

February 19, 2013

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Mr. Robert deV. Frierson  
Secretary  
Board of Governors of the Federal Reserve System  
20<sup>th</sup> Street and Constitution Avenue, N.W.  
Washington, DC 20551

Re: Notice of Proposed Rulemaking on  
Capital Assessment and Stress Testing Information Collection  
OMB Control Number: 7100-0341

Dear Mr. Frierson:

BB&T Corporation ("BB&T") appreciates the opportunity to comment on the proposed rule regarding capital assessment and stress testing information collection ("Proposal") published in the Federal Register on December 20, 2012. The Proposal would require large banking organizations with total consolidated assets of more than \$50 billion to submit additional information on FR Y-14Q/M form and to submit FR Y-14A forms semi-annually.

BB&T Corporation (NYSE: BBT) is one of the largest financial services holding companies in the U.S. with \$183.9 billion in assets and market capitalization of \$20.4 billion, as of December 31, 2012. Based in Winston-Salem, N.C., the company operates approximately 1,830 financial centers in 12 states and Washington, D.C., and offers a full range of consumer and commercial banking, securities brokerage, asset management, mortgage and insurance products and services. A Fortune 500 company, BB&T is consistently recognized for outstanding client satisfaction by J.D. Power and Associates, the U.S. Small Business Administration, Greenwich Associates and others.

BB&T believes large banking organizations should have a robust, forward-looking capital planning process that accounts for their unique risks, including regular, meaningful stress testing. The rules developed to achieve this important policy objective should be efficient and practical. While BB&T supports the Federal Reserve Board's ("FRB") overall objectives in issuing the Proposal, we have a number of concerns which are summarized below:

- Continual change in reporting requirements
- Forms lack consistent, comprehensive and detailed instructions
- FR Y-14M Residential Loan Schedules reporting for commercial-purpose loans
- Reporting should be focused on linking risk to capital institution viability
- FR Y-14M reporting deadlines for quarter-end reporting
- FR Y-14A reporting for baseline scenario
- FR Y-14 and FR Y-9C reporting are duplicative

**I. Continual Change in Reporting Requirements**

The FRB formalized the FR Y-14A/Q templates for Comprehensive Capital Analysis and Review (“CCAR”) 2012. The FR Y-14A templates replaced the CCAR 2011 templates and increased the granularity of reporting stress test results. The FR Y-14Q templates were a new regulatory reporting requirement implemented in 2011. The FRB revised the FR Y-14Q/M reporting three times in the past four quarters, including this Proposal. Each change was implemented less than one month after the comment period ended. This constant state of change does not permit respondents sufficient time to develop well-controlled reporting environments for the FR Y-14A/Q/M processes.

**A. Forms Should Remain Unchanged for Period to Permit Stabilization**

Constant changes to reporting requirements are distracting banking organizations from responsibly improving the capital assessment models and reporting process. Stable reporting requirements will permit banking organizations to achieve greater progress towards robust capital assessment processes. We encourage the FRB to limit future changes to FR Y-14A/Q/M reporting to one time per year and to not make any further changes before CCAR 2014.

**B. Continually Changing Process Requires Greater Coordination Between FRB and Bank Holding Companies (“BHCs”)**

The FR Y-14Q/M loan data collection schedules currently contain 454 unique fields. This Proposal adds 134 new fields, increasing the total unique fields to 589. Large banking organizations typically engage in multiple lines of business and, therefore, may have to report loan data from multiple source systems. The result is thousands of unique reporting fields for a single quarter’s submissions.

The ease of implementation varies across the numerous fields. The Proposed data fields may require collecting data from multiple sources. BHCs may need to change data capture, data management, and reporting processes to meet the proposed requirements. The continual change to the reporting requirements compounds the extent of implementation efforts.

BHCs are not only responding to new requirements from the Proposal, but also diligently responding to continual revisions to the reporting instructions. As the FRB clarifies reporting expectations through new instructions and the frequently asked questions (“FAQ”) process, companies must reassess and modify processes to assure their reporting processes align with the latest instructions.

The continually changing process requires a more coordinated effort between the FRB and BHCs to implement and stabilize FR Y-14Q/M loan data collection processes. We urge the FRB to provide guidance on the prioritization of data elements so process enhancements are implemented in a manner which aligns BHCs’ efforts with FRB

priorities. The guidance could group data elements in priority order (e.g., higher or lower importance) to conceal the identity of fields used in the FRB CCAR models.

