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March 19, 2003 *Delivered via e-mail.*

Information Collection Comments
Chief Counsel's Office
Office of Thrift Supervision
1700 G Street, NW
Washington, D.C. 20552

Re: OMB No. 1550-0023, Thrift Financial Report: Schedule CMR

To Whom It May Concern:

Acacia Federal Savings Bank appreciates the opportunity to comment on the proposed revisions to Schedule CMR as referenced above. Our institution has roughly $700 million in assets.

We would like first to address the four motivations of the OTS in proposing the revisions.

Flexibility: This is the crux of the issue and we believe the real reason for the proposed revisions. The OTS's NPV model is now about 12 years old. It is stale from a design perspective and in its current form very inflexible. It is probably a programming nightmare to introduce new fields to the schedule. Schedule RED would address these problems for the OTS. The benefits to the industry are arguable.

Simplification and Burden Reduction: While we cannot argue with the proposed mathematical reduction in the number of CMR cells, we do not believe that the burden of the reporting process will be reduced. Instead this reduction of CMR cells will be replaced by, and likely be exceeded by, the increased number of data points. In the end the industry's IT Departments and service bureaus will be kept busy making more changes to reporting systems. Thus, the new Schedule RED, coupled with the previously proposed changes to the TFR in "TFR Revisions, OMB No. 1550-0023", can be said to constitute a reporting burden.

Increased Data Detail: As noted above under Simplification and Burden Reduction we don't believe that the number of data points actually reported would decline. Depending upon an institution's balance sheet complexity and composition it could very likely find itself reporting significantly more data points on the RED.

We also encourage the OTS to give careful consideration to its premise that expanding the number of reporting buckets for a given asset or liability will greatly reduce the measurement error currently embedded within the NPV model. This process should not be confused with making the NPV model more accurate. For example, there are infinite cash flow possibilities associated with a pool of mortgages. If we subject a pool to discounted cash flow analysis, as is performed in the NPV model, the pool's weighted average note rate, weighted average original and remaining terms to maturity, etc., are only some of the variables in play. Crucial to the present value result is one's choice of discount rate and prepayment speed. These assumptions can vary greatly according to the geography of the institution and that of the borrowers. Further, the NPV model employs instantaneous, parallel and sustained rate shock assumptions to gauge the sensitivity to interest rate risk. This does not occur in the real world. Therefore, to suggest that introducing increased granularity will reduce measurement errors (a euphemism for greater accuracy) is itself inaccurate. The measurement error lies in the modeling assumptions.

New Attributes for Loans: We have several areas of concern with regard to this part of the proposal.

- We don't understand how collecting credit data will permit the OTS to "calibrate" the NPV model. The model is designed to measure interest rate risk, not credit risk.
- This credit data is not readily available on an automated basis at our institution. Although the OTS proposes to make these elements optional, making them permanent at a later date would present data collection problems for us.
- This appears to be another data collection exercise where the OTS is again choosing to be out ahead of the other bank regulatory agencies. As we noted in our comment letter regarding "TFR Revisions, OMB No. 1550-0023", the federal banking agencies are supposed to be working jointly toward more uniform reporting as required by the Riegle Act. Uniform reporting can only be accomplished through the FFIEC.
- The Basel II accord makes the additional analysis necessary to reduce one's capital component for credit risk a voluntary process. Not all institutions will derive benefit from it, nor will the amount of benefit be uniform between institutions. Therefore, it is presumptive of the OTS to assume that most of the industry is interested in collecting the data and performing the analysis.
- If the OTS ever envisions collecting this type of credit data in the future, it belongs on Schedule CCR.

Other comments regarding the proposal follow below.

- The OTS states that it is contemplating allowing the submission of account-by-account position data. On the one hand this would seem to simplify the process in that we would just transmit file extracts from our application systems. Data collection and report filing for CMR/RED and substantial portions of the TFR would no longer be required. However, we have grave concern about the distribution of such large volumes confidential data. We would literally be an

open book. The intentional or unintentional breach of this confidentiality, to say the stock analyst community, could be extremely harmful.

- In the CMR/RED Comparison Table, why are no 25 basis point coupon ranges contemplated for adjustable rate mortgages, adjustable rate other real estate loans, commercial loans and consumer loans? Would this not be an important distinction for ARM loans until they reach their first reset?
- If and when the Schedule RED is implemented, reporting institutions should expect to receive NPV model output that reflects the same level of detail as the input provided. That is, market values under the rate shocks should be provided for each row of data submitted on the RED.
- How would the proposed shortened deadline for filing Schedule CMR under the previous "TFR Revisions, OMB No. 1550-0023" come into play with regard to Schedule RED? We are still against any attempt to shorten the filing deadlines for the TFR or any supporting schedules.
- We do not believe that there would be any cost savings realized by the industry over time as a result of the proposed changes.

Yours truly,

Louis C. Kiessling III
Executive Vice President
Chief Financial Officer