$ 48,809
Total amortized cost	\$ 6,995	\$ 9,828	\$ 7,021	\$ 24,485	\$ 48,329
Securities held to maturity:					
U.S. agency mortgage-backed securities ⁽¹⁾	\$	\$	\$ 11,540	\$ 11,055	\$ 22,595
Other securities		100	363	258	721
Total fair value	\$	\$ 100	\$ 11,903	\$ 11,313	\$ 23,316
Total amortized cost	\$	\$ 100	\$ 11,676	\$ 11,144	\$ 22,920

⁽¹⁾ Mortgage-backed securities have been allocated to maturity groupings based on final contractual maturities. Actual maturities will differ from final contractual maturities because borrowers on a certain portion of loans underlying these securities have the right to prepay their obligations.

There were no sales of securities available for sale in the first quarter of 2013. Proceeds received from sales of securities available for sale were \$250 million in the first quarter of 2012. There were no gross realized gains or losses from sales of securities available for sale in the first quarter of 2012.

3. Loans to Banking Clients and Related Allowance for Loan Losses

The composition of loans to banking clients by loan segment is as follows:

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	March 31, 2013	December 31, 2012
Residential real estate mortgages	\$ 7,102	\$ 6,507
Home equity lines of credit	3,193	3,287
Personal loans secured by securities	1,035	963
Other	29	25
Total loans to banking clients ⁽¹⁾	11,359	10,782
Allowance for loan losses	(59)	(56)
Total loans to banking clients net	\$ 11,300	\$ 10,726

⁽¹⁾ All loans are evaluated for impairment by loan segment.

The Company has commitments to extend credit related to unused home equity lines of credit (HELOCs), personal loans secured by securities, and other lines of credit, which totaled \$5.4 billion at both March 31, 2013, and December 31, 2012, respectively.

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(Tabular Amounts in Millions, Except Per Share Data, Ratios, or as Noted)

(Unaudited)

Changes in the allowance for loan losses were as follows:

Three Months Ended	March 31, 2013			March 31, 2012		
	Residential real estate mortgages	Home equity lines of credit	Total	Residential real estate mortgages	Home equity lines of credit	Total
Balance at beginning of period	\$ 36	\$ 20	\$ 56	\$ 40	\$ 14	\$ 54
Charge-offs	(2)	(2)	(4)	(3)	(2)	(5)
Recoveries	1		1	1		1
Provision for loan losses	5	1	6	(1)	1	
Balance at end of period	\$ 40	\$ 19	\$ 59	\$ 37	\$ 13	\$ 50

Included in the loan portfolio are nonaccrual loans totaling \$42 million and \$48 million at March 31, 2013 and December 31, 2012, respectively. There were no loans accruing interest that were contractually 90 days or more past due at March 31, 2013 or December 31, 2012. Nonperforming assets, which include nonaccrual loans and other real estate owned, totaled \$46 million and \$54 million at March 31, 2013 and December 31, 2012, respectively.

In 2012, Schwab Bank launched a co-branded loan origination program for Schwab Bank clients (the Program) with Quicken Loans, Inc. (Quicken® Loans®). Pursuant to the Program, Quicken Loans originates and services first lien residential real estate mortgage loans (First Mortgages) and HELOCs for Schwab Bank clients. Under the Program, Schwab Bank purchases certain First Mortgages and HELOCs that are originated by Quicken Loans. Schwab Bank sets the underwriting guidelines and pricing for all loans it intends to purchase for its portfolio. Schwab Bank purchased First Mortgages of \$1.3 billion and \$71 million during the first quarters of 2013 and 2012, respectively. The First Mortgages purchased under the Program are included in the First mortgages loan class in the tables below.

The delinquency analysis by loan class is as follows:

March 31, 2013	Current	30-59 days past due	60-89 days past due	>90 days past due	Total past due	Total loans
Residential real estate mortgages:						
First mortgages	\$ 6,906	\$ 9	\$ 1	\$ 29	\$ 39	\$ 6,945
Purchased first mortgages	151	2		4	6	157
Home equity lines of credit	3,175	7	2	9	18	3,193
Personal loans secured by securities	1,035					1,035
Other	29					29
Total loans to banking clients	\$ 11,296	\$ 18	\$ 3	\$ 42	\$ 63	\$ 11,359

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December 31, 2012	Current	30-59 days past due	60-89 days past due	>90 days past due	Total past due	Total loans
Residential real estate mortgages:						
First mortgages	\$ 6,291	\$ 22	\$ 2	\$ 33	\$ 57	\$ 6,348
Purchased first mortgages	154	1		4	5	159
Home equity lines of credit	3,269	5	2	11	18	3,287
Personal loans secured by securities	963					963
Other	22	3			3	25
Total loans to banking clients	\$ 10,699	\$ 31	\$ 4	\$ 48	\$ 83	\$ 10,782

