

January 20, 2012

Communications Division  
Office of the Comptroller of the  
Currency  
Mail Stop 2-3  
Attention: 1557-0081  
250 E Street, SW  
Washington, DC 20219

Ms. Jennifer J. Johnson  
Secretary  
Board of Governors of the  
Federal Reserve System  
20<sup>th</sup> Street & Constitution Avenue, NW  
Washington, DC 20551

Mr. Gary A. Kuiper  
Counsel  
Attn: Comments, Room F-1086  
Federal Deposit Insurance  
Corporation  
550 17<sup>th</sup> Street, NW  
Washington, DC 20429

Re: Proposed Agency Information Collection Activities; Comment Request 76 Federal Register 72035; November 21, 2011; Consolidated Reports of Condition and Income, **OCC**: 1557-0081; **FRB**: FFIEC 031 and 041; **FDIC**: 3064-0052

Ladies and Gentlemen:

The American Bankers Association (ABA)<sup>1</sup> appreciates the opportunity to comment on the proposed revisions to the Consolidated Reports of Condition and Income (Call Report),<sup>2</sup> as issued by the Office of the Comptroller of the Currency (OCC), Board of Governors of the Federal Reserve System (Board), and the Federal Deposit Insurance Corporation (FDIC) (collectively, the agencies). The agencies' proposed revisions to the Call Report include several changes and new items to provide data to the agencies for reasons of safety and soundness or other purposes, including better understanding lending activities and credit risk. With respect to the proposed new data reporting of quarterly loan origination data, the agencies also highlight that "the ability to assess credit availability is a key consideration for monetary policy, financial stability, and the supervision and regulation of the banking system."<sup>3</sup>

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<sup>1</sup> The American Bankers Association represents banks of all sizes and charters and is the voice for the nation's \$13 trillion banking industry and its 2 million employees. The majority of ABA's members are banks with less than \$165 million in assets. Learn more at [www.aba.com](http://www.aba.com).

<sup>2</sup> 76 *Fed. Reg.* 72035 (November 21, 2011).

<sup>3</sup> See 76 *Fed. Reg.* 72039, column 2.

ABA members have expressed no concerns with many of the agencies' proposed revisions. ABA supports the agencies' proposed revisions relating to Past Due and Nonaccrual Purchased Credit-Impaired Loans. ABA has concerns with the following proposals and urges the agencies to consider the several changes suggested below in the final revisions to the Call Report.

- Allowance for Loan and Lease Losses by Loan Category: ABA recommends that the agencies adopt a narrower, more focused alternative proposal which is more feasible for institutions to collect and report than the agencies' proposed new reporting for nine loan categories, which would be very burdensome for banks. Thus, ABA recommends the more targeted reporting categories of consumer loans, separately broken out with separate line items for consumer credit cards and all other consumer loans; and commercial loans.
- Loan Origination Data: ABA recommends that the agencies defer this proposed revision until their consideration of the 2013 proposed revisions to the Call Report, and reevaluate in the interim, whether there will still be a need to require new reporting of loan origination activity. If the agencies do not defer the new reporting in the Call Report, ABA recommends that the agencies clearly define and clarify key terms as a prerequisite to any new reporting; propose less burdensome reporting; and delay the effective date of new reporting to provide sufficient lead time for banks to implement needed automated system changes.

ABA believes these suggested changes would still allow the agencies to obtain the meaningful information they need, while avoiding some of the excess regulatory burden borne by banks. These points, as well as additional suggestions for improving revisions to the Call Report, are set forth in greater detail below.

## **Discussion**

### ***ABA supports the following item:***

#### Past Due and Nonaccrual Purchased Credit-Impaired Loans.

The agencies proposed more granular additional reporting by all institutions in the June 30, 2012, Call Report Schedule RC-N, new Memoranda Items 9 a. and b. of purchased credit-impaired loans accounted for in accordance with FASB ASC 310-30. More specifically, the proposal would break out the total outstanding balance, and the related carrying amount of these loans included in Schedule RC-N, items 1 through 7, that are (1) past due 30-89 days and still accruing; (2) past due 90 days or more and still accruing; and (3) in nonaccrual status. This additional reporting breakout will allow users of the Call Report to identify and differentiate loans that have experienced unexpected credit deterioration since acquisition from those in which the credit deterioration was already existing or expected at the time of acquisition. The acquisition prices of the latter group of loans are assumed to already reflect the existing or expected credit deterioration and, thus, would not often result in an economic loss to the institution. From a safety and soundness perspective, only the past due and nonaccrual status of those originated loans is relevant.

ABA supports the agencies' proposed revisions and recommends that the agencies adopt these proposed revisions without change. ABA believes the agencies' proposed revisions would allow banks to reconcile GAAP reporting with regulatory reporting in the Call Report.

*ABA has concerns with the following items:*

Allowance for Loan and Lease Losses by Loan Category (ALLL).

The agencies proposed revisions to the June 30, 2012, Call Report by adding a new Schedule RI-C (Disaggregated Data on the Allowance for Loan and Lease Losses) to capture disaggregated detail of an institution's end-of-period allowance for loan and lease losses (ALLL) to conform to ASU 2010-20<sup>4</sup>. The proposed new Schedule RI-C would require institutions with \$1 billion or more in total assets to report disaggregated allowance and recorded investment data on the basis of impairment method for: (1) collectively evaluated for impairment, (2) individually evaluated for impairment, and (3) acquired with deteriorated credit quality, for nine loan categories that the agencies determined are key loan categories reported on Call Report Schedule RC-C.

ABA is concerned with the expansive scope of the agencies' proposed ALLL reporting requirements on new Schedule RI-C. The proposal calls for banks to collect and report information for nine different loan categories. Many banks do not currently collect the information called for, and, similar information that banks collect for GAAP reporting is not consistent with what is proposed for the Call Report. Thus, the proposal calls for data that would be very burdensome to collect and report. ABA recommends that the agencies adopt a narrower, more focused, proposal, requiring fewer categories, specifically:

- Reporting by institutions with \$1 billion or more in total assets on the agencies' proposed new Schedule RI-C, disaggregated data limited to the following broad loan categories:
  1. Consumer loans
    - 1.a. Consumer credit cards
    - 1.b. All other consumer loans
  2. Commercial loans
- Adding an additional new column "G" as the last column to proposed new Schedule RI-C to show the totals for each alternative proposed loan category and an overall total for the Schedule. ABA also notes that this total amount would more directly reconcile to Schedule RC, line 4(c), "LESS: Allowance for loan and lease losses."

ABA members could not reach a consensus on more granular reporting on the other loan categories proposed by the agencies. ABA believes that many institutions with \$1 billion or more in total assets could likely capture and report the agencies' proposed disaggregated

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<sup>4</sup> Financial Accounting Standards Board (FASB) Accounting Standards Update No. 2010-20, Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses (ASU 2010-20).

allowance (ALLL) and related recorded investment data on the basis of impairment method only for the recommended loan categories above.

Some ABA members believe the current GAAP ASU 2010-20 reporting that is based on entity disclosure “by portfolio segment<sup>5</sup>” does not match to the agencies’ proposed new Call Report categories, and there are modeling differences used by institutions for capturing and reporting ALLL. Members are also concerned with the impact of “qualitative” factors which would affect the quantitative reporting by individual institutions.

