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Regulation Comments
Chief Counsel's Office
Office of Thrift Supervision
1700 G Street, NW
Washington, DC 20552
Attention: OTS-2007-0023

Re: Information Needed to Respond to a Proposal to Convert from the Thrift Financial Report to the Call Report 72 FR 64003 (November 14, 2007)

The American Bankers Association[1] appreciates the opportunity to comment on the Office of Thrift Supervision's (OTS) Advance Notice of Proposed Rulemaking (ANPR) regarding the possible conversion of the Thrift Financial Report (TFR) to the Consolidated Report of Condition and Income (Call Report). The OTS is exploring whether to replace the TFR with the Call Report, or a modified version of the Call Report. It has been suggested that such a change would reduce the costs that savings associations[2] incur when reporting quarterly financial data and would enable associations to compare themselves more easily to commercial banks.

Consistent with the directions of the OTS in the ANPR, our comments below do not discuss the merits of replacing the TFR with the Call Report. The OTS is in the early stages of exploring possible changes to the way that savings associations report financial data and has not yet published a formal proposal to amend its existing reporting scheme. Instead, the agency is working to determine what information would help the industry evaluate and provide input on a proposal to convert to the Call Report. Any such proposal would be published for public comment at a later date.

[1] The American Bankers Association brings together banks of all sizes and charters into one association. ABA works to enhance the competitiveness of the nation's banking industry and strengthen America's economy and communities. Its members – the majority of which are banks with less than $125 million in assets – represent over 95 percent of the industry's $12.7 trillion in assets and employ over 2 million men and women.

[2] The term savings association means a savings association as defined in section 3 of the Federal Deposit Insurance Act. It includes federal savings associations, federal savings banks, savings and loans, and certain cooperative banks.

I. Summary of ABA Position

The ABA supports efforts to reduce unnecessary regulatory burden so that financial institutions may operate more efficiently. We appreciate the current and prior OTS initiatives to consider the effectiveness of regulatory requirements as well as whether those requirements are valuable for oversight and supervisory purposes. We are pleased that the OTS is willing to consider significant changes to the reporting of quarterly financial data as one way to alleviate some of the regulatory burden on the thrift industry. ABA strongly believes that any proposal to convert from the TFR to the Call Report must have a tangible benefit to the thrift industry. The OTS has indicated that it would adopt the Call Report if doing so would be beneficial to savings associations. We appreciate this approach. Because of the inevitable costs that savings associations would incur as part of the conversion, the ABA believes that there would need to be a clear business case for adopting the Call Report.

The ABA also appreciates that the OTS has requested the industry to identify the information that would be helpful in providing comment on a future proposal to adopt the Call Report. We believe that this approach will help improve the quality of comments to the OTS and will help the agency determine the kinds of information and other considerations that are important to the industry. We urge the OTS to use this approach as it considers future regulatory and supervisory changes, particularly those that are not expressly required by statute.

Below are our specific recommendations in response to the OTS request for comment.

II. Background

All federally insured national banks, state member banks, and state non-member banks are required to file quarterly Call Reports via the Federal Financial Institutions Examination Council (FFIEC). Savings associations, on the other hand, submit quarterly TFR reports directly to the OTS. While the TFR and the Call Report share general similarities, there are differences in the data that are collected due primarily to the differences in savings association and commercial bank charters. There are also variations in how the two reporting systems are administered.

In general, the differences in the data collected on the TFR and the Call Report reflect historic lending distinctions between banks and savings associations. The TFR collects more information about mortgage and consumer lending because savings associations have traditionally focused on those kinds of loans. The TFR also helps to measure interest rate risk by collecting detailed repricing data on the Consolidated Maturity/Rate Schedule (CMR).[3] By contrast, the Call Report collects limited repricing data. The TFR also collects savings association holding company data, whereas bank holding companies are required to file quarterly information with the Federal Reserve for their insured subsidiaries. These holding company filings are in addition to Call Reports that are filed via the FFIEC. There are also reporting differences in the data items that the Call Report and the TFR collect about capital and valuation allowances.

[3] Interest rate risk is calculated using the proprietary OTS Net Portfolio Value (NPV) Model.

In 1996, Congress liberalized the commercial lending authority for federally chartered savings associations, and today savings associations are increasingly important providers of small business credit in communities throughout the country. As savings associations have worked to diversify their balance sheets, some have expressed an interest in converting to the Call Report in order to compare better their performance to commercial banks that have similar business models. In addition, some industry observers have suggested that converting to the Call Report would lower the overall cost of filing quarterly financial data. The OTS is in the early stages of gathering information to determine what data and information the broader thrift industry would need in order to analyze whether it would be beneficial for savings associations to file Call Reports instead of TFRs.

