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Accounting practices of real estate investment trusts : recommendation to Financial Accounting Standards Board; Statement of position 75-2;

American Institute of Certified Public Accountants. Accounting Standards Division

Statement of Position on

75-2

Accounting Practices of Real Estate Investment Trusts

June 27, 1975

Recommendation to Financial Accounting Standards Board

Issued by
Accounting Standards Division

American Institute of
Certified Public Accountants

AICPA

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American Institute of Certified Public Accountants

1211 Avenue of the Americas, New York, New York 10036 (212) 575-6200

June 27, 1975

Marshall S. Armstrong, CPA
Chairman
Financial Accounting Standards Board
High Ridge Park
Stamford, Connecticut 06905

Dear Mr. Armstrong:

The accompanying Statement of Position presents recommendations of the Accounting Standards Division on Accounting Practices of Real Estate Investment Trusts. It was prepared on behalf of the Division by the Accounting Standards Executive Committee for consideration by the Financial Accounting Standards Board and for such action as the Board deems appropriate. The scope of the Statement is restricted to REITs, although it is acknowledged that the conclusions therein may also be appropriate for companies which are not REITs.

The Statement takes the position that the allowance for losses on loans and foreclosed properties should now be determined based on an evaluation of the recoverability of individual loans and properties and, in this evaluation, the principle of providing for all losses when they become evident should now require the inclusion of all holding costs, including interest, in determining such losses.

The individual evaluation of the loans and foreclosed properties should be made, according to the Statement, as of the close of all annual and interim stockholder reporting periods. This may well result in a need to increase or decrease the allowance for losses with a corresponding charge or credit to income. However, in the case of foreclosed property which the REIT elects to hold as a long-term investment, the Statement concludes that the net realizable value of such property at the date of foreclosure becomes its new basis, and subsequent increases in market values of such properties should generally not be recorded until the time of a later exchange transaction which confirms the amount of any increase.

The Statement also takes the position that recognition of interest revenue should be discontinued when it is not reasonable to expect that the revenue will be received and enumerates conditions which should now be regarded as establishing a presumption that the recording of interest should be discontinued.

Finally, the Statement concludes that commitment fees should be amortized over the combined commitment and loan period, and provides guidance with respect to appropriate accounting by a REIT for operating support from its adviser.

The Division would appreciate being advised as to the Board's proposed action on the recommendations set forth in this Statement of Position.

Sincerely yours,

Stanley J. Scott

STANLEY J. SCOTT

Chairman
Accounting Standards Division

cc: Securities and Exchange Commission

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INTRODUCTION

Real estate investment trusts (REITs) have in recent years assumed an increasingly important role in the real estate industry. REITs are business trusts and are generally publicly-held. They employ equity capital, coupled with substantial amounts of debt financing, in making real estate loans and investments.

A REIT, if it so elects, will not be required to pay Federal corporate income taxes (other than that on "tax preference" items) if, among other things, at least 90% of its taxable income, as defined, is distributed to its shareholders. This Statement, however, is not restricted to those REITs which have elected such tax treatment.

The accounting problems discussed in this Statement of Position may also be encountered by other companies which are not REITs but which are engaged in the business of making loans on or investing in real estate. The conclusions in this Statement of Position may, therefore, also be appropriate for those companies. However, the accounting practices of companies which are not REITs are beyond the scope of this Statement of Position.

REITs have engaged in a variety of lending and investing activities, some of which are listed below.

> Construction loans are generally short-term first mortgage loans to finance the construction of residential, commercial or industrial properties. Interest revenue on such loans is usually accrued and added to the loan balance, which is paid from the proceeds of permanent financing.

Development loans are short-term first mortgage loans to finance site development costs. They are usually paid from proceeds of a construction loan.

Land acquisition loans are first mortgage loans to finance the acquisition (not the development) of sites.

Long and intermediate term loans are generally conventional mortgage loans to finance completed properties.

Purchase leasebacks consist of the simultaneous purchase and leaseback to the seller of real estate properties.

Equity investments in real estate are direct ownership interests, under a variety of forms, in improved or unimproved real estate.

Junior mortgage loans are real estate loans subject to the lien of a prior mortgage.

Wrap-around loans are junior mortgage loans to provide an owner with funds without disturbing a prior first mortgage loan which, for various reasons, is not liquidated.

