

Community Banks Push for More Changes to Call Reports

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WASHINGTON - Community banks are hoping regulators' recent decision to drop certain items from call reports is just the beginning of supervisory efforts to streamline the forms to reduce their burden. The reports have become a source of frustration for bankers, who say that preparing them has become increasingly time-consuming and that the level of data required is overkill. "It almost feels like a full-time job," to prepare the call report, said Laura Stewart, chief executive officer of the \$500-million Sound Community Bank based in Washington. "Any improvement to the level of detail we have to provide for the call report we would view, and I think most community banks would view, as an improvement." The Federal Financial Institutions Examination Council announced Sept. 8 that it was taking some immediate steps to reduce some of the call report burden, including eliminating some requirements and adjusting reporting thresholds. For example, the FFIEC raised the threshold for reporting insured time deposits to \$250,000 from \$100,000 (to match the existing deposit insurance limit). Though the industry welcomed the changes, they were viewed as minor alterations. They are hoping, however, that it is a signal the agencies intend to make more significant steps down the road. "I don't think what came out [on Sept. 8] was necessarily a game-changer," said Terry Jorde, senior executive vice president at the Independent Community Bankers of America. "We feel we are just at the beginning...but at least the process is starting and they are looking at this very closely." In a 2014 ICBA survey, 73% of respondents said that the amount of time spent on preparing the call reports had increased over the last ten years. Banks between \$100 and \$500 million of assets said they spent more than 100 hours preparing the reports, while banks with more than \$500 million of assets put the figure at more than 270 hours. Jorde said once regulators realized how much time the reports were taking, they went out and met with banks to find out what was happening. "They were really quite credulous actually that it was taking hundreds of hours to prepare the call report," Jorde said. "I think...they were under the assumption that a bank's core processing system just spit out the report every quarter." The review of the call report stems from the Economic Growth and Regulatory Paperwork Reduction Act of 1996, which seeks to identify unnecessary and burdensome regulations. The law requires regulators to review and eliminate any obsolete requirements every ten years. In its announcement, the FFIEC said it would accelerate its regular review of the data collection, increase communication with institutions to explain reporting requirements and identify opportunities to improve the reports. The agencies also said they would examine the possibility of having a short-form call report for community banks. "This represents a turning point because it seems over the last ten years or so they have just been continuing to add line items and there has been reluctance to delete line items," said Alison Touhey, senior regulatory advisor at the American Bankers Association. One of the options that community bankers are hoping regulators will enact is reducing the normal call report to twice a year, with a short-form report required for the other two quarters. Regulators have also looked at extending the exam cycle to 18 months for more institutions. McCall Wilson, president of \$300 million-asset The Bank of Fayette County in Tennessee, suggested that exam cycles could be tied to the level of detail of the call reports. "The examination and the detail of the call report should go together," Wilson said. "The more simplistic the call report is maybe the more frequent the exam should be but if they are going to have a very complex call report like they do now, don't come in." Certain schedules have also proved to be more challenging than others. Seventy-five percent of the ICBA respondents said the regulatory capital reporting requirement was the most burdensome. "You should know capital from a community banks perspective in one page," Wilson said. Stewart from Sound Community Bank added that the complexity of the report creates personnel issues. "If you have somebody skilled in that area and you lose them, it is not an easy recovery even if you cross-train," Stewart said. She added that when the in-house call report expert moves on "it is almost frightening to go through this cycle again because of the learning curve." She said that sometimes the goal of compiling certain data gets muddled up in the guidance regulators provide. "We are guessing in some of these line items," she said, referring to a particular issue between loan maturities and loan re-pricing. "If the goal is to understand more of the interest rate in an organization, what is important is when the loan reprices, not when the loan mature," she said. "But some of the instructions speak to maturity when I think the goal is to get to the timing of the repricing." Such issues are often not resolved

until an examiner comes in, she said. "If there was more guidance available, we wouldn't be in that position of arguing with the examiner or maybe refiling because our interpretation of an instruction and theirs was different," Stewart said. Some community banks also question whether the call report has gotten away from its stated task of making sure banks are safe and sound. "All of this reporting is not the answer, making good loans is the answer and making sure that bankers themselves have the time to be focused," said Jorde. Wilson agreed. "If the question is 'what is the purpose of the call report?', they don't need all this information they are asking for."