



August 11, 2005

Information Collection Comments
Chief Counsel's Office
Office of Thrift Supervision
1700 G Street, NW
Washington, DC 20552
Attention: OMB No. 1550-0023

Mark Menchik
Office of Information and Regulatory Affairs
Office of Management and Budget
New Executive Office Building, Room 10236
Washington DC 20503

Re: Submission for OMB Review; Comment Request – Thrift Financial Report:
Schedules PD and VA
No. 2005-128; 70 FR 39016 (July 6, 2005)

Dear Madam or Sir:

America's Community Bankers ("ACB")¹ appreciates the opportunity to comment on the OTS's proposed revisions to the Thrift Financial Report ("TFR").² The proposed revisions would, among other things, require delinquent loans that serve as collateral for, or "back," Government National Mortgage Association ("GNMA") securities to be reported on Schedule PD³ in the main body of the TFR. The inclusion of these loans in Schedule PD is in spite of the fact that they are guaranteed by the U.S. Government. Our comments will be directed toward this aspect of the proposed changes.

ACB Position

ACB believes that rebooked past due GNMA loans should not be reported in the main body of the TFR. These GNMA loans have considerably different (and lower) risk

¹ America's Community Bankers is the member driven national trade association representing community banks that pursue progressive, entrepreneurial and service-oriented strategies to benefit their customers and communities. To learn more about ACB, visit www.AmericasCommunityBankers.com.

² 70 Fed. Reg 39016 July 6, 2005).

³ TFR Schedule PD is titled "Consolidated Past Due and Nonaccrual"

profiles than other delinquent loans that have been historically captured in the TFR Schedule PD. The unpaid principal balances on the GNMA loans are fully insured or guaranteed by the U.S. Government. This guarantee does not exist for other loans reported in schedule PD, therefore ACB believes it is not appropriate to aggregate guaranteed GNMA loans with those assets that have very dissimilar loss exposures.

ACB believes that reporting the past due GNMA loans solely in a memorandum item would have provided sufficient information to the OTS and end-users of regulatory reporting data. We are concerned that the proposed aggregation of these GNMA past due loans with other past due loans in the main body of the TFR is certain to cause misconceptions by analysts and other users of the regulatory report data. This in turn, will require institutions to exhaust significant resources in trying to educate these users about these newly reported GNMA loans and explain why they do not possess the same characteristics as the other past due loans with which they are being reported. We note that the OTS recognized in the preamble to the proposal that this change would only impact a few associations. We urge the OTS to reconsider the decision, and require that institutions report these unique GNMA loans only in a memorandum item. Aggregating them in the main body of the TFR only further compromises comparability between the few impacted associations and the rest of the banking industry.

In recognizing that the OTS and other users of TFR data would benefit from having delinquent rebooked GNMA loans reported separately from other past due loans, the OTS proposes that the past due GNMA loans be reported in separate memorandum items, in addition to Schedule PD. However, this memorandum item will not provide for a “netting” of these guaranteed loans from other past due loans in Schedule PD. Thus, delinquency and total past due ratios will remain skewed by the inclusion of an item which would have more appropriately been reported as only a memorandum item. ACB does not believe the additional memorandum disclosure of the GNMA loans will help users of TFR data resolve the artificially inflated total past due figures and ratios, unless they manually net the memorandum reported amount from the total past due loans. To that point, ACB requests that the OTS make efforts to ensure that regulatory analysts and other users of the Uniform Bank Performance Report ratios are educated on the change and provided an accurate measure of an institution’s exposure from past due loans that excludes the guaranteed GNMA loans.

Conclusion

ACB supports the OTS’s continued efforts to make enhancements to TFR reporting in a manner that meets the needs of analysts and others in assessing the financial stability of savings associations, but we believe that including the past due GNMA loans in the body of the TFR is contrary to that objective. We strongly urge the OTS to reconsider the requirement that institutions include GNMA loans in the past due schedules of the main body of the TFR, and require that the guaranteed portions of these loans be reported “only” in the memorandum items.

Thank you for the opportunity to comment on this important matter. Should you have any questions, please contact Dennis Hild at 202-857-3158 or dhild@acbankers.org or the undersigned at 202-857-3121 or cbahin@acbankers.org.

Sincerely,

A handwritten signature in black ink that reads "Charlotte M. Bahin". The signature is written in a cursive style with a large, stylized initial 'C'.

Charlotte M. Bahin
Senior Vice President
Regulatory Affairs