Gap loans are junior mortgage loans to finance a temporary spread between amounts advanced and amounts committed under a prior first mortgage loan.

Warehousing loans are short-term loans secured by the pledge of mortgage loans.

In connection with real estate loans, a REIT may issue a commitment, which is an agreement to make a mortgage loan in the future at specified terms.

A REIT's financial success is often dependent upon external factors, among which are the operations of its contractor-borrowers, the availability to those contractors of long-term mortgage funds when projects are completed, and the general condition of the real estate industry. The success of the REIT is also dependent upon its ability to obtain financing at rates less than that earned on its portfolio of investments.

Considerable attention has recently been given to the accounting practices of REITs, particularly those which relate to loans which are in default or may become in default. This Statement of Position addresses certain of those practices.

LOSSES FROM LOANS

REITs are subject to the usual risks associated with loans, investments in real estate, and commitments to make loans. These risks include adverse changes in economic conditions, both national and local, changes in interest rates, availability of mortgage financing, supply and demand for properties in specific areas, and governmental actions such as zoning and environmental regulations, among many others.

REIT industry practices vary considerably with respect to providing for losses resulting from their lending activities. The Division believes it is desirable to narrow the range of acceptable practices.

When it appears that an original borrower will be unable to make the payments required by the terms of his loan agreement, a REIT has several alternatives. It can place the loan in a "work-out" status with the expectation that its financial position with respect to the loan will be improved through careful monitoring of the borrower's activities coupled with continued advances on the loan when necessary. It may renegotiate the terms of the loan with the original borrower with the hope that more liberal lending terms will insure at least partial recovery of principal and interest. It may search for another borrower to assume management of the real estate collateralizing the loan and to assume responsibility for the loan. It may initiate foreclosure proceedings or accept a deed in lieu of foreclosure to obtain title to the property collateralizing the loan.

Depending on the state in which property is located and depending on the complexity of a borrower's financial arrangements, foreclosure proceedings may be time consuming. However, once foreclosure has been effected, the REIT has two alternative courses of action: to dispose of the property or to hold it for investment. In either case, the REIT may have to invest additional funds to bring the property to salable and/or income-producing condition.

Whether a loan appears to be "good" or "troubled" and whether a REIT elects to foreclose on a troubled loan or chooses one of the other alternatives mentioned above, it is in all cases not so much the credit standing of the borrower which is studied in determining recoverability as it is the real estate which serves as collateral for the loan. The reason for this is that in few cases would a REIT's borrower be able (or willing) to repay a loan from other sources.

Accordingly, the Division believes that the essential problem to be addressed relates to the valuation of real estate and that the conclusions reached in this Statement of Position are equally applicable to the determination of allowances for losses on loans (both "good" and "troubled") and on foreclosed properties. In addition, the initial valuation method should be the same for foreclosed properties held for resale and those held as an investment.[1/] The Division's objective is to identify a method of providing for losses which will result in an allowance which is, in the aggregate, reasonable in the context of the financial statements taken as a whole.

Three methods for determining a provision for loan losses for REITs have been predominantly followed in practice, as discussed below.

<u>Systematic Provision</u> - Some REITs establish a provision for losses in what is considered to be a systematic manner. The most common methods are to base the provision on a fixed percentage of loans or net income.

<u>Individual Evaluation</u> - Some REITs establish a provision for losses based on an evaluation of the individual loans or foreclosed properties to estimate the amount of any loss that may reasonably be expected.

<u>Combination Method</u> - Other REITs record a provision for losses equivalent to an amount determined by evaluation of at least certain major or problem loans and foreclosed properties, increased by a provision which generally represents a percentage of loans or of net income.

1/ See, however, page 10 for additional comments with respect to foreclosed property held as a long-term investment.

The Division believes that the allowance for losses should now be determined based on an evaluation of the recoverability of individual loans and properties which gives consideration to the facts and circumstances in existence at the time of the evaluation and to reasonable probabilistic estimates of future economic conditions and other relevant information. The allowance should not be determined on the basis of percentages of loan balances, income or other similar bases.

Because of the many factors which can affect recoverability, the estimated loss on an individual loan or property may not be the same as the ultimate loss, if any, actually sustained on each. While the individual evaluation method, like all estimation methods, inherently lacks precision, it best achieves, in the Division's view, the ultimate objective of determining an allowance for losses which is, in the aggregate, reasonable in the context of the financial statements taken as a whole.

