

January 20, 2012

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

Ms. Jennifer J. Johnson
Secretary
Board of Governors of the
Federal Reserve System
20th Street & Constitution Avenue, NW
Washington, DC 20551

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

Re: Proposed Agency Information Collection Activities; Comment Request 76 Federal Register 72035; November 21, 2011; Consolidated Reports of Condition and Income, **OCC**: 1557-0081; **FRB**: FFIEC 031 and 041; **FDIC**: 3064-0052

Ladies and Gentlemen:

The American Bankers Association (ABA)¹ appreciates the opportunity to comment on the proposed revisions to the Consolidated Reports of Condition and Income (Call Report),² as issued by the Office of the Comptroller of the Currency (OCC), Board of Governors of the Federal Reserve System (Board), and the Federal Deposit Insurance Corporation (FDIC) (collectively, the agencies). The agencies' proposed revisions to the Call Report include several changes and new items to provide data to the agencies for reasons of safety and soundness or other purposes, including better understanding lending activities and credit risk. With respect to the proposed new data reporting of quarterly loan origination data, the agencies also highlight that "the ability to assess credit availability is a key consideration for monetary policy, financial stability, and the supervision and regulation of the banking system."³

¹ The American Bankers Association represents banks of all sizes and charters and is the voice for the nation's \$13 trillion banking industry and its 2 million employees. The majority of ABA's members are banks with less than \$165 million in assets. Learn more at www.aba.com.

² 76 *Fed. Reg.* 72035 (November 21, 2011).

³ See 76 *Fed. Reg.* 72039, column 2.

ABA members have expressed no concerns with many of the agencies' proposed revisions. ABA supports the agencies' proposed revisions relating to Past Due and Nonaccrual Purchased Credit-Impaired Loans. ABA has concerns with the following proposals and urges the agencies to consider the several changes suggested below in the final revisions to the Call Report.

- Allowance for Loan and Lease Losses by Loan Category: ABA recommends that the agencies adopt a narrower, more focused alternative proposal which is more feasible for institutions to collect and report than the agencies' proposed new reporting for nine loan categories, which would be very burdensome for banks. Thus, ABA recommends the more targeted reporting categories of consumer loans, separately broken out with separate line items for consumer credit cards and all other consumer loans; and commercial loans.
- Loan Origination Data: ABA recommends that the agencies defer this proposed revision until their consideration of the 2013 proposed revisions to the Call Report, and reevaluate in the interim, whether there will still be a need to require new reporting of loan origination activity. If the agencies do not defer the new reporting in the Call Report, ABA recommends that the agencies clearly define and clarify key terms as a prerequisite to any new reporting; propose less burdensome reporting; and delay the effective date of new reporting to provide sufficient lead time for banks to implement needed automated system changes.

ABA believes these suggested changes would still allow the agencies to obtain the meaningful information they need, while avoiding some of the excess regulatory burden borne by banks. These points, as well as additional suggestions for improving revisions to the Call Report, are set forth in greater detail below.

Discussion

ABA supports the following item:

Past Due and Nonaccrual Purchased Credit-Impaired Loans.

The agencies proposed more granular additional reporting by all institutions in the June 30, 2012, Call Report Schedule RC-N, new Memoranda Items 9 a. and b. of purchased credit-impaired loans accounted for in accordance with FASB ASC 310-30. More specifically, the proposal would break out the total outstanding balance, and the related carrying amount of these loans included in Schedule RC-N, items 1 through 7, that are (1) past due 30-89 days and still accruing; (2) past due 90 days or more and still accruing; and (3) in nonaccrual status. This additional reporting breakout will allow users of the Call Report to identify and differentiate loans that have experienced unexpected credit deterioration since acquisition from those in which the credit deterioration was already existing or expected at the time of acquisition. The acquisition prices of the latter group of loans are assumed to already reflect the existing or expected credit deterioration and, thus, would not often result in an economic loss to the institution. From a safety and soundness perspective, only the past due and nonaccrual status of those originated loans is relevant.

ABA supports the agencies' proposed revisions and recommends that the agencies adopt these proposed revisions without change. ABA believes the agencies' proposed revisions would allow banks to reconcile GAAP reporting with regulatory reporting in the Call Report.

ABA has concerns with the following items:

Allowance for Loan and Lease Losses by Loan Category (ALLL).

