

Cooperative Credit Union Association

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Creating Cooperative Power

January 2, 2018

Amber Gravius
National Credit Union Administration
1775 Duke Street
Alexandria, Virginia 22314

Cooperative Credit Union Association, Inc. Comments on Request for Information on Electronic Loan, Deposit, and Investment Data Collection

BY EMAIL ONLY

Dear Ms. Gravius:

On behalf of the member credit unions of the Cooperative Credit Union Association, Inc. (“Association”), please accept this letter relative to the National Credit Union Administration’s (“NCUA”) Request for Information on Electronic Loan, Deposit, and Investment Data Collection. The Association is the state trade association representing credit unions located in the states of Delaware, Massachusetts, New Hampshire and Rhode Island, serving approximately 190 credit unions which further serve approximately 3.6 million consumer members.

The Association commends the NCUA for undergoing exam reform and modernization efforts, and for its commitment to transparency throughout the process. Such efforts include the adoption of an extended exam cycle for well-managed, lower risk federal credit unions, which has and will continue to result in more equitable and manageable examination conditions for credit unions. As you are aware, the Association and its members have been on the forefront of examination modernization efforts, and were among the first to publicly advocate for the return to an extended exam cycle for well-run credit unions. We welcome the NCUA’s commitment to its Exam Flexibility Initiative within the bounds of safety and soundness.

The Association appreciates the intent of the NCUA’s Business Innovation Office to standardize data collection to provide a consistent and objective examination experience as well as minimize onsite examination time.

The Request for Information on data collection appears to propose the application of a one-size-fits-all model to data collection that is not practical, and will not produce the neatly packaged data snapshot that the agency expects it to produce. At a time when small and mid-size credit unions are facing the most significant compliance, staffing, and resource allocation burdens in their history, the Association suggests that applying yet another standardized model will only frustrate the significant steps forward already made by the agency’s Exam Flexibility Initiative, rather than improve upon them.

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While standardized data collection can function well, the Association feels that given the variety and number of credit unions, vendors, and other third parties, and considering the limited resources at credit unions, that any mandatory one-size data collection effort would be nearly insurmountable for the majority of America's smallest credit unions.

The difficulty, cost, and length of time it takes to modernize and standardize data handling is significant. The recent changes to the Home Mortgage Disclosure Act reporting requirements provide a strong current example of an overhaul to standardized data collection that has proven to be very costly, time-consuming, and disruptive to the industry.

The NCUA in its RFI itself acknowledges that there are challenges with a standard data format. Credit unions use dozens of data processing systems and third party vendors for originating, recording, and monitoring loans, deposits, and investments. Additionally, there are many variations and platforms, including credit union-developed information technology systems, with varying data content and formats.

The agency's stated goal was that responses to the questions in the RFI will inform NCUA of the extent to which credit unions can provide data electronically in a standard format and identify data fields available for electronic collection. However, a laundry list of questions cannot reasonably expect to capture the range of differences that are experienced between credit unions and vendors of varying sizes and capabilities, nor the time and work that goes into capturing and reporting on that data.

Creating a strict, binary model that does not allow for non-standard deviations degrades the benefits that can be achieved by other aspects of the agency's Exam Flexibility Initiative, and could in fact be more onerous on credit unions than maintaining the current status quo. Given the volume, quantity, and specialization of products and services offered, as well as technology resources and infrastructure constraints, larger credit unions will incur costs by purchasing new systems and increasing staff hours and levels, while most smaller credit unions will face additional manual burden in order to comply.

While the goal of modernizing, formalizing, and standardizing data formats collected during examinations from their core processing and other systems is laudable, the Association suggests an alternative approach, and echoes the concept suggested by other stakeholders of a income tax filing system model that continuously tailors questions asked based on the respondent and previous responses. This model would allow a credit union to input data based on their specific needs. The model would adjust so that fields that can be entirely categorized as non-applicable at the outset would not appear nor require input. The model could also separate out compulsory versus noncompulsory data input.

The credit union should be able to use whatever system it has to generate and provide its data. The system should be able to ask the questions it needs, with key relevant indicator figures, and should include questionnaires on process compliance. Any system has to be able to accept, in any format, the data that can be provided by a credit union.

If a credit union keeps its indicators healthy regularly, examiner on-site field time can be reduced by examining such stable credit unions less often. Integrate this process with the extended exam cycle. The NCUA does this on a limited basis now. The Association suggests expanding this already established,

workable system instead of suggesting that every stakeholder in this industry change its data handling methods to be able to provide a new list of specific questions.

Examiners are trained to spot problem areas, and ask questions that are intended to weed out any problem areas or issues. Asking all parties all of the possible questions every time is not just standardization of process, it is unnecessary and unproductive.

As such, the Association suggests that the agency take a more measured approach in its attempt to modernize data collection procedures and policies. The Association suggests that further development of other recommendations of the EFI may be more productive, such as enhanced examinations of small federal credit unions, enhanced coordination of exams for FISCUs, and establishment of an NCUA and state supervisor working group, which will result in tangible and measurable time-saving and benefits.

For example, NCUA is currently working on a pilot program to enhance off-site exam procedures. The Association suggests that this may present the opportunity to implement a model similar to the tax income model. The Association has recommended that examiners carefully undergo offsite pre-examination analysis of every credit union to be examined. A tailored request list of items that require additional documentation or explanation should be provided after review of the data supplied by the model. This would eliminate the expenditure of time both for the credit union, and for the examiners, and would allow staff on both sides to dedicate resources to the more important aspects of the credit union's risk profile.

The Association continues to urge the NCUA to further rely on state regulators, and better coordinate the exam process with state examiners. In particular, the NCUA can and should rely on state examinations absent a specific insurance-related concern. This practice, combined with the use of offsite monitoring tools to assess the condition of credit unions remotely would assist in the allocation of supervisory resources to focus on problems and trends.

The Association recommends that any data collection proposal reconsider the impact that additional technology reporting and compliance would have on small credit unions' ability to serve their members, keeping in mind the lack of negotiable power wielded toward vendors, the additional record-keeping and compliance costs involved, overall automation and manual file-keeping transfer requirements unique to smaller institutions, as well as limited personnel and staffing resources.

Should the agency move forward with a standardized data collection method, the Association strongly urges that any such initiative should have reasonable implementation timeframes to comply with any reporting requirements.

Thank you for your consideration of these views. The Association appreciates the opportunity to provide input and I remain available to address any questions or concerns at pgentile@ccua.org that you or your staff may have at your convenience.

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Sincerely,

A handwritten signature in black ink, appearing to read "Paul C. Gentile". The signature is written in a cursive style with a horizontal line at the end.

Paul C. Gentile
President/CEO

PCG/kb