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Media Advisory

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Hyland Questions on Data Collection Outline Implementation, Uses

May 22, 2008, Alexandria, VA – National Credit Union Administration Board Member Gigi Hyland asked a series of pointed, practical questions at today's NCUA Board meeting regarding implementation of the Outreach Task Force's recommendations to collect data on federal credit unions' member income levels and financial services.

"The Outreach Task Force Report identified serious, specific recommendations to demonstrate how federal credit unions serve their members consistent with the purpose set forth in the preamble to the Federal Credit Union Act," said Board Member Hyland, who chaired the Outreach Task Force. "The recommendations on data collection considered and approved by the Board today will create a robust database to demonstrate how federal credit unions serve all their members within their unique fields of membership."

"I've received several opinion letters from professionals in the credit union system regarding the recommendations in the Outreach Task Force Report. I can't underscore enough how critical such feedback is in deliberations on these and other issues," noted Board Member Hyland.

In order to enhance credit unions' understanding of the issues considered at the Board meeting, below are the questions posed by Board Member Hyland at today's meeting on the data collection recommendations.

Q: What statutory authority does the Board have to proceed with the OTF recommendations regarding data collection? Some argue that there is no statutory mandate for collecting data. How would you respond?

A: Section 106 of the FCU Act authorizes NCUA to examine all FCU books and records, and requires FCUs to provide financial statements. Additionally, Section 120 of the FCU Act authorizes NCUA to investigate, research, and study the methods and benefits of cooperative saving and lending.

Q: And to clarify, these recommendations only apply to FCUs, correct? Not FISCUs?

A: Yes – these recommendations reflect regulatory issues rather than safety and soundness concerns.

Q: Is this “CRA-lite” for FCUs?

A: No. Unlike mandates and punitive actions for banks under CRA, there are no specific mandates or punitive consequences for FCUs under these recommendations. These recommendations are for data gathering to provide summary information of FCUs’ membership income profile. It also looks at the entire membership population rather than a limited population of only those with credit needs.

Q: Is this meant to require all FCUs regardless of FOM to serve low-income individuals? Why or why not?

A: No. It is meant to determine aggregate data to demonstrate FCUs are serving those they have been chartered to serve. Some FCUs have limited, if any, low-income individuals in their given FOM.

Q: Some argue that HMDA data and the Federal Reserve Board’s Survey of Consumer Finance (SCF) are sufficient to show that FCUs serve their members? How would you respond?

A: HMDA data is reflective of only certain credit products and does not show the demographics for the entire membership of a FCU. The SCF, which has been relied on by several groups, including the Government Accountability Office, is unreliable data. The SCF is a voluntary survey and does not contain a proportional representation of FCU members. The conclusions regarding FCU service are extrapolated from the limited responses. The proposed data collection would be for all FCUs, with a complete data set established in approximately a two-year timeframe.

Q: Some have argued that these recommendations are not commensurate with NCUA’s primary role of ensuring the safety and soundness of the credit union system. How would you respond?

A: Safety and soundness is one of NCUA’s statutory roles. As a federal financial institutions regulator, NCUA also has a supervisory and regulatory role. In its regulatory role, it is important for NCUA to evaluate FCU service to members and the benefits of cooperative saving and lending.

Q: Do these recommendations fit within those additional responsibilities? If so, how?

A: Yes. FCUs have a statutory duty to serve their membership, including those of modest means. In its role to enforce the FCU Act, NCUA has a responsibility to determine the fulfillment of FCUs’ duties. These recommendations will provide statistically valid data in the aggregate on FCU service to all members within authorized fields of membership.

Q: You’ve indicated that some of these recommendations have to be published for public comment. Please clarify which require public comment and clarify why some of them don’t require public comment.

A: The changes to the call report will require NCUA to update the paperwork burden previously approved by the Office of Management and Budget. The process to update the information collection under the Paperwork Reduction Act includes an opportunity for the public comment on the paperwork burden.

Q: Why are you recommending that the collection of financial services information be included in the 5300 Call Report? Why can't it be collected through the exam process?