III. Additional Information Needed

A. Identify Advantages of Adopting the Call Report

ABA requests that the OTS provide additional information about the possible benefits of adopting the Call Report. We believe that doing so would help savings associations more thoroughly evaluate whether converting to the Call Report would be a constructive change in the way that associations report quarterly financial data.

Converting to a new reporting system will involve costs for all OTS-regulated institutions. For example, savings associations will incur costs associated with selecting a service provider, purchasing new software or upgrading existing software packages, and training employees. Moreover, institutions are continuing to incur costs associated with an unprecedented level of compliance burden. As a result, it would be helpful for any future proposal to convert to the Call Report to identify possible cost savings and other tangible benefits that would be associated with conversion.

Examples of the kind of information that would help savings associations evaluate a proposal would include:

- A detailed analysis of how the TFR and Call Report differ, coupled with an explanation of which items of the TFR and Call Report would be required by the OTS if the proposal were to proceed (including the information discussed in sections III.B and III.C, below).

- A comparison of the amount of time that it would take for an institution to complete a Call Report (modified to make whatever changes the OTS believes to be appropriate for savings associations) versus a TFR, including time for review and corrections.

- A comparison of the costs of the different software packages available to assist savings association and banks prepare and file their respective quarterly reports, including an analysis of the costs of modifying the Call Report software to accommodate whatever additional items that the OTS would require.

- An explanation of any benefits of conversion that may occur over time, including benefits to the analyst community. Alternatively, information about the kind of conversion-related costs that would be reduced over time would also be useful.

- A discussion of whether the proposed use of the Call Report would benefit any particular type or asset size of savings association. For instance, would the benefits of using the Call Report be the same for small, traditional thrifts that engage in minimal commercial banking activities and are not publicly traded as they would for larger, more complex, and/or publicly traded associations?

B. Consolidated Maturity/Rate Schedule

The November 14, 2007 ANPR anticipates that savings associations would not file the same Call Report as commercial banks. Rather they would likely file a modified version of the Call Report that would include new schedules specific to OTS-regulated institutions. This would include the CMR Schedule that is currently part of the TFR. The CMR collects detailed repricing data and helps to measure interest rate risk, which is calculated using the proprietary OTS NPV Model. By contrast, the Call Report collects limited repricing data.

ABA members report that the CMR is time consuming and cumbersome to complete. Whether the CMR or CMR-like reporting requirement would be retained would be important information for savings institutions to have when evaluating a proposal to overhaul the OTS reporting system. We request that this information be included in any proposal to convert to the Call Report. Furthermore, specifying what, if any, CMR-related information would be retained would help savings associations determine whether converting to the Call Report would reduce reporting burden or otherwise be beneficial.

Some savings associations have recommended that the OTS convert completely to the Call Report and eliminate the CMR due to the time and other burdens associated with completing this part of the TFR. Other institutions have suggested that they be permitted to use Asset/Liability Management software or other alternative tools to calculate interest rate risk instead of using the OTS model. If the OTS proposes to retain CMR-type data requirements, as was suggested in the ANPR, we request that the agency help the industry better understand how converting to the Call Report would reduce reporting burdens or otherwise be advantageous.

C. Mutual Institution Data

The ABA also requests that any conversion proposal state whether the OTS would continue to provide performance and peer group data for mutual savings associations. It is important that regulators and bank managers continue to have access to this kind of peer data because mutual institutions may have a lower earnings rate than commercial banks due to their unique culture and cooperative ownership structure. They sometimes pay higher rates on deposits and charge lower rates on loans than other depository institutions. In addition, many mutuals have established charitable foundations by which they donate a percentage of their earnings to the community. Mutually-organized institutions believe that performance data specific to an institution as well as peer performance of similarly structured institutions are valuable tools that should continue to be made available to examiners and to institution management.

D. Conversion Preparations

Replacing the TFR with the Call Report would be a significant change in the quarterly financial reporting system for savings associations. As a result, ABA members have questions about how such changes would be implemented. Accordingly, we request that the OTS explain how the conversion process would proceed. Helpful information would include:

- The length of any phase-in or transition period. In preliminary discussions, ABA members have stated that a minimum of three quarters would be necessary to convert and test new data reporting systems.

- Whether the OTS and/or the FFIEC would provide training, technical, or other assistance during the transition.

