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Jennifer J. Johnson, Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, D.C. 20551
Attention: Comments
regs.comments@federalreserve.gov

Re: Consolidated Reports of Condition and Income, Form Number Call Report: FFIEC 031

Ladies and Gentlemen,

On behalf of SunTrust Bank, I would like to take this opportunity to provide certain comments to the Board of Governors of the Federal Reserve System (the "Board") notice of proposed rulemaking that would revise the Consolidated Reports of Condition and Income ("Call Report") effective as of the June 30, 2011 report date, published jointly by the Office of the Comptroller of the Currency (the "OCC"), the Federal Deposit Insurance Corporation (the "FDIC"), the Department of Treasury and the Office of Thrift Supervision in the Federal Register on March 16, 2011 (the "NPR"). We note that SunTrust will qualify as a large insured depository institution and will be subject to the proposed NPR changes with respect to the assessment base and certain aspects of the information reported for the assessment rate.

As stated in the NPR, several requests for comments were made. In this letter, SunTrust intends to respond to the following comment requests:

- The accuracy of the agencies' estimates of the burden of the information collections as they are proposed to be revised, including the validity of the methodology and assumptions used; and
- Ways to minimize the burden of information collections on respondents, including through the use of automated collection techniques or other forms of information technology.

The Accuracy of the Agencies' estimates of the Burden of the Information Collections and the Validity of the Methodology and Assumptions Used

The NPR sets forth different estimates of burden hours by agency, ranging from approximately 50 to 60 burden hours; however, SunTrust believes these estimates are tremendously understated. Moreover, SunTrust has several concerns regarding the validity of the methodology and assumptions used. We will address all the issues associated with each subpart requested.

Criticized and Classified Items

First, we believe some clarity is required around "funded and unfunded" loans in calculating criticized and classified items. We request that the Board specify whether "unfunded" means (i) the total amount of potential credit available to client at origination or (ii) the amount available to the client presently, which may have changed since origination.

Second, we have concerns about whether or not the risk appetite of different institutions will skew the results of the reporting. The process of rating loans is judgmental and dependent upon a number of factors that are, and should, be taken into consideration in determining the risk of a loan. We envision that a conservative banking approach to loans, one where management is risk averse and more likely to criticize and classify loans early, may be over-reporting numbers and an aggressive banking approach to loans, one where management is willing to take on more risk and this appetite colors its views of the riskiness of loans, may under-report numbers with respect to criticized and classified loans. We recognize that not all measures of risk can be strictly objective and accurate, but we want to know what assurances we have that loans across institutions will be judged similarly, leveling the playing field. We note that there are examinations of such loans conducted by federal regulators and would like the Board to clarify to what extent would findings by these examinations be used to mitigate the risks discussed herein, if at all.

Nontraditional Mortgage Loans

We have some concerns over the definition of "teaser" rate. The final rule only says that "[f]or the purpose of the final rule, a teaser-rate mortgage is a mortgage with a discounted initial rate and lower payments for part of the mortgage term." It is not clear to us, from the definition set forth in the NPR, what "discounted initial rate" means and how "a lower rate and lower payments for part of the mortgage term" is judged. SunTrust would otherwise understand "discounted initial rate" to mean a rate that is less than the fully indexed ARM rate or less than the index rate plus the margin. We note that the Interagency Guidance on Nontraditional Mortgage Product Risks[1] cited to support the treatment of "teaser" rate mortgages as nontraditional mortgages addresses only "teaser" rate mortgages that permit negative amortization; consequently, it is unclear in both the final rule and here whether or not "teaser" rate is meant to include all adjustable rate mortgages (including traditional five (5) year or ten (10) adjustable rate mortgages that do not negatively amortize) or only those adjustable rate mortgages that permit negative amortization.

Subprime Consumer Loans

Some of the tests for establishing a subprime consumer loan would be virtually impossible for us to establish within the time period contemplated in the NPR and compliance with only establishing which consumer loans qualify as subprime consumer loans under the criteria given would exponentially increase the burden hours associated with compliance alone. Substantially incremental cost would be incurred in gathering data that could be readily aggregated and summarized. For example, while we have credit reports associated with all our consumer loans, information from such credit reports, such as non-SunTrust delinquencies prior to origination or refinance or debt service-to-income ratios at the time of origination or refinance, are not entered into a database where the information can be easily retrieved. Rather, to establish whether or not a consumer loan meets these criteria would require us to (i) build a database to

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1 http://www.fdic.gov/regulations/laws/federal/2006/06noticeFINAL.html.

capture this information and (ii) go through every loan file and enter this data from credit reports taken at origination. While capturing this information going-forward presents less of a burden, re-creating the past is both an expensive and time-consuming proposition. In order to comply with the requirements, we would ask that the agencies (a) delay this requirement and permit a proxy for subprime, such as a Fair Isaac Corporation credit score ("FICO Score") below 620 at origination, until such information can be captured or (b) in the alternative, some other suggested mechanism to account for the fact that it is impossible to determine what does or doesn't qualify as a subprime consumer loan in this time period. We note the tendency of some agencies to default to the proposition that all loans qualify absent proof that they would not; however, we would object to this approach because the FDIC, in its final rule regarding deposit assessments, states clearly that its approach is an attempt to better differentiate for risk. Adopting the position that all loans are subprime absent proof that they are not undermines the FDIC's goal of differentiating any risk since both subprime and non-subprime loans alike are accounted for the same.

