

## BOARD ACTION MEMORANDUM

**TO:** NCUA Board

**DATE:** May 22, 2008

**FROM:** Office of General Counsel

**SUBJ:** Outreach Task Force  
Recommendations – Data  
Collection

**ACTION REQUESTED:** NCUA Board consideration of Outreach Task Force recommendations to: (1) collect federal credit union (FCU) membership profile data during the regularly scheduled examination cycle using Automated Integrated Regulatory Examination System (AIRES); (2) collect data on financial services offered at FCUs on the 5300 Call Report; (3) publish aggregate data on membership profiles and financial services in the NCUA Annual Report or other publication(s); and (4) develop a way for each FCU to obtain its proprietary membership profile data.

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**OTHER OFFICES CONSULTED:** All Regional Offices, Office of Examination and Insurance, Office of Corporate Credit Unions, Office of Small Credit Union Initiatives, and Office of the Chief Information Officer.

**VIEWS OF OFFICES CONSULTED:** Concurred.

**SUBMITTED TO INSPECTOR GENERAL FOR REVIEW:** Yes.

**BUDGET IMPACT, IF ANY:** Minimal.

**RESPONSIBLE STAFF MEMBERS:** Moissette I. Green, Staff Attorney, Office of General Counsel; Michael G. Ryan, Risk Analysis Officer, Office of Examination and Insurance; and, Marcia A. Sarrazin, Associate Regional Director, Region III.

**SUMMARY:** In 2006, NCUA initiated the Member Service Assessment Pilot Program (MSAP) to provide statistical data reflecting whom FCUs serve. MSAP analyzed member accounts from randomly selected FCUs, obtained information on the financial services offered by FCUs, and reported FCUs are serving the individuals and groups they are chartered to serve. Additionally, MSAP recommended the Board evaluate the appropriateness of collecting FCU member income distribution data as a part of NCUA's normal examination program.

NCUA convened the Outreach Task Force (OTF) in 2007, to, among other things, evaluate and determine the appropriateness of the MSAP recommendations. The OTF determined legitimate reasons exist to obtain FCU membership profiles and concluded an improved MSAP data collection model would benefit NCUA and FCUs. According to the OTF, collecting member income data would allow for an assessment of FCU membership profiles by charter type and size. The membership profiles would provide a better understanding of whom FCUs serve as well as credible data relating to FCU service to all members within particular fields of membership. The data would also allow NCUA to be responsive to Congress and other interested parties. Additionally, the FCU membership profiles would facilitate NCUA outreach efforts.

The methodology of the OTF reflects the many comments and concerns expressed at six regional Town Hall meetings. Of particular concern was designing a method that would involve as little regulatory burden as possible, as well as maintaining the privacy of individual FCU records. Accordingly, the OTF concluded using a method similar to MSAP to extrapolate income distribution from addresses and census tract data for member share accounts would meet NCUA's needs.

The OTF recommended the Board collect membership profile data for all FCUs using AIREs as the primary collection method. NCUA field staff would gather member address data through AIREs during the regularly scheduled examination cycle. This method provides for the most complete data and, more importantly, does not create a regulatory burden for reporting FCUs. The vast majority of FCUs voluntarily provide an AIREs download during examinations in accordance with Letter to Credit Unions 03-CU-05 (April 2003). NCUA should continue to use a method similar to MSAP. In addition, NCUA should obtain an ASCII (American Standard Code for Information Interchange) or other text file when an AIREs download cannot be obtained to ensure no burden is created by the membership profile data collection.

Additionally, approximately 86 FCUs maintain their share and loan files manually.<sup>1</sup> 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.

After obtaining member address information, NCUA should use geo-coding software to generate a membership income profile. The automated process would determine the census tract for each member account, extract median family income information from the U. S. Census Bureau, and create individual FCU membership profiles. The membership income profiles should be created

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<sup>1</sup> Of these 86 FCUs, 83 have less than \$2 million in assets, two have more than \$2 million but less than \$5 million in assets, and one has more than \$5 million but less than \$10 million.

at the central office instead of locally due to the size of the geo-coding database and the limited storage capabilities of examiner notebook computers. Additionally, the OTF does not intend this data to be a report card or other measurement for examiners to use as a determining factor for the CAMEL rating assigned to a federal credit union. Therefore, the membership profile data should be uploaded to NCUA central computers at the conclusion of an examination, and after the examination report is written and delivered to the FCU.

In order to protect member privacy, member address data must not be retained on any NCUA computer or server. A complete database of member income profiles for FCUs would be developed within approximately 24 months. Input from the Town Hall meetings indicated that if NCUA were to proceed with the membership profile data collection, it should also gather information on the types of financial services FCUs offer to provide a full understanding of how FCUs are serving their FOMs. Therefore, the OTF also recommended collecting information on financial services offered by FCUs to supplement the FCU membership profiles. The OTF suggested incorporating a schedule in the 5300 Call Report requiring FCUs to identify the financial services they provide. Using the 5300 Call Report may result in a nominal increase in the reporting burden for FCUs; however, the OTF concluded the use of a simple checklist would mitigate any potential burden.

The OTF recommended NCUA publish aggregate data on membership profile and financial services in the NCUA Annual Report or other publication(s). The aggregate data could be published by charter type, asset size, and FCUs with a low-income designation or an underserved area and would demonstrate how FCUs are serving their FOMs. The report could also include observations regarding the financial services offered by FCUs. The OTF recommends publishing only aggregate data on FCU membership profiles because the individual FCU membership profiles created during FCU examinations would contain proprietary information related to each FCU's organization. Although the membership profile and financial services data would be aggregated for use by NCUA, the OTF also recommended allowing FCUs to obtain their individualized proprietary information. The individual profile, when reviewed in conjunction with the annual information reported by NCUA, could facilitate FCUs' service to their members.

Under the FCU Act, FCUs are subject to examination by, must make their books and records available to, and must make financial reports to the Board. 12 U.S.C. §1756. The Board is authorized to investigate, research, and study the methods and benefits of cooperative saving and lending among persons of modest means, and publish the results. 12 U.S.C. §1766(f)(1). It is appropriate that the Board review and endorse the OTF recommendations since they represent a change in the use of the information NCUA obtains during examinations. Public notice and comment period are not required on the

recommended changes since they do not constitute a rulemaking under the Administrative Procedure Act, 5 U.S.C. §553. At the time the modifications to the 5300 Call Report are proposed, under the Paperwork Reduction Act (PRA), 44 U.S.C. §§3501 *et seq.*, the public will have an opportunity to comment on changes in the reporting burden, if any. Comments on the reporting burden will be requested when changes to the 5300 Call Report are submitted to the Office of Management and Budget for approval.

**RECOMMENDED ACTION:** Recommend the Board adopt the OTF recommendations and direct NCUA staff to: (1) collect the membership data necessary to develop FCU membership profiles using AIREs as the primary method of collection during the examination process; (2) develop an alternate method to collect membership profile data from FCUs that cannot provide an AIREs download; (3) collect the financial services offered at FCUs on the 5300 Call Report; (4) publish the aggregate membership income profile and financial services data; and (5) develop a way for FCUs to obtain their individual membership income profile.

**ATTACHMENTS:** Outreach Task Force Report.