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January 16, 2012
OMB Number: 3064-0052

Gary A. Kuiper, Counsel
Attn: Comments, Room F-1086
Federal Deposit Insurance Corporation
550 17th Street NW
Washington, D.C. 20429

Re: Consolidated Reports of Condition and Income, 3064-0052

Dear Mr. Kuiper:

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.

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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[1] 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.

[1] 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.

Respectfully submitted,

John H. Shain

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President