Supporting Statement for
Consolidated Reports of Condition and Income
(Interagency Call Report)
OMB Control No. 1557-0081

A. <u>JUSTIFICATION</u>

1. <u>Circumstances and Need</u>

On November 21, 2011, the agencies, under the auspices of the Federal Financial Institutions Examination Council (FFIEC), requested public comment for 60 days on a proposal to extend, with revision, the Consolidated Reports of Condition and Income (Call Report), which are currently approved collections of information. After considering the comments received on the proposal, the FFIEC and the agencies announced their final decisions regarding certain proposed revisions on February 17, 2012. The agencies also announced that they were continuing to evaluate two new proposed Call Report schedules (Schedule RI-C, Disaggregated Data on the Allowance for Loan and Lease Losses, and Schedule RC-U, Loan Origination Activity (in Domestic Offices)) in light of the comments received. The FFIEC and the agencies have completed their evaluation of Schedule RI-C and will proceed with a modified version of the schedule, which will be completed by institutions with $1 billion or more in total assets beginning March 31, 2013. The FFIEC and the agencies are continuing their evaluation of proposed Schedule RC-U.

2. <u>Use of Information Collected</u>

Institutions submit Call Report data to the agencies each quarter for the agencies' use in monitoring the condition, performance, and risk profile of individual institutions and the industry as a whole. Call Report data provide the most current statistical data available for evaluating institutions' corporate applications, for identifying areas of focus for both on-site and off-site examinations, and for monetary and other public policy purposes. The agencies use Call Report data in evaluating interstate merger and acquisition applications to determine, as required by law, whether the resulting institution would control more than ten percent of the total amount of deposits of insured depository institutions in the United States. Call Report data are also used to calculate institutions' deposit insurance and Financing Corporation assessments and national banks' and federal savings associations' semiannual assessment fees.

Under new Schedule RI-C, Disaggregated Data on the Allowance for Loan and Lease Losses, institutions with total assets of $1 billion or more would report a breakdown by key loan category of the end-of-period allowance for loan and lease losses (ALLL) disaggregated on the basis of impairment method and the end-of-period recorded investment in held-for-investment loans and leases related to each ALLL balance. This new schedule is intended to provide data needed for safety and soundness reasons and would assist the agencies in gaining a better understanding of institutions' lending activities and credit risk exposures, primarily through enhanced data on the composition of the allowance for loan and lease losses (ALLL), quarter-end loan amounts originated during the quarter, past due and nonaccrual purchased credit-impaired loans, and representation and warranty reserves associated with mortgage loan sales.

3. Use of Technology to Reduce Burden

All banks and savings associations are subject to an electronic filing requirement for Call Reports. Institutions may use information technology to the extent feasible to maintain required records.

4. Efforts to Identify Duplication

This information is unique because no other report or a series of reports provides all the Call Report data in a consistent and timely manner.

5. Minimizing the Burden on Small Entities

Only the minimum information needed to evaluate the condition of an institution, regardless of size, is required.

6. Consequences of Less Frequent Collection

The Federal financial regulatory agencies also must have condition and income data at least quarterly to properly monitor individual bank and industry trends. Less frequent collection of this information would impair the agencies' ability to monitor financial institutions and could delay regulatory response.

7. Special Circumstances

There are no special circumstances.

8. Consultation with Persons Outside the OCC

The agencies collectively received comments from five entities (three banking organizations and two bankers' associations) on the Schedule RI-C portion of their November 21, 2011 Federal Register notice.

Commenters expressed the general concern that the proposed disaggregated ALLL data in Schedule RI-C are not aligned with the manner in which institutions estimate and maintain their ALLL. Although Financial Accounting Standards Board (FASB) Accounting Standards Update No. 2010-20, Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses (ASU 2010-20), requires entities to disclose the ALLL at the portfolio segment level, institutions define segments differently than proposed for Schedule RI-C. According to the commenters, modifying systems to report ALLL information categorized as proposed would be costly and would necessitate significant lead time, up to nine months, to implement. One commenter also recommended increasing the asset size threshold for institutions to report this schedule, proposed to be collected from institutions with $1 billion or more in total assets, to $5 billion or $10 billion in total assets.

Two commenters recommended a more streamlined approach requiring disclosure of fewer loan categories that would allow the Agencies to achieve their stated objective and permit institutions to report data consistently with the business models and methodologies institutions use to estimate their ALLL. One of these commenters recommended collapsing the proposed nine loan categories and instead collecting ALLL and the related recorded investment amounts by impairment measurement method for only three segments: consumer credit cards, all other consumer loans, and commercial loans. The second commenter recommended reporting ALLL and the related recorded investment amounts by impairment measurement method for the following loan categories: commercial real estate, residential real estate, commercial, credit cards, and other consumer. The second commenter also favored retaining the reporting of any unallocated portion of the ALLL as had been proposed.[1] Implicit in both of these commenters' recommendations is the concept that the definitions for the loan categories in Schedule RI-C should be those that the reporting institution uses in its ALLL methodology rather than those specified in Call Report Schedule RC-C, part I, Loans and Leases.