Evaluation of the recoverability of individual loans and properties entails a comparison of the carrying amount (including recorded accrued interest, but not previously determined allowances for losses) of each such loan or property with its estimated net realizable value. With respect to a REIT, estimated net realizable value means the estimated selling price a property will bring if exposed for sale in the open market, allowing a reasonable time to find a purchaser, reduced by (a) the estimated cost to complete and improve such property to the condition used in determining the estimated selling price, (b) the costs to dispose of the property, and (c) the estimated costs to hold the property to the estimated point of sale, including interest, property taxes, legal fees and other cash requirements of the project. However, some REITs, because of liquidity problems or for other reasons, may not be able or willing to hold foreclosed property and, therefore, must estimate the selling price on an immediate liquidation basis.

Some do not believe that estimated interest holding costs should be considered in the determination of estimated net realizable value. They point out that, with limited exceptions, interest has been traditionally considered a period cost. They believe that this recommended practice is a part of the broader problem of recognition of the cost of capital and argue that it is inappropriate to reach a conclusion with respect to REITs before that broader problem is resolved. In the real estate industry, interest is clearly an economic cost of holding property and, therefore, the Division does not find these arguments persuasive. In the case of a REIT, the Division believes that the principle of providing for all losses when they become evident should now require the inclusion of all holding costs, including interest, in determining such losses.

Some would support the Division's position if it were restricted to investments which are expected to be held in excess of a stipulated minimum period of time related to the operating cycle of a REIT. The Division does not agree with this view.

The Division believes that the guidelines described below should be followed with respect to estimating interest holding costs in the determination of estimated net realizable value.

The interest rate should be estimated based on the average cost of all capital (debt and equity). This rate should be calculated by dividing debt interest costs by the aggregate of equity capital and debt. Debt interest costs should normally be based on the interest rate used for accruing interest expense at the date of the balance sheet. However, information available prior to the issuance of the financial statements (e.g., renegotiation of the REIT's debt) should be considered in determining whether that rate is appropriate. The objective is to arrive at a rate which would, in the light of existing agreements, correspond with the rate to be used for accruing interest expense during the estimated holding period of the property.

Examples of the application of these guidelines, using present value techniques, are included in the appendices to this Statement of Position.

The effective rate of interest used in the calculations should be disclosed in the notes to financial statements.

A minority of four members of the Accounting Standards Executive Committee dissent from the procedure recommended above for the determination of net realizable value. In their view, treating interest cost in the manner specified results in valuing an asset differently depending upon (1) the credit standing of the entity and the resultant interest rate required to be paid on debt and (2) the entity's capital structure, i.e., the mix of debt and equity. The minority believes that net realizable value should be determined by looking only to the asset and the market considerations related to it, which should result in the same measurement for any entity whose use of the asset is the same, i.e., the net realizable value of the asset should not be affected by which entity owns it or how that entity is capitalized. In this regard, they see no reason to distinguish real estate assets from other assets.

As previously noted, the individual evaluation method entails a determination of the net realizable value of the property. Some factors to be considered in the valuation of property are as follows:

(1) The current status or nature of the property and its condition.

(2) The current actual use of the property and the future uses of the property as related to general economic conditions and the population growth in the area.

(3) The overall suitability of the property for its current or intended use.

(4) Various restrictions including zoning and other possibilities.

(5) Comparable prices of other properties in the area.

The individual evaluation of loans and foreclosed properties should be made as of the close of all annual and interim stockholder reporting periods.

The periodic evaluation of loans and foreclosed properties may well result in a need to increase or decrease the allowance for losses with a corresponding charge or credit to income. An exception to the foregoing should be made in the case of foreclosed property which the REIT elects to hold not for sale but as a long-term investment. The net realizable value of such property at the date of foreclosure becomes its new basis, in accordance with generally accepted accounting principles for long-term investments. Subsequent increases in market values of such properties should generally not be recorded until the time of a later exchange transaction which confirms the amount of any increase. (See APB Statement No. 4, Paragraph 183.)