In addition to monitoring delinquency, the Company monitors the credit quality of residential real estate mortgages and HELOCs by stratifying the portfolios by the year of origination, borrower FICO scores at origination (Origination FICO), updated borrower FICO scores (Updated FICO), LTV ratios at origination (Origination LTV), and estimated current LTV ratios (Estimated Current LTV), as presented in the following tables. Borrowers' FICO scores are provided by an independent third party credit reporting service and were last updated in March 2013. The Origination LTV and Estimated Current LTV ratios for a HELOC include any first lien mortgage outstanding on the same property at the time of the

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THE CHARLES SCHWAB CORPORATION

Notes to Condensed Consolidated Financial Statements

(Tabular Amounts in Millions, Except Per Share Data, Ratios, or as Noted)

(Unaudited)

HELOC s origination. The Estimated Current LTV for each loan is estimated by reference to a home price appreciation index.

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Table of Contents**THE CHARLES SCHWAB CORPORATION****Notes to Condensed Consolidated Financial Statements**

(Tabular Amounts in Millions, Except Per Share Data, Ratios, or as Noted)

(Unaudited)

March 31, 2013	Residential real estate mortgages			Total	Home equity lines of credit
	First mortgages	Purchased first mortgages			
Year of origination					
Pre-2009	\$ 813	\$ 59	\$ 872	\$ 2,248	
2009	269	5	274	314	
2010	747	10	757	230	
2011	1,065	47	1,112	187	
2012	2,938	29	2,967	170	
2013	1,113	7	1,120	44	
Total	\$ 6,945	\$ 157	\$ 7,102	\$ 3,193	
Origination FICO					
<620	\$ 11	\$ 1	\$ 12	\$ 22	
620 - 679	99	16	115	612	
680 - 739	1,236	37	1,273	2,559	
≥740	5,599	103	5,702		
Total	\$ 6,945	\$ 157	\$ 7,102	\$ 3,193	
Updated FICO					
<620	\$ 53	\$ 6	\$ 59	\$ 48	
620 - 679	194	14	208	113	
680 - 739	952	29	981	493	
≥740	5,746	108	5,854	2,539	
Total	\$ 6,945	\$ 157	\$ 7,102	\$ 3,193	
Origination LTV					
≤70%	\$ 4,626	\$ 101	\$ 4,727	\$ 2,154	
>70% - ≤90%	2,302	49	2,351	1,013	
>90% - ≤100%	17	7	24	26	
Total	\$ 6,945	\$ 157	\$ 7,102	\$ 3,193	

March 31, 2013	Balance	Weighted Average Updated FICO	Utilization Rate ⁽¹⁾	Percent of Loans that are 90+ Days Past Due and Less than 90 Days Past Due but on Nonaccrual Status
Residential real estate mortgages:				
Estimated Current LTV				

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£70%	\$	5,178	774	N/A	0.04%
>70% - £90%		1,579	764	N/A	0.23%
>90% - £100%		133	746	N/A	1.37%
>100%		212	734	N/A	6.71%
Total	\$	7,102	770	N/A	0.30%

Home equity lines of credit:

Estimated Current LTV

£70%	\$	1,829	773	36%	0.09%
>70% - £90%		880	765	47%	0.15%
>90% - £100%		218	755	57%	0.77%
>100%		266	749	60%	0.73%
Total	\$	3,193	768	41%	0.21%

⁽¹⁾ The Utilization Rate is calculated using the outstanding HELOC balance divided by the associated total line of credit.
N/A Not applicable.

Table of Contents**THE CHARLES SCHWAB CORPORATION****Notes to Condensed Consolidated Financial Statements**

(Tabular Amounts in Millions, Except Per Share Data, Ratios, or as Noted)

(Unaudited)

December 31, 2012	Residential real estate mortgages			Total	Home equity lines of credit
	First mortgages	Purchased first mortgages			
Year of origination					
Pre-2009	\$ 867	\$ 62	\$ 929	\$ 2,338	
2009	305	6	311	338	
2010	909	12	921	249	
2011	1,270	53	1,323	198	
2012	2,997	26	3,023	164	
Total	\$ 6,348	\$ 159	\$ 6,507	\$ 3,287	
Origination FICO					
<620	\$ 10	\$ 1	\$ 11	\$	
620 - 679	98	16	114	23	
680 - 739	1,141	40	1,181	633	
³ 740	5,099	102	5,201	2,631	
Total	\$ 6,348	\$ 159	\$ 6,507	\$ 3,287	
Updated FICO					
<620	\$ 54	\$ 6	\$ 60	\$ 49	
620 - 679	191	13	204	117	
680 - 739	940	34	974	510	
³ 740	5,163	106	5,269	2,611	
Total	\$ 6,348	\$ 159	\$ 6,507	\$ 3,287	
Origination LTV					
£70%	\$ 4,189	\$ 97	\$ 4,286	\$ 2,225	
>70% - £90%	2,142	54	2,196	1,036	
>90% - £100%	17	8	25	26	
Total	\$ 6,348	\$ 159	\$ 6,507	\$ 3,287	