From: Huntington National Bank, Ann-Margaret Sumnar

Subject: Call reports

Comments:

Jennifer J. Johnson
Secretary
Board of Governors of the Federal Reserve System
RE: Consolidated Reports of Condition and Income (FFIEC 031 and 041)

This letter is in specific response to the opportunity to provide comments on the 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.

Huntington Bank recognizes the goal of the inclusion of a Leverage Loan reporting metric is intended to capture an area of lending activity that is perceived to have an increased level of risk. Furthermore, it is reasonable to assume that if the percentage of these types of transactions represents a significant portion of the overall commercial loan assets of a financial institution, that institution is at a higher level of risk overall. It has been covered in previous discussions and communications that the proposed FDIC definition is extremely problematic as a result of it's much too broad classification of a Leverage Loan which does not include very important distinctions such as loan purpose and collateral position. It is understood that the primary risk within the Leverage Lending transaction is that the high debt levels as measured in relation to the company's earning ability and cash flow, increase the company's overall probability of default. Specifically, the high debt load resulting from the leverage transaction makes it more difficult to withstand changes in the economy, industry or company's own business plan resulting in a default. However, additional distinctions such as capitalization structure (short term vs. long, working capital vs. long term asset, secured vs. unsecured etc.) have significant impact on the actual risk (PD and LGD) of the loan. Without these distinctions, this measurement captures so much of a commercial portfolio of any large institution as to deem it a non-comparative parameter that provides no distinction between institutions.

It is understood that efforts are being made to review the viability of the definition and the information it provides. However, as this rule stands at this time, the reporting deadline of June 30, 2011 represents a significant problem for many banks as well as Huntington Bank. The efforts necessary to comply with the reporting as currently defined would require significant manual review of every loan over the $1mm threshold as the parameters outlined are not data points that are readily accessible and, in some instances, not available at all (i.e. original information on loans purchased in FDIC transactions). In addition, in many complex lending relationships, a consolidated review of the borrowing group would be required to be done by individual loan officers. These reviews would cover potentially thousands of loans across the portfolio. Even after these significant human efforts, which could take an inordinate amount of time, and given the potential population size to be reviewed, the data integrity could still be questionable. This issue raises the very significant concern of being able to confidently certify the results. In the long term major investments in manpower and/or technology that are not currently contemplated for many institutions will need to be made in order to report the parameters as outlined. The data would have to be manually populated for all loans on the books with tracking systems established to monitor the leverage points on a go forward basis. Even with this investment there will still be a population of loans for which the data is simply not available (i.e. original loan amount for purchased debt) and a significant population of loans that, due to their borrowing/corporate structure, will still require significant manual review on a quarterly basis. The reporting hardship that would be required would result in minimal to no benefit from a risk assessment as outlined above. Even if the investments are made as referenced, the completion of these efforts by the June 30, 2011 reporting deadline will be impossible for many institutions. To reiterate, the parameters as outlined in the FDIC rule ARE NOT in line with currently tracked, reported or available information on our loan portfolio and will be impossible to confidently and accurately report by the June 30, 2011 deadline.

I ask that you consider the proposed compromise to allow banks, for the June 30, 2011 call report, to report Leverage Loans based on parameters that conform with standards already established for providing such information to their primary regulator. This would allow the bank to more confidently report and allow adequate time to continue discussion on the best parameters to capture and report on a go forward basis.

Thank you again for your time and consideration on this very important matter.

Ann-Margaret Sumnar
Huntington National Bank