



Associated Banc-Corp

May 16, 2011

Communications Division
Office of the Comptroller of the Currency
Mailstop 2-3
Washington, D. C. 20219
Attention: 1557-0081
E-mail: regs.comments@occ.treas.gov
Re: Consolidated Reports of Condition and Income (FFIEC 031 and 041)

Ms. Jennifer J. Johnson
Secretary
Board of Governors of the Federal Reserve System
Washington, D. C. 20551
E-mail: regs.comments@federalreserve.gov
Re: Consolidated Reports of Condition and Income (FFIEC 031 and 041)

Mr. Gary A. Kuiper
Counsel
Attn: Comments
Federal Deposit Insurance Corporation
Room F-1086
Washington, D. C. 20429
E-mail: comments@fdic.gov
Re: Consolidated Reports of Condition and Income, 3064-0052

Re: Proposed Agency Collection Activities: Revisions of the FFIEC Call Reports

Ladies and Gentlemen:

Associated Banc-Corp (“Associated”) welcomes the opportunity to comment on the proposed revisions to the Call Report designed in part to capture data elements that will be used in the Large Institution Pricing Scorecard adopted by the FDIC board on February 7, 2011. Associated is a Green Bay, Wisconsin based national bank holding company with \$21.5 billion in total assets. Associated, through its bank subsidiary Associated Bank National Bank, has approximately 280 banking offices in Wisconsin, Illinois and Minnesota.

Following adoption of the rule, Associated began to finalize its analysis of the requirements of the rule and develop processes to capture the necessary data elements. During this analysis process, it became apparent that Associated does not have the data required to identify and report

on subprime consumer loans and leveraged commercial loans or securities as the FDIC has defined these terms under the proposed rules. The analysis also made Associated aware of the fact that many elements of the data cannot be reasonably and/or consistently gathered using our current information system processes and significant changes would be required to capture the newly required information moving forward. In addition, many data elements on some existing loans cannot be obtained at all. This finding relates directly to changes in the guidelines as outlined by the final rule and guidelines reviewed at the time of underwriting or renewal of existing loans. Both the 2001 Interagency Guidance definition of subprime consumer loans and the 2008 Comptroller's Handbook definition of leveraged [commercial] lending provides a range of characteristics while the final rule applies a rigid and prescriptive approach to classification. Associated traditionally classified its loans as subprime or leveraged transactions based on general consideration of the sets of characteristics prescribed. Associated does not enter pass-or-fail on all of the range of characteristics, but just pass-or-fail on whether a loan is subprime/leveraged based on information outlined in existing Interagency Guidance.

Our information systems have not captured the necessary information in a format that would allow us to classify existing lending transactions as the new FDIC proposal would require. In order to capture the data in a manner consistent with the final rule Associated would have to revisit every existing lending transaction and review characteristics of the transaction in light of the new definitions. In certain circumstances, the origination information was not required to be retained and reconstruction is not possible. The FDIC proposal eliminates all flexibility in an effort to achieve absolute consistency.

While Associated understands the FDIC's efforts to ensure consistent application, the definitions have created an untenable situation for Associated. Associated is simply unable to capture and report the data asked for in a way that is defensible and auditable. The situation is so severe that, should the Call Report proposal move forward without modification, it would be impossible for Associated to attest to the accuracy of the data reported.

Associated believes the Call Report proposal provides an opportunity to mitigate this serious problem in the near term until appropriate definitions can be constructed that both adequately reflect the risk exposures and can be reasonably and consistently gathered.

The Call Report proposal issue arises because of changes made in the final Large Institution Pricing Scorecard rule. Unfortunately, the slight wording changes dramatically altered the reporting obligation from one that allowed some flexibility in meeting the standards – by providing that factors “may” be considered – to a list of factors that “must” be considered. This means that information currently provided to the agencies on these exposures would not satisfy the definition and would require Associated to investigate every loan to determine whether any of the individual factors would require recategorization as subprime or leveraged. Thus, this small change in the final rule requires individual, manual, loan-level investigation of hundreds of thousands of loans. This would be very expensive and time consuming and even then, may not yield the information sought as certain missing pieces of data may not have been retained and cannot be reconstructed. This new burden raised the degree of difficulty for reporting to astronomical heights and has jeopardized our ability to certify the financial information sought under the rule.

We note that in the final Large Institution Pricing Scorecard rule, the claim was made that collecting the data should not be a problem as “data elements required to compute [these measures] are gathered during the examination process.” Such a statement is inaccurate. It raises the question of whether the final rule inadvertently requires banks to retain and analyze more information to comply with these new definitions than was anticipated. As noted above, Associated does provide some data on these elements to their primary regulators – typically based on the 2001 Interagency Guidance or the 2008 OCC Comptroller’s Handbook. However, the data currently provided is materially different in many respects from what is contemplated in the Call Report proposal since the guidance categorizes loans based on a range of possible characteristics, whereas the Large Institution Pricing Scorecard rule categorizes based on whether any characteristic applies (regardless of other mitigating factors). Since the FDIC used numbers currently provided under existing guidance to calibrate its Large Institution Pricing model, it makes sense to realign the definitions to be consistent with current standards and practices – which have evolved over time to reflect true exposures.

Given the current impossibility of providing the required data, Associated believes that it is prudent not to require these changes in the Call Report until more reasonable definitions can be created. We realize that not implementing the Call Report changes related to these data elements will mean that these data elements will be missing from the Large Institution Pricing Scorecard model but given that Associated cannot (in good faith) provide the data required under the rule, or certify the accuracy of any data that may be provided on subprime consumer loans and leveraged commercial loans, the use of these elements and the conclusions drawn from them for assessment purposes would be suspect. As these elements have not been explicitly used in assessing premiums before, and given that risk exposure is measured in many different ways from other variables, exclusion of these data until reasonable definitions can be applied should not be problematic. It may well be the case that there is greater danger of inadvertent distortions in distinguishing relative risk among this set of large institutions by going forward with reporting as prescribed in the rule.

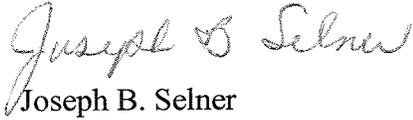
While not requiring the data in question in the Call Report until a reasonable solution to the reporting issue can be found is the best alternative, if the FDIC believes that the rule compels reporting (beginning on June 30, 2011) a better option is to allow Associated and other institutions to file on the Call Report data that conforms with existing standards established for providing such information to our primary regulator. For example, data provided for subprime consumer loans under the 2001 Interagency Guidance or for leveraged loans under the OCC Comptroller’s Handbook on leveraged lending could be used for filing purposes.

This can be accomplished through Call Report instructions that clarify the intent of the rule and provide the necessary flexibility to report based on current practices. This approach would allow Associated to provide data that conforms to standards established and refined over time by regulators, is defensible under audit, is consistent with the calibration of the scoring model, and reflects the views expressed in the final rule.

Associated believes that it is time to step back and have a thorough review of the rule to ensure that inclusion of these elements in the Call Report is based on currently accepted practices for defining a subprime consumer loan or a leveraged commercial loan or security.

If you have any questions or would like to discuss any of the issues raised in this letter, please contact me at 920-491-7120.

Sincerely,

A handwritten signature in cursive script that reads "Joseph B. Selner".

Joseph B. Selner
Executive Vice President and Chief Financial Officer