The disclosures now required as a result of ASU 2010-20 are based on how institutions model their credit portfolio. The ALLL balances related to portfolios and classifications required in ASU 2010-20 would not match or directly reconcile to any of the nine loan categories in the proposal for most institutions. Generally, the portfolios and classifications now disclosed for GAAP purposes are defined by product – how banks model their credit risk – while the proposed categories detailed in the agencies’ proposal appear to emphasize the collateral that secures the related loan amounts. Simple examples of the mismatch between the GAAP requirements and the proposal include:

1. Commercial loans secured by the borrower’s personal residential property.
2. Consumer loans secured by a borrower’s nonresidential property held.
3. Commercial real estate loan portfolios reported for GAAP purposes may include ALLL amounts that span a minimum of three of the categories proposed in the proposal.
4. Credit card portfolios reported for GAAP purposes often have both consumer (individual) and business-related accounts.

Due to the difference between GAAP and the proposal, dozens of new reporting and reconciliation points may be required if the proposed Call Report categories are maintained, as permutations of the different subcategories will be required. Within all this, since banks model their credit risk based on the GAAP requirement, ABA does not believe any of the new reporting and reconciliation points will add value to a bank’s internal control systems. In addition to breaking out such amounts based on an individually- versus collectively-evaluated impairment methods, the issues introduced by the different accounting used for purchased credit-impaired loans only provides another layer of complexity in the process. Therefore, bankers see minimal, if any, positive benefit for the additional costs relating to the agencies’ proposed new reporting on the nine loan categories. In fact, the Working Group reviewing this aspect of the proposal foresees no benefit to providing ALLL balances, as proposed.

ABA notes for the agencies that the amounts in the categories we propose above will, nonetheless, often not directly reconcile to the classifications reported in GAAP disclosures. However, using the ABA-recommended alternative loan categories will minimize the differences.

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<sup>5</sup> See 76 Fed. Reg. 72038. The agencies’ also note in this portion of the proposal that “[a]s defined in the ASC Master Glossary, a portfolio segment is ‘[t]he level at which an entity develops and documents a systematic methodology to determine its allowance for credit losses.’”

Finally, ABA is not opposed to the agencies' proposal to require reporting of the amount of any unallocated portion of the ALLL for loans collectively evaluated for impairment.

### Loan Origination Data.

The agencies proposed additional reporting by all institutions with \$300 million or more in total assets in a new Schedule RC-U – Loan Origination Activity for quarterly amounts of loans originated for 16 categories of loans. This proposal also would require institutions with \$1 billion or more in total assets to further breakout new loan origination data during the quarter to include loans originated under a newly-established commitment and loans that are not originated under a commitment. The agencies also request comment on: 1) the ability of existing bank loan systems to generate the proposed loan origination data for proposed new Schedule RC-U; 2) the burden of adapting current systems to report the proposed loan origination data if the information is not currently available; and 3) alternative ways to collect quarterly loan origination data in the Call Report.

ABA recommends that the agencies defer until 2013 proposed data capture of loan origination activity in proposed new Schedule RC-U and re-evaluate in the interim, whether there still is a need to report new loan origination data in the Call Report. If the agencies ultimately require reporting of loan origination activity in the Call Report, ABA recommends that the agencies define and clarify key terms as a prerequisite to any new reporting, propose less burdensome reporting, and delay the effective date of new reporting to provide sufficient lead time for affected institutions to implement automated system revisions necessary to capture and report any new loan origination activity data.

ABA is concerned with the agencies' proposed new detailed data reporting for new loan originations on a net basis for the proposed 16 loan categories. Our concerns are based on the lack of clarity of many key terms and issues regarding such additional reporting and the unclear benefit of capturing and reporting this new loan origination information at this point in time relative to the clear burden. The timing is especially problematic and burdensome since affected banks will be making simultaneous and major system reporting revisions relating to the FDIC final rule on deposit insurance assessments,<sup>6</sup> and updating bank systems for the new ongoing Board FR Y-14Q reporting by institutions that are required to report CCAR<sup>7</sup> data to the Board.

Deferral would (1) allow the agencies to clarify many terms and uncertainties relating to the proposed new reporting; (2) minimize the unnecessary burden of implementing new automated systems that the proposed new loan origination activity reporting would impose on many banks at the same time that significant bank system revisions are needed to comply with other

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<sup>6</sup> See 76 *Fed. Reg.* 77315 (December 12, 2011).

<sup>7</sup> The CCAR process is a separate reporting process from the agencies' proposed quarterly reporting of detailed loan origination activity by banks that have \$300 million or more in total assets (and additional more granular reporting by institutions with \$1 billion or more in total assets). The CCAR affects bank holding companies (BHCs) that have total consolidated assets of \$50 billion or more and requires broad and detailed data reporting that will continue on an ongoing quarterly basis to the Board on new FR Y-14Q. A portion of the information the agencies have proposed to collect on the new Call Report Schedule RC-U – Loan Origination Activity, may be redundant with information the Board is requiring BHCs to report for CCAR.

important regulatory reporting requirements; and (3) allow the agencies to assess whether the new CCAR provides an alternative source of new loan origination information the agencies may be able to rely upon to substantially meet the needs outlined in the proposal.

Some of the problematic issues the proposed new loan origination reporting would create for many banks include how banks would report loan advances, revolving loans, increases in lines of credit, and borrower draw-downs on revolving lines of credit. Banks are also concerned with how the additional breakouts relating to originations under a newly-established commitment, and originations not originated under commitment would be determined, especially for credit cards. It is not clear how commitments would be determined, for example, for an increase in a line of credit. Additionally, reporting this information will be unnecessarily burdensome since manual tracking would be needed for many institutions until systems could be revised or developed to capture and report it. Further, the capture and net reporting of this information would be very burdensome.

If the agencies do not defer new reporting of loan origination activity on the Call Report, as a prerequisite to ensure clarity, accuracy, and meaningful reporting, ABA strongly recommends that the agencies limit any new reporting of loan origination activity in the Call Report to gross, not net reporting; and provide necessary clarification and clear definitions of key terms and reporting concepts, including:

- Revolving loans
  - Commitments and revolving credit agreements that were:
    - renegotiated
    - refinanced
    - converted
    - renewed
    - drawn down
  - Specific clarification and examples of credit card reporting of loan originations and commitments, including each of the terms and concepts noted above. ABA also requests additional clarification of the Draft Instructions for the Proposed Call Report on how to report credit card origination activity for Columns A and B of proposed Schedule RC-U, particularly clarifying the reporting of newly established commitments for credit cards as reported in Schedule RC-C, or RC-L, item 1. (See Appendix A for more details relating to credit card loan reporting.)
  - Clarifying whether these definitions are intended to be consistent with definitions being considered in the FDIC's Large Bank Pricing model for reporting subprime loans.
- The impact of troubled debt restructurings (TDRs) on reporting commitments (*i.e.* is a TDR a revision of terms; is a TDR a new origination?)
- An origination during the quarter.

