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October 14, 2016

Legislative and Regulatory Activities Division
Office of the Comptroller of the Currency
Attention: 1557-0081, FFIEC 031, 041, 051
400 7th Street, SW
Suite 3E-218, Mail Stop 9W-11
Washington, DC 20219

Mr. Robert DeV. Frierson
Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, DC 20551

Mr. Manuel E. Cabeza
Counsel
Attention: Comments, Room MB-3105
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, DC 20429

Re: Proposed Consolidated Reports of Condition and Income for a Bank with Domestic Offices Only and with Total Assets less than $1 Billion—FFIEC 051

Dear Ladies and Gentlemen:

The Independent Community Bankers of America (ICBA)[1] appreciates the opportunity to provide comment on the proposal for a streamlined call report for banks under $1 billion in assets, entitled *Consolidated Reports of Condition and Income for a Bank with Domestic Offices Only and with Total Assets less than $1 Billion—FFIEC 051*.

[1] The Independent Community Bankers of America®, the nation's voice for more than 6,000 community banks of all sizes and charter types, is dedicated exclusively to representing the interests of the community banking industry and its membership through effective advocacy, best-in-class education and high-quality products and services.

With 52,000 locations nationwide, community banks employ 700,000 Americans, hold $3.6 trillion in assets, $2.9 trillion in deposits, and $2.4 trillion in loans to consumers, small businesses, and the agricultural community. For more information, visit ICBA's website at www.icba.org.

We appreciate the Federal Financial Institution's Examination Council's (FFIEC) attention to the current quarterly call report burden and fully support all efforts by the FFIEC, its member agencies, and agency personnel to provide regulatory relief for community banks, especially those efforts surrounding information collection activities. Community banks face an unprecedented level of regulatory burden in all aspects of their business activities but most notably in the level and frequency of call report submissions despite their strong balance sheets and healthy regulatory capital levels, their attention to avoiding and mitigating interest rate and credit risk, and the crucial role they play in supporting and growing local communities across the United States. ICBA has long advocated for streamlining the quarterly call report as a reasonable and common sense solution to address community banker concerns and has repeatedly demonstrated the impact of bringing such a solution to the forefront. All while representatives from the federal banking agencies often fail to show any substantive need or desire for some of the call report information currently being provided in the frequency established by the agencies.

Simply put, the current call reporting burden facilitates the consumption of vital bank resources, time, and money that should be reallocated to serving the community. With this proposal to create a separate call report form for banks under $1 billion in assets, the agencies have attempted to provide the illusion that meaningful relief is being contemplated. But once again, the agencies have fallen short. The eliminated items in the proposed call report are largely those which community banks do not complete because they do not engage in the referenced activities. In contrast to the current proposal, the introduction of a short-form call report to be filed in the first and third quarters of each year would provide the level of relief that is so badly needed in community banks of all sizes, particularly those in rural and underserved areas across the United States.

ICBA is once again asking the agencies to focus attention on moving forward with the short-form call report solution as a simple but effective alternative to this proposal. If the agencies are unwilling to proceed with ICBA's short-form call report alternative, we feel strongly that the agencies need to provide a sufficient safety and soundness justification for the volume and frequency of data that must be provided.

The Proposal

The FFIEC is proposing to make changes to call report requirements pursuant to a formal initiative designed to look for opportunities to reduce the call report burden experienced by community banks. The end result of this initiative is the FFIEC 051 Call Report, proposed to be limited to institutions with total assets of less than $1 billion and domestic offices only. Community banks that report total consolidated assets of less than $1 billion on June 30, 2016 would be eligible to file the FFIEC 051 Call Report for the March 31, 2017 quarter end.

Certain schedules have specific items removed from the FFIEC 051 Call Report based on the complexity or the specialized nature of the activity. In addition to the removal of certain items in these schedules, a full review of the call report was initiated to determine if individual items should be removed from other schedules as part of the formation of the FFIEC 051 Call Report. Certain schedules have data items removed as part of the full review. While most schedules and reporting items within them are retained, the FFIEC has elected to reduce the frequency in reporting for certain items to either a semiannual or annual basis. Finally, as part of this proposal the agencies have identified certain data items for removal or the need for a change in reporting threshold based on previous outreach.

ICBA's Comments

ICBA would like to thank the FFIEC for proposing a separate call report for community banks and for its extensive work in identifying areas for simplifying the overwhelming call report burden. However, it is obvious from this proposal that the agencies have released a product that comes nowhere near reflecting the substantial time and effort that both ICBA and the FFIEC expended toward making meaningful changes to reporting requirements. This is particularly true when feedback from community banks indicate that the information collected does not adequately add to the assessment of the safety and soundness of a financial institution. In fact, the changes proposed do little to relieve the current regulatory burden facing community banks.

ICBA worked with the FFIEC in good faith and solicited feedback for over two years while waiting for a proposal that we hoped would truly provide substantive relief to community banks. A review of the many Economic Growth and Regulatory Paperwork Reduction Act (EGRPRA) outreach meetings that the banking agencies held will show that time and again the call report burden was highlighted as a top concern for community banks. It is profoundly disappointing that after all of the time and effort put forth by ICBA, community bankers, and regulatory agencies to provide real data through extensive surveys, participation in multiple 3-hour conference calls, and full day onsite visits by regulators to community banks, the end result was minimal targeted changes that have little or no impact on community banks. The submission of a petition signed by 15,000 community bankers should have been a sure sign that real relief was needed for these institutions without further delay. We implore the FFIEC to take real action now by introducing the short-form call report as soon as possible as a first step in stopping the madness of regulatory overreach.

