November 12, 2015

Legislative and Regulatory Activities Division
Office of Comptroller of the Currency
Attention "1557-0081, FFIEC 031 and 041"
400 7th Street, SW
Suite 3E-218, Mail Stop 9W-11
Washington, DC 20219

Gary A. Kuiper, Counsel
Attn: Comments, Room MB-3074
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, DC 20429

Robert deV. Frierson, Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, DC 20551

**Regarding: Proposed Agency Information Collection Activities; Comment Request FFIEC 031 and FFIEC 041**

Dear Sirs or Madam:

The Community Bankers Association of Illinois ("CBAI"), which proudly represents 350 Illinois community banks, welcomes the opportunity to comment on the Federal Financial Institutions Examination Council's ("FFIEC") approved proposal ("Request for Comments") to extend, with revisions, the Consolidated Reports of Condition and Income ("Call Report" or "Report"), which are currently approved collections of information for the Office of Comptroller of the Currency, Federal Reserve System, and the Federal Deposit Insurance Corporation (collectively

**CBAI is dedicated to exclusively representing the interests of Illinois community banks and thrifts through effective advocacy, outstanding education, and high quality products. CBAI's 350 members hold more than $80 billion in assets, operate 860 locations statewide, and lend to consumers, small businesses, and agriculture. For more information, please visit www.cbai.com.**

"Agencies"). CBAI acknowledges these information collections are mandatory for national banks, state member banks, insured state nonmember commercial and savings banks, and for federal and state savings associations.

Call Report data is submitted 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 serves a regulatory or public policy purpose by assisting the Agencies in fulfilling their missions of ensuring the safety and soundness of financial institutions and the financial system and the protection of consumer financial rights, as well as Agency-specific missions affecting national and state-chartered institutions (e.g., monetary policy, financial stability, and deposit insurance). Call Reports are also the source of the most current statistical data available for identifying areas of focus for on-site and off-site examinations. In addition, Call Report data is used to calculate institutions' deposit insurance and Financing Corporation assessments and national banks' and federal savings associations' semiannual assessment fees.

CBAI respectfully requests the Agencies' thoughtful consideration of our observations and recommendations.

**Background**

To put CBAI's comments in perspective, we are compelled to highlight the following as background information. The massive and oppressive regulatory burden facing community banks remains their greatest challenge. Much of the most recent regulatory burden had been inappropriately inflicted on community banks as a result of the despicable behavior of many too-big-to-fail ("TBTF") banks leading up to and during the financial crisis. While innocent of the sometimes criminal behavior of these TBTF banks, financial reform legislation and regulations meant to reign them in have also significantly impacted community banks - often times being characterized by the Agencies (while not mandatory) as "industry best practices". The avalanche of new regulations has forced community bankers to focus more of their precious time and energy on complying with regulations than on serving their customers and communities.

CBAI urges the Agencies to aggressively seek every opportunity to significantly reduce the massive and growing regulatory burden on community banks. Currently these efforts have been inadequate and the result continues to be a consolidation of community banks and the further

concentration of banking assets in the TBTF banks. If consolidation and concentration are the objectives of the Agencies then tragically these objectives are being accomplished. If consolidation and concentration are rightfully viewed as harmful to the financial system and our economy, then the Agencies' must recognize that their current regulatory reform efforts are insufficient to stem these tides and much more needs to be done.

CBAI appreciates that the Agencies are now beginning to recognize the devastating results of over and inappropriate regulation of community banks, and are seeking to remedy this situation. In this Request for Comments we welcome the Agencies efforts to streamline the Call Report and to promptly consider a short-form version of the Report. Survey results from the Independent Community Bankers of America ("ICBA") support a review and consideration of this regulatory relief as 86% of respondents said the amount of time spent on preparing the Call Report has increased over the last 10 years and 98% said a short-form Call Report would reduce their regulatory burden. These regulatory relief measures should be promptly implemented, but this is only the beginning of what needs to be accomplished by the Agencies to allow community banks to better serve their customers and communities.

**Call Report regulatory relief for community banks**

CBAI encourages the Agencies to implement meaningful Call Report regulatory relief for community banks. CBAI supports our national association's (ICBA) proposal to allow highly rated well capitalized community banks to file a short-form version of the Call Report in the first and third quarters of the year, while filing the complete Call Report at mid-year and year-end. This short-form version should consist of a limited selection of the most essential and existing schedules. This type of a short-form Call Report would provide the greatest degree of regulatory relief for community banks. We oppose an entirely new (albeit streamlined version) of the existing Call Report, as it would present an additional regulatory burden because it would require implementing and completing two different versions of the Call Report.