While there may be gaps in the CCAR information capture and reporting and what the agencies have proposed for the June 30, 2012, Call Report on specific loan origination activity data, and the types of institutions that would report the data, ABA urges the agencies to consider whether the information they seek to capture through new loan origination information on the Call Report could be reasonably satisfied by the CCAR data reporting. Specifically, ABA requests the

agencies' to consider if their concern that "the ability to assess credit availability is a key consideration for monetary policy, financial stability, and the supervision and regulation of the banking system", as well as the agencies' "[d]esire for direct reporting of loan originations [to] allow the agencies to isolate the flow of credit creation from the effects of ... other banking activities"<sup>8</sup> would be satisfied by the data the Board will collect through the CCAR.

## **Conclusion**

ABA appreciates the opportunity to comment on the proposed revisions included in the Joint Notice and Request for Comment.

Please contact the undersigned at (202) 663-5331 or [kmctighe@aba.com](mailto:kmctighe@aba.com) if you have any questions. Thank you for considering our comments and recommendations.

Sincerely,

A handwritten signature in black ink, reading "K. P. McTighe". The signature is written in a cursive, flowing style.

Kathleen P. McTighe  
Senior Counsel

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<sup>8</sup> See 76 *Fed. Reg.* 72039, column 2.



## Appendix A

### Issues and Request for Clarification Relating to Proposed Loan Origination Data Reporting for Credit Card Loans on New Call Report Schedule RC-U – Loan Origination Activity

ABA requests clarification of the following definitions relating to credit card loans: commitment, renegotiated, refinanced and renewal.

- We request specific clarification of whether these definitions are intended to be consistent with definitions being considered in the FDIC's Large Bank Pricing model for reporting subprime loans.
- We request clarification of whether a credit card line increase would meet the definition of a newly established commitment, renegotiation, refinancing or renewal. If so, we request the agencies to provide an example of how to report the newly established reportable amount.
  - For example, for reporting lines of credit, a cardholder has a \$10K line of credit and has an outstanding balance of \$10K. The cardholder requests and receives a \$2K credit line increase. The cardholder uses \$1K of these funds. If this falls under the definition of a newly established reportable item, would \$1K or \$11K be reported in Schedule RC-U?
- We request clarification of whether a TDR would meet the definition of a newly established commitment, renegotiation, refinancing or renewal.

ABA also requests clarification regarding lapses between quarters when a bank issues credit in one quarter and the cardmember does not utilize the funds until the next quarter -- specifically, whether this would be considered a newly established commitment in the 2nd quarter. It would be helpful if the agencies provide reporting examples.

Other situations which the ABA requests the agencies to provide additional clarification on how to report credit card loans, include:

#### Column A:

- If a person had a card for ten years, the balance was \$200 at the end of Q4 2011, there were \$50 of payments received during Q1 2012, and the ending balance was \$425 at the end of Q1 2012, would the bank report the \$225 newly spent on this account?
- If a person gets a new card in February but chooses not to spend and has a zero balance at the end of Q1 2012, the bank would report nothing. However, if this cardmember, at the end of Q2 2012 charges \$5,000, the bank would then report in Q2 2012 the new charges. In Q3 2012, the ending balance is \$2,500. Would the bank report nothing, even though the customer charged, paid off a large portion of the balance and has a remaining balance of \$2,500 during Q3 2012?



Banks that are over \$1B in assets would be required to also report in Column B & C<sup>9</sup>, if applicable. The definitions and instructions for reporting in these two columns are unclear for credit card loans. ABA requests the agencies to provide additional clarifications if they decide to require this reporting in the Call Report.

#### Column B:

The draft instructions for the definition of “commitment” refer to the instructions for Schedule RC-L, item 1.<sup>10</sup> (*See* page 14 of the draft instructions.) A credit card issuer would report a very large number based on that definition. Would such banks need to report the lines of credit extended? For example, on Schedule RC-L, a card issuing bank reports unused lines of credit, and on Schedule RC-C the bank would report charges on that line of credit. During a quarter, would the bank need to report new commitments added during a quarter, *i.e.* the full exposure possible by a cardmember? When a cardmember opens a card and gets a \$10K line of credit, would the bank report that \$10K line? If a bank no longer reports that person until the line of credit is increased to \$15K in a quarter, would the bank then report the new \$5K? Commitments/undrawn commitments are likely much larger than what a credit card issuing bank would report on Schedule RC-C.

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<sup>9</sup> We note that Column C would not apply to consumer credit cards due to the agencies’ exemption for this reporting.

<sup>10</sup> Schedule RC-L, item 1 (5) instructions, as referenced in the draft June 2012 Call Report instructions for the definition of “commitment” provide:

For purposes of this item, commitments include:

(5) Rotating, revolving, and open-end credit arrangements, including, but not limited to, retail credit card lines and home equity lines of credit.



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January 16, 2012  
OMB Number: 7100-0036

Jennifer J. Johnson  
Secretary  
Board of Governors of the Federal Reserve System  
20<sup>th</sup> Street & Constitution Avenue, N.W.  
Washington, D.C. 20551

Re: Proposed Agency Information Collection Activities – Consolidated Reports of Condition and Income (FFIEC 031 and 041)

Dear Ms. Johnson:

Automated Financial Systems, Inc. (AFS) appreciates the opportunity to comment on the proposed new data items and schedule to be added to the Call Report as of June 30, 2012, as proposed by the Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, and the Federal Deposit Insurance Corporation.

AFS is a leading provider of commercial lending software and solutions for top-tier banking organizations. For over forty years, AFS has worked with our clients to address their technological needs in the commercial banking arena, including loan origination, servicing, record-keeping and reporting throughout the entire life of a loan. Central to this process has been the accommodation and application of both new and amended banking legislation, which tend to affect our customers in four predominant ways:

- Increasing data requirements
- Mandating improved control structures in lending
- Increasing reporting requirements, both internally and externally, and
- Increasing requirements and expectations around transparency and the auditability of a process

AFS also has extensive experience in comparative benchmarking, including the aggregation, standardization, and reporting of credit risk metrics, pricing characteristics, commercial loan operations and delivery, and credit data quality. In our experience the need to isolate, measure, and monitor new origination activity has been critical to all the basic tenants of commercial banking: revenue growth, cost control, efficiency, and compliance with applicable law and regulation. To that end, we are pleased to share our observations and recommendations on your proposal.

Our comments focus exclusively on the request for Loan Origination Data and the new Schedule RC-U, Loan Origination Activity. Our response is categorized into two parts: Clarifications and Recommendations.

*Automated Financial Systems GMBH—European Subsidiary/EMEA Head Office:*

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## **Clarifications**

1. For Column C of the proposed RC-U, banks are being instructed to report the amount in column A that was not originated under commitment. Further clarification is needed. For example, this definition could be interpreted to include a new term (standalone) loan that was originated during the quarter. Alternatively, it could also mean a draw that was taken down during the current quarter but under a previously existing commitment.
2. The proposal refers to two sources of loan growth – loans made under commitment and loans made not under commitment. Given the varying terminology used in the industry, further clarification and explanation is needed for loans made “not under commitment”. For example, is the definition meant to include term or standalone loans (where there is an immediate 100% disbursement of funds, with no remaining unused balance and no revolving type of feature)?
3. How do the regulators propose to account for loans restructured in troubled debt restructurings? Practices vary in the industry in terms of whether or not banks assign a new borrower / account number in cases of restructured loans. In some cases restructured loans may appear to be new originations, when in fact they really represent a workout. The new reporting on origination activity should probably be net of loans restructured (TDRs) in the quarter.