The Division believes that the appropriate presentation of loans, foreclosed property held for resale, and the allowance for losses in the balance sheet would be as follows:

Loans, earning	$ xxx	
Loans, nonearning	xxx	
Foreclosed properties held for resale	xxx	
	$ xxx	
Allowance for losses	$ xxx	$ xxx

There are numerous conditions which may indicate that a loss will be incurred on a loan. Some of these conditions are discussed in the following section.

DISCONTINUANCE OF INTEREST REVENUE RECOGNITION

While some REITs argue that recognition of interest revenue should never be discontinued, it seems clear that there is no sound basis in theory or practice for such a position, since it is well established in accounting that if sufficient doubt or uncertainty exists as to realization, recognition may not be appropriate.

In practice, the recognition of interest revenue has usually been discontinued at one of the following points:

(1) When the amount of any final loss can be determined with a high degree of precision (e.g., upon final settlement).

(2) Upon the occurrence of certain specified events (e.g., interest or principal is a certain number of days past due, cost overruns are at a certain percentage, foreclosure proceedings are being initiated, etc.)

(3) When judgment -- often involving an evaluation of total loan recoverability, including estimated recoverability from foreclosure and sale -- indicates that any additional interest would not be realized.

Postponing the discontinuance of interest recognition until a loss can be determined with a high degree of precision is in conflict with general practice and theory.

A common practice is to discontinue the recognition of interest upon the occurrence of certain specified events. Its attractiveness lies in the ability to determine objectively if the criteria have been met and, as a result, it is presumed there would be a greater uniformity in the reported results of REITs following this practice.

Opponents of this practice acknowledge that specific criteria may be useful in identifying potential problem loans but believe that arbitrary rules cannot be a substitute for management's judgment. It is argued that even though a loan may meet an established criterion for the discontinuance of interest recognition, it is still possible that the loan and the interest will ultimately be collected; thus, to discontinue recognition in such a situation is as incorrect as recognizing interest when it is clear it will not be collected.

The Division believes that the recognition of interest revenue should be discontinued when it is not reasonable to expect that the revenue will be received. The Division also believes that certain conditions, such as any one of the following, should now be regarded as establishing a presumption (which may be overcome if other facts clearly refute the presumption) that the recording of interest should be discontinued.

(1) Payments of principal or interest are past due.

(2) The borrower is in default under the terms of the loan agreement.

(3) Foreclosure proceedings have been or are expected to be initiated.

(4) The credit-worthiness of the borrower is in doubt because of pending or actual bankruptcy proceedings, the filing of liens against his assets, etc.

(5) Cost overruns and/or delays in construction cast doubt on the economic viability of the project.

(6) The loan has been renegotiated.

These conditions may also be an indication that an allowance for losses should be provided.

The Division supports the view that the discontinuance of interest revenue recognition is related to the question of realization and, consequently, such recognition should not be resumed, nor should unrecorded interest be recognized, until it is evident that the principal and interest will be collected.

Some believe that even though the recognition of interest is discontinued, interest revenue should be "grossed up" with an offsetting charge to an expense account. They believe that this presentation will more clearly reflect the planned income from the portfolio as well as the deviations, in the form of provisions for possible losses, from that plan.

Others maintain that since the interest recognition was discontinued because realization was doubtful, it would not be appropriate to include such amounts in interest revenue in the financial statements because such a presentation would contradict economic reality. The Division supports this view.

COMMITMENT FEES

A commitment fee can be defined generally as any fee paid by a potential borrower to a potential lender for a promise to lend money in the future. Recording commitment fees is complicated by the fact that some commitments (such as many gap and stand-by commitments) are not expected to be funded.

A REIT may enter into a commitment agreement without having specifically earmarked funds to honor that commitment and it may have no expectation of ever having to honor the commitment. However, circumstances beyond the control of the REIT can change drastically and the REIT may be called upon to honor the commitment.

While the Division agrees that it may be possible to distinguish between commitments which are expected to be funded and those which are not, it believes that it is not possible to make such a distinction on a practical basis.

The available alternatives for the recognition of income from commitment fees are listed below.

(1) Immediate recognition

(2) Deferral and amortization --
   (a) Over the commitment period
   (b) Over the combined commitment and loan period
   (c) Over the loan period

(3) Deferral with immediate recognition when it is clear the commitment will not be funded or with recognition as "points" when the commitment is funded

In general, industry practice has been to recognize commitment fees immediately upon receipt.