## **II. Forms Lack Consistent, Comprehensive, and Detailed Instructions**

### **A. Instructions Should Be More Comprehensive and Detailed**

Detailed and inclusive instructions for completing FR Y-14A/Q/M schedules are necessary for accurate, complete, and timely responses, as well as consistency of responses among reporting institutions. The FRB provides relatively brief instructions for the FR Y-14A/Q/M schedules. The FR Y-14A schedules have 80 pages of instruction, largely focused on documentation requirements. By comparison, the well established FR Y-9C reporting has 515 pages of instructions. The lack of instructions yielded significant industry confusion which prompted the FRB to issue lengthy FAQs to clarify the requirements. The Proposal introduced several new fields with single sentence definitions, which do not always clearly convey reporting expectations. Clear and complete instructions for completing the data collection schedules would benefit both the FRB and the industry by reducing inefficiencies, minimizing resubmissions of reports, and increasing the accuracy and consistency among responses of the information submitted.

We recommend the FRB provide more comprehensive instructions for the FR Y-14A/Q/M schedules. When instructions change, the FRB should release a redline copy of the new instructions so changes are clearly identified. If new or revised instructions are released shortly before the submission date, the FRB should extend the deadline for submitting the report or make it applicable to the subsequent submission to allow banking organizations sufficient time to comply with the new requirements.

### **B. FAQ Process Should Have Consistent Instructions and Shorter Response Times**

The lack of comprehensive and detailed instructions necessitates a strong FAQ process. However, the FAQ process is currently inadequate because it results in material instruction changes close to reporting deadlines; features lengthy response times (2-3 weeks); and does not completely answer many questions. Questions submitted at least two weeks before reporting deadlines occasionally go unanswered until after the reporting deadline. The FAQ responses often provide inconsistent guidance, either from previous instructions or other FAQ responses. The current process occurs only through limited electronic means, precluding the opportunity to have detailed discussions around complex questions that would result in consistent, timely, and complete responses.

We encourage the FRB to consider making the following enhancements to the FAQ process:

- Provide clarification in FAQ responses without materially altering the instructions. If instructions need changing, the changes should be effective for the next reporting period.
- Use a secured website to track submission of and responses to questions so banking holding companies can verify receipt and status of questions.
- Improve the turnaround time for responses. The short time period for reporting deadlines necessitates greater responsiveness.
- Freeze the FAQ process at least ten business days before FR Y-14Q/M submission deadlines and at least fifteen business days before FR Y-14A submission deadlines. Questions asked at least five business days before the freeze date should be answered before the freeze date. If FAQ answers are released shortly before the submission date, the FRB should make the guidance effective for the next reporting deadline to allow banking organizations sufficient time to comply with the new requirements.
- Convene regular teleconference meetings between banks and the FRB during reporting timeframes. These calls will help address complex questions in a more complete and detailed manner. This enhancement could reduce the number of questions and reduce confusion regarding answers. The responses could be emailed to all banks after the conference call.

### **C. Certain Loan Data Fields Require Additional Reporting Options**

Certain loan data fields lack sufficient discrete reporting options. As a result, multiple loans may be reported with “other” or missing values. Some examples on the FR Y-14M loan data collection schedules include:

- Product Type (First Lien Closed-End 1-4 Family Residential Loan: Field 19) – Ten-year amortization term with a fixed rate loan should be an option.
- ARM Index (First Lien Closed-End 1-4 Family Residential Loan: Field 32) (Home Equity Loan and Line: Field 29) – WSJ Prime Rate should be an option.
- First Payment Date (Home Equity Loan and Line: Field 3) – an option should exist for home equity lines with a \$0 balance and no draws.

The FRB should consider adding more options to the aforementioned fields and other fields which often receive “other” or missing values. The FRB should ensure the new fields have sufficient reporting options to minimize the occurrence of “other” or missing values.

#### **D. Instructions Should Cover Data Limitations Assumed Through Acquisitions**

Many reporting fields ask for data at the time of origination. Examples include original interest rate, original loan-to-value, and original FICO. The Proposal adds fields for original property valuation method. If a BHC acquires an institution without experience at FR Y-14Q/M reporting, then the acquired institution may not have these fields in their loan systems. These fields will not convert over during systems conversion and the banking holding company will not have valid data to report. The current reporting instructions do not provide guidance for unavailable data on acquired loans.