## **Recommendations**

1. Within the context of this proposal and the regulators’ objectives there are, generally speaking, four sources of loan growth<sup>1</sup> that should be considered when collecting loan origination data: (1) a new commitment granted in the quarter; (2) a commitment that was renewed in the quarter; (3) a new term or “standalone” loan; and (4) a new draw in the quarter from a previously issued commitment. The first three possibilities require a formal credit decision on the part of the bank/underwriter, and presumably would give insight into current lending conditions, terms, underwriting standards, interest rates, and so on. The fourth possibility – a new draw under a previously issued commitment – would normally not require a formal credit decision, and thus may give more insight into macro economic conditions, taking into account where the economy is in a business cycle. For example as the proposal states, loan growth that is driven primarily by customers drawing down funds from preexisting lending commitments *could* be a sign of stress in financial markets.

In order for the regulators to meet their stated objectives of better insight into the supply of and demand for credit and insight into the short term effects of monetary policy actions, these four sources of loan growth need to be accounted for in bank reporting. As presently constructed, the new RC-U schedule does not do that. We would recommend that either the RC-U schedule be expanded, or the definitions for columns B and C be clarified to state what data is – and is not – being sought for supervisory analysis.

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<sup>1</sup> Given the number of financial institutions subject to Call Reporting, other sources of loan growth, such as through mergers, portfolio acquisitions, etc. would presumably not have a material effect on national trends and analysis, or could be adjusted for separately.





2. We note that line item 1.e. of the proposed RC-U does not differentiate between loans secured by nonfarm nonresidential properties and loans secured by owner-occupied nonfarm nonresidential properties, a change that was made to RC-C a few years ago. Given the regulators collective interest in Commercial Real Estate (CRE) markets as well as the significantly different risk characteristics and performance of investor CRE versus owner-occupied CRE, it would seem appropriate to differentiate in RC-U as well.
3. Under the proposed structure new origination activity would only be captured if an actual draw (under a commitment) was made by the borrower, resulting in an outstanding balance at the end of the quarter. In order to truly gauge the flow of credit creation, the regulators need to also collect the committed exposure balances, not just outstanding balances, similar to what is currently done through Schedule RC-L for all loans (but not broken out by new origination activity). AFS' proprietary benchmarking data has shown that coming out of the 2007-2009 downturn, new commitments eventually started growing again, but borrowers were not necessarily taking draws against them. So this activity might be indicative of borrowers taking advantage of favorable terms, but not yet confident enough in the economic outlook to resume hiring, expanding, and otherwise investing and growing their businesses. Having a companion "RC-L type" of schedule (or memoranda section to RC-U) to capture new commitment generation would give the regulators much more granular insight into the ebbs and flows of credit creation and contraction.

If you have any questions regarding these comments, please contact Doug Skinner, Director of Regulatory Compliance, AFS, at 484-875-1562 or at [dskinner@afsvision.com](mailto:dskinner@afsvision.com).

Respectfully submitted,



John H. Shain  
President



Value • Solutions • Responsibility

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January 20, 2012

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Attention: Comments 3064-0052

Jennifer J. Johnson  
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U.S. Office of Management  
and Budget  
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725 17<sup>th</sup> Street, N.W.  
Washington, D.C. 20503

Re: Consolidated Reports of Condition and Income (FFIEC 031 and 041)

Ladies and Gentlemen:

The Clearing House Association L.L.C. ("The Clearing House"), an association of major commercial banks,<sup>1</sup> appreciates the opportunity to comment on the proposed revisions to the Consolidated Reports of Condition and Income (the "Call Report") and the instructions thereto (the "Instructions", and together with the Call Report, the "Proposal") jointly proposed by the Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System and the Federal Deposit Insurance Corporation (collectively, the "Agencies"). We support the efforts of the Agencies to improve their understanding of banks' lending activities and credit risk exposures while striking a balance between the Agencies' need for data and the need for such data requests to be practical, logical and administratively manageable for both

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<sup>1</sup> Established in 1853, The Clearing House is the oldest banking association and payments company in the United States. It is owned by the world's largest commercial banks, which collectively employ over 2 million people and hold more than half of all U.S. deposits. The Clearing House Association L.L.C. is a nonpartisan advocacy organization representing—through regulatory comment letters, amicus briefs and white papers—the interests of its owner banks on a variety of systemically important banking issues. Its affiliate, The Clearing House Payments Company L.L.C., provides payment, clearing, and settlement services to its member banks and other financial institutions, clearing almost \$2 trillion daily and representing nearly half of the automated-clearing-house, funds-transfer, and check-image payments made in the U.S. See The Clearing House's web page at [www.theclearinghouse.org](http://www.theclearinghouse.org).

the Agencies and the members of the banking industry that have to apply those rules. We believe the recommendations provided herein will achieve the Agencies' objectives and strike that appropriate balance.

- I. **The data requested by the Proposal's Schedule RI-C, Disaggregated Data on the Allowance for Loan and Lease Losses ("Schedule RI-C") is not consistent with how banks estimate, manage and maintain their Allowance for Loan and Lease Losses ("ALLL"). Accordingly, The Clearing House recommends an alternative approach that allows the Agencies to achieve their stated objective which would require data consistent with the business model banks use to estimate their ALLL.**

The Proposal states that the intention of the Financial Accounting Standards Board (the "FASB") Accounting Standard Update No. 2010-20, *Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses* ("ASU 2010-20"), is to provide additional information to assist financial statement users in assessing an entity's credit risk exposures and evaluating the adequacy of its allowance for credit losses.<sup>2</sup> The Proposal further provides in relevant part that, consistent with the ASU 2010-20 disclosure requirements, the Agencies are proposing revisions to the June 30, 2012 Call Reports to capture disaggregated detail of institutions' ALLL and related recorded investments for certain loan and lease financing categories.<sup>3</sup> Specifically, the Proposal requests disaggregated allowance and recorded investment data on the basis of the impairment method (*i.e.*, whether the ALLL and the related investment amounts are collectively evaluated for impairment, individually evaluated for impairment or acquired with deteriorated credit quality) for certain loan and lease financing categories.<sup>4</sup> The detailed reporting that would be required for Schedule RI-C assumes a degree of disaggregation of the ALLL, which is not required by ASU 2010-20 and therefore not consistent with how banks estimate, manage and maintain their ALLL for purposes of complying with ASU 2010-20 in their Quarterly Reports on Form 10-Q and Annual Reports on Form 10-K (the "SEC Reports"). Rather, The Clearing House member banks estimate their respective ALLL by using a consistent methodology for the entire inherent loss in their portfolio segments, which vary among all institutions, and they do not currently separate their ALLL by the categories contained in the Proposal.