After consideration of the comments received on the proposed disaggregation of ALLL information, the FFIEC and the agencies have decided to modify proposed Schedule RI-C to collect ALLL and the related recorded investment amounts by impairment measurement method for the loan categories (and any unallocated portion of the ALLL) based on the second approach described in the preceding paragraph, but with the addition of a loan category for real estate construction loans. The agencies consider it appropriate to segregate construction loans from other commercial real estate loans because the risk characteristics of the former differ significantly from those of the latter. The agencies believe that this more streamlined approach to proposed Schedule RI-C, including its use of general loan categories rather than specifically defined categories, would be more consistent with the methodologies institutions currently employ in determining the appropriate level for their overall ALLL and meeting the disclosure requirements of ASU 2010-20. At the same time, the data that would be reported in Schedule RI-C as modified should be sufficient to enable the agencies to more finely focus their analyses related to the composition of an institution's ALLL and the changes therein over time. In this regard, to aid in evaluating the appropriateness of the reported level of an institution's ALLL (for example, in periods between examinations and when planning for examinations), the disaggregated ALLL data by loan category could be reviewed in conjunction with the past due and nonaccrual loan data used in general assessments of the credit quality of an institution's loan portfolio. These credit quality data are currently reported for broadly similar, but not identical, loan categories in Call Report Schedule RC-N, Past Due and Nonaccrual Loans, Leases, and Other Assets.

The FFIEC and the agencies have decided to retain the proposed $1 billion total asset threshold for Schedule RI-C, which exempts 91 percent of all institutions from this reporting requirement. Given that institutions with $1 billion or more in total assets hold nearly 91 percent of the ALLL balances held by all institutions as of June 30, 2012, retaining this reporting threshold as proposed will enable the agencies to perform a more comprehensive and decision-

[1] Another commenter stated that it fully supported this commenter's recommendations.

useful analysis of the depository institution system, particularly in providing a better understanding of how institutions' ALLL practices and allocations differ over time for particular loan categories as economic conditions change. Furthermore, all institutions with $1 billion or more in total assets are subject to regulations that require them to prepare annual financial statements in accordance with U.S. generally accepted accounting principles.[2] Accordingly, such institutions should have processes in place to develop the disaggregated ALLL data required to be disclosed by ASU 2010-20, which are comparable to the data specified by Schedule RI-C as it has been modified in response to comments.

To allow institutions sufficient lead time to make any necessary adjustments to their data systems to report this modified disaggregation of their ALLL and the related recorded investment amounts by loan category and impairment measurement method, the agencies will delay implementation of new Schedule RI-C until the March 31, 2013, report date.

Consistent with longstanding practice, for the March 31, 2013, report date, institutions may provide reasonable estimates for any Call Report Schedule RI-C item for which the requested information is not readily available.

9. Payment or Gift to Respondents

No gifts will be given to respondents.

10. Confidentiality

Except for selected data items, the Call Report is not given confidential treatment.

11. Information of a Sensitive Nature

No information of a sensitive nature is requested.

12. Estimate of Annual Burden

Estimated Number of Respondents: 1,909 national banks and federal savings associations.

Estimated Time per Response: 53.76 burden hours per quarter to file.

Estimated Total Annual Burden: 410,511 burden hours to file.

The OCC estimates the cost of the hour burden to respondents as follows:

Clerical:	20% x 410,511 =	82,102.2 @ $20 =	$ 1,642,044.00
Managerial/technical:	65% x 410,511 =	266,832.15 @ $40 =	$ 10,673,286.00
Senior mgmt/professional:	14% x 410,511 =	57471.54 @ $80 =	$ 4,597,723.20
Legal:	01% x 410,511 =	4,105.11 @ $100 =	$ 410,511.00

[2] 12 CFR Part 363, Annual Independent Audits and Reporting Requirements.

Total:	$ 17,323,564.00

13. Capital, Start-up, and Operating Costs

Not applicable.

14. Estimates of Annualized Cost to the Federal Government

Not applicable.

15. Change in Burden

Former burden:	556,038 burden hours
New burden:	410,511 burden hours
Change:	- 145,527 burden hours

The change in burden associated with this submission is a combination of (i) a decrease in reporting institutions supervised by the OCC (2,035 to 1,909); (ii) a change from 53.49 (national banks) and 53.90 (thrifts) burden hours per quarter to file to 53.76 burden hours to file for both; and the removal of the system start-up burden for thrifts converting from the Thrift Financial Report to the Call Report (119,568 total hours).

The Thrift Financial Report was phased out as of the March 31, 2012 report date. Any system conversion and training for thrifts required to convert to the Call Report would have been completed. Therefore, the OCC removed its IC for the Thrift Financial Report to Call Report Conversion Process.

The items outlined above resulted in an overall decrease in burden of 145,527 hours.

16. Publication

Not applicable.

17. Exceptions to Expiration Date Display

None.

18. Exceptions to Certification

None.

B. COLLECTION OF INFORMATION EMPLOYING STATISTICAL METHODS

Not applicable.