A: NCUA already does a limited collection of financial services on the 5300 Call Report. The OTF recommended expanding that list. Collecting the financial services data as a part of the examination process would require updating NCUA's data infrastructure and reprogramming the examination system which would impose a burden on FCUs and NCUA.

Q: Do we typically publish for comment changes to our examination process such as collection of member income data?

A: No, the examination process is not a rulemaking, but is an internal practice. There is no requirement for a comment period for changes to NCUA's internal procedures and practice.

Q: Some might argue that even though public comment is not required for the collection of member income data, the Board should still issue this recommendation for public comment because of its importance. How would you respond?

A: It is true that this is an important issue. However, the collection of membership profile data does not require FCUs to do anything new. FCUs have been providing NCUA the necessary membership profile data since 1995, through AIRES. However, NCUA had not captured or analyzed the data in relation to FCU service to members before the Member Service Assessment Pilot Program (MSAP). The membership profile data collection is a change in the use of the information NCUA obtains through AIRES.

Q: Credit unions have expressed concern that these recommendations will simply be new fodder for examiners to criticize credit unions. Will these recommendations be part of NCUA's risk-focused exam? Why or why not?

A: No. Although the download of the credit union's data takes place during an examination, the work with the data and the generated information does not take place until the examination report is uploaded to NCUA's server. The examiner would not have the summary information available during the examination.

Q: Will examiners use the information to assign CAMEL ratings to credit unions?

A: No. The data would not be available and is not intended to be utilized during the CAMEL rating determination.

Q: Will examiners be able to compare individual credit unions to each other?

A: The data would not be available during the CAMEL rating determination and examiners will be specifically instructed against using any available information for such purposes.

Q: How do you propose to communicate with examiners about their role and that the data is not to be used to compare credit unions or assign CAMEL ratings during the examination process?

A: E&I would train examiners on the collection procedures and reiterate the purpose of the data collection.

Q: Others have raised concerns about privacy and how the data may be utilized by others (i.e., Congress, GAO, banks). Is the individual credit union data subject to

the Freedom of Information Act (FOIA)? Why or why not?

A: No, the individual FCU membership profiles will include proprietary information relating to FCU membership organization. Additionally, the membership profile is an examination work paper exempt from FOIA.

Q: Who would have access to the individual credit union data?

A: NCUA would have access to the information and would design a method for FCUs to obtain their individual proprietary information.

Q: How do you address the privacy concerns regarding individual member information?

A: NCUA will create FCU membership profiles on its central computers and will delete all member information immediately after creating each FCU membership profile to ensure member privacy.

Q: How do you address privacy concerns regarding financial services to members that would be included in the 5300 Call Report?

A: The 5300 Call Report currently contains limited information regarding financial services offered by credit unions. This information is already publicly available via NCUA's website.

Q: Several credit unions have expressed concern regarding the additional regulatory burden collection of the data would impose. Would credit unions have to collect the member profile information to submit to NCUA?

A: No, FCUs would not have to collect any information. NCUA would obtain the membership profile data from the AIREs share and loan downloads integrated with FCU operational systems.

Q: What about credit unions that are not automated?

A: NCUA will develop a method to obtain membership profile data from FCUs that are not automated that is not burdensome. In fact, any burden will be absorbed by the NCUA.

Q: In the Board Action Memorandum, you note that "NCUA staff should develop an alternate method to obtain membership profile data from these FCUs that will not impose any regulatory burden and will significantly minimize any potential indirect costs or other hardship." What type of costs and how much might be incurred?

A: NCUA anticipates no costs or hardships to FCUs because of the data collection.

FCUs that are not automated should not feel obligated to hire personnel or purchase equipment for the membership data collection.

Q: Could you please review the timeline for implementation of these recommendations if the Board approves them?

A: If approved, the membership profile and financial services data collection will begin in early 2009. Within approximately 24 months after the data collection begins, or in 2011, NCUA should have a complete data set. However, statistically valid information may be available as early as 12 months after commencement of data collection.

The National Credit Union Administration charters and supervises federal credit unions. NCUA, with the backing of the full faith and credit of the U.S. government,

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