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November 29, 2010

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

Jennifer J. Johnson,
Secretary
Board of Governors of the
Federal Reserve System
20th Street and Constitution Ave, NW
Washington DC 20551
OMB Number: 7100-0036

Robert E. Feldman, Executive Secretary
Attention: Comments
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, DC 20429
OMB Number: 3064-0052

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

Dear Sir or Madam:

The Independent Community Bankers of America¹ (ICBA) welcomes the opportunity to comment on the Office of the Comptroller of the Currency, Board of the Governors of the Federal Reserve System and the Federal Deposit Insurance Corporation's (collectively the "agencies") joint notice and request for comment on a proposal to extend and revise the Consolidated Reports of Condition and Income (Call Report).

¹ The Independent Community Bankers of America represents nearly 5,000 community banks of all sizes and charter types throughout the United States and is dedicated exclusively to representing the interests of the community banking industry and the communities and customers we serve. ICBA aggregates the power of its members to provide a voice for community banking interests in Washington, resources to enhance community bank education and marketability, and profitability options to help community banks compete in an everchanging marketplace.

With nearly 5,000 members, representing more than 20,000 locations nationwide and employing nearly 300,000 Americans, ICBA members hold \$1 trillion in assets, \$800 billion in deposits, and \$700 billion in loans to consumers, small businesses and the agricultural community. For more information, visit ICBA's website at www.icba.org.

The agencies are proposing to implement a number of changes to the Call Report requirements, effective March 31, 2011, to provide data needed for safety and soundness purposes. The proposed revisions would assist the agencies in gaining a better understanding of banks' credit and liquidity risk exposures, primarily through enhanced data on lending and securitization activities and sources of deposits.

Core Deposits

The agencies are proposing certain revisions to the Call Report instructions. The definition of core deposits, generally considered relatively stable with a predictable cost, currently includes a \$100,000 threshold amount², which coincided with the previous deposit insurance limit. ICBA urges the agencies to adjust the core deposit threshold to \$250,000 in response to amendments made to the Federal Deposit Insurance Act by the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) that increase the FDIC insurance limit.³ The stability of deposits can be based, in part, on their insurance coverage. Deposits below the insurance limit would likely be more stable in difficult economic times because they have no default risk.

Furthermore, community banks, already at a disadvantage from large banks for access to stable deposits, would enjoy the same access to a stable and lower-cost source of funding for their lending base that has relatively low interest-rate risk. Therefore, the core deposit threshold should be consistent with the deposit insurance limit, which is currently \$250,000.

The agencies are also proposing to add a new item for the estimated amount of deposits obtained through the use of deposit listing service companies that are not brokered deposits. ICBA is concerned that segregating these deposits, which are currently considered core deposits, will be a first step to exclude these funds from being considered core deposits. Deposit listing service companies are a useful tool for banks, specifically those that otherwise would not qualify to purchase brokered deposits, to raise deposits and ultimately their capital ratios.

Troubled Debt Restructuring

The agencies are proposing to include a breakdown by loan category of items included on "other loans and leases" that are troubled debt restructurings (TDRs) and are past due 30 days or more or in nonaccrual status.⁴ Additionally, the agencies are proposing to clarify that the "restructuring" captions in certain

² The Uniform Bank performance Report (UBPR) User's Guide pg III-50(December 2008) defines Core Deposits as "all demand and savings deposits including money market deposit accounts and NOW and ATS accounts, savings deposits, plus time deposits in amounts of less than \$100 thousand."

³ Section 335 of the Dodd-Frank Act amended Section 11(a)(1)(E) of the Federal Deposit Insurance Act (12 U.S.C. 1821(a)(1)(E)) to permanently increase deposit insurance coverage from \$100,000 to \$250,000.

⁴ Schedule RC-N, Past Due and Nonaccrual Loans, Leases, and Other Assets. TDRs would include those that are in compliance with their modified terms in Schedule RC-C, part I, Loans and Leases.

schedules are intended to capture data on loans that have undergone troubled debt restructurings as that term is defined in generally accepted accounting principles.

ICBA appreciates clarification of the “troubled debt restructuring” captions and believes the collection of additional information would not pose a significant burden on community banks. However, the enhanced data may not increase agencies’ understanding of banks’ credit and liquidity risk exposures as intended. In the proposal, the agencies state that “the proposed additional detail on troubled debt restructurings...would enable the agencies to better understand the level of restructuring activity at banks...and therefore, whether the banks are working with their borrowers to modify and restructure loans.”⁵

The restructured loans reported as proposed would misrepresent community banks’ efforts to work with its customers. Community banks may restructure a significant number of loans from creditworthy borrowers that are adequately collateralized simply to meet the changed cash flow characteristics of their borrowers. Furthermore, while the agencies encourage banks to work constructively with their borrowers to modify and restructure loans rather than foreclose, field examiners continue to adversely classify these loans, even if they are performing, which contradicts the agencies’ intent for collecting additional detail on banks’ restructuring activity.

Auto Loans

The banking agencies are also proposing to add a breakdown of the “other consumer loans” loan category in five Call Report schedules to separately collect information on auto loans. This revision in and of itself should not create a significant burden for future loans as core processors generally have the ability to break out loan types. However, additional clarification is needed for situations in which auto loans are used for multiple purposes. Customers often obtain one loan to purchase a car and to refinance their existing debt or use their existing automobile as collateral to obtain a loan for medical or debt consolidation purposes. While the loan would be classified as an auto loan because of the collateral held, its purpose may be classified as a personal consumer loan. Clarification is needed to determine when a loan should be categorized as an auto loan or “other consumer loan.”

Furthermore, some community banks do not have data readily available on the types or purposes of existing consumer loans, which prohibit them from classifying auto loans as refinances or new purchases. Collecting this information would require significant staff hours of searching paper loan files to determine loan purposes as well as to ascertain whether loan proceeds were paid to an auto dealer or a third party.

⁵ “Proposed Agency Information Collection Activities; Comment Request; Joint notice and request for comment,” 75 Federal Register 189 (September 30, 2010), pp.60499.

ICBA appreciates the opportunity to comment on the agencies' proposal to extend and revise the Call Report. If you have any questions or need additional information, please do not hesitate to contact me at Lilly.Thomas@icba.org at (202) 659-8111.

Sincerely,

Lilly Thomas
Vice President and Regulatory Counsel