ASU 2010-20 provides requirements to disclose the ALLL by portfolio segment (*i.e.*, the level at which an entity develops and documents a systematic method to determine its ALLL). For most large banks, this disclosure may consist of separate methodologies for portfolios of commercial loans (typically low volume, high dollar, individually risk-rated loans) and consumer loans (typically high volume, small dollar, homogenous loans). Thus, the methodology used to estimate the ALLL for a commercial portfolio of loans typically includes an individual loan risk-

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<sup>2</sup> 76 Fed. Reg. No. 224 (November 21, 2011) at 72038.

<sup>3</sup> *Id.*

<sup>4</sup> *Id.*

rating and an implied expected loss based on the historical experience of either the individual loan or, if the loans that comprise the portfolio share similar characteristics, the portfolio. In contrast, the consumer loan ALLL methodology typically includes a statistically modeled, four-quarter loss forecast.

The proposed Schedule RI-C requirement to publicly disclose the ALLL on the basis of the impairment method for certain loan and lease financing categories is inconsistent with ASU 2010-20, and therefore would require a bank to either allocate its existing ALLL or develop new methodologies for regulatory reporting to determine the ALLL at the level of granularity required by the Proposal; these methodologies also may vary within the industry. Both of these alternatives may result in information that may be less meaningful than that which is currently included in SEC Reports and prove confusing to users that attempt to reconcile the Call Reports with the SEC Reports for a particular institution. Finally, disaggregating the ALLL at the level of detail proposed could be less accurate, as historical data (*e.g.*, number of observations of default) used to model the "Probability of Default" may not be statistically significant when reduced to such a granular level.

In view of the concerns described above, The Clearing House respectfully recommends an alternative disclosure presentation (the "TCH View") that supports the Agencies' need to better understand bank lending activities and credit risk exposures but which is consistent with the business model currently used by such reporting entities to estimate their ALLL. In particular, the TCH View will provide the Agencies with information on credit card reserves, which are relatively large unsecured portfolios with high loss rates, and allow the Agencies to differentiate the ALLL allocated to commercial real estate ("CRE") loans from the remainder of the ALLL at institutions with CRE concentrations, which was specifically noted as a concern in the Proposal.<sup>5</sup> The TCH View recommends reporting the ALLL and the related investment amounts by impairment method for only the following loan categories as part of Schedule RI-C:

1. Real Estate
  - a. Commercial
  - b. Residential
2. Commercial (commercial & industrial & other)
3. Cards (consumer & small business)
4. Other Consumer
5. Unallocated

The TCH View aligns the new Call Report disclosures with disclosures currently required by ASU 2010-20. Further, although any level of additional disaggregation, such as that proposed by the TCH View, will require system programming changes to implement, The

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<sup>5</sup> 76 Fed. Reg. 224 (November 21, 2011) at 72039.



Clearing House member banks would be able to provide the data required by the TCH View for the June 30, 2012 Call Report as requested in the Proposal, since the TCH View is consistent with disclosure contained in current SEC Reports. We would be happy to discuss the TCH View with the Agencies in further detail at your convenience.

Notwithstanding our concerns, if the Agencies move forward with the Proposal, The Clearing House urges the Agencies to delay this aspect of the Proposal at least until the September 30, 2012 Call Report due to the difficulty in compiling data at the level of detail required by the Proposal for Schedule RI-C. The final Call Report changes will not be published in the Federal Register until the beginning of February or later. Due to the significant changes to the reporting systems required to produce reliable information, large and small financial institutions would need this additional time to implement the required systems changes, integrate the changes with their existing internal controls structure and test their internal control systems. While in the interim it may be possible to make use of manually intensive processes such as database or spreadsheet tools to generate the data required by the Proposal, these manual processes would also necessitate additional time for implementation. As a result, in any event the data as included in the Proposal for Schedule RI-C would not likely be available in time to be included in the June 30, 2012 Call Report.

**II. The Clearing House strongly recommends that the Agencies collect information on loan origination activity only at the bank holding company level, using the existing Quarterly Capital Assessments and Stress Testing Report (the "FR Y-14Q") under the Comprehensive Capital Analysis and Review, rather than through the proposed Schedule RC-U, Loan Origination Activity ("Schedule RC-U").**

The Agencies state that information on the proposed Schedule RC-U would provide meaningful data to regulators to enable them to formulate and monitor monetary policy, particularly credit availability.<sup>6</sup> We appreciate that the Agencies have invited institutions to suggest alternative ways in which such loan origination data could be collected to meet the Agencies' data needs.<sup>7</sup> During our January 4, 2012 conference call with the Agencies (the "January 4<sup>th</sup> Conference Call"), the Agencies stated that the purpose of this data collection was not to analyze the lending data of a particular institution. The Clearing House believes, therefore, that the data the Agencies are requesting on loan originations should be collected at the bank holding company level rather than at the insured depository institution level.

Additionally, after reviewing the types of information reported in the FR Y-14Q, The Clearing House believes that this report provides appropriate information for the Agencies to meet their objectives (while maintaining the confidentiality of the data). Using the information already reported on the FR Y-14Q, the Agencies could calculate changes in balances of

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<sup>6</sup> *Id.*

<sup>7</sup> *Id.* at 72041.

outstanding loans and lines of credit from the previously reported quarter as well as determine which loans and lines of credit were originated during the most recently completed quarter. The FR Y-14Q in its current format includes the following: (1) data referenced to FR Y-9C loan lines that separate reporting lines of credit from loans, as well as separate specific lines of credit (*e.g.*, home equity lines, consumer cards and corporate cards) and specific loans (*e.g.*, auto loans, student loans, residential first mortgage, residential second liens, other consumer and commercial real estate); (2) current outstanding balances of both loans and lines of credit for quarter-end, as well as origination dates, dollars of new commitments, and dollars of new accounts for a number of asset types; and (3) a separate schedule for small business lending and credit purpose data for commercial loans, as well as other information such as geographic location of borrowers, interest rates and pricing, detailed collateral types securing commercial real estate and commercial loan borrower industry codes that The Clearing House believes would be useful to assist the Agencies in assessing policy and trends.<sup>8</sup>

Furthermore, many bank holding companies currently disclose loan origination data in their SEC Reports and other public disclosures, such as earnings releases. This data is typically presented on a gross basis, consistent with how TARP origination data was captured. In the Proposal, the Agencies are requesting that quarterly loan origination data in Schedule RC-U be captured on a net basis. This net reporting would lead to multiple origination numbers being publicly disclosed and could create considerable confusion amongst the users of the SEC Reports and Call Reports. In addition, proposed Schedule RC-U only requests origination information on selected categories of loans, while the SEC Reports typically include data on all loan originations, further increasing the possibility for confusion. Moreover, certain column captions on the proposed Schedule RC-U are not labeled with commonly used and understood terminology (*e.g.*, Schedule RC-U, Column B “Amount that was originated under a newly established commitment” and Schedule RC-U, Column C “Amount that was not originated under commitment”), thereby creating additional potential risk of confusion.<sup>9</sup>

In addition to the potential for confusion to users as discussed above, The Clearing House has other serious concerns with the Proposal’s proposed data collection. The draft Instructions published on the FFIEC website prescribe the calculation of the amounts to be reported as originated during a quarter under a newly established commitment and contain several examples related to lines of credit.<sup>10</sup> The draft Instructions would require that

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<sup>8</sup> The FR Y-14Q is available at [http://www.federalreserve.gov/reportforms/formsreview/FRY14Q\\_20111216\\_f.pdf](http://www.federalreserve.gov/reportforms/formsreview/FRY14Q_20111216_f.pdf).