Those who would defer the fee over the commitment period - whether amortizing it during that period or making a decision as to appropriate accounting at the end of that period - relate the fee to the commitment itself. Those who would defer the fee and amortize it over the loan period consider the fee an adjustment of the interest on the loan.

Others argue that the fee may be a combination of an adjustment of interest, a fee for ear-marking funds, and/or an offset to the underwriting costs. They believe it is not practicable to separate the components and amortizing the fee over the combined commitment and loan period more closely accounts for all three components on an overall basis.

The Division believes that this latter view should now be regarded as appropriate for a REIT. The straight-line method of amortization should be used during the commitment period and the interest method should be used for the remaining balance during the loan period.[1/] Deferred commitment fees should be taken into income at the end of the commitment period if the loan is not funded.

OPERATING SUPPORT OF THE REIT BY THE ADVISER

Various methods are or have been employed by advisers to insure a certain return to the REIT for certain periods. Some of these methods are summarized below.

(1) Purchasing a loan or a property at an amount in excess of market value

(2) Forgiving indebtedness

(3) Reducing advisory fees

(4) Providing required compensating balances

(5) Making outright cash payments

In situations of this type, few would challenge the need for disclosure of the nature of the relationship between the REIT and its adviser and the nature and amount of the transactions between them. The accounting for the transaction, however, is not quite as clear.

1/ If the commitment period were 24 months and the loan period were 25 years (300 months), monthly amortization during the commitment period would be 1/324 of the commitment fee.

Some believe that operating support given to a REIT by its adviser can be determined to be either income or a contribution to capital on the basis of the form of the transaction.

Others hold that such support should always be accounted for as income since it is difficult, if not impossible, to distinguish items of income from capital contributions. In some cases, for example, determining what the terms of an "arms-length" transaction would be might pose significant problems. Distinguishing between the types of operating support would also pose problems--why, for example, should a loan purchased at more than market value by the adviser be viewed differently from a reduction in the advisory fee?

The Division believes that in the present framework of generally accepted accounting principles, appropriate accounting by a REIT for operating support from its adviser would include the following:

(1) Adjustment of any assets (or liabilities) which will be transferred between the companies to current market value as of the date of the transaction.

(2) Recognition, as income or as a reduction of advisory fees, of the operating support effectively obtained, with full disclosure of (a) the relationship between the parties and (b) the nature and amount of the transactions.

The effect of such transactions, when material, should be reported separately in the income statement.

* * * * * * *

ILLUSTRATION A

PURPOSE OF ILLUSTRATION

This appendix illustrates the accounting by a REIT for a loan on a project in the development stage when the developer is unable to complete the project. Evaluation of the carrying value of the loan requires the determination of the estimated selling price of the property and estimated costs to complete construction, to carry the project to the point of disposition, and to dispose of the property. The required allowance for loan losses is determined by comparing the loan receivable balance with the discounted value of estimated future net cash receipts and disbursements.

ASSUMPTIONS

- Loan receivable balance at evaluation date— $ 20,500,000
- Estimated selling price of the property when completed in three years, reduced by estimated costs of disposal— $ 35,000,000
- Construction and carrying costs to complete, exclusive of interest—

Year 1	($ 416,667 monthly)	$ 5,000,000	
Year 2	($ 250,000 monthly)	3,000,000	
Year 3	($ 83,333 monthly)	1,000,000	$ 9,000,000

- Capitalization of REIT—

Debt (average rate is 12%)	$300,000,000
Equity	60,000,000
Total	$360,000,000

  Accordingly, the average cost of all capital is 10% (12% of $300,000,000 ÷ $360,000,000).

- Construction and carrying costs are incurred ratably throughout each year. There is no occupancy prior to disposition.
- The REIT intends to support the project until disposition and to recover its loan on a work-out basis, and it has the financial capacity to do so.

DETERMINATION OF REQUIRED ALLOWANCE FOR LOAN LOSSES

Loan receivable balance	$ 20,500,000
Less present value of estimated future net cash receipts and disbursements, exclusive of interest, at the average cost of all capital (10%) (Note a)	17,870,000
Required allowance for loan losses	$ 2,630,000

* * * * * * * * * * *

COMPUTATIONAL NOTES (Note b)

Present value of estimated future cash receipts ($ 35,000,000 x .7417) =	$ 25,960,000
Present value of estimated future cash disbursements —	
$416,667 x 11.3745 x 1.0000 =	$ 4,739,000
$250,000 x 11.3745 x .9052 =	2,574,000
$ 83,333 x 11.3745 x .8194 =	777,000
	$ 8,090,000
	$ 17,870,000

Notes -

(a) Determining the required allowance for loan losses by deducting the present value of estimated future net cash receipts from the loan receivable balance at the evaluation date in effect builds into the calculation the interest costs to carry the project to the point of disposition.

