FIRST TENNESSEE

All Things Financial.

May 31, 2011

Communications Division
Office of the Comptroller of the Currency
Mailstop 2-3
Attention: 1557-0081
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Washington, DC 20219
(Via email: regs.comments@occ.treas.gov)

Ms. Jennifer J. Johnson
Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW.
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(Via email: regs.comments@federalreserve.gov)

Mr. Gary A. Kuiper
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Attn. Comments, Room F-1086
Federal Deposit Insurance Corporation
550 17th Street, NW
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(Via email: comments@FDIC.gov)

Information Collection Comments
Chief Counsel's Office
Office of Thrift Supervision
1700 G Street, NW.
Washington, DC 20552
Attention: "1550-0023 (TFR: Schedule DI Revisions)
(Via email infocollection.comments@ots.treas.gov)

Re: Proposed Agency Information Collection Activities; Comment Request, 76 Federal Register 14460, March 16, 2011, Joint Notice and Request for Comment; Consolidated Reports of Condition and Income (FFIEC 031 and 041) **OCC**: 1557-0081; **FRB**: FFIEC 031 and 041; **FDIC**: 3064-0052; **OTS**:1550-0023 (TFR: Schedule DI Revisions)

Ladies and Gentlemen:

Thank you for the opportunity to provide comments on Call Report changes designed in part to capture data elements that will be used in the Large Bank Pricing scoring model (LBP) adopted by the FDIC Board on February 7, 2011.

We have two primary concerns with the proposal:

1. The definitions, as they appear in the Final Rule for "leveraged loans" and for "subprime loans," will yield a ratio that does not accurately represent the risk incurred and, therefore, we respectfully request that the FDIC reexamine the definitions of those terms.

2. First Horizon does not have the data on leveraged loans or subprime consumer loans as the FDIC has defined these terms, nor can the data be reasonably and consistently gathered.

Our comments follow on each of these.

First Tennessee Bank National Association
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Definitions
Higher-risk assets are defined as the sum of C&D loans (funded and unfunded), leveraged loans (funded and unfunded), nontraditional mortgages, and subprime consumer loans. These are one element of a scorecard, concentration measure, under the larger category of ability to withstand asset-related stress. It is applicable to both highly complex institutions and large insured depository institutions.

Our focus is on the definition of these two components of Higher Risk assets:
(a) leveraged lending and
(b) subprime loans.

We believe that the definitions provided misrepresent subprime consumer loans and leveraged commercial loans and securities. For instance,

- No bank considers a consumer to be "subprime" solely because the individual has been delinquent by a month on some payments twice in the past year, or two months delinquent once in the past two years. Extenuating circumstances could lead a creditworthy individual to temporarily fall into either of these categories.

- The definition provided for "leveraged loans and securities" does not take account of the purpose of the loan – e.g., whether it is for commercial buyouts, acquisition, or recapitalization – as in the February 2008 OCC Comptroller's Handbook. Nor does it consider collateral (except for real estate) or whether the loans are to or secured by government entities.

In the attached table , we outline our concerns and proposed resolutions for your consideration.

The Data Requested is Not Available Nor Verifiable
Following adoption of the rule, First Horizon began to analyze the requirements of the rule and take steps to determine if the necessary data was available. In that process, it has become apparent that First Horizon does not have the data on subprime consumer loans as the FDIC has defined these terms, nor can the data be reasonably and consistently gathered.

The 2001 Interagency Guidance definition of subprime consumer loans provide a range of characteristics. First Horizon classifies loans as subprime based on general consideration of the sets of characteristics prescribed.[1] We do not enter pass-or-fail on all of the range of characteristics, but just pass-or-fail on whether a loan is subprime. Our loan information systems do not have what the FDIC would require, so we cannot easily compile the data. The FDIC proposal eliminates all flexibility in an effort to achieve absolute consistency.

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[1] The 2001 Interagency "Expanded Guidance for Subprime Lending Programs" identifies subprime consumer borrowers based on a range of credit risk characteristics that "may include one or more of the following:" (1) two or more 30-day delinquencies in the last 12 months or one or more 60-day delinquencies in the last 24 months; (2) judgment, foreclosure, repossession, or charge-off in the prior 24 months; (3) bankruptcy in the last 5 years, (4) FICO score below 660 (depending on the product/collateral) or equivalent; and (5) debt service-to-income ratio above fifty percent. [emphasis added]

The definitions have created an untenable situation for First Horizon. We simply are unable to capture and report the data in a way that is defensible and auditable. The situation is so severe that, should the Call Report proposal move forward without modification, it would be impossible for us to attest to the data reported. We believe the ABA's Call Report proposal provides an opportunity to mitigate this serious problem in the near term until appropriate definitions can be constructed that both adequately reflect the risk exposures and can be reasonably and consistently gathered by all banks.