<sup>9</sup> In response to the question the Agencies raised during the January 4<sup>th</sup> Conference Call as to whether troubled debt restructurings (“TDRs”) should be included in the origination schedule, The Clearing House recommends that TDRs not be included because banks are only restructuring the loans to mitigate losses, as opposed to issuing new credit.

<sup>10</sup> See Draft Instructions for Proposed Call Report Revisions for March and June 2012, pages 16 and 17, available at: [http://www.ffc.gov/pdf/FFIEC\\_forms/FFIEC031\\_FFIEC041\\_201203\\_201206\\_i\\_draft.pdf](http://www.ffc.gov/pdf/FFIEC_forms/FFIEC031_FFIEC041_201203_201206_i_draft.pdf)

January 20, 2012


drawdowns on lines of credit during the quarter are reported net of payments received during the quarter, with payments applied to the oldest outstanding balances first. However, in practice, this is not how payments are applied for all credit line products. For example, in some consumer line of credit products, payments are applied to balances carrying the highest interest rate first and are then cascaded down to the balances with lower interest rates in descending order. Also, the Proposal does not consider other increases to line balances in addition to drawdowns such as balance transfers, fees and interest. Calculating new originations as proposed in the draft Instructions would require that institutions create a new, separate methodology to calculate net draws on lines of credit. Transaction level detail required to calculate such amounts would require a labor-intensive, business line product-by-product review and analysis. The resulting reported amounts may not provide meaningful data as they would not accurately reflect the actual sequence of draws, payments and other activity contributing to the changes in the outstanding balances of these lines of credit.

For all of these reasons, The Clearing House believes strongly that data included in the FR Y-14Q would better meet the Agencies' stated objectives for formulating and monitoring monetary policy than Schedule RC-U as currently contained in the Proposal. If the Agencies determine that they need additional information that is not reported in the FR 14-Q, The Clearing House would be pleased to discuss the objectives that the Agencies wishes to achieve and would welcome working with the Agencies to develop an alternative proposal to achieve those objectives.

\*\*\*\*\*

We greatly appreciate your consideration of our comments and would welcome the opportunity to discuss them further with you at your convenience. If we can facilitate arranging those discussions, or if you have any questions or need further information, please contact me at (212) 613-9883 (email: david.wagner@theclearinghouse.org) or Gail Haas at (212) 612-9233 (email: gail.haas@theclearinghouse.org).

Sincerely yours,

A handwritten signature in black ink, appearing to read "David Wagner", written in a cursive style.

David Wagner  
Senior Vice President  
Financial and Tax Affairs

Office of the Comptroller of the Currency      - 7 -  
Gary A. Kuiper  
Jennifer J. Johnson  
Office of Information and Regulatory Affairs

January 20, 2012

cc:      Kenneth Lamar  
         Senior Vice President  
         *Federal Reserve Bank of New York*

Cynthia Ayouch  
Federal Reserve Board Clearance Officer  
*Federal Reserve Board*

Steven Merriett  
Assistant Director and Chief Accountant of Banking Supervision and Regulation  
*Federal Reserve Board*

Kathy Murphy  
Chief Accountant  
*Comptroller of the Currency*

Robert Storch  
Chief Accountant  
*Federal Deposit Insurance Corporation*

Philip Jasienczyk  
Director, Reporting and Reserves Statistics  
*Federal Reserve Bank of San Francisco*

Robert Maahs  
Assistant Director  
*Federal Reserve Board*

Gretchen Weinbach  
Deputy Associate Director  
*Federal Reserve Board*

William Bassett  
Assistant Director  
*Federal Reserve Board*

Douglas Carpenter  
Senior Supervisory Analyst  
*Federal Reserve Board*

Office of the Comptroller of the Currency      - 8 -  
Gary A. Kuiper  
Jennifer J. Johnson  
Office of Information and Regulatory Affairs

January 20, 2012

Brian Valenti  
Risk Manager  
*Federal Reserve Board*

Kyle Thomas  
Acting Chair of FFIEC State Liaison Committee  
*FFIEC*

Karen Nelson, Wells Fargo Bank, N.A.  
Chair, Regulatory Reporting Committee  
*The Clearing House Association L.L.C.*

Gail Haas  
Financial Specialist  
*The Clearing House Association L.L.C.*





January 20, 2012

Ms. Jennifer J. Johnson  
Secretary, Board of Governors of the Federal Reserve System  
20th Street and Constitution Avenue NW.  
Washington DC 20551

Dear Ms. Johnson:

Citizens Republic Bancorp appreciates this opportunity to provide comments related to the Inter agency proposal to revise and extend for three years the Consolidated Reports of Condition and Income (Call Report), which is currently an approved collection of information for each agency as presented in **Federal Register** /Vol. 76, No. 224 /Monday, November 21, 2011 /Notices **72035**.

OMB Number: 7100-0036

Citizens Republic Bancorp is a \$9.5 billion-dollar banking corporation with banking offices located in Ohio, Michigan, and Wisconsin.

#### Comments

##### **RC-U Loan Origination Activity (In Domestic Offices)**

The proposed instructions for Schedule RC-U do not adequately define when a loan has been refinanced or renewed. The instructions need to address short term modifications for loan workout activity and default or loss mitigation actions. Examples of this type of activity would include a short term extensions of six months or less and client skip-a-payment programs.

Our automated systems would require extensive programming changes in order to gather the information related to renegotiated, refinanced, converted or renewed loans in the manner prescribed by the instructions. In order to report the data in the manner requested, a highly labor intensive manual tracking process would need to be implemented in the near term.

A similar problem currently exists in order to capture draws on lines of credit. The Bank's loan system does not capture draws on lines of credit for the quarter or even for the year. The bank would have to manually review every loan at the transaction level to obtain new extensions on existing lines.

We depend on an outside vendor for this information and project it would require at least one year or longer to implement schedule RC-U. We estimate that this would cost \$100,000 to \$150,000 to prepare this schedule in the first year.

**RI-C Disaggregated Data on the Allowance for Loan and Lease Losses**

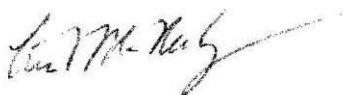
Our impairment and end of period allowance for loan losses is measured by our Internal General Ledger classifications which do not align with our codes utilized for call reporting (Fed Call Codes). We use our obligor classifications and facility ratings to determine impairment pools and related risk allocated reserve percentages assigned to those pools. From a risk rating standpoint we have 10 possible obligor ratings (1-10) and 8 possible facility ratings (A-H) or a total 80 different combinations in the commercial portfolio each with unique expected loss rates. In the consumer portfolios there are 15 possible FICO score band ratings and 8 possible loan sub-segments or a total of 120 different combinations each with unique expected loss rates. A complex mapping would be needed that translates the expected loss rate for each loan and then re-aggregates by Fed Call Code. This would result in different expected loss rates being assigned to the same Fed Call code. Therefore, we would have to duplicate our model to accommodate both our current allocation model and this proposed request resulting in a matrix of thousands of different pools. The programming to complete this reporting as requested would require substantial costs and ongoing maintenance.

