NATIONAL ASSOCIATION OF HOME BUILDERS

REGULATORY & HOUSING POLICY AREA

DAVID A. CROWE
Senior Staff Vice President

September 29, 2006

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

Attention: TFR Revisions – March 2007, OMB No. 1550-0023

Re: Proposed Agency Information Collection Activities; comment Request – Thrift Financial Report: Schedules SC, SO, LD, CF, SI, SQ and HC 71 FR 43286 (July 31, 2006)

Dear Sirs or Mesdames:

On behalf of the 235,000 member firms of the National Association of Home Builders (NAHB), I welcome the opportunity to respond to the Office of Thrift Supervision's (OTS) request for comment regarding proposed changes (Proposal) to the Thrift Financial Report (TFR). The Proposal would eliminate ten TFR line items from the TFR, revise six existing items, and add sixteen new items.

NAHB comments focus on the proposal to add a memorandum item to show data for construction-permanent mortgages. We encourage OTS to adopt this change. NAHB also urges OTS to adopt changes providing reporting breakouts for loans for residential land development as described herein.

Background

All savings associations regulated by the OTS must file quarterly TFRs. The OTS uses the data collected in the TFR to monitor the condition, performance and risk profile of individual institutions and systemic risk among groups of institutions and the industry as a whole. In particular, the review of the data collected on the TFR aids the OTS examiners in making preliminary risk assessments prior to conducting an onsite examination of an institution. The timing, scope and focus of such examinations are based upon the risk-focused data contained in the TFR.

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In this regard, OTS proposes to add line LD510, 1-4 Dwelling Units Construction-Permanent Loans, to collect data as a memorandum item to SC230, Construction Loans-Total for Residential 1-4 Dwelling Units. The addition of this item would permit the OTS to monitor the activity for these loans and to monitor the overall construction loan credit performance of thrifts engaging in such lending.

NAHB Position

NAHB appreciates the above mentioned proposed change to the TFR and believes that both the regulators and savings institutions will benefit from the additional level of detail in the TFR. This information will also be useful to participants in the mortgage capital markets as this additional data will help improve efficiency and reduce the cost of this form of mortgage financing. NAHB strongly supports this change.

NAHB notes that the OTS has taken a leadership position among the federal banking regulators with respect to requiring detailed data on real estate lending in its TFR. The additional detail in the TFR, which shows separate data for residential and nonresidential construction loans, as well as for single and residential multifamily construction loans, provides important information to the OTS, the lending community, housing sector participants and investors. This information has been vital in demonstrating the varying activity and performance characteristics of the different forms of construction loans. NAHB was pleased to see that the other federal banking regulators recently followed the OTS' lead in adding more detail on residential real estate lending to the Bank Call Report. We believe that the recent improvements in the reporting systems have demonstrated the need for, and paved the way for, further refinement and detail in this area, which NAHB believes is warranted at this juncture.

Currently, mortgage loans (on Schedule SC of the TFR) are broken down into two main categories: construction loans and permanent loans. Included within the construction loan category are separate line items for loans for: 1)1-4 dwelling units (SC230); 2) multifamily (5 or more dwelling units) (SC235); and 3) nonresidential property (SC240). However, there is currently no breakout on the schedule to describe loans associated with land development.

Given the higher degree of scrutiny given to real estate lending by the federal banking regulators in both the proposed regulations implementing the Basel Accord and the proposed guidance on commercial real estate lending, NAHB believes that institutions should report activity in this area in greater detail. A more precise characterization of these loans is also paramount to NAHB achieving its long-standing objective of improving efficiency and competition in the market for residential acquisition and development (AD&C) loans.

Information from the OTS TFR suggests that the cost of residential AD&C loans is high relative to the historical risk profile of this credit category. NAHB has been working to develop a secondary market for residential AD&C loans to help lower the cost of this form of credit and to avoid possible future disruptions in supply, as occurred in the early 1990s. However, NAHB has had a difficult time demonstrating the range of activity and performance throughout the categories of residential and commercial real estate lending because of the degree of aggregation of reported loan data.

While the TFR data show some detail on residential and nonresidential construction loans, the TFR does not require reporting on the portion of construction lending attributable to land development. Since construction and land development loans typically have distinctly different performance characteristics, NAHB believes that it is extremely important for the OTS to develop a TFR memorandum item concerning land development for construction loans as well as a memorandum item on the performance section of the TFR which details losses on these loans. Such items would delineate the variation in risk among lending categories so that both loan activity and performance could be more accurately monitored and measured throughout the AD&C categories.

Conclusion

NAHB supports the efforts of the OTS to modify and improve the TFR. NAHB specifically requests that TFR lending and performance information include an additional breakdown of loans by the following categories: 1) lending for the development of land for 1-4 family residential housing, and; 2) lending for the development of land for multifamily housing. Such a breakdown would provide the necessary detail to properly evaluate this activity and performance, something in which the regulators, the savings associations, and the housing industry have a vested interest.

Thank you again for the opportunity to comment. NAHB is available to answer any questions you may have concerning this statement or to provide any additional information that may be needed.

Sincerely,

David Crowe

David A. Crowe
Senior Staff Vice President
Regulatory and Housing Policy