March 20, 2003

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Information Collection Comments
Chief Counsel's Office
Office of Thrift Supervision
1700 G Street, NW.
Washington, DC 20552

Attention: 1550-0023

We appreciate the opportunity to comment upon the proposed changes to the Thrift Financial Report (TFR) scheduled to become effective with the March 31, 2004 quarterly report. We support the Office of Thrift Supervision (OTS) in their efforts to improve the financial information collected and to achieve uniformity of reporting among the different types of institutions supervised by the federal financial institutions regulators.

In general, we support most of the suggested conforming changes to the reporting format, eliminating and combining information, and adding new information where useful to the OTS. However, there are a few major issues which we believe need further deliberation.

I. Shorter Deadlines for Report Submission

The OTS is proposing to reduce the preparation time allowed to assemble, review and transmit the quarterly TFR from 30 to 20 calendar days, a ten-day reduction. Ten days is but a twinkling of the eye in terms of the regulatory timetable, as evidenced by the three to four years it has taken to implement these new suggested conforming report changes. However for the savings institutions accounting staff, ten days is a huge percentage of their total preparation and review time.

The OTS should not yield to the common media mentality of thinking that faster is always better. There are definite trade offs that occur when reporting deadlines are accelerated. While data processing improvements over the years may have helped financial statement preparers to accumulate and summarize data more quickly, at the same time the amount of data requested has expanded significantly to offset the data processing benefits.

The OTS appears to be acting on its own in proposing an accelerated reporting date. We are not aware of the FDIC's comparable Call Report being accelerated. The OTS should question why it needs the data more quickly when other regulators do not see a similar need to receive their quarterly reporting faster.

The most significant ingredient in the proper preparation of financial data that will suffer by the proposed reduction in reporting deadlines is the amount of management time for review of the numbers. If the compilation time cannot be easily reduced, then all that remains is the review time. Consequently, the trade off becomes one of faster delivery of more data with less review. At a time when Congress has mandated the close review and personal responsibility for published financial data by top management of public companies, it does not appear prudent to

require OTS regulated institutions to push the quarterly TFR reports out the door with even less management review time. Perhaps the deadlines should be lengthened instead of shortened.

To make matters worse, the Financial Accounting Standards Board (FASB) is slowly marching down the road to Fair Value Accounting for all financial instruments, which constitute the major portion of a financial institution's balance sheet. By the time the proposed new OTS quarterly reporting changes become effective in 2004, the FASB will be close to issuing new expanded financial statement footnote disclosures and preparing for their final objective which is the integration of fair value accounting for all financial instruments into the financial statements. The collection, reporting and eventual recording of fair value information will bring an avalanche of new work into the monthly and quarterly closing procedures of financial institutions across the nation. Moving the TFR reporting deadlines from 30 to 20 days will not accommodate this significant expansion of the accountants workload.

Acceleration of the TFR reporting deadline from 30 to 20 calendar days after the quarter end may also necessitate submission of the TFR before earnings have been officially released by publicly held financial institutions, especially at year-end. There may be disclosure and legal issues related to the proposed early submission of TFR financial data which need to be considered. Clearly the shorter OTS deadline will expand the accountants' workload at a critical time, slowing the annual outside audit and potentially delaying the ability of the institutions to release earnings in a timely manner.

Acceleration of the data collection process, if done at all, should focus only on the very few institutions with higher operational risk or with marginal operations. In these institutions it is important for the OTS to be on top of questionable activities and detrimental financial changes, not just quarterly but monthly or even daily in a real-time mode. Expanded information requests and faster delivery of the financial data may be appropriate if the reporting institution is a higher risk operation (e.g. CAMEL rating of 3 or higher). Instead, we seem to have a "one size fits all" set of quarterly financial reports delivered by all institutions on the same timetable.

At a time when the SEC has initiated a shortened submission schedule that will now coincide with the existing OTS quarterly reporting schedule, and when at the same time the FASB and SEC are continuing to expand their detailed disclosure requirements, it is not prudent to require management of well-run financial institutions to reduce their review of the financial data in order to push reports out the door 33% faster. In no way will it improve the way these institutions are managed or reduce the level of overall risk at OTS-regulated financial institutions. The OTS has not presented a compelling case in support of their need for the drastic shortening of deadlines for the quarterly reports.

As a matter of fact, we can perceive no benefit either to the regulators or the public or any other body by speeding the reporting process for all OTS-regulated institutions by ten days. Except possibly trial lawyers who may benefit from less review by management and possibly more errors.

Has anybody really thought this through? If an institution is a problem, we trust that the OTS examiners will be all over the management, and speeding up the process for these institutions should be immediate.

II. Transactions with Affiliates and Holding Company Information

We also believe that it is premature to propose expansion of data collection for holding companies on schedule HC until the OTS announces what information it intends to eliminate from the H-b (11) report. The data requested should not be duplicated in the H-b (11) reporting. When there are significant changes in the nature and scope of affiliate transactions involving the holding company and its affiliates, it may be appropriate to expand quarterly reporting to gain visibility of such transactions. However, if there are no major changes in affiliate transactions and the interaction of the holding company and its subsidiaries is limited, significant expansion of the holding company reporting requirements does not appear justified. The OTS should develop an alternative HC report that would highlight major new transactions and activities between the holding company and the regulated institutions instead of the repetitive reporting of routine transactions and balances.

If you have any questions concerning our comments and suggestions, we would be happy to discuss them with you.

Sincerely,

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