



NAHB
NATIONAL ASSOCIATION
OF HOME BUILDERS



FEDERAL REGULATORY & HOUSING POLICY AREA

DAVID A. CROWE
Senior Staff Vice President

May 10, 2005

Mr. Steven F. Hanft
Paperwork Clearance Officer
Attention: Consolidated Reports of Condition and Income, 3064-0052
Room MB-3064
Federal Deposit Insurance Corporation
550 17th St., NW
Washington, DC 20429

**Re: Proposed Agency Information Activities; Comment Request
70 FR 12269 (March 11, 2005)**

Dear Mr. Hanft:

On behalf of the 220,000 member firms of the National Association of Home Builders (NAHB), I appreciate the opportunity to respond to the request for comment, issued jointly by the Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, and the Federal Deposit Insurance Corporation (the Agencies) on proposed revisions (Proposal) to the Consolidated Reports of Condition and Income (Call Report). According to the Agencies, the Proposal is intended, in part, to improve the information that is collected from banks that acquire loans with evidence of deterioration of credit quality since origination. NAHB supports this endeavor and we also suggest that the Agencies consider another area of lending activity where we believe more detailed data should be reported and released.

Background

Commercial banks file Call Reports with the Agencies each quarter for the Agencies' use in monitoring the condition, performance, and risk profile of reporting banks and the industry as a whole. Similarly, thrifts report their lending activity to the Office of Thrift Supervision (OTS) in the Thrift Financial Report (TFR). Call Reports and TFRs provide the most current statistical data available for identifying areas of focus for examinations, and for monetary and other public policy purposes.

NAHB Position

NAHB believes that the Call Reports should enable a financial institution to provide a sufficient level of transparency and disclosure of its activity and performance for regulatory agencies to assess its condition and ability to manage risk. However, in several instances in the Call Reports, broad categories of aggregated data for real estate loans are reported that should be disaggregated to produce more meaningful results. The specificity with which banks report their land acquisition, development and construction (AD&C) lending activity and performance is particularly opaque. NAHB is concerned that the current lack of credible activity and performance data on AD&C lending impedes the Agencies' ability to accurately evaluate the level of risk associated with such activities.

Our concern with the lack of granularity in the Call Reports is that residential AD&C lending data are consolidated with other riskier loan categories for regulatory reporting purposes. The Thrift Financial Report currently distinguishes between residential and nonresidential real estate loans and shows single and multifamily residential construction loan data. Based on our analysis of data reported in the OTS' TFR, we have found that residential AD&C loans perform much better than most other real estate loans, and other loan categories as well, including automobile and credit card loans. Given that real estate assets represent a growing and significant portion of commercial banks' loan portfolios, we believe that AD&C loan activity and performance data should be reported with more specificity, in order to accurately position such activities along the risk continuum in regulatory decisions. At a minimum, we urge the Agencies to revise the Call Reports to make them consistent with the TFR by collecting separate data for residential and nonresidential real estate loans and collecting separate data for the major types of loans within each of those categories.

We are mindful that the need to collect supervisory information should be tempered by the Agencies' obligation to minimize regulatory burden. However, we believe that specific, clearly defined information is crucial to facilitate supervisory efforts to monitor the safety and soundness of institutions engaged in AD&C lending. In fact, the importance of data specificity is a touchstone in the implementation of the internationally recognized capital framework for large financial institutions (Basel II).

Therefore we request that the Agencies consider itemizing the construction and land development lending data that are currently aggregated under the broader heading of "loans secured by real estate" in both the loans outstanding and loan performance sections of the Call Report. In particular, we ask the agencies to consider the following revisions to Call Report Schedule RC-C – Loans and Lease Financing Receivables; Schedule RC-N – Past Due and Nonaccrual Loans, Leases and Other Assets; and Schedule RI-B – Charge-offs and Recoveries on Loans and Leases and Changes in Allowance for Loan and Lease Losses:

- Itemize residential construction and land development loan data, currently consolidated with loans for nonresidential construction and land development, to distinguish between residential and commercial as well as construction versus land development lending activity in both the residential and nonresidential categories.
- Itemize data for single family and multifamily residential construction loans.
- Itemize construction and land development data for new construction loans versus loans for additions, rehabilitation and remodeling on existing structures.

Conclusion

The impact of real estate lending activity on consumers, financial institutions, and the economy at large cannot be understated. NAHB is concerned that commercial banks currently report data on AD&C loans on a level of aggregation that makes it difficult to evaluate their activity and performance on a crucial segment of this type of lending activity. We urge the Agencies to rectify this situation by expanding the level of detail reported for such activity in the Call Reports. Thank you for your consideration and we invite you to call on us if we can provide additional information.

Sincerely,

A handwritten signature in cursive script that reads "David Crowe". The signature is written in dark ink on a light-colored background.

David A. Crowe
Senior Staff Vice President
Federal Regulatory and Housing Policy Area