We encourage the FRB to provide guidance for reporting original values on acquired loans. The guidance could provide for reporting the value available on or soon after the acquisition date instead of origination date. Additionally, we urge the FRB to remove the original property valuation method from the proposed FR Y-14M Domestic First Lien Closed-End 1-4 Family Residential Loan Schedule. The loan data collection schedules should generally have fewer data fields requiring data as of origination.

### **III. FR Y-14M Reporting for Commercial-Purpose Loans Secured by 1-4 Family Residential Real Estate**

The FR Y-14M Domestic First Lien Closed-End 1-4 Family Residential Loan and Home Equity Loan and Line schedules (collectively the “FR Y-14M Residential Loan Schedules”) include loans secured by 1-4 family residential real estate. This schedule asks for FICO scores and other fields obtained for underwriting decisions primarily based on an individual. However, collateral does not necessarily determine the basis for underwriting. Some loans secured by 1-4 family residential real estate are commercial-purpose loans with commercial risk grades or scores. These loans may be investor properties secured by non-owner occupied 1-4 family residential real estate. Small businesses may also have loans with guarantees secured by the owner’s home; the business would be the basis for the underwriting decision.

The data fields on the FR Y-14M Residential Loan Schedules do not adequately represent commercial-purpose loans. FICO score data is not the basis of underwriting decisions; may not be available in all cases, especially if the loan does not have a guarantor; and is not an accurate indicator of default risk. Commercial risk grades or scores may consider FICO scores, but also factor in other underwriting considerations resulting in a more robust and accurate indicator of default risk.

The Proposal increases the number of reporting elements for FR Y-14M Residential Loan Schedules. Increasing the number of reporting elements for commercial-purpose loans secured by 1-4 family residential properties adds little to no value when these loans are not attributed to the appropriate data collection schedule.

We urge the FRB to create new instructions for reporting commercial-purpose loans secured by 1-4 family residential properties. Commercial-purpose loans are defined as graded or scored loans not solely underwritten on the basis of individual cash flows and FICO scores. The FRB should consider the following changes to the FR Y-14M Residential Loan Schedules:

- Add a flag for commercial-purpose loans on these schedules so they can be modeled separately using commercial risk grades and scores instead of FICO scores.
- Replace the Current FICO field with two fields:
  - A risk grade type field with FICO score, commercial risk grade, and other internal risk score as reporting options
  - A risk score/grade field
- FICO score should be required only for loans which are not commercial purpose.
- Identify certain fields, such as the original FICO score, which do not make sense for commercial-purpose loans. These fields should be eliminated or made optional for commercial-purpose loans.

The FR Y-14A Summary schedule's Income Statement, Balance Sheet, and Retail Balance and Loss Projections worksheets should be changed such that closed-end loans secured by first liens on 1-4 family residential properties are segmented between commercial and non-commercial purpose instead of First Mortgage and First HELOAN.

#### **IV. Reporting Should Be Focused on Linking Risk to Capital and Institution Viability**

The Proposal increases the granularity of data reported on FR Y-14M forms and is intended to facilitate regulatory assessments of capital adequacy. It is unclear whether increasing the number of reporting items will materially enhance capital assessments and stress test modeling. The reporting requirements appear to have advanced beyond the linkage of risk to capital and an organization's viability. Once beyond the linkage of risk to capital and viability, the increased reporting does not add value. The Proposal is likely to result in an extensive and unnecessarily burdensome regulatory reporting exercise, providing ineffectual data for the use of bank management and distracting banking organizations from proactive risk management activities and enhancement of stress testing models and processes.

#### **V. FR Y-14M Reporting Deadlines for Quarter-End Reporting**

The FR Y-14M reporting schedules are due by the 30<sup>th</sup> calendar day after the last business day of the preceding calendar month. However, FR Y-14Q and FR Y-9C reporting schedules are due by the 45<sup>th</sup> and 40<sup>th</sup> calendar days after quarter-end for the first and other quarters, respectively. The FR Y-14M reporting schedules have elements which should reconcile with the FR Y-9C and aggregate with FR Y-14Q reporting elements to reconcile with the FR Y-9C. Thus, BHCs would benefit from synchronized reporting deadlines.

