BB&T

Branch Banking & Trust Co.

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Clarke R. Starnes, III
Senior Executive Vice President
Chief Credit Officer

November 24, 2008

Via email

Communications Division
Office of the Comptroller of the Currency
Public Information Room
Mail Stop 1-5
Attention: 1557-0081
250 E Street, SW
Washington, DC 20219

Ms. Jennifer J. Johnson
Secretary
Board of Governors of the
Federal Reserve System
20th Street & Constitution Ave., NW
Washington, DC 20551

Mr. Herbert J. Messite
Counsel
Attn: Comments, Room F-1052
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, DC 20429

Re: Proposed Agency Information Collection Activities; Comment Request 73 Federal Register 54807; September 23, 2008; **Consolidated Reports of Condition and Income, OCC:** 1557-0081; **FRB:** 7100-0036; **FDIC:** 3064-0052

Ladies and Gentlemen:

Branch Banking and Trust Company (BB&T) appreciates the opportunity to comment on the Joint Notice and Request for Comment on Proposed Agency Information Collection Activities; Comment Request, as issued by the Office of the Comptroller of the Currency (OCC), Board of Governors of the Federal Reserve System (Board), and Federal Deposit Insurance Corporation (FDIC) (collectively, the "Agencies").

BB&T has responded along with other American Bankers Association members under separate cover concerning all issues except the Revisions Proposed for June 2009 concerning Construction and Development (C&D) Loans with Interest Reserves. BB&T has chosen to comment separately on this issue because of the implication for our institution.

We are in agreement with the comments made in Volume 73, No. 185, Federal Register dated September 23, 2008 concerning inclusion of interest reserves in a C&D loan. We also agree with the comment concerning this practice's possibility of disguising potential problems with a borrower's willingness and ability to repay the debt according to the loan agreement. The comment that market conditions have weakened since the CRE Guidance was issued December 12, 2006, is also evident in BB&T's footprint.

BB&T would fall into the category of banks with C&D loans exceeding 100 percent of total risk-based capital as of the previous year-end.

In the summer of 2008, the FDIC asked BB&T to provide information on residential land acquisition and/or development loans that had interest reserves. This review revealed that BB&T had a modest number of loans with interest reserves built into the budget. Although our bank's policies provide for inclusion of interest reserves in the loan to accommodate the development process, many of our credit facilities did not provide for the interest to be included in the budget formulated for the project. Our review also revealed that in only very few cases were interest reserves added to the loan amount after the original loan had matured or was otherwise recast. In those cases where a project was not completed on time or where there were other issues impacting the completion of the project, and additional interest was requested to be built into the loan by the borrower and that request was granted, the loan amount increase to accommodate the additional costs and interest carry was routinely granted only with additional collateral or other credit enhancements.

As referenced in the Federal Register Notice, the practice of including interest reserves as part of the original underwriting is common. It is our bank's policy to include interest in the loan but this is approved only with an appropriate amount of equity that is to be injected at or before closing. We believe that particular attention should be given to the practice of adding interest reserves after the development is completed or during the time when a project goes over budget or otherwise has completion issues. It is when a project gets delayed or is poorly planned that the risk of masking a problem is accentuated. This is the occasion that reporting of this information would potentially be beneficial to the lender and regulators.

The two new Call Report items that will be implemented with the June 30, 2009 report includes (1) reporting of the amount of C&C loans on which the use of interest reserves is provided for in the loan agreement and (2) reporting of the amount of capitalized interest included in the interest and fee income on loans during the quarter. Currently, BB&T does not have a specific identifier on the loan system that would facilitate either of the reporting requirements. This reporting timeframe is our primary concern with the requirement. We quite likely will find it difficult to make the programming changes necessary and have them implemented in time to meet the June 30, 2009 target date. Until such time as computer/system re-programming can be implemented, compilation of this information will be manual, will have to be completed by our lending and credit staff and will act to decrease the overall effectiveness of our risk management process. Based on the review completed for the FDIC earlier this year, even though we have a CRE concentration, the extent to which the loan exposure to which this reporting is related is not a meaningful portion of our overall loan business. Therefore, we would question the need for such reporting for institutions such as BB&T as a means of measuring risk as the reporting requirement attempts to achieve.

Sincerely,

Clarke Starnes, III
Senior Executive Vice President
Chief Credit Officer
Branch Banking and Trust Company