- Whether the OTS has or will discuss conversion with software providers and core processors. Would these vendors be prepared to include data items that would be unique to thrifts?[4]

E. Staff Training Opportunities

Replacing the TFR with the Call Report would require savings associations to train their employees to use the new reporting system. Some savings associations have reported difficulty recruiting staff with TFR experience and obtaining training opportunities for new and existing employees with TFR-related duties. They have identified the improved ability to train existing staff or recruit experienced employees as one possible benefit to changing the OTS reporting system. As a result, it would be useful for the OTS to explain how staff training for the Call Report may compare to the availability of training for the TFR. Additionally, it would be instructive for the OTS to discuss how the availability of training courses may be affected if all or part of the CMR is retained.

F. Necessary Regulatory Amendments

Adopting the Call Report would require the OTS to amend certain existing OTS regulations, such as concentration limits for Tier 2 capital and accounting for certain loans. We request that the OTS identify all regulations that would need to be amended in order to implement any conversion to the Call Report. The industry would welcome the opportunity to comment on any such amendments.

IV. Holding Company Issues

It has been suggested that converting to the Call Report would streamline the tools and performance data that that investment analysts use to evaluate banks and thrifts. Specifically, analysts would be able to use the Uniform Bank Performance Report for both banks and thrifts.

In preliminary discussions with representatives from the investment community, analysts have indicated that much of the analysis of bank and thrift holding companies is done at the holding

[4] Currently, savings associations are required to use OTS-supplied Electronic Filing Software.

company level. Analysts do not always drill down to information that is contained in the TFR or Call Report data unless he or she is researching a specific area where a bank subsidiary may have a particular risk exposure.

ABA will continue to have a dialogue with the investment community to understand better how bank and thrift holding companies are analyzed. However, based on the preliminary information that we have gathered, we are uncertain as to whether converting to the Call Report would help analysts evaluate thrift holding companies. Any specific information that the OTS has on this matter should be included in any formal proposal to convert to the Call Report.

V. Q&A Supplement

The ABA recognizes that the OTS has limited the scope of this ANPR to comments that identify the information that the industry would need in order to evaluate a future proposal to adopt the Call Report in place of the TFR. However, if the OTS moves forward with a proposal, we recommend that the agency retain in some form the Q&A supplement that clarifies TFR reporting issues. This document has been useful to OTS-regulated institutions, but we understand that the other agencies do not have a similarly detailed reference document for the Call Report. If the OTS overhauls its quarterly financial data reporting system, we request that the agency work with the FFIEC to develop a similar resource for the Call Report and that the OTS issue its own Q&A for any reporting items that would be unique to savings associations.

VI. Role of the OTS

OTS-regulated institutions have taken a keen interest in recent policy discussions about the future structure of the U.S. bank regulatory system. The ABA and our member savings associations firmly believe that depository institutions should be able to choose the business form that best enables them to respond to the banking needs of their customers and communities. The independence of the OTS is key to ensuring that depository institutions continue to have charter options. These points were advanced vigorously in the letter that the ABA and America's Community Bankers filed jointly with the United States Department of Treasury in response to its solicitation of views about the regulation of financial institutions.[5]

Questions have arisen within the industry as to whether the adoption of the Call Report would influence current and future discussions regarding the organization of the bank regulatory structure. Savings associations have expressed an interest in knowing about the role that the OTS would play in financial reporting if the TFR were discontinued. For example, would all reporting and analysis be moved to the FFIEC and/or the FDIC? Would holding company data continue to be reported separately to the OTS? Would peer analysis for mutually organized savings associations remain distinct from other institutions that are privately or publicly owned? The answers to these questions may not determine whether the industry would support or oppose the adoption of the Call Report. However, they are indicative of industry interest in the way that banking charters and regulators are organized and in preserving the expertise of the OTS.

[5] A copy of that letter is available at http://www.aba.com/NR/rdonlyres/DC65CE12-B1C7-11D4-AB4A-00508B95258D/50550/ABALtrRegStructure2007Nov20.pdf.

Conclusion

The ABA appreciates the opportunity to provide input as the OTS considers whether to move forward with a proposal to adopt the Call Report. We reiterate our general request that the OTS provide additional information about the cost efficiencies and other benefits that could be achieved by converting to a new reporting system, particularly if the CMR is retained or is largely unchanged. Whether peer data would be retained for mutual institutions is also of significant interest to our members.

The ABA commends the OTS on the industry outreach that it has conducted as part of this initiative, and we look forward to working with the OTS as the merits of conversion are explored further. Should you have any questions about our comments on this matter, please contact the undersigned at 202-663-5547 or kshonk@aba.com.

Sincerely,

Krista Shonk

Krista Shonk