



October 12, 2016

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Ladies and Gentlemen,

I prepare the call report for a \$270MM Bank and am submitting this letter to comment on the proposed changes to the call report. While well intentioned, the proposed changes to the call report do very little to provide meaningful relief of call report burden at smaller institutions. The line items and schedules proposed for elimination are already not completed by smaller institutions because none of them are applicable. So, while the proposed changes will shorten the actual report, they will do very little to reduce the burden of completing the call report.

Following are suggestions that could provide meaningful relief for smaller institutions:

- Eliminate, or only report Schedule RC-CII on an annual basis. The calculations on this schedule are completely manual. The schedule requires totals based on original loan amount for each line item, i.e. less than \$100K, \$100K-\$250K, and \$250-\$500K or \$1,000K, depending on loan type. Lines of credit are included in these calculations and have an original loan balance in the core system of \$0. Thus, loans must be manually sorted by original loan amount if available and then by credit limit. Participated balances must also be removed, since the gross original amount is used for the calculations. After this sorting is done to identify the loans that should be reported on each line item, the current balances must be totaled, with participation balances added back in if applicable, to calculate the true current balance. We are manually sorting on two fields, removing participation balances, and then aggregating on a completely different field and adding the participation balances back in. Over the last four quarters, the average change for our Bank on each of the line items is -0.88%. The highest single line item change over the four quarters was -12.47%, and the smallest change for a specific line item was 0.46%. The minimal change from quarter to quarter on each line item in this schedule does not warrant the amount of work it takes to complete the schedule.
- Eliminate Schedule RC-O. The average assets and average tangible equity used in the deposit insurance assessment can be obtained from Schedules RC-K and RC-R. Questions could be asked up front in the call report software to state if the Banker's Bank and Custodial Bank line items apply, which will not for smaller institutions. Otherwise, it does not appear the breakdown of deposit accounts above and below \$250,000 on memoranda lines 1 is used in the assessment calculations. These figures are manually calculated since they span all deposit account types and then must be manually adjusted for overdrafts, unposted, escrow, tax withholding, etc.



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- Complete schedule RI-E in December only. The figures in this schedule are more meaningful at the end of the year, compared to the Bank's total income and expenses for the year. To report any other income and other expense that does not already have a separate line item on the schedule, we must manually review the various general ledger accounts and aggregate each category to determine if anything needs to be reported in lines 1i – 1j and lines 2l – 2n.
- Complete schedules RC-F and RC-G annually. The average change of other assets on Schedule RC-F for our Bank over the last four quarters was -2.33%. For us, other liabilities on schedule RC-G had one anomaly in that same timeframe and had a higher change. However, the percentage change of other liabilities will generally be similar to that of other assets.
- If a Bank is not completing Schedule RC-P because they are not making enough mortgage loans, they should not have to report their unfunded mortgage commitments as derivatives on Schedule RC-L.
- On Schedule RC-M, items 7-9 and 11-12 do not change. Report them annually only.
- Meaningful relief would mean completing a short-form call report in the first and third quarters. I would recommend smaller institutions complete the following schedules for the following quarters:
 - Q1 – RI, RI-A, RC, RC-CI, RC-K, RC-R
 - Q2 – RI, RI-A, RI-B, RC, RC-B, RC-CI, RC-E, RC-K, RC-L, RC-M, RC-N, RC-R
 - Q3 – RI, RI-A, RC, RC-CI, RC-K, RC-R
 - Q4 – All schedules, except eliminate RC-O.

Another recommendation would be to publish a guide that explains why Banks must report the data on each line item of each schedule and detail how the data is used. If call report preparers have a better understanding of how the data is being used, that may give them a better understanding of what should be reported on each line item and help reduce errors in reporting.

Please feel free to contact me at (402) 372-5331 or chutchinson@fmbankne.com if you have questions on the information I provided or would like more support.

Thank you,

Chris Hutchinson
VP & Internal Auditor
F&M Bank