CenterBank

Enjoy Banking Again

December 26, 2017

Manuel E. Cabeza, Counsel
Attn: Comments, Room MB-3007
Federal Deposit Insurance Corporation
550 17th Street NW
Washington, DC 20429

Regarding proposed revisions contained in FIL-58-2017, CenterBank (Milford, OH), FDIC Certificate #35117, has the following recommendations regarding FFIEC Form 051:

In December 2016, the FDIC changed the deposit insurance calculation which resulted in CenterBank's insurance premiums increasing by approximately 65%. The most significant adverse change is related to increasing the assessment based on the amount of construction and development loans as reported in lines 1.a.(1) and 1.a.(2) on Schedule RC-C, Part One, of the FFIEC form 051 report. While we recognize that during the great recession the industry experienced significant deterioration and losses in land development and speculative construction projects, but not within single family owner occupied home construction loans, which are also included in the calculation of the loan mix index associated with the FDIC assessment.

Call report change recommendation:

1. Reflect 1-4 Family Residential Construction loans to consumers (non-speculative) in its separate line item on Schedule RC-C on FFIEC 051 call report form.
2. This would allow for better data collection of gathering loan information that is consumer in nature.

For CenterBank, line item 1.a.(1) on schedule RC-C for September 2017 call report FFIEC 051 had a total of $21,356 (thousand). Of this total 69% of the outstanding construction loans were to consumers with end loan financing in place and 8% are to builders that have pre-sold and pre-qualified buyers. Consumer and commercial credits are underwritten differently and have different associated risks. Historically consumer housing credits have outperformed most other credit segments.

CenterBank has experienced no issues with converting completed consumer construction loans to permanent financing.

- Strong underwriting guidelines of the borrower, project and builders are considered during each loan approval process. Generally LTV's greater than 80% have other collateral or mortgage insurance.
- Our draw process is comprehensive and includes monitoring projects for timely completion and is designed to minimize the potential for mechanics/material liens.

If the total of the above mentioned loans ($16,444) were to be included in its own line item, these loans will have similar characteristics to 1-4 family permanent loans. In going further, they could have their own FDIC assessment in the Loan Mix Index pricing adjustment, or be similar to 1-4 Family Residential Loans Charge Off Rate. In being lumped in with total construction loans, 1-4 Family Construction loans to consumers are being penalized for their historically lower Charge Off Rates as compared to other types of construction lending.

Sincerely,

[redacted]

Stephen R. Church
Controller