We note that in the final LBP rule, the claim was made that collecting the data should not be a problem as "data elements required to compute [these measures] are gathered during the examination process." Such a statement is inaccurate. It raises the question of whether the final rule inadvertently requires banks to provide more information than was anticipated to be provided. As noted above, banks do provide some data on these elements to their primary regulators – typically based on the 2001 Interagency Guidance or the 2008 OCC Comptroller's Handbook. However, the data currently provided are materially different in many respects from what is contemplated in the Call Report proposal since the guidance categorizes loans based on a range of possible characteristics, whereas the LBP rule categorizes based on whether any characteristic applies (regardless of other mitigating factors). Since the FDIC used numbers currently provided to calibrate its LBP model, it makes sense to realign the definitions to be consistent with current standards and practices – which have evolved over time to reflect true exposures.

Recommend Delay Pending Coordinated Reevaluation

Given the magnitude of any change that is made for reporting these data elements – and given their use in the assessment model that influences the relative prices that institutions will pay for FDIC insurance coverage – it is critically important to engage in a thorough discussion of what should be appropriate definitions of subprime and leveraged loans. This should be done on an interagency basis so as to avoid conflicting standards among regulators (which would require two sets of numbers to be collected).

We believe that the immediate harm can be mitigated by either delaying the inclusion of these elements in the Call Report or, if that is impossible given the implementation of the LBP rule, by using the Call Report instructions to enable reporting based on currently accepted practices for defining a subprime consumer or a leveraged commercial loan or security.

We hope that you find this helpful, and if you wish to discuss this further, we would welcome the opportunity.

Respectfully submitted,

Greg Jardine
EVP and Chief Credit Officer

Thomas C. Adams
EVP and Treasurer

Attachment

	FDIC Definition – Final Rule	Concern	First Horizon Proposed Definition
Subprime Loans	Subprime loans include loans made to borrowers that display one or more of the following credit risk characteristics (excluding subprime loans that are previously included as nontraditional loans) at origination or upon refinancing, whichever is more recent • Two or more 30 day delinquencies in the Last 12 months, or one or more 60 day Delinquencies in the last 24 months; or • Judgment, foreclosure, repossession, or Charge-off in the prior 24 months; • Bankruptcy in the last 5 years; or • Debt service to income ratio of 50% or greater, or otherwise limited ability to cover family living expenses after deducting total monthly debt service Requirements from monthly income. • Loans identified by an insured depository institution as subprime loans based upon similar borrower characteristics and securitizations where more than 50 percent of assets backing the securitization meet one or more of the preceding criteria for subprime loans, excluding those securities classified as trading book. Note: The definition excludes any reference to FICO or other credit bureau scores. The Rule focuses on borrower credit history.	The use of any single measurement (be it debt service to income, counters for current and historical delinquency, presence of any charge off without consideration of magnitude) is overly simplistic and does not take into account accurate and predictive risk segmentation schemes. The ability to accurately determine the required credit bureau attributes at the time of origination for an existing portfolio goes beyond the current capabilities of our loan information systems. It would our institution to examine every individual credit report obtained at origination, and developing a new process and data capture system to back fill this historic information. This leads to a best efforts attempt to reconstruct attributes which, depending on the institution, could result in disparate outcomes for similar portfolios.	Leverage the existing Interagency Guidance on the definition of what constitutes "subprime" lending.
Leveraged Loans	Leveraged loans include: (1) All commercial loans (funded and unfunded) with an original amount greater than $1 million that meet any one of the conditions below at either origination or renewal, except real estate loans; (2) securities issued by commercial borrowers that meet any one of the conditions below at either origination or renewal, except securities classified as trading book; and (3) securitizations that are more than 50 percent collateralized by assets that meet any one of the conditions below at either origination or renewal, except securities classified as trading book. Loans or securities where borrower's total or senior debt to	No distinction is made for purpose of the transaction: 1. No distinction is made for the type of transaction, type of collateral except Real Estate which is excluded or industry and or business activity. Note: Current definition of Leverage Finance is based upon a ratio substantially above industry's average. 2. Additional definitions as to what constitutes "borrower's total debt' will be needed to accurately calculate the ratio. Guidance on acceptable EBITDA calculations for loans to individuals will be required.	Leverage the existing 2008 OCC Comptroller's Handbook definition of what constitutes Leverage Finance.

	trailing twelve-month EBITDA (i.e. operating leverage ratio) is greater than 4 or 3 times, respectively. For purposes of this calculation, the only permitted EBITDA adjustments are those adjustments specifically permitted for that borrower in its credit agreement; or Loans or securities that are designated as highly leveraged transactions (HLT) by syndication agent. Note: The total liabilities to asset ratio test has been removed from the definition; the remaining tests are consistent with the OCC Handbook.	Reporting concerns: 1. New source system identifiers would have to be developed and approximately 31,918 loans would have to be reviewed in order to populate the indicator.	