We project it would require at least nine months to implement schedule RI-C. We estimate that this would require \$75,000 to \$150,000 to prepare this schedule in the first year.

We appreciate the opportunity to comment on these proposed revisions to the Banks' Call Report. The two new schedules would be burdensome to complete with duplication of work to complete RI-C and substantial hours of reviewing 24,586 individual loans to complete RC-U. If you have any questions, feel free to contact Stanley Gorecki at (810) 342-7040 or Chester Thompson at (810) 766-7780.

Thank you.

Respectfully,



Lisa T. McNeely  
Chief Financial Officer



# **INSIDE MORTGAGE FINANCE PUBLICATIONS**

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January 20, 2012

Jennifer Johnson, secretary  
Board of Governors of the Federal Reserve System  
20<sup>th</sup> Street and Constitution Avenue, N.W.  
Washington, DC 20551

RE: OMB Number 7100-0036

As the executive editor at Inside Mortgage Finance Publications, I appreciate the opportunity to comment on the proposed changes to bank call reports outlined in the joint notice and request for comment published by the Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System and the Federal Deposit Insurance Corp. in the Nov. 21, 2011, *Federal Register*.

Inside Mortgage Finance Publications is a privately owned, accredited news organization that conducts statistical research on the residential mortgage market and mortgage- and asset-backed securities markets. In addition to our proprietary surveys and various public disclosures, we make extensive use of bank call report data as well as credit union call reports and thrift financial reports. We will focus our comments on provisions in the proposed bank call report revisions related to the residential mortgage market.

As a user of call report data, we strongly support the banking agencies' efforts to expand the amount of information reported by financial institutions and efforts to clarify reporting requirements. We understand that there is a balance to be maintained between the level of detail in reporting and the burden of compliance, but the significant role played by depository institutions and their affiliates in the housing market collapse and ensuing financial crisis dictate that regulators should collect as much mortgage information as possible, particularly concerning loan quality, liquidity and liability.

We encourage the agencies to consider adding mortgage characteristic reporting requirements to the proposed Schedule RC-U and a revised Schedule RC-P. The most useful residential mortgage loan quality indicators include loan pricing information already required by the Home Mortgage Disclosure Act and whether the loan meets the Qualified Mortgage and Qualified Residential Mortgage standards mandated by the Dodd-Frank Wall Street Reform and Consumer Protection Act. Although the QM and QRM concepts are yet to be defined, the agencies should consider notifying financial institutions that such information will be collected when final regulations take effect.

The pricing and QM/QRM data fields could be added as subcategories to existing (RC-P) and new (RC-U) reporting requirements for mortgage originations.

HMDA pricing information is a simple, if less than perfect, proxy for risk features. By requiring financial institutions to report the volume of loans originated or purchased that require pricing disclosure under HMDA, including the volume of loans subject to the Home Ownership and Equity Protection Act, the agencies will get a quick measure of the amount of less-than-prime mortgage lending taking place in the banking industry. The QM and QRM flags will further illuminate the credit risks being taken both in held-for-investment mortgage originations and mortgage-banking activity. These three data fields point to

potential problems in borrower credit quality, loan-to-value ratios, loan purpose, occupancy, underwriting practices and loan terms.

Liquidity is a key issue even when the lender intends to hold the loan as an investment. Schedule RC-U could include a subcategory that requires lenders to disclose the volume of new originations that exceed Fannie Mae and Freddie Mac conforming loan limits. In addition to indicating whether new loans being put in portfolio could be readily sold or pledged as collateral, the loan-limit flag would help policymakers get significantly better data about the potential for portfolio lenders to absorb market share as the government-sponsored enterprises are wound down.

We support the agencies' proposed disclosure of representation and warranty reserves in Schedule RC-P, including separate disclosures of reserves related to: a.) government agencies and government-sponsored enterprises; and b.) other parties. More clarity may be needed in describing these items, however. The notice and request for comment appears to lump Ginnie Mae in with Fannie and Freddie as GSEs, while it does not address FHA and VA indemnifications at all. Current call report instructions include indemnifications related to mortgage insurance cancellations or rescissions, but they do not mention the FHA and VA specifically. We suggest that the final call report instructions clearly identify mortgage insurance indemnification – both for private MI and the government insurance programs – as activity to be included in repurchase and indemnification reporting.

The agencies should consider a requirement that financial institutions report the volume of pending repurchase/indemnification requests in addition to actual repurchases (currently required) and repurchase reserves (proposed). Some large publicly-traded banks with extensive mortgage banking businesses now report this information in quarterly earnings, but there is little consistency in how they do it and many institutions below the top tier provide little if any information about pending buybacks.

In conversations with individual banks, we are aware that some lenders include Ginnie Mae buyouts in their repurchase and indemnifications, while others do not. Although Ginnie Mae buyouts are reported elsewhere in the call report, the agencies should consider guidance on this issue in any revision of the call report instructions.

We strongly support the new Schedule RC-U, and we encourage the agencies to make clear what activity is to be included as a mortgage "origination." There are three major production channels in residential mortgage lending: retail (dedicated retail offices that typically work closely with real estate agents and home builders, bank branches and call centers/web sites); wholesale networks that fund loans through mortgage brokers; and correspondent programs that purchase closed loans on either a bulk or flow basis from unaffiliated lenders. At a minimum, the RC-U instructions and revised RC-P instructions should make clear that broker originations and purchases from correspondents should be included as "originations."

The TFR asks thrifts to report loans "disbursed," which includes retail and broker funding for both retained portfolio and mortgage banking activity, as well as loans purchased, which appears to cover their acquisitions from correspondents. Existing RC-P filing instructions include brokers and correspondents under the "wholesale" banner, although it appears that a number of financial institutions also include their mortgage warehouse lending activity as wholesale originations in the RC-P. And we know of at least one very large financial institution that includes purchases from affiliated entities in its wholesale originations in the RC-P.

In short, we believe this is an area that needs more clarity and, possibly, more detailed reporting. If the agencies want to collect information on warehouse lending, and there are good reasons why they may want to do so, they should separate this as a discrete mortgage banking activity on the RC-P. Such disclosures could cover both mortgage warehouse commitments outstanding and drawn down as of the

end of the reporting period, as well as separate disclosures for warehouse lenders and warehouse line users.

The agencies should determine whether they want loans originated through mortgage brokers to be counted as retail (as under the TFR and HMDA) or as wholesale. It could be useful if the agencies specifically adopted the origination definition used in HMDA reporting (the originator makes the credit decision and funds the loan) for the purposes of call reports. The simplest resolution may be to ask for production in both the RC-P and the RC-U under all three categories, with appropriate instructions. This would mirror the standard understanding of these terms and their usage in the industry.

It is worth noting that banks of all sizes engage in wholesale broker and correspondent acquisitions, while also functioning as brokers and correspondents themselves.

We think the RC-P could be simplified somewhat by deleting the separate line items for closed-end second mortgages and home-equity lines of credit. Most banks engaged in this business do so as a portfolio product, rather than under a mortgage banking model, because there is almost no secondary market outlet for second mortgages. A revised RC-P could simply collect origination data that includes all loans secured by 1-4 family permanent mortgages for each of the three production channels.