This Proposal adds 134 reporting elements to the FR Y-14M schedule. These elements may not all come from the same data source and can require additional time to compile and consolidate. Therefore, banking organizations would benefit from additional implementation time during the first reporting period, March 2013.

The FRB should consider changing the FR Y-14M reporting deadline to the 45<sup>th</sup>, 40<sup>th</sup>, 40<sup>th</sup>, and 40<sup>th</sup> calendar day after quarter-end for December, March, June, and September, respectively so the deadline aligns with the FR Y-14Q and FR Y-9C.

## **VI. FR Y-14A Reporting for Baseline Scenario**

The CCAR Summary instructions, issued November 9, 2012, state, “A BHC may use the same scenarios as the FRB baseline scenario if the BHC believes the FRB baseline scenario appropriately represents their view of the most likely outlook for the risk factors salient to the BHC.” The FRB’s Policy Statement, issued November 15, 2012, on the Scenario Design Framework states, “The baseline scenario will be developed around a macroeconomic projection that captures the prevailing views of private-sector forecasters (e.g., Blue Chip Consensus Forecasts and the Survey of Professional Forecasters)...” Thus, it is reasonable to expect BHCs to use the FRB baseline scenario for the BHC baseline scenario.

On November 11, 2012 the FRB issued instructions stating the FR Y-14A Summary schedule’s “Balance Sheet should tie to the DFAST capital worksheet for the supervisory scenarios and the CCAR capital worksheet for the BHC scenarios.” The instructions also require BHCs to file a separate BHC baseline and Supervisory baseline FR Y-14A Summary schedule, even if it uses the FRB baseline scenario for the BHC scenario. Thus, the same scenario has to be reported twice with different edit checks for the Balance on each filing. The inconsistent edit checks create additional work and require additional process controls. The baseline scenarios are primarily used to evaluate planned capital actions over the forecast horizon. The planned capital actions are reported on the CCAR capital worksheet for the baseline scenarios.

The FRB should consider implementing the following instructions for reporting the baseline scenario if the BHC selects the Supervisory baseline scenario as the BHC baseline scenario during CCAR:

- A single FR Y-14A Summary schedule should be submitted for the baseline scenario and the Supervisory baseline should be selected as the scenario on the FR Y-14A Summary schedule’s cover page. The CCAR and Dodd-Frank Act Stress Test (“DFAST”) capital worksheets should both be completed in this schedule.
- The Balance Sheet should tie to the CCAR capital worksheet for the BHC and Supervisory baseline scenarios. The Balance Sheet could tie to the DFAST capital worksheet for the Supervisory adverse and severely adverse scenarios.

The Balance Sheet should continue to tie to the CCAR capital worksheet for BHC stress scenario(s).

**VII. FR Y-14 and FR Y-9C Reporting are Duplicative**

The Proposal increases the frequency of FR Y-14A reporting for large BHCs (\$50 billion or more in total consolidated assets) to semi-annual. The FR Y-14A schedule includes an income statement, balance sheet, capital worksheet, and securities schedule. The FR Y-14Q reporting already includes pre-provision net revenue ("PPNR") schedules. The FR Y-14 reporting format is more granular than the FR Y-9C reporting format. The FR Y-9C is due on the same day as the FR Y-14Q and it also has an income statement (HI), balance sheet (HC), capital worksheets (HI-A and HC-R), and securities schedule (HC-B). It does not make sense to have duplicative reporting requirements in different formats, especially with the FR Y-14A reporting twice per year.

The FRB should consider changing reporting requirements for large BHCs to minimize the duplication between FR Y-9C and FR Y-14A/Q reporting. The FRB should also consider changing the FR Y-14Q/M reporting deadlines to be five days after the FR Y-9C deadline to provide more time for performing reconciliations between the different reporting formats.

**VIII. Conclusion**

In closing, while BB&T supports the overall objectives of this Proposal, we request the FRB consider the suggestions and alternatives presented herein, which we believe will help ensure these objectives are achieved. Thank you for the opportunity to comment on this important Proposal and for your consideration of BB&T's comments.

Sincerely,



Daryl Bible  
BB&T  
Chief Financial Officer