The agencies proposed revisions to the June 30, 2012, Call Report by adding a new Schedule RI-C (Disaggregated Data on the Allowance for Loan and Lease Losses) to capture disaggregated detail of an institution's end-of-period allowance for loan and lease losses (ALLL) to conform to ASU 2010-20⁴. The proposed new Schedule RI-C would require institutions with \$1 billion or more in total assets to report disaggregated allowance and recorded investment data on the basis of impairment method for: (1) collectively evaluated for impairment, (2) individually evaluated for impairment, and (3) acquired with deteriorated credit quality, for nine loan categories that the agencies determined are key loan categories reported on Call Report Schedule RC-C.

ABA is concerned with the expansive scope of the agencies' proposed ALLL reporting requirements on new Schedule RI-C. The proposal calls for banks to collect and report information for nine different loan categories. Many banks do not currently collect the information called for, and, similar information that banks collect for GAAP reporting is not consistent with what is proposed for the Call Report. Thus, the proposal calls for data that would be very burdensome to collect and report. ABA recommends that the agencies adopt a narrower, more focused, proposal, requiring fewer categories, specifically:

- Reporting by institutions with \$1 billion or more in total assets on the agencies' proposed new Schedule RI-C, disaggregated data limited to the following broad loan categories:
 1. Consumer loans
 - 1.a. Consumer credit cards
 - 1.b. All other consumer loans
 2. Commercial loans
- Adding an additional new column "G" as the last column to proposed new Schedule RI-C to show the totals for each alternative proposed loan category and an overall total for the Schedule. ABA also notes that this total amount would more directly reconcile to Schedule RC, line 4(c), "LESS: Allowance for loan and lease losses."

ABA members could not reach a consensus on more granular reporting on the other loan categories proposed by the agencies. ABA believes that many institutions with \$1 billion or more in total assets could likely capture and report the agencies' proposed disaggregated

⁴ Financial Accounting Standards Board (FASB) Accounting Standards Update No. 2010-20, Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses (ASU 2010-20).

allowance (ALLL) and related recorded investment data on the basis of impairment method only for the recommended loan categories above.

Some ABA members believe the current GAAP ASU 2010-20 reporting that is based on entity disclosure “by portfolio segment⁵” does not match to the agencies’ proposed new Call Report categories, and there are modeling differences used by institutions for capturing and reporting ALLL. Members are also concerned with the impact of “qualitative” factors which would affect the quantitative reporting by individual institutions.

The disclosures now required as a result of ASU 2010-20 are based on how institutions model their credit portfolio. The ALLL balances related to portfolios and classifications required in ASU 2010-20 would not match or directly reconcile to any of the nine loan categories in the proposal for most institutions. Generally, the portfolios and classifications now disclosed for GAAP purposes are defined by product – how banks model their credit risk – while the proposed categories detailed in the agencies’ proposal appear to emphasize the collateral that secures the related loan amounts. Simple examples of the mismatch between the GAAP requirements and the proposal include:

1. Commercial loans secured by the borrower’s personal residential property.
2. Consumer loans secured by a borrower’s nonresidential property held.
3. Commercial real estate loan portfolios reported for GAAP purposes may include ALLL amounts that span a minimum of three of the categories proposed in the proposal.
4. Credit card portfolios reported for GAAP purposes often have both consumer (individual) and business-related accounts.

Due to the difference between GAAP and the proposal, dozens of new reporting and reconciliation points may be required if the proposed Call Report categories are maintained, as permutations of the different subcategories will be required. Within all this, since banks model their credit risk based on the GAAP requirement, ABA does not believe any of the new reporting and reconciliation points will add value to a bank’s internal control systems. In addition to breaking out such amounts based on an individually- versus collectively-evaluated impairment methods, the issues introduced by the different accounting used for purchased credit-impaired loans only provides another layer of complexity in the process. Therefore, bankers see minimal, if any, positive benefit for the additional costs relating to the agencies’ proposed new reporting on the nine loan categories. In fact, the Working Group reviewing this aspect of the proposal foresees no benefit to providing ALLL balances, as proposed.

ABA notes for the agencies that the amounts in the categories we propose above will, nonetheless, often not directly reconcile to the classifications reported in GAAP disclosures. However, using the ABA-recommended alternative loan categories will minimize the differences.

⁵ See 76 *Fed. Reg.* 72038. The agencies’ also note in this portion of the proposal that “[a]s defined in the ASC Master Glossary, a portfolio segment is ‘[t]he level at which an entity develops and documents a systematic methodology to determine its allowance for credit losses.’”

Finally, ABA is not opposed to the agencies' proposal to require reporting of the amount of any unallocated portion of the ALLL for loans collectively evaluated for impairment.

Loan Origination Data.