CBAI is aware of concerns from the Agencies that publishing a different Call Report version for only highly rated and well-capitalized community banks would allow users to more clearly identify banks with confidential regulatory issues. CBAI is confident that the Agencies can overcome this obstacle in such a way as to provide meaningful regulatory relief for the vast

majority of community banks, reasonable information for themselves and other users of Call Report data, while not inappropriately revealing the identity of banks with confidential regulatory issues.

**Community bank vs. credit union Call Report burden and Agencies' advocacy for community banks**

Credit unions are now indistinguishable from community banks and have grown to control a significant share of the banking services market. The total assets of credit unions now exceed $1 trillion, and the number of billion dollar credit unions has grown from 8 in 1991 to over 200 today. These billion dollar credit unions are larger than 90% of the nation's community banks. Credit unions are ever-seeking additional powers and they are supported in their relentless expansionist efforts by their "cheerleader" regulator – the National Credit Union Administration ("NCUA").

The financial reporting (Call Report) regulatory burden, however, falls disproportionately on community banks versus credit unions. It has been reported that Navy Federal, a $63 Billion credit union's financial report is 28 pages while the Call Report for a mere $50 million community bank is 80 pages – 2.8 times the regulatory burden on the community bank versus Navy Fed which is over 1,200 times larger than a $50 million asset community bank! This regulatory disparity, actually this discrimination against community banks and in favor of credit unions, must be addressed by the Agencies and the regulatory burden on community banks must be relieved.

While this and many other blatant and destructive competitive advantages of credit unions continue, we have heard from the Agencies that these are "political" not "regulatory" matters and the Agency leaders will not get involved in these types of "political" discussions – considering it inappropriate to their positions. CBAI strongly disagrees with this very narrow interpretation of the Agencies' responsibilities.

The original business model of credit unions is outdated as credit unions have long since strayed from their founding purpose. Credit unions have gone from serving individuals of modest means and with a common bond to now unfairly competing for the best consumer and business

customers by consistently violating their common bond requirement and using their tax advantage to undercut community banks in loan and deposit pricing. The loss of these quality customers by community banks to credit unions, from a deposit and loan growth, earnings, and credit risk perspective, negatively impacts the safety and soundness of community banks. It is the Agencies' stated mission to ensure the safety and soundness of the financial institutions they regulate. Therefore, it is entirely and rightfully within the Agencies' responsibilities to advocate, in the strongest terms necessary, against the unrelenting and unfair competition of credit unions against community banks. CBAI recommends the Agencies begin their aggressive advocacy efforts immediately.

**Conclusion**

Regulatory relief for community banks must be the Agencies number one priority. The regulatory burden has increased as a result of the financial crisis and the avalanche of regulation is causing community bankers to focus more on regulatory compliance than serving their customers and communities. The current Agencies' efforts at meaningful regulatory relief are insufficient and more needs to be done.

Every opportunity needs to be embraced by the Agencies to reduce the massive and growing regulatory burden on community banks. CBAI appreciates the Agencies addressing the Call Report burden. ICBA survey results clearly support the need for a short-form Call Reports. CBAI recommends that highly rated well-capitalized community banks complete the short-form version for the quarters ending March and September; and we are satisfied the Agencies will be able to provide this meaningful regulatory relief while not inappropriately revealing the identity of those banks with confidential regulatory issues.

Credit unions are a large and growing segment of the financial services industry, but regulatory burden, including the current Call Report requirements, falls disproportionally on community banks. The discrimination against community banks must be addressed by the Agencies in rulemaking but also in their advocacy efforts for community banks. While the Agency leaders avoid addressing community bank versus credit union issues because they view them as "political" not "regulatory" matters; in truth credit unions are impacting the safety and soundness of community banks, and it is the Agencies' stated mission to ensure the safety and soundness of the community banks they regulate. Agency advocacy for community banks should be publicly

embraced and begin immediately.

CBAI thanks you for considering our observations and recommendations. Please contact me at davids@cbai.com or 847-909-8341 with any questions that you may have.

Sincerely,

/s/

David G. Schroeder
Vice President Federal Governmental Relations

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