While we recognize the FDIC's final rule on deposit assessments is a separate matter, we would like to take this opportunity to point out some problems with the definition of subprime consumer loan based on the information requirements contemplated. The FDIC's final rule states that a subprime loan includes a loan that exhibits "one or more" of the credit risk characteristics. We understand this to mean that any loan that includes any of these characteristics must be reported as a subprime loan, but clarification with respect to whether our understanding is correct would be helpful. Moreover, we understand that by defining subprime loan to include any loan that exhibits any of the credit risk characteristics is meant to leave open the possibility that other loans may also be categorized as subprime, but it would help if this were confirmed. There are, however, some problems with the definition of subprime loan and, specifically, important distinctions between the way the FDIC's final rule defines subprime loan and the guidance cited for support. For instance, there appears to be no qualitative appreciation between the scenario where a client misses two credit card payments for two different companies of approximately $100 within a year of each other and pays each off in the next billing cycle, that person, regardless of income, assets or other history is categorized at the same risk level as someone who has gone through bankruptcy a year ago. Acknowledging that qualitative factors, such as I have described above, are difficult to capture consistently on a large scale basis; nevertheless, such a broad scope of circumstances that qualify for subprime status may undermine the FDIC's goal of accurately differentiating risk. Moreover, it is not clear that discretionary adjustments would make-up or account for these qualitative issues since these circumstances are not evident on a macro level and would be difficult to offset on a macro level fairly. We note that the guidance cited in support of the definition of subprime loan also includes several exclusions that are absent from the definition, including exclusions for loans initially extended in subprime programs that are later upgraded as a result of performance and community development loans, as such term is defined in the Community Reinvestment Act. Loans originated pursuant to the Community Reinvestment Act are particularly troublesome from a policy perspective because that act and other related laws require banks to make such loans, but including loans originated pursuant to the Community Reinvestment Act are actively discouraged by the FDIC if they fall under the definition of subprime loan. Absent some *de minimus* exceptions to the delinquency rule or general exceptions that harmonize other regulatory policy objectives, there appears the likelihood of some unfortunate situations where borrowers may be turned away for relatively minor credit issues because of the stigma of being labeled a subprime borrower or result in the undermining other regulatory policy goals.

In the alternative, financial institutions have spent considerable time and expense to adopt procedures and methods to credit quality indicators (ASC-310) for required financial statement disclosure under generally accepted accounting principles ("GAAP"). To the extent concepts congruent with GAAP can be leveraged to provide the reporting required by the FDIC on either an interim or more permanent basis, we would welcome such changes. In determining credit quality indicators, certain characteristics involving loan product terms that may give rise to concentrations of credit risk, as prescribed in ASC 825-10-55, were considered. We note that to the extent definitions used on the Call Report and other reporting to investors can be harmonized, the more useful that information will be to investors and the public at large.

Additionally, we would like any final rule to address whether the exclusion for amounts recoverable on subprime loans from the U.S. government, its agencies or government-sponsored agencies under guarantee or insurance provisions would include loans sold to or guaranteed by the Federal National Mortgage Association ("FNMA") and the Federal Home Loan Mortgage Corporation ("FHLMC") or only loans with guarantees from the Federal Housing Administration and the US Department of Veterans Affairs.

Leveraged Loans

Compliance with providing figures based on the proposed definition of leveraged loans is another cost prohibitive task for us in the short time frame contemplated. As a state-member bank, SunTrust has used different criteria to establish whether a loan is a leveraged loan or not because available guidance was issued by the OCC and not necessarily applicable to SunTrust. In order to determine whether a loan meets the criteria established requires (i) creating a database to capture the relevant information and (ii) going back through old files and re-testing. On a going-forward basis, compliance can be achieved with relatively little burden; however, re-creating the past, again, will be a substantial undertaking that cannot be reasonably achieved by the first reporting date for reporting on the Call Report under the new deposit assessment rules. We would also point out that since all of the requested data is contemplated to be collected in the Call Report, the information would be subject to internal controls within both the Sarbanes-Oxley and FDICIA frameworks. The exigencies of both frameworks entail additional time and cost to the process of reporting. Therefore, because implementation within the timeframe suggested in the NPR would be impossible without mobilizing extremely costly resources, we would ask the Board to (a) delay requiring this information and permit a proxy (for instance, internal measures of leverage loans) until some reasonable time where the information can be gathered and input from old files or (b) suggest some alternative means of compliance in the interim. As noted above, it is our belief that requiring all loans that cannot be identified as not meeting the criteria as leveraged loans undermines the FDIC's attempted goals and is not a productive or reasonable solution.

Ways to minimize the burden of information collections on respondents, including through the use of automated collection techniques or other forms of information technology

As discussed above, there are several instances in which the rules, as proposed, would require hundreds and possibly thousands of burden hours to comply by the date compliance is expected. We are requesting that interim rules or alternatives to compliance be adopted to ease transition into new rules because compliance within the NPR's suggested timeframe would be virtually impossible and prohibitively expensive. At a reasonable point in the future we could input the requisite information into a database to meet the requirements, but this represents an enormous project during a time when resources are being stretched due to the number of regulatory changes and requirements.

Cc: FDIC, comments@FDIC.gov