Similarly, the loan sales, held for sale and repurchase/indemnification categories in the RC-P could be streamlined to eliminate separate line items for closed-end seconds and HELOCs. We think the most appropriate place to track home-equity activity is in the new RC-U.

An extremely useful bit of information about home-equity lending that is not tracked anywhere – in the existing or the proposed call reports – is how many home-equity loans the bank has that are linked to first mortgages that it either owns in portfolio or services for others. As the agencies are aware, this has become a hugely controversial issue in loss mitigation efforts, but collecting this data – especially regarding past originations – would likely be very difficult if not impossible for many banks. Collecting it on a going-forward basis may be more feasible.

The simultaneous servicing of a retained home-equity loan and a first mortgage serviced for another investor or securitization trust poses a complex reporting problem that covers new originations (RC-P and RC-U), the institution's portfolio (RC-C) and its servicing activities (RC-S).

We hope our observations about the pending mortgage-related changes to the bank call reports are useful. We would welcome any feedback or questions about our comments.

John Bancroft  
Executive Editor  
Inside Mortgage Finance Publications  
7910 Woodmont Ave. Suite 1000  
Bethesda, MD 20814  
[jbancroft@imfpubs.com](mailto:jbancroft@imfpubs.com)  
301.951.1240



*By Electronic Delivery*

January 24, 2012

Communications Division  
Office of the Comptroller of the Currency  
Mailstop 2-3  
Attention: 1557-0081  
250 E Street, SW  
Washington, D.C. 20219  
[Regs.comments@occ.treas.gov](mailto:Regs.comments@occ.treas.gov)

Ms. Jennifer J. Johnson  
Secretary  
Board of Governors of the  
Federal Reserve System  
20<sup>th</sup> Street & Constitution Avenue, NW  
Washington, DC 20551  
[Reg.comments@federalreserve.gov](mailto:Reg.comments@federalreserve.gov)

Re: Proposed Agency Information Collection Activities; Comment Request 76 Federal Register 72035 (November 21, 2011); Joint Notice and Request for Comment; Consolidated Reports of Condition and Income (FFIEC 031 and 041): **OCC**: OMB Number 1557-0081, **FRB**: FR Y-9C

Ladies and Gentlemen:

The PNC Financial Services Group and its subsidiary, PNC Bank, National Association, Wilmington, Delaware, (together "PNC" appreciate the opportunity to comment on the proposed changes to the Consolidated Report of Condition and Income ("Call Report") and FR Y-9C that supplies data needed for reasons of safety and soundness and other general financial purposes.

PNC also participated in the development of the comment letter being submitted by The Clearing House (TCH), and fully supports the recommendations set forth in that letter. The purpose of this letter is to highlight some of the recommendations in that letter, as well as to note certain additional areas of concern.

We respectfully submit the following comments for consideration by the Agencies when issuing the final information collection requirements for proposed schedule RC-U(HC-U) and RI-C(HI-C) of the Call Report and FR Y-9C.



## **I. New Schedule RI-C (HI-C) Disaggregated Data for the Allowance for Loan and Lease Losses**

The *Federal Register* notice states that new Schedule RI-C is intended to provide additional information within the Call Report and FR Y-9C to align with the Financial Accounting Standards Board (FASB) Accounting Standard Update No. 2010-20 (ASU 2010-20). The Agencies say that the new information requirements would allow users of the Call Report and FR Y-9C to better assess an entity's credit risk and evaluate the adequacy of its allowance for loan losses. ASU 2010-20 was implemented in the fourth quarter of 2010 and required entities to disclose in their SEC filings the amount of allowance at the portfolio segment level. During implementation, PNC developed and documented a systematic method to determine its ALLL. PNC establishes its FAS 5, FAS 114 and SOP reserves based on loan or pool assignments. We use different methodologies for portfolios of commercial loans (based on individual loan risk rating and an implied expected loss based on the historical experience of the loan portfolio) versus consumer loans (typically a statistically modeled, four quarter forecast).

The proposed Schedule RI-C (HI-C) requirement to publicly disclose the allowance at a level of granularity as in schedule RC-C (HC-C) is inconsistent with the loan class determination from the final standard ASU 2010-20. This inconsistency could result in allocation methodologies that may not be meaningful or may prove to be confusing when the readers of the Call Report and FR Y-9C attempt to reconcile to the results presented in the SEC reports. The FASB received comments on the exposure draft dated June 24, 2009, and as a result of those comments, they changed the original request for more granular detail, to what is in the final standard.

Consistent with the views expressed in the TCH letter, PNC endorses the loan categories for Schedule RC-I (HC-I) as presented below. We also believe that reports at this level of granularity would provide the meaningful information to users of the Call Report and FR Y-9C as well as align with the current disclosures provided under ASU 2010-20.

### Loan Categories

1. Real Estate
  - a. Commercial
  - b. Residential
2. Commercial (Commercial & Industrial and Other)
3. Cards (Consumer and Small Business)

4. Other Consumer
5. Unallocated.

Requiring this level of information to be reported as of June 30, 2012 would be challenging, but likely reasonable to implement.

If the agencies disagree with this view, we respectfully request a delay in the implementation of this requirement until June 30, 2013. Due to the extensive programming that will be required across several systems, additional time is needed to sufficiently program and test the systems as well as allow for sufficient internal control and validation processes to be implemented.

## **II. New Schedule RC-U (HC-U) Loan Origination Activity**

During the January 4, 2012 conference call with the Agencies and TCH members (the "January 4 Conference Call"), the Agencies stated that the purpose of the data request was primarily to formulate and monitor monetary policy and not analyze the lending data of a particular bank. During this discussion, the Agencies invited institutions to provide any alternative solutions to provide data. PNC would like to suggest the use of information already collected as part of the FR Y-14Q at the consolidated holding company level. The FR Y-14Q data is supplied at a loan level and the information contained in the filing could be used to meet the objective as stated above. The data in the FR Y-14Q could be tied directly to a reporting line on the FR Y-9C allowing for the collection of origination data at both a granular, and rollup level

Furthermore, the collection of this data from the FR Y-14Q would eliminate any potential confusion that could occur when users of Schedule RC-U (HC-U) attempt to reconcile to the origination information disclosed in SEC filings. Schedule RC-U (HC-U), as proposed, would disclose originations at the end of the quarter net of any payment activity, whereas the SEC disclosures show gross originations during the quarter. Also, the SEC discloses originations for all lending activities, and schedule RC-U (HC-U) would only disclose origination data on select loan categories.

In order to supply the information as outlined in the proposal, extensive programming will need to be completed and tested across a number of systems. Due to the scope of the project, PNC respectfully requests that the implementation date be moved to June 30, 2013 to allow for these system modifications.

PNC appreciates the opportunity to comment on the proposed agency information and collection activities. Should you have any questions, please feel free to contact the undersigned at 412-762-5794

Sincerely,

A handwritten signature in black ink, reading "Ilene Topper". The signature is written in a cursive, flowing style.

Ilene Topper  
Senior Vice President  
Director- Financial, Regulatory and Corporate Reporting  
PNC Bank, N.A.