

NEW YORK CLEARING HOUSE

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September 11, 2002

Communications Division
Office of the Comptroller
of the Currency
Public Information Room
Mailstop 1-5
250 E Street, S.W.
Washington, D.C. 20219
Attention: OMB 1557-0081

Robert E. Feldman
Executive Secretary
Federal Deposit Insurance
Corporation
550 17th Street, N.W.
Washington, D.C. 20249
Attention: Comments/Legal
Division - OMB 3064-0052

Jennifer J. Johnson
Secretary
Board of Governors of the
Federal Reserve System
20th and C Streets, N.W.
Washington, D.C. 20551
Attention: OMB 7100-0036

Information Collection
Comments
Chief Counsel's Office
Office of Thrift Supervision
1700 G Street, N.W.
Washington, D.C. 20552
Attention: OMB 1550-0023

Re: Consolidated Reports of Condition
and Income; TFR Revisions: Notice
and Request for Comment Regarding
Subprime Lending

Ladies and Gentlemen:

The New York Clearing House Association L.L.C. (the "Clearing House")¹, an association of major commercial banks, appreciates the opportunity to comment on the proposed revisions regarding subprime lending (the "proposal") to the Consolidated Reports of Condition and Income (the "Call Report") by the Office

¹ The members of the Clearing House are Bank of America, National Association, The Bank of New York, Bank One, National Association, Citibank, N.A., Deutsche Bank Trust Company Americas, Fleet National Bank, HSBC Bank USA, JPMorgan Chase Bank, LaSalle Bank National Association, Wachovia Bank, National Association, and Wells Fargo Bank, National Association.

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of the Comptroller of the Currency (the "OCC"), the Board of Governors of the Federal Reserve System (the "Board"), the Federal Deposit Insurance Corporation (the "FDIC"), and the Office of Thrift Supervision (the "OTS; together with the OCC, the Board and the FDIC, the "Agencies").

The proposal indicates that the Agencies will use the subprime lending data to better plan their examination of banks and to monitor changes in and performance of subprime lending programs at banking institutions. If the primary goal of this proposal is the use of subprime lending data for supervisory purposes, then it would be more effective to review the underwriting standards, other internal risk management controls, and the overall lending process at institutions than to rely on data based on open-ended definitions to point to potential supervisory problems. If the regulators decide to proceed with the proposed revisions, our specific concerns on the proposal are presented below.

Definitions of Subprime Loans and Subprime Lending Programs

The Clearing House is encouraged with the progress that has been made in defining subprime lending and subprime lending programs. Most significantly, the Agencies' decisions to (1) limit the scope of reporting on subprime activity to programs rather than individual loans and (2) establish a materiality threshold for detailed disclosures will help reduce the regulatory burden associated with this new proposal. However, the Clearing House recommends that the Agencies continue to refine further the definitions of subprime lending and subprime lending programs.

While acknowledging the difficult and complex nature of this type of lending, the Clearing House believes that, in order for there to be consistent financial disclosure and comparability across lending institutions, more uniform definitions of subprime loans and subprime lending programs will need to evolve. The definition of subprime loans may have to vary for each major consumer credit product set. Absent such a specific standard by product set, expanded reporting is likely to only result in additional confusion because of inconsistencies in reporting. Therefore, since the subprime lending data would not be uniform across institutions, the Clearing House would recommend these data not be included in the Call Report, but on a new and separate schedule which should be used strictly for the Agencies' supervision of depository institutions.

Confidentiality of the Subprime Lending Schedule

The Clearing House strongly agrees with the Agencies' proposal that the information in this schedule be accorded

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confidential treatment on an individual institution basis. The supervisory and examination, rather than statistical, focus of the data captured by the proposed schedule supports this treatment. Failure to maintain confidentiality may result in improper interpretation of the data and will also result in placing banking institutions at a competitive disadvantage to those lending organizations not supervised by the banking regulators, and therefore not subject to the required disclosures. Accordingly, the Clearing House recommends that the proposed schedule be granted permanent confidential treatment and, as stated above, reported separately from the Call Report.

Timing of Effectiveness and Implementation

As the proposal states "there is no standard industry-wide approach to the definitions of either subprime loans or subprime lending program, which means that the meanings of these terms are institution specific." Until more uniform definitions of subprime loans and subprime lending programs are developed, it would be difficult for banks to automate the collection of these data. Therefore, reporting institutions may need to manually gather the data, which will be operationally cumbersome. While the Clearing House believes that the information requested by the various regulatory agencies may be helpful for supervisory and examination purposes, the Clearing House also believes it is equally important that the information reported be gathered in a systematic and consistent manner. Therefore, the Clearing House requests that (1) the filing period for the proposed schedule be sixty-days after quarter end and (2) the implementation date be extended at a minimum to two calendar quarters from the time the final rule is adopted (e.g., if the final rule is adopted in November 2002, the new schedule should be implemented no earlier than June 30, 2003).

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If you have any questions, please contact Norman R. Nelson at (212) 612-9205.

Very truly yours,

