

May 19, 2003

9

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

Subject: Comment Request-Thrift Financial Report
Schedule CMR

Gentlemen:

We have reviewed the March 19, 2003 release by the OTS proposing a new form for collecting risk exposure data to replace the Schedule CMR. We have several comments both as a subscriber to the accumulated data for the 11th District and as a data provider on Schedule CMR.

Current Quality Issues:

Schedule CMR has not been updated adequately to collect necessary information for the type of instruments the thrifts have acquired or purchased over the years. For example, the schedule has limited input options to capture necessary data to generate the cash flows of variable rate investments and thus to compute that instrument's market value accurately. The loan indices that adjustable rate mortgages are tied to are not captured in the CMR Report. One of the reasons contributing to the data incompleteness is that the schedule/form does not have any flexibility. The schedule is not conducive to changes as the data collection is form driven. Over time, the agency has added supplemental reporting to accommodate the capturing of additional fields for completeness of information. However, the process is not efficient for the data provider and filer of the report.

Additionally, as a subscriber of the Aggregated CMR Reports, the data contained in the reports could be vastly improved. For example, adjustable rate borrowings are being captured in the order of the institution's three largest positions (by index). Each position is then categorized as Group 1, 2 and 3. As the data is aggregated for all institutions, the aggregation is done at the Group level and not by index. As such, it does not produce meaningful data. Subsequently, the agency has begun reporting only the total aggregate principal balance of the adjustable rate borrowings. Because the portfolio rate of those borrowings is not provided, the cost of funds cannot be computed (although all other costing liabilities' balances and rates are provided).

Recommendations:

World Savings strongly supports the OTS' proposal to replace Schedule CMR with the new Schedule RED. World Savings would benefit from more detail information and accurate assessment of the institution's interest rate risk. As a subscriber of the consolidated data of RED, World Savings

would obtain more detailed information to better understand the functioning of the 11th District Cost of Funds.

However, we would suggest additional dialogue between World representatives and the OTS concerning alternative ways of data collection and delivery to better realize the OTS's major objectives of the reporting process: simplification, burden reduction and flexibility.

In concept, the OTS is on the right track in defining the new structure of the report form for data collection. But this is where further discussion is necessary to broaden the scope of the data collection process. For an institution such as World Savings, it makes sense to produce data tables, collections of data organized into rows (records) and columns (fields), and submit them to the agency in a data table file format (rather than filling out and filing required forms).

The data table file format can be thought of as a more current version of a tape format. The tape format supported a mainframe legacy system, whereas today many data and reporting systems utilize client/server platforms and database applications such as the Oracle Database. As such, if the OTS welcomes receiving tapes from its institutions, it should also welcome data file formats that can easily be read by its system (we understand that the OTS has indicated a desire to migrate to a client/server application like Oracle DB).

Each data table file will represent major asset, liability and derivative categories and the records will represent the associated financial instruments/securities. Each table will have all the same fields with instructions and definitions. That way, all the tables will be consistent whether or not all the fields will be supplied with the information. For example, a fixed-rate mortgage and a negatively amortizing adjustable rate mortgage will have some similar data field requirements. However, the adjustable rate mortgage would require additional information to model the cash flows and the value. In essence, OTS would become the creator of a large database (collector of tables), which it would maintain with the thrift institutions providing the tables of data on a regular interval basis.

We definitely support the elimination of the Schedule CMR and suggest that its replacement be a more flexible set of data tables (to be designed). We would be happy to conference with Mark Flood, the revision project manager, to review our position and recommendations in greater detail at your convenience.

If you have additional questions or wish to arrange a meeting, please contact us.

Sincerely,

William C. Nunan
Group Senior Vice President
World Savings Bank, FSB