The agencies proposed additional reporting by all institutions with \$300 million or more in total assets in a new Schedule RC-U – Loan Origination Activity for quarterly amounts of loans originated for 16 categories of loans. This proposal also would require institutions with \$1 billion or more in total assets to further breakout new loan origination data during the quarter to include loans originated under a newly-established commitment and loans that are not originated under a commitment. The agencies also request comment on: 1) the ability of existing bank loan systems to generate the proposed loan origination data for proposed new Schedule RC-U; 2) the burden of adapting current systems to report the proposed loan origination data if the information is not currently available; and 3) alternative ways to collect quarterly loan origination data in the Call Report.

ABA recommends that the agencies defer until 2013 proposed data capture of loan origination activity in proposed new Schedule RC-U and re-evaluate in the interim, whether there still is a need to report new loan origination data in the Call Report. If the agencies ultimately require reporting of loan origination activity in the Call Report, ABA recommends that the agencies define and clarify key terms as a prerequisite to any new reporting, propose less burdensome reporting, and delay the effective date of new reporting to provide sufficient lead time for affected institutions to implement automated system revisions necessary to capture and report any new loan origination activity data.

ABA is concerned with the agencies' proposed new detailed data reporting for new loan originations on a net basis for the proposed 16 loan categories. Our concerns are based on the lack of clarity of many key terms and issues regarding such additional reporting and the unclear benefit of capturing and reporting this new loan origination information at this point in time relative to the clear burden. The timing is especially problematic and burdensome since affected banks will be making simultaneous and major system reporting revisions relating to the FDIC final rule on deposit insurance assessments,⁶ and updating bank systems for the new ongoing Board FR Y-14Q reporting by institutions that are required to report CCAR⁷ data to the Board.

Deferral would (1) allow the agencies to clarify many terms and uncertainties relating to the proposed new reporting; (2) minimize the unnecessary burden of implementing new automated systems that the proposed new loan origination activity reporting would impose on many banks at the same time that significant bank system revisions are needed to comply with other

⁶ See 76 *Fed. Reg.* 77315 (December 12, 2011).

⁷ The CCAR process is a separate reporting process from the agencies' proposed quarterly reporting of detailed loan origination activity by banks that have \$300 million or more in total assets (and additional more granular reporting by institutions with \$1 billion or more in total assets). The CCAR affects bank holding companies (BHCs) that have total consolidated assets of \$50 billion or more and requires broad and detailed data reporting that will continue on an ongoing quarterly basis to the Board on new FR Y-14Q. A portion of the information the agencies have proposed to collect on the new Call Report Schedule RC-U – Loan Origination Activity, may be redundant with information the Board is requiring BHCs to report for CCAR.

important regulatory reporting requirements; and (3) allow the agencies to assess whether the new CCAR provides an alternative source of new loan origination information the agencies may be able to rely upon to substantially meet the needs outlined in the proposal.

Some of the problematic issues the proposed new loan origination reporting would create for many banks include how banks would report loan advances, revolving loans, increases in lines of credit, and borrower draw-downs on revolving lines of credit. Banks are also concerned with how the additional breakouts relating to originations under a newly-established commitment, and originations not originated under commitment would be determined, especially for credit cards. It is not clear how commitments would be determined, for example, for an increase in a line of credit. Additionally, reporting this information will be unnecessarily burdensome since manual tracking would be needed for many institutions until systems could be revised or developed to capture and report it. Further, the capture and net reporting of this information would be very burdensome.

If the agencies do not defer new reporting of loan origination activity on the Call Report, as a prerequisite to ensure clarity, accuracy, and meaningful reporting, ABA strongly recommends that the agencies limit any new reporting of loan origination activity in the Call Report to gross, not net reporting; and provide necessary clarification and clear definitions of key terms and reporting concepts, including:

- Revolving loans
 - Commitments and revolving credit agreements that were:
 - renegotiated
 - refinanced
 - converted
 - renewed
 - drawn down
 - Specific clarification and examples of credit card reporting of loan originations and commitments, including each of the terms and concepts noted above. ABA also requests additional clarification of the Draft Instructions for the Proposed Call Report on how to report credit card origination activity for Columns A and B of proposed Schedule RC-U, particularly clarifying the reporting of newly established commitments for credit cards as reported in Schedule RC-C, or RC-L, item 1. (*See Appendix A* for more details relating to credit card loan reporting.)
 - Clarifying whether these definitions are intended to be consistent with definitions being considered in the FDIC's Large Bank Pricing model for reporting subprime loans.
- The impact of troubled debt restructurings (TDRs) on reporting commitments (*i.e.* is a TDR a revision of terms; is a TDR a new origination?)
- An origination during the quarter.