(b) See Appendix C for present value factors.

ILLUSTRATION B

PURPOSE OF ILLUSTRATION

This appendix illustrates the accounting by a REIT for a loan on a completed multi-unit apartment project in the rent-up stage when the cash flow to the developer before debt service is insufficient to meet the required payments on the REIT's loan. Evaluation of the carrying value of the loan requires determination of the estimated selling price of the property and estimated net cash inflows and outflows from rental operations, giving effect to projected occupancy rates. The required allowance for loan losses is determined by comparing the loan receivable balance with the discounted value of estimated future net cash receipts and disbursements.

ASSUMPTIONS

- Loan receivable balance at evaluation date— $ 4,500,000

- Occupancy is estimated to average 40% in the first year, 70% in the second year, and 95% thereafter. Occupancy rates are determined after allowing for turnover. Monthly rentals are estimated to be $200 per unit (300 units).

- Estimated selling price of the property at 95% occupancy with capitalization of operating cash flow at 10%— $ 4,620,000

- Capitalization of REIT—

Debt (average rate is 12%)	$100,000,000
Equity	50,000,000
Total	$150,000,000

  Accordingly, the average cost of all capital is 8% (12% of $100,000,000 ÷ $150,000,000).

- The REIT intends to support the property for two years. At the end of that period it intends to recover its investment and to pay its lender. The REIT has the financial capacity to do so. Cash flow before debt service is estimated as follows:

Year 1	-	$ 4,400 per month
Year 2	-	$ 21,400 per month

- Two alternative assumptions for repayment of the REIT's lenders are illustrated: Assumption 1 - Interest on debt remains at 12% for the two year period; Assumption 2 - Interest on debt remains at 12% for six months but will be reduced at that point to 6% according to a contractual arrangement.

DETERMINATION OF REQUIRED ALLOWANCE FOR LOAN LOSSES

	Assumption 1	Assumption 2
Loan receivable balance	$ 4,500,000	$ 4,500,000
Less present value of estimated future net cash receipts and disbursements, exclusive of interest, at the average cost of all capital:		
Selling price	$ 3,939,000	$ 4,181,000
Operating cash flow	278,000	293,000
	$ 4,217,000	$ 4,474,000
Required allowance for loan losses	$ 283,000	$ 26,000

* * * * * * * * * * *

COMPUTATIONAL NOTES

Present value of selling price—

	Assumption 1	Assumption 2
Estimated selling price	$ 4,620,000	$ 4,620,000
Present value factors -		
8% (average cost of capital) for 24 months	.8526	
8% (average cost of capital) for 6 months		.9609
4% (average cost of capital) for 18 months		.9419
	$ 3,939,000	$ 4,181,000

Present value of net operating cash flow, before debt service—

	Assumption 1	Assumption 2
Year 1		
Monthly cash flow	$ 4,400	$ 4,400
Present value factor	11.4958	5.8625
		$ 26,000
Monthly cash flow		$ 4,400
Present value factor		(5.9306 x .9802)
		$ 26,000
	$ 51,000	$ 52,000
Year 2		
Monthly cash flow	$ 21,400	$ 21,400
Present value factor	(11.4958 x .9234)	(11.7440 x .9609)
	$ 227,000	$ 241,000
	$ 278,000	$ 293,000

Note - See notes (a) and (b) on page 18.

PRESENT VALUE FACTORS

Present Value of $1

Annual Rate	Periods*	Factor
10%	12	.9052
10%	24	.8194
10%	36	.7417
8%	6	.9609
8%	12	.9234
8%	24	.8526
4%	6	.9802
4%	12	.9609
4%	18	.9419

Present Value of $1 Per Period

Annual Rate	Periods*	Factor
10%	12	11.3745
8%	6	5.8625
8%	12	11.4958
4%	6	5.9306
4%	12	11.7440

* Interest compounded monthly.

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