Community banks that have reviewed the proposed changes generally have concluded that the items being removed from reporting schedules and instructions are mainly never populated because they are activities that community banks do not engage in. Loans to foreign governments, trading revenue derived from changes in bank creditworthiness, and credit derivative trading revenue all represent portions of the call report that community banks generally do not ever complete so they already disregard these sections of the reporting schedules. ICBA believes that it would have been helpful for the agencies to provide a measurement of the impact of removing a specific reporting item from the call report. **In many cases we believe that the agencies would find that**

the item being removed was never populated by most community banks to begin with and therefore provides no incremental reporting relief under this proposal. Once such an exercise was completed, we believe it would confirm to the agencies that community banks generally don't use those schedules and that removing them will have little impact on overall call report burden.

In the proposal the FFIEC goes to great lengths to explain that the data contained in the call report, particularly when discussing loan information as it relates to credit risk, interest rate risk, liquidity risk, and concentration risk, is extremely important in identifying potential future impairment events. Specifically mentioned is the frequency of collection, which is regarded as critical in understanding the impact of current credit conditions as they impact small businesses and farms. The proposal makes the case that, in the aggregate, there is enough data variation to support the need for quarterly reporting. However, the agencies do not provide sufficient evidence to support their view. One must logically question which specific risks to the banking system of the United States are in play when community banks provide information every 180 days versus 90 days as currently required. What the proposal effectively states is that bank lending data from banks under $1 billion is vital to the banking agencies with respect to both predicting and determining whether a real estate downturn or credit impairment event is occurring. We can't find any evidence to support that this information is critical.

Community banks are local lenders that operate within defined geographical areas in contrast to the lending footprint of the regional and money center banks. They lend to credit worthy customers with a strong track record of meeting their debt obligations as well as customers who maintain the ability to repay their obligations over time. They lend based on a relationship, sometimes spanning generations that provides valuable insight into situations where future losses may occur. Because community banks do not depend on transaction volume, loan quality becomes a much larger contributor to earnings resulting in less fluid balance sheet changes and less sophisticated investment vehicles than commonly observed at larger banks. Additionally, upon the occurrence of an impairment event, community banks are proactive in engaging borrowers to avoid any potential future credit concerns resulting in limited loss experience, low delinquency rates, and strong balance sheets. Therefore, community banks have never been and never will be a leading indicator of bank stress in the credit markets on a national or international level.

An additional detail not discussed in the proposal is the extensive on-site examinations performed by agency personnel, where oversight of the institution takes on a more intensive interaction, where the state or federal bank examiner is able to have very granular discussions with management on the state of the institution, the community, and any aspect of safety and soundness that a banking agency deems appropriate for review or scrutiny. Furthermore, anytime the examiner wants to gain more insight into a specific concern about the community bank, management of the bank always stands ready to assist in providing information without delay. One must question what value such data collection provides to a safety and soundness assessment when the bank examiner has

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direct contact with the bank's management and can review any significant changes on a personal level in real time.

Furthermore, the primary purpose of the call report is to determine the safety and soundness of the banking institution and to evaluate its risk to the Deposit Insurance Fund. The banking agencies should not include information in the call report solely for macroeconomic purposes.

This is precisely why ICBA continues to support a streamlined call reporting process that utilizes full call report preparation in the second and fourth quarters of each calendar year with only vital financial information provided in the first and third quarters. Under ICBA's proposal, the bank's balance sheet, income statement, and statement of changes in shareholders' equity would be reported in the short-form call report for those quarters. **Through the use of the short form call report framework in two of the four quarters, community banks would continue to provide complete and timely information to regulators that will enable regulators to appropriately monitor a bank's condition and safety and soundness without the banks enduring the regulatory burden each quarter that the call report now creates.** As agency outreach has shown, community bankers welcome the short-form call report as a common sense solution to addressing the regulatory overreach that the current call report process imposes. In addition, ICBA's previous survey of community bankers, the results[2] of which have been thoroughly reviewed and vetted with the FFIEC, overwhelmingly indicates an immediate realization of efficiencies within the banking organization by shifting away from the current reporting environment to the short form in the first and third quarters.

ICBA notes that the FFIEC is targeting the majority of its proposal for the FFIEC 051 Call Report on banks with total consolidated assets less than $1 billion. Moving such a threshold to a higher asset level is appropriate considering there are many community banks over $1 billion that should not be ignored in the discussion of providing regulatory relief where it is long overdue. Many community banks with total assets of greater than $1 billion face many of the same regulatory burden challenges in call report preparation as observed by their smaller counterparts while similarly maintaining straightforward, high quality balance sheets that reflect true dedication to their local communities. Therefore, we request that the agencies consider raising the asset eligibility for using the new FFIEC 051 to a level higher than $1 billion.

[2] In ICBA's survey of community bankers conducted in 2014, 73% of institutions stated that the preparation time for the call report had increased over the last ten years. An overwhelming 75% of respondents stated that the regulatory capital schedules were some of the most burdensome to prepare. 88% of respondents indicated a savings of 25% in preparation time would be realized with a short-form call report, with 72% stating that the short-form call report would reduce the regulatory burden for their bank substantially.

ICBA appreciates the opportunity to comment on this proposal. If you have any questions or would like additional information, please do not hesitate to contact me at james.kendrick@icba.org or (202) 659-8111.

Sincerely,

/s/

James Kendrick
Vice President, Accounting & Capital Policy