While there may be gaps in the CCAR information capture and reporting and what the agencies have proposed for the June 30, 2012, Call Report on specific loan origination activity data, and the types of institutions that would report the data, ABA urges the agencies to consider whether the information they seek to capture through new loan origination information on the Call Report could be reasonably satisfied by the CCAR data reporting. Specifically, ABA requests the

agencies' to consider if their concern that "the ability to assess credit availability is a key consideration for monetary policy, financial stability, and the supervision and regulation of the banking system", as well as the agencies' "[d]esire for direct reporting of loan originations [to] allow the agencies to isolate the flow of credit creation from the effects of ... other banking activities"⁸ would be satisfied by the data the Board will collect through the CCAR.

Conclusion

ABA appreciates the opportunity to comment on the proposed revisions included in the Joint Notice and Request for Comment.

Please contact the undersigned at (202) 663-5331 or kmctighe@aba.com if you have any questions. Thank you for considering our comments and recommendations.

Sincerely,

A handwritten signature in black ink that reads "K. P. McTighe". The signature is written in a cursive, slightly slanted style.

Kathleen P. McTighe
Senior Counsel

⁸ See 76 *Fed. Reg.* 72039, column 2.

Appendix A

Issues and Request for Clarification Relating to Proposed Loan Origination Data Reporting for Credit Card Loans on New Call Report Schedule RC-U – Loan Origination Activity

ABA requests clarification of the following definitions relating to credit card loans: commitment, renegotiated, refinanced and renewal.

- We request specific clarification of whether these definitions are intended to be consistent with definitions being considered in the FDIC's Large Bank Pricing model for reporting subprime loans.
- We request clarification of whether a credit card line increase would meet the definition of a newly established commitment, renegotiation, refinancing or renewal. If so, we request the agencies to provide an example of how to report the newly established reportable amount.
 - For example, for reporting lines of credit, a cardholder has a \$10K line of credit and has an outstanding balance of \$10K. The cardholder requests and receives a \$2K credit line increase. The cardholder uses \$1K of these funds. If this falls under the definition of a newly established reportable item, would \$1K or \$11K be reported in Schedule RC-U?
- We request clarification of whether a TDR would meet the definition of a newly established commitment, renegotiation, refinancing or renewal.

ABA also requests clarification regarding lapses between quarters when a bank issues credit in one quarter and the cardmember does not utilize the funds until the next quarter -- specifically, whether this would be considered a newly established commitment in the 2nd quarter. It would be helpful if the agencies provide reporting examples.

Other situations which the ABA requests the agencies to provide additional clarification on how to report credit card loans, include:

Column A:

- If a person had a card for ten years, the balance was \$200 at the end of Q4 2011, there were \$50 of payments received during Q1 2012, and the ending balance was \$425 at the end of Q1 2012, would the bank report the \$225 newly spent on this account?
- If a person gets a new card in February but chooses not to spend and has a zero balance at the end of Q1 2012, the bank would report nothing. However, if this cardmember, at the end of Q2 2012 charges \$5,000, the bank would then report in Q2 2012 the new charges. In Q3 2012, the ending balance is \$2,500. Would the bank report nothing, even though the customer charged, paid off a large portion of the balance and has a remaining balance of \$2,500 during Q3 2012?

Banks that are over \$1B in assets would be required to also report in Column B & C⁹, if applicable. The definitions and instructions for reporting in these two columns are unclear for credit card loans. ABA requests the agencies to provide additional clarifications if they decide to require this reporting in the Call Report.

Column B:

The draft instructions for the definition of “commitment” refer to the instructions for Schedule RC-L, item 1.¹⁰ (See page 14 of the draft instructions.) A credit card issuer would report a very large number based on that definition. Would such banks need to report the lines of credit extended? For example, on Schedule RC-L, a card issuing bank reports unused lines of credit, and on Schedule RC-C the bank would report charges on that line of credit. During a quarter, would the bank need to report new commitments added during a quarter, *i.e.* the full exposure possible by a cardmember? When a cardmember opens a card and gets a \$10K line of credit, would the bank report that \$10K line? If a bank no longer reports that person until the line of credit is increased to \$15K in a quarter, would the bank then report the new \$5K? Commitments/undrawn commitments are likely much larger than what a credit card issuing bank would report on Schedule RC-C.

⁹ We note that Column C would not apply to consumer credit cards due to the agencies’ exemption for this reporting.

¹⁰ Schedule RC-L, item 1 (5) instructions, as referenced in the draft June 2012 Call Report instructions for the definition of “commitment” provide:

For purposes of this item, commitments include:

(5) Rotating, revolving, and open-end credit arrangements, including, but not limited to, retail credit card lines and home equity lines of credit.